

OPERATING BUDGET AMENDMENT

OFFERED IN: The House Finance Committee

TO: CSHB 300(FIN)/CSHB 302(FIN)

OFFERED BY:

DEPARTMENT: Governor

APPROPRIATION: Executive Office

ALLOCATION: AK Resources Marketing and Development

ADD: \$6,500.0 AHCC Receipts, Fund Code 1213

Personal Services	\$ 321,960
Travel	\$ 36,040
Services	\$ 6,130,000
Commodities	\$ 12,000
Total expenditures	\$ 6,500,000

EXPLANATION: The In-State Gas Line Project requests a budget amendment to complete the evaluation of a stand-alone in-state gas line, and to prepare a detailed project package for a commercial offering to be performed in the 4th quarter of FY 2011, there are four project tasks that need to be funded:

1. Completion of environmental and permitting for U. S. Army Corps of Engineers and State and Federal right-of-way approvals. \$2,365,000

This includes:

- development and coordination of permitting,
- working with stakeholders such as local communities, native corporations, BLM and others,
- beginning studies on wetlands, stream crossings, cultural impacts, lake studies, wildlife and bird surveys and air and noise analysis

2. Project management and engineering data acquisition for further refinement engineering design of the project. \$2,750,000

- Project management
- Gathering detailed geotechnical data
- Refinement of pipeline routing for final EIS and optimization

3. Refinement of Cost of Service estimates and Tariff modeling \$750,000
▪ Reviewing costs of the different project alternatives, and analyzing the cost of capital for in-state gas supply options and cost of service modeling

4. Prepare complete project documentation of In-State pipeline asset for consideration by private pipeline developer \$250,000

SEAN PARNELL
Governor



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STATE OF ALASKA
OFFICE OF THE GOVERNOR

February 19, 2010

Alaska State Legislature
Alaska State Capitol
Juneau, AK 99801

Dear Legislators,

This is my first opportunity to address a full month of program activity for the in-state gas line project. The new reporting format below is designed to help you easily track activities and progress. As always, I welcome your feedback.

In January, I was focused on the necessary review of this complex program, and the work team remained focused on moving critical action items forward. I congratulate them for their diligence in staying on task, on time, and under budget.

In my initial review, I identified a number of project risks requiring immediate attention. As a result, a significant amount of time and effort was expended to reduce or mitigate any potential detrimental affects posed by the risks. Nevertheless, the team worked hard to stay on task, and to date, no deadlines or milestones were missed as a result of this extended transition period. I am pleased to report that forward progress was significant and we remain on track.

The outline below provides an executive summary of in-state gas project activities that occurred during the month of January. Furthermore, I have included an overview of planned project activities over the coming months.

I. Project Results for January 2010:

- We are making significant progress on the final Project Description. This involves calculating the pipeline configurations and material quantities in preparation for pipeline and facilities cost estimating phase, beginning on March 15. Also, development of capital cost quantity calculations, analysis of civil quantity, construction logistics, and material costs have been initiated.
- Subcontractors are working on finalizing facilities schematic variations that will provide data for cost modeling efforts by Larkspur. This information is the first estimate of over 40 separate facilities construction cost estimates that will feed into the final project cost matrix.

- The project team has continued work for the Environmental Impact Study (EIS) being conducted under the oversight of the U.S. Army Corps of Engineers. The information that has been collected and updated includes extensive landowner and stakeholder databases, the transcripts and comments of all scoping meetings held, and the drafting of the scoping report.
- Coordination for establishing an agreement with the Office of History and Archaeology so that we may share our Alaska Heritage Resource Survey data.
- Continued to incorporate data into the electronic library for use by contractors and regulators.

The project expenses for the month of January were \$511,872. Total expenditures for the project to date are \$3,175,710.

II. Below is an overview of planned activities:

- Finalize data agreement with ENSTAR Natural Gas Company; coordinate permitting and Right-of-Way (ROW) application efforts with the Alaska Natural Gas Development Authority and work with federal and State regulatory bodies to minimize duplication of effort; identify additional data-mining opportunities so pertinent information from previous permitting efforts is used where appropriate (these two activities have the potential to save over a million dollars of State funds); and prepare work plans for summer 2010 environmental and geohazards field work.
- Hold two-day workshop to calibrate cost of transportation analysis and further refine remaining FY10 program focus; re-initiate and broaden contacts with commercial working group to identify potential upstream supply and downstream market opportunities; meet with potential pipeline companies to overview program progress and solicit feedback; and initiate cost of service modeling and refine construction schedules for commercial and economic feasibility modeling.
- Support on-going EIS and ROW activity and address project concerns and questions; continue to refine project and permit schedules as necessary; address scoping extension reports; provide background for purpose and need reports; finalize draft wetlands report; and finalize contract for new engineering project oversight manager.

Like any review of this magnitude, communication and collaboration with other agencies will be a huge component for success. The Governor's goal of consistently evaluating all potential energy projects will be accomplished through attention to details and diligence in providing consistent peer-reviewed work product. Focused plans and transparency of scope in the near term will ultimately pay significant dividends as Alaska defines its bright energy future.

Alaska State Legislature
February 19, 2010
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Sincerely,

A handwritten signature in cursive script that reads "Robert Swenson".

Robert Swenson
Project Manager
Alaska In-State Natural Gas Line

Enclosures

Alaska In-State Gas Pipeline Project January 2010

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Summary of Project Activities for January 2010

ASRC

- Continued work on the Environmental Impact Study throughout the month of January.
- Plans for the 2010 field seasons and pre-mapping completed and submitted for approval.
- Coordinated to establish agreement from the Office of History and Archaeology so that we may share our Alaska Heritage Resource Survey data.
- Continued to incorporate data into the electronic library for use by contractors and regulators.
- Finalizing draft Wetland Technical Report.

Baker

- Significant progress was made on the final Project Description. This involved the calculation of the pipeline configurations and material quantities in preparation for beginning the pipeline cost estimating phase beginning on March 15. This included:
 - developing capital cost quantity calculations;
 - preparing spreadsheets for distribution to capital cost estimators and GIS; and
 - analyzing civil quantity, pipeline class locations, ditch load locations, buoyancy control, construction logistics, material costs.
- Subcontractors worked to finalize facilities schematic variations that will provide data for cost modeling efforts by Larkspur. They have completed the first estimate of over 40 separate facilities construction cost estimates that will feed into the project cost matrix.
- Moved forward to request authorization Task 10, EIS Support to ensure adequate response to the requests for analysis, data and GIS support of the EIS effort.
- Ongoing property ownership data gathering.
- Worked to incorporate property ownership data into GIS database.
- Worked to incorporate Harvested JPO Data into Data Library.

ENTRIX

- Compiled transcripts from scoping meetings.

- Uploaded comments and scoping meeting transcripts to stakeholder database.
- Cleaned up landowner mailing list to a usable document.
- Uploaded mailings and email information into stakeholder database.
- Compiled existing information into draft scoping report.
- Identified issues that need clarification for project description, purpose and need, resource analysis.
- Identified, located, acquired, and reviewed project and resources data; began data gap analysis.

ASRC Energy Services – Project Activity Detail – January 2010 Stand Alone Pipeline – Environmental Support

Milestones:

- Participated in weekly Project Team team meetings.
- Attended USACE EIS scoping meetings as the ADNR consultant representative.
- Continued to work with ENTRIX to provide data and information for the EIS.

TASK LEVEL DETAILS

Task 1 – Project Management

- Current Activity:** Attend weekly Project Team meetings with engineering and environmental. Track USACE EIS scoping meetings as the ADNR consultant representative. Provide budgetary information presentation by State Project staff to the Office of Management and Budget.
- Look Ahead:** Continue to be available to BLM, State of Alaska Joint Pipeline Office, and USACE regarding draft permit applications and questions regarding information provided. Task orders for pre-planning of 2010 field seasons and pre-mapping submitted to ADNR for approval. Work on budget for 2010-2011 legislative approval process.
- Concerns:** **Resolve the data ownership with ENSTAR.**
Clarification from FERC on jurisdictional opinion.
Approval of task orders so that planning for the 2010 wetland, cultural resources, stream studies, and lake surveys will be adequately resourced.

Task 2 – Cultural Resources

- Current Activity:** Communication with Paul Lawrence, Stephen R. Braund and Associates, was initiated and has continued into February. SRBA is working on the cultural resource piece for the USACE EIS. Working on the 2009 report and predictive model with Michael Yarborough. Coordinated on establishing agreement from the Office of History and Archaeology so that we may share our Alaska Heritage Resource Survey data.
- Look Ahead:** Continue to work with CRC on the predictive model, and circling back with CRC and GIS where needed. Lack of tools and need for GIS to provide GIS model so

CRC and Shawna can develop and test the predictive model. Jason Rogers, is waiting for a first run of at least a test area in order to exam the applicability of variables he defined, and to draft a narrative for the model. GIS had just started in December, and lacked necessary data. Looking into a GIS module that would do a *chi* square test on the model.

Task 3 – Wetlands Analysis

Current Activity: Continue work on draft Wetland Technical Report, which should be available in February 2010. Prepared 2010 Field Work Order Tasks. Prepared PowerPoint slide presentation for Bob Swenson held at Baker's office.
Met with USACE Project Manager to discuss permit application.

Look Ahead: Continue to coordinate with the USACE re the draft permit.

Task 4 – Project Library

Current Activity: Completed library tasks assigned for this task order.

Look Ahead: New task order and budget, discussed in January 2010. Determination not made yet as to whether more work is required to support EIS 3rd Party Contractor. All library reference materials are ready to be entered into the SharePoint system.

Concerns: Need to discuss copyright requirements for hard-copy and access to library information with ADNR.

Task 5 – Permitting

Current Activity: Continue to support ADNR ROW permits and Section 404 permits with BLM, ADNR, and USACE as needed.

Look Ahead: Will attend and present the project description as the ADNR consultant representative.

Concerns: None at this time.

Task 6 – GIS Support

Current Activity: Task Work Order approved by ADNR in late November. Purpose is to support ADNR through permitting and EIS as needed/requested.

Look Ahead: Land ownership information is supposed to be available in early February from M. Baker, Jr. Work with M. Baker, Jr. to ensure that proper data transfer of GIS information is made to ENTRIX.

Concerns: None at this time.

Michael Baker, Inc. - Project Activity Detail - January 2010

Milestones

Past Monthly Narrative

Task 1 Project Management:

- Ongoing Internal Project Coordination/Planning
- Weekly Project Meetings
- Accounting activities, preparing invoices
- Preparing sub-consulting scopes, schedules and budgets
- Reviewing sub-invoices
- Reviewing project expenditures, budget
- Reporting activities

Task 2 Data Management/Library:

- Data gathering from federal, state and borough databases
- Geo database compilation
- Quality control activities
- Ongoing GIS database layers; material sites, land ownership and cost of service elements
- Ongoing JPO ANGTS data evaluation / incorporation into GIS

Task 3 Outreach:

- Legislative Outreach Support

Task 4 Alternative Analysis:

- Complete

Task 5 Supply/Demand Analysis:

- Reviewed TCPL Report
- Reviewed DGGG Report

Task 6 Project Description:

- Additional Mapping Discussions
- Developing capital cost quantity calculations
- Preparing spreadsheets for distribution to capital cost estimators and GIS.
- Analyzing civil quantity, pipeline class locations, ditch load locations, buoyancy control, construction logistics, material costs

Task 7 Cost of Service:

- Gathering and incorporating data for cost modeling
- Formatting Cost Estimating System
- Weekly COS team progress meetings
- Ongoing Facilities Scenario Modeling by Doyon Emerald
- Ongoing facilities cost estimate by Larkspur

Task 8 ROW Application:

- Ongoing property ownership data gathering
- Incorporating property ownership data into GIS database

Task 9 Construction Planning: NTP not received

Task 10 EIS Support: NTP not received

Forecast Narrative

Task 1 Project Management:

- Ongoing Internal Project Coordination/Planning
- Refine Project Schedule, Refine Scope
- Weekly Project Meetings

Task 2 Data Management/Library:

- Incorporating Harvested JPO Data into Data Library
- Data Management Committee ongoing meeting
- Building GIS Database
- Sharepoint Updating and Maintenance

Task 3 Outreach:

- Support USACOE activities and requests

Task 4 Alternative Analysis:

- Complete

Task 5 Supply/Demand Analysis:

- Redevelop scope to incorporate NGL

Task 6 Project Description:

- Compiling final project description due 7/1/10

Task 7 Cost of Service:

- Gathering and incorporating data for cost modeling
- Formatting Cost Estimating System
- Weekly COS team progress meetings
- Ongoing Facilities Scenario Modeling by Doyon Emerald
- Ongoing facilities cost estimate by Larkspur

Task 8 ROW Application:

- Ongoing property ownership data gathering
- Incorporating property ownership data into GIS database

Task 9 Construction Planning: NTP not received

Task 10 EIS Support: NTP not received

Actual vs. work order Dollars

Task	Estimate	Actual Labor	Actual Expense	Actual Subs
1-Project Management	\$549,313	\$229,603	\$4,755	\$0
2-Data Management/Library	\$219,548	\$82,589	\$36,941	\$0
3-Outreach	\$268,154	\$33,743	\$28,114	\$74,496
4-Alternative Analysis	\$269,221	\$221,361	\$10,633	\$31,742
5-Supply/Demand Analysis	\$104,200	\$0	\$450	\$24,909
6-Project Description	\$2,179,606	\$882,877	\$36,302	\$181,682
7-Cost of Service	\$1,022,328	\$0	\$1,358	\$22,781
8-ROW Application	\$54,632	\$0	\$0	\$0
9-Construction Planning	NTP not received			
10-EIS Support	NTP not received			
Total				

Monthly man-hours (cumulative man-hour vs. budget)

Task	Budget Man-Hours	Baker Cumulative Man-Hours
1-Project Management		1207.5
2-Data Management/Library		620.5
3-Outreach		258.0
4-Alternative Analysis		1,625.0
5-Supply/Demand Analysis		0
6-Project Description		7,079.7
7-Cost of Service		0
8-ROW Application		0
9-Construction Planning		
10-EIS Support		
Total		

Narrative comparing actual vs. budget of overall project completion

The project is progressing under budget and on schedule.

Short written discussion addressing upcoming work order packages

Significant progress is being accomplished weekly on the Task 6 Project Description as we calculate pipeline configurations and material quantities in preparation for beginning the pipeline cost estimating phase beginning on March 15. We are also completing the facilities schematics for estimating by Larkspur. They have completed the first estimate of over 40 separate facilities construction cost estimates that will feed into the project cost matrix. Baker will request authorization Task 10, EIS Support to ensure adequate response to the requests for analysis, data and GIS support of the EIS effort.

ENTRIX, Inc. – Project Activity Report – January 2010

The following project activities were conducted during the month of January 2010:

- Developed and obtained advertising for reminder of the close of the formal scoping period in/on the Anchorage Daily News website, Frontiersman, Fairbanks Daily Newsminer, Delta Wind, Copper River Record and Arctic Sounder.
- Submitted announcement to What's Up website.
- Compiled transcripts from scoping meetings.
- Uploaded comments and scoping meeting transcripts to stakeholder database.
- Organized landowner mailing list into a usable document.
- Uploaded mailings and email information into stakeholder database.
- Compiled existing information into draft scoping report.
- Conducted project team meeting to discuss work plan for PDEIS.
- Met with USACE to discuss scoping process issues.
- Identified issues that need clarification for project description, purpose and need, resource analysis.

- Met with USACE and Bob Swenson to discuss project.
- Identified, located, acquired, and reviewed project and resources data; began data gap analysis.
- Maintained stakeholder database; Maintained project website and updated documents as available.

The following activities are planned for the month of February 2010:

- Develop and publish/distribute additional notices regarding scoping period extension
- Update and maintain interested parties mailing list from scoping responses and property owner information provided by ASRC.
- Collect and review scoping comments, develop scoping report.
- Develop EIS annotated outline; develop more detailed work plan and schedule.
- Conducted meetings with lead and cooperating agencies and applicant to define purposes and need, project description and alternatives.
- Draft Purpose and Need Section; continue data gap analysis; develop information requests.

Outstanding Issues:

- A clear understanding of purpose and need, project description, and path forward needs to be established with the applicant and cooperating agencies by the end of February.
- ENTRIX conducted or is conducting several out of scope items at the request of USACE: Dec 09; translator at the Barrow scoping meeting; additional advertising regarding the close of the formal scoping period. Feb 10; Develop and publish/distribute additional notices regarding scoping period extension.