

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HCS CSSB 138(FIN)
Fiscal Note Number: 23
(H) Publish Date: 4/18/14

Identifier: SB138-FundCap-AKLNGProject Fund-4-18-14
Title: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: HFIN

Department: Fund Capitalization
Appropriation: Caps Spent as Duplicated Funds
Allocation: Alaska Liquefied Natural Gas Project 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: 69,834.5 *(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? N
If yes, by what date are the regulations to be adopted, amended or repealed?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 increases the FY14 Supplemental Fund Capitalization by \$2,570.0 -- \$2.5 million for the Department of Revenue/Natural Gas Commercialization and \$70.0 for the Department of Transportation and Public Facilities/Statewide Design and Engineering Services.

The increase provides the ability to transfer funds from the new Alaska Liquefied Natural Gas Project Fund to the departments via Reimbursable Services Agreements (RSA) and track expenditures from the fund.

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House Finance Committee Date: 04/18/2014
Co-Chair Representative Stoltze
House Finance Committee

FISCAL NOTE ANALYSIS #23

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HCS 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 *Alaska Liquefied Natural Gas Project Fund* is created in this legislation to fund expenditures related to the AKLNG project.

AGDC is requesting a FY14 supplemental appropriation of \$67,264.5 UGF to initially capitalize the Alaska Liquefied Natural Gas Project Fund. This is the minimum amount necessary to fund the Corporation's FY14 and FY15 operating and capital expenses related to AKLNG pre-FEED activities. Approximately \$11,265.0 of that will be drawn down in FY14 and \$55,999.5 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).

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

AKLNG Pre-FEED Expenditures	FY14 Supp	FY15	FY16	FY17	Total
AGDC Operating Expenses					
<i>Personal Services</i>	\$ 246.0	\$ 1,476.0	\$ 1,476.0	\$ 1,476.0	\$ 4,674.0
<i>Travel</i>	\$ 160.7	\$ 964.0	\$ 964.0	\$ 964.0	\$ 3,052.6
<i>Services (Lease)</i>	\$ -	\$ 329.4	\$ 329.4	\$ 329.4	\$ 988.2
<i>Capital Outlay (Equipment)</i>	\$ -	\$ 230.0	\$ -	\$ -	\$ 230.0
AKLNG Capital Expenses					
<i>AGDC Contractual Services</i>	\$ 858.3	\$ 5,150.1	\$ 5,150.1	\$ 3,950.0	\$ 15,108.5
<i>Equity Participation LNG Facility</i>	\$ 10,000.0	\$ 47,850.0	\$ -	\$ -	\$ 57,850.0
<i>40% Option on TC Mid-Stream</i>	\$ -	\$ -	\$ 42,250.0	\$ -	\$ 42,250.0
<i>Guarantee of TC Dev Costs</i>	\$ -	\$ -	\$ 70,124.4	\$ -	\$ 70,124.4
	\$ 11,265.0	\$ 55,999.5	\$ 120,293.9	\$ 6,719.4	\$ 194,277.8

As shown in the table above, a future appropriation of \$127,013.3 will be required to fund AGDC's continued participation in pre-FEED for FY16 and FY17 (\$14,638.9); to purchase 40% of TransCanada's (TC) mid-stream interest (\$42,250.0); 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 those funds are also excluded from this year's appropriation request.