

State of Alaska
FY2017 Governor's Operating Budget

Department of Revenue
Natural Gas Commercialization
Component Budget Summary

Component: Natural Gas Commercialization

Contribution to Department's Mission

Provide analytical support for the commercialization of North Slope natural gas.

Major Component Accomplishments in 2015

- Provided support for Alaska Liquefied Natural Gas (AK LNG) project.

Key Component Challenges

- Provide stakeholders including the Administration, the State Legislature, Congress, potential customers and producers with information on how Alaska's fiscal systems support the economic viability of a natural gas pipeline from Alaska's North Slope to the lower 48 states.
- Provide analysis of the effects of in-state gas pipeline initiatives on the commercialization of North Slope natural gas.
- Provide fiscal systems analysis in support to commercialize natural gas resources.

Significant Changes in Results to be Delivered in FY2017

No changes in results delivered.

Statutory and Regulatory Authority

AS 43.90 et. seq. Alaska Gasline Inducement Act

Contact Information

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Natural Gas Commercialization Personal Services Information				
Authorized Positions			Personal Services Costs	
	<u>FY2016</u> <u>Management</u> <u>Plan</u>	<u>FY2017</u> <u>Governor</u>		
Full-time	0	0	Annual Salaries	85,020
Part-time	0	0	Premium Pay	0
Nonpermanent	0	1	Annual Benefits	26,651
			<i>Less 0.00% Vacancy Factor</i>	(0)
			Lump Sum Premium Pay	0
Totals	0	1	Total Personal Services	111,671

Position Classification Summary					
Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Program Manager	1	0	0	0	1
Totals	1	0	0	0	1

Component Detail All Funds
Department of Revenue

Component: Natural Gas Commercialization (2859)
RDU: Administration and Support (50)

Non-Formula Component

	FY2015 Actuals	FY2016 Conference Committee	FY2016 Authorized	FY2016 Management Plan	FY2017 Governor	FY2016 Management Plan vs FY2017 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	111.7	111.7	100.0%
72000 Travel	0.0	0.0	0.0	0.0	50.0	50.0	100.0%
73000 Services	2,575.0	150.0	150.0	150.0	1,715.0	1,565.0	1043.3%
74000 Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	2,575.0	150.0	150.0	150.0	1,876.7	1,726.7	1151.1%
Fund Sources:							
1004Gen Fund (UGF)	125.0	0.0	0.0	0.0	0.0	0.0	0.0%
1236AK LNG I/A (Other)	2,450.0	150.0	150.0	150.0	0.0	-150.0	-100.0%
1241GF/LNG (UGF)	0.0	0.0	0.0	0.0	1,876.7	1,876.7	100.0%
Unrestricted General (UGF)	125.0	0.0	0.0	0.0	1,876.7	1,876.7	100.0%
Designated General (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	2,450.0	150.0	150.0	150.0	0.0	-150.0	-100.0%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Positions:							
Permanent Full Time	0	0	0	0	0	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	1	1	100.0%

Change Record Detail - Multiple Scenarios with Descriptions
Department of Revenue

Component: Natural Gas Commercialization (2859)

RDU: Administration and Support (50)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2016 Conference Committee To FY2016 Authorized *****												
FY2016 Conference Committee												
1236 AK LNG I/A	ConfCom	150.0	0.0	0.0	150.0	0.0	0.0	0.0	0.0	0	0	0
	Subtotal	150.0	0.0	0.0	150.0	0.0	0.0	0.0	0.0	0	0	0
***** Changes From FY2016 Management Plan To FY2017 Governor *****												
Reverse Gas Pipeline; AGDC; Oil and Gas Prod Tax Ch14 SLA2014 (SB138) (Sec2 Ch14 SLA2014 P48 L17 (HB266)) (FY2015)												
1236 AK LNG I/A	OTI	-150.0	0.0	0.0	-150.0	0.0	0.0	0.0	0.0	0	0	0
Reduce fiscal note funding to zero in year three.												
Support Staff for the Alaska Liquefied Natural Gas Project												
1241 GF/LNG	IncOTI	176.7	111.7	50.0	15.0	0.0	0.0	0.0	0.0	0	0	1
A long-term nonpermanent Program Manager (range 21) position will be established to act as the administrative and managerial project assistant to the Department of Revenue for the Alaska Liquefied Natural Gas project. The Program Coordinator, under direction of the Deputy Commissioner, will coordinate major activities, operational components, and administrative responsibilities associated with the Alaska Liquefied Natural Gas Project. The position will be responsible for planning, developing, coordinating, and overseeing activities, functions, and major components, as well as budgetary and administrative responsibilities. Additionally, the position will assist with developing work plans for assigned projects, including analyzing and formulating project concepts, goals, schedules, cost estimates, critical path issues and financing requirements, in collaboration with interagency project teams and financing consultants.												
Financing, bankability and coordination of bonding efforts will ramp up significantly prior to FY2017 and is a critical piece of advancing the Alaska Liquefied Natural Gas Project to a Front End Engineering and Design (FEED) decision. Without coordination and integration of DOR work on project financing with the commercial teams, the project will not be able to move forward. This position is critical in support of project work towards the successful completion of financing negotiations, project bankability and bonding studies and efforts.												
Legal and Consulting Services for the Alaska Liquefied Natural Gas Project												
1241 GF/LNG	IncOTI	1,700.0	0.0	0.0	1,700.0	0.0	0.0	0.0	0.0	0	0	0

In order to proceed to the Front End Engineering Design (FEED) phase of the Alaska Liquefied Natural Gas Project (AKLNG Project), the Department of Revenue (DOR) anticipates that the State will have to issue bond debt to fund Alaska Gasline Development Corporation's participating interest share of the AKLNG Project FEED costs. Preparation for and implementation of a State Bond offering will require procurement of consultant and legal services by the Department of Revenue.

The following consultant, legal services and transaction costs anticipated include:

1. Bond feasibility consultant: to prepare the financial and economic disclosure reports to be included in the bond public offering memorandum.

Change Record Detail - Multiple Scenarios with Descriptions
Department of Revenue

Component: Natural Gas Commercialization (2859)

RDU: Administration and Support (50)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
2. Bond counsel: to represent the State to prepare the bond documentation and issuance of the bond closing opinions.												
3. Disclosure counsel: to represent the State in the due diligence and disclosure requirements, Blue-Sky survey, and drafting of the bond public offering memorandum.												
4. Issuer's counsel: to represent the State in assisting bond counsel and disclosure counsel in the preparation of Bond public offering memorandum and description of Project commercial terms.												
5. Financial Adviser: to represent the State's interests in procuring underwriters and advising the State on the fairness of the underwriting terms and conditions and bond pricing.												
6. Ratings Agencies: fees to the three primary ratings agencies to review and rate the bond issue.												
7. Bond Trustee: fees to act as bond Trustee, if a trustee is utilized.												
8. Underwriter's Discount: fee to Underwriter for underwriting services.												
9. Underwriter's Counsel: fees to represent Underwriter in bond issue.												
It is anticipated that the cost for the State's consultants and legal advisers would be \$1,700,000 depending on the structure of the Bond financing. It is anticipated that all of these consultant and legal adviser costs will be reimbursed to the State from the Bond proceeds in future years.												
Totals		1,876.7	111.7	50.0	1,715.0	0.0	0.0	0.0	0.0	0	0	1

Personal Services Expenditure Detail
Department of Revenue

Scenario: FY2017 Governor (12995)
Component: Natural Gas Commercialization (2859)
RDU: Administration and Support (50)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range / Step	Comp Months	Split / Count	Annual Salaries	COLA	Premium Pay	Annual Benefits	Total Costs	UGF Amount
04-#047	Program Manager	NP	A	XE	Anchorage	E00	21A	12.0		85,020	0	0	26,651	111,671	111,671
													Total Salary Costs:	85,020	
													Total COLA:	0	
													Total Premium Pay:	0	
													Total Benefits:	26,651	
													Total Pre-Vacancy:	111,671	
													Minus Vacancy Adjustment of 0.00%:	(0)	
													Total Post-Vacancy:	111,671	
													Plus Lump Sum Premium Pay:	0	
													Personal Services Line 100:	111,671	
Total Component Months:		12.0													

PCN Funding Sources:	Pre-Vacancy	Post-Vacancy	Percent
1241 General Fund/Liquefied Natural Gas	111,671	111,671	100.00%
Total PCN Funding:	111,671	111,671	100.00%

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column. [No valid job title] appearing in the Job Class Title indicates that the PCN has an invalid class code or invalid range for the class code effective date of this scenario.

Line Item Detail
Department of Revenue
Travel

Component: Natural Gas Commercialization (2859)
RDU: Administration and Support (50)

Line Number	Line Name		FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
72000	Travel		0.0	0.0	50.0
Expenditure Account			FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
	Servicing Agency	Explanation			
72000 Travel Detail Totals			0.0	0.0	50.0
72100	Instate Travel		0.0	0.0	50.0

Line Item Detail
Department of Revenue
Services

Component: Natural Gas Commercialization (2859)
RDU: Administration and Support (50)

Line Number	Line Name		FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
73000	Services		2,575.0	150.0	1,715.0
Expenditure Account	Servicing Agency	Explanation	FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
73000 Services Detail Totals			2,575.0	150.0	1,715.0
73050	Financial Services	Management/consulting services	2,575.0	150.0	1,715.0

Restricted Revenue Detail
Department of Revenue

Component: Natural Gas Commercialization (2859)
RDU: Administration and Support (50)

Master Account	Revenue Description				FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
51512	Alaska Liquefied Natural Gas Fund				2,450.0	150.0	0.0
Detail Information							
Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2015 Actuals	FY2016 Management Plan	FY2017 Governor
51512	Alaska Liquefied Natural Gas Fund Budgeted RSA with AGDC		4040100		2,450.0	150.0	0.0