

HB

2003

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Greenberg Traurig

Memorandum

TO: Joe Balash

FROM: Phillip C. Gildan

DATE: May 23, 2006

RE: Proposed Alaska Natural Gas Pipeline Corporation Legislation

At your request we have reviewed the proposed Alaska Natural Gas Pipeline Corporation Legislation (the "ANGPC Act") attached as Appendix K to the Preliminary Findings and Determination issued by the State of Alaska Department of Revenue, dated May 10, 2006 (the "FIF"). This memorandum provides a synopsis of the ANGPC Act, comments as to the ANGPC Act's provisions in relation to the proposed Alaska Stranded Gas Fiscal Contract between the State of Alaska and BP Exploration (Alaska), Inc., ConocoPhillips Alaska, Inc. and ExxonMobil Alaska Production, Inc. (the "ASGF Contract"), and suggested revisions/additions to the ANGPC Act. Since the Legislature has not yet been provided the proposed Limited Liability Company Agreement for the proposed Pipeline Project Mainline Limited Liability Company Entity ("Mainline LLC") (or Limited Liability Company Agreements for the other proposed Pipeline Project related entities ("Ancillary LLCs")), we can not comment on the ANGPC Act as it relates to such agreements. When we receive the proposed Limited Liability Company Agreements we will update this memorandum.

Synopsis of ANGPC Act

The ANGPC Act creates the Alaska Natural Gas Pipeline Corporation (the "ANGPC") as a public corporate entity to act as the State's surrogate to acquire the membership (ownership) interests in the Mainline LLC and Ancillary LLCs, as called for in the ASGF Contract, and to exercise the State's rights and meet the State's obligations as a member in each of those respective LLCs.

In its form and in most of its material terms, the ANGPC Act mirrors other Alaska public corporations established by the Legislature to execute Legislative project goals and programs. (See, for example, the Alaska Natural Gas Development Authority, AS Chapter 41.41; the Alaska Energy Authority, AS Chapter 44.83; the Alaska Industrial Development and Export Authority, AS Chapter 44.88; and the Alaska Municipal Bond Bank Authority, AS Chapter 65).

As with these other public corporations, the ANGPC will be a separate governmental entity, with delegated governmental powers and responsibilities. While an independent governmental entity, it will have no home rule governmental powers, but only those accorded it in the ANGPC Act. The Act incorporates standard governmental instrumentality language to bring the ANGPC within the broad cloak of governmental privilege and protection afforded to government instrumentalities (for example, federal, state and local tax-exempt status, access to municipal bond market and federal tax-exempt financing).

The ANGPC Act's corporate stricture, procedural and administrative provisions are standard and unremarkable (for example, appointment and removal of board members, board meeting requirements, board compensation).

Two areas of the ANGPC Act diverge from the generic public corporation mold, and should be noted. One, the ANGPC is essentially exempted from public meeting requirements (AS 41.42.030(d) and AS 41.42.530). This represents a policy decision, with pros relative to the corporation acting in a proprietary capacity, and cons relative to diminished transparency of the corporation's actions. Two, the ANGPC (and other Pipeline LLC member/owners) are exempted from the public policy against indemnification agreements (AS 45.45.905). This also represents a policy decision, as discussed by the administration during its briefing of the legislature.

Finally, somewhat unusually for Public Corporation Acts, the ANGPC Act delegates to the ANGPC the power to establish its own subsidiary public corporations (AS 41.42.220). As noted below, this provision relates to the ASGF Contract and the extra-territorial aspects of the Pipeline project. Such a power can be a useful corporate tool to segregate liability and fiscal accountability in the appropriate circumstances. Suggested revisions to AS 41.42.200 are set forth below to better implement the purpose of such a structural tool and provide enhanced accountability for such entities, if created. Note, the creation of subsidiaries is not mandated, but merely authorized as the board of the ANGPC sees fit.

Comments Relative to the ASGF Contract

The ASGF Contract delegates the implementation of the Project and a material segment of the parties' agreements to the Mainline Entity (and affiliated Project entities). The State's ownership participation in the Mainline Entity and exercise of its ownership rights is, in turn, effectuated through the creation of the ANGPC, as proposed in the ANGPC Act. Under the ASGF Contract program structure, implementing AS 43.82, the Stranded Gas Development Act, the Mainline Entity and the Producers are the dog and the ANGPC is its tail. Recognizing this minority position and the lack of expectation that the tail will be wagging the dog, the terms of the ANGPC nonetheless have importance to the legislature to assure that the tail of the dog is as strong as possible, with the flexibility to react quickly to the dynamic nature of the Project, without compromising the State's multi-faceted interests as minority owner of the Project. The suggested revisions below enhance the ANGPC's strength and flexibility, while retaining necessary reins of control. The ultimate key for protection of the State's interests, however, will be in the proposed structure of the Mainline Entity and the minority rights protections afforded

the State. When the Mainline Entity structure is unveiled by the Administration, additional changes to the ANGPC Act may be necessitated depending on the level of protections afforded.

Suggested Revisions/Additions to the ANGPC Act

While the ANGPC Act mirrors the other Public Corporation Acts, it is not identical to them. A number of provisions in the other Acts would be beneficial to incorporate into the ANGPC Act. In addition, based upon the terms of the ASGF Contract and the stated goals of the State set forth in the FIF, there are a number of other provisions which could provide the ANGPC greater flexibility and strength in meeting the project goals and adjusting for changes that the dynamic nature of the Pipeline Project will inevitably generate.

1. Revise Sec. 2 of the Act, Article 2, Purposes and Powers, AS 41.42.210 by adding thereto new subsections (25), (26), (27), (28), (29) and (30) as follows:

(25) to acquire, hold, use, operate, maintain, repair, replace, mortgage, encumber, lease, rent, convey, or acquire real and personal property as may be necessary or in furtherance of the project or its corporate purpose, and to transfer, license, lease, contribute as a contribution to capital or in-kind payment, or otherwise convey all or any of such property, permanently or for a term of years to any owner entity of the project; without limiting the foregoing, it may acquire such property by purchase, gift or eminent domain; to charge and collect fees, rentals or other forms of remuneration for the use of its properties;

(26) to sell, give, lease, or otherwise supply to any owner entity of the project such personnel or services as may be in furtherance of the project or its corporate purpose; to act as managing member of any owner entity of the project;

(27) to make capital contributions and loans to any owner entity of the project; to acquire any or all membership or other ownership interests in any owner entity of the project from any other person or legal entity that has a membership or ownership interest in an owner entity of the project;

(28) to retain or engage such advisers, consultants, and professional service providers as may be in furtherance of the project or its corporate purpose, including, but not limited to financial advisors to negotiate the bonds and financial obligations of the corporation, engineering and geo-technical consultants to review and report on the status of the project, accounting consultants to analyze or audit the financial reports of the owner entities of the project, and legal service providers to provide specialized legal counsel and representation of the corporation as desired to supplement the legal counsel of the attorney general pursuant to AS 41.42.070;

(29) to implement such other duties and directives as may be authorized by the legislature from time to time, including, but not limited to, if approved by the legislature,

acting as State Capacity Holder, as defined in the Alaska Stranded Gas Fiscal Contract approved by the legislature pursuant to AS 43.83.435.

(30) to negotiate collateral agreements pursuant to AS 43.83.437 that are required to implement the corporation's acquisition of an ownership interest in the project that is the subject of a proposed contract developed under this chapter. Such collateral agreements shall be subject to review and approval by the Legislative Budget and Audit Committee, and upon such approval may be entered into by the corporation.

2. Amend Sec. 2 of the Act, Article 2, Purposes and Powers, AS 41.42 by adding thereto AS 41.42.090 as follows:

Sec. 41.42.090. Corporation Representative. The board shall appoint such representatives and alternate representatives for each owner entity of the project to exercise the rights of the corporation as member or owner of the owner entity of the project. The representatives and alternate representatives serve at the pleasure of the board and may be removed and replaced by the board without notice, and without cause, at any time. The board shall direct the representatives and alternate representatives as to the exercise of the corporation's rights as member or owner of the owner entity of the project, provided the board may delegate to the representatives and alternate representatives authority to act on behalf of the corporation in the event that an exercise of the corporation's rights as owner of the owner entity of the project is required during the interval between board meetings of the corporation.

3. Amend Sec. 2 of the Act, Article 2, Purposes and Powers, AS 41.42.220(c) by deleting said subsections (c) and (d) and replacing it with the following subsections (c) and (d):

(c) The members of the governing body of a subsidiary entity organized under this section shall be the members of the board of the corporation. The provisions of AS 41.42.020-41.42.50 and AS 41.42.080-41.42.090 shall apply to the governing body of each subsidiary entity organized under this section. The executive director, staff, and legal advisor of the corporation shall act as the executive director, staff and legal advisor of each subsidiary entity organized under this section, subject to the provisions of AS 41.42.060-41.42.070. Notwithstanding that a subsidiary entity organized under this section shall be wholly owned by the corporation and shall have interlocking governing bodies, executive director, staff and legal advisor as provided in this subsection (c), the corporation shall not be liable for a debt, obligation, or liability of such subsidiary entity, unless expressly assumed by the corporation in a written instrument, or as otherwise provided in this chapter.

(d) The provisions of AS 41.42.400-41.42.530 apply to a subsidiary entity established under this section as if the subsidiary entity was a corporation established under this chapter. The provisions of AS 39.25.110(11), AS 39.50.200(a)(9), AS 39.50.200(b), AS 42.06.230 and AS 45.45.905 apply to a subsidiary entity established under this section as if the subsidiary entity was the Alaska Natural Gas Pipeline Corporation.

4. Amend Sec. 2 of the Act, Article 4, Purposes and Powers, by adding thereto AS 41.42-450 as follows:

Sec. 41.42.450. Coordination with AS 43.82. (a) Unless specifically provided otherwise in this chapter, in the event of a conflict between the provisions of AS 43.82 and this chapter, the provisions of AS 43.82 shall control.

(b) In the event of a dispute between or among the corporation, a subsidiary entity of the corporation, an owner entity of the project, and any other person or legal entity that has a membership or ownership interest in an owner entity of the project, such dispute shall be subject to the dispute resolution terms and procedures set forth in the Alaska Stranded Fiscal Contract as approved by the legislature pursuant to AS 43.82.435. The term "dispute" shall mean a dispute, matter, controversy or claim arising out of or relating to any owner entity of the project, to any ownership interest in the project, to any agreement between or among the members or owners of any owner entity of the project arising out of or relating to such owner entity of the project, or to the operation, management, or implementation of the project, including its interpretation, construction, performance, enforcement, privileges, rights or obligations.

(c) In furtherance of the purpose set forth in AS 43.82.010 and the implementation of the Alaska Stranded Fiscal Contract as approved by the legislature pursuant to AS 43.82.435, each owner entity of the project shall be deemed to impose on its managing members and owner representatives a duty to act in the best interest of the entity and perform its duties in good faith towards the goal of implementation of the project.

5. Renumber Section 14 of the Act as Section 15, and add a new Section 14 as follows:

Sec. 14. AS 42.06.230 is amended by adding a new subsection (c) to read:

AS 42.06.230. Jurisdiction of Commission

(c) The commission's jurisdiction and authority does not extend to the Alaska Natural Gas Pipeline Corporation. To the extent that the performance of any duties of the commission affects the Alaska Natural Gas Pipeline Corporation, the performance of its duties may not, as to that corporation, conflict with AS 41.42, AS 43.82, or applicable federal laws, regulations, orders, or other requirements.

Greenberg Traurig

Memorandum

TO: Senator Gene Therriault and Representative Ralph Samuels
FROM: Donald C. Shepler
DATE: May 22, 2006
RE: Choice of Alaska LLC versus Delaware LLC for gas line project

At last evening's briefing of Alaska legislators I was asked by Senator Therriault to discuss the apparent decision by the gas line negotiators to use the Delaware LLC statute as the basis for the Midstream Project Entity as compared with the use of the Alaska LLC statute. As I indicated, Greenberg Traurig had previously examined that question. Accordingly, I asked Mr. Phil Gildan (one of Greenberg Traurig's shareholders) to review his prior research and prepare a short memorandum that compares the two statutes. His memo is attached.

As you will see, there are material differences in the duty of care that the Alaska LLC statute imposes on members of an LLC both to the entity itself and to the other LLC members. In addition, there are material differences in the indemnification of managing members by the entity.

These differences suggest that the choice of governing law should be carefully considered in the establishment of the LLC. Of course, we do not have available a draft of the LLC agreement which is apparently still being negotiated.

Should you have any further questions on this matter please let me know.

Greenberg Traurig

Memorandum

TO: Don Shepler
FROM: Phillip C. Gildan
DATE: May 22, 2006
RE: Alaska Natural Gas Pipeline: Form of Ownership Entity
Limited Liability Company/Choice of Laws

The choice of utilizing a Limited Liability Company (LLC) as the form of ownership entity for the Alaska Natural Gas Pipeline appears to have been agreed to among the Producers and the State negotiating team. This memorandum does not discuss the conclusion to use the indirect ownership structure of an LLC, vis-à-vis a direct ownership structure of an undivided joint interest (UJI) form of project ownership. Instead, this memorandum addresses only the question of choice of law as to formation of the LLC, and implications to the State from such choice. (Note: this memorandum does not address tax implications from choice of formation law).

From the Gas Pipeline Contract Presentations by the State negotiating team, it has been represented that the Producers and the State negotiating team have agreed upon use of the Delaware Limited Liability Company Act, Delaware Code, Title 6, Subtitle II, Chapter 18 ("Delaware Act") in lieu of the Alaska Revised Limited Liability Company Act, AS Chapter 10.50 ("Alaska Act").

Why choose the Delaware Act to form an Alaska Pipeline LLC instead of using the Alaska Act? In broad general terms, the business community maintains the perception that Delaware Courts provide a more developed body of case law affecting business entities than other states, and accordingly provide greater certainty of prediction of outcome in the event of business disputes. The corollary of this perception holds that Delaware Chancery Court Judges have a greater expertise in resolution of business disputes than judges in other states, again leading to greater certainty of prediction of outcome. An undercurrent of the perception of Delaware superiority, from both a body of law and judiciary, is that decisions by Delaware courts on business entity issues more often favor management/majority owners over minority owners. These perceptions may or may not prove out on a case by case analysis, but help explain the prevalent practice in the corporate world to establish business entities in Delaware.

Significant Differences Between Acts/Implications to Alaska

The Delaware Act represents one end of the spectrum of LLC enabling acts. It provides less mandatory entity terms, rights and obligations in favor of flexibility of the parties to freely set their own terms, rights and obligations by contract. The Alaska Act falls in the middle of the

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From: Phillip C. Cildan
Date: May 22, 2006
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spectrum. It provides significant freedom for the parties to set their own terms, rights and obligations, but imposes certain minimum member protections that cannot be contracted away. These minimum member protections afforded by the Alaska Act can be incorporated into a Delaware Act LLC by negotiation between/among the member parties, but absent such negotiation, those member protections will not exist. Two of these protections will be discussed below.

1. Duty of Managing Members to Entity:

The Delaware Act imposes no duty on managing members to either the company or to the other members of the company. It permits the members to contractually eliminate or create duties for managing members, with the exception that the general contract law which implies a duty of good faith and fair dealing, which can not be eliminated. The statute states:

§ 18-1101. Construction and application of chapter and limited liability company agreement.

- (a) The rule that statutes in derogation of the common law are to be strictly construed shall have no application to this chapter.
- (b) It is the policy of this chapter to give the maximum effect to the principle of freedom of contract and to the enforceability of limited liability company agreements.
- (c) To the extent that, at law or in equity, a member or manager or other person has duties (including fiduciary duties) to a limited liability company or to another member or manager or to another person that is a party to or is otherwise bound by a limited liability company agreement, the member's or manager's or other person's duties may be expanded or restricted or eliminated by provisions in the limited liability company agreement; provided, that the limited liability company agreement may not eliminate the implied contractual covenant of good faith and fair dealing.

The Alaska Act, however imposes an express duty on managing members to act in the best interest of the company and adopts an ordinary prudent person standard of care. This duty is imposed as statutory protection of minority members (and other managing members) rights from a manager or managing member acting in its own self-interest which may be contrary to the business of the entity and the investment backed interests of the other members. It states:

AS 10.50.135. Duty of care.

- (a) A person who is a manager or a managing member of a limited liability company shall perform the duties of management in good faith, in a manner the person reasonably believes to be in the best interests of the company, and with the care, including reasonable inquiry, that an ordinarily prudent person in a like position would use under similar circumstances.

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Without the duty of care that the Alaska Act provides, a manager or managing members controlling an entity could act in their own self interest and contrary to the interest of the entity's business, with only the implied covenant of good faith, which is a significantly lower standard of care and more difficult to apply if the parties have contractually elected not to impose a duty to the entity.

2. Indemnity of Managing Members.

The Delaware Act grants broad discretion to the members to indemnify and hold harmless any member from and against any claims and demands without limitation. It states:

§ 18-108. Indemnification.

Subject to such standards and restrictions, if any, as are set forth in its limited liability company agreement, a limited liability company may, and shall have the power to, indemnify and hold harmless any member or manager or other person from and against any and all claims and demands whatsoever.

The Alaska Act also provides the right to indemnify members, but imposes specific limitations on the ability to indemnify members, with material procedural terms enumerated. It states (with emphasis added):

AS 10.50.148. Indemnification of managers, managing members, employees, and agents: insurance.

(a) A limited liability company may indemnify a person who was, is, or is threatened to be made a party to a completed, pending, or threatened action or proceeding, whether civil, criminal, administrative, or investigative, other than an action by or in the right of the company, by reason of the fact that the person is or was a manager, managing member, employee, or agent of the company, or is or was serving at the request of the company as a manager, managing member, employee, or agent of another limited liability company, partnership, joint venture, trust, or other enterprise. Indemnification may include reimbursement of expenses, attorney fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with the action or proceeding *if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the company, and, with respect to a criminal action or proceeding, the person had no reasonable cause to believe the conduct was unlawful.* The termination of an action or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, does not create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not

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opposed to the best interests of the company, and, with respect to a criminal action or proceeding, the person had reasonable cause to believe that the conduct was unlawful.

(b) A limited liability company may indemnify a person who was, is, or is threatened to be made a party to a completed, pending, or threatened action by or in the right of the company to procure a judgment in its favor by reason of the fact that the person is or was a manager, managing member, employee, or agent of the company, or is or was serving at the request of the company as a manager, managing member, employee, or agent of another limited liability company, partnership, joint venture, trust, or other enterprise. Indemnification may include reimbursement for expenses and attorney fees actually and reasonably incurred by the person in connection with the defense or settlement of the action *if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the company. Indemnification may not be made in respect of any claim, issue, or matter as to which the person has been adjudged to be liable for negligence or misconduct in the performance of the person's duty to the company except to the extent that the court in which the action was brought determines upon application that, despite the adjudication of liability, in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for expenses that the court considers proper.*

(c) To the extent that a manager, managing member, employee, or agent of a limited liability company has been successful on the merits or otherwise in defense of an action or proceeding referred to in (a) or (b) of this section, or in defense of a claim, issue, or matter in the action or proceeding, the manager, managing member, employee, or agent shall be indemnified against expenses and attorney fees actually and reasonably incurred in connection with the defense.

(d) *Unless otherwise ordered by a court, indemnification under (a) or (b) of this section may only be made by a company upon a determination that indemnification of the manager, managing member, employee, or agent is proper in the circumstances because the manager, managing member, employee, or agent has met the applicable standard of conduct set out in (a) and (b) of this section. The determination shall be made by the members.*

Without these limitations on indemnification, indemnity protection could be contractually provided even in those instances where the indemnified party acted against the interests of the entity, had causal or contributing negligence, or committed a crime.

3. Dispute Resolution/Venue: Neither the Delaware Act nor the Alaska Act dictates any particular form of dispute resolution or the location of venue for any dispute resolution proceeding involving companies organized under their respective acts. Under both of the acts, the parties may seek resort to the courts of each respective state to resolve disputes, but such resort is not mandated.

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As presented in the proposed Alaska Stranded Gas Fiscal Contract, the parties are proposing a structurally developed alternative dispute resolution process and procedures. Under the Contract, the substantive law of the State of Alaska applies with the Alaska Superior Court the venue for award judgment of matters arising out of the Contract. This may mitigate towards aligning the dispute resolution processes under the Contract and the LLC into a single integrated process, as disputes that might be anticipated to arise under the LLC or the Contract would likely implicate the other necessitating a global resolution under both.

From the Administration's presentations, however, it appears that the parties may be considering a traditional dispute resolution procedure for LLC related disputes, with venue in the Delaware Chancery Court, under the argument discussed above that Delaware judges would be more proficient in adjudicating claims arising from the Delaware LLC statute. Aside from an inconvenient forum arguments as the project and many of the participants will be located in Alaska, the likelihood of conflicting dispute resolution procedures and forums would likely eliminate any perceived superiority of Delaware Judges over Alaska Judges in interpreting Delaware LLC laws, particularly where the Delaware Act essentially waives statutory protections in lieu of contract agreement – such that no particular expertise in the Delaware Act may be necessary, but only expertise with contract interpretation in the context of pipeline project issues, in which the Alaska courts may have superior experience and proficiency.

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 2003
(H) Publish Date: 5/31/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title Alaska Natural Gas Pipeline Corporation RDU Resource Development
Component Oil and Gas Development
Sponsor Rules by Request of the Governor
Requester Governor Component No. 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	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						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Under the proposed Alaska Stranded Gas Fiscal Contract, the state proposes to acquire a 20 percent equity interest in the gasline project with the remainder financed by ExxonMobil, ConocoPhillips, and BP Exploration. This bill would establish the Alaska Natural Gas Pipeline Corporation to finance, own, and manage the state's interests in the North Slope natural gas pipeline project. The Alaska Natural Gas Pipeline Corporation (Alaska Pipe) will be a public corporation within the Dept. of Revenue but with a legal existence independent of and separate from the state.

There is no anticipated fiscal impact to Division of Oil and Gas from implementation of this bill.

Prepared by: William Van Dyke, Acting Director Phone: 269-8800
Division: Oil and Gas Date/Time: 5/17/2006
Approved by: Michael Menge, Commissioner Date: 5/17/2006
Agency: Natural Resources

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HB 2003
(H) Publish Date: 5/31/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Alaska Natural Gas Pipeline Corporation RDU: Alaska Natural Gas Pipeline Corporation
Component: Gas Pipeline
Sponsor: Rules Committee
Requester: Governor Component No.: 2840

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	2,170.2	2,257.0	2,347.3	2,441.2	2,538.8	2,640.4
Travel	175.0	178.5	182.1	185.7	189.4	193.2
Contractual	218.0	222.4	226.8	231.3	236.0	240.7
Supplies	110.0	60.0	61.2	62.4	63.7	64.9
Equipment	147.0	36.3	37.0	37.8	38.5	39.2
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	2,820.2	2,754.2	2,854.4	2,958.4	3,066.4	3,178.5

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						
1005 GF/Program Receipts						
Bond Proceeds						
AK Pipe Corp Receipts	2,820.2	2,754.2	2,854.4	2,958.4	3,066.4	3,178.5
TOTAL	2,820.2	2,754.2	2,854.4	2,958.4	3,066.4	3,178.5

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time	17	17	17	17	17	17
Part-time	5	5	5	5	5	5
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill creates a new public corporation in the Department of Revenue, the Alaska Natural Gas Pipeline Corporation (AK Pipe) which will finance, own and manage the state's interest in the Alaska North Slope natural gas pipeline project. This fiscal note shows the operating cost of the corporation. The cost of the state's equity ownership of the project will be financed through direct capital appropriations from the state and by revenue bonds issued by ANGPC. The funding source for AK Pipe is assumed to be from cash reserves fund and it's earnings, and any other receipts of the corporation.

Prepared by: Jerry Burnett Phone: 465-2312
Division: Administrative Services Date/Time: 5/9/06 12:00 AM
Approved: Steve Porter Date: 5/9/2006
Agency: Department of Revenue

FISCAL NOTE # 2

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. HB 2003

ANALYSIS CONTINUATION

The five part time employees shown in the fiscal note are the public members of the board of directors who will be compensated \$ 100 per day for board meetings. We estimate that they will meet at least two days per month on average and that most meetings will be held in Anchorage.

The seventeen fulltime employees consist of the following exempt employees: Alaska Natural Gas Manager, Gas Pipeline Coordinator, Petroleum Engineer, Civil Engineer, Financial Analyst, Regulations Administrator, Commercial Analyst, Local Government Specialist, Economist, Analyst/Programmer, Accountant, Project Coordinator, Administrative Manager, Labor Economist, Executive Secretary, Accounting Tech and Administrative Clerk. Personal services costs are incremented by 4% per year.

Office space, supplies and equipment needs are based on locating the corporation staff in the Atwood Building. We assume that the corporation will utilize the state's network, accounting and payroll systems and thus we have allocated costs for core services.