

Office of Governor FY11: 8,053.7 plus 2,599.6 additional contractual for RSA needs for a total request of 10,653.3.

To ensure that an in-state natural gas pipeline plan is delivered to the legislature by July 1, 2011 as set out in HB 369 (FIN), 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 environmental work and support of permitting, cost of service analysis, continued refinement of pipeline engineering, and development and management of development plan in FY11 will be approximately \$6.5 million. A cost of transportation estimate to provide pipeline and facility costs are scheduled to be completed by July 1, 2010, which will provide partial data for cost of service models. These costs will help determine commercial viability of a pipeline. The additional \$2.6 million is for RSA monies to agencies duties outlined below.

OFFICE OF THE GOVERNOR:

PERSONAL SERVICES: 1,095.2 - increased to include 7 staff for first year 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

Technical Writer Rg 19 (first year only)

Current 6500.0 operating budget request includes 322.2 for personal services. Fiscal note increases total personal services to 1,095.2 for 7 staff in first year. Following years reduce staff to 6 and include scheduled merit increases for all but professional staff.

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

CONTRACTUAL: 6,809.2 + 2,599.6 (Total 9,408.8)

Current 6500.0 operating budget request includes 6,130.0 for contractual. Fiscal note increases contractual to include commercial analysis of downstream industrial opportunities, public outreach and information dissemination, and annual lease space for 7 staff during the first year. Second and subsequent fiscal year contractual costs are indeterminate.

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

Contractual (continued)

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

79.2 first year office lease space – reduces to 75.3 for second and subsequent years

2599.6 RSA funding requirements – see below

SUPPLIES: 29.0 increases FY2011 operating budget request to 29.0 for increased staff and fast-track activities, reducing to 25.0 for second and subsequent years.

EQUIPMENT: 84.3 one-time office set-up.

Office of Governor FY12 & Beyond: Contractual; Indeterminate

Fiscal responsibility for FY12 and beyond is indeterminate at this time. These costs may include preconstruction engineering, procurement of natural gas, purchase of ENSTAR Bullet Line data package, potential application for extension of LNG export license, and other engineering and commercial activities that provide for a gasline that is operational by December 31, 2015. The State's ability to transfer the project to private investors is likewise unknown. If unsuccessful, the State may assume liability for a portion, or all of the construction costs. These costs will depend on what is determined and approved from the development plan, if anything, and could range from tens of millions to over 5 billion dollars, depending on the level of participation by the State.

Breakdown of RSAs to state agencies: 2599.6 as follows:

AHFC FY11: 500.0

This fiscal note is an estimate of what funds would be necessary for the Alaska Housing Finance Corporation should House Bill 369 become law. The preparation of a comprehensive financing plan would be completed once cost estimates for the project are available.

Contractual services will consist of Financial Advisors and legal counsel.

FY12: 0

DEC FY11: 121.1

The Department of Environmental Conservation (DEC) fiscal note reflects a project coordinator to be located in the Office of the Commissioner to coordinate with the joint in-state pipeline development team in evaluation of necessary environmental permitting, environmental impact statement review, Alaska Coastal Management

DEC (continued)

Program coordination, as well as compliance and enforcement activities for an in-state natural gas pipeline.

FY12+: Indeterminate

The costs of the environmental permitting for pipeline construction is indeterminate at this time, this fiscal note does not account for any permitting activities that may occur after the in-state pipeline plan is submitted to the legislature by July 1, 2011.

DOR FY11: 1000.0

Travel 50.0

Contractual 950.0

Department of Revenue working as part of the development team with experienced contractors and contractor firms to execute major elements of the assigned tasks.

1. Identify opportunities for delivering North Slope gas to rural & maritime Alaska
2. Identify and negotiate with potential gas suppliers and potential gas consumers
3. Develop pro-forma financials for the project
4. Develop a partnering agreement with a pipeline company
5. Provide a design, construction schedule, and cost estimate for an LNG plant
6. Develop and execute a public information and outreach plan

DOT FY11: 610.8 plus 367.7 for DNR State Pipeline Coordinators Office

The Department is a member of the joint pipeline development team and is the applicant for the right-of-way (ROW). A Engineer V will serve as the technical expert for the commissioner and as the technical lead for the Department's responsibilities. As the applicant for the ROW, a ROW agent will coordinate the ROW portions of the plan, providing the technical expertise to assist in determining the intricacies associated with potential routes, and will start initial coordination with utilities that are currently in the ROW. An environmental impact analysis manager will oversee and provide technical expertise for the environmental impacts and permits needed for activities in the department's ROW. Additional, costs are for

Personnel Services **418.7**

Travel **45.0**

Contractual **87.1**

Supplies **60.0**

ADDITIONAL CONTRACTUAL FOR DOT: 367.7 needed for interagency funding to DNR State Pipeline Coordinators Office to be used by DNR as detailed below.

DOT FY12 +: Indeterminate

The costs for activities after the plan is submitted on July 1, 2011 are undetermined at this time.

(DNR FY11): 367.7

All State Pipeline Coordinator Office (SPCO) costs associated with the right-of-way permitting process, preparation of the Commissioner's Analysis, Proposed Decision and Action, construction oversight, and operational oversight are reimbursable pursuant to AS 38.35.140(b). Costs reflected in this fiscal note are reimbursable under AS38.35.140(b). Positions and efforts identified for SPCO work will utilize existing positions to the greatest extent possible. If additional SPCO or MLW positions are necessary they will be established as Long Term Non-Perm positions.

In the preparation of this fiscal note certain assumptions have been made:

State Pipeline Coordinators Office (SPCO)

1) Participating state agencies (ADF&G, ADEC, etc.) will provide separate fiscal notes, although their costs associated with permitting the right-of-way may be reimbursable by the applicant through the SPCO.

DNR (continued)

- 2) The right-of-way lease applicant, pursuant to AS 38.35. 140(b), will reimburse DNR's (and other participating state agencies as well) work associated with delivery of a right-of-way lease.
- 3) DLMW has completed a separate fiscal note, however portions of their costs may be reimbursable by the applicant through the SPCO.
- 4) Existing Program Receipt Authority will be used for the project.
- 5) DGGS cost estimate assumes that the state needs to understand the geohazards to ensure the applicant has identified and considered all geologic hazards along the route.
- 6) Construction and operational oversight begins in FY2012 and FY2014, respectively. The cost estimate for these activities is for DNR only and does not include estimates for other state agencies (ADF&G, ADEC, etc.), although their costs may be reimbursable by the applicant through the SPCO.
- 7) Assume SPCO will administer material sites after initial sale.
- 8) Assume a two-year construction schedule segregated into four geographic areas.

FY2011 costs to DNR/SPCO would include expenses to support the duties of the development team in preparing the project plan and the Analyses necessary to prepare project applications, supporting documentation, and the preparation for an expedited state review of the proposed actions. Costs for FY2011 do not include any expenses towards processing a right-of-way lease applications. Expenses associated with the right-of-way permitting process are projected to start in FY2012.

FY2011 PERSONAL SERVICES COST - \$ 200.3 total (for 12 months)**BREAKDOWN of DNR FY11 costs****1- STATE PIPELINE COORDINATOR'S OFFICE**

Positions in Anchorage; for preparing the project plan and analyses.

- one State Pipeline Coordinator (SPC) (range 26) - total 1 month at \$9.7/month = \$9.7
- one Natural Resource Specialist (NRS) III (range 18)- total 3 months/yr at 7.31/month = \$21.93
- one Natural Resource Manager (NRM) II (range 20) - total 1 month at \$9.41/month = \$9.41
- one Engineer IV (range 27) - total 3 months at 13.70/month = \$41.1
- Administrative Support - total = \$8.20

\$90.34 for FY 11 Total

2- OFFICE OF PROJECT MANAGEMENT AND PERMITTING

Position in Anchorage; for coordination of a project Health Impact Assessment.

- Natural Resource Specialist (NRS) III (range 18) - total = \$10.0

\$10.0 for FY 11 Total

DNR (continued)

3 - DIVISION OF COASTAL AND OCEAN MANAGEMENT

One position in Anchorage; for conducting the project Alaska Coastal Management Program process.

-one Natural Resource Specialist (NRS) III (range 18)-
total 1 month at 7.31/month = \$7.31
\$7.31 for FY 11 Total

3- STATE HISTORIC PRESERVATION OFFICE

Position in Anchorage; for review and monitoring the cultural resource project program. - one Archeologist = \$20.0
\$20.0 for **FY 11 Total**

4- DIVISION OF GEOLOGICAL AND GEOPHYSICAL SURVEYS

Positions in Fairbanks; for management of geohazards project related studies and review of existing information.

- one Geologist IV (range 21) - total 4 months = \$35.80
- one LTNP Geologist III (range 19) - total 4 months = \$25.52
- one Graduate Intern - total 4 months = \$11.32
\$72.64 for **FY 11 Total**

TRAVEL, CONTRACTUAL, SUPPLIES - \$70.0 total for FY11

Travel, contractual, and supplies to support the duties of the development team in preparing the project plan and the Analyses necessary to prepare project applications, supporting documentation, and the preparation for an expedited state review of the proposed actions.

Other miscellaneous, contractual and supply costs include office space, telephones, core service charges and related expenses.

5- DIVISION OF MINING LAND & WATER

Assumptions

- 1) that DNR/DMLW will be required to prepare a title report regarding state owned lands in the pipeline ROW,
- 2) that DNR will not be required to transfer title to any state lands to DOT/PF,
- 3) that DOT/PF will be responsible for all title or ROW acquisitions from entities other than DNR managed state lands including lands owned by private persons, boroughs, ANCSA corporations, native allotments, and the federal government,
- 4) that DNR/DMLW will review and approve all land surveys associated with granting an in-state gasline ROW and developing an in-state gasline across state land,

DNR (continued)

5) DNR DMLW will participate in the ROW planning effort to some degree across state land, the review of the

AS 38.35 R/W lease to be prepared by SPCO for issuance to DOT/PF, and the ACMP review of the ROW, and

6) SPCO will issue AS 38.35 ROW accross state lands to DOT/PF.

The costs to DMLW would include expenses during FY 11 for providing assistance during the development teams planning efforts and preapplication meetings

PERSONAL SERVICES COST - \$86.4 total (for 12 months in FY11)

One Natural Resource Specialist (NRS) III (range 18) - total 12 months at \$86.4/year for assistance with the planning effort and preparation for the authorization work in FY12.

TRAVEL, CONTRACTUAL, SUPPLIES - \$2.0 total

Travel would be for planning and public meetings. \$2.0 in FY11

Other contractual costs include \$5.2 for office space, telephones, core service charges and related

expenses for the new positions in FY11.

Supplies are budgeted at \$3.8 for FY11, and includes one-time start-up costs for new computers and office equipment .

DNR FY12 & Beyond

The FY2012 costs to DNR/SPCO would include expenses to coordinate the participation of state agencies in the right-of-way permitting process, prepare the Commissioner's Analysis, Proposed Decision and Action, develop the draft lease and, if necessary, hold public hearings. In addition the costs include right-of-way permitting expenses for the participation of the State Historic Preservation Office (SHPO), Division of Coastal and Ocean Management (DCOM), Office of Project Management and Permitting (OPMP) and the Division of Geological and Geophysical and Surveys (DGGs). It should be noted that the proposed schedule is aggressive and in order to meet the specified timeline the right-of-way permitting process will need to be conducted independent of the federal NEPA process. The FY2012 and 13 costs reflect construction oversight activities by DNR. Operational oversight costs begin in FY2014 and continue forward.

FY2012 PERSONAL SERVICES COST - \$ 522.42 total (for 12 months)

DNR (continued)

Breakdown of DNR FY12 and beyond.

STATE PIPELINE COORDINATOR'S OFFICE

Positions in Anchorage; for completing the right-of-way leasing process.

- one Natural Resource Specialist (NRS) IV (range 21) - total 10 months at \$9.95/month= \$99.50
- one Natural Resource Manager (NRM) II (range 20) - total 1 month at \$9.41/month = \$9.41
- one Natural Resource Specialist (NRS) III (range 18)- total 6 months at 7.31/month = \$43.86
- one Engineer IV (range 27) - total 3 months at 13.70/month = \$41.1
- Administrative Support - total = \$38.77

\$232.64 for FY 12 Total

Positions in Anchorage; for construction oversight.

- two Natural Resource Specialist (NRS) III (range 18)- total 6 months/yr at 7.31/month = \$87.72
- one Natural Resource Manager (NRM) II (range 20) - total 1 month at \$9.41/month = \$9.41
- one Engineer IV (range 27) - total 2 months at 13.70/month = \$27.4
- Administrative Support - total = \$24.9

\$149.43 for FY 13 and 14

Positions in Anchorage; for operational oversight.

- one Natural Resource Specialist (NRS) III (range 18)- total 4 months/yr at 7.31/month = \$29.24
- one Natural Resource Manager (NRM) II (range 20) - total 1 month at \$9.41/month = \$9.41
- one Engineer IV (range 27) - total 1 months at 13.70/month = \$13.70
- Administrative Support - total = \$10.47

\$62.82 for FY15 Forward

STATE HISTORIC PRESERVATION OFFICE

Position in Anchorage; for review and monitoring the cultural resource project program.

- one Archeologist = \$20.0

\$20.0 for FY 12 Total

Positions in Anchorage; for construction oversight.

- one Archeologist = \$20.0

\$20.0 for FY 13 and 14 Totals

DIVISION OF GEOLOGICAL AND GEOPHYSICAL SURVEYS

Positions in Fairbanks; for management of geohazards project related studies and review of existing information.

- one Geologist IV (range 21) - total 12 months = \$107.4
- one LTNP Geologist III (range 19) - total 12 months = \$76.45
- one Graduate Intern - total 12 months = \$34.0

\$217.85 for FY 12 Total

DNR (continued)

OFFICE OF PROJECT MANAGEMENT AND PERMITTING

Position in Anchorage; for coordination of a project Health Impact Assessment.

- Natural Resource Specialist (NRS) III (range 18) - total = \$30.0

\$30.0 for **FY 12 Total**

DIVISION OF COASTAL AND OCEAN MANAGEMENT

One position in Anchorage; for conducting the project Alaska Coastal Management Program process.

-one Natural Resource Specialist (NRS) III (range 18)- total 3 months at 7.31/month = \$21.93

\$21.93 for **FY 12 Total**

TRAVEL, CONTRACTUAL, SUPPLIES - \$322.2 total for FY 12

Travel would be for public meeting, public hearings, agency coordination and monitoring of contractors performing field work. In addition, DGGs will require travel to complete field studies. **\$30.0 in FY12**

Contractual costs include helicopter support for DGGs studies, office space, telephones, core service charges and related

Miscellaneous costs include aerial photos, satellite imagery, field supplies and maps.

Other miscellaneous, contractual and supply costs include office space, telephones, core service charges and related expenses.

TRAVEL, CONTRACTUAL, SUPPLIES - \$70.0 total for FY 13 and 14

TRAVEL, CONTRACTUAL, SUPPLIES - \$10.0 total for FY 15 Forward

DIVISION OF MINING LAND& WATER, FY12

PERSONAL SERVICES COST - \$465.7 total (for 12 months in FY12)

LAND TITLE ACTIONS

Four positions Anchorage; for land title review and report preparation and document review and processing.

-three Natural Resource Specialist (NRS) III (range 18) - total 6 months each at \$7.24/month= \$130.32

-one Natural Resource Specialist (NRS) II (range 16) - - total 6 months each at \$6.40/month = \$38.4

\$168.72 for **FY 12 Total**

LAND SURVEY REVIEW

Two positions Anchorage; for reviewing land and project surveys .

-Two land surveyor II (LS) III (range 22) - 1 year each at \$109.1/year

\$218.2 for **FY 12 Total**

DNR (continued)

MATERIAL SALES

Two positions; for preparing and executing material sales for use in pipeline R/W.

- One Natural Resource Specialist (NRS) III (range 18) - total 12 months at \$89.2/year for Northern Region Office Fairbanks = \$89.2

- One Natural Resource Specialist (NRS) III (range 18) - total 12 months at \$86.4/year for South Central Region Office Anchorage = \$86.4

\$175.6 for FY 12 Total

PROJECT REVIEWS

One position; to participate in the R/W planning effort, the review of the AS 38.35 ROW lease, and the ACMP review of the R/W.

- One Natural Resource Specialist (NRS) III (range 18) - total 8 months each at \$86.4/year for South Central Region Office Anchorage = \$57.6

\$86.4 for FY 12 Total

TRAVEL, CONTRACTUAL, SUPPLIES - \$143.0 total (for 12 positions)

Travel would be for land survey review purposes, preparation of material sales, and planning, ROW and ACMP review. \$35.0 in FY12

Other contractual costs include \$52.0 for office space, telephones, core service charges and related

expenses for the new positions in FY12 at a rate of \$5.2 per new position.

Supplies are budgeted at \$38.0 per year FY12, and includes one-time start-up costs for new computers and office equipment of \$3.8 per each new position.