

SENATE CONCURRENT RESOLUTION NO. 8

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Introduced: 4/6/05

Referred: State Affairs, Resources

A RESOLUTION

1 **Encouraging the Regulatory Commission of Alaska expeditiously to complete its**
2 **investigation of the Cook Inlet Gas Gathering System.**

3 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 **WHEREAS**, in October 2004, the Regulatory Commission of Alaska received a
5 complaint filed by Agrium U.S., Inc., a major buyer and consumer of natural gas and a
6 producer and distributor of fertilizer and other agricultural products and services, against
7 Marathon Oil Company and Union Oil Company of California (Unocal) for operating for
8 more than 30 years the Cook Inlet Gas Gathering System (CIGGS) in violation of the Alaska
9 Public Utilities Regulatory Act and the state's Pipeline Act; and

10 **WHEREAS** the Agrium complaint alleges three bases under which the commission
11 should exercise jurisdiction to regulate CIGGS: (1) as a public utility under the Alaska Public
12 Utilities Regulatory Act, (2) as a natural gas pipeline, as defined in AS 42.06.630(10), and (3)
13 as a pipeline operating for hire and as a common carrier, as defined in AS 42.06.630(16); and

14 **WHEREAS** the Agrium complaint was supported by two affidavits, one of which
15 appends a gas exchange agreement and a Unocal invoice for exchange fees; and

16 **WHEREAS** Marathon and Unocal have answered the complaint by asserting that

1 none of the bases identified by Agrium in the complaint is a valid basis under which the
2 commission must regulate CIGGS; and

3 **WHEREAS**, in December 2004, the commission determined that the Agrium
4 complaint "has shown good cause to our satisfaction," in that the complaint posits several
5 plausible bases and, for each basis, has alleged facts which, if proven, would mandate that the
6 commission regulate the Cook Inlet Gas Gathering System or exempt it from regulation; and

7 **WHEREAS** the commission found that Agrium has met the regulatory requirement
8 in that the complainant had presented a sufficient quantum of evidence to support a finding
9 that "probable cause" exists to investigate this matter further, and, for the purpose of opening
10 an investigation only, the commission further found that Agrium has presented sufficient
11 evidence to conclude that the CIGGS pipelines may be transporting natural gas for persons
12 other than CIGGS' owners for a fee, that CIGGS may be a gas transmission public utility, and
13 that it may be a natural gas pipeline, as defined in AS 42.06; and

14 **WHEREAS** the complaint is against two companies that operate a particular set of
15 pipelines that are located wholly within the state and that transport gas exclusively in
16 intrastate commerce; and

17 **WHEREAS** the Regulatory Commission of Alaska regulates intrastate pipelines
18 transporting gas under two separate chapters, AS 42.05, the Alaska Public Utilities Regulatory
19 Act, and AS 42.06, the Pipeline Act; and

20 **WHEREAS** the complainant asks the commission to determine that this particular set
21 of pipelines falls under AS 42.05 or AS 42.06, or both; and

22 **WHEREAS** none of the parties has contested the commission's jurisdiction to make
23 that determination, and the commission has affirmed that it has jurisdiction to determine
24 whether CIGGS falls within its regulatory purview;

25 **BE IT RESOLVED** that the Alaska State Legislature encourages the Regulatory
26 Commission of Alaska expeditiously to complete its investigation of the Cook Inlet Gas
27 Gathering System so that Cook Inlet gas exploration initiatives may proceed with greater
28 certainty as to whether critical Cook Inlet natural gas transportation services are subject to
29 commission oversight as regulated services.

30 **A COPY** of this resolution shall be sent to Kate Giard, Chair of the Regulatory
31 Commission of Alaska.