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# ALASKA STATE LEGISLATURE

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## SENATE RESOURCES COMMITTEE

### SPONSOR STATEMENT

SB 143

#### "Right-Of-Way Leasing Act: Application Cost"

One of the legislature's priorities is commercialization of North Slope gas. Any sponsor of a pipeline project will have to obtain a right-of-way across state lands. This bill would authorize the state to be reimbursed for work performed by the State Pipeline Coordinator's Office (SPCO) in preparing to receive and process an application for a right-of-way lease. It also clarifies that an applicant must reimburse the SPCO for costs incurred in processing an application whether or not the application is granted.

AS 38.35.140 provides that a lessee shall reimburse the state for all reasonable costs incurred in processing an application filed for a right-of-way lease. Although the SPCO has entered into an agreement with a lessee seeking renewal of a lease to reimburse the state for costs incurred before receipt of the renewal application, legislative legal services has questioned whether this is authorized under existing law and whether the state can be reimbursed for costs incurred before the receipt of an application. The SPCO anticipates that it will be asked to perform substantial work by prospective gas pipeline lessees this year in anticipation of filing applications later this year or early next year. Much of the cost of this work would clearly be reimbursable to the state if the prospective lessee actually had a pending application. It is important to insure that the state is reimbursed for the significant cost that it will incur in performing work in anticipation and furtherance of the application process.

Additionally, the SPCO, in the past, has required a prospective lessee to reimburse the state for costs incurred in processing an application even if the application has not been granted. This bill would conform the law to existing practice between the SPCO and prospective lessees to make clear that the state must be reimbursed for the costs of processing an application whether or not the lease is ultimately granted. Prospective lessees cannot expect the state to pay for services requested by them on routes that ultimately are not selected or on applications that may ultimately be withdrawn, suspended, or otherwise not granted.

SENATE BILL NO. 143

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Introduced: 3/14/01  
Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the Department of Natural Resources to enter into agreements with  
2 a person or persons desiring to own an oil or natural gas pipeline proposed to be located  
3 on state land for the purposes of providing for payment of the reasonable costs incurred  
4 in preparing for activities before receipt of an application under the Alaska Right-of-  
5 Way Leasing Act and for activities relating to the processing of an application under  
6 that Act; and providing for an effective date."

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

8 \* Section 1. AS 38.35.140(b) is amended to read:

9 (b) The lease applicant or lessee shall reimburse the state for all reasonable  
10 costs incurred in processing an application filed under AS 38.35.050 and in  
11 monitoring the construction of the pipeline on the right-of-way.

12 \* Sec. 2. AS 38.35 is amended by adding a new section to read:

13 Sec. 38.35.145. Agreement to provide for payment of preapplication costs.

1 (a) To accommodate preliminary work in advance of the receipt of an application for  
2 a lease under this chapter, the department may enter into an agreement with a  
3 prospective lessee desiring to own an oil or natural gas pipeline that is proposed to be  
4 located in whole or in part on state land. The agreement must provide that the  
5 prospective lessee reimburse the department for the reasonable costs of work incurred  
6 in preparing for activities before receipt of an application.

7 (b) Expenditure of amounts received by the department under (a) of this  
8 section is subject to appropriation by the legislature. Appropriations made to satisfy  
9 the requirement of (a) of this section may be made by general appropriations of  
10 program receipts conditioned on compliance with the program review provisions of  
11 AS 37.07.080(h).

12 (c) The department may not exercise authority to enter into an agreement  
13 under (a) of this section after December 31, 2003, but an agreement entered into  
14 before January 1, 2004, is valid and enforceable on and after that date.

15 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).