

HB

369

<target><bill>HB 369</bill><subject>HB
369</subject><comm>SFIN26</comm></target>

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE HOUSE SPONSOR STATEMENT

SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL 369 (RES)

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project coordinator, the Joint In-State Gasline Development Team; requiring the development of an in-state natural gas pipeline plan, to be delivered to the legislature by July 1, 2011, that provides for a natural gas pipeline that is operational by December 31, 2015; directing the Joint In-State Gasline Development Team to assume responsibilities under sec. 19, ch. 14, SLA 2009; requiring expedited review and action by state agencies or entities relating to the in-state natural gas pipeline project; clarifying the purpose of the Alaska Natural Gas Authority; relating to definitions of certain terms that relate to a project that may be developed by the Alaska Natural Gas Development Authority; authorizing the Alaska Natural Gas Development Authority to issue bonds for energy projects; and providing for an effective date."

Senate Committee Substitute for Committee Substitute for House Bill 369 (RES) was introduced as an effort to expedite the process for an in-state natural gas pipeline. The in-state gasline has been a topic of discussion in the Legislature and the Administration for a number of years. Currently, there are two separate state entities, the Alaska Natural Gas Development Authority and the in-state gasline coordinator, working on a project. House Bill 369 combines these two entities along with the Department of Transportation and Public Facilities, the Alaska Railroad Corporation and the Alaska Housing Finance Corporation to create a Joint In-state Gasline Development Team within the Alaska Housing Finance Corporation. The Development Team is to ensure that a project plan is developed by July 1, 2011 with gas flowing by the end of 2015. It is my hope the Development Team will be able to focus the state's efforts in putting a project 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 to financing a gasline. The addition of the executive director of the Alaska Housing Finance Corporation is to help develop a financing plan and guide the process for the in-state gasline project plan. The executive director of AHFC will chair the Development Team.

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 design by using existing rights of way and take any action necessary to get a project plan in place by July 1 of next year. Additional duties of the Joint Development Gasline Development Team are also spelled out within the legislation.

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

The bill also includes many of the sections that were found in House Bill 44 which was incorporated into HB 369 in Senate Resources. These newly incorporated sections preauthorize the Alaska Natural Gas Development Authority to issue up to \$250 million in bonds for energy related projects. Other incorporated sections expand ANGDA's authority to provide natural gas from sources anywhere within the state to markets within Alaska allowing the authority to broadly serve Alaskans and Alaskan markets. Approval from the Legislative Budget and Audit Committee must be received before ANGDA can issue any bonds.

Alaska State Legislature

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REPRESENTATIVE MIKE CHENAULT SPEAKER OF THE HOUSE

SECTIONAL ANALYSIS

SENATE COMMITTEE SUBSTITUTE FOR COMMITTEE SUBSTITUTE FOR HOUSE BILL 369 (RES)

(Changes incorporated into the Senate Resources version are highlighted and in bold)

"An Act relating to an in-state natural gas pipeline, the office of in-state gasline project coordinator, the Joint In-State Gasline Development Team; requiring the development of an in-state natural gas pipeline plan, to be delivered to the legislature by July 1, 2011, that provides for a natural gas pipeline that is operational by December 31, 2015; directing the Joint In-State Gasline Development Team to assume responsibilities under sec. 19, ch. 14, SLA 2009; requiring expedited review and action by state agencies or entities relating to the in-state natural gas pipeline project; clarifying the purpose of the Alaska Natural Gas Authority; relating to definitions of certain terms that relate to a project that may be developed by the Alaska Natural Gas Development Authority; authorizing the Alaska Natural Gas Development Authority to issue bonds for energy projects; and providing for an effective date."

Section 1: Adds a new section to uncodified law. Legislative Findings and Purpose.

Section 2: Adds a new subsection to the bill by amending AS 18.56.086, Creation of subsidiaries. Allows AHFC to create a subsidiary within the corporation to plan, construct and finance an in-state gasline or to aid in planning, construction or financing of an in-state gasline. Exempts the subsidiary from Title 36, Public Contracts and AS 36.30.015 (d) and (f), Executive branch agencies.

Section 3: Adds a new subsection to AS 36.30.850(b), Application of this chapter. Adds a subsidiary of AHFC created under Section 2 of this bill to the list of those agencies or entities of which AS 36 does not apply.

Section 4: Adds a new chapter, Chapter 34: In-State Natural Gas Pipeline, to AS 38, Public Land.

Sec. 38.34.010. In-state gasline project coordinator. (a) Creates the position of in-state gasline project coordinator 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 coordinator and may be removed at the Governor's discretion. (c) Describes the duties of the in-state gasline project coordinator who is responsible for collaborating with other state agencies or entities to coordinate and facilitate the provisions of section 4 of this bill.

Sec. 38.34.020. Expedited review and action by state agencies or entities. (a) States that any state agency or entity conducting and taking action relating to the in-state gasline shall be expedited. (b) A state agency or entity may not include in any project certificate, right of way, permit or other authorization issued to a licensee a term or condition that is not required by law if the in-state project coordinator determines the term or condition would prevent or impair the expeditious construction and operation or expansion of the in-state gasline. (c) A state agency or entity may not, unless required by law, amend or abrogate any certificate, right of way, permit or other authorization issued to a licensee if the project coordinator 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 Alaska Housing Finance Corporation. The team consists of the commissioner of the Department of Transportation and Public Facilities or designee, the chair of the board of directors of the Alaska Railroad Corporation or the chair's designee, the chief executive officer of the Alaska Natural Gas Development Authority, the in-state gasline project coordinator and the executive director of the Alaska Housing Finance Corporation. (b) Names the Alaska Housing Finance Corporation's executive director as chair. (c) Allows the development team to hire staff, enter into contracts and exercise other powers to carry out its functions. The development team is to separately account for expenditures and submit a quarterly report of expenditures to the legislature. The development team is to also submit monthly reports to the legislature on the progress of the in-state gasline project.

Sec. 38.34.040. Duties of the Development Team. (a) Produce a project plan for the development of an in-state gasline and that the project plan is completed and delivered to the legislature by July 1, 2011. The project plan must specify and document how an in-state gasline can be designed, financed, constructed and made operational by December 31, 2015. (b) The Joint In-State Gasline Development Team is to assume all executive authority over and managerial responsibility for all activities enumerated under sec. 19, ch. 14, SLA 2009, including work previously completed, work in process, and work for which money has been encumbered but that is not completed on the effective date of this subsection. (c) Describes specific plans that are to be included within the project plan for an in-state gasline that will serve Fairbanks, the Southcentral region of the state, and other communities whenever practicable, connecting with or enhancing the existing gas pipeline system, and reaching to tidewater. (d) The development team's work product is to include an analysis of alternative possible routes and select a route that is consistent with the following requirements: (1) is the most economical, (2) will provide gas to residents at a reasonable cost, (3) allows for connecting lines to serve industrial, residential and utility customers along the entire route and in other regions of the state that can be served at commercially feasible rates, (4) uses state land and existing state highway and railroad rights of way to the maximum extent feasible, (5) uses existing highway and railroad bridges, gravel pits equipment yards and maintenance facilities and other existing facilities and resources to the maximum extent feasible. (e) With the intent that any project-related assets acquired or

developed be available for transfer or sale to the entity best able to complete the project, the development team is to: (1) prepare plans and designs necessary for the construction of the in-state gasline; (2) coordinate with entities qualified to build, own and operate the gasline; (3) identify, apply for and obtain rights-of-way and other permits for the project route; (4) work with other entities to promote gas supply and purchase contracts required for the project to be commercially viable; (5) prepare cost estimates for project design, construction and operation to determine the project's feasibility and the projected cost of natural gas to consumers; (6) coordinate with and use, to the fullest extent, possible existing work by other state agencies and entities before contracting for new reports and research and analysis; (7) determine regulatory authority over the pipeline project and perform any necessary compliance requirements; (8) identify and apply for, or support extension of, existing permits for export of Alaska natural gas if that export improves project economics and will reduce the price of natural gas to in-state consumers. (f) Any rights to a gasline corridor obtained by a state agency under eminent domain may be transferred to a private entity. (g) Allows a state agency acquiring interest in land by eminent domain to grant a permit authorizing a private person to construct, manage and operate a gas pipeline on that land. (h) Describes the various aspects of the in-state gasline project the development team may consider. (i) States the development team is to take all action necessary to complete its responsibilities.

Sec. 38.34.050. Cooperation and access to information. (a) States the development team may have access to a state agency's or 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. **(c) DNR is to grant AHFC a right of way lease under AS 38.35 (Right of Way Leasing Act) for the gasline transportation corridor if: (1) the corporation submits a right of way application under AS 38.35.050 (Applications for right of way leases); (2) the lease application is made the subject of notice and other reasonable and appropriate publication requirements under AS 38.35.070 (Notice of application); and the corporation agrees to be bound by the right of way lease covenants set out in AS 38.35.120 (Covenants required to be included in the lease).** (d) **A right of way lease granted under (c) of this section is subject to AS 38.05 (Alaska Land Act) except the best interest findings requirements of AS 38.05 and the permit requirements of AS 38.05.850 (Permits) do not apply to a lease made under this section.**

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

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

Section 5: Amends AS 39.25.110, Exempt service. Adds the in-state gasoline project coordinator to the exempt service list.

(Sections 6, 7, 8, 9 and 11 are taken from HB 44)

Section 6: Amends AS 41.41.010(a), Establishment of the authority. Adds language clarifying that ANGDA may bring natural gas from other regions of the state and not just the North Slope. Also clarifies that gas may be delivered to markets within the state and may include more than one pipeline project.

Section 7: Amends AS 41.41.010(d), Establishment of the authority. Expands the acquisition of natural gas to include other regions of the state to include the Alaska outer continental shelf and may be delivered to markets within the state.

Section 8: Amends AS 41.41.990(3), Definitions. Amends the definition of project to include other regions of the state to a market in the state or be available to markets within the state.

Section 9: Adds a new paragraph to AS 41.41.990 describing the North Slope to mean that part of the state that lies north of 68 degrees North latitude to include the Brooks Range foothills.

Section 10: New section to uncodified law, Transitional Provisions. (a) The development team shall: (1) seek letters of intent from buyers and sellers of natural gas to ship gas using the facilities of the project by February 15, 2011, and define the project parameters that would allow the project to be commercially viable; (2) seek letters of interest from private pipeline construction and operating companies to develop the project and should be initiated between November 15, 2010 and completed by March 15, 2011; (3) prepare and submit to the Governor and the presiding officer of each body of the legislature any initial legislation necessary to advance the project by December 15, 2010; (4) prepare and submit a report to the governor and the presiding officers of each body of the legislature at the dates established in 1 through 3 of this subsection. (b) The parties having responsibility for contracts, permits and acquisition applications and studies in progress on the effective date of this act initiated or entered into by the Governor or state agencies shall transfer these obligations and initiatives may not be unreasonably delayed and IF AHFC forms a subsidiary, these obligations and initiatives shall be transferred to the subsidiary.

Section 11: New section to uncodified law. Gives pre-authorization to the Alaska Natural Gas Development Authority to issue up to \$250 million in bonds in order to acquire a gas supply, develop the Cook Inlet and Fairbanks markets, and plan, permit and design gas transmission systems to mitigate gas shortfalls, the impact on consumers and the economy of high cost energy and ensure energy sufficiency for Alaskans. ANGDA must receive approval from the Legislative Budget and Audit Committee prior to issuing any bonds.

Section 12: Immediate effective date.

SENATE FINANCE COMMITTEE REPORT

DATE: 4/13/10

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 369(FIN) am

HB 369 IN-STATE PIPELINE/ MANAGER/TEAM

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

and recommends:

- be replaced with SCS or CS CSHB 369 (FIN)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input checked="" type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
REV	4/17	✓			

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
GDV	4/10	✓			4

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Huggins	✓			
	Thomas	✓			
	Egan	✓			
	Olson				✓
	ELLIS	✓			
CO-CHAIR:		✓			
CO-CHAIR:		✓			

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 4
Bill Version: SCS CSHB 369(RES)
(S) Publish Date: 4/13/10

Identifier (file name): SCS CSHB 369(RES)-OOG-EO-4-10-10 Dept. Affected: OOG
Title: "An Act relating to an in-state natural gas pipeline, the office of the in-state gasoline project coordinator," RDU: Executive Operations
Sponsor: Reps. Chenault, Ramras, Olson, Johnson, Austerman, etc. Component: Executive Office
Requester: (S) 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 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES							
Personal Services	229.7	229.7	232.1	239.5	242.0	250.2	250.2
Travel	35.0	35.0	35.0	35.0	35.0	35.0	35.0
Contractual	52.0	52.0	52.0	52.0	52.0	52.0	52.0
Supplies	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Equipment	16.0	16.0					
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	350.7	350.7	337.1	344.5	347.0	355.2	355.2

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

1002 Federal Receipts							
1003 GF Match							
1004 GF	350.7	350.7	337.1	344.5	347.0	355.2	355.2
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	350.7	350.7	337.1	344.5	347.0	355.2	355.2

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time	2	2	2	2	2	2	2
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

Fiscal impact consists of personal services for 2 staff: the in-state gasoline coordinator Rg 26, project assistant Rg 15; and related travel, contractual and supplies costs for in-state natural gas pipeline office activities.

Prepared by: Linda Perez, Administrative Director Phone 465-3876
Division: Administrative Services Date/Time 4/10/10 10:30 AM
Approved by: Linda Perez, Administrative Director Date 4/10/2010
Office of the Governor

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

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

Identifier (file name): SCCSHB369(FIN)-REV-AHFC-4-17-10
 Title: "An Act relating to in-state natural gas pipeline,...
project manager/team"
 Dept. Affected: Revenue
 RDU: Alaska Housing Finance Corp.
 Component: Operations
 Sponsor: Representative Chenault
 Requester: Senate Finance Committee
 Component Number: 110

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services	1,095.2			***	***	***	***	***
Travel	90.0			***	***	***	***	***
Contractual	14,342.1			***	***	***	***	***
Supplies	29.0			***	***	***	***	***
	84.3			***	***	***	***	***
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	15,640.6	0.0		***	***	***	***	***

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

1002 Federal Receipts								
1003 GF Match								
1004 GF	15,640.6			***	***	***	***	***
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	15,640.6	0.0		***	***	***	***	***

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

Please see attached seven page analysis - includes breakdown for RSA to all agencies. The Alaska Housing Finance Corporation will be creating a subsidiary for the In-state Gas Pipeline Project team. In the fiscal note analysis, this unnamed subsidiary will be referred to as "AHFC." Fiscal impacts for FY12 and following years after an in-state gas pipeline plan is submitted to the legislature by July 1, 2011 is indeterminate.

Prepared by: Bryan Butcher, Director, Governmental Relations and Public Affairs Phone 330-8445
 Division: Alaska Housing Finance Corporation Date/Time 04-17-10; 7:34pm
 Approved by: Ginger Blaisdell, Director Date 04-17-10; 7:36pm
Administrative Services Division, Department of Revenue

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

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

Identifier (file name): SCS CSHB369(RES)-REV-AHFC-4-14-10 Dept. Affected: Revenue
 Title: "An Act relating to in-state natural gas pipeline,... RDU: Alaska Housing Finance Corp.
...project manager/team" Component: Operations
 Sponsor: Representative Chennault
 Requester: Senate Finance Committee Component Number: 110

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	Appropriation Required	Information					
	FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Personal Services	1,095.2		***	***	***	***	***
Travel	90.0		***	***	***	***	***
Contractual	20,042.1		***	***	***	***	***
Supplies	29.0		***	***	***	***	***
	84.3		***	***	***	***	***
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	21,340.6	0.0	***	***	***	***	***

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

1002 Federal Receipts							
1003 GF Match							
1004 GF	21,340.6		***	***	***	***	***
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	21,340.6	0.0	***	***	***	***	***

Estimate of any current year (FY2010) cost: 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

Please see attached seven page analysis - includes breakdown for RSA to all agencies. The Alaska Housing Finance Corporation will be creating a subsidiary for the In-state Gas Pipeline Project team. In the fiscal note analysis, this unnamed subsidiary will be referred to as "AHFC." Fiscal impacts for FY12 and following years after an in-state gas pipeline plan is submitted to the legislature by July 1, 2011 is indeterminate.

Prepared by: Bryan Butcher, Director, Governmental Relations and Public Affairs
 Division: Alaska Housing Finance Corporation
 Approved by: Ginger Blaisdell, Director
Administrative Services Division, Department of Revenue

Phone 330-8445
 Date/Time 04-14-10; 10:20pm
 Date 04-14-10; 11:25pm

SCSCSHB 369 (RES) fiscal analysis:

Alaska Housing Finance Corporation FY11: 21,340.6.

To ensure that an in-state natural gas pipeline plan is delivered to the legislature by July 1, 2011 as set out in SCCSHB 369 (RES), the in-state gas line project team has identified general work products, materials, and a minimum staffing level needed to direct the work for the project team. The cost associated with contractual services to perform environmental work and support of permitting, cost of service analysis, continued refinement of pipeline engineering, and development and management of development plan in FY11 will be approximately \$14,091 million. A cost of transportation estimate to provide pipeline and facility costs are scheduled to be completed by July 1, 2010, which will provide partial data for cost of service models. These costs will help determine commercial viability of a pipeline.

The additional \$7.2496 million is for RSA monies to agencies duties outlined below.

The fiscal note has been changed from the Office of the Governor as the recipient to the Alaska Housing Finance Corporation (AHFC) as the recipient. Upon creation of a subsidiary corporation that will contain the Joint In-state Gasline Development Team, funds appropriated to AHFC shall be transferred to that subsidiary corporation.

FY12+: Indeterminate

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

Alaska Housing Finance Corporation:

PERSONAL SERVICES: 1,095.2 - increased to include 7 staff for first year as follows:

- Project Manager Rg 26
- Engineering Manager Rg 26
- Commercial Manager Rg 26
- Legislative Liaison/Public Outreach Officer Rg 23
- Finance/budget analyst Rg 22
- Schedule Coordinator Rg 21
- Technical Writer Rg 19 (first year only)

TRAVEL: 90.0

CONTRACTUAL: Total 12,792.5

Contractual to include commercial analysis of downstream industrial opportunities, public outreach and information dissemination, and annual lease space for 7 staff during the first year. Second and subsequent fiscal year contractual costs are indeterminate.

4,800.0 for engineering data acquisition and refinement of engineering design. Gather detailed engineering geotechnical data to support permitting applications and to refine engineering, alignments, and cost. This will need to be done on a priority basis to support the project timeframes. Areas in particular need of additional data are Atigun Pass, Yukon River, and Denali Park, essentially to prove the feasibility of the construction methods and associated cost estimates. Optimization of the pipeline alignment in those areas, and several others, requires this data and engineering support.

2,900.0 for permitting. This line items addresses ongoing project management and support to the U.S. Army Corps of Engineers (USACE) EIS, expected early in 2011. Keeping this on track will require active support and timely resolution of issues.

An extensive collection of permits will be required for construction. While the EIS forms the basis of many of the Federal permits, the permit requirements of each agency still need to be met. A large number of state permits and agreements will also be required. Examples include stream crossings, air quality, cultural agreements, water withdrawals, and so on. Permitting will require re-engineering the pipeline to avoid sensitive areas and to reconcile ROW issues.

800.0 for right of way. There expects to be contracting for right of way delineation and acquisition. Substantial benefits from the FY10 efforts are expected, but considerable follow up will be needed. The difficult area around Denali Park will receive particular attention, as well as any right of way requirements on lands not managed by the State, the BLM, or ARRC.

750.0 for project risk/phasing analysis. Systematically revisit the engineering, construction methodology, cost estimates, and project phasing assumptions to optimize project cost and delivery. This will require considerable interaction with the commercial development group to further define and evaluate options.

2,250.0 for commercial analysis and financing of downstream industrial opportunities.

500.0 for a Gas to Liquid (GTL) feasibility study.

500.0 for the preparation of a comprehensive financing plan that would be completed once cost estimates for the project are available. Contractual services will consist of Financial Advisors and legal counsel.

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

79.2 first year office lease space – reduces to 75.3 for second and subsequent years.

SUPPLIES: 29.0 for staff and fast-track activities, reducing to 25.0 for second and subsequent years.

EQUIPMENT: 84.3 one-time office set up.

Alaska Housing Finance Corporation FY12 & Beyond: Contractual; Indeterminate
Fiscal responsibility for FY12 and beyond is indeterminate at this time. These costs may include preconstruction engineering, procurement of natural gas, potential application for extension of LNG export license, and other engineering and commercial activities that provide for a gasline that is operational by December 31, 2015. AHFC's ability to transfer the project to private investors is likewise unknown. If unsuccessful, AHFC may assume liability for a portion, or all of the construction costs. These costs will depend on what is determined and approved from the development plan, if anything, and could range from tens of millions to over 5 billion dollars, depending on the level of participation by AHFC.

Breakdown of RSAs to state agencies: 7,249.6 as follows:

DCCED FY11: 100.0

The Department Commerce, Community and Economic Development(DCCED) fiscal note reflects 100.0 for various expenses of the Alaska Railroad as a member of the joint pipeline team.

This funding supports right-of-way requests and related engineering and costs related to team participation.

DEC FY11: 121.1

The Department of Environmental Conservation (DEC) fiscal note reflects one new PCN, a project coordinator, to be located in the Office of the Commissioner to coordinate with the joint in-state pipeline development team in evaluation of necessary environmental permitting, environmental impact statement review, Alaska Coastal Zone Management Program coordination, as well as compliance and enforcement activities for an in-state natural gas pipeline.

Program Coordinator Rg 20

DOR FY11: 1,100.0

Personal Services 100.0
Travel 50.0
Contractual 950.0

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

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

DOT FY11: 5,560.8 plus 367.7 for DNR State Pipeline Coordinators Office

The Department is a member of the joint pipeline development team and is the applicant for the right-of-way (ROW). A Engineer V will serve as the technical expert for the commissioner and as the technical lead for the Department's responsibilities. A ROW agent will coordinate the ROW portions of the plan, to assist in determining the

intricacies associated with potential routes, and will start initial coordination with utilities that are currently in the ROW. An environmental impact analysis manager will oversee and provide technical expertise for the environmental impacts and permits needed for activities in the department's ROW. Contractual costs include data acquisition, land appraisal and ROW consulting services.

Specific costs are for:

Personnel Services **418.7**
Engineer / Architect Rg 26
Right of Way Agent Rg 20
Environmental Impact Analysis Mgr. rg 21
Administrative Assistant I Rg 12

Travel **45.0**
Contractual **5,037.1**
Supplies **60.0**

ADDITIONAL CONTRACTUAL FOR DOT: 367.7

Needed for interagency funding to DNR State Pipeline Coordinators Office to be used by DNR as detailed below.

(DNR FY11): \$367.7¹

All State Pipeline Coordinator Office (SPCO) costs associated with the right-of-way permitting process, preparation of the Commissioner's Analysis, Proposed Decision and Action, construction oversight, and operational oversight are reimbursable pursuant to AS 38.35.140(b). Costs reflected in this fiscal note are reimbursable under AS38.35.140(b). Positions and efforts identified for SPCO work will utilize existing positions to the greatest extent possible.

FY2011 PERSONAL SERVICES COST - \$200.3 total (for 12 months)

BREAKDOWN of DNR FY11 costs

(1) STATE PIPELINE COORDINATOR'S OFFICE

Positions in Anchorage; for preparing the project plan and analyses.

¹ The RSA for 367.7 to DOT will subsequently be an RSA to DNR.

- one State Pipeline Coordinator (SPC) (range 26) - total 1 month at \$9.7/month = \$9.7
 - one Natural Resource Specialist (NRS) III (range 18)- total 3 months/yr at 7.31/month = \$21.93
 - one Natural Resource Manager (NRM) II (range 20) - total 1 month at \$9.41/month = \$9.41
 - one Engineer IV (range 27) - total 3 months at 13.70/month = \$41.1
 - Administrative Support - total = \$8.20
- \$90.34 for FY 11 Total**

- (2) OFFICE OF PROJECT MANAGEMENT AND PERMITTING
 Position in Anchorage; for coordination of a project Health Impact Assessment.
- Natural Resource Specialist (NRS) III (range 18) - total = \$10.0
- \$10.0 for FY 11 Total**

- (3) DIVISION OF COASTAL AND OCEAN MANAGEMENT
 One position in Anchorage; for conducting the project Alaska Coastal Management Program process.
- one Natural Resource Specialist (NRS) III (range 18)- total 1 month at 7.31/month = \$7.31
- \$7.31 for FY 11 Total**

- (4) STATE HISTORIC PRESERVATION OFFICE
 Position in Anchorage; for review and monitoring the cultural resource project program. - one Archeologist = \$20.0
- \$20.0 for FY 11 Total**

- (5) DIVISION OF GEOLOGICAL AND GEOPHYSICAL SURVEYS
 Positions in Fairbanks; for management of geohazards project related studies and review of existing information.
- one Geologist IV (range 21) - total 4 months = \$35.80
 - one LTNP Geologist III (range 19) - total 4 months = \$25.52
 - one Graduate Intern - total 4 months = \$11.32
- \$72.64 for FY 11 Total**

(6) DIVISION OF MINING LAND & WATER

The costs to DMLW would include expenses during FY 11 for providing assistance during the development teams planning efforts and preapplication meetings

PERSONAL SERVICES COST - \$86.4 total (for 12 months in FY11)

One Natural Resource Specialist (NRS) III (range 18) - total 12 months at \$86.4/year for assistance with the planning effort and preparation for the authorization work in FY12.

TRAVEL, CONTRACTUAL, SUPPLIES - \$11.0 total

Travel would be for planning and public meetings. \$2.0 in FY11
Other contractual costs include \$5.2 for office space, telephones, core service charges and related expenses for the new positions in FY11.

Supplies are budgeted at \$3.8 for FY11, and includes one-time start-up costs for new computers and office equipment.

TRAVEL, CONTRACTUAL, SUPPLIES - \$70.0 total for FY11

Travel, contractual, and supplies to support the duties of the development team in preparing the project plan and the Analyses necessary to prepare project applications, supporting documentation, and the preparation for an expedited state review of the proposed actions.

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

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

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

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

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2011	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
OPERATING EXPENDITURES								
Personal Services	314.3		314.3	314.3	314.3			
Travel	45.0		45.0	45.0	45.0			
Contractual	47.1		49.6	49.6	49.6			
Supplies	45.0		10.0	10.0	10.0			
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	451.4	0.0	418.9	418.9	418.9	0.0	0.0	

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

	FY 2011	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							
TOTAL	1,451.1	0.0	1,418.9	1,418.9	418.9	0.0	0.0

Estimate of any current year (FY2010) cost: _____

POSITIONS

	FY 2011	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

FISCAL NOTE #2

STATE OF ALASKA
2010 LEGISLATIVE SESSION

BILL NO. CSHB 369(RES)

ANALYSIS CONTINUATION

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

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

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

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

#2 DOT
No longer
applies - new REV
(AHFC) # FN
takes care of DOT's
items

*Withdrawn
4/18/10*

26-LS1527M.3
Chenoweth
4/15/10

AMENDMENT

①

OFFERED IN THE SENATE
TO: SCS CSHB 369(RES)

By Senator
Thomas

1 Page 7, line 27:
2 Delete "and"
3 Following "state":
4 Insert ", and facilitating the project developer's commitment to negotiate, to the
5 maximum extent permitted by law, before construction of the project begins, a project
6 labor agreement; if, in consideration of complying with the project labor agreement,
7 the development team determines that the project may be constructed by a private
8 pipeline construction company or companies, the development team shall direct that
9 this requirement be incorporated into any construction contract agreement as a binding
10 commitment applicable to the corporation's contractors; for this purpose, "project
11 labor agreement" means a comprehensive collective bargaining agreement between
12 the project developer or, if construction is to be undertaken by one or more private
13 pipeline construction companies, the project developer's contractor or contractors and
14 the appropriate labor representatives to ensure expedited construction with labor
15 stability for the project by qualified residents of the state"



KENAI PENINSULA BOROUGH

Mayor's Office

144 N. Binkley • Soldotna, Alaska 99669

Toll-free within the Borough: 1-800-478-4441

PHONE: (907) 714-2150 • FAX: (907) 714-2377

www.borough.kenai.ak.us

March 11, 2010

Honorable Mike Chenault
Speaker, Alaska House of Representatives
State Capitol Room 208
Juneau, AK 99801

Dear Speaker Chenault:

I am pleased to offer my support of House Bill 369: An Act relating to an in-state natural gas pipeline.

The Kenai Peninsula Borough and the entire South Central region of Alaska has long relied on the natural gas production from the Cook Inlet basin to heat our homes, schools and businesses; generate electrical energy and employment of thousands of workers. As the Cook Inlet supply is dwindling, a new source of natural gas is paramount to our economic stability and prosperity. I believe an "in-state" gas line will accomplish that.

Many Alaskan's have become frustrated by the apparent lack of movement by our elected officials to head off the day when a reliable source of natural gas ceases to exist here; in my view HB 369 attempts to consolidate the multiple and individual efforts into one common direction and does so with measurable timeframes for action.

The Kenai Peninsula Borough supports the construction of a natural gas spur pipeline, or "bullet line", connecting the North Slope to Cook Inlet. This pipeline would address Alaskan economic concerns and long-term energy needs. The Kenai Peninsula Borough supports the efforts of the Alaska Natural Gas Development Authority (ANGDA) to develop a spur pipeline, to bring North Slope natural gas to Southcentral Alaska, specifically to the Nikiski area, which is an established hub in Cook Inlet.

The Kenai Peninsula Borough welcomes the opportunity to be included as part of the Joint In-state Gasline Development Team as described in HB 369. Please consider this letter as my firm support of House Bill 369.

Sincerely,

David R. Carey
David R. Carey
Mayor

1 (23) sec. 100, ch. 2, FSSLA 1999, page 69, lines 29 - 30, and allocated on
2 page 69, lines 31 - 32 (Department of Transportation and Public Facilities, National Highway
3 System (NHS) state match - \$22,602,059).

4 (b) The unexpended and unobligated balance, not to exceed \$98,056, of the
5 appropriation made in sec. 60, ch. 3, FSSLA 2005, page 140, lines 24 - 26 (Alaska Gateway,
6 Dot Lake School mechanical upgrade - \$1,087,118) is reappropriated to the Alaska capital
7 income fund (AS 37.05.565).

8 (c) The unexpended and unobligated balance, not to exceed \$54,753, of the
9 appropriation made in sec. 60, ch. 3, FSSLA 2005, page 142, lines 13 - 14 (Southeast Island,
10 Thorne Bay house access ramp - \$141,415) is reappropriated to the Alaska capital income
11 fund (AS 37.05.565).

12 * Sec. 19. NATURAL GAS PIPELINE. (a) The sum of \$4,322,000 is appropriated from the
13 Alaska capital income fund (AS 37.05.565) to the Office of the Governor for the development
14 of an in-state natural gas pipeline.

15 (b) The unexpended and unobligated balance, estimated to be \$2,700,000, of the
16 appropriation made in sec. 8, ch. 1, 4SSLA 2008 (Department of Natural Resources, gas
17 pipeline implementation - \$5,500,000) is reappropriated to the Office of the Governor for the
18 development of an in-state natural gas pipeline.

19 (c) For the appropriations made in (a) and (b) of this section, it is the intent of the
20 legislature that

21 (1) the funds be used solely to plan, coordinate, and facilitate construction,
22 ownership, and management of a natural gas pipeline serving Fairbanks, the Southcentral
23 region of the state, and other communities wherever practicable, connecting with or
24 enhancing the existing gas pipeline system, and reaching to tidewater;

25 (2) the funds be used for a full alternative analysis of possible routes;

26 (3) an economically feasible in-state pipeline and any connecting lines serve
27 industrial, residential, and utility customers along the entire route, including any other regions
28 of the state that could be served at commercially feasible rates;

29 (4) the Office of the Governor use the appropriations to

30 (A) coordinate with entities that could build, own, and operate the line;

31 (B) assist with preparing cost estimates for the project to determine its

1 economic feasibility and cost to consumers;

2 (C) apply for and obtain right-of-way permits for the project route,
3 with the intent that the state would transfer the permits to, and receive compensation
4 for the permits from, the entity best able to complete the project;

5 (D) work with other entities to promote the gas supply and gas
6 purchase contracts that would be required for the project to be commercially viable;

7 (5) the coordination effort by the Office of the Governor use, to the fullest
8 extent possible, any and all existing work by other state agencies before contracting for new
9 reports, research, and analyses, and that the coordination effort by the Office of the Governor
10 not expand beyond the scope of coordinating interests to build, own, and operate the gas
11 pipeline;

12 (6) the Office of the Governor submit written monthly reports to the president
13 of the senate, the speaker of the house of representatives, and all legislators, listing all current
14 and future contracts executed for development of an in-state natural gas pipeline and
15 specifying the scope of work and contract amount, a cumulative total monthly of all funds
16 spent for development of an in-state natural gas pipeline, reporting progress to date on the
17 project work plan, and presenting a work plan for each subsequent month.

18 * **Sec. 20. FUND TRANSFER.** An amount equal to 20 percent of the revenue collected
19 under AS 43.55.011(g), not to exceed \$60,000,000, is appropriated from the general fund to
20 the community revenue sharing fund (AS 29.60.850).

21 * **Sec. 21. CONTINGENCIES.** (a) Sections 14(f) and 14(g) of this Act are contingent on
22 ratification by the members of the respective collective bargaining unit of its collective
23 bargaining agreement.

24 (b) Section 7(e) of this Act is contingent on passage by the Twenty-Sixth Alaska State
25 Legislature in the First Regular Session and enactment into law of a version of HB 172
26 relating to the education loan fund.

27 (c) Section 11(b) of this Act is contingent on passage by the Twenty-Sixth Alaska
28 State Legislature in the First Regular Session and enactment into law of a version of SB 89
29 relating to retirement benefits for members of the Alaska Territorial Guard.

30 (d) Section 8(f) of this Act is contingent on passage by the Twenty-Sixth Alaska State
31 Legislature in the First Regular Session and enactment into law of a version of HB 141