

HB

254

ALASKA STATE LEGISLATURE

House of Representatives

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Representative Norman Rokeberg

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SPONSOR STATEMENT FOR HB 254

By: Representative Norman Rokeberg

Title: An Act directing the Alaska Natural Gas Development Authority to use money appropriated from the Railbelt energy fund and from other sources for preliminary engineering and related work for the construction of pipeline facilities to transport Alaska North Slope natural gas to the Southcentral Alaska gas distribution grid, and amending the definition of 'project' as applied to the work of the Alaska Natural Gas Development Authority; and providing for an effective date.

House Bill 254 is a companion to an appropriation bill (HB 253) that grants \$8,000,000 to the Alaska Natural Gas Development Authority (ANGDA) for purposes described in AS 41.41.210. This bill, HB 254, creates the referenced statute, AS 41.41.210.

AS 41.41.210 creates the statutory authority for the Alaska Natural Gas Development Authority to use monies appropriated from the Railbelt energy fund to initiate and continue the preliminary engineering, design and construction of the gas transmission pipeline and other facilities for delivering gas from the principal Alaska North Slope natural gas pipeline to the Southcentral Alaska gas distribution grid.

HB 254 clarifies the project definition and ANGDA's scope of work to include: 1) a spur line route adjacent to the Parks Highway to Southcentral from an appropriate Northern point of the main gas pipeline; 2) a direct ("bullet line") pipeline from Prudhoe Bay to Southcentral; 3) the spur pipeline from Glennallen to Southcentral; and 4) the Prudhoe Bay to Valdez gas pipeline.

The expanded activities and routes will allow the State of Alaska to be prepared to meet future deadlines for construction of the main natural gas pipeline project or provide an alternative means of transporting Alaska's stranded gas to a market servicing the needs of the majority of our citizens.

I urge your support of this legislation.

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Representative Norman Rokeberg

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SECTIONAL ANALYSIS FOR HB 254

By: Representative Norman Rokeberg

Title: An Act directing the Alaska Natural Gas Development Authority to use money appropriated from the Railbelt energy fund and from other sources for preliminary engineering and related work for the construction of pipeline facilities to transport Alaska North Slope natural gas to the Southcentral Alaska gas distribution grid, and amending the definition of 'project' as applied to the work of the Alaska Natural Gas Development Authority; and providing for an effective date.

Section 1: Provides legislative findings.

Section 2: Establishes AS 41.41.210, which provides the authority for the Alaska Natural Gas Development Authority (ANGDA) to initiate the preliminary engineering, design, and construction of the gas transmission pipeline and other facilities for delivering gas from the principal Alaska North Slope natural gas pipeline to the Southcentral Alaska gas distribution grid.

Section 3: Amends the definition of "project" to provide ANDGA with several project options.

Section 4: Immediate effective date.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 254
 (H) Publish Date: 4/29/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Net. Gas Spur Line and Transportation Grid RDU ANGDA
 Component _____
 Sponsor Rokeberg
 Requester House Oil and Gas Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 254 authorizes the Alaska Natural Gas Development Authority to contract for preliminary engineering and related work for the construction of pipeline facilities to transport Alaska North Slope natural gas to the Southcentral Alaska gas distribution grid. This authorization is specifically contingent upon appropriation of funding for that purpose, thus the passage of HB 254 without a separate appropriation from the Railbelt Energy Fund or other source will have no fiscal impact on ANGDA.

Prepared by: Jerry Boutin Phone 465-2302
 Division Special Assistant to the Commissioner Date/Time 4/26/05 12:01 PM
 Approved by: Tom Boutin, Deputy Commissioner Date 4/26/2005
 Agency Revenue

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April 19, 2005

The Honorable Norm Rokeberg
Chairman, House Rules Committee
Alaska State Capitol, Room 214
Juneau, AK 99801-1182

FAX 907-465-2040

Dear Chairman Rokeberg:

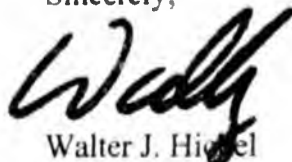
On behalf of the citizen organization Backbone 2, I am writing in support of your legislation HB253 and HB254. We feel that the options for gas-line development that will bring gas into Southcentral Alaska and provide the basis for an ongoing economy for our state are very important. It is clear that the majority of the people of Alaska support an all-Alaska pipeline.

Your legislation will provide the necessary funds for the Alaska Natural Gas Development Authority to move forward with such a project.

Thank you for your leadership for the future of Alaska.

With best regards.

Sincerely,


Walter J. Hickel

SUPPORT

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Anchorage Daily News

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Natural gas line from Nenana to Southcentral proposed**ASSEMBLY MEETING: Anchorage, Mat-Su bodies heard from Enstar official.**

By RINDI WHITE

Anchorage Daily News

(Published: April 29, 2005)

CHUGIAK -- A pipeline from natural gas fields in the Nenana Basin could provide the gas needed to carry Southcentral Alaska through an impending shortage, the president of Enstar Natural Gas Co. told lawmakers Thursday.

Enstar's Tony Izzo and Municipal Light & Power general manager Jim Posey presented information about a natural-gas line to untapped fields near Fairbanks at a joint meeting of the Anchorage and Matanuska-Susitna Borough assemblies. The two elected bodies meet quarterly to discuss issues of import to Southcentral Alaska.

Natural gas is one of those issues. Anchorage and the Mat-Su are home to more than 473,000 customers of Municipal Light & Power, Chugach Electric Association and Enstar. The two utilities use Enstar natural gas to generate power for customers across the region.

Anchorage Mayor Mark Begich said Southcentral Alaska's economy could be in danger if inexpensive utilities are no longer available. "If we don't move on this issue in some form, or have someone move on it, we're going to choke off economic development," he said. At best, Begich said, natural gas stores in Cook Inlet could hold out until 2012. But even that could dampen business opportunities, due to higher natural gas prices. Izzo told members of both assemblies that the price of Enstar gas jumped 14 percent in 2004 and another 17 percent in January.

Posey said two-thirds of the gas produced in Cook Inlet goes to two industrial users, a urea plant and a liquid natural gas plant, both on the Kenai Peninsula. The companies, in the next five years, will be deciding whether or not to continue operations in Cook Inlet.

But, Posey said, those two users pay two-thirds of the cost of gas production. If they're no longer using gas, he said, gas prices for general consumers could go through the roof. And gas shortages would still be felt in 2012 unless new gas is found.

If exploration and production by Cook Inlet gas producers succeed, Posey said, they could add about 10 years to the lifespan of the Cook Inlet field, at a cost of about \$465 million. Changing to a different fuel source would take money too -- \$300 million a year more to consumers to purchase fuel oil or nearly \$600 million a year for propane, Izzo said. That's where Enstar, Chugach Electric and Municipal Light & Power's line to the Nenana Basin comes in.

"Heck, we could build a spur line somewhere between those numbers and get it to Fairbanks, and it's a one-time shot," Izzo said, referring to the estimated \$500 million cost of building a northern pipeline route to Nenana.

Izzo said Usibelli, Doyon Industries and Andex Resources have all teamed up to explore natural gas stores in the Nenana Basin. They've estimated between five and 15 trillion cubic feet of gas are available in an area about 50 miles from Fairbanks. At today's usage rates, that could mean an additional 50 to 150 years of natural gas for Southcentral consumers.

ADN SUPPORT STORY

ENSTAR, in cooperation with Cook Inlet Tribal Council, has received \$2.5 million from the U.S. Department of Energy to study a route from Nenana to Southcentral Alaska. They'll start the 18-month study period in June, Izzo said.

According to Izzo, it's likely the gas spur-line, a 24-inch pipe, would follow the routes of the Alaska Railroad, the Parks Highway and electric lines that run from Mat-Su to Nenana. Studying the route, he said, could take as much as \$6 million, and the company is looking for more funding. In a best-case scenario, he said, the line could be studied and built in four years.

Izzo said this line could move forward whether a gas line is built from Prudhoe Bay to Valdez or to Canada. If a line from Prudhoe Bay is built, he said, it would likely connect to that gas line near Fairbanks. But even if no line is built, this project can move forward.

Izzo said proponents of the Nenana Basin line are working with representatives from the Alaska Natural Gas Development Authority. The two groups share members, he said. However, the authority proposes a separate, competing line from Glennallen to Palmer.

"What we're working on is a private industry initiative. We have a different level of urgency," Izzo said. "Private industry, supported by the federal government, believes the impact on the majority of Alaskans is so great that it's imperative."

Representatives from both municipalities said they'd consider resolutions in favor of the proposed Enstar gas line at upcoming assembly meetings.

Daily News reporter Rindi White can be reached at rwhite@adn.com or 1-907-352-6709.

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