

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

- ☐ P.O. BOX 111000
JUNEAU, ALASKA 99811-1000
PHONE: (907) 465-2400
FAX: (907) 465-3886
- ☐ 550 WEST 7TH AVENUE, SUITE 1400
ANCHORAGE, ALASKA 99501-3650
PHONE: (907) 269-8431
FAX: (907) 269-8918

HB 164

Sectional Analysis

House Bill 164 – Relating to 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.

Sections 1 and 2 of the bill are technical conforming amendments.

Section 3 of the bill would require that natural gas pipelines that originate and terminate in the state, and that require a state right-of-way lease, will meet conditions that favor expansion, and offer expansion rates that promote new entrants into the line. This section is modeled on many of the conditions required of applicants under AS 43.90.130 of the Alaska Gasline Inducement Act (AGIA). For example, lessees would have to commit to periodic binding open seasons, commit to expanding on commercially reasonable terms, and commit to rolled-in rates on expansions, subject to a ceiling of 15 percent of negotiated rates. Lessees would also have to agree to hire Alaska residents and contract with Alaska businesses to the extent permitted by law, and commit to negotiate a project labor agreement to the extent permitted by law.

Section 4 of the bill contains definitions of "commercially reasonable terms" and "reasonable engineering increment" in order to make more precise the expansion terms in sec. 3 of the bill.

Section 5 of the bill would clarify that the "open season" required of North Slope natural gas pipeline carriers by the Pipeline Act applies only to the extent that lease covenants under the Alaska Right-of-Way Leasing Act do not contain "open season" provisions. The RCA is already empowered under AS 42.06.140(a)(2) to enforce lease covenants, including those that contain an "open season" process, so compliance with the "open season" process in AS 42.06.240(f) would be redundant.

Section 6 of the bill would provide for conditional certification by the RCA for pipelines that are in the public interest, and that otherwise meet the requirements for granting a certificate of public convenience and necessity, but that have not yet obtained financing or do not possess firm transportation commitments, or both. This provision could, in some circumstances, provide greater predictability as to the timing and outcome of the regulatory process, and may reduce the cost and facilitate the development of a project by assuring potential shippers and financing partners of ultimate regulatory approval.

Section 7 of the bill would clarify that the RCA can require an exclusively in-state natural gas pipeline carrier to extend or enlarge its facilities under standards found in the Alaska Right-of-Way Leasing Act. This would enable the RCA to enforce access to pipeline facilities for all prospective shippers as required by DNR in the leasing process.

Section 9 of the bill would modify the definition of "common carrier" as it pertains to natural gas pipelines to include firm transportation service and interruptible transportation service. Coupled with sec. 8 of the bill, which would redefine "firm transportation service," this provision would allow, but would not require, natural gas pipeline carriers to offer, and shippers to arrange, for firm transportation service that would not be subject to curtailment except in the case of reduced pipeline capacity. Currently, common carriers may offer firm transportation service, but if total tendered shipments exceed pipeline capacity, shipments by all shippers must be curtailed pro rata.