

State of Alaska FY2012 Governor's Operating Budget

Department of Law Oil, Gas and Mining Component Budget Summary

Component: Oil, Gas and Mining

Contribution to Department's Mission

The Oil, Gas and Mining Section provides legal advice and representation to state departments, boards, and commissions to insure that the state receives the maximum benefit from development of its oil, gas, and mining resources.

Core Services

- The Oil, Gas, and Mining section provides legal advice and assistance to the state on oil, gas, and mining-related disputes. The section also advises state agencies on oil and gas royalty, net profit shares, and tax programs and on development of state oil, gas, and mining resources. The section monitors and protests tariffs charged for pipeline transportation, and provides legal advice to state agencies concerning the development of state oil, gas, and mineral resources.
- The section funds legal services to ensure the integrity of the state's fiscal system, including issues related to Alaska North Slope crude oil destination values, allowable transportation costs, net profit shares, property taxes, production taxes, and corporate income taxes. Most of the state's operating revenues are derived from oil and gas corporate, property, and production taxes and royalties on Alaska North Slope crude oil.
- The section funds legal services related to other oil and gas development issues including tariff monitoring and disputes with the owners of TransAlaska Pipeline System (TAPS) and other oil pipelines in Alaska, assessment and collection of unpaid royalties from oil and gas producers development of a gas pipeline, and participation in federal litigation that affects development in the National Petroleum Reserve of Alaska or Alaska's Outer Continental Shelf.
- The section contracts with outside counsel and expert consultants on large or complex oil and gas cases as well as legal services related to lease sales, drafting and interpreting oil and gas statutes and regulations, pipeline right-of-way issues, and oil and gas conservation, development issues, and reservoir engineering.

Key Component Challenges

TransAlaska Pipeline System (TAPS). The Oil, Gas, and Mining Section expends substantial efforts to monitor the TAPS tariffs and to monitor and participate, where appropriate, in state and federal regulatory oversight of the tariffs of all common carrier oil and gas pipelines operating in the state. This vigilance can earn the state millions of dollars in royalties and production taxes each year. Further, as production of oil and gas from current developments declines in Alaska, the state's participation in tariff regulation is becoming more important in encouraging additional producers to invest in exploration of new areas in the state, by ensuring fair transportation rates and access to existing pipeline infrastructure for production from new fields.

In FY2011, the section will be involved in a three-week evidentiary hearing over TAPS 2009 interstate tariffs before the Federal Energy Regulatory Commission (FERC) and in briefing and oral argument before the U.S. Court of Appeals, D.C. Circuit, of appeals from the FERC's rulings on the TAPS 2005 and 2006 tariffs. In addition, the section will complete discovery and file its direct and answering cases in its litigation challenging the inclusion of hundreds of millions of imprudent capital expenditures in TAPS' rate base for the Strategic Reconfiguration project. The FERC has scheduled an eight-week hearing in FY2012 on the matter.

The section will continue the litigation process in protest of the superseding TAPS tariffs filed at both the FERC and the Regulatory Commission of Alaska (RCA) in 2008, 2009, and 2010.

The section will proceed with litigation over tariff terms and conditions of the Kuparuk Pipeline's intrastate and interstate tariffs at the RCA and the FERC. The section will also continue to monitor the tariffs of other North Slope feeder pipelines that transport oil from remote fields to TAPS and of Cook Inlet area oil and gas pipelines.

The section will continue working on cases involving disputes between TAPS shippers, TAPS carriers, and the state over the valuation of crude oil under the TAPS Quality Bank, which is a system for adjusting crude oil values to account for the different qualities of crude oil and refinery return streams that are commingled in the TAPS

common stream. These cases, in the US Court of Appeals for the DC Circuit and the Alaska Superior Court, concern decisions of the FERC and RCA.

The section provides legal support for and represents the Pipeline System Integrity Office (PSIO), which oversees the maintenance of facilities, equipment, and infrastructure for the sustained production and transportation of oil and natural gas resources in Alaska, in cooperation with other state and federal agencies.

The section provides legal support for and represents the State Pipeline Coordinator's Office (SPCO), which monitors and facilitates the development and sound operation of pipelines on state land.

- North Slope Gas Pipeline-Related Issues. The section will continue to assist in arrangements to construct a gas line to transport Alaska North Slope gas to market. The known gas resource on Alaska's North Slope is huge. The potential gas resource on unexplored lands on the North Slope is much larger. Developing this resource is one of the most promising opportunities to strengthen and support Alaska's economic future. The section will continue to work closely with the Governor's Office and the Departments of Natural Resources and Revenue to provide legal assistance in implementation of the Alaska Gasline Inducement Act (AGIA) license, including providing analysis on relevant constitutional and other state law issues.
- Tax Cases. This section is pursuing hundreds of millions of dollars in past-due taxes, interest, and penalties that are owed by oil and gas producers and other corporate taxpayers to the state. At this time, the section is representing the Department of Revenue in an appeal to superior court by Tesoro Corporation of an Office of Administrative Hearings decision resulting in additional tax liabilities, interest, and penalties of about \$13 million. The section is also representing the Department of Revenue in an appeal to superior court by Schlumberger Technology Corporation of an Office of Administrative Hearings decision in the Department's favor worth over \$1 million in additional tax and interest. A major production tax case, which is before the Office of Administrative Hearings, is an appeal of the Department of Revenue's decision to aggregate properties within the Prudhoe Bay Unit for purposes of determining the Economic Limit Factor (ELF). The ELF appeal stems from a January 2005 decision by the Department of Revenue to aggregate six satellite producing areas with the Prudhoe Bay producing areas for purposes of calculating the ELF. The effect of this decision was to increase North Slope production taxes significantly. The impact of this decision was limited to a total of 14 months because the ELF was repealed by the amendments made to the state's production tax laws in 2006. The section is also representing the Department of Revenue in a number of confidential tax disputes at the administrative level.

The section provides support and represents the Department of Revenue in appeals from the annual oil and gas property tax assessments, including the valuation of TAPS for taxes due. The section is representing the Department of Revenue in the appeals before the Alaska superior court over the State Assessment Review Board's 2006, 2007, 2008, and 2009 property tax valuations of TAPS. The trial on the 2006 valuation began in August 2009 and lasted almost six weeks. On May 24, 2010, Judge Gleason, in a 170-page decision, affirmed the Department of Revenue on its assessment methodology and, based on new cost and North Slope oil reserves studies presented at trial, doubled the TAPS value to \$9.9 billion for tax year 2006, which would result in an increase in property tax revenue to the State of approximately \$86 million for that year. The trial preparation on the 2007 and 2008 valuations has begun and an eight-week trial has been scheduled to begin on September 6, 2010. Tens of millions of dollars are at stake in the litigation for each tax year. The section has contracted with experts in petroleum engineering and appraisal and assessment practices to help prepare for trial and testify on behalf of the State.

The section will continue to provide legal assistance to the Department of Revenue as it develops regulations to implement recent legislation enacting new corporate and production tax credits designed to further encourage the development of oil and gas reserves. The section will also assist the Department of Revenue as it considers whether to propose modifications to the Mineral Licensing Tax and to the current mining license regulations.

- Royalty Cases. The section represents DNR in royalty disputes and works with DNR in royalty negotiations to ensure that the state receives its fair share of royalties and net profit share from production of Alaska oil and gas resources. This work also includes handling related development and production sharing disputes. Much of the work is transactional in nature and concerns negotiating modifications to existing Royalty Settlement Agreements, audits, and claims. But the section must litigate or arbitrate some claims in order to recover the amount due to the state. Litigation and arbitration inevitably involves developing expert opinions, which require a long lead time. The section also manages expert witnesses that analyze transportation costs, sales data, and royalty

settlements, markets, destination values, development issues, and reservoir modeling.

Legal advice is provided to DNR on a variety of related issues ranging from confidentiality to contract construction and whether royalty and net profit share payments and deductions meet legal requirements.

The state has Royalty Settlement Agreements with all the major producers that cover most of the Alaska North Slope DL-1 leases in production as of the early 1990s. These Royalty Settlement Agreements all contain formulas for determining the state's royalty share. These formulas may be modified through an arbitration proceeding called a reopener. Typically there are several reopeners a year. Currently, the section is working on a major production allocation dispute and a pending reopener. Several reopeners will be initiated during FY2011. The Royalty Settlement Agreements also provide for arbitration proceedings to resolve disputes about whether past payments were consistent with the then existing applicable agreement. The section is currently working on one of those proceedings.

- Unitization, Participating Areas and Lease Development. The section assists the Department of Natural Resources with bringing state leases into production. This involves a multitude of different issues associated with unitization, participating area formation, farm-out agreements, and lease and tract operations. These issues generate many negotiations and appeals every year. Although there are multiple proceedings in this category, including two pending proceedings in the Alaska Supreme Court regarding Cook Inlet development, the most high profile matter in this category involves the North Slope Point Thomson Unit (PTU) litigation. In 2005, the Department of Natural Resources defaulted the PTU for failure to commit to production notwithstanding massive hydrocarbon reserves that had been known for decades. The PTU matter involves the following current proceedings: briefing on the Alaska Supreme Court Petition for Review from reversal of the unit termination decision, a separate appeal on damages, eight Appellate Rule 602 appeals to the superior court, and one administrative proceeding before the Department of Administration, all regarding unit termination. There are also proceedings in the superior court regarding permits and Alaska Oil and Gas Conservation Commission compulsory unitization.
- Leasing. The section assists the Department of Natural Resources in a variety of leasing issues every year from lease sales and protests to drafting and negotiating lease terms.
- LNG Export License Extension. The section assists the Department of Natural Resources and the Governor's Office in responding to requests to export LNG from the Kenai LNG facility to foreign markets.
- Mining. The section assists the Department of Natural Resources in litigation regarding mineral royalties, mining rights, and rights regarding surface occupancy of mining claims. The section also assists the Department of Natural Resources in complying with federal statutes regulating surface mining, including legal review for the use of reclamation funds, and drafting agreement with operators to insure compliance with state and federal reclamation requirements. Additionally, the section advises and assists the Division of Mining in drafting bonding agreements, permits, leases, best interest findings, proposed legislation, and regulations.
- Alaska Oil and Gas Conservation Commission. The section advises and represents the Alaska Oil and Gas Conservation Commission (AOGCC) with respect to all aspects of the Commission's oversight of oil and gas drilling, development, production, and metering and reservoir depletion. The oversight is intended to prevent waste, maximize ultimate recovery, protect correlative rights, and protect underground freshwater. The section will continue to work with AOGCC on matters involving proposed statutory and regulatory amendments, the issuance of orders and decisions, and the conduct of hearings and enforcement actions. The section will also continue to represent AOGCC in judicial challenges to AOGCC actions.
- Miscellaneous. The section works with the Environmental Section to represent the State regarding the March and August 2006 oil spills and subsequent shutdown of the Prudhoe Bay operating area. The State filed a lawsuit in 2009 and is pursuing substantial claims against the responsible party.

Section resources were also committed to assisting DNR with the negotiation of a Compensatory Royalty Agreement (CRA) to resolve issues associated with state leases that are partially on the federal side of the National Petroleum Reserve Alaska (NPR) coastal boundary. Completion of the CRA was necessary in order to proceed with completion of the negotiations with the U.S. Regional Solicitor over an administrative lease line agreement for the coastal boundary of the NPR. The NPR coastal boundary is ambulatory and the administrative lease line will allow the state and federal governments to issue oil and gas leases without fear that

the line will move in a way that will impair title to issued leases. The section is researching what statutory or regulatory changes may be needed to protect the state's interests in bankruptcy proceedings involving state oil and gas units and leases, including issues related to royalty interests and future abandonment costs.

The section has intervened on the State's behalf in a number of federal cases challenging lease sales and exploratory drilling in the federal Outer Continental Shelf.

The section has intervened on the State's behalf in federal litigation concerning federal mining claim rules that will affect the mining industry in Alaska.

Significant Changes in Results to be Delivered in FY2012

No changes are anticipated.

Major Component Accomplishments in 2010

- Alaska Gasline Inducement Act (AGIA). The Department of Law continued to assist in the State's implementation of the AGIA license for a gas pipeline project from the North Slope to markets. The AGIA licensee, TransCanada Alaska, held an open season in 2010 that successfully attracted gas capacity bids for North Slope gas, thereby assuring that the AGIA pipeline project will continue to move forward with TransCanada and the bidders negotiating the terms of precedent agreements through the end of this year. According to the State's findings, when completed, TransCanada Alaska's AGIA gas pipeline project would result in an estimated cash flow to the State of \$261.5 billion, with an estimated NPV of \$66.1 billion (with a 5% discount rate). The project is estimated at its construction peak to directly create 15,000 jobs, with an average over 10 years of 3,800 jobs (this is the same for both the AGIA and Denali pipelines).

The section worked with the Department of Revenue and the Department of Natural Resources to develop and adopt two regulation packages relating to AGIA production tax inducements and AGIA royalty inducements available to shippers who commit during the first binding open season for pipeline capacity.

- Point Thomson. The section represented the Department of Natural Resources in a large number of proceedings involving issues related to DNR's decision to terminate the Point Thomson Unit due to lessees' failure to commit to production, notwithstanding massive hydrocarbon reserves that had been known for decades. In early 2010, the Superior Court issued a decision reversing DNR's decision to terminate the unit and requested briefing on whether to remand to DNR or to hold a trial de novo. The Supreme Court granted the petition for review filed by the section on behalf of DNR asking that the Superior Court decision be reversed. The matter is being briefed. The superior court decision under review did not affect the gains made earlier of return of five leases to the state and payment of \$20 million. Also the lessees continue to move forward with their commitment to a \$1.5 billion dollar development to initial cycling production in the Unit by 2014.

In an attempt to circumvent the Department of Natural Resources' decision to terminate the Point Thomson Unit, ExxonMobil filed an application for compulsory unitization before the Alaska Oil and Gas Conservation Commission (AOGCC). The section succeeded in persuading the AOGCC to grant the State's motion to dismiss the application for compulsory unitization. This matter is on appeal to the Superior Court.

- Transalaska Pipeline System (TAPS). The section settled the State's protest of TAPS 2008 interstate rates, resulting in approximately \$20 million of increased state royalties and production taxes received in FY2011.
- Royalty Cases. The section assisted the Department of Natural Resources in resolving a ConocoPhillips royalty reopener, which resulted in the recovery of more than \$4 million and the implementation of the 13th and 14th amendments to the Conoco Royalty Settlement Agreement.

In *Marathon Oil Company v. DNR*, the section successfully defended DNR's decision in a royalty dispute. In a superior court decision dated January 5, 2010, Judge Suddock affirmed DNR's decision that AS 38.05.180(aa) did not apply to gas royalties before Marathon applied for royalty relief. Marathon appealed, and the parties are now briefing the case in the Alaska Supreme Court.

The section also initiated an arbitration proceeding against BP regarding interest due on retroactive tariff adjustments that is worth several million dollars.

The section spent a significant time helping DNR evaluate a major dispute over production allocation worth tens of millions of dollars.

- The section has been assisting the Department of Natural Resources in resolving an audit of a producer's North Slope royalties for the period January 2004 through 2006. The section is also assisting the Department of Natural Resources in developing a methodology for implementing the field or area royalty valuation provisions of new form leases. The section helped DNR complete a Compensatory Royalty Agreement (CRA) to resolve issues associated with state leases that are partially on the federal side of the National Petroleum Reserve Alaska (NPR) coastal boundary. This Completion of the CRA was necessary in order to proceed with completion of the negotiations with the U.S. Regional Solicitor over an administrative lease line agreement for the coastal boundary of the NPR.
- Unitization North Middle Ground Shoals Decision. In FY2010 the Alaska Supreme Court issued a decision in favor of DNR in a unitization appeal handled by the oil and gas section. The case is significant because (1) it reaffirmed that DNR qualifies as an impartial decision maker in appeals arising out of its administration of state oil and gas properties; (2) the court also reaffirmed that evidentiary hearing is not required in all cases due process is implicated and that appellants must show disputed material facts to qualify for evidentiary hearing; and (3) the court implicitly rejected appellant's contention that damages may be presumed from a cloud of title claim based on issuance of a conflicting state oil and gas lease where no evidence of impairment in fact was shown. Pacific Energy Resources Ltd (PERL). The section assisted the Department of Natural Resources in proceedings related to the bankruptcy of PERL, which has working interests in state oil and gas leases in Cook Inlet and is an operator for several units. The section assisted the Department of Revenue in collecting overdue property taxes owed by PERL.
- Production Taxes. The section assisted the Department of Revenue at informal conference and before the Office of Administrative Hearings in complex litigation against major oil and gas producers regarding the department's decision to aggregate properties for calculating the taxpayers' production tax. The section represented the Department of Revenue in production tax settlement negotiations, which resulted in \$24.1 million in additional revenue to the State in FY2011.
- Corporate Income Taxes. The section represented the Department of Revenue in negotiating settlement of a number of corporate income tax disputes, which resulted in a total of about \$15.3 million in additional taxes, penalties, and interest in FY2010. The section represented the Department of Revenue in Tesoro's appeal to superior court of a favorable decision by the Office of Administrative Hearings finding that Tesoro owed an additional \$13 million in corporate income taxes, interest, and penalties for tax years 1994-1998.
- The section represented the Department of Revenue in administrative proceedings that resulted in a favorable decision by the Office of Administrative Hearings that Schlumberger Technology Corporation owed more than \$1 million in additional taxes for tax years 1998 – 2000.
- Property Taxes. The Department of Law successfully defended the Department of Revenue's 2009 TAPS property tax valuation methodology before the State Assessment Review Board in May 2010. This resulted in total tax revenue of \$184,069,338, of which the State receives 44.42%, or \$80,990,460, and affected municipalities (the North Slope Borough, Fairbanks, and Valdez) receive \$103,078,768. The Department is also defending the State Assessment Review Board's 2007 - 2009 TAPS property tax valuations, which are on appeal and will be tried before the superior court in September 2011. Each of these appeals is worth tens of millions of dollars to the State and municipalities, if upheld.

The section represented the Department of Revenue, Tax Division, in three tax appeals brought by the City of Valdez protesting annual oil and gas property tax assessments. In one appeal, the Office of Administrative Hearings affirmed the Tax Division's assessment. Valdez has appealed to superior court. In superior court and later in a petition to the Alaska Supreme Court, Valdez argued that it is entitled to a de novo hearing on their tax appeal. The section successfully argued that Valdez is not entitled to a de novo hearing. The superior court subsequently affirmed the Department's decision denying Valdez's escaped-property tax assessment claims.

The two remaining tax appeals still are pending before the Office of Administrative Hearings.

- Outer Continental Shelf (OCS). Oil development on the OCS is another instance where the section plays an increasingly significant role. Attorneys from the section intervened in the case of *Native Village of Point Hope et. al v. Salazar et. al.* and *Alaska Eskimo Whaling Commission, et al. v. Salazar et al.* The plaintiffs challenged Exploratory Plans for drilling in the Beaufort and Chukchi Seas in summer 2010. The State filed briefs in support of the environmental review and approval of the Exploration Plans by the Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE), and appeared before the court at hearing. The Ninth Circuit Court of Appeals denied the plaintiffs' petition. A request for en banc review by a larger panel of the Ninth Circuit is pending.

Attorneys from Law also intervened in *Native Village of Point Hope, et al. v. Salazar, et al.* in U.S. District Court for the District of Alaska in which plaintiffs challenged Lease Sale 193 in the Chukchi Sea. The State supported the federal government's decision authorizing the lease sale and related activities. The section filed briefs in a cross motion for summary judgment, which the court granted in part and denied in part. The court held that BOEMRE needed to conduct further analysis on a few discrete issues but did not need to redo the entire environmental review process. The section participated in motion work as a result of which the court clarified the scope of its order, stating that the order was intended to be narrow and did not prohibit companies from proceeding with seismic testing on the leases. Success in allowing such activities in the OCS impacts the state by creating hundreds of jobs for the immediate seismic testing and exploratory drilling work and potentially tens of thousands of jobs from eventual production. Success will also increase property tax revenues for the State and local communities. In addition, oil discovered in the OCS off Alaska's North Slope in the Beaufort and Chukchi Seas, will go to market through the TransAlaska Pipeline System ("TAPS"). An increase in throughput in TAPS—or in any other pipeline built to ship OCS oil—will lower the unit cost for all Alaskan oil, which results in more state royalties and production taxes from oil developed on state lands. The monetary impact for the State, while very speculative at this stage, is nonetheless likely to be in the tens, if not hundreds of millions of dollars during production.

- Development in CD5. The section supported requests by ConocoPhillips, native interests, and affected landowners to the Army Corps of Engineers to grant ConocoPhillips' request for a permit for development in the CD5 Alpine Satellite Development.
- Liquefied Natural Gas (LNG) Export License Extension. The section assisted the Department of Natural Resources and the Governor's Office in responding to an application filed by ConocoPhillips and Marathon Oil Company with the Department of Energy seeking a two-year extension of authority to export LNG from the Kenai LNG facility to foreign markets. This advocacy requires a balancing between the need to ensure local utilities have the gas they need to supply utility consumers with the employment opportunities and tax revenues generated as a result of continued LNG export activities.
- AOGCC. The section assisted the AOGCC in drafting a comprehensive legislative scheme to transfer jurisdiction over the permitting, drilling and inspection of geothermal well from the Department of Natural Resources to the AOGCC. The section also assisted the AOGCC in drafting a comprehensive regulatory framework to govern the permitting, drilling and inspection of geothermal wells and will continue to provide substantial legal assistance to revise the regulatory scheme.

The section provided substantial legal assistance to the AOGCC in its efforts to force the federal Bureau of Land Management to comply with the Commission's regulations governing oil and gas wells, including assistance in drafting a Notice of Violation demanding BLM compliance.

- Regulations. The section provided substantial legal assistance to the Department of Revenue in its development and adoption of three major regulation projects stemming from enactment of production tax legislation, Alaska's Clear and Equitable Share (ACES). These regulations addressed significant issues representing millions of dollars of potential tax revenue and included establishment of a reasonable transportation cost deduction, categories of allowable leave expenditures, and deductible exploration costs.
- 2010 Legislative Session. The section assisted the Department of Revenue in drafting legislation requested and introduced by the Governor to provide further incentives for exploration activities that increase the development of oil and gas resources. The section also assisted the Department of Revenue in responding to bills introduced by

legislators, including legislation designed to encourage new production and continued development of current fields through a refundable corporate income tax credit for gas storage facilities and a production tax credit for activities below 68 degrees North Latitude.

Statutory and Regulatory Authority

AS 44.23.020

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**Oil, Gas and Mining
Component Financial Summary**

All dollars shown in thousands

	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,327.8	3,052.1	3,155.7
72000 Travel	64.6	73.0	73.0
73000 Services	6,922.9	7,473.0	4,673.0
74000 Commodities	65.7	54.2	54.2
75000 Capital Outlay	40.5	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	10,421.5	10,652.3	7,955.9
Funding Sources:			
1004 General Fund Receipts	7,992.0	9,174.7	6,478.3
1007 Inter-Agency Receipts	952.5	0.0	0.0
1105 Alaska Permanent Fund Corporation Receipts	1,477.0	1,477.6	1,477.6
Funding Totals	10,421.5	10,652.3	7,955.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	952.5	0.0	0.0
Permanent Fund Earnings Reserve Account	51373	1,477.0	1,477.6	1,477.6
Restricted Total		2,429.5	1,477.6	1,477.6
Total Estimated Revenues		2,429.5	1,477.6	1,477.6

**Summary of Component Budget Changes
From FY2011 Management Plan to FY2012 Governor**

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2011 Management Plan	9,174.7	0.0	1,477.6	0.0	10,652.3
Adjustments which will continue current level of service:					
-FY 2012 Personal Services increases	106.8	0.0	0.0	0.0	106.8
-FY 2011 Over/Understated GGU/SU salary adjustments	-3.2	0.0	0.0	0.0	-3.2
-Reverse Oil and Gas Outside Counsel and Experts	-3,000.0	0.0	0.0	0.0	-3,000.0
-Reverse Gas Pipeline Outside Counsel and Experts	-2,500.0	0.0	0.0	0.0	-2,500.0
Proposed budget increases:					
-Gas Pipeline Outside Counsel & Experts	2,700.0	0.0	0.0	0.0	2,700.0
FY2012 Governor	6,478.3	0.0	1,477.6	0.0	7,955.9

**Oil, Gas and Mining
Personal Services Information**

Authorized Positions			Personal Services Costs	
	<u>FY2011 Management Plan</u>	<u>FY2012 Governor</u>		
Full-time	27	27	Annual Salaries	2,270,923
Part-time	0	0	COLA	47,008
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	1,159,946
			<i>Less 9.26% Vacancy Factor</i>	<i>(322,177)</i>
			Lump Sum Premium Pay	0
Totals	27	27	Total Personal Services	3,155,700

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk	0	0	1	0	1
Analyst/Programmer V	1	0	0	0	1
Assoc Attorney I	1	0	1	0	2
Assoc Attorney II	1	0	0	0	1
Attorney III	0	0	1	0	1
Attorney IV	3	0	2	0	5
Attorney V	7	0	1	0	8
Attorney VI	0	0	1	0	1
Data Processing Mgr II	0	0	1	0	1
Law Office Assistant I	2	0	0	0	2
Paralegal II	3	0	0	0	3
Procurement Spec III	0	0	1	0	1
Totals	18	0	9	0	27

Component Detail All Funds
Department of Law

Component: Oil, Gas and Mining (2091)
RDU: Civil Division (35)

	FY2010 Actuals	FY2011 Conference Committee (Final)	FY2011 Authorized	FY2011 Management Plan	FY2012 Governor	FY2011 Management Plan vs FY2012 Governor	
71000 Personal Services	3,327.8	3,010.1	3,052.1	3,052.1	3,155.7	103.6	3.4%
72000 Travel	64.6	73.0	73.0	73.0	73.0	0.0	0.0%
73000 Services	6,922.9	7,473.0	7,473.0	7,473.0	4,673.0	-2,800.0	-37.5%
74000 Commodities	65.7	54.2	54.2	54.2	54.2	0.0	0.0%
75000 Capital Outlay	40.5	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	10,421.5	10,610.3	10,652.3	10,652.3	7,955.9	-2,696.4	-25.3%
Fund Sources:							
1004 Gen Fund	7,992.0	9,132.7	9,174.7	9,174.7	6,478.3	-2,696.4	-29.4%
1007 I/A Rcpts	952.5	0.0	0.0	0.0	0.0	0.0	0.0%
1105 PFund Rcpt	1,477.0	1,477.6	1,477.6	1,477.6	1,477.6	0.0	0.0%
Unrestricted General (UGF)	7,992.0	9,132.7	9,174.7	9,174.7	6,478.3	-2,696.4	-29.4%
Designated General (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	2,429.5	1,477.6	1,477.6	1,477.6	1,477.6	0.0	0.0%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Positions:							
Permanent Full Time	27	27	27	27	27	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

Change Record Detail - Multiple Scenarios With Descriptions
Department of Law

Component: Oil, Gas and Mining (2091)
RDU: Civil Division (35)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2011 Conference Committee (Final) To FY2011 Authorized *****												
FY2011 Conference Committee	ConfCom	10,610.3	3,010.1	73.0	7,473.0	54.2	0.0	0.0	0.0	27	0	0
1004 Gen Fund		9,132.7										
1105 PFund Rcpt		1,477.6										
ADN 0310031 FY 2011 Non-covered Salary Increase Year 1 SLA 10 Chapter 56 (HB 421) (Sec2 SLA10 CH41 P50 L24 (HB 300))	FisNot	42.0	42.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		42.0										
: \$42.0												
Subtotal		10,652.3	3,052.1	73.0	7,473.0	54.2	0.0	0.0	0.0	27	0	0
***** Changes From FY2011 Authorized To FY2011 Management Plan *****												
Subtotal		10,652.3	3,052.1	73.0	7,473.0	54.2	0.0	0.0	0.0	27	0	0
***** Changes From FY2011 Management Plan To FY2012 Governor *****												
Gas Pipeline Outside Counsel & Experts	IncM	2,700.0	0.0	0.0	2,700.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		2,700.0										
The Department of Law is requesting \$2,700.0 for work related to the state gas pipeline and to bring North Slope gas to market.												
The Department of Law's Oil, Gas and Mining section continues to play a major role in the State's top priority project related to the construction of a gas pipeline and bringing natural gas to market. A number of contracts with outside counsel and experts are underway and will continue as needed. Funding will assist the department in the preparation of legislation and implementation of a comprehensive plan to commercialize North Slope gas.												
FY 2012 Personal Services increases	SalAdj	106.8	106.8	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		106.8										
This change record includes the following personal services increases: : \$106.8												
Alaska State Employees Assn (GGU) FY2012 Health Insurance Increased Costs : \$12.7												
Alaska Public Employees Assn (SU) FY2012 Health Insurance Increased Costs : \$3.2												

Change Record Detail - Multiple Scenarios With Descriptions
Department of Law

Component: Oil, Gas and Mining (2091)

RDU: Civil Division (35)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP	
										PFT	PPT		
Non-Covered Employees FY2012 Health Insurance Increased Costs : \$31.8													
Alaska State Employees Association (GGU) FY 12 COLA increases : \$8.0													
Alaska Public Employees Association (SU) FY 12 COLA increases : \$3.3													
Non-Covered Employees FY 12 COLA increases : \$43.6													
Alaska State Employees Association - ASEA Geographic Differential for GGU : \$0.9													
Alaska Public Employees Association - APEA Geographic Differential for SU : \$3.3													
FY 2011 Over/Understated GGU/SU salary adjustments													
	SalAdj	-3.2	-3.2		0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		-3.2											
When the SU and GGU salary adjustments were calculated, errors were made that understated some GGU amounts and overstated some SU amounts. This change record identifies the over and under stated amounts associated with these calculations.: \$-3.2													
Reverse Oil and Gas Outside Counsel and Experts													
	OTI	-3,000.0	0.0	0.0	-3,000.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		-3,000.0											
Reverse Gas Pipeline Outside Counsel and Experts													
	OTI	-2,500.0	0.0	0.0	-2,500.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		-2,500.0											
Totals		7,955.9	3,155.7	73.0	4,673.0	54.2	0.0	0.0	0.0	27	0	0	

Personal Services Expenditure Detail
Department of Law

Scenario: FY2012 Governor (8665)
Component: Oil, Gas and Mining (2091)
RDU: Civil Division (35)

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	GF Amount
03-0005	Attorney V	FT	A	XE	Juneau	AA	25N	12.0		126,444	3,229	0	56,572	186,245	186,245
03-0007	Attorney V	FT	A	XE	Anchorage	AA	25N	12.0		126,444	3,229	0	56,572	186,245	186,245
03-0015	Attorney IV	FT	A	XE	Juneau	AA	24F / J	12.0		101,073	2,705	0	49,193	152,971	152,971
03-0024	Attorney VI	FT	A	XE	Juneau	AA	26N / O	12.0		135,287	3,455	0	59,021	197,763	197,763
03-0025	Attorney IV	FT	A	XE	Juneau	AA	24C / D	12.0		89,958	2,408	0	45,433	137,799	137,799
03-0059	Attorney V	FT	A	XE	Anchorage	AA	25N	12.0		126,444	3,229	0	56,572	186,245	186,245
03-0092	Attorney V	FT	A	XE	Anchorage	AA	25O	12.0		131,184	3,350	0	57,885	192,419	192,419
03-0098	Paralegal II	FT	A	GP	Anchorage	200	16B / C	12.0		49,653	0	0	32,418	82,071	82,071
03-0141	Attorney V	FT	A	XE	Anchorage	AA	25K / L	8.0		77,604	2,077	0	36,253	115,934	115,934
03-0144	Accounting Clerk	FT	A	GP	Juneau	202	10C / D	12.0		34,920	0	0	27,433	62,353	62,353
03-0157	Assoc Attorney II	FT	A	XE	Anchorage	AA	19F / J	12.0		70,908	1,898	0	38,988	111,794	111,794
03-0162	Attorney III	FT	A	XE	Juneau	AA	22A	12.0		72,144	1,931	0	39,406	113,481	113,481
03-0164	Procurement Spec III	FT	A	SS	Juneau	202	18B / C	12.0		61,001	0	0	35,781	96,782	96,782
03-0177	Data Processing Mgr II	FT	A	SS	Juneau	202	23F	9.6	**	75,859	0	0	37,778	113,637	113,637
03-0185	Paralegal II	FT	A	GG	Anchorage	200	16C / D	12.0		51,618	0	0	33,082	84,700	84,700
03-0199	Attorney V	FT	A	XE	Anchorage	AA	25J	12.0		109,128	2,787	0	51,775	163,690	163,690
03-0207	Attorney IV	FT	A	XE	Anchorage	AA	24K	12.0		105,336	2,780	0	50,635	158,751	158,751
03-0208	Law Office Assistant I	FT	A	GP	Anchorage	200	11E / F	12.0		38,909	0	0	28,783	67,692	67,692
03-0229	Attorney V	FT	A	XE	Anchorage	AA	25J	12.0		109,128	2,787	0	51,775	163,690	163,690
03-0239	Assoc Attorney I	FT	A	XE	Anchorage	AA	17F	12.0		61,224	1,639	0	35,712	98,575	98,575
03-0263	Attorney IV	FT	A	XE	Anchorage	AA	24E / F	12.0		97,193	2,601	0	47,880	147,674	147,674
03-0316	Attorney IV	FT	A	XE	Anchorage	AA	24A	12.0		82,500	2,208	0	42,910	127,618	127,618
03-0318	Law Office Assistant I	FT	A	GP	Anchorage	200	11B / C	12.0		35,139	0	0	27,508	62,647	62,647
03-0323	Analyst/Programmer V	FT	A	GP	Anchorage	200	22D / E	10.0		65,676	0	0	35,235	100,911	100,911
03-0395	Attorney V	FT	A	XE	Anchorage	AA	25J / K	12.0		109,469	2,796	0	51,870	164,135	164,135
03-1121	Paralegal II	FT	A	GP	Anchorage	200	16F / G	12.0		55,748	0	0	34,480	90,228	90,228
03-1246	Assoc Attorney I	FT	A	XE	Juneau	AA	17M	12.0		70,932	1,899	0	38,996	111,827	111,827

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.

Personal Services Expenditure Detail
Department of Law

Scenario: FY2012 Governor (8665)
Component: Oil, Gas and Mining (2091)
RDU: Civil Division (35)

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	GF Amount
													Total Salary Costs:	2,270,923	
													Total COLA:	47,008	
													Total Premium Pay:	0	
													Total Benefits:	1,159,946	
													Total Pre-Vacancy:	3,477,877	
													Minus Vacancy Adjustment of 9.26%:	(322,177)	
													Total Post-Vacancy:	3,155,700	
													Plus Lump Sum Premium Pay:	0	
													Personal Services Line 100:	3,155,700	
Total Component Months:		315.6													

PCN Funding Sources:	Pre-Vacancy	Post-Vacancy	Percent
1004 General Fund Receipts	3,477,877	3,155,700	100.00%
Total PCN Funding:	3,477,877	3,155,700	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 Law
Travel

Component: Oil, Gas and Mining (2091)
RDU: Civil Division (35)

Line Number	Line Name		FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
72000	Travel		64.6	73.0	73.0
Expenditure Account	Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
72000 Travel Detail Totals			64.6	73.0	73.0
72110	Employee Travel (Instate)	Staff travel to represent the state concerning oil & gas and other natural resources cases. Frequent trips out-of-state to represent the state in federal court and to gather evidence at owner company facilities.	41.9	68.0	68.0
72120	Nonemployee Travel (Instate Travel)	Transportation costs for witnesses.	0.0	5.0	5.0
72410	Employee Travel (Out of state)	Travel costs and expenses for professional staff to attend training, conferences and meetings.	22.7	0.0	0.0

Line Item Detail
Department of Law
Services

Component: Oil, Gas and Mining (2091)
RDU: Civil Division (35)

Line Number	Line Name		FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
73000	Services		6,922.9	7,473.0	4,673.0
Expenditure Account			FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
73000 Services Detail Totals			6,922.9	7,473.0	4,673.0
73025	Education Services		2.0	3.0	3.0
73050	Financial Services	Administrative Services	10.0	28.2	28.2
73075	Legal & Judicial Svc		6,441.7	6,648.7	3,848.0
73156	Telecommunication		10.9	15.0	15.0
73225	Delivery Services		6.0	8.5	8.5
73650	Struc/Infstruct/Land		8.0	12.0	12.0
73675	Equipment/Machinery		15.0	26.3	26.3
73756	Print/Copy/Graphics		3.0	6.0	6.0
73805	IT-Non-Telecommnctns	Administrative Services	15.0	115.5	115.5
73805	IT-Non-Telecommnctns	Enterprise Technology Services	40.0	40.0	40.0
73806	IT-Telecommunication	Enterprise Technology Services	86.8	86.8	86.8
73809	Mail	Central Mail	3.7	3.7	3.7
73811	Building Leases	Leases	275.5	474.0	474.7
73814	Insurance	Risk Management	1.3	1.3	1.3

Line Item Detail
Department of Law
Services

Component: Oil, Gas and Mining (2091)

RDU: Civil Division (35)

Expenditure Account	Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor	
73000 Services Detail Totals			6,922.9	7,473.0	4,673.0	
73815	Financial	Finance	RSA Administration, Finance Chargeback (AKSAS / AKPAY)	3.2	3.2	3.2
73816	ADA Compliance	Americans With Disabilities	RSA Labor, Americans With Disabilities Act.	0.8	0.8	0.8

Line Item Detail
Department of Law
Commodities

Component: Oil, Gas and Mining (2091)
RDU: Civil Division (35)

Line Number	Line Name		FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
74000	Commodities		65.7	54.2	54.2
Expenditure Account	Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
74000 Commodities Detail Totals			65.7	54.2	54.2
74200	Business	E&ED	65.7	54.2	54.2
		Library materials including Alaska Statutes, Alaska Code, Advanced Legislative Service and Court Rules; subscriptions, office supplies; software applications, printer cartridges, paper and misc. data processing supplies; computer supplies - desktop refresh, non-capital.			

Line Item Detail
Department of Law
Capital Outlay

Component: Oil, Gas and Mining (2091)
RDU: Civil Division (35)

Line Number	Line Name		FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
75000	Capital Outlay		40.5	0.0	0.0
Expenditure Account	Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
75000 Capital Outlay Detail Totals			40.5	0.0	0.0
75830	Info Technology	Computer equipment, printers and modems.	40.5	0.0	0.0

Restricted Revenue Detail
Department of Law

Component: Oil, Gas and Mining (2091)
RDU: Civil Division (35)

Master Account	Revenue Description	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
51015	Interagency Receipts	952.5	0.0	0.0

Detail Information

Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
59040	Revenue Unbudgeted RSA, Oil & Gas Production Tax	Tax Division	03209637	11100	236.2	0.0	0.0
59040	Revenue Unbudgeted RSA, ML&P Expert Witness.	Tax Division	03209648	11100	9.5	0.0	0.0
59040	Revenue Unbudgeted RSA, SARB expert witness.	Tax Division	03209668	11100	7.4	0.0	0.0
59040	Revenue Unbudgeted RSA, SARB Hearing.	Tax Division	03209671	11100	150.0	0.0	0.0
59100	Natural Resources Unbudgeted RSA, Pt. Thomson Settlement	Pipeline Coordinator	03209614	11100	9.1	0.0	0.0
59100	Natural Resources Unbudgeted RSA, State Pipeline Coordinator's Office, legal services	Pipeline Coordinator	03209619	11100	40.3	0.0	0.0
59100	Natural Resources Unbudgeted RSA, Prep for Royalty Matters	Oil & Gas Development	03209664	11100	500.0	0.0	0.0

Restricted Revenue Detail
Department of Law

Component: Oil, Gas and Mining (2091)
RDU: Civil Division (35)

Master Account	Revenue Description	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
51373	Permanent Fund Earnings Reserve Account	1,477.0	1,477.6	1,477.6

Detail Information

Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
51373	Permanent Fund Earnings Oil & Gas litigation effort funded by receipts from the Alaska Permanent Fund Corporation.	APFC Operations	03209001	11100	1,477.0	1,477.6	1,477.6

Inter-Agency Services
Department of Law

Component: Oil, Gas and Mining (2091)
RDU: Civil Division (35)

Expenditure Account	Service Description	Service Type	Servicing Agency	FY2010 Actuals	FY2011		
					Management Plan	FY2012 Governor	
73050	Financial Services	Timekeeping administration and support.	Intra-dept	Administrative Services	10.0	28.2	28.2
				73050 Financial Services subtotal:	10.0	28.2	28.2
73805	IT-Non-Telecommnctns	RSA Law, Administration - Information Services & Procurement support.	Inter-dept	Administrative Services	15.0	115.5	115.5
73805	IT-Non-Telecommnctns	RSA with Dept of Admin, ITG for Computer Services: Mainframe (MICS), Facilities Mgmt, EPR.	Inter-dept	Enterprise Technology Services	40.0	40.0	40.0
				73805 IT-Non-Telecommnctns subtotal:	55.0	155.5	155.5
73806	IT-Telecommunication	RSA with Dept of Admin, ITG for Telecommunication Services: WAN, Internet, Video, TSR, Email, ITG Overhead.	Inter-dept	Enterprise Technology Services	86.8	86.8	86.8
				73806 IT-Telecommunication subtotal:	86.8	86.8	86.8
73809	Mail	RSA Administration, Central Mailroom	Inter-dept	Central Mail	3.7	3.7	3.7
				73809 Mail subtotal:	3.7	3.7	3.7
73811	Building Leases	RSA Administration, GS&S - Leased Office Space - AG's Offices in Anchorage and Juneau.	Inter-dept	Leases	275.5	474.0	474.7
				73811 Building Leases subtotal:	275.5	474.0	474.7
73814	Insurance	RSA Administration, Risk Management	Inter-dept	Risk Management	1.3	1.3	1.3
				73814 Insurance subtotal:	1.3	1.3	1.3
73815	Financial	RSA Administration, Finance Chargeback (AKSAS / AKPAY)	Inter-dept	Finance	3.2	3.2	3.2
				73815 Financial subtotal:	3.2	3.2	3.2
73816	ADA Compliance	RSA Labor, Americans With Disabilities Act.	Inter-dept	Americans With Disabilities	0.8	0.8	0.8
				73816 ADA Compliance subtotal:	0.8	0.8	0.8
74200	Business	Library materials including Alaska Statutes, Alaska Code, Advanced Legislative Service and Court Rules; subscriptions, office supplies; software applications, printer cartridges, paper and misc. data processing supplies; computer supplies - desktop refresh, non-capital.	Inter-dept	E&ED	65.7	54.2	54.2
				74200 Business subtotal:	65.7	54.2	54.2
				Oil, Gas and Mining total:	502.0	807.7	808.4
				Grand Total:	502.0	807.7	808.4