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Senate Committee on Resources

TO: Senate Resource Committee Members February 10, 1986

FROM: Senate Resources Committee Staff *MEI*

RE: Senate Bill No. 276 "An act relating to the lease, sale, or disposal of natural gas for a public use."

AS 38.05.810(a) currently allows the state to lease, sell, or dispose of coal, at less than the appraised value, to utilities owned and operated by government agencies (including municipal utilities) or nonprofit electric cooperatives. The section requires the price to be determined by the director and approved by the commissioner as fair and proper and in the best interests of the public, with due consideration given to the nature of the public services or function rendered by the agency, subdivision, or utility. SB 276 would add natural gas to coal in this statute.

The method of determining the fair value of the state's royalty share of natural gas has been hotly disputed during the past year. In the accompanying packet labeled "Background - Cook Inlet Royalty Gas Valuation" the issue is discussed in depth.