APPENDIX B

OMB LETTER OF APPROVAL AND
REPORT OF THE CHIEF OF ENGINEERS
SAND POINT, ALASKA

LETTER OF TRANSMITTAL

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
CIVIL WORKS
108 ARMY PENTAGON
WASHINGTON DC 20310-0108

02 DEC 1999

REPLY TO
ATTENTION OF

Honorable J. Dennis Hastert
Speaker of the House
of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Section 101 (a) (2) of the Water Resources Development Act (WRDA) of 1999 authorized navigation improvements at Sand Point Harbor, Alaska. The proposal is described in the report of the Chief of Engineers dated October 13, 1998, which includes other pertinent reports and documents. The Secretary of the Army supports the authorization and subject to a modification in project scope, revised cost sharing, and an additional non-Federal operation requirement, all noted in this report, plans to implement the project through the normal budget process.

I am submitting this report in partial response to a resolution adopted by the House Committee on Public Works on December 2, 1970. The views of the State of Alaska, the Departments of the Interior and Transportation, and the Environmental Protection Agency are set forth in the enclosed report.

The authorized project maximizes net national economic development benefits consistent with environmental quality, and consists of constructing a new harbor adjacent and south of the existing Humboldt Harbor, at Sand Point, Alaska. The Humboldt Harbor is a federally constructed facility. A 570-foot extension would be added to the southern breakwater of the existing harbor to form the northwest side of the new moorage basin and the eastern side of the new entrance channel. An additional breakwater, 730 feet long, would be constructed further south to create a protected entrance channel and an 8.6-acre moorage basin and maneuvering area. Both rubblemound breakwaters would have a crest elevation of 16 feet above mean lower low water (MLLW). The entrance channel and maneuvering area would be dredged to a depth of 18 feet below MLLW, and the mooring basin would be dredged to a depth of 17 feet below MLLW. The entrance channel would have a bottom width of 120 feet, with an additional width of 230 feet in the turn into the moorage basin. Dredged material would be disposed of in an intertidal area along the shoreline of the new basin, and used to construct a 2.7 acre storage and access area along the shoreline of the existing harbor. Dredged material would also be disposed of within the new basin at depths greater than 20 feet below MLLW. Non-Federal interests would be responsible for dredging the moorage basin itself and would provide the float

system for the moorage of vessels. The proposed project would provide year-round moorage for thirty-seven large fishing vessels of from 80 to 150 feet in length, reduce vessel-operating costs, and provide a harbor of refuge.

The project would be designed and constructed in ways to avoid or minimize adverse environmental impacts, including a design with a minimum project footprint, use of silt curtains during dredging, development of a blasting plan, and minimizing the effects of disposal of dredged materials on fisheries. A separate local mitigation plan has also been developed to encourage the proper disposal of fish nets and waste engine oil, and to maintain sockeye salmon returns to spawning habitats.

Based on October 1998 price levels, the Army Corps of Engineers estimates the total first cost of the proposed project at $11,760,000, with a Federal cost of about $6,892,000, and a non-Federal cost of about $4,868,000. This cost includes $8,515,000 for general navigation features; $3,165,000 for the sponsor's dredging of the moorage basin and provision of the float system; $72,000 for lands, easements, rights-of-way, and relocations; and, $8,000 for federally provided aids to navigation. The non-Federal share noted above includes the additional 10 percent of the cost of the general navigation features required by Section 101 of the WRDA 1986.

The Secretary of the Army generally concurs in the recommendations of the Chief of Engineers, subject to several modifications as described herein. In paragraph 2 of his report, the Chief of Engineers describes the length of the extension to the southern breakwater of the existing harbor as 630 feet. However, the project developed by the reporting officers has an extension of only 570 feet, which is the recommended length. In addition, the cost sharing recommended by the Chief has been made to be consistent with Section 101 of WRDA 1986, as modified by Section 201 of WRDA 1996, regarding the definition of general navigation features, and the crediting for the non-Federal cost of lands, easements, rights-of-way, and relocations. The cost sharing noted above modifies that found both in the report of the Chief of Engineers, and in Section 101(a)(2) of WRDA 1999.

In paragraph 4 of his report, the Chief of Engineers describes certain non-Federal cost sharing, financing, and other provision of local cooperation. Item "4o" that relates to the non-Federal operation and maintenance of both local service facilities and dredged material disposal areas should be removed. Section 101 of WRDA 1986, as modified by Section 201 of WRDA 1996, specifies that operation and maintenance of dredged material disposal facilities is a Federal

responsibility. In addition, local cooperation item "4a" satisfies the requirement that the non-Federal sponsor provide, and operate and maintain local service facilities.

The mitigation plan developed by the reporting officers and the non-Federal sponsor also includes provisions to develop and implement a program to encourage the proper disposal of fish nets, to develop a program and facilities for the proper disposal of waste engine oils, and a program for the clearing of two local anadromous fish streams twice per year for 25 years to maintain sockeye salmon returns to spawning habitats. Implementation of these measures is important to agency acceptance of the proposed project. The total cost of these measures is estimated by the Corps at $58,000 per year, and would be a non-Federal responsibility. However, the provisions of local cooperation included in the report of the Chief of Engineers do not specify that the non-Federal sponsor is responsible for these measures. Accordingly, item "4o" is replaced with the following provision:

> "o. For so long as the project is authorized, operate and maintain at its own expense, programs and facilities for the recycling and disposal of fish nets and waste oils; and, for a period not to exceed 25 years following completion of the construction of the project, clear at its own expense two local anadromous fish streams in a manner compatible with maintaining sockeye salmon returns for spawning, and in accordance with applicable Federal and State laws and regulations, and any specific directions prescribed by the Federal Government;"

The Office of Management and Budget advises that there is no objection to submitting this report, as revised by the Secretary of the Army, to the Congress. A copy of its letter is enclosed in the report.

Sincerely,

Joseph W. Westphal
Assistant Secretary of the Army
(Civil Works)

COMMENTS OF THE OFFICE OF MANAGEMENT AND BUDGET

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

July 15, 1999

Honorable Joseph W. Westphal
Assistant Secretary of the Army for Civil Works
Pentagon - Room 2E570
Washington, DC 20310-0108

Dear Dr. Westphal:

As required by Executive Order 12322, the Office of Management and Budget has completed its review of your recommendation for the navigation improvements project at Sand Point Harbor, AK.

The recommendation for this project is consistent with the policies and program of the President. The Office of Management and Budget does not object to the submission of this report to Congress.

Sincerely,

Kathleen Peroff
Deputy Associate Director
Energy and Science Division

SAND POINT, ALASKA

REPORT OF THE CHIEF ENGINEERS, DEPARTMENT OF THE ARMY

DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF OF ENGINEERS
WASHINGTON, D.C. 20314-1000

REPLY TO
ATTENTION OF:

CECW-PE (10-1-7a) 13 OCT 1998

SUBJECT: Sand Point, Alaska

THE SECRETARY OF THE ARMY

1. I submit for transmission to Congress my report on Sand Point, Alaska. It is accompanied by the report of the district and division engineers. These reports are in partial response to a resolution by the Committee on Public Works of the House of Representatives dated 2 December 1970. The committee requested review of the reports of the Chief of Engineers on Rivers and Harbors in Alaska, published as House Document Number 414, 83rd Congress, and other pertinent reports, with a view to determine whether any modifications of the recommendations contained therein are advisable at the present time. Preconstruction engineering and design activities for this proposed project will be continued under the authority provided by the resolution cited above.

2. The reporting officers recommend construction of an enclosed 8.6-acre basin and maneuvering area and a 3-acre entrance channel area. A 650-foot extension would be added to the south breakwater of the existing harbor. A second breakwater, 730 feet long, would be constructed from shore. The crest elevation of the breakwaters would be +16 feet at mean lower low water (MLLW). The entrance channel and maneuvering area would be dredged to a depth of -18 feet MLLW, and the mooring basin would be dredged to a depth of -17 feet MLLW. The float layout would accommodate 37 large vessels ranging in length from 80 to 150 feet. The plan would provide year-round moorage for large vessels, reduce vessel operating costs, and provide a harbor of refuge.

3. Project costs are allocated to the commercial navigation purpose. The estimated first cost of the general navigation features (GNF) of the recommended plan based on October 1997 price levels is $8,370,000. The GNF costs include channel excavation and breakwater construction. In accordance with Section 101 of the Water Resources Development Act (WRDA) of 1986, as amended by Section 201 of WRDA 1996, the ultimate Federal and non-Federal shares of GNF are estimated to be $6,780,000 and $1,590,000, respectively. In addition, the Federal Government would incur the costs of navigation aids currently estimated to be $8,000. The non-Federal portion includes 10 percent of the cost for the general navigation facilities which are based on an overall project depth less than -20 feet MLLW and an additional cash payment of 10 percent of costs allocated to GNF, including interest, less credit for land, easements, rights-of-way, and relocations over a period not to exceed 30 years. Creditable non-Federal lands,

easements, rights-of-way, and relocations are estimated to be $65,000. In addition to this amount, the local sponsor, the Aleutians East Borough, will be investing $3,085,000 in local service facilities which include a float system, dredging of the moorage basin, and real estate for the non-Federal moorage basin. Total costs for all features required to obtain the projected navigation benefits, including GNF, lands, easements, rights-of-way, and relocations, local service facilities, and aids-to-navigation are estimated to be $11,463,000. Project benefits are from commercial fishing travel cost savings and reduction in vessel damages associated with reduction in vessel rafting. Average annual benefits and costs, based on October 1997 price levels and a discount rate of 7 1/8 percent, are estimated at $1,739,000 and $905,000, respectively, with a resulting benefit-cost ratio of 1.9 to 1. Net benefits are estimated at $834,000 annually. The annual Federal operation, maintenance, repair, replacement, and rehabilitation cost of $6,000 includes breakwater armor replacement, hydrographic surveys, maintenance of navigation aids, and increased Federal maintenance dredging. The non-Federal operation, maintenance, repair, replacement, and rehabilitation of $22,000 include float maintenance and repair and dredging of berthing area.

4. Washington level review indicates that the proposed plan is technically sound, economically justified, and environmentally and socially acceptable. The proposed project complies with applicable U.S. Army Corps of Engineers planning procedures and regulations. Also, the views of interested parties, including Federal, State, and local agencies have been considered. I concur with the findings and conclusions of the reporting officers. Accordingly, I recommend that deep draft navigation improvements for Sand Point, Alaska, be authorized generally in accordance with the recommended plan, with such modifications as in the discretion of the Chief of Engineers may later be advisable. My recommendation is subject to cost-sharing, financing, and other applicable requirements of WRDA 1986 and WRDA 1996 for this kind of project. Also, this recommendation is subject to the non-Federal sponsor agreeing to comply with applicable Federal laws and policies, including the following requirements:

a. Provide, operate, maintain, repair, replace, and rehabilitate, at its own expense, the local service facilities in a manner compatible with the project's authorized purposes and in accordance with applicable Federal and State laws and regulations and any specific directions prescribed by the Federal Government. The mooring basin and the mooring facilities have been identified as local service facilities;

b. Provide all lands, easements, and rights-of-way, and perform or ensure the performance of all relocations determined by the Federal Government to be necessary for the construction, operation, maintenance, repair, replacement, and rehabilitation of the general navigation features (including all lands, easements, rights-of-way, and relocations necessary for dredged material disposal facilities and the local service facilities);

c. Accomplish all removals determined necessary by the Federal Government other than those removals specifically assigned to the Federal Government;

d. Provide, during the period of construction, a cash contribution equal to the following percentage of the total cost of construction of the general navigation features which include the construction of land-based and aquatic dredged material disposal facilities that are necessary for the disposal of dredged material required for project construction, operation, or maintenance and for which a contract for the facility's construction or improvement was not awarded on or before 12 October 1996: 10 percent of the costs attributable to dredging to a depth not in excess of 20 feet;

e. Repay with interest, over a period not to exceed 30 years following completion of the period of construction of the project, up to an additional 10 percent of the total cost of construction of general navigation features depending upon the amount of credit given for the value of lands, easements, rights-of-way, and relocations provided by the non-Federal sponsor for the general navigation features. If the amount of credit exceeds 10 percent of the total cost of construction of the general navigation features, the non-Federal sponsor shall not be required to make any contribution under this paragraph, nor shall it be entitled to any refund for the value of lands, easements, rights-of-way, and relocations in excess of 10 percent of the total cost of construction of the general navigation features;

f. Give the Federal Government a right to enter, at reasonable times and in a reasonable manner, upon property that the non-Federal sponsor owns or controls for access to the general navigation features for the purpose of inspection and, if necessary, for the purpose of operating, maintaining, repairing, replacing, and rehabilitating the general navigation features;

g. Hold and save the United States free from all damages arising from the construction, operation, maintenance, repair, replacement, and rehabilitation of the project, any betterments, and the local service facilities, except for damages due to the fault or negligence of the United States or its contractors;

h. Keep, and maintain books, records, documents, and other evidence pertaining to costs and expenses incurred pursuant to the project, for a minimum of 3 years after completion of the accounting for which such books, records, documents, and other evidence is required, to the extent and in such detail as will properly reflect total cost of construction of the general navigation features, and in accordance with the standards for financial management systems set forth in the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and local governments at 32 CFR, Section 33.20;

i. Perform, or cause to be performed, any investigations for hazardous substances as are determined necessary to identify the existence and extent of any hazardous substances regulated under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S.C. 9601-9675, that may exist in, on, or under lands, easements, or rights-of-way that the Federal Government determines to be necessary for the construction, operation, maintenance, repair, replacement, or rehabilitation of the general navigation features. However, for lands that the Government determines to be subject to the navigation servitude, only the Government shall perform such investigation unless the Federal Government provides the non-Federal sponsor with prior specific written direction, in which case the non-Federal sponsor shall perform such investigations in accordance with such written direction;

j. Assume complete financial responsibility, as between the Federal Government and the non-Federal sponsor, for all necessary cleanup and response costs of any CERCLA regulated materials located in, on, or under lands, easements, or rights-of-way that the Federal Government determines to be necessary for the construction, operation, maintenance, repair, replacement, and rehabilitation of the general navigation features;

k. To the maximum extent practicable, perform its obligations in a manner that will not cause liability to arise under CERCLA;

l. Comply with the applicable provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended by Title IV of the Surface Transportation and Uniform Relocation Assistance Act of 1987, and the Uniform Regulations contained in 49 CFR Part 24, in acquiring lands, easements, and rights-of-way required for construction, operation, maintenance, repair, replacement, and rehabilitation of the general navigation features, and inform all affected persons of applicable benefits, policies, and procedures in connection with said act;

m. Comply with all applicable Federal and State laws and regulations, including, but not limited to, Section 601 of the Civil Rights Act of 1964 (42 U.S.C. 2000d), and Department of Defense Directive 5500.11 issued pursuant thereto, as well as Army Regulation 600-7, entitled "Nondiscrimination on the Basis of Handicap in Programs and Activities Assisted or Conducted by the Department of the Army";

n. Provide a cash contribution equal to the non-Federal cost sharing percentage of the project's total historic preservation mitigation and data recovery costs attributable to commercial navigation that are in excess of 1 percent of the total amount authorized to be appropriated for commercial navigation;

o. For so long as the Project remains authorized, operate and maintain the local service facilities and any dredged or excavated material disposal areas, in a manner compatible with the Project's authorized purposed and in accordance with applicable Federal and State laws and regulations and any specific directions prescribed by the Federal Government;

p. Enter into an agreement which provides, prior to construction, 25 percent of preconstruction engineering and design (PED) costs;

q. Provide, during construction, any additional funds needed to cover the non-Federal share of PED costs; and

r. Do not use Federal funds to meet the non-Federal sponsor's share of total project costs unless the Federal granting agency verifies in writing that the expenditure of such funds is expressly authorized.

5. The recommendation contained herein reflects the information available at this time and current departmental policies governing formulation of individual projects. It does not reflect program and budgeting priorities inherent in the formulation of a national civil works construction program nor the perspective of higher review levels within the executive branch. Consequently, the recommendation may be modified before it is transmitted to Congress as a proposal for authorization and implementation funding. However, prior to transmittal to the Congress, the non-Federal sponsor (the Aleutians East Borough), the State of Alaska, interested Federal agencies, and other parties will be advised of any modifications and will be afforded an opportunity to comment further.

JOE N. BALLARD
Lieutenant General, U.S. Army
Chief of Engineers