

SB

76

Alaska State Legislature

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SSSB 76\S

"An Act relating to the Alaska Right-of-Way Leasing Act; and providing for an effective date."

Sponsor: Senator Gene Therriault

Sponsor Statement

Senate Bill 76 makes three important changes to the 1972 Alaska Right-of-Way Leasing Act, which gives the Department of Natural Resources the authority to lease state land for oil and gas pipelines.

First, SB 76 increases the maximum term of right-of-way lease renewals from the current 10 years to 30 years. Leases for several pipelines, including the Trans-Alaska Pipeline System, Endicott, Kuparuk, Oliktok and Milne Point all expire in May, 2004. The 30-year term for renewal is consistent with that of federal grants of right-of-way for oil and gas pipelines, and will result in significant savings of time and money to industry and the state. A section of the bill allows for existing leases to be amended, upon request, to incorporate the new provision for renewal periods of up to 30 years. The bill also places in statute a provision allowing for the extension of leases under their existing terms if the lessee has applied for renewal, but the terms of the lease are still under negotiation at the date of expiration. The language proposed in AS 38.35.110(b) states that the lease shall be continued until the commissioner issues a final determination on renewal.

Although current statutes give the commissioner leeway to extend a right-of-way lease or grant an *interim* lease pending finalization of a renewal determination, I believe the procedure for extending a lease pending renewal needs to be set out in statute. Although DNR believes it can adhere to a self-imposed deadline for renewing leases before they expire, I think such rationale injects unnecessary uncertainty into the renewal process.

Second, the bill amends the definition of "state land" for purposes of the right-of-way leasing act to include only land in which the interest owned by the state is sufficient to permit the state to lease it under the authority of the Department of Natural Resources.

Third, the bill requires lessees under new and renewed right-of-way leases to reimburse the state for costs associated with monitoring the operation, maintenance and termination of pipelines on state right-of-way leases. The bill requires the commissioner to use best efforts to reach agreement with the lessee on the cost reimbursement and to provide the lessee with an annual estimate of the projected costs and scope of the work.