

## Partly Up, Partly Down

That's the outlook for the Alaska economy in 2007. At the 4th Annual Economic Luncheon sponsored by the World Trade Center Alaska and Wells Fargo Bank, Pat Burden, our President, presented our projections for the coming year. Oil prices are anticipated to average about \$49 per barrel throughout the year. This price is very high compared to the historical average, but below the almost \$60 per barrel required to balance the state's budget in fiscal year 2007. The implication of \$49 oil is that budget surpluses won't exist and the Constitutional Budget Reserve Fund will need to be tapped to make up the difference between anticipated revenues and expenditures.

Even though the price of oil will be lower, increased employment is expected in the natural resources sector and in most other sectors of the state's economy. There is a large amount of dollars still circulating throughout the economy from the high prices for oil and minerals in 2006, and federal spending in the state. The construction and manufacturing sector is the only sector that is not expected to increase due to the reduction in residential construction. A backlog of government and commercial construction projects may enable this sector to remain near the levels reached in 2006.

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## What's New at NEJ

In a profession that's largely about making predictions for the future, it's sometimes nice to take a look back for a change! Here are a few of NEI's new staff and some interesting projects Northern Economics was part of in 2006.

### New Faces, New Space

Our Bellingham office had a big year in 2006, relocating to brand new digs and growing with the addition of Senior Economist Susan Burke, Associate Economist Katharine (Trina) Wellman, and economist Kent Kovacs. And early in 2007, Analyst Bill Schenken went from a part time to full time employee.

**Katharine (Trina) Wellman** joined NEI as an associate in May of 2006. Trina is based in Seattle, WA, and holds a Ph.D. in Natural Resource Economics and an M.M.A. in Marine policy from the University of Washington, Seattle. She has worked at the Woods Hole Oceanographic Institution, NOAA, and Battelle Memorial Institute as a research scientist and natural resource economist. More recently she has been a private consultant in marine resource economics and coastal management. Her work includes authorship of two guides on the use of environmental valuation in coastal management and policy decision making, assessments of the economics of aquatic habitat restoration, and the study, Assessment of Natural Resource Values and Economic and Environmental Impacts of Actions Selected for the Comprehensive Conservation and Management Plan, prepared for the Lower Columbia River Estuary Program.



Economist **Kent Kovacs** has a Ph.D. in Agricultural and Resource Economics from the University of California, Davis and a B.A. in Economics from Vassar College. His dissertation, entitled Natural Amenity



Benefits and Residential Development Patterns, looks at the relationships between open spaces, such as parks, lakes, or agricultural land, and residential development.

Kent brings with him a great talent for sophisticated economic modeling as well as some fascinating tips about hiking-trip hygiene. (See his profile at [www.northerneconomics.com](http://www.northerneconomics.com) for the real down and dirty.)

The new year also saw the transition of **Bill Schenken** of the Bellingham office from part-time to full-time employee. Bill started with Northern Economics as an intern in January 2006 while completing his MBA in Sustainable Business at the Bainbridge Graduate Institute. He transitioned to a regular part-time position soon after completing



## What's New

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his studies at BGI and was recently offered a full-time position. Bill brings several years of information technology and mathematical analysis experience to NEI, in addition to the communication, team work and business analysis skills he developed while at BGI. Bill's passion is helping businesses and society foster economic development through the integration of the industrial economy and ecosystems with uncompromising business and economic logic.

Bill's first initiative as a full-time employee will be to take a long vacation! Bill's full time employment happens to coincide with his upcoming wedding in April and he will be leaving the country to explore exotic tropical ecosystems with his new bride. When he returns, he will be anxious to start the spring mountaineering and then summer climbing season... although such exploits will now be limited to the weekends.

## Alaska Natural Gas Development Authority Business Plan

Northern Economics was retained by the Alaska Natural Gas Development Authority (ANGDA) to assist them in preparing a business plan for its future operations. ANGDA is a public corporation of the State of Alaska that was established in late 2002 by the initiative process to bring North Slope natural gas to Alaska's citizens and maximize benefits to the state's residents. The business plan focuses on development of a spur line that would provide natural gas to Southcentral Alaska, although in the future ANGDA could be involved in distribution of propane or other natural gas-related energy supplies to additional regions of Alaska. ANGDA's role in these and other potential projects will evolve over time, as depicted in the VENN diagram in the next column.

As you can see, ANGDA's current position is related to being a sponsor, facilitator, and aggregator with lesser



involvements in the other roles; over time, ANGDA will likely move toward more involvement in financing.

In addition to a description of these roles, the business plan contains an evaluation of the strengths, weaknesses, opportunities, and threats facing the organization, and functional and staffing requirements. The plan also presents the consultant team's analysis of markets, regulatory requirements, and financial and economic forecasts, and provides a set of recommendations as to how ANGDA might best move forward. Northern Economics, Inc. was the prime contractor with assistance from Michael Baker, Jr., Inc., Financial Engineering Company, and Western Financial Group. To see a copy of the business plan, visit ANGDA's website at: [www.angda.state.ak.us/DOCS/ANGDA%20Client%20Draft%20Nov%202010.pdf](http://www.angda.state.ak.us/DOCS/ANGDA%20Client%20Draft%20Nov%202010.pdf).

## Moose Value

What's the economic value of a moose? We recently had the opportunity to explore this unusual question for an Alaska client. We explored the physical or consumptive value of the animals, including the use of hide, antlers and meat, as well as dollars generated from sales of hunting licenses and tourism dollars generated by moose-sighting for visitors. We also looked at non-monetary values, such as the pleasure people take in just knowing that these giant, goofy-looking ungulates are walking around their neighborhoods. All these values were then weighed against the costs created by such things as

moose-vehicle collisions to come up with a per-animal estimate of value.

Some interesting moose facts:

- ❖ Alaska's moose population is approximately 175,000 animals
- ❖ Moose rank number six on the Alaska Department of Fish and Game's top ten list of most popular animal species for wildlife viewing, behind bald eagles, bears—both brown and black, Caribou, Dall sheep, and Humpback whales.
- ❖ Moose are the preferred species for a majority (54%) of Alaska big-game hunters surveyed.
- ❖ The total net value of the Alaska moose population (taking into account both revenues and costs) is estimated at \$28 million.



## New Intern for Anchorage

This spring, NEI continues its great string of University of Alaska interns with UAA senior Chris Kolerok. Chris graduates in May with BA in Economics. He majored in Justice and History before finding his true calling. For four years Chris was part of UAA's Speech and Debate team, advancing in December to the semi-finals of the World Universities Debating Championships, where they were the last North American team standing in competition. He is currently writing a senior paper on subsistence and after graduation (and hopefully a nice break), graduate school is in the near future.