



# Port of Alaska Tariff Service Review September 30, 2020





## Purpose of Meeting

- The Anchorage Municipal Assembly approved the Port Commission recommendation which set Petroleum and Cement Terminal Tariff rates as well as baseline tariff and PUA rates beginning January 1, 2020 through December 31, 2029
- In conjunction with this approval, the Assembly passed ordinance AO No. 2019-141 which requires:
  - The Port of Alaska and Administration shall report annually in September to the Assembly on the overall financial status of the Port, the sufficiency of the rate increases approved by this Resolution to finance the capital projects of the Port of Alaska Modernization Program, including savings toward intended capital projects, summary of revenue received and projected, Port users' reactions or response, availability of other financing, grants, or litigation settlement revenues. The Port and Administration shall also invite comments from the Port Commission and users' group and include them in the annual report.
- This meeting represents the required update for September 2020



## Summary of Original Financial Conditions that must be met

1. Debt service must be 1.30 or greater
2. Cash Operating Reserve 90 days or greater
3. Capital Reserve sufficient for bond covenants
4. By 2029, PCT user rates fully cover debt costs
  - Cost Causer, Cost Payer

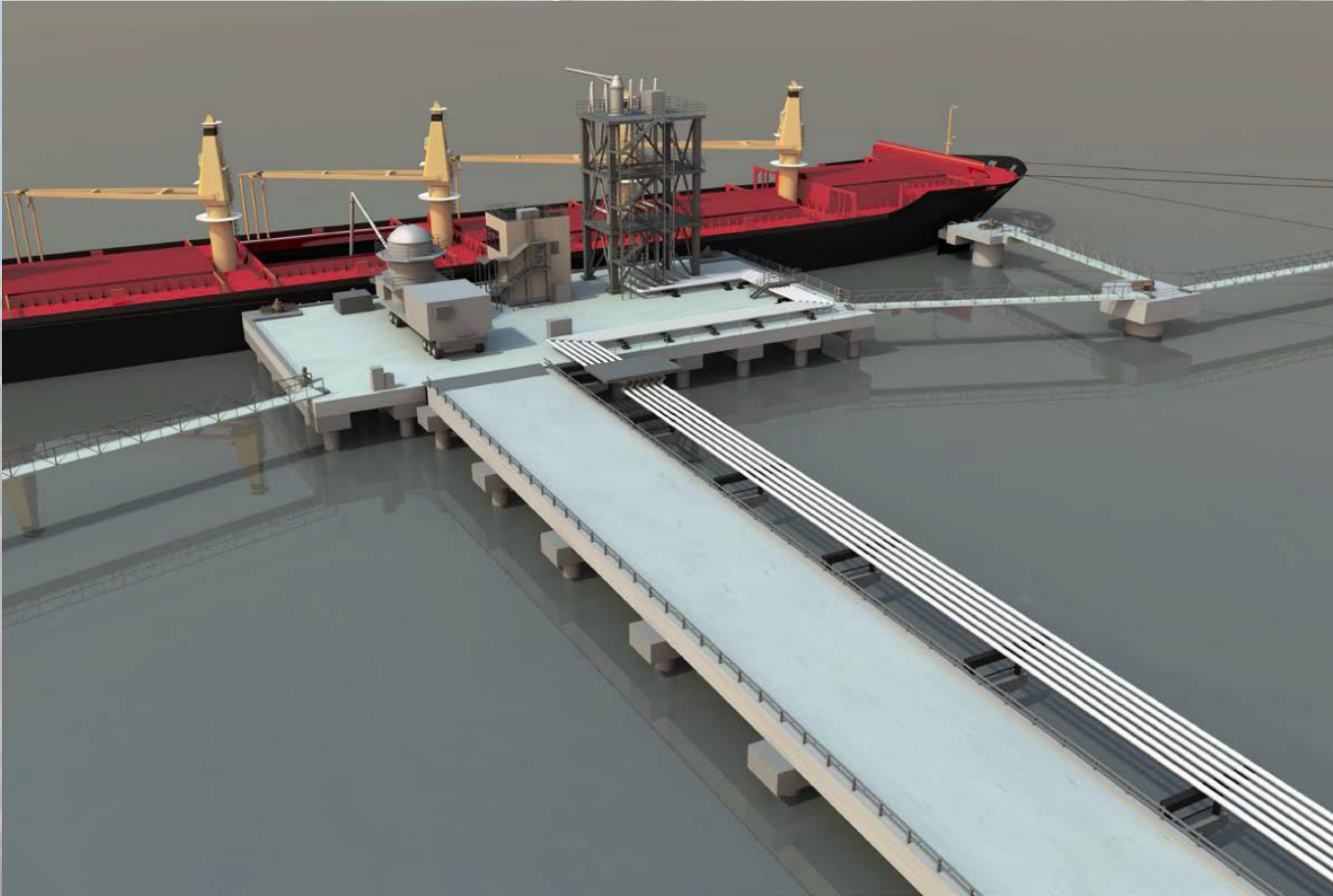
## Summary of Updated Financial Conditions that must be met

1. Debt service must be 1.35 or greater
2. Cash Operating Reserve 90 days or greater
3. Capital Reserve sufficient for bond covenants
4. By 2029, PCT user rates fully cover debt costs
  - Cost Causer, Cost Payer



# Scenario recommended by the Port Commission and approved by the Anchorage Assembly December 2019:

## \$81.0 Million Tariff Contribution for the Completion and Commissioning of the PCT



- \$81 Million with smoothed tariff rates
  - \$25 Million Build grants
  - \$56 Million Revenue Bonds
    - \$42 Million in 2021
    - \$14 Million in 2022
- PCT Rates increased to cover debt by
  - 20.31% in 2020 through 2021
  - 9.94% in 2022 through 2026
  - 5.64% in 2027 through 2029
- Total increases by 2029
  - Petroleum **\$0.1642**/barrel to \$0.5630
  - Cement **\$1.6700**/ton to \$5.7260



## 2020 Update

### \$83 Million Tariff Contribution for the Completion and Commissioning of the PCT



	<u>Original</u>	<u>Updated</u>
Total Cost	\$81m	\$83m
Grant Contributions	\$25m	\$37m
Revenue Bonds	\$56m	\$46m
- 2020	\$0m	\$20m
- 2021	\$0m	\$0m
- 2022	\$42m	\$0m
- 2023	\$14m	\$0m
- 2024	\$0m	\$26m



# 2020 Update

## Debt Service Assumptions



	<u>Original</u>	<u>Updated</u>
Premium	100%	120%
Interest Rate	4.30%	4.69%
Term (Years)	40	40
Debt Service Coverage	1.30	1.35
Debt Reserve	1 Year	1 Year



## 2020 Update Percent Petroleum and Cement Rate Increases



<u>Year</u>	<u>Original</u>	<u>Updated</u>
2020	20.31%	20.31%
2021	20.31%	20.31%
2022	9.94%	9.94%
2023	9.94%	9.94%
2024	9.94%	9.94%
2025	9.94%	7.22%
2026	9.94%	0%
2027	5.64%	0%
2028	5.64%	0%
2029	5.64%	0%

## 2020 Update Petroleum and Cement Rate Increases

<u>Year</u>	<u>Petroleum Rates (per Barrel)</u>		<u>Cement Rates (per Ton)</u>	
	<u>Approved</u>	<u>Updated</u>	<u>Approved</u>	<u>Updated</u>
2020	\$0.2033	\$0.2033	\$2.0676	\$2.0676
2021	\$0.2526	\$0.2526	\$2.5688	\$2.5688
2022	\$0.2853	\$0.2853	\$2.9015	\$2.9015
2023	\$0.3222	\$0.3222	\$3.2772	\$3.2772
2024	\$0.3640	\$0.3640	\$3.7016	\$3.7016
2025	\$0.4111	<b>\$0.4012</b>	\$4.1810	<b>\$4.0803</b>
2026	\$0.4643	<b>\$0.4133</b>	\$4.7224	<b>\$4.2031</b>
2027	\$0.5045	<b>\$0.4257</b>	\$5.1309	<b>\$4.3296</b>
2028	\$0.5329	<b>\$0.4257</b>	\$5.4203	<b>\$4.3296</b>
2029	\$0.5630	<b>\$0.4257</b>	\$5.7260	<b>\$4.3296</b>



# Recommendations

- In the interim, leave rates at existing levels
  - Even with reduced costs PCT rates do not become compensatory until 2025
  - Port equity continues to subsidize PCT rates to keep them “smoothed”
- Continue to monitor costs; re-examine annually
- Continue to monitor needs of PCT users



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