Fiscal Note

State of Alaska
2015 Legislative Session

Bill Version: HB 132
Fiscal Note Number:
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Identifier: HB132CS(L&C)-DCCED-AGDC-03-25-15
Title: AGDC SUPPORT OF NATURAL GAS PROJECTS
Sponsor: CHENAULT
Requester: HOUSE LABOR & COMMERCE

Department: Department of Commerce, Community and Economic Development
Appropriation: Alaska Gasline Development Corporation
Allocation: Alaska Gasline Development Corporation
OMB Component Number: 2986

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

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2016**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
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							

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

Estimated CAPITAL (FY2016) 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? N
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

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Division: Alaska Gasline Development Corporation Date: 03/25/2015 11:25 AM
Approved By: Dan Fauske, President Date: 03/25/15
Agency: Alaska Gasline Development Corporation

STATE OF ALASKA **BILL NO.** HB 132
2015 LEGISLATIVE SESSION

Analysis

The Alaska Gasline Development Corporation (AGDC) is currently advancing two North Slope natural gas pipeline projects - the Alaska Stand Alone Pipeline (ASAP) and the Alaska LNG export project.

The bill would not impact the Corporation's FY16 operating budget as both pipeline initiatives would continue on their current work path. However, to the extent the bill limits the Corporation's ability to make modifications to ASAP's design that could improve the project's economics, as is currently allowed under AS 31.25.005(4), the Corporation's capital spending plan may be impacted going forward. This bill would subject the Corporation to additional limitations under which it can progress the two North Slope natural gas initiatives:

Sec 2 establishes that the Corporation may not plan or develop an in-state natural gas pipeline project in which more than 50% of the transported gas is intended for export as LNG, until the earliest of one of three dates:

1. The date that either the state or a venture party holding natural gas leases in Alaska, withdraws from the Alaska LNG project. In other words, if only TransCanada withdraws, this conditional date is not satisfied.
2. The date the Alaska LNG parties enter into contractual agreements to undertake Front-End Engineering and Design (FEED) for the project
3. July 1, 2017

Since domestic in-state gas demand is currently estimated at 250 MMscfd, under this temporary restriction, AGDC would be required to maintain the ASAP project's current design basis of 500 MMscfd.

Sec 2 also establishes that the Corporation may not participate in an Alaska liquefied natural gas project other than the Alaska LNG project, until the earliest of one of the above dates. Since the current ASAP design basis is for a lean, utility grade gas, this new limitation would temporarily restrict AGDC from making changes to the ASAP gas composition to accommodate an LNG specification.

Sec 3 adds a new subsection to AGDC's powers and duties, restricting the Corporation from marketing gas it does not own, without written consent of the owner. AGDC does not currently own any gas and to date has not been directly engaged in gas marketing.

The Corporation has authority over two funds from which it finances corporate operations and work activities associated with these projects. The *In-State Natural Gas Pipeline Fund* (AS 31.25.100) and the *Alaska Liquefied Natural Gas Project Fund* (AS 31.25.110). Once money has been appropriated to these funds, AGDC is authorized to spend money out of the funds, within the parameters established, as expenditures occur, without further appropriation. AGDC has instituted internal procedures to separately account for and allocate project and Corporate expenditures to the appropriate fund. The Corporation has contracted with the Department of Revenue to manage both funds.

The *In-State Natural Gas Pipeline Fund* was established in 2013 to fund the planning, financing, development, acquisition, maintenance, construction, and operation of the ASAP in-state natural gas pipeline project. Since 2009, approximately $420 million has been appropriated by the Legislature for the project, either directly, or by capitalizing the In-State Natural Gas Pipeline Fund.

Sec 4 establishes additional restrictions on the use of the *In-State Natural Gas Pipeline Fund*. The bill would restrict AGDC from using monies from the fund to increase the capacity of the ASAP project or to develop ASAP into a project that competes with the Alaska LNG project.

The *Alaska Liquefied Natural Gas Project Fund* was established in 2014 to fund state expenditures associated with the Alaska LNG project and the state's equity participation in that venture. The fund was capitalized in FY14 with a $69.8 million appropriation.