

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 5
 Bill Version: SCS CSHB 369(FIN)
 (S) Publish Date: 4/18/10

Identifier (file name): SCS CSHB369(FIN)-REV-AHFC-4-17-10 Dept. Affected: Revenue
 Title "An Act relating to in-state natural gas pipeline,... RDU Alaska Housing Finance Corp.
..project manager/team" Component Operations
 Sponsor Representative Chennault
 Requester Senate Finance Committee Component Number 110

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services	1,095.2			***	***	***	***	***
Travel	90.0			***	***	***	***	***
Contractual	14,342.1			***	***	***	***	***
Supplies	29.0			***	***	***	***	***
	84.3			***	***	***	***	***
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	15,640.6	0.0		***	***	***	***	***

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()								
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	15,640.6			***	***	***	***	***
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	15,640.6	0.0		***	***	***	***	***

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	7			***	***	***	***	***
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

Please see attached seven page analysis - includes breakdown for RSA to all agencies. The Alaska Housing Finance Corporation will be creating a subsidiary for the In-state Gas Pipeline Project team. In the fiscal note analysis, this unnamed subsidiary will be referred to as "AHFC." Fiscal impacts for FY12 and following years after an in-state gas pipeline plan is submitted to the legislature by July 1, 2011 is indeterminate.

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Phone 330-8445
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ANALYSIS CONTINUATION

Alaska Housing Finance Corporation FY11: 15,640.6.

To ensure that an in-state natural gas pipeline plan is delivered to the legislature by July 1, 2011 as set out in SCCSHB 369 (RES), 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 \$12.091 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 \$3.5496 million is for RSA monies to agencies duties outlined below.

The fiscal note has been changed from the Office of the Governor as the recipient to the Alaska Housing Finance Corporation (AHFC) as the recipient. Upon creation of a subsidiary corporation that will contain the Joint In-state Gasline Development Team, funds appropriated to AHFC shall be transferred to that subsidiary corporation.

FY12+: Indeterminate

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

Alaska Housing Finance Corporation:

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)

TRAVEL: 90.0

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CONTRACTUAL: Total 10,792.5

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.

2,800.0 for engineering data acquisition and refinement of engineering design. Gather detailed engineering geotechnical data to support permitting applications and to refine engineering, alignments, and cost. This will need to be done on a priority basis to support the project timeframes. Areas in particular need of additional data are Atigun Pass, Yukon River, and Denali Park, essentially to prove the feasibility of the construction methods and associated cost estimates. Optimization of the pipeline alignment in those areas, and several others, requires this data and engineering support.

2,900.0 for permitting. This line items addresses ongoing project management and support to the U.S. Army Corps of Engineers (USACE) EIS, expected early in 2011. Keeping this on track will require active support and timely resolution of issues.

An extensive collection of permits will be required for construction. While the EIS forms the basis of many of the Federal permits, the permit requirements of each agency still need to be met. A large number of state permits and agreements will also be required. Examples include stream crossings, air quality, cultural agreements, water withdrawals, and so on. Permitting will require re-engineering the pipeline to avoid sensitive areas and to reconcile ROW issues.

800.0 for right of way. There expects to be contracting for right of way delineation and acquisition. Substantial benefits from the FY10 efforts are expected, but considerable follow up will be needed. The difficult area around Denali Park will receive particular attention, as well as any right of way requirements on lands not managed by the State, the BLM, or ARRC.

750.0 for project risk/phasing analysis. Systematically revisit the engineering, construction methodology, cost estimates, and project phasing assumptions to optimize project cost and delivery. This will require considerable interaction with the commercial development group to further define and evaluate options.

2,250.0 for commercial analysis and financing of downstream industrial opportunities.

500.0 for a Gas to Liquid (GTL) feasibility study.

500.0 for the preparation of a comprehensive financing plan that would be completed once cost estimates for the project are available. Contractual services will consist of Financial Advisors and legal counsel.

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.

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SUPPLIES: 29.0 for staff and fast-track activities, reducing to 25.0 for second and subsequent years.

EQUIPMENT: 84.3 one-time office set up.

Alaska Housing Finance Corporation 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, 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. AHFC's ability to transfer the project to private investors is likewise unknown. If unsuccessful, AHFC 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 AHFC.

Breakdown of RSAs to state agencies: 3,549.6 as follows:

DCCED FY11: 100.0

The Department Commerce, Community and Economic Development(DCCED) fiscal note reflects 100.0 for various expenses of the Alaska Railroad as a member of the joint pipeline team.

This funding supports right-of-way requests and related engineering and costs related to team participation.

DEC FY11: 121.1

The Department of Environmental Conservation (DEC) fiscal note reflects one new PCN, 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 Zone Management Program coordination, as well as compliance and enforcement activities for an in-state natural gas pipeline.

Program Coordinator Rg 20

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DOR FY11: 1,100.0

Personal Services 100.0
Travel 50.0
Contractual 950.0

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

Identify opportunities for delivering North Slope gas to rural & maritime Alaska
Identify and negotiate with potential gas suppliers and potential gas consumers
Develop pro-forma financials for the project
Develop a partnering agreement with a pipeline company
Provide a design, construction schedule, and cost estimate for an LNG plant

DOT FY11: 1,860.8 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. A ROW agent will coordinate the ROW portions of the plan, 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. Contractual costs include data acquisition, land appraisal and ROW consulting services.

Specific costs are for:

Personnel Services 418.7
Engineer/Architect Rg 26
Right of Way Agent Rg 20
Environmental Impact Analysis Mgr. rg 21
Administrative Assistant I Rg 12

Travel 45.0
Contractual 1,337.1
Supplies 60.0

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ADDITIONAL CONTRACTUAL FOR DOT: 367.7

Needed for interagency funding to DNR State Pipeline Coordinators Office to be used by DNR as detailed below.

(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.

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.
The RSA for 367.7 to DOT will subsequently be an RSA to DNR.

- 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

(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

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

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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**

DIVISION OF MINING LAND & WATER

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 - \$11.0 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.

Department 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.