

**Department of Natural Resources
House Finance Gasline Hearing
February 24, 2010**

	Multi- Year Appropriations (SPCO, CO, DOG)	One- Time Items (ACO)	Base Budget (ACO)	CIP (DGGs, DOG)	Total
Available at 7/1/2009	3,241,500	3,200,000	681,700	4,785,160	11,907,960
Expended as of 2/22/2010 (does not include encumbrances)	260,400	1,876,256	481,800	1,004,522	3,633,210
Unexpended balance at 2/22/2010	2,981,100	1,323,744	199,900	3,780,638	8,274,750
Less: Encumbrances		1,051,244	35,100		1,086,344
Unobligated balance at 2/22/2010	2,981,100	272,500	164,800	3,780,638	7,188,406

What has DNR done with the money spent in FY10?

Multi-Year Operating Appropriations for Right-of-Way permitting, \$2,996,700 available, AR 37998 & AR 37934 (from FY05) – State Pipeline Coordinator’s Office

- \$22,200 has been utilized by the Joint Pipeline Office for 25% of a position that is providing planning and coordination support related to AGIA right-of-way work.

Multi-Year Operating Appropriations for Increased Workload, \$239,100 available, AR 37905, AR 37936, AR 37995, AR 37996 (from FY05 and FY06) – Division of Oil & Gas, Commissioner’s Office

- \$95,000 has been used to pay part of the personal services costs of a project manager in the Commissioner’s Office for AGIA Outreach.
- Due to multiple projects including gasline, the following projects for the Division of Oil and Gas were contracted out:
 - \$64,910 has been used to pay a contract programmer for improvements to the royalty accounting system,
 - \$78,290 has been used to pay for a contractor to perform two Best Interest Findings

Multi-Year Operating Appropriation for Gas Pipeline Analysis, \$5,700 available, AR 40757

- No spending thus far in FY10 on this appropriation

One-time FY10 Operating Budget Item, \$3.2 million for AGIA Implementation (Consultants), AR 37093 – AGIA Coordinator’s Office

Actual expenditures of \$1,876,256 thus far in FY10, with an additional \$1,051,244 encumbered

- PINGO Int’l. - \$593,171 for project plan monitoring of the AGIA licensee’s pipeline project
Review of pipeline design, construction and mitigation issues, review of cost and schedule estimates and licensee reimbursement requests

- Black & Veatch - \$364,325 for economic risk & modeling
Identified and developed a range of potential commercial instruments by which the state may reduce risks faced by potential shippers
- Black & Veatch - \$428,556 for royalty inducement regulation assistance
Assembled models relating to possible LNG shipments of N. Slope gas and valuation of substances such as CO2 and non-methane components of the gas stream
- Energy Capital Advisors/Energy Project Consultants - \$197,876 for Commercial Advisor
Monitor and review licensee's commercial and overall project plan, and provide assistance to state policy makers regarding various commercial measures the state may take to increase the likelihood of project success
- Blaskovich Services, Inc. - \$138,746 for oil and gas energy planning model
Gathering large volumes of relevant data and meeting with state policy makers to determine framework needed for an Alaska Oil and Gas Energy Planning model
- Bonnie Robson - \$153,581 for AGIA royalty regulations drafting assistance
The contractor has incorporated policy decisions, based on information and analyses provided by other contractors, into an initial draft of the royalty regulations required under AS 43.90.310.

FY10 Base budget for AGIA Coordinator's Office - \$681,700, AR 37093

Current expenditures are \$360,725 in personal services, \$64,576 in travel, \$49,724 for services, and \$6,775 for commodities: Total of \$481,800 which is 72% of FY10 budget. An additional amount of \$35,100 has been encumbered.

Capital Improvement Projects - \$4,785,160 for two projects

Gasline Corridor Hazards Evaluations, \$785,160 available from FY08 and FY09 CIP's, AR 40774 & AR 40841 – Division of Geological and Geophysical Surveys

- \$267,827 has been used to pay contractors including Coastal Helicopters, Inc., Michael Smith, University of Alaska Fairbanks, Carver Geologic, and Alaska Aerofuel
- \$79,333 has been used for in-house expense in the Division of Geological and Geophysical Surveys for personal services, travel, services and commodities for the project manager

Reservoir Modeling Studies, North Slope, \$4.0 million available from FY09 CIP, AR 40852 – Division of Oil & Gas

- \$657,400 was used to pay contractor PetroTel for completion of a study in the NorthStar unit.

What value was received?

- 1) Ensured licensee and state compliance and fulfillment of contractual obligations under AGIA
- 2) Ensured that the largest private project in North American history is moving forward on an accelerated schedule as required by the AGIA license and statute
- 3) Increased coordination between state and federal agencies as well as state and Canadian regulatory agencies
- 4) Increased information flow to the public
- 5) Completed field work to identify potential geologic hazards along the proposed corridor route
- 6) Established contracts for reservoir modeling to determine optimal use of N. Slope gas