



Municipality of Anchorage

Office of the Mayor

Ethan Berkowitz, Mayor

August 15, 2017

Honorable Pete Kelly
Senate President
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801

Honorable Bryce Edgmon
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801

To Senate President Kelly and House Speaker Edgmon:

Submitted pursuant to Section 1, Chapter 5 FSSLA 2011 (pg. 20, line 16-18), please find attached the progress report for the fourth quarter of SFY 2017 from the Municipality of Anchorage regarding the Anchorage Port Modernization Program (APMP).

Additional information is available on www.portofalaska.com, or by request.

Please do not hesitate to contact me if you require any further assistance.

Sincerely,

Ethan Berkowitz
Mayor

cc: The Honorable Bill Walker, Governor
Alaska State Senate
Alaska State House of Representatives



**Anchorage Port Modernization Program
SFY 2017 Fourth Quarter Report
June 30, 2017**

INTRODUCTION

The Port of Anchorage (POA) provides critical infrastructure to support shipment of goods and fuel to a majority of the citizens of the State of Alaska. This includes fuel supplied to Joint Base Elmendorf-Richardson and Ted Stevens Anchorage International Airport.

The existing terminals have exceeded their design and economic life due to severe corrosion on piling and changing cargo transport practices. The Anchorage Port Modernization Program (APMP) will provide four new terminals for shipping companies calling on Alaska via the state's busiest import and intermodal freight distribution hub: Anchorage.

PROGRAM STATUS

Notice to proceed was issued to Kiewit-Manson Joint Venture for pre-construction phase services for the North Extension Stabilization Step 1 and South Backlands Stabilization (NES1/SBS) project. A geotechnical investigation and design alternatives analysis for the NES1 has been completed. Based on expected cost savings, the recommended concept for stabilizing the north end has changed from a closed-cell bulkhead to an armor rock revetment. Notice to proceed was also issued to Moffat & Nichol for independent cost estimating services to support the NES1/SBS progressive design/build process.

Notice to proceed was issued to COWI for the design of the Petroleum and Cement Terminal (PCT). The U.S. Army Corps of Engineers Alaska District (USACE-AK) did not receive approval to perform transitional dredging for the PCT in 2017. The Municipality has requested, through the Alaska congressional delegation, that USACE-HQ reconsider this decision. Additional options are being pursued to ensure that transitional dredging starts no later than June 2018.

See the attached phasing graphic and funding report.

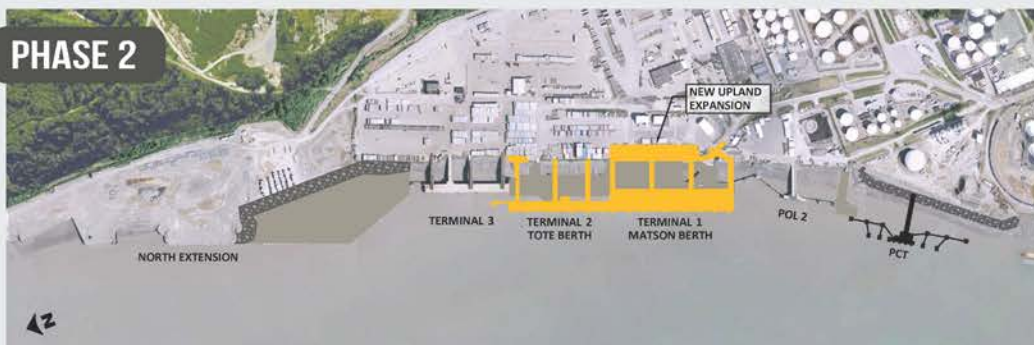
ANCHORAGE PORT MODERNIZATION PROGRAM



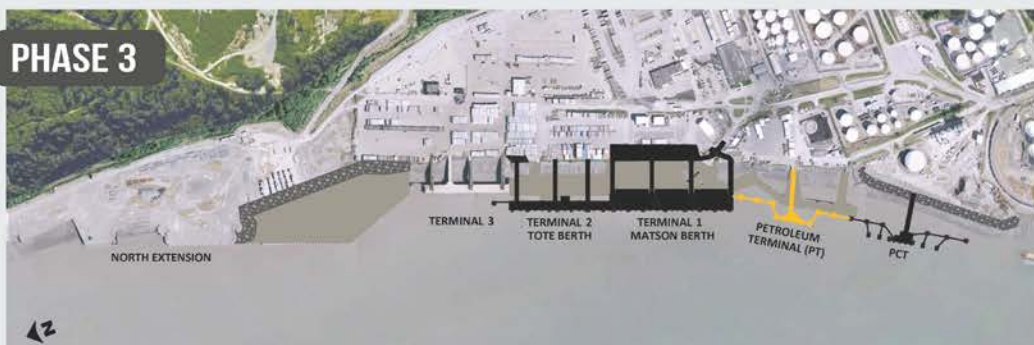
PHASE 1



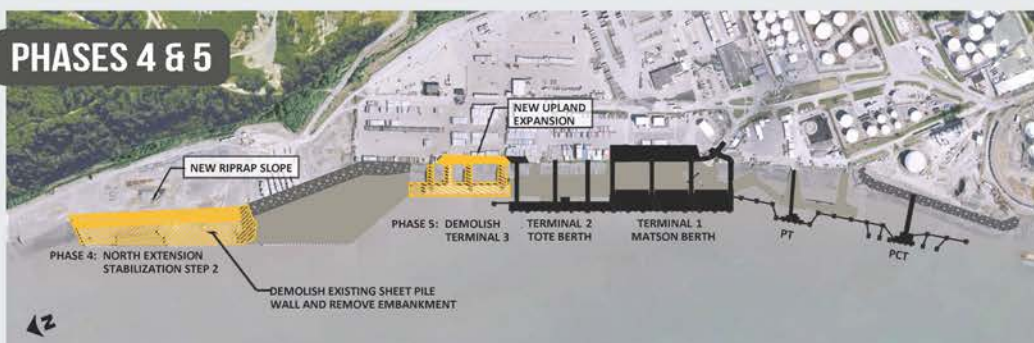
PHASE 2



PHASE 3



PHASES 4 & 5



Anchorage Port Modernization Program State Funding Report As of 06/30/2017



Phase 1	Funding	Committed	Incurred
Program Management	\$ 26,686,177	\$ 22,763,706	\$ 17,455,227
Misc Project Support	\$ 1,196,437	\$ 1,196,437	\$ 972,591
Test Pile Project	\$ 5,813,224	\$ 5,813,224	\$ 5,813,224
South Backlands Stabilization	\$ 13,352,000	\$ 133,602	\$ 85,388
North Extension Stabilization Step 1	\$ 24,825,216	\$ 1,427,208	\$ 432,969
Petroleum/Cement Terminal	\$ 54,922,961	\$ 759,350	\$ 45,987
TOTAL	\$ 126,796,015	\$ 32,093,527	\$ 24,805,387

Funding	Funding	Committed	Incurred
2012 State Capital Grant	\$ 29,266,015	\$ 7,009,661	\$ 6,785,815
2013 SB160 State Grant	\$ 47,530,000	\$ -	\$ -
2013 State GO Bond	\$ 50,000,000	\$ 25,083,866	\$ 18,019,572
TOTAL FUNDING	\$ 126,796,015	\$ 32,093,527	\$ 24,805,387

7/13/2017



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ADDENDUM

On Monday morning June 26th, during the *M/S Amsterdam* arrival, as a consequence of the cruise ship's maneuvering thruster operations, a longshoreman noticed a fender assembly break loose from the dock and fall over into the water. This is the first significant structural failure to occur under normal operating circumstances; it will not be the last. Three additional fender assemblies are in the same condition and require attention to preclude a similar failure.

See the graphic below.

This incident is indicative of the overall condition of the marine terminal facilities. It doesn't put too fine a point on the fact that, if we start the clock today, we are within 10 years of shutting down portions of the docks due to their inability to support operational loads any longer. Given that we have a design/build program that, under perfect conditions, will take 8 years to execute, puts us at the point of needing to procure necessary funding to continue without delay through means other than state capital grants. The eventual cost to Alaskans is yet to be determined.

Beginning of the end

Background: Port of Anchorage opened in 1961 and most of its docks have been in service for more than half a century. Facility has three general cargo terminals, one fuel and cement terminal and a dedicated fuel terminal that have all exceeded their design and economic lives. Engineers have determined that most of the dock's 1,423 wharf piles have lost up to three-quarters of their original thickness to age and corrosion. Fall 2016 inspection identified several corroded marine fenders that were designated for repair in 2017.

Monday, June 26, 2017

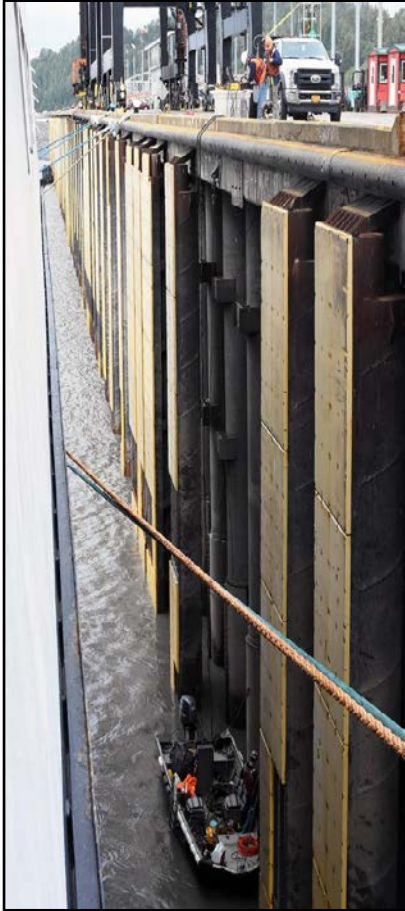
- **7 AM:** Holland America Line cruise ship MS Amsterdam arrives at Port of Anchorage Terminal No. 1
- **7:30 AM:** Vessel turbulence during docking breaks two severely corroded pin piles at the mud line, sheers mounting bolts . . . 57,000-lb dock fender breaks off of dock face and sinks into adjacent berth. Piling narrowly misses ship, Amsterdam not damaged and no injuries
- **7:45 AM:** Port officials dispatch surveyors to assess the situation
- **8:30 AM:** Port and ship officials determine that Amsterdam can safely remain at Terminal No. 1 until its scheduled 11 PM departure

Tuesday, June 27, 2017

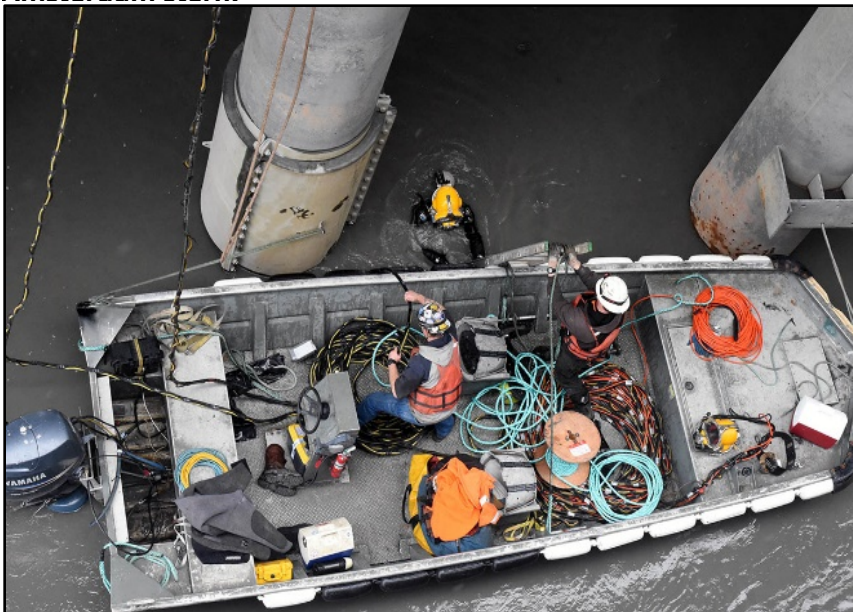
- **2 AM:** Divers and surface workers successfully remove fender assembly from berth
- **7 AM:** Matson Anchorage docks at terminal and starts regularly-scheduled, twice-weekly, container service

Conclusion: Anchorage docks:

- Have severe operational challenges
- Unlikely to survive a significant earthquake
- Losing their load-bearing capacity
- Will start closing in about 10 years, regardless of seismic activity or anything else
- ***The clock is ticking!***



Workers inspect failed marine fender site near MS Amsterdam stern.



Divers survey scene and rig failed fender assembly for lifting.



Crane lifts 57,000-pound dock fender out of ship berth at 2 AM on June 27, 2017.

CONCLUSION

The path forward is clear. The Municipality and POA are committed to orderly, efficient and timely port development with local control and accountability. The next phases of the program are to finalize the design and acquire permits; but the most important component is to secure funding for construction.

Stakeholders representing Port users and vessel operators, technical and subject matter experts, POA and Municipality leadership all support the selected concept design.

The Port of Anchorage is Alaska's largest port. It handles three-quarters of all Southcentral Alaska/Railbelt-bound, waterborne, non-fuel, freight and 95 percent of all refined petroleum products. It directly serves 85 percent of the state's population living and working in more than 250 cities, villages and communities. The Port is critical infrastructure for individuals, families and businesses across the state and is necessary to ensure Alaska's continued economic viability. The Port also serves the nation as one of 23 Department of Defense designated strategic seaports used to deploy U.S. warfighters' equipment and supplies internationally. However, the Port is more than half a century old and much of its critical infrastructure has exceeded its economic and design life. The Port needs modernization to safely and efficiently meet current and projected statewide shipping needs and to restore its resiliency to survive Alaska's harsh climate and seismic environment.

There is no other cargo importing facility in Alaska that can import and distribute cargo and fuel as quickly and efficiently as the Port of Anchorage. The facility is a centrally located, intermodal shipping hub that leverages port-related infrastructure including:

- Gantry cranes and roll-on/roll-off ramps that efficiently load and off-load containerized cargo,

- Specialized pneumatic pumps connected to a system of augured pipelines and bulk cement storage silos,
- Aromatic, distillate and low-sulfur diesel lines and facilities for fuel and lubricants – including more than 3 million barrels of fuel storage capacity,
- Cargo storage and handling facilities,
- Marine, rail, road, pipeline and air transport connection facilities.

Alaska should invest in securing and modernizing the Port of Anchorage to ensure continuous, economic and resilient cargo service that directly benefits most Alaska residents and businesses. The Municipality of Anchorage can, with continued State support, complete design and construction of a modern, efficient port facility that will:

- Renovate aging facilities to enable safe, reliable and cost-effective operation,
- Improve resiliency to enable facilities to survive seismic events and Cook Inlet's harsh marine environment with minimal operation disruption and a 75-year lifecycle,
- Update aging facilities to improve operational efficiency and sustainably accommodate modern shipping operations,
- Optimize facilities to accommodate changing statewide economic and market needs,
- Optimize program scope, schedule and budget to deliver a practical, timely and cost effective Port modernization program.