

SCOMM

128:41

ALASKA STATE LEGISLATURE



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Sponsor Statement

SB 158

Preparation of an Export Report on State Participation in a Gas Pipeline Project

Commercialization of North Slope natural gas has been one of the legislature's priorities. Potential benefits of commercialization include short and long-term employment, additional state and municipal revenues, opportunities for new industries, and cheap, clean energy for the state. This bill would direct the Commissioner of the Department of Revenue to retain a financial expert to examine whether the state should participate in either ownership or financing of a natural gas pipeline project. The expert would examine any benefit or detriment to a project caused by the state's participation. In the past, the state has retained financial experts to advise it on the possibility of the state participating in a project. Those reports need to be updated.

The bill would ensure that the legislature participates in the preparation of the report by:

- (1) requiring that the chairs of the Senate and House Resources Committees periodically meet with the expert to review data and information about the report; and
- (2) requiring that the commissioner provide progress reports to the chairs every 60 days. The bill would require the commissioner to prepare a comprehensive report, with recommendations, addressing the state's options by January 31, 2002 and submit it to the legislature and the governor.

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 158
(S) Publish Date: 3/29/01

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: State Participation in Natural Gas Pipeline BRU: Administration & Support
Sponsor: Senate Resources Committee Component: Commissioner's Office
Requester: Senate Resources Committee Component Number: 123

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel	15.0					
Contractual	200.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	215.0	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	215.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	215.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation directs the commissioner of Revenue to report to the governor and the legislature no later than Jan. 31, 2002, on the "options for the state to participate in the commercial development of the state's natural gas resources through ownership of or provision of financing for a gas pipeline project." The legislation sets out a comprehensive list of questions to be answered in the report and directs the commissioner to contract with suitable, qualified firms to perform the work.

The commissioner's office would contract with an investment banking firm for its expertise in the financing issues covered by the legislation. The expected cost of the contract is \$200.0, with \$15.0 requested for commissioner's office travel to meet with the contractor and others involved in the report.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
Division: Department of Revenue Date/Time March 28, 2001, 4 p.m.
Approved by: Wilson Condon, Commissioner Date 03/28/2001
Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CS SB 158 (RES) (am)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: State Participation in Natural Gas Pipeline BRU: Administration & Support
Component: Commissioner's Office
Sponsor: Senate Resources Committee
Requester: Senate Component Number: 123

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel	40.0					
Contractual	550.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	590.0	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	590.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	590.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached page.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469
Division: Department of Revenue Date/Time April 11, 2001, 9 a.m.
Approved by: Wilson Condon, Commissioner Date 04/11/2001
Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

Department of Revenue Fiscal Note for CS SB 158 (RES) (am)

Prepared April 11, 2001

This legislation directs the Revenue commissioner to report to the governor and the legislature no later than Jan. 31, 2002, on the "options for the state to participate in the commercial development of the state's natural gas resources through ownership of or provision of financing for a gas pipeline project."

The legislation sets out a comprehensive list of questions to be answered in the report and directs the commissioner to contract with suitable, qualified firms to perform the work. The commissioner's office would contract with an investment banking firm for its expertise in the financing issues covered by the legislation. The expected cost of the contract is \$200.0, with \$15.0 requested for commissioner's office travel to meet with the contractor and others involved in the report.

SENATE FLOOR AMENDMENT

The bill was amended in the Senate to add Lines 1 through 7 on Page 3, adding the requirement that the department, in its report, consider whether state equity participation in the natural gas project would contribute to gas development and distribution within the state "by installation of additional pipeline facilities connecting to population centers in the state."

This requirement is substantially different from other directions in the bill, in that the department will need to contract with an engineering consultant(s) to estimate the cost of such distribution systems and with financial/marketing consultants to help determine if such installations would be cost-effective and feasible. The questions asked in this new section involve researching not only economic feasibility, but route and construction feasibility to determine how natural gas could be delivered to population centers of the state. Each population center would require its own cost analysis and design.

Also, the tight time deadline of Jan. 31, 2002, for this report will require expedited work on the questions raised by this new section, adding to the cost.

The department estimates that the engineering, financial and marketing consulting work on this additional section will cost \$350,000 in contractual expenses, with \$25,000 in travel expenses for department personnel.