

State of Alaska FY2006 Governor's Operating Budget

Department of Natural Resources Gas Pipeline Office Component Budget Summary

Component: Gas Pipeline Office

Contribution to Department's Mission

To encourage the development of pipelines to transport gas to markets, making a significant contribution to the economy of the State and to the general welfare of Alaskans.

Core Services

The Gas Pipeline Office works within the Joint Pipeline Office to provide right-of-way leases for gas lines on State lands. Our budget during FY 05 was funded primarily through Statutory Designated Program Receipts from TransCanada PipeLines, Limited to process their right-of-way application for a gas line route from Prudhoe Bay to the Canadian border. General Funds appropriated in the FY 05 Capital Budget to process specific rights-of-way provided the remaining funding.

Major Activities to Advance Strategies

- Process gas line rights-of-way applications that assist with moving North Slope stranded gas in a manner consistent with the state's interests.
- Develop streamlined permitting for state and federal resource agencies pre-construction, construction, and monitoring/surveillance activities.
- Coordinate between DOT&PF "Roads to Resources" right-of-way applications and gas line right-of-way applications to maximize efficiencies.
- Work with ANGDA, other state corporations/organizations and municipal interests to maximize the state's interest in the use and distribution of gas.

FY2006 Resources Allocated to Achieve Results

FY2006 Component Budget: \$493,800	Personnel:	
	Full time	5
	Part time	0
	Total	5

Key Component Challenges

The conclusion of several ongoing activities during FY 05, including processing the TransCanada right-of-way application, stranded gas negotiations, and legislative action during the 2005 legislative session, will have considerable impact on the future activities of this component. If negotiations are successful and agreements are reached on construction of a gas line from Prudhoe Bay to the Canadian border, emphasis in this component will be placed on working with state and federal resource agencies to begin development of a streamlined approach to permitting pre-construction, construction, and monitoring/surveillance activities.

If one or more contracts are approved under the Stranded Gas Development Act in FY 05 significant additional work remains in FY 06 and beyond in order to move a gas pipeline project forward into commercial operation. Current (Fall, 2004) project concepts being examined by the State include potential equity ownership in the project. As these concepts mature they will generate additional work to analyze and recommend the required business structures and access risks and rewards. Further analysis of gas marketing options, definition of project scope including Alberta take-away options, and a wide range of project planning activities are required. One or more state "entities" to participate in the project need to be established, pipeline open season rules and tariff structures need to

be determined, financing options need to be explored, instate access and input/offtake points need to be defined, upstream field development plans need to be finalized, and gas balancing agreements need to be considered. The state will need to enlist the services of experts and consultants in the areas identified above to assist it in properly evaluating and quantifying the risks and rewards involved, considering all the available options, negotiating terms that protect the state's interests and assembling, as needed, the proper state entities to participate in the project. If a contract is not approved in FY05, then these funds will be needed to further progress contract talks to a successful conclusion, and to then accomplish the same tasks described above once a contract is signed.

Existing funds, that roll over to FY 06 will not be sufficient to conclude all the tasks described above. In all likelihood funds approved in FY 05 will be fully expended in FY 05. But to the extent existing funds are not fully committed in FY 05 those funds will be assigned to this component in FY 06. Additional funds will be separately requested in FY 06 by the administration to accomplish all the tasks described above. Certain expenditures may be reimbursable to the state (Law, Revenue and DNR) by the applicants under the Stranded Gas Development Act. To the extent certain expenditures are reimbursed by the applicants to the state, a portion of those reimbursements will be returned to this component.

Significant Changes in Results to be Delivered in FY2006

For the majority of FY 05, the Gas Pipeline Office activities focused exclusively on processing the TransCanada right-of-way application for a gas line from Prudhoe Bay to the Canadian border. In FY 05 the legislature appropriated funding in the Capital Budget to be expended over the next several years for the development of gas line rights-of-way from Point Thomson to Prudhoe Bay, from Fairbanks to Valdez, and from Fairbanks or Glenallen to Cook Inlet, whichever is more viable. Additionally, work on a lease for a gas conditioning plant at Prudhoe Bay, as well as a lease for a possible LNG plant at Anderson Bay was funded. Work on the gas line right-of-way from Point Thomson to Prudhoe Bay is expected to begin during the third quarter of FY 05 and continue into FY 06.

Major Component Accomplishments in 2004

This component did not exist in FY 04.

Statutory and Regulatory Authority

AS 27.19	Mining Reclamation
AS 38.05	Alaska Land Act
AS 38.35	Right-of-Way Leasing Act
AS 46.15	Alaska Water Use Act
AS 46.40	Alaska Coastal Zone Management Program
6 AAC 50	Alaska Coastal Zone Management Program
11 AAC 51	Public Easements
11 AAC 53	Records, Survey, Platting
11 AAC 71	Timber and Material Sites
11 AAC 80	Pipeline Rights-of-Way
11 AAC 96	Miscellaneous Land Use
11 AAC 97	Mining Reclamation

Contact Information

Contact: Ken Taylor, Acting Gasline Office Coordinator
Phone: (907) 269-8431
Fax: (907) 269-8918
E-mail: Ken_Taylor@dnr.state.ak.us

**Gas Pipeline Office
Component Financial Summary**

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	417.8
72000 Travel	0.0	0.0	20.0
73000 Services	0.0	0.0	41.0
74000 Commodities	0.0	0.0	15.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	0.0	493.8
Funding Sources:			
1004 General Fund Receipts	0.0	0.0	10.0
1061 Capital Improvement Project Receipts	0.0	0.0	483.8
1105 Alaska Permanent Fund Corporation Receipts	0.0	0.0	0.0
Funding Totals	0.0	0.0	493.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Capital Improvement Project Receipts	51200	0.0	0.0	483.8
Restricted Total		0.0	0.0	483.8
Total Estimated Revenues		0.0	0.0	483.8

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	0.0	0.0	0.0	0.0
Adjustments which will continue current level of service:				
-Transfer In Gasline Risk Analysis Multi-year appropriation Sec24(o) CH159 SLA2004 SB283 from Dev Spec Projects	875.0	0.0	395.0	1,270.0
-Transfer In Gasline Right-of-Way & Application Multi-year approp Sec24(p) CH159 SLA2004 SB283 from Dev Spec Projects	2,925.0	0.0	975.0	3,900.0
-FY 05 Bargaining Unit Contract Terms: GGU	2.1	0.0	0.0	2.1
-Gasline Risk Analysis Multi-year appropriation Sec24(o) CH159 SLA2004 SB283	-875.0	0.0	-395.0	-1,270.0
-Gasline Right-of-Way & Application Multi-year approp Sec24(p) CH159 SLA2004 SB283	-2,925.0	0.0	-975.0	-3,900.0
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	7.9	0.0	0.0	7.9
Proposed budget increases:				
-Establish Gasline Office Coordinator	0.0	0.0	99.5	99.5
-CIP Receipts for costs related to Gasline Development	0.0	0.0	384.3	384.3
FY2006 Governor	10.0	0.0	483.8	493.8

**Gas Pipeline Office
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2005</u> <u>Management</u> <u>Plan</u>	<u>FY2006</u> <u>Governor</u>		
Full-time	0	5	Annual Salaries	299,456
Part-time	0	0	COLA	3,089
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	130,391
			<i>Less 1.00% Vacancy Factor</i>	<i>(4,336)</i>
			Lump Sum Premium Pay	0
Totals	0	5	Total Personal Services	428,600

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	0	0	1
Gasline Office Coordinator	1	0	0	0	1
Natural Resource Mgr III	1	0	0	0	1
Natural Resource Spec IV	2	0	0	0	2
Totals	5	0	0	0	5