January 29, 2016

Honorable Kevin Meyer
Senate President
Alaska State Legislature
State Capitol Room 111
Juneau, AK 99801-1182

Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol Room 208
Juneau, AK 99801-1182

To Senate President Meyer and House Speaker Chenault:

This letter constitutes the progress report for the second quarter of SFY 2016 from the Municipality of Anchorage regarding the Anchorage Port Modernization Project (APMP).

Submitted pursuant to Section 1, Chapter 5 FSSLA 2011 (pg. 20, line 16-18), the Municipality of Anchorage reports quarterly progress detailing cost overruns and significant project scope changes. During the current reporting period there have been no cost overruns or significant project scope changes.

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

I look forward to discussing this project with you during session. 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
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 Project (APMP) will provide new terminals for shipping companies calling on Alaska via the state’s busiest import and intermodal freight distribution hub: Anchorage.

The concept design has been selected and approved and work is under way to complete the design work on shoreside facilities, two petroleum docks and bulk cement handling facilities. Kiewit Construction has been awarded a contract to perform a test pile program at the start of the 2016 construction season. This program will inform the new dock facilities’ final design so that cost figures can be more confidently determined.

TASK ORDER (TO) STATUS

The following project task orders (TOs) are under way:

Project Management/Construction Management Services (CH2M):

- Work in Progress:
  - TO 2 – Project Management Office (PMO)
    -- The electronic document management system is in use while full system development continues
    -- Maintaining budget and status reports
  - TO 4 – Test Pile Work Plan
    -- Administering construction contract w/ Kiewit
    -- Continuing permitting process
- **TO 5 – Precursor Activities for the Marine Terminal Designers of Record Procurement**
  
  -- The evaluation of design alternatives to ensure that one petroleum terminal and one general cargo terminal remain functional after a major seismic event has been completed. The trestles at terminals are anticipated to suffer structural damage during a major seismic event. The recommended design alternative provides for the deployment of prefabricated modular bridges (i.e. Bailey bridges) to temporarily serve as access trestles at POL-1 and Terminal 2 until permanent repairs can be made. Including the recommended design alternative in the APMP increases the project cost estimate by $12.5M. The POA received the endorsement of the MOA Geotechnical Advisory Commission for inclusion of the proposed design alternative into the APMP scope.

- **TO 7 – Precursor Activities for the North Extension Stabilization Procurement**
  
  -- Incorporating geospatial and ground survey data from TO 8 for preliminary civil design.

- **TO 8 – Landside Site Investigation**
  
  -- Final reports from the pre-design geospatial, ground survey, environmental and geotechnical activities are being submitted and reviewed.

- **TO 9 – APMP Permitting**
  
  -- APMP Permitting Recommendation Technical Memo has been completed. Recommendation is to execute three permitting actions: one for POL 1; one for the combined T1, T2, and POL 2; and one for the NES. Task order deliverables are complete, and the task order will be closed.

**Construction Services:**

- **Test Pile Program**
  
  – Contractor: Kiewit Infrastructure West Co.
  
  – Contract Amount: $5,653,900
  
  – Period of Performance: June 29, 2015 – August 1, 2016
  
  – Work in Progress: Testing of the soil samples from the geotechnical field borings is underway, and the draft geotechnical test results will be submitted in January. Test pile driving is planned to commence spring 2016, test pile lengths are being confirmed.

Port of Anchorage cargo terminals must operate at full capacity throughout the modernization project. Consequently, the project must be properly phased and Terminal 1 and 2
replacement and demolition work cannot begin until it has been fully funded to ensure that work can proceed to completion.

See the attached phasing graphic and the attached second quarter budget report.
## ANCHORAGE PORT MODERNIZATION PROJECT
### BUDGET REPORT

Data Through - **12/31/2015**

<table>
<thead>
<tr>
<th>Functional Area</th>
<th>Budget</th>
<th>Current Commitments</th>
<th>Uncommitted Funds</th>
<th>Estimate at Completion</th>
<th>Total Expended</th>
<th>% Spent</th>
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### Funding

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<td>2013 SB160 State Grant</td>
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<td><strong>TOTAL FUNDING</strong></td>
<td><strong>$126,796,014.86</strong></td>
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1/11/2016

POA AMP Report
CONCLUSION

The path forward is clear. The MOA and POA are committed to orderly, efficient and timely port development with local control and accountability. The next phases of the project are to implement the test pile program and finalize the design; but the most important component is to secure funding to replace terminals 1 and 2.

Stakeholders representing Port users and vessel operators, technical and subject matter experts, POA and MOA 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 laydown and 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 project scope, schedule and budget to deliver a practical, timely and cost effective Port modernization project.