

HOUSE BILL NO. 120

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

BY REPRESENTATIVE RAMRAS, Millett

Introduced: 2/6/09

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 **"An Act authorizing the negotiation for the lease, sale, or other disposal of state land**
2 **with a contract carrier that is engaged in the intrastate transportation of natural gas by**
3 **pipeline; and relating to regulation of certain contract carriers."**

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

5 *** Section 1.** AS 19.40.200(b) is amended to read:

6 (b) The prohibition on disposal of state land under (a) of this section does not
7 apply to a disposal

8 (1) to **a contract carrier that is engaged in the intrastate**
9 **transportation of natural gas by pipeline,** a licensed public utility, or a licensed
10 common carrier under AS 38.05.810(e);

11 (2) for the reauthorization of leases that were in effect on January 1,
12 1994, for nonresidential purposes within the following development nodes:

13 (A) Coldfoot:

14 Township 28 North, Range 12 West, Fairbanks Meridian

- 1 Sections 3 - 4
- 2 Sections 9 - 10
- 3 Sections 15 - 16
- 4 Sections 20 - 22

(B) Yukon River Crossing:

- 6 Township 12 North, Range 10 West, Fairbanks Meridian
- 7 Sections 6 - 7
- 8 Township 12 North, Range 11 West, Fairbanks Meridian
- 9 Sections 1 - 2
- 10 Section 12
- 11 Township 13 North, Range 10 West, Fairbanks Meridian
- 12 Sections 29 - 32
- 13 Township 13 North, Range 11 West, Fairbanks Meridian
- 14 Section 22
- 15 Sections 25 - 27
- 16 Sections 34 - 36

(3) for nonresidential development within the following development

nodes:

(A) Deadhorse:

- 20 Township 10 North, Range 14 East, Umiat Meridian
- 21 Township 10 North, Range 15 East, Umiat Meridian
- 22 Section 8
- 23 Sections 17 - 20
- 24 Section 30

(B) Coldfoot:

- 26 Township 28 North, Range 12 West, Fairbanks Meridian
- 27 Sections 3 - 4
- 28 Sections 9 - 10
- 29 Sections 15 - 16
- 30 Sections 20 - 22
- 31 Township 29 North, Range 12 West, Fairbanks Meridian

1 (iii) construction or maintenance of airports.

2 * **Sec. 2.** AS 38.05.810(e) is repealed and reenacted to read:

3 (e) The lease, sale, or other disposal of state land at appraised fair market
4 value may be negotiated by the director with a contract carrier that is engaged in the
5 intrastate transportation of natural gas, a licensed public utility, or a licensed common
6 carrier, if the interest in state land is required for the conduct of the business of the
7 public utility, common carrier, or contract carrier. In this subsection,

8 (1) the lease, sale, or other disposal of state land is subject to approval
9 by the commissioner; and

10 (2) "contract carrier" means a person that owns or operates a pipeline
11 for which the transport of natural gas is negotiated by individual contracts or
12 agreements.

13 * **Sec. 3.** AS 38.35.120(a) is amended to read:

14 (a) A noncompetitive lease of state land for a right-of-way for an oil or natural
15 gas pipeline valued at \$1,000,000 or more may be granted only upon the condition that
16 the lessee expressly covenants in the lease, in consideration of the rights acquired by it
17 under the lease, that

18 (1) it assumes the status of and will perform all of its functions
19 undertaken under the lease as **either** a common carrier **or contract carrier** and will
20 accept, convey, and transport without discrimination crude oil or natural gas,
21 depending on the kind of pipeline involved, delivered to it for transportation from
22 fields in the vicinity of the pipeline subject to the lease throughout its route both on
23 state land obtained under the lease and on the other land; it will accept, convey, and
24 transport crude oil or natural gas without unjust or unreasonable discrimination in
25 favor of one producer or person, including itself, as against another but will take the
26 crude oil or natural gas, depending on the kind of pipeline involved, delivered or
27 offered, without unreasonable discrimination, that the Regulatory Commission of
28 Alaska shall, after a full hearing with due notice to the interested parties and a proper
29 finding of facts, determine to be reasonable in the performance of its duties as a
30 common carrier **or contract carrier**; however, a lessee that owns or operates a natural
31 gas pipeline

1 (A) subject to regulation either under the Natural Gas Act (15
 2 U.S.C. 717 et seq.) of the United States or by the state or political subdivisions
 3 with respect to rates and charges for the sale of natural gas, is, to the extent of
 4 that regulation, exempt from the common carrier **or contract carrier**
 5 requirement in this paragraph;

6 (B) that is a North Slope natural gas pipeline (i) is required to
 7 operate as a common carrier only with respect to the intrastate transportation of
 8 North Slope natural gas, as that term is defined in AS 42.06.630, and (ii) is not
 9 required to operate as a common carrier as to a liquefied natural gas facility or
 10 a marine terminal facility associated with the pipeline, and is not otherwise
 11 required to perform its functions under the lease as a common carrier; for
 12 purposes of this subparagraph, "North Slope natural gas pipeline" means all the
 13 facilities of a total system of pipe, whether owned or operated under a contract,
 14 agreement, or lease, used by a carrier for transportation of North Slope natural
 15 gas, as defined by AS 42.06.630, for delivery, for storage, or for further
 16 transportation, and including all pipe, pump, or compressor stations, station
 17 equipment, tanks, valves, access roads, bridges, airfields, terminals and
 18 terminal facilities, including docks and tanker loading facilities, operations
 19 control centers for both the upstream part of the pipeline and the terminal,
 20 tanker ballast treatment facilities, fire protection system, communication
 21 system, and all other facilities used or necessary for an integral line of pipe,
 22 taken as a whole, to carry out transportation, including an extension or
 23 enlargement of the line; **this subparagraph does not apply to a lessee that is**
 24 **authorized to operate as a contract carrier by the Regulatory Commission**
 25 **of Alaska under AS 42.06.140(a)(11);**

26 (2) it will interchange crude oil or natural gas, depending on the kind
 27 of pipeline involved, with each like common carrier **or contract carrier** and provide
 28 connections and facilities for the interchange of crude oil or natural gas at every
 29 locality reached by both pipelines when the necessity exists, subject to rates and
 30 regulations made by the appropriate state or federal regulatory agency;

31 (3) it will maintain and preserve books, accounts, and records and will

1 make those reports that the state may prescribe by regulation or law as necessary and
2 appropriate for purposes of administration of this chapter;

3 (4) it will accord at all reasonable times to the state and its authorized
4 agents and auditors the right of access to its property and records, of inspection of its
5 property, and of examination and copying of records;

6 (5) it will provide connections, as determined by the Regulatory
7 Commission of Alaska under AS 42.06.340, to facilities on the pipeline subject to the
8 lease, both on state land and other land in the state, for the purpose of delivering crude
9 oil or natural gas, depending on the kind of pipeline involved, to persons (including
10 the state and its political subdivisions) contracting for the purchase at wholesale of
11 crude oil or natural gas transported by the pipeline when required by the public
12 interest;

13 (6) it shall, notwithstanding any other provision, provide connections
14 and interchange facilities at state expense at the [SUCH] places the state considers
15 necessary if the state determines to take a portion of its royalty or taxes in oil or
16 natural gas;

17 (7) it will construct and operate the pipeline in accordance with
18 applicable state laws and lawful regulations and orders of the Regulatory Commission
19 of Alaska;

20 (8) it will, at its own expense, during the term of the lease,

21 (A) maintain the leasehold and pipeline in good repair;

22 (B) promptly repair or remedy any damage to the leasehold;

23 (C) promptly compensate for any damage to or destruction of
24 property for which the lessee is liable resulting from damage to or destruction
25 of the leasehold or pipeline;

26 (9) it will not transfer, assign, or dispose of in any manner, directly or
27 indirectly, or by transfer of control of the carrier corporation, its interest in a right-of-
28 way lease, or any rights under the lease or any pipeline subject to the lease to any
29 person other than another owner of the pipeline (including subsidiaries, parents, and
30 affiliates of the owners), except to the extent that the commissioner, after
31 consideration of the protection of the public interest (including whether the proposed

1 transferee is fit, willing, and able to perform the transportation or other acts proposed
2 in a manner that will reasonably protect the lives, property, and general welfare of the
3 people of Alaska), authorizes; the commissioner shall not unreasonably withhold
4 consent to the transfer, assignment, or disposal;

5 (10) it will file with the commissioner a written appointment of a
6 named permanent resident of the state to be its registered agent in the state and to
7 receive service of notices, regulations, decisions, and orders of the commissioner; if it
8 fails to appoint an agent for service, service may be made by posting a copy in the
9 office of the commissioner, filing a copy in the office of the lieutenant governor, and
10 mailing a copy to the lessee's last known address;

11 (11) the applicable law of this state will be used in resolving questions
12 of interpretation of the lease;

13 (12) the granting of the right-of-way lease is subject to the express
14 condition that the exercise of the rights and privileges granted under the lease will not
15 unduly interfere with the management, administration, or disposal by the state of the
16 land affected by the lease, and that the lessee agrees and consents to the occupancy
17 and use by the state, its grantees, permittees, or other lessees of any part of the right-
18 of-way not actually occupied or required by the pipeline for the full and safe
19 utilization of the pipeline, for necessary operations incident to land management,
20 administration, or disposal;

21 (13) it will be liable to the state for damages or injury incurred by the
22 state caused by the construction, operation, or maintenance of the pipeline, and it will
23 indemnify the state for the liabilities or damages;

24 (14) it will procure and furnish liability and property damage insurance
25 from a company licensed to do business in the state or furnish other security or
26 undertaking upon the terms and conditions the commissioner considers necessary if
27 the commissioner finds that the net assets of the lessee are insufficient to protect the
28 public from damage for which the lessee may be liable arising out of the construction
29 or operation of the pipeline.

30 * **Sec. 4.** AS 42.06.140(a) is amended to read:

31 (a) The commission

- 1 (1) shall regulate pipelines and pipeline carriers in the state;
- 2 (2) may investigate, upon complaint or its own motion, the rates,
3 classifications, rules, regulations, prices, services, practices, and facilities of pipeline
4 carriers, and the performance of obligations under and compliance with the terms of
5 leases issued by the state;
- 6 (3) may make, prescribe, or require just, fair, and reasonable rates,
7 classifications, regulations, practices, services, and facilities for pipeline carriers;
- 8 (4) may require pipeline carriers and affiliated interests to file with the
9 commission reports and other information and data required or permitted to be
10 required by other provisions of this chapter;
- 11 (5) may adopt regulations that are necessary and proper to the
12 performance of its duties under this chapter, including regulations governing practices
13 and procedures of the commission; the regulations may not be inconsistent with state
14 law;
- 15 (6) shall, during normal business hours, have access to and may
16 designate any of its employees, agents, or consultants to inspect and examine the
17 accounts, financial and property records, books, maps, inventories, appraisals,
18 valuations, and related reports kept by a pipeline carrier, or kept for it by others, that
19 directly affect the interests of the state and directly relate to pipelines located in the
20 state;
- 21 (7) may initiate, intervene in, and appear personally or by counsel and
22 offer evidence in and participate in, any proceedings involving a pipeline carrier, and
23 affecting the interests of the state, before any officer, department, board, commission,
24 or court of this state;
- 25 (8) shall require permits for the construction, enlargement in size or
26 operating capacity, extension, connection and interconnection, operation, or
27 abandonment of any oil or gas pipeline facility or facilities, subject to necessary and
28 reasonable terms, conditions and limitations;
- 29 (9) may prescribe the system of accounts and regulate the service of an
30 oil or gas pipeline facility;
- 31 (10) shall provide all reasonable assistance to the Department of Law

1 in intervening in, offering evidence in, and participating in proceedings involving a
2 pipeline carrier or affiliated interest and affecting the interests of the state, before an
3 officer, department, board, commission, or court of another state or the United States;

4 **(11) may authorize a person to own or operate an intrastate**
5 **natural gas pipeline as a contract carrier, notwithstanding any other provision of**
6 **law.**

7 * **Sec. 5.** AS 42.06.140 is amended by adding a new subsection to read:

8 (c) In this section, "contract carrier" has the meaning given in
9 AS 38.05.810(e).

10 * **Sec. 6.** AS 42.06.630(16) is amended to read:

11 (16) "pipeline" or "pipeline facility" means all the facilities of a total
12 system of pipe, whether owned or operated by a pipeline carrier under a contract,
13 agreement, or lease, in this state used by a pipeline carrier for transportation, for hire
14 and as a **contract carrier engaged in the intrastate transportation of natural gas**
15 **or** common carrier, of oil, gas, coal, or other mineral slurry for delivery, storage, or
16 further transportation, and including all pipe, pump and compressor stations, station
17 equipment, and all other facilities used or necessary for an integral line of pipe to
18 effectuate the transportation from point to point, excluding, however, gas processing
19 plants, treaters, and separators;