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**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version : SB 108
Publish Date : _____

Revision Date: February 16, 1987

Agency Affected: Natural Resources
BRU: Land and Water Management

Title: Right-of-way Lease Decisions

Sponsor: Senator Coghill

Components : _____

Requestor: Senate Transportation

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Carol J. Wilson Phone: 465-2400
Division: Commissioner's Office Date: 2/16/87

Approved by Commissioner:  Date: 2/16/87
Agency: Natural Resources

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

THE FOLLOWING DOCUMENT HAS
NOT BEEN FILMED BUT IS
AVAILABLE IN THE ORIGINAL
FILE

ROUTE MAP



YUKON PACIFIC CORPORATION
TRANS-ALASKA GAS SYSTEM

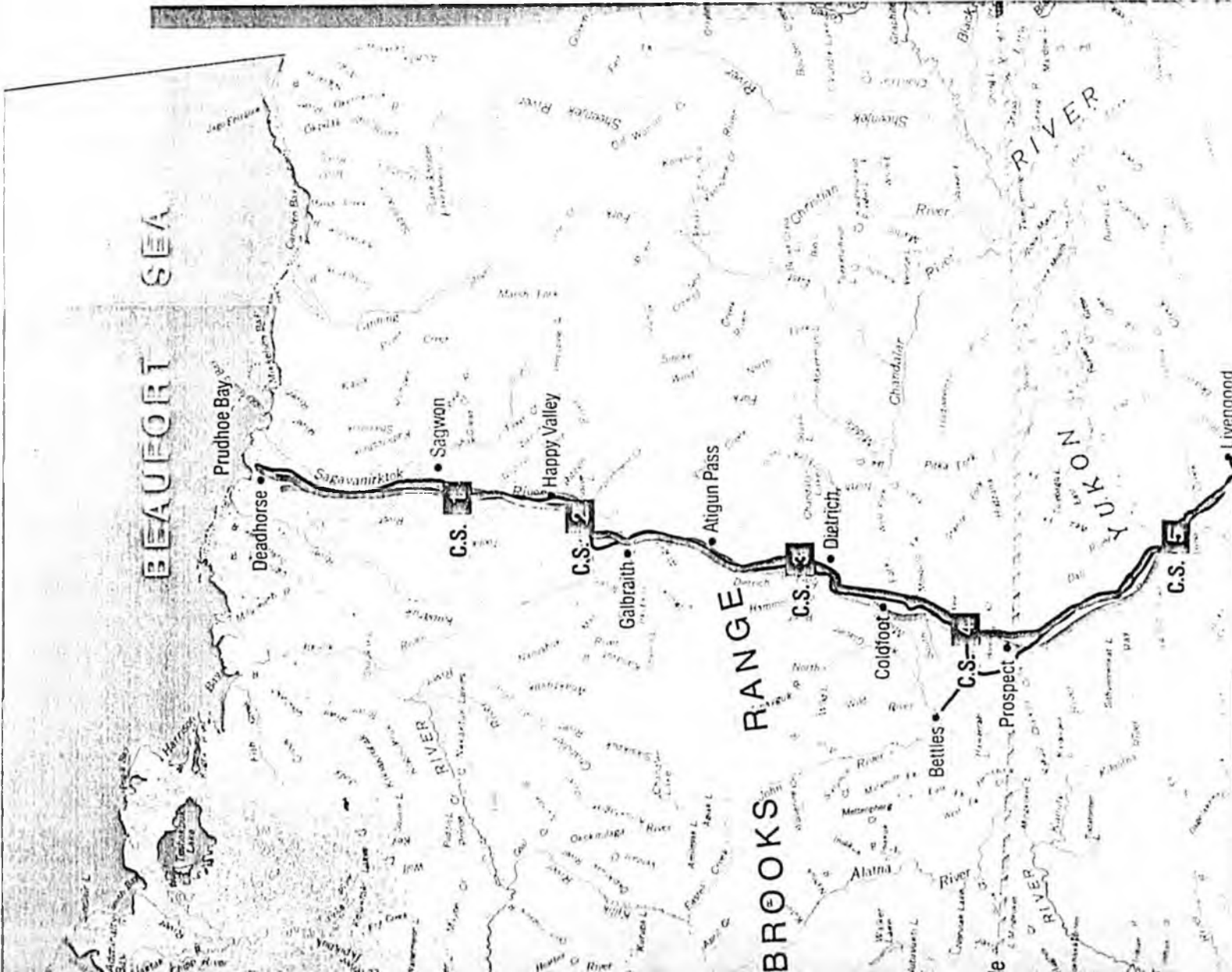
Yukon Pacific Corporation (YPC) believes that a significant opportunity will exist in the mid-1990's to market Alaska North Slope natural gas in the Asian Pacific Rim. To meet this opportunity, YPC proposes to develop the Trans-Alaska Gas System (TAGS). The TAGS project will transport Alaskan North Slope gas to a tidewater facility in the Valdez area where it will be liquefied for ocean transport to Asia. Prime markets for the liquefied natural gas (LNG) exist in the countries of Japan, South Korea, and Taiwan.

The TAGS route from Prudhoe Bay to Valdez generally parallels the Trans-Alaska Pipeline System (TAPS) alignment. Deviations take advantage of more favorable soil-thermal conditions while avoiding, where possible, areas of congestion. From the mouth of Keystone Canyon, the route generally parallels the TAPS alignment along the south side of the Lowe River valley to the south side of Port Valdez. Here, the route bypasses the existing oil terminal facilities and terminates at the LNG plant/marine terminal site at Anderson Bay.

The TAGS project is comprised of three major components: a 36-inch diameter buried chilled gas pipeline from Prudhoe Bay and terminating in the Valdez area which will transport LNG-quality natural gas; ten gas compressor stations to facilitate transport of the gas through the pipeline; and an LNG plant and marine terminal to liquefy the gas and load onto LNG tankers for shipment to Pacific Rim countries.

The pipeline has a designed capacity of 2 billion cubic feet of natural gas per day.

LNG is ordinary natural gas that has had the impurities removed and has been reduced in temperature to about -259°F. (-161°C.) and changed from a vapor to a liquid — only a physical change with no chemical change in



STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801
PHONE: (907) 465-2400

February 16, 1987

The Honorable Lloyd Jones
Chairman
Senate Transportation Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99801

Dear Senator Jones:

Subject: Senate Bill 108, relating to decisions on right-of-way lease applications.

Position: The Department of Natural Resource supports the amendment to the oil and gas pipeline right-of-way leasing statute (AS 38.35.100(b)) described in this bill.

Background: Senate Bill 108 would allow the commissioner to issue a conditional pipeline right-of-way lease even if the applicant is not presently "fit, willing and able."

The existing "fit, willing and able" standard requires the applicant to be nearly ready to begin construction before a right-of-way lease can be issued. In other words, financing has to be reasonably assured, gas sale contracts and markets in place, and construction designs substantially completed.

The commissioner currently has only one alternative to finding an applicant "fit, willing and able," and that is to deny the application. This bill would provide the commissioner with an additional alternative; the ability to issue a conditional right-of-way lease, subject to conditions that ensure the applicant will become "fit, willing and able."

This bill would have a positive effect on the economic development of pipeline projects in Alaska and would not reduce the "fit, willing and able" standards an applicant would be required to meet prior to actual construction of a pipeline.

The Honorable Lloyd Jones

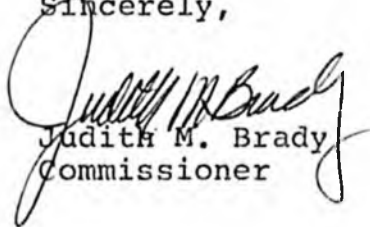
-2-

February 16, 1987

Recommendation: To ensure that the applicant is required to become "fit, willing and able" within a reasonable period of time, add the words "within a prescribed amount of time" to line 15, after the word able.

Please let me know if you would like additional information.

Sincerely,



Judith M. Brady
Commissioner

cc: Committee members
Governor's Legislative Liaison

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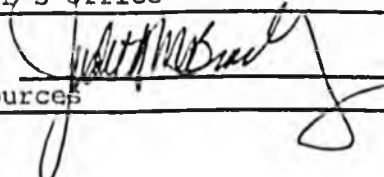
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Alaska State Legislature

Senate Resources Committee




Sen. John B. (Jack) Coqhll, Chairman
Sen. Paul Fischer, Vice-Chairman
Sen. Lloyd Jones
Sen. Arliss Simgilewski
Sen. Jim Duncan
Sen. Fred Zhatoff
Sen. Dick Eliasow

Box V
Juneau, Alaska 99811
(907) 465-1907

February 17, 1987

MEMORANDUM

To: Members of the Senate
Committee on Transportation

From: Senator John B. Coqhll 

Re: SB 108, "Decisions on ROW Lease Applications"

Presently under AS 38.35.100 (b), the Commissioner of DNR must make the determination that the applicant is "fit, willing and able to perform the transportation" prior to issuing a right-of-way lease.

Past interpretation of this standard has meant that any applicant must have the financial capability to go forth with the project which would utilize the right-of-way.

In today's world a right-of-way permit has a value all its own when negotiating financing. To make financing a condition of the ROW lease application hampers a project's chances of becoming a financial reality.

This bill amends the Right-of-Way Leasing Act so that the Commissioner can condition a grant of right-of-way so that the applicant can receive the right-of-way but must demonstrate that it is "fit, willing and able" prior to being allowed to start construction on that right-of-way.

The current standard of "fit, willing and able" is not circumvented but the finding is postponed to a later phase in the process.

I believe it is important in these times to allow modifications in our statutes that assist industry in the real world, without lifting our standards.

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of Feb 12, 1987 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: JUDICIARY
FINANCE

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

2/5/87
Mr. President:

DATE TURNED INTO OFFICE Feb 12, 1987

TRANSPORTATION Committee considered SB 108

relating to decisions on right-of-way lease applications.

and recommended:

replace with CS SB 108 TRSP same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Handwritten signatures]

*Fehrenkamp no-rec
until criteria explained*

[Handwritten signature]
Chairman signature and recommendation

Committee Backup Attached

1 IN THE SENATE

BY THE TRANSPORTATION COMMITTEE

2 CS FOR SENATE BILL NO. 108 (Transportation)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to decisions on right-of-way lease
7 applications."

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

9 * Section 1. AS 38.35.100(b) is amended to read

10 (b) If the commissioner makes the [THESE] determinations de-
11 scribed in (a) of this section favorably to the applicant, then the
12 commissioner may grant all [THE WHOLE] or part of the application.
13 Otherwise, the commissioner may [SHALL] deny the application or grant
14 the application subject to conditions established by the commissioner
15 that will ensure that the applicant is fit, willing, and able within a
16 prescribed period of time to perform the transportation or other acts
17 that will be required by the present or future public interest. In
18 order to grant all [THE WHOLE] or part of the application the commis-
19 sioner shall offer a lease to the applicant for its acceptance through
20 signing of the lease and agreeing to comply with its terms, condi-
21 tions, and obligations. Only upon proper acceptance of offered lease
22 by the applicant within 30 days after its having been presented is the
23 grant of the application consummated.

Introduced: 2/5/87
Referred: Transportation,
Judiciary and Finance

J-0555R

1 IN THE SENATE

BY COGHILL

2 SENATE BILL NO. 108

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