

HOUSE BILL NO. 286

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES SAMUELS, Dahlstrom, McGuire, Anderson

Introduced: 4/26/05

Referred: House Special Committee on Oil and Gas, Labor and Commerce

A BILL

FOR AN ACT ENTITLED

1 **"An Act amending the manner of determining the royalty received by the state on gas**
2 **production by directing the commissioner of natural resources to accept, under certain**
3 **circumstances, the transfer price of the gas if established by transfer price order of the**
4 **Regulatory Commission of Alaska; and providing for an effective date."**

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1.** AS 38.05.180(aa) is amended to read:

7 (aa) Within 90 days after the written request of a lessee of a lease issued under
8 this section or of a lessee of federal land from which the state is entitled under
9 applicable federal law to receive a share of the royalty on gas production, the
10 commissioner shall enter into an agreement with the lessee to use or accept, **as the**
11 **value of the state's royalty share of gas production,** the price for the gas established
12 in the contract between the lessee and a gas or electric utility [AS THE VALUE OF
13 THE STATE'S ROYALTY SHARE OF GAS PRODUCTION] sold by the lessee
14 under the contract **or the transfer price between the lessee and a gas or electric**

1 **utility for a transfer by the lessee under an order establishing the transfer price**

2 (1) but only if the primary function of the utility with which the lessee
3 has entered into the contract **or transfer** is to provide, either directly or by selling at
4 wholesale to another utility, gas or electricity to the general public, including
5 residential consumers, within the utilities' service areas, and the utility with which the
6 lessee has entered into

7 **(A)** the contract is not an affiliated interest, as that term is
8 defined in AS 42.05.990, with the lessee or with a subsequent purchaser of
9 more than 10 percent of the utility's gas or electricity; **or**

10 **(B) the transfer is an affiliated interest, as that term is**
11 **defined in AS 42.05.990, and the transfer price between the lessee and the**
12 **utility is established by an order of the Regulatory Commission of Alaska;**
13 and

14 (2) unless the commissioner makes a written finding, based on clear
15 and convincing evidence, that

16 (A) the contract price **or transfer price** is unreasonably low;

17 (B) the prospective reduction in royalty receipts would not be
18 balanced by increased benefits to in-state gas and electric consumers;

19 (C) the lessee and the utility are related in management,
20 ownership, or other aspect **and, in the case of a transfer price, that**
21 **relationship is not regulated under AS 42.05;** and

22 (D) the contract price **or transfer price** is not in the best
23 interest of the state.

24 * **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).