

# Fiscal Note

State of Alaska  
2014 Legislative Session

Bill Version: SB 138  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB138CS(FIN)-FUNDCAP- LDNGPF-03-13-14  
Title: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: SFIN

Department: Fund Capitalization  
Appropriation: Caps Spent as Duplicated Funds  
Allocation: Large Diameter Natural Gas Pipeline Fund  
OMB Component Number:

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>OPERATING EXPENDITURES</b>	<b>FY 2015</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>							
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**Estimated SUPPLEMENTAL (FY2014) cost:** 66,726.7 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2015) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **No**  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

This revised fiscal note reflects the changes made to the original legislation with regard to State's participation in advancing an Alaska liquefied natural gas project (AKLNG). This fiscal note incorporates the capital costs associated with AGDC's participation in AKLNG pre-feed activities beginning in FY14 and running through FY15. These include AGDC's increased operational costs associated with this initiative and the funds necessary to take a 25% equity interest in the LNG Facility. Costs associated with FY16 and FY17 activities are not being requested at this time. Funding categories and amounts are detailed in the analysis section to follow. AKLNG costs separately identified by either the Dept. of Revenue, the Dept. of Natural Resources or the Alaska Energy Authority are not included in this fund capitalization.

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Division:	Alaska Gasline Development Corporation	Date:	03/13/2014 10:00 PM
Approved By:	Dan Fauske, President	Date:	03/13/14
Agency:	Alaska Gasline Development Corporation		

**FISCAL NOTE ANALYSIS**

**STATE OF ALASKA  
2014 LEGISLATIVE SESSION**

**BILL NO. CSSB138(FIN)**

**Analysis**

The legislation gives AGDC the primary responsibility for developing the AKLNG project on the state's behalf, to include developing infrastructure and services related to transportation, liquefaction, marine terminals, marketing and commercial support. It also authorizes AGDC to acquire an ownership interest in the AKLNG project, including liquefaction facilities associated with the project. To maintain the momentum of current AKLNG negotiations, this legislation has an immediate effective date. AGDC's activities would accelerate immediately upon enactment of this legislation and funds will begin to be drawn before the end of FY14.

The *Large-Diameter Natural Gas Pipeline Project Fund* is created in this legislation to fund expenditures related to the AKLNG project. AGDC is requesting a FY14 supplemental appropriation of \$66,726.7 UGF to initially capitalize the Fund. This is the minimum amount necessary to fund the Corporation's FY14 and FY15 AKLNG pre-feed activities. Once appropriated into the fund, the legislation authorizes AGDC to spend money on AKLNG related expenditures as they occur without further appropriation. Approximately \$11,188.2 of this initial funding will be drawn down in FY14 and \$55,538.5 in FY15. AGDC intends to institute procedures similar to those currently being used to track ASAP Project expenditures that are funded through the existing In-State Natural Gas Pipeline Fund (1229).

This appropriate request does not include the amount necessary to purchase 40% of TransCanada's (TC) mid-stream interest or the funds necessary to satisfy the State's obligation, per the MOU, to reimburse TC for its AKLNG investments and to provide a 7.1% return guarantee (AFUDC) should their involvement in the project not continue through to FEED.

The timing of AGDC's expenditures related to advancing the Alaska liquefied natural gas pipeline project are summarized in the table below:

<b>AGDC AKLNG Pre-Feed Expenditures</b>					
	<b>FY14 Supp</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>Total</b>
<b>Personal Services</b>	\$ 232.3	\$ 1,394.0	\$ 1,394.0	\$ 1,394.0	\$ 4,414.4
<b>Other Project Expenses</b>					
<i>Contractual Services</i>	\$ 795.2	\$ 4,771.1	\$ 4,771.1	\$ 4,771.1	\$ 15,108.5
<i>Travel</i>	\$ 130.0	\$ 780.0	\$ 780.0	\$ 780.0	\$ 2,470.0
<i>Lease</i>	\$ -	\$ 329.4	\$ 329.4	\$ 329.4	\$ 988.2
<i>AGDC Board</i>	\$ 30.7	\$ 184.0	\$ 184.0	\$ 184.0	\$ 582.6
<i>Capital Outlay</i>	\$ -	\$ 230.0	\$ -	\$ -	\$ 230.0
<b>State Equity Participation</b>	\$ 10,000.0	\$ 47,850.0	\$ -	\$ -	\$ 57,850.0
<b>State 40% Option on TC</b>	\$ -	\$ -	\$ 42,250.0	\$ -	\$ 42,250.0
<b>State's Guarantee of TC</b>	\$ -	\$ -	\$ 70,124.4	\$ -	\$ 70,124.4
	<b>\$ 11,188.2</b>	<b>\$ 55,538.5</b>	\$ 119,832.9	\$ 7,458.5	\$ 194,018.1

This request is for FY14 and FY15 costs only. A future appropriation of \$127,291.5 will be required to fund AGDC's continued participation in pre-feed for FY16 and FY17, to exercise the State's 40% mid-stream option (approx. \$42,250.0) and to reimbursement TC in the event of their exiting the deal (approx. \$70,124.4).