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Referred: Resources and
Finance

1 IN THE SENATE

BY BENNETT

2 SENATE BILL NO. 583

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the disposal of state in kind
7 royalty oil and gas."

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

9 * Section 1. AS 38.05.183 is amended by adding a new subsection to read:

10 (f) The provisions of this section do not apply to that portion
11 of oil and gas taken in kind by the state as its royalty share which is
12 disposed of under AS 38.05.336.

13 * Sec. 2. AS 38.05 is amended by adding a new section to read:

14 Sec. 38.05.336. DISPOSAL OF ROYALTY OIL AND GAS FOR PROCESSING IN
15 THE STATE. (a) All or part of the royalty oil and gas taken in kind
16 by the state under AS 38.05.182 shall be given by the department to a
17 person who contracts with the state to process and distribute the
18 royalty oil or gas in the state in accordance with the provisions of
19 this section.

20 (b) A contract entered into for the disposal of oil or gas under
21 this section shall provide

22 (1) that the recipient of the oil or gas pass on to consumers
23 only the costs of processing and distributing the oil or gas plus a
24 reasonable profit on the processing and distribution;

25 (2) that if the recipient of the oil or gas contracts with a
26 retail distributor to deliver the oil or gas to consumers, the contract
27 shall provide that the retail distributor will not increase the final
28 price of the oil or gas to the consumer beyond an amount necessary to
29 pay the costs of retail distribution plus a reasonable profit on the

1 retail distribution;

2 (3) for penalties prescribed by regulation adopted by the
3 department if the recipient of the oil or gas or a retail distributor
4 sells the oil or gas to consumers in the state for more than the price
5 authorized by this section;

6 (4) that if oil or gas disposed of under this section is
7 delivered or consumed outside the state the person who received the oil
8 or gas from the state will pay the state an amount equal to the value,
9 before processing, of the oil or gas delivered or consumed outside the
10 state; in this paragraph "oil or gas consumed outside the state" does
11 not include small quantities of processed oil or gas sold by a retail
12 distributor in the state;

13 (5) that the contract may be terminated by the department if
14 the commissioner determines that the recipient is not using all or most
15 of the oil or gas supplied under this section to meet the demand in the
16 state for that oil or gas;

17 (6) that the recipient of the oil or gas will maintain
18 records on the processing, distribution, costs of processing and distri-
19 bution, and prices of oil or gas received under this section, in a form
20 prescribed by the commissioner, which shall be available for examination
21 by the commissioner or his designated representative at all times; and

22 (7) for other terms and conditions considered necessary by
23 the commissioner in accordance with regulations adopted by the depart-
24 ment.

25 (c) The department shall issue regulations providing for the
26 computation of allowable costs, reasonable profits, and for the imple-
27 mentation of this section.
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