

HB

369

<target><bill>HB 369</bill><subject>HB
369</subject><comm>HFIN26</comm></target>

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE HOUSE SPONSOR STATEMENT

COMMITTEE SUBSTITUTE FOR HOUSE BILL 369 (RES)

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, the Joint In-State Gasline Development Team; and providing for an effective date."

Committee Substitute for House Bill 369(RES) was introduced as an effort to expedite the process for an in-state natural gas pipeline. The in-state gasline has been a topic of discussion in the Legislature and the Administration for a number of years. Currently, there are two separate state entities, the Alaska Natural Gas Development Authority and the in-state gasline coordinator, working on a project. House Bill 369 combines these two entities along with the Department of Transportation and Public Facilities and the Alaska Railroad Corporation to create a Joint In-state Gasline Development Team within the Office of the Governor. The Development Team is to ensure the in-state gasline is construction ready by July 1, 2011 with gas flowing by 2015. It is my hope the Development Team will be able to focus the state's efforts in putting a construction plan together and leverage the best ideas and data to get a gasline built.

The Department of Transportation and Public Facilities and the Alaska Railroad Corporation were included as members of the team due primarily to their having existing rights of way which could speed up any permitting process that may need to be undertaken. The Alaska Railroad Corporation also has bonding ability which could be an answer in financing a gasline.

The Development Team will cover all aspects of the line's development and are to select the most economically sound route that will deliver gas to Alaskans, plan permitting and construction by using existing rights of way and take any action necessary to get the project underway as soon as possible. Additional duties of the Joint Development Gasline Development Team are also spelled out within the legislation.

The bill provides for an expedited review and action process and the sharing of information that may already have been accumulated or completed. The bill also requires that state agencies or entities cooperate with and give priority to requests for information from the Development Team.

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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE HOUSE

SECTIONAL ANALYSIS

COMMITTEE SUBSTITUTE FOR HOUSE BILL 369 (FIN) version LS1527AC

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, the Joint In-State Gasline Development Team; requiring the development of an in-state natural gas pipeline plan, to be delivered to the legislature by July 1, 2011, that provides for a gasline that is operational by December 31, 2015; directing the Joint In-State Gasline Development Team to assume responsibilities under sec. 19, ch. 14, SLA 2009; requiring expedited review and action by state agencies or entities relating to the in-state natural gas pipeline project; and providing for an effective date."

(Changes in the House Finance version from the Resources Committee Substitute are highlighted and underlined.)

Section 1: Adds a new chapter, Chapter 34: In-State natural Gas Pipeline, to AS 38, Public Land.

Sec. 38.34.010. In-state gasline project manager. (a) Creates the position of in-state gasline project manager within the governor's Office. This position will continue until one year after commercial operation of the in-state natural gas pipeline begins. (b) The Governor appoints an individual to the position of an in-state gasline manager and may be removed at the Governor's discretion. (c) Describes the duties of the in-state gasline project manager.

Sec. 38.34.020. Expedited review and action by state agencies or entities. (a) States that any state agency or entity conducting and taking action relating to the in-state gasline shall be expedited. (b) A state agency or entity may not include in any project certificate, right of way, permit or other authorization issued to a licensee a term or condition that is not required by law if the in-state project manager determines the term or condition would prevent or impair the expeditious construction and operation or expansion of the in-state gasline. (c) A state agency or entity may not, unless required by law, amend or abrogate any certificate, right of way, permit or other authorization issued to a licensee if the project manager determines the action would prevent or impair the expeditious construction and operation or expansion of the in-state gasline.

Sec. 38.34.030. Joint In-state Gasline Development Team. (a) Establishes the Joint In-State Gasline Development Team in the Governor's Office. The team consists of the commissioner of the Department of Transportation and Public Facilities or designee, the chief executive officer of

the Alaska Railroad Corporation or designee, the chief executive officer of the Alaska Natural Gas Development Authority, the in-state gasline project manager and the chief executive officer of the Alaska Housing Finance Corporation. (b) Names the Alaska Housing Finance Corporation's chief executive officer as chair. (c) Allows the development team to hire staff, enter into contracts and exercise other powers to carry out its functions.

Sec. 38.34.040. Duties of the Development Team. (a) Ensure a project plan for the development of an in-state gasline is completed and delivered to the legislature by July 1, 2011. The project plan must specify and document how an in-state gasline can be designed, financed, constructed and made operational by December 31, 2015. (b) The Joint In-State Gasline Development Team is to assume all executive authority over and managerial responsibility for all activities enumerated under sec. 19, ch. 14, SLA 2009, including work previously completed, work in process, and work for which money has been encumbered but that is not completed on the effective date of this subsection. (c) Describes specific plans that are to be included within the project plan for an in-state gasline that will serve Fairbanks, the southcentral region of the state, and other communities whenever practicable, connecting with or enhancing the existing gas pipeline system, and reaching to tidewater. (d) The development team's work product is to include an analysis of alternative possible routes and select a route that is consistent with the following requirements: (1) is the most economical, (2) will provide gas to residents at a reasonable cost, (3) allows for connecting lines to serve industrial, residential and utility customers along the entire route and in other regions of the state that can be served at commercially feasible rates, (4) uses state land and existing state highway and railroad rights of way to the maximum extent feasible, (5) uses existing highway and railroad bridges, gravel pits equipment yards and maintenance facilities and other existing facilities and resources to the maximum extent feasible. (e) With the intent that any project-related assets acquired or developed be available for transfer or sale to the entity best able to complete the project, the development team is to: (1) prepare plans and designs necessary for the construction of the in-state gasline; (2) coordinate with entities qualified to build, own and operate the gasline; (3) identify, apply for and obtain rights-of-way and other permits for the project route; (4) work with other entities to promote gas supply and purchase contracts required for the project to be commercially viable; (5) prepare cost estimates for project design, construction and operation to determine the project's feasibility and the projected cost of natural gas to consumers; (6) coordinate with and use, to the fullest extent, possible existing work by other state agencies and entities before contracting for new reports and research and analysis; (7) determine regulatory authority over the pipeline project and perform any necessary compliance requirements; (8) identify and apply for, or support extension of, existing permits for export of Alaska natural gas if that export improves project economics and will reduce the price of natural gas to in-state consumers. (f) Any rights to a gasline corridor obtained by a state agency under eminent domain may be transferred to a private entity. (g) Describes the various aspects of the in-state gasline project the development team may consider.

Sec. 38.34.050. Cooperation and access to information. (a) States the development team may have access to a state entity's information to include confidential information that may relate to the in-state gasline or prove useful in planning, design, construction or operation of the gasline.

Confidential information received by the Development Team shall be kept confidential. (b) All state agencies are to cooperate and give priority to requests for information from the Development Team. The Development Team is to avoid duplicating studies, plans, and designs that have already been produced or otherwise obtained by state entities.

Sec. 38.34.060. Conflicts of interest. (a) If a member of the Development Team acquires, owns or controls a direct or indirect interest in property, an organization or business that might be affected by the in-state gasline project or other matters under consideration by the Development Team shall immediately disclose the interest to the Development Team. This disclosure is part of the public record and shall be included in the minutes of the first meeting of the Development Team held after the disclosure. **(b) Members of the development team are subject to AS 39.50 (Public Official Disclosure) and AS 39.52 (Alaska Executive Branch Ethics Act).**

Sec. 38.34.099. Definitions. Defines the in-state natural gas pipeline and the North Slope.

Section 2: Amends AS 39.25.110, Exempt service. Adds the in-state gasline project manager to the exempt service list.

Section 3: Immediate effective date.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB 369 (RES)
() Publish Date: _____

Identifier (file name): CSHB369 (RES)-GOV-EO-03-12-10
Title: "An Act relating to in-state natural gas pipeline, ...
..project manager/team"
Sponsor: Representative Chenault
Requester: (H) Finance
Dept. Affected: OOG
RDU: Executive Operations
Component: Executive Office
Component Number: 6

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	1,001.7	1,001.7	1,011.6	1,021.9	1,032.5	1,036.0	1,047.0
Travel	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Contractual	***	***	***	***	***	***	***
Supplies	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Equipment	77.0	77.0	0.0	0.0	0.0	0.0	0.0
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	***	***	***	***	***	***	***

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 Interagency Receipts							
TOTAL	***	***	***	***	***	***	***

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	6	6	6	6	6	6	6
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

The fiscal impact of CSHB 369 (RES) is indeterminate at this time. Please see attached analysis.

Prepared by: Linda Perez, Director
Division: Administrative Services
Approved by: Bob Swenson, Project Manager
Office of the Governor

Phone 465-3876
Date/Time 3/12/10 4:25 PM
Date 3/12/2010

To ensure that construction may begin on the in-state natural gas pipeline by July 1, 2011 as set out in HB 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 the detailed pipeline engineering will be approximately \$350 million; field work, and permitting needed to get the project ready to begin construction by July 1, 2011 is more than \$30 million. Costs associated with preconstruction readiness and pipeline materials outlined below is indeterminate at this time. A cost of transportation estimate to provide this information is scheduled to be completed by July 1, 2010. The State's ability to transfer the project to private investors by the construction date is likewise unknown. If unsuccessful, the State may assume liability for costs associated with all construction costs.

PERSONAL SERVICES: 1001.7 - increased to include 6 staff 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

Current 6500.0 operating budget request includes 322.2 for personal services, fiscal note increases total personal services to 1,001.7. Following years include scheduled merit increases for all but professional staff.

TRAVEL: 36.0 - reflects original travel request in FY2011 Governor's budget request.

CONTRACTUAL: Indeterminate

Fiscal Implications of 7/2011 Start of Construction:

During the first construction summer, ROW construction activities would include

- Establishment of construction centerline survey benchmark grid
- Development of material sites and preparation of civil material
- Preparation of laydown areas to accept pipe delivery
- Construction camp : site prep, pad construction and camp module installation
- Note that startup is at the flow of 250 MMscfd -(no intermediate compressor stations are required at this start up flow)

Contractual - continued

To enable this construction start date the fiscal implications to the state in FY 2011:

- Let bid for Design Engineering for Pipeline and Facilities 7/2010 - a commitment of \$350 million
- Accelerate additional permits for notice to proceed - a commitment of \$30 million
- Ensure completion of major permits by 12/2010. An "Air Quality Permit to Construct" will be required from the ADEC for facilities at either end of the pipeline (EPA allows the ADEC to issue permits because ADEC agrees to adhere to EPA standards). Unknown is whether ADEC would, or could, issue construction permits for the pipeline before "Air Quality Permit to Construct" have been issued for necessary attendant facilities. The data acquisition of 12 months of continuous site specific meteorological data is required to support the air quality application. Even pursuing an aggressive "Fast track" process, it may already be too late to get them by summer of 2011. Unknown
- Line pipe order and facilities material order- minimum is "default" funds commitment. This required commitment could be significant especially if state proceeds without all permits in place. Vendors/suppliers may require a significant "default" commitment considering the scale of the project, that they will have to reserve fabrication infrastructure thereby turning down other clients, and that the project execution approach reasonably be considered high risk. Unknown
- Order construction camps - fabrication and delivery for 2011. Unknown

500.00 for FY2011, 2012 and 2013 for commercial analysis of downstream industrial opportunities; reduced to 200.0 for 2014 thru 2016.

100.0 for public outreach, information dissemination, printing, advertising, postage.

75.3 annual office lease space

SUPPLIES: 25.0 increases FY2011 request to 25.0 for increased staff and fast-track activities.

EQUIPMENT: 77.0 one-time office set-up

Alaska In-State Gas Pipeline Project.
 February 24, 2010 - House Finance hearing on gas line funding requests
 Robert Swenson, Project Manager

1. What agencies have done with the money they spent in FY2010?

Work that is completed to date:

- Route Alternative Analysis - Parks and Richardson Highway routes: Associated comparative pipeline cost estimates; Environmental Surveys
- Initial Project Description (for permitting)
- Commercial Group Scoping
- Initial Review of ENSTAR Capital Cost Estimate - Pipeline
- Major permits applied for: U.S. Army Corps of Engineers Section 404/10, State of Alaska Title 38 Right-of-Way, Bureau of Land Management Right-of-Way

Work currently underway:

- Updating pipeline cost estimates
- Developing cost of facilities
- Cost of transport analysis
- Preparing detailed project description
- Continued engineering support for EIS and ROW process
- Developing data package for economic analysis
- Facilities scenarios identified
- Commercial group market analysis
- Cost of transport analysis

2. How much additional they have encumbered and for what? \$3,904,496

	Payroll & Expenditures 1/15/2010	Contract Commitments (Encumbrances)	Estimated Budget Jan-10	Estimated Budget Feb-10	Estimated Budget Mar-10	Estimated Budget Apr-10	Estimated Budget May-10	Estimated Budget Jun-10
Personal Services	170,252		26,825	26,825	26,825	26,825	26,825	26,825
Travel	17,832		3,000	3,000	3,000	3,000	3,000	3,000
Services	2,024,396	3,904,496	330,000.0	330,000.0	330,000.0	330,000.0	330,000.0	329,000.0
Commodities	2,488		2,000	2,000	2,000	2,000	2,000	1,629
Total Expended	2,214,968	3,904,496	361,825	361,825	361,825	361,825	361,825	360,454

3. How much they need for FY2011? and what they propose doing with the money? \$6,500,000

	Per month FY2011	Total FY2011
Personal Services	26,830	321,960
Travel	3,000	36,000
Services	511,000	6,130,040
Commodities	1,000	12,000
Total expended	541,830	6,500,000

- Completion of environmental and permitting for USACE and State and Federal right-of-way approvals.
- Engineering data acquisition for detailed engineering design of the project.
- Refinement of Cost of Service estimates and Tariff modeling
- Prepare complete project documentation of In-State pipeline asset for transfer private pipeline developer

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SECTIONAL ANALYSIS

COMMITTEE SUBSTITUTE FOR HOUSE BILL 369 (RES)

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, the Joint In-State Gasline Development Team; and providing for an effective date."

Section 1: Adds a new chapter, Chapter 34: In-State natural Gas Pipeline, to AS 38, Public Land.

Sec. 38.34.010. In-state gasline project manager. (a) Creates the position of in-state gasline project manager within the governor's Office. This position will continue until one year after commercial operation of the in-state natural gas pipeline begins. (b) The Governor appoints an individual to the position of an in-state gasline manager and may be removed at the Governor's discretion. (c) Describes the duties of the in-state gasline project manager.

Sec. 38.34.020. Expedited review and action by state agencies. (a) States that any state agency conducting and taking action relating to the in-state gasline shall be expedited. (b) A state agency may not include in any project certificate, right of way, permit or other authorization issued to a licensee a term or condition that is not required by law if the in-state project manager determines the term or condition would prevent or impair the expeditious construction and operation or expansion of the in-state gasline. (c) A state agency may not, unless required by law, amend or abrogate any certificate, right of way, permit or other authorization issued to a licensee if the project manager determines the action would prevent or impair the expeditious construction and operation or expansion of the in-state gasline.

Sec. 38.34.030. Joint In-state Gasline Development Team. (a) Establishes the Joint In-state Gasline Development Team in the Governor's Office. The team consists of the commissioner of the Department of Transportation and Public Facilities or designee, the chief executive officer of the Alaska Railroad Corporation, the chief executive officer of the Alaska Natural Gas Development Authority and the in-state gasline project manager. (b) Names the Alaska Railroad's chief executive officer as chair. (c) Allows the Development Team to hire staff, enter into contracts and exercise other powers to carry out its functions.

Sec. 38.34.040. Duties of the Development Team. (a) Describes the various aspects of the in-state gasline project the Development Team will consider. (b) Ensure construction for an in-state gasline is ready to commence by July 1, 2011 and to take any necessary actions to enable the flow of natural gas down the gasline by 2015. (c) (1) Shall select a route that runs from the

North Slope to tidewater that is the most economical, will provide gas to the greatest number of residents at a reasonable cost, uses state land and existing state highway and railroad rights of way to the maximum extent, use existing highway and railroad bridges, gravel pits equipment yards and maintenance facilities and other existing facilities and resources to the maximum extent possible; (2) identify land or rights of way that must be obtained for construction and operation of the in-state gasline and take necessary action to enable DOT/PF to acquire those interests; (3) prepare plans and designs necessary for the construction of the in-state gasline; (4) identify all permits and applications needed to construct the in-state gasline and proceed with applications for those permits and licenses; (5) prepare and update estimates of construction and other costs of construction; and (6) take any necessary action so that construction of the in-state gasline may begin by July 1, 2011, and report to the legislature by that date.

Sec. 38.34.050. Cooperation and access to information. (a) States the Development Team may have access to a state entity's information to include confidential information that may relate to the in-state gasline or prove useful in planning, design, construction or operation of the gasline. Confidential information received by the Development Team shall be kept confidential. (b) All state agencies are to cooperate and give priority to requests for information from the Development Team. The Development Team is to avoid duplicating studies, plans, and designs that have already been produced or otherwise obtained by state entities.

Sec. 38.34.060. Conflicts of interest. If a member of the Development Team acquires, owns or controls a direct or indirect interest in property, an organization or business that might be affected by the in-state gasline project or other matters under consideration by the Development Team shall immediately disclose the interest to the Development Team. This disclosure is part of the public record and shall be included in the minutes of the first meeting of the Development Team held after the disclosure.

Sec. 38.34.099. Definitions. Defines the in-state natural gas pipeline and the North Slope.

Section 2: Amends AS 39.25.110, Exempt service. Adds the in-state gasline project manager to the exempt service list.

Section 3: Immediate effective date.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSHB369(RES)
 () Publish Date: _____

Identifier (file name): CSHB369(RES)-DNR-MLW-03-16-10
 Dept. Affected: Natural Resources
 Title IN-STATE PIPELINE MANAGER/TEAM/COMMITTEE RDU Resource Development
 Component Title Acquisition and Defense
 Sponsor Rep. Chenault Claims, permits and leases
 Requester House FIN Component Number 2459 / 2460

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	465.7							
Travel	35.0							
Contractual	52.0							
Supplies	38.0							
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	590.7	0.0	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	590.7							
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	590.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time	10							
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary.)

The bill establishes a joint in-state Gasline Development Committee consisting of the commissioner of DOTPF, the CEO of the Alaska Railroad Corporation, the CEO of the Alaska Natural Gas Development Authority, and the in-state gasline project manager (also created in this bill). The legislation provides this committee the authority to manage and develop an in-state gasline, mandates construction to begin by July 1, 2011, and authorizes any action that would enable gas to flow down the pipeline by 2015. While the joint in-state Gasline Development Committee is granted broad powers and authorities under the bill certain basic functions must still be performed by MLW.

Prepared by: Dick Mylius
 Division: Mining, Land and Water
 Approved by: Tom Irwin, Commissioner
Natural Resources

Phone 269-8600
 Date/Time 3/16/10 12:00 AM
 Date 3/16/2010

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO.

CSHB 369 (RES)

ANALYSIS CONTINUATION

In the preparation of this fiscal note certain assumptions have been made:

- 1) that DNR/DMLW will be required to prepare a title report regarding state owned lands in the pipeline ROW,
- 2) that DNR will not be required to transfer title to any state lands to DOT/PF,
- 3) that DOT/PF will be responsible for all title or ROW acquisitions from entities other than DNR managed state lands including lands owned by private persons, boroughs, ANCSA corporations, native allotments, and the federal government,
- 4) that DNR/DMLW will review and approve all land surveys associated with granting an in-state gasline ROW and developing an in-state gasline across state land,
- 5) DNR DMLW will participate in the ROW planning effort to some degree across state land, the review of the AS 38.35 R/W lease to be prepared by SPCO for issuance to DOT/PF, and the ACMP review of the ROW, and
- 6) SPCO will issue AS 38.35 ROW across state lands to DOT/PF.

The costs to DMLW would include expenses related to preparation of the land title report and preparing and reviewing land transfer documents, executing material sales and reviewing land and project surveys in an expedited manner by July 1, 2011. It should also be noted that focusing DNR's time and resources on such a high priority, short deadline project as conceived in this legislation would significantly impact and curtail DLWM's abilities to perform its other statutorily required functions. These costs are high in part due to the extremely tight time frames set out in the bill.

PERSONAL SERVICES COST - \$465.7 total (for 12 months)

LAND TITLE ACTIONS

Four positions Anchorage; for land title review and report preparation and document review and processing.
-three Natural Resource Specialist (NRS) III (range 18) - total 6 months each at \$7.24/month= \$130.32
-one Natural Resource Specialist (NRS) II (range 16) - - total 6 months each at \$6.40/month = \$38.4

\$168.72 for FY 11 Total

LAND SURVEY REVIEW

Two positions Anchorage; for reviewing land and project surveys .
-Two land surveyor II (LS) III (range 22) - 1 year each at \$109.1/year

\$218.2 for FY 11 Total

MATERIAL SALES

Two positions; for preparing and executing material sales for use in pipeline R/W.
- One Natural Resource Specialist (NRS) III (range 18) - total 12 months at \$89.2/year for Northern Region Office Fairbanks = \$89.2
- One Natural Resource Specialist (NRS) III (range 18) - total 12 months at \$86.4/year for SouthCentral Region Office Anchorage = \$86.4

\$175.6 for FY 11 Total

Cont.

FISCAL NOTE

**STATE OF ALASKA
2010 LEGISLATIVE SESSION**

BILL NO. CSHB 369 (RES)

ANALYSIS CONTINUATION

PROJECT REVIEWS

One position; to participate in the R/W planning effort, the review of the AS 38.35 ROW lease , and the ACMP review of the R/W.

- One Natural Resource Specialist (NRS) III (range 18) - total 8 months each at \$86.4/year for SouthCentral Region Office Anchorage = \$57.6

\$86.4 for FY 11 Total

TRAVEL, CONTRACTUAL, SUPPLIES - \$143.0 total (for 12 positions)

Travel would be for land survey review purposes, preparation of material sales, and planning, ROW and ACMP review. \$35.0 in FY11

Other contractual costs include \$52.0 for office space, telephones, core service charges and related expenses for the new positions in FY11 at a rate of \$5.2 per new position.

Supplies are budgeted at \$38.0 per year FY11, and includes one-time start-up costs for new computers and office equipment of \$3.8 per each new position.

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CSHB 369 (FIN)
 () Publish Date: _____

Identifier (file name): CSHB369 (FIN)-GOV-EO-03-23-10
 Title: "An Act relating to in-state natural gas pipeline,...
..project manager/team"
 Sponsor: Representative Chenault
 Requester: (H) Finance
 Dept. Affected: OOG
 RDU: Executive Operations
 Component: Executive Office
 Component Number: 6

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	1,095.2	1,011.6	1,021.9	1,032.5	1,036.0	1,047.0
Travel	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Contractual	9,408.8	9,408.8	***	***	***	***	***
Supplies	29.0	29.0	25.0	25.0	25.0	25.0	25.0
Equipment	84.3	84.3	0.0	0.0	0.0	0.0	0.0
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	10,653.3	10,653.3	***	***	***	***	***

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	10,653.3	10,653.3	***	***	***	***	***
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	10,653.3	10,653.3	***	***	***	***	***

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

Full-time	7	7	6	6	6	6	6
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

Please see attached analysis - includes breakdown for RSA to all agencies.

Prepared by: Linda Perez, Director
 Division: Administrative Services
 Approved by: Bob Swenson, Project Manager
Office of the Governor

Phone 465-3876
 Date/Time 3/23/10 8:30 AM
 Date 3/23/2010

Office of Governor FY11: 8,053.7 plus 2,599.6 additional contractual for RSA needs for a total request of 10,653.3.

To ensure that an in-state natural gas pipeline plan is delivered to the legislature by July 1, 2011 as set out in HB 369 (FIN), 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 \$6.5 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 \$2.6 million is for RSA monies to agencies duties outlined below.

OFFICE OF THE GOVERNOR:

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)

Current 6500.0 operating budget request includes 322.2 for personal services. Fiscal note increases total personal services to 1,095.2 for 7 staff in first year. Following years reduce staff to 6 and include scheduled merit increases for all but professional staff.

TRAVEL: 36.0 – reflects original travel request in FY2011 Governor's budget request.

CONTRACTUAL: 6,809.2 + 2,599.6 (Total 9,408.8)

Current 6500.0 operating budget request includes 6,130.0 for contractual. Fiscal note increases 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.

500.00 for FY2011, 2012 and 2013 for commercial analysis of downstream industrial opportunities; reduced to 200.0 for 2014 thru 2016.

Contractual (continued)

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

2599.6 RSA funding requirements – see below

SUPPLIES: 29.0 increases FY2011 operating budget request to 29.0 for increased staff and fast-track activities, reducing to 25.0 for second and subsequent years.

EQUIPMENT: 84.3 one-time office set-up.

Office of Governor 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, purchase of ENSTAR Bullet Line data package, 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. The State's ability to transfer the project to private investors is likewise unknown. If unsuccessful, the State 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 the State.

Breakdown of RSAs to state agencies: 2599.6 as follows:

AHFC FY11: 500.0

This fiscal note is an estimate of what funds would be necessary for the Alaska Housing Finance Corporation should House Bill 369 become law. The preparation of a comprehensive financing plan would be completed once cost estimates for the project are available.

Contractual services will consist of Financial Advisors and legal counsel.

FY12: 0

DEC FY11: 121.1

The Department of Environmental Conservation (DEC) fiscal note reflects 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 Management

DEC (continued)

Program coordination, as well as compliance and enforcement activities for an in-state natural gas pipeline.

FY12+: Indeterminate

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

DOR FY11: 1000.0

Travel 50.0

Contractual 950.0

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

1. Identify opportunities for delivering North Slope gas to rural & maritime Alaska
2. Identify and negotiate with potential gas suppliers and potential gas consumers
3. Develop pro-forma financials for the project
4. Develop a partnering agreement with a pipeline company
5. Provide a design, construction schedule, and cost estimate for an LNG plant
6. Develop and execute a public information and outreach plan

DOT FY11: 610.8 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. As the applicant for the ROW, a ROW agent will coordinate the ROW portions of the plan, providing the technical expertise 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. Additional, costs are for

Personnel Services 418.7

Travel 45.0

Contractual 87.1

Supplies 60.0

ADDITIONAL CONTRACTUAL FOR DOT: 367.7 needed for interagency funding to DNR State Pipeline Coordinators Office to be used by DNR as detailed below.

DOT FY12 +: Indeterminate

The costs for activities after the plan is submitted on July 1, 2011 are undetermined at this time.

(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. If additional SPCO or MLW positions are necessary they will be established as Long Term Non-Perm positions.

In the preparation of this fiscal note certain assumptions have been made:

State Pipeline Coordinators Office (SPCO)

1) Participating state agencies (ADF&G, ADEC, etc.) will provide separate fiscal notes, although their costs associated with permitting the right-of-way may be reimbursable by the applicant through the SPCO.

DNR (continued)

- 2) The right-of-way lease applicant, pursuant to AS 38.35. 140(b), will reimburse DNR's (and other participating state agencies as well) work associated with delivery of a right-of-way lease.
- 3) DLMW has completed a separate fiscal note, however portions of their costs may be reimbursable by the applicant through the SPCO.
- 4) Existing Program Receipt Authority will be used for the project.
- 5) DGGs cost estimate assumes that the state needs to understand the geohazards to ensure the applicant has identified and considered all geologic hazards along the route.
- 6) Construction and operational oversight begins in FY2012 and FY2014, respectively. The cost estimate for these activities is for DNR only and does not include estimates for other state agencies (ADF&G, ADEC, etc.), although their costs may be reimbursable by the applicant through the SPCO.
- 7) Assume SPCO will administer material sites after initial sale.
- 8) Assume a two-year construction schedule segregated into four geographic areas.

FY2011 costs to DNR/SPCO would include expenses 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. Costs for FY2011 do not include any expenses towards processing a right-of-way lease applications. Expenses associated with the right-of-way permitting process are projected to start in FY2012.

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.

- 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

DNR (continued)

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

3- 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

4- 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

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.

5- DIVISION OF MINING LAND & WATER

Assumptions

- 1) that DNR/DMLW will be required to prepare a title report regarding state owned lands in the pipeline ROW,
- 2) that DNR will not be required to transfer title to any state lands to DOT/PF,
- 3) that DOT/PF will be responsible for all title or ROW acquisitions from entities other than DNR managed state lands including lands owned by private persons, boroughs, ANCSA corporations, native allotments, and the federal government,
- 4) that DNR/DMLW will review and approve all land surveys associated with granting an in-state gasline ROW and developing an in-state gasline across state land,

DNR (continued)

5) DNR DMLW will participate in the ROW planning effort to some degree across state land, the review of the

AS 38.35 R/W lease to be prepared by SPCO for issuance to DOT/PF, and the ACMP review of the ROW, and

6) SPCO will issue AS 38.35 ROW across state lands to DOT/PF.

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 - \$2.0 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 .

DNR FY12 & Beyond

The FY2012 costs to DNR/SPCO would include expenses to coordinate the participation of state agencies in the right-of-way permitting process, prepare the Commissioner's Analysis, Proposed Decision and Action, develop the draft lease and, if necessary, hold public hearings. In addition the costs include right-of-way permitting expenses for the participation of the State Historic Preservation Office (SHPO), Division of Coastal and Ocean Management (DCOM), Office of Project Management and Permitting (OPMP) and the Division of Geological and Geophysical and Surveys (DGGS). It should be noted that the proposed schedule is aggressive and in order to meet the specified timeline the right-of-way permitting process will need to be conducted independent of the federal NEPA process. The FY2012 and 13 costs reflect construction oversight activities by DNR. Operational oversight costs begin in FY2014 and continue forward.

FY2012 PERSONAL SERVICES COST - \$ 522.42 total (for 12 months)

DNR (continued)

Breakdown of DNR FY12 and beyond.

STATE PIPELINE COORDINATOR'S OFFICE

Positions in Anchorage; for completing the right-of-way leasing process.

- one Natural Resource Specialist (NRS) IV (range 21) - total 10 months at \$9.95/month= \$99.50
- one Natural Resource Manager (NRM) II (range 20) - total 1 month at \$9.41/month = \$9.41
- one Natural Resource Specialist (NRS) III (range 18)- total 6 months at 7.31/month = \$43.86
- one Engineer IV (range 27) - total 3 months at 13.70/month = \$41.1
- Administrative Support - total = \$38.77

\$232.64 for FY 12 Total

Positions in Anchorage; for construction oversight.

- two Natural Resource Specialist (NRS) III (range 18)- total 6 months/yr at 7.31/month = \$87.72
- one Natural Resource Manager (NRM) II (range 20) - total 1 month at \$9.41/month = \$9.41
- one Engineer IV (range 27) - total 2 months at 13.70/month = \$27.4
- Administrative Support - total = \$24.9

\$149.43 for FY 13 and 14

Positions in Anchorage; for operational oversight.

- one Natural Resource Specialist (NRS) III (range 18)- total 4 months/yr at 7.31/month = \$29.24
- one Natural Resource Manager (NRM) II (range 20) - total 1 month at \$9.41/month = \$9.41
- one Engineer IV (range 27) - total 1 months at 13.70/month = \$13.70
- Administrative Support - total = \$10.47

\$62.82 for FY15 Forward

STATE HISTORIC PRESERVATION OFFICE

Position in Anchorage; for review and monitoring the cultural resource project program.

- one Archeologist = \$20.0

\$20.0 for FY 12 Total

Positions in Anchorage; for construction oversight.

- one Archeologist = \$20.0

\$20.0 for FY 13 and 14 Totals

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 12 months = \$107.4
- one LTNP Geologist III (range 19) - total 12 months = \$76.45
- one Graduate Intern - total 12 months = \$34.0

\$217.85 for FY 12 Total

DNR (continued)

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 = \$30.0

\$30.0 for FY 12 Total

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 3 months at 7.31/month = \$21.93

\$21.93 for FY 12 Total

TRAVEL, CONTRACTUAL, SUPPLIES - \$322.2 total for FY 12

Travel would be for public meeting, public hearings, agency coordination and monitoring of contractors performing field work. In addition, DGGs will require travel to complete field studies. **\$30.0 in FY12**

Contractual costs include helicopter support for DGGs studies, office space, telephones, core service charges and related

Miscellaneous costs include aerial photos, satellite imagery, field supplies and maps.

Other miscellaneous, contractual and supply costs include office space, telephones, core service charges and related expenses.

TRAVEL, CONTRACTUAL, SUPPLIES - \$70.0 total for FY 13 and 14

TRAVEL, CONTRACTUAL, SUPPLIES - \$10.0 total for FY 15 Forward

DIVISION OF MINING LAND& WATER, FY12

PERSONAL SERVICES COST - \$465.7 total (for 12 months in FY12)

LAND TITLE ACTIONS

Four positions Anchorage; for land title review and report preparation and document review and processing.

-three Natural Resource Specialist (NRS) III (range 18) - total 6 months each at \$7.24/month=\$130.32

-one Natural Resource Specialist (NRS) II (range 16) - - total 6 months each at \$6.40/month = \$38.4

\$168.72 for FY 12 Total

LAND SURVEY REVIEW

Two positions Anchorage; for reviewing land and project surveys .

-Two land surveyor II (LS) III (range 22) - 1 year each at \$109.1/year

\$218.2 for FY 12 Total

DNR (continued)

MATERIAL SALES

Two positions; for preparing and executing material sales for use in pipeline R/W.

- One Natural Resource Specialist (NRS) III (range 18) - total 12 months at \$89.2/year for Northern Region Office Fairbanks = \$89.2

- One Natural Resource Specialist (NRS) III (range 18) - total 12 months at \$86.4/year for SouthCentral Region Office Anchorage = \$86.4

\$175.6 for FY 12 Total

PROJECT REVIEWS

One position; to participate in the R/W planning effort, the review of the AS 38.35 ROW lease, and the ACMP review of the R/W.

- One Natural Resource Specialist (NRS) III (range 18) - total 8 months each at \$86.4/year for SouthCentral Region Office Anchorage = \$57.6

\$86.4 for FY 12 Total

TRAVEL, CONTRACTUAL, SUPPLIES - \$143.0 total (for 12 positions)

Travel would be for land survey review purposes, preparation of material sales, and planning, ROW and ACMP review. \$35.0 in FY12

Other contractual costs include \$52.0 for office space, telephones, core service charges and related

expenses for the new positions in FY12 at a rate of \$5.2 per new position.

Supplies are budgeted at \$38.0 per year FY12, and includes one-time start-up costs for new computers and office equipment of \$3.8 per each new position.

HOUSE BILL 369 CHANGES ADOPTED BY THE HOUSE RESOURCES COMMITTEE

Page 1, Line 13: Places the in-state gasline project manager under exempt service (AS 39.25.110) rather than partially exempt service (AS 39.25.120). Most of the Governor's Office personnel are covered under exempt service.

Page 2, line 9: Further defined the reporting duties of the in-state gasline project manager.

Page 3, line 11: Added duties that were originally to be carried out by the In-State Gasline Steering Committee to the list of duties to be considered by the Joint In-state Gasline Development Team. (Under subsection a).

Page 3, line 30: Deleted "to the greatest number of residents". This deletion was adopted to allow the Joint In-state Gasline Development Team to pick the route upon which they determined was the most economical along with other criteria outlined in subsection (b). The Parks Highway route would probably serve the greatest number of residents but it was decided that the team should be able to consider all route options without the legislation directing them to choose the Parks Highway route.

Page 4, line 24: Added "except for requests from the Alaska Gasline Inducement Act coordinator". This was adopted so that neither the AGIA project nor the Joint In-state Gasline Development Team project was given priority over the other when requesting information from state agencies and/or state entities.

The sections establishing the In-state Gasline Steering Committee, duties of the steering committee, and conflicts of interest and ethics for members of the In-state Gasline Steering Committee were deleted.

Page 5, line 9: The in-state gasline project manager is placed under the exempt service statutes (AS 39.25.110) instead of the partially exempt service statutes (AS 39.25.120).

MEMORANDUM


State of Alaska
Department of Law

To: Jerry Gallagher
Legislative Director
Office of the Governor

Date: March 3, 2010

A.G.
File No.: JU2010201153

Telephone: 465-2127

From: Thomas Jantunen 
Assistant Attorney General
Oil, Gas & Mining Section

Subject: HB 369 "An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, the Joint In-State Gasline Development Team, and the In-State Gasline Steering Committee, and providing for an effective date."

CONFIDENTIAL AND PRIVILEGED

At our recent meeting, you asked for a brief overview of legal issues in HB 369, in-state natural gas pipeline. Attached is a summary of legal issues in HB 369 for the office of the governor's consideration. If you need additional information, please let me know.

TJ/jf

cc: Bob Swenson, Petroleum Geologist, DNR
Heather Brakes, Deputy Legislative Liaison, Governor's Office
Mike Ford, Legislative Liaison, LAW

March 3, 2010

**HB 369
Version 26-LS1527\R**

An Act relating to an in-state natural gas pipeline, the office of in-state gasline project manager, the Joint In-State Gasline Development Team, and the In-State Gasline Steering Committee, and providing for an effective date.

The bill adds to Title 38, a new Chapter 34 titled "In-State Natural Gas Pipeline."

Section 1.

Sec. 38.34.010. Creates the exempt position of in-state gasline project manager in the Office of the Governor. The manager is appointed by the governor and may be removed at the discretion of the governor. The manager shall collaborate with other state agencies to plan and work on the in-state gas pipeline project under this chapter and coordinate with government agencies and the private sector. The manager shall submit written monthly progress reports to the legislature.

Comment: Proposed AS 38.34.010(c)(3) should set a date for the submission of monthly reports to the legislature. Proposed AS 38.34.010(c)(3) could also provide further guidance on the form, format, and contents of the monthly reports.

On page 1, line 7 change "manger" to "manager."

Sec. 38.34.020(a). State agencies are required to expedite their reviews and actions relating to the in-state pipeline project "consistent with the timely completion of the project."

Comment: "Timely completion" is not defined. "Timely completion" could be re-written to match proposed AS 38.34.040, which states that construction on an in-state gas pipeline should begin by July 1, 2011 and that natural gas should flow by 2015.

Sec. 38.34.020(b), (c). Requires that state agencies not include in any authorization any term or condition not required by law that the in-state gasline project manager determines would significantly prevent or impair the expeditious construction and operation or expansion of the in-state natural gas pipeline project.

Comment: Proposed AS 38.34.020(b) and (c) include references to "the licensee," which is not defined in this legislation; the language in proposed AS 38.34.020(b) and (c) is almost the same as the language used in AS 43.90.260 (AGIA).

The language in proposed AS 38.34.020(b) and (c) may limit the commissioner of natural resource's ability to include terms and conditions in an AS 38.35 right-of-way lease that would protect the environment and the public interest. *See AS*

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March 3, 2010

38.35.120(c), (d). The language in proposed AS 38.34.020(b) and (c) may limit the Regulatory Commission of Alaska's ability to place terms and conditions in a certificate of public conveyance and necessity that would protect the environment and the public interest. *See* AS 42.06.240(d).

Sec. 38.34.030. Establishes in the office of the governor, the Joint In-state Gasline Development Team, consisting of the department of transportation and public facilities commissioner, the Alaska Railroad CEO, the ANGDA CEO and the in-state gasline project manager.

Comment: AS 41.41.070 states that the ANGDA board "may" employ a CEO. Because it is possible that the ANGDA may not employ a CEO, the language of proposed AS 38.34.030(a)(3) should state "a designee of the Alaska Natural Gas Development Authority." AS 42.40.110 states that the ARR board appoints and sets the compensation for the ARR CEO. Because the department of transportation and public facilities commissioner is a statutory member of the ARR board, a conflict between the ARR CEO and the department of transportation and public facilities commissioner may exist.

Sec. 38.34.040(a). Duties of the development team include ensuring that construction is ready to begin on an in-state natural gas pipeline by July 1, 2011, and take action necessary to enable gas flow down the pipeline by 2015.

Comment: Because some permitting statutes set out specific timelines for public notice and hearings, a July 1, 2011 construction start date may not be feasible. *See e.g.*, AS 38.35.080.

Sec. 38.34.040(b). The team is charged with selecting the pipeline route, identifying lands or rights-of-way that need to be obtained, and take the action necessary to enable the department of transportation and public facilities to acquire those interests. The team is also charged with identifying and applying for all permits and licenses needed to construct the project.

Comment: This requirement puts the state in the position of both sovereign and applicant, including having a team member that is the commissioner of an agency that may be reviewing permits. Proposed AS 38.34.040(b)(2) states that the team shall select a route that is the most "economical." The term "economical" should be further defined: economical to operate versus economical to construct.

Sec. 38.34.040(b)(6). The team shall take "any action" necessary so that construction may begin on the in-state pipeline by July 1, 2011. Proposed AS 38.34.040(b)(6) also requires a report to the legislature by July 1, 2011.

Comment: What does it mean that this team can take "any action?" Because the introduction to proposed AS 38.34.040(b)(6) does not state "notwithstanding any other provision of law," any actions taken by the team must be consistent with all

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March 3, 2010

other laws. Taking action consistent with other laws may make the July 1, 2011 construction start date unrealistic. Is the report intended to be in addition to the report required under proposed AS 38.34.010(c)(3)?

Sec. 38.34.050. Gives the development team access to information of a state entity, including confidential information related to the pipeline. Confidential information received by the team shall be kept confidential.

Comment: This provision likely violates Article 1, sec. 1 of the Alaska Constitution (right to rewards of industry) and Article 1, sec. 15 of the Alaska Constitution (“No law impairing the obligation of contracts . . . shall be passed”). Art. 1, sec. 1 would likely be held by a court to be violated if the development team used confidential information to its benefit without compensating the owner of the confidential information. Art. 1, sec. 15 would likely be held by a court to be violated if the development team gains access to information that a state agency has a contractual obligation to keep confidential. Because proposed AS 38.34.050(b) states “the development team shall avoid duplicating studies, plans, and designs that have already been produced or otherwise obtained by state entities,” the possibility of a constitutional violation is more than hypothetical. A policy consideration: By simply submitting proprietary information to a state agency, should the submitter face (absent a compelling reason) the loss of the information’s commercial value or be subject to a competitive disadvantage?

Sec. 38.34.060. Requires that a member of the development team disclose any interest that might be affected by the pipeline project or other matter under consideration by the team.

Comment: Sec. 38.34.060 is similar to AS 41.41.090(b) (ANGDA conflicts of interest). But, unlike AS 41.41.090, Sec. 38.34.060 does not explicitly state that AS 39.50 (Public Official Financial Disclosure) applies to the team. Policy consideration: should this section explicitly state that AS 39.50 and AS 39.52 (Alaska Executive Branch Ethics Act) apply to the team?

Sec. 38.34.070. Establishes the “In-state Gasline Steering Committee” in the office of the governor.

Comment: Because this provision requires the president of the senate and the speaker of the house to serve on the steering committee, this provision may violate the separation of powers doctrine and Article II, sec. 5 of the Alaska Constitution (“No legislator may hold any other office or position of profit under the United States or the state.”). The purpose of Article II, sec. 5 is “to guard against conflicts of interest, self aggrandizement, concentration of power, and dilution of separation of powers.” *Begich v. Jefferson*, 441 P.2d 27, 35 (Alaska 1968). Whether a legislator can serve on the committee depends upon whether the service may occasion the prohibited result: “conflicts of interest, self aggrandizement, concentration of power, and dilution of separation of powers.”

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March 3, 2010

Proposed AS 38.34.070(b) states that the steering committee members listed in AS 38.34.070(a)(9) shall not receive compensation. Is the intent to compensate the members listed in AS 38.34.070(a)(1) - (8)?

Sec. 38.34.080. Duties of the steering committee include consideration of all aspects of the in-state natural gas pipeline project and reporting its conclusions and recommendations to the gasline development team.

Sec. 38.34.090. Requires that a member of the steering committee disclose any interest that might be affected by the pipeline project or other matter under consideration by the team. Exempts certain individuals on the committee from the executive branch ethics act.

Comment: The blanket exemption from the Alaska Executive Branch Ethic Act may be problematic. Is the exemption for all work as a public servant? The language needs further definition.

Sec. 38.34.100. Defines "in-state natural gas pipeline," and "North Slope."

Section 2. Adds the in-state gasline project manager to the list of partially exempt service positions in AS 39.25.120(c).

Section 3. Immediate effective date.

MEMORANDUM

State of Alaska
Department of Law

TO: Pat Galvin
Commissioner
Dept. of Natural Resources

DATE: April 7, 2009

FILE NO.: 661-09-0121

TEL. NO.: 269-5211

FROM: Lisa Weissler
Larry Ostrovsky
Assistant Attorneys General
Oil, Gas & Mining

SUBJECT: Review of Authority to Seek
Professional Services forms
submitted by ANGDA

You asked us to review several proposed contracts that ANGDA submitted to the Department of Revenue for approval. In particular, you asked whether those contracts are consistent with ANGDA's statutory framework.

Short answer

Our review of the "Authority to Seek Professional Services" forms supplied by your administrative director, as well as a cost recovery agreement between ANGDA and the BLM concludes that these agreements are within the scope of ANGDA's authority.

Background

ANGDA was created in 2002 by voter initiative and codified in Title 41.

Title 41 sets out a broad list of purposes for the Authority, but appears to contain some internal inconsistencies, or at least ambiguities.

AS 41.41.010 sets out the overarching purpose of ANGDA - to bring natural gas from the North Slope to market. Subsumed within that broader purpose are the specific services and functions provided by ANGDA, such as acquiring North Slope natural gas; designing and constructing a pipeline system; designing, constructing and operating other facilities necessary for delivering "the gas" - presumably this article refers to North Slope gas -- to market and to Southcentral Alaska; and acquiring a natural gas share sufficient to ensure the long-term feasibility of the pipeline system.

By comparison, AS 41.41.200 (7) gives the Authority the power to issue bonds or incur indebtedness to pay for the costs of a "project." "Project," in turn, is defined somewhat more narrowly than the purpose described above:

"[P]roject" means the gas transmission pipeline, together with all related property and facilities, to extend from the Prudhoe Bay area on the North Slope of Alaska either to tidewater at a point on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid or to tidewater at a point on Cook Inlet, and includes planning, design, and construction of the pipeline and facilities as described in AS 41.41.010 (a)(1) - (5). AS 41.41.990 (3).

AS 41.41.070(d) provides broad authority to ANGDA to "contract for and engage the services of bond counsel, consultants, experts, and financial advisors the authority considered necessary for the purpose of developing information, furnishing advice, or conducting studies, investigations, hearings, or other proceedings."

Finally, ANGDA is given the power "in furtherance of its corporate purpose" to "make and execute contracts and other instruments" without any limiting language as to the project. AS 41.41.200(4).

"It is a basic rule of statutory construction that courts must attempt to harmonize the specific provisions of an act with the legislature's expression of its intent." *Commercial Fisheries Entry Com'n v. Apokedak*, 680 P.2d 486, 490 (Alaska 1984). Because ANGDA's authority to make and execute contracts is broad and not specifically limited to the defined "project," in our view the Authority's power to make and execute such contracts applies to the broader purposes expressed in AS 41.41.010.

With that in mind, we have reviewed the "Authority to Seek Professional Services" forms provided by your director of Administrative Services to determine whether they are consistent with the broad purposes of ANGDA, as expressed in AS 41.41.010.

Analysis

1. **Authority to Seek Professional Services for Pipeline Alignment and Construction Engineer. Agency reference number: Asps 09-0030 RFP 2009-0400-8336.**

This contract involves hiring a contractor to refine alignment of a high pressure gas spur line connecting Delta Junction to Beluga. The form states that this contract is sought "[i]n conjunction with ANGDA's "on-going work to bring natural gas to market."

Entering into a contract related to delivering natural gas to the Alaska market clearly fits within the broad authority of ANGDA if the gas is North Slope natural gas, as

specified in AS 41.41.010. If the gas is not North Slope gas, the connection is more problematic and the Department of Revenue may want to request additional information from ANGDA to determine whether work under this contract will ultimately relate to delivering North Slope natural gas.

**2. Authority to Seek Professional Services for Enterprise Coordinator.
Agency reference number: Asps 09-0031 RFP 2009-0400-8363.**

This contract involves hiring a contractor to develop a business and financial management framework to deliver natural gas to the Alaskan market. This includes management of a financial plan to include a combination of utility rates, bonding and legislative funding to finance the project.

We understand ANGDA's general plan is to tap into a main line to Canada with a spur line that would bring some of the North Slope gas to markets in Southcentral Alaska. The contract's purpose appears consistent with both the broad purposes of ANGDA, set out in AS 41.41.010, as well as the definition of project in AS 41.41.900(4).

**3. Authority to Seek Professional Services for Permitting Coordinator.
Agency reference number: Asps 09-0029 RFP 2009-0400-8335.**

This contract involves hiring a permitting coordinator to execute a pipeline permitting plan to "bring North Slope natural gas to market in Alaska." This purpose appears consistent with both the broad purposes of ANGDA, set out in AS 41.41.010, as well as the definition of project in AS 41.41.900(3).

**4. Standard Agreement Form for Professional Services. Agency
Encumbrance Number 491017**

This is an agreement with EJM Enterprises, awaiting signature of the DOR director of administrative services.

This contract for EJM Enterprises is to revise and update a business plan for ANGDA programs. This contract, under which EJM is to assist ANGDA in, among other things, work with a financial advisor in pursuit of project financing, is within the scope of ANGDA's authority to acquire gas, and design and build a pipeline.

5. Cost Recovery Agreement between ANGDA and the BLM.

Your administrative director also provided us with a copy of a cost recovery agreement between ANGDA and BLM for payment of costs for processing an ANGDA

right-of-way application for a natural gas pipeline between Palmer, Glennallen and Delta Junction and Fairbanks.

We understand that ANGDA's plan is to tap into a main line to Canada with a spur line that would bring some of the North Slope gas to markets in Southcentral Alaska, and, in this case, Fairbanks. This purpose appears consistent with both the broad purposes of ANGDA, set out in AS 41.41.010, as well as the definition of project in AS 41.41.900(4), though not necessarily consistent with the definition of "project" in AS 41.41.990(3). Accordingly, if ANGDA gets to a point where it may issue bonds "in order to pay for costs of the project" we recommend that the definition of project in AS 41.41.990(3) be amended to remove any ambiguity as to whether bonds can be issued for purposes of a line to interior Alaska.

We hope this answers your questions. If you have any questions, or if there are additional authorizations that you would like us to review, please let us know.

cc Harold Heinze

LZO:kp

Stand Alone Gas Pipeline Project

Alternative Schedule*

DRAFT

SCHEDULE	2009				2010				2011				2012				2013				2014				2015				2016				2017																			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4																
Engineering Support																																																				
Design Basis	=>																																																			
Corridor Selection	=>																																																			
Conceptual Design	=>				=====				=====				=====																																							
Alternatives Analysis	==																																																			
Project Description (filing)	=>				=====																																															
Final Project Description	=>				=====																																															
Cost Estimate & Logistics	=>				=====																																															
Project Documentation Package	=>				=====				=====																																											
Permitting																																																				
COE 404	==				=====				=====																																											
Federal and State ROW	==				=====				=====																																											
Draft EIS									X																																											
Final EIS									X																																											
Additional Permits and NTP's					=====				=====																																											
Project Review & Sanction																																																				
Company Due Diligence									=====																																											
Transfer of Permits									=====																																											
Project Sanction													X																																							
Detailed Engineering Design																																																				
Pipeline													=====				=====				=====				=====				=====				=====																			
Facilities													=====				=====				=====				=====				=====																							
Cost Estimate & Logistics													=====				=====				=====				=====				=====																							
GCP Construction																																																				
Order Equipment																	X																																			
Fabricate Modules																	=====				=====				=====				=====																							
Pre-construction Preparation																																																				
Module sea-tn																																																				
Install & Testing																																																				
Compressor Stations																																																				
Order Equipment																	X																																			
Fabricate Skids																	=====				=====				=====				=====																							
Pre-construction Preparation																																																				
Construction & Testing																																																				
Pipeline																																																				
Order Pipe and Valves																	X																																			
Pre-construction Preparation																	=====				=====				=====				=====																							
Construction & Testing																																																				
ENGL Plant & Storage																																																				
Order Equipment																	X																																			
Fabricate Skids																	=====				=====				=====				=====																							
Pre-construction Preparation																																																				
Construction & Testing																																																				
Start-up																																																				
Start-up & Operations																																									=====X											

* Assumes timely availability of fabrication facilities, equipment and craftsman for GCP

Memorandum

Date: February 25, 2010
To: Bob Swenson, Executive Director
 Alaska In-State Gas Pipeline Project
From: Mike Sotak, Senior Project Manager
Subject: Rough Order of Magnitude Cost Estimate for In-State Gas Pipeline
 Environmental and Permitting Tasks

ASRC Energy Services (AES), contractor to the Alaska Department of Natural Resources (ADNR) for the In-State Gas Pipeline Project, has prepared the following rough order of magnitude (ROM) cost estimate for completing the necessary environmental and permitting tasks so that construction of the pipeline can begin eighteen (18) months from now. The ROM breaks down costs by task below:

Task Name	ROM (Cost Estimate)	
	Pipeline (includes Compressor Stations)	Gas Treatment Plant
<ul style="list-style-type: none"> • State of Alaska Right-of-Way Lease and Bureau of Land management Right-of-Way Grant Applications • U.S. Army Corps of Engineers Section 404 permit (wetlands) 	\$1M	\$500K
<ul style="list-style-type: none"> • Pre-Construction Permits (priority) <ul style="list-style-type: none"> ○ ADNR Permits to appropriate water, temporary water use ○ EPA NPDES ○ USCG Section 9 Bridge Permit ○ USACE Section 10 Navigable Waters ○ ADFG Fish Habitat Protection Permits ○ Section 106 National Historic Preservation Act ○ Local Land Use Permits and Authorizations ○ Essential Fish Habitat Consultation ○ Alaska Coastal Management Plan Consistency Determination (NSB, MSB) 	\$2.5M	\$400K
<ul style="list-style-type: none"> • Notice to Proceed Permits and Plans <ul style="list-style-type: none"> ○ Plans of Operation ○ Solid Waste, wastewater disposal management ○ Encroachment authorizations and easements ○ Reclamation plans ○ Hazardous waste management ○ Oil discharge prevention plans ○ Letter of Authorization (polar bear) 	\$2.5M	\$500K
• Environmental Impact Statement (expedited)	\$1M	\$1M
• Environmental Field Programs to support EIS and Permits	\$10M	\$2.5M
• Stakeholder Engagement and Environmental Justice	\$1.8M	\$200K
• Monitoring and Mitigation	\$2.5M	\$500K
• Air Quality permits to operate	\$1M	\$1.5M
• BLM reimbursable	\$1.25M	\$250K
Total Estimate	\$23.55M	\$7.35M

In-State Stand Alone Pipeline - FY11 Budget Narrative

1. Completion of environmental and permitting for USACE and State and Federal right-of-way approvals.

Total Estimated Expenditures

\$ 2,000,000

- Project Management - AES will continue to support the State of Alaska's project team and be involved with State of Alaska and the U.S. Army Corps of Engineers (USACE) in supporting the third-party EIS consultant with the NEPA review.
- Permitting - AES continue with the development and coordination with the USACE, BLM and State Pipeline Coordinator on the three major permits filed in 2009 and will begin working on ten other key permits for submission in late 2010 so that processing and the negotiations for permit approvals and mitigation measures may be completed in time for sale of the In-State pipeline asset to a future pipeline company.
- Stakeholder Engagement - Prepare and implement a stakeholder engagement program to support project development. Includes stakeholder contact database, and issues information. Engagement with the local boroughs, their communities and residents, tribal governments, the USACE, USFWS, BLM, State of Alaska, Native Corporations are critical.
- Wetlands - Conduct wetlands field program in the northern and southern sections of the proposed In-State Pipeline Project corridor to complete verification of wetlands pre-mapped to prepare for submission of the Preliminary Jurisdictional Determination to the USACE for their approval of the Section 404 Jurisdictional Determination; complete vegetation and habitat analysis. Provide assistance to the EIS contractor as required.
- Stream Crossings - compile the fish and wildlife resource data necessary for permit applications and assessing potential project impacts under the NEPA process. All data collection needs will be adjusted as necessary in accordance with the outcome of the draft EIS and provide information for engineering design and routing.
- Cultural - Phase one cultural resource studies will examine a potential corridor sufficiently large so that a right-of-way can be refined to the best possible alignment to avoid or minimize impacts to cultural resources.
- Lake Studies - Lake studies and surveys will be conducted primarily on the North Slope to assess the potential for water availability for use during winter construction.
- Wildlife and Bird Surveys - As needed to support the EIS process, wildlife and bird (raptor) studies will be conducted during the 2010 field season.
- Air and Noise Analysis - Evaluate compressor station locations for air emission issues and determine the need for air monitoring and weather stations to develop information for ADEC permitting.

- Pre-mapping - Prepare the wetlands pre-mapping information for route changes or alignments that have not been assessed such as the Gubik route, the Denali reroute, some of Minto Flats rerouted alignment, and so forth.

2. Engineering data acquisition for detailed engineering design of the project.

Total Estimated Expenditures: **\$3,500,000**

- Gather detailed geotechnical data on major river crossings. The preferred river crossing method is assumed to be HDD (Horizontal Directional Drill). The assessment of the applicability of crossing rivers with HDD requires site specific geotechnical information. Additional field information on river approaches and total crossing length needs to be collected to verify use of HDD. This activity includes mapping and the drilling of geotechnical site investigation boreholes.
- Gather engineering field data. Pinch points such as Atigun Pass, Yukon River, and Denali Park require additional field verification of soils, available construction space and detailed routing to avoid conflicts with other facilities and to develop and verify conceptual design. Engineering field data is required to investigate and verify route geotechnical conditions and includes information on seasonal ground temperatures, geohazards and foundation conditions at project facilities (Gas Conditioning, Compressor Stations and NGL separation and storage). This information will be used to verify locations and develop conceptual designs to be included in final project documentation. This activity includes field mapping and the drilling of geotechnical site investigation boreholes with installation and monitoring of ground temperatures. Results will be analyzed and will be reported in a engineering report.
- Refine pipeline routing. The current pipeline routing is within a 2000 foot wide corridor. The actual centerline of the corridor has not been vetted and verified as the optimum route. Final route identification will be optimized for pipeline constructability, avoidance of environmentally sensitive areas, minimized TAPS, Highway and Railroad crossings, facilities location and optimized river crossings locations. These route adjustments will be made, if possible, within the 2000 foot wide corridor currently identified. Results of the engineering evaluation will be used to update the project GIS (Geographical Information System) and will be reported in a engineering report.

3. Refinement of Cost of Service estimates and Tariff modeling

Total Estimated Expenditures: **\$750,000**

- Peer review engineering cost assessment of railbelt natural gas alternatives, and commercial assessment of options. There are a number of different project alternatives that have been proposed to alleviate the need for augmented for railbelt energy supply. They include two bullet line alternatives, two spur line alternatives, provision of propane from Prudhoe Bay to Fairbanks and other interior communities, LNG manufacturing on the North Slope to provide gas supply to Fairbanks and possibly other railbelt communities, and facilities to import LNG. Most of the analyses developed do not compare alternatives using similar assumptions for

input costs (e.g. steel prices, labor rates). Just as importantly, they do not make similar or consistent commercial assumptions. Peer review will assure that assumptions made by the various project proposals are consistent.

- Analyze the cost of Capital for in-state gas supply options, and Cost of Service Modeling. The commercial viability of all in-state gasline options depends on the cost of transportation. Because the contemplated scope of these projects would entail expenditures of several billion dollars, the transportation cost will be determined by the cost of capital – both the relative mix of debt and equity, and the cost of each. Assessment, for planning purposes, of the cost of capital for these small diameter pipelines is problematic and will be reviewed
- The cost-of-capital inputs need to be developed through scenario analysis. With the requested funds we will hire a financial advisor to help develop several realistic financing scenarios. Potential risks to the state's credit-rating, were the state to be called upon to take a major position in the project, will also be assessed. Some of the funds will be used for pipeline commercial expertise to develop realistic transportation contract scenarios and tariff modeling.

4. Prepare complete project documentation of In-State pipeline asset for consideration by private pipeline developer

Total Estimated Expenditures:

Budget Estimate; \$250,000

- Coordinate project team to include all, cost and design data, environmental, stakeholder, and permitting information for a 'data room' for prospective purchasers to review and evaluate. Be available to participate in presentations to the prospective purchasers and respond to technical questions that may be raised with regard to specific issues.

Alaska In-State Gas Pipeline Project.
 February 24, 2010 - House Finance hearing on gas line funding requests
 Robert Swenson, Project Manager

1. What agencies have done with the money they spent in FY2010?

Work that is completed to date:

- Route Alternative Analysis - Parks and Richardson Highway routes: Associated comparative pipeline cost estimates; Environmental Surveys
- Initial Project Description (for permitting)
- Commercial Group Scoping
- Initial Review of ENSTAR Capital Cost Estimate - Pipeline
- Major permits applied for: U.S. Army Corps of Engineers Section 404/10, State of Alaska Title 38 Right-of-Way, Bureau of Land Management Right-of-Way

Work currently underway:

- Updating pipeline cost estimates
- Developing cost of facilities
- Cost of transport analysis
- Preparing detailed project description
- Continued engineering support for EIS and ROW process
- Developing data package for economic analysis
- Facilities scenarios identified
- Commercial group market analysis
- Cost of transport analysis

2. How much additional they have encumbered and for what? \$3,904,496

	Payroll & Expenditures 1/15/2010	Contract Commitments (Encumbrances)	Estimated Budget Jan-10	Estimated Budget Feb-10	Estimated Budget Mar-10	Estimated Budget Apr-10	Estimated Budget May-10	Estimated Budget Jun-10
Personal Services	170,252		26,825	26,825	26,825	26,825	26,825	26,825
Travel	17,832		3,000	3,000	3,000	3,000	3,000	3,000
Services	2,024,396	3,904,496	330,000.0	330,000.0	330,000.0	330,000.0	330,000.0	329,000.0
Commodities	2,488		2,000	2,000	2,000	2,000	2,000	1,629
Total Expended	2,214,968	3,904,496	361,825	361,825	361,825	361,825	361,825	360,454

3. How much they need for FY2011? and what they propose doing with the money? \$6,500,000

	Per month FY2011	Total FY2011
Personal Services	26,830	321,960
Travel	3,000	36,000
Services	511,000	6,130,040
Commodities	1,000	12,000
Total expended	541,830	6,500,000

- Completion of environmental and permitting for USACE and State and Federal right-of-way approvals.
- Engineering data acquisition for detailed engineering design of the project.
- Refinement of Cost of Service estimates and Tariff modeling
- Prepare complete project documentation of In-State pipeline asset for transfer private pipeline developer

Sec. 39.20.180. Transportation and per diem expenses for members of boards, commissions, etc. Except as otherwise provided by law, the provisions in this section relating to per diem and transportation govern exclusively with respect to a member of a state board, commission, committee, judicial council, or other similar body of persons of the state organized or established under the authority of law, but excluding any other state employee other than a legislator, who is otherwise entitled by law to receive from the state payments for expenses of transportation, and for reimbursement or for per diem in lieu of reimbursement for other expenses incident to duties as such member:

(1) for transportation, the member is entitled either to the use of state transportation requests, or to be reimbursed for expenses of transportation to the same extent, in the same manner, and under the same conditions as provided for state officials and employees by the provisions of AS 39.20.110 - 39.20.170;

(2) for reimbursement for other expenses, the member is entitled to a per diem allowance prescribed by the commissioner of administration under the regulatory authority set out in AS 39.20.160 for each day or portion of a day spent in actual meeting or on authorized official business incident to duties as a member.

History -

(Sec. 1 ch 130 SLA 1953; am Sec. 1 ch 34 SLA 1960; am Sec. 1 ch 37 SLA 1962; am Sec. 5 ch 136 SLA 1967; am Sec. 12 ch 47 SLA 1974; am Sec. 31 ch 85 SLA 1988)

Cross References -

For coverage of state board and commission members under the Worker's Compensation Act, see AS 23.30.242.

AG Opinions -

In order to recover an allowance for nonmeeting activity, an occupational licensing board member must be engaged in an activity within the scope of the applicable board's powers. November 6, 1984 Op. Att'y Gen.

An occupational licensing board member cannot receive a per diem allowance for conducting an activity that should be performed by division personnel; any activity approved must be specifically defined by statute as a board duty and should be an activity that cannot be accomplished within the confines of a board meeting. If the task can be performed during a meeting, then per diem should not be paid for time unnecessarily spent by a board member outside a board meeting. It is important, of course, for budgetary reasons, that board activity for which per diem compensation is sought be kept to a minimum. November 6, 1984 Op. Att'y Gen.

The Alaska Power Authority may reimburse a member only for (1) time spent in actual meeting or (2) time spent on authorized official business incident to his duties as a member. April 19, 1984 Op. Att'y Gen.

Decisions -

Cited in *Laborers & Hod Carriers Union, Local 341 v. Groothuis*, 494 P.2d 808 (Alaska 1972).

Submitted by the office of Representative Mike Chenault

Sec. 39.25.110. Exempt service.

Unless otherwise provided by law, the following positions in the state service constitute the exempt service and are exempt from the provisions of this chapter and the rules adopted under it:

- (1) persons elected to public office by popular vote or appointed to fill vacancies in elected offices;
- (2) justices, judges, magistrates, and employees of the judicial branch including employees of the judicial council;
- (3) employees of the state legislature and its agencies;
- (4) the head of each principal department in the executive branch;
- (5) officers and employees of the University of Alaska;
- (6) certificated teachers and noncertificated employees employed by a regional educational attendance area established and organized under AS 14.08.031 - 14.08.041 to teach in, administer, or operate schools under the control of a regional educational attendance area school board;
- (7) certificated teachers employed by the Department of Education and Early Development as correspondence teachers, teachers in skill centers operated by the Department of Education and Early Development or by the Department of Labor and Workforce Development, or in Mt. Edgecumbe School;
- (8) patients and inmates employed in state institutions;
- (9) persons employed in a professional capacity to make a temporary or special inquiry, study or examination as authorized by the governor;
- (10) members of boards, commissions, or authorities;
- (11) the officers and employees of the following boards, commissions, and authorities:
 - (A) [Repealed, Sec. 13 ch 43 SLA 1994].
 - (B) Alaska Permanent Fund Corporation;
 - (C) Alaska Industrial Development and Export Authority;
 - (D) Alaska Commercial Fisheries Entry Commission;
 - (E) Alaska Commission on Postsecondary Education;
 - (F) Alaska Aerospace Corporation;
 - (G) Alaska Natural Gas Development Authority;
- (12) the executive secretary and legal counsel of the Alaska Municipal Bond Bank Authority;
- (13) the state medical examiner, deputy medical examiner, and assistant medical examiners appointed under AS 12.65.015 and pharmacists and physicians licensed to practice in this state and employed by the Department of Health and Social Services or by the Department of Corrections;
- (14) petroleum engineers and petroleum geologists employed in a professional capacity by the Department of Natural Resources and by the Alaska Oil and Gas Conservation Commission, except for those employed in the division of geological and geophysical surveys in the Department of Natural Resources;
- (15) [Repealed, Sec. 1 ch 32 SLA 1999].
- (16) persons employed by the division of marine transportation as masters and members of the crews of vessels who operate the state ferry system and who are covered by a collective bargaining agreement provided in AS 23.40.040;
- (17) officers and employees of the state who reside in foreign countries;
- (18) employees of the Alaska Seafood Marketing Institute;

- (19) emergency fire-fighting personnel employed by the Department of Natural Resources for a fire emergency or for fire prevention and related activities conducted under AS 41.15.030;
- (20) employees of the Office of the Governor and the office of the lieutenant governor, including the staff of the governor's mansion;
- (21) [Repealed, Sec. 47 ch 99 SLA 2004].
- (22) youth employed by the Department of Natural Resources under the Youth Employment and Student Intern programs;
- (23) [Repealed, Sec. 6 ch 28 SLA 2003].
- (24) students employed by the state institutions in which the students are enrolled;
- (25) [Repealed, Sec. 8 ch 2 SLA 2004].
- (26) investment officers in the Department of Revenue;
- (27) [Repealed, Sec. 10 ch 29 SLA 1999].
- (28) persons engaged in employment or pre-employment training programs operated by the Department of Military and Veterans' Affairs;
- (29) [Repealed, Sec. 9 ch 115 SLA 1989].
- (30) a person employed as an actuary or assistant actuary by the division of insurance in the Department of Commerce, Community, and Economic Development;
- (31) [Repealed, Sec. 91 ch 163 SLA 2004].
- (32) a participant in the Alaska temporary assistance program under AS 47.27 who holds a temporary position with the state in order to obtain job training or experience;
- (33) a person employed as a convener under AS 44.62.730 or as a facilitator under AS 44.62.760 related to a negotiated regulation making process under AS 44.62.710 - 44.62.800;
- (34) the chief executive officer and employees of the Alaska Mental Health Trust Authority employed under AS 47.30.026(b);
- (35) the assistant adjutant general for space and missile defense appointed under AS 26.05.185;
- (36) the victims' advocate established under AS 24.65.010 and the advocate's staff;
- (37) employees of the Alaska mental health trust land unit established under AS 44.37.050;
- (38) the executive director of the Council on Domestic Violence and Sexual Assault established under AS 18.66.010;
- (39) the executive director and employees of the Knik Arm Bridge and Toll Authority under AS 19.75.051 and 19.75.061;
- (40) the chair of the Workers' Compensation Appeals Commission (AS 23.30.007);
- (41) the Alaska Gasline Inducement Act coordinator appointed under AS 43.90.250;
- (42) oil and gas audit masters employed in a professional capacity by the Department of Revenue and the Department of Natural Resources to collect oil and gas revenue by developing policy, conducting studies, drafting proposed regulations, enforcing regulations, and directing audits by oil and gas revenue auditors.

History -

(Sec. 5 ch 144 SLA 1960; am Sec. 1 ch 48 SLA 1961; am Sec. 1 ch 133 SLA 1961; am Sec. 3 ch 93 SLA 1962; am Sec. 3 ch 24 SLA 1966; am Sec. 31 ch 46 SLA 1970; am Sec. 65 ch 69 SLA 1970; am Sec. 13 ch 113 SLA 1970; am Sec. 3 ch 78 SLA 1971; am Sec. 18 ch 78 SLA 1974; am Sec. 42 ch 127 SLA 1974; am Sec. 2 ch 32 SLA 1975; am Sec. 2 ch 79 SLA 1975; am Sec. 37 ch 124 SLA 1975; am Sec. 1 ch 157 SLA 1976; am Sec. 3

ch 90 SLA 1978; am Sec. 7 ch 18 SLA 1980; am Sec. 43 ch 106 SLA 1980; am Sec. 10 ch 131 SLA 1980; am Sec. 4 ch 148 SLA 1980; am Sec. 4 ch 106 SLA 1981; am Sec. 2, 3 ch 37 SLA 1982; am Sec. 7 ch 112 SLA 1982; am Sec. 1 ch 11 SLA 1983; am Sec. 1 ch 103 SLA 1984; am Sec. 58 ch 21 SLA 1985; am Sec. 1 ch 50 SLA 1985; am Sec. 69 ch 14 SLA 1987; am Sec. 1 ch 61 SLA 1987; am Sec. 2 ch 37 SLA 1988; am Sec. 2 ch 78 SLA 1988; am Sec. 26 ch 141 SLA 1988; am E.O. No. 72 Sec. 2 (1989) am Sec. 11 ch 95 SLA 1989; am Sec. 7, 9 ch 115 SLA 1989; am Sec. 10 ch 88 SLA 1991; am Sec. 1 ch 17 SLA 1992; am Sec. 4 ch 47 SLA 1993; am Sec. 13 ch 43 SLA 1994; am Sec. 111 ch 62 SLA 1995; am Sec. 17 ch 103 SLA 1996; am Sec. 25 ch 107 SLA 1996; am Sec. 6 ch 108 SLA 1996; am Sec. 1 ch 121 SLA 1996; am Sec. 4 ch 117 SLA 1998; am Sec. 10 ch 29 SLA 1999; am Sec. 1 ch 32 SLA 1999; am Sec. 1 ch 15 SLA 2001; am Sec. 2 ch 30 SLA 2001; am Sec. 20 ch 92 SLA 2001; am Sec. 1 ch 27 SLA 2002; am Sec. 2 ch 91 SLA 2002; am Sec. 3 2002 Ballot Measure No. 3; am Sec. 6 ch 28 SLA 2003; am Sec. 5 ch 49 SLA 2003; am Sec. 3 ch 77 SLA 2003; am Sec. 8 ch 2 SLA 2004; am Sec. 91 ch 163 SLA 2004; am Sec. 69 ch 10 FSSLA 2005; am Sec. 1 ch 48 SLA 2006; am Sec. 4 ch 22 SLA 2007; am Sec. 10 ch 1 SSSLA 2007; am Sec. 50 ch 41 SLA 2009; am Sec. 5 ch 47 SLA 2009)

Revisors Notes -

Former paragraph (29) was enacted as (28). Renumbered in 1989. Paragraph (32) was enacted as (31); renumbered in 1996. Paragraphs (35) and (36) were enacted as (34); renumbered in 2001.

In 1999, "Department of Commerce and Economic Development" was changed to "Department of Community and Economic Development" in paragraph (30) in accordance with Sec. 88, ch. 58, SLA 1999, and "Department of Education" was changed to "Department of Education and Early Development" in paragraph (7) in accordance with Sec. 89, ch. 58, SLA 1999.

Paragraph (38) was enacted as paragraph (37) and renumbered in 2002.

In 2003, in paragraph (39), "AS 19.75.051 and 19.75.061" was substituted for "AS 44.90.051 and 44.90.061" to reflect the 2003 renumbering of AS 44.90.051 and 44.90.061.

In 2004, in paragraph (30) of this section, "Department of Community and Economic Development" was changed to "Department of Commerce, Community, and Economic Development", in accordance with Sec. 3, ch. 47, SLA 2004.

In 2009, under Sec. 2, ch. 60, SLA 2009, in paragraph (11) of this section "Alaska Aerospace Corporation" was substituted for "Alaska Aerospace Development Corporation".

Cross References -

For statement of legislative intent regarding the oil and gas revenue audit master positions authorized by paragraph (42) of this section, see Sec. 69, ch. 1, SSSLA 2007.

Amendment Notes -

The first 2001 amendment, effective April 28, 2001, added paragraph (34).

The second 2001 amendment, effective May 25, 2001, added paragraph (35).

The third 2001 amendment, effective July 1, 2002, added paragraph (36).

The first 2002 amendment, effective August 16, 2002, added paragraph (37).

The second 2002 amendment, effective June 28, 2002, added paragraph (38).

The third 2002 amendment, effective February 25, 2003, added subparagraph (11)(G).

The first 2003 amendment, effective July 1, 2003, repealed paragraph (23).

The second 2003 amendment, effective July 1, 2003, inserted "or by the Department of Labor and Workforce Development" in paragraph (7).

The third 2003 amendment, effective September 10, 2003, added paragraph (39).

The first 2004 amendment, effective May 16, 2004, repealed paragraph (25), relating to the executive director and staff of the Alaska Science and Technology Foundation.

The second 2004 amendment, effective June 26, 2004, repealed paragraph (21), relating to employees of the Citizens' Advisory Commission on Federal Areas in Alaska.

The third 2004 amendment, effective July 1, 2005, repealed paragraph (31), relating to administrative law judges appointed to the office of tax appeals.

The 2005 amendment, effective November 7, 2005, added paragraph (40).

The 2006 amendment, effective August 30, 2006, inserted "and pharmacists" in paragraph (13), and deleted "the Division of Mental Health and Developmental Disabilities in" preceding "the Department of Health" in that paragraph.

The first 2007 amendment, effective June 8, 2007, added paragraph (41).

The second 2007 amendment, effective December 20, 2007, added paragraph (42).

The first 2009 amendment, effective June 21, 2009, in (14), added "Alaska" preceding "Oil and Gas Conservation Commission".

The second 2009 amendment, effective July 1, 2009, in (38), deleted "and staff" following "the executive director".

Editors Notes -

Section 7, ch. 117, SLA 1998, which was to repeal paragraph (33) of this section effective July 1, 2003, was repealed by Sec. 2, ch. 44, SLA 2003.

History Reports -

For governor's transmittal letter for ch. 1, SSSLA 2007 (HB 2001), presenting, among other matter, a proposal relating to classification of petroleum revenue auditors under the State Personnel Act, see 2007 House Journal 1547 - 1550.

AG Opinions -

Staff administering the Alaska Military Youth Academy are members of the classified service, and are not in the exempt service, because they are not "persons engaged" in the employment training program, as required by subsection (28). Oct. 13, 2000, Op. Att'y Gen.

Decisions -

The thrust of the exemptions in this chapter, the Public Employees Retirement System, former AS 39.35.680(5)(c), and the statutory leave provisions for state employees, AS 39.20.310, is to provide for those public employees who are not susceptible to ordinary recruiting and examining procedures. *Hafling v. Inlandboatmen's Union*, 585 P.2d 870 (Alaska 1978).

No inconsistency between ferry crew exemption of this section and inclusion of such personnel with Public Employment Relations Act, AS 23.40.070 et seq. - See *Hafling v. Inlandboatmen's Union*, 585 P.2d 870 (Alaska 1978).

National Guard exempt from Personnel Act. - Because of the state's adoption of federal personnel rules and regulation regarding promotion and separation in the Alaska National Guard, it has "otherwise provided by law" that members of the National Guard are exempt from the Alaska Personnel Act. *State, Dep't of Military & Veterans Affairs v. Bowen*, 953 P.2d 888 (Alaska 1998).

Effect of being in exempt service. - The "exempt service" is a category of jobs which, for whatever reason, the Legislature wanted to exclude from the state personnel system. Not every person

in the exempt service is a confidential employee. The fact that plaintiff was in the exempt service did not mean that the Alaska Energy Center lacked the power to give him a three-year contract. *Zerbetz v. Alaska Energy Ctr.*, 708 P.2d 1270 (Alaska 1985).

Cited in *State v. Haley*, 687 P.2d 305 (Alaska 1984); *McGrath v. University of Alaska*, 813 P.2d 1370 (Alaska 1991).

Submitted By the office of Representative Mike Chenault

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Anchorage Daily News

Print Page

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Chinese seen as potential Alaska natural gas customer

By BECKY BOHRER
The Associated Press
(02/14/10 18:29:57)

JUNEAU -- Alaska officials are looking to China and what some believe will be that country's strong demand for natural gas to help the state advance its long-held pipeline dreams. Gov. Sean Parnell has invited an official with China's National Energy Administration and others to visit Alaska, following up on a trade mission Lt. Gov. Craig Campbell helped lead to China in December. Campbell returned from that trip believing the rapidly developing communist nation, already a leading export market for such Alaska products as seafood, zinc and lead, could also become a major investor in or export market for Alaska natural gas or its byproducts.

The potential for Alaska is huge, said Harold Heinze, chief executive of the Alaska Natural Gas Development Authority, who was with Campbell on the trip. He sees several possibilities for the Chinese, from building a plant to convert ethane to pellets that would be used in manufacturing to signing on with a major natural gas pipeline project. Ethane is a component of North Slope natural gas that can be used for plastics.

"One thing you look for in a partner is, do they have money and do they have more money than you. And these guys have money," he said, adding: "They're major players in the world." Heinze's state agency was set up seven years ago to pursue a North Slope gas-export project.

In theory, if the interest and money are there, that could also spur progress on a pipeline that many Alaskans have long looked to for new jobs, reliable energy and as a source for more state revenue amid projections of slumping oil production.

But there are plenty of uncertainties, from permitting and pricing -- how gas holds up against other energy sources -- to what China's true long-term demands for gas will be over alternatives like coal, and the level of competition Alaska would face from other producers to meet the gas demand.

And there are the various pipeline options and plans -- including routing a pipe from the North Slope into Canada rather than to Valdez -- each with diehard constituencies and questions about their viability.

Estimates released last month by the companies working with the state to advance a major line put the project costs at \$20 billion to \$41 billion, depending on the route

One route, the cheaper option, estimated at \$20 billion to \$26 billion, would run from the harsh North Slope to Valdez, where gas would be superchilled into a liquid in a plant built for an additional cost, and then shipped elsewhere, possibly overseas.

The costlier option envisions a pipeline going from the North Slope to Canada, where gas could move on existing systems to North American markets.

But there have been numerous other proposals through the years to move North Slope gas, even a

bullet line to move some gas to Fairbanks and Southcentral Alaska for local use.

"The Chinese may, because they're interested in resources, they may be able to do things and invest in things that don't look economic in market terms," said James Jensen, a consultant in natural gas economics.

"In fact, if the Chinese said, 'Gee, if we could get this thing going and we could tie up a certain amount of American gas for our own use,' they might do something that I wouldn't think would be economic," he said. "But they might do it."

Officials with TransCanada Corp. of Calgary, Alberta, and Texas-based Exxon Mobil Corp., say the project is economically viable and hope to move by May toward an "open season," when they can court gas producers and try to secure commitments for shipping deals.

The companies, in a recent filing with federal regulators, estimated 35 trillion cubic feet of proven gas reserves on the North Slope.

A TransCanada spokeswoman declined comment on whether there'd been interest from China on the project, saying: "All discussions with individual customers are confidential."

A rival project by Britain's BP and Houston-based Conoco Phillips is also moving ahead.

Campbell said he's not advocating any specific project, but he'd like the Chinese officials to visit "earlier, rather than later." They've indicated a "huge demand," for natural gas, he said, and Alaska wants a market.

[Print Page](#) [Close Window](#)

*Adopted
3/22/10*

26-LS1527C
Cook
3/18/10

CS FOR HOUSE BILL NO. 369(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): REPRESENTATIVES CHENAULT, Ramras, Olson, Johnson, Austerman

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project**
2 **manager, and the Joint In-State Gasline Development Team; requiring the development**
3 **of an in-state natural gas pipeline plan, to be delivered to the legislature by July 1, 2011,**
4 **that provides for a gasline that is operational by December 31, 2015; directing the Joint**
5 **In-State Gasline Development Team to assume responsibilities under sec. 19, ch. 14,**
6 **SLA 2009; requiring expedited review and action by state agencies or entities relating to**
7 **the in-state natural gas pipeline project; and providing for an effective date."**

8 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

9 *** Section 1. AS 38 is amended by adding new sections to read:**

10 **Chapter 34. In-State Natural Gas Pipeline.**

11 **Sec. 38.34.010. In-state gasline project manager. (a) The position of in-state**
12 **gasline project manager is created in the Office of the Governor. The Office of the**
13 **Governor shall provide administrative support for the position. The position shall**

1 continue until one year after commencement of commercial operation of the in-state
2 natural gas pipeline.

3 (b) The governor shall appoint an individual to the position of in-state gasline
4 project manager. The manager is in the exempt service under AS 39.25.110. The
5 person serving as the in-state gasline project manager may be removed from the
6 position at the discretion of the governor, who shall appoint another person to the
7 position.

8 (c) The in-state gasline project manager shall

9 (1) collaborate with other state agencies to perform planning and other
10 work on the in-state natural gas pipeline project under this chapter;

11 (2) coordinate with government agencies and the private sector on
12 issues involving construction, ownership, and operation of the in-state natural gas
13 pipeline;

14 (3) submit to all legislators written monthly reports detailing progress
15 to the date of the report on development of the project plan under AS 38.34.040 for an
16 in-state natural gas pipeline and identifying all work performed, including

17 (A) each current and anticipated contract, together with the
18 scope of work and contract amount;

19 (B) a cumulative and monthly accounting for all funds spent or
20 encumbered; and

21 (C) a projected schedule of work anticipated to complete the in-
22 state gasline project plan.

23 **Sec. 38.34.020. Expedited review and action by state agencies or entities.**

24 (a) A state agency or entity conducting a review or taking action relating to the in-state
25 natural gas pipeline project under this chapter shall expedite the review or action in a
26 manner consistent with the timely completion of the project.

27 (b) Notwithstanding any contrary provision of law, a state agency or entity
28 may not include in any project certificate, right-of-way, permit, or other authorization
29 a term or condition that is not required by law if the in-state gasline project manager
30 determines that the term or condition would prevent or impair, in any significant
31 respect, the expeditious construction and operation or expansion of the in-state natural

1 gas pipeline project.

2 (c) Unless required by law, a state agency or entity may not add to, amend, or
3 abrogate any certificate, right-of-way, permit, or other authorization if the in-state
4 gasline project manager determines that the action would prevent or impair, in any
5 significant respect, the expeditious construction, operation, or expansion of the in-state
6 natural gas pipeline project.

7 **Sec. 38.34.030. Joint In-state Gasline Development Team.** (a) The Joint In-
8 state Gasline Development Team is established in the Office of the Governor. The
9 development team consists of five members as follows:

10 (1) the commissioner of transportation and public facilities, or the
11 commissioner's designee;

12 (2) the chief executive officer of the Alaska Railroad Corporation or
13 the chief executive officer's designee;

14 (3) the chief executive officer of the Alaska Natural Gas Development
15 Authority;

16 (4) the in-state gasline project manager; and

17 (5) the chief executive officer of the Alaska Housing Finance
18 Corporation.

19 (b) The chief executive officer of the Alaska Housing Finance Corporation is
20 the chair of the development team.

21 (c) The development team may hire staff, enter into contracts, and exercise
22 other powers necessary to carry out its functions.

23 **Sec. 38.34.040. Duties of the development team.** (a) The Joint In-State
24 Gasline Development Team shall ensure that a project plan for the development of an
25 in-state natural gas pipeline is completed and delivered to the legislature by July 1,
26 2011. The project plan must specify and document how an in-state natural gas pipeline
27 can be designed, financed, constructed, and made operational by December 31, 2015.

28 (b) The Joint In-State Gasline Development Team shall assume executive
29 authority over and managerial responsibility for all activities enumerated under sec.
30 19, ch. 14, SLA 2009, including work previously completed, work in process, and
31 work for which money has been encumbered but that is not completed on the effective

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date of this subsection.

(c) The project plan must include specific plans to coordinate and facilitate construction, ownership, operation, and management of a natural gas pipeline serving Fairbanks, the southcentral region of the state, and other communities whenever practicable, connecting with or enhancing the existing gas pipeline system, and reaching to tidewater in the state.

(d) The development team's work product shall include an analysis of alternative possible routes and the selection of a route that, consistent with the other requirements of this section,

(1) is economically feasible;

(2) makes natural gas available to residents at the lowest possible cost;

(3) allows for connecting lines to serve industrial, residential, and utility customers along the entire route, and in other regions of the state that can be served at commercially feasible rates;

(4) uses state land and existing state highway and railroad rights-of-way to the maximum extent feasible;

(5) uses existing highway and railroad bridges, gravel sources, equipment yards, maintenance facilities, and other existing facilities and resources to the maximum extent feasible.

(e) With the intent that any project-related assets acquired or developed be available for transfer or sale to the entity best able to complete the project, the development team shall

(1) prepare ^{preliminary} plans and designs necessary for construction of the in-state natural gas pipeline project;

(2) coordinate with entities qualified to build, own, and operate the gasline;

(3) identify, apply ^{ing} for, and ~~obtain rights-of-way and~~ other permits for the project route;

(4) work with other entities to promote gas supply and purchase contracts required for the project to be commercially viable;

(5) prepare cost estimates for the project design, construction, and

1 operation to determine the project's economic feasibility and the projected cost of
2 natural gas to consumers;

3 (6) coordinate with and, to the fullest extent possible, use existing
4 work by other state agencies and entities before contracting for new reports and
5 research and analysis;

6 (7) determine regulatory authority over the pipeline project and
7 perform any necessary compliance requirements;

8 (8) identify and apply for, or support extension of, existing permits for
9 export of Alaska natural gas if that export improves project economics and will reduce
10 the price of natural gas to in-state consumers.

11 (f) Notwithstanding any other provision of law, any rights to a gasline corridor
12 obtained by a state agency under eminent domain may be transferred to a private
13 entity.

14 (g) In preparing the project plan required in this section, the development team
15 may consider all aspects of the in-state natural gas pipeline project, including public,
16 private, or joint construction alternatives, marketing of natural gas, financing
17 alternatives for pipeline construction, procurement of natural gas from producers,
18 maximization of local hire, opportunities for promoting value added industries, gas-to-
19 liquids manufacturing opportunities, production and delivery of liquefied natural gas
20 or propane to Yukon river, interior, and coastal communities, alternatives for
21 transporting natural gas to other locations in the state, the acquisition of natural gas
22 commitments sufficient to ensure the long-term feasibility of the in-state natural gas
23 pipeline project, and the development of a global natural gas trading hub in the state.

24 (h) The Joint In-State Gasline Development Team shall take all action
25 necessary to complete its responsibilities under this section.

26 **Sec. 38.34.050. Cooperation and access to information.** (a) Notwithstanding
27 other laws, the Joint In-state Gasline Development Team may have access to
28 information of all state agencies or entities, including confidential information, that
29 may relate to the in-state natural gas pipeline or prove useful in planning, design,
30 construction, or operation of the pipeline. Confidential information received by the
31 development team shall be kept confidential.

1 (b) All state agencies or entities shall cooperate with and, except for requests
2 from the Alaska Gasline Inducement Act coordinator (AS 43.90.250), give priority to
3 requests for information from the Joint In-state Gasline Development Team. The
4 development team shall avoid duplicating studies, plans, and designs that have already
5 been produced or otherwise obtained by other state entities.

6 **Sec. 38.34.060. Conflicts of interest.** (a) If a member of the Joint In-state
7 Gasline Development Team acquires, owns, or controls an interest, direct or indirect,
8 in property, an organization, or a business that might be affected by the in-state natural
9 gas pipeline project or other matter under consideration by the development team, the
10 member shall immediately disclose the interest to the development team. The
11 disclosure is a matter of public record and shall be included in the minutes of the first
12 meeting of the development team held after the disclosure.

13 (b) The members of the development team are subject to AS 39.50 and
14 AS 39.52.

15 **Sec. 38.34.099. Definitions.** In this chapter,

16 (1) "in-state natural gas pipeline" means a pipeline for transporting
17 natural gas that runs from the North Slope to tidewater in the state;

18 (2) "North Slope" means that area of Alaska lying north of 68 degrees
19 North latitude.

20 * **Sec. 2.** AS 39.25.110 is amended by adding a new paragraph to read:

21 (43) the in-state gasline project manager appointed under
22 AS 38.34.010.

23 * **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CS HB 369 (RES)
 () Publish Date: _____

Identifier (file name): HB369CS(RES)-DEC-CO-3-16-10 Dept. Affected: Environmental Conservati
 Title In-State Pipeline Manager/Team/Committee RDU Multiple
 Component Multiple
 Sponsor Representative Chenault
 Requester House Finance Committee Component Number Multiple

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	690.0		690.0	690.0	690.0	345.0	146.4	
Travel	69.0		69.0	69.0	69.0	34.5	14.6	
Contractual	138.3		143.3	98.3	188.3	91.6	24.8	
Supplies	67.5		67.5	67.5	67.5	33.8	15.0	
Equipment								
Miscellaneous								
TOTAL OPERATING	964.8	0.0	969.8	924.8	1,014.8	504.9	200.8	

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

1002 Federal Receipts	14.0		14.0	14.0	0.0	0.0	0.0
1003 GF Match	6.0		6.0	6.0	0.0	0.0	0.0
1004 GF	880.8		830.8	730.8	730.8	362.9	145.8
1156 Receipt Supported Svcs	64.0		119.0	174.0	284.0	87.0	0.0
1093 Clean Air Protection	0.0		0.0	0.0	0.0	55.0	55.0
TOTAL	964.8	0.0	969.8	924.8	1,014.8	504.9	200.8

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time	9.0		9.0	9.0	9.0	4.5	2.0
Part-time	0.0		0.0	0.0	0.0	0.0	0.0
Temporary	0.0		0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary.)

The Department of Environmental Conservation (DEC) will be tasked with environmental permitting, environmental impact statement review, Alaska Coastal Management Program coordination as well as compliance and enforcement activities for an in-state natural gasline. Fiscal note reflects necessary permit positions and associated costs for: Drinking Water, Solid Waste, Food Safety & Sanitation, Air Quality, Water Quality, an environmental enforcement officer as well as a project coordinator to be located in the Office of the Commissioner.

Prepared by: Marit Carlson-Van Dort
 Division: Office of the Commissioner
 Approved by: Dan Easton
Deputy Commissioner

Phone 907-465-5871
 Date/Time 3/16/10, 5:30 pm
 Date 3/16/2010

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: CS HB 369 (RES)
 () Publish Date: _____

Identifier (file name): CSHB 369(RES)-DNR-SPCO-03-16-10 Dept. Affected: Natural Resources
 Title IN-STATE PIPELINE MANAGER/TEAM/COMMITTEE RDU Resource Development
 Component SPCO
 Sponsor Rep. Chenault
 Requester House RES Component Number 1191

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	521.7			157.4	157.4	62.8	62.8	62.8
Travel	70.0			50.0	50.0	6.0	6.0	6.0
Contractual	215.0			10.0	10.0	2.0	2.0	2.0
Supplies	21.0			5.0	5.0	2.0	2.0	2.0
Equipment	0.0							
Miscellaneous	16.3			5.0	5.0			
TOTAL OPERATING	844.0	0.0		227.4	227.4	72.8	72.8	72.8

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 Interagency Receipts	844.0		227.4	227.4	72.8	72.8	72.8	
TOTAL	844.0	0.0	227.4	227.4	72.8	72.8	72.8	

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary.)

The bill establishes a joint in-state Gasline Development Committee consisting of the commissioner of DOTPF, the CEO of the Alaska Railroad Corporation, the CEO of the Alaska Natural Gas Development Authority, and the in-state gasline project manager(also created in this bill). The legislation provides this committee the authority to manage and develop an in-state gasline, mandates construction to begin by July 1, 2011, and authorizes any action that would enable gas to flow down the pipeline by 2015. While the joint in-state Gasline Development Committee is granted broad powers and authorities under the bill certain basic functions must still be performed by MLW.

Prepared by: Mike Thompson Phone 257-1300
 Division: State Pipeline Coordinator's Office Date/Time 3/16/10 12:00 AM
 Approved by: Tom Irwin, Commissioner Date 3/16/2010
Natural Resources

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. CSHB 369 (RES)

ANALYSIS CONTINUATION

In the preparation of this fiscal note certain assumptions have been made:

- 1) Participating state agencies (ADF&G, ADEC, etc.) will provide separate fiscal notes, although their costs associated with permitting the right-of-way may be reimbursable by the applicant through the SPCO.
- 2) The right-of-way lease applicant, pursuant to AS 38.35. 140(b), will reimburse DNR's (and other participating state agencies as well) work associated with delivery of a right-of-way lease.
- 3) DLMW has completed a separate fiscal note, however portions of their costs may be reimbursable by the applicant through the SPCO.
- 4) Existing Program Receipt Authority will be used for the project.
- 5) DGGS cost estimate assumes that the state needs to understand the geohazards to ensure the applicant has identified and considered all geologic hazards along the route.
- 6) Construction and operational oversight begins in FY2012 and FY2014, respectively. The cost estimate for these activities is for DNR only and does not include estimates for other state agencies (ADF&G, ADEC, etc.), although their costs may be reimbursable by the applicant through the SPCO.
- 7) Assume SPCO will administer material sites after initial sale.
- 8) Assume a two-year construction schedule segregated into four geographic areas.

The FY2011 costs to DNR/SPCO would include expenses to coordinate the participation of state agencies in the right-of-way permitting process, prepare the Commissioner's Analysis, Proposed Decision and Action, develop the draft lease and, if necessary, hold public hearings. In addition the costs include right-of-way permitting expenses for the participation of the State Historic Preservation Office (SHPO), Division of Coastal and Ocean Management (DCOM), Office of Project Management and Permitting (OPMP) and the Division of Geological and Geophysical Surveys (DGGS). It should be noted that the proposed schedule is aggressive and in order to meet the specified timeline the right-of-way permitting process will need to be conducted independent of the federal NEPA process. The FY2012 and 13 costs reflect construction oversight activities by DNR. Operational oversight costs begin in FY2014 and continue forward.

PERSONAL SERVICES COST - \$ 521.65 total (for 12 months)

STATE PIPELINE COORDINATOR'S OFFICE

Positions in Anchorage; for completing the right-of-way leasing process.

- one Natural Resource Specialist (NRS) IV (range 21) - total 10 months at \$9.95/month= \$99.50
- one Natural Resource Manager (NRM) II (range 20) - total 1 months at \$9.41/month = \$9.41
- one Natural Resource Specialist (NRS) III (range 18)- total 6 months at 7.31/month = \$43.86
- one Engineer IV (range 27) - total 3 months at 13.70/month = \$41.1
- Administrative Support - total = \$38.0

\$231.87 for FY 11 Total

Positions in Anchorage; for construction oversight.

- two Natural Resource Specialist (NRS) III (range 18)- total 6 months/yr at 7.31/month = \$87.72
- one Natural Resource Manager (NRM) II (range 20) - total 1 months at \$9.41/month = \$9.41
- one Engineer IV (range 27) - total 2 months at 13.70/month = \$17.4
- Administrative Support - total = \$22.9

\$137.43 for FY2012 and 13

Positions in Anchorage; for operational oversight.

- one Natural Resource Specialist (NRS) III (range 18)- total 4 months/yr at 7.31/month = \$29.24
- one Natural Resource Manager (NRM) II (range 20) - total 1 months at \$9.41/month = \$9.41
- one Engineer IV (range 27) - total 3 months at 13.70/month = \$13.70
- Administrative Support - total = \$10.47

\$62.82 for FY2014 Forward

Page 2 of 3

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. CSHB 369 (RES)

ANALYSIS CONTINUATION

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

Positions in Anchorage; for construction oversight.

- one Archeologist = \$20.0

\$20.0 for FY 12 and 13 Totals

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 12 months = \$107.4

- one LTNP Geologist III (range 19) - total 12 months = \$76.45

- one Graduate Intern - total 12 months = \$34.0

\$217.85 for FY 11 Total

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 = \$30.0

\$30.0 for FY 11 Total

DIVISION OF COASTAL AND OCEAN MANAGEMENT

One position in Anchorage; for conducting the project Alasaka Coastal Management Program process.

-one Natural Resource Specialist (NRS) III (range 18)- total 3 months at 7.31/month = \$21.93

\$21.93 for FY 11 Total

TRAVEL, CONTRACTUAL, SUPPLIES - \$322.3 total for FY2011

Travel would be for public meeting, public hearings, agency coordination and monitoring of contractors performing field work. In addition, DGGs will require travel to complete field studies. \$30.0 in FY11

Contractual costs include helicopter support for DGGs studies, office space, telephones, core service charges and related. Miscellaneous costs include aerial photos, satellite imagery, field supplies and maps.

Other miscellaneous, contractual and supply costs include office space, telephones, core service charges and related expenses.

TRAVEL, CONTRACTUAL, SUPPLIES - \$70.0 total for FY2012 and 13

TRAVEL, CONTRACTUAL, SUPPLIES - \$10,000 total for FY2014 Forward

Pursuant to AS 38.35.140(b), the lease applicant or lessee shall reimburse the state for all reasonable costs incurred in processing an application filed under AS 38.35.050 and in monitoring the construction, operation, maintenance and termination of the pipeline on the right-of-way. The commissioner shall use best efforts to reach agreement with the lessee addressing the details of cost reimbursement under this subsection and shall provide the lessee with an annual estimate of the projected costs and scope of work." The State Pipeline Coordinator's Office has been delegated this responsibility and will work with the applicant/lessee to construct a reimbursement agreement addressing all state work associated with pipeline right-of-way permitting and oversight.

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 369
() Publish Date: _____

Identifier (file name): HB369-CED-ARR-3-12-10 Dept. Affected: DCCED
Title In-State Pipeline Manager/Team/Committee RDU _____
Component Alaska Railroad Corporation
Sponsor Representative Chenault Component Number _____
Requester House Finance

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
OPERATING EXPENDITURES								
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	0.0

CAPITAL EXPENDITURES								
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CHANGE IN REVENUES ()		0.0	0.0	0.0	0.0	0.0	0.0	0.0
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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 Interagency Receipts								
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2009) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

House Bill 369 establishes the Joint In-state Gasline Development Team, of which the President/CEO of the Alaska Railroad Corporation is the chair. At this point, it appears that the only incremental costs ARRC would incur to support this team would be minor travel costs related to its CEO attending team meetings. As the prevailing assumption is that the meetings would be held predominately in Anchorage, the duty station of the CEO, no material fiscal impact is noted at this time. However, as it is still unclear as to whether additional ARRC staff may be necessary to support the CEO in his role, ARRC may revise this analysis at a later date as greater clarity is provided.

Prepared by: Wendy Lindskoog
Division: Vice President Corporate Affairs
Approved by: Emil Notti, Commissioner
Commerce, Community and Economic Development

Phone 265-2498
Date/Time 3/2/10 12:00 AM
Date 3/12/2010

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 369(RES)
(H) Publish Date: 3/11/10

Identifier (file name): HB369-DOT-SDES-2-26-10 Dept. Affected: DOT&PF&PF
Title: In-State Pipeline/Team/Committee RDU: Design, Engineering and Construction
Component: Statewide Design & Engineer Services
Sponsor: Rep. Chenault Leased Facilities
Requester: H. RES Component Number: 2882, 2892

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	314.3		314.3	314.3	314.3		
Travel	45.0		45.0	45.0	45.0		
Contractual	47.1		49.6	49.6	49.6		
Supplies	45.0		10.0	10.0	10.0		
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	451.4	0.0	418.9	418.9	418.9	0.0	0.0

CAPITAL EXPENDITURES	1,000.0		1,000.0	1,000.0			
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CHANGE IN REVENUES ()							
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	1,451.1		1,418.9	1,418.9	418.9		
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	1,451.1	0.0	1,418.9	1,418.9	418.9	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time	3.0		3	3	3		
Part-time							
Temporary							

ANALYSIS: *(Attach a separate page if necessary)*

DOT&PF is a member of the Joint In-state Gasline Development Team and is tasked with determining status of current right-of way (ROW), expediting permits for use of the ROW and overseeing construction to insure compliance with federal and state permit requirements. It is anticipated DOT&PF will assist in determining the needs for and acquisition of additional ROW. An Engineer V position will serve as the technical expert for the Commissioner of DOT&PF, manage consultant activities and oversee regional staff who will be issuing permits and authorizations. An Environmental Impact Analysis Manager will oversee work done in the ROW to insure compliance with federal and state requirements, insure our processes provide for rapid permitting decisions and no delays in construction. An administrative assistant will assist with the day to day activities of the two professionals.

Prepared by: Mary Siroky, Legislative Liaison,
Division: Department of Transportation
Approved by: Frank Richards, Deputy Commissioner
Department of Transportation and Public Facilities

Phone 465-4772
Date/Time 2/26/10 8:00 AM
Date 2/26/2010

FISCAL NOTE #2

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. CSHB 369(RES)

ANALYSIS CONTINUATION

DOT&PF estimates 30% of the pipeline may not be economically or efficiently located within the designated state ROW. Of that 30% it is estimated that 30% must be acquired by acquisitions with appraisals, surveys, condemnation authority, etc resulting in between 60 to 125 miles of ROW to be identified, appraised, negotiated, etc. For this fiscal note DOT&PF assumed, as a ROW owner, it makes sense for the DOT&PF to coordinate the contracts for these services and estimates a cost of \$2,000.0. This does not include acquisition costs. DOT&PF has assumed that DNR will require surveys and applications for use of material sites estimates consulting services to be \$1,000.0. The department anticipates the ROW and material site acquisition costs are capital costs and will not be needed in the final year of construction.

Additional contractual costs are for annual cores service costs (\$5.0) and annual lease space costs (\$42.1) for these staff as our Anchorage offices are already overcrowded. In FY2012, contractual costs increase by \$2.5 for annual maintenance costs for copier, printer, fax machines.

Supplies costs in FY2011 include the office start up expenses and supplies. Ongoing costs are \$10.0 annually.

DOT&PF will budget the leased office space in a separate RDU (Administration and Support), Component (Leased Facilities - 2892) for centralized lease payments to DOA.