

Gas Pipeline Implementation**FY2010 Request: \$3,200,000****Reference No: 46965****AP/AL:** Appropriation**Category:** Development**Location:** Statewide**House District:** Statewide (HD 1-40)**Estimated Project Dates:** 07/01/2009 - 06/30/2015**Project Type:** Gasline**Contact:** Leta Simons**Contact Phone:** (907)465-3379**Brief Summary and Statement of Need:**

Implementing the Alaska Gasline Inducement Act (AGIA) will involve several activities to promote success of the initial and subsequent open seasons. Each of these activities, and the work of helping ensure success of an open season generally, will require outside experts and consultants who can advise the state in areas of pipeline engineering; pipeline commercial terms, including analysis of and advice on tariffs, tariff terms, pipeline access, and terms for addressing cost overruns; royalty valuation methodology; enforcement, remedies, off-ramps for licensee and state.

Funding:	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	Total
AHCC Rcpts	\$3,200,000						\$3,200,000
Gen Fund		\$2,175,000	\$2,175,000	\$1,900,000	\$1,250,000	\$1,250,000	\$8,750,000
Total:	\$3,200,000	\$2,175,000	\$2,175,000	\$1,900,000	\$1,250,000	\$1,250,000	\$11,950,000

<input type="checkbox"/> State Match Required	<input type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input checked="" type="checkbox"/> On-Going
0% = Minimum State Match % Required	<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill		

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
Totals:	0	0

Additional Information / Prior Funding History:

This is a new Capital Project.

Project Description/Justification:

The requested funds would cover costs associated with implementing AGIA. Maintaining the state's current level of technical, commercial, and financial understanding is essential to success. These funds would be used in the retention of outside experts and consultants on continued gas pipeline analysis, specifically, outside experts on pipeline engineering and practices; analysis and advice on tariffs, cost overrun, royalty valuation methodology; and enforcement, remedies, and off-ramps for licensee and state.

Funding would provide expertise and advice to the state related to promoting success of the initial and subsequent open seasons, in areas of natural gas pipeline planning, management, permitting, commercialization and construction:

- Tariffs and ratemaking
- Policies of the Federal Energy Regulatory Commission, the Regulatory Commission of Alaska, and the Canadian National Energy Board
- Gas pipeline access
- Aspects of gasline project engineering to evaluate design and expansion provisions

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- Project economics, cash flow, state fiscal terms, and forecast modeling
- Risk assessment
- Project financing and federal loan guarantees
- Input to project economics and state revenue projections
- Develop and implement program for project management
- Develop and implement oversight process and for state AGIA license expenditure

The Department of Natural Resources (DNR) will promulgate regulations for royalty valuation and royalty in-kind and in-value switching. The AGIA licensee's activities will also be monitored to ensure that the terms of the license are fully complied with. As well, DNR will continually assess the project's commercial activities and conditions to determine, together with the Department of Revenue (DOR), the need for additional project inducements; the scope and type of such inducements, if any, will be developed to maximize state benefits.

Finally, funds from the capital project will be RSA'd to the Governor's office to provide outside expertise for the AGIA Pipeline Coordinator and to DOR for oversight of state AGIA license expenditures.

These funds would be used to implement valuation regulations required by AGIA; and fund the ongoing assessment of North Slope gas resources and availability.

Why is this Project Needed Now?

This CIP request will provide funds to implement a gasline contract under the Alaska Gasline Inducement Act. The expenditure of these funds is expected to continue through FY 12. In FY09 \$5.5 million in operating funds were received by DNR to contract with experts to assess and possibly develop additional state inducements to ensure the success for the first and subsequent open seasons, ensure compliance with license terms, develop royalty inducements, audit support and oversight and environmental permit coordination. Funds will be needed over the six years to continue these efforts.

Specific Spending Detail:

LINE ITEM	DOLLAR AMOUNT	DESCRIPTION
Services	\$ 3,200,000	Consultants