

S B

3 5 7

(7)

HOUSE COMMITTEE REPORT

Date referred: 3/17/88

FURTHER REFERRALS:

C&RA
Judiciary

DATE: 4/29/88

The Labor & Commerce Committee has considered SSSB 357

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 357

"An Act exempting certain utilities with no more than 100 subscribers from regulation by the Alaska Public Utilities Commission or a municipality and providing that the most extensive exemption from regulation applies when RECOMMENDATION: one exemption is applicable to a utility."

replace with CS SB 357 the same title
 attached amendment(s) a new title

do pass

do not pass

no recommendation

individual recommendations

additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):

fiscal impact
 zero fiscal note
 zero with analysis

same as previous fiscal note published _____
 same as previous zero fiscal note published 3/1/88

SIGNING DO PASS:

(FURNACE)

SIGNING OTHER RECOMMENDATIONS:

Dave Donley no REC
Ellis no rec.
Mike Kepner no rec

Dave Donley
Chairman's signature

Original sponsor: Faiks

BY THE LABOR AND
COMMERCE COMMITTEE

IN THE SENATE

HOUSE CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 357 (L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act exempting certain utilities with no more than 100 subscribers from regulation by the Alaska Public Utilities Commission or a municipality and providing that the most extensive exemption from regulation applies when more than one exemption is applicable to a utility."

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

* Section 1. AS 42.05.711(1) is amended to read:

(1) A person, utility, or cooperative that is exempt from regulation under AS 42.05.711(a), [OR] (d) - (k), or (m) is not subject to regulation by a municipality under AS 29.35.060 and 29.35.070.

* Sec. 2. AS 42.05.711 is amended by adding new subsections to read:

(m) A utility located north of 69 degrees North latitude that has no more than 100 subscribers all of whom are commercial subscribers is exempt from regulation under this chapter unless the subscribers petition the commission for regulation under the procedure described in AS 42.05.712.

(n) If a public utility is eligible for an exemption from regulation under more than one of the subsections in this section, the subsection that grants the most extensive exemption applies.

MEMORANDUM

To: Hon. Dave Donley
Representative
Alaska Legislature

Date: April 29, 1988

From: Ted Moninski
Executive Director
APUC

Subject: S95B357

At yesterday's House Labor and Commerce Committee meeting considering the above referenced bill, Rep. Boucher asked a series of questions regarding the progress of the pending application of Norgasco, Inc., to provide gas distribution utility service to Deadhorse, Alaska. In response to Rep. Boucher and for the information of the Committee, attached is brief chronology of events associated with the Norgasco application, APUC Docket U-87-70.

The Commission had originally scheduled a public hearing to consider this, and the competing application of Polestar Energy, Inc., beginning June 9, 1988. As you will note from the chronology, Norgasco submitted a request for a sixty day extension of time. As a preliminary response, the Commission has granted a two week extension while it considers Norgasco's request and any opposition that may be submitted. The exact "new" hearing date will be determined after Commission review of all parties' pleadings.

If I can respond to any other questions relating to this matter, please contact me.

U-87-70

In the Matter of the Filing of an Application by NORGASCO, INC., for a Certificate of Public Convenience and Necessity To Operate as a Natural Gas Public Utility in and Around the Prudhoe Bay/Deadhorse Area

9/4/87 Recd Apln & PETITION FOR PROPRIETARY AND PRIVILEGED STATUS (fee paid 9/4/87)

9/28/87 ORDER NO. 1 - ORDER EXTENDING PERIODS FOR (126-234)
CONSIDERATION OF PETITION FOR PROPRIETARY
STATUS AND FOR INTERIM PROPRIETARY TREAT-
MENT OF APPLICATION

10/5/87 Ltr frm R. R. Latchem, Norgasco, ENCL: cy of ltr dtd
5/11/87 to Commission

10/14/87 By Direction Ltr to R. Latchem, Norgasco, RE: Comm
Order for add'l information to complete review of apln

10/26/87 Ltr frm R. Latchem, Norgasco, RE: response to Comm by
direction ltr order of 10/14/87 for additional information

11/12/87 Ltr frm R. R. Latchem, Norgasco, ENCL: PETITION TO
GRANT AN EXTENSION OF TIME FOR THE FILING OF INFORMATION ORDERED
BY THE COMMISSION (until 1/15/88, 63 day extension)

11/16/87 Memo frm Commission Staff stating Staff's
non-opposition to Norgasco's request for an extension of time to
file information ordered by the Commission, until 1/15/88

11/19/87 NOTICE OF UTILITIES APPLICATION (comment period ends
12/20/87) Notice of competing applications ends 12/20/87,
competing application's due 2/20/88

11/25/87 ORDER NO. 2 - ORDER GRANTING EXTENSION (128-83)
OF TIME

11/30/87 Recd proof of publication frm The Anchorage Times

12/17/87 Ltr frm D. J. Moore, D. J. Moore Corp., RE: opposes
Norgasco's apln, requests permission to review apln & notice of
intent to file a competing apln

12/18/87 Ltr frm T. F. Klinkner, Wohlforth, Flint & Gruening,
Attys f/ North Slope Gas Co-op., Inc., RE: intent to file a
competing apln

12/22/87 Ltr frm J. E. Davis, North Slope Borough, RE: comments

1/11/88 PETITION FOR AN EXTENSION OF TIME IN WHICH TO FILE
INFORMATION ORDERED BY THE COMMISSION by R. Latchem, Norgasco

1/11/88 Ltr frm R. Latchem providing proposed service rates

- 1/20/83 ORDER NO. 3 - ORDER GRANTING EXTENSION OF (129-294)
TIME IN WHICH TO FILE INFORMATION REQUIRED
BY THE COMMISSION'S 10/14/87 LETTER ORDER
- 2/4/88 Ltr to T. F. Klinkner, Atty f/ North Slope Gas & AUI,
ENCL: Senate Bill No. 357
- 2/12/88 Ltr frm D. J. Moore, Richards Petroleum Resources Ltd,
requesting a 90 day extension of requirement to file competing
apln
- 2/22/88 Ltr frm R. Latchem, Norgasco, RE: objection to request
by D. J. Moore for an extension of time
- 2/22/88 Ltr frm R. Latchem, NORGASCO, RE: response to Staff
request for add'l info, ENCL: financial information, funding
sources
- 2/22/88 ORDER NO. 4 - ORDER STAYING COMPETING (130-147)
APPLICATION DEADLINE TO ALLOW OPPORTUNITY
FOR RESPONSE TO EXTENSION REQUEST
- 3/4/88 OPPOSITION TO MOORE'S REQUEST FOR EXTENSION OF TIME IN
WHICH TO FILE AN APPLICATION by B. R. Edwards, Atty f/ Norgasco
- 3/4/88 STAFF'S OPPOSITION TO MOORE'S REQUEST FOR EXTENSION OF
TIME by T. S. Moninski, APUC Staff
- 3/4/88 Ltr frm P. Argetsinger, Wohlforth, Flint & Gruening,
Attys f/ Arctic Utilities, Inc., RE: AUI will not file a
competing apln
- 3/11/88 ORDER NO. 5 - ORDER DENYING EXTENSION (130-284)
REQUEST; ESTABLISHING NEW DEADLINE FOR
FILING COMPETING APPLICATION; AND
ESTABLISHING FILING AND HEARING SCHEDULES
- 4/6/88 PETITION TO INTERVENE OF ARCTIC UTILITIES, INC., by
T.F. Klinkner, Wohlforth, Flint & Gruening, Attys f/ AUI
- 4/7/88 STAFF COMMENTS ON REQUEST FOR PROPRIETARY STATUS by
W.E. Marshall, APUC Staff
- 4/7/88 ARCTIC UTILITIES, INC. OPPOSITION TO REQUEST FOR
PROPRIETARY STATUS by T.F. Klinkner, Wohlforth, Flint & Gruening,
Attys f/ AUI
- 4/12/88 AMENDMENT TO PETITION TO INTERVENE OF ARCTIC UTILITIES,
INC., AND MOTION FOR EXTENSION OF TIME TO FILE PREFILED TESTIMONY
by T. F. Klinkner, Wohlforth, Flint & Gruening, Attys f/ AUI
- 4/19/88 OPPOSITION TO PETITION TO INTERVENE by B.R. Edwards,
Atty f/Norgasco
- 4/20/88 PETITION FOR EXPEDITED TREATMENT; PETITION FOR
CONTINUANCE by B.R. Edwards, Atty f/ Norgasco

4/26/88 MOTION TO STRIKE by M.G. Briggs, Guess & Rudd, Attys
f/Polestar

4/26/88 OPPOSITION TO PETITION FOR CONTINUANCE by M. Briggs,
Guess & Rudd Attys/ f/Polestar

4/26/88 ORDER NO. 6 - ORDER AFFIRMING ORAL EXTENSION (132-95)
OF FILING AND HEARING SCHEDULES AND SETTING
OF FILING DEADLINE

4/27/88 WAIVER OF PROPRIETARY STATUS AND OPPOSITION TO MOTION
TO STRIKE by B.R. Edwards, Atty f/ Norgasco

4/28/88 REPLY TO OPPOSITION TO PETITION FOR CONTINUANCE by B.R.
Edwards, Atty f/Norgasco

POLESTAR ENERGY, INC.
1406 Zarvis Place
Anchorage, Alaska 99508
(907) 272-9009

April 29, 1988

Representative Dave Donley
Labor and Commerce Committee
State of Alaska
P. O. Box V
Juneau, Alaska 99811

Attention: Ginger Baim

Reference: Senate Bill 357

Dear Representative Donley:

Polestar wishes to respond to Mr. Boucher's questions and submits further pertinent information and credibility supporting our opposition to SB 357:

1. W.E. 'Bill' Richards and D.J. 'Jack' Moore, directors of P.E.I., have been instrumental in projects associated with the oil and gas industry at management status which include, but are not limited to, the following:

Bill Richards - President, Senior Vice President, Secretary Dome Petroleum - 1961-1983 (President 1974-1983). Responsible in these capacities for all of Dome's ventures, some being Canmar's Beaufort Sea operations, world scale gas plant and petrochemical complexes and propane vapor distribution grids in northern communities, apart from Dome's extensive oil and pipeline activities. Richards is President of Wilshire Energy Resources, Inc., a co-financer with Finex Capital Corporation and D. J. Moore Corp.

Jack Moore - Managed the installation of 27 city and town gas distribution systems in Manitoba, Saskatchewan, Alberta and British Columbia for companies he operated since 1945. He was also in charge of the winter installation of the 12" pipeline test section of Humble/ARCO/B.P. at Barrow Nov/Dec/Jan 1968-69, using Native labor. Moore consulted, through this company, with Pipeline Technologists and headed up the field construction group that chose Valdez as terminal and he personally chose the points of intersection on tangent for TAPS pipeline alignment through the Chugach, Alaska and Brooks Range of mountains on a reciprocating basis with Jack Norris. Moore planned and supervised the perma frost ditching program at Fairbanks and

Dave Donley
Page Two
April 29, 1988

Eielson on the same basis. In 1983, Moore conducted a study for the Legislative Affairs Department, State of Alaska, commissioned by George Hohman, regarding the utilization of North Slope Natural Gas for use in Alaska. More recently, Moore can demonstrate that he has been discussing more economic energy with the North Slope Borough since 1988.

2. P.E.I. has financing in place as indicated in its April 1, 1988 application to the APUC, together with economic and engineering feasibility.
3. P.E.I.'s gas purchase contract is for 10 years with Standard Alaska Production Company, when renegotiation as to terms and price are necessary.
4. P.E.I. will construct the distribution system this season, provided the APUC issues us a certificate of convenience and necessity in a timely manner after the June 24th hearing.
5. P.E.I. will use Alaska labor and trades during construction, employing 40-45 men. After construction, Alaskans will be trained to operate and maintain the system.
6. Revenue accruing to the State of Alaska from 12 1/2% royalty and 10% severance is expected to be in excess of \$45,000 annually.
7. P.E.I.'s burner price for gas is indicated in its APUC application as \$4.25 per mm btu. The opposing applicant has indicated that its price ranges from \$4.65 to \$4.95 per mm btu.
8. P.E.I. is ready to go before the A.P.U.C. and present its case for their adjudication.

Queries that come to mind pursuant to the April 28th hearing before this committee are as follows:

1. Is the opposing APUC applicant's financing in place?
2. What is the opposing APUC applicant's term of capital amortization?
3. Does the 8 year gas contract, testified to by the opposing APUC applicant, satisfy the term of amortization?
4. The opposing APUC applicant testified that financing would be difficult should Senate Bill 357 not pass. Why?

Dave Donley
Page Three
April 29, 1988

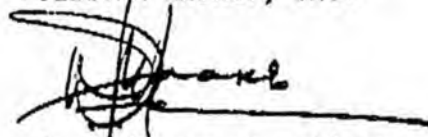
5. The opposing APUC applicant testified that tax revenue, through royalty and severance tax, would be in the range of \$600,000 a year with a project life tax revenue of \$20,000,000 - please find enclosed page 3 of 5, April 20, 1988 petition for continuance indicating its gross revenue at \$781,000. Reconciliation of these numbers tests one's ability without considering the 8 year gas contract as a factor.

6. Opposing applicant indicated in testimony yesterday "that they could not build the project this year". This utterance is supported by Affidavit dated April 20, 1988, in support of continuance.

In conclusion, Mr. Boucher's concern for inspection of construction under APUC is a point that the Commission should remedy. However, both ARCO, the operator, and Standard, our seller, insist on a qualified independent inspection service if SB 357 passes or fails to pass. If SB 357 passes, then any gas utility with less than 100 commercial customers in, lets say Anchorage, Fairbanks, Valdez or other potential industrial area in Alaska, is vulnerable to a gas system that is not inspected.

Respectfully yours,

POLESTAR ENERGY, INC.



D. J. Moore, President

DJM/D

Please prepare copies for the following:

Jan Falks
Ben Grussendorf
Niilo Koponen
Red Boucher
Cliff Davidson
John Ellis
Walt Furnace
Curt Menard

cc: Commission, APUC

AFFIDAVIT OF JACK W. JOHNSON

STATE OF ALASKA)
)
THIRD JUDICIAL DISTRICT) ss.

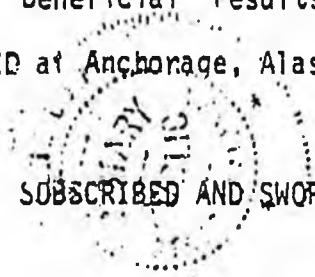
I, JACK W. JOHNSON, being duly sworn upon his oath, deposes and says:

1. I am a resident of Anchorage, Alaska, residing at 3434 Wentworth Street, 99507. I am 67 years of age, and have lived in Alaska 42 years.
2. I have known Mr. Jack Moore since 1969 when he was on a contract with Trans Alaska Pipeline Service Company and was working on establishing the pipeline route and the terminal site at Valdez.
3. In 1980 I worked with Mr. Moore on two projects authorized by Legislative Affairs to study the feasibility of extending the railroad from Eielson Air Force Base through Canada to the Eastern United States and the utilization of North Slope natural gas.

In the course of these studies I found Mr. Moore to be extremely abundant with facts, figures and people's names. Regarding oil, gas and other national resources, I assumed that his accuracy level was above average, but probably not correct on all counts. After traveling through Canada and meeting with the Government Representatives and their in house experts on hard and soft minerals and discussing by name the key people in various mining and gas and oil development in the Yukon Territory, British Columbia and then Ontario, I was amazed that not once was Mr. Moore's figures, locations or key people's positions ever corrected or challenged and I developed a tremendous respect for his retentive memory and past accomplishments in pipeline construction.

4. As a friend, I have continued a relationship with Mr. Moore over the years and have witnessed his efforts to establish privately held gas distribution systems in several potential areas in Alaska that would create employment and reduce basic living costs.
5. If Mr. Moore's recommendations on the railroad and utilization of North Slope natural gas had been effected as proposed, their beneficial results to Alaska would be very evident at this time.

DATED at Anchorage, Alaska this 29th day of April, 1988.



JACK W. JOHNSON

SUBSCRIBED AND SWORN to before me this 29th day of April, 1988.

Notary Public in and for Alaska
Commission Expires: 6/27/90

NORTH SLOPE BOROUGH LAW OFFICE

P.O. Box 69
Barrow, Alaska 99723

Phone: (907) 852-2811, Ext. 218

Harold J. Curran, Attorney

OCT 9 1986

October 3, 1986



Mr. D. J. Moore
D. J. Moore Corporation
1406 Zarvis Place
Anchorage, AK 99508

Dear Mr. Moore:

This letter will memorialize our telephone conversation of October 3, 1986. In that conversation I read you Informal Opinion 86-11 with regard to your request for a franchise. That opinion is enclosed herewith.

The basic conclusion of the opinion is that if D. J. Moore Corporation serves the Service Area #10 Facility at Prudhoe Bay, it will be a public utility subject to the requirement that it obtain a Certificate of Public Convenience and Necessity from the Alaska Public Utilities Commission. If such a permit is required, the Borough may not grant a franchise to D. J. Moore Corporation to perform the services covered by the Certificate of Public Convenience and Necessity. It is my opinion and the Borough's position that operation of the gas distribution system you propose, in the manner you proposed, will require the participation and approval of the Alaska Public Utilities Commission.

You indicated that you have received opinions to the contrary on this point. The Borough would certainly be interested in reviewing any legal memoranda addressing this point.

I hope this letter and the attached opinion answer the questions you have raised and help form the basis for future planning on your part. If you have any questions or wish to discuss this matter further, please do not hesitate to call or write.

Sincerely,

David R. Weber
Assistant Borough Attorney
North Slope Borough

DRW/kl
Enclosure
L17



March 5, 1985

Mr. D.J. Moore, President
 D.J. MOORE CORPORATION
 1574 "G" Street
 Anchorage, Alaska 99501

Dear Mr. Moore:

Pursuing an alternative energy source to meet the increasing fuel needs here on the North Slope is high priority in this administration.

I would like to thank you for the time that you have spent in meetings and on the phone with the staff of the Utility Department. I can assure you that all the information that has been supplied has been of great value.

Any further information that is needed regarding this subject will be from Mr. Rex Okakok, Special Assistant, Mayor's Office.

Sincerely,

JOHNNY ADAMS
 Acting Manager, Public Utilities

/bc

cc: Rex Okakok, Mayor's Office
 Jerry Cogdill, Acting Asst. Manager, Public Utilities
 Files (3)

*Joe (phonetic) Ufiksonu Mayor, Utilities
 Margaret ...
 Buts I will get going on having
 Joe Ufiksonu meet with me re natl gas*

NORTH SLOPE BOROUGH

6

filed and there are significant differences in the construction costs, expenses, and revenues of the competing applicants. NGI appears to have a much lower construction cost than does Polestar. Schedule 3, page 2 of 2, shows NGI's original cost of \$1,240,000, while Polestar shows an original cost of \$2,860,000. It would be in the Commission's interest to have both applicants able to explain the differences. This requires research by both applicants. NGI has undertaken that research. The results, however, will not be available in time to file prefiled testimony and application amendments on April 29, 1988. In addition, there are many other significant differences in the two applications that NGI is presently studying and needs more time to review in order to determine whether its application needs to be amended and to inform the Commission of the reasons for NGI's conclusions. These include: the estimated revenues which Polestar shows at \$2,342,000 and NGI shows at \$781,000; the level of operating expenses which Polestar shows at \$1,580,000 and NGI shows at \$523,000 and many other differences. Essentially the timeframes set by Order No. 5 are unrealistic under the present circumstances to ensure that the Commission has an appropriate record and that all parties are treated fairly with respect to their burden of convincing the Commission that their application should be approved.

NGI is reluctant to file this Petition for Continuance because it has generally taken the position that this Commission should grant a certificate for this service area as soon as

Petition for Continuance
Page 3 of 5

STATE OF ALASKA

THE ALASKA PUBLIC UTILITIES COMMISSION

Before Commissioners: Susan M. Knowles, Chairman
Carolyn S. Guess
Louis E. Agi
Kathleen L. Whiteaker
Peter Sokolov

In the Matter of the Filing of an)
Application by NORGASCO, INC., for)
a Certificate of Public Convenience) U-87-70
and Necessity to Operate as a)
Natural Gas Utility In and Around)
the Prudhoe Bay/Deadhorse Area)
_____)

AFFIDAVIT OF RAYMOND R. LATCHEM

I, RAYMOND R. LATCHEM, being first duly sworn, depose and state as follows.

1. I am the Vice President of Operations of Norgasco, Inc. ("NGI"), the applicant in the above-captioned matter.

2. It is NGI's opinion that it is not possible to complete construction of the proposed natural gas system in the service area this construction season. In order to have completed that construction it would have been necessary for the Commission to have granted a Certificate before April 1, 1988. This appeared possible to NGI if no other competing application was filed by February 22, 1988, the date the Commission set as a deadline for competing applicants. Since that date was continued to April 1, 1988, it appeared that if a competing application was filed on that date the Commission could not possibly issue a

LAW OFFICES OF
B. RICHARD EDWARDS
120 WEST 7TH AVENUE
SUITE 1236
ANCHORAGE, AK 99501
(807) 276-9552

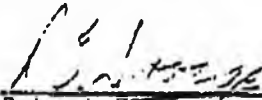
8

AFFIDAVIT OF ROBERT E. DROEGE

I, Robert E. Droege, being first duly sworn upon his oath, deposes and says:

1. I am a resident of Anchorage, Alaska, residing at 2437 Ingra St., 99508. I am 63 years of age, and have lived in Anchorage since 1948.
2. I have known Mr. Jack Moore since the fall of 1975, when he was engaged as a consultant on a mining venture in which I was involved.
3. In January 1983, I went to Juneau, Alaska, as a Finance Committee Aide to Senator Josephson. During the years 1983 and 1984, Mr. Moore requested the assistance of Senator Josephson's office in the dissemination of information, relative to the possibilities of providing natural gas and resultant savings in various northern communities. Mr. Notti, then Commissioner of Community and Regional Affairs was especially interested since the then current costs of fuel oil could be reduced dramatically.
4. The interest by Senator Ferguson had led to Mr. Notti and was such that he arranged meetings with Gov. Sheffield who immediately recognized the benefits to the State and it's citizens. The Governor directed his Commissioner of Natural Resources to investigate the exciting potential. It may have been any number of factors, which occurred during this time frame, but the net result was no further contact with Commissioner Wunnicke.
5. Mr. Moore has a long history in Alaska, predating the building of the oil pipeline from Prudhoe Bay; on which he played no small part, since it was he who pioneered the eventual routing to Valdez, while under a consulting contract with Bechtel Corporation. He also has supplied an Energy Study with recommendations to the Legislature. His rapport with officials in Canada paved the way for acquiring information and tentative agreement to the then desired extension of the Alaska railroad, for a tie-in to State-side markets and less expensive freight costs.
6. Mr. Moore is no Johnny-come-lately to the Alaskan scene; and no stranger to the Natural Gas Pipeline business, since he has had the experience of installing and operating over twenty-five systems in Northern Climates.

Dated at Anchorage, Alaska this 28th day of April 1988.


Robert E. Droege

SUBSCRIBED AND SWORN to before me this 29th day of April, 1988.


Notary Public in and for Alaska

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Exempting utilities with no more than 100 subscribers from regulation
Sponsor: Falks
Requestor: _____

Agency Affected: Commerce & Economic Development
BRU: APIC
Components: Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

If enacted, this bill appears only to impact one specific gas distribution service area application currently pending and it is not anticipated to generate any long term workload reduction.

Prepared by: T.S. Moninski, II Executive Director Phone: 276-6222
Division: Alaska Public Utilities Commission Date: 2/23/88

Approved by Commissioner: Kathy Marshall for J. L. W. Smeeth Date: 2/25/88
Agency: Commerce & Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)



Alaska State Legislature

SENATE

Office of the President

P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-3755

MEMORANDUM

March 18, 1988

TO: Representative Dave Donley, Chairman
House Labor and Commerce Committee

FROM: Senator Jan Faiks
President of the Senate

SUBJECT: SSSB 357 "An Act exempting certain utilities with no more than 100 subscribers from regulation by the Alaska Public Utilities Commission or a municipality and providing that the most extensive exemption from regulation applies when more than one exemption is applicable to a utility."

SSSB 357 has been referred to the House Labor and Commerce Committee for consideration.

As you know, most utilities operating in the State of Alaska are subject to regulation by the Alaska Public Utilities Commission (APUC). However, AS 42.05.711 provides for various types and sizes of utilities to be exempted from regulation.

SSSB 357 extends this exemption to certain gas distribution utilities. It provides that a gas distribution utility that has no more than 100 subscribers, all of whom are commercial subscribers, is exempted from regulation by the APUC. However, a majority of the subscribers may petition the APUC for regulation if they so desire.

The purpose of this legislation is to facilitate the construction of a gas distribution system in Deadhorse. The construction of a gas distribution utility in that town has substantial public benefit. Over 40 construction workers will be required to build the system, and six to eight to operate it once it is completed. The state will receive in excess of \$20,000,000 in royalties alone over the life of the project. Pollution from the many diesel generators which currently supply power in Deadhorse will be reduced.

A problem with requiring APUC regulation of this project is financing. The project would only serve 40 to 50 customers, all of whom are in an economically distressed industry. Banks view this as a high risk project, which requires the system builders to seek venture capital. These investors do not consider the potential return on a utility regulated by the APUC to outweigh the downside risk of project failure.

In this case, as in the other situations where APUC regulation does not occur except by petition of the utility customers, the public benefits of regulation are outweighed by the advantages which would result only if regulation is waived.

Please contact my office if you have any questions or comments.



SB357

ARCTIC UTILITIES, INC.
4706 Harding Drive
Anchorage, Alaska 99517
(907) 248-3030

April 20, 1988

Honorable Dave Donley
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Donley:

Thank you for your inquiry regarding SSSB 357. To our knowledge this would apply only to a proposed gas utility at Prudhoe Bay. More specifically, it is directed to the application of one of the competing proposals for this gas utility, Norgasco, Inc.

There has been some confusion regarding the position of the Alaska Support Industry Alliance on this legislation. Norgasco is represented by Mr. Ray Latchem. Mr. Latchem is a Board member of the Alliance, and is active in their Legislative Affairs activities. Therefore, he is frequently in contact with Legislators regarding Alliance issues. At the same time, Mr. Latchem is independently pursuing legislative support for SSSB 357.

One individual who wrote to the Alaska Public Utilities Commission supporting Norgasco's application was William F. Webb. Since Mr. Webb is paid staff of the Alliance, his support of the Norgasco application, and the assumption that he might also support SSSB 357 caused several Alliance Board members a great deal of concern. Following a telephone conversation with the President of the Alliance, Mr. Webb contacted me to apologize for taking action to support the Norgasco proposal. I have enclosed a copy of Mr. Webb's letter to me.



Honorable Dave Donley

Page 2

April 20, 1988

I have also attached a copy of correspondence from Norgasco to Senator Zharoff regarding SSSB 357. Mr. Latchem concedes that without deregulation, he will be unable to obtain financing, even from traditionally high risk sources of venture capital.

NANA is an organization with several service companies in Prudhoe Bay. One of these is a regulated electric utility, Arctic Utilities, Inc. We have serious concerns regarding the feasibility of a Natural Gas Utility as proposed by Norgasco. We have had an opportunity to discuss with Mr. Latchem (as well as with the other potential applicant) the shrinking demand for energy at Prudhoe Bay, as well as the significant decrease in the cost of alternative energy at Prudhoe. Diesel prices are now approximately 50% lower than in 1980, and the number of active contractors has fallen at least 50%.

With these basic economic factors working against the project, we maintain that a thorough review of the Norgasco application by the Alaska Public Utilities Commission is appropriate. Perhaps such a review will uncover factors which are not apparent at this time, proving that this project is viable. Absent review by the APUC, we are concerned that this project could be initiated and never completed, or completed only to fail later. There are enough distressed properties and uneconomic facilities already at Prudhoe Bay without rushing into another one.

For these reasons we respectfully request that SSSB 357 not be passed. Thank you for your consideration.

Sincerely,

Thomas M. Dow
Vice President of Operations

TMD/mc



THE ALLIANCE

4220 'B' Street, Suite 200 / Anchorage, Alaska 99503-5911 / (907) 563-2228 / FAX 561-8870

Val Molyneux - President
Veco, Inc.

Chuck Becker
Vice President - Public Policy
MIA Consultants

Ann Curtis
Vice President - Events
Alaska Controls, Inc.

Craig Duncan - Treasurer
Price Waterhouse

David Haugen
Vice President - Membership
Lyndan, Inc.

Patrick Sizer - Secretary
Prerential Resources Group

Larry Anderson - Director
MarkAir, Inc.

Milton Byrd - Director
Charter College

David Dorsey - Director
Sea-Land Service, Inc.

Tom Dow - Director
NANA Development Corp.

Robert Garoner - Director
NORTEC/ERT

Randy Goodrich - Director
Executive Travel Service

Scott Hawkins - Director
Anch. Economic Dev. Corp.

Randall Kowalke - Director
Alaska Industrial Hardware

Raymond Latchem - Director
Norgasco, Inc.

James Linxwiler - Director
Guess & Rudd

Joe Mathis - Director
Sustina Recreational Camps, Inc.

William McLaughlin - Director
Cold Weather Contractors, Inc.

Patrick Rumley - Director
Attorney at Law

Mary Shields - Director
Northwest Technical Services

Connie Yoshimura - Director
Fortune Properties, Inc.

William Webb
Manager - Member Services

Barbara Webb
Administrative Assistant

March 28, 1988

Mr. Tom Dow
Vice President Operations
NANA Development Corp.
4706 Harding
Anchorage, Alaska 99503

Dear Tom:

The purpose of this letter is to clarify The Alliance's position as regards the proposed gas line project in Deadhorse / Prudhoe Bay advocated by NORGASCO, Inc.. As of this date The Alliance has not taken any position regarding this project.

I apologize that actions taken by myself may have led others to a different impression as to The Alliance's position on this matter.

Sincerely yours,


William F. Webb
Manager - Member Services

cc: Val Molyneux
Ray Latchem



NORGASCO, INC.

8740 Hartzell Rd. Anchorage, Alaska 99507 (907)344-6742

March 9, 1988

Senator Fred Zharoff
P. O. Box V
Juneau, AK 99811

Dear Senator Zharoff,

I would like to express my strong support of SSSB 357. Under the current statutes the APUC has jurisdiction over all utilities with ten or more customers. This legislation will exclude only natural gas utilities with fewer than 100 subscribers all of whom are commercial customers from their jurisdiction.

The APUC is a fine organization for larger utilities and obviously the legislature had this in mind when they exempted those utilities with less than ten customers. We believe in the check and balance system of government and industry, and SSSB 357 allows for the regulation of a utility under this category by a simple petition (AS 42.05.712) of the customers. This will prevent the utility from taking unfair advantage of its' customers.

As you can tell, the bill was drafted so that it would not concern any of the Push areas, only Deadhorse.

The problem boils down to project financing. This is not a bankable project because there are only 40-50 customers, they are all in the same business, and they are all suffering financially, so the banks see the project as high risk. This leaves us looking for venture capital. After the venture capitalist has reviewed the project they all come to the same conclusion, if the project fails they lose everything and if the project succeeds, you have the APUC there to limit your return on investment. Needless to say they don't spend much time seriously reviewing the project after they understand how the APUC works.

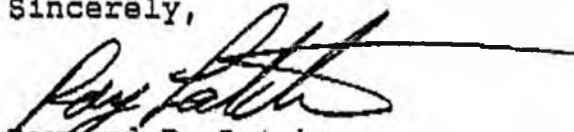
We hear a lot of talk about less government, creating jobs, finding new sources of revenue for the State, cutting down on air pollution, and stimulating the economy, this legislation accomplishes all of these by creating construction and permanent jobs, State royalties collected on the gas sold, reduced NOx emissions from the numerous diesel generators, and will substantially reduce the overhead of the Companies operating at Deadhorse.

The State will receive in excess of \$20,000,000.00 from royalties alone over the life of the project. It will take over 40 construction workers to build the system and will employ 6-8 people full time once it is in operation. The State will also receive severance taxes from the producer and added corporate income taxes from ARCO Alaska and Norgasco.

The Department of Natural Resources, in issuing our land use permit, has reserved the for the State the right to use the pipeline to transport the States royalty gas to the State facilities that we intend to serve. Recently I met with Commissioner Brady to begin negotiations to purchase some of the States royalty gas to supply our customers. But first the pipeline has to be built.

Myself and several other Board Members of The Alliance are planning a trip to Juneau on March 21, 1988. I look forward to visiting with you then. If you have any questions please feel free to call.

Sincerely,



Raymond R. Latchem
Vice President, Operations

SB357



NORGASCO, INC.

8740 Hartzell Rd. Anchorage, Alaska 99507 (907)344-6742

April 22, 1988

Honorable Dave Donley
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Donley:

In a recent meeting with Mr. Tom Dow representing Arctic Utilities, Inc. Norgasco was provided with a copy of a letter addressed to you concerning SSSB 357.

We appreciate the concerns that are stated in the letter of April 20, 1988. It is important for you to realize that Arctic Utilities is a supplier of energy in the Deadhorse market and views Norgasco as a competitive threat. Currently Arctic Utilities sells electrical energy in the market for approximately \$.22 per kilowatt hour or \$64.51 per million Btus. Norgasco proposes to sell energy in the form of natural gas for approximately \$4.00 per million Btus.

Current cost of electrical energy in the Anchorage area is approximately \$.06 per kilowatt hour. The majority of the electrical consumers in the Arctic Utilities service area elect to generate their own electricity due to the high rates charged by Arctic Utilities. Currently diesel fuel sells for approximately \$.80 per gallon or \$5.86 per million Btus. If a cheaper form of fuel is made available to the customers in the area, more of them may elect to generate their own electricity instead of buying from Arctic Utilities, or Arctic Utilities will have to become competitive in the market place.

It is obvious why Arctic Utilities opposes Norgasco or any other firm from entering the market.

We would like to clarify a point made by Mr. Dow in his letter of April 20, concerning Mr. Webb's affidavit to the APUC. This affidavit simply objected to a request for an extension of time to file a competing Application for a Certificate of Public Convenience and Necessity filed by a competing applicant and not Arctic Utilities. SSSB 357 is not even mentioned in the affidavit and the Alliance has never taken a position on the bill, nor have I or anybody else to my knowledge, ever represented that they have.

Rep. Dave Donley
April 22, 1988
page 2

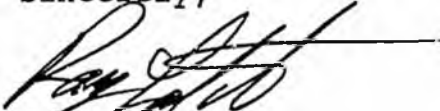
Mr. Webb does have extensive previous experience in owning and operating various camps in the market area and that is why I ask for his affidavit.

Arctic Utilities concern regarding the feasibility of our project or our "rushing into" another uneconomic facility at Prudhoe Bay as stated in the letter is totally unfounded and probably not genuine. Norgasco has spent three years analyzing the market and has successfully acquired all the permits necessary to construct the system as well as executed a gas supply contract and gas sales agreements with some of the end-users.

For these reasons we ask that you discount the letter from Arctic Utilities concerning SSSB 357. If this project is allowed, it will create jobs for Alaskans, generate royalty and severance tax income, and have a beneficial impact on the environment of the North Slope.

Please feel free to call me if you have any questions.

Sincerely,



Raymond R. Latchem
Vice President, Operations

cc: T. M. Dow
W. F. Webb
V. Malyneux

Alaska Public Utilities Commission

Comments on SS for SB357

February 22, 1988

(Revised April 19, 1988)

Under SS for SB357, gas distribution utilities serving fewer than 100 commercial customers would be exempt from certification and economic regulation by the Commission unless the subscribers elected to be regulated. The Commission is not aware of any compelling reasons for exempting a special class of gas distribution utilities from regulation while fully regulating all other gas distribution utilities. The Commission also believes that commercial customers in groups of less than 100 are entitled to the same level of public protection as residential customers and as commercial customers in groups of more than 100. In addition, there are some unique safety considerations associated with natural gas service, which would not be monitored under the proposed exemption scheme. (See 3 AAC 52.010 - .080.)

The Legislature should also be aware that SS for SB357 directly affects a proceeding currently pending before the Commission. Two companies, (Norgasco, Inc. and Polestar Energy, Inc.) have filed competing applications to provide gas distribution service to commercial customers in the Prudhoe Bay/Deadhorse area. Norgasco has also requested that it be exempt from economic regulation upon any Commission action granting its request for certification. Two other companies (Arctic Utilities, Inc. and North Slope Gas Cooperative, Inc.) expressed intent to file

competing applications but did not actually make a filing by the prescribed deadline. Arctic Utilities, a certificated electric utility, has petitioned the Commission for intervenor status which, if approved, would allow it to directly participate in the comparative proceeding to consider which of the two active applicants is the most fit, willing and able to provide the proposed service.

In addition, the Commission has received a letter (copy attached) from the North Slope Borough, one of the prospective customers of the proposed gas distribution utility, stating that:

There is a legitimate public interest concerning rates, quality of service, management practices, and customer complaints associated with the operation of a natural gas utility in Deadhorse. For this reason the Borough feels that Norgasco, Incorporated should be subject to all appropriate regulations governing the certification and operation of a natural gas utility.

Thus, if this legislation is passed, the established Commission procedure of evaluating competitive applications to determine which company is the most fit and able to serve an area would be interrupted. Instead, any or all of the potential gas distribution utilities would be free to enter the market under terms, conditions, and rates that would not be subject to regulatory oversight unless the subscribers petitioned for a regulation election. The Commission does not believe that this approach is in the public interest; specifically, it cannot assure that the best company is necessarily the one which serves the area; it allows for potentially uneconomic duplication of facilities by two or more providers; and it gives commercial customers a second-class level of protection from monopoly or oligopoly pric-

ing practices. Furthermore, it is possible to exempt a certified gas distribution utility from economic regulation under the existing statute; this option is preferable in that it allows the Commission to evaluate on a case-by-case basis whether such an exemption is in the public interest.

If, however, this bill is endorsed by the Legislature as good public policy, the Commission suggests that the reference to "subscriber petitions" be modified for clarification and for conformance with other exemptions in AS 42.05.711. Thus, the exemption would state "unless 25 percent of the subscribers petition the commission for regulation under procedure described in AS 42.05.712."

CHAPTER 52.
OPERATION OF PUBLIC UTILITIES

Article

1. Gas Utilities
(3 AAC 52.010-3 AAC 52.080)
2. Allocation of Facilities and Services
Between Competing Electric Utilities
(3 AAC 52.110-3 AAC 52.150)
3. Telephone Utilities
(3 AAC 52.200-3 AAC 52.340)
4. Electric Utilities
(3 AAC 52.400-3 AAC 52.500)

procedures to enhance the public safety. (Eff. 2/21/69, Reg. 30; am 1/13/73, Reg. 44)

Authority: AS 42.05.141 AS 42.05.691
AS 42.05.151 AS 42.05.711
AS 42.05.541

3 AAC 52.020. COMPLIANCE WITH
MINIMUM FEDERAL SAFETY STANDARDS
FOR GAS LINES. Each utility shall construct

ARTICLE 1.
GAS UTILITIES

Section

10. Application
20. Compliance with Minimum Federal
Safety Standards for Gas Lines
30. Records, reports and inspection for
compliance
40. Pipeline locating service
50. (Repealed)
60. Record of nonscheduled interruptions
70. Accidents or incidents
80. Definitions

3 AAC 52.010. APPLICATION. (a) 3 AAC 52.010 - 3 AAC 52.080 of this chapter apply to all utilities either now or hereafter subject to the regulatory jurisdiction of the Alaska Public Utilities Commission.

(b) Upon acceptable showing by a utility, the commission may waive, as to that utility, the provisions of any regulation in 3 AAC 52.010 - 3 AAC 52.080 or any provision of the Minimum Federal Safety Standards for Gas Lines with approval of the Secretary of Transportation.

(c) No utility may deviate from the regulations in 3 AAC 52.010 - 3 AAC 52.080 or the standards cited in (b) of this section without the commission's prior written approval.

(d) If nonjurisdictional entities at their discretion elect to conform to 3 AAC 52.010 - 3 AAC 52.080, the commission will cooperate with them in maintaining records and developing

and maintain gas transmission and distribution facilities in accordance with the Minimum Federal Safety Standards for Gas Lines, as defined in 3 AAC 52.080(c). (Eff. 2/21/69, Reg. 30; am 1/13/73, Reg. 44)

Authority: AS 42.05.291

3 AAC 52.030. RECORDS, REPORTS, AND INSPECTION FOR COMPLIANCE. (a) Each utility shall establish and maintain records, make reports and provide information required by the commission to enable it to determine whether the utility has acted or is acting in compliance with the Natural Gas Pipeline Safety Act of 1968 and the standards adopted in 3 AAC 52.020. The records, reports and information shall be kept in accordance with AS 42.05.491.

(b) Each utility shall file with the commission a plan for inspection and maintenance of each pipeline facility owned or operated by the utility, and any changes in the plan. If the commission finds that the plan is inadequate to achieve safe operation, the commission shall, after notice and opportunity for a hearing, require the plan to be revised. (Eff. 2/21/69, Reg. 30; am 1/13/73, Reg. 44)

Authority: AS 42.05.141
AS 42.05.461
AS 42.05.501

3 AAC 52.040. PIPELINE LOCATING SERVICE. Each utility shall offer "line locating" service to any individual or utility requiring such service. The utility shall make a reasonable effort to assure that the availability of this service is made known throughout its area of operation. If a charge is made for this service, it shall be based on the cost to the utility of the personnel required to operate the equipment and shall not afford the utility any allowance for the utilization of equipment. (Eff. 2/21/69, Reg. 30; am 1/13/73, Reg. 44)

Authority: AS 42.05.291

3 AAC 52.050. DISTRIBUTION PIPELINE MAINTENANCE. Repealed 1/13/73.

3 AAC 52.060. RECORD OF NON-SCHEDULED INTERRUPTIONS. Each gas utility shall keep a record of each nonscheduled interruption to service, showing the location, date, time, duration and cause of each interruption. This record shall be retained by the utility

for three years and may be inspected by any person after meeting the requirement of AS 42.05.440. (Eff. 2/21/69, Reg. 30; am 1/13/73, Reg. 44)

Authority: AS 42.05.141

3 AAC 52.070. ACCIDENTS OR INCIDENTS. (a) Each utility shall cooperate with the commission to promote a reduction in hazard within the industry and to the public.

(b) Each utility shall report each accident immediately by the most expeditious means available, preferably by telephone or in person, to the commission at the commission's office in Anchorage, Alaska, or to a person designated by the commission. The notification shall include the location and time of the accident, a brief description of what occurred, and names of the individual(s) in charge of the repair operation and the individual(s) to be contacted by the commission for additional information.

(c) A written report of each accident shall be filed with the commission within 20 days after each accident. The report shall be made on the commission's "Gas Distribution Pipeline Accident or Incident Report" form or the United States Department of Transportation's Form DOT-F-7100.2 for transmission and gathering systems. If the accident investigation is not completed within the 20-day period, the utility shall file an additional written report with the commission upon the completion of the investigation and a written report of the progress of the investigation every 90 days until the investigation is complete. (Eff. 2/21/69, Reg. 30; am 1/13/73, Reg. 44)

Authority: AS 42.05.141
AS 42.05.291

3 AAC 52.080. DEFINITIONS. Unless the context indicates otherwise, in 3 AAC 52.010 - 3 AAC 52.070

(1) "accident" means an accident or incident occurring in the state involving escape of gas from gas gathering, transmission or distribution facilities resulting in personal injury requiring hospitalization, fatality, or property damage exceeding \$1,000;

(2) "commission" means the Alaska Public Utilities Commission;

(3) "Minimum Federal Safety Standards for Gas Lines" or "standards" means the Minimum Federal Safety Standards for Transportation of Natural Gas and other gas by pipeline, 49 C.F.R. Part 192 revised as of January 1, 1972. A copy of these standards may be obtained from or reviewed at the commission office located in Anchorage, Alaska; and

(4) "utility" means a public utility that owns, operates, manages or controls a plant or system of facilities used for the transmission or distribution of natural or manufactured gas or other inflammable gas, to the extent such system plant or facilities are included in the term "public utility" as defined by AS 42.05.701. (Eff. 2/21/69, Reg. 30; am 1/13/73, Reg. 44)

Authority: AS 42.05.141
AS 42.05.291
AS 42.05.701

ARTICLE 2. ALLOCATION OF FACILITIES AND SERVICES BETWEEN COMPETING ELECTRIC UTILITIES

Section

- 110. Purpose
- 120. Authority to construct facilities or serve customers
- 130. Hearing
- 140. Appeals
- 150. Definitions

3 AAC 52.110. PURPOSE. The purpose of 3 AAC 52.110 - 3 AAC 52.150 is to prevent duplication of electric facilities and services in those geographical areas of the state in which two or more electric utilities compete. (Eff. 8/11/76, Reg. 59; am 6/29/84, Reg. 90)

Authority: AS 42.05.141
AS 42.05.151
AS 42.05.221

3 AAC 52.120. AUTHORITY TO CONSTRUCT FACILITIES OR SERVE CUSTOMERS. (a) No electric utility operating in direct competition with one or more electric utilities within the same geographical area may construct or install electric facilities or provide a service connection for a customer located within a disputed service area without the approval of the commission.

(b) The commission will grant approval to provide a service connection for a customer located within a disputed area if

(1) the utility requesting approval receives the concurrence of the competing utility and submits to the commission a signed "Waiver of Objection" on a form provided by the commission; or

(2) a determination is made by the commission, after hearing, that one or the other of the utilities is the appropriate one to provide the service. (Eff. 8/11/76, Reg. 59)

Authority: AS 42.05.151(a)
AS 42.05.221(d)

3 AAC 52.130. HEARING. (a) If an applicant utility is unable to obtain concurrence from a competing utility, the commission will appoint a member of its staff as an examiner to conduct a hearing.

(b) The staff examiner shall

(1) notice the hearing for a time convenient to all interested parties;

(2) hear all relevant evidence;

(3) record the testimony presented;

(4) within 24 hours after the close of the hearing, issue a decision as to which utility is the most appropriate one to serve the customers;

(5) stay the decision if, within 24 hours after the decision is announced, a party appeals the decision.

(c) The criteria to be weighed by the staff examiner in making a decision include

(1) the cost to the utility to provide the service connection;

(2) the cost to be assessed to the customer by the applicant utility;

(3) the proximity of the service connection point to each of the competing utilities' electric distribution facilities; and

4-87-70
Dirig
RECEIVED
A.P.U.C.

1987 DEC 22 PM 12:21

NORTH SLOPE BOROUGH

Service Area #10
Pouch 340044
Prudhoe Bay, AK 99734
Telephone: (907) 659-2645

December 16, 1987

T.S. Moninski II, Executive Director
ALASKA PUBLIC UTILITIES COMMISSION
420 L Street, Suite 100
Anchorage, Alaska 99501-1987

SUBJECT: NOTICE OF UTILITIES APPLICATION BY NORGASCO, INC.

Dear Mr. Moninski:

The North Slope Borough's Service Area Ten is encouraged to see Norgasco, Inc. continue their development of a natural gas utility for Deadhorse. All businesses operating in Deadhorse and especially our solid waste disposal, sewage treatment and water treatment operations could benefit significantly if a dependable source of competitively priced natural gas were made available to us over the long term. We appreciate the opportunity to provide comments on the Norgasco, Incorporated application for exemption from APUC regulations regarding rates, quality of service, management practices, and customer complaints.

Since the North Slope Borough's Solid Waste Facility is a public owned operation, the Borough has an obligation to its residents to operate their Deadhorse solid waste facility in a cost effective manner which includes purchasing of natural gas from a utility which is required to follow the regulatory laws established to protect the public. There is a legitimate public interest concerning the rates, quality of service, management practices, and customer complaints associated with the operation of a natural gas utility in Deadhorse. For this reason the Borough feels that Norgasco, Incorporated should be subject to all appropriate regulations governing the certification and operation of a natural gas utility.

Our Service Area Ten Plant Engineer calculates that the prices of the natural gas quoted in the Notice will provide Service Area Ten with a 20% to 25% savings over the present fuel costs for our incinerator and boilers. Since the Application suggests the rates would not be controlled by the APUC, the NSB may have little control over future rate increases. A 10% rate increase each year for two years would eliminate any cost benefit of natural gas assuming a stable price for heating oil.

December 16, 1987

Page 2

The quantity and quality of the gas provided to us can have some significant effects on our operation. If the distribution system is under designed or if the quality of gas varies significantly we may experience problems of inadequate delivery. Normal operation of our incinerator requires us to be able to immediately add heat in a specified quantity when needed. Failure to do so could result in Service Area Ten violating the Air Quality Regulations established by the State of Alaska, Department of Environmental Conservation resulting in a fine being assessed on Service Area Ten. If Norgasco was exempt from regulation by the APUC, SA #10 would have little recourse if Norgasco's service did not meet our requirements.

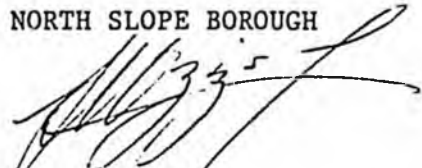
Norgasco is requesting that the APUC keep confidential for five years technical documents and other pertinent information about their design, construction and maintenance of their project. Such a request could affect SA #10's planning efforts for future energy usages and costs.

Documents relating to the gas contract with ARCO and tariffs should be made public so that the stability of the utility and its pricing structure can be evaluated. These items can directly affect our decision to become a consumer.

The North Slope Borough requests that we be kept informed on the progress of this application and the Norgasco, Incorporated project. We feel a natural gas utility will greatly enhance the Deadhorse area and all the businesses operating there.

Sincerely,

NORTH SLOPE BOROUGH


John E. Davis
Manager, Service Area Ten

JED/JET/el

cc: Norgasco, Incorporated
Dennis Roper, Coord., Ind. Dev.
Files

POLESTAR ENERGY, INC.
1406 Zarvis Place
Anchorage, Alaska 99508
(907) 272-9009

April 26, 1988

FAX TO: (907) 586-9548

Labor and Commerce Committee

Re: S.B. 357

Attn: Dave Donnelly, Chairman

Polestar Energy Incorporated, an Alaskan corporation, 1406 Zarvis Place, Anchorage, Alaska 99508, Phone (907) 272-9009, has an opposing application before the APUC, April 1, 1988. Docket #U-88-20 to supply the Deadhorse area with natural gas.

Polestar's efforts to supply the North Slope Borough communities with cheaper energy date from 1983 resulting in a contract to purchase gas from Standard Alaska Production Company dated February 23, 1988.

Polestar has all the APUC requirements including financing in place, can supply gas to the consumer at a lesser rate than its opposition and is ready, willing and able to construct the distribution system and deliver gas to consumers this season.

Title 42, Public Utilities and Carriers, Chapter 05-711(d) of the Alaska Statutes states "(d) The commission on finding that no legitimate public interest will be served, may exempt a utility from all or any portion of this chapter." Senate Bill 357 is therefore redundant in its intent to exempt as the commission has that power and are best able through their professional advisory staff to serve the best interest of the public.

Respectfully yours,

DJM/D

D. J. Moore, President


Please deliver copies to: Jan Faiks
Johnny Ellis
Milo Kapoyen
Red Boucher
Cliff Davidson
Curt Menard
Walt Furnace
Ben Grussendorf

cc: Commission (APUC)

MEMORANDUM

To: Hon. Dave Donley
Representative
Alaska Legislature

Date: April 29, 1988

From:  Ted Moninski
Executive Director
APUC

Subject: SSSB357

At yesterday's House Labor and Commerce Committee meeting considering the above referenced bill, Rep. Boucher asked a series of questions regarding the progress of the pending application of Norgasco, Inc., to provide gas distribution utility service to Deadhorse, Alaska. In response to Rep. Boucher and for the information of the Committee, attached is brief chronology of events associated with the Norgasco application, APUC Docket U-87-70.

The Commission had originally scheduled a public hearing to consider this, and the competing application of Polestar Energy, Inc., beginning June 9, 1988. As you will note from the chronology, Norgasco submitted a request for a sixty day extension of time. As a preliminary response, the Commission has granted a two week extension while it considers Norgasco's request and any opposition that may be submitted. The exact "new" hearing date will be determined after Commission review of all parties' pleadings.

If I can respond to any other questions relating to this matter, please contact me.

U-87-70

In the Matter of the Filing of an Application by NORGASCO, INC., for a Certificate of Public Convenience and Necessity To Operate as a Natural Gas Public Utility in and Around the Prudhoe Bay/Deadhorse Area

9/4/87 Recd Apln & PETITION FOR PROPRIETARY AND PRIVILEGED STATUS (fee paid 9/4/87)

9/28/87 ORDER NO. 1 - ORDER EXTENDING PERIODS FOR (126-234) CONSIDERATION OF PETITION FOR PROPRIETARY STATUS AND FOR INTERIM PROPRIETARY TREATMENT OF APPLICATION

10/5/87 Ltr frm R. R. Latchem, Norgasco, ENCL: cy of ltr dtd 5/11/87 to Commission

10/14/87 By Direction Ltr to R. Latchem, Norgasco, RE: Comm Order for add'l information to complete review of apln

10/26/87 Ltr frm R. Latchem, Norgasco, RE: response to Comm by direction ltr order of 10/14/87 for additional information

11/12/87 Ltr frm R. R. Latchem, Norgasco, ENCL: PETITION TO GRANT AN EXTENSION OF TIME FOR THE FILING OF INFORMATION ORDERED BY THE COMMISSION (until 1/15/88, 63 day extension)

11/16/87 Memo frm Commission Staff stating Staff's non-opposition to Norgasco's request for an extension of time to file information ordered by the Commission, until 1/15/88

11/19/87 NOTICE OF UTILITIES APPLICATION (comment period ends 12/20/87) Notice of competing applications ends 12/20/87, competing application's due 2/20/88

11/25/87 ORDER NO. 2 - ORDER GRANTING EXTENSION (128-83) OF TIME

11/30/87 Recd proof of publication frm The Anchorage Times

12/17/87 Ltr frm D. J. Moore, D. J. Moore Corp., RE: opposes Norgasco's apln, requests permission to review apln & notice of intent to file a competing apln

12/18/87 Ltr frm T. F. Klinkner, Wohlforth, Flint & Gruening, Attys f/ North Slope Gas Co-op., Inc., RE: intent to file a competing apln

12/22/87 Ltr frm J. E. Davis, North Slope Borough, RE: comments

1/11/88 PETITION FOR AN EXTENSION OF TIME IN WHICH TO FILE INFORMATION ORDERED BY THE COMMISSION by R. Latchem, Norgasco

1/11/88 Ltr frm R. Latchem providing proposed service rates

1/20/88 ORDER NO. 3 - ORDER GRANTING EXTENSION OF (129-294)
TIME IN WHICH TO FILE INFORMATION REQUIRED
BY THE COMMISSION'S 10/14/87 LETTER ORDER

2/4/88 Ltr to T. F. Klinkner, Atty f/ North Slope Gas & AUI,
ENCL: Senate Bill No. 357

2/12/88 Ltr frm D. J. Moore, Richards Petroleum Resources Ltd,
requesting a 90 day extension of requirement to file competing
apl

2/22/88 Ltr frm R. Latchem, Norgasco, RE: objection to request
by D. J. Moore for an extension of time

2/22/88 Ltr frm R. Latchem, NORGASCO, RE: response to Staff
request for add'l info, ENCL: financial information, funding
sources

2/22/88 ORDER NO. 4 - ORDER STAYING COMPETING (130-147)
APPLICATION DEADLINE TO ALLOW OPPORTUNITY
FOR RESPONSE TO EXTENSION REQUEST

3/4/88 OPPOSITION TO MOORE'S REQUEST FOR EXTENSION OF TIME IN
WHICH TO FILE AN APPLICATION by B. R. Edwards, Atty f/ Norgasco

3/4/88 STAFF'S OPPOSITION TO MOORE'S REQUEST FOR EXTENSION OF
TIME by T. S. Moninski, APUC Staff

3/4/88 Ltr frm P. Argetsinger, Wohlforth, Flint & Gruening,
Attys f/ Arctic Utilities, Inc., RE: AUI will not file a
competing apl

3/11/88 ORDER NO. 5 - ORDER DENYING EXTENSION (130-284)
REQUEST; ESTABLISHING NEW DEADLINE FOR
FILING COMPETING APPLICATION; AND
ESTABLISHING FILING AND HEARING SCHEDULES

4/6/88 PETITION TO INTERVENE OF ARCTIC UTILITIES, INC., by
T.F. Klinkner, Wohlforth, Flint & Gruening, Attys f/ AUI

4/7/88 STAFF COMMENTS ON REQUEST FOR PROPRIETARY STATUS by
W.E. Marshall, APUC Staff

4/7/88 ARCTIC UTILITIES, INC. OPPOSITION TO REQUEST FOR
PROPRIETARY STATUS by T.F. Klinkner, Wohlforth, Flint & Gruening,
Attys f/ AUI

4/12/88 AMENDMENT TO PETITION TO INTERVENE OF ARCTIC UTILITIES,
INC., AND MOTION FOR EXTENSION OF TIME TO FILE PREFILED TESTIMONY
by T. F. Klinkner, Wohlforth, Flint & Gruening, Attys f/ AUI

4/19/88 OPPOSITION TO PETITION TO INTERVENE by B.R. Edwards,
Atty f/Norgasco

4/20/88 PETITION FOR EXPEDITED TREATMENT; PETITION FOR
CONTINUANCE by B.R. Edwards, Atty f/ Norgasco

4/26/88 MOTION TO STRIKE by M.G. Briggs, Guess & Rudd, Attys
f/Polestar

4/26/88 OPPOSITION TO PETITION FOR CONTINUANCE by M. Briggs,
Guess & Rudd Attys/ f/Polestar

4/26/88 ORDER NO. 6 - ORDER AFFIRMING ORAL EXTENSION (132-95)
OF FILING AND HEARING SCHEDULES AND SETTING
OF FILING DEADLINE

4/27/88 WAIVER OF PROPRIETARY STATUS AND OPPOSITION TO MOTION
TO STRIKE by B.R. Edwards, Atty f/ Norgasco

4/28/88 REPLY TO OPPOSITION TO PETITION FOR CONTINUANCE by B.R.
Edwards, Atty f/Norgasco

STATE OF ALASKA THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HL+C

4-29-88

4:50 p.m.

HL+C

4-28-88

3:00 p.m.



Official Business

COMMITTEE:

HOUSE LABOR & COMMERCE

DATE: April 28, 1988

SIGN-IN

Subject of meeting:

- SB 357 APUC regulation of small utilities
- SB 414 Foreign trade zones
- SB 438 Common interest community managers
- SB 392 Purchase of loans by AIDEA
- SB 471 Business loan guarantee/refinance program
- HB 544 Aircraft inspection program

PLEASE PRINT
NAME & TITLE

REPRESENTING

ADDRESS & ZIP

PHONE

**DO YOU WANT
TO TESTIFY?**

**SUBJECT:
BILL #**

NAME & TITLE	REPRESENTING	ADDRESS & ZIP	PHONE	DO YOU WANT TO TESTIFY?	SUBJECT: BILL #
Ray Latchew	Norgasco	8740 Hartzell Anch AK 99507	H 344-8439 W 344-6742	yes	SSSB 357
Bill CULINANE	DOWNTOWN BUSINESS ASSOC JUNEAU ECON DEV. COUNCIL	455 S. FRANKLIN JUNEAU, AK 99801	H 586-2050 W 586-3800	yes	SB 471
BOB MARTIN	JUNEAU CHAMBER OF COMMERCE	Juneau AK	H W 586-1512	Yes	SB 471
Susan Knowles	A.P.U.C.	420 L St, #100 Anch 99501	H W 276-6222	yes	SSSB 357
Theresa Maser	Sen. Rick Halford	Capital 516	H W 465-4958	yes	SB 471
			H W	NO	
ANCHORAGE CIO Jan Sieberts	Not Home as yet		H W	Yes	SB 471
Mike Freeman	Michas Mufflers		H W	Yes	SB 471
John Williams Dep Comm	XXXXXX DCED		H W	Yes	SB 471
Tom Dow D.J. Moore	NA NA Kalestar		H W	Yes	SB 351

