

HCR

2

SENATE COMMITTEE REPORT

DATE: 3/2/09

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 3/30/09

Resources Committee considered CS FOR HOUSE CONCURRENT RESOLUTION NO. 2(RES) am

HCR 2 IN-STATE GAS PIPELINE

Requesting the governor to provide energy security for all Alaskans first by pursuing development of a natural gas bullet pipeline from the North Slope to the Cook Inlet region; and requesting the governor to identify and negotiate where appropriate with one or more persons capable of producing natural gas from the Gubik area, and other areas on the North Slope if necessary, in sufficient quantities to support the energy needs of Alaskans and a bullet pipeline project.

and recommends:

- be replaced with SCS or CS CS HCR 2 (RES)
- 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 # <u>NA</u>	


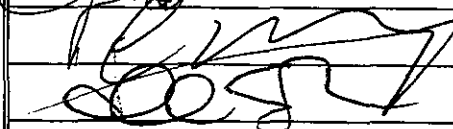
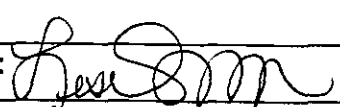

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	JERRY HUGGINS	X			
	French	X			
CO-CHAIR: 	McGuire	✓			
CO-CHAIR: 	Wielechowski	✓			

FISCAL NOTE

STATE OF ALASKA
2010 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SCS CSHCR 2(FIN)
 (S) Publish Date: 3/30/10

Identifier (file name): _____ Dept. Affected: All
 Title HCR 2 IN-STATE GAS PIPELINE RDU _____
 Component _____
 Sponsor Rep. Ramras
 Requester Senate Finance Committee Component Number _____

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								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

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

Estimate of any current year (FY2010) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

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

Prepared by: Senate Finance Committee Phone 465-3873/465-4453
Co-Chair Bert Stedman/Co-Chair Lyman Hoffman Date/Time _____
 Approved by: _____ Date 3/29/2010

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Representative Jay Ramras
District 10

Sponsor Statement for House Concurrent Resolution No. 2

Short Title: IN-STATE GAS PIPELINE

Contact: Margaret Dowling, 465-6841

Purpose and Intent HCR 2:

The intent of House Concurrent Resolution No. 2 is to provide energy security for Alaskans. This resolution urges the Governor to take action that will facilitate development of a small natural gas pipeline, commonly referred to as the "bullet line." With completion of a large diameter gas line not expected until 2016 at the earliest, the bullet line, a smaller project that will be easier and quicker to complete, can bridge the gap in natural gas delivery and provide much needed natural gas to communities along its route between the North Slope and Cook Inlet. Because the gas will be extracted and delivered within the state, and for export, the cost of this resource to the ratepayers could be considerably less than the cost of other sources of fuel consumed by Alaska's residents today. Thus, the bullet line will provided certainty of supply and predictability of price for Alaskans along the bullet line route.

The Governor and key agencies in the executive branch are in a unique position to facilitate development of the bullet line. The executive branch has the authority and resources to locate companies or entities in Gubik or elsewhere in the North Slope that have significant quantities of natural gas and to negotiate contracts with those entities to guarantee commercially reasonable terms that will enhance economic viability of a bullet line. The time to act for energy certainty for all Alaskans is now.

Summary HCR 2:

- Requests that the Governor provide energy security for all Alaskans by taking action necessary to support the development of a natural gas pipeline that will deliver natural gas from the North Slope to Cook Inlet.

February 11, 2009

26-LS0264\S.A

Representative_Jay_Ramras@legis.state.ak.us

- Requests that the Governor identify entities in Gubik or elsewhere on the North Slope that have sufficient quantities of natural gas to support a gas line.
- Requests that the Governor negotiate a commitment with the identified entity for gas production on commercially reasonable terms that would support the economic viability of the gas line.

Benefits HCR 2:

- Secures an adequate supply of affordable natural gas for residential and industrial consumers from the North Slope to Cook Inlet.
- Increases jobs, and local and state revenue.

HCR 2 Testimony 2/3/09

Frank Abegg
Fairbanks resident, private citizen

I support building a Bullet Line to deliver in-state natural gas to the Railbelt.

I have been a volunteer working on the Interior Issues Council of the Fairbanks Economic Development Corporation (FEDC). This group was formed a few years ago to find ways to improve our health and lower the area's energy costs. During the past few months, and our community group investigated Alaska's gas fields, in-state pipeline/supply options, the gas market and potential future industry opportunities. The group identified three possible options for delivering InState gas to Alaskans: Fairbanks Natural Gas LNG from the North Slope, the ANGDA Spur Line from Delta Junction to Anchorage, and the ENSTAR Bullet Line from the North Slope to Anchorage. All three proposals have challenges to provide economical gas supply. However, I believe the Bullet Line is the best option for supplying future reliable and economical gas to Fairbanks and Anchorage. If the bullet line can secure sufficient market and operate at its projected 0.5 Bcf/day, then natural gas could be supplied from the North Slope in the \$10 to \$12/mcf range. FNG currently supplies gas to Fairbanks customers at \$22.91/mcf.

One of the options we explored was the "Do Nothing" scenario. At present the Fairbanks area uses 50 million gallons of fuel oil for residential/commercial heating each year. At \$2.50/gallon oil the Fairbanks spends \$125 million annually. Switching to gas could save up to \$60 million annually by switching to gas priced at \$10-12/mcf. The local refineries, Flint Hills and PetroStar, and the electric utility, GVEA, also burn oil. If they switched to gas they could potentially save around \$150 million annually, which could be over \$200 million annual savings.

Currently the Anchorage area's residential/commercial customers and electric utilities use about 80 Bcf/yr of gas. With the Cook Inlet gas field depleting, they might need to import LNG in the future without instate gas from the bullet line. If the imported LNG cost an additional \$3/mcf, then the Anchorage customers would need to spend an additional \$240 million/year for gas.

Bottom line is that the Railbelt could see increased energy costs in the range of \$500 million/year compared to building a bullet line. If the Bullet Line costs \$4 billion at an investment rate of 12%, then its annual cost would be about \$500 million. About the same cost. However, the Bullet Line would provide Alaskans' access to in-state resources, create jobs in its construction, opportunities for local industry and help Fairbanks solve the growing PM2.5 air quality non-attainment problem.

I recommend that the State provide assistance to private industry in the permitting and right-of-way and possibly roads needed for the bullet line construction. The goal should be to have gas delivered to Anchorage and Fairbanks within the next 5 years.

The FEDC Instate Gas Pipeline Supply Options Study will be officially released this week. The Study supports construction of the Bullet Line and recommends the State provide assistance. The Study supports building a limited size LNG facility on the North Slope to deliver gas to Fairbanks by 2011 and a Bullet Line that can deliver gas by 2016. The bullet line would provide access to market for the potential Nenana gas field, Yukon Flats, Gubik and Cook Inlet. Having multiple gas supplies should encourage competitive pricing of our future gas supply.