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House

STATE OF ALASKA

OFFICE OF THE GOVERNOR
JUNEAU

JAY S. HAMMOND
GOVERNOR

NEWS RELEASE

FOR INFORMATION CONTACT:
Scott Foster, Press Secretary
Office of the Governor
Pouch A Juneau, Alaska 99811

OR PHONE: 907-465-3500

GOVERNOR JAY HAMMOND STATEMENT:
February 9, 1977

"Months ago my Department of Revenue began researching various financial alternatives that might assist in the eventual selection of a trans-Alaska gas line route and which would also be sound financial policy for the State. Some of those alternatives have included possible loan guarantees to aid in financing need by the builders of the trans-Alaska route since that might lower the cost of service on that line. I want to stress that no action is going to be taken in this area until the Legislature has decided on the royalty gas contracts now before them. Unless they approve those contracts it makes no sense to even explore further means of promoting the trans-Alaska route, since a rejection of the contracts will unquestionably be interpreted by many as a lack of support for that route choice. I want it clearly understood that the State would not and could not under present law enter into contracts with one of the competing gas line companies to pay for the building of the line. I also want it clearly understood that I would not support an investment of State funds in this project, even a loan guarantee, if it did not provide a rate of return equal to what we could receive elsewhere. Finally, any involvement by the State even in loan guarantees will require a legislative decision and all that we can do at this time is to develop the information on which the Legislture can act in the future should it desire to do so."

DEEP IN THOUGHT—Alaska Senate President John Rader, D. Anchorage, listens to testimony presented before the joint House-Senate committee probing the terms of the proposed sale of Alaska's royalty gas. Hearings into the sale continued this afternoon with members of the Senate Review panel now set to hear rebuttal testimony on Monday at 10 a.m. House members of the panel shown are Rep. Charles Parr, D-Fairbanks; Rep. Joe McKinnon, D-Anchorage; and Rep. Joe Hayes, R-Anchorage.

Conflicting Testimony Marks Royalty Gas Contract Hearings

By CHUCK KLEESCHULTE
Empire Staff Reporter

More heat than light was shed onto the provisions of the state's proposed royalty gas contracts Thursday.

Conflicting and widely differing testimony ballooned the record of the Joint House Senate Gasline Review Committee hearings which dragged into the fifth day this morning.

Lawmakers, still attempting to determine if approval of the administration-negotiated contracts might backfire and force the state to settle for a substantially reduced price for its one-eighth share of Prudhoe Bay reserves—heard testimony from Alcan Vice President Morris Thompson.

Thompson argued approval of the royalty gas pact could "substantially" reduce royalty payments to the state, a diametrically differing position than taken by El Paso Alaska representative Michael Holland during his testimony Wednesday.

Under the proposed sale agreement the state is guaranteed the same price for gas as the highest paid producer at Prudhoe Bay is receiving, producers of the other seven-eighths of the reserves.

Thompson argued the state could lose as much as $800 million from its royalty gas under the present contracts since he said the price of transportation of the gas to market would be deducted from the wellhead price under a deregulated market.

Holland in his testimony Wednesday and again Thursday said under no proposed deregulation scheme would the FPC give up its power to set gas transportation system tariffs. He said that means there is no necessary relationship between transportation and wellhead prices, the gas distribution firms simply absorbing the costs of differences in transportation passing them onto consumers in their rate bases.

"There just isn't any necessary reason for Alcan's contention to be correct. We strongly dispute that assumption," Holland said.

The issue, other sources say, is much more complex given the difference in ingredients which go into determining the actual market price of gas. Lawmakers were expected to attempt to sort out the confusion through expert legislative testimony scheduled for today.

Thompson, speaking for Alcan which wants to bid on the state's gas competitively, pointed out a list of what he called deficiencies in the proposed sale contracts. Thompson argued that a provision in the contract which guaranteed the state would gain the highest price paid to any producer was too "narrowly limited" and should be rewritten to apply to the entire contract and not just to certain sections.

Thompson complained the contracts precluded the state from ever gaining "premium" advance payments for its gas, a provision not allowed at present under FPC regulations, but possible under deregulation. The contention that the state could ever expect to gain advance payments was refuted Wednesday by Holland. Advance payments were outlawed by the FPC in late 1975.

Thompson in a new charge said the contract did not insulate the state against "carrying charges" which the FPC might levy against Alaska, making the state pay for the cost of constructing part of the pipeline, the capacity needed to carry Alaska gas which would be withdrawn from the line in the case of future in-state uses for the gas.

The Alcan representative also charged the contract forced the state to pay for gas processing facilities on the North Slope rather than allowing the state to simply rent the facilities.

"The proposed contracts aren't necessarily deficient in what they provide, but in what they fail to provide," Thompson said.

Three conservation groups, the Wilderness Society, Friends of the Earth and the Alaska Conservation Society, all opponents of the El Paso project on environmental grounds, asked the pact be denied to prevent the state from being locked in to future support of the El Paso line. Their favorite route is the Alcan route.

Robert Ward, president of Arctic Gas of Alaska, said the royalty pacts would definitely have "some impact" on the line decision, but he still confidently predicted, barring an unfavorable Canadian decision, that the Arctic project will be approved by the President and Congress.

Teamsters Want State To Share Line

The state of Alaska should pull the biggest rabbit of all from its hat to secure approval for the $7.8 billion trans-Alaska gas pipeline project—by agreeing to finance half the cost of the El Paso proposal, a senior representative of Alaska's powerful Teamsters Local 959 said Thursday.

Jeff Barry, Sr., business manager of Local 959 offices in Anchorage and director of the teamsters' political action arm ALIVE, said the state could earn a substantial return on its investment by using low-interest, tax-free state obligation bonds to fund the pipeline project. Barry made his proposal before the Joint House-Senate Gasline Review Committee.

"I think it will take a miracle to win approval of an all-Alaska pipeline route, but I've seen two miracles occur before in the state—there's no reason to believe the legislature couldn't help a third one along a bit," said Barry, referring to Alaska statehood and the state's recovery from the 1964 Anchorage earthquake.

Barry, in arguing for rejection of the Hammond administration's proposed royalty contract, called the pact "too faint-hearted." He proposed the state show a true measure of support for the line by acquiring an equity interest in the project, the value being determined by the savings to El Paso from the lower interest rate the state might be eligible to obtain.

Barry said the interest savings to El Paso over the life of a 20-year loan would amount to billions of dollars, the difference between roughly a 6 per cent and 10 per cent interest rate.

Barry argued that in England close government-business cooperation is not uncommon. "I just don't believe there'll be any other way for us to get the jobs we need unless we change the ballgame and go to the FPC and show them we are vitally interested in the route issue, interested enough to use our own money," Barry said.

Lawmakers largely were speechless after the proposal. "Thank you for the distinctly different solution to our deliberations," Senate President John Rader, D-Anchorage, said.

Hammond Defends Royalty Gas Sale

By The Associated Press

Gov. Jay Hammond Thursday said he cannot accept the premise that Alaskans are "helpless pawns in a federal decision" on a route for a North Slope natural gas pipeline.

Hammond made the comment in response to testimony Wednesday by a prominent economist that administration-negotiated contracts for the sale of Alaska's Prudhoe Bay royalty gas to three firms in return for their political support for an all-Alaska pipeline, represents a meaningless political exercise.

"There is nothing the state can do to advance a trans-Alaska gasline," Arlon Tussing told the joint House-Senate Gasline Review Committee. He added the contracts were made solely to advance "internal" political interests.

But Hammond said "to suggest that the royalty gas sale will have no effect ignores the fact that those who oppose the state position are strenuously resisting the sale proposal.

"I will not accept and I doubt any Alaskan governor would accept the premise that we are simply helpless pawns in a federal decision," Hammond said.

"The effect of this decision on the environment, social and economic structure and character of our state is immense and I will not accept a passive or defeatist attitude toward the route decision," he said.

Udall fears battle over Alaska gas

By Al McConagha
Staff Correspondent

Washington, D.C.

Rep. Morris Udall, who will become House Interior Committee chairman, predicted Wednesday a congressional battle if President-elect Jimmy Carter does not recommend a land delivery route for Alaskan natural gas.

The Arizona Democrat did not specifically endorse one of the competing overland delivery systems but declared opposition to piping gas across Alaska for liquefaction and shipment by tanker to California.

Udall's comments at a breakfast with reporters were seen as an initial warning to the incoming administration that a decision in favor of the Alaskan proposal could result in a serious fight with Congress.

The congressman also said he would warn the administration to "go slow" in consolidating federal energy activities under James Schlesinger, who will direct a department of energy.

For instance, he had reservations whether Schlesinger ought to control federal lands used for a variety of purposes simply because they contain coal, Udall continued.

Schlesinger has assured Udall that he is open-minded on energy development and does not have a bias toward nuclear generation, Udall said. He added Schlesinger would work hard for energy conservation.

In speaking of delivery of Alaskan natural gas, Udall noted the need for Canadian approval if the Mackenzie Valley pipeline route to Minnesota and other Midwestern states is to be undertaken.

He added that perhaps the proposal to bring the pipeline to the United States along the Alcan Highway would be the best plan for environmental and other reasons.

Arctic Gas Pipeline Co. is seeking federal permission for a MacKenzie River pipeline route. El Paso Alaska Co. is asking for a trans-Alaska line. Alcan Pipeline Co. wants certification for an Alcan route.

The Federal Power Commission staff has filed a brief asserting that the "evidence is overwhelming" that the Arctic Gas proposal is "vastly superior" to the other two projects.

The commission must make a route recommendation to the president by May 1. The president has until Sept. 1 to make a decision. That decision is subject to congressional veto under a measure passed in the last session.

Minneapolis, MN Star or Tribune

ded that his loan proprosal would not be without strings.

"I'm certain that if the legislature has to take this course, they will want key budget and management people from both the administration and legislature to go in there and straighten out the financial mess," Kerttula said.

Kerttula also said he would insist that the UA repay the loan within five years.

Hammond said the state's Department of Revenue is researching several financial alternatives which might assist the El Paso Pipeline Co. in finding financing at lower costs for its proposed $7.8 billion land-sea pipeline route.

"I want to stress that no action is going to be taken in this area until the legislature has decided on the royalty gas contracts now

financing. State financing would then lower the cost of deliveries of gas to the lower-48 states making the El Paso project more attractive to the Federal Power Commission (FPC) and to Congress which must make the final decision on the route of the proposed gasline.

Hammond said, however, he would not

all-Alaska route.

In the House, Rep. Russ Meekins Jr., D-Anchorage, announced this morning he will be introducing a resolution Friday calling for House Speaker Hugh Malone to set up a special panel to consider types of financing legislation which could influence selection of the all-Alaska route.

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Veiled Threats?

Stevens Challenges Canadians On G

By MARK PANITCH
Washington Correspondent

WASHINGTON—Alaska Senator Ted Stevens today challenged Canada to speed up its gas pipeline decision-making process in order to conform to the expedited U.S. schedule passed by Congress last year.

Stevens told a well-attended press conference in the Capitol that "A gas pipeline route through Canada, although facilitated through 195 miles in Alaska, could be delayed for 2,035 miles of construction on Canadian soil."

At the same time, Stevens issued a veiled threat to the rest of the country that if Alaska does not get a favorable pipeline settlement it could reduce the flow of Prudhoe Bay gas.

"Alaska could follow the procedure of the Texas Railroad Commission," he said in response to a question about Alaska's options from a Canadian reporter.

Q. What does that mean?

A. We could cut the flow of gas to make a pipeline uneconomical.

He then noted that federal pre-emption of Alaskan control over gas flow would require that the same preemption be extended to Texas, Louisiana, Oklahoma and other gas-producing states. "But I'm not threatening," he said.

Stevens said the press conference was called "to send a message to the White House" in time for a planned visit by Canadian Prime Minister Pierre Elliot Trudeau next week. He said he was trying to arrange a Capitol Hill meeting between members of Congress and Trudeau to discuss the gas line.

An informal poll of Canadian reporters immediately after the news conference yielded two major themes:

—If Canada were to accept Steven's challenge and expedite its pipeline process that would virtually guarantee the approval of the Arctic Gas project.

—In the words of one reporter, "We don't need Ted Stevens telling us what to do in Canada."

A third Canadian reporter combined the two with the comment that, "He is obviously trying to make somebody in Ottawa mad, hoping they'll dig in their heels and do nothing in response to him and this kind of assault."

In a prepared statement, Stevens described the Canadian decision-making process, noting there "is no specific time frame upon which to rely regarding eventual approval of a pipeline. We simply cannot assume Canadian approval in time to integrate construction with our expedited decision-making process."

Stevens also questioned whether the recently-signed hydrocarbon treaty between the U.S. and Canada will prevent discriminatory taxation of U.S. gas. "There is a real difference of opinion on this issue," he said.

"That issue is up to the Canadians, not the FPC, our President or the Congress," he said.

Stevens indicated he thought the biggest single problem facing Canadian approval of a gas pipeline through the Mackenzie Valley—the route proposed by Arctic Gas—is the settlement of native land claims in that region.

"The United States had its own land claims settlement," he said, "which culminated a 15-year process with the passage of the Alaska Native Claims Settlement Act in 1971. Every indication leads me to believe that the Canadian land claims problem is at least as complicated and will take at least as long to settle."

Canadian priorities, he said, would be "Canada's national interest, which is logical." But this could mean construction of the Polar Gas pipeline from the high Arctic Islands north of central Canada "where exploration has been much more successful than in the Mackenzie Delta."

Federal Power Commission Administrative Law Judge Nahum Litt came under attack also. "The FPC has its head in the ground as far as the decision affected Canada. What sense does it make to expedite the decision here in the U.S. when there is no similar sense of urgency in Canada?" he asked.

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House Speaker Hugh Malone to set up a special panel to consider types of financing legislation which could influence selection of the all-Alaska route.

Huber said the advantage of the latter method is that the entire project would then be funded at interest rates 3 to 4 per cent below what could be obtained through

decision on the pipeline financing concept.

"I'm not pushing the concept just yet, but I do want us to look at it along with the Hammond administration," Meekins said.

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On other issues Stevens:

—Defended the proposed El Paso Gas liquefied natural gas system as the "most flexible" proposal. "When the Prudhoe Bay fields are exhausted the tankers will still be useful to move gas from offshore deposits to lower-48 markets."

—Pointed out that gas moving from the West Coast to the East Coast under the recently-passed natural gas act is a demonstration of the displacement principle that El Paso plans to use to get Alaska gas benefits to Eastern customers.

—Linked problems getting offloading facilities for Alaskan oil in California to that state's desire to get Alaskan gas. "They're holding up the oil off-loading facilities to get more of our gas." He said that California laws could be preempted by the federal government if they put a "plug in the pass" that Alaskan gas must go through.

—Defended the Arctic National Wildlife Range as a place "Alaska is trying to save." The range, he said, was the brainchild of "the ladies of the Fairbanks garden club" during the 1950's.

Stevens also made what appeared to be an unusual conciliatory gesture toward the conservation organizations that are fighting the Arctic pipeline. He blamed delay in construction in the trans Alaska oil pipeline on "lack of authority to approve right of way wider than 50 feet" instead of the conservationists.

OIL, GAS TAXES GO TO CUSTOMERS

A tax imposed on oil and gas reserves by the Alaska Legislature has come back to haunt Anchorage consumers.

The Alaska Public Utilities Commission has ruled the reserve tax payable by a local gas company may be charged to customers in billings.

Anchorage Gas and Service Co. may pass on to its customers the cost of the reserve tax as a separate surcharge on its bills, the commission ruled.

And, the commission said, if the severance tax on gas is increased above the amount payable on July 1, 1976, the company may increase its rates correspondingly.

The commission rulings came in response to a request by the gas company to pass price increases to customers automatically. The commission limited those increases to severance taxes, the reserve tax, price escalations because of existing contracts, and royalty gas purchases from the state.

"The provisions proposed by the company were so broad that nearly all increases in any tax or cost of purchased gas could be flowed through" to customers, the commission said in limiting flow-throughs.

In allowing partial flow-through of cost increases, the commission relented from an earlier suspension of all flow-throughs by Alaska Gas and Service Co.

"When a flow through will not result in AGAS maintaining or receiving more than a reasonable rate of return on its investment it is the opinion of this commission that the flow through should be permitted," the commission ruled.

Stevens: Delay Needed

AOT 12-17-75

Special To The Times

WASHINGTON — U.S. Sen. Ted Stevens, R-Alaska has told the Interior department that more environmental information is necessary before oil and gas development begins in the northern Gulf of Alaska.

The senator also said there should be a special study on the possible adverse effect on Alaska's fisheries before development begins. Public comment based largely on the discoveries made in the exploration stage should be invited as well, he said.

"I am extremely concerned about the possible adverse effect the development of oil and gas from the northern Gulf could have on Alaska's fisheries industry," Stevens said in a letter to Interior Secretary Thomas Kleppe.

The senator said that he is convinced after recent talks with Alaskan fishermen that those groups would take legal action, perhaps along with the State of Alaska, if development were begun without an additional stage of environmental assessment including public hearings.

The Interior Department recently published the final environmental impact statement for the proposed oil and gas leasing in the gulf. Stevens told Kleppe that he is in complete agreement with the Interior department's goal of increasing our domestic supply of oil and gas to decrease our reliance on foreign sources of energy supplies, but that the time should be taken between the exploratory and development stages to get more data.

The senator stressed the difference between the exploratory and development stages.

"After a particular exploratory stage is successfully completed, the location and size of the oil and gas reserve will be better understood. At that time it is in my opinion necessary to pause and consider the effects of development," he said.

Arco Asks State For Flare Okay

AOT 12/18/75

Atlantic Richfield Co. is seeking the state's permission to flare up to six million cubic feet of natural gas a day at its crude oil topping plant at Prudhoe Bay.

Gas is produced when crude oil is converted into diesel fuel, which is needed for development of the Prudhoe Bay oil field and for construction of the trans-Alaska oil pipeline. However, there is currently a need for only four million cubic feet of the estimated 10 million cubic feet of gas which will be produced when the topping plant goes to its allowed throughput of 13,000 barrels of crude oil a day.

The Alaska Oil and Gas Conservation Committee published notice of Arco's request last week and has received several protests. Consequently, a public hearing will be held at 9 a.m. Tuesday at the state division of oil and gas headquarters, 3001 Porcupine Drive in Mountain View.

Written objections have been received from the Alaska Center for the Environment and Jerry McCutcheon.

Arco had received permission from the conservation committee in September to increase the throughput at its topping plant from 7,200 to 13,000 barrels of oil a day. A new addition was built to the topping plant, to handle the increased volume.

At that time Arco had anticipated that of the estimated 10 million cubic feet of casinghead gas that would be produced from the 13,000 barrels of oil, it could use all but four million cubic feet, which would have to be flared. The state gave permission to flare that amount.

However, Arco's plans to double its base camp in time for Christmas had to be shelved. The modular living units weren't able to make it in to Prudhoe Bay in the summer barge run because of abnormal ice conditions.

That meant that additional gas will have to be flared — an estimated two million cubic feet more a day — if Arco is to increase the topping plant throughput to 13,000 barrels a day. The throughput now is 11,000 to 12,000 barrels, according to Len Williams, Arco's operations manager.

"We made a whole series of projections last August," Williams explained. "Now we're trying to accommodate changes we couldn't foresee. In other words, we blew our projections."

In addition to delays in arrival of equipment, Arco has found that in converting two drilling rigs from diesel to gas fuel, the rigs are using less gas than they had anticipated.

And their projections also were too high in the amount of natural gas which would be required to fuel the main construction camp, Arco said in a letter to the state.

About two-thirds of the diesel fuel produced at the topping plant is used by Arco and BP Alaska to operate drilling rigs and trucks and other equipment at Prudhoe Bay.

The remaining third is sold to Alyeska Pipeline Service Co., for use in construction of the trans-Alaska pipeline. About 35,000 gallons a day is being supplied to Alyeska, Williams said.

He said that when Fairbanks' Golden Valley Electric ran out of fuel about a month ago, Alyeska loaned them fuel, as did the military, "so we (Arco) tried to provide more to Alyeska."

Arco is asking permission to run an average of 13,000 barrels a day through the topping plant through Dec. 31, 1976.

New Gas Line Bill Next On Agenda

12/14/75

Sen. Ted Stevens yesterday said he hopes to have hearings on his new approach to the gas pipeline question scheduled as soon as work on the 200-mile limit fishing bill is completed by the Senate Commerce Committee.

The gas pipeline bill, introduced Friday, would require that any pipeline bringing natural gas from Alaska's North Slope be totally under U.S. control.

The bill would effectively eliminate the Arctic Gas Consortium from the competition to construct a line to transport the gas.

Stevens' proposal does not say the pipeline builder would be Arctic's main competitor, El Paso Natural Gas, but as a practical matter, El Paso is the only other applicant before the Federal Power Commission.

Midwestern senators, who have favored a line which would bring the gas to their areas, are now distributing and studying his bill, he said.

The senator, in a visit to Anchorage yesterday, said he had been disturbed recently by developments in Canada, through which Arctic's line would run. These developments would surely delay the Federal Power Commission's decision on who would build

See Page A3, Col. 7

Work On Gas Line Bill To Follow Fish Limit

(Continued From Page 1)

the line, he said.

By removing a Canadian line from consideration, the decision could be made sooner, he said.

He referred to a resolution recently adopted by the Canadian National Liberal Party calling for the federal government to "Canadianize the industry," and the likelihood that Canadian native land claims settlement is many months away.

The Republican senator was in Alaska for the weekend, mainly to explain his new bill to the Organization for the Management of Alaskan Resources, which was having a board meeting yesterday morning.

Stevens also said:

—The extension of tax cuts, which is up for consideration in Congress now, is of more importance to Alaskans than most places because of its young population.

"I think it is incumbent upon Congress to dedicate itself to reduce expenditures to the maximum extent possible, because if we reduce revenues and increase expenditures, it means increased debt and an increased cost of borrowing," he said.

—He will spend the Christmas holidays in the Florida Keys with his family.

—He is disturbed by the Environmental Protection Agency decision regarding the Ketchikan Pulp Mill. The decision was that the mill's system to protect water quality was not acceptable, and it could force the closure of the mill.

U of A to study gas routes

FAIRBANKS (AP) — As decisions near on the routing of a natural gas pipeline from Prudhoe Bay to the south, the University of Alaska says it has received a grant to study alternatives to the Arctic Gas proposal.

The director of the Institute of Social, Economic and Government Research, Vic Fischer, has confirmed that his department has received a $15,000 contract from the Bureau of Land Management to study alternatives to the Arctic Gas pipeline proposal. The study is a follow up on Arctic Gas Company's draft environmental impact statement.

Nine alternatives are being considered in addition to the Arctic Gas proposal, which would see the line cross the Arctic Wildlife Range:

— An offshore route, which would go offshore in the Arctic Ocean from the Beaufort Sea to Canada.

— An onshore route, which would skirt the south edge of the Arctic Wildlife Range.

— Also being considered is the route known as the Fort Yukon route, which would take the gasline right through Fort Yukon, along the north side of the Yukon River through Canada.

— A route proposed through Fairbanks then along the Alaska Highway to Edmonton, Alberta.

— Another route through Fairbanks would go along the Alaska Highway, and then to a gas liquefication plant at Haines.

Three other routes involve turning the gas to a liquid before shipping it by tanker, they include —

— The Point Gravina route, which is favored by the El Paso company.

— The Cook Inlet route, which takes the gas from Prudhoe through Fairbanks, down the rail belt, to the existing petrochemical complex at Nikiski beach, north of Kenai and from their by LNG tanker.

— The last alternative is the Golovin route, which would take the gas from Prudhoe by pipeline to the Seward Peninsula, and then by tanker across the Bering Sea.

The institute is using computers to study the economic and social impact of the nine routes. Factors that will be considered are the Alaska economy, employment, population, income, and other economic factors.

Gas Bill Introduction Delayed

12/15/75

Times Washington Bureau

WASHINGTON — Once again, introduction of the Arctic gas bill into the House has been delayed.

Michigan Republican Rep. Philip Ruppe had planned to put the legislation in the hopper Monday, but "is still collecting cosponsors," according to a staff aide.

Ruppe is expected to submit the bill before Congress recesses for Christmas on Friday.

Ruppe announced his plans to introduce the legislation last month in a news release. The bill mandates the Arctic Gas consortium project.

Meanwhile, Rep. Don Young, R-Alaska, has canceled plans to introduce a gas line bill submitted in the Senate Friday by Republican Ted Stevens.

Instead, the Republican congressman, is drafting legislation that will be "the best of both worlds," according to Young.

The bill will combine features of the Stevens' measure as well as items in the legislation offered by Alaskan Democrat Mike Gravel.

Stevens' legislation forbids the Federal power Commission to approve a certificate for any pipeline route that is not entirely within the United States. The legislation thus would preclude the power commission from acting on the Arctic Gas application now before it.

The Stevens' bill is a calculated effort to win the support of those congressmen and senators who have traditionally favored the Arctic Gas approach.

Gravel's bill, submitted several months ago, would mandate a power board decision in the gas line case by June 30, 1976. However, the Democratic senator indicated recently that he will amend the bill to push the date back to Dec. 1, the target the commission has set for itself in reaching a final decision.

Asked in an interview if he expects the Alaskan delegation to get together on the gas line issue, Young smiled and said, "Well we agree on the fundamental position that the route should go through Alaska."

Bill Backs Plan For Canada Line

ADT 12/16/75

Times Washington Bureau

WASHINGTON — Rep. Philip E. Ruppe, R-Mich., today introduced his long - awaited bill to mandate the Arctic Gas route for bringing natural gas from the north slope of Alaska to the Lower 48 states.

But Ruppe put the bill in without the list of "heavyweight" co-sponsors.

The only other name on the bill as it went into the hopper of the House is Rep. Bob Bergland, D-Minn.

Other congressmen whom Ruppe has sought for co-sponsorship, including House Assistant Minority Leader John Anderson, R-Ill.; energy subcommittee chairman John Dingell, D-Mich.; and Democratic presidential candidate Morris K. Udall of Arizona, did not join with the northern Michigan representative.

"We really want co-sponsors," Ruppe said in an interview yesterday. "The more the merrier. But I really haven't had time to circulate it. By introducing it now, it will be in the Record (the Congressional Record) and people can study it."

Ruppe said in the interview that he considered submitting the bill by himself, but the decision was made to balance the bill with a Democrat's name.

"We feel we have to get it in before the Christmas recess to maintain our credibility," an aide to the congressman said yesterday.

Ruppe announced his plans to submit the bill several weeks ago with a news release.

Arctic Gas lobbyists have been circulating on Capitol Hill for some time in an effort to gain co - sponsors for the measure, which would establish their proposal for a Canadian route as the only one

Opposing Recommendations

ADT 11/6/75

LET'S NOT BE too picky about the draft environmental impact statement prepared by the staff of the Federal Power Commission on proposed routes and termination points for the proposed natural gas pipeline from the North Slope.

But the commission's staff report does raise an interesting point, because in the case of both the Arctic Gas and the El Paso Natural Gas Co. proposals it recommends routing quite different from what either firm has in mind.

How far, it might fairly be asked, should a study of the environmental consequences of any commercial project go in telling a private company what is best for its business?

The Arctic Gas consortium has spent millions of dollars in its study of possible routes. It has concluded the best way to go is eastward through Alaska toward the Mackenzie Delta region of Canada and then south to the continental United States and eastward to market.

El Paso has spent its dollars determining that its all-American route should be via the oil pipeline corridor almost to the coast, but turning off to terminate at Gravina Point, near Cordova. And it is proposing a regasification facility at Point Conception, Calif.

THE STAFF OF the FPC sees things differently.

It believes the Arctic Gas pipeline, if that project is approved, should run south from Prudhoe Bay to Fairbanks and then eastward to Canada somewhat along the Alaska Highway route. It thinks the El Paso project should run south to Livengood and then branch off to a terminal at Nikiski, on the west side of Cook Inlet. And it recommends a receiving facility for tanker shipments at Oxnard, Calif., instead of Point Conception.

That's interesting stuff, to be sure.

There are many reasons to support a pipeline to Fairbanks. And the Nikiski proposal makes a lot of sense to a good many people.

THESE ALTERNATIVES, however, have been studied before by the respective companies. They looked at the environmental hazards, presumably, and came to quite different conclusions than those reached by the FPC staff. No doubt some economic considerations were cranked into the companies' final proposals — but that's not necessarily bad.

If the decision for route authority rests with the FPC, will the nod go to the company which first acquiesces to the recommendations of the commission's environmental impact statement?

Petroleum Economist Analyzes Gas Line Benefits

Anchorage Daily Times

Dave Knudsen, the state's petroleum economist, says he expects North Slope gas will sell for 65 to 70 cents per thousand cubic feet.

He said he has seen no studies to back up other's estimates that the gas may have a zero value because of high transportation costs. And he said that his best estimate indicated that the state's income would be 100 to 200 million greater from an Alaskan gas pipeline as opposed to a Canadian route.

"A trans-Alaska gas line will bring significantly higher income to the state than the Arctic (Canadian line," he said. "And in addition, a trans-Alaska line is more important to the nation."

Knudsen pointed out in testimony this week to the legislature's Gas Pipeline Impact Committees, however, that a trans-Alaska routing, while offering more revenue, at the same time presents more costs to the state.

"It's important to compare the two," he said.

The $100 million to $200 million represents his present best estimate of the comparison between costs and revenues of an Alaskan routing over a Canadian route.

Knudsen said he isn't sure that the state should plan to "bank" its royalty gas from the Prudhoe Bay reservoir by leaving it in the reservoir until some future time.

"It will depend on how good is the bank," he said. "Once that gas enters an interstate pipeline controlled by the Federal Power Commission, your share may be foregone unless you take it at that time."

The commission then has control, he pointed out, "which will supersede any banking agreements the state may have. The success of such a plan (to bank the gas) will depend on who are the bankers? What are their interests? What are ours?"

When Knudsen started his testimony, he was at first reluctant to answer legislators' questions about revenue estimates from North Slope gas and comparison of pipeline routings.

"Alaska is preparing testimony to be presented to the Federal Power Commission in January," he said. "I feel it's not wise to discuss this in public."

Committee chairman John Rader challenged Knudsen on this, asking "How would public disclosure affect the pipeline routing? If it's some kind of surprise tactic, I don't fancy that as a tactic the state should be taking. It's our job to get the facts out."

Rader has been named chairman of the committee, succeeding the late state Rep. Willard Bowman, who died last week of cancer.

(An Anchorage Democrat, Rader will be assisted by state Rep. Clark Gruening, D-Anchorage, who was named vice chairman.)

Knudsen responded, "I feel it's inappropriate to present numbers and conclusions that may change a day or a week or a month from now. I have no desire at this point in time to give information our commissioners will be traveling to Wshington, D.C., to give a month from now."

Rader insisted that he wanted Knudsen's "best estimate" now. "This state legislature and this state you are a part of may be as important as that hearing," he declared. "Most of the decisions we make are based on less than perfect knowledge."

Sen. Clem Tillion (R-Halibut Cove) took Knudsen's side. "I don't think that information should be given in public," he said. "It will end up in print as the gospel truth. He added, "I can call Dave (Knudsen) later," to ask some questions.

Tillion also said, "I learned a long time ago never to tell anyone anything you don't have to because when you change your mind, you get a reputation for being indecisive."

Rader appeared to back down at this time, commenting, "I can understand maybe there might be reasons for your reluctance to give that informaton." He asked Knudsen to supply the answers "for our private use."

"I'm impressed with your intellectual and professional accomplishments," Rader told Knudsen, "and we're glad you are aboard. I don't want you to think my disagreement was anything personal."

Rader said his committee is faced with a critical time problem, "if we are going to affect the outcome of the route" for a gas pipeline from the North Slope.

Gas Line Delay

THE HAMMOND administration's move to delay a natural gas pipeline from Prudhoe Bay is astonishing.

In testimony last week before the legislature's Gas Pipeline Impact Committee, Natural Resources Commissioner Guy Martin and other representatives of the administration raised the spectre that gas production would be managed in such a way that it would result in a giant loss in the recovery possibilities of crude oil from the same area.

State efforts will be concentrated on stopping natural gas production, Mr. Martin said, until the state is convinced such production will not impair oil production.

If that's to be the state's position, the prospect is frightening.

The testimony was offered under the guise of representing the views of the state's Royalty Oil and Gas Advisory Board. But it looked suspiciously more like the political viewpoints of Mr. Martin and Arlon Tussing, an economist whose involvement in energy affairs demands scrutiny.

THERE ARE many things wrong with the state's position, not the least of which is the fact that the testimony before the legislative committee presumably dealt with oil and gas conservation matters.

Since that's the case, the topic at hand was not even within the purview of the royalty board. That board is supposed to be dealing with dollars. When the subject is proper management of oil and gas fields through rules and regulations that are designed to obtain maximum yield of natural resources, the authority which should be doing the talking is the state's Oil and Gas Conservation Commission.

Mr. Martin's pitch to the legislative committee was based on an assumption that state experts, if that's the word, fear that putting a natural gas pipeline on stream will impair the Prudhoe Bay oil production.

This testimony was offered despite statements by the heads of Atlantic Richfield and British Petroleum operations here that proper management of the fields would do no such thing. Further, statements from the local heads of both El Paso and Arctic Gas rejected contentions by Mr. Martin that their companies' planned production would do anything like what the state contends will happen.

ONE CLEAR and immediate result of a threat by the state to delay approval of a natural gas pipeline will be to confound efforts to achieve federal approval for an all-Alaska route.

The action plays into the hands of those who advocate a Canadian pipeline to transport Alaska's oil, because any delay works to the advantage of a time frame which anticipates long years before there is any resolution of Canadian environmental considerations and native land claims.

Thrown onto the table again at the hearings was Mr. Tussing's long stated, and often discredited, contention that Alaska's natural gas would be "valueless" at the time of production because of the high cost of building the pipeline.

MR. TUSSING apparently speaks from several platforms when he addresses this subject, notwithstanding the fact that serious conflict of interest may be involved. He reportedly remains on the payroll of the University of Alaska's office of economic study, even though he is a staff member of Sen. Henry Jackson's energy commission in Washington, while at the same time he serves as a member of the state's royalty advisory board.

His repetitious claim that the state's natural gas will be valueless has been rebuffed by industry and government officials every time it has been raised, on grounds that by the time the gas goes on stream it will command a price the market will be more than willing to pay.

Sen. John Rader, an Anchorage Democrat who is a member of the legislative committee looking into this, asked the real question the other day when Mr. Martin and his team outlined the state's position: "Haven't we effectively destroyed a pipeline?"

"No," said Mr. Martin, "only delayed it."

The cost of that delay, if it comes about, could be incalculable.

To Omar, The Trans Alaska Route Is The Better

Sunday Times 12/14/75

By JUDY SHULER
Times Staff Writer

Still in the process of sending warm holiday greetings to friends and business associates outside of Alaska?

The Organization for the Management of Alaska's Resource hopes you'll consider enclosing some information on an all-Alaska gas pipeline.

They have leaflets and maps and balloons and bumper stickers, and will even help you compose a letter outlinging its importance, according to Beverly Isenson, executive director.

The organization, commonly referred to as Omar, was incorporated in April to promote approval of a route passing entirely through Alaska, rather than the alternative which would go through Canada.

And while its members and representatives are busy button-holing around the nation's capital, "it's much more meaningful it you contact people around the country and let them contact their own congressmen," Mrs. Isenson said.

Members of the non-profit group headquartered in Anchorage are encouraging individuals and organizations within Alaska to become well-versed on the gas line. Then in turn to contact national organizations, friends, relatives, business associates, suppliers and the like in other states to seek their support.

"We think if people understand the alternatives they'll be more inclined to support the Alaska route," Mrs. Isenson added.

In the view of the Organization for the Management of Alaska's Resources, the alternatives involve time, money and national security.

If the route proposed by Arctic Gas is approved, it will take much longer to get North Slope gas to the United States consumers, she said. Mrs. Isenson cites the still-pending land claims of Canada's Natives, and strong, even radical opposition to the line from some of the native leaders.

The Canadian National Energy Commission has just begun hearings that will probably take a year before recommendations can be passed on to the cabinet and then the parliament for a final decision, she continued.

And the proposed Canadian route faces possible delay by law suits from environmental organizations because it would pass through Alaska's Arctic National Wildlife Range or through proposed extensions to the range.

"There's no doubt in my mind the Alaska route will be a quicker one, and less costly ultimately," Mrs. Isenson said.

Other economic advantages, according to the organization, are more jobs for Americans on the all-Alaska route; use of steel pipe from United States steel mills rather than foreign ones; increased tax revenues on the state and federal level; consumer rates set by the United States government, and no drain in the balance of payments.

They are trying to play down the phobia about national security within this state because many Alaskans were born in Canada and still retain their citizenship, according to Mrs. Isenson, Nevertheless, the organization points out in its literature that one advantage of the trans-Alaska route would be its complete control and protection by the United States government.

And furthermore, "within Canada there's as much or more ferment over which line would be better for Canadians as there is in the United States," she said.

Although the organization has never specifically endorsed the proposal of El Paso Natural Gas Co., it is unlikely that another company would submit an application for an Alaskan pipeline at this time.

A few weeks ago El Paso's president, John Bennett, offered them a monthly contribution of $10,000.

The offer was discussed with members in Fairbanks and with their Washington counsel before it was accepted, according to Mrs. Isenson.

"Omar had raised more than $110,000 before they offered to contribute any money and we continue to get private contributions, so we feel we can continue to work independently," she says.

El Paso's offer was made without strings, according to the executive director, and "we welcome any money without strings attached, and we won't take any money with strings attached."

"We announce any sizable donation," she added. "We do nothing secretly. We're basically a public organization so we welcome everybody."

Since this spring the organization has been operating out of a rent-free office in the lower level of the Alaska National Bank of the North at Fourth Avenue and E Street. But they have been asked to move by the first of the year, and are hoping to find more free or inexpensive space.

"Everything we do is made possible by people donating money and services," she said. "It's really gratifying so many people realize the gas line is going to make a big difference economically, and they're willing to contribute."

There are four paid staff members in the Anchorage office of the Organization for the Management of Alaska's Resources: Mrs. Isenson; Liz Robbins, an administrative assistant and office manager who supervises volunteers: Paula Easley, community relations director; and high school student who acts as messenger.

The Fairbanks office functions with two paid staff members, and the rest of the work is done by volunteers in both cities.

During its first few months of existence, $5,000 was the monthly limit on expenditures, Mrs. Isenson said. Then a Washington office was opened in October, and expenses went up to $20,000 per month.

The organization's representative in Washington, D.C., is Gary Frank, a lawyer and lobbyist who advises them on personal contacts, works with the congressional delegation and contacts news media.

Any monetary support that comes from other organizations will be funneled into the Washington office, according to Mrs. Isenson, who said that office accounts for about one-third of their budget. A lot of that is printing costs, she added.

An umbrella organization, the National Coalition for the All-American, All-Alaskan Gas Pipeline, was recently formed to encompass all groups endorsing the trans-Alaska gas line.

An outgrowth of the Organization for the Management of Alaska's Resources, it will be headquartered in Washington.

"We felt it would be useful to have an umbrella under which all groups endorsing the gas line could work," she explained. "We're hoping that people in Alaska who have gotten their clubs to endorse the line will also get their national organizations to endorse it. The coalition would be a spot from which we could all work instead of having separate efforts."

Staff members of the Organization for the Management of Alaska's Resources are also "trying to see that the state government does everything possible to get the line through Alaska," according to Mrs. Isenson. Lt. Gov. Lowell Thomas Jr.'s speaking trip back east was a help because it took information to areas where most people haven't been concerned with the issue, she said.

And her organization is looking to the legislature's gas impact committee to come up with helpful legislation.

Royalty gas can be an effective tool in getting the line through the state and establishing a gas processing industry here, Mrs. Isenson said, adding that gas made into fertilizer and other products is more valuable than gas that goes out of the state as gas.

Gas processing is a highly automated industry that does not require a large labor force, she continued.

She is also hoping for some quick action from the state's Royalty Oil and Gas Development Advisory Board in determining how much gas can be used within Alaska. Royalty gas is a highly sought-after commodity, and the board has proposals from all over the country, she said.

Not all Alaskans are sold on a gas pipeline through their state, Mrs. Isenson conceded.

"Some people are so sour on the Alyeska line and the impact that they don't want anything more of anything."

Others favor the Arctic Gas proposal because it will get the pipeline out of Alaska in the shortest possible distance.

Then there is a strong contingent who don't want the line going through the Arctic Wildlife Refuge or proposed additions, and who oppose the liquified natural gas tankers. They would prefer to see the line move south from Prudhoe Bay to Fairbanks, then follow the Alaska Highway into Canada.

Support for the all-Alaska gas line will never be unanimous, but Mrs. Isenson, an 11-year resident of the state, believes the outcome will favor El Paso's proposal.

"Would I be here if I didn't?" she asked, adding "remember the little Dutch boy on the dike? I need about 400 fingers plugging all the holes."

Ironically, when she and her husband, Ed, lived in Switzerland in 1962, she worked in the economic section of the Canadian Embassy. They moved to Alaska in 1964, and he now owns Alaska Film Studio. They have two daughters, Linda, 11, and Nancy, five.

The founders committee for the Organization for the Management of Alaska's Resources consists of 49 members from throughout the state.

Anchorage members include Robert Fleming and Robert Penney, co-chairmen, and Elaine Atwood, Al Bramstedt, Homer Burrell, Bud Dye, Paula Easley, Tom Fink, Lee Fisher, Henry Hedberg, Robert Hartig, Bruce Kendall, Audrey Lee, Charles LeViege, Kay Linton, Richard McMillian, Jackie Palmier, Robert Richards, Charles Sells, Bart Vernon and Dennis Waldock.

Weekly breakfast meetings are scheduled at 7:30 a.m. Thursdays in the Holiday Inn. Anyone may come, but the office should be notified in advance.

The honorary advisory committee consists of Robert Atwood, William Egan, Walter J. Hickel, M.R. "Muktuk" Marston and Bob Reeve, all of Anchorage; Frederick O. Eastaugh, Juneau; and C.W. Snedden, Fairbanks.

Ex officio members include Gov. Jay Hammond; Commissioner of Commerce Tony Motley; Anchorage Mayor George Sullivan; Mayor James Poor of Cordova; U.S. Rep. Don Young, R-Alaska; U.S. Sen. Ted Stevens, R-Alaska, and U.S. Sen. Mike Gravel, D-Alaska.

Almost vast reserve lies idle in the Mackenzie Delta of Canada's Northwest Territory.

But while the gas lies idle, consortiums of energetic businessmen are vying for the rights to tap and move the gas to energy-hungry consumers.

The controversy broils yet today as decisions are made and studies compiled. Today's Crossroads section reviews the controversy to date, studying the proposals offered by the two major gas competitors,

Also queried are politicians, leaders of local governments that will mostly be affected by the proposed gas lines, and officials of the firms involved.

Which Gas Pipeline: A Ba

Alaska's North Slope is saturated with oil and gas, and there are several corporate sponges that would like to soak up the gas and sell the squeezins'.

But until someone decides which sponge will tap the gas reserve, 26 trillion cubic feet of energy lies in the Prudhoe Bay sink.

El Paso Alaska and Arctic Gas are chomping at the bit, bidding for the right to tap and transport North Slope gas to energy-hungry Lower 48 and Canadian markets. And yet many unanswered questions are simmering.

Arctic Gas Systems' plan began with a corsortium of U.S. and Canadian firms in September 1971. In September 1973, the group proposed a $1.5 billion gas pipeline of 1,550 miles from Prudhoe Bay to Grand Prairie, just north of Edmonton, Alta.

From there it would link with existing Canadian trunk lines and ultimately deliver as much as three billion cubic feet of natural gas daily.

The purpose behind a trans-Canadian line was to tap Prudhoe Bay reserves as well as gas supplies in the Mackenzie Delta area, which is believed to hold even more resources than the Prudhoe fields.

The reason Canadians did not go ahead with an independent development of the Mackenzie fields is that it is not economically feasible to do so without the additional supply of North Slope gas. This economic fact of life is but one of the complications of the proposal.

On the other hand, El Paso Natural Gas Co. on Dec. 4, 1972, announced a feasibility study that was expected to prove an Alaskan pipeline, liquefaction plant and refrigerated gas tankers could move North Slope gas to West Coast markets more cheaply than the proposed trans-Canadian natural gas line.

The plan called for 800 miles of 42-inch pipe from Prudhoe to a Southern Alaska port to be named later, a gas liquefaction plant to chill the gas, and about six refrigerator tanker ships to carry the gas south.

At that point, the El Paso proposal appeared to have or at least alleged to have an economic edge over the Arctic Gas plan which originally was billed at $5 billion. When the Arctic Gas Pipeline Co. on March 21, 1974, filed its application with the Federal Power Commission to build the trans-Canadian route, it listed the cost of the 2,600-mile pipeline at $5.7 billion. El Paso's original cost estimate was pegged at $3 billion, a conservative figure.

Since the original proposals were made public, however, the Interior Department's economic studies indicate that there is little extra wieght on either firm's side to throw the decision into one lap or the other.

Speaking of scales, the blindfolded lady of Justice surely was made dizzy by the go-arounds as the two concerns expounded the merits of their proposals.

On its scales El Paso tossed these weights.

— A trans-Alaska line would create a tax base that would contribute toward Alaska's economy throughout the estimated 50 to 75 years of the pipeline's life.

— It would provide natural gas service to the state's major population centers.

— Gas would be available along the route to power mines and other developments now impossible for lack of power.

— It would help eliminate a United States balance of payments deficit that federal agencies estimate will reach $15 billion a year by 1980, based at that time solely on the growing demand for imported oil and natural gas.

— As many as 5,000 men would be needed to build the pipeline, while another 2,000 would be needed to fabricate the liquefaction plant. Some 350 persons would be employed at jobs at the plant and 300 more for pipeline operation and maintenance.

— The refrigerated tankers, worth $100 million apiece, would be built in U.S. shipyards.

And El Paso lightened the scales on the Arctic Gas side by listing its alleged shortcomings.

— Much of the Canadian lands over which the proposed Arctic Gas route would be built were tied up in native land claims settlement negotiations.

— The Canadian plan allegedly involved 5,400 miles of new pipe, the supplying of which would supposedly tie up the entire large-diameter pipe maufacturing capacity of the United States for three years. El Paso said it needed only 800 miles of new pipe; the transmission lines it would need when the gas reached western ports was already in existence.

— The Canadian route supposedly would traverse essentially untouched wilderness areas that were hunting and trapping grounds for natives. The El Paso line would follow the Alyeska oil pipeline as much as possible.

Aside from that, El Paso strummed a patriotic chord, saying the gas flow should flush an All-American line, that such a valuable energy source should not be put in jeopardy by running through a foreign nation.

El Paso added that it was doubtful that sufficient funds to back building of a trans-Canadian line were available although the El Paso plan would make it. Incentive for developing Alaskan minerals and potential energy sources also was noted.

Arctic Gas officials strained on the other scale with their arguments in support of the trans-Canadian line.

— A Mackenzie Delta line would bring necessary gas into the energy-hungry Midwestern and Eastern states of the U.S. faster and cheaper than the El Paso system could.

— A connection with the Prudhoe Bay supplies would make the tapping of the Mackenzie field more economical for Canadians.

That, in a nutshell, was that. Throughout the history of the pipeline battle, public relations pushes have carried the campaigns through public and governmental scrutiny. In reviewing the years of debate, it appears that at times the only indication of who was ahead depended on whose advertising call was the loudest or whose soap box was the tallest.

While environmental, political and economic studies were tied up in the Federal Power Commission and the Interior Department, the El Paso team made strong use of the All-American plea.

Talk rose quickly that American gas flowing through Canadian pipes was at the mercy of a foreign government. On Nov. 27, 1973, John Poyen, then chief executive of Canadian Petroleum Association, said the Alaskan route was an "odds-on favorite." He said an American backlash over recent increases in Canada's export tax on crude oil could doom the Canadian pipeline.

On Feb. 19, 1974, Howard Boyd, board chairman of El Paso Natural Gas, denounced Canada for allegedly threatening to cut off Canadian natural gas supplies to the Western United States because El Paso protested alleged contract violations and price gouging by West Coast Transmission Co.

Boyd told the state House Energy Committee that the threat, if carried out, would have meant economic tragedy to western states.

"What assurances can be given," he asked the commit-

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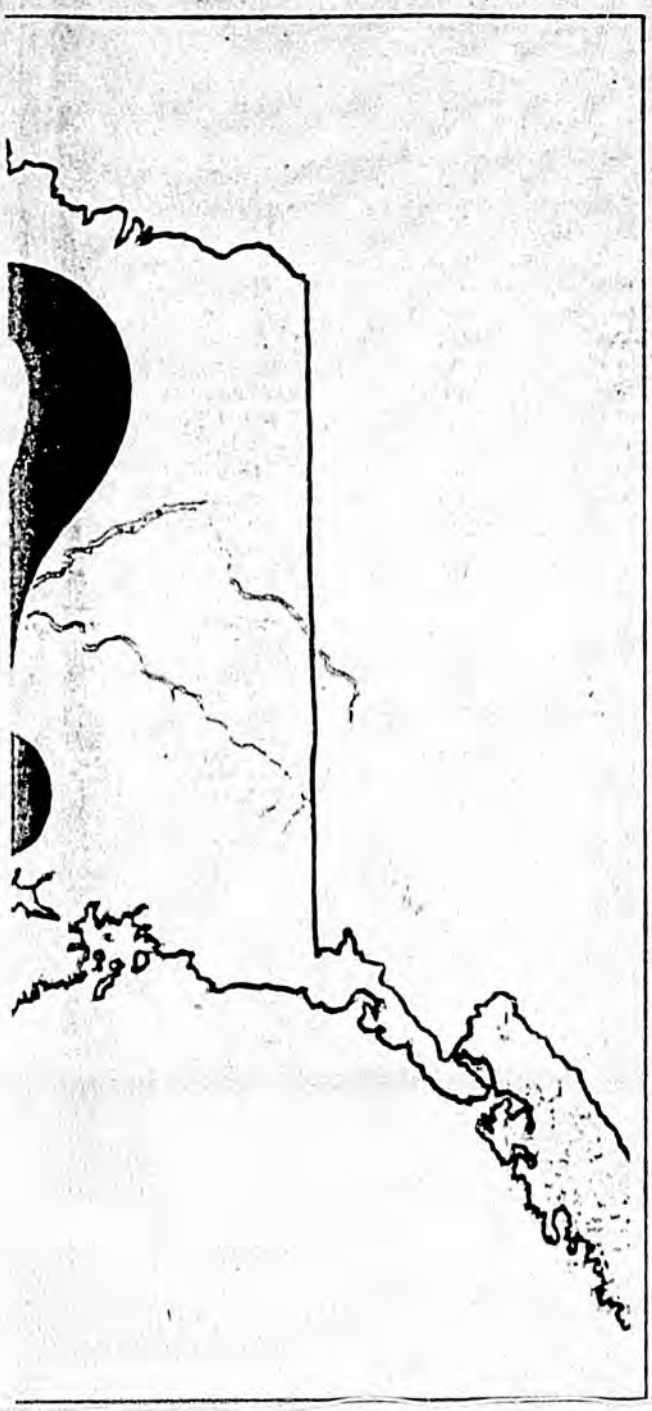

tee, "that we won't be at the mercy of these people again, or that the Canadian philosophy of charging all that the traffic will bear will not be repeated. They have already increased the price of their Alberta natural gas by nearly 100 per cent, and are now threatening to raise the price of the gas exported to the American West Coast four times the original contract price."

By July 1975, however, backers of the trans-Canadian line could point to negotiations then under way for a transit hydrocarbon pipeline treaty between the two nations. It was to cover reciprocal assurances on security of throughput of fuels and on non-descriminatory treatment between the countries.

Such a treaty, if adopted, would be a boon to the Arctic Gas proposal. That treaty is yet to come.

All along the way, the political footabll of who would be given the checkered flag to build a natural gas peiplein has been tossed from team to tam. El Paso knew that if it were to score, it would have to bring the fans to their feet in favor of the home state proposal.

Early in December 1973, executive vice president of El Paso Natural Gas Co. George Carameros said unless that firm heard unqualified enthusiastic support for its proposal, it would be forced to abandon its plans for a trans-Alaska pipeline. The firm saw that economics would not tip the scales enough for a clear-cut decision.

That same month the Anchorage City council called for a resolution for them to consider to support the state line.

By January 1974, Gov. William A. Egan announced in favor of the trans-Alaska line and directed then-Attorney General Norman Gorsuch to prepare the state's position on the issue for the power commission.

That same month El Paso executive laid it on the line before Gorsuch and National Resources Commissioner Charles F. Herbert.

El Paso asked for a legislative resolution in support of their plan, and a contract between the state and El Paso assuring the gas company access to the state's royalty gas plus the right to move alaskan gas through their proposed pipeline to the vicinity of Valdez.

No commitments were made by the state at that time.

In February 1974, El Paso announced it had selected the Gravina Point area for its Southern Alaska terminal.

Support for an All-American line — although not necessarily the El Paso proposition — began to gain yardage. Anchorage Republican Robert Hartig voiced strong support of such a plan. He would eventually become the attorney representing the Organization for the Management of Alaska's Resources (Omar) which banded together in April 1975 to promote the trans-Alaska route.

Councils and local governing bodies around the state resolved to support a trans-Alaska line, as did countless organizations of businessmen.

Although one of the state's Washington delegates long ago foresaw the approval going to a trans-Alaska line, others left options open, including the possibility of a joint effort and two distinct lines.

Arctic Gas Pipeline Co., on March 21, 1974, filed application with the Federal Power Commission and the Interior Department for permission to build the $5.7 billion, 2,600-mile natural gas line across Canada.

The consortium filed identical papers with the Canadian Natural Energy Board, and Department of Indian Affairs and Northern Development for Canada's permission to construct right-of-way.

In response to the ArcticGas filing, then-Secretary of the Interior Rogers C. B Morton spoke faborably of the propsal, but he withheld a decision saying he would have to review a similar proposal from El Paso to "give even-handed consideration" to both.

That same day, the Alaska House, in a voice vote, supported an all-Alaska route. By late April, the state Senate would come out in favor of the El Paso plan.

On April 29, El Paso asked to intervene in the Commission's proceedings concerning the Arctic Gas application, saying its intervention would allow it to participate fully in the proceedings, receive all filed documents and present its side of the story.

Although the El Paso bid to intervene was one of more than 100, Arctic Gas officials and counsel would single it out during commissiion hearing to begin in May in Washington.

Interior and the commission decided to conduct a joint environmental impact study on the plans to avoid duplication of efforts.

Pressure was being asserted throughout by powerful Midwestern congressmen who favored the Canadian line. Rep. Les Aspin, D-Wis., wanted a decision quickly and urged that the U.S. and Canada speed up negotiations on a bi-lateral treaty that could assure construction of the trans-Canada line; he wanted a decision by the end of the year.

In mid-July, Alaska Arctic Gas Pipeline Co. president Robert Ward predicted that Alaska natural gas could be made available to 122 million American by 1979. He promised the plan included burial of pipe, revegetation along the route, refrigeration of pipe to prevent melting of permafrost areas, winter construction, and transportation of supplies and work done on "snow roads."

The Alberta Gas Trunk Line Ltd., on Aug. 2, 1974, called for an all-Canadian line to move Mackenzie Delta gas to Canadian markets as a "contingency plan" to Arctic Gas proposal.

It was not until Sept. 24, 1974, that El Paso Natural Gas Co. applied to the Federal Power Commission for permission to construct its Alaska line.

A new twist, however, was that the firm did not intend to file an application with the Interior Department for right-of-way permission to cross federal boundaries until the commission gave the nod to one or the other firm.

Angered by the El Paso move, Undersecretray of Interior John Whitaker wrote the commission, asking it to dismiss the El Paso application because it hadn't applied to the interior.

With this possible threat looming over El Paso, the project was jolted by a Project Independence report that said costs of liquefying natural gas to transport from Alaska to the Pacific Coast could bring the price tag of the all-Alaskan route to more than that of the trans-Canadian route.

It put the cost of the Canadian route at $6.3 billion; cost of the Alaskan route was figured at $5.2 billion. However, adding costs of construction of liquefaction plants and regasification plants, that cost could rise to an additional $3.5 billion.

Arctic Gas set the cost of its project of building 2,600 miles of trans-Canadian line and 3,000 miles of companion lines in the U.S. at $10 billion.

El Paso countered that it could provide an 800-miles line, liquefaction and regasification plant for $6 billion.

El Paso added that an application to the Interior would require an environmental impact study, at a cost ranging from $3 to $20 million. El Paso officials said they

(See Page C2, Col. 1)

The Battle For North Slope Gas Is Still Raging

(Continued From Page C1)

didn't want to pay for such a study if their firm was not a successful applicant before the commission. However, the firm said it would file an impact study and application with Interior if not doing so would hold up building of the pipeline.

The following January the commission refused to reject the El Paso proposal, citing expediency and a possible threat of a national natural gas shortage.

By mid-February of this year, nearly one-half of the natural gas at Prudhoe Bay was committed to U.S. pipeline firms, with two Midwest firms holding exclusive rights to negotiate for half of Exxon USA's 8.7 trillion cubic feet.

All commitments to date to Arctic Gas members.

On March 3, the Interior Department backed out of the joint environmental impact study with the commission. Interior proceeded to study only the Arctic Gas route proposal; the commission reviewed both Arctic Gas and El Paso projects.

Examination of witnesses by a lawyer for Foothills Pipe Lines Ltd., probed the move by Arctic Gas to alter its points of delivery of gas from Emerson, Man. to Caroline, Alta. The lawyer alleged that the move would coast eastern Canadians more to buy natural gas which was being carried closer to U.S. markets.

Foothills wants to build a pipeline to tap Mackenzie gas also, but wants only to move Canadian gas.

Arctic Gas apparently planned to cut expenses by routing supply pipe through the Mackenzie Delta, long considered to be too delicate environmentally for such a project. It also is a favorite hunting and fishing area enjoyed by natives.

The Canadian government alleged that Arctic Gas was more concerned with cutting costs than with environmental impact.

Environmentalists from the Washington Chapter of the Sierra Club to the Audubon Society raised their voices in opposition to the altered route. Environmentalists also opposed a line cutting through the Arctic National Wildlife Refuge in Alaska.

As fast as the commission's hearings began in Washington this spring, bickering and balking slowed them down.

Arctic Gas alleged that El Paso wanted Arctic Gas's information to "put their case together, because they don't know how to do it." The consortium agreed to give some information "as a matter of courtesy."

Hartig, representing Omar, filed a petition to intervene into the proceedings on May 14.

In testimony on May 28, El Paso's Howard Boyd suggested that an "innovative financing plan" was needed to back that firm's project. He said El Paso couldn't get equity capital unless investors were guaranteed they'd get their money back. He also suggested an "all-events tariff."

The Federal Power Commission hearings recessed while the presiding administrative law judge and a lawyer for one of the parties involved tied up other commitments.

In the interim, the legislative Gas Pipeline impact committee selected Rep. Willard Bowman, D-Anchorage, as chairman and decided they as a panel would push for an all-Alaska gas line. They were in favor of stressing that the major portion of gas line construction be done by Alaskan firms.

Former director of the state's oil and gas division Homer Burrell, wrote Attorney General Avrum Gross suggesting that the state commit its royalty share of gas to the trans-Alaska route. He said a trans-Canadian line would mean lower values of royalty and tax purposes, little employment for Alaskans, almost no ad valorem tax base on transportation and other facilities.

"What we'll get," Burrell wrote, "is about 197 miles of pipeline from Prudhoe Bay to Demarcation Point, mostly across the Arctic National Wildlife Refuge.

"Regardless of the proposed treaty between the United States and Canada, the Canadian provinces can exercise considerable control over pipeline tariff rates (and therefore Alaska's revenues) through taxation and other means. Why can't the administration fight for the trans-Alaska line? Some of us are."

Bev Isenson, spokesman for Omar, said politics, not environmental issues, will decide pipeline route. At that time Omar had donations of $5,000 from each the city and borough of Anchorage, plus $15,000 from individuals.

She added that Omar would step up an informational campaign in the lower 48 and intended to take their case for an all-Alaskan line to tourists in Alaska.

The step-up was said to combat possible moves by the Ford administration to circumvent lengthy commission procedures. She also listed possible uses for piped natural gas, including conversion to fertilizer, tapping it for communities along the way and outright selling it.

Arctic consortium and backers "distorted information about an all-Alaska line... lobbied and advertised that our gas would not be available to users in the Eastern U.S. That's not true. A few interconnecting sections of pipeline in the Lower 48 would have to be built to get the gas on line to anywhere in the U.S. It still would be less distance to build than the trans-Canadian route."

Upon further urgings of Omar and others in favor of an all-Alaska route, Commissioner of Revenue Sterling Gallagher said, "the gas will be committed to whatever pipeline is built."

It was reported in August that the Council on Yukon Indians would oppose use of any northern corridor for a natural gas line and wants Yukon Indian land claims settled before permits are given for a line.

Menawhile, out on the gas line campaign trail were top officials from the state. Lt. Gov. Lowell Thomas Jr. went east to stump and expound on the benefits of an all-Alaskan gas line. Various associations of lawmakers across the country have shifted closer to his way of thinking, at least to some extent, including some of the Midwestern officials.

A Sept. 16 El Paso impact study showed a boost in the state's population of 47,000 by 1983 — if construction were begun in two years. The boom would focus primarily in Anchorage and Cordova. The Cordova population was predicted to triple between 1977 and 1983, to peak at 9,000.

In mid-September, both the North American Indian Women's Association and the Alaska Federation of Natives' Board of Directors endorsed an Alaskan gas line.

The federation board action reaffirmed resolution passed by the federation last year.

At the same time, federation President Sam Kito was in Washington, D. C., with a team of Omar representatives holding meetings on the gas line proposals.

By now evidence was building that the costs of transporting North Slope natural gas might be so high the project might not be economically justifiable, according to a consultant to the legislature's Joint Gas Pipeline Impact Committee. Perhaps the final decision will be based on a move for energy independence.

Hearings held in Washington, D. C., as well as in Alaska dragged on and on. Finally, in October, El Paso and Arctic Gas officials agreed to suspend the public comment and final drafting phases of the environmental impact statement by the commission staff.

Instead, the staff would present draft statements at hearings and then be cross-examined by lawyers of all parties.

An so the issue of how natural gas from the North Slope will reach American homes is still tied up in committee, and the corporate and governmental bickering and wheeling and dealing continues.

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Bennett Pilots Gas Line Plan From Second Hot Seat

By FLIP TODD
Times Staff Writer

John Bennett, a retired Army two-star general and now vice president of the El Paso Alaska Company, has a habit of being where some of the hottest controversies of the day are going on.

After he retired from the military, he became a vice president of Era Helicopters in Anchorage, but was called back to the White House during the heat of the Watergate scandal by his old friend Gen. Alexander Haig, principal adviser to President Nixon.

After trying to cool down that hot political situation (by, among other things, taking custody of a bunch of White House tapes that were loosely-wrapped in a brown paper bag) and eventually helping with the downfall of Richard Nixon, Bennett is trying to help warm the homes of Americans by bringing them natural gas.

Named a vice president of El Paso Alaska after his White House stint that saw him the legal custodian of those tapes while the Congress and the courts decided who should have custody of them, Bennett now is conducting his own form of shuttle diplomacy between Washington D.C. and Alaska.

Again in a hot seat, he is responsible for educating and influencing political and financial leaders in both Washington and Alaska of the benefits of the proposed El Paso plan to move Prudhoe Bay gas to market via a trans-Alaska gas line.

From Point Gravina, between Valdez and Cordova, the gas would move in a liquid state, 600 times as dense as a gas, in tankers to California. From a regasification terminal at Point Conception not far from Lompoc, Calif., the gas would be moved by a 42-inch pipeline the gas transappealing to consumers, many of whom cannot buy all the gas they want now.

JOHN BENNETT
Shuttle Diplomat

Actually El Paso believes if it receives permission by the Federal Power Commission's target decision date of December 1976, it can begin delivering gas to the West Coast in 1980. With four of the dozen contemplated compresser plants operational in 1980 it will be able to move half the 3.3 billion cubic feet of gas that will flow through the line by the end of 1981. Because of the increasing difficulty of moving the gas as it becomes more dense under pressure, it takes eight additional compresser stations to double the flow through the line.

Normally in matters involving interstate commerce, regulatory agencies make the important decisions. In the case of interstate natural gas pipelines, the Federal Power Commmission is responsible for making the decisions. But in some very important cases with major political or judicial implications, the Congress may take the decision away from the regulatory agencies or the courts.

A move by Sen. Mike Gravel several years ago made the Congress decide on the crude oil line's route to the Lower 48 and the trans-Alaska line won out over a Canadian route. But a deal was reportedly made by Midwestern congressmen at the time that they would not oppose the trans-Alaska oil line if their gas-poor area would receive the gas line when the time came for it to be built.

"We'd rather have the FPC make the decision," Bennett said.

"If the Congress decides to make this decision, then raw political power on (Capitol Hill) will be important," he said.

El Paso has no partners yet the El Paso proposal, Bennett argued, while the consumer does not with a gas line that passes through thousands of miles of Canada.

"I also believe a major concern is going to be the environmental considerations," he added, "and we're receiving considerable support from the environmental people here in Washington. They are a considerable force."

On each of the issues Bennett mentioned, El Paso appears to have a considerable advantage.

As a result of a pipeline realignment study and some other work done by El Paso, the Texas-based pipeline transmission firm believes it can save close to a year over what it had originally planned, enabling it to deliver gas in 1980. Most of the time could be saved during the preliminary logistic planning before construction actually begins, and a lesser amount during construction, according to El Paso.

the money Arctic Gas has spent (expenditures since Dec. 4, 1972 when the company announced it would try to build the Alaska line are reported to be $15 million by El Paso), Bennett replies, "We are three or four times as financially committed as any member of Arctic Gas."

About $2.5 million of El Paso's expenditures to date have been Federal Power Commission filing fees, which is about the amount the company would have to pay to file similar documents with the Interior Department to cross its land. El Paso's failure to file yet with the Interior Department has been the source of some criticism, but Holland argues the decision saved $2.5 million which would only have gone to duplicate work already performed and save El Paso stockholders $2.5 million should it not receive FPC approval.

El Paso thinks its "raw political power" may be increasing with time.

"Omar (Organization for the Management of Alaska's Resources) and native support is very usable political power," Bennett argued. And the considerable strength of the U.S. steel industry—which would receive an enormous boost from sale of metal for construction of the line, marine berths at both ends and 11 large tankers each capable of carrying 165,000 cubic meters of LNG (liquefied natural gas) — can be assumed to be firmly in the El Paso camp. Much of Arctic Gas's steel would likely come from non-U. S. steel mills, since no mills in this country currently manufacture 48-inch pipe.

Those who support the U.S. steel industry, such as coal firms, are likely doing what they can to encourage the construction of the El Paso line.

"We also have 44 labor unions that will be behind us if it comes to that," Bennett said.

The former White House aide also said he is receiving support from "businessmen who feel our project is in the national interest and are doing some work on our behalf . . . contacting congressmen.

"I think the chances are less and less with time that the decision will go to the Congress though," Bennett said.

Bennett noted that although Rep. Philip Ruppe of Michigan announced more than two weeks ago he was going to introduce legislation that the Congress mandate construction of the Canadian pipeline, none has been introduced so far. Aides of the congressman from Michigan's northernmost district said Ruppe was originally going to introduce the bill without co-sponsors, but has changed his mind and decided to introduce it with several other key members of the House.

It is difficult to make exact comparisons of the two projects because they do not deliver the gas to the same locations. One criticism leveled at the El

(See Page C4, Col. 1)

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From Point Gravina, between Valdez and Cordova, the gas would move in a liquid state, 600 times as dense as a gas, in tankers to California. From a regasification terminal at Point Conception not far from Lompoc, Calif., the gas would be moved by a 42-inch pipeline the gas transmission company hopes to build to Arvin, Calif. where it would tie into an existing Pacific Gas and Electric gas line.

El Paso has promised it will use only U.S. - manufactured steel for constructing the pipeline, the gasification terminal and twin berths at Port Gravina and at Point Conception, and for a costly fleet of cryogenic tankers capable of carrying the super-cooled liquid.

One vessel would call at the loading terminal each day, if the gas deliveries are to be maintained on schedule, according to El Paso.

Because of its promise to use all domestic products, and the fact that no jobs on the line would be exported to Canada as the Arctic Gas proposal would require, El Paso has dubbed its project the All-Alaska, All - American pipeline.

Even though the 1,000-foot long, 150-foot wide tankers could be built at less expense outside the U.S., a federal maritime law commonly known as the Jones Act requires that only U.S.-built ships may carry cargo between U.S. ports.

The greater cost of the domestically - built tankers, like the greater cost of the U.S. steel for the 42-inch pipeline, will be passed on to Lower 48 consumers, Bennett said, as part of the rate base for calculating the cost of moving the gas.

On the other hand the project will create thousands more jobs in the United States than would the Arctic Gas pipeline and considerable tax revenue to the state and federal governments.

"It seems to me a major consideration is which system can deliver the gas more quickly," Bennett said during a telephone interview from his Washington D.C. office.

"We're running out of gas (in the Lower 48) and speed is important."

The consumer in the Lower 48 has the protection of the Federal Power Commission (which regulates interstate movement of natural gas) with

On each of the issues Bennett mentioned, El Paso appears to have a considerable advantage.

As a result of a pipeline realignment study and some other work done by El Paso, the Texas-based pipeline transmission firm believes it can save close to a year over what it had originally planned, enabling it to deliver gas in 1980. Most of the time could be saved during the preliminary logistic planning before construction actually begins, and a lesser amount during construction, according to El Paso.

One of El Paso's greatest advantages in construction of the line is that it will probably be able to take advantage of much of the work already done by Alyeska Pipeline Service Co.: environmental studies, moving hundreds of millions of dollars worth of heavy equipment to the work site, construction of a haul road and work pad for laying the pipeline, as well as construction of more than 20 camps for the work force to live in.

Alyeska has not made any commitments to El Paso yet, but the logic of their doing so and selling the gas company much of what it has done is hard to refute.

Because the roads are already built and much of the work in the wilderness has already been done, the trans-Alaska gas line is considerably more attractive to environmentalists who accept the inevitability of moving the gas to market.

The Arctic Gas proposal, on the other hand, proposes to cross the Arctic National Wildlife Refuge in the extreme northeast portion of the state, on its way to pick up gas from the Mackenzie River delta in Canada's Northwest Territories.

El Paso has forged a strong alliance with the Friends of the Earth and the Sierra Club, exchanging information freely with the two groups, both of which have Canadian chapters. Both groups are reportedly using their political influence to encourage the construction of the El Paso line and El Paso executives are on call to the conservationists "24 hours a day," according to Bennett's assistant, Mike Holland. Conservationists are upset with the prospect of an Arctic Gas line crossing the refuge, thousands of miles of virgin lands in Canada and creating the need for constructing thousands of more miles of pipeline in the Lower 48.

If the use of an existing right of way puts El Paso in good stead with the conservationists, then its claim that it can complete its project two to three years sooner than Arctic Gas should make the project

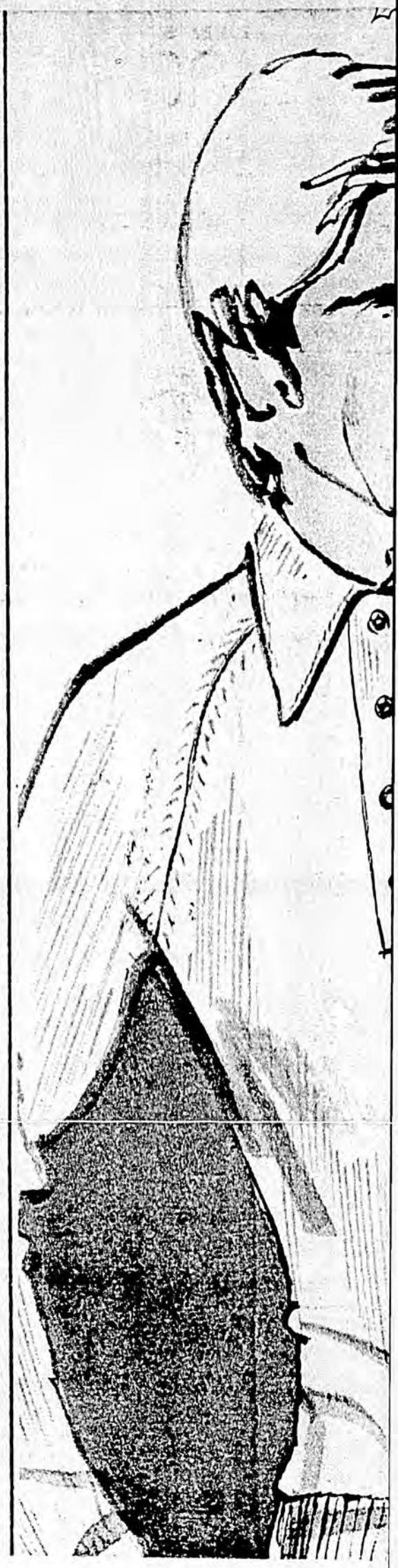
and the trans-Alaska line won out over a Canadian route. But a deal was reportedly made by Midwestern congressmen at the time that they would not oppose the trans-Alaska oil line if their gas-poor area would receive the gas line when the time came for it to be built.

"We'd rather have the FPC make the decision," Bennett said.

"If the Congress decides to make this decision, then raw political power on (Capitol Hill) will be important," he said.

El Paso has no partners yet in constructing the gas line, but Arctic Gas has been backed by a panoply of up to 27 of the largest oil firms and gas transmission companies in the country who have committed close to $100 million for environmental and pre - construction studies for their project. The number has dwindled to 16 now, but still the group undoubtedly has considerable influence in Washington D.C. in comparison to El Paso, frequently described as the nation's largest gas transmission company.

To arguments that El Paso is not spending anywhere near



Alaska's Legislators Support An Alaska Pipeline

By CHERYL PROBST
Times Staff Writer

An all-Alaska gas line appears to have the support of some resource-minded legislators, although they are hedging about supporting El Paso Natural Gas Co's proposal to build it.

To help it formulate a position on a natural gas line, the legislature appropriated $100,000 for a special impact committee which was chaired by Rep. Willard Bowman, D-Anchorage, until his death last week. Bowman also authored legislation setting up the committee.

Six members from each house sit on the committee, with the legislature's presiding officers and resource committees' chairmen on the committee as ex officio members.

"The critical thing is not which route you favor but the terms under which Alaska gas is produced," Senate President Chancy Croft, D-Anchorage, said. "All the talk of which way the line is going to go has obscured all the terms."

Croft, who says he favors an all-Alaska route, said some of the terms which are being obscured by concentration focused on the route include "the more important terms under which Alaska gas will be produced. I think the question is the price that is going to be paid for it, whether it has little or no oil head value, a severance tax, its availability for use in the state."

Croft said he thought the action of the Federal Power Commission in requiring discussion of alternate pipeline routes is "a very good one. I think it again shows the wisdom of thoroughly exploring all of these alternatives rather than just locking yourself into the first approach out of the box. It may be that a different routing may well change the effect of one of the proposals."

Croft said he did not support the state locking itself into one company. "I think its important while supporting an Alaska route to make the distinction between supporting an Alaska route and one company's Alaska route."

He said he thought that an Alaska route at this point offers the most advantages for the state, "but I don't think we should lock our forces with El Paso."

El Paso is the only company to come forward at this time with a proposal to build the gas line through Alaska.

Sen. Kay Poland, D-Kodiak, another ex officio member of the pipeline committee, says her resources committee will be taking another look at the gas line in the upcoming legislative session.

Mrs. Poland said there have been conflicting reports on the costs of the line, "and, of course, we are very much interested in the environmental impact statement. "She said her committee also will be looking into the possibility of being able to take some gas out of the line ourselves to retain here in the state."

Mrs. Poland, too, favors an Alaska route, partly because "even though relations with Canada are friendly, I don't believe our gas line should go through another country." She also says she would like to see the Alaskan economy stimulated.

Like Croft, she is not locking herself in to one company building the line. "We should take a look at all the interested parties before we make a decision," Mrs. Poland said. "I do think El Paso deserves some consideration because they've shown interest all along."

Rep. Clark Gruening, D-Anchorage, said "From the information I've seen, if the state is going to get any benefit out of its royalty gas, it ought to back the all-Alaska route."

He added, "I don't think we have to make the decision now to pull out all stops, but sometime in the future, the state has to make a decision to fully back it."

CHANCY CROFT
The Terms

KAY POLAND
Impact

CLARK GRUENING
Credibility

Gruening, also on the impact committee, is another who is not locking himself into the El Paso proposal. "We have to make a committment to somebody who has the possibility of really doing it. Right now El Paso doesn't have the financial credibility. Frankly, unless they show they have something more going for them, other than the request for our gas, we'd be foolish to commit it to them. There has to be somebody waiting in the wings."

Gruening, a first term representative who sits on the finance committee, suggested that El Paso, if it is to build the line will probably have to have partners, perhaps Tenneco, a name he suggested might also be one of those waiting in the wings.

Rep. Ted Smith, vice chairman of the House resources committee, said he supports a trans-Alaska line "on the assumption that gas from the line will be able to be made available for use inside the state."

The Anchorage Democrat said he saw that as the overriding consideration in either proposal.

Smith said it is essential that the state make its point early that gas must be available for use here. "Once the gas is put in the common carrier, we can't take it out without approval from the FPC. We need to have that point nailed down at the time the certificate is issued."

Sen. Pat Rodey, D-Spenard, also prefers a trans-Alaska route. "We already have the trans-Alaska (oil) pipeline," he pointed out. "Similar routing could be done with little or no environmental consequences, but with considerable economic consequences to the state."

Rodey, a member of the pipeline impact committee, says a trans-Alaska route will stabilize Alaskan employment.

Rodey, also a member of the Senate resources committee, says he is not close-minded about who is to build the line. "As far as my legislative role, I'm managing resources for the benefit of the people of Alaska. Whichever company can offer the best deal for the people of Alaska, I'd be inclined to take it."

Like Gruening, Rodey is concerned about El Paso's financial capabilities.

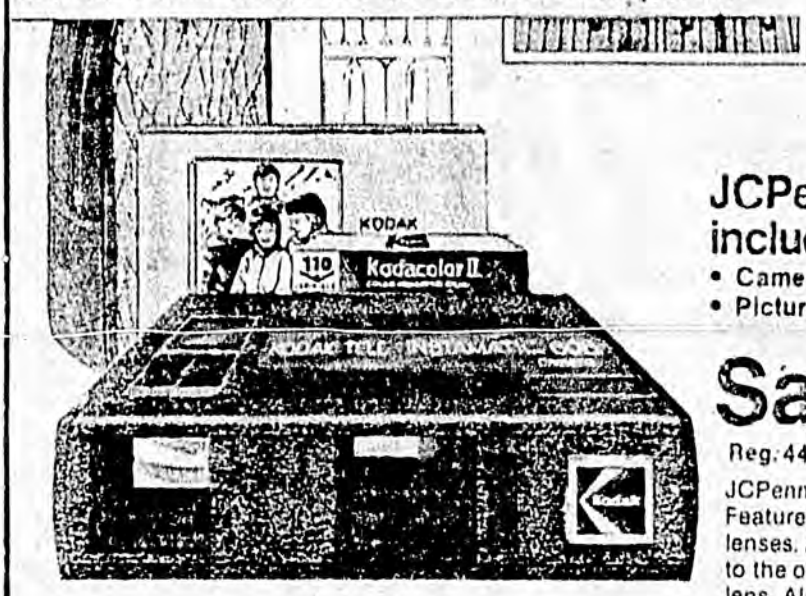
Another Senate resources committee member, Joe Orsini favors a trans-Alaska route because "it will give us the option of being able to develop a petrochemical industry if we want it and if its economically feasible. We can also use it for our own consumption or sell if outside and derive strictly revenue from it."

The Anchorage Republican said he did not think the state should make committments for the royalty gas at this time, but "should wait until the last possible minute" because there are new options for uses coming up.

He mentioned methanol which could be made from coal here and then sent outside where more money might be obtained from its sale than from straight gas. "It has enough promise, we really ought to look into it," Orsini said.

A special legislative committee on taxation and revenue, of which he is a member, is studying this now, Orsini said.

Rep. Mike Hershberger, a member of the House resources committee, also favors an all Alaska route. "From looking at it practically, since we've got the oil line route, I think it would be just a natural place to put our natural gas pipeline."



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Delegates: Watches Aren't Synchronized

It's a matter of time, but Sens. Mike Gravel and Ted Stevens disagree about what time it is, at least as far as the Canadian versus Alaskan gas pipeline debate is concerned.

Gravel, a Democrat, has filed a bill in the Senate which would require the United States Federal Power Commission to decide between the competing proposals by June 30 of next year, although he said in an interview that he plans to amend that to read Dec. 1, 1976. For Gravel, time is of the essence.

"The political principle is simple," Gravel said. "The American public needs the gas, we have the gas and there should be no delay in providing it."

Republican Stevens disagrees with the Gravel hurry-up approach.

"Time is on our side," he said, our side being the one favoring the trans-Alaska, or all-American, gas pipeline.

And Republican Rep. Don Young, the state's only member of the U.S. House of Representatives, falls somewhere in between.

But let's let them tell it.

"My bill in the Senate states that Congress requires the FPC decision by June 30, 1976" Gravel said. "I'm going to change that to Dec. 1 (1976). The FPC said they could meet the June 30 deadline but that they would be able to do a better job by Dec. 1.

"Secondly it mandates that there would be no judicial review. There could be judicial review of the constitutionality of my bill, but not of the FPC decision. There are 120 plus interests involved before the FPC, some 50 of them active. They can, but we cannot demand it."

"Even the opponents (of the trans-Alaska gas pipeline) were trapped into it (supporting his bill,)" Gravel said. "The opponents knew my bill would mean a trans-Alaska line but they could not afford to oppose it" because, he said, it would appear that they were opposing fast transmission of gas to their energy-poor constituencies.

"If Canada cannot meet the time frame," he said, "the FPC might be reluctant to grant permits for a trans-Canada line."

The Gravel strategy, in sum, is to put the heat on those favoring a trans-Canada line by limiting the time they have to make necessary arrangements.

But Stevens said he sees Gravel's bill as untimely and ill-advised, particularly the section that would preclude judicial review.

"I just don't think it accomplishes what we want to accomplish," Stevens said. "The Commerce Committee (of which Stevens is a member) will take up that subject in a reasonable amount of time and I will have my own legislation prepared.

The situation vis a vis the Gravel bill "is not dissimilar to the oil pipeline. Mike had an amendment that would not achieve the goal. My revision of his amendment — now known as the Gravel amendment — was what was finally adopted."

Gravel, Stevens said, "is not a lawyer" and his filling the bill is "like putting in a bill to tell a judge that he can only make one decision."

Times Analysis

Washington Is Mum

By BETTY MILLS
Times Washington Bureau

WASHINGTON — Official Washington is reluctant to comment on the two competing proposals for a route to tap the vast natural gas reserve on Alaska's North Slope.

Energy advisers and White House spokesmen say it would be imprudent to take sides on the issue while it is being considered by the Federal Power Commission.

But a high-ranking administration official has told aides privately that the gas line will go through Alaska.

"There is no way we're going to let that natural gas flow through Canada," he said according to well-informed sources.

Meanwhile, on the congressional front, several forces are working.

Lobbyists representing the interests of the El Paso Natural Gas Co. and the Arctic Gas consortium are practically tripping over each other on Capitol Hill.

Arctic Gas has worked up its own bill, which would mandate its route through Canada.

El Paso has no bill as such, but legislation offered by Sen. Mike Gravel, D-Alaska, is aimed at insuring that an Alaskan route is chosen.

Gravel's bill would require the FPC to reach a decision in the gas line case by June 30, 1976. The Alaskan Democrat believes an early commission ruling means a decision in favor of El Paso.

The Republican members of the Alaskan delegation Sen. Ted Stevens and Rep. Don Young — were unhappy that Gravel leaped ahead with the bill. They believe that if the issue comes up during the long cold winter of natural gas shortages, the Alaskan route will be the loser.

Commission officials, meanwhile, have told Gravel that they could meet his deadline, but could easier make it by the December, 1976 timetable they have set for the case.

A new development that may arouse controversy is the recommendation by the commission staff that both routes be changed.

The recommendation is not dealt with in depth in the commission staff's draft environmental impact statement on the projects, but it is obviously important and will surely be examined closely in the days ahead.

Environmentalists may leap upon the suggestion that El Paso use Nikiski, on Cook Inlet, as the site of its liquefied natural gas terminal, rather than Point Gravina, on Prince William Sound. This would involve a diversion from the firm's proposed pipeline route at Livengood.

The national news media is waking up to the fact that a new Alaskan pipeline battle is on the horizon.

The fight between the competing proposals is just beginning on all fronts — Congress, the Federal Energy Administration, the Interior Department and the White House.

heavily involved in both Canadian projects.

The ruling Liberal Party has announced in favor of the Maple Leaf line, a 36-inch pipe that would transport Mckenzie gas to trunk lines in Alberta for transport throughout Canada.

treaty between the U.S. and Canada to allow construction of the Arctic pipeline would preclude such provincial action, Stevens said, and would therefore be likely to stir up a political hornets nest in Canada.

"My advisers in Canada tell me it will be at least one-and-one half years and probably three years" before the Canadians decide just what gas it will transport how, Stevens said.

The matter is before the National Energy Board decision."

To Stevens, the timetable for a gas pipeline is somewhat longer than it is to Gravel.

"We must have a gas pipeline within two years of the time the oil starts to flow," he said, "or else we will have to increase reinjection facilities at substantial cost."

If Gravel wants to push and Stevens wants to hold back, Young wants to do a bit of both.

"Right now, we want to encourage the Federal Power Commission to act very positively and then go to the floor (of Congress)," Young said.

As Young sees it, if there is a commission decision in favor of the All American line — "and I'm very confident that there will be one" — the Ford administration will come down solidly behind that decision in Congress.

"We have so much right on our side, and I don't mean that parochially," he said, "that I don't see how we can lose."

That right includes the administration's committment to Project Independence ("how can you say you have a Project Independence and favor a line across Canada"), the use of American labor and so on.

But, Young said, "I will not submit any legislation deciding which way the line will go" since the matter is before the power commission.

"From what I read — and there has been active lobbying by Arctic — due to lack of knowledge on the matter in Congress, if it went to a vote right now we would lose."

There is, however, a commission we are interested. It has some merit to me when you have your John Andersons and Les Aspins opposing it. It shows me that Canada can't meet such a deadline."

If he were to enter Gravel's bill in the House, Young said, he would do it sometime after the Christmas recess.

"There is a difference of opinion between the two senators and I don't want to get involved in it," he said. "But if I find the Gravel bill has merit I will enter it in the House."

"There has been some talk in the Congress about a bill that will dictate the Arctic line," Gravel said. "In my view this is ridiculous, that Congress should override the FPC before the FPC has made a decision. Any legislation to do so would not pass Congress."

Gravel says the strength of support for a trans-Alaska gas pipeline is greater than that for the trans-Alaska oil pipeline ever was.

"I would say in the Senate we are ahead," he said. "On the oil line we had 49 senators with us and none of the West Coast senators. Now they are with us and I'd guess we have 55 to 60 votes."

"The situation in the Senate is watch and see," Stevens said. "It would be premature to start counting noses."

Midwest senators, Stevens said, want to "be sure to get some of Alaska's gas," and part of the task of the trans-Alaska line forces is to educate them to the fact that a trans-Alaska line could deliver it, he said.

Young agrees.

"Consumers in the Midwest and on the East Coast who

in tactics between Gravel and Stevens, but they, along with Young, are agreed that the pivot point of the entire matter is how far apart the interests of this country and Canada are when it comes to construction of a gas pipeline to deliver the Prudhoe Bay reserves. All three agree that these interests are diverging rather than converging and that the result of this movement will be a trans-Alaska gas line.

Gravel wants to drive the wedge down hard, giving trans-Canadian pipeline backers the minimum of time to draw the two nations' interests together. Stevens, whose opposition to this approach seems to stem from his disagreement with the content of the bill rather than the intent, thinks no wedge — or at least not Gravel's wedge — is necessary right now.

Who is correct?
Only time will tell.

Beer Can Lovers Now Have Guide

CHICAGO (AP) — Not only is the world full of beer lovers, but apparently the world is also full of beer can lovers, if one is to judge by the recent sales here of "World Wide Beer Can Collector's Guide," by Robert Dabbs and David Harris of Independence, Mo.

The book sold 40,000 copies the first three weeks it was available in the Chicago area. It will soon be available nationwide. It lists every conceivable commemorative cans to foreign ones and tells how to

several forces are working.

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environmental impact statement on the projects, but it is obviously important and will surely be examined closely in the days ahead.

Environmentalists may leap upon the suggestion that El Paso use Nikiski, on Cook Inlet, as the site of its liquefied natural gas terminal, rather than Point Gravina, on Prince William Sound. This would involve a diversion from the firm's proposed pipeline route at Livengood.

The national news media is waking up to the fact that a new Alaskan pipeline battle is on the horizon.

The fight between the competing proposals is just beginning on all fronts — Congress, the Federal Energy Administration, the Interior Department and the White House.

"Time is on our side," he said, our side being the one favoring the trans-Alaska, or all-American, gas pipeline.

And Republican Rep. Don Young, the state's only member of the U.S. House of Representatives, falls somewhere in between.

But let's let them tell it.

"My bill in the Senate states that Congress requires the FPC decision by June 30, 1976" Gravel said. "I'm going to change that to Dec. 1 (1976). The FPC said they could meet the June 30 deadline but that they would be able to do a better job by Dec. 1.

"Secondly it mandates that there would be no judicial review. There could be judicial review of the constitutionality of my bill, but not of the FPC decision. There are 120 plus interests involved before the FPC, some 50 of them active. Any of them could appeal. That could mean a delay of five to 15 years. It would be ridiculous to retard the transmission of that gas for so long.

"There would be legislative review, but my bill mandates 60 legislative days (after the commission renders a decision".

So Gravel's legislation sets a time limit on the commission, precludes lawsuits against the commission's decision and gives Congress 60 days in which to tinker with the decision.

"I feel my legislation is reasonable and that it could pass Congress in the next 30 days," Gravel said. "The President was impressed and persuaded by it. Omar (the Organization for the Management of Alaska's Resources, a pro-Alaska pipeline lobbying group) was too."

The importance of the bill, in Gravel's opinion, is that it sets a schedule that the United States government must meet.

"It will bring about an Alaska gas line, "Gravel said" because we can mandate that our government meet a schedule but we cannot mandate that the Canadians do

Gravel's bill as untimely and ill-advised, particularly the section that would preclude judicial review.

"I just don't think it accomplishes what we want to accomplish," Stevens said. "The Commerce Committee (of which Stevens is a member) will take up that subject in a reasonable amount of time and I will have my own legislation prepared.

The situation vis a vis the Gravel bill "is not dissimilar to the oil pipeline. Mike had an amendment that would not achieve the goal. My revision of his amendment — now known as the Gravel amendment — was what was finally adopted."

Gravel, Stevens said, "is not a lawyer" and his filling the bill is "like putting in a bill to tell a judge that he can only make one decision."

For Stevens, slow and easy is the best way to a trans-Alaska gas pipeline.

"Forces in Canada are moving to our benefit," he said, saying that "it's premature to make a judgement" of the relative strength of trans-Alaska and trans-Canada gas pipeline forces in Congress.

The key factors involved in obtaining a trans-Alaska gas line are all Canadian, according to Stevens' view.

They are:

— Pressure in Canada for construction of two Canadian gas pipelines, the Maple Leaf from the Mckenzie Valley fields and the Polar from Canada's Arctic Islands.

—The absence of a Canadian native claims settlement.

— The nationalization by the Province of Saskatchewan of the potash industry.

The construction of two Canadian pipelines would preclude the construction of the Arctic Gas line from Prudhoe Bay, Stevens said, because the Canadian economy cannot absorb the money spent on the projects without being warped. And Prime Minister Pierre Trudeau's government is

heavily involved in both Canadian projects.

The ruling Liberal Party has announced in favor of the Maple Leaf line, a 36-inch pipe that would transport Mckenzie gas to trunk lines in Alberta for transport throughout Canada.

The Polar line, another 36-inch pipe, would transport gas from the Arctic Islands west of Hudson's Bay for delivery in Canada. The Canadian government, Stevens said, owns 45 per cent of the stock in the Pan Arctic group, which is conducting gas exploration in the islands, and has been providing a substantial amount of the capital for the exploration. The group, Stevens said, has already proved up about one-third of the gas available at Prudhoe Bay and needs to find only another 15 per cent or so of the Prudhoe reserves to make pipeline construction economically viable.

Secondly, Canadian natives pushing for a settlement of their aboriginal claims are "super nationalistic," Stevens said, and oppose a U.S. pipeline through Canada. The failure of the Canadian government and the natives to reach a settlement further clouds prospects for the Arctic Gas proposal, he said.

Thirdly, the takeover of the potash industry should be a "red flag" to private enterprisers, Stevens said, since the Arctic Gas pipeline would run through Saskatchewan. Any treaty between the U.S. and Canada to allow construction of the Arctic pipeline would preclude such provincial action, Stevens said, and would therefore be likely to stir up a political hornets nest in Canada.

All these factors, plus Canada's insistence that any pipeline built across her territory must be financed by Canadian money to the tune of at least 51 per cent, point toward slow going toward any Canadian decision.

"My advisers in Canada tell me it will be at least one-and-one half years and probably three years" before the Canadians decide just what gas it will transport how, Stevens said.

The matter is before the Canadian National Energy Board, which Stevens characterized as a combination of the U.S. Federal Power Commission and Interior Department. Canadians have told him, Stevens said, that "it will be a long cold wait for a solidly behind that decision in Congress.

"We have so much right on our side, and I don't mean that parochially," he said, "that I don't see how we can lose."

That right includes the administration's committment to Project Independence ("how can you say you have a Project Independence and favor a line across Canada"), the use of American labor and so on.

But, Young said, "I will not submit any legislation deciding which way the line will go" since the matter is before the power commission.

"From what I read — and there has been active lobbying by Arctic — due to lack of knowledge on the matter in Congress, if it went to a vote right now we would lose."

There is, however, a possibility that Young might sponsor Gravel's bill in the House.

"I talked to Sen. Gravel and he has a good point, the bill just tells the commission to make a decision by Dec. 1," Young said. "In my mind it has some merit because it informs the

support for a trans-Alaska gas pipeline is greater than that for the trans-Alaska oil pipeline ever was.

"I would say in the Senate we are ahead," he said. "On the oil line we had 49 senators with us and none of the West Coast senators. Now they are with us and I'd guess we have 55 to 60 votes."

"The situation in the Senate is watch and see," Stevens said. "It would be premature to start counting noses."

Midwest senators, Stevens said, want to "be sure to get some of Alaska's gas," and part of the task of the trans-Alaska line forces is to educate them to the fact that a trans-Alaska line could deliver it, he said.

Young agrees.

"Consumers in the Midwest and on the East Coast who oppose us are not being given the facts," he said.

He too said that there was a possibility that a bill mandating a trans-Canadian route might be entered in Congress, "but realistically that's not going anywhere."

In sum, there is a difference necessary right now.

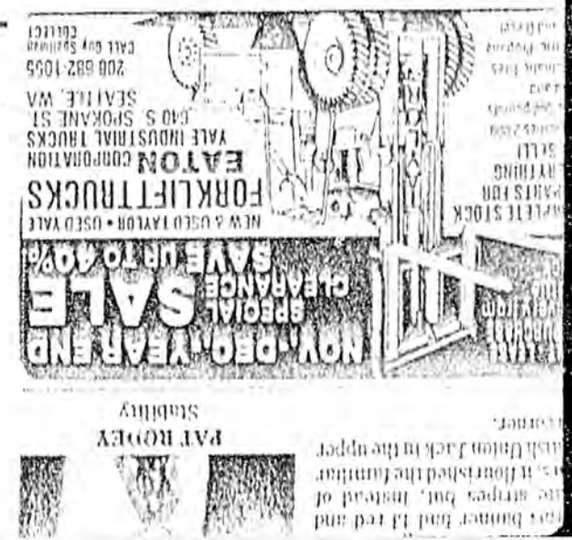
Who is correct?
Only time will tell.

Beer Can Lovers Now Have Guide

CHICAGO (AP) — Not only is the world full of beer lovers but apparently the world is also full of beer can lovers. If one is to judge by the recent sales here of "World Wide Beer Can Collector's Guide," by Robert Dabbs and David Harris of Independence, Mo.

The book sold 40,000 copies the first three weeks it was available in the Chicago area. It will soon be available nationwide. It lists every conceivable commemorative cans to foreign ones, and tells how to date a beer can, how to trade beer cans and how to judge the relative worth of a beer can.

(The book is published by World Wide Beer Can Collectors of Independence, Mo., and distributed by Wallace-Homestead Book Co., Des Moines.)



Gasoline Was Once Waste, Now It's 'Waste Not'

By MAX B. SKELTON

HOUSTON (AP) — Motorists may find it difficult to believe, but gasoline was an unwanted byproduct in the pioneering days of petroleum refining.

Gasoline components of crude oil were thrown away as refiners sought kerosene to replace whale oil as lamp fuel. The first refinery, conceived in 1847, processed only five gallons of crude a day.

The processing capacity of one U.S. refinery now is being expanded to 650,000 barrels a day, which will be the world's largest, and total domestic capacity is approaching 15.5 million barrels a day, with a barrel containing 42 gallons.

The early refineries were, in a sense, do-it-yourself operations. The refiner sought places where oil seeped above ground, skimmed crude from water processed it, and then marketed it, first as medicine and later as kerosene.

Such one-man enterprises were the forerunners of today's gigantic petroleum industry that supplies 70 per cent of the nation's energy.

Two events near the turn of the century paved the way for oil to attain its big business stature:

The first gasoline-powered automobile appeared in 1893. And the Jan. 10, 1901, Spindletop discovery in southeast Texas gave the nation its first oil "gusher." It produced more than of 100,000 barrels of crude each day.

About 10,000 firms ranging from one-man independents to multibillion dollar giants now are engaged in exploration and production.

About 100 pipeline companies move crude oil, petroleum products and natural gas to interstate markets. More than 130 companies operate a total of 250 refineries.

There are about 15,000 wholesale oil jobbers, 13,500 companies dealing in fuel oil and liquefied petroleum gas and more than 300,000 retailers of motor gasoline.

Oil is a business for specialists: wildcatters, geologists, geophysicists, petroleum engineers, drillers, roughnecks, pipeliners, refiners, marketers.

Col. Edwin Drake, a retired railroad conductor, conceived the idea of drilling for oil. Drake brought in the Titusville, Pa., discovery well on Aug. 27, 1859, after drilling to a depth of 69½ feet. The well produced eight to 10 barrels a day.

Drilling quickly spread to Ohio, Texas, California and Oklahoma. Since the Drake well, more than 2,725,000 wells have been drilled in the United States, including more than 1,395,000 oil wells drilled to completion, of which about 560,000 still are producing.

But the gushers are gone. The average well now produces only 17.4 barrels a day. One with a potential of several hundred barrels a day is a good deal and one with potential in the thousands is rare.

Most obvious prospects have been drilled at least once, many of them several times. Explorers now are having to drill deeper and deeper and in difficult areas offshore. In Alaska and the Arctic.

Science has replaced hunches in selecting drilling sites, but financial risks are high.

One group of companies paid more than $900 million for the right to explore in the Gulf of Mexico off the Florida coast. The first seven test wells were dry.

Geologists and an army of specialists using seismographs and other sophisticated instruments are constantly searching for hints of oil deposits more than 400 million years old below the earth's surface.

But drilling is the only way to determine whether such hints are correct. And, again, there are high risks.

Of the record 37,111 wells completed in 1956, 30,753 were oil producers, and 4,543 were gas producers. Dry holes totaled 21,503.

Along drilling slump that often blame mostly on federal natural gas price controls was reversed last year when 31,556 completions included 12,784 oil wells and 7,240 gas wells and 11,674 dry holes.

The risks are even higher for new field wildcats, wells drilled in an area never before productive.

A study by the American Association of Petroleum Geologists of such wells indicates only one of every 10 is completed as a discovery well, only two out of 100 make significant discoveries of one million or more barrels of oil or the natural gas equivalent, and 80 per cent of the discoveries have reserves of less than one million barrels.

A companion study indicates independents — all the explorers except the 16 largest major companies — drill nine out of every 10 new field wildcats and make 75 per cent of the discoveries.

Additions to reserves show another picture. Despite drilling only one out of 10 such wildcats, the majors discover almost half of the oil and gas reserves, with most of their explorations in ultra-deep, high-cost or high-risk areas.

Drilling costs have doubled since 1963.

In 1973, 25,350 onshore wells drilled to an average depth of 5,060 feet cost an average of $88,447, or $19.46 per foot drilled. The 49,197 drilled in 1953 with an average depth of 4,036 feet had a cost average of $10,743, or $12.36 a foot.

The 888 offshore wells drilled in 1973 had an average depth of 9,408 feet and average cost of $651,254, or $69.23 a foot. The 82 drilled in 1953 with a depth average of 8,540 feet cost $298,764 per well, or $31.29 a foot.

Recoverable domestic oil reserves peaked in 1970 at 39 billion barrels. Gas reserves peaked in 1967 at 292 trillion cubic feet.

Gathering systems totaling nearly 70,000 miles collect oil from individual wells and move it to storage tanks or dump it into a 76,000-mile trunk pipeline system serving the refining centers.

Most U. S. refineries place emphasis on gasoline production. Refineries in Western Europe concentrate on fuel oils.

Compared with the kerosene objectives of 1850, modern refineries produce an estimated 2,000 products, ranging from asphalt to plastics.

Refineries separate crude oil into its various parts called fractions. The basic process is fractional distillation, boiling the liquid and then collecting and condensing the resulting vapor.

Each fraction such as gasoline or kerosene has its own boiling point and is drawn off as a vapor.

More sophisticated processes are used to increase gasoline production or improve its quality.

Basic production includes liquefied gases, gasoline, kerosene and jet fuel, home heating oil, diesel oils, lubricating oils, heavy fuel oils, and asphalt.

Once refined, the fuels are sent on their way to retail distribution centers and eventually, in the case of gasoline, to the local service station. Much of this refined fuel is distributed via a 76,800-mile pipeline which spreads out from the refineries to transport products to major consumer areas.

The drilling slump and increased demand have more than offset additions to reserves. At the start of 1975, domestic reserves were about 34.2 billion barrels of oil and 207 trillion cubic feet of natural gas.

Recoverable proved reserves estimates of oil and gas that scientists believe can be produced with existing technology. Engineering data on the performance of a reservoir can cause up or down revisions in the recoverable estimates.

Most estimates of oil reserves are conservative in that current technology permits production of only about 33 per cent of the oil believed to be in a reservoir. Oilmen say research to increase this ratio could go a long way in reversing a five-year downward trend in domestic oil production and relieving the nation's energy shortages.

A Texas group, for example, estimates that the state's recoverable reserves, estimated at 12 billion barrels under the 33 per cent factor, would be increased by 1.5 billion barrels if the figure were raised just to 34 per cent.

Estimates of reserves cannot be based on a single well. Additional or development wells must be drilled to define the extent of the new reservoir. An initial discovery could ultimately lead to development of a giant field of 100 million barrels but dry holes in development could reduce its financial value greatly or even cause abandonment.

Such development drilling is a major factor in the lead time separating the start of explorations and the delivery of the newly discovered oil to consumers.

It takes years to translate new discoveries into significant production. Proved reserves first must be enough to justify such major service costs as pipelines to move the oil to refineries.

Oilmen say that very little oil discovered this year will be available this decade.

The time lag for a small 1967 Louisiana offshore lease sale was four years, but the area normally carries predicted lags of five to 10 years.

The first pipeline to be built after the Drake discovery transported 30 barrels of crude an hour a distance of five miles. The domestic industry now has a pipeline network in excess of 222,000 miles

Gasoline Was Once Waste, Now It's 'Waste Not'

Wednesday, December 10, 1975, Anchorage Daily Times 25

By MAXB. SKELTON

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State to limit gasline flow

By ANDY WILLIAMS
Daily News Staff Writer

The state expects to limit the flow of natural gas from Prudhoe Bay to about half the level projected by El Paso in its application to build a pipeline, state officials told the legislature's Joint Gas Pipeline Impact Committee Thursday.

Commissioner of Natural Resources Guy Martin and other state oil and gas officials said a structural model of the Prudhoe Bay formation indicated the optimum rate of gas production was 2 billion cubic feet a day. In its filing before the Federal Power Commission, El Paso projected a rate of production of 4 billion cubic feet a day.

JOHN C. BENNET, head of Alaska operations for El Paso, said the company had been advised of the lower projection and had filed an amended form with the FPC taking it into consideration. He said the pipeline and liquefaction system proposed by El Paso was still "feasible at the lower level of production."

However, a staff assistant to the committee said the rate of production had a direct bearing on the rate at which the cost of the pipeline was amortized. With the lower production figure, the pipeline would transport half as much gas at the same cost, he said.

Martin and his assistants, Hoye Hamilton of the Division of Oil and Gas and Pat Dobey of the Division of Geological and Geophysical Surveys, presented results of tests with the model at various rates of production and injection of water.

THE TESTS showed gas could be produced from the field at a rate up to 2 billion cubic feet a day, with water injection, without the volume of recoverable oil failing off appreciably. Beyond 2 billion cubic feet a day, the volume of recoverable oil declined significantly.

Martin said the state had the authority to limit the rate of gas production by regulation and intended to do so to the optimum rate of the field.

State officials said the optimum rate would be determined by experience in the first years of oil production, when all the gas will be reinjected. Hamilton said it was not known whether water injection would work in the Prudhoe Bay field, although, he thought the chances were better than 50-50 it would. Martin said the state would commit no gas until it was determined the gas could be produced without diminishing the amount of recoverable oil.

THE STATE'S estimate on the rate of gas production was lower than the 2.5 billion cubic feet a day estimated by H. J. Gruy and Associates in a study for the Interior Department. Oil industry representatives agreed the Gruy figure was a reasonable one in testimony before the committee Wednesday.

Amos Mathews, executive vice president of Alaskan Arctic Gas, said his company intended to transport 2.25 billion cubic feet of Prudhoe Bay gas a day in its proposed pipeline through Canada, picking up another 2.25 billion cubic feet from the Mackenzie delta area.

Board votes to sell portion of Inlet gas

A state advisory board Wednesday voted to sell a portion of the state's Cook Inlet royalty gas to the Anchorage Natural Gas Co.

The state Royalty Oil and Gas Development Advisory Board's action calls for Phillips Petroleum Co., operators of a liquefied natural gas plant at Nikiski, to relinquish its rights to the state's gas. The company now exports to Japan about 15 million cubic feet of state royalty gas daily. The contract allowing the purchase of the state gas for that use was signed in the late 1960s.

Guy Martin, commissioner of natural resources, said the transfer of the state's gas from Phillips to the Anchorage company would become effective next year if the legislature approves the board's findings.

Anchorage Natural Gas has told state officials that its Anchorage-area customers could be in danger of minor gas shortages as early as next year and significant interruptions of service could occur in the early 1980s, unless the company finds additional supplies.

The gas company supplies gas for the Chugach Electric Co. and Municipal Light and Power Co. generating plants.

Asked if the issue of exports contributed to the board's vote Wednesday, Martin said, "it was not so much a reaction . . . as a balancing of value."

University Gets Gas Line Study

FAIRBANKS (AP) — As decisions near on the routing of a natural gas pipeline from Prudhoe Bay to the south, the University of Alaska says it has received a grant to study alternatives to the arctic gas proposal.

The director of the Institute of Social, Economic and Government Research, Vic Fischer, has confirmed that his department has received a $15,000 contract from the Bureau of Land Management to study alternatives to the Arctic Gas pipeline proposal. The study is a follow up on Arctic Gas Co.'s draft environmental impact statement.

Nine alternatives are being considered, in addition to the arctic gas proposal, which would see the line cross the Arctic Wildlife Range:

—An offshore route, which would go offshore in the Arctic Ocean from the Beaufort Sea to Canada.

—An onshore route, which would skirt the south edge of the Arctic Wildlife Range.

—Also being considered is the route known as the Fort Yukon Route, which would take the gasline right through Fort Yukon, along the north side of the Yukon River through Canada.

—A route proposed through Fairbanks then along the Alaska Highway to Edmonton, Alberta.

—Another route through Fairbanks would go along the Alaska Highway, and then to a gas liquification plant at Haines.

Three other routes involve turning the gas to a liquid before shipping it by tanker. They include:

—The Point Gravina Route, which is favored by the El Paso Co.

—The Cook Inlet Route, which takes the gas from Prudhoe through Fairbanks, down the rail belt, to the existing petrochemical complex at Nikiski Beach, north of Kenai... and from there by tanker.

—The last alternative is the Golovin Route, which would take the gas from Prudhoe by pipeline to the Seward Peninsula, and then by tanker across the Bering Sea.

Approval asked for Nikiski pipeline

The state Department of Natural Resources has set Sunday as the deadline for calling for public hearings on a petroleum products pipeline from Nikiski to Anchorage.

The Nikiski Alaska Pipeline Co. applied for a state pipeline right of way permit in October for the 70-mile line. The company also sought approval from the Army Corps of Engineers for a portion of the pipeline that would cross Cook Inlet.

The $11.3 million line would bring 40,000 barrels of refined petroleum products daily to Anchorage from the Tesoro-Alaska refinery at Nikiski.

About half the project would cross state lands. The company also has sought Corps of Engineers approval to cross Ship and Chester Creeks with the 10-inch line.

No public hearings have been scheduled for the Nikiski proposal, and the Corps of Engineers comment period on the permit application has expired. The Department of Natural Resources is scheduled to close its comment period on the proposal Dec. 14, and after that time no requests for public hearings will be considered.

Oil, gas strike in Canada

A consortium of Canadian and American oil companies have announced a major hydrocarbon discovery in the Mackenzie River Delta region of northern Canada.

Standard Oil Company of California — a member of the group, which includes Sun Oil, Bow Valley Exploration Ltd., Arctic Coast Petroleum Ltd. and Numac Oil and Gas Limited — said Monday the discovery, located on 1146 acres of a 45,000 acre lease, flowed at the rate of 31 million cubic feet of gas and 7,200 barrels of oil per day on short tests.

SoCal said the 11,000 foot well penetrated two hydrocarbon zones — one just below 5,100 feet and one below 9,600 feet. Gas flowed at 17 million cfd from upper zone and 14 million cfd from the lower strata.

Sun Oil, as operator for the consortium, drilled the well — designated at Garry P-04.

Study favors Alaska gas route

By MARK DANIELS
Our Washington Correspondent

WASHINGTON — The Interior Department yesterday released the Alaska Natural Gas Transportation Systems study mandated in 1973 by the Trans-Alaska Pipeline Authorization Act. Originally due to be released under terms of the act by December 16, the document was released almost a month late, apparently as a result of Administration squabbling over possible bias in the study toward one of the two systems competing to carry Alaska gas to the Lower 48.

The central issue of the controversy was the conclusion, in the study, which compares the potential for interruption of construction on the two proposed routes.

THE ANALYSIS clearly favors an Alaska liquefied natural gas tanker route over an all pipeline Alaska-Canada route.

In unveiling the study, Assistant Interior Secretary [illegible] Carlson placed heavy weight on the risk [illegible] section of the report. When a reporter [illegible] him on whether the Interior Department favored one route over the other, he insisted "Interior doesn't have a position." Moments later he replied to a follow-up question that the study [illegible] for itself." He said "people have to be [illegible] their own judgment."

The risk analysis reportedly was challenged by officials at both the State Department and the Federal Energy Administration on the basis that it made too many assumptions and then used those assumptions to justify an Alaska-LNG route.

THE STATE Department, particularly, is understood to have felt that the risk analysis would undercut ongoing negotiations with Canada for a hydrocarbon treaty.

However, the risk analysis also concludes that the Alaska-LNG route would stand more chance of interruption once it was in operation.

"Two tentative conclusions were reached," the study says. "First the . . . Alaska-Canada system would be the more risky to construct and would have the greater potential for schedule slip and cost overrun . . . Second the . . . Alaska-LNG system is more risky to operate, with a greater potential for flow interruption once in operation."

But, the study concludes that the National Net Economic Benefit (NNEB), a system of assigning economic value to certain aspects of each proposal, for the Alaska-LNG system would be $6.6 billion compared to $5.3 billion for the Alaska-Canada system.

The factors compared in the analysis were:

Modularity — The Alaska-LNG system, the study says, can be divided into five discrete components. "This modularity," it says, "provides a distinct advantage in manageability over a more homogenous and interactive project such as the Alaska-Canada system."

Labor — "Potential labor difficulties in Canada are considered more likely than in Alaska . . ."

Arctic Conditions — The Alaska-LNG system, it says, is less exposed to arctic construction conditions because more of it lies further south. It has the advantage of using facilities left from the oil pipeline.

Gas production no threat to Slope oil

By ANDY WILLIAMS
Daily News Staff Writer

Oil industry representatives Wednesday denied production of natural gas at Prudhoe Bay would reduce the amount of recoverable oil there, as was suggested in a study, but said costs of production would be higher than those estimated in the study.

Spokesmen for BP-Alaska, Exxon and Atlantic Richfield Co., the "big three" leaseholders at Prudhoe Bay, took exception to conclusions of a study by the Aerospace Corporation for the Department of Interior that gas production over the life of the field would decrease the volume of recoverable oil by 400 billion barrels.

BUT THEY also objected to the study's figure of 47 cents per mcf (million cubic feet) for the wellhead value of the gas as the break-even point for production of the gas. They said it would be considerably higher.

The testimony came at a meeting of the legislature's Joint Gas Pipeline Impact Committee, which began two days of hearings on relative merits of competing routes for the pipeline and of producing the gas as opposed to reinjecting it into the field. The committee solicited comments on the Aerospace study, which was conducted by H.J. Gruy and Associates.

Forrest Garb, president of H.J. Gruy, acknowledged that the 400-million-barrel figure for oil lost through gas production could be reduced by effective management of the field. He said the study used a life of 23 years for the field and that oil produced after that would also cut into the 400-million-barrel figure.

GARB SAID the figure of 47 cents per mcf was influenced by use of a discount rate of 10 per cent, which is the cost producers would pay on money invested. The 10 per cent figure was set by the Interior Department but the actual discount rate would probably be higher, he said.

Oil industry representatives testified there was no reason any oil would be lost through gas production if sound practices were used in management of the field. They said the optimum production of oil and gas could be established early in the life of the field and that reinjection of the gas could hurt the field in the latter stages of production.

They agreed with Garb that the discount rate would be greater than 10 per cent, probably in the range of 15-20 per cent per year. However, they said they did not know what the break-even wellhead price would be.

TESTIFYING for the oil industry were Kenneth Keep, resident manager of BP; Judd Miller Jr. of Exxon, and Howard Slack, resident manager of ARCO.

The hearings will continue today with state officials expected to testify on economic benefits to the state of production.

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study favors Alaska gas route

By MARK ZANITICH
Washington Correspondent

WASHINGTON — The Interior Department released the Alaska Natural Gas Transportation Systems study mandated in 1973 by the Alaska Pipeline Authorization Act. The study was to be released under terms of the act by Dec. 16, the document was released [illegible] apparently as a result of [illegible] speculation over possible bias in the [illegible] of the study in preparing to [illegible] the Dec. 16 [illegible].

[illegible] of the controversy was the [illegible] in the study which compares the potential for interruption of construction on the two proposed routes.

THE ANALYSIS clearly favors an Alaska liquefied natural gas tanker route over an all pipeline Alaska-Canada route.

In unveiling the study, Assistant Interior Secretary Jack Carlson placed heavy weight on the risk analysis section of the report. When a reporter pressed him on whether the Interior Department favored one route over the other, he insisted "Interior doesn't have a position." Moments later he replied to a follow-up question that the study "speaks for itself." He said "people have to [illegible] their own judgment."

The risk analysis reportedly was challenged by officials at both the State Department and the Federal Energy Administration on the basis that it made too many assumptions and then used those assumptions to justify an Alaska-LNG route.

THE STATE Department, particularly, is understood to have felt that the risk analysis would undercut ongoing negotiations with Canada for a hydrocarbon treaty.

However, the risk analysis also concludes that the Alaska-LNG route would stand more chance of interruption once it was in operation.

"Two tentative conclusions were reached," the study says. "First the . . . Alaska-Canada system would be the more risky to construct and would have the greater potential for schedule slip and cost overrun . . . Second the . . . Alaska-LNG system is more risky to operate, with a greater potential for flow interruption once in operation."

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ADN

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Close Of Deal

ADT

Special to The Times 12/11/75

NEW YORK — Atlantic Richfield Co. has announced the closing of the sale of a $420 million oil and gas production payment to Alasca, Inc., a Delaware non - profit corporation. The announcement said the proceeds are to be received in seven installments through March 1977.

The credit agreement is to finance development of Alaskan natural gas reserves at Prudhoe Bay.

Alasca, Inc. financed the purchase of the production payment with a private placement of $200 million of notes with institutional lenders and the syndication of $220 million of commercial bank loans. First National City Bank of New York acted as a financial adviser in the private placement and as agent and manager in syndicating the commercial bank portion.

Discharge of the production payment will be made out of revenues generated from the sale of production from a 20 per cent portion of Atlantic Richfield's interest in the main Prudhoe Bay field on the North Slope of Alaska and from other properties in Alaska, Texas and offshore Louisiana.

In a separate transaction last March 25, Pacific Lighting Gas Development Co., a subsidiary of Pacific Lighting Corporation, agreed to pay to Atlantic Richfield interest, fees, legal and other costs related to the production payment for the exclusive right to negotiate for the purchase of 60 per cent of Atlantic Richfield's future natural gas production from the main Prudhoe Bay field.

An Atlantic Richfield spokesman said that a major portion of the company's capital commitments, which will total nearly $2 billion in 1975 alone, is dedicated to development of the Prudhoe Bay field in Alaska.

Gravel To Amend Bill On Gas Line Decision

By BETTY MILLS
Times Washington Bureau

WASHINGTON — Sen. Mike Gravel, D-Alaska, plans to amend his legislation mandating an expedited decision in the natural gas pipeline case to give the Federal Power Commission an additional five months to reach a decision.

Gravel decided to make the change following discussions with members of the commission which has set Dec. 1, 1976, as the target date for reaching a decision in the gas line case.

In addition, Gravel has sent a copy of his bill to President Ford.

The Alaskan Democrat said he discussed the legislation with the President when he accompanied Ford to Alaska earlier this month, and the President asked to see the bill.

"In introducing legislation of this type, my hope to add some discipline to the proceedings and prevent any possible slippage in the schedule," Gravel wrote the President. "The commission has agreed that legislation of this type would be helpful to them in attemtping to meet their proposed deadline."

Gravel told the President his bill substitutes congressional review for judicial review of the commission decision.

"A seven-year delay such as we experienced in trying to build the trans-Alaska oil pipeline would be devastating to the nation's efforts to become energy self-sufficient.

"A speedy FPC decision and expeditious implementation of that decision are essential to our efforts in this regard," Gravel wrote Ford.

Gravel also sent the president a copy of a letter he had received from Power Commission Chairman Richard I Dunham, who said a final commission decision by Dec. 1, 1976, is a reasonable target.

Meanwhile, rival legislation sponsored by the Arctic Gas consortium is expected to go into the hopper of the House of Representatives next week.

Rep. Philip Ruppe, R-Mich., said yesterday he intends to introduce the legislation before the Christmas recess. He said he is still talking to other members to gain co-sponsors.

Congress Gets Gas Line Study

(Continued From Page 1)

cost of the two transportation systems.

The cost of the Arctic Gas transportation system, according to the report, is $4.538 billion, whereas the cost of the El Paso project is $3.079 billion.

The department's projections were based on an extensive, year-long analysis of the economic benefits of the gas pipeline proposals, risk studies, national security considerations and international factors.

The 239-page document went to Congress yesterday, several days past its due date.

In releasing the report, Kleppe said, "the important message of this report is that both of the systems studied are technically and economically feasible, subject of course to the environmental considerations revealed by the final environmental impact statement.

Kleppe Delivers Gas Line Study

12/11/75

By THOMAS P. SOUTHWICK
Times Washington Bureau

WASHINGTON — Interior Secretary Thomas S. Kleppe told Congress yesterday that the Arctic Gas proposal for bringing natural gas from the North Slope involves the risk of substantial cost overruns and schedule delays.

In a report submitted to Congress, the department said the possible cost overruns for the Canadian route could range between $1 billion and $3 billion and the schedule delays could be anywhere from one to three years.

In contrast, the department believes the risk of overruns and delays with the competing project, that proposed by the El Paso Natural Gas Co., would be between $500 million and $1.3 billion and between six months and 18 months.

However, the Interior document concludes that the El Paso proposal is more expensive and offers fewer economic benefits to American consumers.

The report said the Canadian line would bring a total of $8.729 billion in national economic benefits to the U.S. The El Paso project would bring a total of $8.281 billion in the national economic benefits.

These figures take into account the benfits to consumers, the goal of achieving energy independence and the

(See Page 2, Col. 2)

Official Predicts Gas Shortages

ADT 12/11/75

WASHINGTON (AP) — Warm autumn weather has provided a respite from a severe natural gas shortage but the potential for serious shortfalls will increase each year as production continues to decline, a federal energy official says.

Natural gas production may be restored to present levels in the 1980s if federal price regulations are removed and if new areas offshore and in Alaska are explored, Deputy Federal Administrator Eric Zausner said.

But "we're in for a couple more years of declining supplies of gas" before that, he told reporters Tuesday.

FEA estimated in 1974 that raising wellhead prices to $2 per thousand cubic feet would not stimulate production any more than a price of 75 cents per thousand cubic feet.

But Zausner said the agency had oversimplified its analysis and FEA now believes that the higher price will be adequate to encourage natural gas discoveries.

Federal agencies had predicted that natural gas supplies this winter would fall 19 per cent below demand, causing fears of industrial closings and layoffs. The eastern states were expected to be the hardest hit.

oderick appointed to state post

k Roderick, former mayor of the rage Borough, has been appoin- eputy commissioner of the state rtment of Natural Resources.

mmissioner Guy Martin announ- e appointment Monday, and said rick is expected to assume his new round the first of the year.

rtin said that present deputy com- oner Bill Fackler will become tive director of the Alaska Royalty d Gas Development Board. He announced the selection of Hope nt David G. Hanson as chief of the -formed Natural Resources Plan- nd Research Section.

DERICK, contacted at home ay, said as far as he's concerned going where the action is."

feel the orderly development of tural resources is really essential state's survival," he said. "I feel the field that is most important to tate, and that I have something to offer."

He said he looks forward to working with Martin, and added that despite the move to Juneau he will not sell his Anchorage home.

Roderick has been in Alaska over 20 years, and has a lengthy and varied experience involving Alaska natural resource issues. He was the founder in 1955 of Alaska Petroleum Publications, and three years later founded Alaska Title Guaranty Company. He also founded and directed firms devoted to oil and gas exploration and investment, and was a co-publisher of Alaska Industry magazine from 1969 to 1972.

EARLIER, he practiced law for several years with present Sen. Ted Stevens, R-Alaska. In 1968 Roderick took a one-year sabbatical leave to direct the Peace Corps in India. Just prior to his election as borough mayor in 1972, he was a government relations advisor to Alyeska Pipeline Service Company.

"I am delighted that Jack will be joining the department," said Martin. "His record of private and public achievement speaks for itself, and his knowledge of key Alaska resource issues will greatly strengthen the state administration during an exciting and important period."

He said Fackler's new duties as director of the royalty board are crucial to the future of the state, adding that the entire board believed he was ideally qualified to take on the job.

HANSON, who has already assumed his new post, holds a bachelor's degree from Pacific Lutheran University and a master's in resource management. For four years he was with the Environmental Protection Agency in Washington.

Martin said the new section will coordinate resource issues within the department and with other state agencies.

Jack Roderick

Stevens Submits Plan For All-Alaska Route

By BETTY MILLS
Times Washington Bureau

WASHINGTON — Sen. Ted Stevens, R-Alaska, threw a new wrinkle into the gas line debate today, submitting legislation to require that the pipeline bring natural gas from the North Slope must be totally under U.S. jurisdiction.

Stevens' legislation would prohibit the Federal Power Commission from issuing a certificate to the Arctic Gas Consortium, which wants to pipe the gas through Canada.

The legislation is a calculated effort to gain the support of Middle West and Northern State senators who previously have opposed the El Paso proposal to bring the gas through Alaska on a route nearly parallel to the oil pipeline.

The legislation includes language requiring the Federal Power Commission to allocate natural gas produced in the Prudhoe Bay area "in such manner as will supply each such region and state with an equal per centum of the per centum decline in natural gas supplies from all sources to such region or state between the calendar year 1973 and the date transmission of Prudhoe Bay gas commences."

The bill mandates that the commission and other governmental agencies can approve "only such application or request which provides for such pipeline to be constructed or otherwise located in its entirety above, on, or under land areas in a state or states of the United States."

In a lengthy Senate floor speech, Stevens said recent development in Canada have convinced him that "it will be a long cold wait if we wait for our Canadian neighbors to act" on the Arctic Gas proposal.

Stevens cited three developments in Canada that persuaded him to introduce the bill:

— The adoption of a resolution by the National Liberal Party calling for the federal government to "Canadianize the industry."

— The likelihood that the settlement of native land claims in Canada is many months away.

— The present challenge by Arctic Gas of the impartiality of Marshall Crowe, the master of the National Energy Board which is hearing the competing Canadian proposals.

"The net impact on me regarding the Canadian attitudes is that we will have nothing but a long cold delay" if the U.S. waits for Canada to make a decision, Stevens said.

"My bill does not say the FPC must approve the El Paso approach," Stevens said. "Congress has the right to tell the FPC it must only consider a pipeline under U.S. jurisdiction."

DAYS TO CHRISTMAS

Gravel sees gas line decision by Dec. of '76

From Our Washington Correspondent

WASHINGTON — Sen. Mike Gravel, D-Alaska, Wednesday advised President Gerald Ford that the chairman of the Federal Power Commission feels a decision on Alaska gas systems competing for certification by the FPC could be made by December 1976. Gravel said he is changing the target date in a bill he introduced to substitute Congressional review of the FPC decision for judicial review to conform with that view.

Gravel, in a letter to Ford, said he introduced his bill in an effort "to add some discipline to the proceedings and pre any possible slippage in schedule."

Gravel's office said his ter, a copy of a letter to Gr from FPC chairman Rich L. L. Dunham and a copy of bill were all sent to Ford response to interest in the s ject shown by the Presid during his recent visit Alaska enroute to Chi Gravel accompanied Ford far as Alaska on the trip.

In his letter, Dunham sa neither application from Paso Alaska Co. nor from Ar tic Gas is yet complete. Th he said, is "one of the problem which complicate th assessment."

State declines ... gas study funds

The Royalty Oil and Gas Development Advisory Board has declined to take action on a private group's offer to contribute $10,000 toward a study of Prudhoe Bay natural gas reserves.

The board, meeting in Juneau this week, reached a consensus that accepting the offer would be a conflict of interest.

The Organization for the Management of Alaska's Resources (OMAR) offered to contribute $10,000 for a study on how the state's royalty gas should be allocated. The group seeks to learn how much of the royalty gas can be used in the state and how much could be sold to companies. OMAR proposed that the board provide $30,000 for the study.

The private group said committing a share of state royalty gas to a company could contribute to a favorable Federal Power Commission decision on routing a proposed natural gas line through Alaska.

The El Paso Alaska Co. and Arctic Gas Co. currently are involved in hearings before the Federal Power Commission (FPC) on a gas line route from Prudhoe Bay. El Paso's proposal calls for an Alaska-Canada route; Arctic's an Alaska-Canada route.

OMAR and others supporting a trans-Alaska route fear the state will lose the line unless it shows a willingness to commit all or part of Alaska's 12½ per cent share of Prudhoe reserves to El Paso.

Martin said the state may in the future do so. But he said a number of questions will need to be answered before making a commitment of any kind for Alaska's royalty gas.

In addition, said Martin, the board in its discussions late Wednesday determined that accepting $10,000 from OMAR for a royalty study would be "clearly a conflict of interest" because OMAR has received donations from El Paso.

Martin said several questions should be answered before any royalty commitment is made.

...Loss Of Gas Line Possible Seen By State

(Continued From Page 1)

The oil company spokesmen challenged an Aerospace Corporation report to the Department of Interior that there could be a loss of 400 million barrels of oil from the Prudhoe Bay field's ultimate production if gas is produced for sale, rather than reinjected.

Testifying for Arco, Howard Stack said with good reservoir management, it is possible that the 400 million barrel estimated "loss" can be reduced to a negligible amount.

And Dr. Kenneth Keep, Alaska manager for BP Alaska, raised the possibility of a loss in oil production if all the gas is reinjected.

However, he, too, said with good reservoir management schemes this loss could be prevented.

Judd Miller Jr., production manager for Exxon USA, testified that optimum recovery from the Prudhoe Bay field is dependent on early gas sales.

"The gas at Prudhoe Bay will ultimately be sold," Miller said. "The question is one of timing. In our opinion, the benefits from an early sale offset possible loss in oil recovery."

Hamilton said their studies show that if gas production at Prudhoe Bay should exceed 2 billion cubic feet a day, oil production drops off drastically. Highest recovery from the field would be 2 million barrels of oil a day if no gas were sold and water were injected, he said. Forrest Gard, president of the H. J. Gruy Co., of Dallas, who made the reservoir study for the Department of the Interior, told the committee that 2.5 billion cubic feet a day would be "otpimum" gas production.

Martin said both El Paso Alaska, proposing a trans-Alaska pipeline, and Arctic Gas, proposing a pipeline through Canada, have estimated their projects would require 3 to 3.5 billion cubic feet a day.

However, this statement was challenged by both companies. El Paso Alaska Vice president John Bennett later said his company has filed with the Federal Power Commission an alterntive to carry 2.5 billion cubic feet a day. And Amos Mathews, executive vice president of Alaskan Arctic Gas, said his company never has said it would require more than 2.25 billion cubic feet of gas per day from Prudhoe Bay, which would be combined with 2.25 billion from Canada's MacKenzie Delta.

Martin also told the committee that the reservoir study "is merely one of the factors" that will be considered by the Federal Power Commission in arriving at a decision to certify either a trans-Alaska or a trans-Canadian pipeline.

The committee gave about 10 minutes each to Bennett and Matthews, at the end of the two-day meeting.

It was the first appearance before the committee for either El Paso, which already has the state legislature's endorsement for its trans-Alaska pipeline proposal, or Arctic Gas.

The committee, seemed to be unclear what its role or its next step should be.

After hearing economist Arlon Tussing expound for 30 minutes on how it is possible Alaska's natural gas could be "valueless" because of the high cost of building any pipeline, Rader asked, "Can we ignore your pessimistic outlook and go ahead and state a preference for one route over another?"

Tussing responded that "As a member of the state's Royalty Gas Development Advisory Board, a quasi-judicial group, I don't want to speak prejudicially about issues before the board." One of those issues obviously is El Paso's proposal to purchase all or part of the state's royalty gas — a commitment El Paso has said is needed to insure that a trans-Alaska route will be selected by the Federal Power Commission.

But, he added, "I don't think it wise to push for one route in spite of what the state receives" for its gas. "I would be conservative about committing the state's royalty gas now. There are so many contingencies." The Royalty Board took that position at its meeting in Juneau this week.

One alternative to a pipeline, which would convert the state's royalty gas to methanol, "is worth looking into," Tussing said, although it is "not in the race." There is no one ready to submit such a proposal to the Federal Power Commission, he pointed out.

Sen. John Huber, D-Fairbanks, frequently mentioned the methanol alterntive during the two days the committee was in session. He said privately that Wentworth Brothers of Cincinnati is investigating the methanol proposal, and he said if Wentworth could obtain the state's 12½ per cent royalty gas, plus uncommitted gas from other Prudhoe Bay owners, it "might be enough to block a Canadian (pipeline) route."

Another proposal, by Westinghouse, would take the methanol out by submarine tanker, Huber said.

In his brief time before the committee, El Paso's Bennett said in the last 30 days, his company has amended its filing to the Federal Power Commission updating its total project cost estimate to $7.8 billion. He said the cost increase is due almost entirely to increases in the cost of materials.

They have modified construction plans for a liquefaction plant, to have it built within five years from the time a permit is issued, he added.

"For the last six weeks," he said, "El Paso has had a team looking at the Alyeska (trans-Alaska oil) pipeline and they have found that 75 per cent of the work pad and the entire haul road could be used for our construction. This moves us into year-round construction, and gives us greater comfort in that five-year time frame."

Bennett said because of new compressor design, they find they can reduce the amount of gas needed to operate the system to 9.6 per cent, "and we can recover an unknown amount of that," as the liquefied gas is regasified.

Tussing had predicted that a "pessimistic" prediction of the cost of transporting Alaska gas is $4 to $5 per thousand cubic feet. Bennett said the president of a gas company supplying gas to Boston told him four days ago that gas there is selling at $5.45 per thousand cubic feet.

"There are 40 million American homes who must use natural gas. It would cost $80 billion to convert them" to another form of fuel," Bennett said.

"There are many complex problems facing us and many obstacles, but the lack of a market for Alaska's gas is not one of them."

Bennett predicted that Mathews would agree with that statement, and he did.

Mathews and Arctic's trans-Canadian pipeline system could be built in roughly the same time frame as El Paso's.

Seen By State

By SUSAN ANDREWS
Times Staff Writer

State officials told a legislative committee yesterday they will block any gas pipeline from the North Slope until they are convinced that gas can be produced without drastically reducing the recovery of oil from the Prudhoe Bay field.

"Haven't we effectively destroyed a pipeline?" committee chairman state Sen. John Rader asked Commissioner of Natural Resources Guy Martin.

Martin replied, "No, only delayed it."

The testimony came yesterday during a two-day meeting the legislature's Gas Pipeline Impact Committee. Wednesday, officials of Atlantic Richfield Co., BP Alaska and Exxon all said they are confident both oil and gas can be produced from the Prudhoe Bay field without a loss in oil production.

They said water will be injected into the field to replace the pressure removed when gas is produced.

But Hoyle Hamilton, chief petroleum engineer for the state division of oil and gas yesterday said they have yet to see proof that sufficient water is available for injection and that the Prudhoe Bay reservoir will absorb the volumes of water that will be needed.

(See Page 3, Col. 3)

Our pipeline posture puzzles U.S.

By Hyman Solomon

WASHINGTON

CANADA IS EMERGING here as the big "X" factor in the multibillion-dollar decision on how to send Alaskan natural gas to southern U.S. markets.

"The central question now is where Canada is going on the question and how fast it will take to get there," one congressional aide in touch with pipeline developments told The Post.

The comment reveals a growing uncertainty, shared by others here, over Ottawa's current attitude toward some form of joint, Canada-U.S. project to transport gas across Canada to the U.S.

The concern has become more important in light of the recent decision by the staff of the U.S. Federal Power Commission to endorse strongly the transCanada Arctic Gas consortium pipeline proposal over two other contenders.

The FPC staff report amounted to a powerful push for the Arctic Gas pipeline, even though there are still several steps and decisions to be made before the U.S. formally adopts a route position late next year.

The feeling here among pipeline-issue watchers, however, is that the U.S. final decision may be determined more by what Canada does in the next several months while pursuing its own pipeline decision.

"Canada is going to have to show that it wants some kind of joint project," one observer said. "If it does that, it may well be a case of the U.S. going along with whichever route Canada chooses."

The FPC staff report lends weight to a growing consensus that, for all practical purposes, the real choice among routes has been narrowed to two. The third, proposed by El Paso Natural Gas Co., Houston, and which involves a combined pipeline-liquified gas tanker routing, is just about dead.

The FPC staff found the El Paso proposal the least attractive of the alternatives from almost every conceivable standpoint — economic, environmental, and risk.

In addition, El Paso must now contend with the indirectly related problem of an Alaskan oil surplus on the U.S. West Coast. There is mounting anger within Congress over what it considers false assurances by the oil industry of the need for Alaskan oil on the West Coast during the time an oil route was being chosen.

U.S. legislators are not likely to forget the oil pipeline when it comes to choosing a gas route, The Post was told.

Congressional observers say the Northwest-Alcan gas pipeline alternative is still very much alive despite the short shrift it received in the FPC staff decision. Alaska, which has been favoring the El Paso route, probably will switch to the Alcan option as a second choice because of its greater contribution to the state's economy.

British Columbia's Bennett government is also reportedly strongly in favor of the Alcan route, which would run parallel to the Alaska Highway and into British Columbia for part of its length. This route is also associated with the Canadian Maple Leaf project being considered as a possible way to tap gas from Canada's Mackenzie Delta.

In its report, the FPC staff said the Alcan and Maple Leaf system combines the Alaskan and Mackenzie Delta reserves "in an enormously inefficient way." The route would involve 1,200 more miles of pipeline than the Arctic Gas proposal.

The FPC staff recommended that one section of the Arctic Gas project, which would run gas to the West Coast, be eliminated as unnecessary and too costly.

Beyond that, however, the report, with little qualification, said the Arctic Gas alternative was "vastly superior" to the other two projects.

The staff argued that the Arctic Gas route would provide the cheapest project both on a capital and unit-cost basis. It suggested that North American and Euro-dollar capital markets could provide the capital funds for the near-$9-billion project.

It is said that since President-elect Jimmy Carter will have to make the final decision on the pipeline route next year, he will not be anxious to make such a major decision if there is any real prospect of it backfiring on him. If the U.S. ends up leaning toward the Arctic Gas route, it will want some strong signals that Canada is not going to desert it once the U.S. is committed.

The Financial Post January 1/77 issue

I Armstrong, secretary of the poration, said Koniag was ocked and dismayed" by the lings of the Rowan Group ort on racial prejudice in chorage. The Rowan Group, ed by attorneys of Kodiak tives charged with fraud in ting up the village of Shuyak, orted earlier this month that would be "very difficult" to her a fair jury to hear the e.

"We are asking that the Chief stice of the United States se an investigation by the stice Department of the leral jury selection system in aska, charging that the present stem of jury selection deprives aska Natives of their human hts and civil liberities."

Armstrong said Koniag has ked for investigations by the stice Department, congressnal judiciary committees, and e judicial committees of the

(Continued on Page 10)

In a conference of elders ...

Susie Stocking, 88, Kobuk, participates in her second Elders Conference at Kotzebue. She and other old timers are contributing many legends and songs of the Eskimo people for the historic record being compiled here. –More photos by Margie Bauman on page 13

that they ... setting up the ... the land claims ...

The ruling ... January 5th hearing at ... attorneys for the defendants argued that the trial should be held outside Alaska. They presented a report by the Rowan Group, Inc., a public opinion survey firm, which indicated that it would be very difficult to have a fair Anchorage trial because a majority of Anchorage residents were found to be biased against Alaska Natives.

Shyuak Village Status

The three defendants were indicted by a federal grand jury ...

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AVCP non-profit corps. to merge this year

Tundra Times January 19, 1977

By MARILYN RICHARDS

If all sails smoothly, five non-profit corporations in the Calista region will incorporate this year to handle their Bureau of Indian Affairs service area.

The five organizations: Yupiktak Bista, Inc.; the Yukon Kuskokwim Health Corporation; Kunam Kitlutsisti; the Association of Village Council Presidents Housing Authority are studying to incorporate under "one umberella" using the village council president name. However they are planning on retaining the other organization's names to identify their departments.

The organizations are now currently funded through state and federal grants to provide health and social services to the 56 villages in the region. Preliminary studies indicate that services will expand into education, housing, and job services.

Last month the executive committees of the organizations adopted a unanimous resolution to work toward the consolidation under "the corporate umbrella of AVCP" said Eddie Hoffman, that president organization's.

"Although these corporations are created or sanctioned by the AVCP, there is very little coordination of administrative and field activities resulting in inefficient utilization of resources available to provide services to the people," said Carl Jack AVCP's executive director.

Both Hoffman and Jack agree that the possible incorporation will be a significant step to fulfill the goals and the implementation of the Indian Self Determination and Education Assistance Act.

Representives of the five organizations met with the representatives of the Tanana Chiefs Conference, Inc., late last week. TCC, the interior based non-profit organization which serves 43 villages, after which the AVCP hopes to pattern themselves. The Tlingit-Haida Council, in Southeast, and the Cook Inlet Native Association are two other primary subcontractors.

"I am sure one corporate umbrella will help us make objective decisions for the benefit of our people in the Bethel area," added Hoffman.

The organizations plan to make further decisions and recommendations at the convention of the AVCP Jan. 26 to 29 in Bethel.

Hearings begin today

Statewide hearings on rates and the unavailability of fire insurance have been shceduled for January 19, 20, 21 and 24 by the Division of Insurance.

(Continued on Page 10)

Natives tur... the land an...

(Editor's Note: Fledgling Native corporations have dabbled in everything from construction to tourism since the passage of the land claims act in 1971. Many however have turned to land and sea, traditional sources of food and shelter, for a new look at an old way of living. In this, the first of two parts, Staff Writer Jeffrey R. Richardson traces the development of Alaska's marine resources.)

By JEFFREY R. RICHARDSON

Politics and economics have a way of spoiling good ideas. One good idea that has been victimized by both is aquaculture. Aquaculture is the artificial production of fish, shellfish and marine plants for human use.

In Alaska, aquaculture is now seeing better days because people are more and more con-

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editorial — Gasline route

After several years of closely observing the debate between Arctic Gas and El Paso about the method of transporting Alaskan gas to the populous urban and suburban regions of America and southern Canada, the Tundra Times is relieved to note the emergence of a third, more viable, alternative in the Northwest – Alcan Pipelines proposal.

(Continued on Page 2)

(Continued from Page 1)

The Alcan proposal has one highly desireable attribute — it does not have any of the lethal and undesireable deficiencies of the Arctic and El Paso proposals.

Let us note the problems plaguing the Arctic route:

(1) It presents a severe challenge to the subsistence lifestyles of Alaskan and Canadian Arctic peoples — What assurance is there that the people of Kaktovik and the Mackenzie delta will be left undisturbed in the pursuit of their subsistence lifestyles? None, that we may observe.

(2) Let us not force the Canadian Native people to settle their aboriginal claims in the same frenzied, develoment-based turmoil in which Alaska Natives were forced to reach a land claims settlement during the 1960's and early 1970's. Before any type of Canadian pipeline system should come under serious consideration, Canadian Native claims should be fairly and thoroughly adjudicated without pressure from too-rapid development. We should know this from the Alaskan experience in resolving Native claims.

(3) Although we often do not lend much credence to the conservationist elements (special interest groups which often have little respect for the Native subsistence lifestyles, nor for the property rights of the original Canadian and Alaska Native landlords), many environmental questtions about the feasibility of building the Arctic system with minimal impact on our Arctic ecosystems have not been adequately satisfied.

(4) Alaskan and Canadian Inupiat Eskimos are dependent upon migratory patterns of caribou for protein and essential nutrients. In spite of many assurances to the contrary in advance of construction of the Alyeska pipeline, Anaktuvik Pass Eskimos report disruptions in migratory patterns of the Porcupine caribou herd. We believe that there may be no guarantees of avoidance of such disruption where non-indigenous technology is massively applied against the arctic ecosystems. There are no such herds of caribou to be impacted by construction along the highway.

The El Paso route, a favorite of many Alaskans, will find it extremely difficult — we believe impossible — to overcome the lethal objections of the conservationist elements, staff recommendations of the Federal Power Commission, and the demands of more populous midwestern and eastern markets. Sound environmental concerns are concentrated about the uncertainty of implementing a technologically unproven gas transmission system involving a pipeline system, gas liquification system and LGN tanker system. The southcentral Alaska terminus proposed by El Paso has been demonstrated to be highly susceptible to earthquake danger. The El Paso system would increase tanker traffic along sealanes and near ports which state and federal officials worry may become cluttered with unsafe vessels.

Regardless of how Alaskans feel about the El Paso route, odds against its selection are tremendous and increasingly stacked against the proposal. The remaining contenders, we believe, will be Arctic and Alcan. The Tundra Times is hopeful that the decision will (1) not infringe upon the subsistence lifestyles of Alaskan and Canadian Native peoples, and allow them to continue to

the government knew all along that the Natives were not given full title of the land, they never will. They the government will get the land back when all the Natives have to pay property tax. Sure they promise the Natives, forty million acres—Ok suppose they do. How in the h— do you Natives think that we will pay property, and if we don't pay taxes on property. We naturally lose all the land to Internal Revenue Service. Only thing we look for is tax free land and free choice of selection of land. This is known as reservation. Naturally we don't want that.

But the point is we have choice of accepting that or be cut off from all federal benefits. Including, and from Bureau of Indian Affairs, always remember that we as Natives, have far less rights as the Blacks or other minority groups.

I am writing at the conclusion of this letter to the Secretary of Interior. Don't worry I will not bring up the issue of reservations in Alaska. Although there is no doubt in my mind that there will eventually be one. Only sad thing about the whole d— set up is that people don't seem to realize the future plans of the Dept. of Interior.

All I could say is more power to those who have their hands in cokkie jar. For tomorrow might be too late.

I have been in this world 53 years, and in last thirty years the Natives, have been permitted into the bars. I remember when I was young. There were signs all along Second Avenue that: No Natives permitted on where any kind of alcoholic beverages is served. There have been many changes these lot of Natives have lost what little pride they had. Look around!

There are too d— many welfare agencies. I see down at the Tanana Chiefs Social Service where young man asking for welfare assistance. And if you ask the young man why he is not working he usually say there is no work. Thats a d— lie. Because at the time pipeline was going full blast. Yet the young man seems to give me positive reason why he's not working. As soon as he gets his check from the agencies. He goes directly to the bar. This type of welfare assistance we could do without?

Well so much for this and that I will close with this little

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It is with dismay that

Book

By W

A Small History of the
Adams Press, Chicago, Il

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In our view, the best way to go is the Alcan route.

—T. R. j.

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Well so much for this and that. I will close with this little phrase: Be thankful you have seen the Sun rise today. For tomorrow there might not be no Sun for all of us.

Signed

Gilford

Kuskokwim [illegible] representatives were selected at public meetings within the villages represented by the specific fisheries organization. These individuals were selected because the villagers believed the individual selected to be most qualified and willing to represent the village on fish and game matters. Through this constant attention to fish and game these groups decided that they were capable of participating in the states fish and game advisory board system. You are well aware that the system designed to allow rural peoples to participate in the Boards of fish and game decision making has never worked in Rural Alaska.

It is with dismay that I am

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By Wall

A Small History of the Western
Adams Press, Chicago, Illinois

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1/14/77

Southeast Alaska Empi

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Two developments prompted the AII decision to support the Northwest's proposal — The Federal Power Commission staff report supporting the trans-Canada route proposed by Arctic Gas Co., and the position taken by the State of California and its Utility Commission before the FPC in support of that route across the Arctic National Wildlife Range.

Bergt said the FPC is the arena for a decision on the route and its influence must be considered.

"Without predicting what the FPC will do, there is enough support in the lower 48 and evidentiary support before the Federal Power Commission to certify the trans-Canada route." he said.

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"The Alcan route is a good alternative for Alaska. It is a compromise. It is not an all or nothing gambit."

Bergt said the Alcan highway route would satisfy many of the state's interests and many lower 48 interests.

Meanwhile, Lt. Gov. Lowell Thomas, Jr., Thursday told the Organization for Management of Alaska's Resources (OMAR) he is totally dedicated to a trans-Alaska natural gas route from Prudhoe Bay to a Gulf of Alaska port.

The state has come out in support of the El Paso proposal, and the legislature is to consider contracts proposed by the administration with three firms for Alaska's one-eighth royalty share of Prudhoe Bay gas.

Thomas said he has been traveling in the lower 48 speaking on behalf of such a route, adding complications involved in constructing a gas line through Canada should rule out U.S. support for that route.

New Alaskan Pipeline Proposed

UNITED Feature Syndicate

By JACK ANDERSON

WASHINGTON -- From the Rockies to the Atlantic, the eastern two-thirds of the nation has been gripped by one of the coldest winters in history. Temperatures in Texas plunged to the lowest since 1895; ice threatened shipping on the Ohio and Mississippi; many communities ran short of salt for clearing the roads. In Cameron, Wis., the thermometers registered a frigid 60 degrees below zero.

The weather has aggravated the natural gas shortage. With schools closing and customers shivering for lack of fuel, the natural gas industry is pressing for construction of another Alaskan pipeline to bring gas from the far north to the lower 48 states. Eventually, this could double the amount of gas available to consumers.

Two companies, Arctic Gas and Northwest Pipeline, have offered separate plans to build pipelines across Alaska and down through Canada to the gas-starved Midwest. These pipelines would run 2,400 miles -- three times the length of the problem-plagued Alaskan oil pipeline.

El Paso Natural Gas Company, on the other hand, wants to construct the gas pipeline along the same route as the oil pipeline. This would make use of the abandoned construction camps after the oil line is finished. It would also revive the boom in Alaska and keep the cash registers ringing.

But the gas would be delivered not to the Midwest but to the south Alaskan port of Valdez. Then El Paso would liquefy the gas, pipe it aboard huge tankers, navigate the treacherous coastal waters and deliver it on the West Coast, thousands of miles away from where it is most needed. The entire gas flow in the United States, therefore, would have to be rerouted.

By Act of Congress, President Carter must decide which pipeline proposal to recommend to Congress by July 1. It will be a $12 billion decision, which will affect the prosperity of Alaska, the profits of rival gas consortiums and the welfare of millions of Americans.

With such high stakes, the politicians have been maneuvering and manipulating behind the scenes. Alaskan state officials, for example, added a political caveat to its offer of future gas; the sale would be linked to political support of the El Paso pipeline plan.

Southern Natural Gas, which distributes gas throughout the southeastern United States, readily accepted the deal. Peter Smith, the company president, assured state officials in unreported testimony that his lobbyists would push the all-Alaskan pipeline.

Pointing to President Carter's hometown on a map of the United States, Smith declared meaningfully: "That little dot represents the community of Plains, Georgia ... It is very close to the South Georgia Natural Gas Company, which is a wholly owned subsidiary of Southern Natural Gas."

Smith assured the Alaskan officials that "we have done this kind of political effort in the past, and we know how to do it. We can do it again. We're going to do it again. We will exert every influence we possibly can."

Citing the company's past lobbying achievements, Smith boasted: "I think the major significance of what we did was the actions that we took with our ccongresssonal delegations -- our senators and our representatives from the South and also the governors in the South, including one who lives in that place where the blue dot is on the map."

Of course, he confided, "we did have to grease the skids to get the support we needed." We called Smith for his comment; he denied this was a reference to political contributions.

President Carter must decide not only which pipeline to support but whether to hit up the taxpayers for part of the cost. In a memo for the eyes only of the new president and his top advisers, the Treasury Dept. has recommended "private financing." The memo explains that the "technological uncertainties" and the "sheer massiveness" of the pipeline project have caused some advocates to plead for "financial assistance in the form of loan guarantees by the federal government."

But the Treasury contends that "the project's risks should not be borne by the general taxpayers but should be shared between the three parties benefiting directly from the construction of the project, namely, the owners of Alaskan gas, the owners of the transportation system and gas consumers."

The memo adds that the Treasury "believes the potential beneficiaries have the capacity to finance the project." But El Paso has cited the financial obstacle as another reason for keeping the pipeline out of Canada. This not only would eliminate the need for delicate negotiations with the Canadians, but the company also claims it could finance the project without federal assistance by charging its customers an extra tariff.

The liquefication process is also costly and inefficient. Up to 6 per cent of the gas is lost as it is transformed into liquid and back again into gas. The environmental safety of the liquefication plants is also uncertain.

Meanwhile, skeptics still question whether the natural gas shortage is real or contrived. A House subcommittee, for example, uncovered evidence that precious gas was intentionally held off the market last winter, presumably to create public pressure for deregulation of natural gas prices. Congress, accordingly, voted down legislation to remove price controls.

But the federal government echoed the industry's line that the free market should determine the supply, demand and price of natural gas. This would stimulate exploration, increase production and reduce demand, it is argued.

The Federal Power Commission, therefore, granted price rises for "new" natural gas, and the outgoing Ford administration advocated complete deregulation. But now it is up to the Carter administration to decide how to combat future cold spells.

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Neil Bergt, President of Alaska International Industries of Fairbanks, said today that his company will support the Alcan Highway gas pipeline route as proposed by Northwest Pipeline Company.

Two significant developments prompted his decision, Bergt said. One was the Federal Power Commission Staff report which argues strongly for the Arctic Gas Company's trans-Canada route. The other development is the official position taken by the State of California and their Utility Commission before the FPC which also favored the trans-Canada route. He pointed out that the California position is important because they would have subsequent control of terminal siting for the tanker segment of the El Paso route.

"The decision making arena is the Federal Power Commission," Bergt said. "Although an all-Alaska route is preferable to us (Alaskans)," Bergt said, "there are too many other national and regional interests involved. Insistence on the all-Alaska route is an all or nothing gambit for Alaska. The Alcan Highway route satisfies many of Alaska's interests and many lower 48 interests. Without predicting what the FPC will do, there is enough support in the lower 48 and evidentiary support before the Federal Power Commission to certify the trans-Canada route.

"The Alcan route is a good alternative for Alaska," he said. "It is a compromise. It is not an all or nothing gambit. It remains to be seen whether public policies can adapt to new developments on a timely basis. Somebody has to speak up first, though, and that is why Alaska International is taking this position now for the Alcan Highway route."

From: Alaska International Industries

Contact: Marco Pennyalberry
452-7171

Note: This column appeared in the Southeast Alaska Empire on 1/24/77. During typesetting, however, four crucial paragraphs were left out. The following two pages contain the original newspaper copy, with missing paragraphs circled.

S.E. Alaska Empire 1/24/77

Jack Anderson With Les Whitten

Energy

WASHINGTON—From the Rockies to the Atlantic, the eastern two-thirds of the nation has been gripped by one of the coldest winters in history. Temperatures in Texas plunged to the lowest since 1895; ice threatened shipping on the Ohio and Mississippi; many communities ran short of salt for clearing the roads. In Cameron, Wis., the thermometers registered a frigid 60 degrees below zero.

The weather has aggravated the natural gas shortage. With schools closing and customers shivering for lack of fuel, the natural gas industry is pressing for construction of another Alaskan pipeline to bring gas from the far north to the lower 48 states. Eventually, this could double the amount of gas available to consumers.

Two companies, Arctic Gas and Northwest Pipeline, have offered separate plans to build pipelines across Alaska and down through Canada to the gas-starved Midwest. These pipelines would run 2,400 miles—three times the length of the problem-plagued Alaskan oil pipeline.

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Southern Natural Gas, which distributes gas throughout the southeastern United States, readily accepted the deal. Peter Smith, the company president, assured state officials in unreported testimony that his lobbyists would push the all-Alaskan pipeline.

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Southern Natural Gas, which distributes gas throughout the southeastern United States, readily accepted the deal. Peter Smith, the company president, assured state officials in unreported testimony that his lobbyists would push the all-Alaskan pipeline.

Pointing to President Carter's hometown on a map of the United States, Smith declared meaningfully: "That little dot represents the community of Plains, Georgia ... It is very close to the South Georgia Natural Gas Company, which is a wholly owned subsidiary of Southern Natural Gas."

Smith assured the Alaskan officials that "we have done this kind of political effort in the past, and we know how to do it. We can do it again. We're going to do it again. We will exert every influence we possibly can."

Citing the company's past lobbying achievements, Smith boasted: "I think the major significance of what we did was the actions that we took with our ccongresssonal delegations -- our senators and our representatives from the South and also the governors in the South, including one who lives in that place where the blue dot is on the map. They were extremely helpful and of significant assistance to us."

Of course, he confided, "we did have to grease the skids to get the support we needed." We called Smith for his comment; he denied this was a reference to political contributions.

President Carter must decide not only which pipeline to support but whether to hit up the taxpayers for part of the cost. In a memo for the eyes only of the new president and his top advisers, the Treasury Dept. has recommended "private financing." The memo explains that the "technological uncertainties" and the "sheer massiveness" of the pipeline project have caused some advocates to plead for "financial assistance in the form of loan guarantees by the federal government."

But the Treasury contends that "the project's risks should not be borne by the general taxpayers but should be shared between the three parties benefiting directly from the construction of the project, namely, the owners of Alaskan gas, the owners of the transportation system and gas consumers."

The memo adds that the Treasury "believes the potential beneficiaries have the capacity to finance the project." But El Paso has cited the financial obstacle as another reason for keeping the pipeline out of Canada. This not only would eliminate the need for delicate negotiations with the Canadians, but the company also claims it could finance the project without federal assistance by charging its customers an extra tariff.

The liquefication process is also costly and inefficient. Up to 6 per cent of the gas is lost as it is transformed into liquid and back again into gas. The environmental safety of the liquefication plants is also uncertain.

Meanwhile, skeptics still question whether the natural gas shortage is real or contrived. A House subcommittee, for example, uncovered evidence that precious gas was intentionally held off the market last winter, presumably to create public pressure for deregulation of natural gas prices. Congress, accordingly, voted down legislation to remove price controls.

But the federal government echoed the industry's line that the free market should determine the supply, demand and price of natural gas. This would stimulate exploration, increase production and reduce demand, it is argued.

The Federal Power Commission, therefore, granted price rises for "new" natural gas, and the outgoing Ford administration advocated complete deregulation. But now it is up to the Carter administration to decide how to combat future cold spells.

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ALASKA FORUM

Why the second choice is a loser

By A.C. SWALLING

I appreciate being invited to express in this newspaper my views on a matter so vital to the economic health of Alaska, both near - term and for the future. I refer to the natural gas transportation system to bring North Slope natural gas to the south 48.

First, a bit of background. As chairman of the North Commission, established in 1967 by the Alaska Legislature, I was privileged to participate in the various studies carried on by that body. The members of the commission felt very strongly that the proposed oil line should be entirely under American control and so advocated.

THEY ALSO ADVANCED the concept that the natural gas pipeline should generally use the same corridor, terminating within Alaska at tidewater, with liquifaction facilities so sited that LNG could be "made available for transport by rail, truck, ship, or barge to remote villages and towns to bring total energy benefits of Alaska's resources within reach of all its citizens." Such a proposal would make possible the transportation of gas (surplus to Alaska's needs) to the Lower 48 by LNG carrier.

Some in the petroleum industry expressed opposition to a combination pipeline - LNG carrier system to transport North Slope natural gas to the southern markets. Arctic Gas is evidence of their opposition, but the commission persisted in its efforts to interest companies to analyze such a combination transport system.

Of all the companies approached only El Paso Natural Gas Co. evidenced interest. After many months of preliminary study, El Paso announced on Dec. 4, 1972, that they would file to develop and build such a system with a regasification facility on the West Coast and a tie in to the transcontinental pipelines, thereby making gas available to virtually any part of the Lower 48.

THE PROJECT was explained to Alaskans and overwhelmingly endorsed throughout the state. It was endorsed by the former and present governors, as well as the Eighth and Ninth Legislatures.

The filings of El Paso's Alaska project has been detailed and exhaustive. The statements, calculations, estimates, and computations of benefits to Alaska and the nation have withstood the cross examination by Arctic Gas and Alcan representatives as well as questions posed by the administrative law judge of the Federal Power Commission. Such is not the case of the Alcan's presentation whose interest in a competitive route did not surface until recently.

Too often lately we have heard certain media representatives and government officials suggest that because of the considerable momentum that Arctic Gas seems to have, Alaska may have to fall back and support the Alcan proposal as a "compromise" position in the natural gas pipeline controversy. Of course, this incredible idea presumes that the trans - Alaska route is doomed to failure, and Alaska must therefore settle for second best. Well, in my book, second best is a loser; and Alaska should not have to compromise on any issue involving its own interests or its natural resources. Furthermore, the project which will best benefit Alaska in this particular case also provides the greatest advantages to the nation as a whole.

A.C. "Al" Swalling is chairman of the board of the Alaska Bank of Commerce and president of Swalling Construction.

THE TRANS-ALASKA project as sponsored by El Paso will provide many opportunities for Alaska that Alcan simply cannot meet. The comparable advantages and benefits are twice as great with the trans - Alaska route than with Alcan. For example, information available for each project shows that ad valorem and income taxes will be $2.8 billion for trans - Alaska versus just $1.3 billion for Alcan. The difference incidently would be enough to build the Susitna Dam or pay for the capital move. Direct employment during the construction of the project will be 22,000 for Alaska and 15,000 for Alcan. Long - term employment after construction will be 600 for Alaska and 100 for Alcan.

By far the greatest advantage of the all - Alaskan route relates to its terminating at an ice - free tidewater site near Cordova. If Alaska is ever to have a chance to promote the construction of a petrochemical industry, it will be with the El Paso project. The natural gas and the even more valuable natural gas liquids (LPG's) must be delivered to a year - round shipping port to allow marine transportation of the product. Furthermore, Alaska is naturally at such a severe economic geographical disadvantage, that a difference of just a few cents per million - BTU in the cost of pipelining the feedstocks to the plant site, could make or break our ability to compete in a world petrochemical market.

Some would neatly do away with this critical factor by suggesting that a lateral could be constructed from the Alcan pipeline to Prince William Sound. Let's look at this idea more closely. Assuming that both El Paso and Alcan will transport initial volumes from Prudhoe Bay of 2.4 billion cubic feet daily, the state's royalty share would amount to 12½ per cent, or 300 million cubic feet. El Paso's FPC application shows that its pipeline will be 810 miles long and have a yearly operating cost of $503 million. This means that it will cost 51 cents per million BTU to transport gas from the North Slope to Cordova.

THE FPC EXHIBITS for the Alcan pipeline indicate that it will be 730 miles long and have an annual operating cost of $330 million, which translates to 62 cents per million BTU to the Yukon Border. But we must back up to Delta Junction, which would be the point of departure of the new lateral going to Cordova. The transportation cost to Delta Junction via the Alcan line (544 miles) would be 40 cents per million BTU. Then, the new lateral must be built — by someone — to haul the state's 300 million cubic feet of royalty gas southward. It would be 265 miles long and 24 inches in diameter, and would cost approximately $234 million. With annual operating costs of $49 million, the transportation cost between Delta Junction and Cordova would be another 40 cents.

This, the difference between the El Paso cost of service (51 cents) and the Alcan - new lateral cost of service (80 cents) would be 29 cents per million BTU. Delivering 300 million cubic feet of royalty gas each day, the annual savings which would result from the El Paso line for the potential petrochemical customer near Cordova, would amount to $35.9 million. In the highly competitive world of the petrochemical industry, a saving of that magnitude would be a considerable incentive to locate in Alaska. We also hear the suggestion that a lateral could be built from the Alcan line to Haines. This arrangement would produce a transportation cost of $1.27 per million BTU — considerably less attractive than even the lateral to Cordova.

We must be careful not to treat too lightly the problem of who would build either one of these laterals from the Alcan pipeline. Despite Alcan's representations, we have no real indication that that company would build them. Petrochemical companies are not in the pipeline business, so we shouldn't expect them to build the laterals. It might be possible to expect a new, private company to build them, but we have seen no sign of this happening yet. And finally, I suppose the state could get into the pipeline business, although I would suggest that we could make better use of our tax monies — the Permanent Fund included.

BECAUSE THE EL PASO pipeline, taking advantage of technological advances, will operate at a higher pressure than Alcan (1670 psi vs 1250 psi), it will be a more efficient system and would provide cheaper transportation to any point along its route. If 30 million cubic feet per day were delivered to Fairbanks, I am told that the transport cost would be 33 cents per million BTU for Alcan and 26 cents per million BTU for El Paso, providing approximately $1 million in annual savings for the Fairbanks consumers with the all - Alaska pipeline. I understand that these figures do not include the cost of fuel, and if fuel costs were added, Alaskan natural gas customers would realize even greater savings with El Paso's project. Looking again at the FPC filings, we can see that within Alaska, Alcan requires 15 compressor stations consuming 80 million cubic feet of fuel each day, while El Paso needs just 10 stations consuming less than 46 million cubic feet of gas for fuel each day, thereby, effecting a very substantial saving of this valuable non - renewable resource.

The transportation advantage of the trans - Alaskan - LNG proposal extends beyond those communities along the pipeline itself. If for some reason communities in Southeast Alaska decide that they want North Slope natural gas, it could be delivered by barge in the form of LNG. Here once again, the economies of scale inherent in the El Paso project would result in a far lower transportation cost than Alcan could provide, by, in some cases, more than $2 per million BTU.

It can be fairly stated that the trans - Alaskan route can offer Alaska everything that the Alcan route could, and more. Conversely, the Alcan route can show no advantage over El Paso, economically or otherwise.

UP TO THIS POINT I have only reflected on the benefits to Alaskans under the all - Alaska route. Let us add to those the national interests to be served through the balance of foreign payments, the construction of 11 LNG carriers in United States shipyards, the procurement of 1,500,000 tons of domestic pipe and fittings, as well as the manning of the carriers with American seamen.

Speaking for myself, I have never retreated from the conclusions of the North Commission, that the only logical transport system for natural gas from the North Slope to market, is one that is totally under the American Flag.

Returning then to the original problem, we Alaskans simply cannot look upon Alcan as a "good second choice." It is in fact little better than Arctic Gas — which is no good at all for Alaska.

As the FPC staff position paper recently said, "Alcan is just a relocated Arctic Gas Project." Staff also strongly criticized Alcan's concept, costs and schedule as being unrealistic and undefensible. In other words, in my opinion, Alcan simply hasn't shown anyone that they know how to put together a major transportation project.

It should now be clear to all Alaskans that our real competition is Arctic Gas. And when we call Alcan a "good second choice," we are diluting our support for the trans - Alaska route. The end result will be that we'll get Arctic Gas approved — and we'll deserve it!

Gas Line Fight Gathers Steam

By BETTY MILLS
Washington Bureau

WASHINGTON — The natural gas pipeline battle is shaping up in Congress and early indications are that the fight may be as heated as the oil line battle of several years ago.

Introduction of legislation mandating the Arctic Gas route through Canada, sponsored by one-quarter of the 100-man Senate, is a serious setback for the pro-Alaskan gas line forces.

But the legislation may have a salutory effect for those

Times Analysis

promoting the Alaskan route if it serves to squelch the overconfidence many of them have been feeling.

The all-Alaskan proposal appears to be in good shape. The Canadian alternative has many problems which add up to one conclusion: that the line may take considerably longer to bring precious natural gas to Lower 48 markets. Delay is a key factor, and El Paso seems to have the edge in that regard.

In addition, the support by environmentalists for a line which parallels the oil utility corridor is a big boost for El Paso.

But is El Paso has won a few skirmishes, the battle is far from over.

Many observers of the gas line fight have believed from the start that Congress will be the arena in which the route will be decided.

Alaskan Senators Ted Stevens and Mike Gravel have introduced separate pieces of legislation that would have the effect of mandating the all-Alaskan route. Rep. Don Young is preparing legislation — which he hopes to offer this spring—that would combine several features in the gas line issue, including the thorny problem of dealing with the state's royalty gas.

Stevens made a concerted effort to woo the support of midwestern and northern senators to his bill, carrying out extensive negotiations with Sen. Walter "Fritz" Mondale of Minnesota. But these fragile discussions fell through, much to the disappointment of Stevens.

Via a "Dear Colleague" letter sent around to all members of the Senate, Mondale was able to win 25 cosponsors when he put the bill in the hopper on Feb. 6.

Many senators respond to a "Dear Colleague" letter by signing onto a piece of legislation that they may not understand fully. One of the senators who cosponsored the Mondale bill, in fact, earlier had joined in Gravel's legislation (to mandate a gas line decision by mid-1976).

So the fact that Mondale now has a quarter of the Senate behind him does not mean that measure of support will stay with him throughout Congressional consideration.

Alaska's representatives in Congress can now be expected to launch their own offensive in favor of the all-Alaskan line.

When Stevens got wind that Mondale was about to offer his bill, he mobilized his staff to issue a response. In a statement inserted in the Congressional Record the day Mondale introduced his bill, Stevens said:

"Many Canadians believe that an all Canadian line is preferable to a joint Canadian-U.S. route from the perspective of financing, environmental quality, costs to Canadian consumers and Canada's desire to maintain Canadian control over Canadian resources.

"Even if the Canadians supported a trans-Canada pipeline, which is, as I have pointed out, highly questionable, a trans-Canada pipeline could not be of benefit to the U.S. because it simply could not be built in the time frame necessary to allow the delivery of Alaska's gas to any markets in the U.S. — whether it be the North, South, East, West, or even the Midwest," Stevens said.

The Alaskan Republican said the trans-Alaskan line can be built at least two years earlier than the trans-Canadian alternative.

The bills offered by Mondale, Stevens and Gravel will likely be a prime focus of discussion next Tuesday as the Senate Interior and Commerce Committees hold a joint hearing on the gas line issue. Although billed as a preliminary oversight hearing, the legislation is sure to be mentioned. Guy Mertin, commissioner of natural resources, will present the state position.

Meanwhile, on another front, the state made an impressive display this past week at the Federal Power Commission administrative hearing on the two competing gas line proposals.

From Jay Hammond through Martin, the state presented a forceful case for a gas line through the 49th state.

Anchorage Times 2/15/76

...mounds of ice form at the base of the cataract. The picturesque scene is a ... still trying to dig itself out from ... intense snow storm that struck last weekend. (AP Wirephoto)

Federal grand jury, IRS probe Tenneco's conduct

By ERIN VAN BRONKHORST
News-Miner Bureau

JUNEAU—Federal grand juries are probing Tenneco's conduct in three cities, and an Internal Revenue Service investigation of the company is continuing, a spokesman for the company said Tuesday.

Tenneco Vice President Robert Thomas made a short statement about the investigations to the joint legislative hearings on the proposed royalty gas sale. Tenneco has signed a tentative contract to purchase half of the state's royalty gas, and the deal must be approved by the Legislature.

News articles published in the Fairbanks Daily News-Miner in December pointed out that Tenneco had made a number of contributions to state and local officials in the Lower 48 over the past five years. Some of the contributions were legal and at least one case was possibly illegal. The articles were based on reports Tenneco filed with the Securities and Exchange Commission.

The federal grand juries are doing separate investigations in Milwaukee, New Orleans, and Washington, D.C., Thomas told the legislators.

The IRS investigation started in early 1976 and is still continuing, he said, adding that the company has supplied "voluminous documentation" and allowed many employes to be interviewed.

Several stockholders' lawsuits also were filed in connection with the contributions. Thomas said the federal suits have been consolidated for handling in Texas and no trial date has been set there. The suits filed in the state courts are being held up pending resolution in the federal courts, he said.

He emphasized that the company now has "detailed procedures for compliance with ethical policy" and that its internal investigation has been closed.

Thomas had a copy of the six-page report the company had filed with the SEC but he did not have copies for the legislators. Senate committee Chairman John Rader said copies will be made for them.

None of the legislators' questions during Thomas's three hours of testimony dealt directly with the investigations.

Sen. Chancy Croft, D-Anchorage, asked if there were limits to the political activity Tenneco might engage in to support the trans-Alaska gas line. That political support is a key reason for the sale.

"Whatever legal limitations there are in state or federal law are implied in the contract. That is a general principle of contract law," Thomas said.

Tenneco employes already have met with representativs from the other two royalty gas buyer companies to map a

(See TENNECO, page A-3)

Inside

MUCH OF THE NATION is frozen to a standstill by snow and ice, but that didn't stop the groundhog from predicting more harsh weather ahead. Page 9

TREASURY SECRETARY W. Michael Blumenthal tells Congress that President Carter's tax rebate plan is the fastest way to help the nation's economy. Page 9.

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SNOW

Army Engineers battalion from North Carolina and more than two dozen pieces of snow-fighting equipment arrived in Buffalo, N.Y., to help National Guardsmen clear the city after a blizzard that so far has cost the area an estimated $60 million.

The National Weather Service predicted temperatures up to 30 degrees today in Buffalo, no significant snow and winds easing to 12- to 25-miles

Alaska natural gas may be sent to stricken areas

WASHINGTON (AP)—A Liberian-flag vessel may make two trips to bring liquefied natural gas from Alaska to Everett, Mass., to help cope with the nation's energy problems, Treasury Secretary W. Michael Blumenthal said today.

Blumenthal granted a limited waiver of the Jones Act, which prohibits U.S. coastal trading by non-U.S. vessels, to make the shipments possible.

The ship, the Kenai Multina, will be able to make two voyages from Alaska to Massachusetts via the Panama Canal. It will be able to deliver about 700 million cubic feet of liquid natural gas on each voyage.

The waiver of the Jones Act will terminate on May 10 of this year. Treasury said the company handling the transaction, the Columbia Gas System Service Corp. of Wilmington, Del., requested a one-year waiver for six trips.

The announcement said that no U.S.-flag liquid natural gas carrier capable of transiting the Panama Canal was available.

Income tax: part III

You don't like it? Tr

EDITOR'S NOTE: Following is the third in a series of five articles entitled "Coping With Your Income Tax." They were written to help taxpayers prepare their 1976 tax returns.

By JIM LUTHER
Associated Press Writer

WASHINGTON (AP)—Filing a federal income tax return is not one of the more popular forms of amusement.

But many persons who don't have to file might find it profitable to do so.

Heading such a list are teenagers, part-time workers and poor working families. A family, while not liable for any taxes, could qualify for a government check of up to $400.

Generally, anyone—regardless of age—who earned $5,100 or more in 1976 must file a return. But in some cases, a return is required if income totaled as much as $750.

You must file a return if you are:

• Single, under 65 and grossed at least $2,450 in 1976. If you are 65 or older, the figure rises to $3,200.

• Married, under 65, filing a joint return and had income of at least $3,600. If you are 65 or older, the figure is $4,350. If both you and your spouse are 65 or older, you must file if income totaled $5,100 or more.

• Eligible to be claimed as a dependent by a parent, have taxable dividends or interest and had total income of $750 or more.

But even if you don't have to file a return, it could be to your advantage to do so.

For example, if you are single, 20 years old and earned $2,000 last year in a part-time job, taxes should have been withheld from your wages. You can get back all that federal income tax by filing a return.

Again this year there is a special tax

TENNECO . . .

(Continued from page A-1)

strategy, Thomas said, but he stopped short of calling the group an official committee.

Croft asked if state officials had requested Tenneco keep records of the amounts it spent on political activity and Thomas said they had not.

Croft also asked how much money Tenneco had spent lobbying the Alaska Legislature for approval of the contract. Thomas said he did not know but he would obtain the figure if necessary.

The Tenneco report to the SEC listed a number of contributions, including:

- From 1970 until August, 1972, cash amounts ranging from $200 to $2,000 were given by the president of a Tenneco subsidiary (Midwestern Gas Transmission Co.) to state public utility commission chairmen in Indiana, Illinois, Kentucky and Wisconsin.

- In 1972, contributions of $1,000 each were made by a subsidiary, Tenneco Oil Co., to two Louisiana district judges and a Louisiana district attorney who were running for re-election, all in the same parish. The payments were made in cash from the subsidiary's working account by an employe, according to the report, and were approved by senior management of the subsidiary. The contributions violated the then-existing Louisiana prohibition against corporate campaign contributions, according to the report.

- Campaign contributions from Jan. 1, 1970, through Dec. 1, 1975, by three Tenneco subsidiaries in California elections totalling about $180,000. These contributions were legal under California law, according to the report.

- Starting in 1966 or 1967, many high-level executives made annual cash contributions of $2,000 each to a fund to be used for political contributions. The fund did not exceed $40,000 in any one year, and was discontinued after 1973, the report said.

Under federal law, the fund was legal if it was voluntary, and "Most participants would probably state that their contributions were made voluntarily," the report said, concluding that the fund did not violate federal law.

The stockholders' suits seek to enjoin Tenneco officials from continuing the alleged unlawful diversion of the company's assets and also seek damages for alleged violations of federal securities laws, waste of corporate asset, violation of judiciary duties and maintenance of false books and records.

'Lord of Rings' will be animated

LOS ANGELES (AP)—An animated motion picture will be made from the classic "Lord of the Rings" by J. R. R. Tolkien, the first from the late author's works.

Ralph Bakshi will direct the movie using international artists and will introduce new animation techniques, said producer Saul Zaentz, who was coproducer of "One Flew Over the Cuckoo's Nest."

'Heroes' reunites Yale drama grads

LOS ANGELES (AP)—Talia Shire will star with Henry Winkler in the movie "Heroes," which takes place on a crosscountry trip.

The movie will be a reunion for Shire, most recently seen in "Rocky," and Winkler, who is Fonzie on telvision's "Happy Days." They were classmates at the Yale School of Drama.

Production will begin in late February, after Shire finishes the television movie "Kill Me If You Can." She plays a young woman who backs out of a wedding and meets a colorful Vietnam veteran on the trip.

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CLAUDINE LONGET
'Think Of My Children

way to ... this ...

Any heavy tampering with the legislation "would almost certainly assure there could be no bill passed," Senate Majority Leader Robert Byrd, D-W.Va., warned over the weekend.

The bill would enable Carter to order gas transferred from one pipeline company to another to get it to areas hardest hit by the current spell of abnormally cold weather.

Carter's proposal also would free some gas from federal price controls through July 31.

Congressional leaders say final action should come by the end of the week.

Carter flew by helicopter to Pittsburgh on Sunday, saying he wanted a first-hand look at the impact the weather is having on employment.

Arctic temperatures that swept across the eastern half of the nation on Friday put more than 1.5 million

Carter's ... legislation, goes back to work on the bill today after opening debate Friday. Attempts to amend the legislation may produce a "free-for-all on the floor," one Senate aide said.

Although a vote in the Senate was possible by late today, leaders said a vote was more likely Tuesday.

In the House, a "markup" session on the legislation was scheduled for today by the House Commerce Committee to ready the bill for anticipated action Tuesday.

Congressional leaders have urged members to restrain from offering amendments. But a number were expected to be tried nonetheless.

One amendment, offered by Sen. Bennett Johnston, D-La., and backed by most senators from gas-producing states, would eliminate the bill's authorization for the President to order connections between interstate and intrastate pipelines.

Boucher: Keep Options Open

By SUSAN ANDREWS
Times Staff Writer

Former Lt. Gov. H. A. "Red" Boucher will urge the state legislature this week not to approve pending contracts for sale of the state's royalty share of Prudhoe Bay natural gas. He maintains that the state should keep its options open.

The legislature has set hearings for today through Wednesday on contracts to commit 2.6 trillion cubic feet of natural gas in return for political support for the all-Alaska pipeline route proposed by El Paso. The contracts, which were months in negotiation, have the approval of Gov. Jay Hammond and the state's Royalty Oil and Gas Development Advisory Board but must be okayed by the legislature before going into effect.

Boucher will testify tomorrow.

"I'm opposed to committing resources for political purposes," said Boucher, who is a Democratic candidate for governor in 1978. He said the contracts will give Tenneco, El Paso and Southern Natural Gas options on a resource worth $4 billion.

A year and a half ago, Boucher said El Paso's sea route had distinct advantages. Now he says it faces problems, such as where to land the gas.

"Now we have a land route (the Alcan proposal) and a sea route," he said. "The Alcan proposal has numerous problems, too," such as unanswered questions regarding the Canadian provinces' ability to tax and the impending native land claims.

Boucher is not convinced that the El Paso all-Alaska pipeline project is the best economically for the state. He has a copy of a letter from a state official to Northwest Energy Co., the firm proposing a competing Alcan Pipeline down the Alaska Highway, which says that under certain

(See Page 2, Col. 1)

A Times 1/31/77

Boucher Wants Gas Contracts Nixed

(Continued From Page 1)

circumstances the Alcan project could bring a greater financial return to the state.

Boucher obtained the letter from Northwest officials. But he denies that he is on Northwest's payroll or anyone's payroll who has a direct connection to any of the three pipeline routes.

In business as a consultant since leaving state government, Boucher said his clients include Modern Construction, whose chief interests at the moment are possible shopping centers in Anchorage and Fairbanks and a possible deal with Calista native corporation to act as their construction arm.

"I've had opportunities but purposely avoided doing consulting work for any pipeline," he said. "I did one study for Omar (Organization for Management of Alaska's Resources) and the Associated General Contractors in December 1975. I spent three months in Canada gathering data on the reality of problems that pipelines through Canada face. At that time, I pointed out that Interior was considering Alcan's route."

Boucher said his chief concern in the royalty gas issue is a petrochemical industry in the state. "What we have to address ourselves to is creating as much ad valorem value as we can from our oil and gas." His major objection to the Arctic Gas pipeline route is that has makes no provisions for instate use of the gas.

If the state legislature goes ahead with the sale of royalty gas, Boucher will urge that the contracts include only the residue or "dry" gas, with the valuable liquids removed.

He says negotiations should begin now on sale of the liquids, which are the feedstocks for a petrochemical industry.

Boucher also is highly skeptical of the provision of the royalty gas contracts which allows the state to switch its support from the all-Alaska pipeline to another pipeline route if it appears the all-Alaska route will not win federal approval.

"That doesn't sound like an all-out effort to me," he said. "I think that if the El Paso project is ruled out, it should require legislative approval to switch support to another route, and it should require reworking of the contracts."

Boucher said the royalty gas sale is a political decision, and if he were trying to win support for election as governor, "I sure am picking the wrong side of an issue. And I did so a year ago, before anyone else surfaced."

Balloting Begins

About 700 municipal general government employes were to choose a single bargaining agent to represent them today amid early-morning complaints that the balloting was not secret.

The employes were to choose between the Alaska Public Employes Association and the Anchorage Municipal Employes Association. Early morning voters said the balloting was not secret because each employe had to sign in before voting and a corresponding number was beside the sign-in signature and on the ballot each employe received.

Freeze Keeps Millions Home

(Continued From Page 1)

of businesses, and about 90,000 workers have been laid off. All state schools have been closed since Thursday, keeping more than 2.6 million pupils at

Activity in Buffalo, N.Y., was still far from normal. National Guardsmen, city workers and private contractors worked all day to clear snow from streets and highways, but one official said

ordered onto a 40-hour week until further notice — regardless of what fuel is used.

Industrial use of natural gas was cut off last week in New Jersey, and Public Utility Commission president Joel Jacobsen said Sunday that

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...profits take a heat jump since the Sea-Land labor problem began five months ago.

Through the use of subcontractors for much of the trucking end of its operation, Tote has been able to accommodate Sea-Land customers inconvenienced by the previous strikes — a situation that Sea-Land has used in court to stop the strikes.

Tote, a non-union shop itself, offers the van use policy that Teamster Secretary-Treasurer Jesse Carr blames for the strike.

Teamster members have been warned that this strike, the fourth since August over Sea-Land's policy of letting its customers use its trucks whether or not they are driven by members of Local 959, may be a long one.

Sea-Land management says flatly that will never happen.

Although Teamster spokesmen

(See Page 2, Col. 5)

Tussing Calls Tactic Pointless

AT Times 2/3/77

JUNEAU (AP) — State lawmakers have been told what some say they've always suspected — selling the state's royalty gas in exchange for a lobbying campaign on behalf of an all-Alaska natural gas pipeline route is a meangingless political exercise.

"There is nothing the state can do to advance a trans-Alaska gas line," Arlon Tussing, a prominent Alaska economist and consultant, said during a legislative hearing yesterday on administration-negotiated royalty gas contracts. "These are contracts which don't mean anything.

"The purpose of the contracts are internal Alaska politics."

The administration of Gov. Jay Hammond is seeking legislative approval for contracts to sell Alaska's 12.5 per cent royalty share of Prudhoe Bay natural gas to three major gas transmission companies in exchange for their support for the all-Alaska pipeline route proposed by El Paso Natural Gas Co.

But Tussing, a nationally-known University of Alaska economist, said flatly that support for Artic Gas's rival Canadian pipeline route had too much support in financial circles, the federal bureaucracy and Congress to be overcome.

"I expect an unbroken chain of decisions in favor of Artic Gas," Tussing said, predicting that the Federal Power Commission would recommend the Canadian route and President Carter and Congress would accept the recommendation.

But Tussing also predicted that political forces within Canada would prompt the Canadian government itself to reject the Artic route.

In the final analysis, Tussing said, the pipeline route decision will be made in negotiations between the U.S. and Canadian governments.

Those negotiations, he predicted, will result in the selection of some variation on the Alaska Highway route being proposed by Northwest Pipeline Co.

"I believe the Alcan proposal offers a way out of a dilemma for both governments," Tussing said.

Tussing said the contracts were proposed by the Hammond administration as a defensive political maneuver and probably would be passed by the legislature for the same reason.

"Suppose you were the governor," Tussing said, "and you were under assault from Omar (Organization for the Management of Alaska Resources), the Anchorage Times and the Anchorage business community for not giving 100 per cent support for El Paso.

"And suppose your advisors are convinced that El Paso has very little chance. But you are concerned that when Artic Gas gets the nod, your critics will say it was only because you didn't do everything you could to sell El Paso.

(See Page 2, Col. 1)

City Offers Bake Sale Truce

By DON HUNTER
Times Staff Writer

The municipality is de-escalating the cupcake campaign.

To do that the municipal Department of Health and Environmental Protection has prepared a series of amendments to the existing health code. Those amendments will be handed to the Anchorage Municipal Assembly Tuesday and probably will be set for public hearing in two to three weeks.

Health Department Director Bert Hall yesterday reiterated that the department is not concerned with usually non-dangerous foods such as cookies and cakes

definition for bake sales — "an informal sale of prepared food that is not potentially hazardous, to the general public in a fixed location for a period of time not to exceed 14 consecutive days."

Bake sale enthusiasts were shocked last week when it was reported that the city planned to begin enforcing health code provisions requiring inspection of kitchens in which bake sale goods are prepared.

Most bake sales in Anchorage are informal fund-raisers for community groups. The goods sold usually are prepared in private homes.

Tussing Says Tactic 'Pointless'

(Continued From Page 1)

"It would seem an astute political move to go ahead and call everybody's bluff."

Despite his contention that the contracts are useless, Tussing said the Democratic-controlled legislature is in the same political boat as Alaska's Republican governor.

"What happens if you vote it (the contracts) down?" Tussing said. "Where is the finger going to be pointed when Artic Gas is approved."

With some exceptions, Tussing's assessment drew favorable reviews from members of the special House and Senate committees.

"He made a lot of good points," said Sen. Clem Tillion, R-Halibut Cove. "But I'll probably vote for them (the contracts) even though they probably won't make any difference."

However, Rep. Clark Guening, D-Dist. 7 and chairman of the House special committee, said he would vote against the contracts if he became convinced they would not produce results.

The single negative comment came from Sen. Mike Colletta, R-Dist. I, who told Tussing he took "offense at your lumping us all together as making a show."

Tussing's blunt testimony followed an appearance before the committee by Michael Holland, manager of El Paso's Alaska office.

Holland spent most of his time attempting to refute the findings of another consultant that Alaska could receive more for its royalty gas under the Artic proposal because of lower transportation costs involved in the trans-Canada route.

Holland also repeated the contention of representatives of two other firms involved in the contracts — Tenneco and Southern Natural Gas — that the royalty gas sale will have "a profound positive influence on the ultimate success of our proposal."

But like the others before him, Holland was hard pressed to quantify the alleged influence.

The hearings were to conclude today with testimony from representatives of the Alcan and Artic route and supporters and opponents the three competing proposals.

State Rests Case In Vice Trial

By JON MATTHEWS
Times Staff Writer

An informant and several federal agents have completed their testimony and the government today was to rest its case in the prostitution and gambling conspiracy trial of four Alaskans.

Defense attorneys this morning were to submit motions to U.S. District Court Judge William P. Gray

Their statements were topped off by yesterday's testimony from several Federal Bureau of Investigation agents with lesser roles in the investigation.

Attorneys for McVeigh and Miller yesterday said the two prominent political figures will take the stand in their own defense. Both lawyers also said they plan to use character witnesses as part of their

tive witnesses.

Yesterday morning, FBI agent C. J. Morgan took the stand for the government and told of how he had assumed the undercover identity of a Cosimo Morganti during the investigation. Morganti was to be a front man for Vic Rossi, the identity used by FBI agent Desvernine during his undercover work.

Rossi was to be an East Coast

ally talked with defendant Day during that time. Later, under cross-examination by Day's attorney, the agent said he didn't encourage prostitution in Valdez while playing his role as the underworld-connected Morganti.

Day's attorney brought out that while in Valdez, the agent had gone to Day's house for Thanksgiving dinner. But the agent told the jury he did not know the defendant well and

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Arctic's Bob Ward testifies

Royalty gas pacts 'okay' from state point of view

BOB WARD
Arctic President

By G. MICHAEL HARMON
Associated Press Writer

JUNEAU (AP)—The president of Arctic Gas Co. agreed Thursday that the sale of state royalty gas to gain political support for the all-Alaska pipeline route of arch-rival El Paso Natural Gas Co. will have "some impact" in the Lower 48.

"In all candor and in my opinion, the contracts are pretty good from the standpoint of what the state wants," Robert Ward told legislative hearings on the administration-negotiated contracts with El Paso, Tenneco and Southern Natural Gas Co.

Ward said there was "no question" that El Paso, like any of the three competing pipeline firms, would be helped by the commitment of Alaska's one-eighth royalty share of Prudhoe Bay natural gas, but added that he could not quantify the potential impact on the upcoming federal route decision.

"They've got to have some impact," said Ward, whose firm is proposing a

Fairbanksans testify, Page 3

vinced they will help that much, but they won't hurt."

Ward also said he thought the state was "pretty well protected under the contracts," in getting the highest price for its gas.

But he also said there was "no question" that Congress would endorse his firm's proposal while acknowledging that Arctic faces major problems in winning Canadian approval of its route.

Ward's assessment was in conflict with other testimony Thursday from Morris Thompson, vice president of Northwest Pipeline Corp., who said the contracts were a bad deal for the state and would not be decisive in the route decision.

Northwest's proposed Alcan pipeline route would extend from Prudhoe Bay to Fairbanks and then down the Alaska Highway to Washington state.

Thompson said the sale of Alaska's

the selection with Congress having only 60 days to vote it up or down," Thompson said. "And I feel any selection by the President will be approved.

"What impact will political clout have upon a regulatory agency (the Federal Power Commission) and a new President?"

Thompson also maintained that "approval of the contracts will substantially reduce royalty revenues to the state because the transportation system (El Paso) the state has selected to support costs more to build; the markets of Tenneco and Southern Natural Gas are more remote than that of Northwest Pipeline Corp. which increases transportation costs; and there is a substantial possibility of deregulation which will create substantially different marketing opportunities than we face today."

Our jobless

Ekt 2/4/77

Gillam opposes royalty gas sale

ERIN VAN BRONKHORST
News-Miner Bureau

AU—Mayor Harold Gillam of ks told legislators Thursday he st the proposed royalty gas ying "nothing is more odorous han the sale of a resource in e for some dubious political

travelled to Juneau and o days to testify briefly before legislative hearings, which eir fourth day Thursday. estifying from Fairbanks were las and Robert Dempsey, who presented their plans for use of the gas in a petrochemical industry in the Interior.

Besides his first objection, Gillam said he believes the sale does not obtain the maximum use of the resource within the state. He said a proposal had been made to use the royalty gas for making fertilizer in the Delta Junction area, but this was not considered by the state administration.

"The sale is premature and I see no overpowering reason why it should be concluded," he said.

Gillam emphasized he was speaking for himself, not the entire city, saying nobody could do that. He added most of the city council members agree with some of his statements. His trip was paid for by the city.

Dallas, a petroleum engineer now working for Tanana Valley Community College, told the committees, "what matters the most to the state is what happens to the state's share of the LPG's—the liquids."

The natural gas sent through the pipeline would be 85 per cent methane, the substance usually called dry gas, he explained. The rest of it is actually "liquids"—ethane, propane, butane, and some pentanes—which can be used in a petrochemical industry.

A plant near Fairbanks could take from the pipeline some of the methane for heating, he said, plus the liquids which could be sold to a huge complex of petrochemical firms he envisions near Fairbanks.

Dempsey and Dallas brought with them a "magic briefcase" full of petroleum products, such as insulated pipe and polyethylene gas pipe, which they passed around to the lawmakers. Some of the products were made outside and some in Anchorage and Fairbanks, Dallas said.

Making these products in Fairbanks would keep the jobs in Alaska and economically benefit the state, Dallas contended.

"There are some who say that a petrochemical industry is not economically feasible but I maintain that it is," he said.

As for the royalty gas contracts, Dallas recommended a series of revisions so that the state would sell only the residue gas—that is the gas left over after the liquids are removed.

Pet 4

Lack of cold delays exploration

LY (AP)—Alaska's record- inter has delayed exploratory n Naval Petroleum Reserve 4, reserve that lies next to the il and gas fields of Prudhoe

y knows for sure how much oil lie under the tundra covering llion acre reserve that borders Arctic Ocean—estimates have rom less than 10 billion barrels' 00 billion barrels.

ntrast, exploratory work has at Prudhoe Bay reserves total billion barrels.

why the drilling is so im- Estimates of Pet 4 are "really sses" until wells confirm that lies in accumulations large to make it worthwhile to , said an official of the U.S.

M.F. Westfall, manager of operations of the drilling contractor, said the warm weather and a lack of snow has put the firm's oil drilling program three weeks behind. Husky Oil NPR Operations Inc., a subsidiary of Husky Oil, is drilling the exploratory wells for the Navy.

But Westfall said Husky still plans to complete drilling of five wells by the scheduled completion date of May 1, before spring breakup prevents further work.

The trouble started when South Harrison Bay didn't freeze over. Husky had planned to land on the ice, but had to use a small frozen lake farther from the work site.

Then the winds came. There were "a lot of blows which interfered with aircraft movement," said Westfall. These in the second year of a five-year contract with the Navy for exploration of the reserve.

Five hundred persons are working on Pet 4 this winter, handling chores ranging from drilling wells or conducting seismic work to finding likely geologic structures for future wells.

Work must be done while the tundra and lakes are frozen and workers and equipment can be moved without damaging the tundra.

The exploration effort is the most ambitious ever undertaken on the North Slope. And the accompanying seismic exploration program—employing five 40-man crews who are covering 2,830 line miles—is the largest single onshore effort ever in North America in a single season, according to Lt. Cmdr. A.E. Corcoran. He is of-

Lake Teshekpuk, Husky dug its first well—at a cost of $7 million. The Navy said no commercial quantities of oil or gas were discovered.

The reserve was set aside in 1923 for national defense purposes after oil seeps were observed. The Navy carried out a $60 million, 9-year research program in the 1950s that did not settle the issue.

In 1974, the deputy director of naval petroleum reserves said the energy crisis might have been averted if the Navy had been allowed to fully explore and develop Alaska's North Slope. Lt. Commander Kirby Brant, after resigning his post, said the Eisenhower administration had stopped exploration just when the project was getting going.

The future of the drilling program is unclear. Congress has transferred Pet 4 from Navy to the Interior Department with orders for Interior to evaluate the resource.

Husky officials say they aren't sure what changes Interior might make in the program, if any. And if President Carter sets up a new energy department it's possible Pet 4 may be shifted to this new department instead of Interior.

But despite these complications, Husky has already planned to drill seven more wells next year. Officials note that it takes a year's time to order the necessary supplies and bargee them to the north slope. "We're just going ahead until someone tells us not to," said Westfall.

Gas hearings no big deal for delegation

By RICHARD FOLEY
Daily News Staff Writer

JUNEAU—Royalty natural gas hearings are big news in Juneau this week, but all three Ketchikan legislators say the outcome of the hearings won't directly affect Ketchikan much.

Sen. Bob Ziegler and Rep. Oral Freeman, Ketchikan Democrats, said they backed the all-Alaska gas line route proposed by El Paso Natural Gas Co. Rep. Terry Gardiner, D-Ketchikan, admitted the all-Alaska route would have some job impact on Southeast but he thought a route following the Alcan highway was the best.

A special house committee has been taking testimony all week on gas contracts signed by Gov. Jay Hammond and three gas companies. The contracts are not valid without legislative approval. Hammond has proposed a sale of Alaska's one-eighth share of the Prudhoe Bay gas in exchange for a strong congressional lobbying effort by the companies for the Alaska pipeline route. The sale would be contingent on congressional approval of that route.

Freeman said the biggest impact the gas issues would have in Ketchikan depended on how much the pipeline affected the economy of the state as a whole. Freeman was not optimistic about plans by southeastern interests to bring a portion of the gas into the Panhandle.

There has been some talk of putting a spur on the Alcan gas route to send gas into Haines, or to have some of the resource barged into the Panhandle from the all-Alaska route's terminal.

Gardiner also doubted such plans would be feasible because the costs would be higher than current needs. Although El Paso recently said it might be possible to barge gas into the Panhandle, Gardiner said the statement probably was an attempt to gather public support from the region for an all-Alaska route.

Ziegler said he didn't think the legislature would reject Hammond's proposed contracts.

"An overwhelming number of Alaskans would like the all-Alaska route," he said.

Ziegler added, "If there is a sentiment from home, I sure haven't heard it."

Freeman said he hadn't been at the gas hearings at all this week. He added, tongue in cheek, "There are so many statewide candidates sitting in the front row there isn't any place for me to sit.

"Calling it a gas hearing is not inappropriate," he said. "A lot of proceedings don't mean much because the decision on the direction of the gas route will not be made in Alaska."

The Hammond administration has signed the tentative gas contracts with El Paso, Terneco Alaska Inc., and Southern Natural Gas Co.

Weather

Ketchikan and vicinity: Mostly cloudy with scattered rain showers today, increasing clouds tonight with periods of rain Saturday. Winds S-SE 15-25 mph and gusty. Low temperature 42 (6C), high 46 (8C). Sunset 5:29, sunrise 8:30.

Wrangell-Petersburg: Continued mild, showers this afternoon decreasing tonight and Saturday. Winds east to 15 mph, occasionally gusting to 25.

Iced in Don his up t

Ketchikan

VOL. 42 NO. 29 KETCHIKAN, ALASKA,

Congress flooded with

EDITORIAL PAGE

The Anchorage Times

ROBERT B. ATWOOD
Editor and Publisher

WILLIAM J. TOBIN
Associate Editor
And General Manager

CLINTON T. ANDREWS JR.
Managing Editor

Gas Sale Politics

IT WOULD BE a shame if partisan politics wound up wrecking a united legislative front on the matter of a trans-Alaska natural gas pipeline.

An important factor in the state's hope to steer the pipeline through Alaska — rather than across Canada — lies in the power of Alaska to sell its royalty share of the gas production from Prudhoe Bay.

A tentative sales agreement has been worked out between the administration of Gov. Jay Hammond and three natural gas companies to share in the state's portion of production. The contract requires approval by the legislature.

The primary goal is to ensure that whoever buys the state's gas will transport it across Alaska, providing spinoff benefits quite apart from the dollars received for sale of the energy to be shipped to Outside markets.

AT HEARINGS last week in Juneau the proposed agreement came under fire. Some of the heaviest vollies came from a University of Alaska economist whose outspoken viewpoints were more politicial than scientific. His argument is that it really doesn't matter what Alaska wants, because it isn't going to get the pipeline, anyway.

Coincidental with the hearings came the recommendation in Washington, D.C., of an administrative law judge for the Federal Power Commission that the line be constructed across Canada, rather than across Alaska.

His recommendation was colored with all sorts of fancy phrases and personal observations, including one that called the trans-Alaska pipeline proposal "as wellcrafted a chamber of horrors as this writer has ever seen." That's rather lurid prose for a government report.

IN THE FACE of that sort of stuff, the state needs to strengthen its case for the trans-Alaska route in every way possible.

And there is nothing more important at the moment than approval of the gas sale to El Paso, Tenneco and Southern. Bickering in the legislature, however, could shoot this down.

The fear of some legislative observers is that partisan politics, some aimed at the next gubernatorial election in which Gov. Hammond will be a candidate, will delay or block approval of the sales agreement.

That would be a tragedy. And those legislators engaged in partisanship should be aware of the heavy responsibility they would bear if their activities resulted in loss of the pipeline.

ANCHORAGE DAILY NEWS FEB. 11, 1977

All-Alaska gas line gets boost

WASHINGTON (AP) — A Transportation Department report released last month in the waning days of the Ford administration favors an "all - Alaska" pipeline as the best way to bring arctic natural gas to the lower 48 states.

Under the plan, proposed by El Paso Alaska Co., a natural gas pipeline would be built parallel to the Alaska oil pipeline from Alaska's North Slope to a seaport at Gravina Point. The gas then would be liquefied and shipped by refrigerated tanker to California.

The opinion differs from one expressed last week by a Federal Power Commission judge who recommended a 4,000-mile pipeline across Canada to transport the gas from North Slope reserves.

The Transportation Department recommendation was in a report Jan. 12, "National Transportation — Trends and Choices for the year 2000."

Outgoing Transportation Secretary William T. Coleman said at the time that much of the report might be changed by the administration of President Carter. The new transportation secretary, Brock Adams, has not indicated a preference for any of the three proposals that have been made for transmitting the North Slope natural gas.

The Jan. 12 report said the "all-Alaska" plan proposed by El Paso appeared to be the most viable for these reasons:

—It could be put into operation sooner because it does not require Canadian approval, and it can be constructed faster because it would parallel the trans-Alaska oil pipeline and would be smaller in diameter than the Alaska-Canadian pipeline.

—The delivered price of gas by LNG tanker would be comparable to the pipeline price, considering likely Canadian taxes and the cost of moving the natural gas from the U.S. border to consuming areas.

—The U.S. would collect more money in taxes and would not be affected adversely in its balance of payments.

—The trans-Alaska line would bring Fairbanks gas and Alaska industry.

—Because the cross-Canada pipeline would require regulatory approval of two governments and negotiation of the equity share of each company, delays might be substantially longer than for the all-Alaska system.

The report concluded that "either system may find it difficult to meet the 1981 timetable projected earlier."

Regulatory procedures and a long construction timetable are expected to prevent any gas from flowing from the Arctic until the mid-1980s.

FPC Administrative Law Judge Nahum Litt last week recommended a proposal by the Arctic Gas Study Group.

BERGER INQUIRY

Secondly, the national political realities – re-enforced by President-elect Jimmy Carter's recent victory – guarantee the certification by the federal government of Northwest Pipeline's proposed Alcan route, now the only politically-viable alternative to the trans-Canada route proposed by Arctic Gas. The Arctic Gas proposal has been effectively foreclosed by a series of adverse events, which include the Berger Inquiry's recent staff report concluding that the resolution of native land claims in Canada – 10 to 15 years in the future – is a prerequisite to the construction of any pipeline through the Canadian arctic.

While that portion of the staff report was widely-publicized by Alaska's pro-El Paso news media and political establishment, little was said about the Berger staff's concommitant conclusion that Northwest's Alcan proposal would not adversely conflict with Canadian natives' unsettled land claims. And to the extent that the claims issue is a factor in the certification of the Alcan route, Northwest scored a shrewd coup when it captured Morris Thompson as its project director, whose Alaska native origins and recent experience as head of the U.S. Bureau of Indian Affairs in Washington provide a strategic advantage.

Arctic Gas' cause has been further prejudiced by the unexpected failure of explorationists to find sufficiently commercial quantities of gas in the Canadian arctic, upon which the economic feasibility of Arctic Gas' proposal depended.

These critical factors, which preclude any need for the state to commit its royalty gas to anyone – and which were effectively masked by yet another administration "study" purporting to establish the economic superiority by El Paso's proposal – were conveniently overlooked or ignored by the governor in the interests of furthering his recently-disclosed intentions to run for re-election in 1978.

Perspective

By Joe LaRocca

Gov. Jay Hammond's unsurprising announcement last weekend that his administration had negotiated agreements to sell the state's North Slope royalty gas to three companies in exchange for their support of an All Alaska gas pipeline route, represented a triumph of public relations over rational public policy.

The hoopla that attended his announcement effectively concealed from most observers the fact that, with the stroke of a pen, Hammond signed away a precious state asset and got nothing or less in return.

Fortunately, the buck doesn't stop at Hammond's desk. The agreements are subject to legislative approval, which guarantees a more public – perhaps even sane – approach to the disposal of the state's Prudhoe Bay royalty gas.

Hammond's capitulation to the overt pressures of vocal and influential special interests was painfully reminiscent of the pre-OPEC era when gullible Middle East monarchs gleefully collected baubles from shrewd entrepreneurs in exchange for oil concessions worth billions.

ARTLESS DEALINGS

There are at least two major reasons why Hammond's artless dealings with the three tentative purchasers of the state's royalty gas – were they final – would profitlessly deprive the state and the majority of its citizens of an enormously valuable asset.

First, his premature commitment of a portion of the gas to the El Paso Co. renders that company's plan for an All Alaska pipeline academic, since its real – if covert – motive was mainly to nail down a substantial share of North Slope natural gas.

Although El Paso will continue to pursue its pipeline proposal publicly in order to maintain the appearance of a good faith effort on behalf of an All Alaska line, if the legislature ratifies the governor's agreements it would matter little to El Paso whether its own or a competing pipeline route is certified by the federal government.

It's also irrelevant to the other two purchasers – Tenneco and Southern Natural Gas – which pipeline system is built, since they too would be guaranteed a major share of North Slope gas, although in order to appear to live up to their end of the bargain, they will lobby overtly on behalf of an All Alaska pipeline.

Under the agreements, all three could retain their rights to the state's royalty gas if a route other than El Paso's is selected, simply by switching their support to whichever project wins federal approval.

Alaska May Offer Gas Delivery Funds

Considers Financing All-American System to Transport North-Slope Fuel

L.A. Times

BY DAN FISHER
Times Staff Writer

Alaska is considering a plan to guarantee all or part of the financing necessary to build an all-American system for delivering North Slope natural gas to California and the lower 48 states, a top state official testified here Wednesday.

The plan, outlined by Alaska Lt. Gov. Lowell Thomas Jr. at a hearing of the California Commission for Economic Development, could bear importantly on an upcoming Carter Administration decision on which of three competitive Alaskan gas plans should be approved.

The all-American system, proposed by El Paso Natural Gas Co, has generally been considered a long shot in the competition, especially since the U.S. Federal Power Commission recommended to President Carter on Monday that he select one of two trans-Canada pipeline alternatives. Both of those routes are conditional upon the consent of the Canadian government.

El Paso's proposal is for a new gas pipeline roughly paralleling the oil line currently being completed from Alaska's North Slope to the ice-free port of Valdez on the Pacific Coast. The gas would be liquefied at Gravina Point, Alaska, and shipped by special cryogenic tankers to a proposed terminal and regasification facility at Point Conception on the Southern California coast. From there the gas would be distributed throughout the country in existing pipelines.

Alaska favors the El Paso plan because it will mean far more tax dollars and jobs in the state than either of the trans-Canada lines. The state's economy has been buoyed since 1974 by construction of the trans-Alaska oil line, but that job is expected to be done this summer, and officials are concerned that without the gas line project, the state's economy might go into a tailspin.

Among criticisms of the El Paso plan has been the charge that it will be the most expensive of the three alternatives. However, Alaska may change all that, Thomas testified Wednesday.

"The state of Alaska is currently considering a finance plan to guaran-

Please Turn to Page 20, Col. 3

Continued from Page 1

tee bonds or debentures needed to construct the trans-Alaska LNG facility," he told the commission.

The liquefaction facility at Gravina Point accounts for nearly one-third of the estimated cost of the El Paso system, and if the state guaranteed the bonds necessary to finance it, the company presumably would be able to borrow the money at a lower interest rate.

"If this plan is put into effect the price to consumers in the lower 48 would be lowered by 3%," Thomas said. The state is also considering backing the pipeline portion of the project as well, the Alaska official said. If it backed both the pipeline and liquefaction facility, the savings could be nearly 14% over currently projected costs. That could make consumer prices under the El Paso plan less than under either of the competitive, trans-Canada proposals, Thomas added.

Thomas said in a subsequent interview that Alaska officials have been "kicking it (the finance plan) around very informally for a couple months. But now it's gaining a real head of steam." The state intends to reach a decision within two months. Carter is scheduled to make his decision on an Alaskan gas route by Sept. 1, so Alaska's verdict will come in time for its impact to be felt by the White House.

Perhaps even more important than its impact on the White House would be the effect of Alaska's financing plan on the Congress. Under legislation passed last year, Congress will have 60 days to review the President's decision once it is made. And many insiders feel that it will ultimately be the Congress which selects an Alaskan gas route. Proponents of all three competing routes are lobbying heavily in Washington and elsewhere.

Thomas said the financial wherewithal to back El Paso's plan could come from a permanent fund which the state created last year to set aside a portion of its Prudhoe Bay oil revenues. Or, Thomas said, "it could be backed by our general fund. We feel that with a company like El Paso, the chances of it going belly up are almost nil."

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Editorial Opinion and Comment of

FAIRBANKS
Daily News - Miner

"Independent in All Things . . . Neutral in None"

Other opinions expressed on this page do not necessarily reflect those of the Daily News-Miner.

A closing word

The state royalty natural gas sale contracts are up for final action in the State House this week, and whether they win or lose the legislature deserves credit for the way they've been handled.

Despite the shrill complaints from fans of the gas sale, the issue has been treated with due study and haste. Two months is not an unreasonable time for 60 people to work over a complex 20-year contract that took almost a year to negotiate, and proposals with greater merit have died in the legislature without even seeing a committee vote.

The royalty gas contracts passed at least two committees headed by people opposing them. This is especially remarkable because the contracts are the type of issue most legislators find hard to oppose in a floor vote, and the type of legislation which could be killed with just a few weeks of stalling in committee.

The supporters of the gas sale should be happy to get as far as they have, and their pressure tactics and attacks against legislators and the press certainly haven't helped.

The rhetoric flying in the past couple months has built a facade of debate over details around a basically philosophical question. The question is not one open to political pressure or even extended debate because the different sides are working from different basic assumptions.

The basic question is still: should the State of Alaska buy political support for El Paso Alaska's trans-Alaska gas pipeline through an economic partnership with three of the nation's leading energy companies?

Those who say "yes" include the companies themselves, some business leaders and the Organization for the Management of Alaska's Resources, the most active citizen group supporting the trans-Alaska route with its own $10,000-a-month ties from El Paso Alaska.

They believe the contracts necessary to draw political support upon which the trans-Alaska pipeline fight will be decided.

Those who say "no" include Fairbanks Mayor Harold Gillam, former Lt. Gov. Red Boucher, several newspapers and a number of prominent legislators from both parties.

They believe the gas sale is either wrong, unnecessary or both. Some are loyal El Paso supporters while others are neutrals or are backers of the Alaska Highway route.

trading, pressure or [illegible]. Supporters of the sale are in a position for easy attacks on a popular issue, and opponents only reply by restating personal beliefs and hitting details of the contracts.

The supporters have made unwarranted personal attacks and stretched the truth to the breaking point. The debate hasn't been a pleasant one, as we can attest because this newspaper was the first to draw fire from the gas sale forces.

As far as the legislative debates go, there's an old political rule that says you should never try to force someone to vote against their philosophical or personal beliefs. It's a rule of good faith and good politics, and it's been quite soundly shattered recently.

We've stated before our fear that too close a partnership with the oil industry may harm Alaska's image and position on other issues. This is the year we will be before Congress on a number of important questions, and we should be serving our own and the nation's interests by taking a leadership role among energy and resource-producing states whose own reputations have been similarly soiled in the past.

The emotions aroused in the past two months bring a new worry that Alaskans won't be standing with each other on these other issues, even if they are united with the oil industry on the pipline issue.

However the final vote comes out, we must remember that we are an important state but we are a small one in population and political clout. We must remember even in the hottest disagreements to respect the legitimate positions and beliefs of our neighbors.

After this week we're going to have to deal with people in the consuming states whose only interest in our gas is a desire to burn it. If we can't work among ourselves, we'll certainly fail with them.

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Setback for gas contracts

2/22/77
ADN

From Our Juneau Bureau

JUNEAU — Voting along party lines, the House special committee considering three contracts to sell Alaska's royalty gas recommended Tuesday evening the contracts be rejected.

The committee also issued a 17-page report largely critical of the proposed contracts, saying legislators must be aware of the costs of approving the contracts before they vote.

LED BY Chairman Rep. Clark Gruening, D-Anchorage, the three Democrats on the special committee recommended each of the three contracts not pass the House. Gruening was joined in voting against approval by Reps. Joe McKinnon, D-Anchorage, and Charles Parr, D-Fairbanks. The committee's two Anchorage Republicans, C. V. "Chat" Chatterton and Joe Hayes, urged approval of the contracts.

The primary concern of the Democrats seems to be whether the state will be able to take back its share of the gas for in-state use if it wants to, despite a take-back provision in the contracts. The committee report also cited a "loss of flexibility in dealing with other potential buyers of the state's royalty gas" if the proposed contracts are approved.

The contracts would sell the state's one-eighth share of Prudhoe Bay natural gas to three gas transmission companies — Southern Natural Gas Co., El Paso Natural Gas Co., and Tenneco Alaska Inc. In return for the gas, the three companies would throw their support behind a trans-Alaska gas pipeline route proposed by El Paso.

"... **THE COST** considerations cast doubt on the advisability of committing gas for export from the state in order to gain marginal political leverage in the gas pipeline routing decision," the committee report, prepared by Gruening, said. "If in the opinion of individual legislators, these cost considerations are outweighed by the likelihood that commitment of the gas will have some favorable effect, the committee strongly recommends that 100 per cent of the state's royalty gas not be committed."

Clark Gruening

"In addition, approval of any or all of the proposed contracts should be done only after the method of determining what is surplus to the intrastate domestic and industrial needs of the state of Alaska is clarified in the contracts."

The report also said a pipeline "to carry the state's royalty share . . . to Fairbanks or tidewater has not yet been given the serious consideration it deserves."

THE HOUSE Finance Committee will now have the last review of the contracts before they come to a vote before the full house. Most legislators expect the full vote to come next week.

Senate Amends Plan To Sell State Gas

SENE 2/22/77

By CHUCK KLEESCHULTE
Empire Staff Reporter

The Senate Finance Committee this morning threw a major curve into the consideration of the sale of the state's share of North Slope gas by adding an amendment to the proposed contracts.

The finance panel, chaired by Sen. John Sackett, R-Galena, on a 4 to 3 vote, approved an amendment first proposed by the Senate Resources Committee Monday, and revised this morning by Sen. Chancy Croft, D-Anchorage.

The amendment calls for the automatic termination of the administration-negotiated pacts if Congress repeals a section of the Alaska Gas Transportation Act of 1976 prior to the Federal Power Commission (FPC) bestowing its blessings on the contracts with three transmission firms: Tennessee Gas Co., Southern Natural Gas and El Paso.

The federal transportation act, approved last October, gives Alaska the right to remove its gas from interstate commerce at any point it wishes without FPC approval being required.

Acceptance of the amendment marks a defeat for proponents of the royalty gas sale, since while it doesn't affect the contracts, it affects the resolution granting legislative approval for the contracts. The amendment makes legislative approval of the contracts conditional and probably will require renegotiation of the pacts, to relieve the uncertainty the amendment will create.

Administration officials repeatedly have stressed that requiring renegotiation of the pacts could prove tantamount to rejection of the contracts since the process will prove sufficiently time consuming that the state will lose the political support for an all-Alaska gas route it is seeking to obtain.

The vote also sets the stage for a Senate floor battle where contract proponents will attempt to disengage the pacts from the amendment, fighting for approval of the former and the rejection of the latter.

"The effect of the amendment is to net not only political support for the El Paso line in Congress, but also support for Alaska's right to keep its access to gas for in-state uses," Croft said before the vote.

When the vote came Sackett joined three committee Democrats, Croft, Sens. George Hohman, D-Bethel, and H.D. "Pete" Meland, D-Sitka, in voting for the amendment, while Republican Sens. Clem Tillion, Halibut Cove; Joe Orsini, and John Butrovich, Anchorage, voted against the pacts.

The committee then voted to move the contracts to the floor with Sackett recommending that none of the three proposals be approved, while the other Republicans asked that the pacts win approval without the amendment, and the Democrats refused to make a recommendation.

Croft's amendment is aimed at guaranteeing the state will not forfeit the right to use its gas for in-state uses, by signing a contract now before gas first starts to flow through any pipeline system to the lower-48.

Attorney General Avrum Gross argued the amendment was not needed since the pacts will not go into affect until the FPC approves the entire package including two provisions in the pacts designed to give the state the right to remove its gas for valid in-state uses when it wishes.

Croft, however, argued that once the contracts are signed the state is legally committed to selling its gas in interstate commerce. He argued the FPC might approve the state's contracts with the transmission firms, contracts which contain the "takeback" provisions, but that such a safeguard would be worthless if the overriding takeback provision in the gas transportation act is already repealed.

Tillion, who argued strongly against the amendment this morning, promised a strong floor battle against the amendment.

House Group Nixes The El Paso Contract

SEAE 2/22/77

Contracts calling for the sale of the state's share of royalty gas hit an obstacle Monday when a House panel questioned the need for all three contracts and recommended rejection of one pact.

The House Special Gasline Review Committee, chaired by Rep. Clark Gruening, D-Anchorage, voted 3-2 to recommend the full House reject a contract with El Paso Gas Co.—the firm seeking permission to build the all-Alaska gas pipeline system.

The proposed contract with El Paso calls for sale of 25 per cent of the state's gas to El Paso or a maximum of 650 billion cubic feet of the state's 2.6 trillion cubic feet of North Slope reserves over 20 years.

The panel did vote to report all three contracts to the House Finance Committee for further review and took a basically neutral position on contracts with Tennessee Gas Transmission Co., a subsidary of Tenneco Inc., and Southern Natural Gas Co. These contracts call for the sale of 50 and 25 per cent of the state's gas.

Reps. Charles Parr, D-Fairbanks, and Joe McKinnon, D-Anchorage, voted not to make a recommendation on the Tenneco-Southern pacts and voted against the El Paso contract. Reps. Joe Hayes, R-Anchorage, and C.V. "Chad" Chatterton, R-Anchorage, voted for all three contracts. Gruening voted 'no' on all contracts.

The committee, on a 4 to 1 vote, approved a staff report which tended to be skeptical of the political benefits the state will net from the contracts and which is negative about the costs the state could incur by approving the administration-negotiated pacts.

"I think all the legislators are going to have to sit down and weigh the contracts and make up their own minds on whether the benefits outweigh the costs," Gruening said.

The panel's report also said it (the El Paso contract) "makes little sense even under the political objectives of building 'constituencies' and 'lobbying efforts'" to sell state gas to a company which already is firmly committed to the fight for the all-Alaska route."

The committee's report added "there has not yet appeared any compelling reason for the sale of the royalty gas at this time." It said the main obstacles to construction of the Arctic backed trans-Canadian pipeline system are and will continue to be Canadian Native land claims and delays in construction and financing inherent in the Arctic line.

"Regardless of whether the state enters into these contracts at this time, those problems will continue to be the substantial roadblocks to construction of a Canadian pipeline," the report says.

The committee's main objection to acceptance of the contracts lies with problems relating to the state's gas "takeback" provisions, Gruening said. The committee's report, backed by a Feb. 16 legal opinion by Billy G. Berrier, director of legislative legal services, argues the takeback provisions are clouded by "substantial ambiguity as to how surplus gas will be determined at the time the state decides to use the gas."

The committee recommended all three contracts be renegotiated or supplemented by letters of intent to back up the state's view it will have the ability to decide what gas it needs to takeback from the transmission firms.

REP. CLARK GRUENING
GAS PANEL CHAIRMAN

The committee's report argues that the contracts don't set out a performance level the firms must meet in lobbying for the El Paso project and might even prove a liability given the "political mood" toward the petroleum industry at present. The report laments the "loss of flexibility" the contracts will produce for the state in seeking new markets for sale of its gas or in use of the gas in petrochemical developments.

The report leaves the issue to the full House to weigh on their own. But the committee did urge that not all the state's gas be sold at the present time.

All three Democratic members approved the panel's report and only Rep. Hayes disagreed with the conclusion drawn from the 1,100 pages of testimony gathered during joint House-Senate hearings held earlier this month.

The committee recommendations now head on to the House Finance Committee, chaired by Rep. Steve Cowper, D-Fairbanks, for consideration. Following a short trip to the Rules Committee, the issue will be before members on the floor—an action Gruening guessed might take place next week.

Readers write...

ADN

Disturbed by a question

2/17/77

Dear Editor:

We were disturbed by the selective concerns you expressed in your Feb. 15 editorial questioning the effectiveness of the state selling its surplus royalty gas from Prudhoe Bay.

Rather than accepting FPC Judge Litt's erratic ruling as holy writ, you might more appropriately ask how he arrived at his indefensible conclusions regarding construction and environmental conditions in Alaska and political problems in Canada. We can assure you that federal government agencies, as they begin their review of the gas line routing issue early this summer, will be asking the hard questions that Alaskans themselves should be raising.

But if you regard Judge Litt as an infallible guide to the ultimate outcome of the gas line decision (actually FPC judges have a poor track record in these matters), then you might be interested in knowing that during the state's testimony in the FPC hearings, Litt specifically criticized Alaska for doing nothing tangible to support the trans - Alaska gas line proposal. The judge told the state witnesses that if Alaska were truly serious about securing a trans - Alaska route it would commit at least some of its royalty gas to those companies working for the route.

We are not familiar with the Gilbreth memorandum you quoted, but at the same time the unanimous opinion of Alaska's congressional delegation should not be ignored. Sen. Ted Stevens, Sen. Mike Gravel, and Rep. Don Young have all repeatedly urged the state's sale of its excess royalty gas via a trans - Alaska line as crucial for achieving approval for the project. Their assessment of Washington, D.C., realities surely deserves some consideration.

I think that you should also take a harder look at the myth that, while Alaska wants a trans - Alaska route, the rest of the country is demanding a gas line through Canada. There is not such sentiment in the other states whose inhabitants are lamentably unaware even that North Slope gas is available to ease their energy problems, much less that there is a dispute over how to get it to them.

Also you should remember that Judge Litt did not recommend "a trans - Canadian route," as you put it. While he acknowledged that the trans - Alaska line is viable and certifiable, he called for approval of only the Arctic Gas route. Rightly or wrongly he wrote, "there is not even the possibility" of certifying the Alcan route. So by accepting Litt's tenuous pronouncements as the inalterable will of the US government, you are in effect giving support to the Arctic Gas project that it in no way deserves.

Benjamin F. Harding
Community Relations Director
OMAR

Got something to say? Then say it, and send it to Readers Write, The Daily News, P.O. Box 1000, Anchorage, Alaska 99510. We invite readers to express their views. We ask that letters be typed, if possible, and signed with an address and phone number.

Gas contracts critical says Sen. Stevens

ADN 2/17/77

From Our Juneau Bureau

JUNEAU — Republican U.S. Sen. Ted Stevens Wednesday strongly urged the state Legislature to quickly approve three contracts to sell the state's one-eighth share of Prudhoe Bay natural gas in exchange for support of an all-Alaska gas pipeline from the North Slope.

"These contracts are a vital aid to our attempts to secure a decision in favor of the all-Alaska route," Stevens told a joint session of the House and Senate. "I hope you will approve the contracts. To reject them now would be a serious and possibly fatal blow to our efforts to convince people in Washington to support an all - Alaska line."

STEVENS' address to the legislature coincided with the arrival of a 50-member delegation from the Organization for the Management of Alaska's Resources (OMAR), which was also boosting early passage of the gas contracts.

The three contracts would be sold to Tenneco Alaska Inc., Southern Natural Gas Co., and El Paso Natural Gas Co. in exchange for support of the trans-Alaska route.

Other issues Stevens addressed:

— The trans-Alaska oil pipeline. "The main thing we must try to do is to insulate our royalty share from the transportation costs. If we can establish a market for Alaska oil at Valdez or clearly establish a value in a similar fashion, then Alaska's return would not depend on where the oil goes. There is no reason why Alaska should lose money because the Lower 48 can't figure out what to do with our oil."

— Fisheries and the 200-mile limit. "I am a co-sponsor with Sen. Kennedy of a bill which would create a fisheries assistance fund composed

(Continued on Page 2)

Gas Contracts Vital, Stevens Tells Solons

Calling the proposed state royalty gas contracts "a vital aid" to Alaska's efforts to win approval of an all-Alaska gas pipeline route, U.S. Sen. Ted Stevens Wednesday urged state lawmakers to endorse the contracts as soon as possible.

Stevens in an address to a joint session of the Alaska Legislature told lawmakers "help" from the two newest participants in the gas issue, Tennessee Gas Transmission Co., a subsidy of Tenneco Inc., and Southern Natural Gas Co., is needed immediately.

"The state simply must take a more active role in supporting an all-Alaska pipeline route. The key deadline is July 1 when federal agencies must make their recommendations to the President," Stevens said.

The contracts in Steven's view also "firm-up" the supply of liquified natural gas (LNG) to Southern and East Coast states—a key provision of the contracts since those states are already growing more dependent on LNG and want a dependable domestic source of the fuel rather than depending on foreign sources.

Stevens in response to an hour of lawmaker queries, specifically to a question from Rep. Russ Meekins Jr., D-Anchorage, downplayed recent proposals that the state should step in and actually help finance the El Paso all-Alaska pipeline project. Alaska's senior Republican senator said such efforts might backfire in Congress.

"One of the strong selling points of the project in Congress is that El Paso is the only project which should be able to totally finance itself in the private sector. Congressmen will admire that. I don't see any reason yet to change the picture unless El Paso asks for your help," Stevens said.

Stevens at a reception later in the day, clarified a statement stemming from a Washington news conference last week. The senator said that at that conference he was urging Canadian decision makers to publically tell the Congress and the President what they have been telling some members of Congress privately, that Canada has no intent to expedite a decision on any pipeline.

"I wasn't trying to threaten Canada or interfere with her decision process. I was just trying to get them to come out and say that even though we are friends, they have no intent to go against their own best interests even if we want them to rush to a decision," Stevens said.

He also dismissed the importance of what some newsmen last week interpreted as a veiled threat to Congress, that Alaska would reduce the gas flow from the North Slope to such an extent an Arctic pipeline would not be economical, if the Arctic route is approved.

Policy profiles

ADN 2/16/77

Why federal policies fail

routing of gas & oil lines

By JOHN HAVELOCK
(First of a series of columns)

Early highway routing in the United States was usually a consequence of local private convenience and local financial limitations. As a result, when someone wanted to travel from Boston to New York, he would follow the convenience first of persons with a prior interest in going from Boston to Newton, Newton to Worchester, Worchester to Springfield, and so on to New York. The road would be wide or narrow, steep or graded, straight or crooked, point northwest or south, depending on the self-interest, the aspirations and the pocketbooks of local residents.

Though Henry Clay's "American System" proposals of 1817 conceived of a land transportation system that would bear some relationship to overall American transportation goals, no comprehensive implementation took place until the 1950s when the over-success of a single-minded national highway planning program founded a juggernaut.

ON A SOMEWHAT grander scale of distance, railroading followed a similar course of freewheeling private entrepreneurship free of long-term planning or broad regional or national conceptualization. Today's frequently redundant, largely bankrupt system of rail transportation is in large part a legacy of the absence of public transportation policy.

Do we learn? Alaska has a dozen regional zones of oil and gas potential. Pipeline transportation is the most rational and economic form of transportation for these commodities in almost every case. Yet there is no indication that federal decision making has been significantly influenced by consideration of the comprehensive needs of the next few decades.

For starters, gas pipeline decisions are given to one agency, the Federal Power Commission (FPC) and oil pipeline decisions are made (supposedly) by another agency, the Interstate Commerce Commission (ICC). Neither agency was established with the responsibility in mind, a fact reflected in the lackadaisical attention given by them to pipeline matters over the years. The Interior Department gets into the act from its perspective as a real estate holding company, which doesn't improve matters much.

THE BASIC DECISIONS on gas line routing are made as road decisions were made in 1800, on a narrow estimation of private benefit by those who hope to profit from the construction. The procedure is fundamentally flawed.

The gas pipeline routing case began as a contest between two consortia of private production ownership, marketing, processing and construction interests, one of which seems to have drawn in the State of Alaska as a party. The El Paso group is composed of a California marketing group, banking, maritime operating and shipbuilding ownership and union interests and, pulling the state in tow, most principals in the Alaska construction industry.

The Arctic Gas group has its own set of economic bed fellows including financial houses, production ownership interests, and overlapping interests in Canadian resource, construction and transportation ventures and most recently U.S. Steel as a pipe manufacturer. Carefully putting its head in blinders, the FPC as the guardian of national interest, chose to consider only the "serious" proposals, those consisting of packaged vested interests.

THE ALCAN GROUP, recognizing a viable political and economic compromise and a chance to make some money in some rather obvious public concerns which the other alternatives ignored, might be characterized as the opportunists. They saw an opportunity and organized a proposal around it, but a little late.

The alternative to letting public interest be towed in the wake of private was, and in some future will be, that the public interest representatives involved, the state and the federal government, get together with the public to determine what the most efficient and effective network of pipelines for Alaska and the continent should be, schedule it and put it out to proposals for private construction, ownership and management with some level of federal guarantee for capital needs.

For those that wince at federal guarantees, consider: either existing pipeline deal is way too big (like Lockheed Aircraft) and too important for the government to let it fold, so the government is the silent partner in any case.

THOSE WHO REALLY pay the piper are the consumers and the public, national and Alaskan, since the higher interest costs which result from straining the conventional market for supposedly risk capital will be passed forward in higher consumer prices and backward in lower tax payments and royalties to the state. The center of industry profit switches to financing, transportation and processing. The public is not going to save a dime by throwing yet another "largest-ever" enterprise, on top of TAPS, on a private financial market designed to handle considerably smaller arrangements.

The decision making process on routing for the first gas line seems now fated to follow the TAPS procedure by which public interest follows in the trail of private initiative and convenience. But we are not through with pipeline construction, nor with the design of other national transportation modes. A decision-making process constrained by short term private goals which focuses on the crisis of the hour is a poor instrument of policy formation. We can hope that in the future, the nation will look at better ways of making decisions rather than abdicating to the log rolling skills of private corporate power.

(John Havelock served as chairman of the state's pipeline coordinating committee in 1972-73.)

2/19/77

2—Anchorage Daily News, Sat.

Gruening fires back at OMAR

JUNEAU (AP)—The chairman of a special House committee on the sale of Alaska royalty natural gas fired back Friday at accusations that the legislature is dragging its feet on the issue.

"I think the legislature should be complimented for not hurrying into the sale of Alaska's resources," Rep. Clark Gruening, D-Anchorage, said in a speech from the House floor.

Gruening said he was prompted to address the House by published accusations from members of the Organization for the Management of Alaska Resources that the legislature was "playing games" with proposed contracts to sell Alaska's royalty share of Prudhoe Bay natural gas in return for political support for an All-Alaska gas pipeline route.

The Anchorage lawmaker denied a claim voiced Thursday by OMAR member Butch Stein of Fairbanks that "Gruening didn't even have the courtesy to call a meeting (of his special committee) so we could testify."

Stein, a member of the Fairbanks borough assembly, leveled the accusation after a delegation of about 50 OMAR members failed to convince the legislature to speed up action on the contracts.

Gruening said Stein never requested a meeting of his committee and claimed that Stein was satisified with an informal meeting he conducted with OMAR members in the House chambers.

"I think haste makes waste and it behooves us in light of our Prudhoe Bay experence to wait," Gruening said in an apparent reference to a claim by a legislative consultant that the state may have lost up to $40 billion because of ineffective leasing policies on the North Slope.

SAEA 2/21/77

Boucher Claims Gas Attitudes Changing

ANCHORAGE (AP) — Former Lt. Gov. "Red" Boucher says the impact of the recent natural gas crisis has vastly improved the reception Alaskan oil and gas will get in California.

He said Friday, "The impact of California having to move its gas eastward and the overall recognition of what a similar gas shortage would do to California is having an impact."

Boucher, whose comments were made in a telephone call from Dallas, said he has been visiting the lower 48 for the past 10 days to measure the impact of the gas shortage.

He defended the legislature's refusal to give quick approval of Gov. Hammond's proposed sale of the state's royalty gas. Boucher said it's still not clear that the sale is legal.

According to Boucher, the necessary studies haven't been done and it hasn't been shown that the gas would be surplus to the state's needs.

He said criticism of the legislature by the Organization for the Management of Alaskan Resources (OMAR) is way off base.

He said, "I feel that Omar's statements concerning the actions of the legislature are totally out of order. In fact, it is typical of the pressure that has and is being applied ever since this sale was announced by governor in November to get the bill through."

Union Message

Teamsters Call For Gas Pact Rejection

SEAE 2/21/77

By CHUCK KLEESCHULTE
Empire Staff Reporter

Alaska lawmakers Saturday were asked to reject contracts calling for the sale of the state's share of North Slope royalty gas until language is modified to drive a point home to the Federal Power Commission (FPC) in Washington.

Jeff B. Barry, business manager for Teamsters Local 959 in Anchorage and director of the union's political-action arm ALIVE, called for acceptance of the sale contracts with three firms: Tennessee Gas Transmission Co., Southern Natural Gas and El Paso, but only if one clause is amended and another controversial clause is deleted.

Barry, speaking for the teamsters, told a special joint session of the Senate Natural Resources and Senate Finance Committees that the contracts should be modified so the state initially is selling only 80 per cent of its one-eighth share of the Prudhoe Bay reserves. That would provide Tenneco with 40 percent instead of half of the state's share and give El Paso and Southern 5 per cent less gas than presently called for.

Barry said such a move would assure the state adequate future supplies of natural gas for in-state uses—uses which he said face a critical gas shortage when Cook Inlet reserves are depleted in the mid 1980's.

Barry's charge, however, also was aimed at sending a firm message to the FPC that the state needs its gas and won't accept construction of an Arctic Gas trans-Canadian route which would effectively deny the state access to the North Slope reserves.

"Upon the evidence presented to (FPC Administrative Law Judge) Litt he had no knowledge that the vast majority of Alaskans have never had the energy benefits of natural gas or that the small area that has, may soon be blacked out.

"You must modify the contracts to show (in the formal record) that Alaska has a use for its gas," Barry said.

The representative of the state's most powerful union, in a scathing attack on the Hammond administration's handling of the state's case before the FPC, said Alaska has been "remiss and derelict in its obligation" to make clear the state's need for the gas for in-state uses.

"The state was dilatory and uncooperative," said Barry, who called the recent Litt recommendation a "shocking indictment of the state administration's" performance before the FPC.

Sen. Clem Tillion, R-Halibut Cove, strenuously objected to Barry's charge saying the proposed gas contract protects in-state use of the gas, allowing the state to takeback set percentages of the gas with one year's notice and takeback all of its gas on two years notice.

"It's not that we haven't made our case clear to the FPC. It's just that Litt hasn't paid attention to the arguments. He doesn't want our gas to be used here in Alaska—he wants it to head to the East Coast," Tillion said.

Barry countered that the state could be barred by FPC regulations from removing its gas from even an El Paso line once the gas begins to flow. He said such a bar could result no matter what type of takeback provision is included in the contracts.

He said such a problem would be compounded if Congress follows Litt's recommendation made Feb. 1 and repeals Section 13-b of the Alaska Gas Transportation Act—the clause which allows Alaska to withdraw its gas from interstate commerce.

Barry also said the teamster's are "totally opposed" to a provision in the contracts allowing Alaska to switch its support from backing the El Paso all-Alaska gas route—a clause which allows the present three firms to switch their support to any route the state finally backs and keep their rights to the royalty gas.

Barry criticizes the clause as abrogating legislative power and said approval of the clause would give sole power to the governor to make a key decision, a process the teamsters said "set a bad precedent" for the future.

Barry under repeated questioning by Tillion said he would rather see the present contracts scrapped, even if that meant loss of the contracts and their potential political influence for the all-Alaska route. Barry, however, was quick to add that renegotiation of the contracts should not have to be a time consuming task and that approval by both the Royalty Board and the legislature could be expedited.

Tillion, however, rejected that view. "We have to vote these up or down without changes. We don't have time to reopen negotiations given all the problems that might entail.

"Our Congressional delegation says they need these contracts and I'm not going to leave them high and dry," Tillion said.

Only Sen. John Huber, D-Fairbanks, voted against the contracts release from the Natural Resources Committee to the Finance Committee. Huber said he was holding out for the addition of an amendment which would have made it clear the pacts are dissolved if Congress would ever repeal Section 13-b.

The Resources committee eventually passed the contracts on to the Finance committee on a 4 to 1 vote. Sen. John Sackett, R-Galena, head of the Finance panel said the contracts would be up for review immediately upon receipt by his members. He said the contracts could be cleared for Senate floor action as soon as Tuesday.

Barry added the teamsters have already collected 10,000 signatures and will be attempting to net 40,000 more in the next three weeks on a petition which could easily become an initiative making it illegal for the state to cooperate in anyway with an Arctic or Alcan Gas project. The initiative if approved would force the state to fight in every way selection of Arctic route including denial of all right-of-way permits.

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Gas Contracts Prompt

Senate 'Haggling'

By G. MICHAEL HARMON
Associated Press Writer

Senate President John Rader today compared legislative haggling over contracts for the sale of Alaska's royalty share of Prudhoe Bay natural gas to the actions of a "frightened animal."

"We're like a frightened animal, a rabbit, standing in front of a hawk," Rader said during Senate floor debate on the contracts. "We're immobilized by fear."

Rader made the allusion shortly before the Senate recessed for lunch without taking a vote on the contracts to sell the state's estimated 2.6 trillion cubic feet of gas to three transmission companies in exchange for political support for an all-Alaska gas pipeline.

Floor debate centered on a last-minute maneuver to attach a potentially deadly amendment for the contracts.

Pushed by Sen. Chancy Croft, D-Anchorage, the amendment approved by the Senate Finance Committee Tuesday would automatically terminate the contracts if Congress repeals section 13-B of the Alaska Natural Gas Transportation Act of 1976 before the Federal Power Commission acts on the pacts.

Section 13-B of the act, which establishes the procedure and timetable for federal approval of competing Prudhoe Bay gas pipeline routes, gave Alaska the unprecedented right to take its gas off the interstate pipeline for intrastate use without FPC approval.

Croft told the Senate that the amendment was necessary to protect the state's interest if 13-B is repealed, and would require the gas purchasers to lobby to retain the provision.

"The amendment says that if you want our gas, you have to lobby not only for the El Paso line but for 13-B as well," Croft said.

However, Sen. Clem Tillion, R-Halibut Cove, countered that passage of the amendment would kill the contracts and cause a Congressional backlash against 13-B.

"For us to flag 13-B in the open back in Washington now would add fuel to the fire for is repeal," Tillion said.

He also argued that takeback provisions of the contract are "perfectly adequate" to protect the in-state use of royalty gas, and said the legislature had no authority to amend the contracts.

Tillion based his contention on a tentative opinion from Atty. Gen. Avrum Gross that the legislature has no authority to qualify the contracts, but can only vote them up or down.

Gross said the administration of Gov. Jay Hammond will consider a Senate vote to amend the pacts the same as a rejection.

Tillion claimed that the administration has the votes in the Senate to defeat the amendment but acknowledged that the ballot will be close.

Croft said the amendment was offered to counter fears about the impact of a repeal of 13-B on the ability of the state to reclaim its royalty gas once it enters an interstate pipeline.

"If Congress repeals 13-B before the FPC approves the contracts, then the state loses control of its gas," Croft said.

Gross, however, categorically disputed the Croft claim, contending the contracts have "no impact on 13-B and vice versa."

Gross acknowledged that the repeal of 13-B would cause the state "real problems," but said those problems would exist whether or not the contracts are approved.

"Let's assume that Congress does repeal 13-B before the FPC approves the contracts," Gross said. "How does this amendment protect us?

"Whether we've got the gas because we never sold it in the first place or whether we've got it under the recall provisons of the contract—in either case we've got to get FPC approval to take it off an interstate pipeline for in-state use if 13-B is repealed."

Gross said supporters of the amendment "are tying to tie the contracts to the existence or non-existence of 13-B under the theory that if we don't have 13-B we can't protect our gas."

"My answer to that is that we can't protect our gas with or without the contracts if 13-B is repealed," Gross said.

Croft said the amendment also "makes sure we have political support not only for the all-Alaska line but for 13-B as well."

Gas line debate in Congress

ADN 2/18/77

WASHINGTON (AP) — Congress heard a long list of complaints Thursday on the initial decision of the Federal Power Commission favoring the Arctic Gas consortium plan for shipping Alaska natural gas to U.S. consumers.

The complaints came at a hearing of the House interior subcommittee on public lands. Congress has the final say on the ultimate selection of the natural gas pipeline plan.

Commission administrative law judge Nahum Litt decided last month that Arctic's plan was superior to competing proposals of Northwest Pipeline Corp. and El Paso Natural Gas.

Northwest president John G. McMillian said Litt's decision "is an advocate's brief in favor of one project, that is the Arctic Gas project, and reflects an incredible bias and antagonism toward the Alcan project," which is Northwest's plan.

McMillian said Northwest's proposed pipeline used existing technology and pipeline corridors and "substantially reduces risk of cost overruns and delays."

R. Clyde Hargrove, representing Arctic Gas, praised the FPC proceeding, pointing up Litt's conclusion that the Arctic Gas pipeline would deliver the most gas to needy midwestern users at substantially less costs than the competing plans.

Hargrove doubted that complex Canadian land claims would delay construction by Arctic Gas. He said there are legal methods which would preserve native rights and allow construction to begin.

John C. Bennett, representing El Paso, said his company's proposal would assure orderly development and transportation of North Slope gas.

Although the original El Paso plan was to ship the gas to Southern California, Bennett told the panel the tankers could make the gas available at other ports for shipment to any areas where it may be needed.

Bennett also stressed the El Paso plan would use American materials and workmen, and that the plan was the backing of the state of Alaska.

...k gas line proposal 2nd

FPC staff likes Alcan alternative

ADN 3/16

By ROSEMARY SHINOHARA
Daily News Staff Writer

The Federal Power Commission staff has taken issue with Law Judge Nahum Litt's rejection of the Alcan Project as an alternative to the Arctic Gas Co. proposed natural gas pipeline from the North Slope.

"Only in the case when no Alaska gas would be permitted to transit Canada is there a clear staff choice of an alternative to the Arctic Gas project, without the need for more information," the staff said in comments filed with the FPC in the wake of the Litt decision.

JUDGE LITT, in the first round of decision - making on the gas pipeline route decision, said the application of Arctic Gas was "superior in almost every significant aspect" to the other two proposals.

Litt termed El Paso Natural Gas Co.'s trans - Alaska route and tanker system a clear second choice, and he said Northwest Pipeline Corp.'s Alcan project was not worth considering.

Since the Feb. 1 Litt decision, all parties involved were given the chance to tear into the decision by filing "exceptions" for the full Federal Power Commission to consider when it makes its recommendations to President Carter on May 1.

THE FPC STAFF said it agrees "in the main" with the conclusions reached by Judge Litt in favor of the Arctic Gas route across Alaska's North Slope into northern Canada, and south along the MacKenzie River delta.

However, the staff said it is unclear that El Paso's project should be ranked as the second choice. If Canada refuses to allow a pipeline in the Mackenzie Valley corridor, as proposed by Arctic, the options would have to be re-studied, the staff said. The viability of Northwest's proposal is connected with whether or not an independent Canadian project known as the "Maple Leaf" project is built, the brief says.

Other major areas of disagreement by the staff were:

—Judge Litt's approval of a "western leg" proposed in the Arctic Gas project to deliver gas to the California area. Without gas purchase contracts, the FPC staff said "western leg" certification is premature.

—Certain of Litt's conclusions regarding financing and tariffs for the proposals. The staff said it has not been proven that an Alaska gas project is unable to "stand on its own feet," and will need novel tariff arrangements and "government backstopping."

—El Paso proposal to build a liquefied natural gas plant at Gravina Point in Prince William Sound. The staff said alternative sites in Cook Inlet should not be brushed off in consideration of where to put the LNG plant.

Each of the three applicants for the gas transportation system have also made critiques of Litt's decision.

EL PASO, in its criticism, said the judge gave "every conceivable benefit of the doubt" to the Arctic Gas project.

El Paso called the Arctic Gas construction schedule unrealistic, and said therefore the project costs are understated. Other criticism from El Paso concerned gas supply, environmental and Canada aspects of the Arctic Gas project.

While El Paso said Judge Litt was too generous in considering how much gas would be available from the Mackenzie Valley reserved in

(Continued on Page 2)

Gas Utilities Back Alcan

3/14/77 SEATTLE

SEATTLE (AP) — Three of the Northwest's natural gas utilities have thrown their support behind the so-called Alcan Project to transport Alaska natural gas to the lower 48, while one utility said it still has some questions.

Wendell Satre, chief executive of Spokane-based Washington Water Power Co.; James Thorpe, president of Seattle's Washington Natural Gas Co., and officials of Portland's Northwest Natural Gas Co. said Friday they support the project. The plan is advocated by Northwest Pipeline Corp., the sole supplier of natural gas to Washington, Oregon and Idaho.

But O. Marshall Jones, president of Seattle-based Cascade Natural Gas Corp., said his utility "cannot add our endorsement of the Alcan route."

The Alcan route would follow the trans-Alaska oil pipeline to a point south of Fairbanks, then turn east to follow the route of the Alcan Highway through Alaska and Canada.

There are two other competing pipeline proposals.

Satre said the Alcan route's use of existing highways and utility corridors would minimize environmental damage and reduce the possibility of cost overruns and construction delays.

Thorpe said the Alcan route "offers the best opportunity to work out a long-range, orderly plan for new Alaskan supplies and continued deliveries of Canadian gas to our area.

Jones, though, said Cascade has "serious reservations on the content of the proposed Canadian-U.S. treaty" which would be necessary for the Alcan project.

"The treaty does have serious loop-holes that we would like to see tightened up before lending support to either of the land pipeline proposals," Jones added.

The Arctic Gas Consortium advocates a route through the Canadian Mackenzie Delta south through Canada to the American Midwest. That route was picked as the best of the three by a Federal Power Commission administrative law judge.

El Paso-Alaska proposes a route paralleling the trans-Alaska oil pipeline. Natural gas would be liquified at Valdez, Alaska, and shipped to California. That route is favored by Alaska state officials and the Seattle Chamber of Commerce.

President Carter must choose one of the three routes to recommend to Congress.

Doyon Backs Alcan Route

ANCHORAGE (AP) — The Doyon Native regional Corp. says it is backing the Alcan natural gas route.

Doyon, the third largest regional corporation, thus becomes the first Native regional corporation to shift away from support of the El Paso proposal.

The Alaska Federation of Natives, which represents all 12 corporations, endorsed El Paso's project more than a year ago.

In announcing its support of Alcan on Thursday, Doyon President Tim Wallis said that route would give Doyon two opportunities for transporting any natural gas found in the Kandik Basin lands owned by Doyon.

3/14/77

Southeast Alaska Empire, Juneau, Alaska, Mond

Hammond Dismisses Pact Critics

By G. MICHAEL HARMON
Associated Press Writer

Gov. Jay Hammond responded formally for the first time Friday night to the sudden revival of attacks from Democratic legislators on administration-negotiated contracts for the sale of Alaska's royalty share of Prudhoe Bay natural gas.

The new exchange between the Republican administration and Democratic critics blew new life into a gas contract debate which appeared to have died more than a week ago with legislature approval of the pacts

Hammond's response largely dismissed the jab aimed at the integrity of Tenneco-Alaska Inc., the biggest beneficiary of the contracts. But the campaign picked up support from outspoken Democrats who appeared unlikely to let the issue end with one prepared statement from the governor.

Hammond's comments came in response to a harshly-worded letter from Senate Resources Chairman Kay Poland, D-Kodiak, branding Tenneco as a company which "may well be accused of profiteering in the face of a national crisis."

Poland began her attack alone Thursday, but the formal letter to Hammond on Friday also included the signatures of Democratic Sens. Chancy Croft of Anchorage, John Huber of Fairbanks, Pete Meland of Sitka and surprisingly Republican John Butrovich of Fairbanks.

Croft, prominently mentioned as a 1978 gubernatorial candidate, and gadfly Huber have been long-time, persistent critics of the contracts which originally were advertised by Hammond as a vehicle by which to pick up polical lobbying support and a national constitutency for the all-Alaska gasline route of El Paso Natural Gas Co.

Under the contracts, Tenneco receives a full half of the state's 2.6 trillion cubic feet of Prudhoe Bay royalty gas while El Paso and Southern Natural Gas Co. divide the other 50 per cent.

Poland pulled the trigger on the renewed battle, but Tenneco itself provided the ammunition with the lawsuit-prompted admission that it may have violated federal law.

A veteran of seven years in the Senate, Poland called for cancellation of the Tenneco pact based on the firm's written statement that it may have improperly diverted massive amounts of natural gas from the regulated interstate market to the unregulated and more profitable intrastate market.

Information on diversion from midwest customers to a Tenneco subsidiary in Texas contained in Tenneco filings before the U.S. Securities and Exchange Commission was disclosed by the New York Times. The Times said the diversions could total as much as 350 billion cubic feet.

Diverted to the intrastate Texas market, Tenneco could sell the gas for nearly twice as much as in the Federal Power Commission-depressed interstate market.

Tenneco made the disclosures during the course of a suit filed by Standard Oil Co. of Indiana, accusing the transmission company with failing to provide gas promised in a contract.

In one document, Tenneco said "it appears that such gas was released under a variety of procedures, some of which involve transactions which may have failed to meet all the regulatory requirements therefor under the Natural Gas Act."

Expressing shock at the disclosure, Poland fired off her first salvo two days ago, saying "it's a mystery to me to see how we can expect a company with such a tarnished reputation to have political clout."

Based on the admission, she called on Hammond not to sign the Tenneco contract, but quickly learned that all the pacts had been formally inked before they even were submitted to the legislature.

Undeterred, however, Poland on Friday called wrote Hammond a letter, called her committee together and won the support of a majority.

Poland said she felt personally affronted by the company's conduct because she had voted for the contracts "in spite of considerable personal reservations" about administration claims that the pacts would generate "an unspecified amount of persuasive political support" for the all-Alaska route.

Northwest hits route decision 3/14

By ROSEMARY SHINOHARA
Daily News Staff Writer

The chief executive officer of Northwest Pipeline Corp. says he thinks the initial North Slope gas pipeline decision made by an administrative law judge was "in bad taste."

John G. McMillian, whose company was the one most severely trounced upon in the first round of decision-making on a three-way competition for a gas pipeline project, says "I think we'll have a more sympathetic ear" before the administrative departments that will also make recommendations.

NORTHWEST HAS CHARGED that the recommendation in favor of Arctic Gas Co. made by Federal Power Commission law judge Nahum Litt was biased.

"There was no finding of facts and conclusions of law. He was an advocate for Arctic Gas," McMillian said in an interview last week. Because of the alleged bias, Northwest has officially requested that the FPC avoid any communication with the judge and his staff while the issue is under consideration by the full commission.

Judge Litt's recommendation said the Arctic Gas proposal, across northern Alaska and down the Mackenzie River valley in Canada, was clearly superior. He said El Paso Natural Gas Co.'s proposed trans-Alaska pipeline and liquefied natural gas tanker system was also viable, but Northwest's proposed Alcan pipeline wasn't.

"WE THINK the decision will have a backlash effect," McMillian said.

Under the Alaska Transportation Procedures Act of 1976, the Federal Power Commission makes its findings by May and other federal agencies have until July to make their sentiments known to the President. President Carter has said he will decide by Sept. 30 on the issue, and then the matter is before Congress to accept or reject.

In Canada, Justice Thomas Berger's report on potential social and environmental impacts of a trans-Canada gasline is due next month or in May. "We think it will say that Arctic Gas is going to have a heck of a problem, and won't be able to build in the Mackenzie Valley for years," McMillian said.

NORTHWEST WAS criticized most strongly by Judge Litt for having what he termed an undersized pipeline. Now, Northwest has submitted a proposal for a larger, 48-inch pipeline to the National Energy Board in Canada.

"We think with the 48-inch line we'll come out even with Arctic or a little ahead," McMillian said.

While all that is speculation so far, Northwest has gained some support since the Litt decision came down.

(Continued on Page 2)

• Northwest

(Continued from Page 1)

ONE NORTHWEST utility threw its support behind the Alcan project last week, while another utility said it still has some questions about it, according to an Associated Press report.

Northwest Pipeline Corp. is the sole supplier of natural gas to Washington, Oregon and Idaho. Wendell Satre, chief of the Washington Water Power Co. of Spokane, said Friday that he supports Northwest's proposal.

O. Marshall Jones of Cascade Natural Gas Corp. of Seattle said his utility "cannot add our endorsement of the Alcan route." Jones said Cascade has "serious reservations" on the content of the proposed U.S.-Canada treaty—Cascade would like to see loopholes in the treaty tightened.

IN ALASKA, Northwest Thursday picked up the endorsement of Doyon Ltd., a Fairbanks-based native regional corporation.

So far, Northwest and its Canadian partners have spent $27 million on the chance that the Alcan route might be chosen in Canada and the U.S. for a gas pipeline.

That is less than one-fifth of the moneyhArctic Gas has spent in its longer-term proposal, McMillian said.

ADN 3/15/77

FPC to accept more evidence on Alcan line

Northwest Pipeline Corp. officials said Monday the Federal Power Commission decision to accept additional evidence on Alaska natural gas transportation systems is "a major breakthrough for the Alcan Pipeline Project."

The FPC ruled Friday it would accept the Salt Lake-based firm's alternative pipeline system, which would use 48-inch pipe. That plan was submitted to the Canadian National Energy Board and the FPC by Northwest after FPC hearings Judge Nahum Litt said its 42-inch pipeline system would be inadequate. He endorsed the Arctic Gas proposal for a pipeline across the Arctic National Wildlife Refuge and south through Canada, and said El Paso's pipeline-tanker proposal would be a viable option.

Northwest officials say Litt is biased in favor of the Arctic proposal.

ADN 3/18

Natives hit Canada line

By The Associated Press

Canadian and Alaska Natives blasted pipelines routed from Prudhoe Bay natural gas fields through Canada at U.S. Senate subcommittee hearings in Washington, D.C., on Thursday.

George Erasmus of the Indian Brotherhood of the Northwest Territory said routing of a natural gas pipeline through lands which may be claimed by Canadian Natives would be "genocidal in effect."

A route through those lands proposed by the Arctic Gas consortium recently was endorsed by Federal Power Commission hearings judge Nahum Litt. The judge dismissed the issue of Native claims in his endorsement, saying he did not believe Canada would permit unresolved land claims to block its national energy policy.

But Erasmus and Daniel Johnson of the Council for Yukon Indians said they would go to court if necessary to block pipelines through territory claimed by their peoples.

Erasmus said Natives in the Nirthwest Territories "do not want a pipeline and do not need it. The pipeline would destroy them as a people."

North Slope Borough Mayor Eben Hopson also testified before the Senate Interior Committee's subcommittee on public lands in support of the Canadian Native stance.

"Our government has an obligation to treat the Canadian Native land claims just as fairly as it has dealt with the Alaska Native land claims," he said.

Northwest Indians begin anti-pipeline campaign

ADN 3/13/77

YELLOWKNIFE, Northwest Territories (AP) — Northwest Territories Indians have begun an intensive public information campaign directed at stopping the proposed Mackenzie Valley natural gas pipeline.

"There's going to be increasing pressure on the government to delay that pipeline," Indian leader George Erasmus said in an interview here. "We're going south."

Erasmus, Northwest Territories Indian Brotherhood president, said rallies, lectures, and lobbying of politicians are planned in the south to turn public feeling against the pipeline.

"The Dene feel they have a good chance of stopping the pipeline and buying time," he added.

The Dene are the estimated 12,000 Indian people of the Mackenzie Valley. Most are status Indians represented by the brotherhood.

They say they do not want the pipeline built at least until their land claims are settled and possibly not at all. Their claim, submitted to Ottawa last fall, calls for creation of a Dene government in the resource-rich valley.

The anti-pipeline campaign comes as the pipeline issue nears a climax. The National Energy Board is holding hearings on pipeline proposals and Justice Thomas Berger of British Columbia is expected to release his report on the social, economic and environmental impacts of a Mackenzie line next month.

Ottawa has said the pipeline decision will be made by Sept. 1, the date when President Carter is to decide how to bring Alaska natural gas to southern markets. One option is to have a Mackenzie Valley line carry gas from both Alaska and the Mackenzie Delta.

Pipeline hearings also are being held in Washington.

SEAE

nday, March 21, 1977

Do Gas And Oil Mix?

Unique Gas Idea Suggested

WASHINGTON (AP) — The United States would not need a natural gas pipeline through Alaska or Canada if some gas-derived chemicals were sent through the Alaska oil pipeline, a petroleum engineer testified Friday.

"It is unfortunate that natural gas cannot be transported as such in the oil pipeline," said Sullivan S. Marsden Jr., an engineering professor at Stanford University. "However, some petrochemicals manufactured from natural gas could be transported in the pipeline with the oil, and this is the gist of our proposal."

Marsden told a House Interior subcommittee that chemical conversion plants could extract methane, make it into liquid methanol and send it down the pipeline with crude oil. Tankers would take both products to refineries in the lower 48 states and separate them again.

Methane is used for industrial fuel but not to heat homes. It also is used by the chemical industry.

"We re simply proposing that the site of the conversion plants be moved from the present locations to Prudhoe Bay," Marsden said. "This would also free a considerable amount of present natural gas production which could go into readily accessible gas transportation lines."

Marsden said the petrochemical plants could be put on reinforced concrete barges and transported to the north slope of Alaska.

Committee members used the word "fascinating" to describe his plan. But they were skeptical.

"Have the Alyeska Pipeline people expressed any interest in your proposal?" asked Chairman 'Teno Roncalio, D-Wyo.

Marsden said they have not answered his letters. But he said consumers should conclude that his plan would save them money.

"Does this really make economic sense?" asked Rep. James Weaver, D-Ore.

Marsden estimated the cost of moving the plants at $2.2 billion but said that would be cheaper than building a gas pipeline.

Testimony on the proposed gas pipeline has concentrated mainly on which route it should take.

Improper gas shifts

Tenneco's shocking admission

By ROBERT D. HERSHEY JR.

(c) 1977, New York Times News Service

WASHINGTON — Tenneco Inc., which runs one of the nation's biggest operations in natural gas, improperly diverted gas contracted to interstate customers and sent it instead to a Texas subsidiary that could charge much higher prices, the company disclosed last week.

The amount of gas covered by these transactions since 1965 appeared to be substantial, but was probably not an important factor in this winter's gas shortage.

TENNECO SAID in a filing with the Securities and Exchange Commission that it uncovered the diversions while preparing its defense against suits brought against it for failure to deliver gas to two corporate customers.

It estimated the volume sold to its Channel Industries Gas Co. subsidiary in Texas during the period was 350 billion cubic feet but said only "some" of this represented gas released from contracts for interstate sale through procedures "which may have failed to meet all regulatory requirements" under the Natural Gas Act.

A spokesman at Tenneco's Houston headquarters said he would not comment on the registration statement or on a petition Tenneco filed with the Federal Power Commission on Feb. 28.

THE PETITION sought a decision on whether additional approvals were needed and, if so, that they be granted. A copy was requested of the agency this evening but could not be immediately obtained.

An FPC official said that the commission on at least one recent occasion dealt rather severely with a case involving failure to fulfill gas contracts. She added, however, that such cases were rare and that she could not recall any companies ever admitting such conduct.

In a separate development, the FPC modified its traditional policy of permitting offshore producers of natural gas to set aside up to half their production for use in fertilizer, chemical and propane plants owned by themselves or by others.

IN A DECISION involving Tenneco and other producers, the agency rejected advice from its staff that all the gas be required to be sold to interstate pipelines. By a 3-1 vote, the commission refused to approve the set - asides outright but said the producers could apply individually. The implication was that most applications would be approved, as they have been as standard practice since the surplus years of the 1960s.

The commission had been deadlocked for weeks on the question. The compromise that produced a majority was a condition that the producers be required to shift industrial gas to the pipelines if the pipelines needed it to maintain deliveries for the highest priority uses, such as for homes and hospitals.

Commissioner Don S. Smith said he would issue a dissenting opinion.

Tenneco, the nation's 22nd largest corporation, sends large quantities of gas into the Northeast from Louisiana and Texas. Its Tenneco Oil Co. subsidiary is a major gas producer.

DIVERTING GAS earmarked for interstate pipelines would be economically advantageous since the interstate price is limited by the FPC. The highest rate permitted now, applying only to wells drilled since Jan. 1, 1975, is $1.44 per 1,000 cubic feet. The intrastate price, not subject to Federal controls, now ranges between $2 and $2.25.

Ten years ago the range for interstate gas was between 11 and 21½ cents, the FPC said.

Tenneco's disclosure came in joint registration statements covering $150 million of 25-year debentures and 4.98 million shares of common stock to be issued in acquiring the Monroe Auto Equipment Co.

The Alaska Legislature, after a stormy debate, this month approved the administration's contracts with Tenneco, El Paso and Southern Natural Gas companies to sell the state's royalty gas in exchange for political support of the all - Alaska gas pipeline proposed by El Paso.

Following the legislature's vote on the measures, it was disclosed last week in the New York Times that Tenneco had been improperly shifting its natural gas supplies to Outside markets since 1965.

The disclosure brought new charges against Tenneco and the state gas contracts by some Alaska legislators. Sen. Kay Poland of Kodiak asked how a company such as Tenneco "with a tarnished reputation" could be of any value in the current gas pipeline battle ongoing in Washington.

Here is the New York Times' Page 1 story on Tenneco's admission.

California Drops Gas Buying Hint In A Letter To Alaska Lawmakers

By CHUCK KLEESCHULTE
Empire Staff Reporter

The chief of California's Energy Resources Commission has urged Alaska lawmakers to disapprove the proposed sale of Alaska's North Slope Royalty gas.

He hinted, instead, that the state might be able to sell its gas directly to California at potentially higher wellhead prices if the contracts aren't approved.

Richard L. Maullin, chairman of the California Energy Resources Conservation and Development Commission, Jan. 31 urged the rejection of the contracts which call for the sale of Alaska's one-eighth share of Prudhoe Bay reserves to three firms, Tennessee Gas Transmission Co., Southern Gas and El Paso.

Maullin, in a letter to Sen. John Rader, Senate President and head of the Joint House-Senate Gasline Review Committee, said California is opposed to the contracts since their approval would eventually make the state 90 per cent dependent on liquified natural gas (LNG)—an unacceptable level given the newness of LNG technology.

"If the one LNG terminal California is likely to approve were to be temporarily closed down due to an equipment malfunction, trestle damage, or earthquake, the state could face major disruptions in its gas supply delivery system.

"For this and other reasons, California supports an overland gas pipeline delivery system for North Slope gas," Maullin wrote in a letter mentioned at the public hearings, but not read publically.

Maullin urged lawmakers to consider a proposal being reconsidered this winter in California which calls for the establishment of a California State gas purchasing authority which could then attempt to purchase Alaska's share of North Slope reserves—gas which could be purchased from Alaska at higher than regulated prices since the Federal Power Commission (FPC) would not have control over terms of the sale price.

"There has been a lot of strong interest in the concept here among legislators in the past month. It's likely that hearings will be called soon to formally consider such an idea, but as yet it's an idea whose birth is not yet imminent," said Robert Shinn, special assistant to Maullin this morning in Sacramento.

"In the past month a number of people have focused on the concept," Shinn said. "It may well prove to be an idea whose time has come." California under present estimates will face gas shortages in the mid 1980's.

The Alaska Royalty Oil and Gas Advisory Board at its Nov. 21 hearing on the proposed gas sale noted the possibility of such a sales agreement, but dismissed the importance of the concept given the low level of interest being shown in the proposal in California at that time.

Former FPC Commissioner Rush Moody Jr., earlier this month said such a scheme might not result in substantially higher wellhead prices under a regulated market since the FPC would continue to regulate transportation of gas and could still disapprove of a state sale to California, if the commission felt the gas price was unreasonable.

Shinn this morning said he doubted the FPC would disapprove of the contracts as long as a sale price negotiated between the two states kept the price of gas competitive with other fuels.

Interest in the idea may have been sparkled in California by release Jan. 3 of a study which reported California could lose between 900 million and 1.5 billion cubic feet of gas supplies daily in the event of a shutdown of a liquification gas reprocessing plant in California. A key ingredient of the El Paso route is the liquification of the gas, and its transport by tanker to California where it would be reprocessed at a plant at Point Conception.

The letter also implied California might be willing to switch its support from favoring an Arctic Gasline to back an Alcan route, if Alaska would give up support of the El Paso pipeline route.

Of Problems With Gas Sale

2/11/77

The sale of the state's royalty share of Prudhoe Bay natural gas in exchange for political support for an all-Alaska gasline could have and exactly opposite impact, Natural Resources Commissioner Guy Martin was warned in a confidential memorandum last year.

"There is a political problem, we think, in entering into a contract with anyone providing for political support," O. K. "Easy" Gilbreth, then director of the Divison of Oil and Gas, said in the memo dated last March 15. "The danger in this case is particularly great, as the liability of contracting with an oil (or gas) company for political support of the trans-Alaska gas pipeline is like trying to stimulate a fire by putting (carbon dioxide) on it."

Because of a probable adverse reaction from the public and federal government, Gilbreth said, the proposed sale to Tenneco, Southern Natural Gas and El Paso "may be a much bigger liability than asset merely from the political standpoint."

The memo from Gilbreth, now director of the newly-created Division of Energy and Mineral Development, was obtained by veteran capitol reporter Joe La Rocca and published in this week's All-Alaska Weekly.

Gilbreth's memo also raised a number of largely technical and administrative objections to the proposed sale by the legislature, most of which appear to have been accommodated in the contracts submitted for approval by the administration to the legislature.

But one Gilbreth recommendation which was not adopted was his proposal to commit no more than 33 per cent of the state's estimated 2.6 trillion cubic feet of Prudhoe Bay gas to Tenneco.

"If the political motivation is so important, why not commit to five or more East Coast or Southern U.S. users and get five times the benefit," Gilbreth wrote.

SEAE 2/11/77

Southeast Alaska Empir

Stop Arctic Movement

Hastily Called Meeting Will Try To Stem Tide

By G. MICHAEL HARMON
Associated Press Writer

A high-ranking delegation of officials from the state, El Paso Natural Gas Co. and Alcan Pipeline Corp. will appear before a hastily-called congressional hearing next week in an effort to "slow down" momentum for Arctic Gas's Canadian Gasline route.

Informed sources said the hearing will be used as a vehicle to counter a recently-launched campaign by Artic to convince the Carter administration to speed up the pipeline decision-making process based on momentum gained from the recent ruling of a Federal Power Commission judge in favor of the Canadian route for the transmission of Prudhoe Bay natural gas to the Midwest.

In an effort to counter the alleged maneuver, El Paso and Alcan supporters will initiate their own campaign before a House Interior Committee Subcommittee on Public Lands hearing in Washington, D.C. Feb. 17.

The campaign, sources said, will be aimed at challenging the FPC judge's decision on the grounds that it did not comply with either the letter or the spirit of the Alaska natural gas pipeline procedural bill passed by Congress last year.

Arctic spokesman Dave Harbour called the charge that his firm was trying to press the Carter administration for a fast decision "patently ridiculous."

Spokesmen from the state, El Paso, Alcan and the Organization for the Management of Alaska Resources all called the one-day hearing a significant and major development in the pipeline debate, but the view was not unanimous.

Alaska Congressman Don Young is a member of the subcommittee, but will not attend the hearing. He has opted instead to spend the week in Alaska for a series of meetings and speeches.

Alaska Sens. Ted Stevens and Mike Gravel also did not plan to attend.

Bill Horn, a consultant to the Republican minority caucus, said Young "expressed his displeasure that the hearing would be set up on short notice when he was out of town, but was assured by the majority council for the subcommittee that these were nothing more than informational hearings for new members."

Rader Predicts Gas Sale Okay

SAE 1/13/77

By The Associated Press

Senate President John Rader predicts proposed contracts for the sale of Alaska's share of Prudhoe Bay natural gas will face little opposition in his chamber.

"I assume it will be supported without a great deal of difficulty," the Anchorage Democrat said.

The contract generally follows a resolution passed last year by the joint Senate and House Gas Pipeline Impact Committee on sale of the gas, Rader said.

Gov. Jay Hammond's administration negotiated the tentative contracts wtih Tenneco, El Paso Natural Gas and Southern Natural Resources in exchange for their support for the trans-Alaska pipeline proposal before Congress. However, the contracts must be approved by the legislature.

Rader said consideration of the contracts will be one of his top priorities for the session.

On Wednesday, he appointed a a special committee to review the contracts, and he has asked House Speaker Hugh Malone, D-Kenai, to appoint a similar committee.

Malone said he has not raised the proposal with the House Democratic caucus, but added that it "sounds like a good idea."

In the House, where Democrats are in control, approval of the contracts may not come as easily, however.

Malone said he does not know if any opposition will arise, but added that he has at least one queston about the plan.

When the gas is used by the companies for consumers in the Lower 48, communities there may become economically dependent on it, Malone said.

Teamsters protest Canadian gas line

ADN 2/10/77

By The Associated Press

The International Brotherhood of Teamsters Wednesday went to the Federal Power Commission to protest a hearing judge's endorsement of a trans - Canada route for Prudhoe Bay natural gas.

Teamster General President Frank Fitzsimmons told the FPC the union believes natural gas discovered within the United States should be transported within U.S. boundaries.

The union has endorsed the so-called "all-Alaska" natural gas pipeline and tanker route proposed by El Paso Natural Gas Co. for transport of Prudhoe Bay fuel.

Fitzsimmons said Administrative Law Judge Nahum Litt's endorsement of the Arctic Gas proposal for a route through Canada ignores the interests of Alaskans. The Teamster official said the El Paso plan would provide permanent jobs for Alaskans at liquification plants required to prepare the fuel for tanker transport.

Among Fitzsimmons' objections to a pipeline route through Canada was his contention that with a commodity as valuable as natural gas, relations between Canada and the United States "cannot help but be strained."

The Teamster leader also said the interests of Alaska and its citizens must be given greater consideration in the route decision.

Fitzsimmons said even in the United States, no institution has "been able to compel delivery of even a reasonable amount of gas from one area to another."

Violence reported in Sea-Land strike

By The Associated Press

Veiled Threats?

Feb 24 1977

Stevens Challenges Canadians On Gas Issue

By MARK PANITCH
Washington Correspondent

WASHINGTON—Alaska Senator Ted Stevens today challenged Canada to speed up its gas pipeline decision-making process in order to conform to the expedited U.S. schedule passed by Congress last year.

Stevens told a well-attended press conference in the Capitol that "A gas pipeline route through Canada, although facilitated through 195 miles in Alaska, could be delayed for 2,035 miles of construction on Canadian soil."

At the same time, Stevens issued a veiled threat to the rest of the country that if Alaska does not get a favorable pipeline settlement it could reduce the flow of Prudhoe Bay gas.

"Alaska could follow the procedure of the Texas Railroad Commission," he said in response to a question about Alaska's options from a Canadian reporter.

Q. What does that mean?

A. We could cut the flow of gas to make a pipeline uneconomical.

He then noted that federal pre-emption of Alaskan control over gas flow would require that the same preemption be extended to Texas, Louisiana, Oklahoma and other gas-producing states. "But I'm not threatening," he said.

Stevens said the press conference was called "to send a message to the White House" in time for a planned visit by Canadian Prime Minister Pierre Elliot Trudeau next week. He said he was trying to arrange a Capitol Hill meeting between members of Congress and Trudeau to discuss the gas line.

An informal poll of Canadian reporters immediately after the news conference yielded two major themes:

—If Canada were to accept Steven's challenge and expedite its pipeline process that would virtually guarantee the approval of the Arctic Gas project.

—In the words of one reporter, "We don't need Ted Stevens telling us what to do in Canada."

A third Canadian reporter combined the two with the comment that, "He is obviously trying to make somebody in Ottawa mad, hoping they'll dig in their heels and do nothing in response to him and this kind of assault."

In a prepared statement, Stevens described the Canadian decision-making process, noting there "is no specific time frame upon which to rely regarding eventual approval of a pipeline. We simply cannot assume Canadian approval in time to integrate construction with our expedited decision-making process."

Stevens also questioned whether the recently-signed hydrocarbon treaty between the U.S. and Canada will prevent discriminatory taxation of U.S. gas. "There is a real difference of opinion on this issue," he said.

"That issue is up to the Canadians, not the FPC, our President or the Congress," he said.

Stevens indicated he thought the biggest single problem facing Canadian approval of a gas pipeline through the Mackenzie Valley—the route proposed by Arctic Gas—is the settlement of native land claims in that region.

"The United States had its own land claims settlement," he said. "which culminated a 15-year process with the passage of the Alaska Native Claims Settlement Act in 1971. Every indication leads me to believe that the Canadian land claims problem is at least as complicated and will take at least as long to settle."

Canadian priorities, he said, would be "Canada's national interest, which is logical." But this could mean construction of the Polar Gas pipeline from the high Arctic Islands north of central Canada "where exploration has been much more successful than in the Mackenzie Delta."

Federal Power Commission Administrative Law Judge Nahum Litt came under attack also. "The FPC has its head in the ground as far as the decision affected Canada. What sense does it make to expedite the decision here in the U.S. when there is no similar sense of urgency in Canada?" he asked.

On other issues Stevens:

—Defended the proposed El Paso Gas liquefied natural gas system as the "most flexible" proposal. "When the Prudhoe Bay fields are exhausted the tankers will still be useful to move gas from offshore deposits to lower-48 markets."

—Pointed out that gas moving from the West Coast to the East Coast under the recently-passed natural gas act is a demonstration of the displacement principle that El Paso plans to use to get Alaska gas benefits to Eastern customers.

—Linked problems getting offloading facilities for Alaskan oil in California to that state's desire to get Alaskan gas. "They're holding up the oil off-loading facilities to get more of our gas." He said that California laws could be preempted by the federal government if they put a "plug in the pass" that Alaskan gas must go through.

—Defended the Arctic National Wildlife Range as a place "Alaska is trying to save." The range, he said, was the brainchild of "the ladies of the Fairbanks garden club" during the 1950's.

Stevens also made what appeared to be an unusual conciliatory gesture toward the conservation organizations that are fighting the Arctic pipeline. He blamed delay in construction in the trans Alaska oil pipeline on "lack of authority to approve right of way wider than 50 feet" instead of the conservationists.

Croft Expects Royalty Gas Trouble

By CHUCK KLEESCHULTE
Empire Staff Reporter

A member of a special committee set up in the state's Senate Wednesday to consider the proposed sale of Alaska's one-eighth share of North Slope natural gas this morning predicted the state's legislature would look at the sale critically and possibly disagree with several of its key tenets.

State Sen. Chancy Croft, D-Anchorage, said that the agreement worked out between the Gov. Jay Hammond and three natural gas distribution firms, Tennessee Gas Co., Southern Natural Gas Co. and the El Paso Natural Gas Co. failed to establish any criterion the companies must meet to uphold their end of a key section of the contract.

Hammond in announcing the royalty gas sale Nov. 12 said that the contract with the three firms was being inked at this time mainly so the state could win added political support in its battle to gain acceptance for El Paso's proposed All-Alaska route for the gas line.

Croft complains, however, that no where in the contract is the effort the firms must make on behalf of the El Paso route listed or explained.

Guy R. Martin, commissioner of the State's Department of Natural Resources and a chief negotiator on the royalty gas pact, this morning admitted the contract did not include specific measures to indicate the support the firms must show for the El Paso plan.

But Martin said that such measures were not necessary since the contract would be nulified unless the El Paso Alaska line was selected by the Federal Power Commission, the President and later probably by Congress.

"Before the state's Royalty Board we discussed this issue and decided we couldn't set a series of standards, only use the performance criterion of whether the firm's support won the state the selection of the El Paso route," Martin said.

Croft this morning questioned whether the state should ever sell its resources just to obtain political support for its objectives. "I think we in the legislature need to make a fundamental policy decision whether the contract is a good one, and also whether the objectives for it being made are good ones.

"I'm sure we'll give the issue close scrunity," Croft said.

Croft also said he felt the proposed gas sale to El Paso might not be in the state's best interest since state Gas Line Task Force studies indicate that El Paso's proposed project will not deliver gas at the lowest cost to lower 48 cities. The Hammond Administration argues the El Paso project, however, will provide the greatest economic benefit to the state and provide the country the greatest net benefit when all factors are considered.

Croft's attitude contrasts with that of Senate President John Rader who Tuesday said that he felt Hammond's royalty agreement closely followed directions given by the legislature to the governor last session. Rader said his preliminary review of the contract indicated it was a good pack for the state and he predicted the legislature would approve of the sale agreement. (See earlier story, P. 10)

Legislators this morning mostly assumed a "wait and see" attitude toward the contract which was handed out to legislators Wednesday with over a dozen supporting documents included.

Juneau's Sen. Bill Ray this morning said he was still withholding comment on the pact until he has had an opportunity to clarify several sections of the contract. Several House lawmakers also declined comment until they could read the supporting documents.

House Speaker Hugh Malone, D-Kenai, this morning said he would appoint Friday a special committee to participate in joint initial hearings with the senate on the sale agreement. After the initial hearings the contracts may be considered by both the Finance and Natural Resources Committees in both the House and Senate.

Special House Panel Created To Review The Royalty Gas Sale

SAE 1/14

By The Associated Press

A five-member special committee was appointed in the state House today to review proposed contracts for the sale of Alaska's share of Prudhoe Bay natural gas.

Gov. Jay Hammond's administration negotiated the tentative contracts with Tenneco, El Paso Natural Gas and Southern Natural Resources in exchange for their support for the transAlaska gas pipeline proposal before Congress. However, the contracts must be approved by the legislature.

Named to the House committee were Clark Gruening, D-Anchorage; C.V., Chatterton, R-Anchorage; Charles Parr, D-Fairbanks; Joe McKinnon, D-Anchorage; and Joe Hayes, R-Anchorage. Gruening will chair the group.

A similar committee was named in the Senate on Wednesday Senate President John Rader, the Anchorage Democrat who joined Republican coalition to rule the Senate, predicted the proposed contracts would face little opposition in his chamber.

But in the House, where Democrats are in control, approval of th contracts may not come as easily. Rep. Parr has questioned what th companies would promise to do in return for a share of the gas. H also has indicated he doubts whether their support "would make th much difference" in Congress.

The Senate committee will meet Jan. 31 through Feb. 2, but th House committee has not set a meeting date.

Juneau Perspective

Royalty Gas

By Joe La Rocca

One day last week the Hammond administration dropped on all legislators' desks a voluminous file of data designed to elicit their support for the governor's proposal to sell the state's surplus royalty gas from Prudhoe Bay — valued at $1.3 billion — to three pipeline companies.

Under state law, the sale can't be consummated unless it's approved by the legislature.

The proposed sale of the royalty gas — totalling an estimated 2.3 trillion cubic feet — has been the subject of intense and extended negotiations between the Hammond administration and the prospective buyers who have agreed, as a binding condition of the sale, to support the state's choice of an all-Alaska gas pipeline route during the continuing political jockeying among the three competing gas transportation systems for certification by the federal government.

But missing from the documents submitted to the legislature by the administration is pertinent information recently developed by the State Department of Revenue which shows that the proposed Alcan pipeline route — which the administration says is its second choice — offers vastly more superior benefits than shown by the earlier study on which the state's choice of El Paso's proposed All-Alaska route was based.

The new data reveals, for example, that the Alcan pipeline can be in operation more than a year earlier; would cost nearly $2 billion less; and could delivery North Slope gas to lower 48 markets far more cheaply than El Paso's proposed pipeline-tanker system.

At the same time, the missing data shows, the Alcan pipeline would result in far less wasted oil than the El Paso system because it would economically permit reduced volumes of gas production during the early development of the Prudhoe oilfield, thus resulting in the recovery of greater volumes of oil over its producing lifetime.

These data are mysteriously absent from the massive documentation which the administration has provided the legislature to guide its review of the governor's proposed royalty gas sale contracts.

The suppressed information is contained in a recent unpublicized addendum to the comparative economic study of the three competing pipeline systems which was prepared by the State Revenue Department and released last November. Extensive data from the initial study are contained in the documents submitted to the legislature, but the information from the addendum — which was completed late in December — is not, presumably because it would undermine, rather than bolster, the state's decision in favor of the El Paso route.

The study addendum describes a scenario which its author calls the "Alcan incremental volume build-up case." In that scenario, the pump stations for the Alcan pipeline would be built in three incremental phases, permitting a volumetric throughput starting at 1.35 billion British Thermal Units, or BTU, per day, during the first year of operation; increasing to 1.8 billion BTU per day during the second year of operation; and reaching its maximum throughput of 2.7 BTU during the third year of operation.

One major advantage, alluded to earlier, deriving exclusively from the incremental volume build-up case is its low initial throughput, which would permit both the state and the producers to monitor and estimate better the effect of early gas production upon ultimate oil recovery. Since the amount of oil which can be recovered from the Prudhoe formation is inversely proportional to the level of gas production, low initial gas production would help to ensure the fullest ultimate recovery of oil. As the oil is depleted, gas production can be gradually stepped up — without inhibiting oil recovery — to accommodate the incremental build-up of the Alcan gas pipeline's capacity.

This kind of critical energy and economic conservation can be realized only by means of the Alcan incremental volume build-up scenario. Every other option has the opposite effect of wasting substantial volumes of energy resources.

Another major advantage deriving from the incremental build-up case is the lower initial capitalized cost of the Alcan system, which would permit an estimated over-all savings of $1.7 billion over the cost of the El Paso system. And because initial construction time requirements would be shorter, the Alcan system could begin operation one to 1½ years earlier, according to the study addendum.

Finally — and perhaps most importantly — calculations show that the estimated average delivered price of North Slope gas over a 25-year production period would be substantially lower than the El Paso system could achieve. And since the deregulation of gas prices by Congress appears inevitable by the time any system begins operation, the much lower transportation costs achieved through the Alcan system would result in proportionately higher wellhead values and, in turn, greater state royalty and severance tax revenues.

Since, in the economic world of give and take, there is no free lunch, there is one temporary disadvantage accruing to the Alcan incremental build-up scenario. While the average delivered price of Prudhoe Bay gas over the 25-year period is estimated at $1.88 per million BTU, its cost during the first two years of production would be very high, ranging from $3.10 down to $2.69 per million BTU, before beginning a precipitous decline over the ensuing years to $1.22 per million BTU.

Hammond administration officials will doubtless argue that the data from the study addendum were not included in the documents which they submitted to the legislature because of doubts that the Federal Power Commission would allow the high prices which the gas would command during the first two years of operation. But that argument ignores, first of all, the virtual certainty that natural gas prices will be deregulated before any of the three systems goes into operation; and secondly, it assumes a value judgment which only the legislature is legally entitled to make, based upon the fullest and best information available to it.

There is another aspect of the administration's decision to support the El Paso pipeline which has been ignored or deemphasized and that is the fact the best El Paso case put forward

–Continued on page 12

Perspective . . .

–Continued from page 4

by the administration assumes that the state would own and operate the entire LNG tanker fleet needed to carry liquified gas from Point Gravina to the West Coast. It further assumes that 80% of the $2½ to $3 billion needed to finance an eight-tanker LNG fleet would be taken from the state's permanent fund.

There's little doubt that the Tenth Alaska Legislature will approve the governor's royalty gas contracts, thus reaffirming the Ninth Legislature's resolved support for the El Paso route. To do otherwise would be impolitic, particularly in light of the results of a current poll released last weekend by the Hammond administration.

It purports to show that 53% of Alaskans favor the El Paso route, while only 11% prefer the Alcan route.

How could it be otherwise when two successive state administrations have manipulated, distorted and even suppressed the true facts and circumstances surrounding the gas pipeline question?

Southern, Tenneco Begin Tentative Lobby Efforts

By MARK PANITCH
Washington Correspondent

WASHINGTON—The two gas pipeline companies that hope they share the majority of Alaska's north slope royalty gas are taking their first tentative steps to encourage Congress and the Carter administration to support a trans-Alaska gas pipeline proposed by the El Paso Natural Gas Co.

Alaska signed preliminary agreements to sell its royalty gas last November.

The two companies, Southern Natural and Tennessee Gas Transmission, known as Tenneco, expect to work through lobbyists, local utilities and congressmen whose districts they serve to influence the gas pipeline selection process.

At stake for the two companies is about two trillion cubic feet of the state's more than three trillion cubic foot royalty share. The balance would go to El Paso. With both companies, but especially Southern, hard hit by the unusually cold winter in the East and South the royalty gas is fast becoming an increasingly valuable prize.

But so far the most visible lobbying effort in favor of the state's official position continues to be headed by Gary Frink, a lawyer-lobbyist on contract to the Organization to Manager Alaska's Resources (OMAR).

Frink has two full-time employes, a lawyer and a researcher, working on the Alaska gas issue. He has strong ties to the congressional Democratic establishment and to organized labor as well.

Both Tenneco and Southern plan Washington lobbying efforts, but the two companies appear to be taking somewhat different approaches to the issue.

Both companies appear, at least somewhat, to take the position that they can not begin an intensive campaign until their agreements for royalty gas are ratified by the legislature. That process began Monday with joint House-Senate hearings in Juneau.

Tenneco has hired a Washington law firm to represent it on the Alaska gas issue, with a former high-ranking Democratic Senate staff member apparently in charge of the lobbying effort.

The company already has a well staffed and efficient Washington office. It remains to be seen what effect the change in administration will have, though, since the company reportedly had excellent connections to the departed Nixon-Ford administration. The appointment of the Democratic lawyer could offset other political disadvantages.

Walter Stark, Southern vice president for public relations, said his company has no immediate plans to set up a Washington office for the Birmingham-based operation. "The matter has to be approved by the state legislature" before we can do anything, he said. Southern executives are in Washington "nearly every week," he said. He indicated there are no immediate plans to hire anyone to work full-time on Alaska, although "I anticipate doing a lot of work in Washington myself."

There was one thing he was definite about, though. "The people in the Southeast are very enthusiastic about getting some of that Alaska gas."

Southern serves all or part of Mississippi, Alabama, Georgia (including Plains, President Jimmy Carter's home), South Carolina, Tennessee, Louisiana and Florida.

There have been meetings between Stevens and his staff and both Tenneco and Southern officials. There have apparently been fewer contacts with Sen. Mike Gravel and his staff.

Frink says he has not been contacted by either Tenneco or Southern and there are no arrangements so far to coordinate their lobbying campaigns. He says he found out that Tenneco had hired a lobbyist to work on Alaska gas from an acquaintance at a chance meeting.

While about three trillion cubic feet of royalty gas could go to Southern, Tenneco and El Paso, there is still another 23 trillion cubic feet available for commercial sale by the producers after the state takes its one-eighth royalty.

ADN 1/19/77

Quick action seen on royalty gas sale

From Our Juneau Bureau

JUNEAU — With state Senate President John Rader pushing for quick action, the legislature may approve as early as mid-February contracts to sell Alaska royalty natural gas in exchange for support of an all-Alaska gas line.

Public hearings on the contracts will be held Jan. 31-Feb. 2, and Rader, D-Dist. J, predicted that within a day or two following the hearings, contracts would go to House and Senate committees for study.

RADER warned a special royalty gas committee Tuesday, "I'm concerned about public reaction to any unseemly delay in this matter." The Senate president has said he considers approval of the contracts one of his top priorities for this legislative session.

Senate and House royalty gas committees will conduct joint hearings in Juneau, and state officials and legislative consultants will be asked to evaluate the contracts.

Gov. Jay S. Hammond late last year contracted with three petroleum companies to sell Alaska's share of the natural gas which is to be pumped from Prudhoe Bay, in exchange for the companies' support of a trans-Alaska route for the pipeline. Three routes have been proposed for a pipeline, and the Federal Power Commission will make its recommendation of a route to President Carter in several months. The administrative law judge of the FPC will make his recommendation at about the same time the state is conducting hearings into the contracts.

IF THE trans-Alaska route is not chosen the state's contracts with Tenneco Alaska, Southern Natural Gas and El Paso Natural Gas would not be binding.

The legislature will pay three out-of-state consultants to help it examine the contracts and question administration officials.

Joe Kilgore will represent Walter Levy Associates, which is on a $45,000 retainer with the legislature. Rush Moody, a Washington attorney and former FPC commissioner, will be paid for his participation in the three-day hearings. And Carl Swanson, of Boston - headquartered Jensen Associates, an energy planning and economic analysis firm, will be paid $19,000.

THE PRESIDENT may make his gas line route decision by Sept. 1, and Congress then has 60 days to take action on the proposal.

Here are the three gas line proposals: El Paso is pushing for authority to build a pipeline from Prudhoe Bay to Prince William Sound; Arctic Gas is seeking permission to build a pipeline from the gas field into Canada and then down to the midwestern United States, and Northwest Pipeline Co. wants to build a pipeline about as far south as Fairbanks parallel to the oil pipeline route and then following the Alaska Highway to the Lower 48.

Rader's estimate of early action on the contracts is echoed by House Speaker Hugh Malone, D-Kenai. Malone said Tuesday he expected the contracts to be acted upon by the legislature at least by the end of next month.

Litt decision 'hard to overturn'

By ROSEMARY SHINOHARA
Daily News Staff Writer

The Federal Power Commission will find it hard to overturn the recommendation of administrative law judge Nahum Litt in favor of Arctic Gas Co. in the view of a California gas company executive who sits in the middle of the controversy.

Keith McKinney, vice president and general manager of both Pacific Alaska LNG and Western LNG Terminal Co., will be responsible for the southern end of El Paso Natural Gas Co.'s pipeline and tanker project to haul North Slope gas, if it is approved.

AT THE SAME TIME, parent and sister companies of his company are part of the Arctic Gas consortium. "I'm neutral," McKinney said in an interview. His Western LNG Terminal Co. has a contract to provide a Southern California terminal for El Paso if it wins.

He believes the full FPC, which makes the next move in the gas pipeline controversy, could make minor changes, but will do nothing major to alter the conclusions reached by Judge Litt.

"I think because of the very careful job he's done, it would be surprising if his decision, at least as to transportation mode, didn't hold up," McKinney said.

THE ALCAN PROJECT proposed by Northwest Pipeline Corp. of Salt Lake City never matched the others in sophistication, and McKinney said he thinks it unlikely the Northwest proposal could be "resurrected to overcome a Litt decision."

The day the Litt decision came down, the Pacific Lighting Gas Development Co., a relative of McKinney's companies, approached Atlantic Richfield Co. to discuss purchasing ARCO's North Slope gas.

Pacific Lighting and ARCO had negotiated a sales commitment earlier, but because the arrangement called for Pacific Lighting to advance substantial amounts of money ahead of time, the California Public Utilities Commission opposed it.

THE LACK OF sales contracts between the owners of Prudhoe Bay gas and gas distributors was cited by Litt as a problem for the deliberation on which transportation system would be best.

"It will be essential for them to sell it (the gas) before too long," McKinney said. Before transportation systems can be finally settled, the destination of the gas has to be determined. Litt also indicated that gas companies which will receive the gas will need to participate in financing the transportation project.

Western LNG Terminal Co., became involved in the El Paso project because the company was planning two other liquefied natural gas (LNG) terminals in California to handle Cook Inlet natural gas and Indonesian gas.

EL PASO was looking up and down the western coastline for a terminal site at the same time the Pacific Lighting companies were planning the other two terminals, McKinney said.
terminals, McKinney said.

By handling all of the terminals, Western LNG Co. may be able to combine them, for a total of two terminals. None of the projects have received final approvals from the California state government, or from Alaska's government, which must approve the Cook Inlet LNG project.

But with the natural gas shortages being experienced by the cold weather states in the East this winter, California officials seem anxious to assure supplies won't run out in their state, McKinney said.

THE PERMIT PROCESS in California will probably be expedited so the new gas supplies can be on line in 1980, he said.

"If we don't get some new gas supplies by the end of 1980, we'll be out of gas for some customers that need it whether it's cold or not," he said.

California already favors the projects—it's a question of how many terminals will be built, and where they will go, McKinney said.

ADN 2/7/77

Compare .....

Gas shortage cost: 1.5 million jobs

WASHINGTON — Between 1.2 million and 1.57 million persons — most of them in Ohio and New York — have been laid off their jobs because of the natural gas shortage, new federal and state reports indicate.

A report given White House energy advisor James R. Schlesinger over the weekend shows gas-shortage unemployment in at least 17 states, ranging from about 1,000 each in Mississippi and Wisconsin to an estimated 250,000 in New York and 550,000 to one million in Ohio. The report is based on estimates prepared by the Commerce Department and by state agencies.

ADN 2/8/77

A smaller, 300-bed jail — at a cost of $38 million — was proposed by the Hammond administration last year as part of a $30 million bond package. That was pared to $10 million by the legislature, and only $2 million was allotted for the Anchorage jail.

STATE VOTERS defeated the bond proposition at the polls in November.

Wonzo, with his parents Mr. and left, receives a check for winning test. Billy led all carriers by sell- iptions. Presenting the check are Hugh Fleischer, co-chairmen of Newspapers, a citizens organiza- horning paper gain new circula- a party for Billy and other top offices earlier this week.

Gas contracts may aid state

By G. MICHAEL HARMON
Associated Press Writer

JUNEAU — The president of Arctic Gas Co. agreed Thursday that the sale of state royalty gas to gain political support for the all-Alaska pipeline route of arch-rival El Paso Natural Gas Co. will have "some impact" in the lower 48.

"In all candor and in my opinion, the contracts are pretty good from the standpoint of what the state wants," Robert Ward told legislative hearings on the administration - negotiated contracts with El Paso, Tenneco and Southern Natural Gas Co.

Ward said there was "no question" that El Paso, like any of the three competing pipeline firms, would be helped by the the commitment of Alaska's one-eighth royalty share of Prudhoe Bay natural gas, but added that he could not quantify the potential impact on the upcoming federal route decision.

"They've got to have some impact," said Ward, whose firm is proposing a pipeline route from Prudhoe Bay across the Arctic Wildlife range and then down through Canada to the Midwest. "Anybody who says they won't is wrong. Whether they are necessary, I don't know. I'm not convinced they will help that much, but they won't hurt."

Ward also said he thought the state was "pretty well protected under the contracts," in getting the highest price for its gas.

But he also said there was "no question" that Congress would endorse his firm's proposal while acknowledging that Arctic faces major problems in winning Canadian approval of its route.

Ward's assessment was in conflict with other testimony Thursday from Morris Thompson, vice president of Northwest Pipeline Corp., who said the contracts were a bad deal for the state and would not be decisive in the route decision.

Northwest's proposed Alcan pipeline route would extend from Prudhoe Bay to Fairbanks and then down the Alaska Highway to Washington state.

Thompson said the sale of Alaska's royalty gas could have played a role in the pipeline route decision before passage late last year by Congress of a gasline

(Continued on Page 2)

Lt. Governor will campaign for Alaska line

Alaska Lt. Gov. Lowell Thomas Jr. will carry the state's position favoring a "Trans - Alaska, All - American system" to transport North Slope natural gas to market to Washington Feb. 15 and 16.

Thomas said Thursday he plans to spend one - half hour with Interior Secretary Cecil Andrus, and he also will visit the Treasury and the Transportation Departments.

The trip to the nation's capital will be a prelude to a promotional tour Thomas plans to make in mid - March on behalf of El Paso Natural Gas Co.'s proposal for a trans - Alaska gas pipeline and tanker system.

Thomas said he will spend up to 30 days campaigning for the project on a trip that will be partially financed by himself, and partly by the state.

(Continued on Page 2)

• Royalty gas

(Continued from Page 1)

procedural bill, but not now.

"Now the executive branch makes the selection with Congress having only 60 days to vote it up or down," Thompson. "And I feel any selection by the President will be approved.

"What impact will political clout have upon a regulatory agency (the Federal Power Commission) and a new President?"

Croft Questions Royalty Gas Sale Ethics

By G. MICHAEL HARMON
Associated Press Writer

An influential state lawmaker has called on Gov. Jay Hammond to answer "serious ethical questions" about his proposal for the sale of Alaska's share of Prudhoe Bay natural gas.

Sen. Chancy Croft, D-Anchorage, issued the invitation Tuesday in voicing major reservations about the Hammond administration recommendation to peddle the state's royalty gas to three firms in exchange for their support of El Paso Natural Gas's proposed all-Alaska pipeline.

"I see a lot of serious ethical questions about the contracts," said Croft, a member of a special Senate committee appointed to review the deal. "The major question is whether it's a good public policy of the state to sell its resources for political influence.

"I think we (the legislature) will want to examine very closely whether that's the way America's largest resource extracting state should handle its public policy."

Croft, a former state Senate President and a potential candidate for governor in 1978, said Hammond never has addressed the ethical issues raised by the proposed contracts currently up for approval by the legislature.

"I would like to know why this administration feels the only way the desires of the people of Alaska can be implemented is by hiring special interests to lobby in our behalf," Croft said. "I want to know how the administration feels about that."

Croft also said he was concerned because the proposed contracts between the state and Tenneco Alaska, Inc., Southern Natural Gas Co. and El Paso Natural Gas Co. were the result of secret negotiations

"We may or may not have gotten the highest possible price for our gas in the contracts, but even assuming we did, the fact remains that we made a secret deal without competitive bidding and that the thing that supposedly the state got was political influence," Croft said.

Croft also raised questions about "open ended provisions of the contract which in effect allows the administration to shift the state's position without any further review by any public body."

"Apparently the state's position is to support the El Paso route," Croft said. "But once the legislature gives its approval of these contracts, they would allow the administration to shift its support to any route without any public imput."

In another criticism, Croft said the contracts should have included a requirement that the state's royalty gas be "taken to tidewater in Alaska."

"I think we ought to insist that whoever purchases our royalty gas be required to bring a major portion of that gas to tidewater in Alaska because of the ability that would give us to use our resources to the maximum extent possible," Croft said.

Croft said the Hammond administration also has not addressed the question of gas pipeline impact on Prudhoe Bay oil reserves and production.

"There's a fairly wide range of figures but ballpark estimates have concluded that taking gas out of Prudhoe Bay in excess of two billion cubic feet a day will have a fairly substantial impact on future oil production," Croft said. "Even to the degree of jeopardizing five to 10 per cent of recoverable reserves.

He said El Paso will need to pump at least 2.5 million cubic feet a day to keep its project in the black.

"I want to see how the administration addresses that problem because the oil companies have no firm water drive commitment at this point," Croft said

But despite his concerns, Croft said he he would "have to predict at this point that the contracts are going to be approved" by the legislature.

The special Senate committee and a like panel in the House have scheduled joint hearings on the proposed contracts for next week.

Martin Defends Gas Sale Pact

SEATE 2/8/77

By G. MICHAEL HARMON
Associated Press Writer

To reject administration-negotiated contracts for the sale of Alaska's one-eighth share of Prudhoe Bay natural gas, the legislature "must accept the risks that aren't worth taking," Natural Resources Commissioner Guy Martin said Monday.

Martin said the pacts represent a good deal for Alaska even if lawmakers cannot quantify what the state will receive in the form of political support for the proposed all-Alaska natural gas pipeline route.

Martin made the comments as special House and Senate committees concluded six days of joint hearings on the administration-negotiated contracts with three major gas transmission companies in return for their support for El Paso Natural Gas' proposed Prudhoe Bay to Gravina Point pipeline route.

Saying he was appearing as the legislature's "advisor and negotiator," Martin said he had heard nothing during the hearings "that would persuade me on balance that these contracts do not best achieve a series of crucial and important objectives for the state."

In addition to the question of "political clout" for the all-Alaska gasline, Martin said other provisions of the contracts which require the purchasers to pay the state the highest price charged by any producer at Prudhoe Bay and provisions which allow the state to take back whatever gas is needed for in-state demands are equally important.

"To reject these contracts, Martin declared, "you have to be willing to accept the risk that the additional help afforded by the buyers either won't be any help at all or won't help enough and your rejection of these contracts will be viewed as a rejection of the all-Alaska route itself.

"Given the fact that the contracts will be void if we lose, given the fact that they clearly are of extreme importance to our congressional delegation, given the fact that they are void if the take back scheme is not approved federally, given the fact that they allow us to do all we can to develop in-state uses for the gas —given all these facts I don't think the risk of rejecting additional assistance makes a great deal of sense."

Martin said the contracts represent a "balanced package of terms on key objectives for the state."

Although he acknowledged that lawmakers are not going to be able "to get a quantative idea of what these companies are going to do," Martin said he had a good idea of their plans.

"I think each of them will mount substantial efforts in support of the trans-Alaska line in Congress," Martin said.

Lt. Gov. Lowell Thomas Jr. told the hearings that the kinds of support outlined by Martin already were showing results, presenting the committees with copies of a resolution by the Alabama legislature in support of the contracts and the El Paso route.

The chairmen of the House and Senate special committees planned to let the hearings "sink in for a couple of days" before scheduling separate meetings to draft their recommendations to their respective chambers.

Natural Gas Distributors May Gain Windfall Profits

PITTSBURGH (AP) — Natural gas distributors may reap up to 100 per cent increases in first-quarter profits because of this winter's bitter cold, say utility officials and investment analysts.

But they say a call-to-arms by outraged consumers would be premature because the profit bulge is likely to disappear amid shortages later in the year.

"Profits will be astronomical," said a spokesman for the Buffalo, N.Y.-based National Fuel Gas Co., which serves 665,000 customers in Pennsylvania, New York and Ohio. "But the main reason for that is because we're selling most of our gas in the first quarter."

Foster Corwith, a natural gas specialist for Standard and Poor's investment service, said he expects some companies to report first-quarter profit increases of 100 per cent over last year

H.A. Offutt, treasurer for fourth-ranked Consolidated Natural Gas Co. in Pittsburgh said his firm is now pulling gas out of storage that normally wouldn't have been used until March.

"Sure, we're selling more gas now, and we're going to make profits on it, but unless we can find additional supplies for the last three quarters we're going to be losing then," he said.

These developments have not been lost on investors. Prices for natural gas stocks began a steady rise when it became apparent the unusually cold winter would mean increased gas sales and profits.

For example, while Standard and Poor's index, which measures the activity of 500 stocks, changed little from Dec. 1 to Jan. 26, the index for natural gas distributors' stocks jumped from 77.26 to 87.13.

But Corwith said utility stocks may have peaked because investors are already looking ahead to what will probably be a more normal winter next year. "This is a one-time spurt. It's not the type of growth that can be sustained," he said.

Not only are utilities selling more gas, they're selling more of it now to their most profitable customers — residential users.

According to Standard and Poor's, the average rate for residential users over the 12-month period ending September 1976 was $1.91 per million British thermal units. For industrial customers, the rate was $1.22 per million BTUs.

Because of the freeze that has hit the eastern half of the country, gas deliveries to thousands of industrial users have been curtailed to provide enough gas for home use.

2/5/77

Round 1 ends in gas battle

By PAUL NUSSBAUM
Our Juneau Bureau Chief

JUNEAU — The first round in the battle of the gas contracts is over. The second starts Monday.

House and Senate special committees listened for five days to testimony — much of it conflicting — about three proposed contracts to sell Alaska's one-eighth share of the Prudhoe Bay natural gas to gas companies in exchange for support for an all-Alaska gas pipeline from the North Slope.

NOW THE SPECIAL committees will conduct whatever further examination they wish to make of the contracts before the proposals are turned over to the Senate Resources, the Senate Finance and the House Finance committees for further study.

After the committees are through with the contracts, the proposals will come before the full membership of both houses for a vote.

The objects of all this scrutiny are three contracts by Gov. Jay S. Hammond to sell the state's royalty gas to Tenneco Alaska Inc., Southern Natural Gas Co. and El Paso Natural Gas Co. In turn, the companies have agreed to do all they can to support a trans-Alaska gas pipeline.

Most legislators still predict the contract will win eventual approval, although not as quickly as had been anticipated before the week-long hearings.

"They have turned out to be much more controversial than I thought they would be," a weary Senate President John Rader said Friday evening. He had predicted before the hearings began that the contracts might win approval as early as the end of February.

By Friday, he said he did not expect approval to come that quickly.

Rader chairs the Senate's special committee investigating the contracts. The committee will meet Monday to hear testimony from state officials, who are anxious to refute what they consider damaging presentations offered by some witnesses during the week.

By week's end, bleary-eyed legislators who had listened to the testimony were less certain that the contracts would have any effect on the eventual selection of the gas pipeline route.

"Do you really think it's going to make any difference?" Sen. Clem Tillion, R-Halibut Cove, said Friday. "I think a cold winter in Pennsylvania is going to have more effect than any contracts in Alaska."

Testimony at mid-week by University of Alaska economist Dr. Arlon Tussing reinforced doubts that many legislators had about the weight the contracts may carry. Tussing flatly told the committee hearings there was nothing anyone in the state could do that would have any effect on the gas line route decision.

But some, like Tillion, said they would vote to approve the contracts even though they suspect the contracts will prove meaningless. In a state where popular opinion is solidly behind a trans-Alaska route, to veto the contracts would be politically foolish, they say.

Gas share may slip from state

By PAUL NUSSBAUM
Daily News Staff Writer

JUNEAU — Unusually cold weather in the Lower 48 and resultant natural gas shortages may make it harder for Alaska to do as it wishes with its one - eighth share of the Prudhoe Bay natural gas, legislators were told Thursday.

"When a man in Cleveland, Ohio, is sitting in his house where it's 62 degrees because the gas company can't provide enough gas, and he hears Alaska wants to withhold natural gas to make plastics or for other use, it's a hard case to make," Natural Resources Commissioner Guy Martin told a special House Royalty Gas Committee Thursday evening.

"TO MAKE a terrible pun, the climate for what the state wants to do is very bad," Martin said.

The Hammond administration is seeking legislative approval of contracts to sell Alaska's royalty gas to three petroleum companies in exchange of their support of an all - Alaska natural gas pipeline.

Full - scale hearings on the proposed contracts will begin Monday.

IN PREPARATION for those hearings, legislators questioned Martin Thursday and expressed concern that unprecedented congressional permission for Alaska to withdraw its gas for use as it wishes might be repealed.

Martin acknowledged that several congressmen, including Rep. John Dingell, D-Mich., have said they will seek repeal of the amendment which would allow Alaska to withdraw its gas for intrastate use.

"Aren't we telling them that we're going to take back 100 per cent of the gas if we want to — because they passed the amendment?" committee chairman, Rep. Clark Gruening, D-Dist. 7, asked.

IF THE AMENDMENT is repealed, legislators are worried that any contracts signed with gas companies for Alaska royalty gas might be invalid.

Martin urged legislators to grant speedy approval of the proposed contract to add weight to the state's push for a trans - Alaska gas route. The Federal Power Commission is to make its recommendation for a pipeline gas route to President Carter by May 1, and the FPC will get a recommendation for an administrative law judge by Feb. 1, state officials anticipate.

"We don't mean to pressure the legislature ... but the train is leaving the station and the timing of the federal decision is being made now," Martin told the committee.

Litt Decision Upsets Alaskans

ANCHORAGE (AP) — The endorsement by a Federal Power Commission hearings judge of the Arctic Gas project for movement of Prudhoe Bay natural gas brought swift responses from Alaskan officials.

Administrative Law Judge Nahan Litt said Tuesday the proposal, which would cross the Arctic National Wildlife Refuge and then swing through Canada to market, is "superior in almost every significant aspect when comapred to El Paso."

The state supports the route proposed by El Paso-Alaska, which would parallel the trans-Alaska oil pipeline to Gravina Point. The gas would then be liquified and carried south by tanker.

A third proposal from Northwest Pipeline Corp. is considered by many Alaskans to be a good second choice. That route would parallel the oil pipeline to a point south of Fairbanks, and then swing east along the Alaska Highway.

Gov. Jay Hammond said Tuesday the decision is a bad one for Alaska, adding the state will appeal Litt's decision to the full commission.

"It selects the route which nearly all Alaskans have concluded is the worst environmentally and economically," he said.

Hammond also noted Litt's decision ignores many problems which could arise if a route through Canada is selected.

"The Canadian political picture is at best cloudy and the land claims issue very real," he said.

Litt's decision assumes Canadian officials will not let the unresolved Native land claims stand in the way of the pipeline, saying "it is unlikely Native claims will significantly modify the Canadian government's energy decisions."

El Paso Vice President John Bennett, contacted in Washington, D.C., said, "I would not even characterize it (the Litt decision) as a major setback."

In the first place, Bennett said, "Our construction time is five years from the date of approval. The judge says Arctic Gas will require six years to bring it down, which is a year longer than ours without even considering such delays as the settlement of Native claims and other realities in Canada."

He called Litt's endorsement "the first of a series of decisions and probably the least important of the series."

Gas Line Study

By The Associated Press

The state commissioned a $34,020 study Thursday to assess three competing gas pipeline routes for potential in-state use of Alaska's royalty natural gas.

The study of the commercial, residential and industrial opportunities presented by the El Paso, Alcan and Artic gas company proposals will be conducted by by Battelle Pacific Northwest Laboratories of Richland, Wash., Commerce Commissioner Tony Motley announced.

Boucher Testimony On Gas Sale Decries Lack Of Industrial Plans

By The Associated Press
And Empire Staff

Hasty legislative approval of contracts for the sale of Alaska's royalty natural gas would violate laws aimed at insuring "when we export our oil and gas we do not export jobs and the future of this state as well," former Lt. Gov. H. A. "Red" Boucher will testify in a text prepared for delivery this afternoon to the state's gas hearings.

Boucher, the owner of an Anchorage-based consulting firm, said the administration-negotiated contracts are "not in accord with the mandates that the legislature has previously laid down" on royalty gas sales.

State law, he said, specifically requires that prior to the sale of any of Alaska's royalty gas detailed studies be made not only as to the immediate needs of our state but as to its "present and projected intrastate domestic and industrial needs."

"What we should be talking about, and what the administration has chosen to avoid discussing," Boucher said, "is the future of a petro-chemical and related industrial base for Alaska.

"We have not yet given any appropriate analysis, much less the detailed analysis required by the law, of what Alaska's long range related industrial needs may be."

Boucher said the state may not need its royalty gas now, but claimed that no effort was made to "solicit those industries that could utilize our resources for development in Alaska."

Boucher acknowledged the contracts include provisions which would allow Alaska to reclaim its gas if an Alaska industrial demand arises, but said "it would be a dubious proposition to advance that we could build a petro-chemical industry when we have already mortaged the building blocks."

He added the state might be making a sale to advance political support for the all-Alaska El Paso route with companies that cannot materially help Alaska, a point made in hearings Wednesday by economist Arlon Tussing of the University of Alaska.

"Unless our proposed allies can guarantee that they can control the decisions of our president and our national officials we have gained nothing and sacrificed much and frankly I'm not sure the state should be allied with those who could make such a guarantee," Boucher said.

He argued the state need not commit its royalty gas yet, even if the asumptions supporting the contract are correct. He said such a sale could be delayed until the full Federal Power Commission has had time to make a decision on line selection later this spring, possibly giving Alaska an indication of what Canadian decisions will develop.

Boucher basically proposed the contract be renegotiated to guarantee access to all gas liquids and to attempt to further plans for in-state industrial development.

Boucher is just one of several witnesses expected to oppose the ratification of the pact who will be testifying this afternoon as the Joint House-Senate Gasline Review Hearings enter their fourth and possibly final day. Supporters of the pact, notably the Organization for Management of Alaska's Resources, also are set to speak today.

Economist Says Gas Sale Won't Affect Route Choice

By CHUCK KLEESCHULTE
Empire Staff Reporter

The decision on which route will be selected to transport Alaska gas to the lower-48 states is almost solely dependent on Canadian wishes, one of the state's leading economists said Wednesday.

Dr. Arlon R. Tussing, a professor of Economics at the University of Alaska at Fairbanks, late Wednesday shocked lawmakers when he argued the state's sale of its one-eighth share of Prudhoe Bay reserves will not affect the outcome of which line will eventually be built.

Tussing also argued the proposed royalty sale contracts could hurt the state by locking it into provisions of a contract made before any decision on gas deregulation is reached.

Tussing based his predictions, made before the third day of joint House-Senate hearings into the proposed sale, on the fact that Arctic's proposal is vastly more logical and already the clear favorite of American decision makers.

"There is just no amount of lobbying that will make it possible for El Paso to be selected over a buried trans-Canadian route. It's just inconceivable Congress will vote down a Canadian system that makes that much sense," Tussing said.

"The advantages of a trans-Canadian line are overwhelming as compared to an LNG system, but that doesn't mean Arctic will win," said Tussing, who felt the Arctic proposal will be derailed by Canadian objections as a result of native land claims.

Tussing said he felt a beefed-up, redesigned Northwest pipeline, Alcan route will eventually be selected in negotiations between American and Canadian officials, if Canada does allow any line to run across its territory.

Tussing then described the sole reason for the sale of the state's gas as being for solely "internal political interests."

"I don't see what the state could possibly gain by selling its gas now," Tussing said.

The expert in gas matters, an advisor to three Canadian provinces and a former member of the state's Oil and Gas Royalty Board, then bluntly instructed legislators on the reasons for the proposed sale.

Tussing added the contracts, while generally "worthless" might contain technical flaws and do contain two policy problems. He argued the state shouldn't have sold all of its royalty gas, but should have kept at least 25 per cent of it to sell to Northwest, if the Alcan line wins approval.

Also he said by keeping the gas the state would be hedging its bets by having some gas to sell at higher prices if unforeseen higher prices are allowed for gas.

"Another danger is that you might get stuck with this contract if somehow El Paso does win," Tussing testified.

Tussing's testimony was in direct conflict with that of Michael C. Holland, manager of El Paso Alaska Gas, delivered earlier on Wednesday. Holland argued that quick ratification of the proposal would "represent one of the most significant actions by any parties in the lengthy process of disposing of North Slope gas."

The discrepancy in views angered some of the lawmakers present.

"I resent the implication that all of us are simply playing a great game. Doesn't the wishes of our fellow Alaskans, or our Congressional delegation or the parallels to the oil line mean anything?" asked Sen Mike Colletta, R-Anchorage, Senate Floor Leader.

Tussing denied that the present case represents a parallel to the oil line debate which was decided in 1973 by a shy one-vote margin. He said in 1973 no viable corporate alternative existed to the trans-Alaska oil line, while in 1977 several viable gas routes exist.

After Tussing testified, Sen. Chancy Croft, D-Anchorage, while still predicting final House-Senate approval for the pact, said he was certain Tussing's presentation would have a strong effect on the joint committees.

"He brought together a host of concerns which had been welling up in the minds of many of us," Croft said.

Rep. Clark Gruening, D-Anchorage, head of the special House review panel, agreed with part of the political arguments made by Tussing. He refused, however, to characterize the pact as a "political ploy by the governor. "The pact might well have the results Tussing implied, but that doesn't mean the governor's arguments for the contract are necessarily unsound," Gruening said.

Politics Of Sale

"Suppose you were the governor being attacked on all sides by the Anchorage Times, Anchorage business concerns and OMAR (Organization for Management of Alaskan Resources), all yelling you haven't been supporting development strongly enough. And suppose you are convinced El Paso has little chance for approval.

"You might be concerned that when Arctic wins they will all blame you because you didn't support El Paso. It then makes good sense to conclude the contracts which can't hurt you much and call their bluffs," economist Arlon Tussing, said.

"Now the governor can come back to the legislators and say he followed your mandate. You look at the contracts and decide you're giving up too much and don't approve them. Where is the finger going to point when El Paso loses, at you, But the governor in either case will get points by saying he did the best he could, or for his leadership in getting you to approve his contracts.

"That's the fundamental significance of the contracts," Tussing said.

Consultants Satisfied With Gas Contracts

2/1/

By CHUCK KLEINSCHULTE
Empire Staff Reporter

The prospects of relatively quick legislative approval for the sale of the state's share of North Slope royalty gas brightened considerably late Friday as three outside consultants hired by lawmakers gave the administration-negotiated pacts a nearly clean bill of health.

"Overall you have very good contracts before you. They protect you under both a regulated and deregulated market—they will stand you in good stead," said Dr. Carl Swanson, vice president of the Boston-based energy consulting firm of Jensen Associates, Inc.

Rush Moody Jr., a former commissioner of the Federal Power Commission (FPC), now a Washington lawyer and energy consultant, told lawmakers the state had negotiated a "unique" contract and had struck an "excellent bargain" in several respects with the three firms proposing to buy the state's one-eighth share of Prudhoe Bay reserves.

"In some ways you have struck too good of a bargain for the state. I can't tell you whether to accept or reject the pact, but if you wait until a route decision is reached, I can tell you the companies will have little reason to give you the same terms again.

Moody quit the FPC in 1975 in a dispute over the future of the nation's energy regulation.

Moody shocked officials by telling them the state may need to soften the pact in the future in order to help secure financing for the El Paso line, if it is accepted by Congress.

He said he felt financial firms would be reluctant to fund the El Paso line as long as the state take-back clause remains.

"I don't want to borrow trouble, but if I represented the banks that clause would clearly be a red flag which I would want cleared up, removed," Moody said.

Michael Holland, representative for El Paso Alaska, dismissed the fear saying the financial institutions know of the proposed clause and still intend to back the project, since it is based on the transporting of only seventh-eighths of the gas rather than full deliveries.

Senate President John Rader, D-Anchorage, chairman of the Joint House-Senate Gasline Review Committee, said after the fifth day of testimony he felt the chances for contract approval were good.

"I think there'll be some opposition. Reasonable men can differ over the contracts—they've proven far more controversial than I suspected—but I think the overwhelming weight of evidence calls for their approval.

Members of the two committees met again this morning to gather rebuttal testimony from the state's Commissioner of Natural Resources Guy Martin and from assistant state attorney general Fred Boness, the key negotiator of the pacts with the Tennessee Gas Transmission Co., a subsidy of Teneco Inc., Southern Natural Gas and Elpaso.

Moody said the state has gained much by getting the transmission firms to give the state the opportunity to take its gas in-kind without having to pay for the privilege and made a good deal by not selling all of its potential North Slope gas. The contract calls for the state to sell 2.6 trillion cubic feet over the 20-year life of the pact, less than the 3.2 tcf of state royalty gas estimated on the slope.

Other favorable provisions include the right of the state to take back its gas for in-state uses on a one or two-year notice schedule, the potential for the state to remove all the gas liquids from the stream, the 15 per cent of the gas capable of fueling a petro-chemical industry, Moody said. The state also has solid termination clauses built into the contract, Moody said.

Swanson and Moody both admitted the state could lose some future in-state revenue under the pricing provisions of the contracts, but both men said the probability of that occurring is extremely low.

Moody and Swanson said the state was well protected by the contracts as long as the FPC regulates the price of gas. But in the case of deregulation, both men said the state could be locked into receiving a lower price for its gas than the other working interests on the North Slope.

(Cont. On P.3)

(Cont. From P.1)

That circumstance would occur only if the FPC used the date when contracts were signed as the measure of who would be allowed to raise prices after deregulation occurred.

Swanson, under intense questioning by Sen. John Huber, D-Fairbanks, and other members of the panel, estimated the chance of that occurring at "less than 50 per cent" probably close to 10 per cent. Moody said such a practice would require the FPC to return to a policy abandoned in 1969—an event Moody termed "highly improbable" since the policy would hurt chances for new gas exploration.

Both disputed the contention voiced Thursday by Morris Thompson, the vice president of the rival Alcan gas pipeline company, that the state could lose up to $800 million by approving the contracts since the wellhead price of gas, Thompson claimed, would be dependent on transportation costs for the gas.

"I heard both sides of the debate and I admit there's truth on both sides," said Moody who added, however, that since the FPC will continue to regulate gas transmission practices, he felt no single relationship between transportation and wellhead price would exist.

Moody and Swanson urged lawmakers to correct some ambigious language in the contracts prior to approval, either by signing a letter of intent with the transmission firms to iron out the meanings involved or by amending the contracts. Moody further warned lawmakers that the pact highlighted a problem with the state's severance tax law—noting a loophole he said needed to be corrected before gas starts to flow from the North Slope.

He told lawmakers that under present statutes transmission firms are not required to pay severance taxes on the state's one-eighth share of the gas once it is taken in-kind and not exported. Moody said the law should be changed to require an in lieu of tax payment to prevent state revenues from dropping in the case of state use of the gas.

Lawmakers Friday also were told the contract would help the chances for approval of the El Paso route in Washington.

Representatives of the Organization for Management of Alaska Resources (OMAR) plus Moody and Dr. Richard Kilgore, director of research for W.J. Levy Consultants, legislative advisors since 1969, all said the state could be materially helping the chances for Presidential and Congressional acceptance of the El Paso line.

Following the Friday hearing, the committees are breaking up and dividing further consideration of the pacts. In the Senate the Natural Resources Committee, headed by Sen. Kay Poland, D-Kodiak, will hold hearings on the contracts, while in the House the Finance Committee, chaired by Rep. Steve Cowper, D-Fairbanks, will take over consideration of the pacts.

State Reaffirms El Paso Decision

By CHUCK KLEESCHULTE
Empire Staff Reporter

Members of the Hammond Administration late last week repeated their contention that selection of the all-Alaskan El Paso natural gas line will produce the most benefits for the state and thus is the route the state should back.

State Commissioner of Natural Resources Guy Martin reiterated the state's support for the El Paso line prior to the start this afternoon of three days of joint House and Senate hearings on whether the state's one-eighth share of North Slope natural gas should be sold to three firms. The firms have pledged to support the El Paso route.

Martin made the statement in dismissing the importance of an appendix to the state's economic study of the three proposed gas lines. The study, compiled by the state's Department of Revenue, was released in early December after Gov. Jay Hammond Nov. 12 announced conclusion of a proposed sale of the state royalty gas to three firms: Tennessee Gas Co., a subsidary of Tenneco Inc., Southern Natural Gas Co. and El Paso.

The appendix, given assumptions most favorable to the Alcan trans-Canada route, indicated that the Alcan line could deliver gas to the lower-48 states at a price cheaper than the Arctic or El Paso routes, especially at low levels of North Slope gas production.

But Martin last week said the Hammond Administration hasn't seen any data to shake it from its support for the pipeline route roughly paralleling the 809-mile oil pipeline.

"We just haven't seen anything to materially change our analysis that the El Paso route is by far the best for the state," Martin said.

He added that the state position is based on the assumptions that some added expense to lower-48 residents is acceptable provided the pipeline will benefit the state greatly, that construction of the liquified natural gas facilities in Alaska will make an important contribution to the state's taxbase and that having access to the gas at tidewater increases the state's opportunity to develop industry.

"Our conclusion is based on the weighting we assign to different variables. Right now we think our priorities are right and our support for the El Paso route is strong," Martin said.

Martin Friday also issued an appeal to legislators to take quick action on the royalty gas sale, a sale which will net the state added lobbying support in selling the El Paso line to both the President and later Congress.

"We don't mean to pressure the legislature, but the train is leaving the station and the timing of the federal decisions is being made now," Martin told a preliminary session of gasline hearings being held by a House committee. The full hearings open today starting at 2 p.m. at the Hilton Hotel.

Martin added that one reason for legislative speed is that the recent spell of frigid weather in the East and Midwest has renewed moves to repeal Alaska's special permission to withdraw its royalty gas from interstate commerce for use in domestic industrial development.

"When a man in Cleveland is sitting in his house where it's 62 degrees because the gas company can't provide enough gas, and he hears Alaska wants to withhold natural gas to make plastics or for other uses, it makes for a tougher case to argue," Martin said according to an Associated Press dispatch.

Federal Power Commission (FPC) Administrative Law Judge Nathum Litt is expected to announce his tentative decision on which line the FPC should support Tuesday morning. Following Litt's decision the full five-member commission must make its decision prior to May 1.

New Gas Power Wielded By Feds

WASHINGTON (AP) — Federal authorities are wielding their new emergency natural gas powers in an effort to keep gas flowing to homes and hospitals throughout the East.

The Federal Power Commission's first emergency allocation order Thursday diverted surplus West Coast gas to the Transcontinental Gas Line Corp. of Houston for distribution along the gas-starved Eastern seaboard from North Carolina to New York.

FPC Chairman Richard Dunham said the gas — about 150,000 cubic feet per day — was intended for the states of Washington and Oregon, but utilities and industries there can replace it with other fuels or gas in storage.

The FPC's Bureau of Natural Gas reported Thursday that some pipelines were down to a two-day supply of gas for their top priority customers, including homes, health facilities and small businesses.

The allocation powers that President Carter sought and received from Congress on Wednesday allow natural gas to be rationed only from low-priority users such as industries to high-priority customers.

The FPC also acted Thursday to allow interstate pipelines to purchase gas from the more expensive, unregulated intrastate pipelines in Texas and elsewhere. Intrastate pipelines deal in gas that is produced and consumed in the same state. That gas is not regulated by the federal government or under federal price controls.

Dunham said it was too soon to tell how much gas would be made available or what effect it would have on consumer prices.

The FPC emergency rules allow interstate pipelines to buy gas at prices up to $2.25 per thousand cubic feet without prior approval, or at even higher prices if they reflect all the seller's added costs for switching to other fuels.

Some ofthe gas switched from Oregon and Washington was costing up to $2.75 per thousand cubic feet. But the amount involved in the allocation was only a fraction of the nearly 100 billion cubic feet of gas burned daily in the United States this winter.

The FPC's regular price ceiling on interstate gas is $1.44. Prior to the emergency, some intrastate gas was selling within production states for as much as $2.25.

Dunham said that although natural gas moves through pipelines at only 20 miles per hour, the emergency gas deliveries will be expedited by trading shipments of gas along the pipeline. The East will receive the West Coast surplus without waiting for that gas to physically travel across country, he said.

Anchorage Daily N

Emergency bill to move natural gas

WASHINGTON (AP) — President Carter, signing his first legislation since his inauguration, approved the emergency natural gas bill Wednesday night and said its first use will be to transfer billions of cubic feet of the fuel from California to eastern states hard-hit by the bitter winter.

"I'm very proud to have a chance to sign this first law into being because of its importance to our people," the President said.

"I would like to declare that a natural gas emergency does exist."

In the Oval Office signing ceremony, Carter also put his signature on orders officially declaring the emergency and directing the Federal Power Commission and other agencies to begin sending natural gas to the states that need it most.

The ceremony, in which Carter used four pens and distributed them to congressional leaders in attendance, took place only hours after Congress put the finishing touches on the bill. The House approved the measure 336-82 and the Senate passed it earlier by voice vote.

Although the bill was a compromise between versions passed in each chamber earlier in the week it provides Carter with nearly everything he had sought.

Carter said he was informed by Gov. Edmund G. Brown Jr., of California that because of strict conservation measures, 10 billion cubic feet of natural gas are available to eastern states experiencing an unusually fierce winter.

"Without this legislation, transfer would have been completely impossible," Carter said.

The President also said he was told by Mexican President Jose Lopez Portillo that Mexico would try to send quantities of oil and gas to the United States to help alleviate the emergency.

Carter did not specify the amounts.

The legislation gives Carter the power to declare national or regional natural gas emergencies and to order gas moved from state to state to keep homes and hospitals warm.

Designed to spread out the shortage more evenly, the bill would not provide immediate aid to areas where gas supplies are running dangerously low. Energy officials indicated that any emergency gas transfers probably will involve shifting gas from states west of the Mississippi River to those in the frigid East. And gas only moves about 15 miles per hour in pipelines.

The bill also will do nothing for factories closed by the gas shortages. It gives Carter authority to move gas to protect life and property but not to reopen schools and factories.

State may switch gas line support

By PAUL NUSSBAUM
Daily News Staff Writer

JUNEAU — Administration officials, quizzed Monday during full-scale legislative hearings on proposed royalty gas sale contracts, stressed that they are leaving a back door open to switch support from an all-Alaska natural gas pipeline if it becomes apparent the trans-Alaska line will not be approved.

State officials also agreed that potential inducements to bring petrochemical industry to the state might be lessened by provisions of the contracts which forbid the sale of the state's surplus royalty gas to any but three companies.

THE HAMMOND administration is seeking legislative approval of three contracts to sell the state's one-eighth share of Prudhoe Bay natural gas to three gas transmission companies in exchange for their support of a trans-Alaska gas pipeline.

Today, officials of the three companies — Tenneco Alaska, Southern Natural Gas and El Paso Natural Gas — will testify before the joint House and Senate Special Committee hearings.

State Atty. Gen. Avrum Gross and Natural Resources Commissioner Guy Martin were grilled for three hours by the legislators about terms of the proposed contracts.

BOTH SAID they expect a Federal Power Commission law judge to recommend today that the gas line be built by Arctic Natural Gas through northern Canada and then south the U.S. Midwest.

"But the issue will not be foretold by a decision by the FPC law judge — even if it is an adverse one," Gross said.

The Arctic Gas route is the one least favored by the state, as it runs through the Artic Wildlife Refuge and — state officials say — could be delayed for years by Canadian Native land claim disputes. The trans-Alaska route is being advocated by El Paso Natural Gas, and a third route is being pushed by Northwest Pipeline Co.

THE THIRD route, which would go south to Fairbanks and then follow the Alaska Highway to the Lower 48, would get the state's approval if the administration pulls its support from the El Paso route.

Martin said that would happen under two conditions: if future "emergence of facts" would change the administration's evaluation of the routes, or if "we find El Paso simply cannot prevail."

Rep. Clark Gruening, D-Dist. 7, who chairs the House Special Committee on Royalty Gas, pointed out that the contracts represent "the largest sale since Prudhoe Bay," and he urged legislators to "hold no sacred cows in examination" of the contracts.

Gas Lobby Efforts Probed

By CHUCK KLEESCHULTE
Empire Staff Reporter

Lawmakers Tuesday continued their search to quantify exactly what benefits the state will net from sale of Alaska's North Slope royalty gas. For at least several members of the special House-Senate Joint Gas Review Committee disappointment was one of the main results.

"We keep asking what we're going to get and they just keep saying in effect, go ahead and approve the contracts and then we'll show you," said Sen. Kay Poland, D-Kodiak, head of the Senate's Natural Resources Committee.

Frustration was shown by several members as the heads of Tennessee Gas Transmission Co., Senior Vice President Robert Thomas, and of Southern Natural Gas, President Peter Smith, were grilled by lawmakers for five hours during the second day of three-scheduled days of hearings into the proposed sale of Alaska's one-eighth share of Prudhoe Bay reserves.

The bulk of questions Tuesday attempted to pin down how much money and effort the companies plan to commit to lobbying efforts in behalf of the all-Alaska, El Paso gas route the state supports.

"The whole issue appears to boil down that if we commit our gas now we are taking a chance of losing some benefits in potentially higher prices if we wait and sell later on. We are balancing that against the influence we'll gain from the companies by going with them now."

"So," said Rep. Clark Gruening, D-Anchorage, head of the House review committee, "We need to get a firm idea what we're going to get in return. Right now no one is really sure."

Thomas, speaking for Tennessee, a subsidary of Tenneco Inc. which will gain 50 per cent of the state's gas, up to 1.3 trillion cubic feet, said his firm has yet to produce even a working budget on how much it will spend to convince President Jimmy Carter and later Congress to select the El Paso land-water route over the two trans-Canadian routes: Arctic's and Northwest's Alcan routes.

The Arctic proposal Monday cleared the first hurdle in the selection process by being tapped as the best line by Federal Power Commission Administrative Law Judge Nahum Litt.

Thomas during his testimony said his firm would "commit all the resources necessary" to fight for the selection of El Paso's route. But he said while Tenneco has yet to commit a sizable workforce to the lobbying effort pending ratification of the royalty pact, Tenneco will not attempt ever to buy "political influence" simply by spending money.

"No amount of so-called political clout or pressure is going to determine the federal decision on this matter. We are convinced that the decision will be made on the merits of the issues. It is essential that all the issues be throughly discussed...and that's what we'll be doing," Thomas said.

Smith, likewise, said his firm has yet to commit sizable numbers of its staff to the project awaiting the ratification of the pact. Smith made an estimate, however, that Southern who will receive 650 billion cubic feet of gas under the contract might spend an additional $100,000 in outside lobbying expenses besides committing its whole public relations staff to backing the El Paso plan.

Smith said his firm would spend most of its time, an effort already underway in part, to convince gas-starved Southeast residents to support the El Paso route. He said the benefits of the project have already been explained to most Southern governors, all members of Southern Congressional delegations and to all the utilities which buy gas from the transmission firm.

Sen. Chancy Croft, D-Anchorage, a critic of the proposed sale negotiated by the Hammond Administration, asked Tenneco to submit data on the amount of money it has spent to lobby the state's legislature to support the gas contract plus all money spent to influence outside parties—especially money spent since the Nov. 12 announcement of the proposed contract.

Questions Tuesday continued to surface over the need for an "escape" clause in the contract, a provision allowing the three firms to keep their gas supply if they support the state, if the state ever switches its support to another line such as the Alcan project.

State Sen. John Huber, D-Fairbanks, asked both firms whether they had asked that the clause be included in the pact and both said they had not—that the clause had been included at the state's request. On Monday Guy Martin, commissioner of the state's Department of Natural Resources, had said the state wanted the clause to protect its future "flexibility" to the greatest extent possible.

GASLINE CONSIDERATION—Rep. Charles Parr, D-Fairbanks, (left) glances at his notes, while Rep. Clark Gruening, D-Anchorage, and Senate President John Rader, D-Anchorage, listen to testimony presented Tuesday during the second day of hearings into the proposed state sale of North Slope natural gas. Gruening and Rader are both chairman of respective House and Senate committees looking into terms of the sale of the state's one-eighth share of Prudhoe Bay reserves. The hearings are continuing today and probably will extend into Thursday.

Smith after the hearing, however, said his firm now would object to removal of the clause if proposed by the legislature. Thomas said his firm is opposed to making any adjustment in the proposed contract.

"If we are sent back to renegotiate the contract it would take too long and the state would lose the benefits it could receive. Also, any of the companies might be tempted to raise a number of issues on other points in the contracts," Thomas warned.

The clause has caused some fear among lawmakers that it might limit the incentive of the firms to push totally for the El Paso line. Both companies representatives tried hard, however, to dispel such fears saying their support for the El Paso line is strong.

Tenneco, in fact, questioned whether it would switch to support any other line even if the state did. The company said such a switch might harm its credibility in Congress, important to the conglomerates other business dealings.

Earlier in the day, representatives of Tenneco had been questioned closely about their lobbying techniques in other gas deals. Thomas in response promised his firm would engage only in practices which are completely legal under all state and federal laws.

Joint committee chairman Sen. John Rader, D-Anchorage, expressed support for the contract and gas purchasers after the session.

"I believe these fellows desperately need the gas and I think they'll do whatever it takes to get it. They have a clear incentive to work hard for us," Rader said, "and after the FPC decision we need all the troops we can get."

The hearings, with 19 witnesses scheduled for today, are being conducted at the Hilton hotel.

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Lawmakers Question Sale Of Royalty Gas

By CHUCK KLEESCHULTE
Empire Staff Reporter

Alaska lawmakers this week have been busy gathering a host of questions and beginning Monday they'll attempt to ferret out some answers concerning the terms of Gov. Jay Hammond's proposed sale of Alaska's one-eighths share of Prudhoe Bay natural gas.

"I have a lot of questions about the sale, concerns I'd guess you would call them. I'm just not sure how I feel about the sale right now. I'll have to wait to see how I'll vote until after the governor explains his side," said Rep. Charles Parr, D-Fairbanks, a member of the special five-member House panel reviewing the sale.

Juneau's state Sen. Bill Ray echoes a similar response, typical of the feelings of many of the state's senior lawmakers. "I have some reservations. Some of them may be because I don't fully understand the contract, others may be because I question the basic premise of the sale. In any case, it will be next week before I even start to make up my mind."

In the absence of formal opposition to the pact, individual lawmakers with an assist from former state Lt. Gov. H.A. "Red" Boucher have been generating their own questions. The biggest one centers over the general practice of the state selling a natural resource to generate political support for one of its economic objectives.

Sen. Chancy Croft, D-Anchorage, is in the forefront of legislators who have questioned the morality of the state selling its gas predominately to gain lobbying support in Congress for an all-Alaska El Paso gasline instead of the two overland gas routes which will run through Canada.

Gov. Jay Hammond in announcing the sale Nov. 12 said the main objective of the state in entering into the pact with Tennessee Gas Transmission Co., a subsidary of Tenneco Inc., El Paso and with Southern Gas Co. was to garner political support for the El Paso line.

"The major question is whether it's good public policy of the state to sell its resources for political influence," Croft said Tuesday.

Ray went one step further this week questioning whether it's ethical for the state to favor a line, El Paso, which might well deliver gas to Americans in the lower-48 states at the highest cost of the three proposed lines.

"It's a natural resource of Alaska and of all the country. As Americans it seems we're almost committed to try to bring gas to the south at the cheapest possible price," Ray said.

Under studies by the state's Department of Revenue, the El Paso line likely will deliver gas south at a gate-city price of $2.07 per million BTU's (British Thermal Units), 7 cents higher than for Alcan and possibly as high as 17 cents higher than could be delivered by the Arctic Gas system.

For the chairman of the House Gasline Review Committee, Rep. Clark Gruening, D-Anchorage, the main problem with the pact, besides the question of its ethics, is simply its length—whether the state should enter into any agreement which ties up the state's gas supply for 20 years or until 2.6 trillion cubic feet of state gas is removed from the slope.

"The pact tries to protect the state against the events which could occur during its life, but 20 years is a long time given changing conditions," Gruening said. The pact as it now stands contains two clauses where the state, for in-state use, could take back a percentage of the gas sold on one year's notice and take back all the gas, nullifying the contract, on two year's notice.

Two clauses of the contract have raised the most concern among lawmakers, the main clause being one which allows the three gas firms to keep their gas supplies if the state ever finds it necessary to support a different line, if the companies shift their support to the new line the state favors.

"How likely are those companies going to be to go all out for an El Paso line if the companies think they'll get the gas if either El Paso or Alcan win final approval. They get the best of both worlds," said Boucher, the leadering critic of the royalty gas pact.

The Teamsters Union Local 959 last week confirmed that while they are a strong supporter of the concept of an all-Alaska line and of the royalty sale since it in general supports the El Paso plan, they are still opposed to the inclusion of the "escape clause" in the royalty contract.

"Our objection to the proposed contract deals only with that one clause, it just doesn't give the firms the incentive to lobby for it as hard as they should," Jeff Barry Sr., business representative for Local 959 in Anchorage and director of the Teamster political action arm ALIVE, said.

Juneau Rep. Jim Duncan agreed that the clause might represent a problem with the contract. "I think that it is a flaw in the pact, but I really don't know if it is serious enough to threaten adoption of the whole contract," Duncan said.

Other lawmakers had similar problems with the contract. Rep. Parr feared that the clause would produce real credibility problems for the state if it ever was invoked. "Here we'll be going all out for the El Paso line and the three firms hopefully will be to. Then if we ever change our minds everyone is going to be forced to go to Congress and try to explain why the line we said was best no longer is best.

"It might make us look like fools," Parr said.

Rep. Bill Miles, D-Anchorage, had a slightly different complaint.

Miles said that the contract, at present, gives the governor the sole power to switch state support to a different line, a provision he feels is dangerous without some provision for legislative review and acceptance.

State Commissioner of Natural Resources Guy Martin Thursday noted both of the concerns saying the administration placed the clause in the contract simply to give it an added measure of flexibility. He said, however, that the odds were so extremely high that the clause would never be used as to make the possibility almost totally remote.

"I think we would switch only if there was a clear public feeling from the legislature, the governor and the Washington Congressional delegation that our choice (El Paso) had no chance of winning and I don't think we'll ever be in that kind of a situation," Martin said.

FPC Judge Gives Nod To Arctic Gas

By MARK PANITCH
Washington Correspondent

WASHINGTON—Proposals by the El Paso Natural Gas Company and the Alcan Pipeline Company to move North Slope natural gas across all or much of Alaska were ranked as second and third choices today by a Federal Power Commission administrative law judge who called the Arctic Gas plan to build a pipeline east of Prudhoe Bay into the Canadian Mackenzie Delta area "superior in almost every significant respect."

The decision in favor of Arctic Gas, Judge Nahum Litt said, was based on environmental, technical and financial grounds. Arctic, Litt said, could deliver the most gas at the lowest price in the shortest time with the least damage to the environment.

The El Paso proposal to build a Trans-Alaska gas line connected to a gas liquifaction system on Prince William Sound was called "a viable plan which technically can be built in an environmentally sound manner."

The Alcan pipeline plan to build a line to Fairbanks, then east along the Alaska Highway was dismissed by Litt.

"No finding from this record supports even the possibility" than Alcan could be certified, Litt said.

Both of Alaska's U.S. Senators, conservation organizations and El Paso immediately criticised Litt's position, saying he failed to listen to much of the testimony that was critical of Artic Gas.

Senator Mike Gravel called the decision "the wrong choice," and cited El Paso claims for quicker construction at a lower cost to support his position.

Sen. Ted. Stevens, R-Ak., said Litt had "ignored many factors."

Stevens said the biggest problem to be faced is the Canadian question, "there are two governments here making two separate decisions."

A spokesman for the conservation organizations which have generally supported the Alcan proposal said Litt's decision adopts a "short-sighted view."

He said the decision could promote a "national debate over the future of the Arctic National Wildlife Range. "There are viable alternatives to Arctic Gas."

John Bennett, head of the El Paso Alaska Company, said "I don't see how he can say that their six-year plan will bring gas faster than our five-year plan."

Gary Frink, lobbyist for the Organization to Manage Alaska's Resources, said the decision "ignores the facts." The Alyeska project, he said, "proved winter construction in the Arctic is impossible."

Litt repeatedly said the state's arguments were self-serving, based more on the desire for economic development than the national interest.

He based his decision on two major factors. First, that there will be extensive future oil and gas development in the wildlife range which will require a pipeline through that area.

Second, he said the Canadian Mackenzie Delta reserves are adequate to support construction of a pipeline through that area. At least two Canadian inquiries are now studying that question.

Arctic, he says, is superior to El Paso because it goes to the Mackenzie area. It is superior to Alcan, he says, because it won't have to be expanded to handle Mackenzie gas and goes directly through that region.

Litt's opinion assumes that Alcan will have to build a second line through the Mackenzie area and will have to enlarge to handle future North Slope gas reserves.

Both these assumptions were contested by El Paso and Alcan during the hearings when they were advanced by Arctic.

The members of the Federal Powere Commission will make an official FPC recommendation to President Jimmy Carter around Mar. 1.

Under legislation passed last year by Congress, Carter has until next fall to send a route recommendation to Congress which Congress can either or approve or disapprove.

Solons Probe Gas Sale Pact

By The Associated Press
And Empire Staff

State lawmakers say they want the answer to one simple question during hearings on administration-negotiated contracts for the sale of Alaska's royalty share of Prudhoe Bay natural gas—"what are we giving up and what are we getting in return."

Rep. Clark Gruening, D-Anchorage and chairman of a House special committee, coined the phrase Monday as his panel joined a similar Senate committee in the first of a planned three-day round of hearings on the gas contracts.

But other lawmakers quickly picked up on the theme in subjecting administration officials to some of the toughest questioning they have yet had to face on the issue.

The administration of Gov. Jay Hammond is seeking legislative approval for contracts to sell the state's royalty gas to three major natural gas transmission companies in return for their support of a so-called allAlaska gas pipeline route.

The hearings were to continue today with testimony from the three firms—Tenneco Alaska, Inc., Southern Natural Gas Co. and El Paso Natural Gas Co.

"This is the single largest sale of Alaska's natural resources since the Prudhoe Bay lease sale," said Gruening. "But the principle reason for the contracts is to effect a political decision in Washington and not to generate revenue.

"So, we want to know what we are giving up and what we are getting in return."

Under questioning premised on the Gruening theme, high-ranking administration officials made two disclosures which placed qualifications on the widely-held suppositions that the contracts would give the state the highest price possible for its gas

In a sharp exchange with Sen. Chancy Croft, D-Anchorage, Guy Martin, commissioner of the state's Department of Natural Resources, admitted the state at present theoretically may be able to gain a higher price for its gas by selling directly to intrastate gas utilities—companies which do not sell gas across state lines and thus aren't regulated by the Federal Power Commission.

But Martin said such an action would cause the state to turn its back on the main purpose for making the sale now, gaining political support in Washington for an all-Alaska gas line.

Martin this morning added the state has considered attempting to negotiate such a pact, possibly with California-based utilities, but that such an agreement he felt was impossible to negotiate as a practical matter at the present time.

Martin during the exchange with Croft said that if the price of natural gas was deregulated by Congress then it was clear the state could gain a higher price for its gas than it will net from the proposed pact by demanding a "front end" premium payment from purchasers. Under FPC control, however, such payments are illegal Martin said.

"Then we could have gotten a higher price than in these contracts?" Croft asked.

"We've never denied that," Martin replied, "but not for the objectives we have of gaining support for the all-Alaska route."

"But is it true that the sale does involve the sale of our gas at a lower price?" Croft demanded.

"That's a gross overstatement," Martin said, who then explained that the administration felt it could not base its policies on an assumption that deregulation will come. "It just may or may not happen soon enough," Martin said.

In response to questioning by state Sen. Kay Poland, D-Kodiak, Martin said the "takeback" provisions in the contract, clauses which allow the state the right to regain control of its gas, gives the state the right to use the gas in everyway except one. The state under the contracts may not take gas from the purchasers and then turn around and sell the gas to private industry which would then liquify the gas and export it to other markets.

The state will be able to withdraw all the gas needed to support petrochemical development in the state except for liquification purposes.

Martin and Atty. Gen. Avrum Gross also were questioned heavily on how much impact the support of the Tenneco, El Paso and Southern could have on the pipeline route decision, but could give the panel no hard assurances on results.

Royalty gas buyers undecided on lobbying

By PAUL NUSSBAUM
Daily News Staff Writer

JUNEAU — After two days of testimony, state legislators say they still don't know what prospective buyers of Alaska's royalty natural gas plan to do to support an all - Alaska gas pipeline route.

Senate and House special committees, meeting jointly in the Hilton Hotel here, questioned officials of two of the three prospective buyers for more than four hours Tuesday. The hearings will continue today.

THE HAMMOND administration has signed contracts with three natural gas distribution companies to sell them the state's one - eighth share of Prudhoe Bay natural gas, in exchange for support of a trans - Alaska gas pipeline. The contracts are not valid unless approved by the legislature.

Officials of Tenneco Alaska Inc. and Southern Natural Gas. Co. said they could not tell the legislators how much they would spend lobbying for an all - Alaska route or specifically whom they would seek to persuade. Officials for the third company, El Paso Natural Gas Co., will be quizzed when the hearings continue today.

"To date, nobody has told us what they will do in terms of lobbying or building influence," Rep. Clark Gruening, D- Dist. 7, chairman of the House Special Committee, said. "We don't know what effect they may have . . . or if they're just going to ride it out."

OFFICIALS of both companies Tuesday told the legislative committees they would be able to give the lawmakers more specifics once the contracts were approved. Both said they would commit all the time and money they thought necessary to win approval of a trans - Alaska route.

Peter Smith, president of Southern Natural Gas, said he expected his company to spend in excess of $100,000 . . . "but we don't have a specific budget saying we'll spend a certain amount."

Rep. Larry Carpenter, R- Fairbanks, countered, "To tell us you're just going to go out and spend what it takes is not a realistic response." Carpenter is a public relations representative for Alyeska Service Co., and he said campaigns designed to influence people usually have established price tags before they're started.

REP. RUSS MEEKINS, D-Dist. 7, pressed Tenneco senior vice president Robert C. Thomas to tell the committees "what we are gaining now that we can't get in the future."

Thomas said the state's overriding benefit is the effort to secure a trans - Alaska gas pipeline: "Are you going to have a trans - Alaska route in the future if you don't act now?"

Officials of both companies said they have a vested interest in getting the El Paso trans - Alaska gas route approved, as they would then be able to pass on the costs of lobbying for the route to their customers.

SOUTHERN and Tenneco urged the committees to act quickly on the contracts so the companies can begin working on a full - scale effort to convince Washington D.C. that the El Paso route is the best one.

"If President Carter doesn't receive comments from this state and others, he will continue to be bombarded with information that says the midwest won't get gas unless a trans - Canada route is approved," Tenneco's Jared G. Carter said.

"What are you going to do?" Gruening asked.

"It depends on when the contracts are approved," Thomas replied.

Smith said Southern has influence with "distribution companies, Kiwanis Clubs, Chambers of Commerce, state legislators, public utility commissions, governors and . . . the strong and effective congressional delegations from the southeastern United States."

Study Details Arctic Benefits

Alaska could earn substantially more from its royalty share of Prudhoe Bay natural gas under the Arctic Gas pipeline proposal if Congress deregulates the industry, a new legislatively financed study claimed today.

With deregulation, the study estimated the "netback value" to the state of its royalty gas delivered in Los Angeles at $1.66 per million BTUs under the Arctic Gas route as compared to $1.22 per million BTUs under the all-Alaska El Paso route favored by the state.

Sold in Chicago, the study said the "netback value" to the state would be even higher under the Arctic Gas proposal, $1.66 per million BTUs for Arctic-delivered gas as compared to 94 cents for gas deliered by El Paso.

The projection was included in an economic analysis of administration-negotiated contracts for the sale of the state's share of North Slope gas, currently the subject of hearings by special legislative committees.

But the estimate contained in the study conducted by Jensen Associates, Inc. of Boston deals only with the price of gas under deregulation and does not take into account the in-state economic impact of the routes which would be much higher for El Paso than Arctic.

The "netback value" comparison also not mention the Alcan route proposed by Northwest Gas Co.

The projection was based on a formula using the price of alternate fuels minus the cost of transporting the gas to market.

"The theory is that the price of natural gas at the market (e.g. Los Angeles) would tend toward a level related to the price of alternate fuels, and that the field price resulting would be the market price less the cost of transmission," the Jensen study said.

And because the transportation costs of Arctic Gas allegedly are less than those of El Paso, the study said, the state could charge more for its royalty gas in the field under deregulation.

State officials, however, have challenged Arctic's estimates of transportation costs, claiming that the project will experience high cost overruns.

2—Anchorage Daily News, Saturday, January 29, 1977

U.S., Canada sign pipeline treaty

WASHINGTON (AP) — The United States and Canada signed an agreementFriday designed to ensure that any pipelines carrying oil or natural gas destined for one country across territory of the other not be taxed in a discriminatory manner.

"This removes a technical obstacle to a final decision as to a gas pipeline" to carry natural gas from Alaska's Prudhoe Bay across Canada to the United States, a State Department official said.

The Federal Power Commission is considering proposals to build a natural gas pipeline either through Canada's Mackenzie Valley or along the same route as the Alaska oil pipeline, or a third route, using the Alcan Highway through Canada.

The agreement would require that any taxes or royalties levied on another country's pipeline by the country through which it runs be comparable to those assessed against one of its own pipelines.

The agreement will not go into effect until it is ratified by both countries.

State gas rights in jeopardy if FPC decision followed

By ROSEMARY SHINOHARA
Daily News Staff Writer

Alaska's motives in supporting a trans-Alaska gas pipeline, and its powers to control its royalty gas, were called to question Tuesday by a Federal Power Commission law judge who opted for Arctic Gas Co. from among three competitors to build a North Slope natural gas transportation system.

Judge Nahum Litt issued a 430-page report in Washington, saying he found the Arctic Gas consortium's trans-Canada pipeline proposal to be "superior in almost every significant aspect" in comparison to the trans-Alaska pipeline and tanker system proposed by El Paso Natural Gas Co.

THE JUDGE said the third competitor, Northwest Pipeline Corp., didn't even have an application worth considering.

And Litt slipped into the report an assertion which, if upheld, would be of great concern to Alaska: he contends the FPC, not the state, has full jurisdiction over the state's royalty gas.

"He said the FPC could reach deep into the state's intrastate power. If the FPC carried out what he said is the law, the state intrastate power would be jeopardized," Guy Martin, state commissioner of natural resources, said in a telephone interview.

THE STATE disagrees with that assertion, and would almost certainly go to court if it were carried out, Martin said.

Ironically, while Alaska's governor has frequently been called a "no-growth advocate," Judge Litt concluded that the state administration supports the El Paso proposal because it wants to encourage industrial development, and not for environmental considerations.

Judge Litt believes the state's position on environmental matters "clearly has been influenced by economic considerations," an FPC statement said.

MARTIN said while it appeared obvious that Litt would choose Arctic, he found three elements of the decision unexpected:

— That the judge supported Arctic as strongly as he did, "and went to the lengths he did to defend it." In the process, the commissioner believes Judge Litt treated too lightly problems in crossing the Arctic Wildlife Refuge in the northeast corner of Alaska, and in using a snow road for construction.

— That he presented "such an extraordinary condemnation" of the Northwest Pipeline proposal for a pipeline along the Alaska Highway.

— That he made sweeping judgments in the arena of public policy, such as advocating repeal of the provision passed last fall by Congress to stipulate that Alaska has control of its royalty gas, and saying that a treaty with Canada is not important if the line goes through Canada.

"I WOULDN'T be surprised to see the opponents, particularly Northwest Pipeline, raise charges of bias," Martin said.

Northwest Pipeline's chairman, John G. McMillian, did just that in a statement about the decision. The judge was forced to consider Northwest's Alcan Pipeline proposals — which entered the competition last summer, several months into the hearings — "but it was apparent . . . during the hearing that he refused to give Alcan an objective review," McMillian said.

McMillian called Litt insensitive to environmental concerns, and said the judge went beyond his purview in making judgments about what is taking place in Canada, which must also approve the Arctic project if it is to be built.

(Continued on Page 2)

• State gas rights

(Continued from Page 1)

"LITT ALSO appears to have concluded that desecration of the Arctic National Wildlife Refuge was a plus for the Arctic Gas Project, in spite of the fact that the National Environmental Protection Act clearly states that every effort must be taken to insure the preservation of wilderness areas for future generations," McMillian said.

A spokesman for El Paso, the third competitor, said the Litt report meant death for the Alcan proposal. "He put Alcan to sleep," El Paso's Mike Holland said. "We predicted several months ago Alcan would not survive. Alcan may still be an irritant, but we now consider that Arctic is the main competition."

Holland, in Juneau for legislative hearings, said El Paso still thinks it has "a hell of a good chance. In the end, we'll pull it out."

ROBERT W. WARD, president of Arctic, said the company believes it significant that the only alternative to Arctic being considered in Canada — the Alcan proposal — has been found unworthy of consideration by Litt.

Ward said Arctic is pleased and honored by the Litt decision. "Judge Litt is far and away the single person most capable of an informed, impartial judgment in this matter."

Litt made his recommendation based on 1½ years of hearings, which produced 253 volumes of transcripts and about 1,000 exhibits.

Parties concerned have about two weeks to send the judge their replies to his recommendation, and then he makes his final decision. The full Federal Power Commission has until May 1 to act on the recommendation, and President Carter has until Sept. 1 to rule, unless he requests an extension. Congress must then approve or disapprove Carter's ruling.

'Catch' in gas line ruling

Hammond, delegation blast support of Canadian pipeline

Alaska Gov. Jay S. Hammond and the state's three members in Congress universally decried a Federal Power Commission judge's decision to support the Arctic Gas Co.'s project for North Slope gas, and geared for a strong lobbying effort to come.

"The decision is a bad one for the state of Alaska," said Hammond.

Hammond

THE GOVERNOR said it is "more crucial than ever" that the legislature approve royalty gas contracts before it. The gas contracts, to go to three companies who pledge to lobby for Alaska's stance in favor of a trans - Alaska gas pipeline, are the state's administration answer to the need to get other states on the bandwagon.

"There is no time to lose if we're going to turn this around," Hammond said.

Rep. Don Young, R- Alaska, called the Federal Power Commission outdated, and said, "there's no way on this green earth" that Congress and the President will allow the gas pipeline to go through Canada. The FPC "can only visualize a pipeline within the continental U.S., they've never dealt with a foreign country," Young said.

"I'm sure the wisdom of our good friend Jimmy Carter and his new spirit will change the picture," Young said.

Sen. Ted Stevens, R-Alaska, called it a blow, and said the judge ignored or discounted some of the more important concerns. But he said, "I was pleased that Judge (Nahum) Litt agreed that the El Paso line is viable and could be certificated."

A trans - Canadian route would result in the loss of several billion dollars in taxes to the country, Sen. Mike Gravel, D-Alaska, said. "Fewer Americans will be hired than is the case for the Alaska route, and the largest share of pipeline taxes would go to Canada rather than the U.S."

The nation's current shortage of natural gas dictates that another route be chosen, since Canada must also approve the Arctic route, and that could lead to delays, the Congressional representatives said.

State legislators, many of whom spent most of the day in hearings on proposed sale of royalty gas to gain further support for the El Paso route (Story — Page 8), said an all - Alaska route is still a contender but that the state is not likely now to switch its support to the Northwest proposal.

"It looks like we're committed to El Paso to the bitter end," Rep. Joe McKinnon, D-Dist. 9, said during a break in the royalty gas hearings.

Rep. Clark Gruening, D-Dist. 7, who chairs the House special Committee on the sale of state royalty gas, said there was "nothing unexpected" in Litt's decision. But Gruening said the law judge underestimated the effect of Canadian internal problems on the Arctic route.

"If they can't get it together in Canada, El Paso is the only choice."

(c) 1977, Christian Science Monitor

Hammond also criticized Litt for ignoring the problems of building a gas line through Canada.

"The Canadian political picture is at best cloudy, and the land claims issue very real," the governor said.

All-Alaska gas line has risks, lawmaker says

JUNEAU (AP) — The disclosure of a major dispute between the state and oil industry over natural gas production rates at Prudhoe Bay demonstrates the need for greater public awarness of the potential risks of an Alaska gas pipeline, says oilman-lawmaker C.V. "Chat" Chatterton.

Chatterton, an Anchorage Republican, says legislative debate on the sale of state royalty gas in support of an all-Alaska pipeline route has failed to adequately address serious conflicts between early gas production and the ultimate maximum recovery of North Slope oil reserves.

And despite some political risks, Chatterton is using his 30 years of experience in the petroleum business, including four years of work for a drilling contractor at Prudhoe Bay, to point out those risks and conflicts.

It was Chatterton's questioning as a member of a House special committee on the contracts which led to the disclosure of a state computer study which concluded that oil industry proposals for the early delivery of two billion cubic feet a day of Prudhoe Bay natural gas to the lower 48 could result in the loss of up to a 1.6 billion barrels of oil.

In response to Chatterton's probing, Natural Resources Commissioner Guy Martin reiterated his pledge to use the state's conservation statute to the maximum extent to guard against any unacceptable loss of oil recovery because of gas production.

But Chatterton says he still has fears about "what would happen if we had a gas pipeline today and President Carter ordered all-out production because of the shortage in the lower 48."

"Would our conservation statute hold up under that kind of pressure?" Chatterton says he wonders. "I just want to put my concerns on the record so people will know the facts.

"The polls show that 80 per cent of the people in the state want the all-Alaska gas pipeline and as a red-blooded Alaskan so do I, but I want to make people aware that if we have an early gasline we may be jeopardizing ultimate recovery of oil."

Chatterton says the state's refusal to approve the Prudhoe Bay operators' plan for the delivery of two billion cubic feet of gas as soon as a pipeline is built also raises questions about the motivation of the producers and the ability of private industry to fund the project without a goverament subsidy of some form.

In oil industry talk, Chatterton said, "sacrificing ultimate recovery for maximum early profits is called 'gutting the field.' "

He also said the state's demand for a commitment from the producers for a massive water injection project as a prerequisite to insuring a two billion cubic feet a day offtake rate may make it difficult to finance a gas line from traditional sources.

All-Alaska gas line gets boost

ADN 2/11

WASHINGTON (AP) — A Transportation Department report released last month in the waning days of the Ford administration favors an "all - Alaska" pipeline as the best way to bring arctic natural gas to the lower 48 states.

Under the plan, proposed by El Paso Alaska Co., a natural gas pipeline would be built parallel to the Alaska oil pipeline from Alaska's North Slope to a seaport at Gravina Point. The gas then would be liquefied and shipped by refrigerated tanker to California.

The opinion differs from one expressed last week by a Federal Power Commission judge who recommended a 4,000-mile pipeline across Canada to transport the gas from North Slope reserves.

The Transportation Department recommendation was in a report Jan. 12, "National Transportation — Trends and Choices for the year 2000."

Outgoing Transportation Secretary William T. Coleman said at the time that much of the report might be changed by the administration of President Carter. The new transportation secretary, Brock Adams, has not indicated a preference for any of the three proposals that have been made for transmitting the North Slope natural gas.

The Jan. 12 report said the "all-Alaska" plan proposed by El Paso appeared to be the most viable for these reasons:

—It could be put into operation sooner because it does not require Canadian approval, and it can be constructed faster because it would parallel the trans-Alaska oil pipeline and would be smaller in diameter than the Alaska-Canadian pipeline.

—The delivered price of gas by LNG tanker would be comparable to the pipeline price, considering likely Canadian taxes and the cost of moving the natural gas from the U.S. border to consuming areas.

—The U.S. would collect more money in taxes and would not be affected adversely in its balance of payments.

—The trans-Alaska line would bring Fairbanks gas and Alaska industry.

—Because the cross-Canada pipeline would require regulatory approval of two governments and negotiation of the equity share of each company, delays might be substantially longer than for the all-Alaska system.

The report concluded that "either system may find it difficult to meet the 1981 timetable projected earlier."

Regulatory procedures and a long construction timetable are expected to prevent any gas from flowing from the Arctic until the mid-1980s.

FPC Administrative Law Judge Nahum Litt last week recommended a proposal by the Arctic Gas Study Group.

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Stevens raps FPC gas stand

WASHINGTON (AP) — Sen. Ted Stevens said Thursday that the Federal Power Commission had "its head in the ground" in issuing a preliminary recommendation that natural gas from Alaska should be transported across Canada instead of through Alaska.

Stevens

Canada does not want such a pipeline to cross its heartland and efforts to build it could delay the Alaska gas from reaching the lower 48 states for 15 years or longer, the Alaska Republican asserted.

AT A NEWS conference, Stevens said President Carter should reject the Canadian route and select an all-Alaskan one instead.

Or, at the minimum, the President should seek assurances when he meets with Canadian Prime Minister Elliot Trudeau later this month that the Canadian government will try to expedite the project if a trans-Canada route is ultimately adopted, Stevens said.

Stevens criticized last week's recommendation by FPC Administrative Judge Nahum Litt that gas from Alaska's Prudhoe Bay fields should be transported in a 4,175-mile pipeline through Canada that branches into western and upper midwestern states.

THE RECOMMENDATION rejects two alternate routes, including one favored by Stevens that would carry the gas across Alaska in a pipeline parallelling the trans-Alaska oil pipeline and then transport it by ship to California. The other route also crossed Canada.

"I'm trying to suggest that the FPC has its head in the ground as far as the act we passed last year," Stevens told reporters.

The 1976 law, which sets a timetable for decisions on selection of a pipeline route, was designed to speed the Alaska gas to gas-scarce areas in the lower states, not to delay the process further, Stevens said.

UARY 14, 1977 10 PAGES TODAY 25 CENTS

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State At Odds With Oilmen

By G. MICHAEL HARMON
Associated Press Writer

Oil industry proposals for the earliest possible delivery of massive amounts of Prudhoe Bay natural gas to the lower 48 states have been quietly but firmly squashed by the State of Alaska.

The dispute, which may place Alaska interests in direct conflict with national energy demands, centers on major differences between state and oil industry officials over how best to manage the North Slope reservoir's 19.5 billion barrels of oil and 26.5 trillion cubic feet of natural gas.

Oil industry officials say their plan "provides for expeditious and economic development of the total energy resources at Prudhoe Bay consistent with good oil and gas conservation practices."

In challenging the proposal, however, state officials say the operators' plan may be motivated more by a "disincentive to produce oil because they have a surplus on the West Coast and an incentive to produce gas because it's very dear right now."

At the center of the intense but unpublicized debate are two conflicting documents obtained by The Associated Press—the industry's "operating plan" for exploiting Prudhoe Bay reserves and a sophisticated state-financed computer "prediction of reservior fluid recovery" from the field.

In its proposed operating plan, the industry has asked the state to guarantee the delivery of at least two billion cubic feet a day of gas by mid-1982, about five years after this summer's planned start-up of the trans-Alaska oil pipeline and the earliest possible date projected by the oilmen for completion of a natural gas pipeline and conditioning plant.

But state officials, who have been involved in confidential negotiations with the Prudhoe Bay producers over the operating plan for more than three months, have steadfastly rejected the industry management scheme on the premise that it violate's Alaska's tough conservation statute for the maximum production of both oil and gas.

In it's computer projection, the state contends that the delivery of two billion of cubic feet a day of natural gas under the industry plan could cause the loss of as much as 1.6 billion barrels of oil, a significant figure in light of the acknowledgement by both sides that under the best of circumstances ultimate oil recovery from the field will total a maximum of only 40 per cent of the oil in place.

In an effort at compromise, the state says it could allow the gas delivery rate proposed by the oilmen if they will commit themselves to a massive water injection plan at the North Slope field.

While acknowledging the injection of water from the Arctic Ocean could help offset the loss of field pressure from early, large-volume production of gas, industry officials say they cannot and will not commit themselves to the $1 billion-plus cost of a source water injection project without several years of field history.

In contrast, the industry plan says field history is not needed for the state to guarantee early, massive gas offtake rates, an inconsistency noted by the state in rejecting the operating proposal.

The operating plan submitted by majority owners of North Slope reserves, British Petroleum, Atlantic Richfield, Exxon and Sohio, repeatedly emphasizes that "state approval of the gas offtake plan is needed now to insure that FPC (Federal Power Commision) certification, final design, financing and construction of the pipeline can proceed on schedule."

It defends the proposed offtake rates on the grounds that they would "immediately increase current energy to the consumers and current income to the owners."

State Natural Resources Commissioner Guy Martin says that considering the massive investment the oil industry has in Prudhoe Bay, including $7 billion in trans-Alaska oil pipeline costs alone, he was not surprised that the industry has balked at financing the massive water injection project or may be willing to sacrifice long term oil production for early gas profits.

"They would love it if the state would give them a guarantee, but we won't," Martin says. "It may be they have a disincentive to produce oil because they have a surplus on the West Coast and an incentive to produce gas because it's very dear right now.

"But I think they know that in order to get the levels of gas production they are talking about under our conservaton statute, it is going to be necessary for them to have to have a water injection plan."

Without a commitment for massive water injection, Martin says the state probably will not set an initial gas offtake rate of more than about 1.6 billion cubic feet a day, a figure that is below the threshhold of feasibility for two of three competing gas pipeline projects.

And even with water injection, Martin says the state won't give the industry any absolute guarantees in advance for the estimated 20-year life of the field. Long-range production levels, he said, will not be set without the supporting evidence anywhere between two and six years of field history.

Martin concedes that the state position may not be popular with gas pipeline developers who say they need such a guarantee to solicit financing for a project that may cost from $6.6 to $8.5 billion. But he believes the Alaska conservation decisions will hold up even under expected intense pressure from the oil industry, gas pipe developers and the political muscle of lower 48 consumers.

"Our position is that the state will take whatever action is necessary under our conservation statute to see that there's no unacceptable waste of oil recovery," Martin said. "There's just no question about our authority to cut off gas production if that recovery is threatened."

State at odds with gas plans

By G. MICHAEL HARMON
Associated Press Writer

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All-Alaska gas line risks
Page 2

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And even with water injection, Martin says the state won't give the industry any absolute guarantees in advance for the estimated 20-year life of the field.

Senate panel okays gas sale

JUNEAU (AP)—A special Senate committee Friday announced its approval of contracts to sell Alaska's share of Prudhoe Bay natural gas without conducting a public meeting to vote on the administration-negotiated deal.

The committee decision was revealed on the Senate floor after Sen. Mike Colletta, R-Anchorage and floor leader of the ruling Republican coalition, "bicycled" a favorable report around the halls to panel members for their signatures.

Missing from the report was the signature of Sen. Chancy Croft, D-Anchorage, who expressed anger at the lack of a hearing to debate the panel's recommendation.

"When you're talking about a contract to sell all of Alaska's royalty gas, it should have at least been handled in a formal meeting, an announced meeting," said Sen. Chancy Croft, D-Anchorage.

Normal procedure calls for House and Senate committees to debate and take action on legislation in public.

But Senate President John Rader, who served as chairman of the special committee, said he saw no reason for a public vote, and claimed that no one expessed objections to not holding a formal meeting.

"I didn't think a further meeting was necessary, nor did anyone request one," Rader said. "We've had meetings ad nauseum."

The committee took six-days of public testimony on the contracts, but Rader specifically prohibited members from expressing their opinions during the hearings.

The lack of an open debate and vote allowed committee members to escape having to explain the logic of their decision.

Despite Rader's denial, Croft said he told the Senate president that he did not approve of the way the committee report was handled.

The committee report showed that Sens. Rader, Colletta and Clem Tillion, R-Halibut Cove voted to approve the contracts while Sen. John Huber, D-Fairbanks, said he had no recommendation. Croft refused to sign the report.

Huber said he objected to committing all of the state's share of Prudhoe Bay royalty gas.

"I wonder if it's necessary to dedicate all of the gas," Huber said. "If we should go in business with El Paso do we need to give them that 25 per cent?"

Huber favors the state financing part of the all-Alaska route, and he is having legislation drafted now.

Huber said he generally opposes "bicycling" legislation, but said he did not object this time because he will get a second chance to debate the contracts in the Senate Resources Committee.

Floor battle looms on royalty gas bill

ADN 2/23/77

By G. MICHAEL HARMON
The Associated Press

JUNEAU — A Senate floor fight loomed Wednesday over a last-minute maneuver to attach a potentially deadly amendment to contracts for the sale of Alaska's royalty share of Prudhoe Bay natural gas.

The stage for the Senate's first substantive battle of the session was set in the Finance Committee on Tuesday when Republican Chairman John Sackett of Galena joined three loyalist Democrats to attach a qualifying amendment to the contracts to sell the state's estimated 2.6 trillion cubic feet of gas to three transmission companies in exchange for political support for an All-Alaska gas pipeline.

The amendment pushed by Sen. Chancy Croft, D-Anchorage, would automatically terminate the contracts if Congress repeals section 13-B of the Alaska Natural Gas Transportation Act of 1976 before the Federal Power Commission acts on the pacts.

Section 13-B of the act, which establishes the procedure and timetable for federal approval of competing Prudhoe Bay gas pipeline routes, gave Alaska the unprecedented right to take its gas off the interstate pipeline for intrastate use without FPC approval.

Croft said the amendment was needed "to protect the state's interests" despite a specific provision in the contracts to allow Alaska to take back its gas from the purchasers when in-state needs arise.

Tillion

Croft

But Sen. Clem Tillion, R-Halibut Cove, countered that the amendment was a "brilliantly conceived effort to kill the contracts" without specifically voting to reject them.

Tillion based his contention on a tentative opinion from Atty. Gen. Avrum Gross that the legislature has no authority to qualify the contracts, but can only vote them up or down.

Gross said the administration of Gov. Jay S. Hammond will consider a Senate vote to amend the pacts the same as a rejection.

Tillion claimed that the administration has the votes in the Senate to defeat the amendment but acknowledged that the ballot will be close.

Croft said the amendment was offered to counter fears about the impact of a repeal of 13-B on the ability of the state to reclaim its royalty gas once it enters an interstate pipeline.

"If Congress repeals 13-B before the FPC approves the contracts, then the state loses control of its gas," Croft said.

Gross, however, categorically disputed the Croft claim, contending the contracts have "no impact on 13-B and vice versa."

Gross acknowledged that the repeal of 13-B would cause the state "real problems," but said those problems would exist whether or not the contracts are approved.

"Let's assume that Congress does repeal 13-B before the FPC approves the contracts," Gross said. "How does this amendment protect us?

"Whether we've got the gas because we never sold it in the first place or whether we've got it under the recall provisons of the contract—in either case we've got to get FPC approval to take it off an interstate pipeline for in-state use if 13-B is repealed."

(Continued on Page 2)

Senate Passes Gas Pacts (Again)

HCNE 4/25/77

By The Associated Press

In an instant-replay vote, the Senate today granted lopsided approval to contracts for the sale of Alaska's royalty share of Prudhoe Bay natural gas.

The Senate stamped its endorsement to contracts with three gas transmission companies on identical 14-5 votes.

Passage came after the Senate beat back yet another effort by Sen. John Huber, D-Fairbanks, to amend the pacts.

Huber's amendment was aimed at the recent disclosure that obscure federal regulations could prohibit the state from taking back its royalty gas for in-state use once the contracts are signed.

But Senate President John Rader, D-Anchorage, carried the day with the argument that the federal government had the power to take and keep Alaska's gas "contracts or no contracts."

Huber, however, charged that his argument didn't sway any votes because the ruling Republican coalition in the Senate was "locked in by a bound caucus" ordered by Gov. Jay Hammond.

The repeat Senate vote was forced Thursday on a parliamentary maneuver by Huber.

Huber delayed final passage when he moved to reconsider Wednesday's 15-5 Senate vote to approve the contracts with three gas transmission companies. And then when he failed again Thursday to amend the pacts he issued a "call of the house," a motion that requires all members not officially excused to be present to vote.

However, Sen. Pete Meland, D-Sitka, had left for a weekend at home and a vote could not be taken. Meland won't be on hand today either but he has an official excuse which will satisfy requirements for a call of the house.

Meanwhile in the House, the Finance Committee conducted a lengthy hearing on the contracts Thursday.

SOUTHEAST
ALASKA EMPIRE

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Senate OK's Gas Contract Pact, Attention Switches To House

Arguing ratification of contracts calling for the sale of Alaska's royalty gas will have no "substantive political impact," House Speaker Hugh Malone, D-Kenai, Wednesday said he probably will vote against the pacts unless they are substantially amended before reaching the House floor.

Malone, however, assured proponents of the three pacts, which mark the sale of Alaska's one-eighth share of North Slope reserves, that he will make no effort to bind fellow Democrats to his decision. He said all lawmakers are free to follow their own dictates when the final floor vote does come.

Malone's statement comes as attention shifts to the House following the Senate's vote Wednesday to approve the pacts with Tennessee Gas Transmission Co., a subsidary of Tenneco, Inc., Southern Natural Gas and El Paso Alaska.

The Senate voted to approve the pacts following four hours of floor debate by a lopsided 15 to 5 margin.

Sen. John Huber asked for reconsideration but ratification is expected to stand.

Malone's statement comes as the House Finance Committee, chaired by Rep. Steve Cowper, D-Fairbanks, takes up consideration of the pacts late this afternoon. House leaders said a vote, depending on Finance Committee action, could come as soon as Friday and likely before next Tuesday.

"Since the Congress and President are bound to make a decision on the basis of the national interest, in fact they will be derelict in their duties if they don't, I don't know how we'll be able to gain meaningful political support by approving these contracts," Malone has said.

He noted the contracts don't specify a minimum amount of support the companies must supply to the state, and leave too many loopholes in the pacts where the state, in Malone's view, could be harmed by granting approval now.

"I just don't think we are going to be harmed by not signing the pacts. They are premature, they're not in the best interest of the state, and while I could change my mind, right now I don't think I'll vote for them," the House Speaker said.

Juneau's Rep. Mike Miller, House majority leader, recently said he still hasn't made up his mind on how he will vote on the pacts. Miller added Democratic leaders have no idea how party members will vote as the leadership has made no effort to "count noses," specifically trying not to turn the issue into a partisan political battle.

Supporters of the El Paso all-Alaska project, the principal beneficiary of contract approval, Wednesday expressed uneasiness that the issue just might be turning into a partisan battle between Democrats and the Hammond administration over the pacts negotiated by the governor.

"I just hope that the fact that the House committee voted along party lines does not mean the issue is going to become a political potato. That would be the worse possible event for everyone," said Mike Holland, a senior Alaska representative of El Paso.

Holland's fear was prompted by the release Monday of a report by the special House Gasline Review Committee, headed by Rep. Clark Gruening, D-Anchorage. The committee, on a 4 to 3 vote, along party lines released a report critical of the contracts.

But Guy Martin, commissioner of the state's Department of Natural Resources, before the Senate vote, expressed confidence the pacts would be approved.

Strongest debate in the Senate Wednesday concentrated on an amendment which would have terminated the pacts if a key section of federal law was repealed by Congress before the Federal Power Commission had approved the pacts. The amendment finally was defeated on a 14-6 vote.

The contracts then were approved with Republican Sen. John Sackett, Galena, joining Democratic Sens. Chancy Croft and Pat

Policy profiles

On selecting the oil route

ADN 2/23/77

By JOHN HAVELOCK
(Second in a series of columns on pipeline routing policy)

During the battle over the routing of the pipeline system to move Prudhoe Bay oil, the need for a gas line was well-known, but not much mentioned.

For one thing, the decision did not seem to be an imminent necessity. For another, the opponents of the trans-Alaska pipeline system (TAPS), a core of whom were opposed to hydrocarbon development, were ready to exploit any diversionary opportunity to the fullest. TAPS proponents in the state and nationally were forced into single-minded concentration on those factors which related to TAPS authorization.

THE SINGLE GREAT policy casualty of this polarization was that the principle environmental impacts of TAPS, those that were a part of or flowed from socio-economic consequence, were inadequately addressed. The environmentalists concentrated on the very small risk and modest consequences of some oil leaking out of the system on the fragile tundra. Those who could foresee the real problems were not about to feed amunition to "the enemy."

The analysis of state benefit in the TAPS route was not complicated. The state's technocrats looked primarily to the benefit in well-head based revenue, benefits flowing to the state treasury, thence presumably to be distributed in tax reductions (or deferred tax increases) and increased services reaching a broad range of Alaskans. From this perspective the TAPS route was the only route because it gave promise of a flexible delivery system — the oil would be delivered anywhere and not just to a pipeline outlet and market in the mid-west, a market power, which could end up controlling the wellhead price.

TAPS also was the only proposal that showed any promise of being completable within a reasonable period of time. The transcontinental line was totally speculative. There was every reason to suppose that if the TAPS route was defeated on the proposition (or ruse) that a trans-Canadian routing was preferable, we could expect an attack to be mounted against that route too in due course.

NO DOUBT the trans-Canada route would have satisfied some opponents of TAPS, but not those who were against oil production in general or Arctic production in particular. TAPS was clearly the better system from the perspective of state management.

For the state managers, the fact that the TAPS system involved a major construction project in the state rather than outside it was a cost rather than a benefit. The construction phase would result in major increases in demand and cost of services of state and local government and create a massive influx of new people. Excess inflation was a high risk. The quality of life for existing residents, not tied into the construction industry at the management level, was going to decline until the program was over.

The finished project was to be highly automated. A couple of hundred permanent jobs when it was all over just didn't make it worthwhile.

TRUE, MORE PROPERTY would be in the state to tax but this revenue would be distributed unevenly in human terms, enriching localities that happened to find themselves next to a pipeline that called for no services, the usual counterpart of taxation. These revenues would reduce the tax potential at the well-head on production and income almost to the same extent as the revenue increase from the tax on property.

Of course, the state management perspective is a minority position in the politics of the state. The alliance of those who see their self-interest in an enhanced public sector role in distributing benefits is not inconsiderable, but it is not the dominant political-economic power.

The Alaska equivalent to the "military-industrial complex" is the construction complex - powerful construction companies, powerful construction trade and transport unions, supported by a host of beneficiaries with a profit stake in wholesale and retail supply and transportation. Not every member of a construction union or employe of a wholesale or retail supplier or transportation company has a stake in the complex. Normal state economic activity is sufficient to keep most of such people happily employed. Those who have a stake are those unemployed who have good prospects for employment in the extra activity, most of whom are outside the state, and those who will share (disproportionately) in the growth through managerial promotions or profits.

In the case of the oil pipeline route, the coincidence of construction interest and state treasury interest made for a happy marriage with the TAPS route. But was this bliss to continue in the policy and planning of gas transportation marketing? Not necessarily so.

Mr. Havelock served as chairman of the state pipeline coordinating committee in 1972-3.

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Trudeau— No Gas Promises

OTTAWA, Canada (AP) — Prime Minister Pierre Elliott Trudeau said Thursday he has not promised President Carter his government will approve the building of an Alaska gas pipeline through western Canada.

Under questioning in the House of Commons, Trudeau said that in his meetings with Carter this week he pledged only that the Canadian government would try to reach a decision on the controversial pipeline by September.

This would be done to coordinate with the U.S. decisionmaking timetable, Trudeau said.

Commons member Tommy Douglas, an opposition New Democrat, said news reports indicated the Liberal prime minister's assurances to Carter amounted to a "tacit understanding that Canada will proceed with a pipeline."

Trudeau replied, "Anyone who played the stock market on the basis of these rumors would run the risk of financial embarrassment."

The New Democrats say they oppose the building of a pipeline because of potential economic and environmental dislocations.

Carter is required by law to make a decision by Sept. 1 on competing proposals to ship Alaska gas to U.S. markets. A U.S. Federal Power Commission hearing judge has recommended in favor of a route through the Mackenzie River Valley.

Canada "won't stand in the way of pipelines as long as issues affecting Indian land claims and environmental and economic problems are settled," Trudeau said.

He noted that a Canadian court report on the effects of a pipeline on Indian and other native groups in the region is expected this spring, and a Canadian National Energy Board report reviewing the pipeline applications will be ready this summer.

Trudeau refused to guarantee Parliament would vote on the pipeline, saying it would be brought before Parliament only if time allows. He said the matter could be discussed by a Commons committee.

NO PROMISES—Canadian Prime Minister Elliot Trudeau denied yesterday that he and President Carter reached any agreement on routing of a pipeline for Alaska gas through Canada. (AP wirephoto)

Arctic Line Fight

By MARK PANITCH
Washington Correspondent

WASHINGTON—A Canadian Eskimo leader Thursday told a House subcommittee that no gas pipeline would be built across his people's Mackenzie Delta territory until a Native claims settlement is completed.

The leader, Sam Raddi, head of the Committee for Original People's Entitlement, based in Inurik, Northwest Territories, appeared along with ranking Alaska state officials, conservationists and spokesmen for three gas pipeline companies before the House Interior Public Lands subcommittee.

The subcommittee is investigating three competing proposals to move an estimated 26 trillion cubic feet of natural gas from Alaska's North Slope to market in the contiguous states.

Raddi said, "There will be no pipeline in the western arctic until the government of Canada settles the land claims with the Inuvialuit (Eskimos).

"This pipeline is a private interest that will be trespassing on our lands if our rights and land claims are not settled by that time," he said.

The question of Canadian Native claims has become a major issue in the debate here over which of three proposed routes to move Alaska gas should be approved. However, this appears to be the first time that any Canadian Native leader has appeared to state the Native position firsthand.

Raddi's statement was unequivocal and apparently contradicted previous statements by Arctic Gas officials and by a Federal Power Commission administrator [illegible] that Canadian Native claims [illegible] minor and easily resolved issues.

He stated a philosophical [illegible] lawsuits to defend Native rights [illegible] to a question from a member [illegible] Don Young, D-Alaska, [illegible] that Eskimos would take to the [illegible] approaches failed.

He also said FPC Administrative Law Judge Nahum Litt had "prejudiced the process of negotiating land rights between the government of Canada and the Inuvialuit."

Two weeks ago, Litt issued a preliminary FPC decision supporting the Arctic Gas plan.

Raddi's implied threat was partially backed up by Alaska Attorney General Avrum Gross who reminded the subcommittee that "in 1969 few people in Alaska thought that a disorganized group of people [illegible] land could grind the world's largest project to a halt. A lot of people went bankrupt on that assumption. I don't think we would make the same mistake twice. I think they have learned from the Alaska experience and will be even more effective."

Gross and Lt. Governor Lowell Thomas Jr. both testified that state support was strongly behind the El Paso plan to build a trans-Alaska pipeline connected to a liquified natural gas system on Prince William Sound.

Both Gross and Thomas agreed the Alcan pipeline plan to build along the Alyeska corridor to Delta Junction, then east along the Alaska Highway was "a good second choice."

They agreed also that the state could not support the proposed Arctic Gas project across the North Slope of Canada and then south along the Mackenzie Valley, because it offered no opportunity for the state to get access to its royalty gas.

Representative John Seiberling, D-Ohio, told Thomas the state couldn't have it both ways, on the Arctic National Wildlife Range. There has to be a great reason to protect the range for its own sake, not for political expediency, Seiberling said.

In response, Thomas said he could "support making the Arctic National Wildlife Range a wilderness. To go out on a limb, I think the governor would too."

Seiberling chairs a subcommittee which will soon start working on legislation to end the land freeze imposed after the Alaska Native Claims Settlement Act, and to decide which d-2 lands should be included in National Parks and other conservation systems.

A panel of conservationists argued that their main concern was protection of the wildlife range, which they called the "jewel" of the federal wildlife system.

Brock Evans, director of the Sierra Club's Washington office, said Arctic Gas claims that its pipeline would be a "thin sliver" across the range fails to meet the real problems.

"To best understand what is at stake," he said, "visualize a famous painting, such as the Mona Lisa. Then visualize a slash all the way across the upper middle part. 'It's only a small slash,' those who want to make the slash say, 'see the picture is still there and you can enjoy the rest of it'."

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Stevens View—

Carter Favors Arctic Gas

ANCHORAGE (AP) — Sen. Ted Stevens says he believes President Jimmy Carter favors the Arctic Gas project for transporting Prudhoe Bay natural gas to markets in the lower 48 states.

The Anchorage Times Washington Bureau interviewed Stevens, the Senate's minority whip, after a meeting Wednesday of the joint congressional leadership with Carter.

"I have the definite impression the President leans toward the Arctic Gas line," the Alaska Republican said. "I told him my problems with that. I mentioned the law we passed last year, setting up a time frame for the decision and the possibilities for delay" with a trans-Canada line.

Stevens said he got the impression that Carter supports the Arctic Gas project "from the comments he made about how the all-American route would cost more if we did it alone.

"I think he is misinformed. He left me with the impression that he thinks there is extra gas in the MacKenzie Valley that can be brought into the United States."

Stevens said Carter also told congressional leaders about his recent meetings with Canadian Prime Minister Pierre Trudeau.

"The President left me with the impression that Trudeau had been somewhat frank about his problems with the environment and Native claims," Stevens said. "The President said he knows there are three routes proposed and he is keeping his options open."

"We must articulate our case to the government agencies and to people like Interior Secretary Cecil Andrus," Stevens said, advocating a strategy concentrating on government agencies which will make recommendations to Carter before July 1. Many Alaskans support the so-called all-Alaska route.

The Arctic Gas project would cross the Arctic National Wildlife Range and then head south through Canada en route to midwest markets.

A proposal from El Paso Natural Gas Co. would route a pipeline south through Alaska to Gravina Point on Prince William Sound, paralleling the corridor of the trans-Alaska oil pipeline. The fuel then would be liquified for tanker transport south to the West Coast.

A third proposal from Northwest Pipeline Corp. would follow the oil pipeline south to a point below Fairbanks. That route, considered by many state supporters of the El Paso route to be a compromise proposal, would then follow the Alaska Highway south through Canada to markets in western and Midwest states.

...s of a ... "who ...pected" to ..., in effect ...les express ...s be ap- ...—HB 108, ...iller, yes; ...1; E 3). ...hould a bill ...fication in ...municipal ...missions ...use?—HB ... Malone: ...yes (Y 36, ...

...ould a bill ...form of a ...ation to be ...t overruns ...the trans- ...be ap- ...y was in ...riation to ...mmission.

...the board of regents of the University of Alaska pass the Senate?—CSSB 46, sponsored by Croft: Ray, yes; Meland, yes; Ziegler, yes (Y 20, N 0).

Feb. 22: Question: Should a bill relating to employment on the Alaska Marine Highway system, one which already has passed the Hose, be approved in the Senate?—HB 45: Ray, yes; Meland, yes; Ziegler, yes (Y 19, N 1).

Feb. 22: Question: Should a House resolution proclaiming Alaska Telecommunications Day be approved?—HJR 23: Ray, yes; Meland, yes; Ziegler, yes (Y 20, N 0).

Feb. 23: A whole series of votes were cast on whether the Senate should approve three resolutions calling for the sale of the state's share of North Slope natural gas to three transmission firms. The first vote was on an amendment to SCR 3, the amendment calling ...Ziegler, no (Y 6 N 14).

An amendment 3, relating to removal of a clause in the contracts regarding the "switching" provision, then was considered: Ray, no; Meland, no; Ziegler, no (Y 4, N 14).

An amendment 4 relating to a reduction of the percentage of state gas sold to the Tenneco firm, reduction from 50 per cent to 40 per cent, then was voted on: Ray, no; Meland, no; Ziegler, no (Y 1, N 19).

A fifth amendment then failed by a similar 19 to 1 vote, while a sixth went down to defeat 16 to 4. A final vote on the resolution then was taken. Ray, yes; Meland, yes; Zeigler, yes (Y 15, N 5).

On SCR 4, the sale of state royalty gas to El Paso, amendments were offered, but not accepted. The final vote totals were: Ray, yes; Meland, yes; ...buildings and facilities be approved?—SB 123, sponsored by Ferguson: Ray, yes; Meland, yes; Ziegler, yes (Y 20, N 0).

Feb. 24: The issue of amendments to the proposed royalty gas contracts being considered on reconsideration came up for a vote. The amendment by Huber called for a $1 billion damage payment to be added to the contracts. Ray, no; Meland, absent; Ziegler, no (Y 1, N 17, A 2).

Feb. 25: Question: Should a bill relating to radiation protection be approved?—SB 45, sponsored by the Governor: Ray, yes; Meland, excused; Ziegler, yes (Y 16, N 3, E 1).

Feb. 5; The royalty gas contracts were then again before the body on reconsideration. After an attempt at an amendment failed all the contracts were approved on a 14 to 5 vote with Meland excused.

...ly.

There are two qu... Will transfusions of ... the life of the El P... the state abandon i... port the more reali...

Voice O...

Thank Yous

(Editor's note: the fo... three letters were selecte... among seven submitted ... edito. They are from stu... Harborview Grade Scho... other correspondents wer... James, Danny Kerr, Pete ... and Jeff Mathews.)

Dear Editor:

We sure did appreciate ... let us come to the newsp... fice. We really enjoyed i...

Stacy K...
Representing Mrs. Snc...
3rd Gra...

Dear Editor:

We really enjoyed our v... you. It was fun seeing th... tape that came from S... learned a lot on this trip. ... very much for helping u... about yours and other jo...

Your...
Greg...
Representing Mrs. Snow...
3rd Grade...

Dear Editor:

We really enjoyed the t... took us on. It was fun to ... press print papers. And tha... for showing us around.

Sin...
Shayn...
Mrs. Snov...
3rd Grad...

Thoughts

Dear Editor:

I had forgotten how bu... the road to convalescenc... there are also some exhil... rest stops and viewpoint... of time to think about t... we have traveled so f... wonder about the one... Also, a golden opportunit... reacquainted with my w... has stood by me all thes...

Nature has also taken ... During the twelve days ... the hospital we gained an... daylight. And, our rhub... daffodils have wakene... their winter sleep (sure h... are not rushing the seaso...

But, I did not plan this l... bore readers with rhet... believe that we learn fro... experience, and some o...

...ard decisions are made on committee, the ...he floor action.

Mike Miller

...tal Moving

...d about—but the capital is going to move Fri...

...n a nicer way.

Juneau time (five minutes after noon in ...s) the House Commerce Committee is going ...71—the "Alaska Bottle Bill"—and not only ... members and visitors take part in the ...ans in Fairbanks, Anchorage, and scores of ...mmunities.

...projecting the committee, via television and ...

...via TV ever since the start of the Tenth ...'s new is the live, statewide radio coverage. Listeners and viewers all over the state will ...ee long distance Zenith number and actual- ... committee hearing!

...e way to move the government to the peo...

...e a first, a forerunner, of what we feel will ...ng procedures for many bills under con- State Legislature.

...se testifying via long distance on the bottle ... Governor Tom McCall who was governor ... the bottle bill concept in 1972. Governor ...t the invitation of the University of Alaska ...dly consented to share with the legislature ...e his perceptions of how the bottle bill is ...

...carry the broadcast, I'm told. I hope you'll ...

...ple have called me asking what my House ...unity historical districts, is all about. ... a municipality to designate certain areas ...nce an area is so designated, property ...uld qualify for low-interest (6.5 percent) ...o historic appearance.

...nes, and Skagway would be prime exam- ... could benefit under the bill. So would ... historic old Girdwood (near Anchorage), ...nd many many other locales.

... however, that full planning and zoning ...ill, with local municipal authorities. This ...e bills where "big brother" dictates the ...

...ea such as South Franklin Street could ... partly as a result of this bill. Best of all, ... the state involved. We're investing our general fund monies anyway. Why not make the loans available to Alaskans who will use the money to make our communities more attractive and interesting?

From Sen. Bill Ray

Gas Pact Decision

One of the most difficult determinations for a legislator to make is to correctly identify the (1) cause, (2) effect, and (3) accurate interpretation of a decision that has already been made for him. My reference point is the administration's contractual agreement for the sale of the state's royalty gas.

The legislature requested the governor to enter into agreements with prospective purchasers. At the same time they formed select committees to study and analyze the impact, or resultant consequences, such a sale would have on the people of our state.

After months of investigation and countless hours of recorded testimony, during which time the administration was secretly reaching their own agreement with buyers, no accord (only discord) resulted within the committees.

The administration came forward with their proposals, as requested, and asked for prompt ratification. Our congressional delegation, unified for once, added their clamor to the urgent need for rapid legislative approval of the contractual arrangements. Predictions of reprisal by Congress for the ultimate routing of the gas pipeline were inferred.

Finally, actual debate on the measures reached the Senate floor.

Clear and concise arguments were presented on both sides of the question. There were the usual "fluff", "cheap-shots" and "showboating" that generally accompanies a proposal of this magnitude.

A latitude of convenience is given and understood by the body when incisive play and counter-play takes place on an issue which has not been pre-determined through caucus disposition.

Uncommitted, I listened intently to the arguments from both sides. Actually I found myself nodding in agreement when particular points were made, both pro and con.

When the debate was over and it was time to vote, my affirmative decision was reached on:

1. The federal government through congressional action can invalidate, in the matter of a national resource (which our gas is), any contractual agreement affirmed by a state;

2. The state could not "reservoir" its royalty gas in view of the national energy crisis;

3. Plans for feeder-line draw-off for state use are actually nebulous with no firm commitment for the same.

On the opposite side of the coin, I resent the secrecy which resulted in what appears to be ineptness in the administration's handling of the contractual agreements.

This assumption is supported by what many believe is national political favoritism sought by a member, or members, of the Hammond administration. This is not a personal indictment of the governor himself, other than that if he doesn't know what has happened—perhaps he soon will.

However, if this supposition does become fact, and he was a willing party to it, then he stands self-indicted.

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SEAE 9/2/77

Trudeau Favors Route Planned By Alcan Gas Pipeline Company?

By MARK PANITCH
Washington Correspondent

WASHINGTON—State visits by foreign leaders add a touch of glamor and color to Washington, even under President Jimmy Carter's new "informal" ground rules. But such visits rarely accomplish anything substantial. They are usually just fancy courtesy calls, the stratospheric equivalent of a friend who was "in the neighboorhood and decided to drop by."

Canada and the United States are so closely linked on so many economic fronts, though, that it would have been almost impossible for visiting Prime Minister Pierre Elliot Trudeau and President Carter to talk about anything without touching a topic of economic or political concern. The single biggest issue, however, is probably the question of whether Alaska North Slope gas will go through Canada on its way to markets in the rest of the U.S.

So Alaskans, and others concerned with how the 26 trillion cubic feet of Prudhoe Bay gas will get to market hoped the Trudeau visit here would shed some light on official Canadian thinking. They were right. But for those supporting the proposal to build a trans-Alaska gas pipeline, the news was not encouraging.

Despite his obvious preoccupation with possibility that Quebec Province might break away from Canada, Trudeau demonstrated that he was up to speed on the gas issue as well. He showed a clear grasp of the U.S. decision-making timetable. He assured Carter privately and reporters publicly that Canada would make a decision in time to coordinate with the year-end deadline that Congress has imposed on the President.

"We realize that we have to give a final answer by the end of the year. We realize that no answer really is an answer. No pipeline through Canada then means the El Paso route. Its a more costly route and it has certain disadvantages for Canada. But I'm sure there will be an answer—and that it will be advantageous to both countries," Trudeau said.

At the same time, Trudeau repeatedly mentioned that the gas belonged to the United States and was destined for American consumers. "Canadians want to be as helpful as possible to get American gas to American consumers," he said.

A News Analysis

While symbolic interpretation can be a dangerous pastime, a good case can be made from these statements that Trudeau is leaning toward the Alcan proposal to build a pipeline south to Delta Junction then east through Canada along the Alcan highway.

El Paso's plan, he noted, has "certain disadvantages for Canada," a reference to Canadian uncertainty about the environmental impact of increased oil traffic along its Pacific shores and a desire to minimize further tanker traffic.

Since the Arctic Gas plan envisions constructing a pipeline east from Prudhoe Bay to the Mackenzie Delta and then south along the Mackenzie Valley carrying both U.S. and Canadian gas, Trudeau's reference to "American gas" may have been a signal that that plan is in trouble too.

Of the three competing proposals, Alcan was the only one mentioned in a favorable or neutral light. El Paso was disparaged and Arctic was never mentioned by name either by Trudeau or the senior officials traveling with him who briefed reporters.

"We looked at all the various alternatives including the Alcan route," he said. "There is great interest on the part of the President in the pipeline."

Another event, seen as a symbolic endorsement by Alcan supporters and downplayed by opponents, was the appearance at the White House state dinner of John McMillian, head of the Alcan company. McMillian is a well-connected Democrat, a member of the Democratic National Finance Committee and a friend of former Democratic National Chairman Robert Strauss.

There is some indication that McMillian's invitation to the White House was simply a political reward for service during the campaign. But it is difficult to avoid the fact that he has an overwhelming interest in Canada. He was seated at a high prestige table with Vice-President Walter Mondale and Canadian Minister of External Affairs Donald Jamison. As one Canadian remarked, "the other companies were conspicuous by their absence."

With billions of dollars at stake, no one will be sure of the final decisions until they are announced. Lobbying for each of the three projects will continue either until the final moment or until one of them drops out of the competition.

But the signs during this visit by Trudeau were clear enough for one strong El Paso supporter to say privately that "nothing hopeful" emerged from the meetings between the two leaders.

Most Students Comply With Immunization Law

Nearly all Juneau elementary school students have been shot, but older students seem reluctant to follow suit.

The shooting is part of a state-ordered immunization program for Alaska students. No students may attend school today if they have not been immunized.

The state immunization deadline expired yesterday. Students who turn up at school today and have not been immunized are being sent home.

Approximately 50 high school students had yet to be immunized as of this morning. Coordinator of Pupil Personnel Services John Symons said he believes "some are sick and some are on vacation," but he did not know how many.

High School principal Bob Weiss said his teachers have a list of the students who have not received their shots. Those students are being sent by teachers to the nurse's office, Weiss said.

Weiss said students who are unimmunized are being informed that they will receive F's for each day they spend at home. Symons has warned that students out for more than 15 days because of a failure to be immunized will be charged with truancy.

A trickle of high school students were being sent home today. At Floyd Dryden Junior High School "four were turned away, and there are eight students at Marie Drake (Junior High) who are not complying," Symons said.

Symons said he did not know how many students from the Alternative School were out because of immunization problems.

In contrast to the high school and junior high schools, the program was proceeding nearly flawlessly at the elementary school level.

"We are concerned about three (elementary students)," Symons said. All other elementary school children, if "not sick or not on vacation," have been immunized, he said.

Symons added that the problem with the three who have yet to be immunized may be solved by this afternoon. He said all three are "afternoon kindergarten kids." It is possible they were immunized yesterday and the school has yet to receive the records.

With approximately 5,450 students in the school system and only a small minority still in need of immunization, Symons said "we are in very good shape."

Weather

Mixed rain and snow tonight with a few periods of mixed rain and snow on Thursday. Southeast winds to 30 mph this afternoon diminishing on Thursday. Outlook for Friday: Showers.

Low tonight, mid 30's, 2 C.; high tomorrow, near 40, 4 C. Sunset tonight, 6:30 p.m., sunrise tomorrow, 7:49 a.m. High yesterday, 38, 3 C.; low last night, 35, 2 C. 24-hour precipitation as of 11 a.m., trace.

Tides

THURSDAY'S TIDES

High	0:39 a.m.	14.6 ft.
Low	6:25 a.m.	2.7 ft.
High	12:32 p.m.	16.3 ft.
Low	6:50 p.m.	-1.0 ft.

ome To State Hoop T

Alcan Unveils SEAE New Proposal

By CHUCK KLEESCHULTE
Empire Staff Reporter

Dissatified with the outcome of a hand, officials of the Alcan Pipeline Co. Tuesday moved to reshuffle the deck in their competition to win permission to build a gas pipeline from Alaska to the lower-48 states.

John G. McMillian, chairman of Northwest Pipeline Corporation, parent of the Alcan project, said in Juneau Wednesday his firm has submitted alternative construction plans to the Federal Power Commission (FPC) designed to overcome objections to his firm's project.

The new plans call for construction of a 48-inch diameter pipeline instead of the 42-inch line first proposed. While the revised plans call for the pressure of the line to remain the same at 1,260 pounds per square inch (psi), the larger diameter line will increase substantially the capacity of the line and increase the line's efficiency as well, McMillian said.

"One criticism of our line was the feeling that it wouldn't have enough capacity to carry all the gas found in northern Alaska. We disagree with that, but we're willing to give them anything they are willing to pay for.

"The optional system will give us greater flexibility than our initial project and it ought to satisfy those who feel the larger system is more appropriate," McMillian said.

The new plan requires Alcan to construct 300 miles of new pipeline along a mew, straighter pipeline corridor through southern British Columbia and central Alberta in Canada. The line is required since use of segments of the existing Westcoast Transmission Co. and the Alberta Gas Trunk lines is ruled out under the revised design.

The new plan, submitted last month to the National Energy Board of Canada for its consideration, will up the price of the project by $1 billion bringing the Alcan cost estimate to $7.3 billion. The line is still considered the cheapest of the three competing gasline projects.

McMillian said the revision will allow the Alcan project to carry a maximum of 3.4 billion cubic feet (bcf) of gas daily, roughly the same as will be carried by El Paso's "all-Alaska" land-sea pipeline system. The figure represents an increase of 1 bcf daily over the capacity of the initial Alcan design and represents a speed up in the timetable for that gas production.

Under the initial plan, Alcan would have began operations moving only 1.2 bcf of gas daily, carrying higher volumes of gas over a three-year period. McMillian Wednesday said the new system will be able initially to carry 2 bcf daily, the present estimate for gas production from the Prudhoe Bay fields, and could be hiked to maximum capacity within one year.

"Actually we're willing to build maximum capacity from the word go, but we still can't find any reason to do so," McMillian said. The Texan added that his line can be completed and in service in just over three years. He predicted an Oct. 1, 1981 completion date if final approval for the line in the U.S. and Canada is given by the end of this year.

McMillian explained the new line is an "express" line moving gas at a uniform pressure rather than having to reduce pressures when the gas flowed through pipelines belonging to Alcan's three Canadian partners. That change plus one financial change in allocations of the cost of the line, McMillian said, should help reverse some of the criticisms leveled at the project last month by FPC Administrative Law Judge Nahum Litt.

Judge Litt in a preliminary recommendation to the full five-member FPC selected the other buried pipeline route, the Arctic Gas project, as the best project, with El Paso's project second and the Alcan project a distant third.

McMillian called Litt's criticism of several segments of the Alcan plan "unfounded and unfair." He said it was based on Litt ignoring parts of the nearly 45,000-page FPC hearing record and forming his own conclusions not grounded on fact.

McMillian said he was encouraged by the statements of Canadian Prime Minister Pierre Elliot Trudeau during his recent visit to Washington. He argued that Trudeau's statements to President Jimmy Carter implied that Canada would be permitting construction of some type of overland pipeline route. He said that route would be the Alcan route, one which follows the trans-Alaska oil line to Delta Junction in Alaska and then follows the Alaska Highway corridor south into British Columbia.

He made that statement because of the problems he foresees Arctic having with native land claims in the Yukon and the Mackenzie Delta and because of stiff resistence to the El Paso project in California—the site for the firm's gas regasification plant.

"We just don't think of El Paso as competition. The race is between Arctic and us and nothing that is being done locally can affect the outcome. Alaska can do anything it wants. It just will be feeding hay to a dead horse," McMillian said referring to the recent approval of the sale of Alaska royalty gas to three firms including El Paso Natural Gas.

McMillian warned the state that if it intends to have impact on the pipeline decision it had best be prepared to switch its support from the El Paso project to the Alcan project immediately after release this spring of the Berger Commission report, the Canadian investigation committee looking at native land claim issues.

Poland Urges Veto Of Royalty Gas Contracts

By The Associated Press

Sen. Kay Poland, D-Kodiak, Thursday demanded the Legislature request that the governor not sign contracts approved by lawmakers last week for sale of Alaska's Prudhoe Bay royalty gas.

Poland, who voted for the contracts, said she was appalled at the recent disclosure by Tenneco Inc., the firm slated to receive 50 per cent of Alaska's one-eighth share of royalty gas, that it impropertly transferred large amounts of gas from interstate customers to more profitable intrastate markets in Texas.

The revelations appeared in documents filed with the Securities and Exchange Commission and were first reported in Tuesday's edition of the New York Times.

"It's a mystery to me to see how we can expect a company with such a tarnished reputation to have political clout," Poland said in a speech from the Senate floor today.

Under terms of the contracts narrowly approved by the Legislature, Tenneco, El Paso and Southern Natural Gas would receive Alaska's royalty gas in exchange for their lobbying efforts for an all-Alaska gasline route.

"I didn't like them (Tenneco) anyway," Poland said. "Their attitude (during hearings on the contracts) was 'give us the gas and then we'll see what we can do.'"

Poland said she would bring the issue before the Senate Resources Committee, which she chairs.

Policy profiles

Political economics and the pipeline route

By JOHN HAVELOCK
(The third column on pipeline routing policy)

The state government's choice of a trans - Alaska route for delivery of Prudhoe Bay oil made perfect sense from the perspective of both the institutional interests of the state and the state's politically potent construction industry.

There was a rustle of interest in a Canadian route among Alaskan environmentalists. They would become more of a factor in the politics of Alaska pipeline routing after the election of 1974. But the environmentalists were no match for the economic lineup supporting the trans - Alaska pipeline system (TAPS) route in the early 1970s.

WHEN APPLICATIONS for gas pipelines, one across Canada, the other tracking TAPS, were filed in 1973, there was a moment of uncertainty among the state's top political leadership. There was some suggestion that members of the state's congressional delegation might have conversationally conceded the gas to the Midwest in the heat of the TAPS promotional effort. In one form or another, the delegation pronounced its judgment reserved.

Whatever casual promises or assumptions may have been stated by Alaskans, it was obvious that Midwestern and Eastern congressmen saw their regions as having an established proprietary interest in the gas. The regional muscle came through very clearly later in the Alaska National Gas Transmission Act of 1976.

Section 5(b) of that act requires that any approved system include provision assuring "direct pipeline delivery of Alaska natural gas . . . both East and West of the Rocky Mountains." Section 5(c) requires that in the routing decision, consideration be given to the volumes of Alaska gas available, alternative fuel sources, prices and costs to each region of the United States. There is no doubt that the power exists to subordinate all Alaskan interests to congressional perceptions of the national interest in any head to head contest.

THE ALL-OUT EFFORT on TAPS authorization left the state poorly prepared to respond to gasline routing questions. No serious preparatory work had been undertaken by the state with regard to the analysis of economic costs and benefits of gas marketing and delivery systems. The extent of the state's institutional and proprietary interests was unknown. Even the most preliminary data on the cost of each system and its effect on the wellhead value of the oil, the key determinate of the Alaskan interest, was unavailable.

In order to avoid taking on too many taxpaying powers at once, the gas industry was left out of the reordering of oil and pipeline taxes which occurred in 1973. In Alaska the gas industry enjoys perhaps the lowest tax structure among the major producing states of the United States. With the tax contribution of the gas industry unknown, another key ingredient was missing.

Whatever the perspective from the state's institutional interests, there was no room for two ways of thinking from the perspective of the state's construction industry.

THE CLEAR DISTINCTION of the El Paso, trans - Alaska route was that it would carry with its authorization an economic super - boom roughly comparable to the TAPS venture in its impact on Alaska. The Arctic Gas, trans - Canada route would certainly have a big impact on Alaska. Supply systems through Alaska would bear the burdens and gather the profits from supporting much of the construction in northern Canada. A billion dollars would likely be spent on gathering systems and pipeline in Alaska itself.

But the internal logic of the construction industry does not support boom over super - boom. As the huge cost overruns on the TAPS project indicate, the bigger the play, the greater the profits. The state's construction industry wanted the El Paso route.

Super - boom conditions highly favorable to one set of economic interests are not necessarily good for all. During the TAPS construction period, other sectors of the economy and individuals relating to them felt the overstrain of the transportation and supply system. New regional inflation reversed the long term trend which had been bringing the Alaska cost of living closer each year to the national pattern. Governmental costs soared at state and local levels, stimulating ideologically based demands for cutbacks in state service. The public didn't see the connection between 600 per cent overruns on TAPS and cost overruns in government.

The circumstances that required the state to throw its weight behind TAPS were not present in the case of gas pipeline routing. But the strength of the construction industry in the domestic politics of Alaska did not require the industry to wait upon the identification and balancing of competing interests, domestic or national.

JUNEAU IS QUICKER to catch on to the tunes of local politics than Washington. The state administration gave the all - Alaska and sea route for gas an unequivocal endorsement. The congressional delegation bent to the pressure. Within a few months, pretenses of examining the issue "objectively" collapsed under the gathering weight of home - front political reality.

Alaska moved solidly behind the El Paso proposal. Domestic political considerations had precluded the development of a pipeline routing policy based on a rational appraisal of long - term costs and benefits for all Alaskans and the accommodation of Alaska and national interest.

the small society by Brickman

Tenneco 'tarnished'

ADN 3/11

Fight brews on gas pact

JUNEAU (AP) — Sen. Kay Poland, D-Kodiak, Thursday demanded the Legislature request that the governor not sign contracts approved by lawmakers last week for sale of Alaska's Prudhoe Bay royalty gas.

Poland, who voted for the contracts, said she was appalled at the recent disclosure by Tenneco Inc., the firm slated to receive 50 per cent of Alaska's one-eighth share of royalty gas, that it improperly transferred large amounts of gas from interstate customers to more profitable intrastate markets in Texas.

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"I didn't like them (Tenneco) anyway," Poland said. "Their attitude (during hearings on the contracts) was 'give us the gas and then we'll see what we can do' "

Poland said she would bring the issue before the Senate Resources Committee, which she chairs, to determine what method should be used to request that Gov. Jay S. Hammond not sign the contracts.

Doyon backs Alcan gas line

Doyon, Ltd., of Fairbanks, third largest of the 12 Native regional corporations, Thursday announced it is endorsing the Alcan natural gas pipeline project proposed by Northwest Pipeline Corp.

Doyon became the first Native regional corporation to shift from the "all-American" project proposed by El Paso Natural Gas Co. The Alaska Federation of Natives, representing all 12 corporations, endorsed El Paso's project more than a year ago.

Tim Wallis, president of Doyon, said during a news conference that the Alcan route would give Doyon two possibilities for transporting any natural gas found in the Kandik Basin lands owned by Doyon.

The Kandik Basin of Interior Alaska is one of the most promising onshore structures in the state for exploration of oil and gas. Doyon could hook into Northwest's pipeline either to the west or to the south. It could join El Paso's pipeline to the west.

Tenneco Admits Gas Transfers

3/8/77 SEME

By MARK PANITCH
Washington Correspondent

WASHINGTON—Tenneco Inc., one of three large pipeline companies slated to share Alaska's Prudhoe Bay royalty gas, has admitted in documents filed with the Securities and Exhange Commission that it improperly transferred large amounts of gas from interstate customers to more lucrative intrastate markets in Texas.

Alaska Sen. Mike Gravel said he would have no comment while spokesmen for the other members of the state's congressional delegation, Sen. Ted Stevens, R. and Rep. Don Young, R., said they were unavailble.

The revelations appeared in documents filed with the SEC as part of Tenneco's proposal to take over the Monroe Auto Equipment Company. According to the documents, Tenneco's pipeline division diverted the gas to the company's Channel Industries Gas Company subsidiary in Texas.

The diversion may have gone on since 1958, according to the filing. But the document said that the "Tenneco's records concerning (these diversion) may be incomplete."

The New York Times reported in today's editions that the amounts of gas involved in the possibly illegal diversions may be as much as 350 billion cubic feet.

In the documents, Tenneco said "certain volumes of gas purchased by Channel have been produced from anchorage or reservoirs at one time dedicated to interstate commerce under contracts between various producers and the company's inter-pipeline divisions.

"It appears that such gas was released under a variety of procedures, some of which involve transactions which may have failed to meet all the regulatory requirements under the Natural Gas Act."

On Feb. 28 Tenneco asked the Federal Power Commission to legitimize the diversions when it filed a petition asking if "additional regulatory authority" was needed for them. The FPC has not yet responded.

The diversions came to light when the Standard Oil Company of Illinois, AMOCO, sued Tenneco for failing to provide gas promised in a contract. During the course of the court action the diversions either were discovered or were about to be discovered and Tenneco admitted them.

In another section of the filing, Tenneco provided an illustration of the profits that may have been made by the diversion when it compared the 1975-76 average interstate gas price of 30-46 cents per thousand cubic feet with the intrastate price of 48-71 cents.

Recently the FPC has raised the interstate price of gas found since Jan. 1, 1975 to $1.44 per thousand cubic feet. The intrastate price has gone as high as $2.25.

Last week the Alaska State Legislature approved contracts for Tenneco, Southern Natural Gas and El Paso Natural Gas to sell the three companies the state's one-eighth share of Prudhoe Bay Natural Gas. Tenneco is to receive 50 per cent of the royalty gas.

SOUTHEAST ALASKA EMPIRE

WILLIAM S. MORRIS III—PRESIDENT and PUBLISHER
JEFF A. WILSON—GENERAL MANAGER

KIM ELTON
Managing Editor

TOM BLUMENSHINE
Production Manager

Gas Pains

From the beginning the sale of Alaska's royalty gas was clouded by charges and counter-charges. The state legislature fumbled with the issue for weeks before approving the sale of our royalty gas to three firms in exchange for a rather nebulous commitment on the part of the buyers to support the El Paso all-Alaska route in Washington, D.C.

The grand finale came in the house where one of the contracts was approved, on reconsideration, by one vote. That one vote came from Rep. Fred Brown, a Democrat from Fairbanks, who lamely explained that between votes he finally got around to reading the contracts and decided they weren't so bad after all. The sale contracts emerged from the legislature after Mr. Brown switched from 'no' to 'yes.'

Cynics have suggested that Mr. Brown, the lowest vote-getter in the Fairbanks delegation, was persuaded less by the merits of the contracts than by the politics of the contracts. Whatever Mr. Brown's reasons, and we have our suspicions, the end result was that it tied the state into a lobbying partnership with one firm whose credibility slipped dramatically this week.

In a story from the Empire's Washington correspondent, we reported Tuesday that Tenneco, the firm which bought 50 per cent of our royalty gas, has admitted in documents filed before the Securities and Exchange Commission that they improperly transferred gas from market to market to hike profits. Their admission is not likely going to win friends and influence Congress in the wake of the natural gas emergencies in the East and Midwest. In fact, Alaska's gas partner, Tenneco, looks more like a villain than a credible lobbyist.

The Tenneco disclosure shocked state Sen. Kay Poland so much she demanded from the floor of the senate that the legislature ask Gov. Jay Hammond not to sign the contracts. "It's a mystery to me to see how we can expect a company with such a tarnished reputation to have political clout," she said. Political clout was what the legislators thought they were buying when they sold billions of dollars worth of the state's gas.

Instead of buying political clout with the Tenneco contract it now appears legislators bought a political liability. Gov. Hammond lobbied long and hard for the contracts his administration drafted but hopefully he will not be blinded by the politics of the issue, as Mr. Brown so obviously was, and sign them over the protests of legislators like Sen. Poland.

The best course for the governor would be to turn the contracts back to the legislature for a vote of reaffirmation. If he doesn't, Tenneco could become an albatross around the state's neck, not a benefactor, in the fight for the state's choice in the pipeline route battle.

The $4 billion bet

State officials prepare to commit Alaska's royalty natural gas to an intra-state pipeline, despite belief Canadians have upper hand.

by John Greely

Juneau

A state cabinet officer was sitting around his dinner table with a group of friends recently when the subject of the North Slope natural gas pipeline came up.

"I'll bet you a hundred bucks," the commissioner said, "that the line goes through Canada."

There were no takers because that was the prevailing attitude here as Alaska prepared to place its biggest bet yet—$4 billion worth of state-owned Prudhoe Bay gas wagered that the pipeline will traverse Alaska instead.

Gov. Jay Hammond made the wager in November, when he completed negotiations with three national pipeline companies to buy the royalty gas in exchange for their support of a trans-Alaska pipeline route, the favorite of Hammond and many Alaskans.

Hammond's announcement of the proposed contracts came on Nov. 12, the final day for interested parties to make a pitch to the Federal Power Commission (FPC) on behalf of their favorite pipeline route.

In a statewide radio address, the governor told the people "studies should not go on forever," and, if Alaska ever hoped to have any say in the [illegible] tional debate engulfing competing plans to ship North Slope gas, now was the time to act.

Nearly nine months earlier, on Feb. 24, 1976, Sen. John Rader, D-Anchorage, started pressuring Hammond to sell at least a portion of the royalty gas to generate political support for the route.

"If Alaska hopes for any chance for a trans-Alaska gas pipeline, it's time to act now," Rader declared as he encouraged his colleagues to fork over $50,000 for Hammond to launch negotiations with gas buyers.

Now, it's Feb. 24, a year later. Rader is Senate president and pushing with vigor for ratification in his chamber of the gas deal Hammond worked up.

There are all kinds of interested parties cheering him on—Tennesse Gas Transmission Co., which gets 50 per cent of the royalty gas; Southern Natural Gas Co., which gets 25 per cent; El Paso Natural Gas Co., which gets the other 25 per cent to put through the pipeline it hopes to build from Prudhoe Bay to the Gulf of Alaska; the Anchorage Chamber of Commerce, which is looking to extend the economic boom started by the oil pipeline; and the state's entire congressional delegation, which is lobbying virtually alone in Washington for the trans-Alaska route.

But there are some legislators and other interested parties who still are wondering if now is the time to act, even though Hammond appears to have cut a pretty good deal he was pressured into making.

The deal goes like this:

—Tenneco, Southern and El Paso attempt to build what their spokesmen call a "national constituency" for the Alaska route to influence the president—who must recommend a pipeline corridor to Congress by Sept. 1—and influence Congress, which must render final decision 60 days later;

—In turn, the firms receive all the "surplus" royalty gas at Prudhoe Bay, estimated to be about 2.6 trillion cubic feet, or 10 per cent of the total reserve;

—The price paid to the state for this gas is to be the highest going rate at the time of production;

—The state may take back all of the gas with two years' notice for use within Alaska;

—If that happens, the buyers have a first option to buy surplus gas that's available later, up to 150 per cent of the volumes which they lost from any take-back;

—All bets are off if Congress does not approve a trans-Alaska line, or if no pipeline route is selected by the end of 1978, or if the Federal Power Commission decides the state can't take its royalty gas out of interstate commerce;

—However, if Hammond decides to switch his support to another pipeline—such as the Alaska highway proposal, his second choice—the gas buyers can keep their royalty shares by joining him.

The potential pitfalls in the deal are many and varied, depending on your point of view. They include:

—A general fear that the state is buying the proverbial pig in a poke because during lengthy hearings in early February the companies could offer no concrete illustration of how they intend to build a "national constituency;"

Rep. Clark Gruening

Sen. John Rader

—Specific suspicions that the state should retain some of its royalty gas because no one knows how much is "surplus" to in-state needs, it may be able to get a better price for it later and, in any event, El Paso doesn't need any more inducement to lobby on behalf of its own project;

—A general fear that bycommitting the royalty gas to interstate commerce, the state may not be able to recover it, and by submiting itself to FPC pricing structures in the contracts, the state is usurping its long-standing claim to independence on other gas issues;

—A general fear that the take-back provisions may make investors in the trans-Alaska project skittish, if not downright reluctant to pony up $10 billion or more;

—A specific suspicion that Hammond is setting everybody up to switch his support later to the Alaska Highway pipeline favored by environmentalists, without coming back to the legislature for approval.

Overriding all of these fears is a general abhorrence to bartering an immensely valuable non-renewable resource for political chits, even if the trans-Alaska route is the best one for the state.

But, the legislature asked for it and even laid the groundwork in 1974 for resource issues of this kind to be settled in its own political arena.

Three years ago, former Gov. William A. Egan was putting the finishing touches on a deal to sell much of Alaska's royalty oil at Prudhoe Bay for petro-chemical development in the state.

So the legislature created a special board to review such contracts and made them subject to approval of both houses.

The practical impact of the law adopted by a then-Republican legislature was to keep a then-Democratic governor from making a dramatic move just before he stood for re-election.

Now, here is John Bennett, president of El Paso's Alaska subsidiary, joined by the firm's legion of lobbyists, the Organization for Management of Alaska's Resources (OMAR), telling legislators to hurry up—there's no time for amendments to the contract.

Even former Secretary of State Bob Ward, now president of Arctic Gas Co.—the powerful consortium which claims to have spent $100 million so far in advancing its route through Arctic Canada to the midwest states—was conceding the gas contracts would have "some impact" on the national debate.

And along comes Sen. Ted Stevens, warning legislators in a special joint session that rejection of the contracts "would be a serious and possibly fatal blow" to the Alaska line.

Stevens even went a step further, suggesting the state consider financing all or a portion of the $1.8 billion conditioning plant needed to prepare Prudhoe Bay gas for shipment.

It will take four, maybe six, years to build that plant, and if El Paso's main claim to superiority—that it can deliver gas to the lower 48 sooner than its Canadian opponents—is to hold water, we'd better get cracking on that conditioning plant, Stevens said.

Meanwhile, Alaska's Teamsters Local 959, former BIA Commissioner Morris Thompson, Dr. Arlon Tussing and Nahum Litt were raising all sorts of doubts.

The Teamsters joined the call for some sort of state financing of the pipeline. In addition, they told legislators there was a petition drive underway to get 30,000 people on record against the contract clause allowing Hammond to switch his allegiance to another pipeline route.

Union officials, highly conscious of the thousands of new members corralled with construction of the oil line, don't want Hammond abandoning El Paso during the middle rounds.

Thompson, now leader of the group pushing the Alaska Highway pipeline, hit hard at a possibility raised by state consultants that Alaska could lose millions of dollars in severance taxes by taking its gas in kind, rather than in value, without including protections in the contracts.

Tussing, a noted economist and petroleum expert, labeled the entire sale issue a meaningless political exercise because the state can do nothing to help a trans-Alaska route in the midst of international hardball politics.

"There is no chance for a trans-Alaska pipeline," Tussing told legislators, "so long as there is a chance of a trans-Canada pipeline and there is nothing that Alaska or El Paso or any of the purchasers can do to influence the decision from the United States in that respect."

The decision rests "at the highest levels of the Canadian government," Tussing said, and President Carter and Congress "are going to wait for this."

And then there was the decision of Litt, the FPC's administrative law judge, who concluded after 18 months of examination that the Arctic gas route application was vastly superior in all respects to El Paso's or Alcan's.

If that were not bad enough for El Paso supporters, Litt took repeated swipes at the authority of the state to withdraw royalty gas for its own use. He also said "little weight" could be given to the endorsement by Tenneco and Southern of El Paso's application.

"As is conceded in the briefs," Litt said, "these companies have signed agreements with Alaska to purchase royalty gas, and thus were contractually bound by Alaska to support El Paso."

So, Litt wasn't impressed by the lobbying power bought with promises of royalty gas.

Of course, he's not supposed to be a politician, but his weighty recommendations may be examined closely by the politicians who will make the final decision.

Amid all these doubts, Rader was marshalling his forces for expected approval of the contracts this week in the Senate. An affirmative vote would put added pressure on the House, were the most outspoken critic of the contracts, Rep. Clark Gruening of Anchorage, was raising hell.

Early this week, Gruening's special committee on the gas sale voted along party lines to reject the El Paso contract, saying it was not needed to bolster support for the Alaska line. The Democrat also vowed to fight all three contracts on the floor.

However, Gruening's battle appeared to be a losing one.

Too many resolutions have been adopted in past years supporting the El Paso line. Too many interested parties are backing the gas sale. Too few legislators want to bear the onus—justified or not—for aborting a motherhood issue like an All-Alaska Gas Line.

Thus, the contracts likely were headed to their ultimate fate at the hands of the FPC.

But before that body considers them, it will have to clear its agenda of another item, the pipeline routing.

The commission may even want to delay a vote on the royalty contracts until owners of the rest of the Prudhoe Bay gas come forth with purchase agreements of their own.

Those owners—Exxon, ARCO, Sohio and others—are hedging their bets until the political and economic picture is much more clear.

ADN 2/14/77

Official warns of gas sale

JUNEAU (AP)—A high-ranking California official has urged the Alaska Legislature to disapprove contracts for the sale of state royalty gas, hinting that his state may be able to pay a premium price for the precious commodity.

Richard L. Maullin, chairman of the California Energy Resources Conservation Commission, called for rejection of the contracts in a Jan. 31 letter to Senate President John Rader of Anchorage, chairman of joint legislative hearings on the pacts negotiated by the administration of Gov. Jay S. Hammond.

The contracts would sell the state's one-eighth royalty share of Prudhoe Bay natural gas to Tennessee Gas Transmission Co., Southern Natural Gas Co. and El Paso Natural Gas Co. in return for the firms' pledge to generate political support for El Paso's proposed all-Alaska gas pipeline route.

But even though California is El Paso's biggest customer, Maullin said the state was opposed to the El Paso project because it would make the state 90 per cent dependent on liquified natural gas (LNG).

El Paso wants to transport North Slope natural gas through a pipeline from Prudhoe Bay to Gravina Point on the Gulf of Alaska coast, transform the gas into a liquid and then ship it by tanker to California.

A bigger line for Northwest?

2/10/77

Northwest Pipeline Corp., sponsor of an Alaska Highway route to ship North Slope gas to market, says it is recalculating the size of its proposed 42-inch pipeline in response to requests from Canada's National Energy Board, Morris Thompson, the firm's Alaska representative, said Monday.

Northwest came in a distant third in the analysis of a Federal Power Commission administration law judge on which of three proposed projects should be chosen to transport North Slope gas.

NOTING THAT the law judge criticized Northwest's planned pipeline as being "undersized," Morris Thompson, the firm's representative here, told the Anchorage Chamber of Commerce Monday that the company believes it is adequately addressing questions of size in presentations before the National Energy Board.

Morris Thompson

Northwest was a latecomer in Federal Power Commission proceedings on a gas pipeline route, having submitted its application in July of 1976. "We feel Judge (Nahun) Litt didn't thoroughly review our presentation," Thompson said.

Northwest and Arctic Gas Co., which proposed a pipeline down from the North Slope through Canada's MacKenzie River Valley, must obtain approval of the Canadian government as well as the U.S. government before they can move forward.

Thompson said he believes an overland route will be chosen — and that means either the Northwest or the Arctic project. The third competitor, El Paso Natural Gas Co., wants to build a combination pipeline and tanker system.

An overland route will win because it would mean direct deliveries to the heavily populated Midwestern and Eastern states. Congressmen viewing the projected oil glut on the West Coast will not put gas on the same coastline, Thompson predicts.

Indications of various state governments, and the FPC law judge and staff decisions also point to selection of an overland route, he said.

State House final test

APN 2/24/77

Senate okays gas contracts

By PAUL NUSSBAUM
Our Juneau Bureau Chief

JUNEAU — Contracts to sell Alaska's royalty natural gas face one final hurdle before they come to a vote in the state House. The contracts were given a major boost Wednesday when they won approval in the Senate by a 3-1 margin.

The contracts to sell the state's one - eighth share of natural gas to three transmission companies face stiffer opposition in the House, where they are expected to come to a vote either Friday or Monday. The last committee to examine the contracts, the House Finance Committee, will consider the three proposals today. The committee chairman said he expects the committee will be "pretty well divided."

THE SENATE action Wednesday came after protracted debate, during which Senate President John Rader relinquished his chair to urge passage of the contracts on the floor of the Senate.

Time's running out—OMAR
Page 2

Over opposition led by Sen. Chancy Croft, D-Anchorage, each of the three contracts was approved by the Senate, 15-5. Croft championed an amendment which would have repealed the contracts if Congress took away provisions that give Alaska the unprecedented right to take its gas off an interstate pipeline for intrastate use without federal approval.

Joining Croft in support of the amendment were Sens. Frank Ferguson, D-Kotzebue; John Huber, D-Fairbanks; Pat Rodey, D-Anchorage; John Sackett, R-Galena, and Kay Poland, D-Kodiak. Poland however voted to approve the contracts after the Croft amendment was defeated, 14-6.

SUPPORTERS of the contracts said the amendment and four others introduced by Huber, were merely moves to delay or kill the contracts.

Under the contracts, negotiated by Gov. Jay S. Hammond's administration, Alaska would sell the state's estimated 2.5 trillion cubic feet of Prudhoe Bay natural gas to three gas transmission companies: Tenneco Alaska Inc., Southern Natural Gas Co., and El Paso Natural Gas Co. In exchange for the gas, the three companies are to throw their lobbying efforts behind selection of an all - Alaska natural gas pipeline proposed by El Paso.

House opponents of the contracts contend that passage of the measures won't carry much weight with Congress or the Federal Power Commission and that the state surrenders flexibility to use its gas by committing it now. Supporters of the contracts say the pacts could make the difference between selection of a trans - Alaska route or selection of some other gas line route.

CROFT SAID afterwards he thinks the Senate opposition may "strengthen the resolve" of those in the House who oppose the contracts.

"I think it would have been a lot closer if there had been a secret vote," Croft said. "A lot of people voted for it because they thought a vote against the contracts would be seen as a vote against the El Paso line. It's not."

In speaking against Croft's amendment and for the contracts, Rader called it a "bad argument well made."

"WE'RE LIKE a frightened animal, a rabbit, standing in front of a hawk, immobilized by fear," the Senate president said after relinquishing the presidency temporarily to floor leader Mike Colletta, R-Anchorage, in order to enter the debate. "The worst thing we could do is sit here quivering and let the hawk pick us up and carry us off. Perhaps no hawk will carry us off; perhaps good fortune will protect the fools and idiots in the Alaska Legislature."

The three contracts will be reviewed today by the House finance Committee, and chairman Steve Cowper predicted Wednesday that the vote in that committee "will be pretty well divided."

REP. CLARK Gruening, D-Anchorage, is a member of the committee and as chairman of the special committee which reviewed the contracts in the House, is expected to carry some weight with the Finance Committee. Gruening opposes

(Continued on Page 2)

UA Regents tap interim president

FAIRBANKS (AP) — The University of Alaska Board of Regents Wednesday named Dr. Charles O. Ferguson, chancellor of the UA's Southeast branch, as interim president of the financially troubled school.

Ferguson, whose appointment

Commissioner Bill Allen of the state Department of Administration, who was among the university's critics when the cash flow problem was disclosed, was present for the Board of Regents meeting.

Allen is now engaged in what he has

consideration.

He said Ferguson had indicated that he would take the post, depending on what conditions were attached by the regents.

Fate added: "He is not a candidate (for the presidency). He has

House puts off gas contract vote

By PAUL NUSSBAUM
Our Juneau Bureau Chief

JUNEAU — The state House won't vote on three contracts to sell Alaska's royalty natural gas until early next week. The chairman of the House Finance Committee — where the contracts are now being examined — said he wants the weekend to study the contracts further.

The Senate will vote a second time on the gas contracts today after Sen. John Huber, D- Fairbanks, asked for reconsideration. Huber argued Thursday that the contracts not be adopted without an amendment, and when that amendment failed, he forced the Senate to postpone a vote until today with a parliamentary maneuver.

THE SENATE PASSED the contracts, 15-5, on Wednesday, and even the opponents of the contracts say the Friday vote won't be much different.

Huber issued a call of the House Thursday after his amendment failed for the second day in a row, requiring all members not officially excused to be present to vote on the contracts. Sen. H. D. "Pete" Meland, D-Sitka, had already left for home.

Meland, though, has been officially excused from Friday's session, and the contracts are expected to breeze through the Senate for the second and final time.

NATURAL RESOURCES Commissioner Guy Martin urged the House Finance Committee Thursday to give its approval to the contracts and move them on to the full body for a vote.

Martin attacked a report prepared by the House special committee on the gas contracts, and he said the "report was really a long list of problems, though it purported to be a balanced analysis."

Finance Committee Chairman Steve Cowper, D-Fairbanks, said no vote would be taken on the contracts until next week, "because the chairman needs the time to look these things over."

THE HAMMOND administration and members of the state's congressional delegation continue to urge quick passage of the contracts to boost political support for a trans-Alaska gas pipeline from the North Slope.

If the contracts are approved, the state's one - eighth share of the Prudhoe Bay natural gas would be sold to three transmission companies in exchange for their support of an all - Alaska route.

Rep. Clark Gruening, D-Anchorage, who chaired the House special committee on the contracts, leads the fight against the contracts in the House. Opponents of the contracts in the House are expected to concentrate their efforts on the contract which would sell 25 per cent of the state's gas to El Paso Natural Gas Co. El Paso is the company seeking approval from the federal government to build a pipeline through Alaska.

HOUSE OPPONENTS reason that the El Paso contract should be rejected because it will garner no more support from El Paso than the company is already giving its own line and that the state will have more flexibility to do what it wants with the uncommitted gas.

Martin called such reasoning "slightly preposterous."

"If the state makes the sale to Southern (Natural Gas Co.) and to Tenneco (Alaska Inc.) and not to El Paso, it would basically be a vote of no confidence," the natural resources commissioner said. "It would be entirely unwise not to sell to El Paso."

Gas route impasse predicted

Canada's Prime Minister Pierre Trudeau and his Liberal Party are in such "terrible political trouble" that a decision in favor of the Arctic Gas pipeline proposal would be risky, economist Arlon Tussing told the Bartlett Democratic Club Thursday.

At the same time, Tussing is confident that the U.S. government, from the Federal Power Commission to Congress and the President, will choose the Arctic Gas route.

TO OVERCOME the impasse, a working group of Canadians and Americans will probably be able to agree on an overland pipeline route — and that could very well be an Alcan Highway route, Tussing believes.

A University of Alaska professor, he served as chief economist for the U.S. Senate's national fuels and energy policy study, and is a consultant to the U.S. Senate Interior Committee.

Earlier this month, Tussing startled the state legislature in testimony that said it was futile for Alaska to try to influence the North Slope gas pipeline route decision by selling its royalty gas to companies that agree to lobby for the state's choice of routes.

Arlon Tussing

WHILE HE BELIEVES the U.S. will overwhelmingly choose Arctic Gas, the Native land claims issue and the fact that Canadians won't need to develop their Mackenzie River Valley gas reserves for another decade, make it unlikely that Canada's government will jump in to support Arctic Gas, Tussing said.

Arctic Gas proposes to tap the Mackenzie reserves as well as North Slope gas in its trans - Canada pipeline from Alaska to the Lower 48 states.

Prime Minister Trudeau must hold national elections by 1978, and since his Liberal Party is in deep trouble, it would be a risk to make a decision that would alienate a sizeable segment of the population Tussing said.

THE TWO-YEAR INQUIRY into social and environmental impacts of a gas pipeline in the Mackenzie River Valley by Justice Thomas Berger in Canada is about to conclude with a recommendation by Berger.

Should that recommendation be for a delay in Mackenzie Valley development until land Native claims are taken care of, the Canadian government would be hard put to "run roughshod over it," the economist said.

"It's a matter of political reaction from the bleeding heart vote in the urban areas."

ON ANOTHER Canada pipeline issue, Tussing said the premiers of both British Columbia and Alberta said in his presence that if Americans were worried about the provinces interfering in a U.S. pipeline, each would be willing to sign the treaty between Canada and U.S. national governments guaranteeing non - interference.

Tussing said in meetings during December and January, the premiers indicated they recognize the sovereign powers of the national government concerning interprovincial and international pipelines, and the premiers said they have no intention of imposing discriminatory taxes on U.S. pipelines.

El Paso Natural Gas Co., in promoting its "all - American" pipeline, has raised the possibility of interference from Canada's provincial governments in the projects proposed by Arctic Gas and Northwest Pipeline Corp.

Gas Showdown Facing House

SEAE 3/1/77

By CHUCK KLEESCHULTE
Empire Staff Reporter

The showdown over the state's sale of North Slope royalty gas likely will come Wednesday on the floor of the House.

The duel between opponents and proponents of the pacts was guaranteed Monday when the House Finance Committee voted to send the pacts to the floor for consideration.

The finance panel, however, failed to recommend acceptance of any of the administration-negotiated pacts with only three of the 10 voting members making recommendations in favor of the contracts.

Several of the members of the panel said they will oppose the contracts on the floor, and Juneau's Rep. Jim Duncan said he will lead efforts on the floor to tack an amendment onto the contracts.

Duncan proposed a controversial provision in the pacts be deleted. The clause, the so-called "switching" provision, allows the state to switch its support from the El Paso all-Alaska gas line route to another route, probably the Alcan line. The clause also allows the three transmission firms, Tennessee Gas Transmission Co., a subsidary of Tenneco, Southern Natural Gas and El Paso to keep their gas if they follow the state's lead.

"The clause contains a basic inequity. We're giving our gas to El Paso to help them sell construction of their line. But if Alcan finally is the state choice, we have no gas left to follow the same rationale," Duncan said as he argued he gas contracts should simply be terminated the state drops its support of the El Paso roject.

Duncan also argued that since the contracts on't contain any performance criterion for e amount of support the companies must ovide, elimination of the clause would in- ce the firms to work harder for the El Paso ject.

'I think the addition of the amendment will e them all the incentive they need. Because ey don't win then its certain they won't be ng any gas," Duncan said.

pponents of the contracts attacked the dment as an attempt to delay approval e pacts. They argued the administration on that amendments to the contracts will e total renegotiation of the pacts and implementation needlessly.

the amendment had been in the original ct I would have no objection to approving it, but I have a feeling that these resolutions are being stalled to death. I object to anything that which will drag this out any longer," said Rep. Oral Freeman, D-Ketchikan.

The committee failed to adopt the amendment on a 5 to 5 vote with Rep. Thelma Buchholdt, D-Anchorage, out of the room.

The committee then voted to move the contracts, sending them to the floor but with a plurality of the committee voting to recommend disapproval of the pact which calls for the sale of 25 per cent of the state's gas to El Paso.

Five Democratic lawmakers including Duncan, Clark Gruening, Anchorage; Red Swanson, Nenana; Russ Meekins, Anchorage; and Leo Schaeffer, Kotzebue, all recommended disapproval, while committee Chairman Steve Cowper, D-Fairbanks, and Phillip Guy, D-Kwethluk, declined to make a recommendation. Three members, Freeman, E.J. "Ernie" Haugen, R-Petersburg, and Leo Rhodes, R-Homer, recommended approval of all the pacts.

On the other pacts, Duncan and Meekins joined Cowper and Guy in the uncommitted category.

The less than positive reception came following an appearance by Morris Thompson, vice president of the Alcan project. Thompson argued the switching position should be removed from the contract since it discriminates against the Alcan project.

Thompson added his firm should be given an opportunity to bid competitively for the state's one-eighth share of Prudhoe Bay reserves. "Originally we felt precluded from bidding on the state's gas because a condition of bidding was support for the El Paso system."

Following the session Gruening, chairman of the Special House Gasline Review Committee, said he still plans to compaign against the contracts on the floor. The Senate last week approved the pacts on a 14 to 5 vote.

"I won't be talking much, everyone has made up their own minds and there's no reason to yak the issue to death. But I do feel a concise explanation of what's at stake should be made," Gruening said.

Duncan said he would be proposing his amendment on the floor—an amendment El Paso officials said they were still optimistic will be defeated.

SEIZ

House Rejects Duncan Amendment, El Paso Pact May Be In Jeopardy

By CHUCK KLEESCHULTE
Empire Staff Reporter

The Alaska House this morning turned down an amendment which would have modified contracts for the sale of the state's share of North Slope royalty gas.

But the close vote on the amendment, offered by Juneau Rep. Jim Duncan, signaled that one of the three pacts might be in grave danger of rejection when it comes up for a floor vote later this afternoon.

The House, on a 17-22 vote, balloted against acceptance of an amendment which would have caused the administration-negotiated pacts to be automatically terminated if the state ever decided to switch its support away from the El Paso all-Alaska gas line project.

Duncan, who proposed the amendment Monday in the House Finance Committee, argued that allowing the so-called "switching" provision to remain in the pacts would prevent the three transmission firms proposing to buy the state's one-eighth share of Prudhoe Bay gas from having a clear incentive to "go all-out" in support of the Alaska line.

Duncan also argued that acceptance of the contracts without alternation would establish a bad policy where the state would be unable to support the Alcan Pipeline Co. by selling it a share of state gas, if the state ever did switch its support from the El Paso project.

Opponents of the amendment argued that its acceptance would needlessly delay acceptance of the royalty gas contracts since the pacts would need to be renegotiated and then returned to the state's Royalty Oil and Gas Board for consideration.

Even after rejection of the amendment, however, administration officials were sweating over indications that the House might accept pacts with Tennessee Gas Transmission Co. and Southern Natural Gas while rejecting a contract with El Paso—the sponsor of the state's preferred all-Alaska gas line route. Under the pacts the state would sell 25 per cent of its gas to El Paso.

Attorney General Avrum Gross during a break in a party caucus acknowledged that the final vote on approval of the El Paso contract "is too close to call." Legislative observers were, however, predicting easy approval for pacts with Tennessee and Southern which involve the sale of 50 per cent and 25 per cent of the state's gas respectively.

Gross expressed alarm over the effect that rejection of the El Paso gas contract would have on acceptance of the El Paso pipeline project in Washington.

"I don't see how rejection of the El Paso pact can be interpreted any other way than being a direct slap at the company which has broken its back in support of the state's aims. I don't have any idea how our Congressional delegation is going to explain that Alaska is all in favor of the El Paso project while it refused to sell the company its gas," Gross said.

Juneau Rep. Mike Miller, House majority leader, however, said this morning he will vote against the El Paso contract since it represented a needless sale of state gas.

"This is an arm-length, coldly calculated business deal. I haven't been convinced that we will gain enough extra political support for the El Paso project from selling gas to El Paso to justify what we might lose in future pricing.

"El Paso is already committed to work for us, they don't need any additional incentive to do so," Miller said.

The House Special Gasline Review panel last week recommended against acceptance of the El Paso contract so that the state could keep some gas in reserve to take advance of potentially higher prices from future gas sales.

Gross, however, argued against rejection of the El Paso pact saying that contract could help the state the most strengthening citizen support for the all-Alaska in the state where such support is weakest, California.

The House will be balloting on the pacts, approved by the Senate last week, this afternoon.

SEAE 4/28/77

Arctic Gas Route Pushed

ANCHORAGE, Alaska (AP) President Carter has been urged in a letter from 13 members of the Senate to choose the Arctic Gas Co. proposal for a Canadian line to transport natural gas from the North Slope to the Lower 48.

In reporting on the letter Sunday, the Anchorage Times said the 13 senators have generally favored a Canadian route for North Slope gas and in 1973 backed a trans-Canada line for oil.

They urged the President to accept the recommendations of Federal Power Commission Administrative Law Judge Nahum Litt.

Litt recommended on Feb. 1 that the FPC grant Arctic Gas a certificate to build the Canadian route for natural gas.

"The decision of the administrative law judge was reached after 20 months of hearings, during which representatives of several states, environmental organizations, consumer groups and the three competing pipelines were permitted to cross-examine witnessess," the 13 senators told Carter.

"The 45,000-page hearing record provides conclusive evidence that the proposed Arctic Gas pipeline is the wisest of the three proposed delivery systems in terms of national energy needs, economics and environmental considerations."

The FPC is scheduled to make its recommendation by May 1. Other federal agencies and individual states may offer comments until July 1.

Carter then has until Sept. 1 to recommend a route to Congress, although the President can take an additional 90 days if he feels it is necessary.

The 13 senators urged Carter to make his recommendations by Sept. 1, saying, "Renewed understanding of the value of the natural gas reserves in Alaska has come in the wake of our current natural gas crisis and emphasized anew the importance of reaching the correct decision on the delivery system for this gas as promptly as possible."

Signing the letter were Sens. Birch Bayh, D-Ind.; Hubert Humphrey, D-Minn.; Wendell R. Anderson, D-Minn.; Wendell Ford, D-Ky.; Robert Griffin, R-Mich., Donald Riegle, D-Mich.; Jacob Javits, R-N.Y.; Claiborne Pell, D-R.I.; Charles Mathias, R-Md.; Thomas Eagleton, D-Mo.; John Culver, D-Iowa; Richard Lugar, R-Ind., and George McGovern, D.-S.D.

Royalty Gas Contracts Signed Months Ago

SCNE 3/11/77

By The Associated Press

Kodiak Sen. Kay Poland has drafted a letter requesting Gov. Jay Hammond not sign contracts selling Alaska's royalty gas, but the administration says the contracts were signed before they were submitted to the legislature.

Asst. Atty. Gen. Fred Boness said the contracts to sell Alaska's one-eighth share of Prudhoe Bay natural gas were signed by Natural Resources Commissioner Guy Martin several months ago when the state's Royalty Oil and Gas Board approved them.

The contracts do not require Hammond's signature, Boness said, and became official when the legislature approved them last week.

Under terms of the pacts, Tenneco Inc., El Paso and Southern Natural Gas will receive Alaska's royalty gas in exchange for their lobbying efforts for an all-Alaska gas line.

Sen. Poland, who voted for the contracts, said Thursday she was appalled at the recent disclosure by Tenneco, the firm slated to get 50 per cent of of Alaska's gas, that it improperly transferred large amounts of gas from interstate customers to more profitable intrastate markets in Texas.

Sen. Poland demanded the legislature request that Hammond not sign the contracts.

"It's a mystery to me to see how we can expect a company with such a tarnished reputation to have political clout," Sen. Poland said.

She said today that she did not know the contracts had been signed. She called a meeting of the Natural Resources Committee, which she chairs, and said if the contracts have been signed, she may still draft a letter requesting they be nullified if possible.

APN 2/28

Arctic Line In Trouble?

ANCHORAGE (AP) — Economist Arlon Tussing says Canadian Prime Minister Pierre Trudeau and his liberal party are in such "terrible political trouble" that selection of the Arctic Gas pipeline proposal would be risky.

But Tussing told the Bartlett Democratic Club here Thursday he is confident that the U.S. government will select that route. He predicts the impasse probably will be resolved with an agreement on an overland route, quite possibly an Alaska Highway route.

The University of Alaska professor and consultant to the U.S. Senate Interior Committee said it is unlikely Canada will provide strong support for the Arctic Gas proposal. He said reasons for that lack of enthusiasm included unresolved Canadian Native claims and the fact that Canada does not need to develop gas reserves in the MacKenzie River Valley for another ten years.

The Arctic Gas project would cross the Arctic National Wildlife Range en route from Prudhoe Bay to Canada, and the firm proposes to tap the MacKenzie reserves with its line to markets in the Lower 48 states.

Tussing said Trudeau must hold national elections by 1978 and it would be unwise for him to make a decision which could alienate a significant portion of the population.

He said if a Canadian court report on Native claims recommends a delay in the project, it will be difficult for the Canadian government to "run roughshod over it."

He called it "a matter of political reaction from the bleeding heart vote in the urban areas."

Tussing also said the premiers of British Columbia and Alberta stated earlier this year they have no intention of imposing discriminatory taxes on U.S. pipelines through their provinces.

Showdown on gas bill today

ADN 3/2

By PAUL NUSSBAUM
Daily News Staff Writer

JUNEAU — Arm-twisting and other arts of gentle persuasion were the favorite indoor sport here Tuesday as supporters and opponents of contracts to sell Alaska's royalty gas tried to line up votes for Wednesday's showdown in the House on the contracts.

The biggest battle will develop over the contract which would sell 25 per cent of the state's one - eighth share of natural gas to El Paso Natural Gas Co. The other two contracts, to sell the rest of the royalty gas to Southern Natural Gas Co. and Tenneco - Alaska Inc., are expected to pass the House.

ALL THREE contracts were approved by the Senate last week.

The El Paso contract is expected to have less support than the other two contracts because El Paso is the company which wants to build a trans - Alaska gas pipeline from the North Slope. Opponents of the contract say the state will gain no additional political support for a trans - Alaska line by selling gas to a company which is already committed to the prospect. By not selling the 25 per cent, opponents say, the state can retain flexibility in deciding what to do with its royalty gas.

Rep. Bill Miles, D-Anchorage, will bolt the Democratic caucus he chairs to lead the floor battle for the contracts, sources here say. Rep. Clark Gruening, D-Anchorage, will lead the opposition.

THE HEAD-COUNTING Tuesday was complicated by a requirement that the contracts be approved by a majority of the House, rather than just a majority of the members present. With such an extremely close race, one or two absent members may make the difference.

Two members are excused from the House today — Charles Parr, D-Fairbanks, and Kris Lethin, R-Anchorage. Lethin, a supporter of the contracts, may fly to Juneau in time to vote. Parr is out of the state.

Depending on whom you ask, the supporters of the El Paso contracts have 19, 20 or 21 votes. It will take 21 to carry the day.

The 15 Republicans are reportedly bound by a caucus commitment to vote in favor of the El Paso contracts. Of the Democrats, Miles, Steve Cowper of Fairbanks, Al Ose of Palmer and Oral Freeman of Ketchikan are expected to vote for the contract. That leaves the supporters of the contract two votes short of the majority they need.

Supporters of the contracts have not been able to get lobbying help from Gov. Jay S. Hammond, who is in Washington, D.C., to attend a National Governor's Conference. Natural Resources Commissioner Guy Martin, who has been an ardent campaigner for the contracts, met with individual legislators Tuesday.

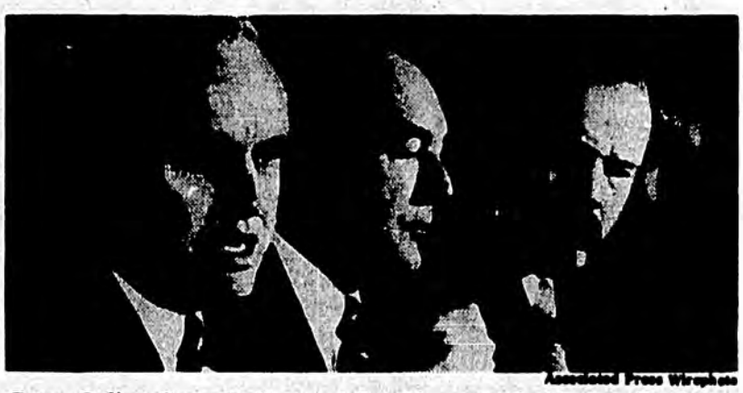
The Hammond administration signed the contracts with the three gas transmission companies last November, in exchange for support of a trans - Alaska pipeline route.

Miles, who will join with Republicans Rick Urion, C. V. "Chat" Chatterton and Joe Hayes — all of Anchorage — to lead the battle for passage of the contracts, acknowledged Tuesday evening he may be accused of playing politics by advocating passage of the El Paso contract.

Miles will be voting against the other two Democrats from his District 7 home area — Russ Meekins and Gruening.

"But I've been in favor of these contracts for a long time," Miles said. "If the caucus decides this way at the last moment, well, that's the way it goes."

Whatever the outcome today, there is certain to be a replay on Thursday. Whichever side loses today is almost certain to have a representative give notice of reconsideration of his vote, thus requiring a second ballot the following day.



Associated Press Wirephoto

Govs. Julian Carroll, Ky. and Jay Hammond, Alaska, flank Interior Sec. Cecil Andrus at governors' conference Monday.

20-19 vote to be tested again today

House rejects El Paso contract

ADN 3/3/77

By PAUL NUSSBAUM
Our Juneau Bureau Chief

JUNEAU — The state House Wednesday narrowly rejected a contract to sell 25 per cent of Alaska's royalty natural gas to the company which hopes to build a trans - Alaska gas pipeline from Prudhoe Bay. Two other contracts to sell the rest of the state's share of the North Slope gas were approved.

The House will vote on all three of the contracts again today, as several legislators gave notice of reconsideration of their votes.

SUPPORTERS of a contract to sell one - fourth of the state's royalty gas to El Paso Natural Gas Co. hope to persuade at least two members to change their votes today. The resolution approving the contract was defeated, 20-19, Wednesday. A majority of the 40 members of the House must approve the contract if it is to become law. All three contracts passed the Senate last week.

If defeated on reconsideration today, the contract to sell natural gas to El Paso is dead for all practical purposes. The resolution to approve the contracts is the Senate concurrent resolution, and there is an identical House version. But that

Rep. Clark Gruening

resolution would not be acted on if the Senate version fails, because "you don't want to keep beating a dead horse," House Speaker Hugh Malone said Wednesday.

Rep. Clark Gruening, D-Anchorage, led the floor fight against the El Paso contract. Gruening and other opponents of the contract charged that the state would give up flexibility to dispose of its gas in exchange for political support that was already there. The primary purpose of the three contracts is to gather support from the three transmission companies for a trans - Alaska gas pipeline in exchange for the state's estimated 2.5 trillion cubic feet of natural gas.

"WE HAVE BEEN so single - mindedly grabbing onto this single objective that we've been ignoring others," Gruening said. "There's not a group of attorneys smart enough to write a contract to take care of us 20 years down the road."

William Akers of Chuloonawick, the only Republican to vote against the El Paso contract, is certain to have pressure put on him to switch his vote. So is Martin Severson, the Independent from Naknek appointed by Gov. Jay S. Hammond to fill a vacancy in the House. Both had indicated earlier they would vote to approve the contracts, but changed their votes to maintain the solidarity of the bloc of rural legislators.

THE CONTRACT to sell 50 per cent of the state's royalty gas to Tenneco - Alaska Inc. was approved, 23-16. The third contract, to sell one - fourth of the royalty gas to Southern Natural Gas Co., won approval by a 24-15 margin. The difference in the two votes was provided by Rep. Mike Miller, D-Juneau, who voted for the Southern contract and against the other two.

Minority Leader Rick Urion, R-Anchorage, said Anchorage Democrats will be the prime targets of a switch - your - vote effort. Mentioned were Thelma Buchholdt and Joe McKinnon.

"I think when they sleep on it and realize their votes will be seen as votes against the El Paso line, they may change their minds," Urion said.

IN THE PUSH to sway the necessary two votes, Hammond will call his hometown friend Severson from Washington, D.C., where the governor is attending a National Governor's Conference, Hammond aide Frances Ulmer said Wednesday after the vote. The administration will also try to persuade Akers and Fairbanks Democrat Fred Brown to vote in favor of the contracts, she said.

Anchorage Republicans Urion, Joe Hayes and C. V. "Chat" Chatterton and Anchorage Democrat Bill Miles

(Continued on Page 2)

Andrus told of gas line choice

By ROSEMARY SHINOHARA
Daily News Staff Writer

Gov. Jay S. Hammond, in Washington, D.C. for the National Governors Conference Tuesday claimed some success in cabinet level lobbying for the trans - Alaska route for a North Slope natural gas pipeline.

Hammond told The Daily News he is convinced the chief of the Interior Department, Cecil Andrus, will consider potential delays — particularly with Canada's Native land claims — that face a trans - Canada gas pipeline system.

THE GOVERNOR met with Andrus during a ride back to his hotel, and left the secretary feeling that the delay potential of the Arctic Gas trans - Canada pipeline proposal will not be ignored in the Interior Department's position paper to President Carter.

"While he certainly was non - committal, he did not dispute it (the delay potential)," Hammond said. "I think he is very sensitive to the possibility." Unless Native land claims are "removed as a roadblock, I think it would be a significant factor in his decision."

As governor of Idaho, Andrus supported Alaska and other Western governors on behalf of the trans - Alaska pipeline route proposed by El Paso Natural Gas Co.

BUT AS INTERIOR Secretary, the former Idaho governor will make a new recommendation on the gas pipeline issue to the President after the Federal Power Commission issues its opinion in May.

During the governors conference, Hammond said he met singly and collectively three times with Andrus and James Schlesigner, designated to head the proposed Department of Energy.

The governor said he
"initially somewhat concer
about the Carter Administr
plan to split energy issues
production goals and oil
leasing into different dep

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FRIDAY, MARCH 4, 1977—WEEKEND EDITION

16 PAGES TODAY 25 CENTS

House Backpedals, Okays El Paso Pacts

By CHUCK KLEESCHULTE
Empire Staff Reporter

Supporters of the proposed sale of the state's share of North Slope royalty gas to El Paso held their breath this morning as the House voted on reconsideration of the $1 billion contract.

After the green and red lights stopped flashing on the chamber's toteboards, they exhaled having gathered the exact number of votes needed to reverse Wednesday's rejection of the pact.

With Reps. Fred Brown, D-Fairbanks, and Martin Severson, I-Naknek, changing their votes, the House approved the sale of 25 per cent of the state's gas production to El Paso on a 21-16 vote. The House also reaffirmed its support for the administration-negotiated sale of 50 per cent of the state's gas reserves to Tennessee Gas Transmission Co., a subsidary of Tenneco Inc., and to Southern Natural Gas. Those contracts were originally affirmed Wednesday.

The switches to supporting the contract came following scant debate in the House. Two days of intense lobbying efforts by supporters of the gas pacts—pactz designed to net the state political support in favor of El Paso's all-Alaska gas project preceded the final vote.

Brown in a speech on the floor explained he was switching his vote since he had been convinced that rejection of the pacts would be perceived in Washington as a slap by Alaska against the backer of the all-Alaska project.

"We may not like it, and it certainly is not the case factually, but rejection of the pact will be preceived in Washington as Alaskans taking a negative position against the El Paso project.

"No matter how painful it may be, I must accede to the view of people close to Washington who believe that our rejection will have a negative effect on chances for selection of the all-Alaska line," Brown said.

The Fairbanks lawmaker also said his review of the contracts Thursday night convinced him the contracts were technically sound and protected the state well on price provisions for the gas. He added, though, he still has not been convinced that El Paso needs the gas. "I don't think El Paso needs any more incentive to lobby for its own line," Brown added.

Opponents of the contract continued to argue that the pact with El Paso was not needed since the state would not be netting additional political support from the sale and would be wise to withhold 25 per cent of its gas to take advantage of future changes in gas prices.

Proponents, however, argued that the pact would give El Paso the ability to gain support for the all-Alaska project in the Southwest. Rep. C.V. "Chad" Chatterton, R-Anchorage, argued that the El Paso project is weakest in California which has opposed construction of El Paso's gas reliquification plant, a key ingredient in the project. Chatterton reasoned that the ability to promise Californians gas would tip the balance in favor of the El Paso project in the key state.

Opponents of the pact continued to argue that as long as the switching provision remains in the contract, a clause giving the state the ability to switch its support to another pipeline route, that the contracts could actually be harmful to state interests.

"A vote against these contracts does not mean we are opposed to the all-Alaska route. In fact it means we are truly in favor of it. Such a vote makes sure we support the all-Alaska route," Rep. Russ Meekins Jr., D-Anchorage, said.

After the vote, Gov. Jay Hammond expressed pleasure at the outcome. "I think a lot of people had not realized the negative effect that rejection of the contract might have had on the trans-Alaska line.

"I believe in Washington they would have noted the rejection of the gas contracts as, in essence, a lack of support for a trans-Alaska route or a lack of concern for the routing of a gas pipeline. Whether or not that is a rational conclusion to draw is quite aside from the point," Hammond said during a stopover in Chicago on his way back from the nation's capital.

Rep. Clark Gruening, D-Anchorage, a leading opponent of the sale, this morning did not express surprise at the outcome on reconsideration. He said he expected Severson, appointed to fill a temporary vacancy by Hammond, to change his mind on reconsideration.

"I guess all I can hope now is that I was wrong and that the contracts will prove to be good ones for the state," Gruening said.

The pacts, approved by the Senate last week, now go into effect.