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Referred: Rules

Original sponsors: Faiks, Kelly
and V.Fischer

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

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CS FOR SENATE BILL NO. 309 (Resources)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

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For an Act entitled: "An Act relating to royalty gas contracts; and providing for an effective date."

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

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* Section 1. FINDINGS. (a) The legislature finds that the best interest of the state will be served if the commissioner of natural resources is authorized to establish the value for royalty gas taken in value by the state and sold to a nonprofit electric utility by using the contract price between the lessee of the state and the nonprofit electric utility, whether or not the royalty gas lease with the state establishes a different standard for the valuation and if the lessee and the nonprofit electric utility are not related to each other. The legislature finds that this authorization should apply prospectively and does not intend the authorization to apply to the valuation of royalty gas that is sold by a lessee of the state under a contract entered into before the effective date of this Act with a nonprofit electric utility.

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(b) The legislature finds that it is also in the best interest of the state to give the commissioner explicit discretionary authority to sell royalty gas received in kind by the state to nonprofit electric utilities at a price that is below market value.

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(c) The proper exercise of the discretion conferred by this Act on the commissioner would support and complement the other programs that assist the citizens of the state with their long-term electrical needs, including the power cost equalization program under AS 44.83.162 - 44.83.165 and hydroelectric and other programs for the generation of electricity.

1 (d) The state should adopt a policy for the sale of royalty gas to
2 nonprofit electric utilities for in-state generation of electricity that is
3 fundamentally different from the policies of the state for the sale of
4 royalty oil and for the sale of royalty gas for export from the state or
5 for uses other than in-state generation of electricity.

6 * Sec. 2. AS 38.05.180 is amended by adding a new subsection to read:

7 (aa) Within 90 days after the written request of a lessee of a
8 lease issued under this section, unless the commissioner makes a
9 written finding based on clear and convincing evidence that the con-
10 tract price is unreasonably low and that a prospective reduction in
11 royalty receipts would not be balanced by increased benefits to elec-
12 tric consumers, the commissioner shall enter into an agreement with
13 the lessee to use the price for the gas established in the contract
14 between the lessee and a nonprofit electric utility, if the lessee and
15 the utility are not related in management, ownership, or other aspect,
16 as the value of the state's royalty share of gas production sold by a
17 lessee of the state to a nonprofit electric utility. In this
18 subsection

19 (1) "nonprofit electric utility" includes an electric
20 cooperative organized under AS 10.25 and a municipal utility; and

21 (2) "price for the gas established in the contract" in-
22 cludes tax reimbursement amounts, deliverability and other charges,
23 and other forms of consideration paid by the nonprofit electric utili-
24 ty under the contract.

25 * Sec. 3. AS 38.05.183(h) is amended by adding a new subsection to
26 read:

27 (h) The commissioner may enter into a contract to sell royalty
28 gas taken in kind by the state to a nonprofit electric utility at less
29 than the market value of the royalty gas if the commissioner, after

1 considering the consumer benefits, other benefits, and detriments of
2 the sale, makes a written finding that the sale is in the best inter-
3 est of the state. In this subsection, "nonprofit electric utility"
4 includes an electric cooperative organized under AS 10.25 and a
5 municipal utility.

6 * Sec. 4. AS 38.05.810(a) is amended to read:

7 (a) Except as otherwise provided in AS 38.05.183(h), the [THE]
8 lease, sale, or other disposal of state land or resources may be made
9 to a state or federal agency or political subdivision, or the lease,
10 sale, or disposal of coal deposits suitable for mining may be made to
11 a utility owned and operated by a government agency or nonprofit
12 cooperative association organized to participate under the Federal
13 Rural Electrification Act for the purpose of generating electric power
14 and energy or the production of process steam, or both, for less than
15 the appraised value as determined by the director and approved by the
16 commissioner to be fair and proper and in the best interests of the
17 public, with due consideration given to the nature of the public
18 services or function rendered by the agency, subdivision, or utility
19 making application, and of the terms of the grant under which the land
20 was acquired by the state.

21 * Sec. 5. Section 2 of this Act applies to contracts entered into on or
22 after the effective date of this Act to sell to nonprofit electric
23 utilities gas produced under a lease issued under AS 38.05.180.

24 * Sec. 6. Section 3 of this Act applies to contracts entered into by
25 the state on or after the effective date of this Act to sell new quantities
26 of royalty gas to nonprofit electric utilities.

27 * Sec. 7. This Act takes effect immediately in accordance with AS 01.-
28 10.070(c).