

**State of Alaska
FY2007 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 (GPO) works within the State Pipeline Coordinator's Office (SPCO) to provide right-of-way leases for gas lines on State lands. The GPO budget for FY06 is funded primarily through General Funds originally appropriated in the 2004 Operating Budget with a term year of 2009, to process specific rights-of-way. Statutory Designated Program Receipts from TransCanada Pipelines limited to processing their right-of-way application for a gas line route from Prudhoe Bay to the Canadian border provide most of the remaining funding.

Major Activities to Advance Strategies

- Process gas pipeline right-of-way applications to facilitate commercialization of North Slope 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 interest groups to maximize the state's interest in use and distribution of gas.

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$538,100	Personnel:	
	Full time	5
	Part time	0
	Total	5

Key Component Challenges

The conclusion of several ongoing activities during FY06, including processing the TransCanada right-of-way lease application, stranded gas negotiations, and legislative action during the 2006 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 FY06 significant additional work remains in FY06 and beyond in order to move a gas pipeline project forward into commercial operation. Current (Fall, 2005) 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, 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 FY06, 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 FY07 will not be sufficient to conclude all the tasks described above. In all likelihood funds approved in prior years will be fully expended in FY06. But to the extent existing funds are not fully committed in FY06 those funds will be assigned to this component in FY07. Certain expenditures may be reimbursable to the state (Law, Revenue and DNR) by the applicants under the Stranded Gas Development Act or the Right-of-Way Leasing 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 FY2007

Assuming one or more contracts are approved under the stranded Gas Development Act in FY06, the Gas Pipeline Office will work with state and federal agencies on coordinating the regulatory process for permitting the pipeline. Activities will include organizing and possibly co-locating state and federal staff, project scoping, including tribal consultation, and attending interagency meetings. Additionally, the Office anticipates receiving a right-of-way lease application from the project sponsors in FY07 and will process that application under an agreement for reimbursable services with the applicant. In order to properly evaluate the pipeline design and protect the State's interest, the Office will need to reimburse the SPCO for work requiring the services of a qualified engineer.

The Office anticipates continued work on the Alaska Natural Gas Development Authority's right-of-way lease application for a gas line from Glennallen to Palmer and a right-of-way lease from Point Thomson to Prudhoe Bay.

Major Component Accomplishments in 2005

For the majority of FY05, the Gas Pipeline Office activities focused on processing the TransCanada right-of-way lease application for a gas line from Prudhoe Bay to the Canadian border. The Office also began processing the Alaska Natural Gas Development Authority's right-of-way lease application for a gas line from Glennallen to Palmer. Work on a gas line right-of-way lease from Point Thomson to Prudhoe Bay began during the third quarter of FY05.

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

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**Gas Pipeline Office
Component Financial Summary**

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	434.8	380.3
72000 Travel	0.0	20.0	20.0
73000 Services	0.0	11,128.5	122.8
74000 Commodities	0.0	15.0	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	11,598.3	538.1
Funding Sources:			
1004 General Fund Receipts	0.0	10,423.0	22.3
1061 Capital Improvement Project Receipts	0.0	489.7	515.8
1105 Alaska Permanent Fund Corporation Receipts	0.0	685.6	0.0
Funding Totals	0.0	11,598.3	538.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 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	489.7	515.8
Permanent Fund Earnings Reserve Account	51373	0.0	685.6	0.0
Restricted Total		0.0	1,175.3	515.8
Total Estimated Revenues		0.0	1,175.3	515.8

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	10,423.0	0.0	1,175.3	11,598.3
Adjustments which will continue current level of service:				
-ADN 10-6-5000 Gasline Risk Analysis Multi-year appropriation Sec24(o) CH159 SLA2004 SB283 lapse date 06/30/09	-403.8	0.0	0.0	-403.8
-ADN 10-6-5000 Gasline Right-of-Way and Application Multi-year approp Sec24(p) CH159 SLA2004 SB283 lapse date 06/30/09	-2,925.0	0.0	-685.6	-3,610.6
-ADN 10-6-5000 Bullen Pt. Rd. ROW Multi-year approp Sec7(d)(1), CH6, SLA2005, P11 L9 lapse date 06/30/06	-1,773.1	0.0	0.0	-1,773.1
-ADN 10-6-5000 Gasline Risk Analysis Royalty Issues Multi-yr approp Sec20(c)(1), CH3, FSSLA2005, P107 L2 lapse 06/30/07	-2,500.0	0.0	0.0	-2,500.0
-ADN 10-6-5000 Gasline Corridor Geo Hazards Res Eval Multi-yr approp Sec20(c)(2), CH3, FSSLA2005, P107 L3 lapse 06/30/07	-2,000.0	0.0	0.0	-2,000.0
-ADN 10-6-5000 Bullen Pt. Rd. ROW Multi-year approp Sec20(d)(1), CH3, FSSLA2005, P107, L10 lapse date 06/30/06	-800.0	0.0	0.0	-800.0
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	0.4	0.0	7.9	8.3
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	0.8	0.8
-FY 07 Retirement Systems Cost Increase	0.7	0.0	14.7	15.4
Proposed budget increases:				
-Risk Management Self-Insurance Funding Increase	0.1	0.0	2.7	2.8
FY2007 Governor	22.3	0.0	515.8	538.1

**Gas Pipeline Office
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	5	5	Annual Salaries	248,628
Part-time	0	0	COLA	6,866
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	137,345
			<i>Less 3.19% Vacancy Factor</i>	<i>(12,539)</i>
			Lump Sum Premium Pay	0
Totals	5	5	Total Personal Services	380,300

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	0	0	1
Gas Pipeline 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