ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

465 SCOMM13: JOINT COMM. ON GAS PIPELINE IMPACT 1974-76

gas and natural gas liquids produced from State-owned lands on the North Slope creates an immediate opportunity for effective State action which can assist in securing a Trans-Alaska transportation system.

5. Affirmative, agressive action by the Governor, the Commissioner of Natural Resources, the State Royalty Board, and the Legislature with respect to the State's royalty gas is imperative.

6. Effective use of the State's royalty gas, to serve the best interests of the State, requires:

   a. The State must elect to take its royalty share of natural gas and natural gas liquids in kind.

   b. The State must commit a portion of its royalty gas to purchasers who will assist in securing approval of a Trans-Alaska transportation system, and who will thereafter utilize such a Trans-Alaska system.

7. Present levels of natural gas demand in Alaska permit a commitment of a portion of the State's royalty gas to purchasers outside the State; while every effort must be made to retain a substantial part of Alaska's gas for present and future in-state needs, it is in the overall best interests of the State to offer for sale outside the State, a substantial portion of the State's royalty gas to purchasers who can, and will, assist in securing authorization of a Trans-Alaska transportation system.

8. Those persons and firms interested in the construction and operation of a Trans-Alaska transportation system can materially alleviate State unemployment problems, and the State should, in striking a bargain for the commitment of State resources to a Trans-Alaska

system, secure appropriate commitments for the hire and training of Alaska residents in the construction and operation of such a system.

9. Finally, the risk that non-action by the State, or delayed action by the State, will cause the selection of a Trans-Canadian routing, and the risk that the State will lose substantial benefit of its natural gas resource are so great, it is the sense of this Committee that State action must not be delayed.

BY REASON OF THE FOREGOING, IT IS THE RECOMMENDATION OF THIS COMMITTEE THAT:

1. The commissioner of Natural Resources and the State Royalty Board should undertake immediate negotiations with interested out-of-state purchasers to reach definitive sales and/or exchange agreements covering disposition of substantial portions of the State's royalty gas on the best obtainable terms.
2. The Commissioner of Natural Resources and the State Royalty Board should undertake immediate negotiations with natural gas transporters involved in the proposal for a Trans-Alaska system to reach definitive transportation agreements covering the State's royalty gas sold for out-of-state use, and the State's withdrawal of the unsold portion of its royalty gas from the system for in-state use; appropriate commitments should be obtained with respect to hire and training of Alaska residents.
3. The arrangements and agreements so negotiated should be presented to the Legislature for ratification prior to the end of the Second Session of the Ninth Legislature to avoid, if possible, a special session.
4. The Legislature should hold itself ready for immediate consideration

of and prompt action on, the recommendations of the Commissioner and Board.

5. Such arrangements, contracts, and agreements as are negotiated by the Commissioner and Board and approved by the Legislature should be incorporated into the pending applications for a Trans-Alaska transportation system, presented to the Federal Power Commission by the appropriate transporter-applicant, and approval thereof obtained in the pending Federal Power Commission proceedings.

6. The Legislature should adopt SCR 66 and further seek the active cooperation of all owners of North Slope gas in support of the Trans-Alaska pipeline route.

2/24/76

The big scramble for North Slope gas

Under provisional deals between Prudhoe Bay producers and Lower 48 gas utilities, roughly a third of huge field's 26-27 trillion cu ft would go to Midwest, a fourth to West, 15% to East, with a fourth uncommitted.

HOWARD M. WILSON
West Coast Editor

THE pattern for dividing Prudhoe Bay's natural-gas reserves among transmission companies and utilities has emerged in the piecemeal filings of financial deals before regulatory agencies.

Although it's just a pattern, subject to wide changes it means that, for now, more than one-third of the 26-27 trillion cu ft of gas in the largest hydrocarbon deposit found in the Western Hemisphere is so far committed to the Lower 48 Midwest, about a quarter to the West, and nearly 15% to the East. About a quarter is still uncommitted.

The pattern is strictly tentative for an important reason: Prudhoe Bay producers have made a series of provisional agreements with potential gas customers under which the customers will help defray the cost of developing Prudhoe Bay production and bringing the oil and gas to market. Whether the bulk of these financial arrangements will pass muster before the regulatory agencies is the question.

For most of the nation, the Federal Power Commission is the controlling agency. For California, it's the California Public Utilities Commission.

Who gets what. Four North Slope producers and eight gas purchasers are involved in the transactions.

In addition, the State of Alaska, owner of one-eighth of the gas as royalty, will be negotiating later for the sale of its share. Several owners of a small portion of the gas — more than 10%—have made no commitments.

Compiling statistics on how much each producer owns at Prudhoe Bay and, consequently, how much each buyer will be getting is tricky at best. The field unit agreement, under which each producer will be assigned a specific share of production, is still being worked out.

Atlantic Richfield Co. and Exxon Co. U.S.A., each with more than 30% of the reserves, or 7-8 trillion cu ft with the state's share subtracted, have made a rash of deals separately in the past few months with seven companies.

Three of Exxon's four deals have been disallowed by the FPC, but Exxon hopes to obtain a rehearing to change the agency's mind. The fourth Exxon deal is pending before the California PUC.

ARCO's deals, differing from Exxon's in the financing approach, are yet to be decided by FPC and PUC.

Standard Oil Co. (Ohio) and BP Alaska, which are operating under a complex merger arrangement, committed their share of Prudhoe Bay gas, estimated at 5.5 trillion cu ft, to separate buyers several years ago.

The largest buyers — or potential buyers — are Pacific Lighting Corp., Los Angeles, and Northern Natural Gas Co., Omaha, each of which can draw on close to 4 trillion cu ft of North Slope gas reserves.

Columbia Gas System, Wilmington, Del., will get about 3.5 trillion; Pacific Gas & Electric Co., San Francisco, about 2.3 trillion; Michigan-Wisconsin Pipe Line Co., Detroit, nearly 2 trillion; and Panhandle Eastern Pipe Line Co., Houston, and Texas Eastern Transmission Corp., Houston, each about 1.4 trillion.

All the estimates are rough and are subject to a variety of conditions and interpretations. While they reflect the reserves dedicated by the producers, some contracts may terminate after 20 or 25 years, while some are for the life of the field.

Uncommitted are more than 3 trillion cu ft held by the State of Alaska and about 3.6 trillion held by several companies owning lesser portions of the field.

How it works. The estimate that the Midwest will get more than one-third of the gas, the West a quarter, and the East 15%, comes from industry sources close to Prudhoe Bay developments.

The figures are based on the assumption that North Slope gas will flow through the proposed Alaska-Canada pipeline route, which would move gas directly to both the Midwest and West Coast. However, both producers and purchasers say that if the rival El Paso project wins out (it would move all the gas to southern Alaska and, after conversion to liquefied natural gas, to the West Coast), similar amounts would be made available to midwestern and eastern markets either through physical movement of the gas or through exchanges.

What this means is that daily throughput of gas depends on the speed with which Prudhoe Bay oil production is increased to pipeline capacity of 2 million b/d.

Industry estimates place production of associated gas and gas from the gas cap at about 2.25 to 2.5 billion cfd at peak production. The amount going to each purchaser presumably would be in proportion to the reserves dedicated to him.

The price of the gas will be negotiated at the time it starts to market.

Contracts generally are written to guarantee, as firmly as possible, that the seller will get the highest current price for gas less transportation costs, and the buyer will pay no more than for other gas coming into the market at the time. If gas prices are still being regulated by FPC, the sales contracts will, of course, reflect its rulings.

Just when the gas will flow depends on the speed with which the FPC and, if required, Canadian agencies clear the way for gas-pipeline construction to start. The best guess for completion is 1980 at the earliest and more likely, 1981 or 1982.

The financing. The concept behind purchaser assistance in financing the acquisition of gas reserves through interest-free loans was established several years ago by FPC, which has allowed gas pipelines to include the cost of such projects in their rate bases.

The purpose is to encourage finding and developing new supplies of gas for the interstate market and to provide a source of capital for the producer.

Exxon has estimated that $2 billion

has been advanced for such projects in recent years.

Gas purchasers are willing to share the financing, because it means a greater supply of gas at a time when they are running short.

Thus, the advance financing of North Slope gas development has major plusses for both seller and buyer.

The seller — the producer — is laying out billions of dollars to develop the field and build the oil pipeline. His borrowing power may be stretched, and he needs all the financial help he can get.

The buyer—the pipeline company or utility — needs to know several years in advance that he will have a major new gas supply. He must build the facilities to handle it. And he can gauge his other gas-acquisition efforts accordingly.

The use of such a principle has drawn fire from consumer advocates because of the growing concern over higher natural-gas rates and because of the sheer size of the Prudhoe Bay project.

The ARCO deals. ARCO, using Degolyer & MacNaughton data, places its gas reserves on the North Slope at just about 7 trillion cu ft. This excludes the State of Alaska's one-eighth royalty.

ARCO has split its reserves among Pacific Lighting (60%), Panhandle Eastern (20%), and Texas Eastern (20%).

The Pacific Lighting deal differs from the others in two respects. It is subject to PUC approval, not FPC, and Pacific Lighting will pay the interest on a $420-million loan — not advance capital. ARCO, in turn, will sell a production payment in known reserves for this amount to a third party which will do the actual borrowing from the banks.

Pacific Lighting's payment to ARCO will be about $320 million to reimburse ARCO for the financing costs of the $420-million production payment. Because of the possibility that the Internal Revenue Service will require Pacific Lighting to pay tax on revenue it collects to pay ARCO, the company's distribution subsidiary has asked the PUC for a rate increase of nearly double $320 million. If a favorable ruling comes from the IRS, refunds would be given to gas customers.

The contract is especially advantageous to Pacific Lighting, because it runs for 20 years with extensions at the buyer's option. The deal is attractive to ARCO because the $420-million in production payments would have a fast drawdown of just 18 months. Also, the deal would guarantee that most of the gas would go to ARCO's home base, Los Angeles.

Should the agreement fail to win final approval, and should another deal involving Exxon and PG&E also fail, plans would be jeopardized for building a western leg of the Arctic Gas project to move Alaskan gas to the Pacific Coast.

The ARCO deal with Pacific Lighting has an Aug. 2 deadline.

The proposed sale contracts to Panhandle Eastern and Texas Eastern by ARCO are identical.

Each pipeline would grant an interest-free loan of $150 million to ARCO. The loans would be advanced in increments, starting with $16.4 million. The amounts are keyed, in part, to development expenses as they occur over about 5 years.

Panhandle Eastern's application for approval of the transaction has been filed with the FPC and should be set for hearing shortly. Texas Eastern will be filing its application soon. Both will be asking that rates be increased as payments are made.

In all, ARCO would be getting loans of $300 million, interest-free, from Panhandle Eastern and Texas Eastern and $420 million in advance production payments made possible by Pacific Lighting's payment of the interest.

This total of $720 million is less than one-third the $2.5 billion which ARCO estimates it must pay to develop Prudhoe Bay oil and gas production.

The Exxon deals. While using the same principle as ARCO in obtaining advance funds from potential buyers, Exxon has proposed a new wrinkle which has run afoul of FPC thinking.

Calling the advances financial-assistance payments, Exxon has made agreements whereby it will collect an estimated $650 million from four pipeline companies.

The money represents the interest Exxon would pay if it were to borrow capital for Prudhoe Bay development. Exxon may borrow the money for which the payments may be used as interest, or it may choose to generate the capital fund internally.

FPC took the position that if Exxon doesn't need to borrow money, it should not receive payments to pay an assumed interest.

Exxon counters that the company is, in effect, assuming the debt-raising obligations and should not be penalized in obtaining the payments under the FPC's long-standing policy. It has asked for a rehearing. If denied, Exxon has a number of options to pursue.

The four agreements reached by Exxon and the amount of the proposed assistance payments are with Northern Natural ($170 million), Michigan Wisconsin ($170 million), Natural Gas Pipeline ($135 million), and PG&E ($175 million).

The FPC's adverse ruling affects all the agreements except PG&E's, which is currently before the California PUC for decision.

In return for the payments, the companies would get from Exxon a commitment of its Prudhoe Bay gas over a 20-year term. This may be renegotiated to 25 years if pipeline financing by Exxon covers 25 years.

The agreements also contain provisions obligating the pipeline companies to purchase ownership in gas-gathering, gas-conditioning, and gas-compression facilities at Prudhoe Bay.

Exxon has not said what this will amount to in dollars, but it will run into the hundred of millions. This cost, under the federal Natural Gas Act, can be placed in the utility's rate base, Exxon says.

Negotiations on the sale of the Prudhoe Bay gas facilities, which are under construction, will begin soon between Exxon and the buyers.

Similar provisions for purchase of facilities are contained in the ARCO agreements.

BP-Sohio's deals. Almost forgotten in the concern over the ARCO and Exxon financing plans is the fact that BP Alaska and Sohio committed their share of Prudhoe Bay gas 3 years ago with little fanfare.

Although the British and American companies have merged, they still retain separate identities and make separate contracts. The complex merger agreement also creates problems in determining just how much gas is involved in their respective deals.

Sohio committed all its gas to Columbia in return for a $175-million loan which will be repaid out of Sohio's sale of its Prudhoe Bay crude and over a period not to exceed 42 months after the crude starts mov-

ing. Columbia delivered its $175-million loan over a 3-year period which ended early this year.

The arrangement differs from those of Exxon and ARCO in that Columbia's is a nonrecourse loan. Should no oil ever be sold, Columbia would not be repaid. In the case of Exxon and ARCO, should no gas be delivered within a specified time, the advanced funds would be returned to the gas companies.

BP Alaska, a subsidiary of British Petroleum Ltd., committed its gas to Northern Natural in return for a $30-million prepayment for gas and $20 million to cover exploration and production costs in the U.S. over a 5-year period starting in February 1972.

Northern Natural can recover 80% of the $20 million out of production.

Both agreements have been approved by FPC.

The amount of gas that BP Alaska and Sohio will sell to their respective buyers depends on the speed with which Prudhoe Bay comes on production. While they own more than half the oil reserves, they have something less than 30% of the gas.

One estimate of their gas reserves, not counting the royalty gas, is 5.5 trillion cu ft. Columbia, through Sohio, would get about 3.5 trillion and Northern Natural, through BP Alaska, 2 trillion.

The figures may be off the mark because, under the merger agreement, Sohio gets all the Prudhoe Bay gas which is produced in conjunction with Sohio's first 600,000 b/d of oil. This means 600,000 b/d net to Sohio. When oil production rises above this figure, the amount above 600,000 goes 7% to BP Alaska and 25% to Sohio.

In effect, this means that if the field never produces more than 600,000 b/d net to Sohio, BP Alaska would get nothing. But if the trans-Alaska oil pipeline is filled to its 2-million-b/d capacity by the time the gas starts moving, BP Alaska's share of the gas would rise sharply.

Columbia's contract for the Sohio gas is more binding than contracts of most or all of the other utilities.

The agreement has a clause which guarantees that Columbia will get the Sohio gas if it meets the highest price offered. Generally the other agreements, while expected to form the basis for a satisfactory negotiation of the final gas-sale contract, do not carry such provisions.

TABLE 1

DISTRIBUTION OF PRUDHOE BAY RESERVES[1/]

Producer	Estimated Reserves (Tcf)	Reserves Committed To:	%	Committed Volume (Tcf)	% of Total	Daily Volumes[2/] (MMcf/d) East	Daily Volumes[2/] (MMcf/d) West
Exxon	8.70	PG&E	30	2.60	10.00		327
		Northern	25	2.18	8.39	264	
		Mich-Wis	25	2.18	8.39	264	
		Nat. Gas Pipe	20	1.74	6.69	210	
Sohio	5.50	Columbia	60	3.30	12.70	400	
		Northern	40	2.20	8.46	265	
Arco	7.00	Pac. Light.	60	4.20	16.15		527
		Panhandle	20	1.40	5.38	169	
		Tex. East.	20	1.40	5.38	169	
Others	1.55	Uncommitted	100	1.55	5.96		195
Alaska	3.25	Uncommitted	100	3.25	12.50		408
Totals	26.00			26.00	100.00	1741	1457

<6% except state

1/ Based largely on information from transcript of June 13, 1975, and "PG&E Progress," May, 1975.

2/ Assumes deliverability of 3.5 Bcf/d from Prudhoe less fuel to various delivery points. The split is approximately 55/45, East/West.

Memo: Gas Impact Committee
From: Eric
Re: Royalty Board Meeting 11/10

First testimony was El Paso, John Bennett, VP;

Bennett pushed for commitment of royalty gas to El Paso.
--The only way Alaska can use in-kind royalty gas is with an Alaskan line.
--"El Paso wants the state to use as much royalty gas in state as possible." They want to purchase gas that is "surplus to the state's demands" and provided for a 'banking clause' that would allow the state to sell any surplus gas they had reserved for state use (up to 1/2) and then credit that surplus for furure years requirements.
Example; The state reserves 200 mcf for in state use. We only use 150 mcf (per day)--El Paso would purchase the 50 mcf, and then credit the state, and allow use of 250 mcf at some future time in the contract if the state wants to.
--They want a commitment from the royalty board in the 'next 60 days, or so'. They say some commitment very important to the FPC, and will aide their political clout in obtaining western states backing in congress.
Arlon Tussing questions;
"Isn't it possible to take royalty gas in-kind from a credit agreement--trade North Slope gas for Cook Inlet gas, and use Cook Inlet gas intra-state?"(Answer///possibly...)

"Do you think the commitment of our royalty gas, or half of it--6% or 7% of NS reserves will really pull any weight with people in the western states? Won"t they get gas from either line? (answer///"It's the most important tool the state has.")

El Paso is willing to pay 10¢ mcf 'front money' to the state. This would be $300 million if all our reserves were committed. The state would have to pay back, El Paso would pay interest--and pass it along on their tariff.

The board indicated they might come to some decision in a December meeting.

The balance of the meeting discussed use of Cook Inlet royalty Gas. Alaska Natural Gas would like a portion of the State's royalty gas. Phillip's is presently shipping gas LNG to Japan, and indicated that they felt they should be allowed to continue to utilize royalty gas for that purpose. The board made no decision.

Regulations and definitions were discussed

Commissioner Guy R. Martin
Chairman, Alaska Royalty Oil and Gas
Development Advisory Board
Department of Natural Resources
Juneau, Alaska

I have been authorized by the El Paso Company to make a formal proposal to purchase the State of Alaska's royalty gas which is excess to the State's needs in Alaska. The following is a draft Memorandum of Agreement which sets forth El Paso's proposal:

(Quote)

WHEREAS, THE EL PASO COMPANY (El Paso), either singly or in conjunction with others is willing to construct and operate facilities to transport natural gas in a large diameter pipeline from the North Slope of Alaska across Alaska to a point on the south central coast, providing outlets for markets enroute, and thence by LNG tankers to markets in the lower forty-eight states ("The Alaska Project");

WHEREAS, the implementation of the plan contemplated by the Alaska Project is in the maximum interest of Alaska and the nation in coping with the critical energy shortage; and

WHEREAS, the State of Alaska ("the State") is entitled to take in kind its royalty share of natural gas produced on state-owned lands within Alaska ("Royalty Gas");

NOW THEREFORE, to the end that the Alaska Project may be realized and the State's objectives achieved, the parties hereto agree as follows:

1. El Paso agrees that the Alaska Project will be constructed and operated in a manner suitable to the handling of the State's Royalty Gas to to achieve its objectives herein set forth;

2. The State, having indicated a desire to make its Royalty Gas available for use within the state, will authorize such gas to be delivered to the Alaska Project for transportation to such points along the route of the pipeline as it shall designate;

3. Those quantities of the State's gas determined by it to be surplus to its economic and sociological needs ("Surplus Gas") shall be sold to and purchased by El Paso at the terminus of the pipeline;

4. The charge for the transportation of the State's Royalty Gas shall be that fixed by the appropriate regulatory agency;

5. El Paso shall pay the State for the Surplus Gas at a rate equal to the highest price paid by any responsible purchaser from time-to-time for gas of which the State's Royalty Gas is a portion;

6. If from time-to-time the State shall have available to it additional quantities of Royalty Gas, El Paso agrees to transport and/or purchase such additional quantities of gas on the same terms and conditions set forth herein;

7. The term applicable to the purchase of the Surplus Gas shall be for a period of such years and for such amounts as shall be determined by the State to be surplus to its needs. The State agrees to quantify these amounts and to enter into a further definitive agreement to implement the Alaska Project within one month after signature of this agreement.

8. The State may withdraw any portion of its Surplus Gas from sale to El Paso whenever additional gas is made available to El Paso by others in a volume equal to that withdrawn by the State;

9. At the end of the term of the agreement which will be entered into pursuant to paragraph 7 herein, the State shall have the option to sell and El Paso agrees to purchase the volumes of such gas then determined by the State to be surplus to its economic and sociological needs for an additional term of similar duration and upon the same terms herein set forth;

10. The undertakings of both the State and El Paso are subject to the receipt of all requisite government approvals, provided, however, that either party shall have the right to cancel this agreement upon thirty (30) days written notice to the other party if El Paso's application to construct and operate the Alaska Project is denied by the Federal Power Commission, or if

the certificate which may be issued contains conditions which are unacceptable to El Paso, or to the State, or conditions which render El Paso unable to perform its contract with the State; and

11. At the appropriate time, the State and El Paso will execute a definitive agreement which shall incorporate the general principles covered by this Memorandum of Agreement and which shall include other terms and conditions as may be required and agreed upon.

DATED this _____ day of _____, 1975.

THE STATE OF ALASKA

By: _____

EL PASO COMPANY

By: _____

(End Quote)

Prompt execution of such an agreement will achieve the following:

A. Express to the Federal Power Commission the State's position on ownership of its royalty gas while being transported within Alaska.

B. Preserve the State's freedom to determine the best uses of its royalty gas within the State, while insuring a ready market for the surplus royalty gas.

C. Insure that the State receives the best price for its surplus royalty gas.

D. Demonstrate by affirmative action the State's support for the Trans-Alaska Gas Pipeline, thereby strengthening the position of El Paso in the current hearings before

If the Board wishes to revise the agreement, discuss its provisions which El Paso representatives, or requires additional data from El Paso, we are prepared to respond promptly.

Thank you for your consideration of our proposal.

JOHN C. BENNETT

VICE PRESIDENT

EL PASO ALASKA COMPANY

DOW CHEMICAL U.S.A.

October 30, 1975

BENNETT BUILDING
2030 DOW CENTER
MIDLAND, MICHIGAN 48640

The Honorable G. R. Martin
Chairman
Alaska Royalty Oil & Gas
Development Advisory Board
Pouch M
Juneau, Alaska 99801

Dear Mr. Martin:

Attached is data on a possible petrochemical facility in Alaska. An ethane cracker was choosen for simplicity, plus it allows Alaska to consume a product less "exportable" than crude oil. The capital cost estimates are for Western Europe or a U.S. Gulf Coast location, and should be escalated for location and inflation.

We are interested in further discussion, and would like to meet with you at your convenience.

Very truly yours,

O. S. Andras

Good work! Let's have a discussion

O. S. Andras
Director of Hydrocarbons
Hydrocarbons Department

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Enclosures

DEPARTMENT OF NATURAL RESOURCES
NOV 3 1975
RECEIVED
JUNEAU, ALASKA

ETHYLENE AND ETHYLENE DERIVATIVES COMPLEX IN ALASKA

The following data has been compiled from Dow Chemical Company records. Outlined is a possible petrochemical facility that could be located in Alaska. Ethane would be steam cracked into ethylene and fuels. Ethylene would be converted into low density polyethylene and crude ethylene glycols (via ethylene oxide). The market for glycols is presently outside Alaska and finishing ethylene glycols in Alaska, followed by shipping would create quality problems. This project, therefore, contemplates finishing crude glycols outside Alaska.

Project Scope

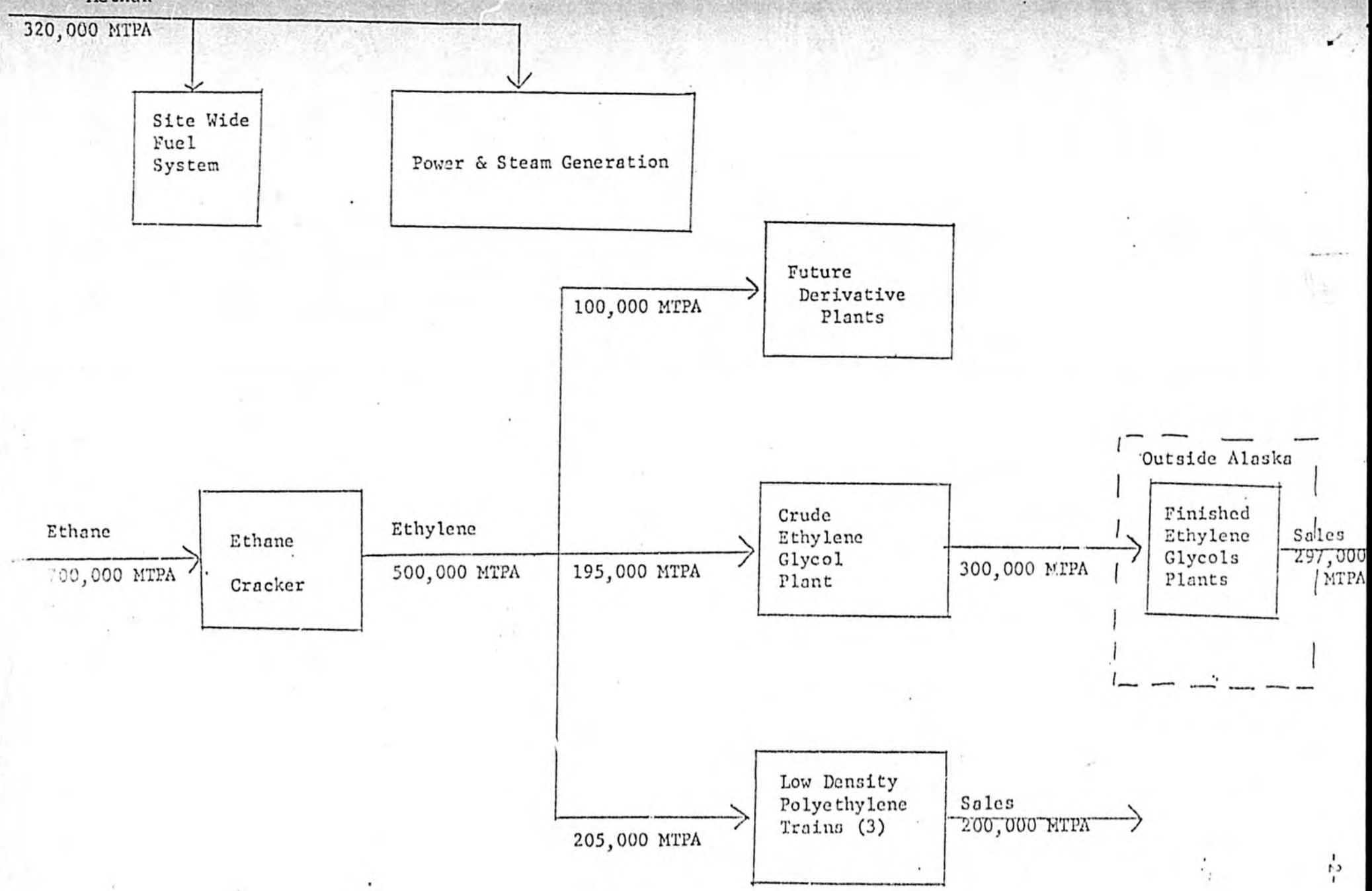
Ethylene plant	(500,000 metric tons per annum = MTPA)
Low density polyethylene plant	(200,000 MTPA)
Crude ethylene glycols plant	(300,000 MTPA)
Product storage and handling facility	
Utilities generation and distribution facility	
General service facilities	

Estimated utilities, catalyst, chemical and feedstock requirements

Utilities

Steam	70 MT/hr.
Methane	320,000 MTPA
Power	52,000 KW
Potable Water	400 M^3/hr.
Cooling Water	40,000 M^3/hr.
Nitrogen	1,500 NM^3/hr.

FEED/PRODUCT FLOW SHEET



Catalyst

Dow's long life catalyst is included under cracker investment. The ethylene oxide plant uses 105 MTPA of catalyst.

Chemicals

	Used at	Total (MTPA)
Caustic soda (100%)	Cracker, Ethylene Oxide	1,800
Ethanol (100%)	Cracker	100
Activated Alumina	Cracker	40

Feedstock

Ethane gas (700,000 MTPA)

Assume the following analysis:

Methane	Volume %	5 max.
Ethane	Volume %	91 min.
Carbon Dioxide	Volume %	2 max.
Sulfur Components	Volume PPM	200 max.
Nitrogen		traces
Propane		balance

Operating manpower

Supervisory	70
Skilled	390
Non-skilled	60
	520

Timing

Start-up operations would be approximately five years after project agreement (which would include provisions for feedstock and fuel). Process engineering would require approximately two years with construction to begin thereafter.

Capital Estimates

	Cost in U.S. Dollars Mid-1975 U.S. Gulf Coast (Million Dollars)
1. Site Development	20
2. Ethane Cracker	110
3. Low Density Polyethylene	70
4. Crude Ethylene Glycol	70
5. Utilities	40
6. Feed, product handling and storage	30
7. General Services Facilities	20
8. Personnel Facilities	20
	380(1)

(1) Estimates are based on mid-1975 costs for a U.S. Gulf Coast location. For Alaska, a location factor must be applied to these estimates.

Environmental Impact

The need is recognized by Dow Chemical Company to provide an appropriate environmental impact assessment produced by an independent firm/or firms. This document would serve as a basis for the granting of permits from both the State of Alask and Federal authorities. It would cover all aspects of the environmental including land, air and water.

FILE

Tennessee Gas Transmission
A Tenneco Company

TENNECO

Robert C. Thomas
Vice President

Chamber of Commerce Building
P. O. Box 2511
Houston, Texas 77001
(713) 229-2275

August 28, 1975

Mr. Guy R. Martin, Commissioner
Department of Natural Resources
State of Alaska
Pouch M
Juneau, Alaska 99801

Dear Mr. Martin:

In response to communications with Alaskan officials, Tennessee Gas Transmission, a Tenneco Company, has been developing a method for contracting the royalty reserves owned by the State of Alaska in the Prudhoe Bay Field. We have designed a method which provides the necessary benefits to Tennessee Gas and we request your evaluation of the benefits which can be derived by the State. We are attaching a memorandum which outlines the framework of our approach in some detail.

In our opinion the key issue involved in the sale of the right to contract this gas is the routing of the gas pipeline from Prudhoe Bay. If the State desires the pipeline to cross Alaska, the royalty gas should be contracted to an interstate organization which can supply additional support for this route. We feel the State, with this new support and combined with existing backing, can successfully influence the routing of this market outlet. This could protect the future of Alaska through creation of jobs and insure that progress is achieved in a manner consistent with the Alaskan way of life.

In summary, our proposal would allow the State to receive:

1. Support for a trans-Alaskan system.
2. An initial cash payment to be repaid at a later date.
3. A portion of the gas for use in Alaska
4. Maximum permissible wellhead price.

The company would receive:

1. The right to contract for the purchase of the State's Prudhoe Bay royalty gas.

2. Recovery of their initial payment to the State at a later date.

With the publication of the Department of Interior study concerning the relative merits of the alternate market systems, time becomes more critical. Decisions will be made in the near future which will affect the pipeline routing. We do not feel that rumor of a U. S. - Canadian agreement dictates a Canadian routing because the basic problems confronting this route have not yet been solved. Our analysis of the facts now indicate a trans-Alaskan route can be completed at an earlier date thereby creating economic benefits for our company, the State and the consumer.

We suggest the State consider a negotiated contract covering all their Prudhoe Bay royalty reserves. A competitive bid sale cannot obtain comparable benefits.

We are prepared to immediately enter into negotiations with the State concerning these royalty reserves. We request a meeting with you after your review of these recommendations. We will be prepared to meet on any acceptable date.

Robert C. Thomas

cm

Attachment

MEMORANDUM

CONTRACTING OF PRUDHOE BAY GAS

STATE OF ALASKA

In late May, 1975, Tennessee Gas Transmission Company received a letter from the Commissioner of Natural Resources for the State of Alaska requesting proposals for the purchase of the State's royalty gas from leases in the Prudhoe Bay Field. We have communicated with Alaskan officials and discussed the needs of the State to be met in contracting the gas and the ability of Tennessee Gas Transmission or the industry to structure a mutually advantageous proposal.

We have reviewed carefully the ramifications of contracting or securing the rights to contract these gas reserves from the State. Our procedure in reviewing this situation was to determine the benefits necessary to us before we could offer to contract the gas and the benefits to be obtained by the State before they could justify the selling of the right to contract their royalty reserves. The benefits listed below represent what is in our best interests and what we assume to be in the best interests of the State.

1. Benefits Which Must Accrue to the State

   In order to justify selling the right to contract the royalty natural gas reserves, certain benefits should accrue to the State. The more significant ones considered are:

   a. The company purchasing the right to contract the reserves should be capable of giving maximum support to a market outlet across the State of Alaska.

   b. The State should receive substantial front-end money.

c. Some of the gas should be available for use in Alaska.

d. The maximum possible wellhead price should be paid at the wellhead for the reserves when produced.

2. Benefits Which Must Accrue to the Purchaser

There are still unknown timing factors and substantial risks associated with purchasing the right to contract Prudhoe Bay gas. To compensate for these risks, certain benefits must accrue to the purchaser. These are

a. The front-end payment must be financeable eliminating the necessity for the company to make a large capital advance in a single year.

b. The front-End payment must be recoverable at a particular point in time, perhaps out of a percentage of natural gas revenue or other guaranteed type arrangement.

c. The right to contract all of the State's royalty gas in Prudhoe Bay must be secured. A minor percentage may be reserved by the State for use within Alaska, but if not used will be included with the gas marketed by the purchaser of the rights.

We have worked toward an approach that would meet these requirements. In the consideration of various methods of financing, three limiting factors immediately surface. They are (1) the constitutional or statutory limitation on State debt for longer than one year, (2) FPC regulations controlling advance payments and their anticipated expiration at year end, and (3) the capital and

debt position of most pipeline companies. The State does not qualify under current FPC regulations for receiving advance payments.

There are several other factors which must be considered in this decision. Plans are now being made for pipeline routing which will drastically affect the future of the State of Alaska. We see the contracting of royalty gas as leverage supporting the routing of the pipeline across Alaska. This leverage will diminish rapidly with time and will completely disappear if not used. Despite the rumors of a U. S. - Canadian agreement covering a Canadian pipeline route being initialled by the two governments, we now feel a trans-Alaska project can be completed at an earlier date thereby creating economic benefits for our company, the State of Alaska and the natural gas consumer. We base this analysis partially on the fact that the Canadian problems related to natives claims and the rights of the Provinces have not been resolved. We question these can be resolved in a reasonable length of time. It is also possible that some type of U. S. Federal assistance in the form of financial guarantees or new legislation will be required for the successful completion of a pipeline. This would be difficult to obtain for a Canadian route.

We feel there are substantial volumes of additional gas to be discovered in Northern Alaska in the future. This future gas will go to market through the route selected at this time. These volumes could be the energy source for future industrial growth within Alaska if the market outlet is now established through the State.

There has been much speculation about the economics of a market outlet for Prudhoe Bay gas and the effect it will have on the future wellhead price of this gas. This speculation is due to the substantial cost overruns being experienced by major engineering projects throughout the world. A recent study by Tenneco indicates the capital cost of the trans-Alaska pipeline

the liquefaction plant, LNG ships, and receiving facilities, when escalated to the year of expenditure, to be $8.8 billion, or 57% greater than the recently published U. S. Department of Interior study. After adding a $.50/Mcf wellhead price, this capital cost would yield regasified LNG at the Los Angeles city gate at a cost of $2.58/Mcf in 1982. If Tenneco's projection of capital costs should be low by a factor of 50%, which is highly unlikely, the Los Angeles city gate price will increase to $3.54/Mcf. According to our market analysis, however, this gas will be saleable in the interstate market. We do not wish to minimize the problems of financing that relate to the escalating project cost, but the escalation certainly does not render this gas valueless at the wellhead.

A negotiated sale of the right to contract these reserves is the most advantageous method. A competitive bid sale is not appropriate and it cannot accomplish the many objectives nor provide the benefits envisioned. This is supported by the following:

1. A competitive bid sale should be made on a standard basis for all bidders. This is preferable only when all bidders have equal capabilities and price is the only variable.
2. All bidders could not supply the same degree of effectiveness in the support of the Alaskan route.
3. The unknown risk factors such as date of delivery, routing, natural gas regulation in the U. S. and many other factors which must be taken into consideration will result in lower cash bids on a competitive sale. Provision for some of these uncertainties can be made in a negotiated sale.
4. Competitive bidding would suggest the breaking up of the royalty reserves into smaller packages for sale. These smaller reserves would attract neither the cash bids nor the substantial support for the routing that will be required.

We would propose the following approach as one meeting our requirements and interests and accomplishing the objectives we have assumed for the State. We have divided it into four parts for the purpose of review.

1. Pipeline Route Support

   As of this date, Tenneco has not actively supported either of the projects designed to deliver North Slope gas. With the securing of the right to contract the State royalty gas and with the current facts now indicating a trans-Alaska system will offer the quickest and most assured method of getting this gas to market in the lower 48 states, we would be prepared to support the Alaskan route.

2. Capital Contribution

   a. Tenneco will make available to the State an amount in excess of $100 million for the right to contract all of the royalty natural gas reserves in the Prudhoe Bay Field.

   b. These funds will be made available to the State over a three year period according to its needs. The amount of the funds advanced will be dependent upon the drawdown schedule which will be agreed upon by the parties pri[illegible] to the execution of the agreement.

   c. All financing [illegible] arranged by Tenneco.

   d. There will be no recovery of the advanced funds for a period of three years following the date of the advance.

   e. We will consider that each drawdown will constitute a separate advance, and that such advances will be recovered out of a percentage of revenue from the

royalty gas production beginning three years after the drawdown and continuing over a recovery period of five years. In the event gas sales have not begun by the beginning of the recovery period, the recovery will be made initially from revenue derived from a percentage of royalty oil production until natural gas production begins. According to our interpretation, this advance would not be classified as debt on the books of the State since repayment is to be made solely from a percentage of revenues to be generated by the sale of the State's natural gas and/or oil.

3. Gas Available for Alaskan Use

Tenneco recognizes that some of the State's royalty gas may be required for use within the State. However, the major source of gas for future use within the State will be available from new reserves found and transported through the system now considered for Prudhoe Bay. We are confident this new gas will become available as the natural gas demand grows in Alaska.

Tenneco would consider a reservation by the State of up to 10% of the royalty gas production for use within Alaska so long as the pipeline, plant and shipping design would accommodate it. The State would own this gas and pay the applicable transportation tariff. In the event this gas was not used within the State, it would be sold to Tenneco under the contemplated contract.

4. Pricing

The gas produced at Prudhoe Bay will flow into interstate commerce and under current regulations would be subjected to control by the U. S. Federal Power Commission. Tennessee Gas is also a company regulated by the FPC. For this reason, we are unable to guarantee a specific wellhead price.

We feel the best assurance for maximum possible pricing lay in the requirements and market potential of the purchaser. Tenneco's interstate pipeline systems have average current requirements for supplying existing customers of 3.8 Bcf per day making us one of the largest interstate systems in the U. S. The majority of our current market consists of the higher premium residential and commercial market.

We can contract to pay the maximum price permitted by the FPC and are willing to do so. Our market analysis indicates that the wellhead price will be at least $.50/Mcf in the early 1980's, and that it will increase on an annual basis as the project matures. In addition, we do not expect that deregulation, in whatever form it could be established, would have the effect of reducing the wellhead price below this figure.

We propose that Tenneco (through Tennessee Gas Transmission Company or a subsidiary) and the State immediately enter into negotiations for the purpose of purchasing the right to contract the State royalty gas in Prudhoe Bay and securing support for a trans-Alaska market outlet.

Thomas wants more El Paso info

11/11/75 ADN

Lt. Gov. Lowell Thomas Jr. aimed a mild rebuke at El Paso Natural Gas Co., the company proposing the Trans-Alaska gas piepline route Monday, indicating lack of technical information on the proposed line was leaving questions open in efforts to sell it.

Thomas, who spent about five weeks in September and October on a publicity tour of cities in the Lower 48 to promote the merits of the Alaska route, told the Anchorage Chamber of Commerce considerably more information was available on the competing proposal for a pipeline through Canada.

CITING "tremendous efforts" by Alaskan Arctic Gas on behalf of the Canadian line, Thomas said "so little is known" about the El Paso proposal "in comparison to the other system."

Thomas said there was "more explaining to do" about the technical aspects of El Paso's proposal to build a pipeline from the North Slope to Prince William Sound, liquefy it and ship it to the West Coast.

He said people he encountered on his tour did not understand that gas delivered to the West Coast would mean more gas available in other parts of the country through displacement and reversal of gas flow in domestic pipelines. He said he likened distribution of gas to a reservoir in which gas pumped in at one end increased the level of gas at the other end, but indicated it would help the case for the Alaska route if more information on displacement and reversed gas flow were available.

ON THE OTHER hand, he said Alaskan Arctic Gas had considerably more explaining to do about the environmental consequences of the Canadian route.

Thomas said the "reception was far better than I imagined it to be" on his tour, which hit 28 television stations, 13 newspapers and two magazines.

Thomas said he met with three editors of Time Magazine and four top editors of the Readers Digest. He said the Time editors were interested but did not seem intent on publishing a story right away. However, the Readers Digest commissioned a story on the gas pipeline route immediately as well as another on Gov. Jay S. Hammond, he said.

THOMAS also said he had a telephone talk with William Randolph Hearst, publisher of a chain of newspapers. Thomas said Hearst wasn't interested in discussing the pipeline but intended an all-out push for the Alaska route when the time came. "All you need is to kick me in the butt a little bit," Thomas quoted Hearst as saying.

Thomas said he gained points in North and South Dakota by landing in a Cessna 170 he was ferrying from Kansas to Alaska for Hammond. He said the name of his father, the radio commentator, also gave him access to certain circles, including the Dutch Treat Club, a select group of publishers and writers in New York.

AN EL PASO official who attended the chamber luncheon said he did not think Thomas' remarks on the lack of technical information on the Alaska line were meant as "a jibe" at El Paso.

o Anchorage

(Continued from page 1)

supplying the area, or enough to serve about 25,000 homes.

Anchorage Natural Gas has written o the four major Cook Inlet producers – Union Oil Co., Marathon Oil Co., Phillips and Shell Oil Co. — in an attempt so secure commitment for additional reserves for the Anchrage area, and received unfavorable responses, Teel said.

THE GAS COMPANY also found that competition for the remaining gas reserves in the Cook Inlet area has increased substantially as supplies for West Coast cities decline.

The competition by cities such as Portland and Los Angeles has led to higher pricing on gas sold locally, the company said.

Because of the competition, Anchorage Natural Gas formed a subsidiary, Gas Supply Corp. of Alaska, o explore for natural gas. Gas Supply Corp. has invested more than $500,000 o date and has participated in the drilling of an exploratory well at the mouth of the Big Susitna River. The well was plugged and abandoned, but further exploration is contemplated, he company said.

THE EXPLORATION funds are rom "retained earnings," and do not ffect the company's utility operating xpenses, Teel said.

John Horn, manager of natural gas nd liquefied natural gas sales for hillips, told the royalty board the tate's best interest would be served by ontinuing to allow Phillips to take the oyalty gas. Horn said Phillips "spent ur money and took the risk" to ommercially develop North Cook Inlet hen markets were not available, and hillips has invested sums of money edicated on a continued supply from e field.

Horn also said his company is ncerned that any activity like the laska Gas proposition would render illips a public utility subject to ederal Power Commission risdiction.

ANCHORAGE DAILY NEWS

11/11/75 ADN

Anchorage firm seeks state gas

By ROSEMARY SHINOHARA
Daily News Staff Writer

Southcentral Alaska residents could use up present natural gas supplies available to Alaska Gas and Service Co. as early as 1985, the company said in a presentation to the state Royalty Oil and Gas Development Advisory Board Monday.

Dale Teel, president of the firm that distributes natural gas to Anchorage residents, warned of potential future shortages and urged the state to sell its royalty share of natural gas produced from North Cook Inlet for use here.

THE GAS IS presently shipped to Japan.

While a long-term problem exists in total supplies available to Alaska Gas and Service Co., one portion of the company's supplies could be exhausted this winter — a portion sold to the Bernice Lake power plant of Chugach Electric Association.

Alaska Gas, known locally as Anchorage Natural Gas, has two supply contracts, a large one called the "Anchorage" contract and a smaller one called the "Nikiski" contract.

NINETY PER CENT or more of the gas from the "Nikiski" contract is sold to the Chugach Electric plant, and heavy use of the plant could result in exhaustion of the remaining reserves during the coming winter, Anchorage Natural Gas documents indicate.

The "Nikiski" contract was for 10 years ending May 1 of 1977, and it provided for 10 million cubic feet of gas per day, from 10 billion cubic feet of reserves. At the current level of sales, the reserves will be exhausted sometime next year, before contract expires, the gas company sa

The balance of Alaska Gas suppl under the "Anchorage" contract wo last until 1991 under present rates consumption. But Teel said populat growth could shorten the life of present reserves considerably, possi using them up by 1985.

THE ROYALTY gas that Alas Gas wants from the state is produc from the North Kenai field by Phill Petroleum Co. and liquefied shipment to Japan.

A Phillips representative spoke opposition to Alaska Gas' propos purchase of royalty gas now used Phillips. An Anchorage Municipal Lig and Power spokesman said the ci utility favors the proposal.

The Royalty Board indicated would consider the plan further at meeting later this month or next mont and the board would then make recommendation to the legislatu which convenes in January.

IN HIS presentation to the boar Teel said the gas utility is offering t pay the same price the state woul otherwise receive from Phillips, 50.45 cents per thousand cubic feet.

Commitment of the state royalty ga would provide an additional 5.5 billio cubic feet of natural gas per year fo

(Continued on page 2)

El Paso Makes Second Gas Proposal

The El Paso Alaska Co., has made its second proposal to the state's Royalty Oil and Gas Development Advisory Board for purchase of the state's royalty gas at Prudhoe Bay.

"There's nothing more important to us now" than a commitment of the state's royalty gas, said El Paso Vice President John Bennett Monday.

"We have no gas to offer anyone now," he told the five officials. The board advises the legislature on the disposition of the state's one-eighth royalty share of oil and gas.

Bennett's proposal included an offer to "bank" the state's gas so that if the state did not wish to use all of its gas in the state for the first few years of gas production, it could sell it to El Paso at "a rate equal to the highest price paid by any responsible purchaser," and then take the gas back at a later date.

Bennett separated the state's royalty gas into two categories the gas that could be used within the state and the remainder that would have to be exported.

If the state could not take all its share during the first few years of the pipeline because petrochemical plants had not been completed, it could take what it had not used back at a later time, he explained.

Board Chairman Guy Martin, the state's commissioner of Natural Resources, asked Bennett to compare his company's offer with one made by Tenneco, a larger firm.

"I guess you have to ask yourself do you want to give the leverage (the guaranteed delivery of gas would give) to El Paso or Tenneco," he said.

Tenneco executive Robert C. Thomas came to Alaska for the meeting accompanied by former Interior official Jared Carter, an attorney representing Tenneco.

Bennett said his firm's second proposal did not replace the original proposal to buy the state's roughly 3.25 trillion cubic foot share of the Prudhoe Bay gas cap.

"Both are open proposals," Bennett emphasized. He said his firm is willing to be flexible with regard to any agreement it might come to with the state.

Committing its gas to El Paso, he suggested, would "smoke out" others interested in the state share and would "let them know they'll have trouble if they don't cater to us."

The gas banking proposal, he suggested, would require the approval of the Federal Power Commission which regulates the natural gas industry.

Constructing a gas pipeline across the state with a liquifaction plant at its terminus, a fleet of cryogenic tankers and regasification facilities Out-side would require El Paso to take on a number of partners, Bennett said.

In addition to Martin, the board includes Commissioner of Revenue Sterling Gallagher, economist Arlon Tussing, University of Alaska professor Don Triplehorn and Alaska Brick Co. executive Dick Lyon, a former Union Oil Co. executive.

"If the certificate (for the gas line) were issued tomorrow, frankly we'd be in the position of selecting partners," Bennett told the packed meeting room at the division of lands in Anchorage.

Anchorage Natural Gas President Dale Teel made a request to the board to sell the utility its royalty share of production from the Cook Inlet field. Teel said he had not discussed his proposal with Phillips Petroleum, the company that discovered the field in 1962 and is the sole producer in the gas field.

"We could use the gas as soon as the board makes it recommendation to the legislature and they approve it," he said.

"It involves no FPC approval or new construction," he said.

Phillips's manager of natural gas and liquefied natural gas sales, John Horn, objected to the utility's proposal.

Horn noted that when his firm discovered the gas field it looked for markets on the U.S. West Coast, in Alaska, Hawaii and Japan. before striking a deal to take all the gas to Japan in cryogenic tankers as a liquid.

"It finally developed Japan was the only market," he explained.

Arco, Sinclair (now Arco) and Skelly, which had all been partners in the field, "all checked out and left us alone," Horn recalled.

"We spent more than $125 million for a platform, pipelines, an LNG plant and transportation system to Japan" which is comprised of two liquified natural gas tankers, Horn told the board.

"It involved a lot of traumatic decisions," he said.

"Alaska has benefitted substantially from our willingness to do this," he said.

Thomas Reviews His Trip

The final draft of a Department of the Interior study comparing Canadian and Alaskan gas pipelines predicts the Canadian project would slip 1½ years behind schedule and have cost overruns amounting to $2.4 billion, according to Lt. Gov. Lowell Thomas Jr.

In a report to the Anchorage Chamber of Commerce yesterday on a trip Outside to promote an Alaska route for the pipeline from the North Slope, the lieutenant governor said the report estimated the Alaska route might encounter a cost overrun of $990 million and a six-month delay.

Thomas said he made two trips Outside to promote the Alaska route for the estimated 26 trillion cubic feet of natural gas at Prudhoe Bay because of "the sudden realization that Congress might take the decision in its own hands and make a decision as it did on the oil line."

Economic decisions with regard to the interstate shipment of natural gas normally are made by the Federal Power Commission.

During the more than four weeks the lieutenant governor spent promoting the gas line he visited 23 cities in 16 states, he told the chamber. He appeared on 28 television stations, at least half of which taped the shows, normally for 15 to 30 minutes at a time. The ABC "AM America" program was perhaps the most widely viewed of any of the programs.

Thomas also said he had interviews with 13 newspapers including one Scripps-Howard paper that syndicates its stories to other papers.

A luncheon meeting with Reader's Digest Editor Hobart Lewis and three of his editors will result in a story on the gas line in the widely circulated publication's January or February issue, Thomas said.

"They also commissioned a story on Governor Jay," Thomas said with a smile. Jay Hammond and Thomas were elected together a year ago.

In New York, Thomas talked with Time magazine's Senior Editor Marshall Loeb and two other editors but said he came away with the feeling "they were interested but didn't seem to have any impetus to do anything about it right away."

A speech before the Dutch Treat Club in New York, a gathering place for editors, publishers and critics, was a "fantastic opportunity to plant some seeds," Thomas said.

"I think there was only one reception that wasn't good — a station in Minneapolis," Hammond told his luncheon audience at the Anchorage-Westward Hotel.

Anchorage

El Paso offer on state gas

11/12/75 ADN

John Bennett of El Paso Alaska, one of two companies proposing to build a pipeline to move North Slope natural gas to market, spoke on the company's offer to buy the state's royalty gas from Prudhoe Bay in a meeting Monday with the Alaska Royalty Oil and Gas Development Advisory Board.

El Paso made a formal proposal to purchase state royalty gas last June, but the board has yet to form a position on the offer.

Bennett, vice president of El Paso, suggested the possibility that the company could advance money interest free to assist the state in a time of financial crisis in exchange for obtaining some or all of the state royalty gas later.

The agreement proposed by El paso would limit state gas sold to the company to gas which would be excess to needs within the state.

ANCHORAGE DAILY NEWS

Bill mandates Canada gas line

11/13/75 ADN

By MARK PANITCH
Our Washington Correspondent
(c) 1975 Anchorage Daily News

WASHINGTON — In an apparent effort to end the costly and longdrawn battle over how to get Alaska's North Slope gas to Lower 48 markets, Arctic Gas is quietly seeking congressional support for a bill that would mandate construction of its trans-Canadian pipeline.

Within the past two weeks Arctic Gas lobbyists have queried several House members about co-sponsoring such legislation. At least one member has sent a draft bill to the Office of the House Legislative Counsel to be analyzed for constitutional flaws.

ARCTIC GAS officials refused to discuss the proposed legislation. William Brackett, Arctic Gas vice president and head of the firm's Washington office, told the Daily News: "I can neither confirm nor deny the existence of that document."

However, The Daily News has obtained a copy of a draft bill which sources say was produced by Arctic Gas.

The main features of the bill are: immediate certification by the Federal Power Commission of Arctic Gas to build the pipeline and an almost total limitation on judicial review of actions taken by Arctic Gas in the course of building the pipeline.

Senate sources indicated that Arctic Gas may have begun to feel increased pressure recently from Canadian members of the consortium who reportedly are starting to look with interest at potential all-Canadian alternatives.

AN EDITORIAL in the Oct. 25 Toronto Globe and Mail notes that the Canadian government has purchased an interest in another Canadian gas project and suggests that there isn't enough capital in that country to finance two major pipelines simultaneously. Apparently the government-backed project would get preference.

"There is potential for the Canadian members to defect if there isn't some movement," the Senate source said. "This bill may be an effort to break the deadlock and head off any possible defections."

El Paso Alaska Co., which is seeking to build a trans-Alaska gas pipeline and connect to the Lower 48 via a fleet of liquified natural gas (LNG) tankers, had previously indicated that it would not try to short-circuit the administrative process. Both companies are vying before the Federal Power Commission for the right to bring North Slope gas south.

MEMBERS OF ALASKA'S congressional delegation reportedly have considered introducing legislation to mandate the trans-Alaska route. However, the closest that has come was a bill introduced several weeks ago by Sen. Mike Gravel, D-Alaska, that would force all administrative action relating to the gas line to be completed by next summer. However, the Gravel bill does not specifically favor either route.

Members of the Alaska congressional delegation were not available for comment in Washington Wednesday night.

Officials To Talk Oil

SEATTLE (AP) — Canada's plan to phase out oil exports to the United States underscores the need for both state and federal governments to discuss oil transportation on Puget Sound, say industry, government and environmental spokesmen.

"This peacemeal approach to oil problems is taking us to disaster - economically, environmentally and every other way," William Brewer, energy assist to Gov. Dan Evans said Thursday.

Virgil McNabb, of the Western Oil and Gas Association, said a solution is needed "so oil companies can plan with some certainty."

Canada's proposed 1980 cutoff, announced Wednesday, "confirms what we've been saying for three years," said Bob Lynette, president of the Coalition Against Oil Pollution.

Canadian officials said oil exports to the United States probably will be phased out by 1980 rather than the previously announced cutoff in 1983.

Washington state's four major refineries get about 22 per cent of the Canadian oil.

As the Canadian crude is cut back, refineries located in the Midwest will get preference for deliveries over those located on the coast, Jack Robertson, regional Federal Energy Administration chief said.

But Robertson said the reduction in exports would cause no immediate hardships on Washington's four major refineries.

John Vandervelde, a spokesman for the Arco refinery at Ferndale, said the cutoff of Canadian oil to that facility would make "no difference whatsoever. This plant was designed for North Slope oil and we actually had to make a few modifications to run Canadian through."

However, Mobil, Shell and Texaco refineries are not so fortunate, since they are older and have been designed to handle the lighter Canadian oil.

Many Share Gas Dollar

ADT 11-9-75

NEW YORK (UPI) — The motorist "has a legitimate concern" about the rising price of gasoline, the American Petroleum Institute says.

"The price of gasoline has been rising over the past two or three years and, quite frankly, the motorist wonders why," the API said.

"Are the oil companies ripping him off at the pump? What about those windfall profits he's been reading about? Are they the reason the price has risen?"

No, said the API in a recent report breaking down where every penny of the price of a gallon of regular goes — a procedure it notes is difficult to do with any precision.

API said actual costs vary substantially among oil companies for a number of reasons: type of crude used, where it comes from and at what price; refinery efficiency; transportation and marketing factors among others. To break out one product — in this case motor gasoline — from the many products made from crude oil in the refinery stream can result at best in a "guesstimate," the API said.

Bearing all this in mind, it offers the following:

Out of a hypothetical gallon of regular gasoline costing 58.7 cents at the pump, the API said, the oil company makes an average of 2 cents profit, also hypothetical, but a "ballpark figure, based on government estimates and company testimony." The profit margin, it said, has remained constant for several years, before as well as after the Arab oil boycott and the 400 per cent increase in the cost of foreign crude.

In fact, said the API, federal and state governments take six times as much in taxes as the companies earn in profits.

The API noted in using the profit figure of 2 cents per gallon that, while Exxon has reported making that much, Standard of California says it earns 1.5 cents, Mobil 1.4 cents, and Phillips Petroleum and Texaco one cent.

"This profit may be derived from the sale of crude oil, from marketing operations, or from a combination of operations in the production, refining and marketing areas, depending on the individual company," the API explained.

The largest single piece of the pie is the 21.5 cents, or 36.7 per cent of the total, that goes to cover the cost of crude oil at the wellhead.

The next largest chunk is the 12 cents, or 20.4 per cent of the total, for state and federal taxes. The federal excise tax is 4 cents per gallon. While state taxes vary, the API assumed an average of 8 cents per gallon in its calculations.

The third largest piece of the 58.7-cent pie is the 10.7 cents, or 18.2 per cent, that goes to the dealer "to cover his operating costs at the service station and, hopefully, "a profit for his endeavors."

According to the API breakdown, 7 cents, or 11.9 per cent, covers transporation costs: two cents for transportation of crude to the refinery, three cents for moving gasoline to the terminal, and another two cents to get it from the terminal to the service station.

Canada Line Plan Finds Sponsor

ADT 11/14/75

By BETTY MILLS
Times Washington Bureau

WASHINGTON — William Brackett, vice chairman of Alaskan Arctic Gas, has been lobbying hard on Capitol Hill in recent weeks on behalf of his consortium's proposal to bring gas through Canada to Lower 48 markets.

Brackett has apparently found at least one sponsor for legislation to mandate the Canadian pipeline route, Michigan Congressman Phillip E. Ruppe.

Ruppe said he intends to offer a bill that would direct the Federal Power Commission and the Interior Department to issue permits to begin construction of the Arctic Gas pipeline.

Ruppe believes the Arctic Gas project "is not only in the interest of the gas-short Midwestern states, but of the entire nation."

Ruppe said congressional intervention is necessary because the regulatory agencies may take too long to get the natural gas flowing to Lower 48 markets.

"We already face serious shortages this winter," Ruppe said. "I believe that to delay further in these deliberations would cause even more discomfort and economic dislocation in the years ahead than is necessary or tolerable."

Sen. Mike Gravel, D-Alaska, who has pushed forward with a bill that would mandate a commission decision by June 30, 1976, believes the Arctic Gas tactic will backfire.

"My move has obviously panicked them," Gravel said in an interview. "I don't see Congress acting until the FPC acts. This is just an embarrassment to them and a stupid tactic."

Gravel and other observers in Washington believe an expedited decision by the commission will result in a ruling for the all-Alaskan gas line project proposed by the El Paso Co.

Alaska's Republicans in Congress disagree with Gravel's analysis and believe it will be detrimental to the El Paso cause if the issue comes up in Congress this winter.

The Arctic Gas legislation, Sen. Ted Stevens said, "is an unfortunate effect of Gravel raising the issue. The impact of trying to accelerate the FPC decision is such that Arctic Gas is now convinced the decision should be made by Congress sometime this winter."

Stevens said, "It will be almost

(See Page 2, Col. 7)

Canada Line Finds Sponsor

(Continued From Page 1)

almost impossible to get a fair hearing on that issue if it comes up at the height of this winter's natural gas shortage. And in an election year, the issue can be demagogued to death."

Young agrees with Stevens' claim that "time is on our side."

"If Congress acts before the FPC rules, due to political pressure and a cold winter with natural gas in short supply, we could be in real trouble," Young said.

The GOP Congressman favors a low-key approach, saying "we will lose now if we have public hearings, and the media gets wind of this."

Anchorage Daily Times

Gas Pipeline Panel Forms To Push For Alaska Route

By BARBARA ZANDER
Times Staff Writer

ADN 7/22/75

Pushing for an all-Alaska gas pipeline and developing a framework to deal with the state's natural gas were two goals the legislative gas pipeline committee set for itself at its organizational meeting yesterday.

The committee, created during the last legislative session, picked Rep. Willard Bowman, D-Anchorage, as chairman.

Rep. Mike Bradner, D-Fairbanks, told the committee he thought the group should work on achieving a balance between one of the richest energy sources and the high cost of energy for Alaskans. He said he hopes the committee can help reduce the cost of energy.

Sen Terry Miller, R-Fairbanks, said the first priority should be to get a favorable decision from the Federal Power Commission for an all-Alaska pipeline to carry gas from the North Slope. It would be liquefied in southern Alaska and transported by tanker ship Outside. A competing plan would be to transport the gas Outside by pipeline through Canada.

Rep. Nels Anderson, D-Dillingham, said Outside firms should not be allowed to do the major portion of the development.

Bradner said if the decision favors a trans-Canada line then maybe "our function becomes more important." Bowman expressed concern about apathy among the citizenry about the gas line. He believes the issue needs to be brought before the public.

First to testify yesterday was Beverly Isenson, representing the Organization for Management of Alaska's Resources which is pushing for an all-Alaska line, and backing a proposal by El Paso Natural Gas Co.

She suggested five areas of study: Work with other state legislatures; Consider legislation for the primary processing of the gas; Consider strict control on exporting gas from the state; Control the road along the pipeline, and dispose of royalty gas.

Sen. John Huber D-Fairbanks, suggested that liquefying the gas at the site might be a way to get out from under the Federal Power Commission. He referred to changing the gas to methanol.

EDITORIAL PAGE

Anchorage Daily Times

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The Gas Pipeline

TWO STATE GOALS

THE LEGISLATIVE committee on gas pipeline impact can render a great service to the people by pursuing the course charted Monday night.

The committee set two goals:

1. To use its influence to encourage an Alaska route for the pipeline, rather than a route through Canada, and

2. Develop a program for the handling of the state's royalty gas, which will be 12½ per cent of the total Prudhoe Bay reserve. If the reserves total 26 trillion cubic feet, the state stands to get 3 trillion plus 250 billion cubic feet of its own.

There can hardly be much of anything in the world more important to the economics of this state than those two goals.

ALTHOUGH the two goals appear to be separate, they really are one. Neither can be achieved in satisfactory fashion without the other.

The royalty gas can be used to create a compelling pressure on the producers to route the pipeline through Alaska. The committee received testimony showing that terms of pipeline right-of-way leases might make the Alaska route more attractive, if not downright compulsory.

The state can also insist that it will take delivery of the gas in kind and at an ocean terminus. This would require the Alaska route.

THE FIRST STEP toward its goal might be for the committee to convince the state's commissioner of natural resources to quit talking with gas companies about buying the state's royalty gas. Once it is sold, the state will lose its clout.

If the state should sell to an eastern gas company, it would then be throwing its support behind the Canadian route for the pipeline. This would defeat the purpose set by the committee and would also thwart the desires of a majority of Alaskans.

The committee might also consider finding ways to attract the oil companies that own the Prudhoe Bay reserves to join Alaskans in supporting the Alaska pipeline route.

We have never heard that the companies have taken a stand on the route. Many of them have contracted with eastern gas companies for the sale of their gas reserves, which must imply their support of the Canadian route.

The legislative committee has made a commendable start in its approach to the pipeline and the handling of the gas. It is important that the committee succeed in achieving the goals it has set.

ADT 8/6/75

Lease Sales Could Aid State Revenue Balance

The state is going to spend $120 million more than it takes in both this year and next, and by fiscal year 1977 an additional source of income will be required to stave off total bankruptcy.

That was the report from Commissioner of Revenue Sterling Gallagher to the state's Royalty Oil and Gas Development Advisory Board.

Gallagher said the state's budget for the 1976 fiscal year will be between $630 million and $650 million, with revenues expected to total from $510 million to $520 million.

That leaves a deficit of about $120 million, the commissioner told the Alaska Oil and Gas Royalty Advisory Board, in spite of the newly-enacted tax on oil and gas reserves.

Gallagher said he also expects a deficit of $120 million to $150 million the following year, which will very nearly deplete the general fund balance, including $190 million in securities.

"This definitely shows the need for an additional cash input in fiscal year 1977," he told the board.

Commissioner of Natural Resources Guy Martin, who heads the board, noted that possible state oil and gas lease sales or sales of state royalty oil or gas are not included in Gallagher's predictions.

"Those are things which could be done to close the gap," he said, adding, "We are likely to have a decision in the near future on a lease sale."

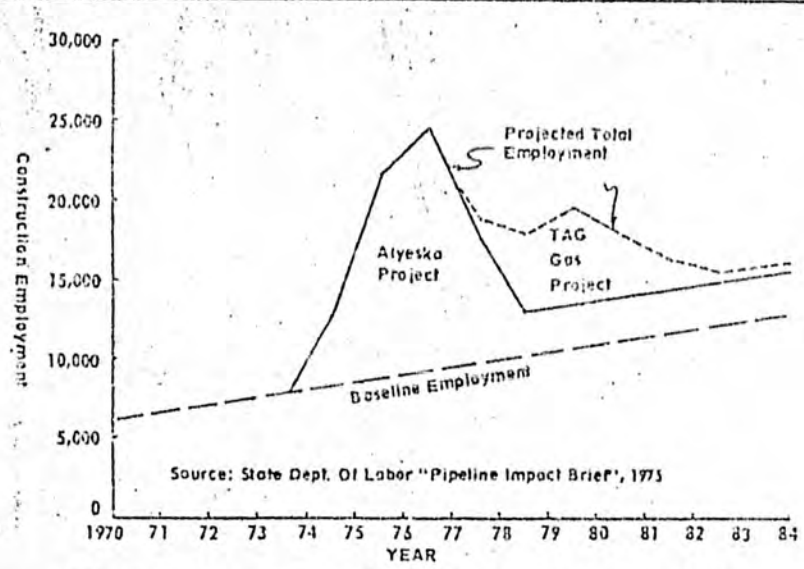
Gallagher said decontrol of old oil on the national level could have a significant impact on Alaska's state finances. For instance, if the price of old oil is left to the market, the state's anticipated deficit for fiscal year 1976 could be cut in half.

Favorable economic activity in the state caused Gallagher's department to underestimate revenues by 13 per cent this year, when the most it had ever been off before was five per cent.

"This is due to inflation," the commissioner said, "and a sliding scale income tax which you can't predict 18 months in advance. Alyeska has more people on the payroll than we expected."

The 1977 state budget probably will be $720 million to $750 million, Gallagher said, "and could go as high as $780 million depending on how fast inflation takes off after the recession's recovery."

Both Gallagher and economist Arlon Tussing, members of the board, said they believe the "bloom is off" Alaska's inflation and they expect it to keep pace with national inflation from now on.



STATE PROJECTS GAS LINE EMPLOYMENT

The dotted line shows the estimat- construction. the gas pipeline

Five Plan Gas Line Testimony

Only five persons have signed up to testify on a draft environmental statement for a trans-Canadian gas pipeline proposed by Arctic Gas.

Although today was supposed to have been the deadline for signing up, a Bureau of Land Management spokesman said anyone wishing to comment still may do so. Preference will be given to those who have registered, however.

The hearings, dealing with the 9,000-page statement prepared by the Department of the Interior, are to begin at 9 a.m. both Thursday and Friday at the Performing Arts Center of the University of Alaska, Anchorage.

Those signed up are Gov. Jay Hammond, Jerry McCutcheon, Peter Scholz of the Alaska Center for the Environment, Jack Hession of the Sierra Club, and Virginia Dapiaz of the Upper Cook Inlet Chapter, Alaska Conservation Society.

In addition to the Anchorage hearings, hearings are planned in Fairbanks Sept. 29 and 30 and in Juneau Oct. 2 and 3.

The draft environmental statement deals only with the pipeline application of Arctic Gas because El Paso Alaska,

(See Page 2, Col. 1.

Gas Offer Is Unveiled

Former state oil and gas director Homer Burrell said this morning that a "major oil and gas producer" has offered to gurantee financing of a trans-Alaska gas pipeline in exchange for a commitment of the state's one-eighth royalty share in the Prudhoe Bay gas.

Burrell, testifying at a public hearing on Interior's Arctic Gas pipeline environmental assessment, said the pipeline offer is lying in the desk drawer of Commissioner of Natural Resources Guy Martin and has not been publicly revealed.

Burrell also said that recent discoveries on the North Slope, previously unreported, mean that a trans-Alaska gas pipeline will be built, regardless of what decision is made by the Department of the Interior.

Five Will Testify On Plan For Line Through Canada

(Continued From Page 1)

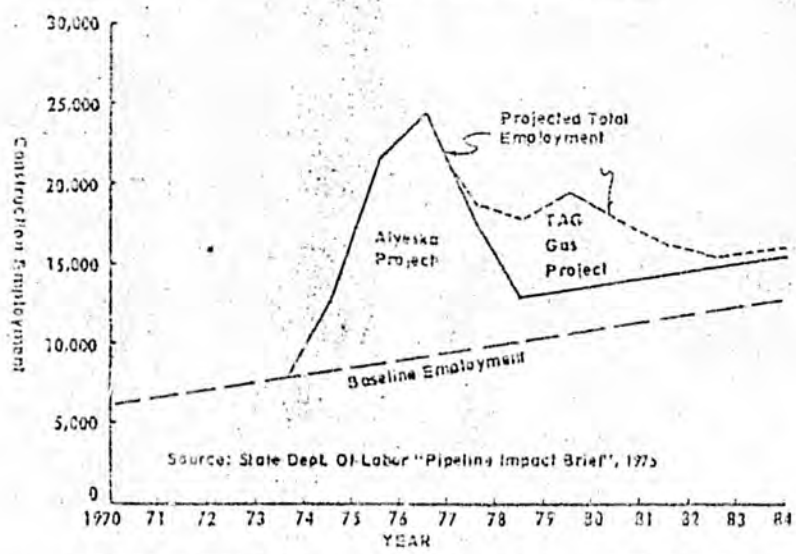
a trans-Alaska gas pipeline, has not applied for a right-of-way permit from Interior. However, El Paso's proposal for a combined pipeline-tanker route is dealt with in the draft study as one of the alternatives to an all-overland pipeline.

Presiding at the Alaska hearings will be Administrative Law Judge John Rampton of Salt Lake City. Other panelists will be Carl Starch of the Department of the Interior's Denver office, and Tom Schoder and Jim Coan of Anchorage, who are members of the environmental impact study team who focused on the Alaska portion of the gas pipeline. Schoder is a natural resource specialist and Coan is an engineer for the Bureau of Land Management.

At the Juneau hearings, Starch will be replaced by Al Leonard of Denver.

Schoder said the final environmental impact statement hopefully can be completed by the first of January and printed by early February. Then it will go to the President's Council on Environmental Quality.

"It will still be up to the Department of the Interior to respond to the application (from Arctic Gas) pending before it, to either accept or reject it," Schoder said. "It's hard to say when that decision will be made. If there is a gas shortage this winter, it could involve action in Congress and that could have a bearing on the timing of this thing."



STATE PROJECTS GAS LINE EMPLOYMENT

The dotted line shows the estimated effect that construction of a trans-Alaska gas pipeline would have on the state's employment picture after the Alyeska oil pipeline is completed. Instead of a rapid decline, from close to 25,000 to slightly over 10,000 employed in construction, the gas pipeline would pick up the slack as oil pipeline employment stops to drop off and continue employment opportunities through 1982. A peak of 5,100 workers would be employed n a gas pipeline.

Organization Requests State Gas Commitment

Members of Omar (Organization for Management of Alaska's Resources) have urged the state's Royalty Oil and Gas Development Advisory Board to commit Alaska's excess gas to El Paso Natural Gas Co.

"It is imperative that we take action to assist the only carrier that has applied for a trans-Alaskan (gas) pipeline," Robert C. Penney told the board.

And he asked the royalty board and Governor Jay Hammond to express to state leaseholders on the North Slope "our extreme displeasure" at their support of a trans-Canadian route for the gas pipeline, as proposed by Arctic Gas.

"We believe these acts will additionally secure the flexibility for the state to assure the use of our royalty gas within Alaska for heat, fish processing or industry, et al," Penney said.

Beverly Isenson, executive director of Omar, referred to testimony presented to the Federal Power Commission by a Canadian constitutional lawyer who says the provinces have the power to levy discriminatory taxes on pipelines and resources passing through their boundaries.

And she pointed to the economic consequences of a pipeline through Alaska. The trans-Alaska oil pipeline has had the positive effect on lowering the state's unemployment rate to lower than it has ever been, and of giving natives jobs and contracts, according to Mrs. Isenson.

"It's a healthy situation," she said, "and not merely growth for growth's sake."

She referred to a chart which shows how a trans-Alaska gas pipeline will pick up the slack for employment as the oil pipeline work force decreases.

Commissioner of Natural Resources Guy Martin, who heads the board, noted that "many points you have raised in favor of a gas pipeline through Alaska this administration also supports.

In regard to El Paso's bid for the state's excess gas, Martin said, "We're requested information continuously" for the last 18 months, and it was not until Sunday that the state finally received a proposal.

"We're really asking for two commitments," added Homer Burrell, an Omar representative and former director of the division of oil and gas. "We want you to recommend that the state's royalty gas be transported through an all-Alaska pipeline, and we want you to commit the state's excess gas to El Paso."

Penney said, "The more I'm in this, the more scared I am that the pipeline won't go through Alaska, and the more sure I am that it should."

While supporting a trans-Alaska gas pipeline, some members of the advisory board said they think it is possible to overrate the commitment of gas to El Paso as a factor in the Federal Power Commission's selection of a pipeline route.

Commissioner of Revenue Sterling Gallagher said, "The gas (from Prudhoe Bay) will be committed to whatever pipeline is built."

And economist Arlon Tussing said, "The only way the commitment of gas to El Paso can make a difference is as a basis for finances, because El Paso is much weaker financially than Arctic Gas."

Commitment of the state's excess gas to El Paso "would increase the strength of the company's corporate profile," he said.

William Fackler, deputy commissioner of natural resources, expressed the opinion that "if someone gets the certificate (for a pipeline), they'll get the financing."

Martin Expects Leasing Delay

By FLIP TODD
Times Staff Writer

Fresh from a week of discussions in Washington, D.C., the state's commissioner of Natural Resources said he fully expects a 60 to 90-day delay in leasing offshore oil and gas tracts in the Gulf of Alaska.

Guy R. Martin, the state's legal adviser in Washington under the Egan administration, said the delay would not bring the proposed sale into compliance with the state's standards for the sale.

"Don't be misled," he warned his Greater Anchorage Chamber of Commerce audience. "I think you'll find we're not opposed to the federal leasing program per se," but the state would like to see "50, 75 or 100 changes" in the federal leasing plan. So far the federal government has opposed any changes to its proposed offshore leasing program, he said.

The state's three-man congressional delegation has been "coming together" on the offshore issue. Both Sen. Mike Gravel and Rep. Don Young have come closer to the state's position recently, he said.

When the governor met with President Ford, outer continental shelf issues came up, he said. The subject was brought up "in the context of working out any differences with the federal government and the oil companies" that will develop the shelf, Martin said.

In his week in Washington Martin met on outer continental shelf issues with Assistant Secretary of the Interior Royston C. Hughes, who is in charge of program development and the budget. He said he plans to meet Friday with Federal Energy Administrator Frank Zarb, Thomas Kleppe — if he is confirmed as Interior secretary—

(See Page 2, Col. 4)

Problems Unresolved

"Not enough has been said" about unresolved problems with the proposed trans-Canada gas pipeline, says Commissioner of Natural Resources Guy Martin.

A recently revealed treaty proposal between the U.S. and Canada, "actually created more problems than it resolves," Martin declared.

Left unresolved, he said, would be problems of taxation, setting of rates, sharing of pipeline capacity and pipeline costs, provision for expansion and interruption of throughput.

(See Page 2, Col. 5)

Martin Expects Leasing Delay

(Continued From Page 1)

and a group of state representatives about the outer continental shelf.

Martin, who served as legislative assistant to the late Alaska Rep. Nick Begich, said his visit to the nation's capital came during a key week in writing amendments to the Alaska Native Claims Settlement Act. While on the congressman's staff he helped write the original bill which became law in 1971.

Martin said he believes the bill to amend the claims settlement act would have the greatest influence on the state's natural resources of any currently contemplated legislation. Generally he classified the four proposed amendments he discussed as "technical and housekeeping matters."

"Some correct problems and inadequacies that couldn't have been forseen at the time," he said.

The four proposed amendment include:

— A provision that would allow village corporations to merge with other village corporations and villages to merge with regions. Martin indicated he is not aware of any provisions that would allow regions to merge with other regions. There is a threat of small villages "being co-opted and overpowered by large ones," he said.

— A provision to nullify a legal decision that allows natives to bring suit against the state, oil companies and other for trespasses on their land before the claims act was passed in 1971.

Martin said he and Sen. Ted Stevens have made strong statements in opposition to this provision of the bill and that the state had to take its stand in opposition to the natives.

"As we see it the state represents taxpayers who may become defendents in the suit and the state had no choice but to act as it did," he argued.

The state's concern is so strong that Hammond raised the issue with the President a couple weeks ago, he said: "and we were disappointed a presidential decision was not the bill, but anticipate a response from the President soon."

— A provision to liberalize the easements section of the bill. The burden of enforcing the restrictive provisions would fall largely to the state, he said. Transportation, utility and recreational corridor recommendations by the Interior Department "flew in the face of established corridors," the commissioner argued. If the recommendation becomes law, it would result in almost guaranteed trespasses, he said.

— A provision to modify the present "tragic and inequitable land selections" that the Cook Inlet Region may be forced to make. The selections on Pt. Woronzof, Campbell airfield east of Anchorage and the Swanson River oil field, he said, "have completely been resolved as issues."

"I can say there is work still to be done on this," Martin said, but the state is looking for land trades that would be acceptable to all parties.

The state will soon find itself in a very unusual position as a major regulator of the oil industry in this country while at the same time being a large owner of oil and gas, he said.

He estimated that Alaska, through its one-eighth royalty share of production would have reserves making it between the fifth and 10th largest oil company in the country.

Returning to the issue of outer continental shelf development, he emphasized that only one other state, California, has more than one federal lease sale proposed while Alaska is slated to have nine or 10 in the next three to five years.

"There was no way we could compare the Beaufort Sea and the Gulf of Alaska and not conclude that the Beaufort Sea was better," as an area of future oil exploration, he said.

Martin promised the state would give at least five months advance notice of a state sale in the offshore area to the east of Prudhoe Bay and predicted it would be held in 1976.

"Retention of our natural gas as long as it can be done is one of the most important things we can do."

Treaty Proposal 'Creates Problems'

(Continued From Page 1)

Martin said the treaty, coupled with the Federal Power Commission's delay in pipeline proceedings, produced a "psychological low" a few weeks ago.

"Although we are far from out of the woods" in the effort to win a trans-Alaska gas pipeline, Martin said, the situation is "hardly as bleak" as had been thought.

"The issue is still up for determination," he said, with "a lot of capability to decide in Alaska's favor."

THE QUALITY JEWELRY ST
Diamonds, Watches, Gift
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"If we can't repair your
throw it aw
Carl's Spena
AND GI
Northern Lights Sho
279-272

HOMER BURRELL
Address Hearing

State Rebukes Gas Line Study

The Hammond administration chided the Interior department today for failing to initiate its own studies of a proposal to build a trans-Alaska natural gas pipeline.

Although El Paso Natural Gas Co., proponents of the project, have refused to file for necessary permits, a state spokesman said information was "readily available" and should have been included in a draft environmental impact statement of North Slope gas development.

Asst. Atty. Gen. Fred Boness told the second day of a federal hearing here on the impact statement that additional data, including actual field experience, was available from builders of the Trans-Alaska oil pipeline.

"Interior's decision not to make full use of this data," Boness said, "and to conduct a proper environmental analysis of the Trans-Alaska route is most unfortunate."

El Paso has declined to seek a right-of-way permit from the Interior department, a move that procedurally thwarted extensive studies. The company has maintained it wants a clear indication whether the pipeline will be built through Alaska or Canada before committing funds to environmental studies.

Boness said unanswered questions raised by the impact statement had been noted in a state study released in April and forced officials "to conclude that the Arctic gas plan cannot be accomplished for the price and in the time frame they are projecting."

The administration has estimated that a trans-Alaska line could be completed at least two years earlier than a Canadian line, in part because of pending native land claims in Canada.

A full critique of the impact statement by the administration, Boness said, would be made before Oct. 27, the deadline set for public comment.

There were few kind words yesterday at public hearing here on the Interior department's 9,000-page draft environmental impact statement concerning a

(See Page 2, Col. 5)

JERRY McCUTCHEON
Would File Suit

And Go

eawide paving project that has out 30 miles of asphalt go into nearly complete, says Central y District Engineer Jack Spake. o receive new black coats before gives them white ones are Ingra mbell streets and Minnesota

Port Access Road, which has bout $12 million of the highway is open for traffic. The only work remaining there is a

(See Page 2, Col. 1).

Index

Bridge 23
Classified Ads 38-50
Comics 31
Crossword 44
Dear Abby 12
Editorials 4
Financial News 16-17
Home And Hobby 18
Horoscope 18
Obituaries 10
Sports News 27-30
Tell It To Sud 15
TV, Entertainment ... 34-35
Vital Statistics 19
Weather 25

State Rebukes Gas Study

(Continued From Page 1)

proposed Arctic Gas pipeline system.

About 30 persons attended the morning session, at which Homer Burrell, former director of the state's division of oil and gas, testified that a pipeline through Canada, as Arctic Gas proposes, "would represent an unwise, irretrievable and irreversible commitment of resources to the legal, political and economic whims of a foreign country."

On the other hand, Burrell said a pipeline through Alaska, combined with a liquefaction and tanker system, would mean significant tax and other economic benefits to the United States.

Burrell charged that the state has received, but has not revealed, an offer from a "major oil and gas producer" to guarantee financing of a trans-Alaska gas pipeline in return for a commitment of the state's royalty gas at Prudhoe Bay.

He said it is a violation of state discovery and public information laws for the state not to make public this offer, which he said is on the desk of Commissioner of Natural Resources Guy Martin.

Burrell said that recent discoveries on Alaska's North Slope — as yet unreported — will mean that a trans-Alaska gas pipeline will be built regardless of what Interior decides in regard to the Arctic Gas proposal.

He wore two hats for his testimony — one representing his own point of view and the other as a representative of the Organization for the Management of Alaska's Resources.

Burrell presented legal testimony on behalf of Robert Hartig: "Within the last two weeks, efforts by Canada and the United States to reach agreement on the paving of the Alaska Highway went awry because of Canada's refusal to grant a permanent right-of-way, even though the United States in turn agreed to advance the cost of construction. Canada claimed that such a grant would be in degradation of its sovereignty."

Hartig said he didn't intend that as a criticism of Canada, noting that Canada "would be irresponsible if it failed to seek its best interests."

However, he said, "It would cause any reasonable person to look with a jaundiced eye at a U.S. financed pipeline through Canda, even with the proposed treaty."

Jerry McCutcheon, testifying as a private citizen, said the draft environmental impact statement is "so grossly inadequate that it constitutes a circumvention of the law."

He said that if the study is not sent back to the Interior department's task force for a more complete study of alternatives, he may prepare for possible court action.

"I have taken the federal government to court on a similar matter and won," he said.

McCutcheon said the draft statement fails to deal adequately with an alternative trans-Alaska pipeline and tanker route. It does not emphasize adequately the alternative of deregulation of natural gas, which he said would alleviate a shortage of natural gas. Neither pipeline would solve that problem, he insisted.

Nor, he said, does the statement present a picture as a "combination of alternatives." It "fails to set forth that coal is the only fossil fuel to which this country can and must turn now or later."

The "squandering" of $10 billion to $20 billion on a gas pipeline "not only postpones the time but also squanders the nation's ability to turn to coal."

He said, "It is strange that the state administration has known since March 1975 that both proposed gas lines are not financially feasible, and yet made no mention of this to the Alaskan public.

"The construction of either (line) reduces the long-term supply of gas by absorbing the capital that would be available for far more economically developed gas supplies within the south 48 states.

"One comes away with the feeling that you wrote a justification of the line rather than an honest and factual report setting forth the facts, all the facts, to the best of your ability, in an honest labor."

Virginia dal Paiz, representing the Upper Cook Inlet chapter of the Alaska Conservation Society, said, "Under no circumstances can a pipeline be built through the Arctic Wildlife Range."

She said her organization cannot endorse the Arctic Gas proposal, but neither can they endorse any other route until an application is made for a right-of-way and an environmental impact statement is developed.

Alaska can be valued for its "livability or its extractability," she pointed out, lamenting that Alaska seems to be viewed as a "giant socket" to which the nation can be plugged to solve its energy problems.

"Overpopulation is the root of the problem," she declared. "Until that is controlled, it will be a never-ending situation of demand exceeding the supply."

The hearing continued this morning. Next week, hearings will be held in Fairbanks on Monday and Tuesday and in Juneau on Thursday and Friday.

Administrative Law Judge John Rampton of Salt Lake City is conducting the hearings. Panelists include Tom Schoder and Jim Coan of Anchorage, two members of the gasline environment impact statement team.

Comments from hearings in Alaska and elsewhere in the country and written comments, which will be accepted until Oct. 28, will be incorporated in a final environmental impact statement on the proposed pipeline project.

Winter's Threat Curtails Two Services

The threat of winter has prompted two Anchorage departments to issue notices of discontinuation of services.

The Anchorage Water Utility is canceling all fire hydrant use permits, effective Wednesday. The utility is preparing the hydrants against freezing.

Special day-to-day permission, may still be obtained by hydrant foreman, Ford Johnson, if weather permits.

Also effective Wednesday, the Public Works Department will not issue permits for pavement cuts for any utility connections except in emergencies.

Cuts for emergency connections must be authorized by Public Works Director Jim Swing.

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MASONIC CALENDAR

FRI., SEPT. 26
Scottish Rite
8:00 P.M.

MASONIC TEMPLE
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ADN 9/18

Registration for gas line hearing

Anyone wishing to testify in the public hearings on the trans-Canadian natural gas pipeline environmental impact statement are urged to contact the local Bureau of Land Management office by Monday.

The draft environmental impact statement on Arctic Gas consortium's pipeline proposal is 9,000 pages, and 17 volumes, long. Copies of the statement are available at the local BLM office, the Fairbanks Environmental Center and local libraries.

Public hearings are to be held here Sept. 29 and 30, from 8 a.m. to 10 p.m. each day at the Traveler's Inn. Hearings will also be held Sept. 25 and 26 in the Anchorage Performing Arts Center, and Oct. 2 and 3 in the Baranof Hotel in Juneau.

The statement says Arctic Gas's proposal to build the Alaskan portion of the line in winter is not feasible, that its maintenance plans are unreasonable in terms of environmental damage and its analysis of effects on wildlife are inadequate.

It also continually points out that the pipeline will forever destroy the wilderness characteristic of the Arctic National Wildlife Range.

Fairbanksans will probably be most interested in the first volume of the statement, which is an overview of the following 16, and the three-volume first part which deals with the 195-mile Alaskan portion of the primary route.

Also interesting to Alaskan reviewers is the single volume on the trans-Alaskan pipeline alternative proposed by El Paso Natural Gas Co.

The Alaskan section of the 6,280-mile pipeline is to be built in the first three years of a project which will extend over eight years. In order to avoid having to build a permanent road across the wildlife range, Arctic Gas proposed to build the Alaskan portion entirely in winter from snow or ice roads.

Gas from the Prudhoe Bay oil field would enter the 48-inch diameter line at 25 degree temperature and 1,680 pounds of pressure. Four 15-acre gravel pads will be built in the Alaskan portion for compressor stations to be added in later phases of the construction.

"The winter construction schedule in the arctic, as outlined by the applicant, without all-weather accessibility is highly idealistic and dependent on many variable uncontrollable considerations, and is not considered feasible," the statement says. "Schedules proposed, especially for the arctic, are highly idealistic."

"Design criteria for the arctic and subarctic conditions are not considered adequate; therefore further efforts are needed to prevent pipeline failure in order to mitigate adverse environmental impacts."

Once the pipe is buried, however, the need for maintenance may cause environmental damage more severe than that resulting from the initial construction because of the lack of roads providing access, the statement adds.

Gas line treaty nears

ADN 9/22

By PETER J. BERNSTEIN
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WASHINGTON — The United States and Canadian governments have reached agreement on the main points of a treaty regarded as an essential step for construction of a 6,230-mile pipeline to carry Alaska natural gas down Canada's Mackenzie Valley to the United States.

The treaty is expected to be signed during Secretary of State Henry Kissinger's visit to Ottawa, scheduled for Oct 14.

The treaty, a U.S. official said, would provide for "non-interference" in the inter-country flow of oil and gas. "We're down to just a few remaining issues," the official said. "These should be wrapped up in the near future."

THE PIPELINE, planned by a consortium of 18 U.S. and Canadian companies, would deliver 4.5 billion cubic feet of natural gas a day to most of the United States and Canada. This would provide much-needed heating fuel for millions of homes and businesses, plus fuel for industry.

Sponsors of the 48-inch line say gas should be moving to main points in the U.S. four years after the start of construction. But they point out that plans for the pipeline are moving so slowly thrugh complex regulatory proceedings in Washington and Ottawa that it may be 1982 at the earliest before the gas could start flowing.

Administration and congressional sources expect that President Ford will ask Congress early next year for a legislative license for the trans-Canadian route. Some members of Congress want to take action sooner.

OFFICIALLY, the U.S. and Canadian governments are not committed to the line proposed by the consortium. But they are leaning strongly toward it.

El Paso Natural Gas Co. has made a competing proposal to lay a pipeline along the same corridor as the trans-Alaska oil pipeline now under construction, and then to transport the gas in liquefied form by tanker ships from Alaska to a port near Los Angeles.

The Federal Power Commission (FPC) is studying which route to certify. Its hearings, which began last May, are expected to last another two years.

Proposed Canada Gas Line Dra

FAIRBANKS (AP) — A proposed trans-Canadian gas pipeline has drawn fire from residents of this Interior Alaskan city during Interior Department hearings on the proposal which would tap Prudhoe Bay's natural gas fields.

The hearings here are the second round in public testimony on a draft environmental impact statement for the proposed gas line which Arctic Gas wants to build from Alaska's North Slope through Alberta to the midwestern United States.

The hearings began in Anchorage last week and will be held in 11 U.S. cities, including Juneau later this week.

So far the public forums have failed to attract widespread attention. Testimony in Fairbanks Monday originally was to have been presented only by persons who registered in advance with Interior's Bureau of Land Management. But because of a lack of interest, the hearing officer opened the sessions to anyone who wanted to speak to the issue. The Fairbanks hearings were scheduled to continue today.

Sen. Ted Stevens, R-Alaska, submitted written comments to Interior and said the trans-Alaska natural gas pipeline route is the only one which offers consumers uninterrupted service of natural gas.

Stevens' Washington office issued a statement saying the consumer should be included es an integral part of th EIS pipeline to skin off t mated 26 trillion cubic gas at Prudhoe Bay.

He criticized the depa for not investigating in an all-Alaska route such one being proposed by E Natural Gas Co., which peting with the Arctic G sortium of American Canadian companies fo

e Draws Fairbanks Fire

as an integral part of the draft EIS pipeline to skin off the estimated 25 trillion cubic feet of gas at Prudhoe Bay.

He criticized the department for not investigating in-depth an all-Alaska route such as the one being proposed by El Paso Natural Gas Co., which is competing with the Arctic Gas consortium of American and Canadian companies for permission from the Federal Power Commission to build the pipeline.

Although El Paso has not filed for the necessary permits which must be issued by Interior in order for it to cross federal lands involved in an all-Alaska route, Stevens said such action apparently is not necessary.

"I believe that in the interest of saving valuable time that the draft EIS should have explored both routes in depth," The Republican senator said. "Obviously the trans-Alaska route must be examined thoroughly if the alternative is to be objectively reviewed.

In Fairbanks, William B. Morrice, port director for the Alaskan city of Valdez, spoke against the granting of right-of-way permits by Interior for the trans-Canadian line. Instead, Morrice urged consideration of a trans-Alaska route to a tanker port and liquification plant in the Valdez area.

Celia M. Hunter, president of the Alaska Conservation Society, called for a slowdown in the development of new pipelines until an energy transmission network can be designed that minimizes waste of natural resources.

Dr. David R. Klein, speaking for the Alaska Chapter of the Wildlife Society, said the draft EIS failed to serve the purpose of the environmental impact assessment procedure because its volume and organization does not facilitate a review and it doesn't cover adequately many important aspects of the pipeline's construction.

Klein said the Wildlife Society is a professional organization with about 80 professional biologists as members in Alaska.

The impact statement does not adequately consider the effects snow road construction will have on North Slope vegetation, he said, and the effects of the project's use of water will have on fish which spend the winter in North Slope streams.

Mrs. Hunter joined Klein in criticism of ice road construction for the Arctic Gas project, which plans to install the 195-mile Alaskan portion of the pipeline in one winter with temporary snow or ice roads.

"Already proliferation of pipelines, from what is essentially one arctic petroleum province, is in the offing," Mrs. Hunter said. She listed six proposed pipelines which would be used to transport arctic oil to southern Canadian and United States consumers.

"One properly built trunk line could serve the entire arctic province for perhaps a century. Proliferation of inadequate pipelines is in the long haul wasteful of all resources and therefore ultimately uneconomic."

She said it has been reported that snow would be scraped from everywhere within a 10-mile wide swath along the proposed Arctic Gas route in order to construct the ice road, although that is not mentioned in the EIS statement.

The statement calculates only 30 per cent of the water needed to make the road is available, she said.

A THOUGHT FOR TODAY

The future holds something good for the people who have faith in it.
H. L. Hollis

DATSUN Sales & Service
SUNSET MOTOR CO.
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Thomas Begins Gas Line Tour

JUNEAU (AP) — Lt. Gov. Lowell Thomas Jr. embarks today on another swing through the Lower 48 states to promote a trans-Alaska natural gas pipeline route.

Thomas returned only two weeks ago from a similar journey through the Midwestern and Western states where he appeared on numerous television shows and news programs as well as granting interviews to scores of newspapers and magazines.

Thomas expects to be gone from Juneau two to three weeks and concentrate his promotional efforts on the East Coast.

"I will be finishing up what I started out to do," he said. "It will be the same kind of thing."

Thomas said during his last trip the general reaction to a trans-Alaska natural gas pipeline was good and his journey was "a very satisfying experience. It is not often you have a chance to plead the case for a proposal which has so many advantages.

"It is also gratifying," the lieutenant governor said, "to see such broad support from virtually all quarters of Alaska."

Calif. gas line plan scrapped

SPOKANE, Wash. (AP) — Plans are being shelved for construction of a 1,119-mile pipeline leg to bring Alaska North Slope natural gas to the Los Angeles area, a spokesman for the project said Monday.

Lower estimates of Alaska natural gas availability have resulted in a decision to inform the Federal Power Commission and Interior Department that the leg of the $9.5 billion pipeline project will not be needed, Interstate Transmission Associates (Arctic) spokesman William Sawyer told a hearing.

Sawyer said that ITAA is revising its application filed with the two agencies. Sawyer said the company wants to transport 600 million cubic feet per day of Alaska natural gas, half of what had been applied for.

"The 600 million cubic feet figure represents the amount of gas ITAA may reasonably expect to have available to transport when the deliveries of Alaska gas begin in 1980," he said.

The proposed 30-inch Los Angeles leg line would have connected with the main 42-inch line bringing gas from Alaska to the Canadian border at Eastport, Idaho. It then would have crossed part of the Idaho Panhandle, Eastern Washington, eastern Oregon, western Nevada and would have terminated at Cajon, Calif.

Instead, Sawyer said ITAA is proposing to put 150 million cubic feet of gas into the Northwest Pipeline Corp. line at Spokane, send 250 million cubic feet to Pacific Gas Transmission at Stanfield, Ore., for transportation to Southern California and ultimately deliver the remaining 200 million cubic feet to California through the existing pipeline system of El Paso Natural Gas Co.

Sawyer said that a section of another pip which would also start at Eastport, and run 18 Rye Valley, Ore., will be slightly relocated s run through Idaho's Moyie River Valley.

Opposition had been voiced by local farme Moyie route.

Land disturbed when a natural gas pipeline in 1961 still shows that damage, Rosalia farme Dube told the federal hearing.

Dube said any future pipeline constructio show more concern for the environment.

His testimony came at a Bureau Management hearing on a draft envi statement for a proposed 36-inch natural ga parallel an existing line, carrying Alask Canadian natural gas to West Coast markets.

Gas line hearings ADN 10/2/75

Canadian route hit by Alaskans

FAIRBANKS (AP) — A proposed trans-Canadian gas pipeline drew fire from residents of this city during Interior Department hearings on the proposal which would tap Prudhoe Bay's natural gas fields.

The hearings here are the second round in public testimony on a draft environmental impact statement (EIS) for the proposed gasline which Arctic Gas wants to build from Alaska's North Slope through Alberta to the Midwestern United States.

THE HEARINGS began in Anchorage last week and will be held in 11 U.S. cities, including Juneau later this week.

So far the public forums have failed to attract widespread attention. Testimony in Fairbanks Monday was originally to have been presented only by persons who registered in advance with Interior's Bureau of Land Management. But because of a lack of interest, the hearing officer opened the sessions to anyone who wanted to speak to the issue. The Fairbanks hearings continued Tuesday.

Sen. Ted Stevens, R-Alaska, submitted written comments to Interior and said the trans-Alaska natural gas pipeline route is the only one which offers consumers uninterrupted service of natural gas.

STEVENS' Washington office issued a statement saying the consumer should be included as an integral part of the draft EIS.

The Senator said time is crucial for construction of a natural gas pipeline to skim off the estimated 26 trillion cubic feet of gas at Prudhoe Bay.

He criticized the department for not investigating in-depth an all-Alaska route such as the one being proposed by El Paso Natural Gas Co., which is competing with the Arctic Gas consortium of American and Canadian companies for permission from the Federal Power Commission to build the pipeline.

ALTHOUGH El Paso has not filed for the necessary permits which must be issued by Interior in order for it to cross federal lands involved in an all-Alaska route, Stevens said

Sen. Ted Stevens

such action apparently is not necessary.

"I believe that in the interest of saving valuable time that the draft EIS should have explored both routes in depth," the Republican senator said. "Obviously the trans-Alaska route must be examined thoroughly if the alternative is to be objectively reviewed.

In Fairbanks, William B. Morrice port director for Valdez, spoke against the granting of right-of way permits by Interior for the trans-Canadian line. Instead, Morrice urged consideration of a trans-Alaska route to a tanker port and liquification plant in the Valdez area.

CELIA M. Hunter, president of the Alaska Conservation Society called for a slowdown in the development of new pipelines until an energy transmission network can be designed that minimizes waste of natural resources.

Dr. David R. Klein, speaking for the Alaska chapter of the Wildlife Society, said the draft EIS failed to serve the purpose of the environmental impact assessment procedure because its volume and organization does not facilitate a review and it does not over adequately many important aspects of the pipeline's construction.

Klein said the Wildlife Society is a professional organization with about 80 professional biologists as members in Alaska.

THE IMPACT statement does not adequately consider effects snow road construction will have on North Slope vegetation, he said, and the effects of the project's use of water will have on fish which spend the winter in North Slope streams.

Klein said the sparse snow over on the pipeline route protects vegetation which plays an important role in the food chain for arctic animals, and also provides dens for polar bears and other North Slope creatures.

Mrs. Hunter joined Klein in criticism of ice road construction for the Arctic Gas project, which plans to install the 195-mile Alaska portion of the pipeline in one winter with temporary snow or ice roads.

"ALREADY proliferation of pipelines, from what is essentially one arctic petroleum province, is in the offing," Mrs. Hunter said. She listed six proposed pipelines which would be used to transport arctic oil to southern Canadian and United States consumers.

"One properly built trunk line could serve the entire arctic province for perhaps a century. Proliferation of inadequate pipelines is in the long haul wasteful of all resources and therefore ultimately uneconomic."

She said it has been reported that snow would be scraped from everywhere within a 10-mile wide swath along the proposed arctic gas route in order to construct the ice road, although that is not mentioned in the EIS statement.

The statement calculates only 30 per cent of the water needed to make the road is available, she said, but does not offer suggestions on where the remaining 70 per cent could be found.

Mrs. Hunter speculated the ice road probably would be torn up by heavy equipment faster than it could be maintained, that the grade in some areas is too steep for a simple ice road, and that it probably would not protect the delicate arctic soil.

LIMOUSINE DRIVER

BALTIMORE (AP) — Shari Fioriglio, mother of four, is Baltimore's first female limousine owner-driver.

Mrs. Fioriglio started her limousine service in 1973 with a second-hand Cadillac.

ADN 10/18/75

Canadian Blasts Gas Line Campaign

FAIRBANKS (AP) -- A leading member of the Canadian Parliament says trans-Alaska natural gas pipeline supporters are presenting a number of untrue and misleading statements in campaigning against a trans-Canada pipeline route.

Jean-Jacques Blais, vice chairman of the House of Commons Committee on National Resources and Public Works, read and commented on the text of testimony prepared by Anchorage lawyer Robert L. Hartig for the organization for the Management of Alaska's Resources (OMAR), a group which supports a trans-Alaska pipeline route.

The testimony was read by OMAR representative Homer Burrell at a Department of Interior public hearing in Anchorage two weeks ago.

Blais, in Fairbanks with other members of his committee Friday, took exception to most of the remarks in the testimony, and elaborated on Canada's policies in energy affairs.

Blais said OMAR is wrong when it says the provinces of Saskatchewan and British Columbia are controlled by the socialistic New Democratic party advocating government ownership and control of major industries.

The Ontario Liberal said Saskatchewan has not expropriated all oil and gas rights within the province, as the testimony states, but all resources are still in the hands of private enterprise. He said there is a refinery in Saskatchewan owned by a cooperative and it purchases oil from local producers, and there has been a rise in prices because of a rise in government royalties.

Blais said the trans-Canada pipeline proposal would not go through Saskatchewan, but would cross the Northwest Territories and the province of Alberta. "The latter is an extremely conservative province, with a small 'c' in the American sense, and it is the energy province of Canada."

Between 1968 and 1973, Blais said, more than half of Alberta's oil production was exported to the United States. Presently the exports total about 800,000 barrels of oil per day.

Canada has no pipeline running from its western oil-producing areas to its eastern cities, Blais explained, and the oil exported from western areas to the United States must be made up from about 900,000 barrels a day imported to the East Coast from Venezuela and the Middle East.

When foreign oil prices began to rise two years ago, he said, Canada was caught in a bind paying world oil prices that are now at about $11.50 a barrel while exporting similar amounts of oil to the United States at its national price of $8 a barrel.

To maintain its balance of payments, Blais said, Canada had to raise the price of oil sold to the United States. This resulted in a drop in exports when U.S. consumers stopped buying the Canadian oil, so the Canadian national government then had to put a 10 cents per gallon sales tax on gasoline sold in Canada.

Blais took exception to many remarks by a prominent Canadian legal authority, W. B. Williston, cited in OMAR's testimony.

El Paso Alaska filed Williston's testimony in its arguments before the Federal Power Commission for a trans-Alaska gas pipeline and has used the testimony in campaigning against a competing trans-Canada line.

Where OMAR's quote of Williston's testimony said U.S. investments in Canada are "rigidly restricted by the Foreign Investment Review Act of 1973," Blais said the act is not rigidly enforced.

Where OMAR states import and export licenses for a pipeline must be granted by the Canadian National Energy Board (NEB), Blais said the issue is a "red herring" because the NEB will already have granted permission for the pipeline and a treaty now being written will guarantee the terms of the pipeline's operations.

"We're reasonable men," Blais said. "It's the same situation now where our own oil goes through the United States without licenses or interference from the state of Maine (where oil from Canadian offshore provinces cross the United States.)"

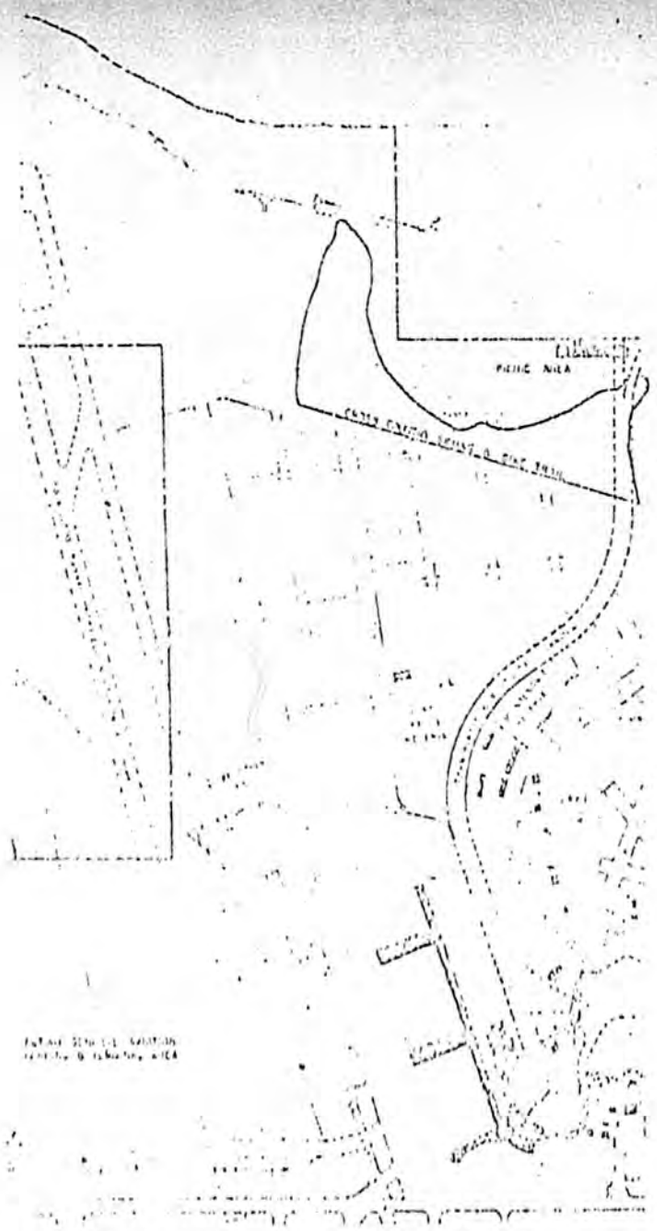
Where OMAR said the Canadian cabinet must approve both the export licenses and pipeline certifications, Blais said this would be merely a matter of course since the major questions will have already been dealt with by the NEB.

Where OMAR said the cabinet's decision would be subject to judicial review, Blais said, "I'm not aware of any judicial review of a cabinet decision, except if the final decision constitutes a breach of national justice."

OMAR says the Mackenzie Valley inquiry into native land claims "could result in an indefinite delay in pipeline approval, but Blais said the inquiry will run at the same time as the NEB hearings and there is no question of delay from it.

"The native rights have been extinguished in the Northwest Territories, and the federal government (in the inquiries) has undertaken a review of the compensations granted," Blais explained. "The national government has asked Native groups for briefs in the matter, and they should be presented in a short period of time."

Blais said it is not true that the Canadian government can impose income, gross receipts and other taxes on the pipeline, because that would be a violation of the upcoming treaty.



SIBLE AIRPORT RECREATION AREA.

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ect. West of the proposed runway, plans could include an 18-hole golf course and a trap and skeet range. East of the runway, land might be used for skiing and hiking trails and a public picnic area.

Study Compares Pipelines

A Rand corporation study for the California state assembly has concluded that the Arctic Gas proposal to build a natural gas pipeline from Alaska across Canada "appears to be as good as, or superior to" the El Paso proposal to build a trans-Alaska pipeline "based on California's interest in the decision."

However, the study says "future actions of the Canadian government could alter this comparison."

The Rand team compared the two pipeline systems on the basis of five criteria, noting that "the choice between these two proposals promises to be the most significant determinant of California's gas supply from 1980 into the 21st century."

The Rand team said the Arctic Gas system "is likely" to have both lower direct and indirect costs than the El Paso system, would be more reliable and could be completed sooner "because planning is further advanced, poses less safety risks than the El Paso system with its liquefied natural gas link and would have less adverse environmental impacts in California.

However, the study says, "because actions by the Canadian government could diminish or eliminate the apparent superiority of the proposed Arctic Gas system," the state of California "should not make an immediate commitment to either the Arctic Gas proposal or the El Paso proposal."

"Instead," the report adds, "a task force of the involved (California state) commissions and agencies should determine and communicate to the U.S. Department of State, an acceptable range of conditions for the terms of a potential agreement between the U.S. and Canada, governing the Arctic Gas system.

"Of particular importance here are conditions regarding sharing of pipeline capacity and transportation costs, future expansion of the line and reliability of deliveries. If there are reasonable assurances that these conditions will be met, California should support the Arctic Gas proposal."

The report was made to the California State Assembly Committee on Resources, Land Use and Energy. The findings were included in a preliminary "executive summary," presenting the major results of the project "to identify and analyze energy policy issues facing the state of California." It is dated Sept. 25.

The team said results will be covered more fully in a forthcoming report. Part of the funding for the project, the report says, came from the Rockefeller Foundation, the federal government and Rand itself, in addition to the California state assembly.

The Rand team recommended that California "take the initiative to forestall major curtailments of Canadian gas to the United States," adding that "affected states should work to ensure equitable international sharing of transitory Canadian gas shortages."

Natural gas supplies the majority of California's consumption of primary energy, other than for transportation, the study states.

Liquefied natural gas "can be a useful addition to California's gas supplies if other less costly and more reliable sources are unavailable on a timely basis," Rand advises. "However, other sources of gas should be encouraged so that California is not locked into a heavy dependence on LNG."

Accountants To Meet Tomorrow

Bob West, assistant director of finance and administration for the Port of Seattle and national vice president of the National Association of Accountants, will conduct a seminar for the board of directors of the local chapter tomorrow.

This seminar will be from 4 to 6 p.m. at the Anchorage-Westward Hotel. Cocktails will be served at 6 with dinner at 6:30.

Gene Davis, division director for career education of the Anchorage School District, will speak.

Legal Notice 116

NOTICE OF HEARING
THE COMMISSIONER OF THE DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS FOR THE LOCAL BOUNDARY COMMISSION

Hereby given notice, pursuant to AS 44.19.700, that a hearing will be held on the petitions for detachment and incorporation as a borough, of the Chugiak - Eagle River Area.

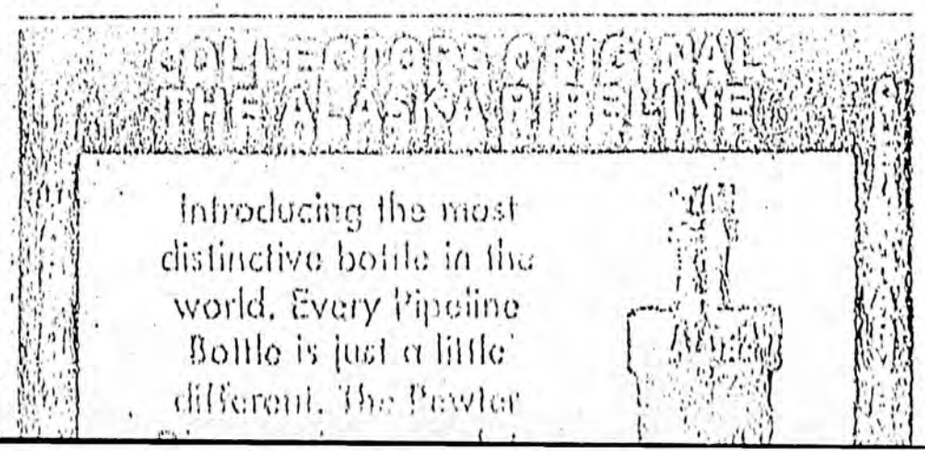
The hearing will be held on Wednesday October 22, 1975 in the library of Chugiak High School, commencing at 7:00 p.m.

Copies of the petition, maps and pertinent documents are available for the, or that at the offices of the Department of Community and Regional Affairs.

Persons wishing to submit written testimony prior to the hearing may submit their statements to the Department of Community and Regional Affairs, 338 West Fourth Avenue, Anchorage, Alaska 99501.

Lee McAuley
Commissioner

PUB. Oct. 11, 12, 13, 1975



Conservationists comment On gas pipeline route proposal

ADT 10/4/75

EDITED BY PETER SCHOLES

On September 25 and 26, Anchorageites were invited to testify on a 19-volume Alaska Natural Gas Transportation System Draft Environmental Impact Statement. The most remarkable thing about this hearing on the gas pipeline was that over a two-day period only seven people testified. The travelling panel of Department of Interior officials moved to Fairbanks on September 29 and 30, and were greeted by only slightly more enthusiastic "crowds."

The excerpted remarks below represent the thoughts of four individuals or organizations who presented testimony at the recent gas pipeline hearings.

Jerry McCutcheon

"It is strange that the Administration of the State of Alaska has known since march, 1975, that both proposed gas lines are not financially feasible and yet made no mention of this to the Alaskan public.

"It is, also, strange that this impact statement does not point out that deregulation is the only solution to the nation's gas supply shortage and that neither of these gas lines make any significant difference in the gas shortage of the United States. As a matter of fact, the construction of either reduces the long term supply of gas by absorbing the capital that would be available for far more economically developed gas supplies within the South 48 states. . .

"The environmental impact statement did not address the fact that if a gas line were not built and deregulation were used as an alternative, the gas could be converted to methanol. Methanol could be used as a substitute for or in addition to gasoline. The State of Nebraska is doing extensive studies in this area as well as the State of California. The impact statement failed to point out that methanol could alleviate the pollution problems, not only in Fairbanks and Anchorage, but also in Los Angeles and other major cities. Why was the fact left out that major educational centers are doing significant research today and that cars have been running on methanol for the better share of this century?"

Editor's Note—Mr. McCutcheon wrote this testimony prior to learning that Prudhoe Bay gas could be reinjected for in excess of eight years. If, indeed, reservoir simulation studies show that Prudhoe Bay natural gas can be reinjected for more than eight years, perhaps forever, without reducing the maximum amount of oil that can be produced over the life of the field, then McCutcheon feels the gas should be left in the ground until there is an economically sound, environmentally responsible way of transporting and using it.

Peter Scholes for the Alaska Center for the Environment

The Center objects to the fact that according to the impact statement there is no viable "no build" alternative. The natural gas at Prudhoe Bay cannot be flared. It can be reinjected for an unknown period of time, but after that time it cannot be reinjected without reducing the quantity of oil that can be recovered over the life of the field. Therefore, the only alternative is to produce the gas.

However, there is an important consideration here that the Center did not stress in its testimony. Contrary to my initial impression, Prudhoe Bay gas can be reinjected for a fairly long period of time, relative to the life of the field. My understanding is that preliminary results of Department of Natural Resources' reservoir simulation studies indicate that Prudhoe Bay gas could be reinjected for a period in excess of eight years after oil production commences. So, from a geological standpoint, we have time to spare in making a decision on if, when, and how to use the gas already discovered at Prudhoe Bay.

On reconsideration, the Center Board of Directors may be inclined to ask for a delay in production of the gas, especially since several economists are now calling into question the economic efficiency of using billions of dollars to transport proven reserves of only 26 trillion cubic feet, which is roughly equal to the amount of natural gas consumed by the United States in one year.

If the gas pipeline is to be built at this time it will be due to consumers pressuring political leaders in the Lower 48. The Center does not feel it can ignore such political pressure, nor do we feel it is acceptable to merely say, "Keep the pipeline out of the Arctic National Wildlife Range."

In the case of the natural gas pipeline, the Alaska Center for the Environment does not accept the pipeline routing alternative that would minimize the impact on Alaska.

At this time, prior to completion of the Federal Power Commission's proceedings, the Center favors construction of the gas pipeline in a utility corridor that is already in use with the provision that the pipeline should utilize to the maximum extent possible facilities that are already built, including highways, construction pad, access roads, material sites, camps, etc. The Center finds both the trans-Alaska pipeline corridor to Alaska Highway route (known as Arctic Gas's Fairbanks Route) and the trans-Alaska pipeline coorridor to LNG-tanker route in keeping with its position.

Gordon Wright for the Fairbanks Environmental Center

"It is important to emphasize that when we talk of a gas

(Continued On Page 4)

Conservationists comment

(Continued From Page 2)

pipeline through the Arctic National Wildlife Range we are really speaking of much more. The presence of a gas pipeline through the Wildlife Range could well stimulate oil and gas exploration and development within the offshore of the Wildlife Range, and it could predetermine the routing of a second oil pipeline. This potential for future development if the pipeline is constructed as proposed cannot be separated from the specific proposal we are here to discuss today. . .

"Regarding social impacts and the trans-Alaska alternative, many Fairbanks-area residents are already sick of pipeline construction activities and their effect on people living in Fairbanks. The prospects of these impacts continuing for several years more is disheartening, although insofar as they would be directly related to gas pipeline construction these impacts would be temporary.

"A more long term concern is the wish of the Alaska business community that Prudhoe Bay gas could be used here in Alaska for industrial purposes. As we view it, the development of petrochemical or other industries in Alaska as a result of the availability of Prudhoe Bay gas would be a major disbenefit (sic) of the proposed trans-Alaska gas pipeline. . . Beyond concerns with air quality, many longtime Alaskans view the industrialization of Alaska — the people, roads, and urbanization that would come with it — to mean the end of a lifestyle unique in this country. . .

"In conclusion, we have serious reservations about the proposed Arctic Gas system, not only where it crosses the Arctic National Wildlife Range, but in its entirety. However, the Interior Department's consideration and presentation of all the alternatives is inadequate and prevents meaningful comparison of the options. Therefore, we believe it would be premature for us to state a preference for any single alternative at this time."

Stan Senner for the Federation of Western Outdoor Clubs

"The concerns of the Federation extend beyond just safeguarding our recreational interests. With respect to transporting Alaska's natural gas to the Lower 48 states, our concern is that the alternative system selected is the one that is least objectionable over the entire length of its route in terms of environmental, social, and economic factors. In my view, each of the alternative routes has some virtues and some drawbacks. . .

"In conclusion, I would have to say that this issue is an extremely complicated one. However, because they would cross the existing Arctic National Wildlife Range or its proposed extensions or the area proposed for inclusion in an International Arctic Wildlife Range, and because of the other impacts and resource committments associated with the entire massive system, I do not support the prime Arctic Gas proposal or the other northern, trans-Canada alternatives.

"My tentative thinking is that one of the more southerly routes — either trans-Canadian or trans-Alaskan — would be least objectionable. The two obvious examples here are the Alaska Highway and trans-Alaska options, but perhaps there are other alignments that should be considered."

PDN 9/20

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Alaska pushes gas line

By The Associated Press

Gov. Jay S. Hammond flew to Sun Valley, Idaho, Sunday to seek support from the Western Governors Conference for a trans-Alaska natural gas pipeline.

A resolution proposed by Hammond said there was the potential for lengthy litigation over any pipeline from Prudhoe Bay that crosses the Arctic National wildlife Range into Canada. It said there were 14 Canadian and American environmental groups opposed to the Canadian route.

Following the conference, Hammond was to address two Chambers of Commerce — Wednesday in Moscow, Idaho, and Thursday in Seattle. He returns to Juneau late Thursday.

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Martin Blasts Lease Schedule

By BETTY MILLS
Times Washington Bureau

WASHINGTON — The state is being forced to make decisions for the upcoming oil and gas lease sale in the Gulf of Alaska on the basis of inadequate information, Alaska Commissioner of Natural Resources Guy Martin said today.

Martin, speaking at a meeting of the Interior Department's advisory board on the outer continental shelf, said the state must plan for support facilities for the lease sale, now scheduled for January.

"On your schedule, with inadequate information, we have to make decisions regarding facility siting, industrial park and support measures and other things," Martin told Assistant Interior Secretary Royston C. Hughes. "There will have to be reasonable substantial exploration support facilities, beginning immediately with the sale. It is an extremely large impact for us."

Martin protested the Interior Department policy of withholding its "program decision option document," the final paper on which the Interior secretary makes a decision whether to hold a lease sale. The document which lists the final alternatives for the secretary to consider before announcing a sale, is withheld from the states and the public.

"That would be one of the most useful documents we could have," Martin said, as the state plans for the impacts of outer continental shelf drilling. "We think it contains significant information that is now available to the states."

Martin also reiterated the state position in favor of a separation of the exploration and development phases of outer continental shelf drilling.

"There has to be a break to gain adequate information to do the job properly. We're having some frustration getting that break in the time we have," Martin said.

Hughes said legislation separating the two phases of leasing is "the wrong way to go and would cause unnecessary delays in the program."

Hughes said the department is concerned that a state may indicate it does not want to develop the oil, but rather keep it in the ground.

"We don't want to give the states a veto over these resources," Hughes said.

ADT
10/22/75

Gravel Submits Gas Line Bill

Times Washington Bureau

WASHINGTON — Sen. Mike Gravel, D-Alaska, has submitted an amendment to natural gas legislation which would require the Federal Power Commission to make a decision on an Alaskan natural gas pipeline by June 30.

The amendment, virtually identical to legislation he introduced earlier this month, would mandate that all government agencies complete their work on the gas line case by June 30. Congress then would have 60 days to approve or disapprove the Federal Power Commission decision.

Judicial review of the decision would be through the circuit court, appealable directly to the U.S. Supreme Court.

Gravel indicated he would not press for a roll call vote on the amendment, but said he wanted to bring the issue to the Senate's attention.

Sen. Ted Stevens, R-Alaska, who has said legislation on the gas line case is "premature," said in an interview today he probably would support the Gravel amendment.

"I've urged him to hold back," Stevens said. "I don't think we have the votes."

Stevens added, "This is an approach we may have to take ultimately, but not yet."

Canadians seek o[illegible]

[illegible]wo gas line

FAIRBANKS (AP) — As if the trans-Canada natural gas pipeline hasn't enough detractors in Alaska already, three representatives of its main Canadian foes were in Fairbanks Tuesday meeting with local groups.

The Foothills Pipe Lines Ltd., often called the "Canadian El Paso," is proposing an all-Canada pipeline to bring gas from northern Canada to its southern cities—without Alaska involvement. Like El Paso Natural Gas Co., it is a pipeline common carrier company challenging the Arctic Gas consortium of major oil companies planning for a larger pipeline from Prudhoe Bay through Canada to the Midwest.

ALSO LIKE El Paso, the Foothills group is a smaller company springing up since the Arctic Gas consortium was formed to take advantage of new shifts in energy markets and technology.

The company is a joint undertaking of Canada's two largest pipeline companies, Westcoast Transmission Company Ltd. and Alberta Gas Trunk Line Company Ltd. The latter company was once a member of the Arctic Gas consortium, but dropped out to join the competitor.

Between the two sponsor companies, they carry more than 88 per cent of Canada's natural gas production, have built and operated 6,400 miles of pipelines, operate two of the largest gas processing plants in Canada and are the only companies who have successfully constructed and are presently operating a gas pipeline in permafrost areas north of the 60th parallel.

FOOTHILLS director of operations John Burrell explained the company's position to a meeting Tuesday afternoon with representatives of the Chamber of Commerce, Associated General Contractors, Organization for the Management of Alaska's Resources and Fairbanks Industrial Development Corporation.

Burrell said arguments between the two companies start Monday before the Canadian National Energy Board (NEB), a body and process similar to the arguments now going on between El Paso and Arctic Gas before the Federal Power Commission in Washington, D.C.

Burrell said the Foothills system involved 817 miles of new 42-inch pipe being built in the Northwest Territories to bring gas from the Mackenzie Delta to the northern end of the member company's pipelines. The existing Canadian pipeline systems will then be expanded to distribute the added gas supply throughout Canada.

HE SAID THE major argument for the competing Arctic Gas route was to "piggyback" smaller reserves in the Mackenzie Delta to larger Alaskan gas reserves heading for the southern states.

Prudhoe Bay is estimated to have about 26 trillion cubic feet of natural gas and the Mackenzie Delta has only 8.5 to 7.5 trillion cubic feet of proven reserves.

Burrell said recent developments in government energy pricing policy have convinced the Foothills member companies that the present Mackenzie Delta gas reserve will pay for an all-Canada pipeline.

HE ADDED that his company estimates the undiscovered reserves in the Canadian north might bring the total as high as 39 trillion cubic feet, almost twice the Prudhoe Bay reserve, and Arctic Gas claims the undiscovered reserves total an even higher 30 trillion cubic feet.

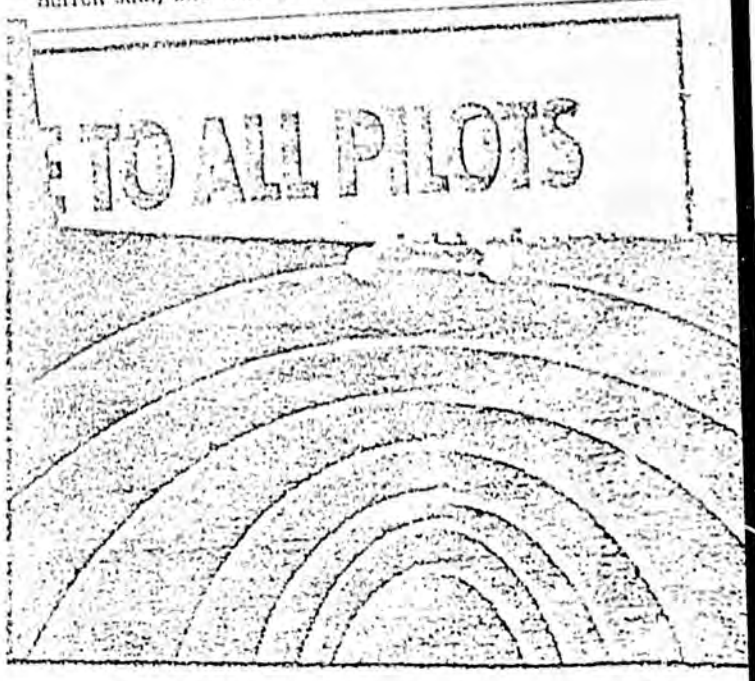
A third company has recently estimated the Canadian north gas reserves at 250 to 300 trillion cubic feet, Burrell added, but this company might have considered reserves expected to be discovered in deeper water offshore areas that were not considered by the two applicants.

Canada is adopting a national energy pricing policy called commodity value pricing, Burrell explained, where all forms of energy are priced to the amount of energy they produce. The price of gas will be set at a price corresponding to what its energy would produce equal to a similar volume of oil, then a national base price will be set on the Toronto commodity value price and prices in all other cities would be adjusted for differences in transportation costs.

THE CURRENT energy pricing system sets a price on the oil or gas at the wellhead, and the price consumers pay is the wellhead price less transportation and processing costs. Burrell explained the commodity value pricing as working in the opposite way. The government sets the price consumers pay and the oil and gas producers get the wellhead price left over when all the intervening costs are deducted.

The commodity value price at Toronto was recently set at $1.25 per thousand cubic feet, Burrell said, and will rise to follow oil price increases which will lift Canada's oil prices to match that of world markets over the next five years.

With this pricing system policy, Burrell said, Mackenzie Delta gas can provide enough return on the present reserves to insure financers that bonds will be paid back.



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ADT 10/23/75

Decontrol Bill Goes To House

WASHINGTON (AP) — Although the Senate voted to remove federal price controls from natural gas, the plan appears headed for the back-burner in the House.

The bill, passed by the Senate 53 to 32 Wednesday, would mean higher prices for natural gas, despite amendments aimed at softening and delaying the impact on homeowners. The administration backs the bill.

In addition to phasing out price controls over a 10-to-12-year period, the bill includes emergency provisions designed to avert a predicted shortage of gas this winter, which federal officials say could cost 500,000 Americans their jobs.

Reps. Harley Staggers, D-W.Va., and John B. Dingell, D-Mich., who handle most energy legislation in the House, have said they see no way the House will consider repealing price controls on gas this year.

However, House leaders have indicated they will seek quick approval of provisions to avoid an immediate shortage.

The House insistence on separate handling of the immediate shortage and long-term pricing policy would force the Senate and the Ford administration to back down and settle the pricing question later.

Four Eastern Republicans joined 28 Senate Democratic liberals in unsuccessfully opposing the natural gas bill. Only minutes before, on a 50 to 41 vote, the Senate chose the Republican approach over a Democratic proposal that would have treated the winter shortage but left federal price controls untouched.

Under the Senate bill, all controls on the price of "new" gas pumped from onshore wells would expire next April 4. Controls on "new" offshore gas would end on Jan. 1, 1981.

But as a result of an amendment approved Wednesday, the price of "old" gas would remain under federal controls forever.

That amendment has the effect of delaying for several years the price increases that otherwise would result if "old" gas were freed from controls as current sales contracts expire.

But even with that softening amendment, the Senate-passed bill would assure that within 10 to 12 years, there would be no federal controls on the price of any U.S. gas.

The Senate's proposal to avert a gas shortage this winter would allow gas-short pipelines serving nonproducing states to buy surplus intrastate gas at prices not to exceed the highest price paid in the producing states this summer.

That price would range from $1.30 to $2 per thousand cubic feet — which is up to seven times what some pipelines now pay for gas. All this expensive gas would go to industries and other large users, leaving the 32-cent gas for homeowners, farmers and other small

ulations

eadline on the filing proposal.

is a creature of Congress and it to set up Rules and regulations h the intent of Congress," Leader Thomas P. O'Neill said in proposal.

e second FEC proposal to be Capitol Hill. The Senate earlier a commission plan which would ed lawmakers to report funds for personal and office expenses aign contributions and other

NOTICE TO ALL PI

Blasting hazards along pipeline rig

Continuous and intensive blasting along many con the trans-Alaska pipeline present severe hazards to aircraft. In particular, low-level flights through the passes or across the Valdez terminal site should be avo these are areas where heavy blasting activity is sch To avoid possible flying debris, pilots should maintain altitude of 1,500 feet above ground level, or a lat of one mile from the right of way.

For specific blasting information, pilots may contact flight service station, or Alyeska Advisory Stations, on at Sheep Creek, Tonsina, Isabel, Delta, Livengood, Old Man, Prospect, Coldfoot, Dietrich, Chandalar, Galbraith, Happy Valley and Franklin Bluffs Ca

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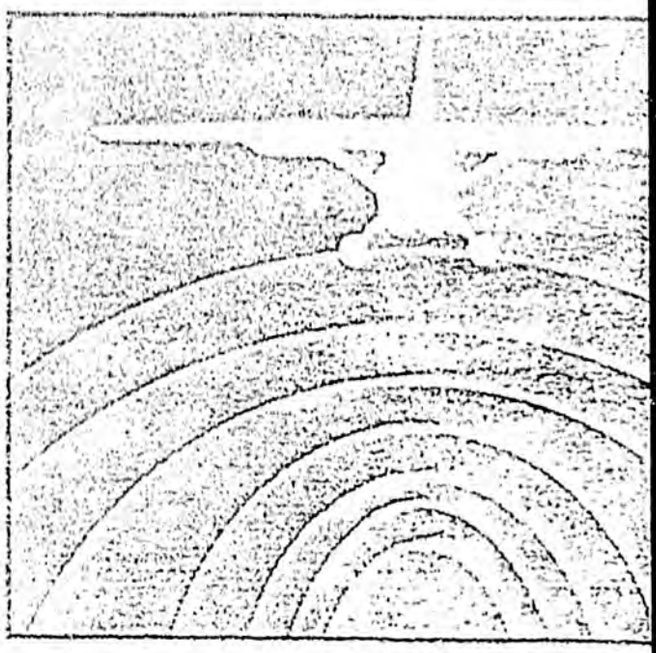

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Senate Will Hold Gas Line Hearings

By BETTY MILLS
Times Washington Bureau

WASHINGTON — Sen. Mike Gravel, D-Alaska, today withdrew an amendment to the natural gas bill that would mandate a Federal Power Commission decision in the Alaskan natural gas line case by June 30, 1976.

Gravel withdrew the amendment, after several minutes of debate, when members of the Senate Commerce Committee pledged they would hold hearings on the matter.

Gravel was attempting to tack the legislation on to the bill to remove price controls on new natural gas, which was approved later on a 58-32 roll call vote. Both Gravel and Sen. Ted Stevens, R-Alaska, supported the deregulation legislation.

Gravel said there was no reason to push for a vote on the issue, saying, "I'm persuaded there is going to be a constructive effort to hold hearings; this was not a delaying tactic. Bullying it through now could take me longer."

He said, "My tactic of moving ahead is sound. The way we're going now, we may be able to win (approval of the trans-Alaskan gas line) without a fight."

Gravel's legislation would require the Federal Power Commission to make its decision in the gas line proceeding by June 30, 1976, with Congress then having 60 days to approve or disapprove the decision.

The Alaskan Democrat said the commission can meet that deadline and said an expedited decision would favor the Alaskan route.

In floor debate with Sen. John Glenn, D-Ohio, Gravel said his amendment did not address the competing proposals for transporting natural gas through Alaska or via a Canadian pipeline.

Glenn said if a decision is made by June 30, 1976, "it would be almost certain that decision would have to go against the trans-Canada pipeline."

Glenn said Gravel's legislation would be "tantamount to dictating no trans-Canada pipeline to serve the people of Wisconsin, Minnesota, Ohio, Michigan, the whole Midwest and much of the West Coast."

Gravel said, "All I am saying is that we are going to put aside a lot of bureaucratic nonsense and get an early decision on this matter rather than get into a situation like the Alaska oil pipeline where we lose four, five or more years on a decision."

Gravel said if the commission can make a decision by June 30, the Canadians should be able to do the same. "I think the Canadians will get on the stick if they want the line through Canada and will meet the criteria," he said.

Stevens, who relinquished the chair as presiding officer briefly to participate in the debate, said he shared Gravel's desire to accelerate the decision-making process in the gas line case.

However, Stevens said, "One of the great problems on this measure is whether or not we can have the support that we might have on an independent bill." Stevens said if the Gravel amendment came to a vote and failed, it could be misinterpreted in Canada.

Stevens, who recently discussed the issue with Canadian industry representatives and government officials, repeated his contention that support is mounting in Canada for the Maple Leaf line and the Polar Gas line, which compete with the Arctic Gas proposal.

Support for the alternate routes may become so great in Canada "that we may not even have before us an issue as to the trans-Canada route for Alaska gas before they (the Federal Power Commission) are through," Stevens said.

Sen. Walter F. Mondale, D-Minn., opposed Gravel' amendment, saying he hoped Congress could avoid "the type of sectional debate such as we had over the trans-Canadian and Alaska (oil) pipeline."

Mondale said Gravel's amendment would delay congressional consideration of the transportation of natural gas from the North Slope.

State Plea Wins Board Accord

Times Washington Bureau

WASHINGTON — State members on the Interior Department's advisory committee on the outer continental shelf agreed Wednesday that the lease sale in the Gulf of Alaska deserves special consideration.

Following a caucus, the group issued a statement supporting the requests by Alaska and California for special treatment without referring specifically to the states' appeal for delays in their sales.

But Guy Martin, commissioner of natural resources, said, "There is nothing in the Interior Department program to indicate that they will accord us special treatment."

Martin said he expects the Gulf of Alaska sale to go forward in January, as scheduled.

Following the all-day meeting of the advisory board, of which Martin is a member, the commissioner said, "I've seen no evidence of any greater responsiveness to state concerns about the OCS (outer continental shelf) program."

He said, "We feel the Interior Department is putting the states in an adverse position by characterizing the state's efforts to get more of a role in the OCS process as obstructionism."

It was the first meeting of the new advisory board which includes policymaking representatives from coastal states and representatives from the Interior Department and other governmental agencies."

Martin said the board is an improvement over the former panel of state representatives but that it needs to assert more of an advisory role.

Martin was appointed to a subcommittee to study the Interior Department's requirement for submitting development plans and operating orders once the leasing process is begun.

The advisory board agreed to meet in areas affected by offshore development. Its next session is scheduled for New Orleans early in 1976.

Ford Plan Rejected

WASHINGTON (UPI) — The House Ways and Means

Jackson Wins Board Thanks But Chairman Sees Problem

Frank Danner, chairman of the Jackson

meeting, leaving only Jackson

Federation of Natives, said he

ADT 10/25/75

Canadian Discusses Line

By BETTY MILLS
Times Washington Bureau

WASHINGTON — Walter B. Williston, a Canadian legal expert on energy policy, has testified that the provinces can tax property within their area, but cannot regulate a pipeline.

In testimony Wednesday before the Federal Power Commission hearing on the gas line proposals, Williston said, "If the terms of the direct tax within the province were of such a character that the courts considered that they were attempting to regulate, that fiscal statute would not stand any more than if the fiscal statute attempted to sterilize the pipeline."

In questioning by Arctic Gas attorney R. Clyde Hargrove, Williston said a province could impose a property tax to reflect the increase in land value because a pipeline carried natural gas.

Asked by Hargrove if a province could levy discriminatory taxes against one particular pipeline, Williston replied, "It (a province) could levy taxes that would in fact apply only to one particular pipeline in certain circumstances. It could not, in my opinion, just say we are going to tax this inter-provincial pipeline and not any other pipeline."

Administrative Law Judge Nahum Litt asked Williston if the federal power in Canada would supercede any provincial power if there were an attempt to regulate a pipeline.

Williston said the judge was correct, that the residual power in Canada is in the federal realm.

Williston is a partner in the Toronto firm of Fasken and Calvin, which has been representing the El Paso Co. for the past six years.

Williston said there is no limit to the amount of taxes the federal government of Canada could impose.

He said that in addition to certification of the pipeline, an export license would be required for gas leaving Canada and an import license for gas entering Canada, so-called transit gas.

Williston said there would be no difficulty in obtaining these licenses for transit gas.

El Paso Attorney Paul R. Connolly interrupted the questioning at that point, saying Arctic Gas originally planned to bring to the Lower 48 states export gas from Canadian sources which would not be transit gas but has changed its position.

Williston said any price increases would not apply to transit gas "except in extraordinary circumstances." He said transit gas will not affect surplus supply of natural gas.

Mountains in California have unusual names such as: Calico, Sheep-Hole, Old Woman, New York, Turtle, Iron, Granite and Marble.

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ADN 10/25/75

Task forces for energy, fishing

JUNEAU (AP) — Gov. Jay S. Hammond Friday answered calls by rural leaders for a special legislative session by announcing the formation of two study groups to look at fisheries and energy problems.

The "rural energy task force" and the "fisheries economic impact task force" were ordered to report their findings by Dec. 31.

THE RURAL Alaska Community Action Program (RuralCAP) requested a special legislative session in August to deal with economic and social problems stemming from badly depleted salmon fisheries and soaring fuel prices in the bush. Hammond has called such a move premature.

"The time has come to confront these problems together," the governor said, "in hopes of developing a workable solution for both the short and long terms. It is my belief that task forces provide a mechanism by which the public can directly participate in solving problems and setting policy."

Bill McConkey, head of the Alaska Energy Office, was named chairman of the energy task force. It was to include representatives of the legislature, the Department of Community and Regional Affairs, the Bureau of Indian Affairs, RuralCAP, the Housing and Urban Development Agency, the Alaska Native Industries Cooperative Association, in addition to "industry representatives."

THE FISHERIES task force, Hammond said, was confronted with "an even more difficult problem, that of the economic stress faced by our fishermen during poor salmon seasons.

"Unfortunately, in the past the state reacted to each area or season individually," he said. "I want the state to develop a contingency plan to enable us to act rather than react . . ."

Among questions to be explored by both panels were the definition of a fisheries "disaster" and fuel "shortage," government regulation and the availability of public aid, and specific bills that could be introduced during the 1976 legislative session.

No representatives were named to the fisheries committee immediately.

However, Hammond said he would be asking for contributions from legislators, the commissioners of Fish and Game and Commerce and Economic Development and "individuals from Southeastern Alaska, Kodiak and the Aleutian Islands."

Bethel prosecutor is asked to resign

JUNEAU (AP) — Atty. Gen. Avrum Gross Friday asked Bethel prosecutor Randy Luffberry to resign after he pleaded guilty to shooting an antlerless moose.

Luffberry was fined $1,500 in Bethel district court Thursday. The misdemeanor carries a maximum penalty of $5,000 and one year in jail. While praising Luffberry's performance as assistant district attorney, Gross said he was unsatisfied with "circumstances attending the investigation" into the incident.

Troopers reportedly interviewed Luffberry more than once to clarify statements he made following the shooting during late September in the Stony River district east of Bethel.

Norway's king to visit Sunday

King Olav V of Norway is due in Anchorage Sunday and the city and its officials are preparing for the event following weeks of private conferences and bustle revolving around the occasion.

The king's scheduled activities Monday include a visit to the wildlife museum at Ft. Richardson and a buffet dinner at an Anchorage home, as well as a banquet in his honor. Tuesday the monarch flies to Prudhoe Bay for a look at the trans-Alaska pipeline oil fields.

This visit to the 49th state will be the king's last stop on an American tour.

A break in the acti

The Nome-Beltz Eskimo Dancer
of Natives convention here Frid
ficials on the land claims settle

ADN 10/25/75

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CASPERSON

(Continued from page 1)

election, and we had an increase in fees at the Port of Anchorage this year," he said.

He added the consultants recommended by City Manager Douglas Welford and Jack Harris, head of enterprise activities for the city, did a horrible job.

"John Spencer (former city attorney) had all kinds of trouble with them," he said. "They appeared not very well qualified or well versed in what they were doing." Sullivan said the consultants have not yet turned in their report, although he said it is due Nov. 10.

"If Oliver's projections had been correct we wouldn't have this problem today," he said, noting that ML&P has not had a rate increase since 1960.

ANCHORAGE DAILY NEWS

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Inlet fuel line proposed

By the Associated Press

A 70-mile fuel line which would stretch nearly 14.4 miles underneath Cook Inlet has been proposed by a Houston, Tex., firm. The Kenai - to - Anchorage pipeline project would cost $11.3 million, according to the firm.

Gulf Interstate Co. has filed a 26-page application with the Alaska Division of Land for a right-of-way lease to build the line which originally was proposed by Tesoro Petroleum Co.

Gulf Interstate wants to commence construction Feb. 1, with completion anticipated by next fall.

The pipeline would be 10.7 inches in diameter and would transport fuel, heating oil, gasoline and jet fuel from the Tesoro refinery and perhaps the Standard Oil Co. of California refinery at Nikiski to tank farms near the Port of Anchorage.

Gulf Interstate's lease application estimates the operations and maintenance costs to the line each year would be $1.26 million. About 165 persons would be employed during the construction phase of the line, with 11 full-time employes retained to operate and maintain it once it is built.

The pipeline would be buried at least 30 inches below the surface and would cross 51.4 miles of state lands, including the Captain Cook State Park north of the Nikiski industrial area.

It would cross eight creeks on the Kenai Peninsula and in Anchorage, as well as the Swanson River, and is capable of hauling 40,000 barrels of fuel per day.

The application, filed with the division Oct. 3, indicates the life of the pipeline would be about 40 years.

Tesoro decided against building the pipeline because of its relative lack of expertise in that field, a company spokesman said.

"We began talking with them in the preliminary study stage and they volunteered this on their own and they had some equity money to put into it," said Jim Smith, president of Tesoro Crude Oil Co.

Obituaries

DEBORAH CASPERSON

Funeral services for Deborah Ann Casperson, 20, will be held next week in Millbrae, Calif. An Alaska resident for 13½ months, she was employed as a secretary for Superior Lumber Co. in Kenai. Miss Casperson, who was born Sept. 14, 1955, in San Francisco, leaves her parents, Mr. and Mrs. Russell K. Casperson; a brother, Allan; three sisters, Chriss, Wendy and Carol, all of Millbrae; paternal grandmother, Augusta Casperson of San Francisco, and maternal grandmother, Gertrude Palmer, of Aiken, S.C.

ROBERT O. BAUM

Funeral services are pending for Robert O. Baum, 51. He had been employed as a construction engineer for Quality Asphalt Paving Co., and died Oct. 23. An Alaska resident for 23 years, Mr. Baum leaves his wife Carol; four stepsons, Richard Judd of Anchorage, David Judd of Minneapolis, Carl Judd of Freemont, Calif., and Michael Judd of Seattle; and his mother, Lillian Baum, of Los Angeles.

LINCOLN E. DAVIS

Funeral services will be held at 3 p.m. this afternoon at the Chapel of the Chimes in Fairbanks for Lincoln E. Davis. Mr. Davis, 60, died in Fairbanks Oct. 23. He was a 25-year resident of the city and previously lived in Kodiak. A member of the Operating Engineers Local 302 since 1951, Mr. Davis, who was born in Streater, Ill., was a veteran of World War II and a member of the Fairbanks Elks Lodge. Mr. Davis is survived by his wife, Helene and a sister, Mrs. Charles Gent of Bangor, Maine.

Prayer book revised

1975, The Christian Science Monitor

NEW YORK — The first extensive revision of the Book of Common Prayer for the Episcopal Church is currently in process of publication.

Though it revision was made in 1928 and minor changes have been introduced from time to time, the present effort — if approved — would constitute the most extensive change since the Episcopal Church was organized after the American Revolution and adopted its own version of the Anglican Prayer Book.

Only named three basic approaches to life: the hedonistic, which holds that everything points to that in which everything finds its ...

would have to leave his homeland. "I have heard him tell his story with such effectiveness that the mascara of Texas women runs," said Gay. ...

...ame through but he has overcome it through what he terms the "tough love" of others and God.

"It is only the ultimate reliance on Almighty God that makes a true recovery possible," says Episcopal Bishop Robert P. Varley of Omaha, Neb.

He had been on a course that he now believes would have led to his death or insanity, through dependence on alcohol and pills, but he has gained a new grip on life.

His changed, brightened outlook is "almost indescribable," he said recently ...

Bishop Varley, 53, head of Nebraska's 65 Episcopal parishes and missions with about 18,000 members, first told his story publicly in the Omaha World-Herald in hopes it would help others with similar problems.

But now that he's off the bottled crutches, he says friends and associates have come back into focus as real people instead of objects, the memory blanks have filled in and he finds more time with his family.

"You're free to be the person God intended you to be rather than a slave," he says.

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Sunday Worship 8:30-11am
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Clifton R. Kleinn, A.C.E.

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ADT 10/26/75

Betty Ford Speaks On Women's Rights

CLEVELAND (AP) — First Lady Betty Ford said Saturday that the "cloud of fear and confusion" must be lifted from the battle for the Equal Rights Amendment because it is vital to undo laws that lock women out of opportunities.

In remarks prepared for her first major speech on women's rights, the President's wife also advised women to stop under-valuing their own talents, especially in the home.

"We have to take that 'just' out of 'just a housewife' and show our pride in having made the home and family our life's work," Mrs. Ford said. "Downgrading this work has been part of a pattern in our society that has undervalued women's talents in all areas."

Mrs. Ford came to Cleveland on a chilly, rainy day to speak before several thousand women on the opening day of a three-day Greater Cleveland Congress of International Women's Year Conference.

Alaskans In Washington

Report Asks Probe Of Pipeline Rule

By BETTY MILLS
Washington Bureau

WASHINGTON — There are substantial questions concerning the Interstate Commerce Commission's regulatory authority over the trans-Alaskan Pipeline that should be considered by Congress, the staff of the Federal Trade Commission recommends.

The staff report on the petroleum industry in the Western states said the matter of ICC jurisdiction is important in analyzing the competitive consequences of the development of Alaskan oil.

"Under the circumstances, it would be timely and appropriate (for Congress) to give serious consideration to the question of pipeline regulation," the report said.

The document acknowledges that the portion of the transport of oil through TAPS is akin to interstate movement, and the pipeline will be operated as a common carrier. But because shipment through TAPS does not cross a state boundary, the staff asks: "In these circumstances, does the ICC have the jurisdiction to enforce the common carrier obligation to require treatment of all shippers on an equal basis and to insure that reasonable rates are charged?"

According to the FTC staff, the possibilities under present law affecting regulatory jurisdiction over TAPS are the following:

— If the oil is moved by private tanker, as planned, from Valdez to the lower 48 states, ICC jurisdiction is clouded, and state jurisdiction is also unclear.

— If the oil is moved by common carrier tanker from Valdez to the lower 48, jurisdiction appears to rest with the ICC, but the tanker transport would be subject to the jurisdiction of the Maritime Commission.

— If the oil is exported from Valdez, the ICC would have regulatory jurisdiction.

— Some shipments of the oil could be moved from Valdez by common carrier to the lower 48 while other shipments could be by private tanker; under this option, ICC jurisdiction could be a 'now you see it, now you don't' situation under current law.

The report points to competitive consequences within the petroleum industry that could result, beyond the immediate issue of regulatory control for the oil pipeline.

If substantial oil deposits are located in other regions of Alaska, including the Beaufort Sea area, "it may well be discovered by companies not involved in TAPS," the FTC staff said. "As shippers, those companies would be profoundly affected by the regulation of TAPS."

The question of state regulation under the Alaska Pipeline Commission Act is also unclear, the FTC staff said. The report describes the powers of the state commission as "substantially more pervasive than those of the ICC."

John R. Werner, chairman of the commission, wrote the FTC earlier this year that the state is studying the possibility of regarding TAPS as an intrastate line. However, Werner wrote, "I really feel that in the long run, we will be forced to accept direct federal regulation.

"Our role, however, will be to act as a protestant on behalf of the state of Alaska as a shipper of royalty oil and as one who stands to gain or lose substantially depending on pipeline rates," he said.

Meanwhile, the commission staff concludes that the effect on other Western states of Alaskan oil flowing through the pipeline is still difficult to determine.

"The flow of Alaskan crude could undermine the concentrated market structure in District V (Alaska, Arizona, California, Hawaii, Nevada, Oregon and Washington) because the owners of Alaskan crude are not the leading refiners in the district," according to the report.

"However, if the leading District V refiners are the chief recipients of Alaskan oil by exchange agreements or other arrangements, those refiners could become more firmly entrenched within a concentrated market."

The staff concludes that the impact of Alaskan oil on other Western states must be evaluated before the FTC takes any action on refining in District V.

Chicken Pox Wins In Heat; Becomes High School Hero

EDMONDS, Wash. (AP) — Chicken Pox was the hero of the day.

Pox, handled by Woodway High School junior Janice Friang, easily became the champion chicken of the third annual Chicken Olympics Friday.

Held on the Woodway basketball court, the event is a benefit for the school German Club.

But the chickens squawked in many languages as they raced to see which bird could make it outside the center court jump circle first.

There were five heats. Pox won its heat and had the championship almost without ruffling its feathers.

Bertha and Peppers, entrants from Edmonds and Shorecrest highs, seemed confused and stayed in the center.

Hohman Reviews Senate Role

By CHERYL PROBST
Times Staff Writer

[illegible] bitterly upset with the democratic leadership in the Senate during the last legislative session, Bethel Senator George Hohman is [illegible] time between sessions reassessing his [illegible] with resentments carrying forth from that.

"If I have to face those kinds of battles, that kind of resentment again in the next session from the majority party, then I want to disassociate from that," Hohman said. It would "probably be more effective if [illegible]

He apparently is happy over the amount the college received, but not at the method at which it was a[illegible]

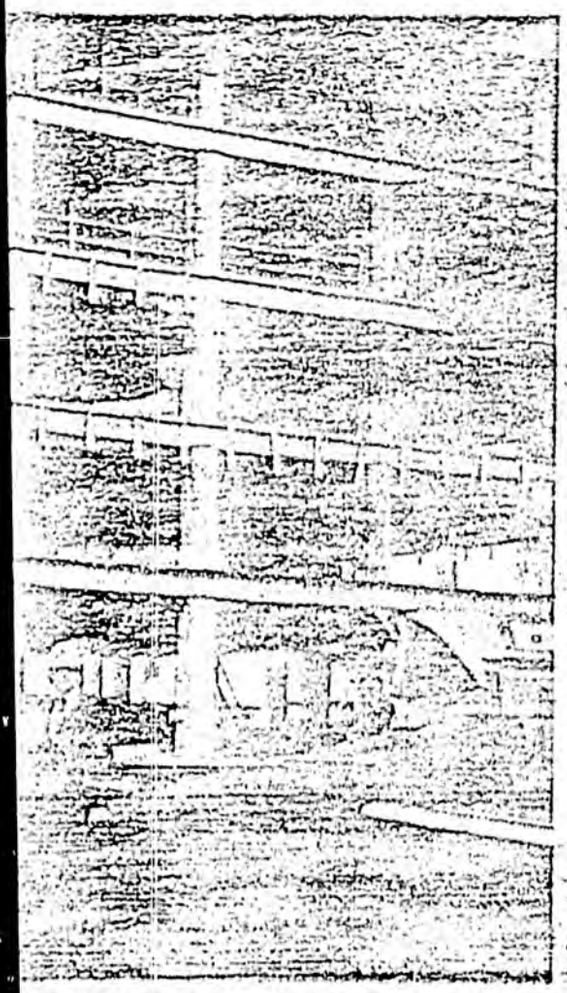
According to budget documents, the governor submitted a proposed budget of $[illegible],000. The Senate finance [illegible] had been done, the Senate would have arrived at a budget recommendation comparable to the House's, he said.

Looking at the school's budget from another angle, Hohman said it receives funding at $93 per student credit [illegible]

"very aggressive" telecommunications policy, the decentralization of the State-Operated School System and increased funding for the Kuskokwim College as some examples.

Croft says he has taken no action on Hohman's desire to

ADT 10/30/75



E BUILDING

on the building with Norman Rokeberg of
is handling lease arrangements. Just be-
ture is the eight story companion Calais
le in background is the BP-Alaska building.

Totem Chief Boasts Of Vessel Great Land

Special to The Times

NEW YORK — The Great Land, the world's largest roll-on trailership introduced in the Seattle-Anchorage trade less than two months ago, already is winning "widespread shipper acceptance," says William B. Maling, president of Totem Ocean Trailer Express.

"Alaskan shippers have been as quick to appreciate the clear cut cargo flexibility advantages of pure roll-on transport as have shippers in the Puerto Rican and Middle East trades, where our first and smaller class of trailerships have been successfully operating for some time," Maling told newsmen attending a Tote press luncheon at the Whitehall Club.

The shipping firm is a rarity among ocean cargo lines in that it is in part owned by a major U.S. shipyard — Sun Shipbuilding & Dry Dock Inc., Chester, Pa., which owns 30 per cent of the $60 million venture. Sun Ship claims to be world's leading designer and builder of pure roll-on vessels. The remaining 70 per cent is owned by Sun Oil, Sun Ship's parent company.

Maling said that Sun Ship began looking at Alaska five years ago and liked the tremendous potential for growth for a high speed ocean carrier providing a service capable of carrying both regular and oversized cargo.

He said the Great Land has been designed to operate through the rigorous Alaskan winter months. The ship is 731 feet long and weighs 31,762 displacement tons. It has a top speed of 24 plus knots and can carry the equivalent of 336 40 foot trailers and 126 vehicles.

Like the previous roll-on ships Sun Ship built for the Puerto Rican and Middle East trades, the Great Land can take the full range of over-the-road transportation equipment, such as highway and rail piggy back trailers, autos on auto carriers, oversize cargo more than 40 feet long, mobile homes, steel pipes, boats, chemical tanks, buses, and industrial machinery.

Noting that The Great Land's speed makes possible an "over-the-weekend" express service from Seattle to Anchorage some 1420 miles away, Maling said:

"A substantial portion of the cargo we've been carrying is a direct result of the construction program for the Alaskan pipeline. But of greater significance to Tote's long term prospects is our attracting that cargo that will be a major part of the Alaskan trade long after the completion of the pipeline."

Tote's president also said that although the amount of cargo carried on the early voyages has been answering the question as to whether a second giant trailership would be introduced into the Seattle-Anchorage trade depended on a number of factors.

"We want to take time to make sure that the trade shows enough continued growth over and beyond the tremendous volume of traffic generated now by the Alaskan pipeline."

Gas Option Is Confab Subject

SAN FRANCISCO (AP) — A proposal in which Pacific Gas & Electric Co. customers would pay $275 million for the option of getting Alaskan natural gas from Exxon will be the subject of a special conference next Friday, the California Public Utilities Commission announced today.

Under the proposed agreement, PG&E rates would be increased enough to pay the equivalent of interest charges on a maximum of $264

Bill By Buying Big Packages

with reconstituted that natural granolas cost less cup raisins, ½ cup peanuts.

real estate financing through

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Under the proposed agreement, PG&E rates would be increased enough to pay the equivalent of interest charges on a maximum of $166.4 million that Exxon would pay if it were borrowing the money needed for development and production. Actually, the funds would come from money Exxon already has.

The interest charges would amount to about $161 million. But because of income tax that PG&E has to pay on revenues, customers would have to provide $275 million for the utility to raise the interest money.

This would amount to about 75 cents a month on the average residential customer's bill.

Under the agreement, Exxon would grant PG&E the right to negotiate for 30 per cent of Exxon's working interest in its gas reserves in the Prudhoe oil pool for a 20-year period.

Exxon has set an Oct. 31 deadline on signing the agreement.

Big Packages

raisins, ½ cup peanuts, thirds cup honey and third cup oil. Adding s, coconut or more nalve nuts than peanuts increase the cost.

"When will saving banks savings and loan ciations be permitted to higher rates on savings? should only the big - ey funds or institutions high interest on ficates of deposit? How I get around the interest ceilings?" P.N.

Regulation Q and related ngs for savings and loans up for review once again. legislation controlling s on interest expires at end of this year. Chances regulations will be nded another year while more studies are ducted on the effects of egulated interest rates on estate and national debt ncing.

tinued subsidizing of real estate financing through unrealistic rates of interest on savings no longer works as investors are beginning to recognize alternatives. Savings are again being withdrawn to take advantage of higher yields elsewhere.

While you can't "get around" rate ceilings directly, you can investigate the various no - load money - market funds that do invest in certificates of deposit over $100,000 which are not regulated.

Treasury bills still require $10,000 minimum but offer better short-term yields than passbook savings. Corporate bonds are another alternative. You may also express your opinion to your senator and congressman.

For a list of "Budget Motel Chains," send 10 cents and a long, stamped, self-addressed envlope to Managing Your Family's Money, in care of Anchorage Times, Box 40, Anchorage 99510.

Plans Fuel Link

By FLIP TODD
Times Staff Writer

A Houston, Tex., firm, Gulf Interstate Co., is planning to build a 10¾ inch pipeline from refineries north of Kenai nearly 70 miles to Anchorage.

Originally planned by Tesoro Petroleum Co., the refined products line would be buried under 14.4 miles of water near the mouth of Turnagain Arm south of Anchorage. It would carry diesel fuel, heating oil, gasoline and jet fuel from the Tesoro refinery and possibly the Standard Oil Co. of California refinery at Nikiski to tank farms near the port of Anchorage.

Gulf Interstate this week incorporated the Nikiski Alaska Pipeline Co. as its wholly owned subsidiary for the purpose of constructing and operating the pipeline. However it is discussing the concept with five pipeline contracting firms: National Mechanical Contractors, Northwestern Construction Inc., Alaska Constructors Inc., McWhinney and J. Ray McDermott & Co. Inc.

According to a 26-page application for a pipeline right of way lease which it filed with the state division of lands Oct. 3, the estimated cost of the project is $11,349,050. One state official said the company has indicated the pipeline may approach $16 million to $18 million.

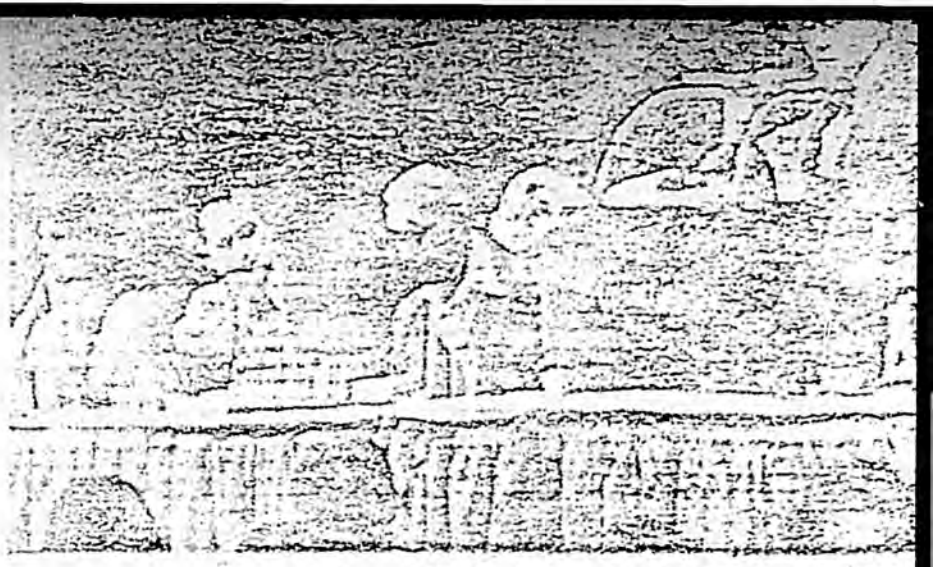
The application estimates the annual cost of operations and maintenance on the line at $1,260,000 with 150 people being employed during construction and 11 full-time employes to operate and maintain the pipeline.

The common carrier line as proposed would cross 51.4 miles of state lands including the Captain Cook State Park just north of the Nikiski industrial area. It would cross eight creeks on the Kenai Peninsula and in Anchorage as well as the Swanson River a short distance north of its origin at the Tesoro - Alaskan refinery.

The line is to be buried to a depth of at least 30 inches along its entire 68.9 mile length. It will be capable of pumping 10,000 barrels per day. The pipeline would have an estimated life of 40 years, according to the application.

Gulf Interstate, which will finance the project itself, plans to begin construction Feb. 1 and to have the land portion of the line completed by May 15. The difficult marine portion would be laid from May 17 to July 31.

(See Page 2, Col. 3)



NATIVE, STATE LE

Tundra Times publisher Howard Rock spoke briefly at the Tundra Times banquet last night as the Alaska Federation of Natives annual convention began. Rock commended Alaska's native people for their pa Alaska. Members from left, Mrs. J tion's board chair

Federation Opens Annu

By MORGAN PARKER
Times Staff Writer

The Alaska Federation of Natives annual convention opened yesterday with traditional informality and much hand-shaking and back-slapping as delegates from the 12 far-flung regional corporations renewed acquaintances at the Captain Cook.

More than 1,000 delegates and observers from some of the most isolated hamlets in Alaska filled the hotel's convention hall.

The federation is the political arm of the 12 Alaska Natives Claims Settlement Act regional corporations. It represents Aleuts, Indians and Eskimos who are to control about $1 billion and 44 million acres of Alaska.

After the morning call to order, federation President Sam Kito told the assembly the biggest issue the federation has faced during the past year has been revising technical sections of the settlement act as flaws have been discovered by implementation of its sections.

"A major problem of the past year also has been the conflict of interest within the Department of the Interior," Kito said.

That conflict is because Interior has Indian and native trustee du also is the agency respons setting aside and caring for parks and wild and scenic ri said.

In Alaska, whether land natives or to public ownership, or national forests "crea inherent conflict," he said.

The morning session was atte federation officials bedecked leis supplied to the convention by a Hawaiian group. About an of Hawaiian ancestry in Alas each year renews its ties federation. Aloha is fight

Mrs. Lord, Mrs. Kissinger Put Feet Up

Kissinger Party Pauses Here

Secretary of State Henry Kissinger, en route back to Washington, D.C., from high level talks in Peking and Tokyo, remained aboard his special Air Force jet early Friday during a brief refueling stop at Elmendorf Air Force Base outside Anchorage.

(Earlier Story, Page 4.)

Kissinger's aircraft touched down at 3:15 a.m. ADT and was on the ground 33 minutes before taking off on the final leg to the nation's capital.

Kissinger's wife Nancy and a few aides disembarked for a predawn nibble at pastries and hot coffee.

The nibblers included Mrs. Winston Lord, whose husband is chief of the State Department policy planning division.

Mrs. Kissinger said she spent many hours in Museums while in China — "my feet are sore" — and that she was anxious to get back home to watch "Star Trek" on television.

Printi Unica

Because of a printing supporters of a unic legislature will not beg drive for petition sig until the first week November.

The backers of a co state House and Sena hoped to begin collecti natures this weeken legal, petition signature printed in Juneau ha been prepared.

Led by Rep. Bill Park Sen. John Rader, both chorage, the unica boosters need to collec 10,000 signatures by J when the next leg session convenes. Th asking that an advisory the unicameral questio on the next general ballot.

Such an advisory question, if approved, require the legislature sider the issue but it w have to approve stitutional amendm change the current bic setup.

Parker and Rader m about 23 sponsors petition drive last sigh tral Junior High-Sc prepare for the drive. Parker said a sponsors in Anchorage

Index

Bridge 47
Comics 29
Crossword 40
Dear Abby 18
Editorials 6
Financial News 30
Home and Hobby 20
Horoscope 29
Obituaries 4
Sports News 15-28
Tell It to Ted 13
TV Entertainment 32

Dual Wait Committee

anchored off the Anchorage today berthing space in the h of one of the traffic snarls in the ory.

Ocean Trailer SS Great Land, as delayed by a shortvedores, expects to loading and leave the y, at which time the would move in to th.

oup started Wednight in a dispute betTotem and Sea-Land thing space, settled the latter yielded to court order to move ssle to an adjacent space.

porary order issued Wednesday night by Superior Court Judge Eben Lewis is scheduled for hearing at 9 a.m. Monday.

Meanwhile, it was taking about 25 hours to unload the SS Great Land instead of 15, according to Sea Star Stevedoring Co. General Manager Darrel Bahner. He said that with nine or 10 gangs working at four locations on the water front yesterday, a number of inexperienced men were dispatched to unload the Totem vessel.

"Out of a gang of 43 men, we had 31 with no experience on the Great Land," he said.

Unloading stopped at midnight when it "became impossible to find fresh crews.

Federal-State Land Use Planning Commission.

It is a "useless" layer of bureaucracy that "favors special interests" and is a perfect spawning ground for political delays to Alaska Native Claims Settlement Act implementation, said federation board Chairman Jack Wick this morning.

"We've met every deadline of the settlement act," he explained. "I don't think the commission has met one."

"It's the consensus of the 12 regional corporations land managers that the commission kowtows to environmentalists," added Koniag Corp. landsman Lew Anderson. The men also charged the panel, created by the settlement act, of Land Management causing unnecessary delays.

"The act says its implementation is to be expedited, and if the planning commission has been expediting things, I'd hate to see what a delay looks like," Anderson said.

The panel is headed by David Jackman, appointed by Gov. Jay Hammond, and co-chairman Burt Silcock, appointed by the federal administration.

Wick and Anderson said the environmentalist leanings of the Hammond administration and the protective trustee attitude of Interior's land agencies for which Silcock speaks, prejudices the purportedly neutral forum of the panel and its supposedly

"Also, the less bureaucracy the better," Anderson added. "Native groups take their problems to the commission and get lost in its paperwork, an example is an amendment to change 'group' settlement act regulations to make it easier for smaller-than-village hamlets to get some land, even if they are inside federal preserves of some sort.

"The commission does its job in compliance with interests of conservation groups and the bureaucracy," Anderson said of talks regarding the "group" problem between Koniag Corp. and planning commissioners last night.

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(two-day) "has b... ce than...

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The p... help eve... settleme... monly... provide... discussi... technica...

A pend... federatio... act omni... the comm... when Co... the fate... federal l... into nativ...

Pastor Instills Self-Respect

Dr. Leon Sullivan ... the podium to at yesterday's ... Opportunities ...zation Center lun... audience rose to ... respectful standing

...n Sullivan concluded ...h, the thunderous ... reflected as much ...n as respect.

...ence's reaction was ...ence. Sullivan is in ...ss of teaching people ... enthusiasm and ...for themselves.

...ears ago, Sullivan, ... pastor of Zion Bap...h in Philadelphia, ... first Opportunities ...zation Center in an ... jailhouse. The cen... people for jobs and ...ill self-respect and ...in its students.

...ration without ...tion leads to ...," Sullivan says of ...p. "I could see that ... minorities opened ...tion would result ... people were not ... fill them."

Sullivan estimates ... 200 centers have ...re than 300,000 ...ss the country, ... an annual earning ... $2 billion. The organization, funded by a combination of federal funds and private donations, has offices in 43 states, Africa and the Carribean.

Sullivan was in Anchorage yesterday to visit the local Opportunities Industrialization Center at 3630 Commercial Drive as part of Opportunities Industrialization Center month.

Speaking at yesterday's luncheon, Sullivan announced a new "nationwide crusade to spread from Alaska to Maine to deal with the problems of the unemployed and unskilled of America."

Sullivan said he has "heard enough lamenting about this country's problems" and that "now is the time to begin a massive effort to solve them."

Speaking with the flourish of the Baptist minister he is, Sullivan told his listeners "the decay in the ghettos will be turned around and the needs of every American can be met in the most remote parts of Alaska" through the centers' nationwide programs.

"OIC emphasizes the importance of industry and productivity," he said. "Not industry in terms of smokestacks but in terms of the spirit of people to be productive.

Firm Plans Nikiski-A...

(Continued From Page 1)

would be laid from May 17 to July 31.

The pipe would cross Turnagain Arm from Pt. Possession on the Kenai Peninsula to Campbell Point within Anchorage. The job probably would require the use of a pipe laying barge.

A large portion of the 14.4 mile crossing goes dry at low tide. On the flood tides, tidal bores 10 feet or more in height frequently crash through two deep channels that cross the pipeline's path carrying all manner of flotsam including large trees into the arm.

The only other crossing of Turnagain Arm was completed in 1961. The Alaska Pipeline Co. which supplies natural gas to Anchorage laid two pipelines farther east with considerable difficulty. Oil companies that have laid pipelines on the bottom of the Cook Inlet to carry crude oil and natural gas from the 14 production platforms have experienced consistent difficulties with their pipelines. Several have been abandoned because they broke so frequently.

In addition to moving petroleum products refined at Nikiski to Anchorage, the pipeline has the potential for carrying cargo from tankers to the tank farms along the Anchorage waterfront which are maintained by Tesoro, Texaco Inc., Standard Oil Co. of California, Shell Oil and Union Oil Co.

The proposed route calls for the line to skirt the Army's Campbell Point Nike missile site along the western edge of Anchorage International Airport to the Chugach Electric Association right of way along Northern Lights Boulevard to the Alaska Railroad tracks. From there it would cross the mud flats and the mouth of Ship Creek to the waterfront tank farms.

Tesoro had discussed building the line several years, but instead chose to let Gulf Interstate handle the project because of its expertise in pipeline work and Tesoro's relative lack of experience in that area, said a company spokesman.

"We began talking with them in the preliminary study stage and they volunteered this on their own and they had some equity money to put into it," explained Tesoro Crude Oil Co. President Jim Smith.

"The pipeline will be financed with a contributed equity of approximately 25 per cent and privately placed, long-term first mortgage bonds of approximately 75 per cent," according to the company's filing with the state division of lands.

"The owner is now seeking local Alaskan financing for the project," said a company statement issued yesterday.

Gulf Interstate is involved in engineering and ownership of pipelines and real estate investments. In 1973, however, the company began disposing of the real estate and reinvesting the money in owner-ship of ... minals.

The i... employes ... working i... Interstate ... curren... Anchorag... to Mecha... is providi... quality sp... struction ... pipeline f... tment. ... employes ... the subcon... years as ... Gulf Inte... Ed Miche... president ... Pipeline C...

The com... numerou... federal, st... ment bodi... number o... including ... Engineers ... lands and ... —have he... pany any ... it can supp... informatio... and the n... tion.

"Right ... whether I... allowed on ... the rai... spokesman ... owned line.

"They're ... stay away ... there are ... ground co... just don't ... can be co... existing an... our right of ...

"For ex... cross our ... they can't ... either — t... long way a...

"When th... of the gullie... ds they mig... ter to go so... added.

"We had ...

Food, Laughter Mark Benefit

By MORGAN PARKER
Times Staff Writer

The Tundra Times benefit banquest last night once again brought into harmony the spirits of almost 1,000 Alaska natives as former Alaska Federation of Natives President Roger Lang became half-toastmaster and half-village storyteller to turn the white-man-style occasion into a convivial, rollicking native bash.

The benefit, at the Captain Cook Hotel, was for the native weekly newspaper. It was a smashing success if laughter, good food and good stories are measures of an evening's fun.

Native leadership was the theme of the banquet. The two leaders to receive formal honors as the federation's citizens of the year were Lang and Emil Notti, the organization's first president. They shared the normally one-man honor.

As lettuce wilted on the dinner plates, trays of dried caribou, salmon and white fish were served by volunteer students to whet the appetites.

Then came the entre of broiled salmon and jokes and tales by Lang and the presidents of Alaska's 12 regional corporations.

An event which crystallizes the deeds of its participants into a year's worth of fireside remembrances, at Bush homes, the banquet filled its traditional role of giving the federation convention's participants the chance to laugh and cheer in unison despite ...

... ebony, silver and scrimshaw was sold to Alec John of Cantwell for $950. The artist who carved it, 26-year-old Ron Brower, beamed when he saw his creation sold after a joke or two by the auctioneer, federation President Sam Kito, about what could be smoked in it.

What could have been lulling awards and introductions of those at the well-populated head table was kept fast and loose by Lang, whose quips spared nobody who caught his eye.

The newspaper awarded students Marc Olson, Sue Gamach and Jeff Richardson $250-per-month Howard Rock journalism fellowships. A special editor's award went to Lael Morgan, for her public relations on behalf of the native weekly.

The evening included a message from absent keynote speaker Bill Byler of the National Congress of American Indians. He regretted not being able to attend but was pressing the case of water rights for Arizona indians in Washington, D.C. A carving of a dancing man mounted on a piece of Little Diomede Island was presented for Byler. It was crafted by Roger Kvnuyak.

Though a Republican governor in front of a chiefly Democratic audience, Gov. Jay Hammond spun a ribald yarn and admitted — to sympathetic laughter — he thought as a child his blood contained ... Indian ...

...mmittee Checks ...ails For Visit

(Continued From Page 1)

... Earthquake Park, ... was eliminated ...r on orders from ...

...ays, having each ...ely planned takes ...t of it all," Mrs. ... said. "One just ... what one is to do."

Kristiansen and ... were born in Nor... as young people. They came to ... years ago. He is ... ruction business, ...ey have two ...ari, 11, and Lisa.

... both natives of ... first came to ...

manager for Scandinavian Airline Systems, also is a member of the committee. His special area of responsibility is airplane transportation.

With travel arrangements to Alaska changed at the last minute, "it was necessary to plan everything over again," he said.

Except for his work for Scandinavian Airline Systems and membership in the local Sons of Norway group, Kucala lacks a Norwegian background.

"My name is Finnish, my ancestry is partly Austrian and my wife is from Germany," Kucala joked. "I suppose I was included because of ...

Bowman Is Listed As Satisfactory

the act says its implementation is to be expedited, and if the planning commission has been expediting things, I'd hate to see what a delay looks like," Anderson said.

The panel is headed by David Jackman, appointed by Gov. Jay Hammond, and co-chairman Burt Silcock, appointed by the federal administration.

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"They do valuable studies for the state and natives," Wick admitted, "but as far as ... of a hindrance than help," Wick charged.

The commission was set up by a back section of the settlement act and was to have soon exceeded its life set by its Congressional authorization.

The panel was created to help everybody involved in the settlement act work out commonly shared problems, provide a forum for neutral discussion and help with technical expertise.

A pending amendment to a federation backed settlement act omnibus bill would extend the commission's life until 1973 when Congress must decide the fate of much of Alaska's federal land that doesn't go into native hands.

Daylight Savings Times ends at 2 a.m. Sunday giving everyone an extra hour's sleep that morning. Remember to turn your clock back one hour.

Unless Congress enacts legislation, daylight savings will resume on April 25, as it has for most states since World War II.

Last winter, however, daylight savings started two months earlier, in February, in an effort to save energy across the nation.

A bill is pending in the U.S. Senate that would make the April to February energy - saving measure permanent, thus giving Alaskans eight months of extended daylight instead of six.

In early 1974 daylight time had been extended to a full year, but this drew criticism from parents who complained that fast time was forcing their children to leave for school during hours of darkness.

The time change will occur in all states and U.S. possessions except Hawaii, Arizona, Puerto Rico, the Virgin Islands, American Samoa and a portion of Indiana.

...lans Nikiski-Anchorage Line

...quently crash through two ...p channels that cross the ...line's path carrying all ...ner of flotsam including ...g trees into the arm.

...e only other crossing of ...nagain Arm was com...ed in 1961. The Alaska ...eline Co. which supplies ...ural gas to Anchorage laid ...pipelines farther east with ...siderable difficulty. Oil ...panies that have laid ...lines on the bottom of the ...k Inlet to carry crude oil and natural gas from the 14 production platforms have experienced consistent difficulties with their pipelines. Several have been abandoned because they broke so frequently.

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Gulf Interstate is involved in engineering and ownership of pipelines and real estate investments. In 1973, however, the company began disposing of the real estate and reinvesting the money in ownership of pipelines and terminals.

The firm has about 260 employes. About 16 of them working for a subsidiary, Gulf Interstate Engineering, are currently working in Anchorage as a subcontractor to Mechanics Research, which is providing design review and quality spot checks on the construction of the trans-Alaska pipeline for the Interior Department. One of the firm's employes, who has worked on the subcontract for nearly two years as a vice president of Gulf-Interstate Engineering, Ed Michels, has been named president of Nikiski Alaska Pipeline Co.

The company has submitted numerous applications to federal, state and local government bodies for the project. A number of the agencies — including the Army Corps of Engineers, the state division of lands and the Alaska Railroad — have held up giving the company any encouragement until it can supply more engineering information about the project and the method of construction.

"Right now I can't say whether it will or won't be allowed on the right of way of the railroad," said a spokesman for the federally owned line.

"They're going to have to stay away from the tracks and there are going to be some ground cover problems. We just don't know yet if the line can be compatible with our existing and planned uses for our right of way," he added.

"For example they can't cross our bridges with us and they can't go under them either — they'll have to be a long way away.

"When they encounter some of the gullies along the tidelands they might find it will be better to go some other way," he added.

"We had some objections to their original proposal so we asked them to come back again."

The 50-foot right-of-way would parallel an existing Phillips Petroleum natural gas pipeline for its first 30 miles, according to Michels, using the Phillips ramps and grades for water crossings.

With permission of the U.S. Forest Service some beetle-killed spruce trees would be cut in place for construction timber. The northernmost 13 miles of the pipeline on the Kenai Peninsula, from Moose Point to Pt. Possession, would be laid through essentially virgin forest which would require cutting a 50-foot wide path.

"A permanent corridor, treeless, will be visible from the air and accessible to vehicular traffic on the ground," the company says in its application to the state.

The line would have a wall thickness of .219 inch on the Kenai Peninsula and within Anchorage. The line wall would be .625 inch thick for the Turnagain Arm crossing. It would be inspected at least every two weeks, Nikiski Alaska Pipeline Co. promises in its state application.

The pipeline company has inquired of the Port of Anchorage whether it could acquire space for a maintenance plant on its property. Port Director Erwin Davis responded he could not recommend the company be given space there because it would not be an across-the-dock operation that would help generate revenue for the city-owned dock.

If tankers decide to tie up at Nikiski and discharge their fuel cargoes for Anchorage tank farms, Elmendorf Air Force Base and Ft. Richardson there, the pipeline could take business away from the port's petroleum dock.

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...y, silver and scrimshaw ...sold to Alec John of Cant... for $350. The artist who ...ed it, 26-year-old Ron ...ter, beamed when he saw ...ation sold after a joke or ... by the auctioneer, ...ation President Sam ... about what could be ...adinit.

...t could have been falling ...ds and introductions of ... at the well-populated ...table was kept fast and ...by Lang, whose quips ...anybody who caught his

...e newspaper awarded ...nts Marc Olson, Sue ...ch and Jeff Richardson ...er-month Howard Rock ...alism fellowships. A ...ernor's award went to ...rgan, for her public ...ts on behalf of the ...weekly.

...evening included a ...ge from absent keynote ...r Bill Byler of the ...nal Congress of ...an Indians. He regret... being able to attend but ...ssing the case of water ...for Arizona Indians in ...gton, D.C. A carving of ...ng man mounted on a ...Little Diomede Island ...ented for Byler. It was ...by Roger Kynuyak.

...a Republican governor ...nt of a chiefly ...atic audience. Gov. ...mond spun a ... ...admitted — to sym... laughter — he thought ...his blood contained ...in part in 64, but had ... realized Sacagawea ...

MASONIC CALENDAR
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BP Man Hits Policy

WHITEHORSE, Y.T. (AP) — Development of Alaska's resources is stagnating because of irresponsible land-use freezes on vast tracts, the minerals manager of B.P. Alaska Exploration Ltd. said Wednesday.

The amount of land withdrawn from possible development now equals the area of the United States east of the Mississippi excluding Maine, Charles F. Herbert told the fifth Northern Resources Conference.

The withdrawals were achieved by fanatical environmentalists who prevailed on government agencies to adopt the position that "no use is the best use," he said.

In March, 1972, about 83 million acres were excluded from mining, farming or permanent human habitation. The idea was to save virgin wilderness areas for parks, wildlife refuges and scenic spots. Herbert said another 100 million acres have been reserved for native Eskimos who will choose 40 million acres, but the 60 million remaining will be added to the 83 million already withheld from development.

"There is no doubt that the irresponsible withdrawal of huge areas of Alaska is discouraging," he declared. "Equally so are the punderous, repetitive arguments advanced for permanent closure of those lands."

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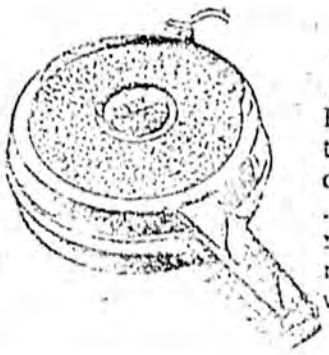

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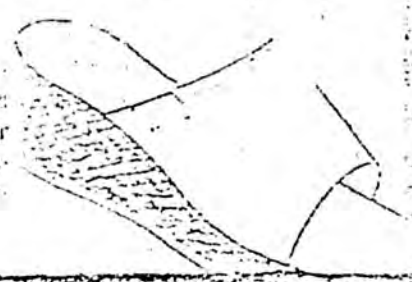

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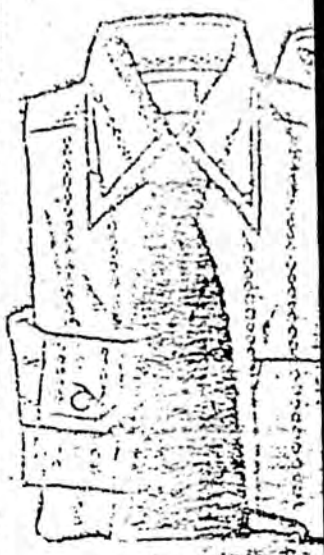

Men's crew shirts or chine wear wand

Canadians Air Gas Line Plan

Special To The Times

FAIRBANKS — Three Canadians who oppose a proposed trans-Canada natural gas pipeline were in Fairbanks this week to meet with local groups.

The Foothills Pipe Lines Ltd., often called the "Canadian El Paso," is proposing an all-Canada pipeline to bring gas from northern Canada to its southern cities without Alaskan involvement.

Like El Paso Natural Gas Co., it is a pipeline common carrier company challenging the Arctic Gas consortium of major oil companies which are planning for a larger pipeline from Prudhoe Bay through Canada to the Midwest.

Also like El Paso, the Foothills group is a smaller company, springing up since the Arctic Gas consortium was formed to take advantage of new shifts in energy markets and technology.

The company is a joint undertaking of Canada's two largest pipeline companies, Westcoast Transmission Co. Ltd. and Alberta Gas Trunk Line Co. Ltd. The latter company was once a member of the Arctic Gas consortium, but dropped out to join the competitor.

The two sponsor companies carry more than 88 per cent of Canada's natural gas production, they have built and operated 6,400 miles of pipelines, operate two of the largest gas processing plants in Canada and are the only companies which have constructed and are operating a gas pipeline in permafrost areas north of the 60th parallel.

Foothills Director of Operations John Burrell explained the company's position at a meeting Tuesday afternoon with representatives of the Chamber of Commerce, Associated General Contractors, the Organization for the Management of Alaska's Resources and Fairbanks Industrial Development Corp.

Burrel said arguments between the two companies start Monday before the Canadian National Energy Board in a process similar to arguments now going on between El Paso and Arctic Gas before the Federal Power Commission in Washington, D.C.

Burrel said the Foothills system involves 817 miles of 42-inch pipe being built in the Northwest Territories to bring gas from the Mackenzie Delta to the northern end of the member companies' pipelines. Existing Canadian pipeline systems then will be expanded to distribute the added gas supply throughout Canada.

Burrel said recent developments in government energy pricing policy have convinced the Foothills member companies that the present Mackenzie Delta gas reserve will pay for an all-Canada pipeline.

The commodity value price at Toronto, Ont., recently was set at $1.25 per thousand cubic feet, Burrel said, and will rise to follow oil price increase which will lift Canada's oil prices to match that of world markets over the next five years.

With this pricing system, Burrell said, Mackenzie Delta gas can provide enough return on the present reserves to insure financers that bonds will be paid back.

"I think we can show that there are enough reserves, and I see no hurdles beyond that," he said.

Burrell said the all-Canada system would increase gas supplies to Canadian cities and would be expected to end the gas shortages that are now forcing Canadian companies to cut off gas exports to the United States.

He said the Foothills project also is faster and cheaper than the Arctic Gas proposal.

KURTHYSEN
Joins Hickel

Firm Employs Finance Head

Kurt Hysen, 38, of Los Angeles, Calif., has been selected as vice president of finance and administration for Hickel Investment Co., according to Robert Hickel, executive vice president.

Hysen, a professional manager whose specialities are financial control and operations management, will be responsible for the real estate and development divisions of Hickel Investment. He will overview the company's finance, accounting, and credit functions.

Hysen also will have operational responsibilities for the firm's shopping centers and other properties.

Before coming to Alaska, Hysen served with the [illegible]

Parents To Visit At Junior High

Detroit Reports G

By EDWARD S. LECHTZIN

DETROIT (UPI) — Detroit automakers Thursday reported their best mid-month new car sales performance in 17 months —up 37 per cent from a year ago—but cautiously scheduled new layoffs to avoid bulging inventories of the successful 1976 models.

The 234,870 cars sold in the Oct. 11-20 period was within 2 per cent of the same period two years ago, just before the Arab oil embargo pushed the industry into its deepest and longest sales slump since the Great Depression.

General Motors said its sales were up 43 per cent, the strongest mid-month performance since May of 1974; Ford was up 23 per cent for its best performance for a mid-month in 23 months; Chrysler, hardest hit by the two-year slump.

Foreign automakers, who have been grabbing a record one of every five sales so far this year, report their October results at the end of the month. Because of the surging U.S. auto sales, however, their share of the market is expected to fall to its traditional 15 to 17 per cent mark.

The introduction of the 1976 models earlier this month and a strengthening economy were given credit for the big jump from a year ago when the new model premieres fell flat.

"There is increasing [illegible]ce that the econ[illegible] recovering and is fl[illegible] green light for auto [illegible] Ford Sales Vice P[illegible] Bennett E. Bidwe[illegible] "Many indicators—[illegible] incomes, less inflation [illegible] fuel economy and good [illegible] value—point to a co[illegible]upturn."

New layoffs schedu[illegible] next week will affect [illegible] than 10,[illegible] workers. G[illegible] ned to eliminate one as[illegible] line at a truck plant. C[illegible] will close two biggest [illegible] one week and AMC said [illegible] cutting output of its new [illegible]

ACCIDENTS DOWN

LOCK HAVEN, Pa. (AP) — American pilots are flying longer and farther these days but with fewer accidents, reports Piper Aircraft Corp. here. While the number of hours flown by general aviation aircraft — all business and pleasure planes, not commercial airliners — has increased nearly 100 per cent in the last 10 years, the number of fatal accidents per 100,000 flight hours decreased by 16 per cent.

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(13) Cole Executive Desks 30x[illegible] Group F Series	457.65	345.75
(4) Cole Secretarial Desks 30x60, Group F Series	635.97	475.00
(3) Cole Desks, conventional style	394.40	299.00
(6) Cole Secretarial Centers, 8-Series	440.35	330.35
(1) Hon Desk 30x48	194.55	145.95

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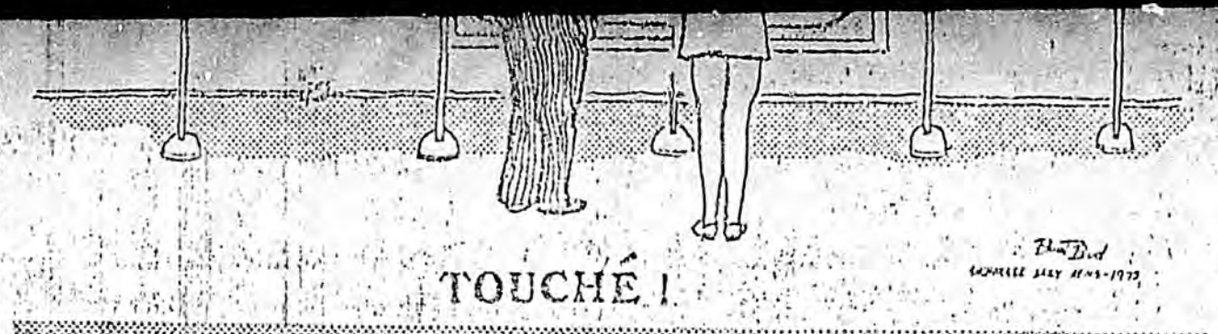
year is because Congress has reorganized its working habits. Scrapping the traditional long weekends — the so-called "Tuesday to Thursday club" — leaders lengthened the legislative workweek and compensated by lengthening recesses.

THE IDEA IS TO make congressmen more efficient here in Washington (by keeping them in session more days) and at home (by enabling visits to be more carefully planned and giving lawmakers from distant states more travel time).

It is coincidence that senators and representatives also now are earning more pay — up this month from $42,500 to $44,625 per year — it is said here.



Hasty support of the Alaska gas line

By PETER SCHOLES
For the Alaska Center for the Environment

The Anchorage Assembly on Oct. 7 unanimously approved Resolution 5-75, urging support and construction of a trans-Alaska natural gas pipeline. Despite two amendments which increased the reasonableness of the assembly's action, the resolution was the latest in a long line of unjustified, poorly worded legislation that for the mere asking puts the stamp of public approval on private development projects.

Support of a trans-Alaska natural gas pipeline is not necessarily an unreasonable action. However, considering this particular resolution and the manner in which it was handled by the assembly the adoption of 5-75 was both unreasonable and irresponsible. To understand this charge, it is informative to look back at a Sept. 26 assembly hearing.

ON THAT DATE THE ASSEMBLY listened as one person after another testified in favor of the goals and objectives of the Comprehensive Plan. Many of the people who came before the assembly on that evening recommended altering the goals and objectives in one way or another, but few, if any, suggested that the document needed a complete overhaul.

Although the goals and objectives have not yet been adopted as community goals and objectives, they have generated widespread interest and support. Therefore, one can look to them in evaluating Resolution 5-75.

The recurrent theme of the goals and objectives is that citizens desire to gain control over change in the Anchorage community — to direct growth and development so that the natural beauty of the Anchorage bowl and the amenities and opportunities offered by a modern city are blended in an enriching fashion.

MANY PEOPLE IN ANCHORAGE are coming to the realization that growth and development are not necessarily beneficial. Consider the economic goal. It is heavily lop-sided toward control and accountability in economic activity. The economic goal calls upon local government "to help develop an economy in which legitimate needs and desires are satisfied, while making public a full accounting for all 'social costs' of all economic development projects of any consequence."

Under the economic goal is an objective which calls upon government to "develop indices to measure social and environmental cost of any development, keep them current and well-publicized, and ensure that they be considered in every decision."

Resolution 5-75 flies in the face of an Anchorage citizenry that is asking for careful evaluation of massive development projects. Without an analysis of the environmental, social and economic effects of a trans-Alaska gas pipeline on Anchorage, neither the public nor its assembly can assess whether affirmative action is in the public interest. Until such analysis is completed and placed before the assembly a resolution urging support and construction of a trans-Alaska natural gas pipeline is premature and must be considered special interest, serving only those few people who believe that the trans-Alaska gas pipeline route would best serve their interests.

INSTEAD OF USING a thorough analysis of the various proposals for use and shipment of Prudhoe Bay gas, the assembly justified its support for a trans-Alaska gas pipeline with a "factsheet" prepared by either El Paso Natural Gas Co. or by OMAR, an organization dominated by developers and the construction industry. The factsheet contains factual material that is so abbreviated and twisted as to be blatantly inaccurate. It does not even deal directly with the impact that various gas pipeline route proposals will have on Anchorage.

Instead of relying on the factsheet the assembly would have done well to consider the following statements from a University of Alaska paper titled "Impact on the Alaska Economy of Alternative Gas Pipelines," published in April.

"Except during the very peak of the El Paso (trans-Alaska gas pipeline; boom, well over half of the total impact is concentrated on the Anchorage area. Over the long-run, about 60 per cent of the employment impact is focused on Anchorage. In terms of population, the El Paso proposal would increase Anchorage's 1990 population by more than 18,000 persons and the Arctic Gas proposal would increase the population by 5,700 persons."

"THE EL PASO PROPOSAL, unlike the Arctic Gas proposal, causes a moderate boom-bust cycle in the Anchorage area."

"The El Paso pipeline would result in no significant change in personal income per capita and there would be only a slight increase in state and local government expenditures per capita. These results are essentially the same as those obtained under the Arctic Gas proposal."

The assembly's action in support of a trans-Alaska gas pipeline was not inherently irresponsible. The state has taken a similar position. State conservation groups have taken several somewhat different positions. But, both the state and conservation groups such as the Alaska Center for the Environment spent many hours researching and discussing their positions. Theirs are positions founded on factual material that has been evaluated through discussion of individual and group values and interests.

The assembly's action shows no such careful consideration. Resolution 5-75 was unjustified and poorly worded. Its only saving grace is two amendments introduced by Assemblyman Tony Knowles. The amendments foreshadow more responsible assembly action in the future.

The more significant amendment calls for legislation "to insure that the natural gas pipeline is of net economic benefit to all Alaskans." Unfortunately as the oil pipeline has proven, money does not compensate for social turmoil.

Legislators Study Role In Gas Line Lobbying

Times Washington Bureau

WASHINGTON — The legislature's Joint Gas Pipeline Impact Committee is investigating the role the state can play in a major lobbying effort in Washington in favor of the proposed all-Alaskan natural gas pipeline.

The committee, here for three days of meetings with the congressional delegation and government officials, is considering retaining counsel in Washington to represent their interests.

Among the candidates being considered are former federal power commission member Rush Moody and John Miller.

House Speaker Mike Bradner, who is leading the committee's delegation here, said, "The committee is trying to stake out areas where the state can hope to have an influence in natural gas policy.

"Natural gas historically has been an area where national policy has reigned supreme," Bradner said. "If we're going to have any constructive input into that policy, we will need some of the finest brains in the country."

Among the issues the Washington representative would consider are taxation and the state's handling of its royalty gas, as well as the problems of mingling the state's gas with gas in interstate commerce.

A major topic of concern during the committee's meeting here yesterday was whether the state has the right to keep its royalty gas in the ground.

At a meeting of the committee in the office of Rep. Don Young, R-Alaska, late yesterday, Bradner said, "We're not without leverage. The state conservation committee can control the overall production from the field; that is our leverage for keeping the gas in the ground.

"Our number one legal problem now is to make sure we can do that. As long as we control the gas cap, we've got it made," he said. Bradner noted a "strong, growing political sentiment in Alaska" to keep the royalty gas in the ground if the state is unable to get its fair share at the market.

This political feeling is contingent on future oil and gas discoveries that may change the situation, he said. Young, who was involved in an Indian affiars subcommittee meeting, did not attend the session, but planned to meet with the pipeline committee.

Meanwhile, a House public lands subcommittee hearing on Alaskan natural gas pipeline issues was postponed until this afternoon to allow the full Interior Committee to meet on other matters in the morning.

Mebers of the pipeline committee in Washington, in addition to Bradner, are Reps. Nels Anderson, Keith Specking, Glen Hackney, Clem Tillion and Ramona Kelly.

a With Rifle

shortly after Emperor Hirohito of Japan passed beneath. Police say no shot was fired.

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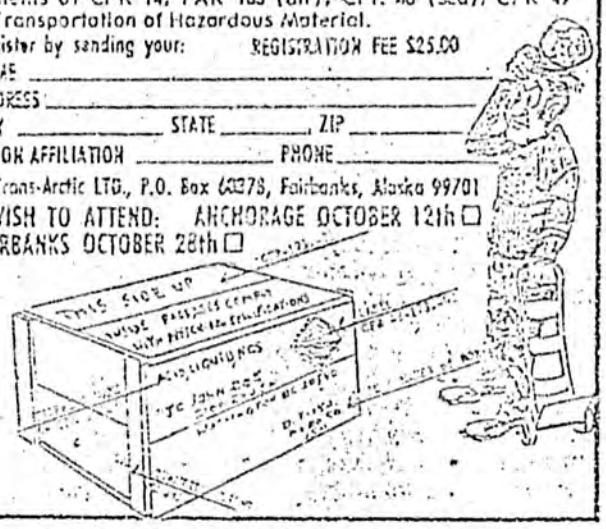

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Our views:

Gas line impact?

There was a sense of deja vu in the first meeting of the joint legislative Gas Pipeline Impact Committee Monday.

It was four years ago that a similar committee was formed to consider impact of the oil pipeline. That committee prepared legislation that became the framework for the taxing and regulatory policies established in the 1973 special session.

It is possible the recommendations of this committee will have results as far-reaching as those of the first impact committee. Certainly, information developed by the committee will be of value when the legislature grapples with the issue of the gas pipeline.

It is likely that in the next two or three years the gas pipeline will assume as large a presence in state affairs as the oil pipeline has for the past five years.

The stakes in the battle for the gas pipeline are at least as high as those for the oil pipeline.

The state could perhaps gain or lose billions of dollars in revenue depending on whether the pipeline went through Canada or Alaska. The route may also decide whether some of the vast reserves of gas on the North Slope are used within the state or are sent Outside. Gas severance taxes and state regulation of the pipeline will also be matters for consideration by the committee.

The gas pipeline will have to cross state lands whether it goes through Canada or to a liquefaction plant at Prince William Sound. This, and the fact that part of the gas carried in the pipeline belongs to the state, gives the state considerable bargaining power in determining conditions under which the pipeline is built.

Monday's meeting of the Gas Pipeline Impact Committee marked the entrance of the legislature into the process that will lead to construction of the gas pipeline. It has an imminent task: to insure that the conditions under which such a pipeline is

10/23
ADT

Decontrol Bill Goes To House

WASHINGTON (AP) — Although the Senate voted to remove federal price controls from natural gas, the plan appears headed for the back-burner in the House.

The bill, passed by the Senate 58 to 32 Wednesday, would mean higher prices for natural gas, despite amendments aimed at softening and delaying the impact on homeowners. The administration backs the bill.

In addition to phasing out price controls over a 10-to 12-year period, the bill includes emergency provisions designed to avert a predicted shortage of gas this winter, which federal officials say could cost 500,000 Americans their jobs.

Reps. Harley Staggers, D-W.Va., and John B. Dingell, D-Mich., who handle most energy legislation in the House, have said they see no way the House will consider repealing price controls on gas this year.

However, House leaders have indicated they will seek quick approval of provisions to avoid an immediate shortage.

The House insistence on separate handling of the immediate shortage and long-term pricing policy would force the Senate and the Ford administration to back down and settle the pricing question later.

Four Eastern Republicans joined 28 Senate Democratic liberals in unsuccessfully opposing the natural gas bill. Only minutes before, on a 50 to 41 vote, the Senate chose the Republican approach over a Democratic proposal that would have treated the winter shortage but left federal price controls untouched.

Under the Senate bill, all controls on the price of "new" gas pumped from onshore wells would expire next April 4. Controls on "new" offshore gas would end on Jan. 1, 1981.

But as a result of an amendment approved Wednesday, the price of "old" gas would remain under federal controls forever.

That amendment has the effect of delaying for several years the price increases that otherwise would result if "old" gas were freed from controls as current sales contracts expire.

But even with that softening amendment, the Senate-passed bill would assure that within 10 to 12 years, there would be no federal controls on the price of any U.S. gas.

The Senate's proposal to avert a gas shortage this winter would allow gas-short pipelines serving nonproducing states to buy surplus intrastate gas at prices not to exceed the highest price paid in the producing states this summer.

That price would range from $1.30 to $2 per thousand cubic feet — which is up to seven times what some pipelines now pay for gas. All this expensive gas would go to industries and other large users, leaving the 32-cent gas for homeowners, farmers and other small users.

Canada Pipeline Gets Opposition

Special To The Times

OTTAWA, Ont. — The Canadian Labor Congress says it plans to challenge a contention that a joint Canada and U.S. Mackenzie Valley natural gas pipeline would be in the Canadian "national interest."

According to the Ottawa Journal, the Canadian Labor Congress, representing 1.9 million organized workers, has submitted a three-page intervention to the National Energy Board. It claims that the case made by Canadian Arctic Gas in support of its proposed $10 billion joint pipeline "is both narrow and restrictive and must not be accepted in its present form."

The National Energy Board's hearings on the natural gas pipeline proposal begin Monday in Ottawa.

The labor organization notes, "It is well known that ce tain groups and individuals do not share the opinion of Canadian Arctic Gas Pipeline Ltd. about projectec shortages," the Ottawa Journal reports.

The Canadian Labor Congress says that "nc adequate information exists tc date concerning potentia reserves in other areas of Canada," and that "a ful consideration" of the possibility of substituting other forms of productior "remains to be made." Thus the "credibility of the case made by Canadian Arctic Gas is considerably reduced."

On the gas demand question the labor group challenges the basic assumption of the Arctic Gas interests, which the Congress says is "largely based on the assumption of 'business as usual.'"

The journal's account saic "The CLC is not convinced that the applicant's proposa constitutes a 'nationa priority' with reference to the national economy."

And the labor congress states, "With the staggering level of expenditures now forecast for the construction of the pipeline, it may well be that these funds could be better spent elsewhere."

The labor congress says its purpose in intervening is to "demonstrate as clearly as possible that no real understanding of the complex issues raised by the Canadian Arctic Gas application can be arrived at unless we deal with first things first.

"It is our position that before we can make full sense of the Arctic Gas proposal, we must first work toward a clearly defined energy strategy for Canada, since it is only in this context that the Arctic Gas proposal can be evaluated.

Senate Will Hold Gas Line Hearings

By BETTY MILLS
Times Washington Bureau

WASHINGTON — Sen. Mike Gravel, D-Alaska, today withdrew an amendment to the natural gas bill that would mandate a Federal Power Commission decision in the Alaskan natural gas line case by June 30, 1976.

Gravel withdrew the amendment, after several minutes of debate, when members of the Senate Commerce Committee pledged they would hold hearings on the matter.

Gravel was attempting to tack the legislation on to the bill to remove price controls on new natural gas, which was approved later on a 58-32 roll call vote. Both Gravel and Sen. Ted Stevens, R-Alaska, supported the deregulation legislation.

Gravel said there was no reason to push for a vote on the issue, saying, "I'm persuaded there is going to be a constructive effort to hold hearings; this was not a delaying tactic. Bullying it through now could take me longer."

He said, "My tactic of moving ahead is sound. The way we're going now, we may be able to win (approval of the trans-Alaskan gas line) without a fight."

Gravel's legislation would require the Federal Power Commission to make its decision in the gas line proceeding by June 30, 1976, with Congress then having 60 days to approve or disapprove the decision.

The Alaskan Democrat said the commission can meet that deadline and said an expedited decision would favor the Alaskan route.

In floor debate with Sen. John Glenn, D-Ohio, Gravel said his amendment did not address the competing proposals for transporting natural gas through Alaska or via a Canadian pipeline.

Glenn said if a decision is made by June 30, 1976, "it would be almost certain that decision would have to go against the trans-Canada pipeline."

Glenn said Gravel's legislation would be "tantamount to dictating no trans-Canada pipeline to serve the people of Wisconsin, Minnesota, Ohio, Michigan, the whole Midwest and much of the West Coast."

Gravel said, "All I am saying is that we are going to put aside a lot of bureaucratic nonsense and get an early decision on this matter rather than get into a situation like the Alaska oil pipeline where we lose four, five or more years on a decision."

Gravel said if the commission can make a decision by June 30, the Canadians should be able to do the same. "I think the Canadians will get on the stick if they want the line through Canada and will meet the criteria," he said.

Stevens, who relinquished the chair as presiding officer briefly to participate in the debate, said he shared Gravel's desire to accelerate the decision-making process in the gas line case.

However, Stevens said, "One of the great problems on this measure is whether or not we can have the support that we might have on an independent bill." Stevens said if the Gravel amendment came to a vote and failed, it could be misinterpreted in Canada.

Stevens, who recently discussed the issue with Canadian industry representatives and government officials, repeated his contention that support is mounting in Canada for the Maple Leaf line and the Polar Gas line, which compete with the Arctic Gas proposal.

Support for the alternate routes may become so great in Canada "that we may not even have before us an issue as to the trans-Canada route for Alaska gas before they (the Federal Power Commission) are through," Stevens said.

Sen. Walter F. Mondale, D-Minn., opposed Gravel' amendment, saying he hoped Congress could avoid "the type of sectional debate such as we had over the trans-Canadian and Alaska (oil) pipeline."

Mondale said Gravel's amendment would delay congressional consideration of the transportation of natural gas from the North Slope.

Canadians seek own gas line

FAIRBANKS (AP) — As if the trans-Canada natural gas pipeline hasn't enough detractors in Alaska already, three representatives of its main Canadian foes were in Fairbanks Tuesday meeting with local groups.

The Foothills Pipe Lines Ltd., often called the "Canadian El Paso," is proposing an all-Canada pipeline to bring gas from northern Canada to its southern cities without Alaska involvement. Like El Paso Natural Gas Co., it is a pipeline common carrier company challenging the Arctic Gas consortium of major oil companies planning for a larger pipeline from Prudhoe Bay through Canada to the Midwest.

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Between the two sponsor companies, they carry more than 88 per cent of Canada's natural gas production, have built and operated 6,400 miles of pipelines, operate two of the largest gas processing plants in Canada and are the only companies who have successfully constructed and are presently operating a gas pipeline in permafrost areas north of the 60th parallel.

FOOTHILLS director of operations John Burrell explained the company's position to a meeting Tuesday afternoon with representatives of the Chamber of Commerce, Associated General Contractors, Organization for the Management of Alaska's Resources and Fairbanks Industrial Development Corporation.

Burrell said arguments between the two companies start Monday before the Canadian National Energy Board (NEB) a body and process similar to the arguments now going on between El Paso and Arctic Gas before the Federal Power Commission in Washington, D.C.

Burrell said the Foothills system involved 817 miles of new 42-inch pipe being built in the Northwest Territories to bring gas from the Mackenzie Delta to the northern end of the member company's pipelines. The existing Canadian pipeline systems will then be expanded to distribute the added gas supply throughout Canada.

HE SAID THE major argument for the competing Arctic Gas route was to "piggyback" smaller reserves in the Mackenzie Delta to larger Alaskan gas reserves heading for the southern states.

Prudhoe Bay is estimated to have about 26 trillion cubic feet of natural gas and the Mackenzie Delta has only 6.5 to 7.5 trillion cubic feet of proven reserves.

Burrell said recent developments in government energy pricing policy have convinced the Foothills member companies that the present Mackenzie Delta gas reserve will pay for an all-Canada pipeline.

HE ADDED that his company estimates the undiscovered reserves in the Canadian north might bring the total as high as 39 trillion cubic feet, almost twice the Prudhoe Bay reserve, and Arctic Gas claims the undiscovered reserves total an even higher 50 trillion cubic feet.

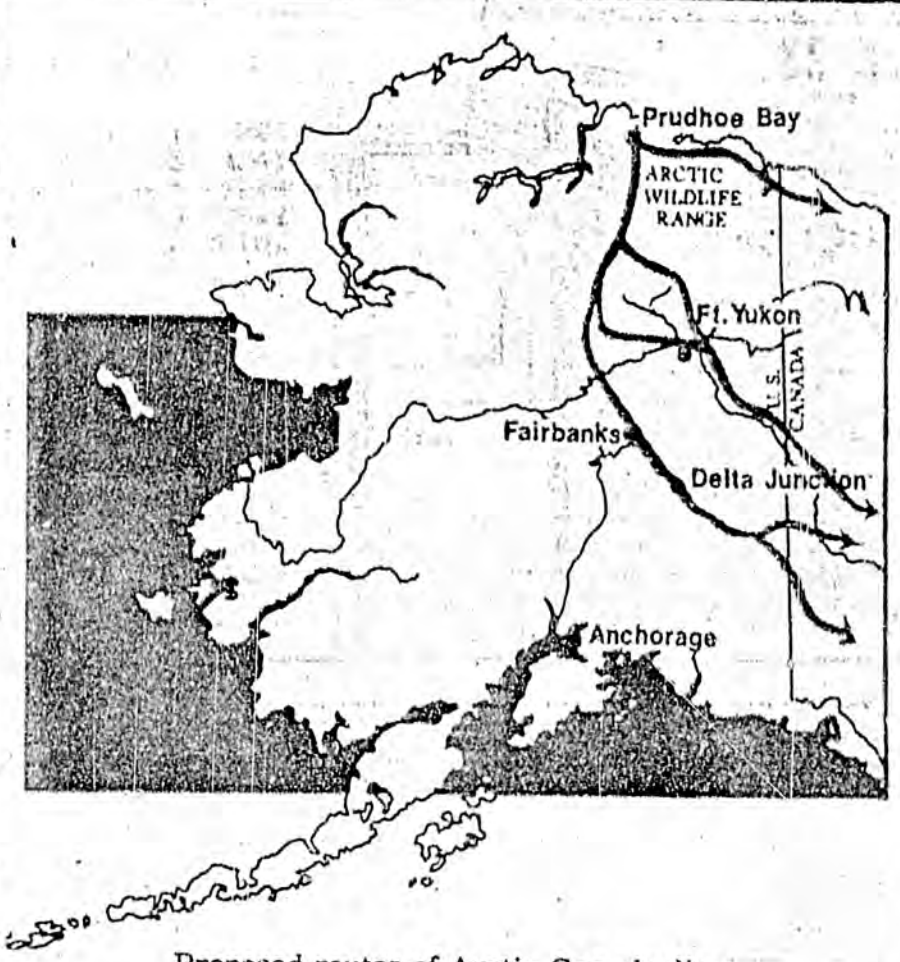
A third company has recently estimated the Canadian north gas reserves at 250 to 300 trillion cubic feet, Burrell added, but his company might have considered reserves expected to be discovered in deeper water offshore areas that were not considered by the two applicants.

Canada is adopting a national energy pricing policy called commodity value pricing, Burrell explained, where all forms of energy are priced to the amount of energy they produce. The price of gas will be set at a price corresponding to what its energy would produce equal to a similar volume of oil, then a national base price will be set on the Toronto commodity value price and prices in all other cities would be adjusted for differences in transportation costs.

THE CURRENT energy pricing system sets a price on the oil or gas at the wellhead, and the price consumers pay is the wellhead price less transportation and processing costs. Burrell explained the commodity value pricing as working in the opposite way. The government sets the price consumers pay and the oil and gas producers get the wellhead price left over when all the intervening costs are deducted.

The commodity value price at Toronto was recently set at $1.25 per thousand cubic feet, Burrell said, and will rise to follow oil price increases which will lift Canada's oil prices to match that of world markets over the next five years.

With this pricing system policy, Burrell said, Mackenzie Delta gas can provide enough return on the present reserves to insure financers that bonds will be paid back.



Proposed routes of Arctic Gas pipeline

Historical sites studied on gas pipeline routes

An analysis of archaeological and historical sites near Arctic Gas Pipeline Co.'s proposed pipeline routes from North Slope gas fields is being undertaken by the Iroquois Research Institute.

The institute, under contract to the Federal Power Commission and the Interior Department, has requested anyone having relevant information on sites to write to the company by Oct. 20 at 6201 Leesburg Pike, Suite 215, Falls Church, Va., 22044.

The area under study includes about one-fourth of the state, the northwest corner. Arctic Gas Co.'s preferred route would traverse the Arctic Wildlife Range in the north, but alternate routes would carry the gas south of Delta Junction and across Canada.

Canadians Give Line Perspective

By SUSAN ANDREWS
Times Staff Writer

Foothills Pipe Lines, Ltd., the company proposing an all-Canadian gas pipeline to take Mackenzie Delta gas to Canadian markets, has found it has much in common with Alaskans who want an all-American pipeline to take Prudhoe Bay gas to American markets.

Not the least of their points in common is that there's a man named Burrell working for both projects. For the all-Alaska line, it's former state director of oil and gas Homer Burrell. For the Foothills Canadian line it's John Burrell. They met for the first time here yesterday.

John Burrell and John Ellwood, the two Canadian visitors, said yesterday their project started out a year ago as underdog to the Arctic Gas project, the consortium of U.S. and Canadian companies who want to build one big pipeline to handle both U.S. and Canadian gas. "Now we are at least even," he added, "and our prospects are rising."

"I can see only one reason for Canadians favoring the Arctic Gas project," Burrell said, "and that is Arctic's claim that there are not sufficient gas reserves in the Delta to finance a pipeline. We are confident we can demonstrate that is not the case."

Homer Burrell said he had heard it from "good authority" that recent discoveries in the Delta mean that proven reserves now equal Prudhoe Bay's 26 trillion cubic feet.

John Burrell said their estimates still are 6.5 trillion to 7.5 trillion, although actual reserves are a tightly-held secret. "I hope your information is right," he added. "If so, we'll order the pipe."

The Canadian National Energy Board begins its deliberations next week in Ottawa, as to which of the two Canadian proposals it will approve. In theory, the board will make a recommendation to the Canadian cabinet — probably a year from now — and the cabinet has the final decision.

But the visitors said "Historically, the opposition in parliament brings up controversial issues to be settled in parliament. That's undoubtedly what will happen in the pipeline case."

The Canadians met here with about 20 members of the Organization of the Management of Alaska's Resources, the citizens' group which is pushing for approval of an Alaskan route for the gas pipeline from Prudhoe Bay.

The visitors denied that Canadian Premier Pierre Trudeau favors the Arctic Gas proposal, for a joint U.S.-Canadian line. "I don't think that's correct," John Burrell said. "I don't think he wants to pre-judge the Canadian National Energy Board."

Alaskan Robert Fleming suggested that communications between the Alaskan group and the Foothills people "should be open real wide," considering that they have basically the same objectives — though not the same problems.

"One member of Alaska's Congressional delegation believes the Federal Power Commission won't act on the Alaska gas line route until after the Canadians have made a decision," Fleming said.

Otherwise, it could be embarrassing, he pointed out, if the U.S. Federal Power Commission approved a Canadian route, and the Canadian government did not.

John Burrell said Foothills (also known as the Maple Leaf project) has a number of things going for it, including its estimate that it can deliver gas for about 10 per cent less cost than Arctic Gas. Foothills estimates its cost of service at 79.2 cents per thousand cubic feet, as compared to 90 cents per thousand estimated by Arctic Gas.

Also, he said, existing gas pipelines can be used in the Foothills project, and a whole new system won't have to be built, as it will in the Arctic Gas proposal.

Another plus is the fact that "The Canadian public is getting more nationalistic," he said. "They want to see the pipeline project financed and controlled by Canadians."

The Canadians also said they think it is "extremely unlikely" that Canadian natural gas contracts with the U.S. will be disregarded, in case of a gas shortage in Canada. "This doesn't buy you much in the way of time, only five or six years," John Burrell said.

VISITORS PROPOSE ALL-CANADA GAS LINE

Canadians John Ellwood and John Burrell, at right, met here yesterday with a group of 20 Alaskans, including Beverly Isenson, at left, and Robert Penney, officials of the Organization for Management of Alaska's resources. The visitors represent Foothills Pipe Lines Ltd., which proposes to build an all-Canadian gas line from the Mackenzie Delta. The Alaskans support a separate all-Alaskan gas line from Prudhoe Bay.

-10/25
ADT

Canadian Discusses Line

By BETTY MILLS
Times Washington Bureau

WASHINGTON — Walter B. Williston, a Canadian legal expert on energy policy, has testified that the provinces can tax property within their area, but cannot regulate a pipeline.

In testimony Wednesday before the Federal Power Commission hearing on the gas line proposals, Williston said, "If the terms of the direct tax within the province were of such a character that the courts considered that they were attempting to regulate, that fiscal statute would not stand any more than if the fiscal statute attempted to sterilize the pipeline."

In questioning by Arctic Gas attorney R. Clyde Hargrove, Williston said a province could impose a property tax to reflect the increase in land value because a pipeline carried natural gas.

Asked by Hargrove if a province could levy discriminatory taxes against one particular pipeline, Williston replied, "It (a province) could levy taxes that would in fact apply only to one particular pipeline in certain circumstances. It could not, in my opinion, just say we are going to tax this inter-provincial pipeline and not any other pipeline."

Administrative Law Judge Nahum Litt asked Williston if the federal power in Canada would supercede any provincial power if there were an attempt to regulate a pipeline.

Williston said the judge was correct, that the residual power in Canada is in the federal realm.

Williston is a partner in the Toronto firm of Fasken and Calvin, which has been representing the El Paso Co. for the past six years.

Williston said there is no limit to the amount of taxes the federal government of Canada could impose.

He said that in addition to certification of the pipeline, an export license would be required for gas leaving Canada and an import license for gas entering Canada, so-called transit gas.

Williston said there would be no difficulty in obtaining these licenses for transit gas.

El Paso Attorney Paul R. Connolly interrupted the questioning at that point, saying Arctic Gas originally planned to bring to the Lower 48 states export gas from Canadian sources which would not be transit gas but has changed its position.

Williston said any price increases would not apply to transit gas "except in extraordinary circumstances." He said transit gas will not affect surplus supply of natural gas.

ADT

Tesoro Begins Importation Of Crude From Indonesia

10/27

(Continued From Page 1)

part of the oil companies' needs there.

As far as anyone at any of those refineries or the U.S. Customs Service can remember, Tesoro is the first company to have brought crude oil into the state. During the early part of the century the Chilkat Oil Co. refinery operated at Katalla, south of Cordova, and supplied in part the needs of the Copper River and Northwestern Railroad and the Kennecott Copper Mines. The operation had a fire in its boiler House in 1933 and was never rebuilt.

The crude oil "had to be loaded onto the ship by barges because we have not yet built an export facility there," said Tesoro Crude Oil President James Smith of San Antonio, Tex.

"Normally the production there is pipelined to one of Pertamina's refineries or exported as crude to Japan," Smith explained. Bringing the crude to Alaska is at least a $1 per barrel more expensive than producing it from Cook Inlet crude oil, he said. A barrel is 42 gallons of oil.

Firm Starts Oil Imports

10/27
ADT

For the first time last month, the state with the nation's largest petroleum reserves began importing crude oil.

The situation resulted from the internal structure of Alaska's most rapidly expanding petroleum supplier, Tesoro-Alaskan Petroleum Corp., which brought about 218,000 barrels of Indonesian crude oil here from its sister company, Tesoro Crude Oil Co.

To some it seemed suggestive of the British expression about "bringing coal to Newcastle," one of England's coal-rich areas.

On Sept. 18, a Greek tanker pulled up to the Kenai Pipeline Terminal dock at Nikiski. On board the vessel were a 28-man crew and oil which Tesoro Crude Oil had produced in Indonesia through a technical assistance and production sharing agreement.

Tesoro brought the oil more than 9,000 miles to Alaska because the demand for its products here is outstripping its ability to purchase crude oil from the Kenai Peninsula and Cook Inlet, Alaska's only producing fields. Tesoro produces no crude oil in the state.

Tesoro's main supply of crude oil for its refinery at North Kenai is the state's 12.5 per cent royalty share of production there. It has also been able to purchase or trade oil with Marathon Oil Co., Shell Oil Co., Atlantic-Richfield and Standard Oil Co. of New Jersey. Tesoro traded oil in southern Louisiana or the Rocky Mountain states for oil the companies owned here.

The other reason Tesoro chose to bring the Indonesian crude to Alaska is that it has qualities similar to the Cook Inlet's low-sulfur crude, which the refinery was designed to handle. It also has a high wax content, like Alaska oil.

There are three refineries in Alaska: the Tesoro refinery at North Kenai, a Standard Oil Co. of California refinery less than a mile north and a small ARCO distillation refinery at Prudhoe Bay which is being used to supply

(See Page 2, Col. 1)

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10/26 ADN

Alaskans In Washington

Report Asks Probe Of Pipeline Rule

By BETTY MILLS
Washington Bureau

WASHINGTON — There are substantial questions concerning the Interstate Commerce Commission's regulatory authority over the trans-Alaskan Pipeline that should be considered by Congress, the staff of the Federal Trade Commission recommends.

The staff report on the petroleum industry in the Western states said the matter of ICC jurisdiction is important in analyzing the competitive consequences of the development of Alaskan oil.

"Under the circumstances, it would be timely and appropriate (for Congress) to give serious consideration to the question of pipeline regulation," the report said.

The document acknowledges that the portion of the transport of oil through TAPS is akin to interstate movement, and the pipeline will be operated as a common carrier. But because shipment through TAPS does not cross a state boundary, the staff asks: "In these circumstances, does the ICC have the jurisdiction to enforce the common carrier obligation to require treatment of all shippers on an equal basis and to insure that reasonable rates are charged?"

According to the FTC staff, the possibilities under present law affecting regulatory jurisdiction over TAPS are the following:

— If the oil is moved by private tanker, as planned, from Valdez to the lower 48 states, ICC jurisdiction is clouded, and state jurisdiction is also unclear.

— If the oil is moved by common carrier tanker from Valdez to the lower 48, jurisdiction appears to rest with the ICC, but the tanker transport would be subject to the jurisdiction of the Maritime Commission.

— If the oil is exported from Valdez, the ICC would have regulatory jurisdiction.

— Some shipments of the oil could be moved from Valdez by common carrier to the lower 48 while other shipments could be by private tanker; under this option, ICC jurisdiction could be a 'now you see it, now you don't' situation under current law.

The report points to competitive consequences within the petroleum industry that could result, beyond the immediate issue of regulatory control for the oil pipeline.

If substantial oil deposits are located in other regions of Alaska, including the Beaufort Sea area, "it may well be discovered by companies not involved in TAPS," the FTC staff said. "As shippers, those companies would be profoundly affected by the regulation of TAPS."

The question of state regulation under the Alaska Pipeline Commission Act is also unclear, the FTC staff said. The report describes the powers of the state commission as "substantially more pervasive than those of the ICC."

John R. Werner, chairman of the commission, wrote the FTC earlier this year that the state is studying the possibility of regarding TAPS as an intrastate line. However, Werner wrote, "I really feel that in the long run, we will be forced to accept direct federal regulation.

"Our role, however, will be to act as a protestant on behalf of the state of Alaska as a shipper of royalty oil and as one who stands to gain or lose substantially depending on pipeline rates," he said.

Meanwhile, the commission staff concludes that the effect on other Western states of Alaskan oil flowing through the pipeline is still difficult to determine.

"The flow of Alaskan crude could undermine the concentrated market structure in District V (Alaska, Arizona, California, Hawaii, Nevada, Oregon and Washington) because the owners of Alaskan crude are not the leading refiners in the district," according to the report.

"However, if the leading District V refiners are the chief recipients of Alaskan oil by exchange agreements or other arrangements, those refiners could become more firmly entrenched within a concentrated market."

The staff concludes that the impact of Alaskan oil on other Western states must be evaluated before the FTC takes any action on refining in District V.

10/28

Record Imports Seen For Oil

By The Associated Press

An oil study group forecast that the nation will require a record supply of foreign oil next year.

Petroleum imports for 1976 were estimated at 7,120,000 barrels a day by the supply and demand committee of the Independent Petroleum Association of America.

Such a requirement would be 919,000 barrels a day higher than the anticipated 1975 level and 864,000 barrels a day above the record level of 6,256,000 barrels a day set in 1973.

"Declining domestic oil and gas production combined with rising energy needs will boost required oil imports to an all-time high," the committee said. "Most of the increase will be in the form of crude oil to fill the void of declining domestic crude oil production and meet higher refinery requirements."

The committee submitted its report as the 4,100-member trade group opened its annual meeting.

The committee expressed hope the current upturn in domestic oil and gas drilling operations prompted by improved prices will in time stabilize or increase domestic crude production.

Domestic crude output is expected to decline a sixth consecutive year in 1976, the committee said, but at a reduced rate.

"The decline in crude oil production has slowed from 443,000 barrels a day in 1974 to an estimated 400,000 barrels daily this year and the committee expects the rate of decline barrels daily in 1976," the report said.

"Continued progress is dependent on economic incentives to explore for and develop new oil and gas supplies and the availability of funds to finance these activities. Adequate market prices and stability in governmental tax and price policies are essential for this to occur."

Next year's crude output was estimated at 8,141,000 barrels a day, compared with an estimated 8,365,000 this year, and the all-time high of 9,180,000 in 1970.

Next year's total domestic petroleum demand was estimated at 17,213,000 barrels a day. This would be 4.1 per cent above the 1975 level but still below the record 17,308,000 barrels a day requirement set in 1973.

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AP 10/27

Gravel Submits Gas Line Bill

Times Washington Bureau

WASHINGTON — Sen. Mike Gravel, D-Alaska, has submitted an amendment to natural gas legislation which would require the Federal Power Commission to make a decision on an Alaskan natural gas pipeline by June 30.

The amendment, virtually identical to legislation he introduced earlier this month, would mandate that all government agencies complete their work on the gas line case by June 30. Congress then would have 60 days to approve or disapprove the Federal Power Commission decision.

Judicial review of the decision would be through the circuit court, appealable directly to the U.S. Supreme Court.

Gravel indicated he would not press for a roll call vote on the amendment, but said he wanted to bring the issue to the Senate's attention.

Sen. Ted Stevens, R-Alaska, who has said legislation on the gas line case is "premature," said in an interview today he probably would support the Gravel amendment.

"I've urged him to hold back," Stevens said. "I don't think we have the votes."

Stevens added, "This is an approach we may have to take ultimately, but not yet."

Gravel pulls bill on gas pipeline

From Our Washington Correspondent

WASHINGTON — An amendment to the Senate's Natural Gas Act aimed at expediting construction of an Alaska natural gas transportation system was withdrawn Wednesday by Sen. Mike Gravel, D-Alaska, following expressions of interest in quick committee action by several other influential senators.

The amendment, introduced late last Tuesday, was similar to a bill Gravel introduced two weeks ago setting a deadline for administrative action on the Alaska gas question and requiring specific votes against the administrative decisions by both houses of Congress in order to block them.

During debate on the bill on the Senate floor, Sen. Walter F. Mondale, D-Minn., urged his colleagues to "avoid the acrimony" associated with the debate on the trans-Alaska (oil) pipeline. "I have a strong distaste for that kind of regionalism," he said.

Mondale called for rapid action in the Senate Commerce Committee on the Alaska gas question.

He was joined by Sen. Ted Stevens, R-Alaska, and Ernest Hollings, D-S.C. Hollings and Stevens are both members of the Commerce Committee.

At one point Stevens noted that he had been in Canada recently and had the impression that the Canadians might seek an all Canadian gas route. "That would moot the question," he said.

EDITORIAL PAGE

Anchorage Daily Times

ROBERT B. ATWOOD
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WILLIAM J. TOBIN
Associate Editor
And General Manager

CLINTON T. ANDREWS JR.
Managing Editor

Page 4 Thursday, October 30, 197

Gas Line Arguments

SOME DEVELOPMENTS on the Canadian scene are worth attention in the continuing effort to balance the pros and cons of competing proposals to build a natural gas pipeline over a route that will extend either through Alaska or through Canada.

For one thing, the president of Canadian Arctic Gas Pipeline Ltd., Vern Horte, told a meeting in Yellowknife, N.W.T., that approval of the Canadian route and actual construction of the pipeline could cut $2 billion annually from Canada's oil import deficits in the 1980s.

For another, the 20,000-member Indian Association of Alberta announced plans to initiate legal action to claim exclusive rights to the Athabascan oil sands — providing further indications that Canada faces a long battle to resolve native claims in the development of its northern natural resources.

BOTH FACTORS are important in considering the merits of works for approval of a trans-Canadian route.

In the case of native claims, indications are that long delays could be encountered in planning for a Canadian route, despite assurances from proponents that no serious hitches will develop.

Mr. Horte's comments point up another aspect of the debate that merits continued understanding — that Canada has its own economic interests at the forefront as it works for approval of a trans-Canadian route.

That's perfectly understandable. Canada is doing nothing more than looking out for its own national interests — which is precisely what the United States should be doing.

MR. HORTE in his Yellowknife talk said transportation charges for carrying Alaskan gas to U.S. markets through a trans-Canadian pipeline would bring in net foreign exchange earnings of about $400 million a year.

"In effect," he was quoted by Canadian Press, "the Arctic Gas project can reduce Canada's oil-dominated trade deficit by as much as $2 billion annually." That's great for Canada. But what does it do for the United States?

In connection with this, there have been concerns that a pipeline through Canada would be subject to additional taxes imposed by Canadian provinces. This prospect likewise has been attacked by proponents of a trans-Canadian route.

But in Washington three weeks ago, a U.S. State Department official, Julius Katz, deputy assistant secretary of state for economic affairs, said a proposed pipeline treaty between the federal governments of Canada and the United States would not eliminate the power of provinces to impose taxes.

The taxes, he said, could not be imposed on the gas in the line. But he made clear that provincial governments could, indeed, levy taxes on the pipeline itself, on the right-of-way where it is constructed and on fuel used in compressor stations along the route.

And that could mean a real impact on the economics of the pipeline, insofar as Alaska and the United States are concerned.

ADT - 10/29

Gravel Seeks Hearings

Times Washington Bureau

WASHINGTON — Sen. Mike Gravel, D-Alaska, has written Senate Commerce Committee Chairman Warren G. Magnuson, D-Wash., seeking hearings on his gas pipeline bill before Congress recesses for Thanksgiving.

Gravel's bill would mandate a Federal Power Commission decision in the gas line case by June 30, with Congress having 60 days to approve or disapprove the ruling.

Gravel submitted the legislation last week as an amendment to the natural gas bill but withdrew it after brief debate when several senators agreed to press for hearings on the issue.

In his letter to Magnuson, Gravel said bringing natural gas Outside from Alaska's North Slope "will be a long process regardless of which route is selected. The nation cannot afford to have this process unduly lengthened by court proceedings of the type that befell the trans-Alaskan pipeline."

Gravel sent copies of the letter to Sen. Adlai E. Stevenson, D-Ill., chairman of the subcommittee on oil and gas production and distribution, and to several other committee members, including Alaskan Republican Ted Stevens.

Oil Imports Eat Away At Surplus

WASHINGTON (AP) — A surge in imported oil eroded the nation's foreign trade balance in September, but the United States still managed to record its eighth consecutive monthly surplus, the government said today.

The Commerce Department said the surplus for September was $976.4 million, compared to a $1.04 billion surplus in August. It was the smallest monthly surplus in five months.

The drop in the surplus came because imports rose 2.9 per cent during the month, while exports advanced 1.9 per cent.

The biggest factor in the import increase was a 9.5 per cent jump in oil imports to a total of 207 million barrels. The quantity of oil imports in September was second only to January's import of 235 million barrels this year.

Commerce said the biggest factor in increased exports for September was a $112.5 million jump in wheat. Exports of wheat totaled $554.3 million. Exports of chemicals, civilian aircraft and nonferrous metals also were up.

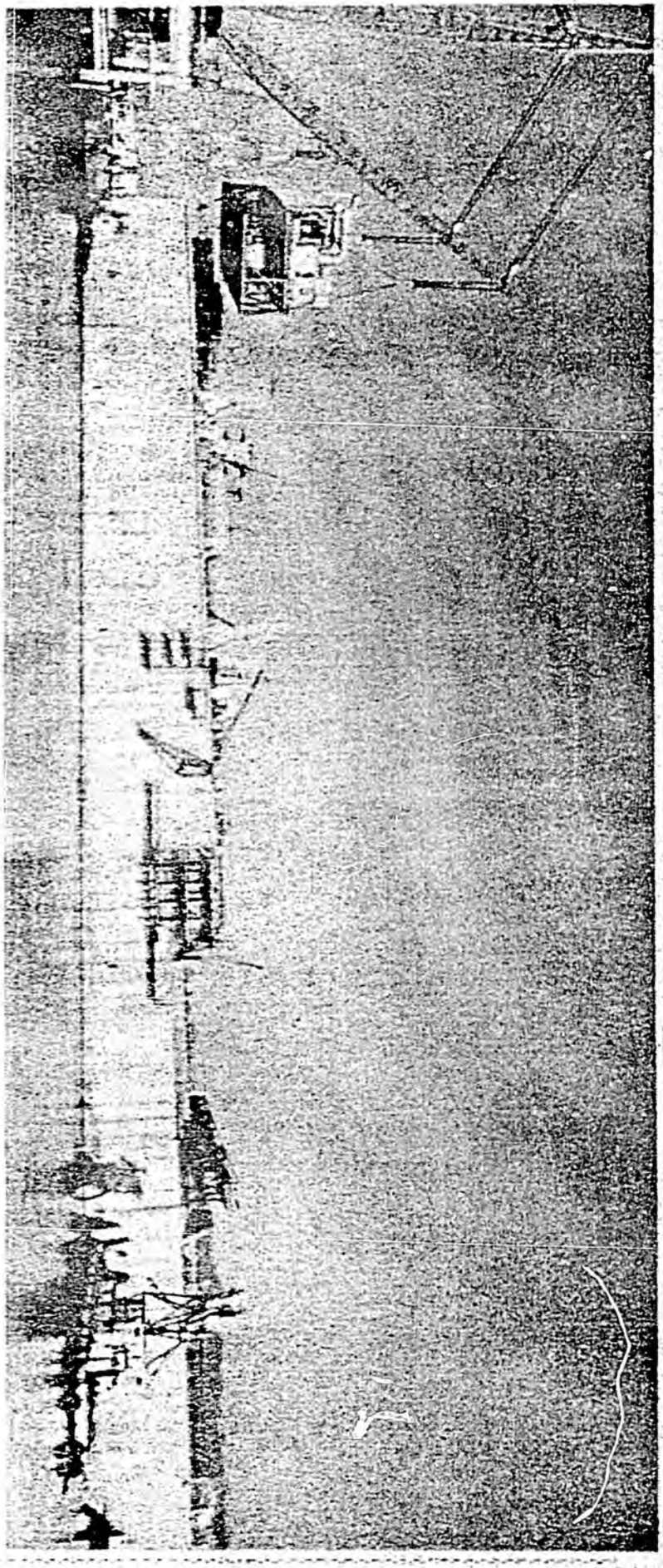
Other major increases in imports besides petroleum included a $114.2 million jump in sugar imports. Also higher were imports of coffee, cocoa and other foodstuffs.

Oil imports have varied widely all year as importers responded to President Ford's imposition of oil import tariffs and the Organization of Petroleum Exporting Countries increased prices. The latest increase in imports was in line with expectations by trade specialists that oil imports would resume their growth later this year as the U.S. recovery picked up steam and demands for fuel increased.

Despite oil, the quantity of imports for all of this year are still 1.9 per cent behind the same period a year ago.

Because of prices increases, the value of the oil imported so far — $18.5 billion — is 3.4 per cent ahead of the same period a year ago.

The over-all trade balance for the first nine months of this year is in surplus by $8.4 billion, compared to a $1.8 billion deficit for the first nine months of last year



$35 MILLION BARGE TO CARRY LIQUEFIED GAS

A crane lifts part of the superstructure for a 600-ton barge being built in Tacoma, Wash., for Atlantic Richfield Co. The barge will eventually carry liquefied natural gas. (AP Wirephoto)

The Seattle Times

AN INDEPENDENT NEWSPAPER

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SUNDAY, AUGUST 3, 1975

The Times' opinion and comment:

Alaska entitled to economic benefits of its natural gas

AS of now the environmental suitability of two competing proposals for an Alaska natural gas pipeline is rated a tossup.

That preliminary evaluation was made last week by an Interior Department official who headed the drafting of an environmental-impact statement for the Alaska Arctic Gas Pipeline Company proposal.

Arctic Gas wants to transport the vast Prudhoe Bay reserves to American and Canadian markets via a 2,625-mile trans-Canada line, only 195 miles of which would be in Alaska.

A competing proposal, by a subsidiary of the El Paso Natural Gas Company, calls for a line to be built roughly parallel to the trans-Alaska oil pipeline now under construction.

Both proposals are before the Federal Power Commission. There is considerable pressure for an early decision in view of looming natural-gas shortages in this country. Still, months of study and controversy lie ahead.

THE Interior Department's draft environmental-impact statement directly concerned only the trans-Canada proposal, since El Paso prefers to win the necessary F. P. C. approval before presenting its case to the Interior Department.

However, the El Paso alternative was considered as a viable option. In neither case were the environmental drawbacks found to be prohibitive.

In our view, if there is no clear environmental advantage to either route, the case for El Paso's "all-American" route has been strengthened.

The trans-Alaska route would sidestep the myriad complications of dealing not only with the Canadian federal government but with separate Canadian provincial governments, including the likes of British Columbia's tax-happy Socialist government under Premier Dave Barrett.

But what is most important, in our view, is that the trans-Alaska route would provide a base for industrial spinoffs that would enable Alaska to achieve maximum economic benefit from its own resources.

A TASK force headed by Alaska's attorney-general reported to Governor Jay Hammond last spring that if Alaska is to derive any significant economic benefit from development of its natural gas, "it may well have to be through direct use of the gas ourselves."

The report recommended continued state support of a pipeline through Alaska, rather than through Canada.

Strong pressures are building up in Congress for the trans-Canada project. The overall economic advantages and disadvantages—including costs—of the competing proposals have yet to be fully evaluated.

But at this point it is important that Alaska take a Texas-like stance in defense of maximum home-state advantages from its own resources.

And the Pacific Northwest—the Puget Sound region in particular—ought to join with Alaska in that posture.

Anch. Daily News 8-11-75

Canadian Land Claims News-Miner 8-6-1975

Canada owns oil company

By ROBERT TRUMBULL
(c) 1975 The New York Times

OTTAWA — Legislation establishing Canada's first government-owned company to produce oil and natural gas has been passed by the House of Commons.

The Crown corporation, to be called Petro-Canada, will have $500-million in initial capital, with authorization to borrow an additional $1-billion. Operations initially will be on a small scale, with the company eventually planning to compete with private multinational corporations in developing Canada's substantial reserves of natural fuels.

WHILE THE company's primary objective is exploration and development of new reserves, it is also empowered also to engage in refining and marketing.

The formation of Petro-Canada reflects national concern over the dominant position of foreign enterprises in the Canadian petroleum and natural-gas industries which together are more than 50 per cent under foreign control, mostly by multinational companies based in the United States.

Meanwhile, according to a spokesman for the ministry of Energy, Mines and Resources, Petro-Canada will take over the government's present 45 per cent interest in the Pan Arctic Oil Co., Ltd., which conducts petroleum exploration in the High Arctic, and its 15 per cent share in Syncrude Canada, Ltd., a consortium of three American companies formed to extract oil from the Athabasca tar sands in Alberta.

APPROVAL BY the Senate and Gov. Gen. Jules Leger, the remaining steps in the legislative process setting up Petro-Canada, is expected.

Organizational procedures making the company a reality awaits the enactment of the authorizing legislation into law. This is expected in the next few days, but official sources believe it will be the fall before the corporation takes shape.

As part of an economy program affecting all departments of the government, the Petro-Canada's budget for the first year of operation has been cut from $50-million to $10-million, or just enough to organize the company and hire a staff.

Mackenzie River gas pipeline expected in foreseeable future

EDMONTON, Alta. (AP) — Premier Peter Lougheed of Alberta says the Mackenzie natural gas pipeline will go ahead in the "foreseeable future."

"Subject to the federal government's determination through the National Energy Board of its feasibility, and subject to the Berger commission, the degree of discovered natural gas reserves to this date and their location, combined with the shortage of natural gas in Canada certainly indicates there will be a pipeline from the Mackenzie Delta in the foreseeable future," Lougheed said.

The premier said the impact of Prudhoe Bay activity and the Mackenzie pipeline construction will have a "strong economic impact" on Edmonton, Calgary and the Peace River district in terms of supplies, transportation and job opportunities. Lougheed, in an interview Tuesday after returning from an eight-day tour of the territories and the Prudhoe Bay area of Alaska, said the region could become a market area for Alberta "greater than any other part of Canada or...any foreign country."

Meanwhile, Chief Frank P'Selei told the Mackenzie Valley Pipeline Inquiry Tuesday the Dene Nation will not allow the proposed pipeline to be built.

In a 20-minute speech to the inquiry now sitting in the Hairskin Indian community of Fort Good Hope, the chief said the Dene people are saving their land for their children.

"It is for this unborn child ... that my nation will stop the pipeline. It is so that this unborn child can know the freedom of this land that I am willing to lay down my life," Chief P'Selei said.

His promise followed an attack on Robert Blair, president of Foothills Pipeline Ltd. of Calgary and its parent, Alberta Gas Trunk Pipeline Ltd., a company proposing to build the pipeline. Blair was invited to the community hearing by the commisioner of the inquiry, Justice Thomas Merger of the British Columbia Supreme Court.

"I cannot understand how a man can live for wealth and power, knowing that his ambition and greed is destroying so much around him," the Fort Good Hope chief said "I do not envy you, Mr. Blair, I feel sorry for you.

The chief accused Blair of being like the U.S. military — "planning the slaughter of innocent Vietnamese."

"Don't tell me you are not responsible," he said. "you are the 20th century General Custer; you have come to destroy the Dene Nation."

"I think he (Chief P'Selei) was speaking more in a symbolic way," Blair said later in an interview. "I don't think he was speaking specifically of our company destroying anything."

Fort Good Hope has a reputation for being the most radical of the Mackenzie Valley Indian communities. This situation coupled with the prospects of the pipeline passing within a few miles of the community, closer than to any other settlement, resulted in the most forceful statement heard by the commission.

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FAIRBANKS

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Editorials . . . Comment

El Paso's fatal mistake?

How is the "David and Goliath" struggle between Arctic Gas and El Paso shaping up at present?

The "David" in the struggle is El Paso Company, proposing an 800 mile gas pipeline from Prudhoe Bay to Prince William Sound, generally paralleling the oil pipeline now under construction. The "Goliath" is a huge consortium of 18 United States and Canadian companies generally known in Alaska as Arctic Gas Pipeline Company, who are proposing to build a 6,000-plus mile gas pipeline from Prudhoe across the Arctic Wildlife Range and down through Canada to the mid-western states.

Alaska and Alaskans have a vital stake in the decision as to how our own natural gas resource is to be developed and used. We are becoming increasingly concerned at what now appears to be the distinct possibility that whatever routing the gas line takes Alaskans may be deprived of the opportunity to utilize any of our own gas within Alaska. In the long run being able to use our own gas, to achieve a more balanced economy and a better way of life, is of far greater importance than what monetary benefits we may receive from royalties.

We are disturbed because up to now at least there has been absolutely no firm assurance from any of the federal agencies or the two companies competing for the right to build the gas pipeline that Alaskans will be able to use our own resource. In fact, as Alaska's congressional representative Don Young pointed out recently, there is an alarming precedent already established: the Federal Power Commission has refused to allow residents of one of the southern states to tap a gas line piping their own gas out of the state to other areas of the country.

While hearings on the proposed gas line routing started before the Federal Power Commission in May, a final decision from that body likely will not be forthcoming until at least 1977. Because of increasing concern down in the smaller states about shortages of natural gas, there is considerable talk among members of the congress of proposing legislation to bypass the Federal Power Commission, accelerate a route decision and get construction under way.

There is also evidence of awareness of the importance of accelerating the gas line construction by President Ford's administration. Last week a spokesman for the Federal Energy Administration stated that this potent group is studying the proposed project, and plans to make a recommendation to the White House Energy Resources Council on specific proposed legislation "by fall," now only a few weeks away.

Also, last week the Department of the Interior released a first draft of an environmental impact statement for the Arctic gas proposed routing. The essence of the Department of the Interior release was that there are significant environmental problems, but that probably most of them could be solved.

The Department of the Interior conducted the study because it is the agency that decides on right-of-way permits across federal lands. The study included only brief comment on the El Paso route because El Paso decided against applying to the Interior Department for the permit until after proceedings before the Federal Power Commission are completed.

As we understand existing laws, an environmental impact statement is an absolute necessity BEFORE any permit can be granted to any company to construct a gas line. Such studies are no small undertaking. For illustration, the Department of the Interior study involved 158 employes and included about 9,000 pages in 17 volumes. It is obvious that the Arctic Gas study would be much more involved than would one for the route advocated by El Paso; particularly so because the El Paso route is only about 800 miles in length through Alaska as compared to more than 6,000 miles on the Canadian routing. Also because El Paso would be largely utilizing the same right-of-way as the present oil pipeline, many difficult and critical decisions for their gas line right-of-way have already been determined by prior approval of the oil line routing.

However, because it is mandatory that El Paso secure approval of an environmental impact statement before it can get any green light to proceed, it is extremely difficult for us to comprehend why El Paso decided not to apply to the Department of the Interior for the permit.

Will time prove that El Paso made a fatal mistake by this decision?