

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB 369 (RES)
() Publish Date: _____

Identifier (file name): CSHB369 (RES)-GOV-EO-03-12-10
Title: "An Act relating to in-state natural gas pipeline,...
..project manager/team"
Sponsor: Representative Chenault
Requester: (H) Finance
Dept. Affected: OOG
RDU: Executive Operations
Component: Executive Office
Component Number: 6

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services	1,001.7	1,001.7	1,011.6	1,021.9	1,032.5	1,036.0	1,047.0	
Travel	36.0	36.0	36.0	36.0	36.0	36.0	36.0	
Contractual	***	***	***	***	***	***	***	
Supplies	25.0	25.0	25.0	25.0	25.0	25.0	25.0	
Equipment	77.0	77.0	0.0	0.0	0.0	0.0	0.0	
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	***	***	***	***	***	***	***	

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	***	***	***	***	***	***	***
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	***	***	***	***	***	***	***

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	6	6	6	6	6	6	6
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

The fiscal impact of CSHB 369 (RES) is indeterminate at this time. Please see attached analysis.

Prepared by: Linda Perez, Director Phone 465-3876
Division: Administrative Services Date/Time 3/12/10 4:25 PM
Approved by: Bob Swenson, Project Manager Date 3/12/2010
Office of the Governor

To ensure that construction may begin on the in-state natural gas pipeline by July 1, 2011 as set out in HB 369 (RES), the in-state gas line project team has identified general work products, materials, and a minimum staffing level needed to direct the work for the project team. The cost associated with contractual services to perform the detailed pipeline engineering will be approximately \$350 million; field work, and permitting needed to get the project ready to begin construction by July 1, 2011 is more than \$30 million. Costs associated with preconstruction readiness and pipeline materials outlined below is indeterminate at this time. A cost of transportation estimate to provide this information is scheduled to be completed by July 1, 2010. The State's ability to transfer the project to private investors by the construction date is likewise unknown. If unsuccessful, the State may assume liability for costs associated with all construction costs.

PERSONAL SERVICES: 1001.7 - increased to include 6 staff as follows:

Project Manager Rg 26
Engineering Manager Rg 26
Commercial Manager Rg 26
Legislative Liaison/Public Outreach Officer Rg 23
Finance/budget analyst Rg 22
Schedule Coordinator Rg 21

Current 6500.0 operating budget request includes 322.2 for personal services, fiscal note increases total personal services to 1,001.7. Following years include scheduled merit increases for all but professional staff.

TRAVEL: 36.0 - reflects original travel request in FY2011 Governor's budget request.

CONTRACTUAL: Indeterminate

Fiscal Implications of 7/2011 Start of Construction:

During the first construction summer, ROW construction activities would include

- Establishment of construction centerline survey benchmark grid
- Development of material sites and preparation of civil material
- Preparation of laydown areas to accept pipe delivery
- Construction camp : site prep, pad construction and camp module installation
- Note that startup is at the flow of 250 MMscfd -(no intermediate compressor stations are required at this start up flow)

Contractual - continued

To enable this construction start date the fiscal implications to the state in FY 2011:

- Let bid for Design Engineering for Pipeline and Facilities 7/2010 - a commitment of \$350 million
- Accelerate additional permits for notice to proceed - a commitment of \$30 million
- Ensure completion of major permits by 12/2010. An "Air Quality Permit to Construct" will be required from the ADEC for facilities at either end of the pipeline (EPA allows the ADEC to issue permits because ADEC agrees to adhere to EPA standards). Unknown is whether ADEC would, or could, issue construction permits for the pipeline before "Air Quality Permit to Construct" have been issued for necessary attendant facilities. The data acquisition of 12 months of continuous site specific meteorological data is required to support the air quality application. Even pursuing an aggressive "Fast track" process, it may already be too late to get them by summer of 2011. Unknown
- Line pipe order and facilities material order- minimum is "default" funds commitment. This required commitment could be significant especially if state proceeds without all permits in place. Vendors/suppliers may require a significant "default" commitment considering the scale of the project, that they will have to reserve fabrication infrastructure thereby turning down other clients, and that the project execution approach reasonably be considered high risk. Unknown
- Order construction camps - fabrication and delivery for 2011. Unknown

500.00 for FY2011, 2012 and 2013 for commercial analysis of downstream industrial opportunities; reduced to 200.0 for 2014 thru 2016.

100.0 for public outreach, information dissemination, printing, advertising, postage.

75.3 annual office lease space

SUPPLIES: 25.0 increases FY2011 request to 25.0 for increased staff and fast-track activities.

EQUIPMENT: 77.0 one-time office set-up

Alaska In-State Gas Pipeline Project.
 February 24, 2010 - House Finance hearing on gas line funding requests
 Robert Swenson, Project Manager

1. What agencies have done with the money they spent in FY2010?

Work that is completed to date:

- Route Alternative Analysis - Parks and Richardson Highway routes: Associated comparative pipeline cost estimates; Environmental Surveys
- Initial Project Description (for permitting)
- Commercial Group Scoping
- Initial Review of ENSTAR Capital Cost Estimate - Pipeline
- Major permits applied for: U.S. Army Corps of Engineers Section 404/10, State of Alaska Title 38 Right-of-Way, Bureau of Land Management Right-of-Way

Work currently underway:

- Updating pipeline cost estimates
- Developing cost of facilities
- Cost of transport analysis
- Preparing detailed project description
- Continued engineering support for EIS and ROW process
- Developing data package for economic analysis
- Facilities scenarios identified
- Commercial group market analysis
- Cost of transport analysis

2. How much additional they have encumbered and for what? \$3,904,496

	Payroll & Expenditures 1/15/2010	Contract Commitments (Encumbrances)	Estimated Budget Jan-10	Estimated Budget Feb-10	Estimated Budget Mar-10	Estimated Budget Apr-10	Estimated Budget May-10	Estimated Budget Jun-10
Personal Services	170,252		26,825	26,825	26,825	26,825	26,825	26,825
Travel	17,832		3,000	3,000	3,000	3,000	3,000	3,000
Services	2,024,396	3,904,496	330,000.0	330,000.0	330,000.0	330,000.0	330,000.0	329,000.0
Commodities	2,488		2,000	2,000	2,000	2,000	2,000	1,529
Total Expended	2,214,968	3,904,496	361,825	361,825	361,825	361,825	361,825	360,454

3. How much they need for FY2011? and what they propose doing with the money? \$6,500,000

	Per month FY2011	Total FY2011
Personal Services	26,830	321,960
Travel	3,000	36,000
Services	511,000	6,130,040
Commodities	1,000	12,000
Total expended	541,830	6,500,000

- Completion of environmental and permitting for USACE and State and Federal right-of-way approvals.
- Engineering data acquisition for detailed engineering design of the project.
- Refinement of Cost of Service estimates and Tariff modeling
- Prepare complete project documentation of In-State pipeline asset for transfer private pipeline developer