

AMENDMENT

OFFERED IN THE HOUSE

TO: SSHB 4

1 Page 40, following line 21:

2 Insert a new paragraph to read:

3 "(3) to the extent necessary to perform the duties of the commission
4 under this chapter, have access to, and may designate its employees, agents, or
5 consultants to inspect and examine, the accounts, financial and property records,
6 books, maps, inventories, appraisals, valuations, and related reports kept by an in-state
7 natural gas pipeline carrier, or kept for an in-state natural gas pipeline carrier by
8 others, that directly affect the interests of the state and directly relate to in-state natural
9 gas pipelines located in the state during normal business hours;"

10
11 Renumber the following paragraph accordingly.

12
13 Page 40, line 28, through page 41, line 10:

14 Delete all material and insert:

15 "(1) review and approve recourse tariffs filed by an in-state natural gas
16 pipeline carrier under this chapter;

17 (2) review and approve contracts;

18 (3) investigate on its own motion or after receiving a complaint, a
19 dispute

20 (A) related to rules, regulations, services, practices, and
21 facilities that are not subject to the dispute resolution provisions in an in-state
22 natural gas pipeline carrier's contracts or recourse tariff;

23 (B) presented by a complainant that does not have a contract

1 with the in-state natural gas pipeline carrier;

2 (C) related to the conduct of an in-state natural gas pipeline
3 carrier's open season under AS 42.08.300; or

4 (D) related to an unreasonable diminution in quantity or quality
5 in the provision of service to a public utility that

6 (i) is a violation of the in-state natural gas pipeline
7 carrier's tariff or contract with the public utility;

8 (ii) has not been resolved by the in-state natural gas
9 pipeline carrier; and

10 (iii) will result in immediate injury, loss, or damage to
11 the peace, health, safety, or general welfare of the public as clearly
12 demonstrated by specific facts shown by affidavit or verified
13 complaint;"

14
15 Renumber the following paragraphs accordingly.

16
17 Page 41, lines 25 - 29:

18 Delete all material and insert:

19 "(c) Except as provided in this chapter, the commission may not

20 (1) require rates, rate design, or tariff rates or regulations;

21 (2) require an in-state natural gas pipeline carrier to make a recourse
22 tariff filing;

23 (3) order a modification of a contract that is approved, considered
24 approved, or filed under this chapter; or

25 (4) conduct further review or investigation of a contract that is
26 approved, considered approved, or filed under this chapter."

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28 Page 42, line 26, following "shall":

29 Insert "include in its approved recourse tariff the procedures for conducting open
30 seasons for uncommitted firm transportation service and for expansion. At a minimum, the in-
31 state natural gas pipeline carrier shall"

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Page 42, line 28:

Delete "proposed"

Insert "approved"

Page 43, following line 21:

Insert a new subsection to read:

"(f) An in-state natural gas pipeline carrier shall file revised recourse rates before conducting an open season under (c) and (d) of this section unless the in-state natural gas pipeline carrier filed revised recourse rates during the immediately preceding two-year period."

Page 43, line 23, following "agreement":

Insert ", a recourse tariff,"

Page 43, line 27, following "basis":

Insert "and may be levelized over the depreciation life of the pipeline"

Page 43, line 31, following "terms":

Insert "and conditions"

Page 44, line 7, following "service":

Insert "and any substantial amendments"

Page 44, line 12, following "chapter.":

Insert "In this subsection, "substantial amendment" means an amendment that materially changes a rate or term and condition of service."

Page 45, lines 9 - 11:

Delete ", the natural gas pipeline carrier shall provide to the commission a cost study that shall be used solely for the purpose of this subsection"

1 Insert "under (c)(2) of this section, the commission may consider the in-state natural
2 gas pipeline carrier's approved recourse tariff, including the cost data underlying that tariff"

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4 Page 47, line 4:

5 Delete "all recourse tariffs"

6 Insert "a complete recourse tariff containing rates"

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8 Page 47, lines 8 - 13:

9 Delete "The in-state natural gas pipeline carrier shall maintain copies on file at its
10 principal business office and at places designated by the commission and make copies
11 available to, and subject to inspection by, the general public on demand. Rules, regulations,
12 terms, and conditions not included in the tariff of an in-state natural gas pipeline carrier shall
13 be included in the contract with each shipper."

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15 Page 47, lines 14 - 20:

16 Delete all material and insert:

17 "(b) The terms and conditions under which an in-state natural gas pipeline
18 carrier offers its services and facilities to the public shall be governed strictly by the
19 provisions of its currently effective recourse tariff as supplemented and modified by
20 contracts that have been approved by the commission. A legally filed and effective
21 recourse tariff rate, charge, rule, regulation, or condition of service may not be
22 changed except as provided in this chapter. The in-state natural gas pipeline carrier
23 shall maintain copies of its recourse tariff on file at its principal business office and at
24 places designated by the commission and make the copies available to and subject to
25 inspection by the general public on demand.

26 (c) A change in a recourse tariff rate, charge, rule, regulation, or condition of
27 service is not effective until filed under (a) of this section. If more than one recourse
28 tariff rate or charge may reasonably be applied for billing purposes, the recourse tariff
29 rate or charge most advantageous to the shipper shall be used.

30 (d) The commission may reject the filing of all or part of a recourse tariff that
31 is not consistent with this chapter. A recourse tariff rate or provision so rejected is

1 void.

2 (e) Initial and revised recourse tariffs shall be filed in the manner provided in
3 AS 42.08.350.

4 **Sec. 42.08.350. Initial or revised rates.** (a) An in-state natural gas pipeline
5 carrier may not establish or place in effect an initial recourse tariff containing rates,
6 charges, rules, regulations, conditions of service, or practices without providing notice
7 to the commission and to the public at least 30 days before establishing or placing in
8 effect the initial recourse tariff. Notice shall be filed with the commission before an
9 open season and by making the recourse tariff provisions available for public
10 inspection. The notice shall plainly indicate the time when the recourse tariff will go
11 into effect and include a supporting cost model. The commission may prescribe
12 additional requirements for the notice and the form in which the notice must be
13 provided. The commission, for good cause shown, may allow initial recourse tariffs to
14 take effect on less than 30 days' notice under conditions the commission prescribes by
15 order. Submission of a precedent agreement or an associated contract is not subject to
16 this section.

17 (b) The commission shall review the proposed initial recourse tariff and verify
18 that the proposed terms and conditions of service are not unduly discriminatory. The
19 commission also shall review the supporting cost model provided with an initial
20 recourse tariff filing and verify, taking into consideration the expected risks, that the
21 proposed rate of return on equity is within the range of permissible rates of return as
22 determined by the Federal Energy Regulatory Commission in recent decisions related
23 to the construction of natural gas pipelines, that the cost model incorporates a
24 reasonable depreciation methodology and economic life, and that the cost model uses
25 a reasonable capital structure. A proposed depreciation methodology, economic life, or
26 capital structure is reasonable if it is commonly accepted or used by the commission or
27 the Federal Energy Regulatory Commission.

28 (c) Unless a recourse tariff is denied because it includes a proposed term or
29 condition of service that is unduly discriminatory or includes a proposed rate element
30 that does not comply with (b) of this section, the commission shall approve the initial
31 recourse tariff. If the commission does not issue its ruling within 30 days, the initial

1 recourse tariff filing shall be considered approved.

2 (d) An in-state natural gas pipeline carrier may not establish or place in effect
3 a revised rate, charge, rule, regulation, condition of service, or practice contained in a
4 recourse tariff before providing notice to the commission and to the public at least 90
5 days before taking the action. After construction of the pipeline, and any time
6 thereafter that a carrier files for a revised recourse rate, the carrier shall file a
7 supporting cost study. Notice shall be given by filing with the commission and
8 keeping open for public inspection the revised recourse tariff provisions, which shall
9 plainly indicate the changes to be made in the schedules then in force and the time
10 when the changes will go into effect. The commission may prescribe additional means
11 of giving notice. The commission, for good cause shown, may allow changes to take
12 effect on shorter notice under conditions the commission prescribes by order.
13 Submission of a precedent agreement or an associated contract is not subject to this
14 subsection.

15 (e) The commission shall review the proposed revised recourse tariff and
16 verify that a new or revised term or condition of service is not unduly discriminatory.
17 The commission shall review the cost study supporting a revised recourse tariff filing
18 and verify that, for the rate elements specified in (b) of this section, the carrier is using
19 the same elements that were last approved by the commission. A proposed recourse
20 tariff with a new or revised term or condition of service that is unduly discriminatory
21 shall be denied. The commission also shall deny a revised tariff rate that does not use
22 the previously approved value of the specified rate element, unless the carrier proves
23 that the new value is just and reasonable. If the commission does not issue its ruling
24 within 90 days, the revised recourse tariff filing shall be considered approved.

25 (f) A person initiating a change in an existing recourse tariff bears the burden
26 of proving the reasonableness of the change. The in-state natural gas pipeline carrier
27 bears the burden of proving the recourse tariff terms and conditions are not unduly
28 discriminatory.

29 (g) An in-state natural gas pipeline carrier shall provide for separate rates for
30 one or more classes of firm transportation service and for interruptible transportation
31 service in a recourse tariff filed with the commission under (a) of this section. An in-

1 state natural gas pipeline carrier may impose a reservation fee or similar charge for
 2 reservation of capacity in an in-state natural gas pipeline as a condition of providing
 3 firm transportation service, but may not impose a reservation fee or similar charge for
 4 reservation of capacity in an in-state natural gas pipeline for interruptible
 5 transportation service."

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 8 Page 47, line 21:

9 Delete "Sec. 42.08.350"

10 Insert "Sec. 42.08.360"

11
 12 Page 47, line 25:

13 Delete "Sec. 42.08.360"

14 Insert "Sec. 42.08.370"

15
 16 Page 47, lines 30 - 31:

17 Delete all material and insert:

18 "(b) The recourse tariff or a contract filed by an in-state natural gas pipeline
 19 carrier may include a dispute resolution procedure. A dispute resolution procedure
 20 shall

21 (1) provide that notice of a dispute be given to all shippers;

22 (2) culminate in a process that is determined by an independent third
 23 party or panel; and

24 (3) permit the participation of existing shippers and creditworthy
 25 potential shippers that have previously made good faith requests for firm
 26 transportation service; a participant must satisfy the commission's standard for
 27 intervention in an adjudicatory proceeding and demonstrate that the participant has a
 28 property, financial, or other significant interest in the dispute."

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 30 Page 48, line 1:

31 Delete "Sec. 42.08.370"

1 Insert "**Sec. 42.08.380**"

2
3 Page 49, line 6:

4 Delete "**Sec. 42.08.380**"

5 Insert "**Sec. 42.08.390**"

6
7 Page 50, following line 12:

8 Insert new material to read:

9 **"Article 5. Accounts, Records, and Reports.**

10 **Sec. 42.08.450. Accounts; records; triennial reports.** (a) To the extent
11 necessary for the commission to perform the duties of the commission under this
12 chapter,

13 (1) the commission may by regulation require an in-state natural gas
14 pipeline carrier or affiliated interest engaged in activities relating to pipelines to
15 establish and maintain as part of its system of accounts continuing property records
16 showing, as to property that is actually being used in pipeline activity in this state, the
17 year of placement in service, original cost, and current location, and, as to a pipeline
18 system, accounts and records in a manner showing, on a current basis, the original cost
19 of the system in the state and related reserves for depreciation;

20 (2) the in-state natural gas pipeline carrier shall

21 (A) keep its accounts for its pipeline facilities located in this
22 state separate from any accounts relating to any other business, including
23 another pipeline facilities business or a subsidiary business, in which it
24 engages, directly or indirectly; except as the commission provides, property,
25 expense, or revenue used in or derived from the other business may not be
26 considered in establishing the rates and charges of the facility;

27 (B) keep books, accounts, papers, and records required by this
28 chapter or by regulations adopted by the commission under this chapter in an
29 office in this state and may not remove them from the state except upon written
30 authority by the commission; and

31 (C) file a report with the commission that contains an updated

cost study and a calculation of the three-year average actual return on equity; the report shall be filed every three years after the pipeline begins operations, within 90 days after the close of the annual accounting period for the in-state natural gas pipeline carrier, or within additional time granted by the commission upon a showing of good cause.

(b) The commission shall review the cost study described in (a)(2)(C) of this section and verify that, for the rate elements specified in AS 42.08.350(b), the carrier is using the same elements that were last approved by the commission. If the carrier does not use the correct rate elements in its triennial report, the commission may require the carrier to recalculate and file a corrected report. If, on the date the report described in (a)(2)(C) of this section is delivered, the report reflects that the three-year average actual return on equity exceeds the approved rate of return, the carrier shall, not later than 90 days after the date the report is delivered, deposit an amount equal to the excess in a segregated operating reserve fund. The carrier shall continue to deposit the excess described in this subsection at the times described in this subsection until the amount in the operating reserve fund is equal to 20 percent of the most recent three-year average of the carrier's annual operating costs. The carrier may use money in the operating reserve fund to offset any shortage in the recovery of operating costs set out in another triennial report. If a deposit will cause the operating reserve fund to exceed 20 percent of the most recent three-year average of the carrier's annual operating costs, the amount exceeding 20 percent must be used to reduce, on a volumetric basis, the firm transportation service rates for all shippers for the next three-year period."

Page 50, line 13:

Delete "**Article 5**"

Insert "**Article 6**"

Page 50, line 30:

Delete "AS 42.08.220(b)(2)"

Insert "AS 42.08.220(b)(3)"