

Original sponsor: Rules Committee by request
of the Governor and the Joint
Pipeline Impact Committee

Offered: 4/29/72
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 770

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to lease of rights-of-way over state
7 land for the transportation of oil and gas within the
8 state; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 38.05 is amended by adding a new section to read:

11 Sec. 38.05.333. RIGHT-OF-WAY LEASES. The director shall include
12 the following conditions in a right-of-way lease for oil and gas pipe-
13 lines which are subject to the Alaska Public Utilities Commission:

14 (1) the lessee assumes the status of and will perform all of
15 its functions undertaken under the lease as a common carrier and will
16 accept, convey, and transport all crude oil or natural gas, depending
17 on the kind of pipeline involved, delivered to it for transportation
18 from fields in the vicinity of the pipeline subject to the lease
19 throughout its route both on state public land obtained under the lease
20 and on other land; however, the common carrier provision of this
21 section shall not apply to a natural gas pipeline operated by a
22 person subject to regulation under the Natural Gas Act of the United
23 States (52 Stat. 821, 68 Stat. 36);

24 (2) the lessee assumes the status of and shall be a common
25 purchaser of crude oil and natural gas, depending upon the kind of
26 pipeline involved, that is produced from fields in the vicinity of
27 the pipeline subject to the lease and shall purchase crude oil or
28 natural gas that is offered it;

29 (3) the lessee will accept, convey and transport or purchase

1 crude oil or natural gas without unjust or unreasonable discrimination
2 in favor of one producer or person, including itself, as against another
3 in the same field, and without unjust or unreasonable discrimination
4 as between fields in the state but will take the crude oil or natural
5 gas, depending on the kind of pipeline involved, delivered or offered
6 in the proportion that the commission shall, after a full hearing with
7 due notice to the interested parties and a proper finding of facts,
8 determine to be reasonable;

9 (4) the lessee will exchange crude oil or natural gas,
10 depending upon the kind of pipeline involved, with each like common
11 carrier and provide connections and facilities for the interchange of
12 crude oil or natural gas at every locality reached by both pipelines
13 when the necessity exists, subject to rates and regulations made by
14 the appropriate state or federal regulatory agency;

15 (5) the lessee will maintain and preserve books, accounts,
16 records, papers, and correspondence and other records and will make
17 those reports that the state may prescribe by regulation or law as
18 necessary and appropriate for purposes of administration of this chapter;

19 (6) the lessee will accord at all reasonable times to the
20 state and its authorized agents and auditors the right of access to its
21 property and records, of inspection of its property, and of examination
22 and copying of records;

23 (7) the lessee will provide, where economically feasible and
24 consistent with the primary function of the line, connections and
25 facilities on the pipeline subject to the lease, both on state land and
26 other land in the state, for the purpose of delivering crude oil or
27 natural gas, depending upon the kind of pipeline involved, to persons
28 desiring to purchase who are located in municipalities in the vicinity
29 of the pipeline;

1 (8) the lessee will, at its own expense, during the term of
2 the lease

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

4 (B) exercise the highest degree of care in using the
5 leasehold and operating the pipeline to prevent a pipeline
6 incident;

7 (C) promptly repair or remedy any damage to or destruc-
8 tion of the leasehold or pipeline;

9 (D) promptly remedy any damage to or destruction of
10 property resulting from damage to or destruction of the leasehold
11 or pipeline;

12 (9) the lessee will not transfer, assign, or dispose of in
13 any manner, directly or indirectly, or by transfer of control of the
14 carrier corporation, its interest in a right-of-way lease, or any
15 rights under the lease, or any pipeline subject to the lease, except
16 as authorized by the commissioner, upon application by the carrier;
17 the commissioner shall not unreasonably withhold his consent to the
18 transfer, assignment or disposal;

19 (10) the lessee will file with the commissioner a written
20 appointment of a named permanent resident of the state to be its
21 registered agent in the state and to receive service of notices, regu-
22 lations, decisions and orders of the commissioner; if it fails to
23 appoint an agent for service, service may be made by posting a copy
24 in the office of the commissioner and filing a copy of it in the office
25 of the lieutenant governor;

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

28 (12) the lessee agrees that the commissioner may insert in
29 any right-of-way lease other reasonable provisions and conditions that

1 he determines the public interest, convenience and necessity requires;
2 provided, however, that these other reasonable provisions and conditions
3 shall relate to the primary function of the lease and the land involved;

4 (13) the lessee will procure and file liability and property
5 damage insurance from a company licensed to write insurance in the
6 state or deposit security for the limits of liability upon the terms
7 and conditions the commissioner determines necessary for the protection
8 of the public against damage and injury for which the lessee carrier
9 may be liable by reason of the operation of the pipeline;

10 (14) the lessee will submit a security or bond in a reasonable
11 amount conditioned for the construction and completion of the facility
12 together with the payment of rent, taxes, assessments and other obliga-
13 tions under the lease until the construction and completion of the
14 facility, after which the bond shall be cancelled or the securities
15 returned; the agreement as to the securities and the bond shall provide
16 that if the carrier fails to construct the facility specified in the
17 project description, a reasonable amount of the securities or bond
18 shall be held payable to the state as damages for failure to construct
19 and complete the facility;

20 (15) the lessee will agree to a reasonable rate or fee
21 schedule to be charged for the right-of-way lease; the rate or fee may
22 be established by the commissioner upon recommendation of the director.

23 * Sec. 2. Leases negotiated under sec. 333 of this chapter shall not be
24 construed to in any way fall under the competitive bid requirements of
25 secs. 70 - 105 of this chapter.

26 * Sec. 3. This Act takes effect on the day after its passage and approval
27 or on the day it becomes law without approval.
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