

**HB**

**369**

**DUSE COMMITTEE REPORT**

3-11-10

(9)  
Date Referred to Committee: February 23, 2010

FURTHER REFERRALS: Finance

Date of Committee Action: 3/10/10

The RESOURCES Committee considered:

HOUSE BILL NO. 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."

**HB 369-IN-STATE PIPELINE MANAGER/TEAM/COMMITTEE**

Recommends it be replaced with  HCS or  CS for HB 369 (RES)  
For Senate Bills with new title:  Technical Title  New Title: HCR \_\_\_\_\_  Same Title  New Title

- attach amendments
- add new referral to \_\_\_\_\_ Committee
- Letter of Intent \_\_\_\_\_ Committee

List of Abbrev for Depts.:  
ADM  
CED  
COR  
CRT  
EED  
DEC  
DFG  
GOV  
DHS  
LWF  
LAW  
LEG  
MVA  
DNR  
DPS  
REV  
DOT  
UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
DOT	2	✓		
Gov.	1		✓	

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

(4) (1) (1)

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
	SEATON			X	
	OLSON	X			
	KANASAKI				*
	WILSON	X			
Chair:	Johnson	X			
Chair:	Newman	X			

CO  
CO

**CS FOR HOUSE BILL NO. 369(RES)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered:

Referred:

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

**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; and providing for an  
3 effective date."

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

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

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

7 **Sec. 38.34.010. In-state gasline project manager.** (a) The position of in-state  
8 gasline project manager is created in the Office of the Governor. The Office of the  
9 Governor shall provide administrative support for the position. The position shall  
10 continue until one year after commencement of commercial operation of the in-state  
11 natural gas pipeline.

12 (b) The governor shall appoint an individual to the position of in-state gasline  
13 project manager. The manager is in the exempt service under AS 39.25.110. The  
14 person serving as the in-state gasline project manager may be removed from the

1 position at the discretion of the governor, who shall appoint another person to the  
2 position.

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

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

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

9 (3) prepare written monthly progress reports setting out the monthly  
10 expenditures of funds spent in the development of the in-state natural gas pipeline,  
11 including projections of future expenditures and efforts needed to develop the in-state  
12 natural gas pipeline, and submit each report to the legislature by the last day of the  
13 month immediately following the month covered in the report.

14 **Sec. 38.34.020. Expedited review and action by state agencies.** (a) A review  
15 conducted and action taken by a state agency relating to the in-state natural gas  
16 pipeline project under this chapter shall be expedited in a manner consistent with the  
17 timely completion of the project.

18 (b) Notwithstanding any contrary provision of law, a state agency may not  
19 include in any project certificate, right-of-way, permit, or other authorization issued to  
20 the licensee a term or condition that is not required by law if the in-state gasline  
21 project manager determines that the term or condition would prevent or impair, in any  
22 significant respect, the expeditious construction and operation or expansion of the in-  
23 state natural gas pipeline project.

24 (c) Unless required by law, a state agency may not add to, amend, or abrogate  
25 any certificate, right-of-way, permit, or other authorization issued to a licensee if the  
26 in-state gasline project manager determines that the action would prevent or impair, in  
27 any significant respect, the expeditious construction, operation, or expansion of the in-  
28 state natural gas pipeline project.

29 **Sec. 38.34.030. Joint In-state Gasline Development Team.** (a) The Joint In-  
30 state Gasline Development Team is established in the Office of the Governor. The  
31 development team consists of four members as follows:

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

3 (2) the chief executive officer of the Alaska Railroad Corporation;

4 (3) the chief executive officer of the Alaska Natural Gas Development  
5 Authority; and

6 (4) the in-state gasline project manager.

7 (b) The chief executive officer of the Alaska Railroad Corporation is the chair  
8 of the development team.

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

11 **Sec. 38.34.040. Duties of the development team.** (a) The Joint In-state  
12 Gasline Development Team shall consider all aspects of the in-state natural gas  
13 pipeline project, including public or private construction of the pipeline, marketing of  
14 natural gas, a financing plan for pipeline construction, the purchase of natural gas from  
15 producers, maximizing hiring of residents in connection with the pipeline project,  
16 delivery and costs of natural gas to communities along the pipeline route,  
17 manufacturing opportunities for gas-to-liquids, plans for delivery and costs of  
18 liquefied natural gas or propane to Yukon river and coastal communities, the cost of  
19 transporting natural gas to other locations in the state, and acquisition of natural gas  
20 market share sufficient to ensure the long-term feasibility of the in-state natural gas  
21 pipeline project.

22 (b) The development team shall ensure that construction is ready to begin on  
23 an in-state natural gas pipeline by July 1, 2011, and take actions necessary to enable  
24 natural gas to flow down the pipeline by 2015.

25 (c) The development team shall

26 (1) select a route for an in-state natural gas pipeline that runs from the  
27 North Slope to tidewater in the state and to other locations in the state that, to the  
28 extent consistent with other requirements of this subsection,

29 (A) is the most economical;

30 (B) will provide natural gas to residents at a reasonable cost;

31 (C) uses state land and existing state highway and railroad

1 rights-of-way to the maximum extent;

2 (D) uses existing highway and railroad bridges, gravel pits,  
3 equipment yards, and maintenance facilities, and other existing facilities and  
4 resources to the maximum extent;

5 (2) identify land or rights-of-way that must be obtained for  
6 construction and operation of the in-state natural gas pipeline and take action  
7 necessary to enable the Department of Transportation and Public Facilities to acquire  
8 those interests;

9 (3) prepare plans and designs necessary for construction of the in-state  
10 natural gas pipeline;

11 (4) identify all permits and licenses needed to construct the in-state  
12 natural gas pipeline and proceed with applications for those permits and licenses;

13 (5) prepare and update estimates of construction and other costs of  
14 pipeline construction;

15 (6) take any action necessary so that construction may begin on the in-  
16 state natural gas pipeline by July 1, 2011, and report to the legislature by that date.

17 **Sec. 38.34.050. Cooperation and access to information.** (a) Notwithstanding  
18 other laws, the Joint In-state Gasline Development Team may have access to  
19 information of a state entity, including confidential information, that may relate to the  
20 in-state natural gas pipeline or prove useful in planning, design, construction, or  
21 operation of the pipeline. Confidential information received by the development team  
22 shall be kept confidential.

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

28 **Sec. 38.34.060. Conflicts of interest.** If a member of the Joint In-state Gasline  
29 Development Team acquires, owns, or controls an interest, direct or indirect, in  
30 property, an organization, or a business that might be affected by the in-state natural  
31 gas pipeline project or other matter under consideration by the development team, the

1 member shall immediately disclose the interest to the development team. The  
2 disclosure is a matter of public record and shall be included in the minutes of the first  
3 meeting of the development team held after the disclosure.

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

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

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

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

10 (43) the in-state gasline project manager appointed under  
11 AS 38.34.010.

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

ALASKA STATE LEGISLATURE  
House Resources Committee

**Craig Johnson, Co-Chair**

State Capitol Building, Room 126  
Juneau, AK 99801-1182  
(907) 465-4993  
FAX (907) 465-3872  
Rep\_Craig\_Johnson@legis.state.ak.us



**Mark Neuman, Co-Chair**

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**FAX**

*Call  
MaryEllen  
6651 @ 8:59 AM*

<b>To:</b> Legislative Legal Services	<b>From:</b> Debra Higgins
<b>Fax:</b> 465-2029	<b>Phone:</b> 465-3715
<b>Date:</b> 3/11/10	<b>CC:</b>
<b>Re:</b> Final for HB 369 v. S	<b>Pages with Cover:</b> 2

CS HB 369 (26-LS1527/S) passed out of House Resources Committee last night with the attached amendments.

Please send a final CS HB 369 (RES).

Thank you.

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 369(RES), Draft Version "S"

S.1a  
adopted

1 Page 3, line 18, following "communities,":

2       Insert "the cost of transporting natural gas to other locations in the state,"

3

4 Page 3, line 26, following "tidewater":

5       Insert "in the state and to other locations in the state"

6

7 ~~Page 5, line 5, following "state":~~

8       ~~Insert "and to other locations in the state"~~

~~withdrawn~~

S.1b  
adopted

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 369(RES), Draft Version "S"

1 Page 3, line 18, following "communities,":

2 Insert "the cost of transporting natural gas to other locations in the state,"

*adopted #1*

4 Page 3, line 26, following "tidewater":

5 Insert "in the state and to other locations in the state"

*adopted #2 adopted*

7 Page 5, line 5, following "state":

8 Insert "~~and to other locations in the state~~"

*#3 with change*

*objection - call the roll*

*[Handwritten scribble]*

*[Handwritten scribble]*

*[Handwritten scribble]*

~~Offered~~  
KAWASAKI #

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 369(RES), Draft Version "S"

~~Aspects~~

1

Page 3, line 22:

2

Delete "by July 1, 2011, and take actions necessary"

3

4

Page 3, line 23:

5

Delete "2015."

6

Insert "2016." The development team shall make a commercial offering by July 1,

7

2011. The commercial offering must consist of the issuance of a request for proposals to

8

potential in-state natural gas pipeline project developers who will own the project or a portion

9

of it. The request for proposals must require that commercial evaluations in the proposals be

10

based on engineering and permitting completed by the state and its contractors and that

11

proposals include reimbursement for the cost incurred by the state of engineering work and

12

gathering and interpreting data. The request for proposals must include notice that proposals

13

will be analyzed by the state, together with terms and conditions for selection. The

14

development team shall report to the legislature on the date the commercial offering is ready."

15

Page 4, line 8:

16

Delete "for construction of"

17

Insert "to meet construction deadlines for"

18

19

Page 4, line 15:

20

Delete "by July 1, 2011, and report to the legislature by that date"

21

Insert "to enable natural gas to flow down the pipeline by 2016"

22

Delete

amendment 4.1  
S  
K

Call the Roll

AS  
Amendment  
adopted

Delete

amendment  
4.4

adopted

S  
K  
2010  
2011

Amendment  
adopted

"Joint Gasline Development Team"

Call the Roll

amendment 4.6  
line 11, after proposal  
insert "may"

amendment 4.9, line 13  
delete "Estimate"  
insert "Joint Gasline  
Development Team."

**Debra Higgins**

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**From:** Will Vandergriff  
**Sent:** Wednesday, March 10, 2010 8:57 PM  
**Subject:** Press release - Resources Approves Joint In-State Gasline Development Team Bill - Speaker Chenault's HB 369  
**Attachments:** image001.jpg; hb369\_passes\_resources\_20100310.pdf



**FOR IMMEDIATE RELEASE  
RELEASE**

**PRESS**

**RESOURCES APPROVES JT. IN-STATE GASLINE DEVELOPMENT TEAM BILL**  
*Speaker's HB 369 advances to House Finance Comm., calls for gasline online by 2015*

**Wednesday, March 10, 2010, Juneau, Alaska** – The House Resources Committee this evening passed their committee substitute for House Bill 369, House Speaker Mike Chenault's, R-Nikiski, proposal creating the Joint In-State Gasline Development Team.

The committee amended the bill to focus the function of the team, taking out the proposed steering committee. The substitute bill, or CS, also made minor changes to clarify and further define the legislation.

Speaker Chenault says he appreciates the work done by the committee and agrees that the bill as it stands now still accomplishes his original goal: to get an in-state gasline online by 2015. "The Resources Committee identified areas of concern and made the bill better," Speaker Chenault said. "I'm grateful for the work put in on the bill, and look forward to seeing it work its way through the process. We heard from committee members, and we all agreed that it's time to focus on bringing forward an in-state line that serves all areas of the state. It was my intent to see the state unify the various agencies and assets at our disposal, and the substitute kept the emphasis in the legislation on that."

HB 369 next heads to the House Finance Committee.

# # #

To contact Speaker Chenault, please call 907-465-3779.

Will Vandergriff  
House Majority Press Secretary  
Office of the Speaker - Alaska State Legislature  
907.269.0167 direct  
907.317.9755 cell  
[will\\_vandergriff@legis.state.ak.us](mailto:will_vandergriff@legis.state.ak.us)  
[housemajority.org](http://housemajority.org)  
[mobile.housemajority.org](http://mobile.housemajority.org)  
[twitter.com/houmaj](http://twitter.com/houmaj)

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

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

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  
Sponsor: Rep. Chenault Component: Statewide Design & Engineer Services  
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 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>							
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							
<b>TOTAL OPERATING</b>	<b>451.4</b>	<b>0.0</b>	<b>418.9</b>	<b>418.9</b>	<b>418.9</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>1,000.0</b>		<b>1,000.0</b>	<b>1,000.0</b>			
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<b>CHANGE IN REVENUES ( )</b>							
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**FUND SOURCE** (Thousands of Dollars)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
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						
<b>TOTAL</b>	<b>1,451.1</b>	<b>0.0</b>	<b>1,418.9</b>	<b>1,418.9</b>	<b>418.9</b>	<b>0.0</b>

Estimate of any current year (FY2010) cost: \_\_\_\_\_

**POSITIONS**

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
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

DOT

## FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

BILL NO. HB 369

### 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.

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

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

Identifier (file name): HB369-GOV-EO-02-25-10  
 Title: "An Act relating to in-state natural gas pipeline,....  
..In-State Gasline Steering Committee"  
 Sponsor: Representative Chenault  
 Requester: (H) Resources  
 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 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>							
Personal Services	1,223.2	1,223.2	1,233.1	1,243.4	1,254.0	1,257.5	1,268.5
Travel	116.8	116.8	58.8	36.0	36.0	36.0	36.0
Contractual	***	***	***	***	***	***	***
Supplies	29.0	29.0	29.0	29.0	29.0	29.0	29.0
Equipment	84.3	84.3	0.0	0.0	0.0	0.0	0.0
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	***	***	***	***	***	***	***

<b>CAPITAL EXPENDITURES</b>							
-----------------------------	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>							
-------------------------------	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	***	***	***	***	***	***	***
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	***	***	***	***	***	***	***

Estimate of any current year (FY2010) cost: 0.0

**POSITIONS**

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

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

The fiscal impact of HB 369 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 3/1/10 12:15 PM  
 Date 3/1/2010

*Pipeline  
Coordinator*

In an attempt to meet the timeframe set out in HB 369 the in-state gas line project team has identified a number of critical work products, and a minimum staffing levels needed to direct the work. The cost associated with contractual services to perform the detailed pipeline engineering, facilities design, field work, and permitting to get the project ready to begin construction is more than \$350 million dollars. However, the exact amount of funding needed cannot be determined without significant amount of additional engineering and estimation work. A class 4 cost of Transportation estimate is scheduled to be completed by the current in-state gasline work team by July 1, 2010. Additional major cost components necessary to allow construction initiation are not included in these estimates, and include the cost to purchase the pipe, and commitment to facilities construction. These later costs will likely be greater than \$500 million dollars. Additionally, a realistically achievable timeline is attached to this document to provide context for the work needed prior to construction.

In the absence of peer reviewed estimates, an analogy can be drawn between the instate stand-alone project, and the AGIA and Denali pipeline efforts that are on-going and in preparation to achieve project sanction. The table below outlines the estimated costs published in the AGIA January report to legislators. This amount does not bring the project to construction readiness.

<b>Estimated Project Spending Through FERC Certification (Thousands \$)</b>								
<b>Fiscal Year</b>	<b>Pre-License</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>TOTAL</b>
<b>Total Annual</b>	\$2,527	\$17,812	\$126,498	\$139,517	\$137,128	\$137,128	\$137,128	
<b>TC Alaska/EM</b>	\$2,527	\$11,431	\$68,833	\$18,573	\$13,713	\$13,713	\$68,950	
<b>State of Alaska</b>	\$0	\$6,381	\$57,666	\$120,944	\$123,415	\$123,415	\$68,178	
<b>Total Cumulative</b>	\$2,527	\$20,339	\$146,837	\$286,354	\$423,482	\$560,610	\$697,738	<b>\$697,738</b>
<b>TC Alaska/EM</b>	\$2,527	\$13,958	\$82,791	\$101,363	\$115,076	\$128,789	\$197,738	<b>\$197,738</b>
<b>State of Alaska</b>	\$0	\$6,381	\$64,047	\$184,991	\$308,406	\$431,821	\$500,000	<b>\$500,000</b>

The funding requirements below outlines the increase staff needs to manage such a project and builds on and incorporates the funding requested in the FY 2011 Governor's Office operating budget. The details of the initial 6,500.0 funding request is also attached.

**PERSONAL SERVICES: 1223.2** - increased to include 7 staff as follows:

- Project Manager Rg 26
- Engineering Manager Rg 26
- Commercial Manager Rg 26
- Permitting and Right of Way Manager Rg 26

(Personal Services - continued)

Legislative Liaison/Public Outreach Officer Rg 23  
Finance/budget analyst Rg 22  
Schedule Coordinator Rg 21

Current 6500.0 request includes 322.2 for personal services, fiscal note increases total personal services to 1,223.2. Following years include schedules merit increases for all but professional staff.

**TRAVEL: 116.8** - increases project travel to accommodate Steering Committee meetings to include 3-day meetings in Anchorage each month for 4 months, 1-day Steering Committee meeting each month for remaining 8 months in FY11. FY 2012 includes project travel and Steering Committee meetings for four months. Fiscal note includes travel costs for the 16 committee members appointed under Sec. 38.34.070 (9) and assumes that for members identified in Sec 38.34.070 (1) thru (8) travel will be paid by individual's employing agencies. FY2013 thru FY2016 reflects project travel only.

**CONTRACTUAL: Indeterminate**

The level of engineering and environmental work necessary to sanction and begin construction on a gas line project of this magnitude is substantial. Determining minimum cost estimates that can be included in this fiscal note is not possible with the available time. The numbers included below should be viewed as minimums and are based on pipeline construction experience and initial costing work by the contractors currently on the project. These numbers are not final and will have a wide variance as work continues.

Pipeline Engineering:

A minimum of 41,666.6 each year for 3 years (total 125,000.0) for fast track engineering costs up to project sanction. This is a very rough estimate and does not include funding for equipment, facilities and pipe purchase, or any associated pre-construction costs materials costs.

Pipeline engineering services up to construction focus on the development of the construction plan, construction schedules, determination of long lead items a funding quality cost estimate and preparation of bid ready plans and specifications,. The design effort defines and optimizes pipeline routing, pipe material and ancillaries, balancing the cost and the need to acquire permits and ensure integrity throughout the design life.

(Contractual - continued)

Key activities include:

- Refined route topographical definition through survey, aerial photography, LiDAR and other data acquisition techniques
- Additional route geotechnical characterization through field investigations, borehole acquisition, trenching and fault identification
- Refining waterway crossing designs through field reconnaissance of crossings, flow characterization, scour analysis, bank and approaches evaluation
- Pipeline design including product hydraulics analysis, coupled gas-subsurface interaction analysis, geohazards evaluation, pipe and coatings material selection, welding specifications
- Civil material source (gravel, select fill) identification and quantity/quality evaluation, site opening and operations plan, site restoration plan
- Construction logistics including facilities requirements for ports/airports/roads, new access roads, trucking requirements, laydown yards
- Construction plan including construction camp design, alignment ROW design, construction roads (ice/snow/gravel), pipe laying productivity, special design areas (e.g. Atigun Pass)
- Post-construction activities planning including ROW restoration and revegetation, monitoring of alignment and construction completion, startup of pipeline

Environmental:

10,333.3 each year for 3 years (total 31,000.0) for environmental costs up to project sanction (see ASRC cost estimate attached)

Facilities engineering: Estimated greater than 200,000.0 but indeterminate at this time. The costs for this engineering effort will be available upon completion of current facilities work, estimated availability: May of 2010. Facilities engineering services leading to construction mirror pipeline procedures and focus on completion of the design of the project facilities. This includes planning to enable procurement lead time to start the module construction, evaluation of the module transport and completion on-site, and aiding the permitting process to ensure all facilities construction and planned operations are in full compliance with regulations and stipulations. Key activities include:

- Specifications of natural gas input streams and desired product streams. Key is the development of the process flow diagrams to enable this
- Site identification and site design preparation, including development of data needs to satisfy regulatory requirements (e.g. EPA)
- Identification of major process design elements, specification of design requirements for each process element
- Identification and qualification of potential vendors for major process design elements

(Contractual – continued)

- Process and Instrumentation diagram (P&ID) depicting interconnections of mechanical and electrical systems
- Preparation of facility building design including mechanical layouts
- Design of operational requirements including controls, HAZOP, safety requirements, fulfillment of regulations and stipulated requirements
- Preparation of design for development of a funding quality cost estimate
- Preparation of construction bid(s) for both module construction, and installation on-site
- Module logistics, including transportation safety and material handling requirements
- Alaskan installation construction plan including development of construction camp, construction personnel requirements, camp support and interface with pipeline construction requirements.

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.

83.0 annual office lease space

RSAs: 1172.3 - for state agencies required participation:

500.0 for Joint Pipeline office (includes funds to F&G, DEC, etc. for state permitting activities FY2011 only)

672.3 DNR Division of Mining, Land, and Water - FY2011 only (see fiscal note attached)

**SUPPLIES: 29.0** increases FY2011 request to 29.0 for increased staff and fast-track activities.

**EQUIPMENT: 84.3** one-time office set-up

26-LS1527\S

Cook

3/10/10

**CS FOR HOUSE BILL NO. 369(RES)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

**BY THE HOUSE RESOURCES COMMITTEE****Offered:****Referred:****Sponsor(s): REPRESENTATIVES CHENAULT, Ramras, Olson****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; and providing for an**  
3 **effective date."**

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

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

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

7 **Sec. 38.34.010. In-state gasline project manager.** (a) The position of in-state  
8 gasline project manager is created in the Office of the Governor. The Office of the  
9 Governor shall provide administrative support for the position. The position shall  
10 continue until one year after commencement of commercial operation of the in-state  
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13 project manager. The manager is in the exempt service under AS 39.25.110. The  
14 person serving as the in-state gasline project manager may be removed from the

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9 (3) prepare written monthly progress reports setting out the monthly  
10 expenditures of funds spent in the development of the in-state natural gas pipeline,  
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16 delivery and costs of natural gas to communities along the pipeline route,  
17 manufacturing opportunities for gas-to-liquids, plans for delivery and costs of  
18 liquefied natural gas or propane to Yukon river and coastal communities, and  
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22 an in-state natural gas pipeline by July 1, 2011, and take actions necessary to enable  
23 natural gas to flow down the pipeline by 2015.

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10 AS 38.34.010.

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

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE SEATON

TO: CSHB 369(RES), Draft Version "S"

1 Page 3, line 18, following "communities,":

2       Insert "the cost of transporting natural gas to other locations in the state,"

3

4 Page 3, line 26, following "tidewater":

5       Insert "in the state and to other locations in the state"

6

7 Page 5, line 5, following "state":

8       Insert "and to other locations in the state"

KAWASAKI

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 369(RES), Draft Version "S"

1 Page 3, line 22:

2 Delete "by July 1, 2011, and take actions necessary"

3

4 Page 3, line 23:

5 Delete "2015."

6 Insert "2016. The development team shall make a commercial offering by July 1,  
7 2011. The commercial offering must consist of the issuance of a request for proposals to  
8 potential in-state natural gas pipeline project developers who will own the project or a portion  
9 of it. The request for proposals must require that commercial evaluations in the proposals be  
10 based on engineering and permitting completed by the state and its contractors and that  
11 proposals include reimbursement for the cost incurred by the state of engineering work and  
12 gathering and interpreting data. The request for proposals must include notice that proposals  
13 will be analyzed by the state, together with terms and conditions for selection. The  
14 development team shall report to the legislature on the date the commercial offering is ready."

15

16 Page 4, line 8:

17 Delete "for construction of"

18 Insert "to meet construction deadlines for"

19

20 Page 4, line 15:

21 Delete "by July 1, 2011, and report to the legislature by that date"

22 Insert "to enable natural gas to flow down the pipeline by 2016"



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

## 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

26-LS1527AS

Cook

3/10/10

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Offered:

Referred:

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## Debra Higgins

---

**From:** Rex Shattuck  
**Sent:** Tuesday, March 09, 2010 9:39 PM  
**To:** LAA Legal  
**Cc:** Debra Higgins  
**Subject:** HB 369

Please amend HB 369, version 26-LS1527\E in the following manner –this is to be a new work draft for the Committee:

- 1) Page 4, line 25 delete Sec 38.34.070
- 2) Page 6, line 25 delete Sec 38.34.090
- 3) Page 6, line 11 incorporate Sec 38.34.080 “Duties of the steering committee” into Page 3, line 11 “Duties of the development team”.

As we are doing away with the steering committee in Sec 38.34.070 we want to shift the responsibilities to the development team.

Note that page 6, lines 21 thru 24 are no longer valid due to there no longer being a steering committee.

We will be bring this new CS up at a 6 pm Resource Committee meeting on Wednesday evening 10 Mar 2010. It is expected that the Resource Committee will recess to a call of the chair at the end of its scheduled 1pm meeting.

Please feel free to contact me with any question.

*Rex Shattuck  
Resource Committee Aide &  
Staff to Representative Mark Neuman  
Co-Chair, House Resources Committee  
(907)465-2679*

26-LS1527/E  
Cook  
3/2/10

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**FOR AN ACT ENTITLED**

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

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

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

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

7 **Sec. 38.34.010. In-state gasline project manager.** (a) The position of in-state  
8 gasline project manager is created in the Office of the Governor. The Office of the  
9 Governor shall provide administrative support for the position. The position shall  
10 continue until one year after commencement of commercial operation of the in-state  
11 natural gas pipeline.

12 (b) The governor shall appoint an individual to the position of in-state gasline  
13 project manager. The manager is in the exempt service under AS 39.25.110. The  
14 person serving as the in-state gasline project manager may be removed from the

1 position at the discretion of the governor, who shall appoint another person to the  
2 position.

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

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

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

9 (3) prepare written monthly progress reports setting out the monthly  
10 expenditures of funds spent in the development of the in-state natural gas pipeline,  
11 including projections of future expenditures and efforts needed to develop the in-state  
12 natural gas pipeline, and submit each report to the legislature by the last day of the  
13 month immediately following the month covered in the report.

14 **Sec. 38.34.020. Expedited review and action by state agencies.** (a) A review  
15 conducted and action taken by a state agency relating to the in-state natural gas  
16 pipeline project under this chapter shall be expedited in a manner consistent with the  
17 timely completion of the project.

18 (b) Notwithstanding any contrary provision of law, a state agency may not  
19 include in any project certificate, right-of-way, permit, or other authorization issued to  
20 the licensee a term or condition that is not required by law if the in-state gasline  
21 project manager determines that the term or condition would prevent or impair, in any  
22 significant respect, the expeditious construction and operation or expansion of the in-  
23 state natural gas pipeline project.

24 (c) Unless required by law, a state agency may not add to, amend, or abrogate  
25 any certificate, right-of-way, permit, or other authorization issued to a licensee if the  
26 in-state gasline project manager determines that the action would prevent or impair, in  
27 any significant respect, the expeditious construction, operation, or expansion of the in-  
28 state natural gas pipeline project.

29 **Sec. 38.34.030. Joint In-state Gasline Development Team.** (a) The Joint In-  
30 state Gasline Development Team is established in the Office of the Governor. The  
31 team consists of four members as follows:

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

3 (2) the chief executive officer of the Alaska Railroad Corporation;

4 (3) the chief executive officer of the Alaska Natural Gas Development  
5 Authority; and

6 (4) the in-state gasline project manager.

7 (b) The chief executive officer of the Alaska Railroad Corporation is the chair  
8 of the Joint In-state Gasline Development Team.

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

11 **Sec. 38.34.040. Duties of the development team.** (a) The Joint In-state  
12 Gasline Development Team shall ensure that construction is ready to begin on an in-  
13 state natural gas pipeline by July 1, 2011, and take actions necessary to enable natural  
14 gas to flow down the pipeline by 2015.

15 (b) The Joint In-state Gasline Development Team shall

16 (1) select a route for an in-state natural gas pipeline that runs from the  
17 North Slope to tidewater that, to the extent consistent with other requirements of this  
18 subsection,

19 (A) is the most economical;

20 (B) will provide natural gas to residents at a reasonable cost;

21 (C) uses state land and existing state highway and railroad  
22 rights-of-way to the maximum extent;

23 (D) uses existing highway and railroad bridges, gravel pits,  
24 equipment yards, and maintenance facilities, and other existing facilities and  
25 resources to the maximum extent;

26 (2) identify land or rights-of-way that must be obtained for  
27 construction and operation of the in-state natural gas pipeline and take action  
28 necessary to enable the Department of Transportation and Public Facilities to acquire  
29 those interests;

30 (3) prepare plans and designs necessary for construction of the in-state  
31 natural gas pipeline;

1 (4) identify all permits and licenses needed to construct the in-state  
2 natural gas pipeline and proceed with applications for those permits and licenses;

3 (5) prepare and update estimates of construction and other costs of  
4 pipeline construction;

5 (6) take any action necessary so that construction may begin on the in-  
6 state natural gas pipeline by July 1, 2011, and report to the legislature by that date.

7 **Sec. 38.34.050. Cooperation and access to information.** (a) Notwithstanding  
8 other laws, the Joint In-state Gasline Development Team may have access to  
9 information of a state entity, including confidential information, that may relate to the  
10 in-state natural gas pipeline or prove useful in planning, design, construction, or  
11 operation of the pipeline. Confidential information received by the development team  
12 shall be kept confidential.

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

18 **Sec. 38.34.060. Conflicts of interest.** If a member of the Joint In-state Gasline  
19 Development Team acquires, owns, or controls an interest, direct or indirect, in  
20 property, an organization, or a business that might be affected by the in-state natural  
21 gas pipeline project or other matter under consideration by the development team, the  
22 member shall immediately disclose the interest to the development team. The  
23 disclosure is a matter of public record and shall be included in the minutes of the first  
24 meeting of the development team held after the disclosure.

25 **Sec. 38.34.070. In-state Gasline Steering Committee.** (a) The In-state  
26 Gasline Steering Committee is created in the Office of the Governor to provide advice  
27 to the Joint In-state Gasline Development Team. The steering committee consists of  
28 the

29 (1) president of the senate, or the president's designee;

30 (2) speaker of the house of representatives, or the speaker's designee;

31 (3) commissioner of commerce, community, and economic

1 development, or the commissioner's designee;

2 (4) commissioner of labor and workforce development, or the  
3 commissioner's designee;

4 (5) chair of the Regulatory Commission of Alaska, or the chair's  
5 designee;

6 (6) executive director of the Alaska Permanent Fund Corporation;

7 (7) executive director of the Alaska Industrial Development and  
8 Export Authority;

9 (8) executive director of the Alaska Housing Finance Corporation;

10 (9) following individuals appointed by the Joint In-state Gasline  
11 Development Team:

12 (A) an individual with financial background;

13 (B) an individual with oil or natural gas pipeline experience;

14 (C) an individual who represents a corporation organized under  
15 43 U.S.C. 1601 et seq. (Alaska Native Claims Settlement Act);

16 (D) an individual who represents a nonprofit corporation  
17 organized by a Native organization organized under federal law;

18 (E) an individual who represents an oil and gas trade  
19 association;

20 (F) an individual who represents a natural gas utility;

21 (G) an individual who represents an electric utility;

22 (H) an individual from the Office of the Federal Coordinator  
23 for Alaska Natural Gas Transportation Projects;

24 (I) an individual who represents the North Slope Borough;

25 (J) an individual who represents the Fairbanks North Star  
26 Borough;

27 (K) an individual who represents the Matanuska-Susitna  
28 Borough;

29 (L) an individual who represents the Municipality of  
30 Anchorage;

31 (M) an individual who represents the Kenai Peninsula

1 Borough;

2 (N) an individual who represents Delta Junction;

3 (O) an individual who represents Glennallen;

4 (P) an individual who represents Valdez;

5 (Q) an individual who represents the Denali Borough.

6 (b) The members appointed under (a)(9) of this section serve without  
7 compensation but are entitled to per diem and travel expenses authorized for boards  
8 and commissions under AS 39.20.180.

9 (c) The members of the steering committee shall select a chair and vice-chair  
10 from among the membership.

11 **Sec. 38.34.080. Duties of the steering committee.** (a) The In-state Gasline  
12 Steering Committee shall consider all aspects of the in-state natural gas pipeline  
13 project, including public or private construction of the pipeline, marketing of natural  
14 gas, a financing plan for pipeline construction, the purchase of natural gas from  
15 producers, maximizing hiring of residents in connection with the pipeline project,  
16 delivery and costs of natural gas to communities along the pipeline route,  
17 manufacturing opportunities for gas-to-liquids, plans for delivery and costs of  
18 liquefied natural gas or propane to Yukon river and coastal communities, and  
19 acquisition of natural gas market share sufficient to ensure the long-term feasibility of  
20 the in-state natural gas pipeline project.

21 (b) The Joint In-state Gasline Development Team may assign specific issues  
22 to the In-state Gasline Steering Committee for its consideration and recommendations.

23 (c) The In-state Gasline Steering Committee shall report its conclusions and  
24 recommendations to the Joint In-state Gasline Development Team.

25 **Sec. 38.34.090. Conflicts of interest and ethics.** (a) If a member of the In-  
26 state Gasline Steering Committee acquires, owns, or controls an interest, direct or  
27 indirect, in property, an organization, or business that might be affected by the in-state  
28 natural gas pipeline project or other matter under consideration by the steering  
29 committee, the member shall immediately disclose the interest to the steering  
30 committee. The disclosure is a matter of public record and shall be included in the  
31 minutes of the first meeting of the steering committee held after the disclosure.

1 (b) AS 39.52 does not apply to a member of the In-state Gasline Steering  
2 Committee appointed under AS 38.34.070(a)(9).

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

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

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

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

9 (43) the in-state gasline project manager appointed under  
10 AS 38.34.010.

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

ALASKA STATE LEGISLATURE  
House Resources Committee

**Craig Johnson, Co-Chair**

State Capitol Building, Room 126  
Juneau, AK 99801-1182  
(907) 465-4993  
FAX (907) 465-3872  
Rep\_Craig\_Johnson@legis.state.ak.us



**Mark Neuman, Co-Chair**

State Capitol Building, Room 432  
Juneau, AK 99801-1182  
(907) 465-2679  
FAX (907) 465-4822  
Rep\_Mark\_Neuman@legis.state.ak.us

**FAX**

**To:** Tam Cook, Director, Leg Legal

**From:** Debra Higgins

**Fax:** 465-2029

**Phone:** 465-3715

**Date:** 3/01/10

**CC:**

**Re:** Draft CS for HB 369 (26-LS1527\R)

**Pages with Cover:** 5

HB 369 (26-LS1527\R) was amended in House Resources with the attached: R.1, R.2 and R.3 dated 2/24/10, and R.4 dated 3/01/10.

There was also a conceptual amendment adopted:

Page 2, line 12: after "gas pipeline."

Insert: "The reports are due at the end of the month following the month for which that report is covered."

Please send a draft CS with the amendments included. If you have any questions, I'm at 465-3715 or 317-2409. HB 369 is scheduled for next Monday, March 8<sup>th</sup>.

Thank you.

The information contained in this fax is CONFIDENTIAL and/or privileged. This fax is intended to be reviewed initially by only the individual named above. If the reader of this transmittal page is not the intended recipient or a representative of the intended recipient, you are hereby notified that any review, dissemination, or copying of this fax or the information contained herein is prohibited. If you have received this fax in error, please immediately notify the sender by telephone and return this fax to the sender at the above address.

# 1

26-LS1527R.1  
Cook  
2/24/10

AMENDMENT

2/26/10

OFFERED IN THE HOUSE

TO: HB 369

- 1 Page 1, line 13:  
2 Delete "partially exempt service under AS 39.25.120"  
3 Insert "exempt service under AS 39.25.110"  
4  
5 Page 7, line 6:  
6 Delete "AS 39.25.120(c)"  
7 Insert "AS 39.25.110"  
8  
9 Page 7, line 7:  
10 Delete "(21)"  
11 Insert "(43)"

adopted

#2

26-LS1527R.2  
Cook  
2/24/10

AMENDMENT

2/26/10

OFFERED IN THE HOUSE

TO: HB 369

1 Page 6, line 3, following "Valdez":

2 Insert ";

3 (Q) an individual who represents the Denali Borough"

adopted

#3

26-LS1527/R.3  
Cook  
2/24/10

AMENDMENT

2/26/10

OFFERED IN THE HOUSE  
TO: HB 369

- 1 Page 3, line 19:
- 2 Delete "the greatest number of"

advised

3/01/10

26-LS1527/R.4  
Cook  
3/1/10

AMENDMENT

~~#8~~

OFFERED IN THE HOUSE

TO: HB 369

- 1 Page 4, line 13, following the second occurrence of "and":
- 2       Insert ", except for requests from the Alaska Gasline Inducement Act coordinator
- 3 (AS 43.90.250),"

adopted

For HB 369 file

**Debra Higgins**

---

**From:** Debra Higgins  
**Sent:** Monday, March 01, 2010 8:37 PM  
**To:** Rep. Chris Tuck  
**Cc:** Aurah Landau  
**Subject:** Conceptual Amendment to HB 369

Representative Tuck,

There was a technical error in the handwritten conceptual amendments that I gave you a copy of today in the House Resources Committee hearing. In listening to the testimony at 2:44:38 to 2:45:19, conceptual amendment #4 which was offered and later withdrawn by Representative Seaton dealt with additional language on page 2, line 12, rather than page 3, line 18. While it is moot at this point, please disregard the copy I gave you. Rep. Seaton then offered conceptual amendment 5 which you have a copy of that was adopted.

To summarize the amendments to HB 369, on Friday, the 26th, amendments 1,2,3 and conceptual amendment 5 were adopted. Conceptual amendment 4 and 7 were withdrawn and conceptual amendment 6 failed. Today, amendment 8 was adopted.

A blank CS has been ordered for HB 369 incorporating the adopted amendments and should be available before the hearing on Monday, the 8<sup>th</sup>.

Thanks,

Debra Higgins  
Staff to Representative Craig Johnson  
Co-Chair, House Resources Committee  
(907) 465-3715

ALASKA STATE LEGISLATURE  
House Resources Committee

**Craig Johnson, Co-Chair**

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FAX (907) 465-4822  
Rep\_Mark\_Neuman@legis.state.ak.us

**FAX**

*Mary Ellen  
called 3/02  
@ 8:16am  
OK for Draft  
CS.*

**To:** Tam Cook, Director, Leg Legal      **From:** Debra Higgins  
**Fax:** 465-2029      **Phone:** 465-3715  
**Date:** 3/01/10      **CC:**  
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Thank you.

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#1

26-LS1527/R.1  
Cook  
2/24/10

2/26/10

AMENDMENT

OFFERED IN THE HOUSE

TO: HB 369

- 1 Page 1, line 13:
- 2 Delete "partially exempt service under AS 39.25.120"
- 3 Insert "exempt service under AS 39.25.110"
- 4
- 5 Page 7, line 6:
- 6 Delete "AS 39.25.120(c)"
- 7 Insert "AS 39.25.110"
- 8
- 9 Page 7, line 7:
- 10 Delete "(21)"
- 11 Insert "(43)"

*adopted*

#2

26-LS1527R.2  
Cook  
2/24/10

AMENDMENT

2/26/10

OFFERED IN THE HOUSE  
TO: HB 369

1 Page 6, line 3, following "Valdez":

2 Insert ";

3 (Q) an individual who represents the Denali Borough"

adopted

#3

26-LS1527/R 3  
Cook  
2/24/10

AMENDMENT

2/26/10

OFFERED IN THE HOUSE

TO: HB 369

- 1 Page 3, line 19:
- 2 Delete "the greatest number of"

adopted

2/26/10

→ 2:44:38 - 2:45:19

Concept Amend #4 ~~Q Q Q Q Q~~

pg 2, line 12

"Reports are due ~~on~~ <sup>on</sup> the 15<sup>th</sup>  
of the month ~~covered~~ following  
the month covered by the  
report. "

2:48:04 withdrawn

Seaton ~~Conceptual~~

2/26/10

Amendment # 4

" to construct 4

Pg 3, line 18

Withdrawn

2/26/10

Conceptual # 5 2:48:~~15~~ - 2:48:58  
pg 2, line 12 following "pipeline."

The reports are due at  
the end of the month following  
the month for which that report  
is covered.

adopted  
2:48:59

~~2:50pm~~

Conceptual  
Amendment #5

2/26/10

by Seaton

The reports are due  
at the end of the month  
after they are due

Needs look at minutes -

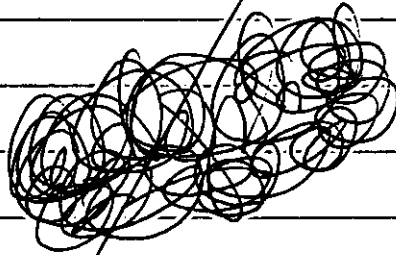
~~Seaton~~  
Seaton

Conceptual  
# 6

2/26/19  
by Jator

pg 3, line 18

insert "to construct"  
after "economical"



~~Se  
W  
J~~ ~~G  
O  
N~~

~~Failed~~

2/26/10

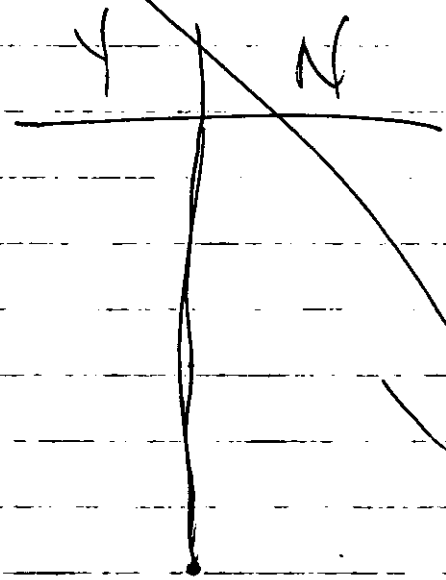
# Conceptual #7

2/26/10  
by season

pg 4, line 13-14

delete "and give priority to"

~~scribble~~



Withdraw

~~scribble~~

3/6/10

26-LS1527/R.4

Cook

3/1/10

AMENDMENT

#8

OFFERED IN THE HOUSE

TO: HB 369

- 1 Page 4, line 13, following the second occurrence of "and":
- 2 Insert ", except for requests from the Alaska Gasline Inducement Act coordinator
- 3 (AS 43.90.250),"

adopted

# FISCAL NOTE

**STATE OF ALASKA**  
**2010 LEGISLATIVE SESSION**

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

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 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>OPERATING EXPENDITURES</b>							
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							
<b>TOTAL OPERATING</b>	<b>451.4</b>	<b>0.0</b>	<b>418.9</b>	<b>418.9</b>	<b>418.9</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>1,000.0</b>		<b>1,000.0</b>	<b>1,000.0</b>			
-----------------------------	----------------	--	----------------	----------------	--	--	--

<b>CHANGE IN REVENUES ( )</b>							
-------------------------------	--	--	--	--	--	--	--

**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							
<b>TOTAL</b>	<b>1,451.1</b>	<b>0.0</b>	<b>1,418.9</b>	<b>1,418.9</b>	<b>418.9</b>	<b>0.0</b>	<b>0.0</b>

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**

**STATE OF ALASKA  
2010 LEGISLATIVE SESSION**

**BILL NO. HB 369**

**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.

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

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

Identifier (file name): HB369-GOV-EO-02-25-10 Dept. Affected: OOG  
Title "An Act relating to in-state natural gas pipeline,...  
..In-State Gasline Steering Committee" RDU Executive Operations  
Sponsor Representative Chenault Component Executive Office  
Requester (H) Resources 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
<b>OPERATING EXPENDITURES</b>								
Personal Services	1,223.2	1,223.2	1,233.1	1,243.4	1,254.0	1,257.5	1,268.5	
Travel	116.8	116.8	58.8	36.0	36.0	36.0	36.0	
Contractual	***	***	***	***	***	***	***	
Supplies	29.0	29.0	29.0	29.0	29.0	29.0	29.0	
Equipment	84.3	84.3	0.0	0.0	0.0	0.0	0.0	
Land & Structures								
Grants & Claims								
Miscellaneous								
<b>TOTAL OPERATING</b>	***	***	***	***	***	***	***	

<b>CAPITAL EXPENDITURES</b>							
-----------------------------	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>							
-------------------------------	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF	***	***	***	***	***	***	***
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	***	***	***	***	***	***	***

Estimate of any current year (FY2010) cost: 0.0

**POSITIONS**

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

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

The fiscal impact of HB 369 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 3/1/10 12:15 PM  
Date 3/1/2010

In an attempt to meet the timeframe set out in HB 369 the in-state gas line project team has identified a number of critical work products, and a minimum staffing levels needed to direct the work. The cost associated with contractual services to perform the detailed pipeline engineering, facilities design, field work, and permitting to get the project ready to begin construction is more than \$350 million dollars. However, the exact amount of funding needed cannot be determined without significant amount of additional engineering and estimation work. A class 4 cost of Transportation estimate is scheduled to be completed by the current in-state gasline work team by July 1, 2010. Additional major cost components necessary to allow construction initiation are not included in these estimates, and include the cost to purchase the pipe, and commitment to facilities construction. These later costs will likely be greater than \$500 million dollars. Additionally, a realistically achievable timeline is attached to this document to provide context for the work needed prior to construction.

In the absence of peer reviewed estimates, an analogy can be drawn between the instate stand-alone project, and the AGIA and Denali pipeline efforts that are on-going and in preparation to achieve project sanction. The table below outlines the estimated costs published in the AGIA January report to legislators. This amount does not bring the project to construction readiness.

Estimated Project Spending Through FERC Certification (Thousands \$)								
Fiscal Year	Pre-License	2009	2010	2011	2012	2013	2014	TOTAL
<b>Total Annual</b>	\$2,527	\$17,812	\$126,498	\$139,517	\$137,128	\$137,128	\$137,128	
TC Alaska/EM	\$2,527	\$11,431	\$68,833	\$18,573	\$13,713	\$13,713	\$68,950	
State of Alaska	\$0	\$6,381	\$57,666	\$120,944	\$123,415	\$123,415	\$68,178	
<b>Total Cumulative</b>	\$2,527	\$20,339	\$146,837	\$286,354	\$423,482	\$560,610	\$697,738	<b>\$697,738</b>
TC Alaska/EM	\$2,527	\$13,958	\$82,791	\$101,363	\$115,076	\$128,789	\$197,738	<b>\$197,738</b>
State of Alaska	\$0	\$6,381	\$64,047	\$184,991	\$308,406	\$431,821	\$500,000	<b>\$500,000</b>

The funding requirements below outlines the increase staff needs to manage such a project and builds on and incorporates the funding requested in the FY 2011 Governor's Office operating budget. The details of the initial 6,500.0 funding request is also attached.

**PERSONAL SERVICES: 1223.2** - increased to include 7 staff as follows:

- Project Manager Rg 26
- Engineering Manager Rg 26
- Commercial Manager Rg 26
- Permitting and Right of Way Manager Rg 26

(Personal Services – continued)

Legislative Liaison/Public Outreach Officer Rg 23

Finance/budget analyst Rg 22

Schedule Coordinator Rg 21

Current 6500.0 request includes 322.2 for personal services, fiscal note increases total personal services to 1,223.2. Following years include schedules merit increases for all but professional staff.

**TRAVEL: 116.8** - increases project travel to accommodate Steering Committee meetings to include 3-day meetings in Anchorage each month for 4 months, 1-day Steering Committee meeting each month for remaining 8 months in FY11. FY 2012 includes project travel and Steering Committee meetings for four months. Fiscal note includes travel costs for the 16 committee members appointed under Sec. 38.34.070 (9) and assumes that for members identified in Sec 38.34.070 (1) thru (8) travel will be paid by individual's employing agencies. FY2013 thru FY2016 reflects project travel only.

**CONTRACTUAL: Indeterminate**

The level of engineering and environmental work necessary to sanction and begin construction on a gas line project of this magnitude is substantial. Determining minimum cost estimates that can be included in this fiscal note is not possible with the available time. The numbers included below should be viewed as minimums and are based on pipeline construction experience and initial costing work by the contractors currently on the project. These numbers are not final and will have a wide variance as work continues.

Pipeline Engineering:

A minimum of 41,666.6 each year for 3 years (total 125,000.0) for fast track engineering costs up to project sanction. This is a very rough estimate and does not include funding for equipment, facilities and pipe purchase, or any associated pre-construction costs materials costs.

Pipeline engineering services up to construction focus on the development of the construction plan, construction schedules, determination of long lead items a funding quality cost estimate and preparation of bid ready plans and specifications,. The design effort defines and optimizes pipeline routing, pipe material and ancillaries, balancing the cost and the need to acquire permits and ensure integrity throughout the design life.

(Contractual – continued)

Key activities include:

- Refined route topographical definition through survey, aerial photography, LiDAR and other data acquisition techniques
- Additional route geotechnical characterization through field investigations, borehole acquisition, trenching and fault identification
- Refining waterway crossing designs through field reconnaissance of crossings, flow characterization, scour analysis, bank and approaches evaluation
- Pipeline design including product hydraulics analysis, coupled gas-subsurface interaction analysis, geohazards evaluation, pipe and coatings material selection, welding specifications
- Civil material source (gravel, select fill) identification and quantity/quality evaluation, site opening and operations plan, site restoration plan
- Construction logistics including facilities requirements for ports/airports/roads, new access roads, trucking requirements, laydown yards
- Construction plan including construction camp design, alignment ROW design, construction roads (ice/snow/gravel), pipe laying productivity, special design areas (e.g. Atigun Pass)
- Post-construction activities planning including ROW restoration and revegetation, monitoring of alignment and construction completion, startup of pipeline

Environmental:

10,333.3 each year for 3 years (total 31,000.0) for environmental costs up to project sanction (see ASRC cost estimate attached)

Facilities engineering: Estimated greater than 200,000.0 but indeterminate at this time. The costs for this engineering effort will be available upon completion of current facilities work, estimated availability: May of 2010. Facilities engineering services leading to construction mirror pipeline procedures and focus on completion of the design of the project facilities. This includes planning to enable procurement lead time to start the module construction, evaluation of the module transport and completion on-site, and aiding the permitting process to ensure all facilities construction and planned operations are in full compliance with regulations and stipulations. Key activities include:

- Specifications of natural gas input streams and desired product streams. Key is the development of the process flow diagrams to enable this
- Site identification and site design preparation, including development of data needs to satisfy regulatory requirements (e.g. EPA)
- Identification of major process design elements, specification of design requirements for each process element
- Identification and qualification of potential vendors for major process design elements

(Contractual – continued)

- Process and Instrumentation diagram (P&ID) depicting interconnections of mechanical and electrical systems
- Preparation of facility building design including mechanical layouts
- Design of operational requirements including controls, HAZOP, safety requirements, fulfillment of regulations and stipulated requirements
- Preparation of design for development of a funding quality cost estimate
- Preparation of construction bid(s) for both module construction, and installation on-site
- Module logistics, including transportation safety and material handling requirements
- Alaskan installation construction plan including development of construction camp, construction personnel requirements, camp support and interface with pipeline construction requirements.

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.

83.0 annual office lease space

RSAs: 1172.3 - for state agencies required participation:

500.0 for Joint Pipeline office (includes funds to F&G, DEC, etc. for state permitting activities FY2011 only)

672.3 DNR Division of Mining, Land, and Water – FY2011 only (see fiscal note attached)

**SUPPLIES: 29.0** increases FY2011 request to 29.0 for increased staff and fast-track activities.

**EQUIPMENT: 84.3** one-time office set-up



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

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## 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
<b>Total Expended</b>	<b>2,214,968</b>	<b>3,904,496</b>	<b>361,825</b>	<b>361,825</b>	<b>361,825</b>	<b>361,825</b>	<b>361,825</b>	<b>360,454</b>

**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
<b>Total expended</b>	<b>541,830</b>	<b>6,500,000</b>

- 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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## REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE HOUSE SPONSOR STATEMENT

**HOUSE BILL 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."*

House Bill 369 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.

House bill 369 also creates an In-state Gasline Steering Committee to provide advice and recommendations to the development team. Their duties are spelled out within the legislation. Proposed members of the Steering Committee come from the private sector, municipalities, state agencies and the two presiding officers of the Legislature.

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

**HOUSE BILL 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."

**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) 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. (b) (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. 38.34.070. In-state Gasline Steering Committee.** (a) Creates the In-State Gasline Steering Committee within the Governor's Office in order to provide advice to the Development Team. Lists members of the Steering Committee. (b) Steering Committee members serve without compensation but are allowed to collect per diem and travel expenses authorized for boards and commissions under AS 39.20.180. (c) Steering Committee members will select a chair and vice-chair from among the membership.

**Sec. 38.34.080. Duties of the Steering Committee.** (a) Describes the various aspects of the in-state gasline project the Steering Committee will consider. (b) Gives the Development Team the authority to assign specific issues to the Steering Committee. (c) The Steering Committee is to report its conclusions and recommendations to the Development Team.

**Sec. 38.34.090. Conflicts of interest.** (a) If a member of the Steering Committee 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 Steering Committee shall immediately disclose the interest to the Steering Committee. This disclosure is part of the public record and shall be included in the minutes of the first meeting of the Steering Committee held after the disclosure. (b) AS 39.52, Alaska Executive Branch Ethics Act, does not apply to a member of the Steering Committee.

**Sec. 38.34.100. Definitions.** Defines the in-state natural gas pipeline and the North Slope.

**Section 2:** Amends AS 39.25.120(c), Partially exempt service. Adds the in-state gasline project manager to the partially exempt service list.

**Section 3:** Immediate effective date.

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).

Sec. 39.25.120. Partially exempt service.

(a) Positions in the partially exempt service are included in the position classification plan established under this chapter and are compensated according to the pay plan under AS 39.27.011.

(b) A person holding a position in the partially exempt service is not required to complete an assessment and is not eligible for a hearing by the personnel board in case of dismissal, demotion, or suspension. Positions in the partially exempt service are specifically exempt from the rules established under AS 39.25.150(3) - (10), (12), (13), and (16).

(c) The following positions in the state service constitute the partially exempt service:

(1) deputy and assistant commissioners of the principal departments of the executive branch, including the assistant adjutant general of the Department of Military and Veterans' Affairs;

(2) the directors of the major divisions of the principal departments of the executive branch and the regional directors of the Department of Transportation and Public Facilities;

(3) attorney members of the staff of the Department of Law, of the public defender agency, and of the office of public advocacy in the Department of Administration;

(4) one private secretary for each head of a principal department in the executive branch;

(5) employees of councils, boards, or commissions established by statute in the Office of the Governor or the office of the lieutenant governor, unless a different classification is provided by statute;

(6) not more than two special assistants to the commissioner of each of the principal departments of the executive branch, but the number may be increased if the partially exempt service is extended under AS 39.25.130 to include the additional special assistants;

(7) the principal executive officer of the following boards, councils, or commissions:

(A) Alaska Public Broadcasting Commission;

(B) Professional Teaching Practices Commission;

(C) Parole Board;

(D) Board of Nursing;

(E) Real Estate Commission;

(F) Alaska Royalty Oil and Gas Development Advisory Board;

(G) Alaska State Council on the Arts;

(H) Alaska Police Standards Council;

(I) Alaska Commission on Aging;

(J) Alaska Mental Health Board;

(K) State Medical Board;

(L) Governor's Council on Disabilities and Special Education;

(M) Advisory Board on Alcoholism and Drug Abuse;

(N) Statewide Suicide Prevention Council;

(O) the State Board of Registration for Architect, Engineers, and Land Surveyors;

(8) Alaska Pioneers' Home and Alaska Veterans' Home managers;

(9) hearing examiners in the Department of Revenue;

(10) the comptroller in the division of treasury, Department of Revenue;

(11) airport managers in the Department of Transportation and Public Facilities employed at the Anchorage and Fairbanks International Airports;

(12) the deputy director of the division of insurance in the Department of Commerce, Community, and Economic Development;

(13) the executive director and staff of the Alaska Public Offices Commission;  
(14) the rehabilitation administrator of the division of workers' compensation;  
(15) guards employed by the Department of Public Safety for emergencies;  
(16) marine pilot coordinator of the Board of Marine Pilots;  
(17) guards employed by the Department of Corrections, other than in state correctional facilities, to carry out the responsibility of the commissioner of Corrections under AS 33.30.071(b);

(18) hearing officers and administrative law judges of the Regulatory Commission of Alaska;

(19) the compact administrator appointed under AS 33.36.130;

(20) the chief administrative law judge and administrative law judges of the office of administrative hearings.

#### History -

(Sec. 6 ch 144 SLA 1960; am Sec. 2 ch 48 SLA 1961; am Sec. 2 ch 133 SLA 1961; am Sec. 4 ch 5 SLA 1966; am Sec. 3 ch 104 SLA 1969; am Sec. 2 ch 109 SLA 1969; am Sec. 4 ch 78 SLA 1971; am Sec. 9 ch 47 SLA 1974; am Sec. 4 ch 82 SLA 1975; am Sec. 10 ch 207 SLA 1975; am Sec. 2 ch 157 SLA 1976; am Sec. 19 ch 263 SLA 1976; am E.O. No. 39 Sec. 6 (1977); am Sec. 1 ch 103 SLA 1978; am Sec. 2 ch 108 SLA 1978; am E.O. No. 41 Sec. 3 (1980); am E.O. No. 42 Sec. 3, 4 (1980); am E.O. No. 43 Sec. 4 (1980); am E.O. No. 44 Sec. 5 (1980); am E.O. No. 45 Sec. 3 (1980); am E.O. No. 46 Sec. 4 (1980); am Sec. 18 ch 115 SLA 1980; am Sec. 3 ch 79 SLA 1981; am Sec. 4 ch 110 SLA 1981; am E.O. No. 48 Sec. 3 (1981); am Sec. 4 ch 50 SLA 1982; am Sec. 26 ch 93 SLA 1982; am Sec. 8 ch 112 SLA 1982; am 1983 Initiative Proposal No. 2, Sec. 6; am Sec. 106 ch 6 SLA 1984; am Sec. 15 ch 55 SLA 1984; am Sec. 2 ch 103 SLA 1984; am E.O. No. 58 Sec. 18 (1984); am Sec. 59 ch 21 SLA 1985; am Sec. 54 ch 37 SLA 1986; am Sec. 2 ch 84 SLA 1986; am Sec. 5 ch 48 SLA 1987; am Sec. 12 ch 98 SLA 1988; am Sec. 1 ch 107 SLA 1988; am Sec. 33 ch 141 SLA 1988; am E.O. No. 69 Sec. 22 (1988); am E.O. No. 79 Sec. 2 (1991); am Sec. 13 ch 66 SLA 1991; am Sec. 28 ch 89 SLA 1991; am Sec. 21 ch 6 SLA 1993; am E.O. No. 83 Sec. 20 (1993); am Sec. 18 ch 5 FSSLA 1994; am Sec. 3 ch 92 SLA 1995; am Sec. 43 ch 30 SLA 1996; am E.O. No. 94 Sec. 2 (1996); am Sec. 4, 24 ch 25 SLA 1999; am Sec. 43, 84 ch 58 SLA 1999; am Sec. 2 ch 111 SLA 2000; am Sec. 1 ch 84 SLA 2001; am Sec. 3 ch 27 SLA 2002; am Sec. 4 ch 61 SLA 2002; am Sec. 10 ch 59 SLA 2004; am Sec. 4 ch 66 SLA 2004; am Sec. 58 ch 163 SLA 2004; am Sec. 70 ch 10 FSSLA 2005)

#### Revisors Notes -

In 1992, under Sec. 6, ch. 13, SLA 1992, and AS 01.05.031, "Governor's Council on Disabilities and Special Education" was substituted for "Governor's Council for the Handicapped and Gifted."

Subsection (c) was reorganized in 1999 and 2002 to reflect the repeals and additions of various paragraphs.

In 2004, in paragraph (c)(12) 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.

#### Amendment Notes -

The 2001 amendment, effective July 4, 2001, added subparagraph (c)(7)(N).

The first 2002 amendment, effective August 16, 2002, repealed former paragraph (c)(17).

The second 2002 amendment, effective August 15, 2002, added paragraph (c)(19).

The first 2004 amendment, effective July 1, 2004, inserted "and Alaska Veterans' Home" in paragraph (c)(8), and made stylistic changes.

The second 2004 amendment, effective September 14, 2004, added paragraph (c)(7)(O).

The third 2004 amendment, effective July 1, 2005, added paragraph (c)(20).

The 2005 amendment, effective November 7, 2005, substituted "division of workers' compensation" for "Workers' Compensation Board" in paragraph (c)(14).

Decisions -

Cited in *Sheffield v. Alaska Pub. Employees' Ass'n*, 732 P.2d 1083 (Alaska 1987).

Sec. 39.25.130. Extension of partially exempt and classified services.

(a) The personnel board, upon written recommendation of the commissioner of administration, may extend the partially exempt service to include any position in the classified service that, in the judgment of the board,

(1) involves principal responsibility for the determination of policy;

(2) involves principal responsibility for the way in which policies are carried out; or

(3) involves responsibilities and duties of a type not susceptible to the ordinary recruiting and assessment procedures.

(b) Positions may not be included in the partially exempt service under this section if the inclusion is inconsistent with federal requirements for state agencies supported in whole or in part by federal funds.

(c) The personnel board, upon written recommendation of the commissioner of administration, may extend the classified service to include any position in the partially exempt service.

History -

(Sec. 7 ch 144 SLA 1960; am Sec. 9, 10 ch 112 SLA 1982; am Sec. 3 ch 111 SLA 2000)

Decisions -

Cited in *Hafling v. Inlandboatmen's Union*, 585 P.2d 870 (Alaska 1978).

## 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.

