

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

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Sponsor Statement HB 164

Relating to noncompetitive leases of state land and for rights-of-way for oil or natural gas pipelines that originate and terminate within the state and to the regulation and certification of those pipelines; relating to conditional certification for certain new natural gas pipelines; relating to definitions of "common carrier" and "firm transportation service" in the Pipeline Act.

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to noncompetitive leases of state land and for rights-of-way for oil or natural gas pipelines that originate and terminate within the state and to the regulation and certification of those pipelines; relating to conditional certification for certain new natural gas pipelines; and relating to definitions of "common carrier," and "firm transportation service" in the Pipeline Act, AS 42.06. The major provisions of the bill relate to covenants attached to state right-of-way leases by the Department of Natural Resources (DNR), certification by the Regulatory Commission of Alaska (RCA), and expanding the definition of "common carrier" with respect to North Slope natural gas pipelines to include carriers that offer both firm and interruptible transportation service.

Under current law, natural gas pipelines that cross state land, and require a state right-of-way under the Alaska Right-of-Way Leasing Act, AS 38.35, are subject to the covenants listed in AS 38.35.120. The covenants include a requirement that those pipelines operate as "common carriers." Generally, common carrier pipelines must accommodate all shippers upon reasonable request, may not show undue preference or discrimination among similarly situated shippers, and, if shippers' requests for service exceed the capacity of the pipeline, must prorate shipper nominations. These requirements can foreclose pipeline carriers and shippers from fashioning long-term capacity commitments.

Allowing common carriers to offer firm transportation service that is not subject to prorated reductions can stimulate pipeline development under certain circumstances. The assurance of unimpeded access to capacity is a strong inducement to shippers, and will anchor pipeline construction and expansion. Conversely, the lack of assurance to access may discourage development.

This proposed legislation, together with HB 163, which broadens the responsibilities of the Alaska Natural Gas Development Authority (ANGDA) will form the initial statutory framework for the development of in-state gasline for use by Alaskans. Additionally, the key action to bring a long term stable supply of

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

Alaska gas to Alaska consumers will be an action plan, and the people that implement that plan to jump start work immediately on an instate gas pipeline including the evaluation of options for routes, gas resources and potential industrial and residential users; commencement of right of way and permitting work; preliminary engineering; and a firm timetable for accomplishing this work.