

HB 394 – RCA REGULATION OF NATURAL GAS STORAGE FACILITIES

House Resources Committee

04.03.24

WHY HB 394?

- Aimed at encouraging third-party gas storage to increase gas storage capability in Cook Inlet.
- Currently, Cook Inlet Natural Gas Storage Alaska (CINGSA), operated by Enstar, represents the only commercial natural gas storage facility Cook Inlet.
- CINGSA was founded based on the decline of Cook Inlet gas production & deliverability, leading to the necessity of a storage facility which could store gas in the low-demand summer months in order to provide more gas during the high-demand winter months.
- February 2024 cold snap and CINGSA production issues highlighted the need for additional storage solutions which represent both larger volumes and redundancy

GAS STORAGE – ACTIVE FACILITIES

1. CINGSA

- Established in 2011
- 11 BCF working volume, 18 BCF total storage capacity
- RCA regulated & operated by Enstar

2. Kenai Gas Pool 6

- Established in 2006
- 17.5 BCF working volume, 50 BCF total storage capacity
- Unregulated, operated by Hilcorp

3. Pretty Creek

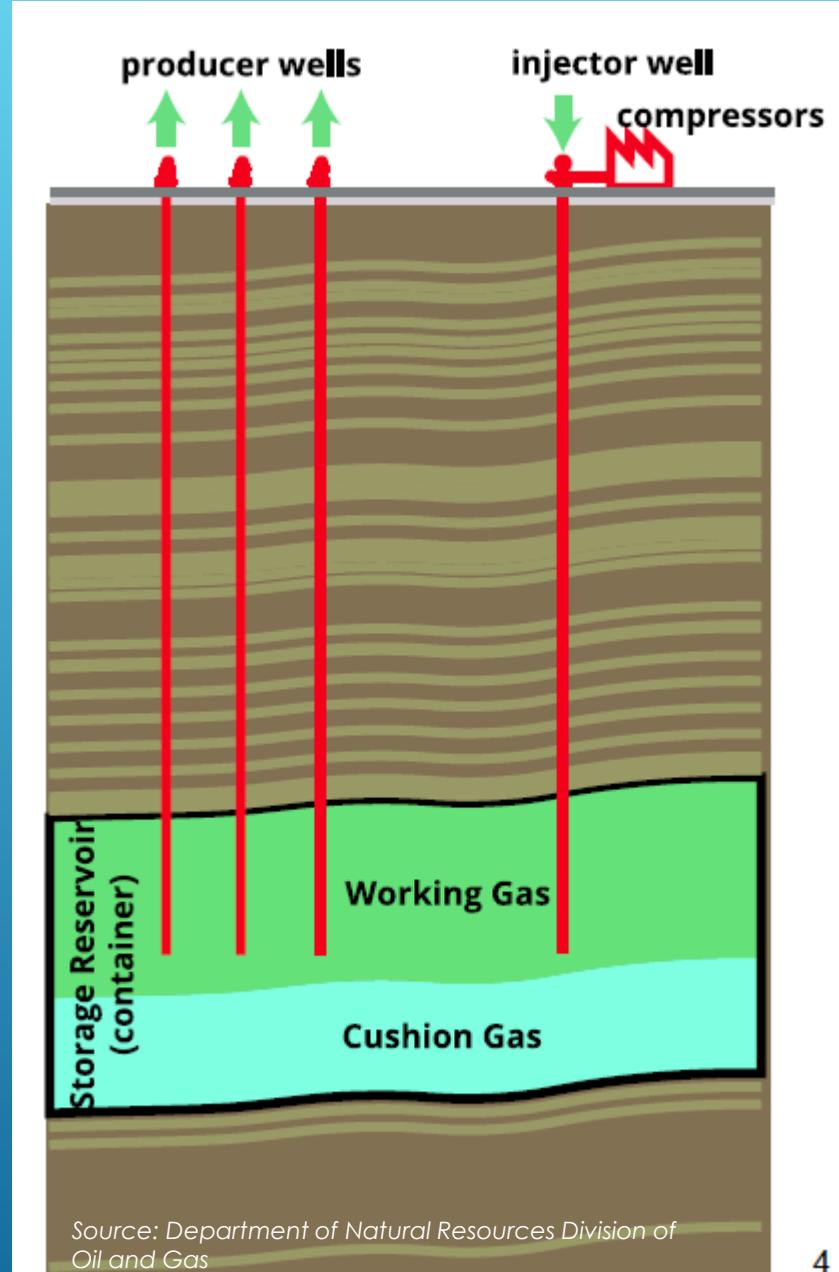
- Established in 2005
- 2.9 BCF working volume, 3 BCF total storage capacity
- Unregulated, operated by Hilcorp

4. Swanson River (Federal)

- Established in 2001
- 3 BCF working volume, 3.4 BCF total storage capacity
- Unregulated, operated by Hilcorp

GAS STORAGE

- **Cushion/Pad Gas** – Gas volume required to remain in reservoir to optimize storage pressure and ensure deliverability at necessary flow rates.
- **Working Gas** – Volume of gas which fluctuates based on gas storage operations. “Working gas” represents the maximum volume
- **Inventory Gas** – Total volume of gas in gas reservoir at a given time
- Example: At full capacity, CINGSA has 18 BCF of **inventory gas**, 11 BCF of **working gas**, and 7 BCF of **cushion/pad gas**



AGENCY ROLES



Alaska Oil & Gas Conservation Commission (AOGCC)

- Authorizes Storage Injection Orders, which approves gas injection for storage purposes
- Oversees demonstrations of mechanical integrity for a well before operations begin
- Observes routine well integrity testing and receives reservoir confinement testing
- Establishes and modifies maximum injection pressure limits
- Receives annual reservoir performance reporting
- Enforces administrative actions for operators who deviate from mandated operations

Department of Natural Resources (DNR)

- Ensures lease agreements are properly followed, particularly sections that relate to lease development plans and data submittal requirements for reservoir surveillance
- Monitors gas injection/withdrawal cycles and reservoir confinement/integrity
- Not all Gas Storage Leases are the same and thus have different terms of agreements

Regulatory Commission of Alaska (RCA)

- Ensures the utility provides safe and adequate services and facilities at just and reasonable rates, terms, and conditions
- Issues and monitors certificate of public convenience and necessity
- Regulates the rates, services, and practices of utilities
- Adjudicates tariff filings and any objections to tariffs or regulations
- Has authority to regulate facilities with third-party storage, which presently only includes Cook Inlet Nature Gas Storage Alaska (CINGSA)

HB 394 OVERVIEW

- Clarifies the regulation of natural gas storage operations liquified natural gas storage to the RCA under Chapter 5 of Title 42
- Exempts LNG import facilities already regulated by the Federal Energy Regulatory Commission (FERC)
- Clarifies that fair market value (FMV) costs related to gas storage operations will be considered when determining a just and reasonable rate under 42.05
- Creates confidentiality requirements related to financial statements of entities providing gas storage operations

HB 394 SECTIONAL ANALYSIS

- Sec. 1 Adds new subsections to AS 42.05.141 to include the regulation of natural gas storage and liquefied natural gas storage under the jurisdiction of the Regulatory Commission of Alaska (RCA), including storage facilities operated by a pipeline carrier or part of a pipeline facility.
- Sec. 2 Amends AS 42.05.381(k) to further specify cost considerations for storing gas in a gas storage facility or liquefied natural gas in a liquefied natural gas storage facility in determining just and reasonable rates.
- Sec. 3 Provides a definition of "gas storage facility".
- Sec. 4 Adds a new section to AS 42.05 to address the confidentiality of records related to the finances of gas storage facilities, liquefied natural gas storage facilities, or public utilities providing natural gas storage services.
- Sec. 5 Amends AS 42.05.711(q) to limit the exemption from RCA gas storage regulatory authority to gas storage associated with a North Slope natural gas pipeline facility operated by a North Slope natural gas pipeline carrier.
- Sec. 6 Adds a new subsection to AS 42.05.711 to specify an exemption from RCA gas storage regulatory authority for liquefied natural gas import facilities under the jurisdiction of the Federal Energy Regulatory Commission (FERC).

HB 394 SECTIONAL ANALYSIS

- Sec. 7 Adds new subsections to AS 42.06.140 to clarify RCA regulation of natural gas and liquefied natural gas storage under 42.05, including storage facilities operated by a pipeline carrier or part of a pipeline facility.
- Sec. 8 Conforming language which adds a new subsection to AS 42.06.370 to specify cost considerations related to pipeline carriers in determining just and reasonable rates.
- Sec. 9 Amends AS 42.06.445(a) by adding the new subsection (g) to the exceptions related to the public inspection of records in the possession of the commission.
- Sec. 10 Adds a new subsection (g) to AS 42.06.445 which specifies the confidentiality of records held by the commission related to the finances of pipeline carriers.
- Sec. 11 Conforming change repealing AS 42.05.990(10)(B) and AS 42.05.990(11)(B) which exempt natural gas and liquefied natural gas storage which is incidental to the production or sale of natural gas to third-party customers from 42.05.
- Sec. 12 Provides for an immediate effective date.