

SB

151



ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER
CHAIR, SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
VICE-CHAIR, SENATE RESOURCES COMMITTEE

SPONSOR STATEMENT **CSSB – 151: Gas Pipeline Transportation Tariffs**

In 2000, the Alaska Legislature amended the Alaska Pipeline Act to make provisions for operation of a North Slope Gas Pipeline. One provision allowed for two classes of transportation service, "firm" and "interruptible."

Basically, some shippers require "firm" availability of pipeline capacity and thus are willing to pay a guaranteed "reservation charge" to reserve the capacity. This charge is paid whether or not the space is actually used. The pipeline in turn guarantees this capacity will be constructed and made available. Others, who do not require firm service, can opt for "interruptible" service, which does not require payment of a reservation charge. The cost of this service is instead based on shipments actually made. However, these gas shipments are subject to interruption if space becomes unavailable.

When the 2000 amendments were enacted, the North Slope Gas Pipeline was the only gas transportation pipeline in the state proposing to provide such service. There is now a pipeline project in the Cook Inlet, the Kenai Kachemak Pipeline (KKPL), which proposes to provide "firm" and "interruptible" transportation service.

KKPL recently requested the Regulatory Commission of Alaska (RCA) to authorize it to provide these "firm" and "interruptible" services. The RCA declined and posed the question of whether or not a contract carriage for gas pipelines elsewhere in the State was permissible, given the recent amendment that dealt exclusively with transportation of gas from the North Slope.

This legislation is necessary to clarify that the RCA has the authority to authorize "firm" and "interruptible" services for other Alaskan gas transmission pipelines.

The bill achieves this purpose by amending the provisions regarding "firm" and "interruptible" service to make them available to any natural gas pipeline carrier operating in the State. It also adds definitions of a "natural gas pipeline" and "natural gas pipeline carrier".

SS CSSB 151 H(RES) 4-29-03 mj

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: SB 151
 (S) Publish Date: 4/2/03

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
 Title Gas Pipeline Transportation Tariffs BRU Regulatory Commission of Alaska (399)
 Component Regulatory Commission of Alaska
 Sponsor Senator Wagoner
 Requester Senate Labor & Commerce Component No. 2417

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

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

Please see analysis continuation.

Prepared by: Dave Harbour, Chair Phone 907-276-6222
 Division: Regulatory Commission of Alaska Date/Time 4/1/03 10:17 AM
 Approved by: Edgar Blatchford, Commissioner Date 4/1/2003
 Agency: Department of Community & Economic Development

FISCAL NOTE #2

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. SB 151
Gas Pipeline
Transportation Tariffs

ANALYSIS CONTINUATION

While not explicitly stated, the services allowed by this bill are typically regarded as contract carriage. The 2000 Legislature allowed it for transportation of natural gas from the North Slope, partially to bring State statutes into accord with FERC rules for interstate gas transport. This language expands the statutory recognition of contract carriage to all parts of the State. Because common carrier language is retained in AS 42.06, RCA retains the ability to provide any and all shippers access to transport service on intrastate pipelines through its regulatory processes.


There are no fiscal impacts on RCA for this bill, however it is expected that where producers elect to own and operate a pipeline, which is allowed under state statute, contract carriage with service under these statutory terms will be proposed to RCA in pipeline tariff filings. RCA will consider this under the statutory public interest standard.

RCA's budget is funded through the Regulatory Cost Charge (RCC) mechanism and direct charge mechanisms. No general funds are allocated for support of the agency. The RCC is recalculated each year and allows the agency to recover its operating costs through an assessment on the revenues of the utilities and pipeline carriers it regulates. The RCC is capped at 0.8 % of regulated utilities annual gross revenues.



ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER
CHAIR, SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE
VICE-CHAIR, SENATE RESOURCES COMMITTEE

DATE: April 29, 2003
TO: Rep. Bud Fate, Chair
House Resources Committee
FROM: Senator Tom Wagoner 
RE: CSSB 151 Hearing Request

I respectfully request that you schedule this bill for hearing at your earliest convenience. This is the companion to HB 204, which was moved out of your committee on April 9th.

Perhaps you would consider waiving the bill from committee because you have previously heard the HB 204.

In any event, I am attaching information for your bill packet.

Thank you for your time and consideration.



ALASKA STATE LEGISLATURE

SENATOR THOMAS H. WAGONER

CHAIR, SENATE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

VICE-CHAIR, SENATE RESOURCES COMMITTEE

Sectional Analysis

SB – 151: Gas Pipeline Transportation Tariffs

Section 1: Amends 42.06.350(c) by deleting all reference to “north slope” as it refers to gas lines; the purpose is to broaden the legislation to include other pipelines.

Section 2: Amends 42.06.630(6) by deleting all reference to “north slope” as it refers to gas lines; the purpose is to broaden the legislation to include other pipelines.

Section 3: Amends 42.06.630(8) by deleting all reference to “north slope” as it refers to gas lines; the purpose is to broaden the legislation to include other pipelines.

Section 4: Amends 42.06.630 by adding new paragraphs that define “natural gas pipeline”, “natural gas pipeline facility” and “natural gas carrier”.

Section 5: Immediate effective date of the bill.

SA SB 151 S(L&C) 4-29-03 mj

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1 CORRECTED
 Bill Version: SB 151
 (S) Publish Date: 4/4/03

Revision Date/Time (Note if correction): 4/1/2003 Dept. Affected: Natural Resources
 Title Gas Pipeline Transportation Tariffs BRU Resource Development
 Component Oil and Gas Development
 Sponsor Wagoner
 Requester Senate Labor and Commerce Component No. 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
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Supplies						
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Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	**	**	**	**	**	**
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POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

SB 151 would modify the Alaska Pipeline Act (AS 42.06.055-.640) to allow for contract carriage on all natural gas pipelines over which the State has jurisdiction. At present, only a pipeline bringing North Slope gas to outside markets can clearly offer contract carriage service. All other gas pipelines under the Pipeline Act must provide service as common carriers.

** It is difficult to predict the effects that this bill might have on revenues, because it is difficult to predict the effects of contract carriage pipelines on gas exploration and development.

Continued on next page.

Prepared by: Mark D. Myers Phone 269-8800
 Division: Oil and Gas Date/Time 4/1/2003
 Approved by: Tom Irwin, Commissioner Date 4/1/2003
 Agency: Natural Resources

FISCAL NOTE #1 CORRECTED

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. SB 151

ANALYSIS CONTINUATION

For pipelines that are owned by non-affiliated pipeline companies, contract carriage could reduce uncertainty of future throughput. This would reduce capital costs, which in turn could encourage pipeline construction and facilitate gas exploration and development. However, for pipelines that are owned by affiliated producers, contract carriage may not provide greater assurance of throughput; the pipeline company may know the volumes that its affiliated producer wants to ship. Meanwhile, contract carriage on a pipeline owned by an affiliated producer could potentially be used to impede pipeline access for non-affiliated producers. This could hinder natural gas exploration and development and ultimately result in a negative fiscal impact for the State. For the Kenai-Kachemak pipeline, however, these dynamics are unlikely as only 63% of the line's total capacity has been contracted for.

FISCAL NOTE

STATE OF ALASKA
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