

SJR

24

Alaska State Legislature

BETTYE FAHRENKAMP, Chairman
ROBERT H. ZIEGLER, SR., Vice Chairman
DICK ELIASON
PAUL FISCHER
VIC FISCHER
BOB MULCAHY
ARLISS STURGULEWSKI



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Senate Committee on Resources

MINUTES

April 18, 1983
3:03 p.m.

Beltz Room
Room 211, Capitol

MEMBERS PRESENT

Senator Fahrenkamp, Chair	Senator P. Fischer
Senator Ziegler, Vice Chair	Senator V. Fischer
Senator Eliason	Senator Sturgulewski

CALENDAR

- SB 216 An Act relating to mining lease locations.
- SB 11 An Act making special appropriations to the Alaska Power Authority; and providing for an effective date.
- SJR 24 Requesting that Alaska be exempted from legislation allowing abrogation of existing natural gas contracts.
- Oversight hearing on AS 46.15.145, reservation of instream water; and proposed DNR regulations.

SB 216

Senator Sturgulewski moved to consider the committee substitute for SB 216.

Bob Arnold, Deputy Commissioner of the Department of Natural Resources, said the extension of time for lease hold locations is needed, and is supported by the mining community.

Phil Holdsworth, representing the Alaska Miners Association, concurred with the committee substitute.

Senator Sturgulewski moved the committee substitute with individual recommendations, subject to a title change. The motion passed without objection.

SB 11

Senator Fahrenkamp noted that mark-up work is being done on SB 11, and that she did not plan to move the bill this date.

Senator Eliason offered two amendments to SB 11: \$3,074,000 for the Pelican hydroelectric project, and \$130,000 for a loan to the City of Thorne Bay for a hydro facility.

Senator Ziegler requested that staff report on the status of the Tye and Swan Lake projects.

Senator V. Fischer submitted three proposed amendments: \$2.9 million for a feasibility study of the Chakachamna hydro project, \$1.6 million for other railbelt energy studies, and a reduction from \$22 million to \$17.5 million for Susitna studies and licensing.

SJR 24

Jim Palmer, Committee staff, said the resolution addresses a bill before the US Senate which would deregulate the natural gas industry. Alaska has little ability to compete among pipelines, and if the state is required to renegotiate contracts, the price of energy to consumers may increase over 100%.

Senator V. Fischer moved SJR 24 with individual recommendations. There being no objection, the motion passed.

Oversight Hearing on Reservation of Instream Water

Tom Hawkins, director of the Division of Land and Water, Department of Natural Resources, referred to a memorandum prepared by his division. The Department supports the goals of the instream flow law and regulations. He explained the need for the 1980 amendments and stated that the DNR regulations would allow adjudication of federal reserved water rights by the state. Hawkins explained the miners' concerns with the regulations, and why the department felt their concerns were probably unfounded.

Joe Cladouhos, Department of Environmental Conservation, referred to the department's position paper, which had been submitted to the committee. The department supports the regulations.

Bruce Baker, of the Habitat Division of the Department of Fish and Game, stated that the regulations are essential to maintain stream flows and for fish habitat and production. He

further stated that the regulations would help the Department to accurately develop statistics and techniques for measuring stream conditions, which would be useful in developing proposals to DNR for water flow reservations.

Tom Koester, Assistant Attorney General, discussed the conflicting views of the Reagan and Carter administrations on federal water rights and stated that the proposed regulations would give the department the right to adjudicate with the federal government to determine the amount of water necessary to fulfill federal needs.

Phil Holdsworth, Alaska Miners Association, noted the stream reclassification process the Department of Fish & Game completed in compliance with the current statute. Holdsworth said the miners are concerned with the Attorney General's interpretation of "person" in the current statute. He further stated that the miners feel the four categories in the current statute used to apply for a reservation are too restrictive as they do not mention hydroelectric or other industrial uses.

Al Stein, United Southeast Alaska Gillnetters Association, expressed support for the regulations, as the streams are the industrial base of the fishing industry.

Tom Koester explained the Attorney General's interpretation of "person" as a question of what right is being conveyed: whether it is a reservation belonging to an individual or a reservation that resides in the public interest. He stated that hydroelectric development and irrigation would be diversionary uses, which are not addressed in the 1980 amendments. Rather, the amendments create an additional competing use of water by allowing for reservation of instream flow. He concluded by explaining the State's prior appropriations doctrine, which grants priority to the first permit granted.

Jav Nelson, Alaska Environmental Lobby, said the environmental community supports the legislation and the regulations.

The meeting was adjourned at 4:16 p.m.

Details of the Reagan Plan. (Taken from The Congressional Quarterly, March 5, 1983).

DEREGULATION: After enactment of the bill, the price of gas in any new or renegotiated contract between producers and purchasers would be deregulated, so any price could be set for the gas.

For contracts that were not renegotiated, a ceiling price of gas would remain. The ceiling would be the lower of: 1) the regulated price under the 1978 Natural Gas Policy Act or 2) the "gas cap" which the bill defines as the average price for gas in new and renegotiated contracts.

On January 1, 1985, any contract that had not been renegotiated could be broken by either the producer or the pipeline. However, the pipeline must still carry the contract gas to any other purchaser, charging an appropriate rate for transporting the gas.

CONTRACT ADJUSTMENTS: "Take or pay" requirements in contracts, which force pipeline companies to buy as much as 90 percent of the contracted amount of gas even if they have no need for it, could immediately be reduced to 70 percent. The pipelines would be required, however, to transport the gas not taken to another buyer, charging an appropriate rate for transportation. This option would expire on January 1, 1986.

Escalator clauses in contracts, which provide for automatic increases in the gas purchase price, would be limited in that they could not rise higher than the "gas cap" as defined above. This limitation would expire January 1, 1986.

CONSUMER PROTECTION: Interstate pipelines no longer could automatically pass through to consumers the cost of gas they purchase if the increase was greater than the rate of inflation. Larger increases would have to be approved by the Federal Regulatory Commission (FERC) after a public hearing.

Prices for "deep" gas that is already deregulated would be frozen until January 1, 1986, unless the "gas cap" rose above them.

OTHER PROVISIONS: The bill would repeal the authority in NGPA that allows the President to reimpose controls if gas prices rise rapidly. It also would repeal the 1978 Fuel Use Act which forbids the use of natural gas for boiler fuel and for some other purposes, and it would end the incremental pricing program, which was designed to make industry pay more than its share of the costs involved in transmitting and distributing gas.

GAS DEREGULATION MARKET-OUT IMPACTS
ON ALASKA UTILITY CONSUMERS

March 17, 1983

HJR-40
TISCHER

Assuming existing natural gas contracts are abrogated effective January 1, 1985, as provided in the Regan Administration's gas deregulation bill, and assuming the subject gas was reoffered at \$3.30/mcf*, the following impacts are projected to occur:

<u>Utility</u>	<u>1982 Gas Consumption</u>	<u>1982 Gas Costs</u>	<u>Estimated 1985 Gas Costs Under Market-Out</u>	<u>Estimated Rate Increase</u>
Chugach Electric Assoc., Inc.	24.3 billion cubic feet	\$11 million	\$ 81 million	100 percent
Anchorage Municipal Light & Power Department	6.7 billion cubic feet	\$ 6 million	\$ 23 million	50 percent
Enstar Natural Gas	36 billion cubic feet	<u>\$21.2</u> million	<u>\$ 47.5</u> million	100 percent
Total		\$38.2 million	\$151.5 million	

The above figures assume gas consumption at 1982 levels, and do not include generation facilities at Elmendorf Air Force Base and Ft. Richardson. The power plants at each of the two military installations use natural gas as a primary generation fuel.

With the impending construction of a first-ever electric transmission line between Anchorage and Fairbanks, Interior Alaska utilities also will be adversely affected. Fairbanks area electric utilities plan to "import" cheaper, gas-fired generation from the Anchorage area. If cost of Anchorage area gas increases dramatically as the result of abrogated contracts, the Fairbanks area's long awaited potential for cheaper power will be obviated.

*\$3.30/mcf is an assumed price for domestic gas in 1985. It is probably a conservative assumption, since the current national average price for new gas is \$3.30/mcf.

From Chugach Electric

FACT SHEET

Alaska Natural Gas Market

1. Chugach Electric Association, Inc., Anchorage Municipal Light & Power Department, Enstar Natural Gas, the Ft. Richardson Elemendorf Air Force Base power plants and Kenai Utility Services, Inc., would be directly and very adversely impacted by the "market-out" provision (Section 316) in the Natural Gas Consumer Regulatory Reform Amendments of 1983 (S. 615).
2. Barrow Utilities might also be severely impacted. That utility, under the aegis of the North Slope Borough, purchases natural gas from the U.S. Department of the Interior. The gas, from Petroleum Reserve No. 4, is sold to Barrow Utilities at below production cost.
3. The pipeline system which transports from the Kenai Peninsula to Enstar in Anchorage is owned by the Alaska Pipeline Company. The latter is a wholly owned subsidiary of Enstar, which in turn is a division of Alaska Interstate of Houston.
4. The Cook Inlet gas which is exported to Japan, via the Kenai liquifaction plant, is 70 percent Phillips and 30 percent Marathon. Those two producers export the gas themselves; it is not resold for export.
5. Union owns the Collier urea plant north of Kenai, and uses its own Cook Inlet gas as feedstock in that plant.
6. Tesoro buys process gas for its Nikiski refinery from Phillips.
7. Chevron USA uses its own Kenai field gas for its Nikiski refinery. Additionally for that refinery, Chevron buys a very small amount of gas from Enstar.

From Chugach Electric

Whereas the proposed federal "Natural Gas Consumer Regulatory Reform Amendments of 1983" (S615) would bring about natural gas deregulation and with it the desirable objectives of natural gas price stability, prudent resource development and consumer protection;

Whereas local inequities, warranting immediate rectification, can occur in such wide-ranging legislation as S615;

Whereas more than half of Alaska's population is dependent on electric energy generated by low cost natural gas under existing, long-term contracts negotiated at arm's length and in good faith;

Whereas Alaska's electric and natural gas utilities--lacking access to the interstate gas pipeline systems taken for granted in virtually every other state--do not have the ability to "shop around" for alternate gas supplies;

Whereas the abrogation of existing gas supply contracts could have devastating impacts on the utility rates of most Alaska consumers already faced with high living costs;

Whereas S615 contains a "market-out" provision (Sec. 316) that would allow abrogation of existing natural gas-supply contracts effective upon 45 day^(s) notice by the abrogating party;

Be it Resolved that Alaska be exempted from Section 316 of S615, and that Alaska's Congressional Delegation and the Legislative and Executive Branches of the Alaska State Government make every effort to secure such ~~exception.~~
exemption.

*Passed unanimously at ARECA
meeting, April 4+5, 1983.*

98TH CONGRESS
1ST SESSION

S. 615

To cover deficiencies in the Natural Gas Policy Act of 1978, to protect natural gas consumers from price increases because of current distortions in the regulated market for natural gas, to provide for a free market for natural gas, to permit natural gas contracts to reflect the change from a regulated to a free market, to eliminate incremental pricing requirements for natural gas, to eliminate certain fuel use restrictions, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 28 (legislative day, FEBRUARY 23), 1983

Mr. McCLURE introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

A BILL

To cover deficiencies in the Natural Gas Policy Act of 1978, to protect natural gas consumers from price increases because of current distortions in the regulated market for natural gas, to provide for a free market for natural gas, to permit natural gas contracts to reflect the change from a regulated to a free market, to eliminate incremental pricing requirements for natural gas, to eliminate certain fuel use restrictions, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 That this Act may be cited as the "Natural Gas Consumer
- 4 Regulatory Reform Amendments of 1983".

1 “(1) the party wishing to terminate the contract
2 must give notice to the other party between November
3 16, 1984, and November 15, 1985, and at least forty-
4 five days in advance, that the contract is to be
5 terminated;

6 “(2) the party giving notice of termination does
7 not materially breach the contract at any time prior to
8 the end of the notice period; and

9 “(3) the party giving notice of termination must
10 offer to the other party a full and unconditional release
11 from all future duties and obligations in contract or in
12 law relating to the contract, which release is effective
13 upon termination of the notice period.

14 “(b) EFFECT OF SECTION 315 REDUCTION.—A reduc-
15 tion of a take-or-pay obligation pursuant to section 315 of
16 this Act shall not be considered an amendment for purposes
17 of subsection (a) of this section.

18 “(c) OBLIGATIONS OF PARTIES UPON TERMINA-
19 TION.—Neither party to a contract terminated pursuant to
20 this section shall have an obligation to perform any act be-
21 cause of the contract on and after the effective date of the
22 termination of the contract, except that a party that has re-
23 ceived a good or service under the contract before the effec-
24 tive date of its termination shall have a duty to pay for that
25 good or service as provided for in the contract and that a

1 party that has received payment under the contract for a
2 good or service that was not provided before the effective
3 date of its termination shall have a duty to make restitution
4 of the payment in cash or in kind in accordance with the
5 contract.

6 “(d) TRANSPORTATION OBLIGATION.—

7 “(1) IN GENERAL.—In the event that a contract
8 is terminated under this section, a pipeline that was a
9 party to the terminated contract shall have an obliga-
10 tion to transport natural gas for a producer that was a
11 party to the terminated contract. The obligation of the
12 pipeline shall not exceed on an annual basis the largest
13 volume delivered under the contract during any twelve
14 consecutive months in the thirty-six months prior to its
15 termination.

16 “(2) LIMITATION OF OBLIGATION.—The Com-
17 mission, or in the case of an intrastate pipeline the
18 State agency with jurisdiction over that pipeline, upon
19 application by the pipeline and after opportunity for
20 hearing, may order a limitation of the obligation of the
21 pipeline under this subsection if compliance with the
22 obligation would require construction of additional
23 facilities or would impair the ability of the pipeline to
24 render adequate service to its existing customers.

20-0
Passed Senate Resources 4/18/83 -
unanimous Do Pass.

SJR 24 ABROGATION OF EXISTING NATURAL GAS CONTRACTS.
SPONSOR: SENATE RESOURCES

THE REAGAN ADMINISTRATION HAS INTRODUCED LEGISLATION (S 615) AMENDING THE NATURAL GAS POLICY ACT OF 1978. THE ADMINISTRATION'S PROPOSAL ATTEMPTS TO COMBINE PHASED DECONTROL OF GAS PRICES WITH MEASURES ENABLING PIPELINES AND PRODUCERS TO GET OUT OF LONG-TERM CONTRACTS THAT ARE BELIEVED TO BE KEEPING GAS PRICES HIGH.

SJR 24 REQUESTS THAT CONGRESS EXEMPT THE STATE OF ALASKA FROM SECTION 316 OF THE ADMINISTRATION BILL. SECTION 316 ALLOWS THE ABROGATION OF EXISTING NATURAL GAS SUPPLY CONTRACTS.

GIVEN THE LACK OF ACCESS TO INTERSTATE NATURAL GAS PIPELINE SYSTEMS TAKEN FOR GRANTED IN MOST EVERY OTHER STATE, ALASKA UTILITIES AND THEIR CONSUMERS ARE A VIRTUAL CAPTIVE MARKET TO LOCAL PRODUCERS ON WHICH WE DEPEND FOR GENERATION AND DIRECT-HEATING FUEL. UNLIKE OUR COUNTERPARTS IN THE LOWER 48, WE DO NOT HAVE THE ABILITY TO "SHOP AROUND" FOR GAS SUPPLIES.

IT IS EVIDENT THAT SECTION 316 -- THE MARKET OUT PROVISION -- OF S 615 COULD HAVE DEVASTATING IMPACTS ON MOST ALASKA UTILITY CONSUMERS. IF SECTION 316 WERE TO BE ENACTED WITHOUT CONSIDERATION OF ALASKA'S SPECIAL CIRCUMSTANCES, RATE INCREASES OF 100% OR MORE ARE LIKELY.

THE CURRENT PRICE OF GAS SOLD TO CHUGACH ELECTRIC FOR EXAMPLE IS 26¢. IT IS ESTIMATED THAT IF THE ADMINISTRATION'S PROPOSAL PASSED INTACT AS NOW DRAFTED, THIS PRICE COULD INCREASE TO \$2.50 AND ABOVE. THE DNR HAS STATED THAT THE REQUEST FOR THIS EXEMPTION IS CONSISTENT AND IN ACCORD WITH OFFICIAL STATE POSITION

AGO 787122 +

Alaska State Legislature

Sen. Bettye Fahrenkamp,
Co-Chairman
Sen. Vic Fischer
Sen. Don Bennett



Rep. John J. Cowdery,
Co-Chairman
Rep. Mike Davis
Rep. Joe Hayes
Rep. John Ringstad
Rep. Mike Szymanski
Rep. Rick Uehling
Rep. Anthony N. Vaska

Joint Committee on Oil and Gas

A REMINDER:

SJR 24 Requesting that Alaska be exempted from legislation allowing abrogation of existing natural gas contracts.

SJR 24 IS NOW IN SENATE FINANCE AWAITING ACTION. SEN. JOSEPHSON WAS GIVEN RESPONSIBILITY FOR COMMITTEE RECOMMENDATION. SEN. JOSEPHSON'S STAFF HAS INDICATED THAT SEN. BENNETT IS THE PERSON THAT NEEDS TO BE CONTACTED FOR ACTION OR WAIVER.

THIS RESOLUTION ASKED THAT ALASKA BE EXEMPTED FROM THE PROVISION IN THE PROPOSED NATURAL GAS DEREGULATION BILL (NOW IN THE SENATE ENERGY AND NATURAL RESOURCES COMMITTEE) THAT ALLOWS ABROGATION OF EXISTING NATURAL GAS CONTRACTS. ABROGATION WOULD GREATLY AFFECT THE ANCHORAGE AREA AND OTHER AREAS THAT RECEIVE POWER FROM COOK INLET GAS FIELDS. CHUGACH ELECTRIC HAS BEEN THE PRIME FORCE BEHIND THE RESOLUTION.

Alaska State Legislature

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Senate

Committee on Resources

April 15, 1983

Memo

To: Senate Resources Committee Members

From: Senate Resources Committee Staff

Subject: Hearing, Instream Flow Oversight; SB 216, Mineral leasehold extension; SJR 24, Natural Gas Deregulation and Contract Abrogation.

Background information on Instream Flow is being sent under separate cover.

SB 216

AS 38.05.185 provides that on state lands of mineral character or lands where significant land use conflicts exist mining claims would convert to leases prior to production. Because of the numbers of claims on such lands going into the production of placer gold and the inability of the Department of Natural Resources to convert the claims to leases, in 1981 the Legislature passed a bill to permit production on regular claims to proceed until December 31, 1983 without having to convert to a lease.

Attached is a memorandum from Kay Brown, Director of DMEM, explaining the difficulties the Department is having in complying with the lease provisions for the large number of claims by the 1983 deadline. SB 216 would move the deadline for such conversions to December 31, 1985 to enable the Department to prepare the lease form and procedures, to process the mining claims on affected state lands, and to study the entire leasehold system and recommend possible changes in existing law and regulation.

Amendment to SB 216

Another provision of Title 38 dealing with land issues which involves a deadline which can not be administratively met is AS 38.04.020(c). This section requires the Department to classify all state lands to be retained in state ownership by July 1, 1983. Lands not so classified would be included in the land disposal bank for possible disposal.

The classification process is lengthy and normally done in conjunction with land use plans for certain regions or areas of the state. This planning and classification process is not yet completed for several areas of the state and the identification of all lands which might be recommended for retention in state ownership has not been done nor will it be done by July of this year.

AGO 787126 +

The attached letter from the DNR requests an amendment to SB 216 to extend the deadline for the classification of land to be retained in state ownership from July 1, 1983 to July 1, 1985. In addition, it is recommended that language pertaining to state lands recommended for retention in municipalities be deleted. This work has already been completed and the language is moot.

SJR 24

The Reagan Administration has introduced legislation (S 615) amending the Natural Gas Policy Act of 1978. The Administration's proposal attempts to combine phased decontrol of gas prices with measures enabling pipelines and producers to get out of long-term contracts that are believed to be keeping gas prices high. A summary of the key points of this legislation is attached.

SJR 24 requests that Congress exempt the State of Alaska from section 316 of the Administration bill. Section 316 allows the abrogation of existing natural gas supply contracts. Section 316 is also attached for your information.

The current price of gas sold to Chugach Electric for example is 26¢. It is estimated that if the Administration's proposal passed intact as now drafted, this price could increase to \$2.50 and above. The Department of Natural Resources has stated that the request for this exemption is consistent and in accord with official State position.

Additional attachments have been included for your information.

SJR 24

REQUESTING THAT ALASKA BE EXEMPTED FROM LEGISLATION ALLOWING
ABROGATION OF EXISTING NATURAL GAS CONTRACTS.

SPONSOR: RESOURCES COMMITTEE

The proposed federal Natural Gas Consumer Regulatory Reform Amendments of 1983 (S65) would bring about natural gas deregulation. More than half of Alaska's population is dependent on electric energy generated by low cost natural gas under existing long-term contracts. Abrogation of these contracts (allowed in Sec. 316 of S615) could severely impact the utility rates of Alaska consumers.

SJR 24 requests the U.S. Congress to exempt Alaska from legislation allowing abrogation of existing natural gas supply contracts.

Alaska State Legislature

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Senate

Committee on Resources

TO: Senator Dick Eliason
FROM: Senator Bettye Fahrenkamp
RE: Energy Charges
DATE: April 11, 1983

At our recent Resources Committee hearing you requested information on kilowatt/hour charges throughout the state, and what effect deregulation of natural gas might have on kilowatt/hour charges in Anchorage.

The following information was received via telephone from Bill Blessington of the Alaska Rural Electric Cooperative Association.

	<u>500 kw hr/month</u> (1-person home)	<u>1,000 kw hr/month</u> (low average)
Chugach	\$ 37.30	\$ 60.55
Matanuska	53.58	87.16
Golden Valley, Fairbanks	60.42	142.09
AEL&P, Juneau	33.65	60.30
Valdez	76.00	128.00
Glenallen/Copper Valley Electric	95.50	164.50
Alaska Village Electric Coop. (power cost assistance program reduces this rate so it's comparable to the Fairbanks rate)	241.35	482.70

Chugach Electric estimates that if there is deregulation of gas prices and contracts are abrogated that electric rates will double.

AGO 787130 +

GAS DEREGULATION MARKET-OUT IMPACTS
ON ALASKA UTILITY CONSUMERS

March 17, 1983

Assuming existing natural gas contracts are abrogated effective January 1, 1985, as provided in the Regan Administration's gas deregulation bill, and assuming the subject gas was reoffered at \$3.30/mcf*, the following impacts are projected to occur:

<u>Utility</u>	<u>1982 Gas Consumption</u>	<u>1982 Gas Costs</u>	<u>Estimated 1985 Gas Costs Under Market-Out</u>	<u>Estimated Rate Increase</u>
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Total		\$38.2 million	\$151.5 million	

The above figures assume gas consumption at 1982 levels, and do not include generation facilities at Elmendorf Air Force Base and Ft. Richardson. The power plants at each of the two military installations use natural gas as a primary generation fuel.

With the impending construction of a first-ever electric transmission line between Anchorage and Fairbanks, Interior Alaska utilities also will be adversely affected. Fairbanks area electric utilities plan to "import" cheaper, gas-fired generation from the Anchorage area. If cost of Anchorage area gas increases dramatically as the result of abrogated contracts, the Fairbanks area's long awaited potential for cheaper power will be obviated.

*\$3.30/mcf is an assumed price for domestic gas in 1985. It is probably a conservative assumption, since the current national average price for new gas is \$3.30/mcf.

FACT SHEET

Alaska Natural Gas Market

1. Chugach Electric Association, Inc., Anchorage Municipal Light & Power Department, Enstar Natural Gas, the Ft. Richardson Elemendorf Air Force Base power plants and Kenai Utility Services, Inc., would be directly and very adversely impacted by the "market-out" provision (Section 316) in the Natural Gas Consumer Regulatory Reform Amendments of 1983 (S. 615).
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6. Tesoro buys process gas for its Nikiski refinery from Phillips.
7. Chevron USA uses its own Kenai field gas for its Nikiski refinery. Additionally for that refinery, Chevron buys a very small amount of gas from Enstar.

RESOLUTION 83-4-2

Whereas the proposed federal "Natural Gas Consumer Regulatory Reform Amendments of 1983" (S615) would bring about natural gas deregulation and with it the desirable objectives of natural gas price stability, prudent resource development and consumer protection;

Whereas local inequities, warranting immediate rectification, can occur in such wide-ranging legislation as S615;

Whereas more than half of Alaska's population is dependent on electric energy generated by low cost natural gas under-existing, long-term contracts negotiated at arm's length and in good faith;

Whereas Alaska's electric and natural gas utilities--lacking access to the interstate gas pipeline systems taken for granted in virtually every other state--do not have the ability to "shop around" for alternate gas supplies;

Whereas the abrogation of existing gas supply contracts could have devastating impacts on the utility rates of most Alaska consumers already faced with high living costs;

Whereas S615 contains a "market-out" provision (Sec. 316) that would allow abrogation of existing natural gas-supply contracts effective upon 45 day's notice by the abrogating party;

Be it Resolved that Alaska be exempted from Section 316 of S615, and that Alaska's Congressional Delegation and the Legislative and Executive Branches of the Alaska State Government make every effort to secure such exception.

Passed unanimously
4-5-83