

HB

563

Fred
Until we
call Northwest

Put 2/9/78

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13 (B)

Testimony
of
Morris Thompson
Vice President
Northwest Alaskan Pipeline Company

Before

House Resource Committee

On House Bill 563

February 9, 1978

James G. ...

Mr. Chairman, members of the Committee, I am Morris Thompson, Vice President of the Northwest Alaskan Pipeline Company, and appreciate the opportunity to appear before you today. We have examined House Bill 563, together with the amendments proposed by Speaker Malone.

Northwest Alaskan supports the principle that the communities through which the pipeline passes should have access to the gas subject to the following conditions: (1) The community has acquired rights to a gas supply, (2) The community can be economically served, and (3) The parties involved have received appropriate authority. We feel that it is commendable that the State of Alaska is endeavoring to provide natural gas for the communities and the boroughs through which the pipeline will pass and expect that a likely source for the gas is a portion of the State's Royalty Gas.

We believe that the United States Congress has already adequately provided for such use of natural gas in Alaska. Section 13(b) of the Alaska Natural Gas Transportation Act of 1976 provides as follows:

"(b) The State of Alaska is authorized to ship its royalty gas on the approved transportation system for use within Alaska and, to the extent its contracts for sale of royalty gas so provide, to withdraw such gas from the interstate market for use within Alaska; the Federal Power Commission (now the Federal Energy Regulatory Commission, or FERC) shall issue all authorizations necessary to effectuate such shipment and withdrawal subject to review by the Commission only of the justness and reasonableness of the rate charged for such transportation."

In accordance with this provision and the Natural Gas Act, as amended, we plan to include connections for delivery of the State's gas in the list of facilities presented to the Federal Energy

Regulatory Commission (FERC) for inclusion in the final Certificate of Public Convenience and Necessity. It is our intention to discuss the location of the connections with the state prior to submitting our application. We will also propose the method for recovering the costs of the transportation service, which method also will have to be approved by the FERC.

In essence, what we are saying is that we are planning to work with the State to provide connections within Alaska. For the foregoing reasons, we believe it is unnecessary to amend the State's Right-Of-Way Leasing Act, as it is now being proposed. We would be pleased to assist the State of Alaska in its planning to optimize the uses of its gas.

This concludes our formal statement. We have some technical comments the Committee may want to consider.

We will be happy to answer any questions you may have. Thank you.

Technical Comments Offered By
Northwest Alaskan Pipeline Company
on H.B. 563

We offer the following comments on the substantive provisions of the proposed Bill and Speaker Malone's proposed amendments:

It is unclear to us, from reading line 14 to line 16 of the Bill, exactly what is being proposed. Is it the intent of this Bill to provide a means of extracting natural gas from the pipeline for distribution by the boroughs through which the pipeline will pass, or is the intent to extract the State's entire royalty share, plus whatever other gas which may be purchased for use or processing in the State, in each borough that presently or may in the future meet the requirements set forth in the Bill to qualify for such extraction facilities? In either case, it seems clear that there is no need to provide facilities capable of extracting an amount at least equal to the State's entire royalty share in each borough which qualifies for such facilities. We believe this definitely needs clarification.

We believe that the word "process" in line 16 should be changed to "deliver".

(7) A motion to adopt C Son
HB563 as amended by
~~And~~ Speaker Malow and
Miller

~~And~~

(2) no object so ordered

Motion to bring out

5/15 563

auth indiv. re

Introduced: 1/30/78
Referred: Resources and
Finance

1 IN THE HOUSE

BY COWPER

2 HOUSE BILL NO. 704

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making an appropriation to the Department of
7 Natural Resources, division of land and water manage-
8 ment; and providing for an effective date."

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

10 * Section 1. The sum of \$1,200,000 is appropriated from the general fund
11 to the Department of Natural Resources, division of land and water manage-
12 ment, for the purpose of reducing the backlog of land and water applications.

13 * Sec. 2. The unexpended and unobligated portion of this appropriation
14 lapses into the general fund June 30, 1979.

15 * Sec. 3. This Act takes effect immediately in accordance with AS 01.10.-
16 070(c).

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5% Daily in U.S. if tax
2 b. cubic feet a day
Magnum

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IN THE HOUSE

BY THE RESOURCES COMMITTEE

CS FOR HOUSE BILL NO. 563

IN THE LEGISLATURE OF THE STATE OF ALASKA

TENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the location of connections and interchange facilities in certain pipelines; and providing for an effective date."

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

* Section 1. AS 38.35.120(a)(6) is repealed and re-enacted to read:

(6) notwithstanding any other provision, it shall

(A) as to any gas pipeline subject to the provisions of this section the construction of which commences after the effective date of this Act, provide one connection with appropriate valves and appurtenances and necessary metering devices and accessories required to ~~extract~~ ^{recover} an amount at least equal to any state royalty share of the natural gas stream, [at the expense of the company,] ^{a home rule or} within any general law borough in which the pipeline is located; the connection shall be located within the borough at a place designated by the commissioner of the Department of Environmental Conservation after consultation with officials of the borough government; and

(B) provide connections and interchange facilities at state expense at such other places the state considers necessary;

* Sec. 2. This Act takes effect immediately in accordance with AS 01.10.

070(c).

Right away
Leaving Act

Proposed amendments
for CJ HB 563
by MALONE

LISTED IN ORDER OF
IMPORTANCE

Am #1

LINE 17 - delete "general"
LINES 18, 19, 20
delete:
" LINE 18 - delete everything
after "LOCATED"
LINE 19 - delete entire
line 20 delete semicolon
and all language before
semicolon
- Would allow Kenai Boro
to take advantage of act

Am 2

{ LINE 17 - delete "general
law"
allows all other boroughs
(North Slope of Anchorage, Mt-Su,
for example) to also benefit
by act

(CONTINUED ON REVERSE)

Am #3

LINE 16 - delete the words "process at least one-eighth" and insert in its place:

"extract an amount at least equal to any state royalty share"

- takes care of problem with word PROCESS
- also allows the state to take out more than $\frac{1}{2}$ if the royalty share is greater for some future field.

Am #4

LINE 21 & 22 - delete on LINE 21 "borough" insert the word "state"

on LINE 22 - delete the words "Dept of Envir. Cons." insert "borough"

argument - since we are talking about royalty gas, which belongs to all the people in the state, maybe the state ought to decide where the tap goes - borough assemblies would have a difficult problem taking all state interests into account.