

**HB**

**290**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/11/00

FURTHER:

REPORTED OUT OF  
SFC 4/15/00

DATE TURNED  
IN TO OFFICE:

15 April 00

Finance Committee considered

CS FOR HOUSE BILL NO. 290(FIN)

"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."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS HB 290 (FIN)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

Senate Bill:

- same title
  - new title
- House Bill:
- same title
  - technical title
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓	<i>[Signature]</i>	✓		
<i>[Signature]</i>	✓	<i>[Signature]</i>	✓		
<i>[Signature]</i>	✓	<i>[Signature]</i>	X		
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
Co-Chair: <i>[Signature]</i>	✓	Co-Chair:			
Co-Chair: <i>[Signature]</i>	✓	Co-Chair:			

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal
Revenue	1/26/00	✓	
DNR	2/1/00	✓	
DCED	2/7/00	✓	

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

**FISCAL NOTE**  
 REPORTED OUT OF  
 SFC 4/15/00

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 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

No. 2

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

REPORTED OUT OF  
SFC 4/15/00

Version: CSHB 290 (O&G)  
Bill(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>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES (fund code)</b>	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>	0.0	0.0	0.0	0.0	0.0	0.0

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)

STATE OF ALASKA  
2000 LEGISLATIVE SESSION

REPORTED OUT OF  
SFC 4/15/00

(H) Publish Date: 2/21/00

Revision Date: 2/21/00 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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# 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, Reggie Joule, and Mary Kapsner

### SPONSOR STATEMENT

#### CSHB 290(FIN)

**"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(FIN) 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(FIN) 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. Although not required to operate under the Public Utilities Act, a North Slope natural gas pipeline system must design and collect its tariff for intrastate transportation as if that portion of its pipeline was a public utility regulated under the provisions of AS 42.05.

CSHB 290(FIN) 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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### SECTIONAL ANALYSIS CSHB 290(FIN)

#### 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 42.06.370 by adding a new subsection (c) specifying that the "rates demanded, observed, charged or collected by a North Slope natural gas pipeline carrier for intrastate service shall be designed as if that portion of the North Slope natural gas pipeline were a public utility regulated under the provisions of AS 42.05", instead of 38.35

**Section 8:**

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

SENATE FINANCE COMMITTEE

SIGN-IN

HB 290-STRANDED GAS PIPELINE CARRIERS

NAME: MICHAEL HURLEY Subject/Bill No: HB 290

Co./Dept./Title: ANS LNG SPONSOR GROUP Phone: 907 265 6313

Address: 700 G STREET ANCHORAGE, AK Zip: 99501

Do you wish to testify?  Yes  No  Respond To Questions

NAME: Loralie Meier Subject/Bill No: HB290

Co./Dept./Title: Leg. Aide, Rep. Masek Phone: X3715

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions  
*present bill*

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions