



House Bill 394: RCA Regulation of Gas Storage Facilities

HOUSE RESOURCES COMMITTEE

APRIL 3, 2024

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House Bill 394

HB 394 adds new subsections to AS 42.05.141 to provide that the RCA regulate natural gas storage service and liquified natural gas storage service. This includes storage furnished by operating a natural gas storage facility that is part of a pipeline facility operated by a pipeline carrier or a natural gas pipeline facility operated by a natural gas pipeline carrier.

The bill amends AS 42.05.381(k), adding to provide the costs to the utility of storing gas in a natural gas facility or liquified natural gas in a liquid natural gas facility that is allowed in determining a just and reasonable rate to include:

- Fair market value of oil and gas fields, drilling rigs, production platforms, wells, and similar assets used for gas storage or liquified natural gas storage and a fair return on the fair market value of those assets.
- Costs related to dismantlement, removal, and restoration of a gas storage facility or liquified natural gas storage facility.

HB 394 defines “gas storage facility”, as used in AS 42.05.381(k), as having the meaning given in AS 31.05.032(e).

HB 394 continued

The bill adds new a section to AS 42.05 and a new subsection to AS 42.06 to classify, as confidential, records of gas storage facilities held by the RCA and related to the finances of a gas storage facility, a liquified natural gas storage facility, or a public utility providing the service of natural gas storage. The RCA may disclose the information only to a state or federal agency if the RCA determines that disclosure of the information is necessary for the RCA to complete its duties.

HB 394 amends the exemption at AS 42.05.711(q), eliminating the exemption from AS 42.05 for a natural gas storage facility that is part of a pipeline facility operated by a pipeline carrier or a natural gas pipeline facility operated by a natural gas pipeline carrier.

The bill adds a new subsection to AS 42.05.711 providing that a liquified natural gas import facility under the jurisdiction of the Federal Energy Regulatory Commission is exempt.

HB 394 continued

HB 394 adds new subsections to AS 42.06.140, to provide that the RCA will regulate natural gas storage service and liquified natural gas storage service, including storage furnished by operating a natural gas storage facility that is part of a pipeline facility operated by a pipeline carrier or a natural gas pipeline facility operated by a natural gas pipeline carrier. It also adds definitions to this subsection.

The bill adds a new subsection to AS 42.06.370 providing that the following costs related to a pipeline carrier will be considered when determining a just and reasonable rate:

- Costs related to the dismantlement, removal, and restoration of a pipeline.
- The costs, at fair market value, of oil and gas fields, drilling rigs, production platforms, wells, and similar assets used for gas storage or liquified natural gas storage, and a fair return on the fair market value of those assets.

HB 394 repeals AS 42.05.990(10)(B) and AS 42.05.990(11)(B).

Potential impacts of HB 394 on the RCA

Passage of HB 394 would require the RCA to:

- Process certificate applications for pipeline carriers and natural gas pipeline carriers with storage facilities that are part of an in-state pipeline facility operated by the carrier.
- Review and approve periodic tariff filings by these carriers to implement or revise terms and rates for natural gas storage service, including charges for reserving or utilizing capacity in storage facility and for injecting or withdrawing stored natural gas or liquified natural gas.
- Review and approve tariff filings by regulated electric and natural gas utilities requesting to recover the costs of using the storage service through their cost of power or gas cost adjustment.
- Review its regulations and certificate application forms to ensure the regulations and forms adequately address the revisions to RCA enabling statutes implemented by House Bill 394.

Potential impacts continued

The RCA may need to:

- Revise its regulations and/or certificate application forms.
- Consider whether clarification by regulation is necessary to implement the cost recovery provisions of AS 42.05.381(k).
- Consider whether additional regulations are necessary to address the confidentiality of records held by the RCA and related to the finances of gas storage facilities, liquified natural gas storage facilities, public utilities providing natural gas storage service, and pipeline carriers.



Questions

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