

SCOMM

128:37

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SSSB 76
(S) Publish Date: 4/3/01
Dept. Affected: Natural Resources
BRU: Oil & Gas Development
Component: Pipeline Coordinator
Component Number: 1191

Revision Date/Time (Note if correction): _____
Title: Right-of-Way Leasing Act: Term & Renewal
Sponsor: Senators Therriault, Wilken, Kelly and Green
Requester: (S) RES

Expenditures/Revenues

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

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)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2001) cost: none

Check this box (X) if funding for this bill is included in the Governor's FY2002 budget proposal: ☐

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Potential savings to the state from passage of Section 1 of SSSB 76 will begin to accrue in 2014. The right-of-way for TAPS and five pipelines on the North Slope expire in 2004. Without the passage of Section 1, renewals would then occur at least every 10 years. A portion of the cost of those renewal processes would pass to the state through tariffs. It is not possible to estimate the timing or magnitude of the savings.

There are no fiscal impacts associated with Section 2 of SSSB 76.

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Prepared by: Bill Britt Phone 271-4304
Division: State Pipeline Coordinator's Office Date/Time 30-Mar-01
Approved by: Pat Pourchot Date _____
Agency: Natural Resources

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There are no fiscal impacts associated with Section 3 of SSSB 76. Section 3 will codify the status quo. At present, the requirement to reimburse the state for oversight of operations, maintenance, and termination exists within individual leases or through an agreement between a pipeline operator and the state. Passage of Section 3 will eliminate the need for the individual lease provisions and individual agreements. At present, the SPCO executes a memorandum of understanding, which includes summaries of work and budget projects, with each applicant and operator providing reimbursement. Section 3 will codify this process.

Failure to pass Section 4 of SSSB 76 could result in serious fiscal impacts to the state, although it is not possible to estimate the timing or magnitude. The existing language in the Right-of-Way Leasing Act could require a pipeline project proponent to obtain a right-of-way from the state over lands in which the state has insufficient interest to issue the right-of-way.

Sections 5 and 6 will have no fiscal impact.

Alaska State Legislature

SENATOR
GENE THERRIAULT

Mailing Address:
119 N. Cushman, Suite 101
Fairbanks, Alaska 99701
(907) 488-0857
Fax: (907) 488-4271



Senate

While in session
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4797
Fax: (907) 465-3884

Senate District Q

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. SB 76 changes the length of terms for *renewals* only, not the length of the original lease term, so the renewal process for the pipelines with leases that expire in 2004 will proceed uninterrupted. 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 or incurred by the corporation, partnership, and trust that own or operate oil and gas 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.