# AK WA CONNECTION

EXPLORING THE ALASKA-WASHINGTON CONNECTION. 2014

**goinside**

:: Alaska Railroad rises to market challenges

:: Seattle offers premiere arts season

:: Airline flies Alaska salmon to market

**Alaska-Washington Connection**
**Released August 24, 2014**

*Alaska-Washington Connection is an annual advertising supplement of Business to Business Magazines, a division of Anchorage-based Petroleum Newspapers of Alaska LLC, which publishes the weekly newspaper Petroleum News, online at www.petroleumnews.com*

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Printed at Alaska Printing Inc., Alaska.

to MAGAZINES
Business to Business Magazines

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**Door-to-Shore Service in the Arctic serving the coastal villages of the North Slope Borough on the Arctic Slope of Alaska. For more than 30 years Bowhead Transport is the only marine common carrier with annual barge and remote site service originating in Seattle and serving Alaska from Ketchikan to Kaktovik. Courtesy of Bowhead Transport/Chris Arend**



## FEATURES


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# INTRODUCTION

2014 is presenting businesses active in the Alaska-Washington trade with a host of new opportunities. Bringing their unique goods and services into play in the dynamics of a revitalizing Alaska economy is part of what makes the enduring commercial relationship between Alaska and Washington work.

We, at the Alaska-Washington Connection, are pleased to provide you with a fresh look at the important events and dramatic developments that are shaping commerce in Alaska and among Washington businesses that serve the consumer and industrial needs of the Last Frontier.

This year we offer snapshots of the recent activities of Alaska and Washington companies such as Lynden, Alaska Air Cargo, Alaska Railroad, Pacific Northwest Equipment Inc. and Futaris that continue to thrive in the Alaska marketplace. We report on numerous developments in major sectors of Alaska's economy. We also provide updates on the ventures that challenged Alaska-Washington businesses during the year and the state-supported projects under way across Alaska that policymakers hope will rejuvenate the state's oil, mining and resource sectors, while providing relief from high energy costs to Interior and rural Alaskans.

The Alaska-Washington trade is populated by a host of innovative companies like Bowhead Transport Systems and its sister company, UIC Professional Services, MagTec Alaska and Taiga Ventures as well as growing family-owned businesses such as PNW Equipment Inc., NC Machinery, Seekins Ford and Kenworth Alaska.

Whether it is in large families of companies such as the subsidiaries of Calista Corp. and Arctic Slope Regional Corp. or small businesses like C-Nan Surplus Inc. of Auburn, Wash., the Alaska-Washington trade flourishes because of the intricate ties of supply and demand that connect the two regions.

C-Nan Surplus, for example, is the brainchild of Chuck Holmes, a longtime sales rep for GM Detroit Diesel in Washington and Alaska who today specializes in selling used two-stroke diesel engines and related parts that the company ceased manufacturing in 1985. Holmes' business reflects the kind of responsiveness to market demand that is demonstrated by numerous ventures throughout the Alaska-Washington trade.

Inspired entrepreneurships like Arctic Wire Rope and Supply Inc., Opti Staffing Group and Sophie Station Hotel owner Fountainhead Development Inc. of Fairbanks also contribute to the robust commerce that characterizes the Alaska-Washington trade.

—ROSE RAGSDALE

# Transportation sector keeps on rolling

## *Industry greets new DOT restrictions, a refinery closure, oil tax reform and other challenges it faces with cautious optimism*

**By ROSE RAGSDALE**
*Alaska-Washington Connection*

Transportation companies serving businesses in Alaska-Washington commerce faced numerous challenges during the past 18 months, everything from tightening regulatory limits to the ongoing effects of the closure of the Flint Hills refinery in North Pole, Alaska.

Yet this diverse group of businesses continues to look forward to the future, despite the host of concerns about Alaska's economic outlook that looms over them, especially pertaining to the ongoing debate over oil tax reform.

> *"It's been a good year and most of our members are busy and some are very busy."*
> **—Aves Thompson, executive director, Alaska Trucking Association**

"It's been a good year and most of our members are busy and some are very busy," said Aves Thompson, executive director of the Alaska Trucking Association.

Many of the Alaska trade association's 200 members are based in Washington state or have parents and/or sister companies with headquarters or offices in the Puget Sound area, evidence of the enduring connection between the two states.

"We continue to value our Washington connections. Some are over the highway and some are ships, but Washington is an important business partner," said Thompson from his base in Anchorage. "We value that connection, and we hope that they value us."

Operators in Alaska's transportation sector are almost as diverse as the modes of shipping that they use to meet the needs of their customers. From family-owned support companies like container specialist Pacific Northwest Equipment Inc., to multimodal shipping operations with international links such as Lynden Inc. and Saltchuk, the industry boasts unique service providers.

A wide spectrum of uncommon carriers serves Alaska's needs, everything from the Alaska Railroad Corp. to Alaska Native-owned Bowhead Transportation Systems. In addition vendors like Kenworth Alaska and Seekins Ford and infrastructure support companies such as Pacific Pile & Marine LP serve the industry that serves the public.

### Saltchuk purchases Carlile

Recent developments in the sector include major mergers of several transportation companies in a trend toward consolidation that participants say bodes well for the future.

Saltchuk Resources, a Seattle-based family of diversified transportation and petroleum distribution companies, purchased Carlile Transportation Systems in mid-2013 for an undisclosed sum in an amicable transaction.

One year later, company officials report that Carlile, one of the largest trucking and logistics companies in Alaska with about 700 employees, is operating as an integral part of Saltchuk's TOTE Logistics group.

Harry McDonald, former CEO of Carlile, now serves as managing liaison between the company and other Saltchuk companies such as Totem Ocean Trailer Express Inc. and Northern Air Cargo.

Carlile, founded in 1980 by McDonald and his brother, John, had grown from two trucks to more than 350 tractors at the time of merger. Still operated as a stand-alone company with its headquarters in Anchorage, Carlile has significantly increased Saltchuk's presence in cargo consolidation, warehousing, trucking and other logistics in North America with wholly owned terminals serving Alaska from Anchorage, Fairbanks, Kenai, Kodiak, Prudhoe Bay and Seward, as well as Seattle, Houston, Texas; Blaine, Minn.; and Edmonton, Alberta.

Through its companies, Saltchuk has invested significantly in Alaska over the past 35 years. Other Saltchuk Alaska companies include Delta Western, Inlet Petroleum and Cook Inlet Tug &

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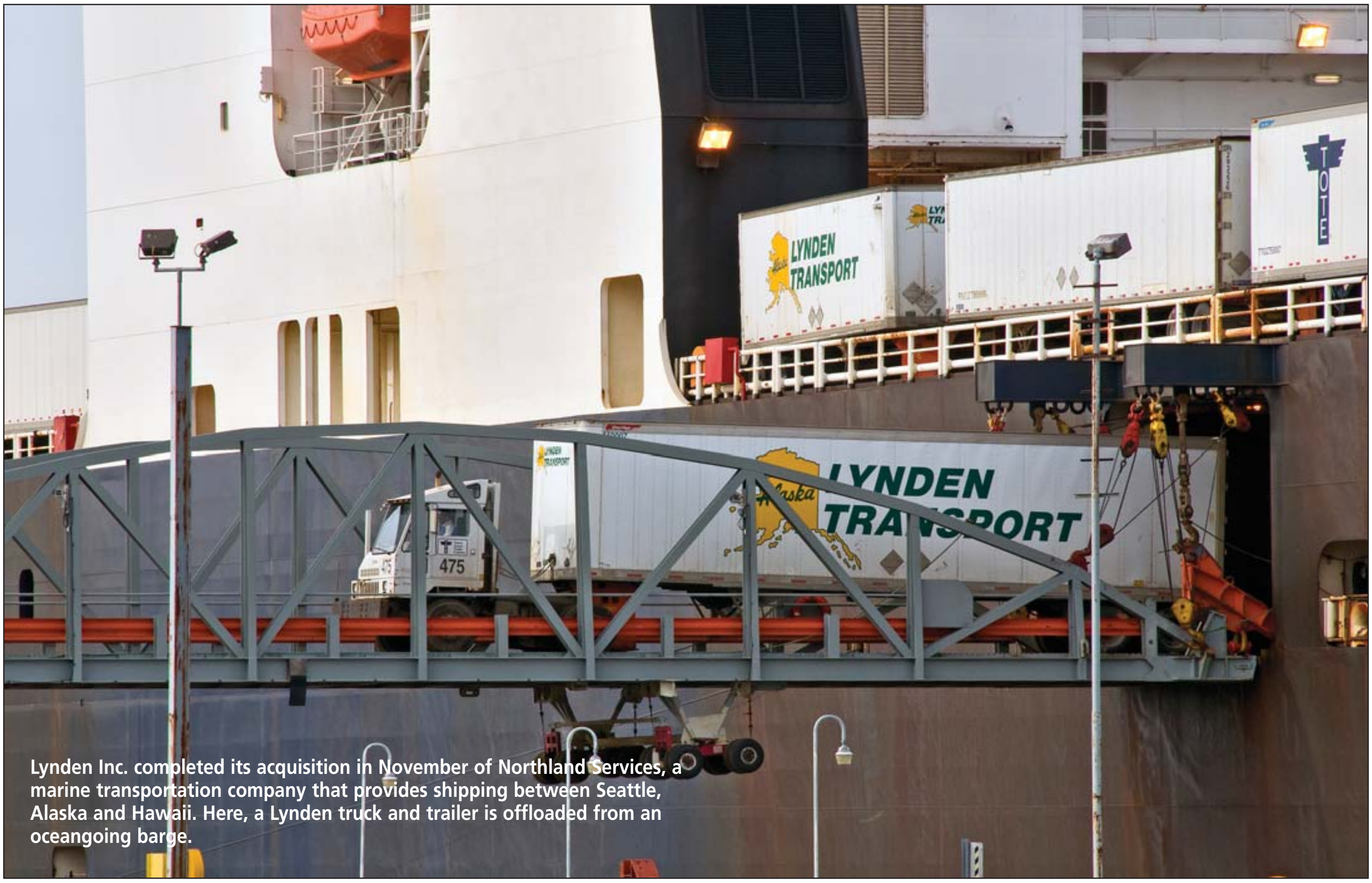


PHOTO COURTESY OF LYNDEN

Lynden Inc. completed its acquisition in November of Northland Services, a marine transportation company that provides shipping between Seattle, Alaska and Hawaii. Here, a Lynden truck and trailer is offloaded from an oceangoing barge.



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Barge.

**Lynden completes acquisitioin**

Lynden Inc. also completed its acquisition in November of Northland Services, a marine transportation company that provides shipping between Seattle, Alaska and Hawaii.

Since 1977, Northland has provided ocean freight transportation between Seattle, Alaska and Hawaii. The company's fleet of tugs and barges serves more Western Alaska and Hawaiian ports than any other marine carrier.

"Northland is a dynamic company with talented people and a great reputation," says Lynden President and CEO Jon Burdick. "Its barge capabilities to Hawaii and Western Alaska complement Lynden's current service offerings and allow us to provide expanded services to our customers. We can now offer integrated service to more Alaska destinations, with more frequency and greater combined capabilities."

Northland said it has built its reputation on dependable common carrier service and expertise transporting cargo to some of the most remote locations in the world. From Kaunakakai to Kotzebue, when people want to ship with confidence, people ship with Northland, the company says on its website.

Lynden said Northland's barge service from the Pacific Northwest to Hawaii also enhances its ship and air services to the islands.

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Further, the addition of Northland's Western Alaska barge services enables Lynden to service ports throughout the state of Alaska. Both companies share a commitment to keep customers' freight moving smoothly and efficiently through the transition process.

"Lynden provides an ideal situation to better serve our customers, our employees and the communities where we operate," Northland President and CEO Larry Stauffer said in a statement announcing the merger.

"We have seen significant growth in our business over the past decade, and bringing two great companies and teams together will help improve and expand service in the communities we serve," he added.

KENWORTH TRUCK CO.

Sales at Kenworth Alaska have picked up since oil tax reform legislation took effect last year.

### Alaska Marine Lines pushes efficiency

Alex McKallor, executive vice president of operations at Alaska Marine Lines, said the companies are excited about the new opportunities that will emerge from the combination of Lynden and Northland.

Alaska Marine Lines, meanwhile, continued it campaign for greater energy efficiency earlier this year by purchasing 200 new refrigerated units. The Star Cool "reefers" achieve the industry's lowest energy consumption by matching the compressor speed to the required heat load of the container rather than running at a single constant speed. In addition, the box and refrigeration equipment are built as one unit with an insulation system designed to minimize energy loss.

"At Lynden, we foster a culture of customer service, innovation and efficiency with a focus on protecting the environments where we do business," McKallor said. "We operate under a company-wide "Green Initiative" and adopt programs

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## TRANSPORTATION

and practices that reduce our environmental impact. Investing in this new energy efficient equipment is part of that effort."

Alaska Marine Lines already uses a time-share system on frozen loads, greatly reducing energy consumption, and the new Star Cool reefers will allow the same energy saving results for chill loads. The energy saved will make it possible to power more units during Alaska's peak fish season to accommodate high volumes for customers without additional generators, energy use and fuel costs.

During the past two years, Alaska Marine Lines phased out its 220-volt reefers and transitioned to more energy efficient 440-volt units. The company has worked to reduce fuel use and conserve energy in other areas as well. Working with partner Western Towboat, fuel and route optimization has reduced fuel use without compromising service. At the Seattle terminal, lighting and heating upgrades have reduced electric and natural gas use, and new electric forklifts emit 50 percent fewer greenhouse gas emissions than the older propane units.

Alaska Marine Lines also works with local communities and other Lynden companies to support recycling efforts around Alaska. The company moves nearly 3,500 tons of recyclables each year from Anchorage to Seattle for Alaskans for Litter Prevention and Recycling, helping to make drop-off recycling free and convenient for residents. In Cordova, the company donates shipment of gill nets for the Copper River Watershed Project as well as aluminum cans and cardboard where proceeds from recycling go to the local high school.

*"The refinery closing actually may help trucking because more trucks will be needed to haul fuel from Valdez and other places."*
**— Jim Scherieble, general manager, Kenworth Alaska**

Along with sister companies Lynden Transport and Alaska West Express, Alaska Marine Lines has earned Alaska's Green Star Award, recognizing businesses that practice waste reduction, energy conservation, and pollution prevention.

The Lynden family of companies also includes Lynden Transport, LTI Inc., Milky Way, Alaska West Express, Lynden Air Cargo, Brown Line LLC, Lynden International and others with combined capabilities that span the full spectrum of commercial transportation services.

### Coping with new federal rules

In the trucking sector, among the top current issues is added costs imposed on the industry by the U.S. Department of Transportation's recent change in its hours of service rules for truck drivers.

DOT's Federal Motor Carrier Safety Administration imposed the new regulations in July 2013 after several years of study and litigation. The changes are designed to improve safety for the motoring public by reducing truck driver fatigue.

Experts say working long daily and weekly hours on a continuing basis is associated with chronic fatigue, a high risk of crashes and a number of serious chronic health conditions in drivers. It is estimated that the new safety rules will save 19 lives and prevent roughly 1,400 crashes and 560 injuries each year.

Trucking companies were given 18

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# TRANSPORTATION

months to adopt the new rules for truck drivers. First announced in December 2011, the rules limit the average work week for truck drivers to 70 hours (down from 82 hours) and mandated a 30-minute break in the first eight hours of a shift to ensure that all truck operators have adequate rest.

DOT also required a 34-hour break between workweeks, stating that the hiatus must include two consecutive 1 a.m. to 5 a.m. periods.

Proponents said only the most extreme schedules were affected, and more than 85 percent of the truck driving work force saw no changes.

Industry representatives say it's the latter rule that is causing the most problems. The many drivers who work Monday through Saturday can no longer begin their Monday shifts before 5 a.m. — a virtual necessity for early-morning deliveries, they say.

Thompson said the ATA planned to work with DOT to find ways to accommodate the needs of its members, while complying with the new rules.

### Refinery closure brings changes

A significant change earlier this year in Alaska's transportation sector resulted when the Flint Hills Refinery in North Pole shut down its petroleum refining operations. The longtime supplier of fuel to Interior customers ceased the production of gasoline in early May and soon after, halted refining jet and diesel fuel

Flint Hills Resources Alaska, owned by Koch Industries, announced in February that it was permanently closing its 215,000 barrel-per-day-capacity refinery this spring because of economic factors, including the high price of Alaska North Slope crude oil and ongoing costs associated with the cleanup of sulfolane that began many years before it bought the property from the Williams Cos.

Spills of the solvent began in the 1980s when Williams owned the property. Flint Hills bought the refinery in mid-2004.

After Flint Hills' announcement, the Greater Fairbanks Chamber of Commerce expressed deep concern about the impact of the refinery's closure on the Interior Alaska community, Flint Hills' employees and their families, and on the State of Alaska.

"The refinery adds value to one of Alaska's greatest natural resources and is a major economic driver in the Interior," the chamber said in a statement.

Flint Hills plans to continue to market fuels purchased from another source through its terminals in Anchorage and Fairbanks. Over the summer, the North Pole refinery was transitioned into a terminal for fuel transported to the Interior by tank cars on the Alaska Railroad. Known as the Flint Hills Alaska Terminal Group, the tank farm was expected to retain about 35 of the former refinery workers to run its operation, which can store 720,000 barrels of fuel. Most of Flint Hills' remaining 91 employees in North Pole were expected to seek other jobs with the company in the Lower 48.

The refinery, meanwhile, is undergoing decommissioning in order to keep its complex piping systems in good condition. If a buyer for the refinery is found, the facility could go back into

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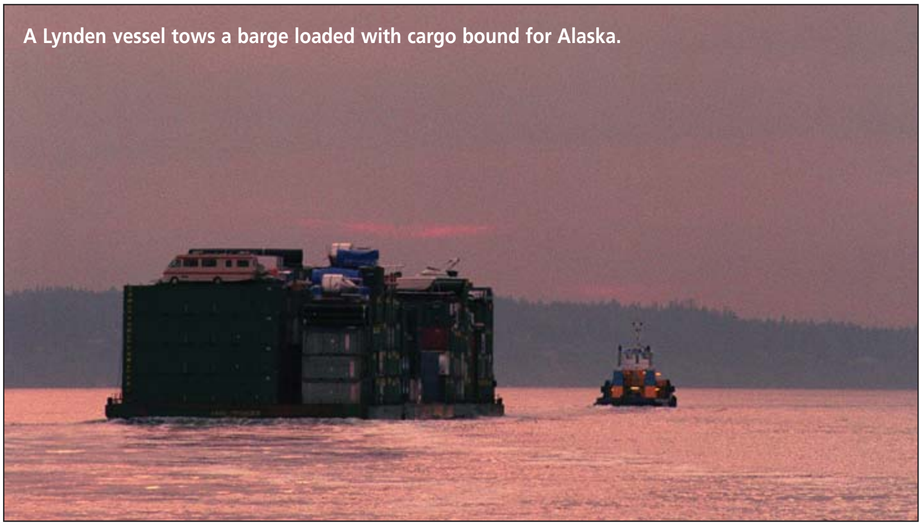
operation.

The end of the refining operations is expected to effectively eliminate the Alaska Railroad's Fairbanks-to-Anchorage fuel-hauling business and deliver an annual $11 million blow to railroad revenue.

The railroad continues to run five trains a week to Anchorage for various customers.



A Lynden vessel tows a barge loaded with cargo bound for Alaska.

PHOTO COURTESY OF LYNDEN INC.

### Customers scrambling

Large commercial customers of the refinery scrambled this spring to find other sources of fuel.

"Some things are somewhat in flux," said Harry McDonald, managing liaison between Carlile Transportation and its new parent company, Saltchuk.

But some of the impact of the refinery closure on the trucking industry might be positive.

"The refinery closing actually may help trucking because more trucks will be needed to haul fuel from Valdez and other places," said Jim Scherieble, general manager of Kenworth Alaska.

"In fact, the industry could be facing a shortage of drivers, mechanics and labor," he added.

The shutdown also eliminated a local supply of large quantities of asphalt in the Fairbanks area. This resulted in the need for "a lot more trucking" to supply Interior customers with asphalt in sufficient quantities, McDonald said.

Petro Star Inc. also stepped into the breach to relieve some pressure from the fuel supply shortfall. The company's 22,000-barrel-per-day North Pole refinery, which had about one-tenth the capacity of the defunct Flint Hills facility, produces kerosene, diesel and jet fuels for residential, commercial, industrial and military customers.

### Naphtha from Petro Star

In July Petro Star, which is owned by Arctic Slope Regional Corp., took over as the supplier of a naphtha blend used to fire three Golden Valley Electric Association generators in North Pole. The co-op uses the naphtha for its 60-megawatt North Pole Expansion plant, which burned about 23 million gallons of the fuel last year, at a cost of about $61 million, or roughly one third of GVEA's annual fuel bill.

Petro Star also owns a 60,000-barrel-a-day refinery in Valdez, Alaska that produces ultra-low sulfur diesel, commercial jet fuel, military JP-8 and JP-5 jet fuel, marine diesel, home heating oil and turbine fuel. Most of this fuel is trucked to the Valdez Petroleum Terminal and loaded on barges for delivery to the Air Force, Coast Guard, Anchorage airport and various clients in Southwest Alaska. Other customers include Alyeska Pipeline Service Co. in Valdez and businesses throughout Interior Alaska and Canada.

Vendors like Kenworth and Seekins Ford of Fairbanks like to keep track of changes, both in-state and out-of-state, that could affect the Alaska economy.

Scherieble said sales at Kenworth have picked up since oil tax reform legislation took effect last year.

A plan under way to construct a liquefied natural gas project at Prudhoe Bay also has spurred truck sales.

"We had a good first quarter with triple the sales we had for the same period in 2013," he said in May. "I just spent three days at Prudhoe Bay, and everybody I talked to was cautiously optimistic. There was lots of activity up there; they had several million yards of gravel to be moved."

### New financing for Knik Arm crossing

Alaska officials unveiled a new plan in March to pursue public financing for the proposed Knik Arm Bridge and Toll Authority.

The financing includes one-third from bonds, one-third from National Highway System funds and one-third from the federal TIFIA loan program.

"It simplifies the finances of this project to a much more traditional method," said Knik Arm Bridge and Toll Authority Board Chairman Michael Foster.

ATA's Thompson said the new "financing scheme makes sense" because it is contingent on the state obtaining a loan from the U.S. Department of Transportation.

One-third of the $894 million cost and contingency projected from the project will come from bonds, one-third from National Highway System funds and one-third from the federal TIFIA loan program.

### National Highway System route

The Knik Arm Crossing Project is a NHS route and federal funds for these routes are available to the state through the Statewide Transportation Improvement Program. Because NHS is a separate funding category within the STIP, they do not compete with AMATS, FMATS and mandatory programs (such as Safe Routes to Schools, and Highway Safety Improvement Program). Federal Highway/STIP funds can be used on eligible transportation purposes, and cannot be used for other state government programs.

The new construction estimate is $782 million, or about $76 million above the last financial estimate developed in 2010.

Judy Dougherty, the project's acting executive director, attributed the increase to inflation, the increased bridge length, additional mitigation work, and updated utility relocation costs.

The Office of Budget and Management, in cooperation with the bridge authority, the Alaska departments of Transportation and Revenue, developed an $894 million contingency budget for the financial plan, which includes the $782 million to construct the bridge.

The new construction cost and contingency estimates were developed after a comprehensive financial analysis by the authority, Alaska DOT&PF, Revenue and

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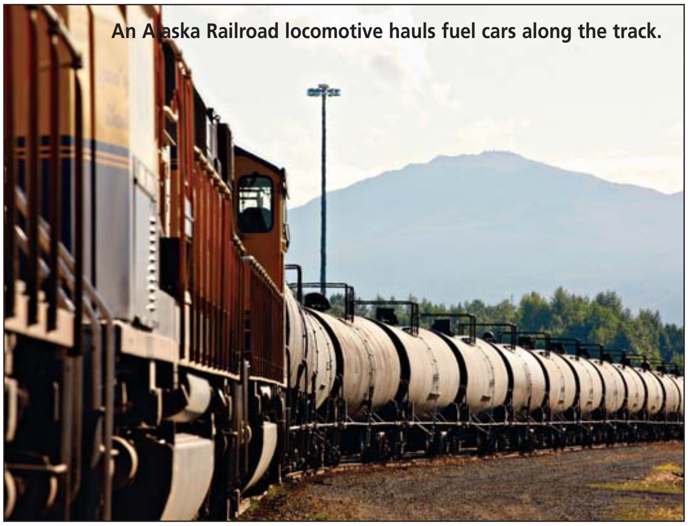
An Alaska Railroad locomotive hauls fuel cars along the track.


Earlier this year, the railroad completed a 3,300-foot bridge crossing over the Tanana River at Salcha in its Northern Rail Extension Project. It is Alaska's longest bridge.

PHOTOS COURTESY OF ALASKA RAILROAD

# Railroad rises to market challenges

*Carrier completes Tanana River crossing, pursues other projects, and juggles new business initiatives with programs to cut costs*

**By ROSE RAGSDALE**
*Alaska-Washington*

One critical link in the supply chain that binds Alaska and Washington state is the Alaska Railroad. In 2013, the railroad celebrated its 90th anniversary, and this year marks nearly a quarter century since the federal government sold the carrier to the state of Alaska in January 1985.

Alaska Railroad Corp. operates 683 track miles that provide both freight and passenger services to the cities of Anchorage and Fairbanks, the ports of Whittier, Seward and Anchorage as well as Denali National Park and military installations. In addition, vessel and rail barge connections are provided from Seattle, Washington, and Prince Rupert, British Columbia.

An independently managed, state-owned institution, the railroad through the years has held its own as a transportation entity in the Alaska-Washington trade.

Recent years, however, have presented the railroad with new challenges, including expansion projects, regulatory mandates and additional market-driven financial pressures.

## Major projects

For the first time in more than 70 years, the Alaska Railroad undertook two major capital projects at the same time to expand the rail route, which now stretches from the seaside communities of Seward and Whittier, Alaska, more than 400 miles northward to the Interior city of Fairbanks.

To the north, construction of phase 1 of an 80-mile northern rail extension rolled to completion this spring, on budget and on schedule. About $84 million has been appropriated by Alaska lawmakers in support of the project.

Measuring 3,300 feet, the NRE bridge crossing over the Tanana River at Salcha, is Alaska's longest bridge. A ribbon-cutting ceremony was scheduled for Aug. 5.

To the south, the railroad broke ground and construction got under way in 2013 on about two-thirds of a 32-mile spur line that will connect Port MacKenzie to the main line near Houston, Alaska.

Since 2007, the state of Alaska has appropriated $268 million for planning, design and construction of both major rail extensions. About $184 million has been appropriated for the Port Mackenzie Rail Extension, including a $23.5 million state grant and a $30 million voter-approved state bond for fiscal year 2013. The Legislature also appropriated another $13 million for the project last spring.

A third mega project is the federally mandated Positive Train Control system to prevent train accidents caused by human error. Recent progress has come by way of state capital funds appropriated in 2013 (and requested in future years) to help buy costly and still-developing technology. The PTC project still needs another $70 million to complete, and the Legislature appropriated $15 million for the project last spring. The deadline to implement PTC is Dec. 31, 2015. However, like most railroads nationwide, Alaska Railroad is more likely to meet the deadline only if it is extended to 2018. The penalty for failing to install PTC ranges from daily fines to curtailing or ending passenger service.

## Revenue crunch

Above and beyond new infrastructure via mega projects, the railroad realistically needs to spend tens of millions of dollars annually to maintain and modernize existing track, bridges and facilities. The railroad's net income is a vital part of annual capital spending, particularly since federal funding for its regular capital program is shrinking. For example, a 20 percent drop in Federal Transit Administration grants in the past decade, has reduced a reliable source for critical infrastructure investments. In 2012, a new federal surface transportation funding bill (MAP-21) cut the railroad's allocation of FTA formula funds, while more than doubling the local match requirement.

MAP-21 expires this year, meaning the railroad will likely face another difficult fight to keep its FTA formula funds, putting about $28 million at risk of addi-

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## RAILROAD

tional reduction or even elimination.

In addition, fewer capital dollars have resulted from reduced commercial activity. Two important freight business lines — refined petroleum and export coal — continued to decline in 2013 and 2014, leaving a substantial gap in operations revenue. 2013 was the first full year that the railroad felt the impact from a North Pole refinery's 2012 decision to shut down all but one of its three petroleum refining units. In 2014, the refinery ceased all of its refining activities, effectively eliminating the railroad's Fairbanks-to-Anchorage fuel-hauling business and delivering an annual $11 million blow to annual revenue.

"With the refinery closed, the direction of the supply chain has been reversed," said Dale Wade, the railroad's vice president of corporate affairs and government relations. "Nothing will be flowing southbound. (Flint Hills) will be bringing products northward from Anchorage where they have storage tanks with considerable capacity on land they lease from us."

### Some other areas up

While the closure of the refinery is a blow to the railroad's revenue, Wade said it happened at perhaps "the best time for us to take a hit on a single product line."

"Our flat car business is significantly up over last year and our rail barge business through Whittier is up."

A soft global market, meanwhile, has curtailed export coal shipments by a third, but sales of coal to local clients, primarily Golden Valley Electric Association in Fairbanks, has held steady during the past 18 months, Wade said.

In addition, passenger traffic on the railroad is up 10 percent from 2013, which itself was a good year.

Wade said a rebound in the Alaska cruise industry is driving the spurt in rail passenger traffic this year, especially in the railroad's premium Goldstar service.

In its 2013 annual report released in April 2014, the railroad said employees across the company have rallied to offset the recent fiscal damage. Working in focused teams, the workers developed new initiatives to lower expenses, boost efficiency and generate new business opportunities. As a result, the railroad reported $14.3 million in net income for 2013, which is nearly triple its original budget of $4.9 million.

Some of the revenue growth stemmed from oilfield shipments bound for the North Slope, which drove an increase in rail-barge and trailer/container business.

### Customer care a focus

Railroad staff also drew praise and won awards for their approach to customer care and attracted new complex transportation projects, such as moving massive generators for the Matanuska Electric Association's Eklutna power plant in early fall 2013.

The railroad reported an 18 percent increase in passenger train ridership. Real estate revenues also grew by 7 percent thanks to an uptick in dock activity, land use permits and a full year of lease revenue from the Historic Freight Shed. Recent real estate developments in Seward have solid potential. A revamped ARRC Seward Master Plan provides a blueprint for growth, and renewed land negotiations can facilitate Seward waterfront re-development.

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## TRANSPORTATION

OMB.

### Eye on the future

Ocean-going shipper Bowhead Transport Co. LLC, meanwhile, is working toward expanding it services when oil exploration in the Beaufort and Chukchi seas and other Arctic activities proliferate in the near future.

Exploration programs by companies such as Shell and ConocoPhillips in the Chukchi Sea along with major infrastructure projects on Alaska's North Slope such as the new hospital in Barrow affect Bowhead's operations both directly and indirectly.

Not only does the company transport goods to the Arctic from Puget Sound to support these projects, it also provides vital annual shipping services for the businesses and residents of nine communities on the North Slope.

Since Seattle-based Bowhead was formed in 1982 by Ukpeagvik Inupiat Corp., the Alaska Native village corporation for Barrow, Alaska, Bowhead hauls about 6,000 to 10,000 short tons of construction materials, heavy equipment and general cargo north every summer from Puget Sound during the short Arctic open-water season. The company also transports another 5,000 short tons in a yearly backhaul south to the Seattle area and beyond.

Bowhead also barges lateral freight between the villages and calls at other locations on the Arctic Coast in response to demand from government agencies, the military and scientific research organizations.

### JV formed

In 2013, the barge company formed a joint venture, UIC Bowhead-Crowley LLC, to support the growing needs of Alaska's oil and gas industry in the Arctic.

Jim Dwight, Bowhead's general manager, said the JV's operations are going well, and the company focused this year on completion of construction of a 150-foot-long by 50-foot-wide by 8-foot-tall triple-screw, shallow draft landing craft. Built by Nichols Brothers on Whidbey Island, Washington, the vessel has a berth and galley that can accommodate 16 people and was scheduled to be available for charter service Aug. 1.

"We're hoping it will be appealing for bio observation, oil and gas support work and scientific research," Dwight said.

He said Alaska Marine Lines and Bowhead have shared three similar vessels for charter work in past years.

An ongoing challenge for Bowhead in recent years is the impact of climate change in the Arctic. Changes include the whaling season starting two week earlier.

"With less of an icepack, conditions are not necessarily good for us," Dwight said. "The water is rougher, the wind makes the water rougher and many of the beaches are eroding."

Last summer, Bowhead personnel observed the erosion of about 100 feet of the beach within a mile of where they were working. "From the time we started until we finished, there were a lot of changes in the coastline," Dwight said.

Another costly complication of climate change is the melting of permafrost-insulated ice pits that North Slope residents typically dig and maintain underneath their homes in which they store frozen food.

"Many of these traditional freezers are failing now because of warmer weather," he observed. ■

# Container specialist responds to growth

*Company breaks ground on second terminal; Tacoma transportation club lauds PNW owner Terry Thomas II as '2013 Person of the Year'*

**By ROSE RAGSDALE**
*Alaska-Washington Connection*

2014 is shaping up to be a banner year for Pacific Northwest Equipment Inc. with construction of a second terminal under way a short distance from the company's headquarters and existing terminal in Kent, Washington, its shipping services and the emergence of significant market niches in Alaska and Hawaii, and recognition for its business and charitable contributions to the Seattle-Tacoma Metropolitan Area.

PNW is a recognized leader in the design, manufacture, sales and leasing of maritime and intermodal equipment throughout the Pacific Northwest and the Pacific Maritime region which includes Western Canada, Alaska and Hawaii. It specializes in building and leasing shipping containers to businesses in Washington state, Oregon, Alaska and Hawaii, including equipment designed to stand up to the elements in the ocean environment of the Pacific Ocean.

Founded by Terrence "Terry" R. Thomas II in 1980, the family-run business got its start serving the barge industry when it began to use containers to ship more and more cargo.

"We built Northland Services' first 20-foot-by-8-foot-by-9.5-foot 'High Cube' containers … back in 1980," Thomas said. "Those were the first 20-foot High Cube containers in the world. (Northland) wanted to be able to ship canned salmon two pallets high. Thus, the 20-foot High Cube was born!"

Thirty-four years later, the family-owned business is still refining the designs of its containers for the Alaska market.

"A typical container on the international scene may be used four times a year, but Alaska containers turn twice a month," Thomas said. "Because of the harsh environment, they have to be built stronger to handle the extreme environment in which they operate. For example, we build our containers with beefed-up fork pockets and extra-high bottom rails to facilitate fork lift operations in the snow."

PNW also provides custom-built containers to customers.

"We pride ourselves on being problem solvers for people," Thomas said. "With all the different pieces of gear that we operate, we can formulate a plan to satisfy the shipping needs of our clients. We haven't been stumped yet!"

Over the years, the company has developed a variety of intermodal equipment for its clients' use in Alaska-Washington commerce, including the 6,800-gallon ISO tank (UN Portable tank) container for which PNW has a patent pending.

"We built this UN Portable tank with fork pockets at the bottom. You won't see this type of tank container anywhere else in the world," Thomas said.

### A surge in activity

Alaska Marine Lines acquired Northland Services in 2013, which along with other industry-related developments resulted in changes rippling across the Alaska-Washington trade, including at shipping facilities in the ports of Seattle and Tacoma.


The Transportation Club of Tacoma, the largest Transportation Club chapter in North America, honored Terry Thomas as its "2013 Person of the Year." From left: TCT Executive Director Gary Geiser, PNW Equipment Inc. Owner/President Terry Thomas, Tacoma Rail Superintendent Dale King, and TCT Club President Tim Flood gather for a photo after Thomas accepted a plaque that commemorates the recognition.

PHOTO COURTESY OF PNW EQUIPMENT VICE PRESIDENT MATHEW THOMAS

"We're growing. Leasing and sales are up in Alaska and Hawaii shipping," observed Mathew P. Thomas, vice president and marketing manager for PNW, in a recent interview.

PNW, for example, will now handle 40-foot containers as well as the array of 20-foot containers it has traditionally provided its customers, Thomas said.

PNW's new terminal will cover four acres just one mile from its first terminal, a facility that houses its current operation, including offices and storage, on three acres.

"The new terminal will help us better manage our gear so we can get the trucks in and out quickly to serve our customers better," Thomas said. "Since Alaska Marine Lines bought Northland, we will need additional storage space," he added.

PNW currently employs nine workers, but the company expects to make two to four new hires when the second terminal is finished.

Thomas said he has noticed a huge uptick in construction recently in Alaska, Hawaii and the Seattle Metropolitan Area.

"We're doing a lot more with the military, and that business is continuing to grow," he said. "Shipping asphalt and cement has become a nice niche for us."

To move its containers, PNW subcontracts with trucking companies and averages 25 shipments per day. It also uses three trucks of its own to handle its roll-on, roll-off services.

### A lifetime of achievement

Terry Thomas, meanwhile, won the "2013 Person of the Year" award from Transportation Club of Tacoma in January. Thomas' lifelong career in the transportation industry began in 1968 after he earned a bachelor's degree in business administration from Seattle University and completed active and reserve service in the U.S. Coast Guard. His experience covers the entire transportation spec-

*see* **PNW** *page 16*

*continued from page 15*

## PNW

trum literally, in that he has, at one time or another, worked for and/or owned companies in the steamship, commercial trucking, container depot, commercial fishing, warehousing, storage, wholesale distribution, design, manufacturing, sales and leasing Today, the senior Thomas' business focus continues to support the growth and development of the intermodal equipment needs of hundreds of Pacific Northwest companies.

"Whenever transportation professionals serving the military, aerospace, trucking, shipping, tug & barge, construction, waste, oil & gas, mining, and retail sectors of the industry have equipment needs or questions about regulations, intermodal transport, or container specification requirements, they frequently rely upon Terry Thomas and his expert team at PNW Equipment to help them and their own customers tackle complex transportation challenges," wrote the Transportation Club in its salute to Thomas.

"While Terry is extremely proud of the success of his PNW Equipment team over the past 34 years, Terry is even more proud of how this success has been able to help provide charitable financial support to many outstanding organizations in the Puget Sound Community to include, but not limited to, the Transportation Club of Tacoma, the Transportation Club of Seattle, the Coast Guard Foundation, the Cystic Fibrosis Foundation, Seattle University Men's & Women's Athletics and numerous area youth athletic teams," the Club added.

Other recent family news, said Mathew Thomas, comes from his brother, Lt. Col. Terry Thomas III, who joined PNW a couple of years ago as a vice president, though he is still actively serving in the military. The younger Terry Thomas recently was promoted to full colonel in the U.S. Marine Corps. ■

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*continued from page 14*

## RAILROAD

The railroad's employees combined the quest for new revenues and business opportunities with dogged cost control companywide. The biggest savings came from spending $4.7 million less on utilities and fuel than a comparable outlay the prior year. Locomotive idle reduction policies and savvy train operating practices boosted fuel efficiency.

"We initiated a new facility energy monitoring and management program that reduced electricity consumption in the Anchorage railcar mechanical shop by 40 percent. Such proven measures can be duplicated in other high-demand facilities moving forward," said Bill O'Leary, the railroad's president and CEO, in the annual report.

Cost-conscious employees reduced material-and-supply spending by $1.7 million in 2013.

Big savings also came from ongoing personnel reductions, including a round in early 2013 that translated into a $2.3 million reduction in wages and benefits paid compared to 2012. In conjunction with a 54-position (7.3 percent) work-force reduction in the spring of 2013, the railroad restructured the company to elicit greater efficiency from its leadership and rank-and-file. This change came on the heels of a 52-position cut in 2012 and nearly 200 positions eliminated in 2009-10.

"The railroad is lean. Every employee is called upon to work harder, smarter, safer. The proof is in the numbers," O'Leary added. ■

# Saltchuk companies net diverse honors

*White House, others tout members of transportation family for uncommon ethics, being change catalysts and strong community support*

**By ROSE RAGSDALE**
*Alaska-Washington Connection*

The Saltchuk family of companies have racked up prestigious local, national and international honors in recent years, including Saltchuk's designation in March as a "2014 World's Most Ethical Company" by the Ethisphere Institute, an independent center of research promoting best practices in corporate ethics and governance.

This is the first time that Saltchuk has been considered for this award, which recognizes organizations that continue to raise the bar on ethical leadership and corporate behavior. Of the 144 honorees worldwide, Saltchuk is one of only three companies in the transportation & logistics industry recognized this year.

"The more than 6,500 employees of Saltchuk companies deserve the real honors," said Saltchuk Chairman Mark Tabbutt in accepting the award. "They live our values each day and take to heart that that the communities and customers we serve rely on us. A culture of ethics requires each employee make a personal commitment to live up to our organizational standards," he added.

### Sea change at TOTE

In May, TOTE Inc. President & CEO Anthony Chiarello was honored, along with 10 other individuals, by the White House as 2014 transportation industry "Champions of Change." Chiarello, a fourth-generation member of the shipping and logistics industry, was chosen for his role in leading the U.S. maritime industry toward natural gas as fuel.

TOTE is building the first natural gas-powered container ships in the world to serve Puerto Rico and is converting its ships in Alaska to natural gas; TOTE is the first shipping company in the United States to convert its fleet to liquefied natural gas.

Construction of TOTE Inc.'s new Marlin Class, the first LNG-powered containership in the world, began at the General Dynamics NASSCO shipyard in San Diego in February.

The ship, considered the most advanced, environmentally progressive vessel of its kind, represent the first of a $350 million U.S. investment that will create 600 American shipyard jobs.

The Marlin class vessels mark a new age in American shipbuilding.

"The move to LNG fuel is no less significant than the evolution from sail to steam," said Tabbutt. "The Marlins represents the start of a new age in American maritime."

TOTE's back-to-back announcements in 2012 — converting its existing RO/RO fleet in Alaska and investing in new containerships for the Puerto Rico trade, began what can only be described as a change of tide in the U.S. maritime industry toward LNG as the new maritime fuel.

In a post he prepared for the White House "Champions of Change" blog, Chiarello wrote: "As a Jones Act domestic carrier, we're uniquely positioned to create real change in the supply conundrum

see **SALTCHUK** *page 18*

PHOTO COURTESY OF TOTE INC.


Construction of TOTE Inc.'s new Marlin Class, the first LNG-powered containership in the world, began at the General Dynamics NASSCO shipyard in San Diego in February. This is an artist's rendering of the vessel, which is scheduled for completion in 2015. TOTE earned the "Next Generation Shipping Award" at the 2013 Nor-Shipping Conference, making it the first U.S. company to take home the prestigious recognition.

*continued from page 17*

## SALTCHUK

— availability of fuel is a big hurdle for most transportation sectors to change over to clean-burning natural gas."

### Creating a fuel demand

Chiarello explained that TOTE's regular service routes create enough of a steady demand to entice fuel partners to build liquefaction plants in its ports of call, thus making LNG supply available to others in those markets. Supply in Jacksonville, Florida, and Tacoma, Washington, will serve the Southeast and Pacific Northwest with natural gas that can be used for ships, trucks and rail.

TOTE announced plans to convert its fleet to natural gas in 2012. Since then, natural gas suppliers have begun creating distribution networks in major U.S. ports, making gas available to all transportation modes in those markets. Natural gas-powered ships will achieve emissions reductions far below even the world's most stringent regulatory standards. These emissions reductions will have long-lasting and far-reaching positive effects on the health and safety of citizens along the U.S. coastline — particularly in Washington, Alaska, Florida and Puerto Rico, where TOTE ships are part of the critical domestic supply chain. As the adoption of natural gas fuel spreads, air emissions will be lowered along the coastline as part of the North American Emissions Control Area, and additional environmental benefits will accrue in ports, and on roads and rail lines.

"It is an honor to stand among the 2014 Transportation Champions of Change representing TOTE and Saltchuk," Chiarello continued. "My colleagues and I are proud of our investments into new technology as a reflection of our commitment to the people and customers of Alaska and Puerto Rico. We're equally pleased to help move the U.S. toward natural gas as a marine transportation fuel while providing the most advanced, safe, reliable service possible."

### Hall of Fame inducts NAC

Iron Dog Inc., the world's longest, toughest snowmobile race, inducted Anchorage-based Northern Air Cargo into the Iron Dog Hall of Fame in 2013. NAC has sponsored Iron Dog since the first race was held in 1984 and the induction of a corporate sponsor was a first for the organization.

"Over the years, hundreds of racers and thousands of volunteers have participated in the Iron Dog and helped to make it grow. We have honored a few of these folks by inducting them into our Hall of Fame. We've never honored a company before, but we recognize that without the help and support of Northern Air Cargo, this race would not exist," Iron Dog President Jim Wilke said in announcing the honor.

"The Northern Air Cargo family is pleased to be a long-time sponsor of Iron Dog. We are greatly honored to be inducted into the Iron Dog Hall of Fame and recognized for our contribution to the success and longevity of the race. We look forward to a continued partnership for many years to come," said Blake Arrington, NAC's marketing manager.

Other Saltchuk companies include Carlile Transportation Systems, Delta Western, Inlet Petroleum and Cook Inlet Tug & Barge. ■

# Specialist runs 100-bed camp in Galena

*Taiga Ventures says size, scope of FEMA-funded facility expands its service capabilities; PacWest suffers from mining slowdown*

**By ROSE RAGSDALE**
*Alaska-Washington Connection*

Taiga Ventures specializes in providing full service camps on relatively short notice at remote locations throughout Alaska. Clients have conducted scientific research, oil, gas and mineral exploration, documentary and movie filming, winter product testing and environmental cleanups from the Aleutian Islands to the North Slope.

Taiga supplies all components from shelters to showers, four-by-fours to fuel systems and equipment rental to entertainment. Tents are adaptable to whatever purpose the client needs, from sleeping quarters to laboratories and computer rooms. The lodging and life support components are designed for rapid mobilization, can be easily shipped anywhere and are as simple or complex as the situation dictates.

But the Fairbanks-based firm may have taken on its biggest challenge ever in the fall of 2013, a task that ratcheted up the level of services that it delivers exponentially. At the behest of the Alaska Division of Homeland Security and Emergency Management, a unit of the state Department of Military and Veterans Affairs, Taiga established a camp in the Interior that has mushroomed during the past year from 40 beds to more than 100 beds.

### The Galena challenge

The challenge came from Galena, Alaska, where the town was nearly swept away in May 2013 when ice locked up 18 miles downstream, creating a massive ice jam on the Yukon River. Residents, who earlier in the day had settled in lawn chairs to watch the annual river breakup, found themselves fleeing rapidly rising water and automobile-sized blocks of ice. Small fishing boats and rafts shuttled families to higher ground and shelters at the city school and the Galena Interior Learning Academy. Many took refuge at the Galena Interior Learning Academy, a former Air Force base protected by a dike. When water levels continued to rise and threatened to overtop the dike, the Alaska National Guard sent in aircraft to evacuate residents. Every person in the 450-member community survived, but 80-100 homes in the Interior community was damaged by the floodwaters, including some that were nearly submerged and separated from their foundations.

The disaster soon spawned a second flood, this time of humanity as the Federal Emergency Management Agency and scores of volunteers from across the nation poured into Galena over the summer to help the residents restore their homes and resume their normal routines. The state contracted with Taiga Ventures to set up the responder camp on the southeast corner of Galena's airfield. The camp initially contained 40 beds, with five set aside to support the camp itself. The facility included a separate structure for the canteen and dining room, another for an office and a bathhouse with showers, bathrooms and a washer and dryer.

The camp, which has since been enlarged to house 95 volunteers and 10 Taiga employees, is fully contained and self-supporting. It was used through the winter and all spring and summer this. According to DHSEM, the original camp cost the state $3.5 million to ship, set up, operate and ultimately tear down, 75 percent of which funded by FEMA. More funds were spent as the facility was enlarged.

### Air shipment required

Officials said timing played a role in the camp's cost. Such facilities are typically used by mining and oil companies in the Arctic, and by July most are booked, not just for winter, but for the following summer. The Galena camp had to be shipped by air, since the barges were full, and the limited space available on them was set aside for materials used in the town's rebuilding effort.

see **TAIGA** page 21

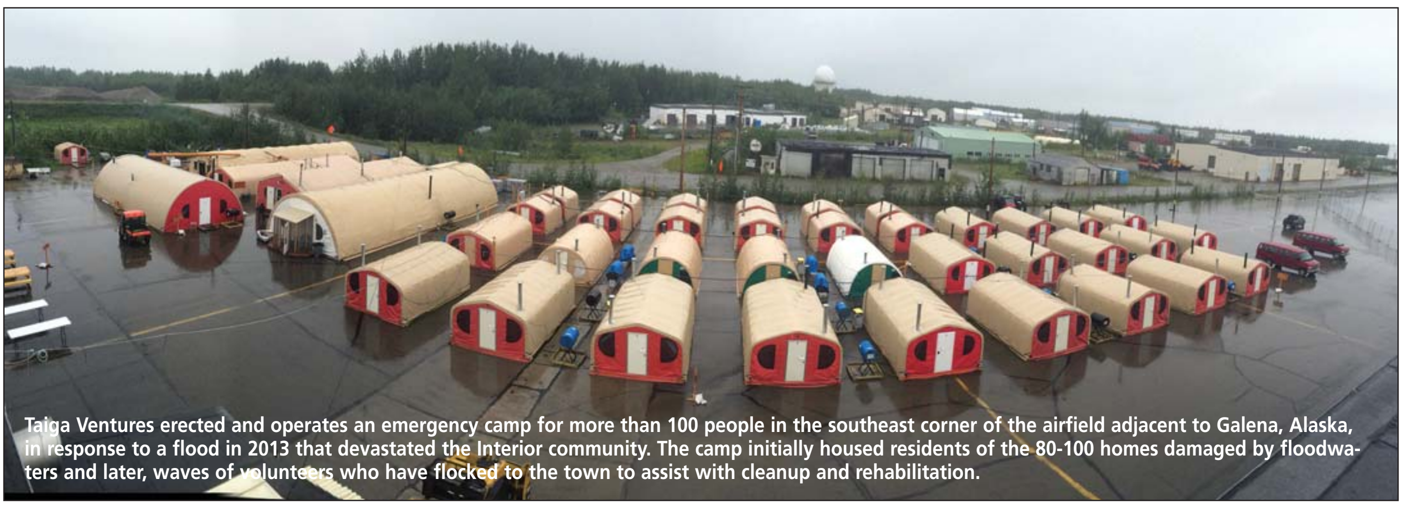


PHOTO COURTESY OF TAIGA VENTURES

Taiga Ventures erected and operates an emergency camp for more than 100 people in the southeast corner of the airfield adjacent to Galena, Alaska, in response to a flood in 2013 that devastated the Interior community. The camp initially housed residents of the 80-100 homes damaged by floodwaters and later, waves of volunteers who have flocked to the town to assist with cleanup and rehabilitation.

# New investment fuels oil patch optimism

## *Parnell administration leads efforts to rejuvenate oil production in Alaska, spur development of liquefied natural gas project*

**By ROSE RAGSDALE**
*Alaska-Washington Connection*


UMIAQ provides professional surveyors, engineers, GIS analysts with over 30 years of experience in the Arctic to respond to the challenges of the remotest areas, including the North Slope of Alaska.

PHOTO COURTESY OF UIC PROFESSIONAL SERVICES

A resurgence in oil and gas activity in Alaska in 2014 has given businesses active in the Alaska-Washington trade new prospects for increased revenue and new hope for future prosperity.

Observers give much of the credit the sector's recent hustle and bustle to the impact of Senate Bill 21, also known as MAPA, the More Alaska Production Act. This legislation, signed into law in 2013 by Gov. Sean Parnell, replaced ACES, Alaska's Clear and Equitable Share, eliminating progressivity among other changes, in an effort to attract industry investment and stimulate crude production and oil flow through the trans-Alaska oil pipeline.

"It seems that Alaska's economy is perking up a little bit, and I'm hoping people realize it's the result of optimism in the oil patch," said Aves Thompson, executive director of the Alaska Trucking Association.

A potential cloud on the horizon, however, is a veto referendum on SB 21 scheduled for a vote in Alaska's primary election Aug. 19 that threatened to overturn the new law even as the business community settled in to reap the benefits of its enactment.

Recognizing the opportunities at stake, Thompson said many Alaska businesses conducted internal campaigns this spring and summer urging employees and their families to support retaining SB 21.

One thing both sides of the referendum battle agree on is more oil and gas production will be good for Alaska.

Scott Goldsmith, professor emeritus of economics at University of Alaska Anchorage Institute of Social and Economic Research, said, "Investments that draw new outside money into the oil patch could create long-lasting jobs and increase consumer purchasing power."

Goldsmith, who recently conducted an independent study on the issue, said $4 billion in new spending in the oil patch, for example, could add an average of 5,000 public and private sector jobs per year over 20 years to the economy, generating more than $300 million of additional wages and salaries annually.

Mining and oil and gas have been strong sources of new jobs in Alaska since 2010, and this growth was forecast to continue in 2014. Though not quite at their recent peaks, oil and mineral prices have remained relatively high, which will also encourage development.

### Oil patch optimism

A McDowell Group study for 2013 included 16 primary oil and gas production companies, pipelines and refineries in Alaska: Alyeska Pipeline Service Co., Apache Corp., BP Exploration (Alaska) Inc., Chevron, ConocoPhillips Alaska Inc., Eni Petroleum, ExxonMobil Production Co., Flint Hills Resources Alaska, Hilcorp, Petro Star Inc., Pioneer Natural Resources Alaska Inc., Repsol E&P USA Inc., Shell Exploration and Production Co., Statoil, Tesoro Alaska Co. and XTO Energy Inc.

These companies employed 5,335 workers in 2013, 4,700 of whom were Alaska residents who earned $780 million in wages.

The overall industry generated direct, indirect and induced employment and wages of 51,000 jobs and $3.45 billion in the state's private sector, excluding nonresident oil and gas industry workers and their wages.

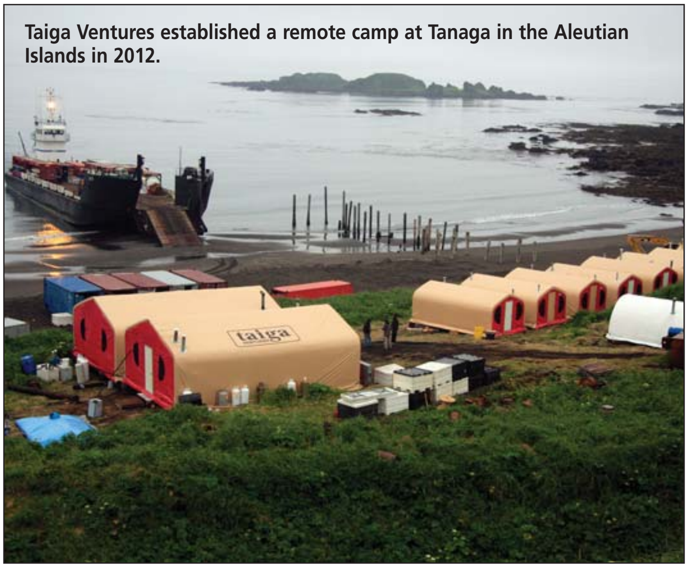
Further, Alaskans have the lowest tax burden of all 50 states, due to the state's heavy dependence on revenue from oil to balance the state's budget. Oil revenue provides 90 percent of Alaska's discretionary funds, which are used to compensate teachers, some law enforcement officers, roads and snowplows, health care, and state social workers.

### Almost half of construction spend in state

ISER said oil and gas companies will spend an estimated $4.255 billion in the state in 2014, almost half of the $9.1 billion in total construction spending the researchers expect this year.

"The growth is being driven by the continuing high price of oil, the increase in the cost of inputs to all phases of oil and gas operations, the growing need to maintain the aging infrastructure and facilities on the North Slope and in Cook Inlet, and perhaps most importantly, by the climate of optimism created by passage of the new production tax on oil

see **OIL** page 24



Taiga Ventures established a remote camp at Tanaga in the Aleutian Islands in 2012.

PHOTO COURTESY OF TAIGA VENTURES

*continued from page 19*

# TAIGA

"We've had 100-person camps before but not for a few years," said Bruce Bridwell, Taiga Venture's general manager.

The sheer size and scope of the camp, plus the guests being volunteers from church groups and organizations in the Lower 48 rather than the scientists and other professionals for which Taiga typically provides such services has presented a little different sort of challenge, Bridwell said.

"Because of this project, we have expanded our capability considerably," he said. "We formerly set up 25-person camps, and now we can do much larger camps."

Another difference is the large camp's location in a village rather than a remote setting.

Not only does Taiga provide all of the lodging and meals and support to keep the camp running smoothly, it also provides the volunteers with real-time telecommunication, including cell phone and wireless Internet services.

"Once the satellite connection has been made, everyone expects to have wireless and full Internet access as well as dish TV or satellite TV connections," said Bridwell. "It's pretty much standard camp requirement now."

### Other business

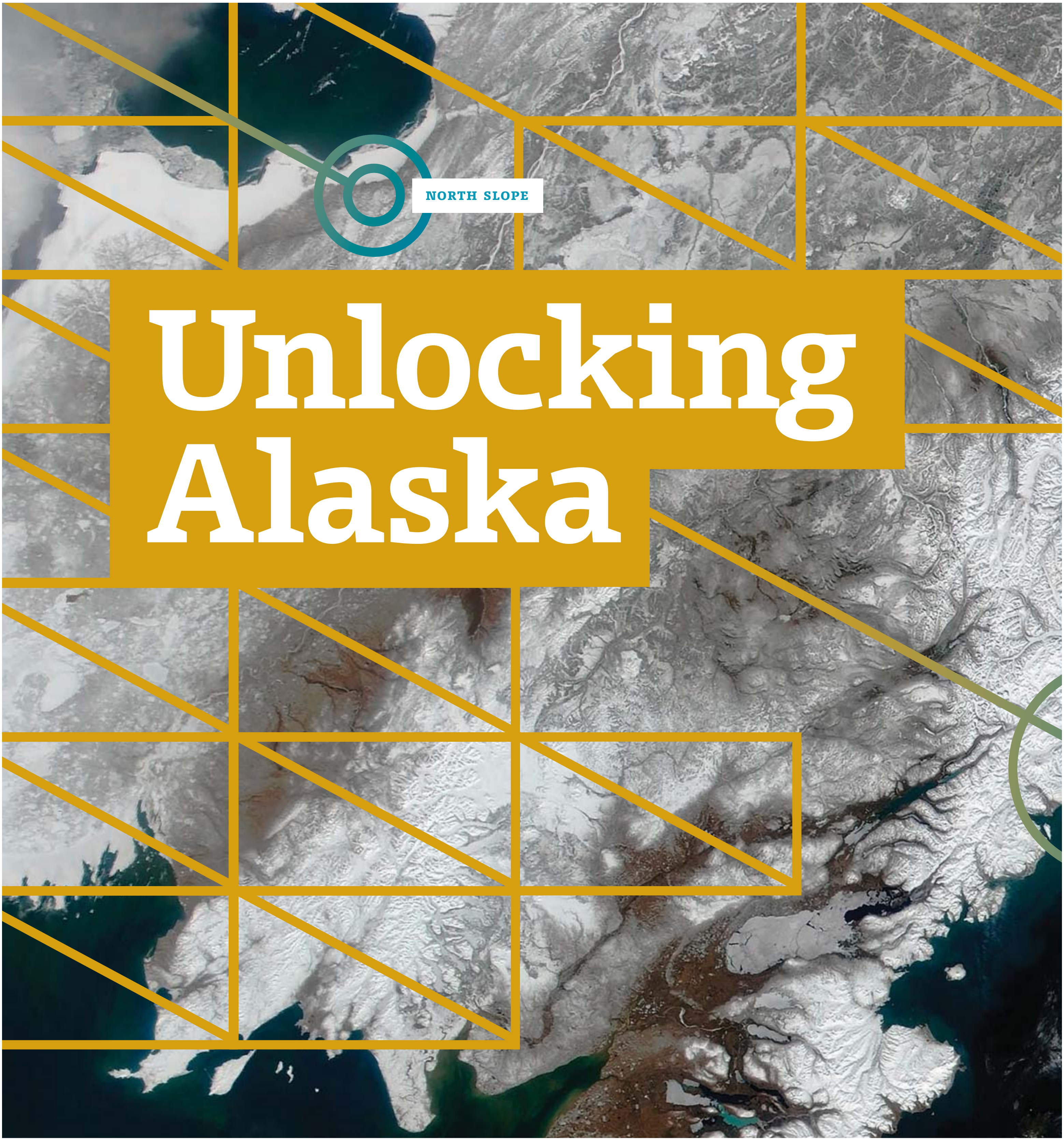
Taiga Ventures also manages several smaller camps for oil and gas companies and the U.S. military at the Point Lonely, Alaska demolition site on the North Slope this summer.

"We've got crews stretched out from the Interior to the Slope right now, but if it goes like it did last summer, we may end up in the Aleutians and in Southeast, too. We were all over the place last year," Bridwell said.

Taiga's sister company, Pac West Drilling, meanwhile, is suffering a 50 percent downturn in 2014, compared to 2013 sales and 75 percent down from 2012 sales, according to Bridwell.

"Most of our business at Pac West is the sale of drilling fluids to mining companies, and with Livengood and Pebble shut down, sales are slow. We're still getting reliable business from Kinross Gold's Fort Knox and occasional business from Pogo," he added. ■

# Unlocking Alaska




Miller Energy Resources is an Alaska-focused oil and gas exploration, development and production company. Miller Energy's proposed acquisition of Savant will, when closed, expand our assets to include the world-class North Slope resource play. Our recent revitalization of the Osprey Platform is just one of several endeavors that are opening the way for production increases. By combining geological expertise, technical experience and sound management, we expect to significantly enhance the value of these assets now and in the future.

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# OIL

and gas that went into effect at the start of 2014," Goldsmith, Mary Killorin and Linda Leask wrote in a forecast released in February.

ConocoPhillips, for example, has announced $2 billion in new projects since the Legislature passed the oil tax reform bill in 2013. The company expects to add 40,000 barrels per day of new North Slope oil production by 2017.

The new production would boost throughput in the trans-Alaska oil pipeline, which is operating at about 520,000 barrels per day, less than one-fourth of the crude it shipped at peak production of 2.1 million bpd in 1988.

Alaska oil production has been decreasing at an average 6 percent annually but new activity on the Slope could slash that decline to about 1.5 percent this year and zero next year, if the current projections are realized.

BP Exploration (Alaska) has announced $76 million in work for three turnarounds planned for Prudhoe Bay this summer, including a module for Gathering Center 2 completed at NANA's Big Lake facility in April.

In addition to scheduled turnaround work, BP is also doing a $290 million compressor replacement project at the three Flow Stations on the eastern area of Prudhoe Bay, with the project skids also being constructed at the NANA Big Lake Facility.

BP said more than 15 Alaska-based companies will provide services for the projects, including Arctic Slope Regional Corp. and Carlile Transportation Systems.

In addition to new industry investment, Alaska has taken steps to jumpstart development of a pipeline and LNG project to begin marketing the 35 trillion cubic feet of natural gas currently stranded on the North Slope.

Producers, transportation companies and government are working together to bring the gas to the Fairbanks area for business and residential consumption and potentially to ship LNG to markets outside Alaska.

### LNG project advances

Citing significant progress on an Alaska gas pipeline that gets Alaska's natural gas to Alaskans and markets beyond, Gov. Sean



**UMIAQ Science Logistics offers expertise and support for arctic research on the North Slope, including bear guards, ice guides, laboratory and warehouse facilities, field communications and permitting.**

PHOTO COURTESY UMIAQ

Parnell July 2 welcomed news that a formal commercial agreement has been signed between the Alaska Gasline Development Corp., BP, ExxonMobil, ConocoPhillips and TransCanada to advance the Alaska LNG Project. "Environmental and pipeline engineering fieldwork has officially begun," Parnell said. "I am pleased all parties continue to make progress on building an Alaska gasline project that will create thousands of Alaska jobs and fuel Alaska homes and businesses. This milestone marks the historic progress we have made on a gasline. Our way forward will continue to be on Alaska's terms and in Alaskans' interests."

The Alaska LNG Project has fully entered the pre-FEED, pre-front end engineering and design phase — a milestone no previous North Slope natural gas project has achieved, the governor's office said.

During the Pre-FEED phase, the producer parties will spend hundreds of millions of dollars on design and engineering of the project. In the coming weeks, the project will begin to work to secure an export license with the U.S. Department of Energy and continue permitting work with the Federal Energy Regulatory Commission. Each producer party, in addition to the state, will begin to engage the liquefied natural gas sales market during this phase.

### Cook Inlet investment

In Cook Inlet, where major fields have been in decline for decades, independents have moved in, revisiting and reworking oil and gas projects across the basin.

One example is Miller Energy Resources of Knoxville, Tennessee, which made its entry into the Alaska oil and gas arena in December 2009 through Cook Inlet Energy, which took over an assortment of shut-in assets acquired out of the bankruptcy of California-based Pacific Energy Resources Ltd.

Since that time, Cook Inlet Energy has worked to restore production and to drill new wells.

Miller Energy has petroleum production of at least 6,000 barrels of oil equivalent per day, with about 4,000 boe per day from Cook Inlet, about 600 bpd net to Miller from the Badami oil field on the North Slope and a dab in Tennessee.

Miller Energy became involved at Badami in May when it entered into a binding deal to buy Savant Alaska LLC, the Badami operator, through which it will gain a roughly 67.5 percent operating interest in the Badami oil field on the North Slope, which has some 17,200 gross acres with eight producing wells.

Miller's major Alaska producing assets are in Cook Inlet and include the West McArthur River oil field on the west side, the offshore Redoubt

*see* **OIL** *page 26*

# Authority leads oil, gas development

*Public corporation flexes financial muscle to jumpstart important energy projects from Cook Inlet basin to North Slope fields*

**By ROSE RAGSDALE**
*Alaska-Washington Connection*

Under the guidance of the Parnell administration, the Alaska Industrial Development and Export Authority is taking a leading role in driving oil and gas development much in the same way that it has nurtured and helped to finance mining and infrastructure projects across the state during the past 47 years.

The state-owned authority says it recognizes that Alaska has placed a high priority on supporting new mineral and oil and gas projects.

"As AIDEA has reached out to developers both in and outside of the state, it has learned that road and port access to development sites and the availability of needed energy at those sites are the two infrastructure types needed to spur desirable natural resource development," the public corporation explains on its website.

"These projects are important to economic development because they create jobs, and diversify the economy. As part of its strategic planning process, AIDEA has identified the opening of new mining areas, the diversification of the types of minerals produced, and bringing oil and gas fields into production as important economic development goals," the agency added.

### Interior Energy Project

At the behest of Gov. Sean Parnell and the Alaska Legislature, AIDEA undertook the Interior Energy Project in 2013, an ambitious effort aimed at delivering natural gas reserves from the North Slope to Interior homes and businesses with the goal of reducing high energy costs and improving poor air quality common to Interior Alaska.

The Legislature unanimously passed Senate Bill 23 in April 2013, which provided financing to begin developing a liquefaction plant and natural gas distribution system. The legislation authorizes $275 million in AIDEA bonds and loans. The Alaska Energy Authority is assessing storage, re-gasification and distribution to consumers for the project.

"This project will involve a strong collaboration with the private sector and will build out a distribution system to prepare for a natural gas pipeline," AIDEA Executive Director Ted Leonard

see **AIDEA** *page 27*

Alaska Industrial Development and Export Authority was instrumental in bringing the Endeavour - Spirit of Independence jack-up rig to Alaska to accelerate Cook Inlet oil and gas exploration and development. AIDEA has an investment of $23.6 million in the rig.

PHOTO COURTESY OF ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

*continued from page 24*

# OIL

unit and the Osprey platform and the North Fork gas field on the southern Kenai Peninsula.

**Oil field support activity**

When Alaska's oil companies thrive, the state's support industries also do well. Companies such as Arctic Wire and Rope Supply Inc., Pacific Pile & Marine LP, MagTec Alaska, Cook Inlet Tug & Barge, NC Machinery/Harnish Group, Opti Staffing Group and UIC Professional Services should see increases in their customer orders as well.

UMIAQ, a unit of UIC Professional Services, which employs about 200 professionals who offer a wide variety of services on the North Slope, including complete logistical support for exploration drilling field operations and facility development, is augmented with marine and logistic organizations within UIC. The company maintains strategic support bases in Alaska, including at Umiat and Point Barrow, plus a full range of remote camp services and staff.

MagTec Alaska is one oil field support company that provides equipment rentals and associated services on the North Slope and in Cook Inlet. Beyond the traditional oil field equipment rentals such as portable heaters, generators, light plants, man lifts, and zoom booms, MagTec provides a wide range of specialized portable buildings and fit-for-purpose job site buildings and equipment as well as full-service project support with personnel capable of servicing and maintaining the equipment onsite.

Growth for MagTec has taken a significant upswing as business development and operations on the North Slope increased. Supporting projects for Eni Petroleum at Oliktok Point and other prominent locations, MagTec has built a presence in Deadhorse that includes a new shop on a 6.5-acre pad, a 50-man single-status camp, 12 full-time rotating positions, and a fleet of more than 200 new heavy duty Ford pickup trucks.

While a large percentage of operations happen on the North Slope, MagTec has a significant presence on the Kenai Peninsula where it also supports Cook Inlet drilling operations.

Some companies are also encountering significant growth opportunities in the oil patch. For example Arctic Slope Regional Corp. in May reported its acquisition of Little Red Services Inc., a provider of "hot oil" and other well services on the North Slope for more than 30 years.

"It's an exciting day for ASRC," ASRC President and CEO Rex A. Rock Sr. said. "I believe the nature of LRS' services positions the company for long-term growth as North Slope producers seek to increase production, as a result of oil tax reform."

"I speak for LRS employees when I say we are excited to join the ASRC family of companies," added Doug Smith, LRS president and CEO. "ASRC and LRS have a shared commitment to the Alaska oil & gas industry, and I believe the combination of oil tax reform and the financial support of ASRC will allow LRS to expand and improve the services we have provided to North Slope producers for more than three decades."

As a wholly owned subsidiary of ASRC, LRS will be operated separately from ASRC Energy Services Inc. This operating structure will help to protect LRS' brand and allows the management teams at LRS and AES to focus on what they do best, the companies said. ■

**Alaska Industrial Development and Export Authority partnered with industry and local government to develop the Ketchikan Shipyard, which continues to serve as an economic engine in Southeast Alaska. Recent construction projects have expanded the shipyard's facilities, enabling it to attract more shipbuilding and vessel repair business. Photos courtesy of Alaska Industrial Development and Export Authority**

*continued from page 25*

## AIDEA

said in announcing the project.

Results from an analysis by AIDEA released in July 2013, showed that a 9 billion-cubic-feet-per-year LNG plant on the North Slope is technically and economically feasible for serving the initial Fairbanks North Star Borough heating demand. The plant was projected to successfully meet the community's price targets, and reduce the annual heating cost for borough residents and businesses to $14.09-$17.09 per thousand cubic feet at the "burner tip," which is the equivalent of $1.88-$2.28 per gallon fuel oil.

Since then, the public corporation has moved quickly to advance the project with the goal of delivering first gas and propane to Interior customers during the winter of 2015-16.

### MWH Americas group selected

In January AIDEA selected a group headed by MWH Americas Inc. as the commercial participant to develop LNG plant on the North Slope. The group also includes NANA WorleyParsons.

The public corporation also recently purchased a pad from Spectrum Alaska LLC to house the LNG plant on the Slope. AIDEA had originally considered BP Exploration (Alaska) Inc.'s proposed B2 pad but decided to switch when it learned the site would have created some challenges for establishing fuel connections.

The sale gives AIDEA rights to the Spectrum pad, an associated state right of way and key permitting documents.

In April, AIDEA also approved two Sustainable Energy Transmission and Supply Development Fund loans to advance natural gas distribution systems in Fairbanks and North Pole.

The first loan, to Fairbanks Natural Gas LLC, is for $15 million to fund the 2014 initial development and build-out of an expanded gas distribution system within FNG's certificated service area. The project includes constructing 32 miles of new distribution system. This additional distribution system will allow FNG to connect 100 commercial and 2,500 residential services to their existing service area.

The second loan, to Interior Gas Utility, is for $8.1 million to fund IGU's initial work needed to develop its distribution system and affiliated infrastructure. This project includes engineering design, permitting and program management. It is projected that the distribution build-out of IGU's service area will provide natural gas service for more than 11,000 residents.

### Cook Inlet gas

AIDEA is also studying a proposal by a Japanese company interested in building an LNG export plant in Cook Inlet.

The company is Resources Energy Inc., an American subsidiary that Japanese-based Energy Resources Inc. created in late 2011 to pursue an Alaska LNG project in the wake of the failure of the Fukushima Daiichi nuclear power plant. According to an outline of its proposal, the goal of the project is to provide addi-

*see* **AIDEA** *page 28*

One of the Alaska Industrial Development and Export Authority's earlier investments led to development of the DeLong Mountain Transportation System, which continues to serve as a vital transportation conduit for the Red Dog zinc-lead mine near Kotzebue in Northwest Alaska.

PHOTO COURTESY OF ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY



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## AIDEA

tional storage that would help the Alaska energy system better meet peak winter demand, and then to export surplus supplies to the Japanese power market.

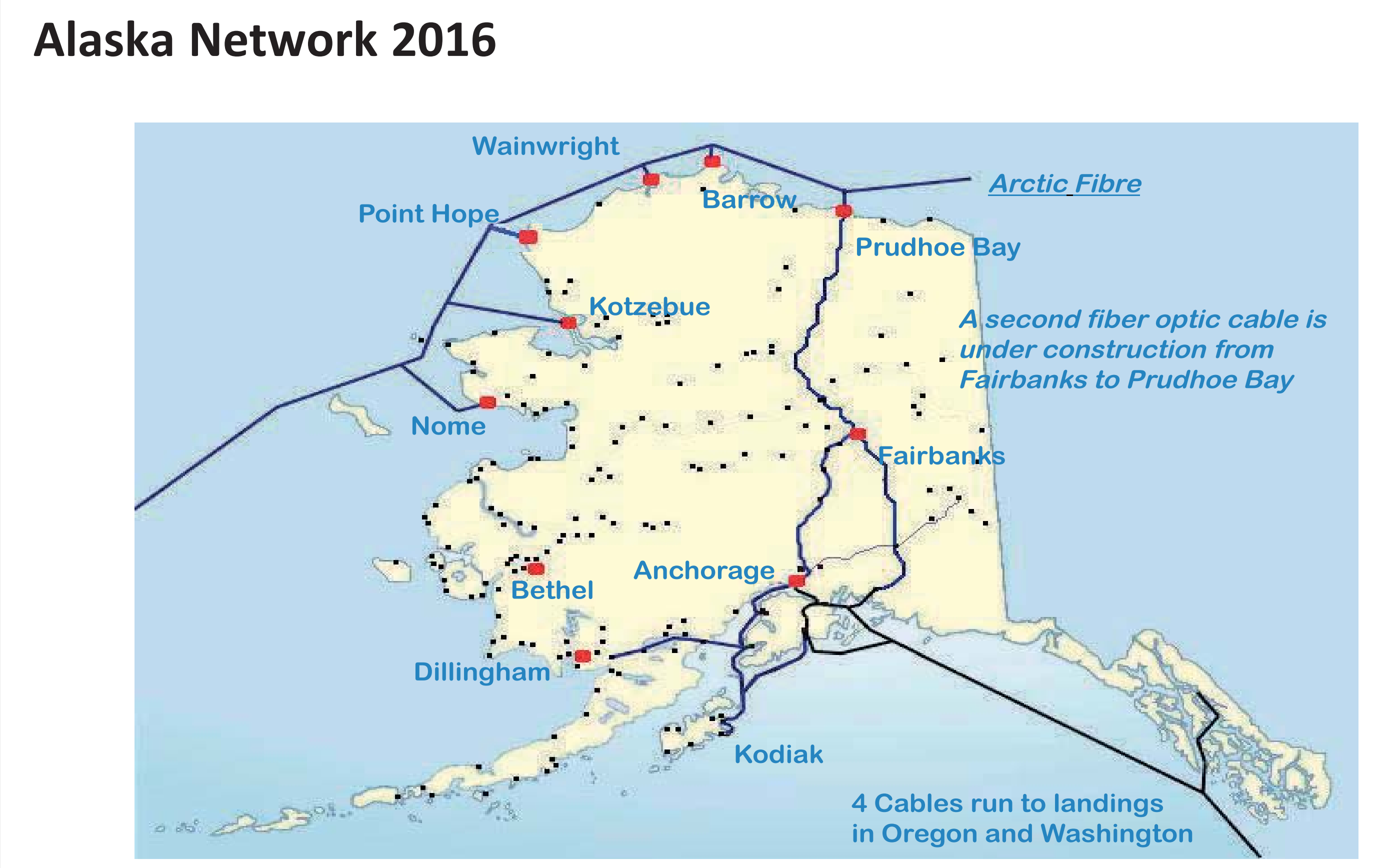
In April, AIDEA's board of directors unanimously approved a resolution to spend up to $240,000 in conducting due diligence on the project, which would export LNG overseas, ship LNG to coastal and road-system communities in Alaska and encourage exploration and production by creating an additional market for Cook Inlet natural gas.

The $1 billion project would construct a new 1 million to 1.5 million metric ton per year plant with associated pipelines, marine facilities, loading facilities and storage tanks.

AIDEA is considering the basic structure and economics of the project, proposed supply and off-take agreements, potential locations for the plant and the interplay between Japanese and Alaska energy needs. The effort was expected to take 90 days, which would have brought it to a conclusion sometime in late July, at

see **AIDEA** *page 30*

COURTESY OF FUTARIS




# Futaris taps into fiber optic future

*Telecom provider targets broadband deficit in rural Alaska with infrastructure investment; Calista extends reach by purchasing STG*

**By ROSE RAGSDALE**
*Alaska-Washington Connection*

For three decades Futaris Inc. (formerly Alaska Telecom, Inc.) has provided remote communication services throughout Alaska and the world. The telecommunications provider, a SBA 8(a) company, specializes in offering fully managed satellite communication networks and broadcasting services.

Now Futaris is hoping to extend its reach thanks to a recent investment in a new company engaged in helping to develop an ambitious communication infrastructure project set to span the Arctic from Europe to Asia.

Futaris is backing the efforts of Quintillion Networks Ltd., parent of Anchorage-based Quintillion Inc., which owns the rights to develop fiber optic landing sites in Alaska's Arctic.

These sites will connect via spurs to a 9,300-plus-mile subsea fiber optic network between London and Tokyo that is currently in the pre-construction phase. The project is led by Toronto-based Arctic Fibre Ltd., which selected Quintillion Networks as its exclusive partner in Alaska, providing open-access to all communication service providers.

Futaris officials say Alaska has a broadband deficit, and the fiber optic cable project will fill that need and enable rural Alaska families and businesses along the western coast of the state to access affordable and reliable broadband Internet access.

"Broadband is fast becoming the key infrastructure element to economic growth, improved health care and education solutions and emergency response and national security capabilities," said Elizabeth Pierce, chief executive officer, Quintillion Networks. "Significant Alaska investor participation has always been a goal for Quintillion, and we are pleased to add the vision and passion of the Futaris team."

### Seven landing sites

Quintillion has selected seven landing sites based upon market and feasibility analyses. Subject to federal approval, the landing sites will range from Shemya in the Aleutian Islands to Prudhoe Bay on the North Slope and cover Barrow, Wainwright, Point Hope, Kotzebue and Nome. About 26,500 Alaska residents will gain access to affordable and virtually unlimited Internet by the end of 2015 under current construction plans.

The affordability and capacity of the project can provide a wide range of new opportunities in telecommunication services for schools, local governments, health care providers, Alaska Native corporations and rural businesses, as well as Futaris' customer base of oil and gas and mining companies and government agencies and contractors.

Alaska communities will initially have 100 gigabits at their disposal. By comparison, satellite and microwave deployments are generally limited by technical and cost considerations to less than one gigabit.

*see* **FUTARIS** *page 32*

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# AIDEA

which point the public corporation would decide whether to pursue an investment in the project.

The initial phase of the project included an agreement requiring Resources Energy to reimburse AIDEA for 75 percent of the cost of conducting the prefeasibility analysis, up to $180,000. The remaining AIDEA portion would come from money left over from previous projects.

The subsequent phases would focus on crafting appropriate investment arrangements and would likely take another seven months, according to AIDEA, making the entire process of creating and closing the deal take about a year from the initial vote in late April.

### Oil development

Far from smooth, the path to increased oil production for AIDEA has seen a few bumps. Recently, Buccaneer, an operator in Cook Inlet, filed for reorganization under Chapter 11. Through a subsidiary, Buccaneer held an exclusive charter of the drill rig Endeavour in Cook Inlet from Kenai Offshore Venture LLC, an entity in which AIDEA invested about $23.6 million to acquire and own the Endeavour drill rig, along with Buccaneer and Ezion Holdings Ltd.

Ezion Holdings' affiliate, Teras Investments Pte. Ltd., bought out Buccaneer's stake in Kenai Offshore Venture in January, and the investors were negotiating with a new potential rig manager and operator in June.

AIDEA, meanwhile, is working to spur oil production on the North Slope. In late April, the public corporation entered into an agreement with CES Oil Services Pte. Ltd. to form Mustang Operations Center 1 LLC for the purpose of jointly financing an oil and gas production and processing facility at the Mustang field on Alaska's North Slope.

The production facility is estimated to cost between $200 million and $225 million. Costs include connecting to the Alpine oil pipeline to transport produced crude oil to the Kuparuk oil pipeline and on to the Trans-Alaska oil pipeline. AIDEA will invest up to $50 million. The facility is expected to be complete by early 2016.

"We are pleased to move forward with this strategic investment in North Slope oil and gas production and development," said AIDEA Board Chairman Dana Pruhs. "The Mustang facility supports the development of Alaska's energy resources, and helps advance Gov. Parnell's objective to increase oil flow through the trans-Alaska Pipeline."

The 15,000 barrels-per-day facility will process crude oil from the Southern Miluveach Unit (known as the Mustang field). AIDEA and CES Oil Services will own the facility through Mustang Operations Center 1 LLC. Brooks Range Petroleum Co. is the Mustang field operator and will build and operate the facility. In late 2012, AIDEA invested $20 million for the construction of the Mustang road and pad. That project was completed in April 2013.

AIDEA's overall $70 million investment is estimated to leverage more than $500 million of private investment in Mustang field development.

### SPort MacKenzie facility

AIDEA also guaranteed a qualified energy development project loan participation in 2013 to Central Alaska Energy LLC for a project at Port MacKenzie in Southcentral Alaska.

The loan participation is for nearly $14 million (90 percent) of a $15.46 million loan brought to AIDEA by First National Bank Alaska, which originated the loan and is participating with about $1.56 million (10 percent). The purpose of this loan is for construction and permanent financing of a new, 7 million gallon tank farm with truck rack system at Port MacKenzie to transport low-sulfur diesel fuel, via the Alaska railroad extension currently under construction, to meet Interior and North Slope demands. This project includes the purchase of equipment to unload petroleum products from barges, and the construction of a pipeline to move product from the port to the storage facility.

Fuel suppliers have discussed the possibilities of establishing tank farms at Port MacKenzie and then shipping the fuel north by rail and truck. It is estimated that at least 60,000 tons of low-sulfur diesel fuel will be transported north from Port MacKenzie to Interior Alaska, and a similar amount to Southwest Alaska, for a total of 120,000 tons of low-sulfur fuel each year.

In addition, fuel suppliers are considering setting up tank farms at Port MacKenzie and annually transporting 80,000 to 90,000 tons of fuel via the rail extension to North Slope markets.

AIDEA's Loan Participation Program provides permanent financing, both taxable and tax-exempt, to borrowers through a qualified originator for the purpose of developing, acquiring or enhancing Alaska business enterprises, or for a qualified energy development project. The Loan Participation Program provides the benefit of long-term fixed or variable rate financing on the portion of the loan purchased by AIDEA. AIDEA does not originate loans, but is able to purchase up to 90 percent of a commercial loan to a maximum of $20 million, that is sponsored and originated by an eligible financial institution. ■

# Mining sector sees ups and downs in 2014

*Alaska offers potential boost to Southeast VMS, REE projects as state's established mines hold steady, look to expand production*

**By ROSE RAGSDALE**
*Alaska-Washington Connection*

Though the pace of mineral exploration has slowed considerably in Alaska in recent months, the state's mining sector, as a whole, appears to be gaining some momentum, especially among mine development projects that could get significant financial assistance from the state.

Whether it's the Niblack Project LLC and the Bokan-Dotson Ridge rare earth elements project in Southeast Alaska or the 39 million ounce Donlin gold project in western Alaska, the sector is seeing an aggressive push toward development of new mines across the state.

Industry activity across the sector, meanwhile, remains relatively subdued this year, due mainly to nearly a two-year slump in capital markets. While some Alaska projects are moving forward, many have been forced to cut operating budgets and downsize aspirations for the 2014 field season to match the pinched purses available for work programs. And at least one mine project's potential advancement was abruptly curtailed by the U.S. Environmental Protection Agency.

Still, mining continues to contribute substantially to Alaska's economy, especially in rural communities where high-paying employers are scarce.

"Mining provided about 4,600 direct jobs and 9,100 indirect jobs and a payroll of over US$460 million — that is a lot of good in this state; that is a lot of families making their payments; that is a lot of families being fed," Alaska Gov. Sean Parnell told an audience at the Arctic International Mining Symposium in Fairbanks in April.

### Pebble, Donlin challenges

Northern Dynasty Minerals Ltd. said its Pebble Limited Partnership has filed suit in U.S. District Court for Alaska to halt a regulatory process recently initiated by the EPA under the Clean Water Act and designed to prohibit development of the enormous Pebble copper-gold-molybdenum project in Southwest Alaska. The Partnership complaint asserts that, in the absence of a permit application by Pebble Limited Partnership, EPA's Section 404(c) regulatory process initiated Feb. 28, exceeds the federal agency's authority under the Clean Water Act and violates the Alaska Statehood Act among other federal laws. The State of Alaska agreed, also filing suit as an intervening party.

"Perhaps the most troubling aspect of the EPA seeking to veto a hypothetical project before any permit application has been filed, is that it sets precedent for the EPA to take land anywhere in the United States and prematurely limit development of a valuable resource," said Alaska Attorney General Michael Geraghty.

EPA's unprecedented action is now opposed by not only the Pebble Partnership and the State of Alaska, but also by a growing list of Alaska businesses, Native groups and civic organizations who have called on the EPA to stop its unprecedented, unilateral and pre-emptive regulatory process.

Donlin Gold LLC, the operating company equally owned and supported by subsidiaries of NovaGold Resource Inc. and Barrick Gold Corp., that is developing the huge Donlin gold deposit located in the remote Yukon-Kuskokwim Region of western Alaska, has submitted a right-of-way lease application for a proposed liquefied natural gas pipeline from Cook Inlet to the site of the proposed Donlin mine project. The 14-inch diameter pipeline would originate at the west end of the Beluga natural gas field about 30 miles northwest of Anchorage and run 315 miles to the proposed mine site.

The partners hope to begin pipeline construction in 2016, dependent on receipt of appropriate authorizations, with the goal of delivering liquefied natural gas to the mine site by mid-2019.

A feasibility study completed in 2011 envisions a 53,500-metric-ton-per-day mill at Donlin, producing an average of 1.1 million ounces of gold annually at a cash cost of $585 per ounce for 27 years. The mine would consume roughly 85 megawatts of electricity, enough power for a city of some 120,000 people. The U.S. Army Corps of Engineers is currently preparing a draft environmental impact statement, which it expected to publish in late summer 2014.

### Mine development catalyst

Parnell has signed into law a bill authorizing the Alaska Industrial Development and Export Authority to provide up to $125 million in financing for infrastructure and construction costs at the Niblack volcanogenic massive sulfide project in Southeast Alaska. Niblack, which is southwest of Ketchikan on Prince of Wales Island, is owned by Heatherdale Resources Ltd.

The bill allows AIDEA, acting as an economic development catalyst, to issue bonds to help finance the cost of constructing key infrastructure, including facilities at the project site on Prince of Wales Island as well as mill for processing copper-gold-zinc-silver ore from the deposit and an associated dock, loading and related infrastructure facilities at the Gravina Island Industrial Complex near Ketchikan.

The new law, however, does not commit AIDEA or the state of Alaska to any action. The public corporation must still go through its conventional project evaluation and due diligence process prior to authorizing infrastructure financing for the project.

Based on operations at similar-sized deposits, a mine at Niblack on Prince of Wales would generate about 150 full-time jobs, and the processing facility near Ketchikan would provide an additional 80 full-time positions.

"The Niblack Project has tremendous potential economic benefit to Southeast Alaska communities, residents and business," AIDEA Executive Director Ted Leonard said in a statement. "This is a unique opportunity to generate employment and economic activity on Prince of Wales Island and in the greater Ketchikan area."

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## FUTARIS

Quintillion, meanwhile, envisions building a terrestrial fiber route along the Dalton Highway from Prudhoe Bay down to Fairbanks where it can pick up existing fiber connectivity back to the Lower 48.

The arctic fiber optic cable is buried around the Alaska coast. A new trans-Pacific fiber optic cable extension to Seattle also may provide an opportunity to connect a spur to Unalaska.

The project aims to take advantage of international economic opportunities to route via the Northwest Passage and North Arctic. The communications network will run between England and Tokyo, connecting vital financial markets.

In Alaska, subsequent phases of the project are being developed with the goal of expanding the network to neighboring communities.

Quintillion Networks completed preliminary landing site surveys and submitted its application for landing licenses to the Federal Communications Commission and appropriate Alaskan authorities in the first half of 2014.

The Alaska and Canadian Arctic segments of the network are scheduled to be completed and ready-for-service by January 2016, with completion of the full end-to-end network between Japan and the United Kingdom in the third quarter of 2016.

### Growing parent organization

Futaris is owned by Calista Corp., the second-largest of 13 Alaska Native regional corporations with more than 12,500 shareholders that was established under the Alaska Native Claims Settlement Act of 1971. Calista has a region in western Alaska that encompasses more than 6.5 million acres and 56 villages, which are incorporated into 46 individual village corporations.

Calista has 20 active subsidiaries, providing services ranging from heavy equipment sales, IT, telecommunications and marketing services, to construction and facility management.

One of the corporation's newest acquisitions is STG Inc., which has installed about 80 percent of the utility-scale wind projects currently in operation across the state, including providing crane support for the Fire Island Wind project near Anchorage and in rural communities throughout Alaska. STG also completed the 34-site tower and control buildings for the massive DeltaNet Project for United Utilities Inc. in southwest Alaska. STG is also a leading pile foundations contractor for western and Interior Alaska.

Additionally, the team at STG has extensive experience with diesel power generation projects, bulk fuel systems and other renewable energy projects.

"Calista continues to strengthen and grow with complementary acquisitions. That is one of our key obligations to our shareholders," Calista Corp. President/CEO Andrew Guy said.

The acquisition of STG in September 2013 also included Alaska Crane Ltd., Terra Foundations Inc. and Gambell Properties LLC. Alaska Crane provides crane equipment and operators for nearly any size project. Its equipment includes the largest crane in Alaska, currently working on the Blue Lake Hydroelectric project in Sitka.

Calista also acquired Brice Inc., a family of businesses providing civil construction, marine services, equipment rentals and quarry materials, and Yukon Equipment Inc., a heavy equipment retail and rental company with three locations in Fairbanks, Anchorage and Wasilla, three years ago. ■

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# MINING

Parnell also signed into law a bill authorizing AIDEA to provide up to $145 million in financing for surface infrastructure and construction costs at the Bokan-Dotson Ridge rare earth elements project on Prince of Wales Island. The Bokan provision of the bill authorizes the public corporation to issue bonds to finance the construction of key infrastructure for the project, including processing and aboveground facilities. Ucore Rare Metals, the company seeking to develop the Bokan-Dotson Ridge deposit, indicated that the funding arrangement would shift almost two-thirds of the project's capital costs off the company's books and into an 11-year payback period, thereby improving short- and long-term project economics. Like the Niblack project, Bokan-Dotson Ridge also must still go through its conventional project evaluation and due diligence process prior to authorizing infrastructure financing for the project.

AIDEA has been involved in support for Alaska's mining industry for nearly 30 years, beginning with its financing and construction of the DeLong Mountain Transportation System, the road and port that serves the area near the Red Dog Mine in Northwest Alaska.

**Robust mineral production**

Some of Alaska's established mines, meanwhile, touted some of their recent individual achievements at a recent mining gathering, including record gold production at Kinross Gold Corp.'s Fort Knox gold mine near Fairbanks, new discoveries at Sumitomo Metal Mining's Pogo gold mine near Delta or a new deposit at Usibelli Coal Mines Inc. in Healy.

During 2013, the Fort Knox mine produced a record 428,822 ounces of gold, making it the largest gold producer in Alaska last year. Mine officials anticipate recovering 390,000 ounces of gold in 2014.

The underground mine at Pogo, southeast of Fairbanks, currently has enough ore in reserves to last until 2019, and expansion of East Deep and North, two zones adjacent to the mill, will almost certainly add years to gold that Sumitomo can afford to mine and a number of other deposits and prospects stretching to the south have the potential to further extend this horizon.

One of the few mining companies to plan sizable exploration campaigns in Alaska this year, Sumitomo has budgeted US$17 million for the work in 2014.

"Some of the companies are reducing their exploration costs; we aren't doing that," Pogo General Manager Chris Kennedy told a Fairbanks audience in April. "Without (exploration) you have got no future, and we want to be here for a long time."

Usibelli's Healy operation is expected to mine some 1.6 million short tons of coal in 2014. Roughly 1 million tons of this coal will fuel heat and electrical generation in Interior Alaska; the balance will be exported to customers in Chile, South Korea and Japan.

At the Red Dog Mine in Northwest Alaska, operator Teck Resources Ltd. reported production of 551,300 metric tons (1.215 billion pounds) of zinc from a record 3.85 million metric of ore processed during 2013. The mine also produces significant quantities of lead and silver.

Teck discovered the deposit in 1999, subsequently establishing an inferred resource of about 19 million tons, grading 15.8 percent zinc, 4.8 percent lead, and 2.1 oz/t silver. Highlights from drilling at the nearby Anarraqq deposit include 23 meters averaging 18.1 percent zinc and 5.9 percent lead; and 9.3 meters averaging 25.9 percent zinc and 2.9 percent lead.

Teck pays a 30 percent net proceeds royalty to NANA Inc., the Native regional corporation that owns the land where the mine is located.

During the first quarter, zinc production at Red Dog rose 19 percent compared to the first three months of 2013. Teck anticipates producing between 500,000 and 525,000 metric tons of zinc at Red Dog in 2014.

Teck said exploration programs will continue in these regions during 2014.

Alaska's two producing mines in Southeast, Greens Creek and Kensington, reported robust production in 2013 and early 2014.

Hecla Mining Co., which owns and operates Greens Creek, said the mine produced 1,787,137 ounces of silver, 15,009 ounces of gold, 4,825 tons of lead and 15,041 tons of zinc from 202,715 tons of ore during the first quarter of 2014 production, similar to output seen in the first and last quarters of 2013. Mining and milling costs per ton were both down significantly when compared to the same period in 2013.

On the exploration front, definition and exploration drilling from two drills continued to enhance the potential of Deep 200 South, a mineralization trend that extends over 3,000 feet along strike and over 1,000 feet of dip. Mineralization remains open to the south.

Coeur Mining Inc. also reported first-quarter 2014 production results from its Kensington gold mine near Juneau. The mill processed 159,697 tons, or nearly 1,800 tons per day, a significant increase over previous quarters, resulting in output of 25,428 ounces of gold grading 0.17 oz/t gold with an average recovery of 94.5 percent. In order to maximize cash flow, Kensington's mine plan for 2014 reflects higher mining rates at gold grades more in line with its average reserve grade of 0.163 ounces per ton. All-in sustaining cost of production was US$1,005 per ounce, compared with US$667 per ounce cost in the same period a year earlier, due to lower gold grades and production levels.

Kensington's exploration efforts included four drill rigs and rang in at about US$1 million for the quarter. The mine is expected to produce 150,000 to 112,000 ounces of gold in 2014. ■

# Airline flies Alaska salmon to market

*Cargo carrier specializes in keeping the state's celebrated seafood fresh during shipment to the Pacific Northwest and beyond*

ALASKA AIRLINES

**Alaska Air Cargo pilots celebrate delivering the first Copper River salmon shipment of the season to Seattle-Tacoma International Airport in May. Alaska Airlines plays a significant role in supporting the Alaska seafood industry, which is recognized worldwide for its sustainable fishing practices.**

**Rose Ragsdale**
*Alaska Washington Connection*

Alaska Air Cargo delivered the season's first shipment of Alaska Copper River salmon to Seattle-Tacoma International Airport in mid-May. The arrival of six fish-filled Boeing 737s in Seattle and other cities throughout the United States marked the start of the summer salmon season and is an annual rite of passage anticipated by seafood lovers throughout the Pacific Northwest and beyond.

The flights from Cordova, Alaska, transported fresh fish from three Alaska seafood processors: Copper River Seafoods, Ocean Beauty Seafoods and Trident Seafoods.

Alaska Airlines plays a significant role in supporting the Alaska seafood industry, which is recognized worldwide for its sustainable fishing practices. Last year, the carrier flew more than 24.5 million pounds of fresh Alaska seafood to the Lower 48 states and beyond, including 1 million pounds of Copper River salmon.

"No other airline delivers more Copper River salmon to the Lower 48 than Alaska Airlines, and making that happen within 24 hours after the fish is pulled from the water is no small feat," said Betsy Bacon, managing director of Alaska Air Cargo. "Hundreds of employees from across the state of Alaska, Seattle and beyond spend months getting ready for the busy summer fish season."

## Seafood quality training

Alaska Air Cargo says salmon caught in Alaska arrives as fresh as possible to grocery stores and restaurants across the nation, thanks in part to a cool-chain training program required of all airline employees who handle perishables. The employees are required to adhere to strict seafood quality standards and pass an annual food quality course.

Seafood processors and shippers follow these cool-chain standards to provide a temperature-controlled environment for proper food handling. The goal is to keep seafood moving rapidly throughout its journey on Alaska Airlines and maintain a consistent temperature range from the time a fish leaves the water to when it arrives at stores and restaurants.

Alaska Airlines, a subsidiary of Alaska Air Group, together with its partner regional airlines, serves nearly 100 cities through an expansive network in Alaska, the Lower 48, Hawaii, Canada and Mexico. ■

PHOTO © ANGELA STERLING

Pacific Northwest Ballet company dancers in Kent Stowell's "Swan Lake." PNB will present the classic love story April 10-19, 2015, during its 2014-15 season. Tickets are available through the PNB Box Office, 206-441-2424 or online at PNB.org.

# Seattle offers premiere arts season

*City's theaters, ballet promise diverse lineup, from powerful world premieres to time-honored classics and joyous musicals*

**By ROSE RAGSDALE**
*Alaska-Washington Connection*

For its 2014-15 season, Seattle's performing arts community promises a cornucopia of exciting, thoughtful and hilarious fare.

Seattle Repertory Theatre is presenting an outstanding lineup of both classical and contemporary productions, featuring the first-ever presentation of Seattle writer Robert Schenkkan's striking meditation on power and morality in his two-part Lyndon B. Johnson plays, "All the Way" and "The Great Society," in repertory format.

"Producing 'All the Way' and 'The Great Society' is a colossal undertaking for our theatre: two original plays, 18 actors, and the opportunity for city-wide community engagement. It will be the largest artistic project of our 51-year history," said Artistic Director Jerry Manning. "We look forward to giving our patrons an once-in-a-lifetime theatre-going experience."

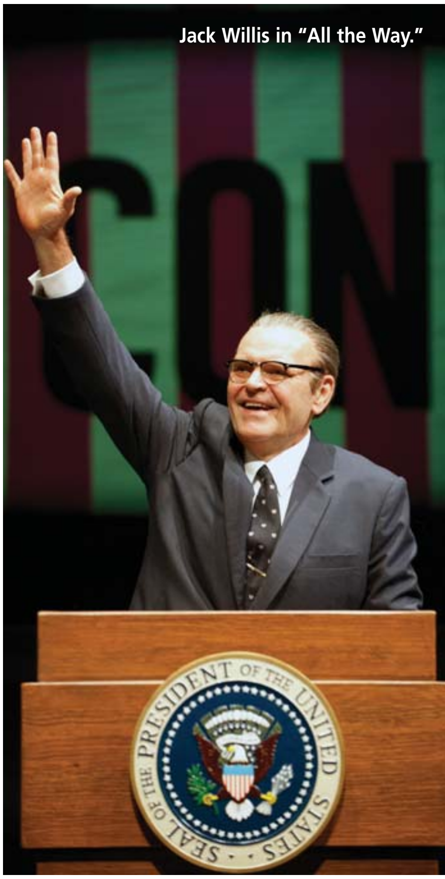
The new season also boasts three world premieres, a new production of August Wilson's "The Piano Lesson," and a redefined design concept for the Leo K. Theatre season. The season runs from October 2014 through May 2015, and subscriptions are available now through the Seattle Rep Box Office at 206-443-2222 as well as online at www.seattlerep.org. Single tickets went on sale Aug. 19.

Pacific Northwest Ballet's 2014–15 season is a celebration of great choreographers featuring PNB's renowned live orchestra, stunning production design, and incomparable dancing.
Performances will include George Balanchine's "Jewels," Sept. 26-Oct. 5; after 31 years, the final season of PNB's beloved "Nutcracker," choreographed by Kent Stowell, Nov. 28-Dec. 28; Alexei Ratmansky's "Don Quixote," Jan. 30-Feb. 8, 2015; five performances only of Bruce Wells' "Snow White," March 15-22; William Forsythe's "The Vertiginous Thrill Of Forsythe," March 13-22; Kent Stowell's Swan Lake, April 10-19; and Kent Stowell's "Carmina Burana," May 29-June 7.

Contemporary excitement ACT — A Contemporary Theatre is featuring the "Endangered Species Project," Aug. 4-Dec. 1, a presentation of the great plays you seldom see on the stage! Seattle theatre artists give voice to the characters that sit silent on your bookshelves. Directors include Mark Anders, John Dillon, Allen Galli, Leslie Law, Larry Paulsen, Jeff Steitzer, and Richard Ziman.

see ARTS page 36

JENNY GRAHAM




Jack Willis in "All the Way."

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## ARTS

All events take place at 7 p.m. in ACT's Bullitt Cabaret. See more at: http://www.acttheatre.org/Tickets/OnStage/EndangeredSpeciesProject#About

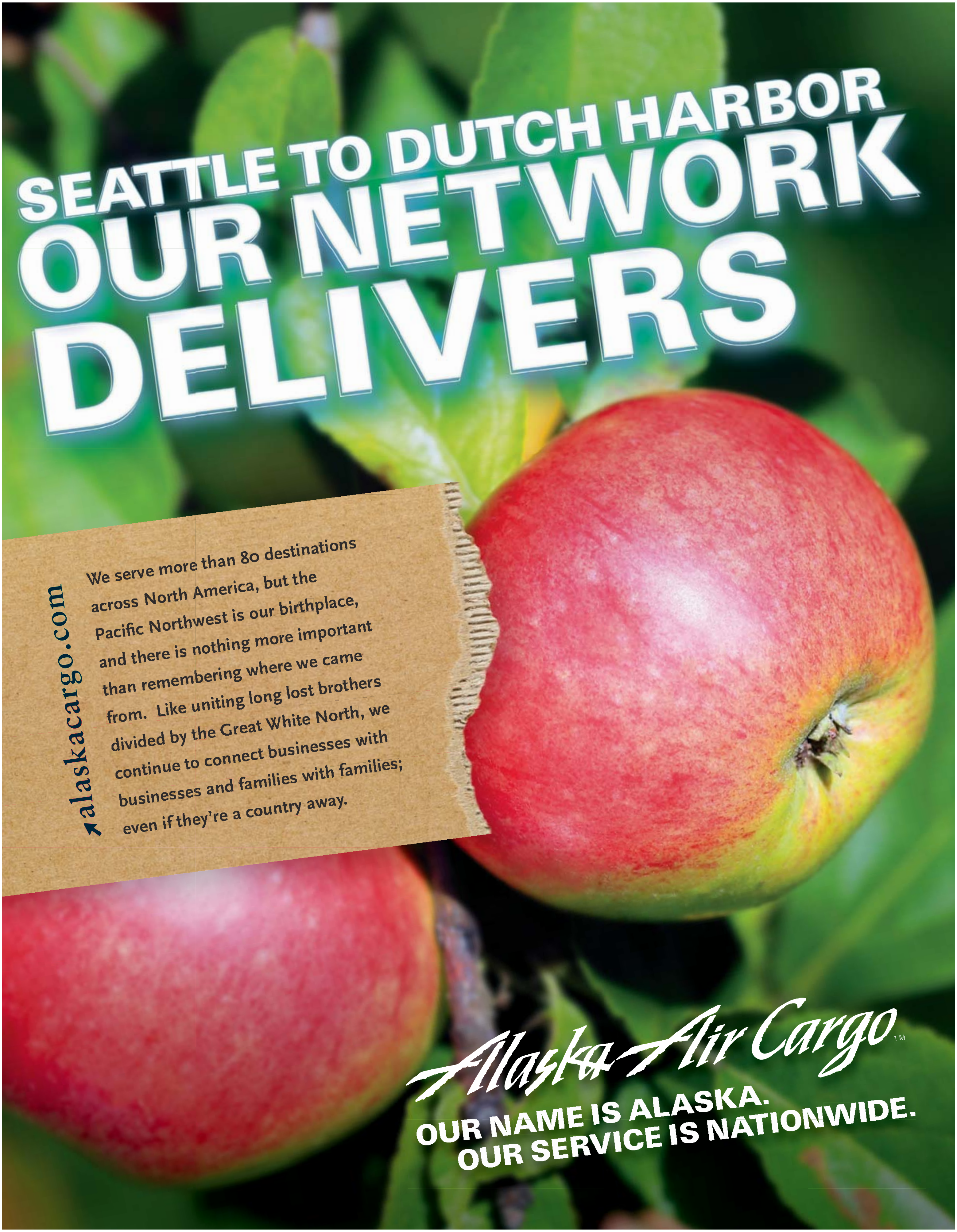
### Lighter fare

Looking for a great musical? Check out the lineup at the historic 5th Avenue Theatre! The 2014-15 season opens with the award-winning, "A Chorus Line," Sept. 3-28. Next up is the joyous "Kinky Boots," featuring a Tony-winning score by Cyndi Lauper, Oct. 7-26; and for the holiday season, "A Christmas Story, The Musical," Nov. 25-Dec. 31. In the New Year, the 5th will present Rodgers & Hammerstein's "Carousel," Feb. 5-March 1. With spring comes "Jacques Brel," a co-production with and performed at ACT Theatre, April 21-May 10, 2014. The 5th also will present from the director of "The Book of Mormon" the world premiere of "Something Rotten!" April 29-May 24; and "Grease," July 9-Aug 2. ■


NMF
OVERSIZE




Carlile


SEATTLE TO DUTCH HARBOR
OUR NETWORK
DELIVERS
We serve more than 80 destinations across North America, but the Pacific Northwest is our birthplace, and there is nothing more important than remembering where we came from. Like uniting long lost brothers divided by the Great White North, we continue to connect businesses with businesses and families with families; even if they're a country away.
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Alaska Air Cargo™
OUR NAME IS ALASKA.
OUR SERVICE IS NATIONWIDE.