

02/18/16
AKLNG
APPROPRIATIONS
AND
EXPENDITURES -
AGDC, DOR, DNR,
AND DOL

<TARGET><BILL></BILL><SUBJECT>02-18-16 AKLNG
APPROPRIATIONS AND EXPENDITURES - AGDC, DOR, DNR, AND
DOL</SUBJECT><COMM>SFIN29</COMM></TARGET>



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)

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FY2016 & FY2017 AKLNG Project Budget

Overview

Department of Natural Resources

Department of Revenue

Department of Law

Finance Committees

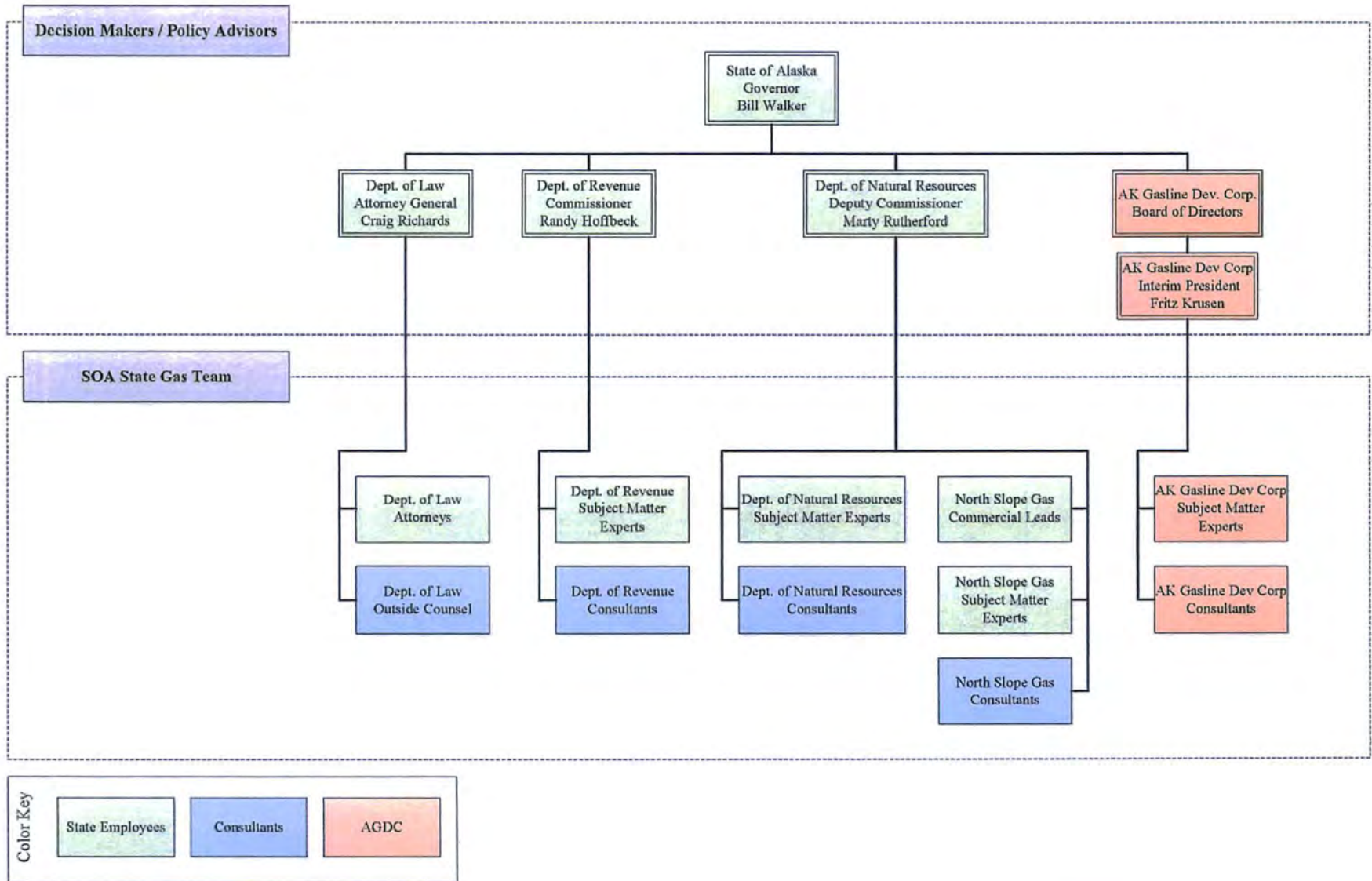
Presented by:

**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
- \$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

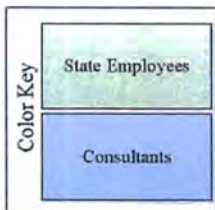
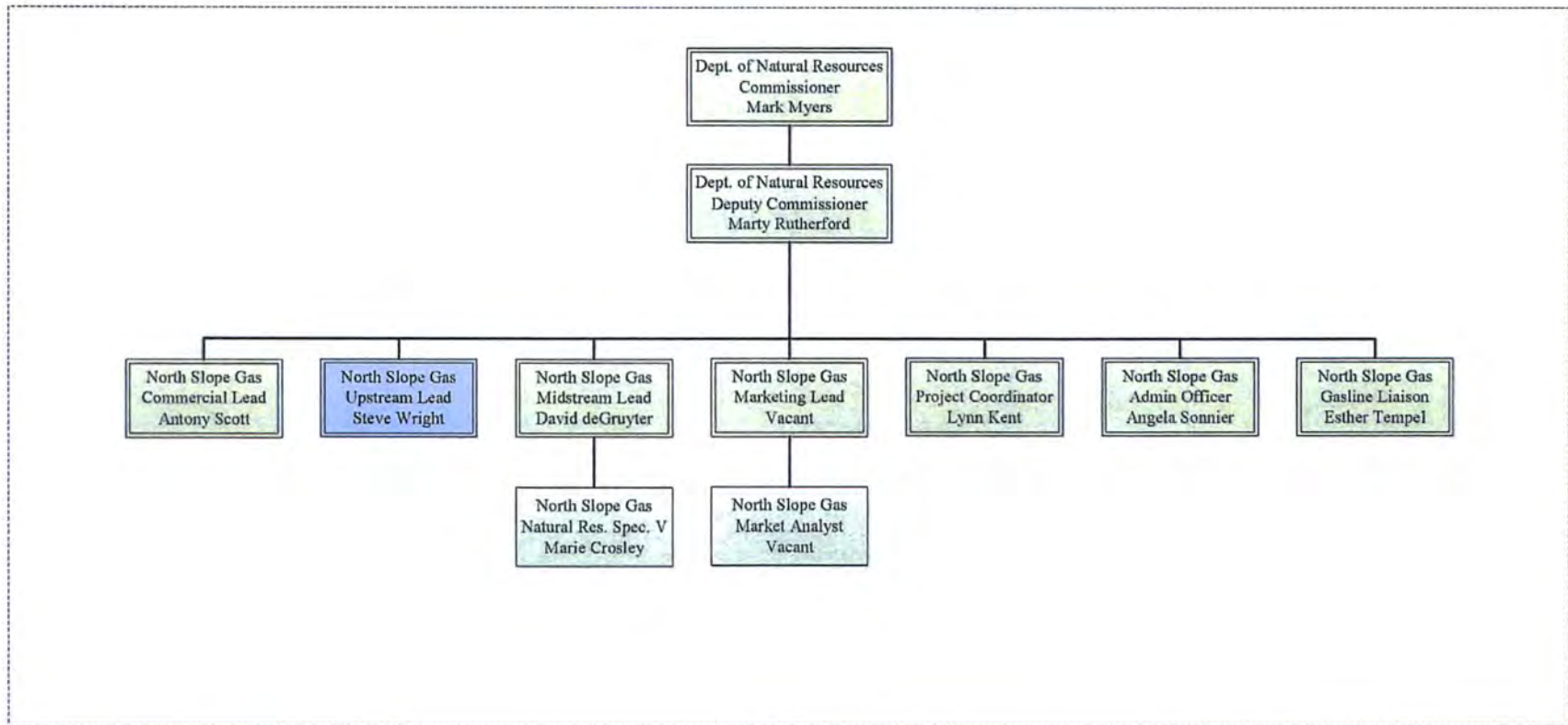
FY2017 Agency Budget Requests

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
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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

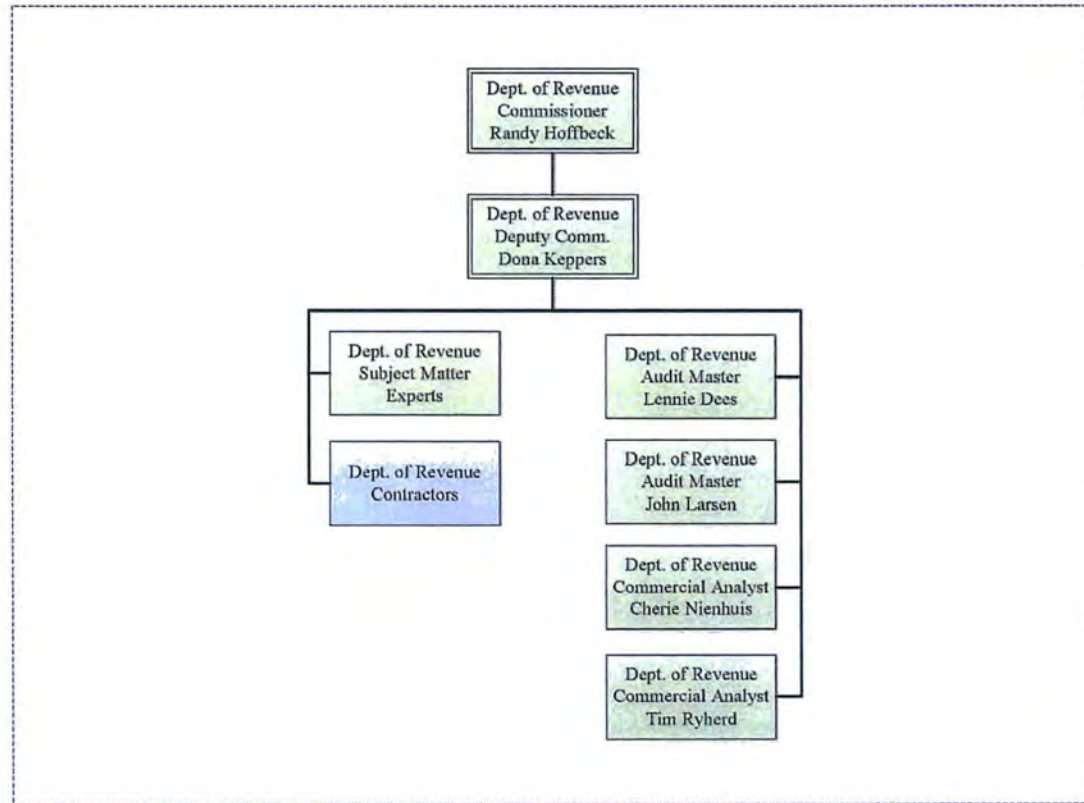
PCN	Position	Status	Salary + Benefits
10-#130	Senior Marketing Negotiator	New position request	\$1,200.0
10-#133	Market Analyst	New position request	\$285.0
10-#134	Marketing Negotiator	New position request	\$960.0

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

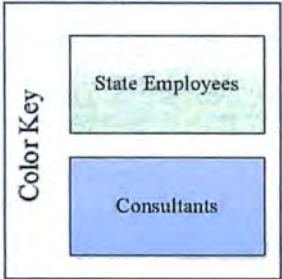
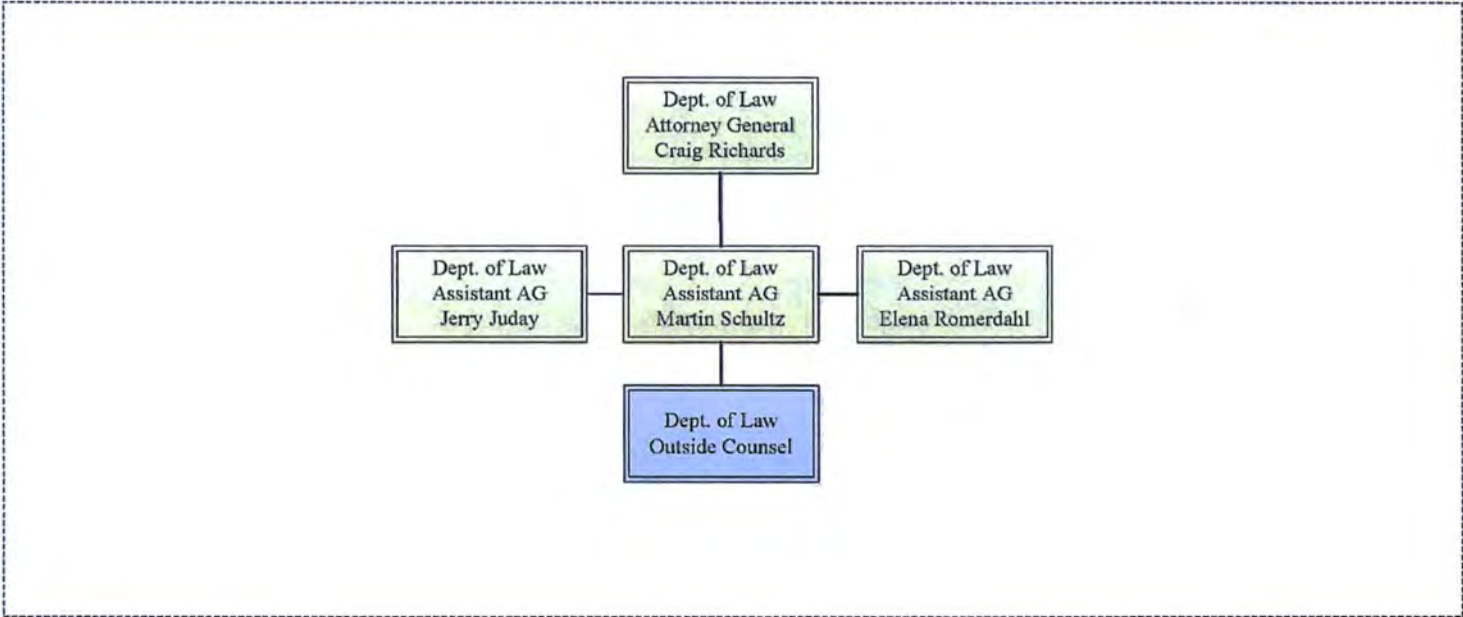
PCN	Position	Status	Salary + Benefits
04-#047	Program Manager	New position request	\$111.7

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:

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