

<sup>6</sup>**HB**

**290**

**HFIN**

**FILE**

(11)

# HOUSE COMMITTEE REPORT

Date Referred to Committee: March 3, 2000

FURTHER REFERRALS:

Date of Committee Action: 3/28/00

The FINANCE Committee considered:

HB 290

HOUSE BILL NO. 290

STRANDED GAS PIPELINE CARRIERS

"An Act relating to stranded gas pipeline carriers and to the intrastate regulation by the Regulatory Commission of Alaska of pipelines and pipeline facilities of stranded gas pipeline carriers."

recommends it be replaced with the following committee substitute CS HB 290 (FIN)  the same title  a new title

additional referral to \_\_\_\_\_ Committee  
 attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) \_\_\_\_\_ APPROVES PREVIOUS: (Dept/Date) \_\_\_\_\_  
 fiscal note(s) \_\_\_\_\_  fiscal note(s) DGRA 2/21/00

zero fiscal note(s) DND; REV 2/21/00  zero fiscal note(s) \_\_\_\_\_

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Tom Merritt</i>	Merritt	X			
<i>W. L. ...</i>	Austinman			X	
<i>J. L. Davies</i>	J. Davies	X			
<i>Grussendorf</i>	Grussendorf	X			
<i>Moses</i>	Moses			X	
<i>G. Davis</i>	G. Davis			X	
<i>W. K. Williams</i>	Williams			X	
<i>S. Phillips</i>	Phillips				✓
<i>Foster</i>	Foster				X

(3) (4) (2)

CHAIR'S SIGNATURE *Tom Merritt*

**FISCAL NOTE**

Bill Version: CSHB 290 (O&G)

(H) Publish Date: 2/21/00

STATE OF ALASKA  
2000 LEGISLATIVE SESSION

Revision Date/ 2/7/00 2:25 PM Dept. Affected DCED  
 Title Intrastate Regulation of Stranded Gas BRU RCA  
 Pipeline Carriers Component  
 Sponsor House Resources RCA  
 Requester Oil & Gas Committee Component No. 2417

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	0.0	33.8	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>33.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES	0.0					
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CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts	0.0					
1003 GF Match	0.0					
1004 GF	0.0					
1005 GF/Program Receipts	0.0					
1037 GF/Mental Health	0.0					
Other (Regulatory Cost Charge)	0.0	33.8	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>33.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: 0.0

**POSITIONS**

Full-time	0.5				
Part-time					
Temporary					

**ANALYSIS:** (Attach a separate page if necessary)

HB 290 is not expected to cause any increase to the agency's FY01 budget. One-half of one Utility Engineering Analyst III position (approximately \$33,800) will be necessary in the FY02 budget to process and analyze the increase in workload due to stranded gas pipeline certification applications. In subsequent fiscal years, these applications will be part of the Commission's ongoing certification workload and are not expected to generate additional costs.

Prepared by: G. Nanette Thompson, Chair Phone 276-6222  
 Division Regulatory Commission of Alaska Date/Time 2/7/00 2:25 PM  
 Approved by Commissioner Deborah B. Sedwick Date 02/07/00  
 Agency Dept. of Community & Regional Affairs

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3/28  
adopted 5-4

1-LS1269K.1  
Chenoweth  
3/23/00

AMENDMENT

OFFERED IN THE HOUSE

TO: CSHB 290(RES)

- 1 Page 5, line 7:
- 2 Delete "The"
- 3 Insert "Except as provided by AS 42.06.370(c), the"
  
- 4 Page 8, following line 17:
- 5 Insert a new bill section to read:
- 6 **"\* Sec. 7.** AS 42.06.370 is amended by adding a new subsection to read:
- 7 (c) Rates demanded, observed, charged, or collected by a North Slope natural
- 8 gas pipeline carrier for intrastate service shall be designed as if that portion of the
- 9 North Slope natural gas pipeline were a public utility regulated under the provisions
- 10 of AS 42.05."
  
- 11 Renumber the following bill section accordingly.

**Barrett Hatches**

---

**From:** Daniel M. Dieckgraeff <dmdieckg@alaska.net>  
**To:** <Representative\_Eldon\_Mulder@legis.state.ak.us>  
**Cc:** Julian Mason <margie-mac@worldnet.att.net>; Barrett Hatches  
<Barrett.Hatches@semcoenergy.com>  
**Sent:** Thursday, March 23, 2000 10:35 PM  
**Subject:** HB 290 - Correct

Representative Eldon Mulder:

My earlier email had a few important words missing. I'm sorry if it causes any inconvenience. It should have read as follows:

ENSTAR Natural Gas Company understands the purpose of HB 290 and we do not object to the overall concept. We are very supportive of efforts to bring North Slope gas near the State's population centers.

There may be some confusion concerning our position. While we understand the concerns of the sponsor group, ENSTAR believes that it would be in the best interests of the instate utility users, and their customers,

for the portion of the pipeline allocated for instate use to be regulated as a public utility by the Regulatory Commission of Alaska. We understand the Sponsor Group's need to guarantee space for its project and therefore do not want to see the whole pipeline regulated as a utility.

I would be glad to discuss our position with you at your convenience.

Daniel M. Dieckgraeff  
Vice President, Finance and Rates  
ENSTAR Natural Gas Company  
Anchorage, Alaska

# FISCAL NOTE

No. 2

**STATE OF ALASKA**  
**2000 LEGISLATIVE SESSION**

Version: CSHB 290 (O&G)  
BIL(H) Publish Date: 2/21/00

Revision Date/Time: \_\_\_\_\_ Dept Affected: Natural Resources  
Title: Stranded Gas Pipeline Carriers BRU: Oil & Gas Development  
Sponsor: House Resources Committee Component: Pipeline Coordinator  
Requestor: (H)O&G Component No. 1191

Expenditures/Revenues (Thousands of Dollars)  
Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES (fund code)	0.0	0.0	0.0	0.0	0.0	0.0
--------------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: \$ none

**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)

There is no anticipated fiscal impact to the Pipeline Coordinator's Office associated with implementation of this legislation.

Prepared by: Bill Britt *[Signature]* Phone: 271-4412  
Division: State Pipeline Coordinators Office Date: 01-Feb-00  
Approved by Commissioner: John Shively *[Signature]* Date: 2-1-2000  
Agency: Natural Resources

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3/28

withdraw

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 290(RES)

1 Page 1, line 1, following "relating to":

2 Insert "oil and gas, to the sale and disposition of state royalty oil and gas, to"

3 Page 1, line 2, following "Alaska":

4 Insert ", "

5 Page 1, following line 4:

6 Insert new bill sections to read:

7 **\*\* Section 1.** AS 38.05.183(e) is amended to read:

8 (e) When a sale, exchange, or other disposal of oil or gas taken in kind by the  
9 state as its royalty share, or a sale, exchange, or other disposal in whole or in part of  
10 a right to receive future royalty oil or gas, under a state lease under this chapter is  
11 made other than by competitive bid, the sale, exchange, or other disposal shall be  
12 awarded by the commissioner to the prospective buyer whose proposal offers the  
13 maximum benefits to citizens of the state. The commissioner shall consider

14 (1) the cash value offered;

15 (2) the projected effects of the sale, exchange, or other disposal on the  
16 economy of the state;

17 (3) the projected benefits of refining or processing the oil or gas in the  
18 state;

19 (4) the ability of the prospective buyer to provide refined products or  
20 by-products for distribution and sale in the state with price or supply benefits to the  
21 citizens of the state; and

22 (5) the criteria listed in AS 38.06.070(a) in the order of priority  
23 required by that subsection.

1 \* Sec. 2. AS 38.06.070(a) is amended to read:

2 (a) In the exercise of its powers under AS 38.06.040(a) and 38.06.050, the  
3 board shall consider **each of the factors in order of priority set out as follows:**

4 (1) [THE REVENUE NEEDS AND PROJECTED FISCAL  
5 CONDITION OF THE STATE;

6 (2)] the existence and extent of present and projected local and  
7 regional **domestic and industrial** needs for oil and gas products and by-products, the  
8 effect of state or federal commodity allocation requirements **that** [WHICH] might be  
9 applicable to those products and by-products, and the priorities among competing  
10 needs;

11 **(2) the existence and extent of present and projected local or**  
12 **regional consumption markets that should be met by the transaction;**

13 (3) the desirability of localized capital investment, increased payroll,  
14 secondary development, and other possible effects of the sale, exchange, or other  
15 disposition of oil and gas or both;

16 (4) the projected **positive and negative environmental effects related**  
17 **to the transaction** [SOCIAL IMPACTS OF THE TRANSACTION];

18 (5) **the revenue needs and projected fiscal condition of the state;**

19 (6) **the projected effects of the proposed transaction upon existing**  
20 **private commercial enterprise and patterns of investments;**

21 (7) the projected additional costs and responsibilities **that** [WHICH]  
22 could be imposed upon the state and affected political subdivisions by development  
23 related to the transaction; **and**

24 (8) [(6)] the **potential effects on** [EXISTENCE OF] specific local or  
25 regional labor [OR CONSUMPTION] markets **that** [OR BOTH WHICH] should be  
26 met by the transaction [;

27 (7) THE PROJECTED POSITIVE AND NEGATIVE  
28 ENVIRONMENTAL EFFECTS RELATED TO THE TRANSACTION; AND

29 (8) THE PROJECTED EFFECTS OF THE PROPOSED  
30 TRANSACTION UPON EXISTING PRIVATE COMMERCIAL ENTERPRISE AND  
31 PATTERNS OF INVESTMENTS]."

- 1 Page 1, line 5:
- 2       Delete "Section 1."
- 3       Insert "Sec. 3."
  
- 4 Renumber the following bill sections accordingly.

3/28  
withdrawn

1-LS1269K.4  
Chenoweth  
3/24/00

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 290(RES)

1 Page 1, line 1, following "relating to":

2 Insert "the sale and disposition of state royalty oil and gas, to"

3 Page 1, line 2, following "Alaska":

4 Insert ","

5 Page 1, following line 4:

6 Insert new bill sections to read:

7 **\*\* Section 1.** AS 38.05.183(e) is amended to read:

8 (e) When a sale, exchange, or other disposal of oil or gas taken in kind by the  
9 state as its royalty share, or a sale, exchange, or other disposal in whole or in part of  
10 a right to receive future royalty oil or gas, under a state lease under this chapter is  
11 made other than by competitive bid, the sale, exchange, or other disposal shall be  
12 awarded by the commissioner to the prospective buyer whose proposal offers the  
13 maximum benefits to citizens of the state. The commissioner shall consider

14 (1) the cash value offered;

15 (2) the projected effects of the sale, exchange, or other disposal on the  
16 economy of the state;

17 (3) the projected benefits of refining or processing the oil or gas in the  
18 state;

19 (4) the ability of the prospective buyer to provide refined products or  
20 by-products for distribution and sale in the state with price or supply benefits to the  
21 citizens of the state; and

22 (5) the criteria listed in AS 38.06.070(a) in the order of priority  
23 required by that subsection.

1 \* Sec. 2. AS 38.06.070(a) is amended to read:

2 (a) In the exercise of its powers under AS 38.06.040(a) and 38.06.050, the  
3 board shall consider **each of the factors in order of priority set out as follows:**

4 (1) [THE REVENUE NEEDS AND PROJECTED FISCAL  
5 CONDITION OF THE STATE;

6 (2)] the existence and extent of present and projected **domestic and**  
7 **industrial** [LOCAL AND REGIONAL] needs for oil and gas products and by-  
8 products, the effect of state or federal commodity allocation requirements **that**  
9 **[WHICH]** might be applicable to those products and by-products, and the priorities  
10 among competing needs;

11 (2) **the existence and extent of present and projected consumption**  
12 **markets that should be met by the transaction;**

13 (3) the desirability of localized capital investment, increased payroll,  
14 secondary development, and other possible effects of the sale, exchange, or other  
15 disposition of oil and gas or both;

16 (4) the projected **positive and negative environmental effects related**  
17 **to the transaction** [SOCIAL IMPACTS OF THE TRANSACTION];

18 (5) **the revenue needs and projected fiscal condition of the state;**

19 (6) **the projected effects of the proposed transaction upon existing**  
20 **private commercial enterprise and patterns of investments;**

21 (7) the projected additional costs and responsibilities **that** [WHICH]  
22 could be imposed upon the state and affected political subdivisions by development  
23 related to the transaction; **and**

24 (8) [(6)] the **potential effects on** [EXISTENCE OF] specific local or  
25 regional labor [OR CONSUMPTION] markets **that** [OR BOTH WHICH] should be  
26 met by the transaction [;

27 (7) THE PROJECTED POSITIVE AND NEGATIVE  
28 ENVIRONMENTAL EFFECTS RELATED TO THE TRANSACTION; AND

29 (8) THE PROJECTED EFFECTS OF THE PROPOSED  
30 TRANSACTION UPON EXISTING PRIVATE COMMERCIAL ENTERPRISE AND  
31 PATTERNS OF INVESTMENTS]."

- 1 Page 1, line 5:
- 2 Delete "Section 1."
- 3 Insert "Sec. 3."
  
- 4 Renumber the following bill sections accordingly.

# FISCAL NOTE

Bill Version: CSHB 290 (O&G)  
 (H) Publish Date: 2/21/00

**STATE OF ALASKA  
 2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) Jan. 26, 2000 Dept. Affected Revenue  
 Title Stranded gas pipeline carriers regulation BRU Revenue Operations  
 Component Oil and Gas Audit  
 Sponsor House Resources  
 Requester House Oil & Gas Component No. 115

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: 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)

This bill clarifies the regulatory environment for a potential North Slope natural gas pipeline, and would not impose any additional costs beyond those necessary for regulation currently. It would not create any revenues either.

Prepared by: Roger Marks Phone: 269-0082  
 Division: Oil and Gas Audit Date/Time: 26-Jan-00  
 Approved by Commissioner: Wilson Condon Date: 1/26/00  
 Agency: Department of Revenue

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FISCAL NOTE #3 TO CSHB 290(O&G)

#3 FISCAL NOTE WAS PUBLISHED WITH THE WRONG DATE.  
PLEASE REPLACE WITH THIS ATTACHED  
CORRECTED NOTE.

# FISCAL NOTE

No: 3

Bill Version: CSHB 290 (O&G)

(H) Publish Date: 2/21/00

**STATE OF ALASKA  
2000 LEGISLATIVE SESSION**

Revision Date/ 2/7/00 2:25 PM	Dept. Affected	DCED
Title	Intrastate Regulation of Stranded Gas	BRU
	Pipeline Carriers	Component
Sponsor	House Resources	RCA
Requester	Oil & Gas Committee	Component No. 2417

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	0.0	33.8	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>33.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES	0.0				
----------------------	-----	--	--	--	--

CHANGE IN REVENUES ( )					
------------------------	--	--	--	--	--

**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts	0.0					
1003 GF Match	0.0					
1004 GF	0.0					
1005 GF/Program Receipts	0.0					
1037 GF/Mental Health	0.0					
Other (Regulatory Cost Charge)	0.0	33.8	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>33.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: 0.0

**POSITIONS**

Full-time		0.5			
Part-time					
Temporary					

**ANALYSIS:** (Attach a separate page if necessary)

HB 290 is not expected to cause any increase to the agency's FY01 budget. One-half of one Utility Engineering Analyst III position (approximately \$33,800) will be necessary in the FY02 budget to process and analyze the increase in workload due to stranded gas pipeline certification applications. In subsequent fiscal years, these applications will be part of the Commission's ongoing certification workload and are not expected to generate additional costs.

Prepared by: <u>G. Nanette Thompson, Chair</u>	Phone <u>276-6222</u>
Division <u>Regulatory Commission of Alaska</u>	Date/Time <u>2/7/00 2:25 PM</u>
Approved by: <u>Commissioner Deborah B. Sedwick</u>	Date <u>02/07/00</u>
Agency <u>Dept. of Community &amp; Regional Affairs</u>	

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# FISCAL NOTE

No: 2

## STATE OF ALASKA 2000 LEGISLATIVE SESSION

Version: CSHB 290(O&G)  
BIL(H) Publish Date: 2/21/00

Revision Date/Time: \_\_\_\_\_ Dept Affected: Natural Resources  
Title: Stranded Gas Pipeline Carriers BRU: Oil & Gas Development  
Component: Pipeline Coordinator  
Sponsor: House Resources Committee  
Requestor: (H)O&G Component No. 1191

Expenditures/Revenues (Thousands of Dollars)  
Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES (fund code)	0.0	0.0	0.0	0.0	0.0	0.0
--------------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: \$ none

### 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)

There is no anticipated fiscal impact to the Pipeline Coordinator's Office associated with implementation of this legislation.

Prepared by: Bill Britt *[Signature]* Phone: 271-4412  
Division: State Pipeline Coordinators Office Date: 01-Feb-00  
Approved by Commissioner: John Shively *[Signature]* Date: 2-1-2000  
Agency: Natural Resources

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**FISCAL NOTE**

Bill Version: CSHB 290 (O&G)  
 (H) Publish Date: 2/21/00

**STATE OF ALASKA  
 2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) Jan. 26, 2000 Dept. Affected Revenue  
 Title Stranded gas pipeline carriers BRU Revenue Operations  
regulation Component Oil and Gas Audit  
 Sponsor House Resources  
 Requester House Oil & Gas Component No. 115

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Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**FUND SOURCE (Thousands of Dollars)**

FUND SOURCE	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: 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)

This bill clarifies the regulatory environment for a potential North Slope natural gas pipeline, and would not impose any additional costs beyond those necessary for regulation currently. It would not create any revenues either.

Prepared by: Roger Marks Phone 269-0082  
 Division Oil and Gas Audit Date/Time 26-Jan-00  
 Approved by Commissioner Wilson Condon Date 1/26/00  
 Agency Department of Revenue

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FISCAL NOTE #3 TO CSHB 290(O&G)

#3 FISCAL NOTE WAS PUBLISHED WITH THE WRONG DATE.  
PLEASE REPLACE WITH THIS ATTACHED  
CORRECTED NOTE.

# FISCAL NOTE

Bill Version: CSHB 290 (O&G)

(H) Publish Date: 2/21/00

STATE OF ALASKA  
2000 LEGISLATIVE SESSION

Revision Date/ 2/7/00 2:25 PM Dept. Affected DCED  
 Title Intrastate Regulation of Stranded Gas BRU RCA  
 Pipeline Carriers Component  
 Sponsor House Resources RCA  
 Requester Oil & Gas Committee Component No. 2417

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	0.0	33.8	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>33.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES	0.0					
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CHANGE IN REVENUES ( )						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	0.0					
1003 GF Match	0.0					
1004 GF	0.0					
1005 GF/Program Receipts	0.0					
1037 GF/Mental Health	0.0					
Other (Regulatory Cost Charge)	0.0	33.8	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>33.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: 0.0

**POSITIONS**

Full-time	0.5				
Part-time					
Temporary					

**ANALYSIS:** (Attach a separate page if necessary)

HB 290 is not expected to cause any increase to the agency's FY01 budget. One-half of one Utility Engineering Analyst III position (approximately \$33,800) will be necessary in the FY02 budget to process and analyze the increase in workload due to stranded gas pipeline certification applications. In subsequent fiscal years, these applications will be part of the Commission's ongoing certification workload and are not expected to generate additional costs.

Prepared by: G. Nanette Thompson, Chair Phone 276-6222  
 Division Regulatory Commission of Alaska Date/Time 2/7/00 2:25 PM  
 Approved by Commissioner Deborah B. Sedwick Date 02/07/00  
 Agency Dept. of Community & Regional Affairs

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# FISCAL NOTE

No. 2

Version: CSHB 290 (O&G)

BIL(H) Publish Date: 2/21/00

**STATE OF ALASKA  
2000 LEGISLATIVE SESSION**

Revision Date/Time: \_\_\_\_\_ Dept Affected: Natural Resources  
 Title: Stranded Gas Pipeline Carriers BRU: Oil & Gas Development  
 Sponsor: House Resources Committee Component: Pipeline Coordinator  
 Requestor: (H)O&G Component No. 1191

Expenditures/Revenues (Thousands of Dollars)  
 Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES (fund code)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: \$ none

**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)

There is no anticipated fiscal impact to the Pipeline Coordinator's Office associated with implementation of this legislation.

Prepared by: Bill Britt *[Signature]* Phone: 271-4412  
 Division: State Pipeline Coordinators Office Date: 01-Feb-00  
 Approved by Commissioner: John Shively *[Signature]* Date: 2-1-2000  
 Agency: Natural Resources

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**FISCAL NOTE**

Bill Version: CSHB 290 (O&G)  
 (H) Publish Date: 2/21/00

**STATE OF ALASKA  
 2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) Jan. 26, 2000 Dept. Affected Revenue  
 Title Stranded gas pipeline carriers BRU Revenue Operations  
regulation Component Oil and Gas Audit  
 Sponsor House Resources  
 Requester House Oil & Gas Component No. 115

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2000) cost: 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)

This bill clarifies the regulatory environment for a potential North Slope natural gas pipeline, and would not impose any additional costs beyond those necessary for regulation currently. It would not create any revenues either.

Prepared by: Roger Marks  
 Division Oil and Gas Audit  
 Approved by Commissioner Wilson Condon  
 Agency Department of Revenue

Phone 269-0082  
 Date/Time 26-Jan-00  
 Date 1/26/00

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**MEMORANDUM**

**TO:** REPRESENTATIVES MULDER AND THERRIAULT  
**FROM:** NAN THOMPSON, REGULATORY COMMISSION OF ALASKA  
**SUBJECT:** HB 290-TARIFF PROVISION  
**DATE:** 03/23/00  
**CC:** HOUSE FINANCE COMMITTEE MEMBERS

You asked for a list of items that would be excluded from a utility pipeline tariff that a pipeline carrier could argue should be included in their tariff. There are APUC decisions excluding the following types of expenses from utility rates, but no comparable decision excluding them from pipeline rates:

- Public relations costs
- Lobbying expenses
- Charitable contributions
- Association dues
- Extraordinary management compensation
- Research and development costs
- Acquisition adjustments
- Pensions and employee benefits

Only imagination and conscience limit the types of expenses that a pipeline owner could ask be included in their tariff. The sponsor group correctly noted that the RCA would have the authority to exclude the expenses when they are presented to us for review. However, the RCA could not exclude them with the assurance that the pipeline owner would not appeal. An appeal means time delay and uncertainty in the business environment, and additional legal expenses for the RCA and carriers. The carriers would be entitled to argue that those legal expenses should be included in their rates.

How the difference between the utility and pipeline tariff methodology affects the RCA's decision-making process was well-articulated in a 1992 pipeline decision, Re Kenai Pipeline Company, 12 APUC 425 on page 434:

The methodology the Commission uses to determine the value of the property of public utilities is set by statute. A.S. 42.05.441(b) reads as follows: "In determining the value for rate-making purposes of public utility property used and useful in rendering service to the public, the commission shall be guided by the acquisition cost, or, if lower, the original cost of the property to the person first devoting it to public service, less accrued depreciation, plus materials and supplies and a reasonable allowance for cash working capital when required." There is no similar provision under AS 42.06. Thus, the Commission is free to determine the appropriate way to value pipeline property for the purposes of ratemaking.

The APUC went on, in that forty-page opinion, to discuss the options and arguments of the parties and make a decision. The RCA can determine what is just and reasonable, but the lack of case law in this area to guide the RCA and the pipeline owners creates room for arguments. Arguments mean delay; litigation expenses and a less predictable environment for in-state shippers. The RCA would generally follow its utility tariff decisions, except where the Federal Energy Regulatory Commission (FERC, the federal agency with pipeline jurisdiction) has a different rule. Thus, a prospective in-state shipper would have to reference federal caselaw to predict the likely outcome of a pipeline tariff case.

The APUC has set rates for only two oil pipelines in this state. The Kenai Pipeline case cited above was one, and Cook Inlet Pipeline was the other. Both cases were extensively litigated. The APUC has set tariffs for all other oil pipelines in the based on settlements between the affected parties.

The APUC has set rates for only one gas pipeline under the pipeline statute. The affected parties agreed to those rates as part of a comprehensive settlement package that has no precedential value. All other gas pipeline tariffs have been set using a utility tariff methodology.

**ANS LNG Sponsor Group's Position on the  
Regulatory Commission of Alaska's Proposal  
to Amend HB 290 to Require the Use of a  
Utility Ratemaking Methodology**

The Regulatory Commission of Alaska (RCA) has proposed that HB 290 be amended to specify that a utility ratemaking methodology be required in developing the intrastate tariffs applicable to a North Slope natural gas pipeline. The ANS LNG Sponsor Group disagrees, and believes that it is inappropriate to specify the use of a utility ratemaking methodology for a pipeline that is not to be operated as a utility.

First, we believe that specifying any tariff methodology in this bill is premature. The bill, as originally drafted, was purposely simple and focused. Its sole purpose to make only those changes to existing statutes which are needed to remove existing commercial and regulatory impediments to the successful marketing of LNG in Asian markets. The bill was not intended to address the many detailed and technical issues which ultimately will have to be addressed when, and if, a viable export project can be defined. We continue to believe that the appropriate time to address the detailed concerns of what should or should not be allowed in an intrastate tariff is when proposed tariffs are filed with the RCA for its consideration and approval. Regardless of whether those tariffs are calculated under the Public Utilities Act, or under the Pipeline Act, the RCA will have the authority to disallow any costs which it determines not to be "just and reasonable"—the operative standards under both statutory schemes.

Secondly, we believe that specifying the use of a utility ratemaking methodology creates a regulatory hybrid, something that both we and the RCA have tried hard to avoid. The initial language of HB 290 contained several phrases which the RCA suggested created ambiguity regarding whether regulation would occur under the Pipeline Act or the Public Utilities Act. While that was not our intent, we agreed with the RCA that the language could be construed to produce such a result, and the original language was amended to clarify that the intrastate portion of an export project would be regulated under the Pipeline Act. Having provided that needed clarity, amending the bill now to require a new hybrid—a pipeline regulated under the Pipeline Act, but with a tariff established under the Public Utilities Act—seems a step backwards to us. No other pipeline in the state would be similarly situated.

Finally, we believe that a utility ratemaking methodology is set up, by design, for companies selling directly to the consuming public. It may be an appropriate methodology for companies like Enstar, Fairbanks Natural Gas, GVEA and others that are, or that want to be in the retail business of distributing gas to local consumers. However, that is not the business in which an export LNG project such as ours will be engaged. While any such project, including ours, will be required by the RCA to provide sufficient capacity to meet intrastate needs, they will not necessarily be marketers of gas for intrastate use. That business will be left to those who do it best, the existing local utilities, as well as new utilities which may develop following the completion of an export pipeline project. That is why we continue to believe that a ratemaking methodology under the Pipeline Act, and not under the Public Utilities Act, is appropriate for an LNG export project.

# Alaska State Legislature

## House Resources Committee

Co-Chair Beverly Masek  
(907) 465-3715  
FAX (907) 465-4822  
Capitol Building, Room 124  
Juneau, Alaska 99801



Co-Chair Bill Hudson  
(907) 465-6890  
FAX (907) 465-2273  
Committee Meetings  
M/W/F 1 - 3 p.m.

Members: Vice Chair John Cowdery, Representatives: Ramona Barnes,  
John Harris, Carl Morgan, Jim Whitaker, John Cowdery, Reggie Joule, and Mary Kapsner

### SPONSOR STATEMENT

#### CSHB 290(RES)

**"An Act relating to pipeline carriers of natural gas produced from the North Slope of Alaska and to the intrastate regulation by the Regulatory Commission of Alaska of pipelines and pipeline facilities of that natural gas."**

Before a North Slope natural gas pipeline project can proceed, certain amendments to existing state statutes are required. These changes are intended: 1) to apply to all potential North Slope natural gas pipeline projects, 2) to clarify respective state and federal jurisdictions in regulating such projects, 3) to be complementary to a non-discriminatory federal process which will apply to any export volumes of North Slope natural gas, 4) to provide for local (in state) gas transportation and sales, and 5) to provide needed exemption from public utility designation for a North Slope natural gas pipeline project.

CSHB 290(RES) will amend the Pipeline Act (AS 42.06) to define a North Slope natural gas pipeline, will clarify that the Regulatory Commission of Alaska's (RCA's) authority in regulating a North Slope natural gas pipeline extends only to the intrastate transportation of gas through such a system, to define a fair, predictable and timely process to identify and dedicate sufficient initial intrastate capacity in a North Slope natural gas pipeline and to establish the criteria for needed pipeline system expansions over the life of a North Slope natural gas pipeline system to accommodate increased demand for in state gas supplies.

CSHB 290(RES) will amend the Public Utilities Act (AS 42.05) to clarify that North Slope natural gas pipeline systems are exempt from the requirement of operating as a public utility, and will amend the Right-of-Way Leasing Act (AS 38.35) to limit the requirement of common carriage for North Slope natural gas pipeline systems to the transportation of intrastate gas volumes only.

CSHB 290(RES) also defines the types of intrastate transportation services that will be available in a North Slope natural gas pipeline system, provides that in its tariff filed with the RCA a North Slope natural gas pipeline carrier may charge separate rates for those services, and may also charge a reservation fee for reserving capacity in a North Slope natural gas pipeline system.

Collectively, these changes are intended to provide greater certainty and predictability in the regulation of North Slope natural gas pipeline systems. This increased certainty will enhance the ability of gas export project sponsors to market Alaska's North Slope natural gas reserves, to compete more effectively with alternative export projects and to attract the large investments required to construct and operate the pipeline and related facilities necessary to condition, transport and export North Slope natural gas reserves.

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# Alaska State Legislature

## House Resources Committee

**Co-Chair Beverly Masek**  
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Juneau, Alaska 99801



**Co-Chair Bill Hudson**  
(907) 465-6890  
FAX (907) 465-2273  
Committee Meetings  
M/W/F 1 - 3 p.m.

Members: Vice Chair John Cowdery, Representatives: Ramona Barnes, John Harris, Carl Morgan, Jim Whitaker, John Cowdery, Reggie Joule, and Mary Kapsner

### SECTIONAL ANALYSIS CSHB 290(RES)

#### Section 1:

Amends AS 38.35.120(a) by adding a new paragraph (a)(1)(B)(i) that provides that a right-of-way lessee that owns or operates a North Slope natural gas pipeline as a North Slope natural gas pipeline carrier is required to operate as a common carrier only with respect to the intrastate transportation of stranded gas.

(a)(1)(B)(ii) removes the requirement for the LNG plant and marine terminal to be in common carriage under the Right-of-Way Leasing Act, without affecting the State Pipeline Coordinator's Office delegated authority under the Act.

#### Section 2:

Amends AS 42.05.711 by adding a new subsection (n) that exempts the owners or operators of a North Slope natural gas pipeline system from operating as a public utility.

#### Section 3:

Amends AS 42.06.230(b) to clarify that, with respect to a North Slope natural gas pipeline, the Regulatory Commission of Alaska's (RCA's) jurisdiction and authority extend only to the intrastate transportation of such gas.

#### Section 4:

Amends AS 42.06.240 by adding a new subsection, (f)(1)-(4), within which:

(f)(1) provides that persons making application for a certificate of public convenience and necessity for a North Slope natural gas pipeline must dedicate a portion of the pipeline's initial capacity sufficient to transport the total volume of North Slope natural gas that has been committed to tendering for firm intrastate transportation services at the time pipeline operations commence;

(f)(2) provides that, upon receipt of an application, the RCA shall issue public notice inviting requests for service by prospective intrastate shippers, and specifies the criteria for a request of service;

(f)(3) defines the criteria by which the RCA will determine the total volume of intrastate transportation of North Slope natural gas required for initial transportation by a North Slope natural gas pipeline and provides the RCA authority to consider peak volumes in its determinations. The provisions of (f)(3) also require the RCA to define in its orders the total volume of intrastate North Slope natural gas that a North Slope natural gas pipeline carrier must accept for intrastate transportation and limits those volumes to volumes substantiated by written commitments and contracts which comply with the requirements of the chapter; and

(f)(4) provides that, upon application by a North Slope natural gas carrier for authority to transport North Slope natural gas within the state in excess of the volume required by the RCA under (3)(B) of this subsection, the RCA shall grant the authority if the transportation of the increased volume is determined to be consistent with public convenience and necessity.

#### **Section 5:**

Amends AS 42.06.310 by adding a new subsection which limits the applicability of AS 42.06.310 (c), to the extent a North Slope natural gas pipeline carrier's pipeline does not allow for expanded capacity, and defines the standards which must be met for the RCA to require expansion, enlargement or extension of a North Slope natural gas pipeline system. Those standards include requirements that the person making a request for such expansion, enlargement or extension has made a firm contractual commitment to the North Slope natural gas pipeline carrier to transport the gas, and that the expansion, enlargement or extension will not result in substantial injury, including economic injury, to the North Slope natural gas pipeline facility or its customers; substantial detriment to the services furnished by the North Slope natural gas pipeline facility; or the creation of safety hazards.

#### **Section 6:**

Amends AS 42.06.350 by adding a new subsection (c) establishing the right of a North Slope natural gas pipeline carrier to charge separate rates for "firm transportation service" and "interruptible transportation service" under its tariff, providing for the carrier's imposition of a reservation fee for capacity in a North Slope natural gas pipeline as a condition of providing firm transportation, setting limits on the types of costs that may be included in a reservation fee and prohibiting the imposition of reservation fees for interruptible transportation service.

#### **Section 7:**

Amends AS 42.06.630 by adding new paragraphs (11)-(17), which define certain terms, introduced in CSHB 290(RES), including:

- "capacity"
- "firm transportation service"
- "interruptible transportation service"
- "intrastate"
- "North Slope natural gas"
- "North Slope natural gas pipeline"; and
- "North Slope natural gas pipeline carrier"

## MEMORANDUM

TO: REPRESENTATIVES MULDER AND THERRIAULT  
FROM: NAN THOMPSON, REGULATORY COMMISSION OF ALASKA *NT*  
SUBJECT: HB 290-DELETED TARIFF PROVISION  
DATE: 03/20/00  
CC: HOUSE FINANCE COMMITTEE MEMBERS

Section 8 of the House Oil and Gas Committee CS for HB 290 protected the interests of prospective in-state users by requiring the RCA to use utility ratemaking methodology. The House Oil and Gas committee deleted this section. The rates derived under a utility ratemaking methodology are less subject to legal challenge and more closely related to the actual costs of delivering the gas through the pipeline. I recommend that the bill include a provision requiring the RCA to set tariff rates using utility ratemaking methodology.

The statutes controlling utility (AS 42.05.361-.441) and pipeline (AS 42.06.350-.420) ratemaking methodology both require just and reasonable rates and allow the pipeline owners to recover a rate of return on their investments. There are, however, important differences between these two ratemaking methodologies that affect the rates in-state users will pay to transport gas through the pipeline.

There is substantially less case law to guide the RCA on what is just and reasonable to include in a pipeline tariff. In Alaska, and the lower 48, the trend has been for the pipeline owners and shippers (who are often affiliated) to negotiate the tariff and present it to the FERC and/or state regulatory commission as a settlement. In the absence of disagreement over the terms of the tariff by the affected parties, the regulatory agencies generally approve the agreed upon tariff terms. The dearth of case law makes any decision by the RCA more subject to legal challenges and resulting delay.

The issue of public relations costs is a good example of the difference between utility and pipeline tariffing methodologies. Public relations costs are excluded from utility tariffs under AS 42.05 381. The pipeline tariff statute is silent on this issue and the carriers cite this difference in the statutes in support of their requests to charge public relations costs to their ratepayers. For example, the TAPS carriers included the public relations costs incurred by Alyeska Pipeline Service Company after the Exxon Valdez Oil Spill in their intrastate tariff rates. The parties are still litigating the issue of whether those public relations costs should be part of their tariffed rates before the RCA and the FERC.