

**ALASKA STATE LEGISLATURE  
SENATE RESOURCES STANDING COMMITTEE**

February 19, 2024

3:35 p.m.

**DRAFT**

**MEMBERS PRESENT**

Senator Click Bishop, Co-Chair  
Senator Cathy Giessel, Co-Chair  
Senator Bill Wielechowski, Vice Chair  
Senator Scott Kawasaki  
Senator James Kaufman  
Senator Forrest Dunbar  
Senator Matt Claman

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 220

"An Act relating to the Regulatory Commission of Alaska and regulation of the service of natural gas storage."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 220

SHORT TITLE: RCA REGULATE NATURAL GAS STORAGE FACILITY

SPONSOR(s): SENATOR(s) GIESEL

02/08/24	(S)	READ THE FIRST TIME - REFERRALS
02/08/24	(S)	RES, L&C
02/19/24	(S)	RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

SENATOR CATHY GIESEL, District E  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of SB 220.

JULIA O'CONNOR, Staff

SENATOR CATHY GIESSEL, District E  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Sponsor of SB 220.

DEREK NOTTINGHAM, Director  
Division of Oil and Gas (DOG)  
Department of Natural Resources (DNR)  
Anchorage, Alaska  
**POSITION STATEMENT:** Presented an overview of natural gas storage and spoke to SB 220.

BRETT HUBER, Chairman  
Alaska Oil and Gas Conservation Commission (AOGCC)  
Department of Commerce and Economic Development  
Anchorage, Alaska  
**POSITION STATEMENT:** Answered questions on SB 220.

JOHN ESPINDOLA, Commissioner  
Regulatory Commission of Alaska (RCA)  
Anchorage, Alaska  
**POSITION STATEMENT:** Co-presented an overview of the RCA and spoke to SB 220.

BECKI ALVI, Advisory Section Manager  
Regulatory Commission of Alaska (RCA)  
Anchorage, Alaska  
**POSITION STATEMENT:** Co-presented an overview of the RCA and spoke to SB 220.

JP WOOD, Outside Counsel  
Dillon Findley and Simonian, P.C.  
Anchorage, Alaska  
**POSITION STATEMENT:** Testified by invitation on SB 220.

#### **ACTION NARRATIVE**

[3:35:59 PM](#)

**CO-CHAIR CLICK BISHOP** called the Senate Resources Standing Committee meeting to order at 3:35 p.m. Present at the call to order were Senators Wielechowski, Kawasaki, Kaufman, Dunbar, Co-Chair Bishop, and Co-Chair Giessel.

#### **SB 220-RCA REGULATE NATURAL GAS STORAGE FACILITY**

[3:36:37 PM](#)

CO-CHAIR BISHOP announced the consideration of SENATE BILL NO. 220 "An Act relating to the Regulatory Commission of Alaska and regulation of the service of natural gas storage."

[3:37:32 PM](#)

SENATOR CATHY GIESSEL, District E, Alaska State Legislature, Juneau, Alaska, sponsor of SB 220, stated natural gas storage facilities play a critical role in balancing supply and demand of gas, especially in Alaska where seasonal variations in consumption are typical. During the summer, gas consumption decreases due to warmer temperatures and extended daylight hours. However, these patterns change dramatically in the winter. By regulating gas storage facilities, SB 220 ensures adequate supplies are available year-round and there is oversight to control price spikes during periods of high demand.

[3:39:53 PM](#)

JULIA O'CONNOR, Staff, Senator Cathy Giessel, Alaska State Legislature, Juneau, Alaska, presented the sectional analysis for SB 220:

[Original punctuation provided.]

**SENATE BILL 220**  
**RCA REGULATE NATURAL GAS STORAGE**

**SECTIONAL ANALYSIS**

**Section 1:** Amends AS 42.05.141 by adding the authority to regulate the service of natural gas storage and liquified natural gas storage, including storage provided by a pipeline carrier, to the Regulatory Commission of Alaska's (RCA) general powers and duties.

**Section 2:** Amends AS 42.05.711(q) by clarifying that RCA's regulation is exempted for pipeline carriers on the North Slope.

**Section 3:** Amends AS 42.06.140 by adding the authority to the RCA to regulate natural gas storage facilities and liquified natural gas storage facilities, including those operated by a pipeline carrier thereby creating clarity that the RCA does have the authority to regulate the cost of storage service, even if it is part of a pipeline facility or operated by a pipeline carrier.

**Section 4:** Repeals AS 42.05.990(10)(B): (10) "Service of liquefied natural gas storage" means the operation of a liquefied natural gas storage facility; "service of liquefied natural gas storage" does not include the storage of liquefied natural gas

(B) that is incidental to the production or sale of natural gas to one or more third-party customers

Repeals AS 42.05.990(11)(B): (11) "service of natural gas storage" means the operation of a natural gas storage facility primarily or exclusively for the benefit of third-party customers, and not for the benefit of the owner, operator, or manager of the natural gas storage facility; "service of natural gas storage" does not include the storage of natural gas

(B) that is incidental to the production or sale of natural gas to one or more third-party customers

[3:41:28 PM](#)

CO-CHAIR BISHOP announced invited testimony for SB 220.

[3:41:47 PM](#)

DEREK NOTTINGHAM, Director, Division of Oil and Gas (DOG), Department of Natural Resources (DNR), Anchorage, Alaska, invited testimony for SB 220. He said he would present a background on gas storage in Alaska, which is predominantly in Cook Inlet.

[3:42:36 PM](#)

MR. NOTTINGHAM moved to slide 2 and explained gas storage:

[Original punctuation provided.]

## **GAS STORAGE**

### **What is gas storage?**

- Gas storage is a production and injection operation used to mitigate fluctuating demand for natural gas that is driven by swings in ambient temperature.
- During times of peak demand, more gas is called for (by consumers) than is deliverable from producing reservoirs.

- By placing gas in storage during times of low demand, a greater volume of gas is available for withdrawal during times of peak demand.

**There are four active gas storage facilities**

- CINGSA - Established in 2011, gas storage capacity 18 bcf, 11 bcf working volume, operated by CINGSA (an RCA regulated utility)
- Kenai Gas Pool 6 - Established in 2006, gas storage capacity 50 bcf, 17.5 bcf working volume, operated by Hilcorp
- Pretty Creek - Established in 2005, gas storage capacity 3 bcf, 2.9 bcf working volume, operated by Hilcorp
- Swanson River (Federal) - Established in 2001, gas storage capacity 3.4 bcf, ~3 bcf working volume, operated by Hilcorp

bcf = billion cubic feet of natural gas  
CINGSA = Cook Inlet Storage Alaska

MR. NOTTINGHAM added that storage provides a buffer. He said gas is injected in a gas reservoir during summer months and stored amidst higher demand in the winter. He noted Cook Inlet Natural Gas Storage (CINGSA) is the only RCA-regulated facility that handles storage in Cook Inlet.

[3:45:32 PM](#)

SENATOR CLAMAN asked for confirmation of his understanding that Hilcorp is the only supplier that stores gas in the three Hilcorp facilities listed on slide 2.

[3:45:53 PM](#)

MR. NOTTINGHAM replied that Hilcorp is the only entity injecting gas into those storage facilities.

[3:46:07 PM](#)

SENATOR CLAMAN asked if SB 220 would permit storage access for other producers.

[3:46:19 PM](#)

MR. NOTTINGHAM replied he is uncertain at this time.

[3:46:33 PM](#)

CO-CHAIR BISHOP asked for clarification on the definitions of "bcf" and "working gas bcf."

[3:47:12 PM](#)

MR. NOTTINGHAM noted that the presentation further explains the definitions.

[3:47:33 PM](#)

MR. NOTTINGHAM moved to slide 3 that showcases gas movement cycles in the Cook Inlet facilities over the past 20 years. He stated that as the industrial baseload dropped off over the last 10 years, having Cook Inlet gas storage became critical in providing a buffer for annual fluctuation. Kenai Gas Pool 6 and CINGSA are the largest takers of storage gas and providers of gas during the winter.

[3:48:52 PM](#)

MR. NOTTINGHAM moved to slide 4 and said that the graphic on the right side of the slide demonstrates working and cushion gas stored in a reservoir through an injection well and compressors.

[Original punctuation provided.]

#### **NATIVE GAS, CUSHION GAS, & WORKING GAS**

- Native Gas: Gas remaining in an underground formation before gas storage operations commence.
- Cushion **or** Base Gas: Consists of native gas plus additional gas required to optimize storage pressure to ensure sufficient well deliverability. It's the volume of gas that is intended for permanent inventory.
- Working Gas **or** Non-native gas: The volume of gas that fluctuates due to injection and withdrawal. The maximum volume of gas available for withdrawal during normal operation of storage facility.
- Inventory Gas: Represents the total volume of natural gas in a storage reservoir at any given time. In other words, inventory gas is the total "book value" balance which accounts for injections and withdrawals.

MR. NOTTINGHAM stated that Kenai Pool 6 has a very large reservoir capacity and has a 17.5 bcf working volume. In winter,

the gas is extracted from the reservoir through producer wells. The lease managed by DNR has an allowable capacity of up to 50 bcf. There are rules that limit how much gas can be injected into a storage reservoir at a particular time. The Alaska Oil and Gas Conservation Commission (AOGCC) manages the working reservoir pressure. He shared his understanding that pressure could be increased in Kenai Pool 6 allows for more working gas capacity if necessary.

[3:53:30 PM](#)

CO-CHAIR BISHOP asked for confirmation of his understanding that a higher reservoir volume is required to help lift gas.

[3:53:47 PM](#)

MR. NOTTINGHAM replied that a certain amount of pressure is required for horsepower, to supply the wells, and to lift gas to the surface.

[3:54:05 PM](#)

CO-CHAIR BISHOP asked if producer wells flow without mechanical extraction.

[3:54:16 PM](#)

MR. NOTTINGHAM responded with his understanding that producer wells flow naturally. He said while there may be surface compression to reduce back pressure, there is no downhole pump or an artificial lift mechanism.

[3:54:44 PM](#)

MR. NOTTINGHAM moved to slide 5 and listed agency roles for gas storage:

[Original punctuation provided.]

#### **AGENCY ROLES**

##### **Alaska Oil & Gas Conservation Commission (AOGCC)**

- Authorizes Storage Injection Orders, which approves gas injection for storage purposes
- Oversees demonstrations of mechanical integrity for a well before operations begin
- Observes routine well integrity testing and receives reservoir confinement testing
- Establishes and modifies maximum injection pressure limits
- Receives annual reservoir performance reporting

- Enforces administrative actions for operators who deviate from mandated operations

#### **Department of Natural Resources (DNR)**

- Ensures lease agreements are properly followed, particularly sections that relate to lease development plans and data submittal requirements for reservoir surveillance
- Monitors gas injection/withdrawal cycles and reservoir confinement/integrity
- Not all Gas Storage Leases are the same and thus have different terms of agreements

#### **Regulatory Commission of Alaska (RCA)**

- Ensures the utility provides safe and adequate services and facilities at just and reasonable rates, terms, and conditions
- Issues and monitors certificate of public convenience and necessity
- Regulates the rates, services, and practices of utilities
- Adjudicates tariff filings and any objections to tariffs or regulations
- Has authority to regulate facilities with third-party storage, which presently only includes Cook Inlet Nature Gas Storage Alaska (CINGSA)

[3:57:41 PM](#)

CO-CHAIR BISHOP asked the Commissioner of AOGCC to elaborate on the frequency of routine well integrity testing.

[3:58:03 PM](#)

BRETT HUBER, Chair, Alaska Oil and Gas Conservation Commission (AOGCC), Anchorage, Alaska, stated that mechanical integrity tests occur annually. and when there are changes to the well.

[3:58:51 PM](#)

CO-CHAIR BISHOP asked how the molecules are counted moving in and out of Cook Inlet.

[3:59:15 PM](#)

MR. HUBER replied that the measurement of gas volume depends on temperature, density, and pressure. He stated gas is metered when it leaves the unit, so it is a custody transfer. The Alaska Oil and Gas Conservation Commission (AOGCC) meters the gas

produced at that point, and royalties are applied accordingly. The meter considers various conditions that impact measurement.

[4:00:04 PM](#)

CO-CHAIR BISHOP asked how often meters are calibrated.

[4:00:08 PM](#)

MR. HUBER replied that meters are calibrated annually while unscheduled tests are done on a rotating basis.

[4:00:39 PM](#)

SENATOR WIELECHOWSKI asked at which point royalties are calculated.

[4:00:54 PM](#)

MR. HUBER replied royalties are calculated and applied when the gas is severed from the unit.

[4:01:19 PM](#)

CO-CHAIR BISHOP invited the Commissioner of the Regulatory Commission of Alaska (RCA) to present.

[4:01:40 PM](#)

JOHN ESPINDOLA, Commissioner, Regulatory Commission of Alaska (RCA), Anchorage, Alaska, co-presented an overview of the RCA and spoke to SB 220. He moved to slide 2 and spoke to a timeline of RCA milestones:

[Original punctuation provided.]

#### **Where We Started**

1960 - Alaska Public Service Commission (APSC).

1970 - The Alaska Public Utilities Commission (APUC) was created to replace APSC.

1972 - The Alaska Pipeline Commission (APC) was established to regulate intrastate pipelines.

1981 - The APC merged with the APUC.

1999 - The Alaska Legislature replaced the APUC with the Regulatory Commission of Alaska (RCA) giving it a broad authority to regulate utilities and pipeline carriers.

4:02:44 PM

MR. ESPINDOLA moved to slide 3 and explained the RCA's organizational structure:

[Original punctuation provided.]

### Organizational Structure

#### Commission Section

- Five Commissioners  
(Appointed by the Governor and confirmed by the Legislature)
- Consumer Protection & Information Staff
- Support Staff  
(Administrative Operations, Law Office Assistants, Records & Filing, Information Systems)

#### Administrative Law Section

- Administrative Law Judges
- Paralegals

#### Advisory Section

- Advisory Section Manager
- Utility Tariff Analysts
- Utility Engineering Analysts
- Utility Financial Analysts
- Communications Common Carrier Specialists

#### Utility Master Analysts

4:03:40 PM

MR. ESPINDOLA moved to slide 4 and described the RCA's regulatory authority:

[Original punctuation provided.]

### **RCA Authority**

Alaska Statute (AS) 42.04 (APUC)

AS 42.05 (Public Utilities)

AS 42.05.760 - 42.05.800 (Electric Reliability Organization)

AS 42.06 (Common Carrier Pipelines)

AS 42.08 (Contract Carrier Pipelines)

AS 42.45 (Power Cost Equalization)

AS 42.05.141(a) - The Regulatory Commission of Alaska may do all things necessary or proper to...regulate every public utility engaged or proposing to in a utility business inside the state.

[4:04:27 PM](#)

MR. ESPNDOLA moved to slide 5 and read the definition of "public" or "general public."

[Original punctuation provided.]

**Definition of Public or General Public:**

AS 42.05.990(3) "public" or "general public" means

- (A) a group of 10 or more customers that purchase the service or commodity furnished by a public utility; °
- (B) one or more customers that purchase electrical service for use within an area that is certificated to and presently or formerly served by an electric utility if the total annual compensation that the electrical utility receives for sales of electricity exceeds \$50,000; and °
- (C) a utility purchasing the product or service or paying for the transmission of electrical energy, natural or manufactured gas, or petroleum products that are re-sold to a person or group included in (A) or (B) of this paragraph or that are used to produce the service or commodity sold to the public by the utility;

[4:04:37 PM](#)

MR. ESPINDOLA moved to slide 6 and read parts (a) and (h) of the definition of a public utility:

[Original punctuation provided.]

**Definition of a Public Utility:**

- (A) furnishing by generation, transmission, or distribution, electrical service to the public for compensation;
- (H) furnishing the service of liquified natural gas storage to the public for compensation;

[4:05:00 PM](#)

MR. ESPINDOLA moved to slide 7 and explained the certificate process:

[Original punctuation provided.]

### **Certificate of Public Convenience and Necessity**

Alaska Statutes 42.05 (Public Utilities) and 42.06 (Pipeline Act) authorizes the RCA to certificate qualified providers of public utility and pipeline services.

A certificate may not be issued unless the RCA finds that the applicant is fit, willing, and able, and that the services are required for the convenience and necessity of the public (AS 42.05.241).

[4:05:49 PM](#)

MR. ESPINDOLA moved to slide 8 and previewed a snapshot of certified entities. He said there are over six hundred certified entities; of those, 110 are regulated by AOGCC.

[4:06:27 PM](#)

BECKI ALVI, Advisory Section Manager, Regulatory Commission of Alaska (RCA), Anchorage, Alaska, co-presented an overview of the RCA and spoke to SB 220. She moved to slide 9 and explained RCA's core services:

[Original punctuation provided.]

### **What We Do: Regulate Public Utilities & Pipeline Carriers**

#### **RCA Core Services**

Certification ◦

- Reviews applications for Certificates of Public Convenience & Necessity (CPCN) and determines if applicants are fit, willing, and able to provide

service. Tariff Review Reviews tariff filings made by utilities or pipeline carriers that seek to change their rates or terms of service

#### Regulation of Rates and Services ◦

- Determines the rates a utility charges its customers are just and reasonable, and that rates, services and practices of public utilities abide by their filed tariff.

#### Dispute Resolution

- Investigates complaints regarding utility service quality, billing or management practices.

#### Calculation of Power Cost Equalization

- Calculates the power cost equalization amounts for each participating electric utility and the base rate.

[4:06:53 PM](#)

MS. ALVIE moved to slide 10 and spoke to utilities exempt from rate regulation:

[Original punctuation provided.]

#### **Utilities Exempt from Rate Regulation**

- Utilities owned by political subdivisions of the State (city or state owned).
- Small water and sewer utilities (e.g. community wells).
- Electric or telephone utilities that do not gross more than \$50,000 revenues annually.
- Refuse utilities that does not gross more than \$300,000 revenues annually.
- The commercial portion of refuse utilities that provide service in the Municipality of Anchorage, Portage, Whittier, and the Fairbanks North Star, Matanuska-Susitna, and Kenai Peninsula Boroughs.
- Electric and telephone cooperatives that elect to be exempt through Deregulation Election (member votes). Cable, Internet, and Wireless Services.
- Telephone utilities that provide service other than inmate calling service.

- Utilities granted exemption where the Commission has found exemption in the public interest.

MS. ALVIE added that utilities that are not rate-regulated do not need to justify their rates to the RCA. A utility may be exempt from economic regulation and a portion of the statutes. SB 220 would modify those exemptions outlined in statute [AS 42.05.711].

[4:07:31 PM](#)

MS. ALVIE briefly moved to slide 11 and commented on the tariff review process. She said staff analyze findings to determine if rates are just and reasonable. They also review tariff provisions to determine if they are reasonable and supported.

[4:07:43 PM](#)

MS. ALVIE moved to slide 12 and explained the tariff review process:

### **Tariff Review Process**

#### Tariff Revision:

- Entity files a tariff filing.
- Public notice is issued for public comment:
  - 30-day comment period for utilities
  - 21-day comment period pipelines
  - 20-day comment period for electric reliability organizations
- Review Period:
  - 45 days for utilities
  - 30 days for pipeline carriers
  - 45 days for electric reliability organizations
- Prior to the end of the review period the Commission will approve, reject, or suspend the filing.

#### Tariff Suspension into a Docket:

- Suspended for further investigation.
- A commission panel and administrative law judge are assigned. ◦ May invite participation to intervene, include the Attorney General (Regulatory Affairs and Public Advocacy).
- Hold evidentiary hearings.
- Issue a final order (AS 42.05.175): ◦

- o Within 450 days for changes to a revenue requirement or rate design .
- o Within 270 days for changes other than a revenue requirement or rate design

[4:08:36 PM](#)

MS. ALVIE moved to slide 13 and explained the Power Cost Equalization (PCE) program:

[Original punctuation provided.]

#### **Power Cost Equalization (PCE) Program**

Under the Power Cost Equalization Program, the State of Alaska pays a portion of the electric bills for consumers served by utilities participating in the program.

The RCA establishes the PCE amount (cents/KWh) applicable to each utility, regardless if the utility is otherwise subject to RCA's economic regulation.

More than 150 communities participate in the PCE program.

AS 42.45.110(c)(2) provides that the Commission will, during each fiscal year, adjust the power costs for which PCE may be paid to an electric utility based on the weighted average retail residential rate in Anchorage, Fairbanks, and Juneau, and subject to the statutory ceiling.

The PCE program is administered by the Alaska Energy Authority (AEA).

[4:08:53 PM](#)

MS. ALVIE moved to slide 14 and provided a brief history of natural gas storage in Alaska. She said in December of 2009, CINGSA filed a petition to the RCA contesting RCA's jurisdiction over CINGSA's proposed natural gas storage facility. In the final order in the dockets, the commission found that RCA statutes did not grant explicit authority to regulate gas storage, nor did they definitively set natural gas storage outside of the RCA's jurisdictional boundaries. The RCA declined to issue a declaratory ruling in those dockets.

[4:09:30 PM](#)

MS. ALVIE moved to slide 15 and spoke to the Cook Inlet Recovery Act (CIRA):

[Original punctuation provided.]

### **Cook Inlet Recovery Act**

In January 2010, House Bill 280, also known as the Cook Inlet Recovery Act, was introduced. This bill, as it relates to the RCA, added new subsections in AS 42.05 related to natural gas storage, approval of gas supply contracts, and provided for exemption of certain natural gas storage facilities.

The natural gas storage facilities that would be exempt were 1) those that are part of a pipeline facility operated by a pipeline carrier, 2) part of a natural gas pipeline facility operated by a natural gas pipeline carrier, and 3) part of the North Slope pipeline facility operated by a North Slope natural gas pipeline carrier. On July 9, 2010, Governor Sean Parnell signed the Cook Inlet Recovery Act into law.

[4:10:03 PM](#)

MS. ALVIE moved to slide 16 and detailed natural gas storage:

[Original punctuation provided.]

### **Natural Gas Storage**

The RCA has certificated 2 gas storage facilities Cook Inlet Natural Gas Storage Alaska, LLC (CINGSA) in 2011(Docket U-1 0-051)

Interior Alaska Natural Gas Utility (IANGU) in 2019 (Dockets U-1 9-002 AND U-1 9-004)

CINGSA is economically regulated by the RCA.

IANGU is owned by the Alaska Industrial Development And Export Authority (AIDEA), a political subdivision of the state and exempt from regulation under AS 42.05.711(b).

IANGU provides liquid natural gas storage.

MS. ALVIE noted that a certificate for liquid natural gas (LNG) storage was granted to Fairbanks Natural Gas in 2019. In 2020, that certificate was merged with IANGU and subsequently revoked.

[4:11:01 PM](#)

MS. ALVIE moved to slide 17 and provided an overview of CINGSA:

[Original punctuation provided.]

#### **CINGSA**

- CINGSA provides natural gas storage service in Southcentral Alaska.
- CINGSA was certificated in 2011.
- CINGSA receives, injects, stores, withdraws, and delivers natural gas.
- CINGSA is economically regulated and subject to AS 42.05 and the Alaska Administrative Code, Title 3 that is applicable to utilities (Chapters 47 and 48 specifically).
- Rates and rules are set out in CINGSA's tariff.
- Changes to those rule or rates are filed as tariff filings and are subject to approval by the RCA.
- CINGSA files Firm Storage Service (FSS) Agreements and Interruptible Storage Service (ISS) Agreements with the RCA.
- CINGSA currently has 5 wells in operation and the RCA recently approved an expansion agreement which would add two additional wells.

MS. ALVIE added that the RCA regulates CINGSA's rates, provisions, and rules.

[4:11:59 PM](#)

MS. ALVIE moved to slide 18 and read the provisions under SB 220:

[Original punctuation provided.]

#### **Senate Bill (SB) 220**

SB 220 adds a new subsection to AS 42.05.141 (General powers and duties of the Commission) to provide that the RCA 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.

The bill 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.

SB 220 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.

The bill amends definitions in AS 42.05.990 and adds definitions to AS 42.06.140 related to natural gas storage.

[4:13:03 PM](#)

MS. ALVIE moved to slide 19 and explained the potential impacts of SB 220 on the RCA:

[Original punctuation provided.]

#### **Potential impacts of SB 220 on the RCA**

Passage of SB 220 would require the RCA to:

1. 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,
2. 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, and
3. 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.

The RCA is currently evaluating if modifications to its regulations and/or certificate application forms will be necessary.

[4:14:11 PM](#)

SENATOR DUNBAR asked for RCA's perspective on the effectiveness of the regulation process over CINGSA.

[4:14:42 PM](#)

MS. ALVEY replied she has had several regulatory proceedings with CINGSA. She stated she is uncertain whether it has caused the RCA additional stress. However, the process has allowed the commission some oversight into gas costs that are then passed through electric or gas rate payers that use the storage facility.

[4:15:23 PM](#)

CO-CHAIR BISHOP invited outside counsel for ENSTAR and CINGSA to present on SB 220.

[4:15:43 PM](#)

JP WOOD, Outside Counsel, Dillon Findley and Simonian, P.C., Anchorage, Alaska, said he is outside counsel for ENSTAR and CINGSA. He stated that he was an administrative law judge for 12 years prior to joining the law firm and for the majority of that time, was Chief Administrative Law Judge for RCA.

[4:16:53 PM](#)

MR. WOOD moved to slide 2 and provided the presentation focal points:

[Original punctuation provided.]

#### **Topics to Discuss**

- Cook Inlet Recovery Act (2010) and RCA Regulation of Natural Gas Storage Service
- Natural Gas Storage Service by a Pipeline is Exempt from AS 42.05
- Questionable Whether Natural Gas Storage Service by a Pipeline is Regulated Under AS 42.06
- Senate Bill 220 Resolves Ambiguities and Creates Level Playing Field

MR. WOOD added that AS 42.06 led to the exemption of natural gas storage service by a pipeline under CIRA. He relayed that ENSTAR values SB 220 because it resolves ambiguities between the two statutory schemes. It also creates transparency and a level playing field for a third-party storage service.

[4:18:46 PM](#)

MR. WOOD moved to slide 3 and spoke to the regulation of CIRA:

[Original punctuation provided.]

#### **CIRA (2010) and RCA Regulation**

- Amended Public Utility Statutes to Include Natural Gas Storage Service
- Policy Call that Third-Party Open-Access Facility Would be Regulated by the RCA
- Cook Inlet Natural Gas Storage Alaska, LLC is Certificated and Economically Regulated
- Fairbanks Natural Gas, LLC and Interior Natural Gas Utility, LLC Certificated for LNG Storage

MR. WOOD emphasized that ENSTAR believes the intent of SB 220 is to ensure all third-party open access storage services are regulated by RCA. He relayed that in 2010, Mike Hawker, former representative, described the natural gas storage provision in CIRA as a directive for RCA to regulate third-party open access facilities. Proprietary service by a producer for its own needs production is not currently regulated under RCA statutes and would not be impacted by current statutory structure on the proposed changes in SB 220.

[4:21:35 PM](#)

SENATOR CLAMAN said Hilcorp owns three facilities in Cook Inlet and only stores their own gas. He asked if third parties would have RCA-regulated storage access with Hilcorp under SB 220 while RCA would not regulate Hilcorp's storage of its own gas.

[4:22:12 PM](#)

MR. WOOD responded with his understanding that regulation would apply to a third party storing gas with Hilcorp even though Hilcorp gas is not regulated as long as Hilcorp exclusively uses those facilities for their own production without extending storage service to third parties, it would not be subject to regulation under the statutory amendments.

[4:22:51 PM](#)

SENATOR CLAMAN asked whether a third party that stored gas in the Hilcorp unit would be subject to regulation.

[4:23:04 PM](#)

MR. WOOD replied that unless Hilcorp offers storage fields for third party service, it would remain unregulated.

[4:23:22 PM](#)

SENATOR CLAMAN asked if a third party could compel Hilcorp to take its gas for storage or if at Hilcorp's discretion, would regulation apply to the portion of the work accepted.

[4:23:44 PM](#)

MR. WOOD opined that there is no language in statute that would obligate Hilcorp to accept third-party storage.

[4:24:07 PM](#)

MR. WOOD briefly moved to slide 4 and spoke to the regulation of CINGSA:

[Original punctuation provided.]

#### **Exemption from AS 42.05 for Storage by Pipeline**

- Natural Gas Storage Facility that is Part of a Pipeline Facility is Exempt from Public Utility Act AS
- 42.05
- Legislative History Presumes there will be Regulation
- Under Pipeline Act AS 42.06
- Exemption Included in CIRA to Avoid Duplicative Regulation

MR. WOOD added that economic regulation of CINGSA began in 2011, giving RCA more than a decade of storage facility regulation experience. He reiterated that various proceedings have contributed to RCA's expertise in regulating this utility.

[4:25:17 PM](#)

MR. WOOD moved to slide 5 and spoke to the legal review of RCA regulation:

[Original punctuation provided.]

#### **RCA Regulation of Storage by Pipeline is Uncertain**

- Legal Review has Raised Questions on Whether Natural Gas Storage by Pipeline Facility Would be Regulated Under AS 42.06
- 2009 Presentation by Assistant Attorney General to RCA Concluded No Jurisdiction in Some Circumstances
- RCA Has Recognized that Pipeline Storage Facilities are Not Included or Excluded from Pipeline Act Regulation

[4:28:54 PM](#)

MR. WOOD moved to slides 6 and listed amendment objectives for SB 220:

[Original punctuation provided.]

**SB 220 Amendments Provide Clarity**

- Natural Gas and LNG Storage Service for Third-Party Customers Regulated Under AS 42.05
- Includes Storage Facility that is Part of a Pipeline Facility
- Level Playing Field
- Consistent with Intent of CIRI [CIRA]

[4:30:30 PM](#)

MR. WOOD briefly moved to slide 7 and noted he agreed with the other testifiers regarding the changes in meaning to specific sections of SB 220:

[Original punctuation provided.]

**SB 220 Amendments**

- Amend Public Utilities Act General Powers Statute AS 42.05.141 to Specify Jurisdiction over Natural Gas and LNG Storage Service
- Remove Public Utilities Act Exemption for Storage Service by Pipeline Facility (Retain North Slope Pipeline Exemption)
- Amend Pipeline Act General Powers Statute AS 42.06.140 to Specify Regulation of Natural Gas and LNG Storage is Under AS 42.05

[4:31:17 PM](#)

CO-CHAIR BISHOP concluded invited testimony and held SB 220 in committee.

[4:31:59 PM](#)

There being no further business to come before the committee, Co-Chair Bishop adjourned the Senate Resources Standing Committee meeting at 4:31 p.m.