

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 138(FIN)
Fiscal Note Number: 7
(S) Publish Date: 3/14/14

Identifier: SB138CS(FIN)-DCCED-AEA-03-12-14
Title: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: SFIN

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Energy Authority
Allocation: Statewide Project Development, Alternative
Energy and Efficiency
OMB Component Number: 2888

Expenditures/Revenues

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

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
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	0.0

Fund Source (Operating Only)

None								
Total	0.0	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: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 1,375.0 *(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? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By: <u>Sara Fisher-Goad, Executive Director</u>	Phone: <u>(907)771-3000</u>
Division: <u>Alaska Energy Authority</u>	Date: <u>03/12/2014 12:00 AM</u>
Approved By: <u>Jeanne Mungle, Director</u>	Date: <u>03/12/14</u>
Agency: <u>Administrative Services</u>	

FISCAL NOTE ANALYSIS #7

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 138(FIN)

Analysis

CSSB138 would require the Alaska Energy Authority (AEA) to plan and make a recommendation to the legislature on infrastructure needed to deliver affordable energy to areas in the state that do not have direct access to a north slope natural gas pipeline. Specifically, the bill requires AEA to do the following:

- a) In consultation with the Alaska Gasline Development Corporation, AIDEA and the Department of Revenue,
1) Develop a plan for developing infrastructure to deliver more affordable energy to areas of the state that are not expected to have direct access to a North Slope natural gas pipeline; Identify ownership options, different energy sources, including fossil fuels, hydro projects, tidal, and other alternative energy sources; 2) Describe and recommend the means for generating, delivering, receiving, and storing energy in the most cost-efficient manner; and 3) AEA may consider the development of regional energy systems that can receive and store bulk fuel in quantity and distribute that fuel as needed within the region.
- b) In consultation with the Department of Revenue, AEA shall recommend a plan for funding the design, development, and construction of the required infrastructure, and may identify a source of rent, royalty, income, or tax received by the state that may be appropriated by the legislature to implement the plan.
- c) AEA shall provide the plan and suggested legislation for the design, development, construction, and financing of the required infrastructure to the legislature before January 1, 2017.

AEA expects to contract for the technical expertise required to complete the plan and funding recommendations. We estimate \$1,375.0 in contractual costs, funded by a capital appropriation to AEA. This estimate is based on the following:

The ongoing effort of the AEA to collaborate with regional stakeholders in the development of regional energy plans is on track to generate the baseline information requested in Sec. 61 (a) of CSSB138 version Y. This effort has been driven by previous policy direction, established through legislation and budgetary appropriations, to evaluate and develop local fossil fuels, renewable and alternative energy sources to support regional energy needs. The activity is scheduled to conclude in 2015 using funds in the administration's proposed FY2015 budget. However, the possibility of bulk LNG being available from an Alaska Gasline LNG plant will require reassessment of potentially relevant energy projects, funding approaches and innovations in infrastructure ownership at the local and regional level. Refining the existing analysis is estimated to cost \$150.0. Evaluating opportunities for increased electricity transmission along with more aggressive use of local energy sources for heat compared to LNG delivery is estimated at \$600.0. Costing of LNG logistics and assessment of powerhouse conversions are anticipate to be \$500.0.

Sec. 61 (b) requires AEA to collaborate with the Dept. of Revenue to evaluate sources of state revenue that could be used to fund development and construction of infrastructure to implement the regional energy plan for geographic areas of the state that will not have direct access to natural gas off a North Slope natural gas pipeline. The work will entail working with consultants to quantify future revenue streams, estimate project costs including possible "stranded infrastructure" and to assess the expected rate of conversion if a new energy source can be delivered. Using existing data available from AHFC's Energy Rebate and Home Weatherization program, as well as other state sources should limit this expense to \$100.0.

Sec. 61 (c) entails the compilation and production of generated materials into a comprehensive report for delivery to the Legislature prior to January 1, 2017. Due to expected size and complexity of the document, \$25.0 is requested.