

# Proposed Changes in Senate Finance CS for CS for SS HB 4

## Version 28-LS0021\T

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### **Legislative Findings & Intent Section**

Page 2, line 25 – 31 to Page 3, line 1

Adds intent language that the Board of Directors of AGDC commits to governing so as to affect positively as many Alaskans as possible, including those in rural and coastal communities and to extend opportunities for all Alaskans to benefit from the natural gas resources of the state, including propane and associated gas-related hydrocarbons.

Page 3, lines 17 - 21

Adds intent language that AGDC and its subsidiaries will wind up and dissolve when no bonds, notes, or other obligations are outstanding and AGDC or its subsidiaries are no longer engaged in the development, financing, construction, or operation of an In-state natural gas pipeline.

### **Section 3: Amending the Structure of the Corporation Established by Chapter 25**

Page 4, lines 27 - 31

Provides that the corporation may dissolve when no bonds, notes, or other obligations of the corporation or subsidiary of the corporation are outstanding and is no longer engaged in the development, financing, construction, or operation of an In-state natural gas pipeline.

### **Corporation Purpose: Beginning on Page 7, line 22**

Provides that the purpose of the corporation is established for the benefit of the state.

Page 8, lines 1 – 2 and lines 7 -8

Provides that the corporation shall endeavor to develop a natural gas pipeline or other transportation mechanism to deliver natural gas and to develop a natural gas pipeline or other transportation mechanism that offers commercially reasonable rates for shippers and access for shippers who produce natural gas.

### **Corporation Powers & Duties: Beginning on page 8**

At line 18, provides that the corporation may plan, finance, construct, develop, acquire, maintain, and operate a pipeline system or other transportation mechanism to facilitate the production, transportation and delivery of natural gas or other related natural resources. This provision also applies to the creation of subsidiaries by AGDC to carry out the same activities (found at page 14, line 28)

Page 9, line 30 - 31 – Page 10, line 1

Removes language from the previous version of the bill that would limit AGDC's ability to borrow money for a construction project that may last multiple years.

Page 10, line 13-18

New subsection (g) was added to provide AGDC with the opportunity to swap, hedge, cap, or otherwise enter into other contracts providing for payments based on levels of or changes in interest rates or indices or in the cost or price of any commodity, supply or expense expected to be used or incurred in connection with the acquisition, construction, or operation of any facility or property owned, leased or operated by the corporation.

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Page 10, beginning line 19-30

Provides that upon commencement of construction of an in-state natural gas pipeline, the corporation shall analyze potential natural gas pipelines and other transportation mechanisms in other regions of the state, and that, if the method is in the best interest of the state, may move forward with financing, constructing, or operating a natural gas pipeline or other transportation mechanism.

Page 11, lines 13 - 16

Provides that after the conclusion of an open season, if the corporation determines that the commitments received during the open season are not sufficient to allow the corporation to move forward with the development or construction of a natural gas pipeline, the corporation shall report to the Legislature within 30 days. The subparagraph also discusses what the corporation shall do if commitments are received to acquire firm transportation capacity during an open season.

Page 11, lines 17 -26

Provides that the corporation shall, without delaying the progress of an in-state natural gas pipeline project or without causing the in-state natural gas pipeline project to become a competing project under AGIA, coordinate with developers of a large-diameter in-state natural gas pipeline by planning for the development and use of common pipeline facilities from the North Slope to the Livengood area, and for a pipeline which may be constructed south to tidewater either in Prince William Sound or Cook Inlet.

### **Refunding Obligations of the Corporation: Beginning on Page 23**

Page 24, lines 8-11

Removes the limitation that was currently in the bill on AGDC investing bond proceeds in U.S. Treasury bills. Removal of the language allows increased flexibility for AGDC.

### **General Provisions Pertaining to the Corporation**

Page 26, lines 1-5

Provides that after a decision of the corporation to dissolve, the corporation shall provide a final report to the Governor, the Legislature, and the public that summarizes the reasons for dissolution of the corporation. A statement by an independent outside auditor for the corporation and the subsidiaries must accompany the final report, indicating that no bonds, notes, or other obligations are outstanding.

### **Under Section 11: Covenants Required to be in a Lease to a Natural Gas Pipeline that is a Contract Carrier**

Page 32, lines 25-28

Clarifies that a lease for state land for a right-of-way for which an applicant has applied as a contract carrier for a natural gas pipeline valued at \$1 million or greater may be granted to a lessee, as long as the lessee does not construct or expand a natural gas pipeline that would compete with a project licensed under AGIA.

### **General Powers & Duties of the Regulatory Commission of Alaska**

Beginning at Page 40, lines 29 - 31

Provides that the RCA may not investigate a dispute under (b)(3) – found at Page 39, lines 5-26 – if a complete formal complaint has not been filed with the commission within 60 days after the event occurs which gives rise to the complaint.

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### **Contract Review; Contract Carriage Certificate; Open Seasons**

Beginning at Page 42, line 6 - 8

Clarifies that a carrier shall publish notice in advance of an open season and that the notice shall state the methods for awarding capacity set out in the carrier's recourse tariff and whether pre-subscription agreements have been executed.

At Page 42, line 11-12

Clarifies that presubscription agreements are subject to the methods for awarding capacity, which are set out in the open season notice.

Page 42, lines 18 – 24

Clarifies that an open season for an expansion of a pipeline system when it has received one or more requests for firm transportation service from potential shippers and that expansion of the pipeline system will not cause it to be a competing natural gas pipeline project under AGIA.

At Page 42, line 31 – Page 43, line 1 – 8

Provides that if precedent agreements are received, the carrier shall within 10 days after accepting and executing the agreements, inform the public of results and include the name of each prospective shipper, the amount of capacity allocated, and the period of commitment. Also provides that if the carrier does not receive sufficient commitments during the open season to continue the development or construction of an in-state natural gas pipeline, the corporation will notify the RCA within 30 days.

### **Review of Certain Contracts by the RCA – Rate Payer Protection Measure**

Page 45, lines 2 - 4

Provides that a precedent agreement or a related contract with a public utility is not considered arm's length if the rate paid for transportation on an in-state natural gas pipeline is greater than the recourse rate. The issue/circumstance was discussed in a previous committee of referral that a public utility might try and negotiate a higher rate than the recourse tariff rate, which would result in higher prices for utility customers. This change would make public utility contracts that are for a greater rate than the recourse rate to automatically fail meeting the RCA's arm's length standard. If this does occur, the contracts would be evaluated by the RCA on a heightened review standard (the same standard used between affiliated parties.)

### **Initial or Revised Rates**

Beginning on Page 48, line 3

Provides that the review and notice period for the review of initial recourse rates runs concurrently with the timeline for the RCA to make a decision on the recourse rate. The timeline on decision for the tariff was established at 90 days, the change in the Senate Finance CS under the Initial Review and Revised Rates provides that the review and notice period occurs during the same timeframe.

Page 48, line 28

Provides that the RCA may initiate a suspension period of no longer than 30 days from the day the initial recourse tariff would otherwise go into effect. Provides that the RCA must hold a hearing on the suspended recourse tariff filing and issue its order before the end of the suspension period.

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## **Expansion; Dispute Resolution**

Page 50, line 19 - 22

Provides that an in-state natural gas pipeline carrier may enter into a contract for expansion, as long as the expansion would not cause it to be considered a competing natural gas pipeline project under AGIA.

## **Investigations**

Page 53, lines 14 - 19

Provides that in conducting an investigation related to a timely filed dispute, the RCA shall issue a final order within 150 days after a formal complaint is filed with the RCA, except for disputes related to open seasons. In the case of open season, the final order must be issued within 60 days.

## **Definitions that Pertain to the Title 42, Chapter 8 – In-State Pipeline Contract Carrier**

Page 55, lines 29 – 31, Page 56, lines 1 – 5

Provides a definition of “affiliated” or “affiliated interest”

Previous versions of the bill did not include a definition of “affiliated” or “affiliated interest”. While there is a definition under RCA statutes, it was thought wise to include one specifically in the Title and Chapter pertaining to In-State Pipeline Contract Carrier and will provide more explicit direction to the RCA.