

**02/18/16
AKLNG
UPDATE:
FUNDS
EXPENDED &
FY 17
FUNDING
REQUESTS**

<TARGET><BILL></BILL><SUBJECT>02-18-16 AKLNG UNPDATE
FUNDS EXPENDED and FY 17 FUNDING
REQUESTS</SUBJECT><COMM>HFIN29</COMM></TARGET>

February 29, 2016

Representative Mark Neuman
Co-Chairman
House Finance Committee
Capitol Building, Room 505
Juneau, AK 99801

Representative Steve Thompson
Co-Chairman
House Finance Committee
Capital Building, Room 515
Juneau, AK 99801

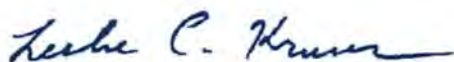
Dear Chairmen Neuman and Thompson:

On February 18th the Alaska Gasline Development Corporation (AGDC) appeared before the House Finance Committee to provide an update regarding natural gas project funding and expenditures. During the hearing, several committee members asked for more information on inter-agency transfers of money from the two funds managed by AGDC.

AGDC has responsibility over two funds from which it finances corporate operations and gasline project activities: the In-State Natural Gas Pipeline Fund (AS 31.25.100) and the Alaska Liquefied Natural Gas Project Fund (AS 31.25.110). Periodically, the corporation establishes a Reimbursable Services Agreement (RSA) with a state agency that is providing a service either to the corporation or to the gasline initiatives we are advancing. An RSA is a contractual agreement between AGDC who is paying for the service, and the state agency providing the service. AGDC and the servicing agency agree in advance on the terms and conditions of the contract, to include scope of work, deliverables, cost estimates, budget, and timelines prior the RSA being executed. Some agencies have received spending authority to perform these services in their annual operating budget, others have not. Either way, AGDC is responsible for validating the need for the service and the cost of providing it, prior to approving the agreement.

Attached please find a breakdown of the RSAs that AGDC has executed since the In-State Pipeline Fund and the Alaska LNG Fund were established, as well as estimates of the RSAs we anticipate executing in FY17. If the committee requires any additional information on this topic, please do not hesitate to contact me.

Respectfully,



Leslie C. ("Fritz") Krusen
Interim President

CC House Finance Committee Members
Senator Anna MacKinnon, Senate Finance Co-Chair
Senator Pete Kelly, Senate Finance Co-Chair
Pat Pitney, Director Office of Management & Budget
Chris Hladick, Commissioner DCCED
Darwin Peterson, Legislative Director, Office of Governor Walker
David Teal, Legislative Finance Division

Corporate Support

Agency	Task Description	Fund	Budget	Act	Balance	Status
AHFC	AHFC RSA FY14	1229	1,828,346	1,828,346	0	Closed
SOA-DCCED	FY15 DCCED Admin Services Support	1229	28,647	28,647	0	Closed
SOA-DCCED	FY15 DCCED Commissioner's Office	1229	68,251	68,251	0	Closed
FY14 Subtotal for RSAs			1,925,244	1,925,244	0	
AHFC	FY15 RSA AHFC Administrative Support	1229	206,217	206,217	0	Closed
SOA - Dept of Law	FY15 Dept of Law - Legal Svcs for AGDC - RS 0350252	1232	45,469	45,469	0	Closed
SOA - Dept of Law	FY15 Dept of Law - AKLNG Outside Legal Services - RSA	1235	1,000,000	1,000,000	0	Open
SOA - DOR (Lazard Rpt)	FY15 DOR - Natural Gas Commercialization (AKLNG)	1236	2,450,000	2,450,000	0	Closed
SOA-DCCED	FY15 DCCED Admin Services Support	1229	29,852	29,852	0	Closed
SOA-DCCED	FY15 DCCED Commissioner's Office	1229	79,645	79,645	0	Closed
FY15 Subtotal for RSAs			3,811,183	3,811,183	0	
AHFC	FY16 AHFC - Employee Benefits Program Administration	1229	144,000	36,000	108,000	Open
SOA - Dept of Law	FY16 AGDC Dept of Law Legal Svcs	1232	136,500	30,384	106,116	Open
SOA-DCCED	FY16 DCCED Admin Services Support	1229	30,000	0	30,000	Est
SOA-DCCED	FY16 DCCED Commissioner's Office	1229	80,000	0	80,000	Est
FY16 Subtotal for RSAs			390,500	66,384	324,116	
AHFC	FY16 AHFC - Employee Benefits Program Administration	1229	200,000	0	0	Est
SOA-DCCED	FY16 DCCED Admin Services Support	1229	20,000	0	0	Est
SOA-DCCED	FY16 DCCED Commissioner's Office	1229	80,000	0	0	Est
FY17 Subtotal for RSAs			300,000	0	0	
			6,426,927	5,736,427	0	

Project Support

Agency	Task Description	Fund	Budget	Act	Balance	Status
ARRC	FY14 ARRC RSA	1229	11,572	11,572	0	Closed
SOA - DOTPF	DOT&PF FY14 Budgeted	1232	77,380	77,380	0	Closed
SOA - DEC	Air Quality FY14 Budgeted	1232	3,863	3,863	0	Closed
SOA - DEC	Water Quality FY14 Budgeted	1232	33,179	33,179	0	Closed
SOA - SPCO	SPCO FY14	1229	663,074	663,074	0	Closed
SOA - DNR-Mining Land/Water	RSA - DNR Mining, Land & Water FY14/15	1229	68,000	68,000	0	Closed
FY14 Subtotal for RSAs			857,068	857,068	0	
SOA - DEC	FY15 902 DEC Air Quality Permits - ASAP	1232	9,538	9,538	0	Closed
SOA - DEC	FY15 DEC Water Quality - RSA ASAP	1232	91,905	91,905	0	Closed
SOA - SPCO	FY15 RSA - DNR - State Pipeline Coordinator Office	1232	419,596	419,596	0	Closed
SOA - DNR-Office of Project Mgt	FY15 Gasline Compensatory Mitigation - DNR - OPMP	1229	38,691	38,691	0	Closed
SOA - DNR - Support Services Div	FY15 DNR - Geological & Geophysical Surveys RSA ASAP	1229	108,955	108,955	0	Closed
SOA - DOTPF	FY15 DOTPF - ASAP Statewide Design & Engineering Svcs	1232	45,981	45,981	0	Closed
SOA - DOTPF	FY15 DOTPF - AKLNG Statewide Design & Engineering Svcs	1236	9,375	9,375	0	Closed
SOA - DNR-Mining Land/Water	FY15 RSA-DNR - Mining, Land and Water	1229	90,027	90,027	0	Open
FY15 Subtotal for RSAs			814,068	814,068	0	
SOA - DEC	FY16 DEC Air Quality SOA - PENDING SIGNATURE	1232	4,450	0	4,450	Pending
SOA - DEC	FY16 DEC Water Quality SOA	1232	34,010	0	34,010	Open
SOA - SPCO	FY16 RSA - DNR - State Pipeline Coordinator Office	1232	601,682	0	601,682	Open
SOA - DOTPF	FY16 DOTPF - Statewide Design & Engineering Svcs	1232	131,936	0	131,936	Open
FY16 Subtotal for RSAs			772,078	0	772,078	
SOA - SPCO	FY17 DNR - State Pipeline Coordinator's Office	1232	605,000	0	605,000	Pending
SOA - DOTPF	FY17 DOTPF - Statewide Design & Engineering Services	1232	132,000	0	132,000	Open
SOA - DEC	FY17 DEC Division of Water	1232	34,000	0	34,000	Open
SOA - DEC	FY17 DEC Division of Air	1232	2,000	0	2,000	Open
FY17 Subtotal for RSAs			773,000	0	1,378,000	

Project Support Total: 3,216,214 1,671,136 1,378,000

AGDC RSA Total: 9,643,141 7,407,563 1,378,000

Distribution by Fund Source

3,775,277 1229 - ISNGPF
 2,408,489 1232 - ISNGPF I/A
 1,000,000 1235 - LNGF
 2,459,375 1236 - LNGF I/A

AGDC Total 9,643,141



ALASKA STATE LEGISLATURE HOUSE FINANCE COMMITTEE

State Capitol, Room 519

Rep. Mark Neuman, Co-Chair

Rep. Steve Thompson, Co-Chair

Thursday, February 18, 2016

1:30 PM

DNR, DOR, LAW
Postponed

Agenda:

AK LNG Update - Funds Expended and FY 17 Funding Requests
Department of Natural Resources, Department of Revenue
Department of Law, Alaska Gasline Development Corporation,
Legislative Finance Division

Testifying In Person:

- PP — Pat Pitney, Director, Office of Management and Budget, Office of the Governor
- RU — Marty Rutherford, Deputy Commissioner, Department of Natural Resources
- MB — Miles Baker, Director, Government Relations and External Affairs, Alaska Gasline Development Corporation
- BT — Bruce Tangeman, Vice President of Administration and Finance, Alaska Gasline Development Corporation
- DT — David Teal, Director, Legislative Finance Division
- LS — Lacey Sanders, Fiscal Analyst, Legislative Finance Division

Testifying Via Teleconference:

- DK — Dona Keppers, Deputy Commissioner, Department of Revenue
- MS — Martin Schultz, Attorney VI, Civil Division - Oil Gas/Mining, Department of Law

FR - FRANK RICHARDS
KR - FRITZ KRUSEN
LW - LIEZA WILCOX

} AGPC



Summary of AKLNG Fund Codes

By Legislative Finance Division

- 1229 AGDC-ISP: In-State Natural Gas Pipeline Fund
- 1232 ISPF-I/A: In-State Natural Gas Pipeline Fund—Interagency
- 1235 AGDC-LNG: Alaska Liquefied Natural Gas Project Fund
- 1236 AK LNG I/A: Alaska Liquefied Natural Gas Project Fund I/A
- 1241 GF/LNG: General Fund / LNG

**Summary of AKLNG Funding within Department Operating Budgets
FY15 Mgt Plan / FY16 Mgt Plan & Supps / FY17 GovAmd**

FY17 Governor's Amended Request

Agency	UGF (1004)	AGDC - ISP (1229)	ISPF - I/A (1232)	AGDC - LNG (1235)	AK-LNG I/A (1236)	GF/LNG (1241)	TOTAL
Alaska Gasline Development Corporation	-	10,147.9	-	2,801.9	-	-	12,949.8
Environmental Conservation	-	-	307.8	-	-	-	307.8
Law	700.0	-	139.1	-	-	-	839.1
Natural Resources	-	-	517.0	-	-	28,681.8	29,198.8
Revenue	-	-	-	-	-	1,876.7	1,876.7
Transportation	-	-	700.6	-	1.3	-	701.9
TOTAL	700.0	10,147.9	1,664.5	2,801.9	1.3	30,558.5	45,874.1

UGF requested in error -- will be corrected to the GF/LNG code 1241 in the subcommittee process.

A FY17 Governor's Amendment reduced funding from \$35.7 million. Of the \$28.7 million, \$17 million will go to the Department of Law as I/A Receipts (1007).

FY16 Management Plan & Supplementals

Agency	UGF (1004)	AGDC - ISP (1229)	ISPF - I/A (1232)	AGDC - LNG (1235)	AK-LNG I/A (1236)	GF/LNG (1241)	TOTAL
Alaska Gasline Development Corporation	-	10,447.9	-	2,801.9	-	-	13,249.8
Environmental Conservation	-	-	307.8	-	-	-	307.8
Law	700.0	-	139.1	-	-	10,100.0	10,939.1
Natural Resources	-	8,986.7	517.0	-	-	1,849.5	11,353.2
Revenue	-	-	-	-	150.0	1,045.5	1,195.5
Transportation	-	-	700.6	-	71.3	-	771.9
TOTAL	700.0	19,434.6	1,664.5	2,801.9	221.3	12,995.0	37,817.3

UGF appropriations to Department of Law have been corrected to the GF/LNG code 1241 for tracking purposes.

FY15 Management Plan

Agency	UGF (1004)	AGDC - ISP (1229)	ISPF - I/A (1232)	AGDC - LNG (1235)	AK-LNG I/A (1236)	GF/LNG (1241)	TOTAL
Alaska Gasline Development Corporation	-	10,445.1	-	2,999.4	-	-	13,444.5
Environmental Conservation	-	-	382.9	-	-	-	382.9
Law	1,500.0	-	136.8	-	-	-	1,636.8
Natural Resources	-	-	670.3	-	-	-	670.3
Revenue	-	-	-	-	2,500.0	-	2,500.0
Transportation	-	-	692.9	-	70.0	-	762.9
TOTAL	1,500.0	10,445.1	1,882.9	2,999.4	2,570.0	-	19,397.4

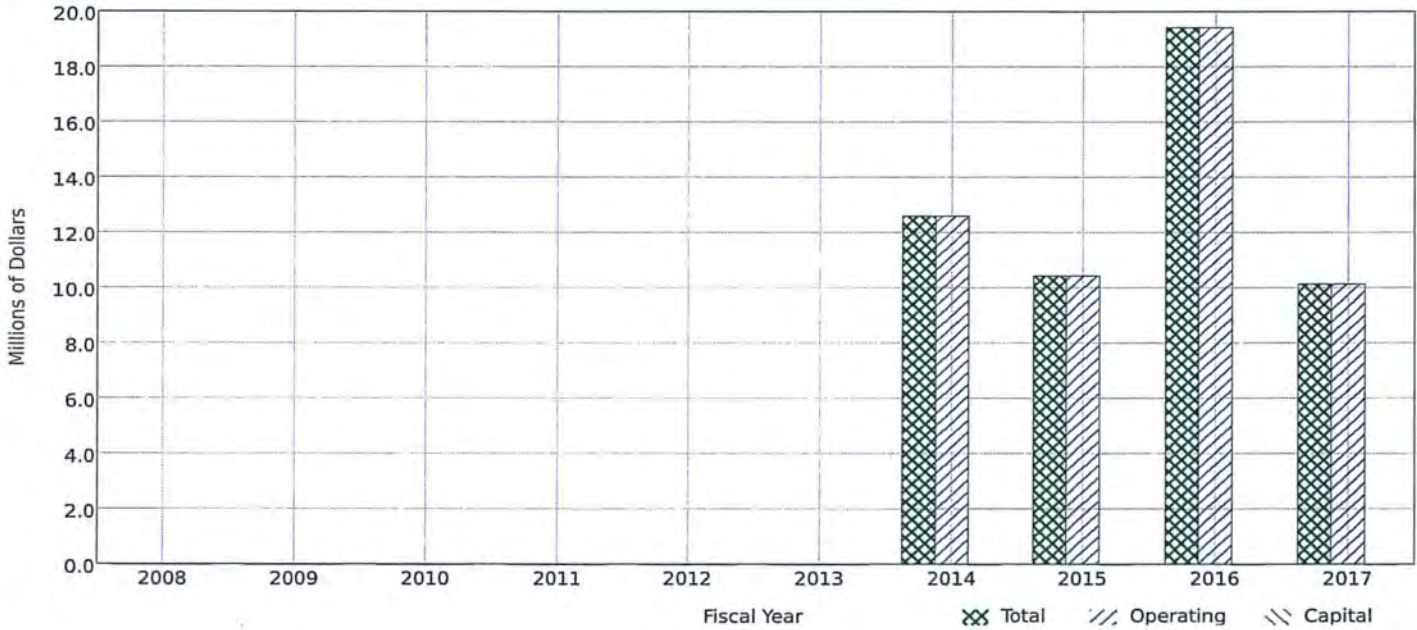
TOTAL	2,900.0	40,027.6	5,211.9	8,603.2	2,792.6	43,553.5	103,088.8
--------------	----------------	-----------------	----------------	----------------	----------------	-----------------	------------------

Fund Source Report

1229 AGDC-ISP In-State Natural Gas Pipeline Fund

Year Authorized 2014 Year Repealed Active? Yes Mental Health? No Duplicated? Yes Fund Group Other Designated

Operating and Capital Appropriations



Legal Authority
AS 31.25.100

Source of Revenue
The in-state natural gas pipeline fund consists of money appropriated to it. Interest and other income received on money in the fund shall be separately accounted for and may be appropriated to the fund.

Restrictions on Use
The corporation may use money appropriated to the fund without further appropriation for the cost of managing the fund and for the planning, financing, development, acquisition, maintenance, construction, and operation of an in-state natural gas pipeline.

Description and History
January 2014
Beginning in FY15, the AGDC-ISP code (1229) should be used only to record the operating budget of the Alaska Gasline Development Corporation. The source of funding is the in-state pipeline fund within the ADGC. That fund is also the source of money used by AGDC to purchase goods and services from state agencies (see code 1232) and from outside vendors (no appropriation required).

This specific code for AGDC internal appropriations is required because there is a need to set an internal budget for the corporation (code 1229) without limiting purchases of goods and services from outside vendors or state agencies.

The in-state pipeline fund was established with the adoption of HB4 during the 2013 session. The fiscal note to HB4 appropriated \$330 million to the fund. An additional \$25 million was appropriated in the FY14 capital budget, and two outstanding capital projects (for past work on the pipeline project) were reappropriated to the fund.

The in-state natural gas pipeline fund was established within the corporation and consists of money appropriated to it. The corporation shall determine fund management and may contract with the Department of Revenue for fund management. Unless otherwise provided by law, money appropriated to the fund lapses into the general fund on the day AS 31.25.100 is repealed. Interest and other income received on money in the fund shall be separately accounted for and may be appropriated to the fund.

For FY14, the code also reflects the cost of interagency agreements. Code 1232 was added in FY15 in order to meet accounting requirements for differentiating restricted and unrestricted funding. Fund code 1229 was intended to be a restricted fund source that is a subset of inter-agency receipts; agencies other than the corporation itself were to spend code 1229 only as specified in an agreement signed by the corporation. DoA did not

Fund Source Report

set up the code as intended.

Because the in-state pipeline fund may be spent by AGDC without further appropriation, the fund is classified as a capitalization (rather than as a transfer) and all expenditures by state agencies are classified as duplicated.

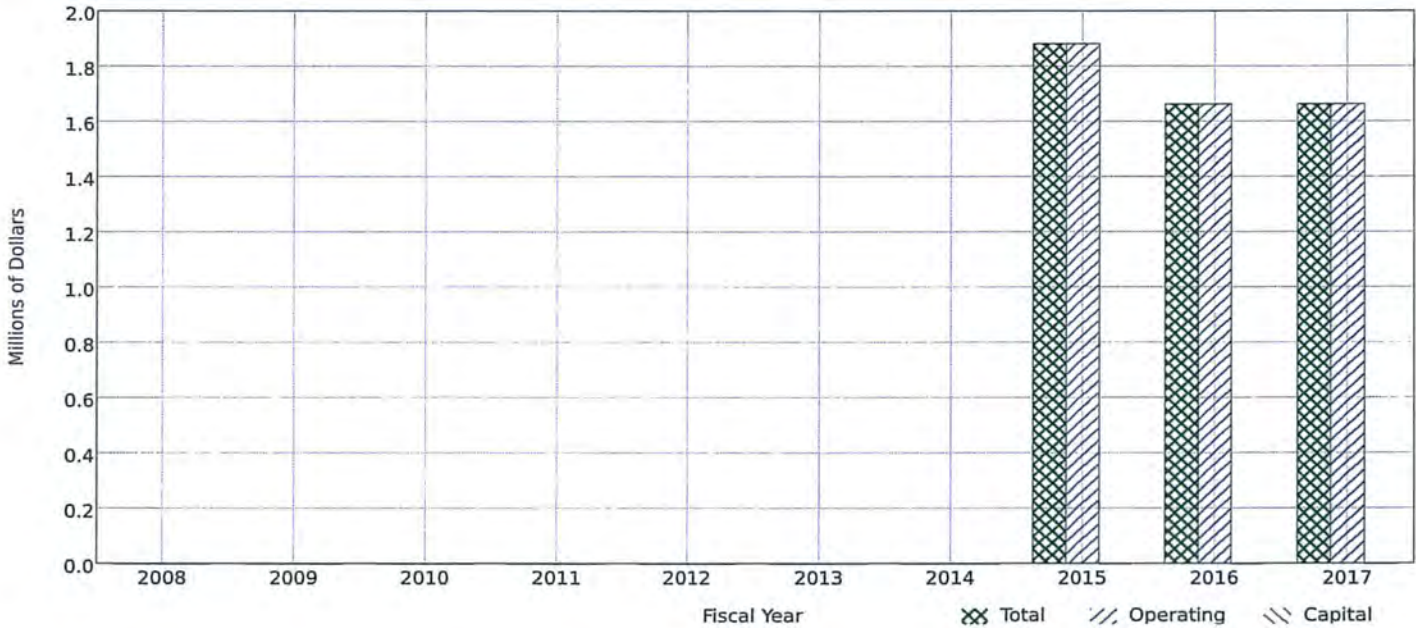
Fund Source Report

1232 ISPF-I/A

In-State Natural Gas Pipeline Fund--Interagency

Year Authorized 2015	Year Repealed	Active? Yes	Mental Health? No	Duplicated? Yes	Fund Group Other Designated
-------------------------	---------------	----------------	----------------------	--------------------	--------------------------------

Operating and Capital Appropriations



Legal Authority
AS 31.25.100

Source of Revenue

The in-state natural gas pipeline fund consists of money appropriated to it. Interest and other income received on money in the fund shall be separately accounted for and may be appropriated to the fund.

Restrictions on Use

The corporation may use money appropriated to the fund without further appropriation for the cost of managing the fund and for the planning, financing, development, acquisition, maintenance, construction, and operation of an in-state natural gas pipeline.

Description and History

February 2014

This fund code was established for FY15 to meet accounting requirements for separation of the AGDC budget from money spent by other agencies. This is one of two fund codes that access the in-state pipeline fund established with the adoption of HB4 during the 2013 session. (See code 1229.)

Fund code 1229 should be used only to record the operating budget of the Alaska Gasline Development Corporation.

Code 1232 should be used only to record AGDC's purchases of services from other state agencies. Agencies can spend code 1232 only as specified in a reimbursable services agreement signed by the corporation. Funding for RSAs will be drawn from the fund without appearing in the operating budget of AGDC.

Because the in-state pipeline fund may be spent by AGDC without further appropriation, the fund is classified as a capitalization (rather than as a transfer) and all expenditures by state agencies are classified as duplicated. To facilitate tracking of expenditures, state agencies anticipating RSAs should include code 1232 in annual budget requests. As with other interagency receipts, budgeted amounts may be modified without legislative action. Modified amounts should appear in reports of actual expenditures.

Codes 1229 and 1232 both draw from the in-state pipeline fund. The combination of codes meets the following objectives:

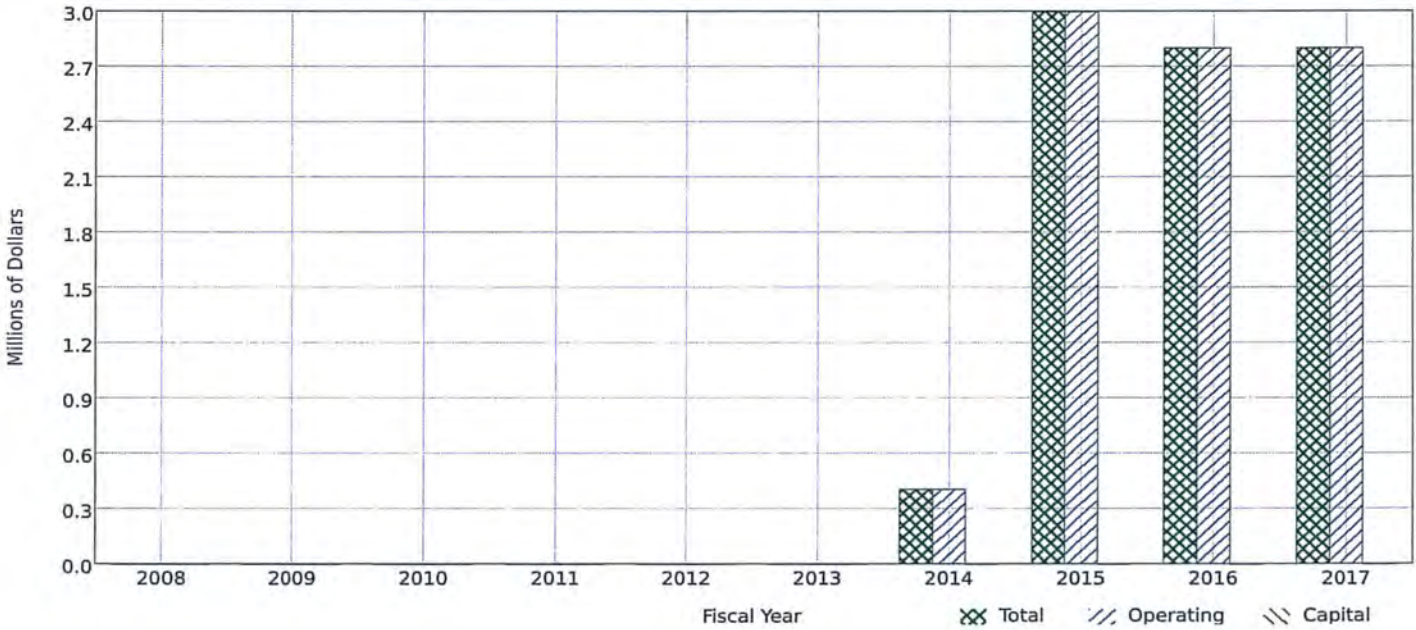
1. AGDC has unlimited access to the pipeline fund for purchase of goods and services from vendors (no appropriation required, and not recorded in the budget system)
2. AGDC has an identifiable operating budget limited to the appropriation of code 1229.

Fund Source Report

1235 AGDC-LNG Alaska Liquefied Natural Gas Project Fund

Year Authorized FY15 Year Repealed Active? Yes Mental Health? No Duplicated? Yes Fund Group Other Designated

Operating and Capital Appropriations



Legal Authority
AS 31.25.110

Source of Revenue
The LNG fund consists of money appropriated to it. Interest and other income received on money in the fund shall be separately accounted for and may be appropriated to the fund.

Restrictions on Use
The corporation may use money appropriated to the fund without further appropriation for the cost of managing the fund, for purposes related to an Alaska liquefied natural gas project, and for the purpose of transferring net revenue received by the corporation related to equity interest, contracts, and other activities to the appropriate fund of the state as determined by the commissioner of revenue in consultation with the commissioner of natural resources.

Description and History
April 2014

The AGDC-LNG code should be used only to record the operating budget of the Alaska Gasline Development Corporation for LNG project activities. The source of funding is the LNG fund within the ADGC. That fund is also the source of money used by AGDC to purchase goods and services from state agencies (see code 1236) and from outside vendors (no appropriation required).

This specific code for AGDC internal appropriations is required because there is a need to set an internal budget for the corporation (code 1235) without limiting purchases of goods and services from outside vendors or state agencies.

The LNG fund was established with the adoption of SB 138 during the 2014 session. The fiscal note to SB 138 appropriated \$70 million to the fund.

The LNG fund is established within the corporation and consists of money appropriated to it. The corporation shall determine fund management and may contract with the Department of Revenue for fund management. Interest and other income received on money in the fund shall be separately accounted for and may be appropriated to the fund.

Codes 1235 and 1236 both draw from the LNG fund. The combination of codes meets the following objectives:

1. AGDC has unlimited access to the pipeline fund for purchase of goods and services from vendors (no appropriation required, and not recorded in the budget system)
2. AGDC has an identifiable operating budget limited to the appropriation of code 1235, and complies with the executive budget act.

Fund Source Report

3. AGDC has full control over the amount and cost of services purchased from other state agencies (code 1236).

Fund Source Report

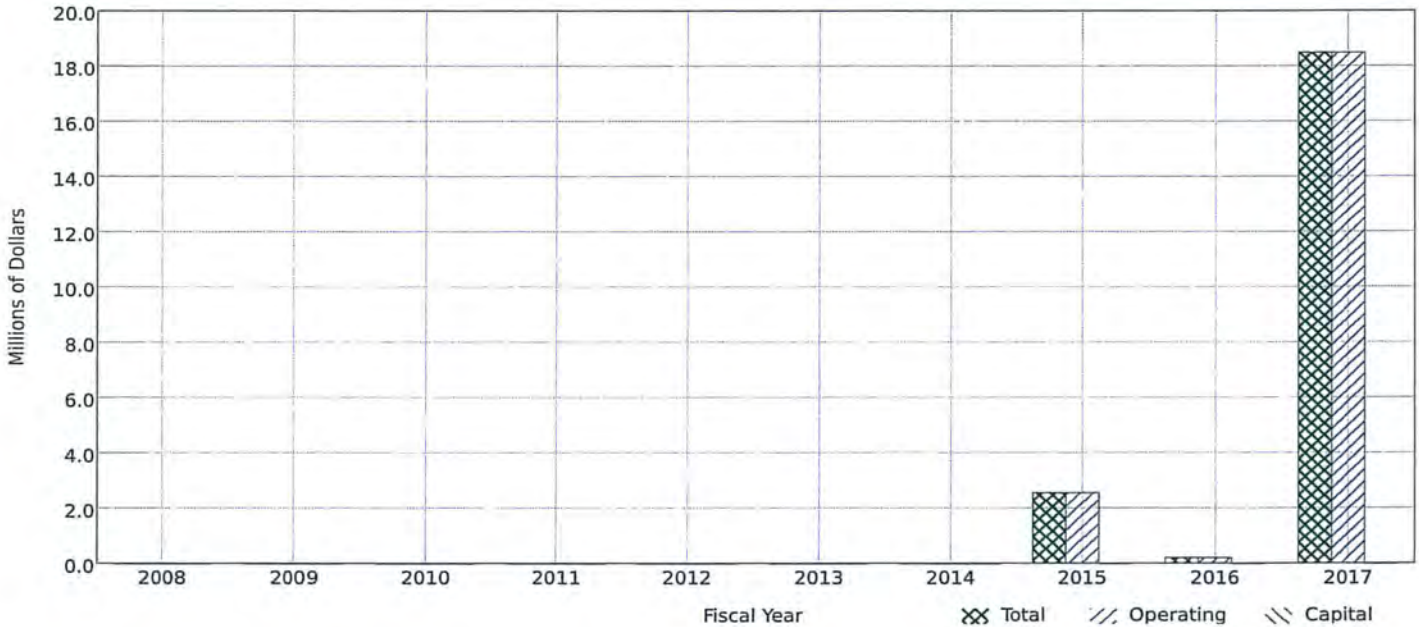
1236

AK LNG I/A

Alaska Liquefied Natural Gas Project Fund I/A

Year Authorized FY15	Year Repealed	Active? Yes	Mental Health? No	Duplicated? Yes	Fund Group Other Designated
-------------------------	---------------	----------------	----------------------	--------------------	--------------------------------

Operating and Capital Appropriations



Legal Authority
AS 35.25.110

Source of Revenue

The LNG fund consists of money appropriated to it. Interest and other income received on money in the fund shall be separately accounted for and may be appropriated to the fund.

Restrictions on Use

Agencies can spend code 1236 only as specified in a reimbursable services agreement signed by the corporation. Funding for RSAs will be drawn from the fund without appearing in the operating budget of AGDC.

Description and History

April 2014

This fund code was established for FY15 to meet accounting requirements for separation of the AGDC budget from money spent by other agencies for LNG project activities. This is one of two fund codes that access the liquified natural gas pipeline fund established with the adoption of SB 138 during the 2014 session. (See code 1235.)

Fund code 1235 should be used only to record the operating budget of the Alaska Gasline Development Corporation. Code 1236 should be used only to record AGDC purchases of services from other state agencies. Agencies can spend code 1236 only as specified in a reimbursable services agreement signed by the corporation. Funding for RSAs will be drawn from the fund without appearing in the operating budget of AGDC.

Because the LNG fund may be spent by AGDC without further appropriation, the fund is classified as a capitalization (rather than as a transfer) and all expenditures by state agencies are classified as a duplicated. To facilitate tracking of expenditures, state agencies anticipating RSAs should include code 1236 in annual budget requests. As with other interagency receipts, budgeted amounts may be modified without legislative action. Modified amounts should appear in reports of actual expenditures.

Codes 1235 and 1236 both draw from the LNG fund. The combination of codes meets the following objectives:

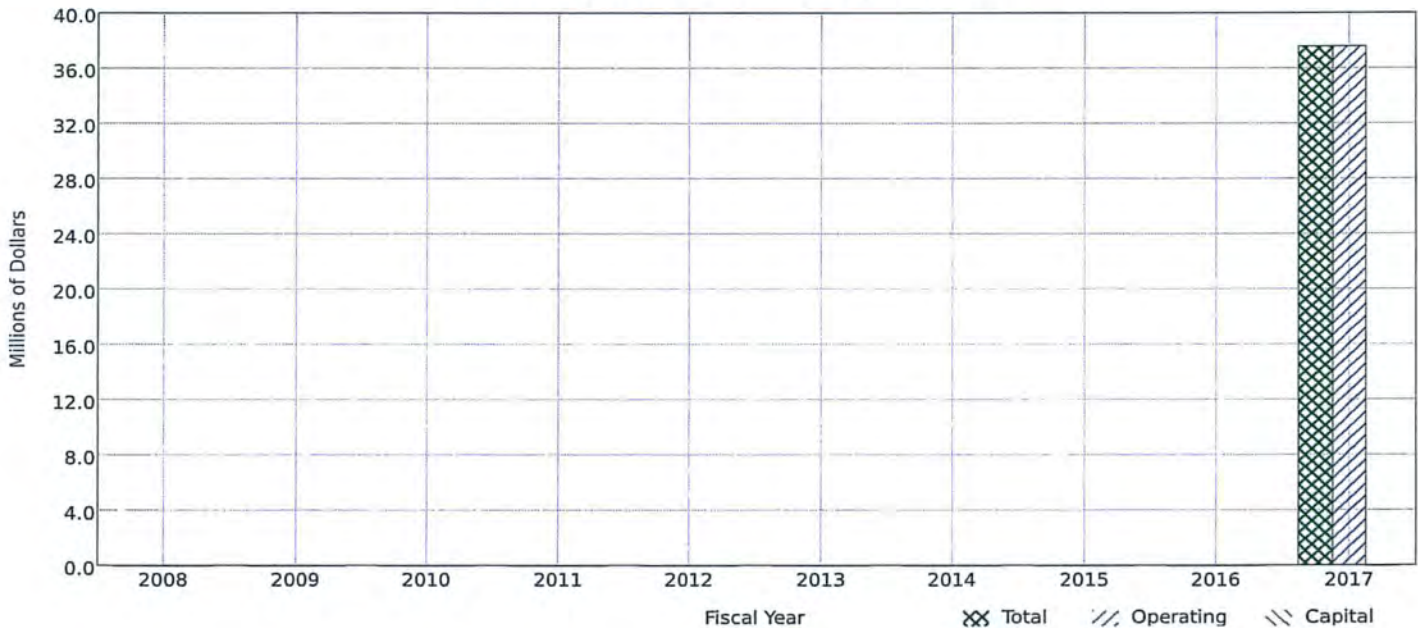
1. AGDC has unlimited access to the pipeline fund for purchase of goods and services from vendors (no appropriation required, and not recorded in the budget system)
2. AGDC has an identifiable operating budget limited to the appropriation of code 1235, and complies with the executive budget act.
3. AGDC has full control over the amount and cost of services purchased from other state agencies (code 1236).

Fund Source Report

1241 GF/LNG General Fund / LNG

Year Authorized 2016	Year Repealed	Active? Yes	Mental Health? No	Duplicated? No	Fund Group Unrestricted General
-------------------------	---------------	----------------	----------------------	-------------------	------------------------------------

Operating and Capital Appropriations



Legal Authority

None--tracking code only

Source of Revenue

Unrestricted general fund

Restrictions on Use

Intended for activities associated with a natural gas pipeline.

Description and History

October 2015

General Fund LNG is a tracking code that consists of unrestricted general funds appropriated to agencies to fund activities associated with development of a liquified natural gas pipeline.

This fund code was established in FY16 in order to

- 1) provide a means to track agency expenditures on gasline activities.
- 2) bypass AGDC control over RSAs using the AKLNG Project fund, for which code 1236 was established.

GF/LNG is an unrestricted fund source, meaning that LNG funds can be used for purposes other than activities associated with a gasline. However, the intent of the fund code is to allow accurate tracking of general fund expenditures for those purposes. Accuracy will not be achieved unless and until this code is used instead of UGF code 1004. Also note that language appropriations may restrict use of the funds to specific items or activities and that appropriations unspent for those purposes lapse to the general fund.

See

1236 AKLNG I/A



Natural Gas Project Funding & Expenditures

Finance Committees

February 18, 2016



Natural Gas Pipeline Development

2009: Legislature begins taking deliberate steps to develop an in-state pipeline, independent of other producer led North Slope commercialization efforts.

2011: **Alaska Stand Alone Pipeline (ASAP)** plan developed and delivered to the Legislature. Plan further optimized during 2012.

2013: **Alaska Gasline Development Corporation (AGDC)** established as an independent, public corporation - \$355+ million investment towards **ASAP (HB 4)**.

2014: State participation in **Alaska LNG** project authorized (*SB 138*), **Joint Venture Agreement** executed and Pre-Front End Engineering and Design (**Pre-FEED**) begins

2015-2016: AGDC progressing two North Slope natural gas pipeline project options: **Alaska LNG** primary and **ASAP** backup

In-State Pipeline Fund: Cash Flows

In-State Natural Gas Pipeline Fund (AS 31.25.100) [Code 1229]

Cash Flows

\$ 17,184 Starting Balance July 1, 2013

2014

\$330,000	Original Capitalization of Fund (FY14)
\$25,000	Additional Capitalization for HB4 Fiscal Note Agency Work (FY14)
(\$65,925)	FY14 ASAP Project Expenditures
(\$6,874)	FY14 AGDC Corporate Operating Costs
\$2,304	Interest, Investment & Retirement Income

2015

(\$157,000)	Appropriation to Public Education Fund
(\$9,000)	Appropriation to fund DNR FY16 Gas Commercialization Group
(\$65,909)	FY15 ASAP Project Expenditures
(\$9,503)	FY15 AGDC Corporate Operating Costs
\$1,437	Interest, Investment & Retirement Income

2016

\$1,300	Approp 2015 Gasline Special Session SB3001 In-State Receipt Authority
(\$19,231)	FY16 ASAP Project /In-State Gas Work <i>(Projected to Year End)</i>
(\$10,448)	FY16 AGDC Corporate Operating Costs <i>(Projected to Year End)</i>
\$84	Interest, Investment Income as of 1/31/2016

2017

(\$5,000)	FY17 In-State Gas Work <i>(Forecasted)</i>
(\$4,310)	FY17 ASAP Project, SEIS Completion <i>(Forecasted)</i>
(\$10,150)	FY17 AGDC Corporate Operating Costs <i>(GovFY17 Budget)</i>

\$ 14,019 Projected Balance June 30, 2017

Alaska LNG Fund: Cash Flows

Alaska Liquefied Natural Gas Project Fund (AS.31.25.110) [Code 1235]

Cash Flows

	0	Starting Balance June 30, 2013
2014	\$69,835	SB 138 Passed; Original Capitalization of Fund <i>(FY14 Supplemental)</i>
	(\$1,052)	FY14 AGDC Corporate Operating Costs
	\$39	Interest, Investment & Retirement Income
2015	(\$16,312)	FY15 Alaska LNG Project Cash Calls
	(\$6,805)	FY15 AGDC Corporate Operating & Contractual
	\$253	Interest, Investment & Retirement Income
2016	\$64,590	Approp 2015 Gasline Special Session SB3001 TC Acquisition
	\$75,600	Approp 2015 Gasline Special Session SB3001 Pre-FEED
	\$2,900	Approp 2015 Gasline Special Session SB3001 AKLNG Receipt Authority
	(\$64,590)	FY16 AGDC Expenditure <i>(TC Mid-Stream Acquisition)</i>
	(\$59,102)	FY16 Alaska LNG Project Cash Calls
	(\$6,672)	FY16 AGDC Corporate Operating & Contractual <i>(Projected to Year End)</i>
	\$30	Interest, Investment & Retirement Income (thru Jan 31, 2016)
2017	(\$48,850)	FY17 Alaska LNG Project Cash Calls
	(\$2,800)	FY17 AGDC Corporate Operating Costs <i>(GovFY17 Budget)</i>
	(\$4,730)	FY17 AGDC Contractual Expenditures <i>(Forecast)</i>
	\$ 2,334	Projected Balance June 30, 2017

AGDC Annual Expenditures Breakout

In-State Natural Gas Pipeline Fund Expenditures	2014 Actual	2015 Actual	2016 Projected	2017 Gov
<u>Project Expenditures: ASAP Project/In-State Gas Work</u>	\$ 65,925	\$ 65,909	\$ 19,231	\$ 9,310
<u>AGDC Corporate Operating (Overhead)</u>				
Personal Services	\$ 3,673	\$ 4,052	\$ 5,998	\$ 5,700
Travel	\$ 85	\$ 73	\$ 200	\$ 200
Services (Lease, Contractual, etc.)	\$ 1,639	\$ 4,196	\$ 3,050	\$ 3,050
Commodities (Office & Supplies)	\$ 853	\$ 828	\$ 1,200	\$ 1,200
Capital Outlay	\$ 624	\$ 354	\$ -	\$ -
Total Corporate Operating	\$ 6,874	\$ 9,503	\$ 10,448	\$ 10,150
Total In-State Pipeline Fund Expenditures	\$ 72,799	\$ 75,412	\$ 29,679	\$ 19,460

Alaska LNG Fund Expenditures	2014 Actual	2015 Actual	2016 Projected	2017 Gov
<u>Alaska LNG Project Cash Calls</u>	\$ -	\$ 16,312	\$ 59,102	\$ 48,850
<u>Contractual (RSA/Contracted SMEs)</u>		\$ 4,706	\$ 3,870	\$ 4,730
<u>AGDC Corporate Operating (Overhead)</u>				
Personal Services	\$ 130	\$ 1,057	\$ 1,509	\$ 1,507
Travel	\$ 23	\$ 95	\$ 264	\$ 264
Services (Lease, Contractual, etc.)	\$ 899	\$ 799	\$ 929	\$ 929
Commodities (Office & Supplies)	\$ -	\$ 108	\$ 100	\$ 100
Capital Outlay	\$ -	\$ 40	\$ -	\$ -
Total Corporate Operating	\$ 1,052	\$ 2,099	\$ 2,802	\$ 2,800
Total Alaska LNG Fund Expenditures	\$ 1,052	\$ 23,117	\$ 65,774	\$ 56,380

Questions?

Alaska Gasline Development Corporation (AGDC)

3201 C Street, Suite 200
Anchorage, Alaska 99503

(907) 330-6300

www.agdc.us



FY2016 & FY2017

AKLNG Project Budget

Overview

Department of Natural Resources

Department of Revenue

Department of Law

Finance Committees

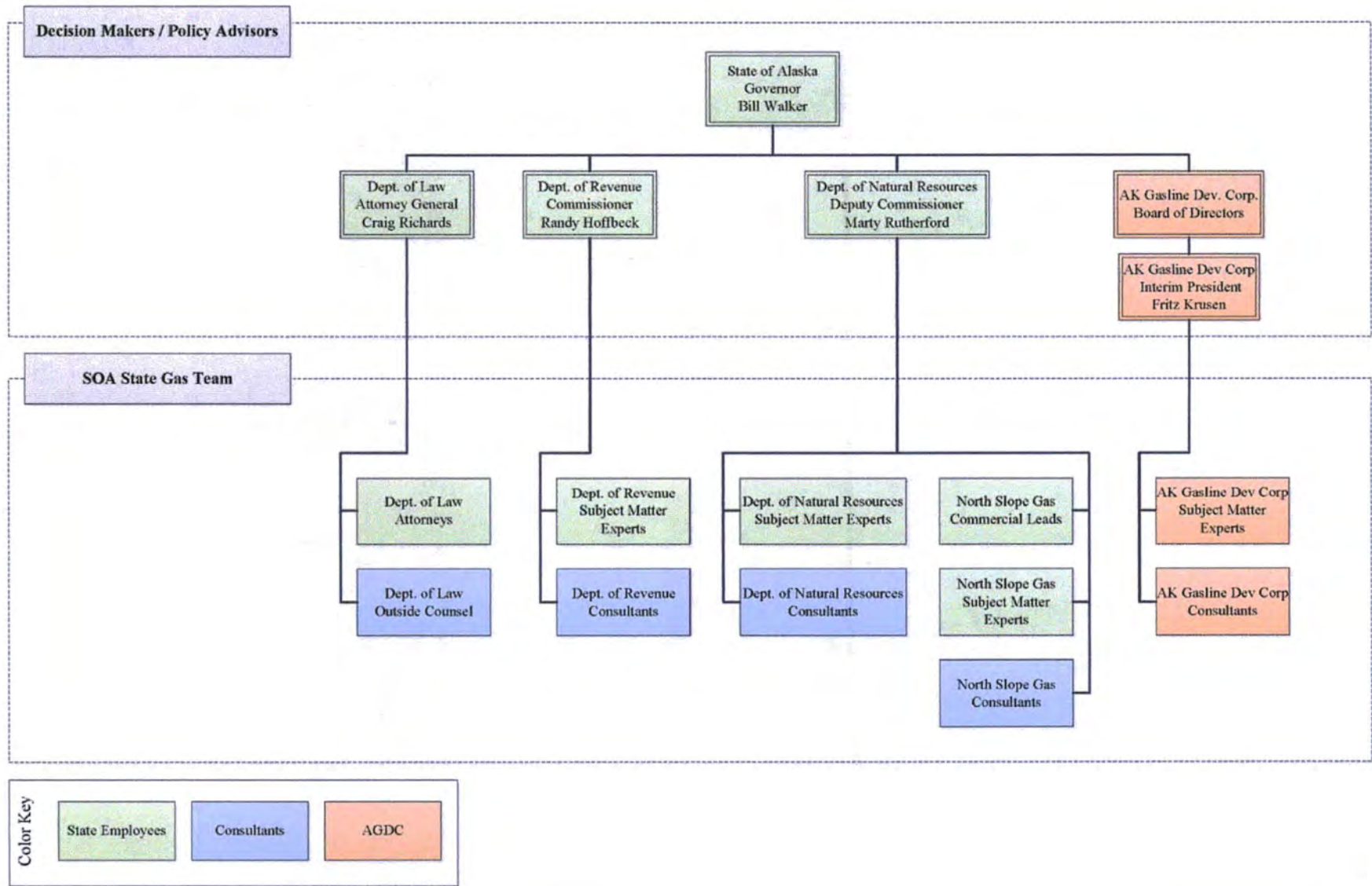
Presented by:

**Marty Rutherford, Deputy Commissioner
Alaska Department of Natural Resources**

February 18, 2016



STATE GAS TEAM



AGENCY ROLES IN AKLNG

Department of Natural Resources (DNR) - North Slope Gas Commercialization Office (NSG)

- Upstream [AS 38.05.180(hh), (ii)], in consult with DOR [AS 38.05.020(b)(10),(11),(12)]
- Royalty In-Kind/Royalty In-Value decision (AS 38.05.182)
- Marketing, in consult with DOR [AS 38.05.020(b)(10),(11),(12)]
- In-state Gas coordination, in consult with AGDC (SB 138, Section 73)
- Midstream Agreements, in consult with AGDC [AS 38.05.020(b)(13)]

Department of Revenue (DOR)

- Identify and recommend financing options (SB 138, Section 76)
- Recommend statutory changes to property taxes under AS 43.56 and AS 29.45.080 (SB 138, Section 74)
- Develop Impact Fees and Flow Rated Property Tax Proposals (SB 138, Section 74, AO 269 MAGPR Board)
- Allows producers to pay tax as gas (TAG) (AS 43.55.014)
- Consult with DNR on contracts negotiation [AS 43.05.010(16)]

Department of Law (DOL)

- Legal support to agencies and AGDC

Alaska Gasline Development Corporation (AGDC)

- State's ownership of project infrastructure (AS 31.25.080)
- Assist DNR/DOR in maximizing the value of the State's gas [AS 31.25.005(3)]
- Provide project services to the State at cost (i.e. without profit) [AS 31.25.005(5)]
- Deliver domestic gas to in-state customers at commercially reasonable rates [31.25.005(6)]

State of Alaska AKLNG Appropriations to Date

Funding FY14-FY16 - \$90.5 M plus FY16 Supplemental \$157,040

Funding FY14-FY16 - \$90.5 M

SB138 General Fund to LNG Fund (FY14-FY15) \$69,835.0

- Capitalized the LNG Fund
- AGDC, AKLNG down stream cash calls, contractual service with agencies

General Fund Appropriations (FY15) \$11,762.0

- AEA in-state affordable energy study
- DNR North Slope Gas Commercialization
- DOR Tax Division

Appropriations (FY16) \$8,987.0

- DNR North Slope Gas Commercialization (in-state gas line fund)

Authorization from LNG Fund (FY16)

- Within original \$69,835.0 capitalization
- AGDC, DNR, DOTPF \$3,023.0

FY2016 Supplemental Summary

Supplemental Request \$157.0 million plus \$5 million AGDC Statutorily Designated Program Receipts (SDPR):

Agency Operating Budgets **\$12,995.0**

DNR: \$1,849.5
DOR: \$1,045.5
DOL: \$10,100.0

AGDC: Capital Budget **\$144,045.0**

Reimburse TransCanada: \$68,445.0
Fund State's remaining Pre-FEED share: \$75,600.0

AGDC: Receipt Authority **\$5,000.0**

AKLNG reimbursement for work performed

FY 2016 AGENCY AKLNG BUDGET

FY2016 Regular Session Funding

DNR/DOR/DOL Direct Funding

	DNR	DOR	DOL	Total Allocated
Personal Services	1,769.7	-	-	1,769.7
Travel	102.0	-	-	102.0
Contractual Services	7,115.0	150.0	700.0	7,965.0
Commodities	-	-	-	-
	8,986.7	150.0	700.0	9,836.7

FY2016 Special Session Funding

DNR/DOR/DOL Direct Funding

	DNR	DOR	DOL	Total Allocated
Personal Services	369.5	458.5	-	828.0
Travel	-	40.0	-	40.0
Contractual Services	1,480.0	500.0	10,100.0	12,080.0
Commodities	-	47.0	-	47.0
	1,849.5	1,045.5	10,100.0	12,995.0

FY 2017 AGENCY AKLNG BUDGET

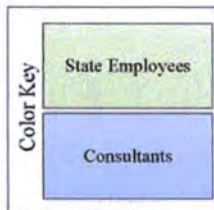
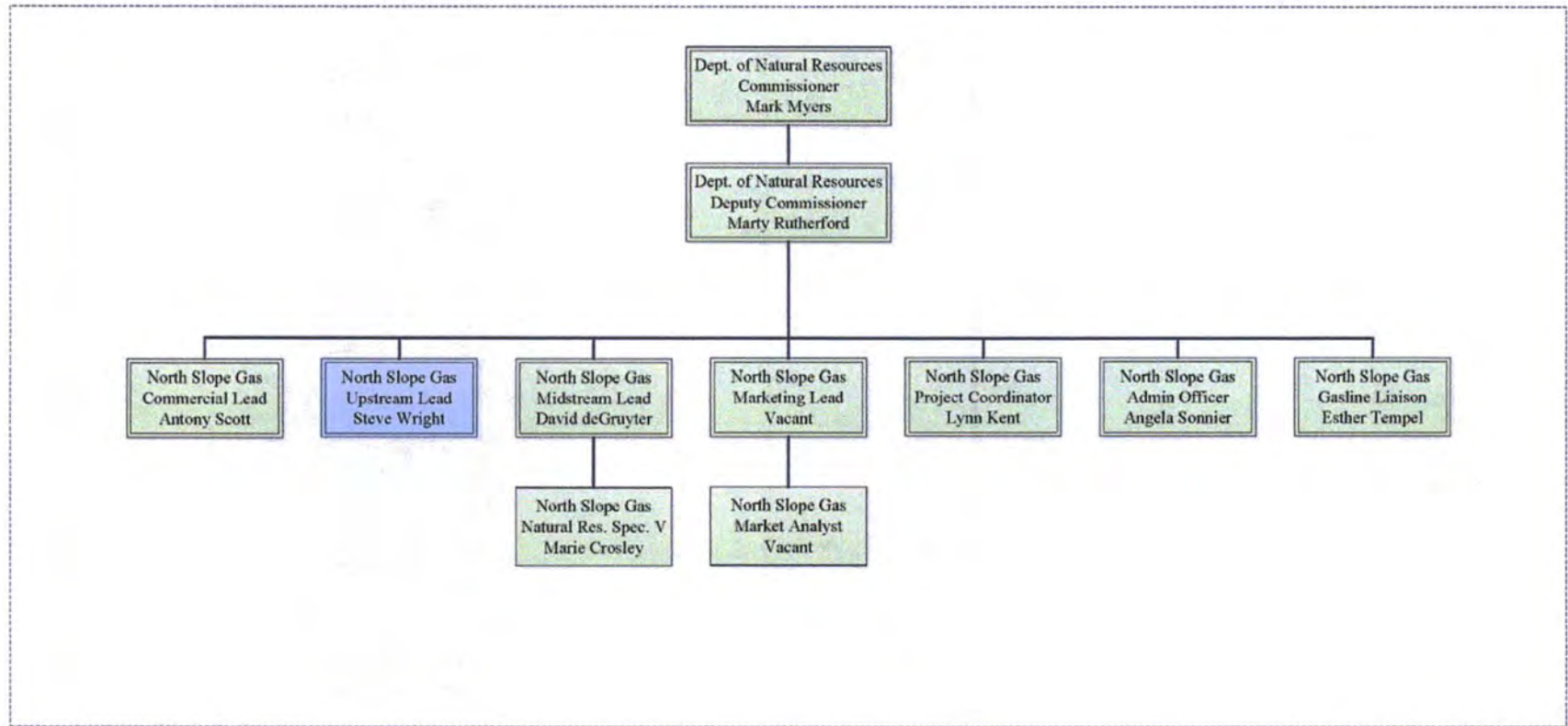
FY2017 Agency Budget Requests

DNR/DOR/DOL Direct Funding

	DNR	DOR	DOL	Total Requested
Personal Services	5,456.7	111.7	-	5,568.4
Travel	200.0	50.0	-	250.0
Contractual Services	23,000.0	1,715.0	700.0	25,415.0
Commodities	25.1	-	-	25.1
	28,681.8	1,876.7	700.0	31,258.5

Positions 11 1 0 12

DNR – NORTH SLOPE GAS (NSG) AKLNG TEAM



DNR NSG FY2016 BUDGET

FY2016 Regular Session Funding

In-State Gas Pipeline Fund (1229)

	Allocated	Spent to Date	Projected Spend	Projected Balance
Personal Services	1,769.7	746.2	1,406.2	363.5
Travel	102.0	7.3	12.0	90.0
Contractual Services	7,115.0	6,614.5	7,278.3	(163.3)
Commodities	-	2.4	8.5	(8.5)
	8,986.7	7,370.4	8,705.0	281.7

FY2016 Special Session Funding

General Fund/LNG (1241)

	Allocated	Spent to Date	Projected Spend	Projected Balance
Personal Services	369.5	-	-	369.5
Travel				-
Contractual Services	1,480.0	-	1,754.0	(274.0)
Commodities				-
	1,849.5	-	1,754.0	95.5

DNR NSG FY2016 PERSONAL SERVICES

PCN	Position	Status	Salary + Benefits
10-X019	Marketing Lead	Vacant - don't anticipate hiring before FY2017	\$0.0
10-#128	Market Analyst	Vacant – don't anticipate hiring before FY2017	\$0.0
10-?099	Upstream Lead	Vacant – currently using contractor, Steve Wright	\$0.0
10-0435	Administrative Officer	Angela Sonnier-Laden	\$105.2
10-X021	Commercial Lead	Antony Scott	\$282.4
10-X018	Midstream Lead	David deGruyter	\$204.7
10-T069	Gasline Liaison, LTNP	Esther Tempel	\$138.2
10-X020	Project Coordinator	Lynn Kent	\$217.7
10-4253	Natural Resource Specialist V	Marie Crosley	\$172.9

DNR NSG FY2016 SERVICES

DNR Contractual/Services	Amount
RSA to Department of Law for legal support in negotiation and drafting of commercial agreements	\$3,000.0
RSA to Department of Revenue for services provided by commercial analyst in support of upstream activities	\$187.5
Black & Veatch for support, advice, analysis, and expertise in commercial negotiations, strategy, modeling, FERC and resource report drafting and review, and marketing, estimated spend rate of \$150.0/month	\$1,775.0
CarbEx Consulting, Steve Swaffield for commercial negotiations support and expertise, estimated spend rate of \$20.0/month	\$225.0
Greengate LLC, for advice, expertise, analysis and support on financing options and sources of financing, financing structures, finance considerations of commercial negotiations, and property tax support; financing and financial modeling support and analysis, estimated spend rate of \$75.0/month	\$750.0
Nan Thompson for support in drafting RIK/RIV decision, estimated spend rate of \$20.0/month	\$200.0
Pingo International, Pat Anderson for expertise in arctic pipeline engineering and design to support midstream activities, estimated spend rate of \$57.0/month	\$680.8
Steve Wright for expertise in project management and support in upstream activities, estimated spend rate of \$35.0/month	\$420.0
TOTAL	\$7,238.3

DNR NSG FY2016 SERVICES – SPECIAL SESSION FUNDING

Services	Amount
RSA to Department of Natural Resources, Division of Oil and Gas for support from commercial analysts for upstream activities	\$304.0
DNR Contractual/Services	Amount
Ernst and Young for audit services for TransCanada compliance review	\$50.0
Lisiecki Consultancy, Simon Lisiecki for expertise in marine facilities and transportation engineering to support midstream activities, estimated spend rate of \$8.0/month	\$100.0
Rick Harper for support in midstream activities, estimated spend rate of \$60.0/month	\$300.0
Consulting services anticipated for resource report review and drafting	\$350.0
Additional commercial negotiation support services anticipated to advance commercial negotiations and activities	\$300.0
Marketing contractor to support marketing negotiations to advance project until a permanent employee can be recruited and retained	\$350.0
TOTAL	\$1,754.0

NSG FY2017 BUDGET REQUEST

	FY2016 OTI	FY2017 Request	FY2017 Governor's Request	FY2017 DNR Decrement	FY2017 Governor Amended
Personal Services	1,769.7	9,378.3	11,148.0	(5,691.3)	5,456.7
Travel	102.0	398.0	500.0	(300.0)	200.0
Contractual Services	7,115.0	16,885.0	24,000.0	(1,000.0)	23,000.0
Commodities	-	85.1	85.1	(60.0)	25.1
	8,986.7	26,746.4	35,733.1	(7,051.3)	28,681.8
Positions	7	14	21	-10	11

NSG FY2017 PERSONAL SERVICES

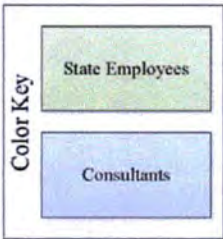
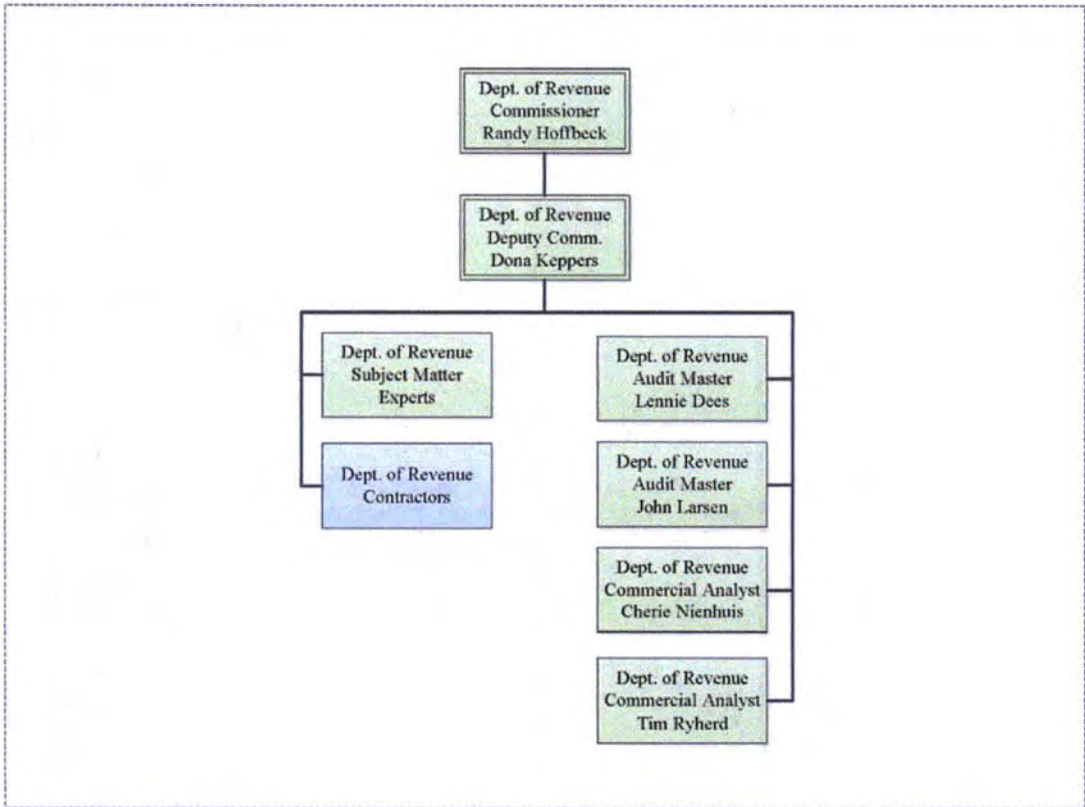
PCN	Position	Status	Salary + Benefits
10-#130	Senior Marketing Negotiator	New position request	\$1,200.0
10-#133	Market Analyst	New position request	\$285.0
10-#134	Marketing Negotiator	New position request	\$960.0

NSG FY2017 SERVICES

Services	Amount
RSA to Law for continued legal support for commercial agreements negotiation and drafting - estimated spend rate of \$1,000.0/month	\$12,000.0
RSA to Law for legal support for marketing negotiation and drafting of joint venture marketing agreements with Producers - estimated spend rate of \$400.0/month	\$5,000.0
TOTAL	\$17,000.0

DNR Contractual/Services	Amount
Continued commercial expertise and support	\$600.0
Continued analysis and modeling support	\$2,100.0
Engineering expertise for marine, facilities, etc.	\$480.0
Other professional services for expertise and support as required	\$2,470.0
Other services required for operational efficiency, phones, space, etc.	\$350.0
TOTAL	\$6,000.0

DOR – AKLNG TEAM



DOR FY2016 AKLNG BUDGET

FY2016 Regular Session Funding

AK LNG I/A (1236)

	Allocated	Spent to Date	Projected Spend	Projected Balance
Personal Services	-	-	-	-
Travel	-	-	-	-
Contractual Services	150.0	-	150.0	-
Commodities	-	-	-	-
	150.0	-	150.0	-

FY2016 Special Session Funding

General Fund/LNG (1241)

	Allocated	Spent to Date	Projected Spend	Projected Balance
Personal Services	458.5	245.6	458.5	-
Travel	40.0	7.2	15.0	25.0
Contractual Services	500.0	-	500.0	-
Commodities	47.0	2.4	3.6	43.4
	1,045.5	255.2	977.1	68.4

DOR FY2016 AKLNG PERSONAL SERVICES

PCN	Position	Status	Salary + Benefits
04-X017	Audit Master	Active on AKLNG (90% of time)	\$192.5
04-X015	Audit Master	Active on AKLNG (75% of time)	\$179.1
04-X040	Commercial Analyst	Active on AKLNG (50% of time)	\$86.9

These positions are allocated to the Tax Division, but are on loan to the AKLNG Project for the remainder of departments involvement during Pre-FEED. The funding was provided per SB 3001 during special session last October 2015.

DOR FY2016 AKLNG SERVICES

Travel	Amount
Finance and economic modeling travel to Houston; TC development cost audit travel to Calgary.	\$15.0
TOTAL	\$15.0

DOR Contractual/Services	Amount
Bankability review of subset of commercial structure and key commercial agreements.	\$500.0
Continued Municipal advisory services in credit rating analysis, coordination of commercial structure with financial markets, and bonding efforts.	\$135.0
TOTAL	\$635.0

DOR FY2017 AKLNG BUDGET REQUEST

	FY2016 OTI	FY2017 Request	FY2017 Governor's Request
Personal Services	-	111.7	111.7
Travel	-	50.0	50.0
Contractual Services	150.0	1,715.0	1,715.0
Commodities	-	-	-
	150.0	1,876.7	1,876.7
Positions	0	1	1

DOR FY2017 AKLNG PERSONAL SERVICES

PCN	Position	Status	Salary + Benefits
04-#047	Program Manager	New position request	\$111.7

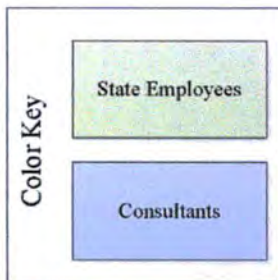
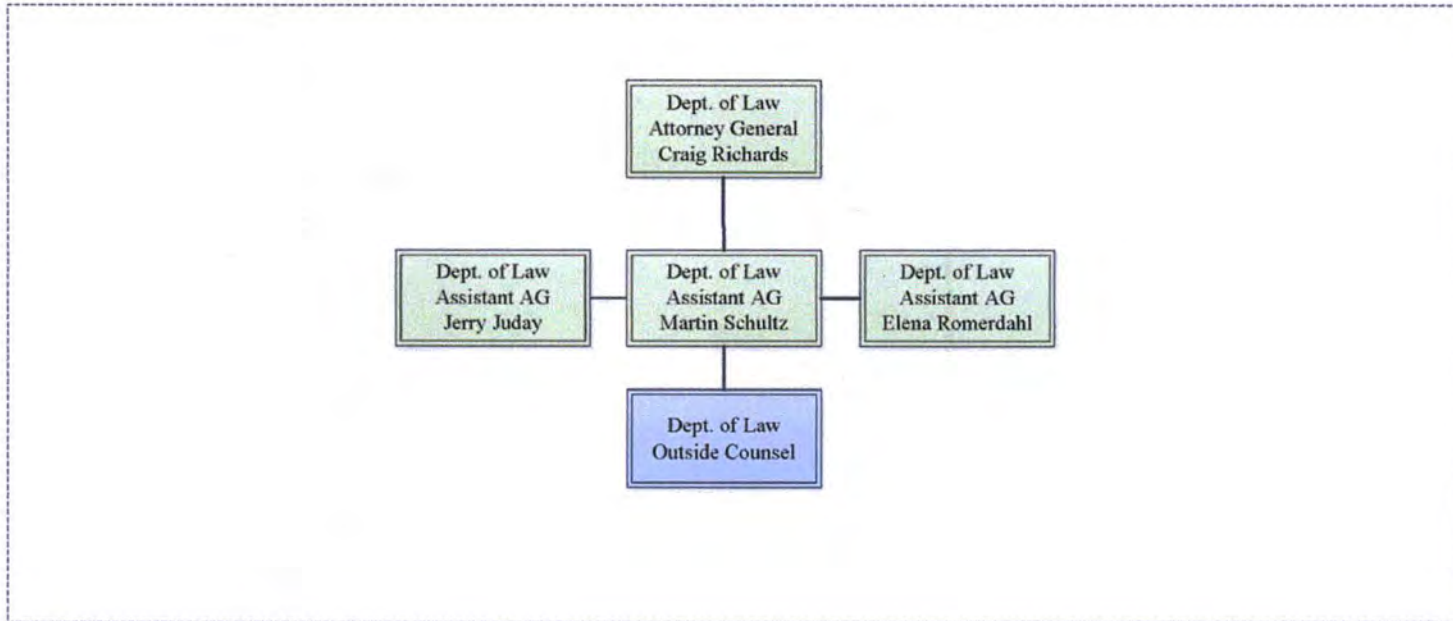
Newly requested long term non perm program manager position. Position will act as administrative and managerial project assistant. Duties include planning, development, and over seeing of major activities; budgetary and administrative responsibilities; development of work plans for assigned projects, including analyzing and formulating project concepts, creating task schedules and cost estimates, identifying critical path issues and other work requirements in collaboration with project teams and financing consultants.

DOR FY2017 AKLNG SERVICES

Travel	Amount
Finance team and economic modeling associated travel	\$50.0
TOTAL	\$50.0

DOR Contractual Services	Amount
Continued bankability review of commercial structure and key commercial agreements.	\$500.0
Continued First Southwest municipal advisory services in credit rating analysis, coordination of commercial structure with financial markets, and bonding efforts.	\$250.0
Continued Greengate for advice, expertise, analysis and support on financing options and sources of financing, financing structures, finance considerations of commercial negotiations, and property tax support.	\$465.0
SERVICES: RSA to Department of Law for tax and project finance consulting	\$500.0
TOTAL	\$1,715.0

DOL – AKLNG TEAM



DOL FY2016 AKLNG BUDGET

- \$13.8 million total appropriated
 - \$3.0 million DNR RSA
 - \$700,000 internal DOL
 - \$10.1 million special session appropriation

DOL FY2016 AKLNG SERVICES

DOL has outside counsel contracts with two law firms. These firms provide essential expertise in AKLNG Project agreements and negotiations with other project participants.

- Greenberg Traurig
- Milbank, Tweed, Hadley & McCloy

Through 12/31/15, DOL has spent approximately \$5.1 million on outside counsel and \$289,000 on internal DOL costs.

Approximately \$8.4 million balance remaining for January – June 2016 legal work

DOL FY2017 AKLNG BUDGET REQUEST

- DNR/DOR Reimbursable Services Agreement (\$17.5 million)
 - DNR Commercial Agreements - \$12.0 million
 - DNR Marketing Negotiations - \$5.0 million
 - DOR Financing & Bankability - \$500,000
- DOL Internal funding - \$700,000
- **Total FY 2017 Request - \$18.2 million**

THANK YOU

Contact information:

Marty Rutherford
Deputy Commissioner
Department of Natural Resources
907-269-8431

Dona Keppers
Deputy Commissioner
Department of Revenue
907-269-1034

Martin Schultz
Assistant Attorney General
Department of Law
907-269-5900





February 10, 2016

Representative Mike Hawker
State Capitol
Room 502
Juneau, Alaska 99801

Dear Representative Hawker,

The following is provided in response to the e-mail inquiry we received from your staff member, Ms. Rena Delbridge, on Monday, February 8th. Ms. Delbridge asked several questions about the Alaska Gasline Development Corporation's (AGDC) involvement in work the Alaska Department of Natural Resources initiated with Lummus Consultants through PINGO International Incorporated. Thank you for providing copies of the Lummus proposals for our review prior to responding to your questions.

Who approved the release of AGDC confidential information?

AGDC President Dan Fauske was contacted by Deputy Chief of Staff Marcia Davis on September 29, 2015 with a request for access to Alaska Stand Alone Pipeline (ASAP) project information for an independent review by others. Mr. Fauske approved the release of the ASAP information during a meeting in his office on the same day.

How has AGDC protected its fiduciary duty for that asset?

Ms. Davis asked AGDC to coordinate delivery of ASAP information through Alaska Department of Revenue consultant, Radoslav Shipkoff. Specific named Lummus employees were provided. As per AGDC's standard policy, we obtained signed confidentiality agreements from all identified Lummus personnel prior to providing them access to any ASAP information. The confidential authorization clearly identifies and limits Lummus in their review of ASAP information and their derivative work products. AGDC has not given Lummus access to any Alaska LNG data.

Was this a board action, or, if by executive director?

AGDC provided electronic access to ASAP information starting on December 8, 2015 under the authority of Dave Cruz who was Acting Chairman and President at the time. AGDC terminated the access on the requested termination date of January 31, 2016.

Is AGDC a party to this review – i.e. working closely with Lummus or Pingo?

AGDC has not been a party to the Lummus review or their activities in any form.

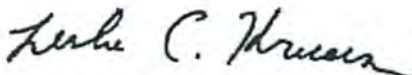
Will AGDC have full access to findings? Does AGDC expect those to be useful in its further work?

AGDC personnel have no direct information on the current status of the Lummus review or any reports they may have provided on their activities or review. If Lummus has generated any reports or other findings from their review, AGDC has not been given access to that information as of this time.

Please note that while AGDC cooperated with this request for access to ASAP project information, the AGDC Board of Directors has not authorized the corporation to perform any work to expand ASAP beyond the project's current 500 million standard cubic feet design premise. The corporation's ASAP related work activities have not varied from those communicated to the legislature during our regular project updates and presentations.

I hope these responses have answered your questions. If I can be of additional assistance, please don't hesitate to contact me.

Respectfully,



Leslie C. ("Fritz") Krusen
Interim President

CC:

Dave Cruz, Chairman, AGDC Board of Directors
Marcia Davis, Deputy Chief of Staff, Office of Governor Walker
Marty Rutherford, Deputy Commissioner, DNR
Darwin Peterson, Legislative Director, Office of Governor Walker

Questions & Answers Concerning the Lummus/Pingo Contracts

1. What is the funds source for the contracts?

The fund source for the Pingo contract is the In-State Gas Pipeline fund that the legislature funded the North Slope Gas Commercialization office with at the beginning of FY2016. We do not pay Lummus directly.

2. Do you have some background on Pingo for us to better understand what they offer? I can't find anything online.

Pingo is the name of the company owned by Pat Anderson, an arctic pipeline engineer with many years of experience on pipeline projects including previous Alaska projects. Pat brings an in-depth understanding to the midstream work being conducted on the Alaska LNG Project. We will provide Pat Anderson's resume under separate cover.

3. I see Deputy Commissioner Rutherford signed the contracts; is she the authority instigating these contracts? As in, who identified or determined the need for the scope of work for these contracts? Is she also the party to whom Pingo and Lummus report, or do they report to someone else?

Marty signed the agreements as reassurance to Lummus that funding was available for Pingo's contract to cover expenses. The scope of work was determined by the Governor's Office with assistance from consultants. Pingo reports to Marty, Lummus reports to Pat Anderson.

4. The proposal references "DNR NSG requirements" (Technical submission by Lummus, page 2). Were these related only to submission form, or were there other written requirements (like an RFP) related to these contracts?

A request was sent to three companies identified by contractors as capable of performing the work and Lummus was selected. I believe Lummus was the only company that responded to the request.

5. A final report deliverable was due in November 2015. Was this received? If not, has the deadline been extended, and if so, what is the new deadline? Is this deliverable publicly available?

The report is being finalized now and we hope to have it publicly available by March.