

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 138(FIN)
Fiscal Note Number: 14
(S) Publish Date: 3/17/14

Identifier: SB138CS(FIN)-FUNDCAP- LDNGPF-03-16-14
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
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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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If yes, by what date are the regulations to be adopted, amended or repealed?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.

Prepared By:	<u>Miles Baker, Director of Governmental Relations & External Affairs</u>	Phone:	<u>(907)330-6360</u>
Division:	<u>Alaska Gasline Development Corporation</u>	Date:	<u>03/16/2014 08:00 PM</u>
Approved By:	<u>Dan Fauske, President</u>	Date:	<u>03/16/14</u>
Agency:	<u>Alaska Gasline Development Corporation</u>		

FISCAL NOTE ANALYSIS #14

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 138(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 new Fund. This year's appropriation request will cover FY14 and FY15 costs only and is the minimum amount necessary to fund the Corporation's pre-feed activities through FY15. Approximately \$11,188.2 of this initial funding will be drawn down in FY14 and \$55,538.5 in FY15. Once appropriated to the fund, the legislation authorizes AGDC to spend money out of the fund for AKLNG related expenditures as they occur, without further appropriation. 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).

In addition to this supplemental appropriation request, a future appropriation of approximately \$127,291.5 will be required to fund AGDC's AKLNG activities through FY17. This funding would cover AGDC's continued participation in pre-feed for FY16 and FY17 (\$14,917.0); the cost of purchasing 40% of TransCanada's (TC) mid-stream interest (\$42,850.0); and should TC's involvement not continue through FEED, the amount necessary (approx. \$70,124.4) to satisfy the State's obligation to reimburse TC for its development costs and provide a 7.1% (AFUDC - *Allowance For Funds Used During Construction*). Because it is unlikely that the State will exercise its equity option before FY16, those funds are not included in this year's request. If required, the State's reimbursements to TC are unlikely to occur before FY16, so they also are not included in this year's appropriation request.

The timing of AGDC's expenditures related to advancing the Alaska liquefied natural gas pipeline project through FY17 are summarized in the table below:

AGDC AKLNG Pre-Feed Expenditures					
	FY14 Supp	FY15	FY16	FY17	Total
Personal Services	\$ 232.3	\$ 1,394.0	\$ 1,394.0	\$ 1,394.0	\$ 4,414.4
Other Project Expenses					
<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
State Equity Participation	\$ 10,000.0	\$ 47,850.0	\$ -	\$ -	\$ 57,850.0
State 40% Option on TC	\$ -	\$ -	\$ 42,250.0	\$ -	\$ 42,250.0
State's Guarantee of TC	\$ -	\$ -	\$ 70,124.4	\$ -	\$ 70,124.4
	\$ 11,188.2	\$ 55,538.5	\$ 119,832.9	\$ 7,458.5	\$ 194,018.1