

**Alaska Natural Gas Development Authority Gasline
Projects**

**FY2007 Request: \$4,600,000
Reference No: AMD 42462**

AP/AL: Appropriation
Category: Development

Project Type: Planning

Location: Statewide

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House District: Statewide (HD 1-40)

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Estimated Project Dates: 07/01/2006 - 06/30/2011

Brief Summary and Statement of Need:

Alaska Natural Gas Development Authority (ANGDA) FY 2007 contracting requirements for gasline projects.

Funding:	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>Total</u>
Gen Fund	\$4,600,000						\$4,600,000
Total:	\$4,600,000	\$0	\$0	\$0	\$0	\$0	\$4,600,000

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

Project Description/Justification:

Over the last year and a half, ANDGA has employed a series of contractors to determine the feasibility conditions to connect the North Slope gas line project to the Cook Inlet area. While more work is needed, it is clear that a "spur line" can very favorably impact the availability and price of energy in the Cook Inlet area and coastal communities. The general issues associated with making North Slope gas available along the main line route, in particular at the Yukon River and Fairbanks, is a common element in all ANGDA studies.

ANGDA's major concerns over the next fiscal year relate to the need for a wide range of Alaskan utilities and businesses to be ready to participate in an "open season" process a year from now. Utility boards will have to make very large, firm, long-term contractual commitments for the shipment and purchase of North Slope gas in a short six-month decision period. Regulatory Commission of Alaska (RCA) approval of the transactions must occur during that short period. The basis of those important decisions will be the estimated cost-of-service to deliver North Slope gas to each potential user. Absent quality information, the fiduciary responsible boards may make conservative decisions to not commit to those contracts, and in doing so may fail to use Alaska gas in Alaska.

ANGDA's work program addresses the key informational items needed for Alaska to participate in the "open season." ANDGA needs to proceed in FY2007 with several major efforts to prepare Alaska utilities for participation in the open season process. ANGDA's contracting plan in FY2007 continues the efforts to develop the information needed by Alaska utilities and energy related businesses to participate in an open season process to purchase gas line capacity for in-state natural gas deliveries.

ANGDA Contracting Requirements in FY 2007

Spur Line Business Structure \$1,000.0

A RFP for a contractor to develop the ANGDA business plan has been issued and this key guidance document will be completed by the fall of 2006. ANGDA anticipates that the business plan will resolve the basic issues of the spur line company's organization and that the major leverage items of financing plan, regulatory approval process and data, and the legal structure with joint venture partners will need more detailed analysis.

Financing Package	\$500.0
Regulatory Approval	250.0
Joint Venture Contract	<u>250.0</u>
	\$1,000.0

Glennallen to Palmer Spur Line 1,250.0

The draft commissioner's decision on the ANSDA application for a conditional State right-of-way (ROW) has completed the public hearing process. Following the presumed issuance of the conditional ROW in early summer, a series of contractor field studies will address the specific conditions and plan requirements set by the Department of Natural resources. Elements of ROW leasing with other major landowners along the route will be negotiated. Preliminary engineering, including field reconnaissance along the 50-mile eastern section of the spur line along the Glenn Highway will demonstrate the "typical" pipeline construction design.

Plans required by State ROW lease	\$250.0
Field Studies – Summer and Fall 2006	250.0
Field Reconnaissance – Winter 2006-2007	250.0
ROW lease options with other owners	250.0
Preliminary design along Glenn Highway ROW	<u>250.0</u>
	\$1,250.0

Delta to Glennallen Connector 750.0

A previous ANDGA contractor report concluded that a small high-pressure buried gas line could be located within the existing Trans Alaska Pipeline System (TAPS) oil pipeline ROW. That study included a minimal field reconnaissance and a full summer study in the field is needed to verify the conclusions. While regular support for the co-use of the TAPS ROW is string, the TAPS owners have raised a number of construction and operations concerns that will need contractor evaluation.

Preliminary alignment and field validation	\$250.0
Studies on co-location within TAPS ROW	<u>500.0</u>
	750.0

Fairbanks to Palmer Spur Line 1,000.0

The US Department of Energy has funded a \$2,000.0 contractor study of the gas needs in Alaska and a comparison of gas line alignments along the Parks and Glenn Highway corridors. Enstar and ANGDA, as part of the steering committee have helped advance this work, but the selection of a single alignment on the Parks Highway axis and an engineering/cost/economic comparison of the route alternative will be in the fall of 2006. In FY 2007 there are field and technical studies to further detail this work to develop comparative cost-of-service estimates. Additional State funding in the future will be required to bring the Parks Highway routing to the quality of completed work on the Glenn Highway alignment. Preparation of the State and Federal ROW applications for the Parks Highway/Railroad alignment (with potential EIS) need to be developed starting in FY 2007

Field validation of preferred alignment	\$250.0
Studies of Technical Issues	250.0
ROW application to State and Federal Government	<u>500.0</u>
	1,000.0

Alaska Gas System

600.0

Several major independent conception studies are needed to understand the potential for lowering the cost of service.

Sizing and phasing of gasline options in Alaska system	250.0
Single train liquefied natural gas plant (in Valdez) concepts	250.0
Evaluation of development of potential gas discoveries	<u>100.0</u>
	600.0