

STATE OF ALASKA

SARAH PALIN, GOVERNOR

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

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November 2, 2007

Ms. Marcia Davis
Deputy Commissioner
Department of Revenue
P.O. Box 110400
Juneau, AK 99811-0400

Dear Ms. ~~Davis~~, *Marcia*

I am writing to recap recent email conversations between the Department of Revenue and the Department of Transportation & Public Facilities (DOT&PF) regarding the Dalton Highway (Haul Road). There were a number of questions your Department had for DOT&PF and I have outlined them below.

You have requested information regarding increased maintenance costs on the Dalton Highway as a result of increased truck traffic. You mentioned the operator contends that if the Kuparuk Crude Oil Topping Plant is not modified to produce extra ultra low sulfur diesel, the operator intends to provide the necessary diesel for slope activities by having it trucked from Fairbanks to Kuparuk. The operator estimates that the increased use of the Dalton Hwy (Haul Road) will be an additional 20 truck trips each day. I will assume this to be one-way trips.

If a deduction is not allowed for a crude oil topping plant on the North Slope, low-sulfur diesel may need to be trucked up the haul road from either Anchorage or Fairbanks. This is estimated to require roughly 20 trucks (or 3000bls) daily. What impact is this likely to have on haul road maintenance costs?

After years (decades) of marginal maintenance, over the past 4 years we have increased both our operating and capital efforts significantly. An increase of daily truck traffic on the Dalton of 50-70 trips will not result in any significant (<\$1.5 million) additional maintenance effort or cost. We do not expect the cost range to increase significantly until the daily truck traffic increases by 150 trucks (one way) a day.

"Providing for the movement of people and goods and the delivery of state services."

Where are the maintenance stations located, and how long has DOT been supplying them via tanker?

We have 7 maintenance stations on the Dalton Highway, starting at Livengood at the end of the Steese Hwy and moving north.

- Livengood
- Seven Mile
- Jim River
- Coldfoot
- Chandalar
- Sag River
- Deadhorse (Hwy station, airport and ARRF)

The stations (with the exception of Deadhorse to Sag) are located approximately 60 miles apart - that is the optimum distance for a road maintenance station. These stations are manned 24 hours a day, seven days a week, with the crews working seven days on and seven days off - crew members live predominantly in the Fairbanks area. To the best of my knowledge, DOT&PF has always supplied our remote maintenance stations by tanker. We bid fuel supply contracts with prices FOB each maintenance station.

I understand that fuel produced on the Slope is for the industrial uses there, and only there (although they do sell fuel to the villagers of Nuiqsut), and has no motor fuel taxes applied.

What impact will the increased haul-road traffic have on safety?

We do NOT allow double tankers on the Dalton Highway (capacity approximately 12,000 gallons) only single tankers (capacity approximately 9,000 gallons). Most fuel consumed on the slope is produced on the slope. We supply our seven maintenance stations on the Dalton out of Fairbanks via tanker with no history of mishap.

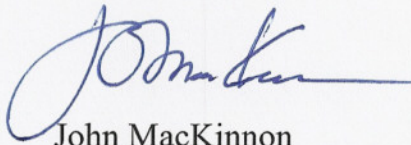
Do you know the average amount of fuel that DOT trucks up daily or how often the fuel runs happen?

We do not truck daily, but receive a delivery from private vendors on a "keep full" basis and store it in our tanks. The fuel trucks are approximately 9,000 gallons

capacity each. During the course of a year, they make approximately 30 trips to all our stations along the Dalton and deliver approximately 45,000 gallons of gasoline and 300,000 gallons of diesel fuel and heating oil

I hope you find this information helpful. Please don't hesitate to contact me if you need additional information or clarification.

Sincerely,

A handwritten signature in blue ink, appearing to read "John MacKinnon", with a stylized flourish at the end.

John MacKinnon
Deputy Commissioner

cc: Ian Laing, Department of Revenue