

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 86 / 2

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

One solution

Congressman Don Young advises that tapping any trans-Alaska natural gas line in order to serve Alaskans may be opposed by the federal power commission. Young advises that a southern state recently was told no by the FPC when it proposed tapping a gas pipeline that transported gas from that state to other areas.

The reason for FPC's action is not explained but we presume it is part of the federal policy of allotting energy resources.

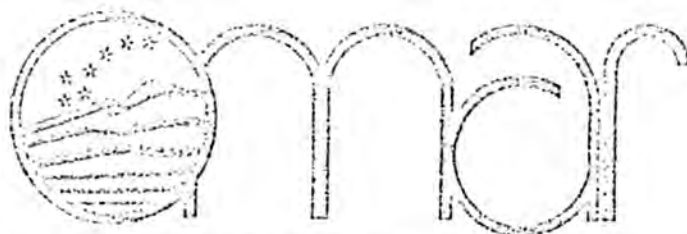
Also, the political power bloc in Congress — the representatives and senators from the populous midwest and east — are looking more favorably to a trans-Canada pipeline for taking gas from Alaska to market. Alaskans have been pushing for the trans-Alaska line and for tapping the line for Alaskan markets.

So the state may be in for a big fight yet — as big a fight as ensued before the trans-Alaska oil pipeline cleared Congress by one vote.

There may be one plan Alaskans can follow that will let them prevail, or at least put the state in a better bargaining position. That would be for the legislature to adopt a primary manufacturing law for the state's petroleum resources — at least for the petroleum resources that are produced off state land. Permission to export unprocessed oil and gas could be obtained by permit from the state when it can be demonstrated that there is no market for the products in Alaska.

This is the same rule the federal government uses in Alaska on the sale of timber from national forests. Round log export is banned except when the logs cannot be used by Alaska mills.

Such a law will assure Alaskans that they have first chance at the resources produced by the state. And we doubt that congressmen from any other state would care to challenge such a law in Alaska. They each have their own borders to defend.



The ORGANIZATION for the MANAGEMENT of ALASKA'S RESOURCES, INC.

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August 13, 1975

New Anchorage Box

OMAR's new mailing address is Box 516, Anchorage 99510. We will still be able to get mail at Pouch 7010, which is the address of the Alaska National Bank of the North. We appreciate the Bank's willingness to let OMAR use the pouch until we could get a post office box.

Fairbanks Office

The Fairbanks office is opening today, and Ellen Ring will be in charge of the office. Hours will be 1 to 5 p.m., and longer if volunteers are available. The location is in the Mount McKinley Savings Bank Building, 527-1/2 Third Avenue, Fairbanks. The mailing address is Box 132. Telephone numbers are 452-8320 and 452-8323.

New Mexico To Intervene

The State of New Mexico has petitioned the FPC to be allowed to intervene, on behalf of the El Paso project, through its Public Service Commission. The petition says:

The outcome of the case will vitally affect consumers in the State of New Mexico in that one of the proposals, that of El Paso Alaska Company, would utilize facilities operated by El Paso Natural Gas Company which currently serves customers in N.M. Approval of the El Paso Alaska proposals would be of immediate benefit to those consumers in that certain of El Paso's facilities now operating at low load factors and with much unused capacity due to decreasing supplies would be amortized in whole or in large part by end users for whom El Paso would be carrying gas on a contract basis, thus reducing the unit transportation costs of El Paso's customers. Additionally if El Paso Natural Gas Co. is successful in bidding for reserves on the North Slope, its supply situation would be improved, thus reducing curtailments.

The petition goes on to say that the El Paso alternative promises a supply not subject to any but American jurisdiction and control, and mentions security of supply and favorable balance of trade effects.

Meetings With Congressmen

With the help of Cong. Don Young's office and the Anchorage Chamber of Commerce, OMAR representatives and others interested in pursuing the trans-Alaska gas line had a chance to meet with Congressmen and staff members visiting Alaska for D-2 hearings and OCS hearings when the 2 groups converged on Anchorage last Thursday. We found many sympathetic ears, and generally the consensus was that Congress was really a long way from mandating the Canadian line. Cong. John Melcher, D.-Montana, and chairman of the public land subcommittee for the House Interior Committee, was very

Consumers' Gas Co. request permission to purchase gas

By JEFF CARRUTHERS

OTTAWA — Consumers' Gas Co. of Toronto has asked to buy 50-million cubic feet of natural gas this winter from Gaz Metro-politan Inc., the Montreal gas utility with surplus liquified natural gas, LNG, it wants to export to the United States.

Gilles Barbeau, vice-president for gas supply for Gaz Metro, said Thursday that his company is "willing to help" and that the two companies should be able to agree on an acceptable price and delivery terms.

He said the gas would be used by Consumers' to handle the extra winter demand expected in the Ottawa-Hull area for a period of about 5 or 10 days.

Gaz Metro would sell Consumers' some of the gas normally destined to Montreal by pipeline from Alberta. It would then use more of the gas it has in liquified form in storage in Montreal, to meet its own peak winter demands.

The Montreal utility recently applied for National Energy Board permission to export the equivalent of 1-billion cubic feet

of natural gas, in liquified form, to a gas-short utility in Pennsylvania this fall for almost \$2.5 million.

Mr. Barbeau said that the 2-billion cubic feet of surplus gas it has stored in underground facilities in Ontario will be used this winter to supply new residential and commercial customers being added to the Montreal franchise as a result of an advertising campaign.

Gaz Metro has attracted at least 1,000 new residential customers along with some small commercial customers in recent weeks.

Mr. Barbeau also confirmed that Gaz Metro has not made any new offers to domestic gas utilities to sell them the 1-billion cubic feet of surplus liquified natural gas the company wants to export. The export application is based on offers made last February and March prior to an earlier export application which was turned down by the National Energy Board.

He said that none of the domestic utilities would want the gas now anyway, since most have a surplus and lack storage space.

If the proposed gas export is rejected, Gaz Metro will try to sell the extra gas, at lower rates, to interruptible gas users in Montreal who normally switch to other fuels during the winter peak demand period; or will sell the equivalent of the gas back to TransCanada Pipe Lines Ltd., at a slight profit.

But Gaz Metro would not be able to operate its liquefaction plant as economically as possible, he said. Nor would the company receive the \$1-million profit from the export sale.

John Camp *Anchorage News 10-1-15*

Louisiana tip on gas pipeline

By ANDY WILLIAMS
Daily News Staff Writer

A natural gas lawyer from Louisiana warned the Anchorage Chamber of Commerce Monday not to let the state follow the example set by his state in regulating the gas industry but indicated there was a fair chance it might.

John Camp, special counsel to the governor of Louisiana on energy matters, said his state, which produces about a third of all U.S. gas, "dropped the ball" when it had a chance to influence the delivery of its gas in the 1930s, 40s and 50s.

TODAY, HE SAID, Louisiana uses only 18 per cent of the gas and cannot get at the rest exported out of the state despite local shortages.

At a symposium after the luncheon, attended by oil and gas consultants, a few legislators, businessmen and media representatives, Camp indicated the state was playing against a stacked deck in seeking control over the delivery of the gas. Federal regulatory agencies maintain exclusive authority over transportation of natural gas between states and may deny the state access to its royalty share of the gas once it's in the pipeline, he said.

Camp, who was brought here by OMAR, a local civic organization routing an Alaska route over a Canadian route for the pipeline, stressed the importance of leaving at least the state's 12½ per cent royalty share of the gas available for use within the state.

HE SAID THE BEST way for the state to protect its interests would be to have a pipeline built purely for



John Camp

intrastate purposes, which would not be federally regulated. Others at the symposium noted there was a question whether such a line would be economically feasible.

Another possibility Camp suggested was that the state give a tax credit to encourage industry to use gas in the state. Petrochemical industries were eager to build facilities close to gas supplies, he said.

If the state cannot arrive at an equitable agreement with long-term protection of access to supplies, he suggested he would "leave it in the ground until I've worked something out."

CAMP SAID the state might have
(Continued on page 2)

Station own to perform

By PAMMILLSAP
Daily News Staff Writer

The Alaska Petroleum Retailers Association said its members would prefer a system where the state performs motor vehicle inspections, rather than through garages, repair shops and service stations to

The state has indicated the program will begin next year.

LOWELL NELSON, executive director of the association, said his members would prefer a system where the state inspects a vehicle, gives the owner a ticket if repairs need to be made and then allows the owner to choose the shop of his choice to do the work. "Otherwise you get into the problem of a guy saying the private inspector is recommending unnecessary repairs," said Nelson. "The service station operator could end up being the one who recommends repairs."

Nelson said association members met with the state at their recent convention in Anchorage. He said the state was willing to come up with the type of inspection program recommended by the association.

Nelson pointed out that the state has to have a vehicle inspection program or it will lose some federal highway and highway safety fund money. Regulations will have to meet standards set by the Federal Safety Act, which is administered by the U.S. Department of Transportation.

A flood of foreign LNG for U.S. factories

The first will be shipped from Algeria to customers in 16 Eastern states

Before this year, Cove Point, Md., meant about as much to the nation's energy planners as Hoboken, N.J. But this marshland on the shore of Chesapeake Bay is gradually becoming a key name in energy circles. The reason: Cove Point will soon be the gateway for the biggest new supply of natural gas to hit the U.S. market in more than a decade.

By 1977, gas produced in Algeria and transported as a liquid in cryogenic tankers will be pouring into Cove Point, and a sister facility in Savannah, Ga., at a rate of 1 billion cu. ft. per day. From these terminals, the gas will flow out to customers in 16 states, from Maryland to Ohio and New York to Florida, some of whom are already desperately short of domestic supplies.

If the gas companies have their way, Cove Point will be just the beginning. Half a dozen companies are now trying to get permission from the government to import liquefied natural gas on a massive scale from Algeria and Indonesia. By 1980 these follow-on projects could boost the nation's LNG imports to nearly 4 billion cu. ft. a day.

A debate is under way within the Ford Administration, however, that could bring these ambitious plans to a halt. The dilemma: Should the nation allow itself to become dependent on foreign gas, as it already is on foreign oil?

Nonetheless, the pioneering Cove Point operation is becoming a reality. Construction of the sprawling LNG terminal—the operating facilities occupy 323 acres on a 1,022-acre site owned by El Paso Natural Gas Co., one of the nation's largest interstate pipeline companies—is nearly half complete. El Paso, whose customers are expecting to get only 78% of the gas they need this winter because of the domestic shortage, says that the terminal will start taking its first shipments within 18 months.

New wave. The U.S. has already imported some LNG, but the small volume from these occasional shiploads pales in comparison with the constant stream that will flow into the country at Cove Point. Nine LNG tankers built specifically for the El Paso project will continuously sail between Cove Point and the Mediterranean port of Hassi R'

mel, picking up the LNG, dropping it off in the U.S., and returning for more. "The gas we will get from the operation will account for about 15% of our total supply," says Robert E. Seymour, chairman of Pittsburgh-based Consolidated Natural Gas Co., one of three gas distributors that will share in the terminal's supplies. "That should be enough to cover our projected shortfall in 1977," he adds hopefully.

The other distributors that will get some of El Paso's LNG are Columbia Gas System, Inc., based in Wilmington, Del., and Southern Natural Gas Co., in Birmingham, Ala. They, too, are counting on the LNG to relieve their worsening shortages, and all three are willing to pay handsomely for the opportunity. Consolidated is putting \$230 million into the El Paso project, including \$81 million for a new pipeline to carry its gas from Loudoun County, Va., to storage tanks in Leidy, Pa. Columbia is investing \$150 million and Southern \$120 million. In addition, Sonatrach, the Algerian oil company, will spend \$600 million for facilities at its end, and El Paso will lay out some \$900 million for the nine special tankers needed to transport the LNG.

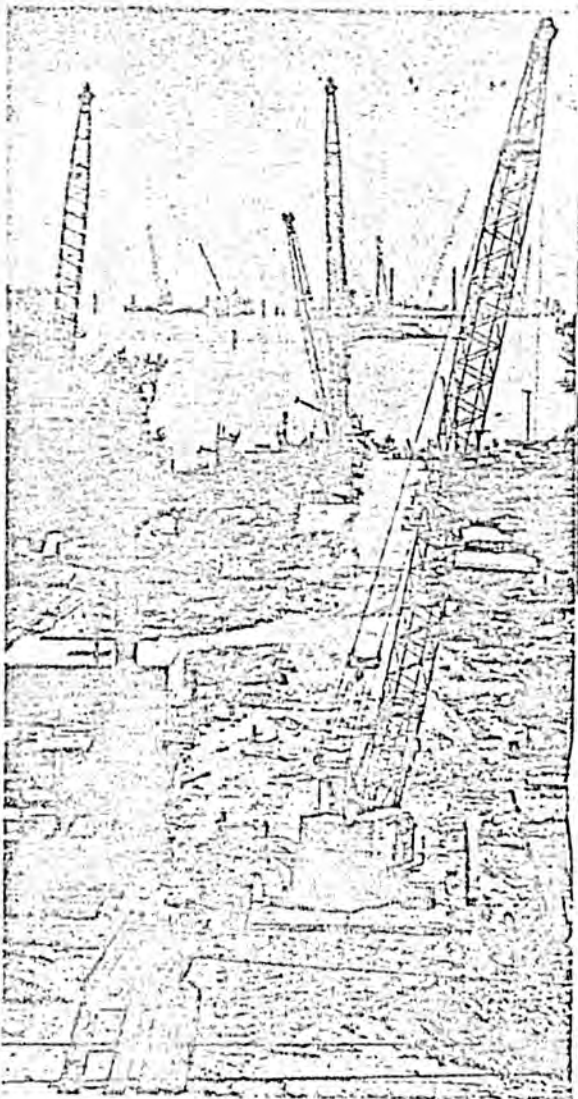
Second deal. The Federal Power Commission approved this initial El Paso venture in 1972. Now the company is negotiating with the Algerians to provide an additional 1 billion cu. ft. daily for Cove Point, as well as another terminal it wants to build at Gloucester County, N.J. If the FPC approves this second deal, El Paso would keep 37.5% of the new LNG for its own system and sell the rest to Consolidated, Southern, and Houston's Transcontinental Gas Pipeline Corp. Other LNG projects would come right behind:

- **Easogas LNG, Inc.**, jointly owned by New Jersey's Public Service Electric & Gas Co. and Boston's Algonquin Gas Transmission Co., wants to import 600-million cu. ft. a day from Algeria to terminals at Staten Island, N.Y., and Providence, R.I.

- **Pacific Indonesia LNG Co.**, a subsidiary of Los Angeles-based Pacific Lighting Corp., plans to bring in 620 million cu. ft. a day from Indonesia to Port Hueneme, Calif. The gas would go to Southern California Gas Co.

- **Trunkline LNG Co.**, a subsidiary of Houston's Panhandle Eastern Pipe Line Co., hopes to import 490 million cu. ft. a day from Algeria to Lake Charles, La., for distribution to Missouri, Illinois, and Michigan.

In addition, Tenneco, Inc. has filed



Cove Point is now about half-built, and gas should start coming in by 1977.



A tunnel to bring the LNG ashore runs under the water and a wildlife preserve.

If you were building the world's largest Holiday Inn, what market would you choose?

If you didn't choose Québec,
this message is for you.

The world's largest, Holiday Inn, 853 rooms, is now under construction in Montréal. It's another example that wise investors are aware that Québec is one of North America's most vital and growing tourism markets. Tourism has become one of Québec's most profitable industries. Expenditures by tourists in 1974 exceeded \$1,016,000,000. Occupancy rate for Montréal hotels runs at 75%. But the action isn't restricted to the big cities, it's happening throughout the province. It's not dependent on seasons either, Québec booms all year round.

If you want to learn more about the high growth investment potential in the rapidly expanding Québec Tourist Industry, write for information today.

Québec

"We're ready to talk business"



Government of Québec
Department of
Tourism, Fish & Game
Québec City, Canada
G1R 4Y2

that a gas cartel is unlikely because there is far less flexibility in marketing LNG than in marketing oil. The complex facilities needed to land the bitter-cold liquid would exist in only a relatively few consuming countries, they point out, so alternate buyers would be few. And the producers could not afford to hold back gas sales as readily as oil sales, since their liquefaction and loading equipment—which cost far more than oil loading facilities—would have to lie idle.

Proponents also argue that LNG imports are not likely to grow nearly so quickly as oil imports. FEA experts say it is extremely difficult to make projections, given the uncertainty now surrounding imports of gas from Canada, development of Alaskan gas, and efforts to bring synthetic gas on stream. But they estimate that LNG imports would account at most for only 3% to 5% of U.S. consumption by 1980 and 5% to 10% by 1985. "LNG could only be a small plug in a large gas gap," concludes one FEA expert. Still, he concedes that LNG might eventually account for more than half of the gas supplies in the East Coast and West Coast markets. To be sure, the supply is there: Besides Algeria and Indonesia, Iran and Russia are anxious to enter the LNG market.

Delays. Meanwhile, the FPC has hardly been processing the companies' applications at breakneck speed. To some extent, the commission's inertia reflects the lack of any official Administration policy on the issue. But some observers say that the FPC, which has long been in favor of deregulating domestic gas prices, is itself part of the reason why the Administration remains uncommitted. They point out that if gas were decontrolled as the commission wants, its price would jump to no more than the maximum rates on the unregulated intrastate markets—about \$2 per 1,000 cu. ft. Domestic supplies would then increase and demand would slacken, offsetting some if not all of the need for imported LNG. At the same time, the nation's balance of payments would be unaffected, and its dependence on foreign energy producers would be lessened.

The FPC denies that it is foot-dragging for this or any other reason. The proposed LNG projects are complex, says the commission, and need more than a casual review. And key policy issues have yet to be resolved. One critical point is whether to continue subsidies from the Maritime Administration for the expensive LNG tankers, as well as loan guarantees from the Export-Import Bank to cover exports of liquefaction equipment. But there are others, including the tricky question of how to allow importing companies to recover their high LNG

costs. Should they "roll in" LNG costs with their other gas costs, spreading the burden equally among all their customers? Or should they set up a separate LNG rate, perhaps charging the full cost to large industrial customers who cannot do without the gas and would be willing to pay the premium?

The gas distributors would prefer to roll in costs, but they are willing to price LNG any way the commission says—as long as they can get it. The U.S. faces a 15% shortage of natural gas this winter, they point out, the worst shortage yet. And with domestic reserves continuing to decline, the future looks even bleaker.

"We have 5,000 industrial customers that would have to shut down without the LNG," says Easogas Vice-President James B. Randel, Jr., who is also senior vice-president of New Jersey's

The Algerians demand more money for their LNG as U. S. fuel shortages grow

PSE&G. "This sort of thing could snowball all over the country." Although the utility has two plants making gas from naphtha and is itself exploring for new gas deposits, it is gradually falling behind demand. The company is counting on LNG to supply 10% to 15% of its annual needs.

Halting growth. The others are just as desperate. Pacific Lighting is already counting on gas from Alaska to fill part of its future needs. The rest of the company's shortfall will have to be made up by LNG imports from Indonesia. "If we don't get gas out of Alaska and Indonesia by 1980," warns Keith C. McKinney, director of LNG, "it will clamp the lid on growth in this area and may even force shutdowns among some present industrial customers." A spokesman for Boston's Algonquin Gas moans that even LNG will not be able to fill that region's projected shortfall of gas. This year, New England utilities are being curtailed by 23%. And industries in some Middle Atlantic states, particularly New Jersey, will also be hard-hit.

The shortages might be eased in the future if Washington deregulated the price of domestic gas. But the companies are not counting on that. Though Washington insiders note that there is considerably more support on Capitol Hill for a change in the nation's gas pricing policies than there was just a few years ago, the Administration and Congress are now bogged down on the question of oil price controls. As a result, gas deregulation has once again taken a back seat. "And without a change in regulatory philosophy," sums up Seely of Panhandle Eastern, "there will be no alternative to LNG imports."

NEWLY ELECTED Assemblyman Dick Hart said Monday he disagrees with the portion of Sullivan's plan that would put planning and personnel functions in the mayor's office, rather than as separate departments. Hart, formerly of the borough's planning office prior to his election to the assembly in September, last week proposed the creation of a "super department," which would meld all planning and enforcement functions into a single department.

Hart said Monday he thought there was "too much imbalance" in the mayor's plan with so many staff functions in his office. Hart said he received a number of phone calls over the weekend, including three from

an average of 25 days a year.

• Louisiana tips

(Continued from page 1)

more "muscle" than it thought in influencing the course of events leading to development of the Prudhoe Bay gas field. He said the populous, gas-consuming states were in desperate need of additional supplies and that the state could use this as leverage.

But he warned it was "folly to rely on fine distinctions in the law," which seemed to favor the state's interests in regulatory matters. He said bills were pending in Congress to give the federal government more authority and that legal questions involving regulatory jurisdiction were usually decided in favor of the feds.

Camp also warned the state to make sure the groundrules were set before committing itself to a course. Although the federal government can pass laws changing contracts, the state can't, he said.

IN HIS SPEECH, Camp said Alaska was close to the position Louisiana was in, in the 1930s when pressure mounted to develop its gas. Louisiana needed the revenue to provide services and "made a massive effort" to market gas, which was then being flared and appeared

inexhaustible, he said.

For many years Louisiana enjoyed cheap energy, which allowed much progress, Camp said. But Louisiana is "still on the bottom of the totem pole" in terms of economics and is suffering from shortages while exporting 71 per cent of its gas.

Camp said his state had no control over how much of its gas was exported. A recent court decision allowing companies to pull gas from local consumption for interstate shipment would have shut down 1,300 industries in the state for the winter had it been immediately implemented, he said.

Camp said Alaska was probably in a better position than Louisiana was, with regulatory experience of its own and the experience of other states to draw from. But he said development of Alaska's gas reserves would be decided on economic and political grounds and that it would be a challenge to maintain the state's interests in the rush.

"Louisiana is desperate for your gas to relieve the pressure on us. However, we do not ask that you help us to the extent that your economic future is jeopardized. You've got so much gas, you can do anything you want to do and help us too," he said.



Police escort man they center, from bank office in N

Bank sie

NEW YORK (AP) — A cornered bank bandit took 10 hostages Monday and demanded as the price of their freedom the release of newspaper heiress Patricia Hearst. The gunman was captured eight hours after the siege began, and the last of his captives were freed unharmed.

Not a shot was fired. "Everyone's out, everyone's all right," said Deputy Police Commissioner Frank McLoughlin.

McLoughlin said the gunman was jumped from behind by a police officer who came through the back door of the bank while police negotiators distracted him with conversation at the front door.

The last of the hostages was freed after he was captured.

Armed with a pistol and shotgun, a man subsequently identified as Ray "Cat" Olssen, 23, took 10 hostages. He first claimed affiliation with the

Choosing A Villain For The Gas Shortage

10/31/75
Times

By George J. Marder

WASHINGTON — The worker who gets laid off because of a shortage of natural gas, can blame:

Congress for delaying a solution so long.

The Ford administration for making emergency action with controversial long-range proposals.

Liberals for failing to recognize that gas sold interstate controlled at 51 cents a thousand cubic feet and uncontrolled gas sold within a producing state for as much as \$1 a thousand cubic feet would surely bring on a crisis.

Conservatives for using the crisis to push for long-range decontrol which wouldn't add a cubic foot of gas this winter. Decontrol would start next April under the bill pushed through the Senate.

THE INDUSTRY for helping create the crisis by failing to provide pipelines with the gas promised.

The Federal Power Commission for failing to make the industry live up to commitments.

At the moment, the focus is on Congress. And Congress is doing what comes naturally — quibbling so much that the

outlook is for more crisis and more unemployment.

FRESDENT FORD and the industry's solution for the long-term gas shortage is to lift the price controls on gas moving in interstate commerce. That would allow the price of interstate gas to treble and probably more. That, the industry insists, would provide the incentive to explore for new gas reserves.

Congress, split on decontrol, has twice in recent years turned it down.

Last year, gas shortages developed and the government had to force allocations. It would have been much worse if the winter hadn't been so mild.

THIS YEAR, much greater shortages are in prospect. The weatherman can't be counted upon to cooperate.

The administration proposed an emergency solution — bypass the price controls just for the areas which may run short of gas this winter.

Congressional leaders went along. Democrats introduced a bill which would allow pipelines to buy gas at the wellhead for uncontrolled

prices prevailing this past summer, and charge the higher prices to needy customers in other states.

THE EMERGENCY bill seemed headed for easy passage. But gas state senators were convinced it might be now or never for long-range decontrol. Congress would not act when there was no crisis, but the crisis and complaints over unemployment — might get Congress to accept decontrol now.

Liberal senators retaliated by bringing up other long-range proposals, such as breaking up the giants of the industry and forcing them to get out of other energy fields. All the liberal proposals were defeated, after heated debate.

Now, however, it's up to the House where there is considerable opposition to the long-range price decontrol.

Gas Firm Seeks To Pass Costs

QDT

10/31/75

By PAUL NUSSBAUM
Times Staff Writer

Alaska Gas and Service Co., seeking state permission to pass price increases directly to its consumers, expects its gas costs to rise by about 6 per cent early next year.

The company's president, Dale Teel, testifying yesterday before the Alaska Public Utilities Commission, said the company's cost of natural gas probably would rise to about 3 cents per thousand cubic feet.

Alaska Gas and Service, which supplies the Anchorage area, is asking the commission for permission to reinstate two sections of its tariff which had allowed it to flow through to customers increases in the price of gas. Those tariff provisions were suspended by the commission last May.

In June, the commission declined

to allow the company to pass on a 19.5-cent increase in the per-thousand-cubic-foot cost of its gas. Instead, an interim rate increase of 12.78 per cent was granted.

Teel contends the company needs the flow-through provision to pay its creditors and to keep its interest on borrowed money low.

In addition to the flow-through clause, Alaska Gas and Service is expected to file for a permanent rate increase Monday. That permanent rate would replace the interim increase now in effect.

Without a permanent increase and a reinstatement of the flow-through provisions, Teel said the company's service will deteriorate and its financial picture worsen.

The gas company is trying to purchase state royalty gas from the north Cook Inlet gas field. Teel said that purchase will fall through if the

company does not have the flow-through provisions in its tariff.

The company's board of directors vetoed any gas purchases without inclusion of a pass-along clause, Teel said. Purchase of state royalty gas could give the company as much as 75 billion cubic feet more than its current 450 billion cubic feet, Teel said.

Under questioning by commissioner Susan Knowles, Teel admitted the company's financial arrangements with its chief lender, Equitable Life Insurance Co., do not contain a stipulation that the gas company must have flow-through provisions to gain financing.

During questioning by the commissioners, cost comparisons for various gas users showed that small residential customers pay nearly three times as much as the Anchorage electric utility.

Municipal Light and Power, which uses about 25 per cent of the gas sold by Alaska Gas and Service, pays 53.5 cents per thousand cubic feet for the gas it uses to generate electricity.

Residential users pay about \$1.53 per thousand cubic feet, Teel said.

Among other gas users, the military base — which Teel said uses the gas they buy inefficiently — pay about 60 cents per thousand cubic feet. Chugach Electric pays about 74 cents per thousand cubic feet and large commercial users pay about \$1.02.

"To charge less for the person who uses very little gas and costs us the most doesn't make sense," Teel said. "It won't work in the long run."

The company president said its gas prices will rise after the first of the year because of contractual agreements and increases in the wholesale price index.

ANCHORAGE DAILY NEWS

The Pipeline Message

11-4-75
ADT

LT. GOV. LOWELL Thomas Jr. is back in Juneau after a second tour Outside to explain why the nation needs a trans-Alaska natural gas pipeline. A lot of people listened. And from all reports, he did a fine job in delivering the Alaska message.

Mr. Thomas' travel log shows he touched base in 23 cities in 16 states, appearing on television, being interviewed by the press, speaking at luncheon meetings and holding person-to-person briefings with a number of influential editors in the East.

That kind of whirlwind traveling has some glamorous aspects to it, but all told it is a tough and tiring way to go. Do carry it off well requires stamina and a real conviction that the product you're trying to sell is worth the effort.

IN THIS CASE, the lieutenant governor had no trouble giving full endorsement to the idea that it is in the nation's best interest to transport the natural gas resources of the North Slope to American markets via a route that is not subject to foreign taxation and control.

It's still astonishing, however, that so many people in other states either have not received the word or have been so bedazzled by the diligent work of the trans-Canada pipeline advocates that they overlook the consequences of that project.

The lieutenant governor is to be commended for the job he has done. Before the issue finally is decided, he may have to make more trips in his role as a convincing spokesman for the trans-Alaska route.

Gas lamp turn-off suggested

WASHINGTON (AP) — Federal Energy Administrator Frank G. Zarb urged homeowners last week to turn off gas lamps or convert them to electricity, to save natural gas for anticipated winter shortages.

Zarb said the gas used in lamps, mainly for decorative entrance or yard lighting, could heat 500,000 to 600,000 homes this winter or help keep workers on their jobs where industrial gas is short.

Soviet gas line project proceeds, despite hang-ups

11/7/75
ADN

MOSCOW (AP) — A huge pipeline project to carry Soviet natural gas to Eastern Europe is going ahead, Pravda said last week, despite early snags and collapse of plans for cooperative work with two East block countries.

The Communist party newspaper announced work had begun on all sections of the 1,850-mile pipeline from the Urals to the Soviet Union's western border. It's article exposed some problems for the massive project that had been cited as a shining example of Soviet cooperation with its East block neighbors.

Called the Orenburg Pipeline, it is scheduled to start operation in 1978 and be running at full capacity by the end of 1980 when it will supply 547 billion cubic feet of gas to Bulgaria, Hungary, East Germany, Poland, Romania and Czechoslovakia.

The six East block countries were to supply labor and materials for the pipeline, with the Soviets paying in deliveries of gas.

Last summer the Hungarians announced the Soviets would take over construction of Hungary's part of the pipeline, with Hungary delivering "various products

in compensation." The Czechoslovaks then said the Soviets had agreed to lay the actual pipe in Czechoslovak section, with the Czechs doing other work and paying for the Soviet work.

The Hungarians cited technical reasons for not being able to provide equipment for and lay pipe with a diameter of 55.9 inches. The Czechoslovaks said they didn't have the workers to send. This left the already labor-short Soviet Union to take up the slack.

The Soviet press never reported these changes in the original plan, but the Pravda article indicated the Soviets were considerably more involved in actual construction when was originally envisaged.

The article said Soviet crews were laying pipe near the start of the project in Orenburg, a city at the edge of the Ural mountains 750 miles southeast of Moscow, and in

the Ukraine, and in honor of the forthcoming 25th Communist party congress have pledged to lay 155 miles of pipe before the end of the year.

There is no exact information on how many will be employed at the peak of construction, but it may run up to

35,000. Pravda said 5,500 workers and specialists would be employed on the line by the end of this year.

No figures have been given on the cost of the project and in any case it will involve complicated exchanges of goods.

Alaska gas line urged

ADN 11-3-75

Dear Editor:

I have never written a letter to the editor before, but must answer the letter by Mr. Peter Scholes in your paper Oct. 22 criticizing the Anchorage Assembly for supporting the construction of a trans-Alaska natural gas pipeline. How Mr. Scholes can possibly compare the Anchorage Comprehensive Plan and the natural gas pipeline I do not understand.

There is a great deal of difference in the work needed to be done by the assembly in the planning for the future of our community and the decision to endorse the keeping of the natural gas pipeline from going through a foreign country, no matter how friendly.

In my opinion the logical place for the pipeline is along the same route already established by the oil pipeline. The final terminal can be changed if it would cause too much congestion in the Valdez area, but that would be only a short distance not thousands of miles through Canada with the resultant impact on the wildlife and environment.

Amy Silger

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Arctic Gas Makes New Public Appeal

The Alaskan Arctic Gas Pipeline Co. yesterday held a press conference to "take our case to the public" and to refute an Anchorage Times editorial against a trans-Canada natural gas pipeline.

Arguments here against a trans-Canada gas line from Alaska's North Slope to the Midwest are not proper unless they speak to effects of the project on Alaska," said Bob Ward, Arctic Gas president.

He is head of one company in a consortium vying with El Paso Gas Co. for certification as the builder of a pipeline to take Prudhoe Bay natural gas to American markets.

Arctic Gas would run the line east from Prudhoe into Canada then almost due south to the U.S. border. El Paso would build the line along the trans-Alaska oil-pipeline route to a proposed liquefaction plant on the Gulf of Alaska.

Ward refuted arguments that a trans-Canada line would be subject to "awful" taxing powers of the Canadian provinces.

"The Canadians would have

to tax all their pipelines if this one were taxed. They couldn't tax one arbitrarily more than another nearby, a tax would increase all their energy costs," which means they wouldn't do it.

"It's also a disservice to Alaska and the nation to argue against a line through Canada by implying Canada can't be trusted," Ward added. "Canada never has interfered with the highway, pulp is shipped from Ketchikan to Eastern Canada and they bring ore out through Skagway. It would be a tragedy to decide we can't trust Canada."

The firm needs U.S. certification by mid-1976, Ward said, in order for staging areas to be built during the summer, winter and next summer. The winter of 1977 could see a start to pipe laying, he predicted.

Canadian government certification of the Arctic Gas project is "possible" by next summer, too, he said.

Ward, who said, "Our project is simply better for everybody than El Paso's

proposal," said he trusts the Federal Power Commission to decide the issue fairly. The body is now hearing El Paso's arguments. Arctic Gas already has finished presenting its proposal.

North of the border, he said Canada's equivalent of our power commission has started its hearings, "which move more quickly through their energy board than the U.S. panel. So they are parallel with the U.S. government's timing," he said.

Native claims problems in Canada "aren't problems" as far as a natural gas pipeline is concerned, he said. Canadian government certification for the project would include a corridor for it and would require sufficient money in a native claims escrow account. It would take care of whatever is decided in a negotiated settlement between the

Canadian aborigines and their government, he said.

"If it had to be done, a corridor could be set by the government without compensation for the natives," he added.

Steel pipe to take the gas across Canada also "is no problem," Ward said.

"We have been getting letters of intent for 48-inch pipe" from suppliers in Italy, Japan and West Germany. Those letters are revised from time to time because no cash commitment can be made until the certification, or final go-ahead, is issued, he said.

"We just want a little more dispassionate treatment in this."

"As we get closer to a decision, emotions run high and we'd like to soften them with more information," Ward said. "We don't want to dog fight."

The U.S. balance of trade also would not suffer because of a cross-Canada pipeline, he asserted.

Despite an initial flow of money out of the country "we would be a \$3 billion to \$4 billion ahead in our balance of payments within 10 years," Ward added.

This he said, is because of such things as the high powered pump stations every 50 miles along the line in Canada would be American made.

Arctic Gas is now stronger in Congress "by far" than El Paso, Ward added, in case the power commission is overridden by legislative action to speed pipeline approval. The firm now has better than a 50 per cent chance to get certification, he said.

Arctic Gas has spent about \$150 million to date in

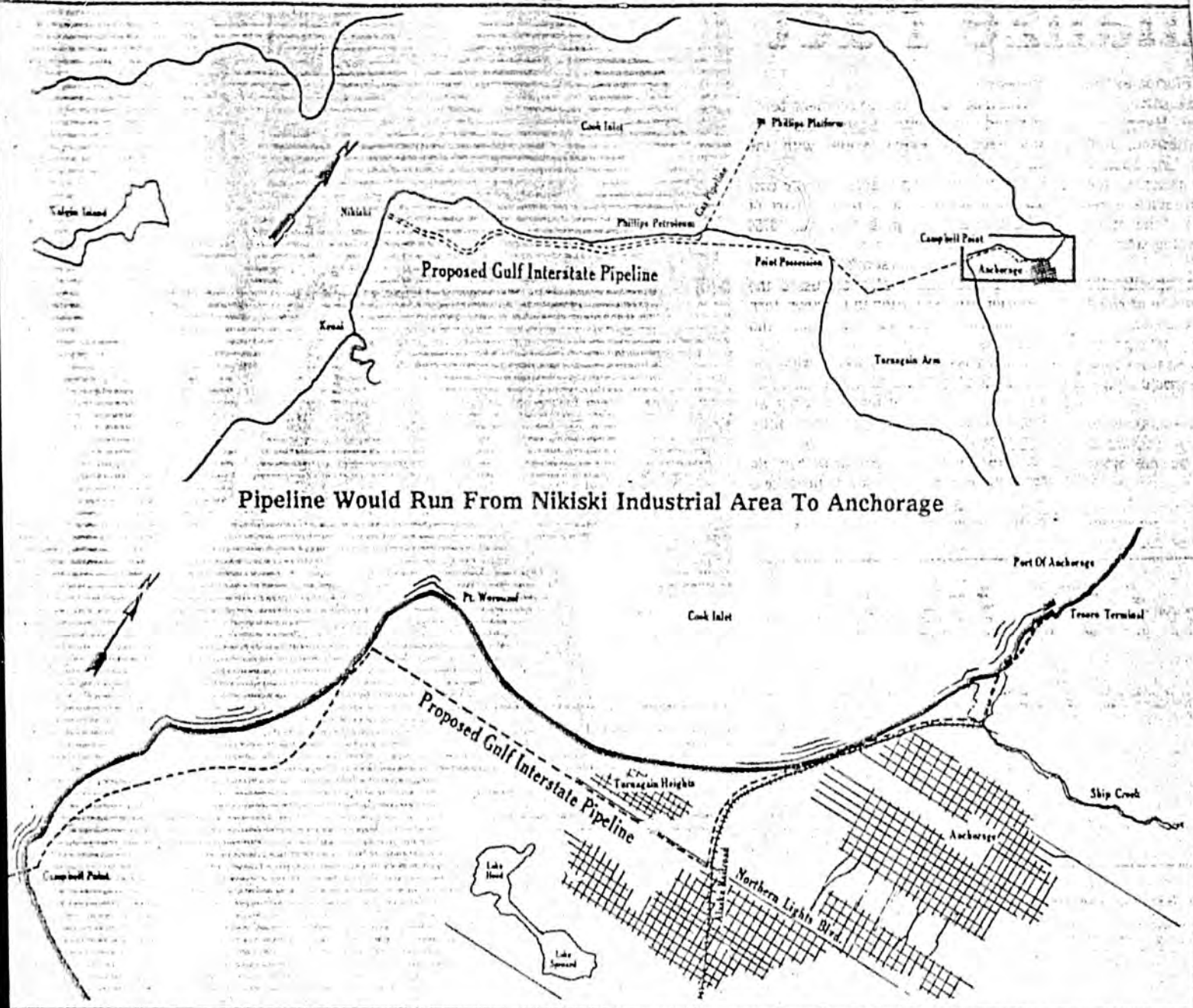
pre-pipeline planning so "is ready to go," Ward said, "while El Paso is way behind in planning."

"They would also have to build a liquefaction plant at Port Gravena on the gulf likened to nothing in the world today — and you just can't pick one up at Montgomery Wards," he said. "And I won't be apologetic for our project. It's the best one."

PSST

The "big dish" antennas of NASA's Deep Space Network are so sensitive they can pick up a spacecraft's radio signal as weak as 1-1000,000,000,000,000,000 watts of power. If this energy were collected for 19 million years, it would light a 7.5-watt Christmas tree bulb for one one-thousandths of a second.

Monday, November 3, 1975



Pipeline Would Run From Nikiski Industrial Area To Anchorage

Peninsula Line Survey Begins

Survey work on a proposed petroleum products line has begun on the Kenai Peninsula.

Gulf Interstate Engineering Co. of Houston, Tex., has been selected to build the 10 3/4-inch pipeline from the Phillips Petroleum refinery at Nikiski to the Tesoro tank farm in the Anchorage port area.

Witt V. Lounsbury &

Associates of Anchorage is conducting the preliminary survey on the Kenai Peninsula along the proposed right-of-way which parallels an existing Phillips Petroleum natural gas line for the first 30 miles. The right-of-way then traverses a virgin forest from Moose Point to Pt. Possession on Turnagain Arm.

The state division of lands,

which is coordinating the application with state agencies, says it expects the proposed 10-foot permanent right-of-way to occupy about 62 acres of land along the 51.4 miles of state land it is requesting to pass through.

Under the terms of the state Right of Way Leasing Act of 1972 the pipeline firm will have to pay annually 8 per cent of the value of the leased land based on its appraised fair market value. The value of the land is to be reappraised every five years.

The division of lands is coordinating the application with the Department of Highways, the Department of Environmental Conservation, the Department of Labor and the Alaska Pipeline Commission which regulates pipelines in the state.

The line is slated to cross 14.4 miles of Turnagain Arm where a limited number of fish and

clams live.

"We've filed all the applications for permits," said Nikiski Alaska Pipeline Co. president Ed Michels.

"We're sort of in a waiting pattern now."

Nikiski Alaska Pipeline is a wholly owned subsidiary of Gulf Interstate Engineering Co.

Michels indicated the major source of income to the line would be refined products originating at the Tesoro refinery. Standard Oil Co., of California operates a refinery adjacent to Tesoro, but the company does not believe it can compete with the low cost tanker transportation standard receives by using tankers to move petroleum to Anchorage. The fleet of older tankers carries refined products from a Richmond, Calif., refinery, picks up additional products at Nikiski and delivers them to a tank

farm in Anchorage.

Gulf Interstate officials have called on a number of local government agencies to try to explain the project which it wants to complete by next winter.

Jack Rogers, Gulf Interstate Engineering's general manager for land, right of way and regulatory affairs already has paid a courtesy call on Anchorage Manager Douglas Weiford to give him a general description of the project, although he left nothing in writing with Weiford. The pipeline would cross municipal lands near Anchorage International Airport.

The pipeline would be particularly attractive to Tesoro because it has been plagued by problems with the barge that moves its refined products from its refinery to Anchorage.

State Mulls Financing Power

The state, examining the possibility of financing electrical power projects, might become involved in financial backing of the proposed Susitna River hydroelectric project.

Hugh Malone, D-Kenai, met Friday with members of a group studying the feasibility of state financing for electrical power and said afterwards it is "conceivable the state would provide money for planning to

encourage federal participation" in the hydroelectric project.

Malone, chairman of the House Finance Committee, is overseeing a \$250,000 study being conducted by the University of Alaska and several electrical consultants. The study is designed to determine whether the state should help finance power projects.

Malone said direct financing of power projects "will be

limited — if we get into it at all." He predicted any state participation in the Susitna project would be limited to one-fourth or one-half of the planning costs.

"But I don't foresee the state jumping in quite that deep right at first," Malone said.

The Susitna power proposal is one of several in which the state could participate if next year's legislature decides to support financial help for

utilities.

"If it looks like the cheapest and best way, the state could provide low cost money for electrical development in Alaska."

The Kenai representative said he expects enabling legislation will be introduced during the next session that would put the state in the power financing business.

The power study is expected to be ready for examination by the end of December. The legislature appropriated \$300,000 for the study. Malone said contracts have been let for the study which could cost up to \$240,000.

The study is to examine the future electricity needs of the state through 1995. The study will determine how much power will cost, who will be the prime users and the sources of power.

The legislature is under strong pressure from utility companies to help make financing easier. The Southeast Hydropower Conference requested \$3 million for the state.

The legislature is under strong pressure from utility companies to help make financing easier. The Southeast Hydropower Conference requested \$3 million from the state.

Malone said future invest-

ment in the power industry could amount to hundreds of millions of dollars if the legislature is convinced by the study that the money will be well spent.

"The conclusion may be no financing," Malone said. "The legislature may decide it would be best to make changes in the regulatory procedure. But, with this study, we hope to be able to conclude that if we decide to invest in electrical power, we will set up legislation which will provide the best benefits for the people. That kind of judgment does not exist in the state now."

State participation in energy sources is likely to increase, according to Malone. He said the governor's energy office is applying for a federal grant to do a study on energy requirements, and that a state energy policy may be formulated within the next year.

The power study is being made under the Legislative Budget and Audit Committee. Rep. Ed Naughton, D-Kodiak, is chairman of the committee.

Official Is Doubtful On Proposed Gulf Sale

By The Associated Press

An Alaskan State official says the Interior Department's decision to begin accepting tract proposals for possible outer continental shelf oil and gas lease sales in the western gulf is not a good one for the state.

The move may set the stage for a third federal lease sale in Alaska's southern waters in 1976, and commissioner of natural resources Guy Martin says,

"It's difficult enough to cope with the impact of just one sale." He said Thursday the accelerated scheduling could plunge the state into chaotic development.

The state Department of Revenue had analyzed potential impact of a sale planned in January or February and concluded that the state would have to subsidize development in the involved area.

Martin said economic detriments of a sale in the western gulf "will be even more pronounced... it will be demonstrated to cost Alaskans money."

The Interior Department is also planning a sale in lower Cook Inlet. The call for nominations in that area was made last month and a sale may be held as early as October, 1976.

The western gulf

nominations are to be made by December 29, 1975, on a 16-million-acre area, with the sale tentatively scheduled for December, 1976. The area is not as well known geologically as either of the other two, where oil seeps have indicated the presence of fossil fuel.

Resource analyst A. Cameron Edmondson, who has done consulting work for the Gulf of Alaska Operator's Committee, said, "quite frankly, I wouldn't put it at the top of my priority list. I would consider at least three or four other prospects better."

Martin said the state was not consulted about the sale, although officials were informed that earlier this week that the process was to commence.

"We are still in the position of having sales imposed on us," Martin said. "We have not been able to play a role in the structuring of the schedule or the sale."

The state had asked for delay in the leasing schedule to allow for planning, participation in lease decisions, preparation for impact and the outlining of a revenue-sharing program.

Gas Hike Needs Okay

ADT 11-6-75

A requested rate increase by Alaska Gas and Service Co. would give the company an additional \$4.5 million in revenues next year.

The gas company this week asked the Public Utilities Commission to grant it an increase of 23.30 cents per thousand cubic feet in the price it charges its users. The increase would be in addition to a 12.78-cent increase granted in July and in addition to a two-cent increase to take effect Jan. 1.

The permanent increase will take effect Dec. 1 if the state commission grants it.

The 23-cent increase would give the company \$23.4 million in 1976 revenues, compared to \$18 million it would receive if the increase were not granted, according to the company's filing with the commission.

In the filing, company President Dale Teel said the increase is necessary "to protect the financial integrity of the utility."

The increase would give the company a 12.88 per cent rate of return, according to Teel's filing.

A commission spokesman said yesterday the commission will examine the company's proposed rates "with a fine-tooth comb" to

determine if the request is valid.

The gas company also seeks commission permission to restore a flow-through clause in its tariff which would allow it to pass along increased gas costs to its customers automatically.

Teel said the requested permanent rate increase is the first in the company's 15-year history.

The average Anchorage-area residential customer will pay about 15 per cent more for gas if the requested increase is granted. The average residential cost is now \$1.57 per hundred cubic feet.

Teel said the increase is made necessary by increased costs in the price of natural gas. With a new, more expensive contract the company has signed with its suppliers, "gas customers in Anchorage are virtually assured of uninterrupted gas service," Teel said.

The gas company president, in his filing, told the commission, "The rates requested will enable us to continue to provide the same high level of reliable service to our customers which they have come to expect."

Appeal Likely In New Gas Tax

By FLIP TODD
Times Staff Writer

Several of the state's largest users of natural gas and the state's major gas pipeline company likely will appeal the effects of an oil and gas reserves tax that will cost them several million dollars over the next two years.

The tax, which will affect users of natural gas from the Kenai and Beluga gas fields, is expected to raise at least \$1.5 million from gas in the ground at the Kenai gas field. It supplies the Anchorage Natural Gas Co., the city's power generation plant, two military power plants and some of the Chugach Electric Association's power generation plants.

The tax bills will be sent to Union Oil Co. and Marathon Oil Co., the two major owners of the field, but their contracts allow them to pass the costs on to their customers. Anchorage homeowners who use natural

gas will bear part of the tax.

"We figure the tax will come to about 2.5 cents per thousand cubic feet," said Tom Williams, head of the state's division of petroleum revenue.

Anchorage Natural Gas spokesman Dick Barnes said the average homeowner his firm serves used 217 thousand cubic feet of gas last year. That would mean an added cost of about \$5.43 per year.

Barnes voiced concern with the tax because when his firm lobbied against the reserves tax during the last session of the legislature, "We were told by the Legislature and the Department of Revenue it would not affect us."

A provision of the reserves tax, of which more than 95 per cent will be paid by owners of oil at Prudhoe Bay, allows a production tax credit to be used against the reserves tax.

Alaska Gas Asks Cost Hike

Alaska Gas and Service Company filed today for a 2.5 cent per hundred cubic feet increase in the price of its natural gas.

The firm's president, Dale Teel, said in a press release this morning that the largest single cause of the proposed increase is a higher wellhead price, which he said is now double what it was three years ago. The increase will be a 15 per cent a month hike to the average Anchorage residential customer, Teel said, or about \$4.50.

The increase, he said, is necessary to obtain assured

availability of gas for peak winter weather conditions, plus other contracted escalations.

The Alaska Public Utilities Commission will have to rule on whether to grant the increase.

Municipal League Backs Alaska Line

"A trans-Alaska natural gas pipeline would provide numerous benefits over that of a line constructed outside Alaska," says the Alaska Municipal League.

Benefits cited in the resolution adopted at the league's annual state convention Friday include earlier market delivery than possible by a Canadian route and total U.S. control of a valuable and reliable energy source.

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ANCHORAGE, ALASKA, THURSDAY, NOVEMBER 6, 1975

TWENTY-FIVE CENTS

Consumers to pay inlet gas tax

By ROSEMARY SHINOHARA
Daily News Staff Writer

Anchorage and Kenai Peninsula consumers will likely pay about \$2 million in increased natural gas and electricity costs over the next two years after the new state oil and gas reserve tax is applied to natural gas producers in Cook Inlet. The Daily News learned Wednesday.

State Department of Revenue officials met with the Alaska Public Utilities Commission and industry representatives Wednesday to deliver their assessment of what the tax means to consumers.

RICHARD Edwards, a member of the commission, said an average homeowner in Anchorage or Kenai may be assessed from \$4 to \$6 per year by each utility to pay the reserve tax, until it expires in two years.

The tax amounts to two to three cents per thousand cubic feet of gas consumed, and the average homeowners uses about 200,000 cubic feet per year, Edwards said.

The amount to be assessed Cook Inlet producers, and passed on to Southcentral consumers, is still only a

preliminary estimate. It is also uncertain how the Beluga gas field will be affected by the reserve tax.

CUSTOMERS OF Alaska Gas and Service Co., also known as Anchorage Natural Gas; the Kenai Utility Service Co., and Anchorage's Municipal Light and Power Co. will pay from \$1.5 million to \$2 million over the life of the tax, Edwards said.

Chugach Electric Co. derives power from the Beluga field, and the amount of tax assessed there could push the total cost to Anchorage and Kenai consumers into the \$2 million and \$3 million range, he estimated.

The reserves tax was designed to exempt producing oil and gas fields. The tax law states that the reserve tax will not be paid if production taxes exceed the amount the reserves tax would bring in. But Revenue Department officials found that severance taxes from producing gas fields in Cook Inlet were in some cases only half the amount that will be assessed under the reserves tax.

AFTER THE reserve tax ends in two years, the production tax would be reduced over a period of years until

it offsets the reserve tax. "In about 18 years the money theoretically would be paid back to consumers," Edwards said.

Taxes are considered something a utility company can reflect directly in its rates, but the various companies have to file plans with the Alaska Public Utilities Commission before they pass on the reserves tax, Edwards said.

Reserve tax payments are due next June 30.

ALASKA GAS and Service Co., Municipal Light and Power and Kenai Utility Service have all already applied to the commission for higher rates.

A hearing was held last week on Alaska Gas and Service Co.'s request to pass on the reserve tax, severance tax, production tax and the increased price they pay for Cook Inlet gas to consumers, but no decision has been reached yet. Edwards estimated the whole flow-through package requested by Alaska Gas could mean \$10 to \$12 per year each for average homeowners over the next two years.

Municipal Light and Power customers are in for a big

increase — late last month the ML&P was revealed to be in poor financial condition even though the utility has received two interim rate increases already this year.

A hearing on a third interim rate increase request for ML&P is scheduled Nov. 29, and the issue of passing on added taxes will be considered at the same time, Edwards said. If the interim rate increase is granted after the Nov. 20 hearing, the total rate increase for the former City of Anchorage utility will be 51.7 per cent, including the increases already granted this year. The company has been ordered to file an application for a permanent rate increase by Dec. 1.

The Kenai Utility Co. has undergone commission hearings on a request to pass along severance and reserve taxes to consumers, and the commission has approved the request for the severance tax, but has not yet acted on the reserve tax.

The utility rates have been rising in all sectors since 1972, when Alaska Gas and Service Co. voluntarily decreased its rates after the commission conducted a rate hearing for the company.

Market is guaranteed for Alaska's oil



Milton Lipton discusses oil

By ANDY WILLIAMS
Daily News Staff Writer

Continued rising prices for Mideast oil will guarantee a market for all the oil Alaska can produce, Milton Lipton, the legislature's chief consultant on oil and gas policy, said Wednesday.

In a presentation to the Legislative Council, Lipton painted a picture of oil developments that was rosy for oil producers but not so rosy for oil consumers.

DESPITE mounting internal pressures, the Organization of Petroleum Exporting Countries (OPEC) will continue to dictate a policy of generally rising prices, he said, arriving at a level of about \$14 a barrel by 1980.

Price controls on domestic oil will gradually be eliminated, he said, and exploration for new oil will continue to accelerate. Prices will rise to the level set by the OPEC nations and the level will insure that domestic oil will be produced economically, he said.

Lipton, the No. 2 man in Walter J. Levy and Associates of New York, said there was a surplus in productive capacity in the Mideast of up to 12

million a day caused by reduced worldwide consumption of oil because of price increases. If consumption had increased at the rate anticipated before the oil embargo in 1973, surplus productive capacity would be less than one million barrels a day, he said.

BY FAR the largest surplus is in Saudi Arabia, he said, which has a productive capacity of 20 million barrels a day but is only producing 12 million barrels.

Lipton said Saudi Arabia sought to hold prices down but agreed Sept. 24 to a 10 per cent increase in the price of its oil to \$11.50 a barrel. Ironically, he said, other OPEC nations were undercutting the price to maintain a high level of production.

Lipton said it would be "dangerous to assume" that surplus productive capacity would continue indefinitely. "If demand increases" more rapidly than expected it wouldn't take many years of 6 per cent growth instead of 2 per cent as projected to dry up the productive capacity surplus," he said.

LIPTON ALSO said it was not likely OPEC would reduce the price of oil. Saudi Arabia did not want to isolate

itself by "playing the devil in the game" and it was in the interests of the other OPEC nations to maintain a gradually increasing level of prices, he said.

Nor could other nations intent on developing more expensive resources than Mideast oil tolerate a drastic reduction in OPEC prices, he said. Such reduction would play havoc with investments in high-cost domestic production, he said. "If there isn't any OPEC, we better create one," he said.

IN ANY CASE, he said, in 10 years the price of world oil would be the same whether OPEC had increased it or not.

Lipton said the chief goal of the United States' energy policy was to reduce its reliance on foreign oil. However, even with projected advancements, he said the U.S. will still import about seven million barrels a day in 1980, about the same amount it exports now.

Lipton said a general energy policy was "in great disarray" in Washington but that "the basic elements" were in place.

LIPTON SAID there was agreement that the nation should avoid undue

dependence on foreign oil and that there was a "general willingness" to accept a price for oil far exceeding the price anticipated five years ago. There was also a faith the nation had the resources to achieve independence, which was not true in Japan or Germany, he said.

Lipton said the arctic areas of Alaska and Canada would be of "tremendous importance" in the national energy picture. He noted a well was recently drilled in the arctic islands of Canada that produced 3,000 barrels a day of "sweet oil" and that Alaska's North Slope would produce nearly 2 million barrels a day when the pipeline was completed.

LIPTON ALSO advised that the state would receive more value for its natural gas if it were used in the state than if it were exported. He said gas in interstate commerce would probably rise to about \$2 per million cubic feet from the present controlled price of 50 cents but that the cost of transporting it was so high the value could not be restored at the wellhead.

Alaska
gas line
cheaper
40N
11/3/75

By MARK PANITCH
Our Washington Correspondent

WASHINGTON — An economic consultant's study of Alaska gas line financing, prepared for the Interior Department, indicates that the cost of building a trans-Alaska system might be as much as \$400 million less than the cost of a trans-Canada system.

However, the report notes that the capital costs of either system \$7.59 billion would be staggering, with between six and seven per cent of all non-communications utilities investment during construction years needed for the project.

EL PASO ALASKA, which wants to build a trans-Alaska-liquefied natural gas (LNG) tanker system will be able to take advantage of U.S. Maritime Administration loan guarantees to lower its interest rates.

Arctic Gas, a consortium that wants to construct an Alaska-Canada line reportedly has asked the administration for other kinds of federal aid.

However, the study concludes that the Canadian portion of the Arctic gas line could absorb 19 per cent of the total public corporate bond purchases during construction. "This percentage of public purchases of a single corporation's bonds over a three year period probably would be the highest in history," the study says.

ON THE OTHER hand, the study suggests that "U.S. financial markets would be better able to fund the entire Alaska-LNG project than Canadian markets could fund their portion of the Alaska-Canada system."



PREDICTING THE FUTURE OF OIL

New York consultant Milton Lipton, center, stresses a point in his testimony before the Legislative Council in Anchorage yesterday. He predicts oil prices will continue to climb, but slowly,

and the oil cartel will face harder years ahead. Taking notes is State Sen. Kay Poland, D-Kodiak. Behind Lipton is his aide Richard Kilgore.

11-6-75 ADT

Oil Cartel May Face Hard Years

By CHERYL PROBST
Times Staff Writer

While predicting slowing increases in oil prices, the legislature's oil consultant said the years between 1978 and 1981 will be difficult for the Organization of Petroleum Exporting Countries.

Milton Lipton told the Legislative Council in Anchorage yesterday that the period will be difficult for Opec because "there will be a fair amount of incoming oil" from Alaska's North Slope, the North Sea and Southeast Asia. The organization may be faced with having to contain surpluses and

firm up prices.

Lipton's firm, Walter Levy and Associates of New York, is retained by the legislature as its oil consultants.

In a two-hour meeting with legislators, Lipton briefly reviewed the world oil situation as it was, is now and what it might be in the future.

The demand for oil has done a 180-degree turnabout in the last two years, from a shortage to a surplus, he said, mainly because the rate of consumption is down.

Between 10 million and 12 million barrels per day beyond what is being demanded of Opec is capable of being

produced, he said. While this has caused some countries to cut their prices because they are unable to sell as much oil as they want to, there has been no reduction in the price of Saudi Arabian oil, which, he said, "represents the mainstream of oil prices."

He noted that while Saudi Arabia "resisted" the 10 per cent price increase approved by Opec in September, it was the only country to put the full increase into effect.

There is no member of Opec that "really wants to bring prices down," he said.

Opec cannot live with a constant

price level and will need increase they will be slow, he said.

"Opec is in a defensive today," he said. "The \$10 and it got in 1974 was beyond its dreams."

Lipton told legislators it is economically better to use natural gas within the state, export the higher priced oil.

Lipton, who testified against reserves tax bill when it was considered by legislative council last spring, still hasn't changed his mind about the law.

He still maintains it is a bad

Energy 'sleeper'

Gas from coal--a 2nd look

By HARLAND RAEGER

Chicago Daily News

CHICAGO, — Underground conversion of coal to gas is getting serious attention in the United States.

One federal expert calls it the "sleeper" in the nation's search for new energy sources.

ODDLY enough, if underground coal gasification helps to solve U.S. energy problems, the Soviet Union can claim much of the credit.

"We're just now beginning to learn the extent of the Russian technology," L. Zane Shuck, of the Energy Research and Development Administration (ERDA), said here last week.

"They have been generating gas from the underground process for 30 years."

SHUCK IS supervisor mechanical engineer at ERDA's energy research center in Morgantown, Pa. He reported on U.S. progress in underground coal-to-gas projects at the International Energy Engineering Congress in Chicago.

In an interview prior to his talk, Shuck said that the underground process not only works but the price is right.

"Its feasibility has been kind of uncertain in this country," Shuck said. "But, hell, the Russians have been doing it for over three decades. That should no longer be a question."

THE FEDERAL researcher is equally optimistic about the costs of making gas from coal beneath the earth's surface:

"It's definitely economically competitive today. And we think it will be even more so 10 years from now."

Essentially, the process involves burning coal down in deep mines and capturing the gas that is created. The low heat-value gas could be used to generate electricity at a power plant at the mine site. Or it could be upgraded to a high heat-value gas fed into pipelines to heat homes, run appliances and serve industry.

U.S. ENGINEERS have been working for years to protect gasification processes using coal taken from existing mines. Shuck said underground gasification costs about as much as mining coal. For this reason, he said, the underground process is about half as expensive as coal conversion on the surface.

ERDA's budget contains about \$5 million for research and development work on underground coal gasification. Early last year, the agency lit its first subterranean fire near Hanna, Wyo. Shuck said his engineer expect to light their first fire near the Morgantown center in six to nine months.

Meanwhile, Shuck cited these new developments:

— ERDA is reviewing a "very large-scale demonstration project" underground gasification that is expected to begin in the next 12 months.

— Texas Utilities Co., of Dallas, has purchased the Russian technology to convert low-grade lignite coal into gas.

— Last month, the Morgantown research center proved that the Directional drilling method used in Russia for about 15 years is feasible in the United States.

DIRECTIONAL drilling involves sinking a shaft diagonally down to 1,500 feet below the surface, then working horizontally through the coal bed. Shuck said the system generally uses remote-controlled equipment that places no miners underground, creates no safety problems and is cheaper.

The next step is to inject air and ignite an underground fire. Gas is produced from the coal then is captured. Shuck said it has a heat value of 100 to 250 BTUs (British thermal units) per cubic foot, compared to about 1,000 for natural gas.

Shuck says that experts consider underground gasification "sort of a dark horse" in the push for energy alternatives.

"Until now, he haven't had to look at alternative generating sources," he said. "Now we have no choice."

Lenders buy Sohio/BP notes

Outside institutional lenders have purchased \$1.75 billion in 10% per cent notes issued by Sohio - BP Trans-Alaska Pipeline Capital Inc. to help finance the cost of building the Prudhoe Bay-Valdez hot oil transportation system.

initially closed by the capital company's agent, Morgan Stanley & Co., Thursday.

Sale of the notes, due on Jan. 1, 1993, and Jan. 1, 1998, were

Gas lines cost more

The two companies proposing to build pipeline to transport North Slope natural gas to the Lower 48 released new cost figures showing increases of about \$1 billion for each project Tuesday.

Arctic Gas, a consortium that would build a pipeline across Canada, said it would take slightly more than \$7 billion in 1975 dollars to accomplish the project, compared to earlier estimates of about \$6 billion.

EL PASO Natural Gas Co., which wants to build a pipeline generally paralleling the trans-Alaska oil pipeline and then ship the gas in tankers to markets outside, said costs for its project have increased to more than \$8 billion.

The higher costs were attributed to inflation. The new figures were filed in documents for the Federal Power Commission, which is conducting a hearing on the proposed pipeline routes.

Even the new cost estimates do not approach estimates of some outside observers. Arlon Tussing, an economist who serves on the state's Oil and Gas Royalty Advisory Board, said this summer he believes \$10 billion would be the minimum cost, and his private estimate would be in the range of \$20 billion.

THE LATEST company estimates are based on financial information available as of July 1.

ARCO quits Arctic Gas

The Atlantic Richfield Co. announced its withdrawal from the Gas Arctic Study group Friday.

The consortium has been engaged in planning an Alaskan-Canadian pipeline to carry natural gas from the North Slope and Canada's Mackenzie delta to the Lower 48 states and eastern Canada.

A spokesman said Arco joined the group of interested utilities and companies with substantial North Slope reserves in 1970 to determine the feasibility of the project.

He said its viability has been established. Two competing plans for pipeline movement of the fuel — the Alaskan-Canadian project and the trans-Alaskan project — are now the subject of hearing.

Slope gas surplus

(Continued from page 1)

two million by the year 2,000;

—The Prudhoe Bay natural gas pipeline route chosen delivers the gas to a Southern Alaska terminus, and the state is able to take its royalty gas from the pipeline;

—The Susitna Dam project is built, but there is still increased reliance on natural gas to produce electric power;

—At least four major industries using natural gas for feedstock set up business in the state;

UNDER THOSE circumstances, by 1990 the state would have a surplus of more than one trillion cubic feet of royalty gas — an amount greater than the total projected residential and commercial gas needs of the state between now and 1990.

"It's virtually impossible for us to use all our royalty gas," says Patrick Dobey, state petroleum geologist and one of the authors of the study.

IF THE gas pipeline goes through Canada, the population grows only

moderately, and only one ammonia-urea industrial plant were built, the state would still have a working surplus of royalty gas, Dobey says.

Current predictions are that three billion cubic feet of gas per day will be transported from the North Slope. Alaska's royalty share is 12½ per cent, which would be 375 million cubic feet per day. The present residential and commercial demand in the state is 99 million cubic feet per day.

The state's yearly royalty would be enough to supply a world-size petrochemical plant that could produce one-tenth of the nation's polyethylene, a methanol plant to make antifreeze and solvents, another ammonia-urea plant, a cement plant producing enough to export, an aluminum reduction plant, a small copper smelter, and an iron ore pellet plant.

ALL OF those industries could be fed by the state's royalty gas, and there would still be 44 billion cubic feet per year left over, the study says.

Study projects Slope gas use; shows surplus

11-17-75 ADN

Alaska's share of Prudhoe Bay natural gas would be enough to meet residential and commercial needs, supply a large petrochemical plant and several other industries, and still have a surplus left over, a study prepared by the state Division of Geological and Geophysical Survey shows.

The study, designed to project future natural gas demand in the state, predicts how much gas would be consumed depending on other developments — whether the population skyrockets or grows moderately, whether the gas pipeline from Prudhoe goes across Alaska or Canada, and whether major hydropower projects are built as planned.

THE HIGHEST demand for natural gas would occur if:

—The population grows to the maximum amount predicted — more than one million by 1990, and more than

(Continued on page 2)

Gas line bill

(Continued from page 1)

similar to one circulated by Arctic Gas during the past two weeks. Major differences, reportedly, exist only in the definitions section of the bill. The Ruppe version, reportedly, is not quite as strong as the Arctic Gas version in requiring that Arctic Gas actually construct the pipeline. However, a Congressional declaration finding that route "in the national interest" would virtually guarantee that Arctic Gas would build the line.

THE RUPPE BILL, like the Arctic Gas draft legislation, would pre-empt administrative hearings now under way before the Federal Power Commission by directing that body to

approve Arctic Gas' applications to build a pipeline from Prudhoe Bay across Canada to the U.S. Midwest.

In addition the Ruppe bill would require the Interior Department to grant all necessary right of way permits across public lands.

Environmental review would be strictly limited under the Ruppe bill, using language similar to that incorporated in the 1973 trans-Alaska (oil) Pipeline Act.

"There are a number of good reasons to support the Arctic Gas proposal," Ruppe said. "It is not only in the interest of the gas short Midwestern states, but of the entire nation."

Ruppe said the Canadian pipeline "would make the extensive... supplies in the Mackenzie River basin available for export to the United States. By using the Arctic Gas pipeline the Canadians would be able to take advantage of the Mackenzie Reserves and perhaps avoid further cutbacks in the export of natural gas to the U.S."

Gas line bill due out today

11-18-75 ADN

By MARK PANITCH

Our Washington Correspondent
WASHINGTON — Rep. Phillip Ruppe, R-Mich., plans to introduce legislation Tuesday to mandate construction of a trans-Canadian gas pipeline by the Arctic Gas consortium.

Ruppe said in a press release late last week that he would introduce such a measure. Monday his staff confirmed that following a meeting scheduled for 9 a.m. Tuesday with Arctic Gas officials, Ruppe expects to introduce a bill.

MEANWHILE, several senators have been approached by Arctic Gas and asked to sponsor a similar bill. Such action is under serious consideration by Sen. Walter F. Mondale, D-Minn. Mondale staff members confirmed that he would "probably" add his name to such a bill. But they were uncertain whether he would be the chief sponsor or a cosponsor of the measure.

Other senators reportedly interested in sponsoring the Arctic Gas proposal include Birch Bayh, D-Ind., and Robert Griffin, R-Mich.

The bill Ruppe plans to introduce is

(Continued on page 2)

Inflation Swells Gas Proposals

11-18-75 ADT

Times Washington Bureau
WASHINGTON — Inflation has taken a big bite out of both proposals to bring North Slope natural gas to Outside markets.

In new exhibits filed today with the Federal Power Commission, the El Paso Natural Gas Co. and the Arctic Gas Consortium reveal new

estimated costs of their projects that reflect the big wallop of skyrocketing costs.

El Paso's proposal has jumped from \$6.7 billion to more than \$8 billion. The new Arctic Gas estimate is slightly more than \$7 billion, up from \$6.1 billion in their original filing with the commission. The Arctic Gas estimate covers trans-

port only from Prudhoe Bay to the Alaskan border.

The first estimates by El Paso were based on varying figures from 1973 dollars through projections into 1979.

The \$1.3 billion increase in the total capital cost of the project is, according to Lou Dell'osso of El Paso, "strictly due to inflation."

The new figures by both firms reflect the best estimate as of mid-1975. Counsel for the Federal Power Commission had requested the financial information earlier this fall.

After weeks of delay, the firms filed the updated information with the commission this morning.

The El Paso exhibit

estimates the average delivered cost of the gas during the first three years of full operation of the system to four areas of the U.S. in dollars per million btu's El Paso projects it will cost \$1.53 to deliver to Los Angeles, \$1.51 to San Francisco, \$1.59 to the Midwest and \$1.74 to the East Coast.

In addition, the El Paso exhibit includes a letter agreement that the firm has entered into with U.S. Steel. In the agreement, which is the first step toward a contract, U.S. Steel offers to provide the entire supply of Arctic grade pipeline to meet El Paso's specifications.

This pledge answers a major contention of Alaska Arctic Gas that no U.S. firm can supply the pipe that El Paso needs for its project.

In the Arctic Gas filing for Alaska, the updated figure is \$637 million, up from \$592 million in 1974. The filing to cover Canada is up to \$6.4 billion, from \$5.5 billion in 1974.

Arco Will Withdraw From Gas Line Study

11-15-75 ADT

Atlantic Richfield Co. will withdraw from the Gas Arctic Study Group a consortium that has been planning the construction of an Alaskan-Canadian gas pipeline to bring natural gas from the North Slope of Alaska and the Mackenzie Delta of Canada to Outside states and eastern Canada.

In 1970, Atlantic Richfield and other owners of substantial North Slope gas reserves joined a group of gas pipeline companies and utilities interested in constructing a gas pipeline to tap Arctic reserves. Its purpose was to support the joint research and feasibility studies necessary to establish the viability of a project of such magnitude, Atlantic

Richfield says. This role has been accomplished and the Alaskan-Canadian project and a competing trans-Alaskan proposal are now the subjects of hearings before the Federal Power Commission in the United States and the National Energy Board in Canada.

Recently, Atlantic Richfield announced commitments of its gas reserves in Alaska's Prudhoe Bay Field to three companies which are active participants in the Gas Arctic Study Group.

Interior Reports State Will Bear Brunt Of Boom

11/20/75 ADT

WASHINGTON (AP) — The Interior Department says a proposed opening of offshore gas and oil development in the northern Gulf of Alaska would be "a trade-off" in which Alaskans would suffer most of the problems and the rest of the nation would reap most of the benefits.

In the final environmental impact statement on the offshore lease sale proposed for next February, department analysts concluded that "most of the energy consumption and any benefits" would accrue to the populations in the "lower 48" states.

The four-volume study was released by the department yesterday.

Hickel urges Slope gas line

ADN 11/24/75

Special To The Daily News
SEATTLE — Walter J. Hickel told an audience here Thursday night to "tell America the story" of the need for a trans-Alaska pipeline to carry natural gas from the North Slope.

Speaking to the Northwest Forum, Hickel said the Alaska oil pipeline proved energy could be transported from the arctic safely for use in the United States.

Hickel said the Canadian government was friendly but that "recent history has shown what even our friends will do when it comes down to an economic crunch."

The former Alaska governor and U.S. Interior secretary said lack of national leadership was the reason the nation lacked an energy policy. "America desperately needs a Teddy Roosevelt type personality who can put us back on our feet in terms of domestic energy production," he said.

Hickel said the Pacific Northwest was in some ways benefiting more economically from pipeline construction in Alaska than Alaska was.

Commission Denies Gas Firms' Motion

11-18-75 ADT

By BETTY MILLS
Times Washington Bureau

WASHINGTON — The Federal Power Commission has denied a motion by attorneys for the major parties in the gas line case that would allow environmental evidence to be taken before the final impact statement is issued.

In a unanimous 4-0 decision, the commissioners said the sequence established by them last January for the gas line proceeding should be followed.

In its order setting up the case, the commission separated the hearing into two phases, with environmental evidence to be taken during the second part.

While the first phase of purely technical evidence is being taken at hearings that began last May, the Power Commission staff is preparing its environmental impact statement on the competing proposals.

The El Paso Alaska Co. has proposed to pipe natural gas from North Slope on a route parallel to the oil pipeline, liquefy it and ship it by LNG Tanker to California for transport to Outside markets.

The Arctic Gas Consortium has

proposed a Canadian pipeline as an alternative project.

The Commission's order said, "Due to the complexity of this proceeding," a thorough revision of the environmental aspects is needed by the staff.

"Our desire to eliminate unnecessary delay must be balanced against any possible detriment to the public interest," the order said. "In this instance, we find that there is a likelihood that the proposed shortened proceeding could result in undesirable circumstances."

Attorneys for both El Paso and Arctic Gas believe the consolidation move could have shaved several months off the commission's decision-making process.

Arctic Gas attorney R. Clyde Hargrove, characterized the delay of between three to six months as a "serious setback."

El Paso officials could not be reached for comment on the decision.

The staff is expected to complete its environmental impact statement, which will focus on the El Paso project, sometime next spring.

El Paso Backs Pipe Promoters

The Organization for the Management of Alaska's Resources (Omar) has accepted a \$10,000 per month offer from the El Paso Alaska Co. to help finance a nationwide push for the construction of an Alaska gas pipeline.

El Paso Alaska Co. has proposed to construct a pipeline from Prudhoe Bay to a site between Cordova and Valdez where the gas would be liquefied and sent south in cryogenic tankers.

"It's a no strings attached offer," said Mrs. Beverly Isenson, Omar executive director. She said El Paso Alaska vice president John Bennett made

the offer Nov. 6 before the group's Anchorage chapter.

A letter he sent to Omar said, "We plan to continue this support for at least a year, at which time we will consult with you on future requirements," Mrs. Isenson said.

El Paso Alaska executive Michael C. Holland, in Bennett's absence, confirmed the offer had been made.

"It will start about the first of December," he said.

Omar has raised about \$110,000 since the fund drive began in April, Mrs. Isenson said. The Alaska Chapter of the Associated General Contractors of America has given the largest donation to date with a pledge of \$25,000. Another major contributor has been Teamsters Local 959

which gave \$5,000, she said.

The publicity group has been spending about \$20,000 per month for the last few months, she said, and maintains offices in Anchorage and Fairbanks, as well as retaining an attorney in Washington, D.C., Gary Frink, who is trying to form a national group to support the Alaska gas line called U.S. Alaska Energy Coalition.

Gas Surplus Is Possible

11-18-75
ADT

By The Associated Press

A study by the state division of geological and geophysical survey indicated Alaska's share of Prudhoe Bay natural gas could provide a surplus while meeting residential and commercial needs and supplying a large petrochemical plant and several industries.

Patrick Dobey, one of the authors of the study, said, "it's virtually impossible for us to use all our royalty gas."

The study predicts natural gas consumption under various circumstances. It was

determined that the highest demand would occur if the state's population grows to the maximum predicted, more than one million by 1990, and more than two million by the year 2,000; if the natural gas pipeline delivers the fuel to a southern Alaska terminus, thereby permitting the state to take its share from the pipeline; if the Susitna Dam project is built but reliance on natural gas to produce electric power increases; if four major industries using natural gas for feedstock set up business in

the state.

Even under those circumstances, the study indicates the state would have a surplus of more than one trillion cubic feet of gas by 1980.

Alaska's royalty share of the gas is 12½ per cent. If the predicted three billion cubic feet of gas per day are transported from the North Slope, the state would receive 375 million cubic feet per day.

Alaska's current residential and commercial consumption is 99 million cubic feet per day.

Texan Wants Line For Alaska's Oil

11/20/75 ADT

AUSTIN, Tex. (AP) — Alaskan crude oil could be brought directly to Texas for refining, Texas House Speaker Bill Clayton said Tuesday.

"We could benefit by having 400,000 barrels of oil a day flowing to Midland, Tex., by as early as 1978," Clayton told a news conference.

Clayton urged Texas congressmen to promote a proposal by El Paso Natural Gas Co. filed with the Federal Power Commission which would allow the company to use idle natural gas lines across Arizona and New Mexico to transport Alaskan crude oil from California to Texas. He said it would require construction of about 200 miles of pipeline in California.

After reaching Midland, Clayton said, the Alaskan crude would be channeled to various refinery centers, much of it to the Beaumont-Port Arthur and Houston areas.

He said he understood El Paso Natural Gas, in cooperation with Standard Oil of Ohio, has twin natural gas pipelines now from California to Texas. In the near future they expect to need only one for transport of natural gas.

Clayton also said he urged Congressmen to oppose a proposed amendment to the Outer Continental Shelf Lands Act, already passed in the Senate and now in the House.

"Higher cost and substantial delays would be the byproducts," he said. "Most distasteful would be changes made in bidding procedures; government exploration instead of by competitive operators; separation of exploration and development and increased state involvement in planning."

Liberals Demand Canadian Pipeline

Special To The Times

WASHINGTON — The ruling National Liberal Party of Canada has adopted a resolution giving priority to

gas pipeline schemes that are all-Canadian in ownership and which are designed to serve the public first.

Rep. Don Young, R-Alaska, yesterday said the resolution, adopted at the party's national convention, becomes the party's official position, further strengthening congressional support for an all-Alaskan route for gas reserves at Prudhoe Bay.

"When you couple this action of the Liberal Party with the fact that the Canadian socialist Party has been advocating nationalization of the petroleum industry, it's plain to see that the only feasible scheme for transmission of Alaska's North Slope gas reserves is the Alaskan route," said Young.

He said another Liberal Party resolution calls for the Canadianization of the petroleum industry.

Magnuson warns F. P. C. on advance gas charges

By FRANK HEWLETT
Times Washington Bureau

WASHINGTON — Senator Warren G. Magnuson yesterday warned the Federal Power Commission that natural-gas supplies could be threatened if it does not re-evaluate its program allowing producers to charge customers in advance for exploration and development costs.

In a letter to the F.P.C. chairman, Richard L. Dunham, Magnuson said this practice could "pit state against state" in a battle for natural gas.

Magnuson said producers are demanding hundreds of millions of dollars in advance payments from consumers to enable pipeline firms and distributors simply to negotiate for future supplies from Alaska.

"Are large multinational corporations, such as Atlantic-Richfield, Exxon and British Petroleum-Sohio in need of capital from the pipeline companies and distribution companies?" Magnuson asked. "Are advance payments necessary to assure commitment of the Prudhoe Bay as in the interstate market?"

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Three firms eye 15-E ethylene market

Financial Times Service

TORONTO — Three major chemical companies continue to negotiate participation in Alberta's \$1.5-billion petrochemical complex.

The project is designed to launch the province into worldwide production of ethylene and derivatives.

Canadian Industries Ltd., Montreal, says it is still "very interested." But its plans have been delayed to late 1979 or 1980 because of Alberta's decision not to subsidize the initial price of natural gas feedstock for the ethylene plant scheduled for mid-1978 production.

Concern about oversupply of polyethylene in the domestic market — in the face of no price supports — led Dugout of Canada Ltd., Montreal, in September to shelve plans for a high-density polyethylene plant associated with the complex.

CHL's option to buy 450-million pounds of ethylene for a low-density polyethylene plant at Redwater, Alta., expired Oct. 1, but the company continues to negotiate with Alberta Gas Ethylene Co. Ltd., Calgary. It is a subsidiary of Alberta Gas Trunk Line Co. Ltd., Calgary.

In the meantime, Dow Chemical Co. of Canada Ltd., Sarnia, has picked up the entire ethylene production — 700 million pounds, for three derivative plants in Alberta and as much as 500 million pounds for possible export to the U.S. National Energy Board permission would be required for export.

Alberta Gas Ethylene and Dow are

principal developers of the project although at one time they were competitors. They and the Alberta government "officially" announced the project in September.

Two key questions which surround the involvement of additional companies are the price of ethylene and the plant's timing.

Robert L. Pierce, president of Alberta Gas Ethylene, denies contentions that the ethylene plant will not be ready by mid-1978.

"It's kind of a poker game. You can't gamble we won't get it built in 1978," says Mr. Pierce. The company is waiting for approval of permits by the Alberta Energy Resources Conservation Board to begin construction of the \$300 million ethylene plant.

Mr. Pierce says some work could start this winter — pending approval — but it would be limited to roads and drainage. Originally the company had hoped to put in underground piping, but this appears unlikely until after winter.

Diamond Shamrock Canada Ltd., Toronto, and B. F. Goodrich Ltd., Kitchener, are two possible secondary manufacturers of vinyl chloride monomer from one of Dow's three derivative plants.

Diamond's plans for a 200-million-pound-a-year polyvinyl chloride plant appear almost certain, leaving only specific details of an Alberta location in dispute.

Reserves Control On Agenda

A House and Senate conference committee is expected to meet this week to decide whether the Naval petroleum reserves should remain in the Department of Defense or be moved to the Department of the Interior.

Rep. Don Young, R-Alaska, said yesterday, before returning to Washington, that he is working to get on that conference committee to give Alaska representation.

The compromise now under discussion, which Young predicts will come to pass, would keep Naval Petroleum Reserves 1, 2 and 3 under the Navy's jurisdiction but would give Interior control over Pet 4 in Alaska.

The change of jurisdiction does little for the state," Young said. "But what will be of benefit to Alaska is a provision in the bill which would allow us a share of royalty under the mineral leasing act."

"There's no possibility of getting 90 per cent, as we get from other federal lands in Alaska. But I think we'll be able to get 37 1/2 per cent royalty, the same as other states are allowed."

The two Republicans now on the conference committee from the House are Sam Steiger of Arizona and Joe Skubis of Kansas, both of whom outrank Young in seniority. He said both support Alaska's position but he still would like to get on the committee.

"I'm reluctant to cash in too many chips to do it, however," he added.

Gas Commitment To Be Reviewed

Special to The Times
JUNEAU — The state's Royalty Oil and Gas Development Advisory Board, at its meeting in Juneau next Tuesday and Wednesday, will discuss whether or not to commit the state's North Slope Royalty gas to a trans-Alaska gas pipeline and the importance of such a commitment to achieving that pipeline.

Commissioner of Natural Resources Guy Martin said the board will consider the offers

from El Paso Natural Gas and Teneco to purchase the royalty gas.

El Paso Alaska Vice President John Bennett has said that a commitment of the state's royalty gas to his company's pipeline is the single most influential action the state could take in favor of obtaining permission for a trans-Alaska pipeline.

"Everyone is aware that if a commitment will motivate the selection of the route of a gas line, such a decision must be made soon," Martin said. "The board will be considering whether there are other motivations more important, such as obtaining advance revenue, stimulating industrial activity or providing resident fuel," Martin said.

A commitment to a particular company, he added, could range from a simple letter of intent to sell the gas at a later time, or the state could decide to draw up an exclusive, negotiated agreement.

Also at next week's meeting, Martin said, the Royalty Board will be considering the offer from Alaska Natural Gas to purchase the state's royalty gas in north Cook Inlet, which is now going to Phillips Petroleum Corp.

Deputy Commissioner of Natural Resources William Fackler has been named the first full-time executive director of the Royalty Board. However, Martin said Fackler is remaining as deputy until a successor is selected.

Martin said he is down to a "short list" of possible candidates, and he is hopeful that a new deputy can be appointed this month.

Governors Get Appeal

JUNEAU (AP) — Gov. Jay Hammond has written letters to the nation's governors listing the advantages of a trans-Alaska natural gas pipeline over the competing proposal for a trans-Canada line.

Hammond suggested the governors review both proposals, but says he is confident that they will conclude, "as I have, that the proposed trans-Alaska gas pipeline is best, not only for Alaska, but for the United States."

The governor's letter says the trans-Alaska gas line would parallel much of the trans-Alaska oil pipeline, minimizing environmental damage.

He said the time schedule for the trans-Alaska line was its "most significant advantage." Hammond said existing oil pipeline facilities could shorten construction time, while unresolved native land claims and the necessity of a treaty between the United States and Canada would slow the progress of a trans-Canada line.

HOUSE REJECTS GAS DECONTROL

WASHINGTON (UPI) — The House Commerce Committee Tuesday narrowly rejected a proposal for removing federal controls on natural gas prices. It then approved a bill that would allow some winter-time emergency sales of gas above federal price ceilings.

The bill that will go to the House floor, if it clears the Rules Committee, will deal only with the winter's shortages of natural gas this year and next.

A Senate-passed version has the emergency provisions, plus a long-term "deregulation" of natural gas prices.

Rep. Robert Krueger, D-Tex., attempted to amend the bill before the Commerce Committee with the same language as approved by the Senate. That was ruled not germane. Then he proposed a similar idea — a seven year phasing out of price controls on natural gas. That failed on a 19-19 tie vote.

Staff Urges Gas Line At Least To Fairbanks

WASHINGTON (AP) — The environmental staff of the Federal Power Commission recommends that even a trans-Canada natural gas pipeline system follow the trans-Alaska oil pipeline to Fairbanks before turning east to Canada.

That recommendation concludes the draft environmental impact statement on Alaska gas systems from the Federal Power Commission. The document draws much of its information from an El Paso Alaska Gas Co. proposal for a trans-Alaska line to Prince William Sound.

The staff has indicated that it will incorporate data from an environmental impact statement released by the Interior Department last July to cover Arctic Gas Co.'s trans-Canada route — for gas

from the North Slope. The two documents are designed to present a total environmental outline of the competing proposals.

The commission statement says a route following the oil pipeline would involve 735 miles of natural gas pipeline within the state.

Juneau Assembly Backs Alaska Line

Special To The Times
JUNEAU — Juneau has joined eight other cities and boroughs in Alaska in endorsing the trans-Alaska pipeline route as the best routing "for proper management of North Slope natural gas."

In a resolution, the Juneau Assembly noted that the Alaska route is advisable for economic and environmental reasons.

ADT 12/3/75

Millionaire Has Plan For Delivery Of Oil

SEATTLE (AP) — D. Michael Curran has plans for a \$1 billion oil delivery system that he says could brighten the Puget Sound oil picture.

What his plan would do is increase the number of oil tankers calling here by 400 percent.

Curran, a Montana millionaire who heads Northern Tier Pipeline Co., was an unsuccessful bidder on the Alaska pipeline—one of the few major setbacks he has had in 45 years of pipeline construction, oil drilling and ranching.

Northern Tier is a six-firm consortium drawing up plans for a Washington superport and a 1,500-mile pipeline to carry oil from Puget Sound to Minnesota. The line would carry both Alaskan and foreign crude oil to inland refineries and provide a link for four pipeline systems stretching from the South-

west to Buffalo, N. Y.

"You've got a refinery system on the whole Northern Tier of America that was built to run on Canadian oil," Curran said. "There won't be any more Canadian oil after 1980. Just how do you harvest wheat in Montana to ship it through Seattle if you don't have oil?"

"We understand you've got some hassles going on over oil here," Curran said. "There should be some way where our project can fit into your picture."

However, Gov. Dan Evans, Sen. Warren Magnuson and others have opposed making Puget Sound a transfer point for oil shipped east of the Cascades.

The legislature is being asked to restrict oil deliveries for existing Washington refineries to the Olympic Peninsula so that oil tankers will stay out of the inland waterway.

Capital Hill Stirs On Synthetic Fuel

By Congressional Quarterly 12-12-75

WASHINGTON — Should American taxpayers guarantee billions of dollars in loans to industry to encourage development of substitutes for oil and natural gas?

"Yes," say President Ford and other advocates of loan guarantees and other incentives to spur manufacture of synthetic fuels — oil extracted from oil shale, oil and gas produced from coal and other fuels made from the processing of various waste products.

"No," respond critics of such proposals, who see them as no more than government hand-outs to undeserving big business. They question the human and social costs of this new industry, whose first plants probably would be located in remote coal and oil-shale areas of the West and in coal-rich Appalachia.

"This is not a time to be timid," says Sen. Jennings Randolph, D-W.Va., sponsor of the loan guarantee program. "It is a time for commitment to the future."

The nation must do more than merely talk about developing new energy sources, he says; it must set timetables for commercial production of synthetic fuels. The proposed loan guarantee program — already approved by the Senate in July — is "the single most important action that can be taken by the federal government to expedite the commercial development of a domestic synthetic fuels industry," Randolph states.

"This kind of federal assistance is absolutely essential to launch a synthetic fuels industry," agrees Sen. Henry M. Jackson, D-Wash. "The technology... exists today and is ready for commercial demonstration. The barrier is an economic one... Production by 1985 of the synthetic fuels equivalent of one million barrels of oil a day will require a capital investment... of about \$20-billion. The marketplace does not now provide sufficient incentives for this kind of outlay for a pioneer industry. It is up to the government to provide that incentive."

"When we talk about loan guarantees... we are talking about subsidizing commercial ventures with the taxpayers' money," warns Rep. Timothy E. Wirth, D-Colo.

"The entire emphasis of this program has been that industry has risks," adds Rep. Ken Hechler, D-W.Va., one of the leading critics of the program. "These risks must be minimized by loan guarantees... People have risks, communities have risks, taxpayers have risks. These... must be considered at the same time as the other legislation."

Senator Confident Of Alaska Gas Line

By SUSAN ANDREWS
Times Staff Writer

The gas pipeline from Alaska's North Slope will be a trans-Alaska pipeline, Sen. Mike Gravel confidently predicted here yesterday.

The Democratic senator had just accompanied Republican President Gerald Ford to Alaska, on the President's way to China, and he said he spoke to the President about his (Gravel's) proposed bill which would require the Federal Power Commission to set a date for its decision on the pipeline.

"This bill is the tactic that will bring a decision early," Gravel said. "Congress can say the decision is final and there will be no judicial review, just as it did for the trans-Alaska oil pipeline." Gravel noted that it was his amendment that resulted in that approval.

What if the Federal Power Commission decides on a trans-Canadian route? "I don't think they will," the senator responded. "The situation is very favorable to us. I do feel the Alaska line will be approved. There are some problems but they can be worked out."

Gravel said the President was "very interested" in his bill, and Congressman Don Young, hearing Gravel's arguments in favor of the bill, also expressed interest. "The President asked me to write him a letter detailing the legislation," Gravel said.

The bill as now written specifies that the decision must be made by June 1, 1976, but Gravel said he will amend that to Dec. 1, 1976.

Gravel hadn't planned to be back in his home state until Christmas, but when the White House called Monday inviting him to accompany President Gerald Ford to Alaska, he promptly accepted.

He pointed out with a grin that there hadn't been many invitations from the White House during former President Nixon's tenure, after Gravel released the Pentagon Papers detailing the U.S. involvement in Vietnam.

Gravel flew aboard Air Force One, along with the President, Mrs. Ford, their daughter, Susan, Secretary of State Henry Kissinger and Energy Chief Frank Zarb among other high-ranking officials. Alaska's Congressman Don Young, a Republican, also was on board.

The President put any question of

partisanship to rest by having me on the plane," Gravel commented yesterday. "The speech he's going to make tonight is non-partisan. Everything he has done has been in good taste."

That's why Gravel, although he was invited to Republican Sen. Ted Stevens' birthday party here last night, declined the invitation. It's the one part of the President's trip with a political overtone, he said. "I would be pushing myself to go," he said.

The senator indicated that he and Sen. Stevens are on good terms, even though they take diametrically-opposed positions on such issues as whether or not the U.S. should adopt its own 200-mile limit.

Gravel is opposed to such unilateral action; he wants to wait until the International Law of the Sea Conference adopts a treaty, and he said he is devoting all his time and energy to two things these days: "representing Alaska's interests and negotiating the Law of the Sea treaty." Stevens favors a 200-mile limit law to protect Alaska's salmon until an international treaty is adopted.

Gravel noted that when he and Stevens debated the issue recently, they did it without a moderator. "That has to give some idea of the civility between us," he said, "and our ability to function effectively as individual senators."

What's now happening off Iceland, the cod war between Iceland and Britain, "is the best example of what could happen in the Gulf of Alaska," if the U.S., like Iceland, adopted its own 200-mile limit, Gravel declared.

Gravel's support of the administration's stand, opposing a unilateral 200-mile limit for the U.S., could have prompted the invitation to Alaska, he conceded yesterday. Gravel is talking today to the Unitarian Fellowship here about the 200-mile issue.

"There's no question I'm working very closely with the administration on this issue," he said. "Henry Kissinger and I joked a lot about it on the flight. I spent 3/4 of an hour with the President last week, and I've had a lot of contact with the White House and the State Department since then."

Gas Study To Be Aired

The legislature's Natural Gas Pipeline Impact Committee will hear from a Texas firm on reservoir projections for North Slope gas when it meets in Anchorage next week.

Scheduled to appear the first day before the committee are H. J. Gruy and Associates of Dallas, which has done work on the gasline for the Department of Interior.

The second day will cover a

discussion of in-state consumption of natural gas, state revenues and a report from the Royalty Oil and Gas Development Advisory Board.

Economic war' should counter oil embargo--Carter

WASHINGTON (AP) — Democratic presidential hopeful Jimmy Carter said Sunday that the United States should consider an "economic declaration of war" against the Arab oil-producing countries if they try imposing another oil embargo.

The former Georgia governor said in televised interview that while the United States "yielded" to the embargo adopted during the 1973 Arab-Israeli war, "I would not permit that to happen again."

"I would let the Arab countries know that we want to be our friend, that we are heavily dependent on oil imported from them," Carter said.

However, he said the United States should make it clear that "if they declare an embargo against us, we would consider not a military but an economic declaration of war" cutting off all U.S. shipments

of food, arms, oil drilling equipment and other products.

Appearing on CBS' "Face the Nation" program, Carter said he planned to enter all presidential primaries leading up to the 1976 Democratic National Convention.

He said political soundings over the past two weeks "have convinced me that I've got an excellent chance to win" in the Florida primary March 9, where he is up against Alabama Gov. George Wallace.

Carter criticized other Democratic candidates for holding back from full-scale campaigning against Wallace and declared that "I don't have any hesitancy about running aggressively and putting my political ability to a very severe test in the states where Wallace is strong."

Asked whether he would accept second spot on the Democratic ticket, Carter said he

was not interested in being vice president but would consider running for the post if he were defeated "fairly and squarely" for the presidential nomination.

He added that "if I thought at this point that I would end up as vice president, I would quit campaigning and go back home to my peanut farms and let nature take its course."

Another Democratic candidate, Rep. Morris K. Udall,

said that to keep his campaign alive "I've got to do well in a couple" out of the first four primaries — in New Hampshire, Massachusetts, Florida and Illinois.

Questioned about his slim showing in opinion polls, the Arizona congressman said that "what you need to do is get out in the trenches and win some primaries, then you come up in the polls."

Power Panel Suggests Nikiski Gas Terminal

By BETTY MILLS

Times Washington Bureau
WASHINGTON — The proposal by the El Paso Alaska Co. to pipe natural gas from Alaska's North Slope to Gravina Point would have significant social and economic impacts on the state, according to the staff of the Federal Power Commission.

In its draft environmental impact statement on the two competing proposals to bring natural gas from Alaska to other American markets, the staff minimizes the dangers to the ecology of the state. However, the document notes that the probability of a major oil spill cannot be discounted.

The staff comes to no con-

clusion as to whether the El Paso proposal or the competing project offered by the Arctic Gas consortium offers fewer environmental risks.

"Both proposals have consequences which are environmentally unique and irreversible," the statement said.

In its conclusion, the staff recommends changes in both the El Paso and Arctic Gas projects. The environmental statement determines that Nikiski would be a more suitable location for the liquefied natural gas terminal than Gravina Point, the site El Paso proposes. This would mean that El Paso's pipeline would follow the firm's proposed route as far as Livengood, and then follow a new line recommended by the staff to Nikiski.

In addition, the environmental staff regards Oxnard, Calif., as a more suitable location for El Paso's proposed gas terminal project than Point Conception, also in California.

As for the Arctic Gas proposal, the staff suggests that the line follow the proposed Fairbanks corridor alternate route. This would involve construction of approximately 735 miles of pipeline in Alaska. The first 460 miles would extend south from Prudhoe Bay adjacent to the oil pipeline right-of-way to just northeast of Fairbanks. From that point, the route would proceed southeasterly along the Alaska Highway for 275 miles to the Canadian border.

The power commission staff embraced, with a few exceptions, the conclusions of the Interior Department in its draft environmental statement on the Arctic Gas project, released last summer. The two governmental agencies had planned originally to conduct a joint study, but the "memorandum of understanding" fell through due to El Paso's refusal to file with the Interior Department for permission to cross federal lands.

(See Page 2, Col. 1)

KUWAIT BUYS UP ITS OIL MARKET

KUWAIT (UPI) — An oil ministry spokesman announced today that Kuwait has signed a \$50.5 million agreement to take over the remaining 40 per cent of its oil industry from the Gulf Oil and British Petroleum companies, breaking a monthlong deadlock in negotiations.

Kuwait, the world's third largest oil exporter, thus became the first oil-producing state to negotiate a complete takeover of its oil industry from foreign shareholders.

A spokesman said the agreement, under which Kuwait assumed the remaining 40 per cent still held by the two companies in the Kuwait Oil Company, was signed in Kuwait.

The companies will receive \$50.5 million dollars between them as compensation, he said.

The agreement was particularly significant in that it represents a victory for the Arab oil producing states in their first major showdown with foreign shareholders over takeover terms. It should also set a precedent for other oil producers engaged in

similar negotiations with their foreign share holders.

Negotiations between Kuwait, BP and Gulf had been suspended for nearly a month in a dispute over credit terms. The companies had been holding out in an effort to obtain a most-favored customer status in the future oil they will buy from Kuwait.

The government, with firm backing from Saudi Arabia and other Gulf states, refused and even said it would nationalize companies' holdings if they refused to give in or attempted to suspend oil production as a means of pressuring Kuwait.

Impact Report On Gas Project Poses Changes

(Continued From Page 1)

The chance of an oil spill and damage to the caribou population is cited by the commission staff as a major environmental hazard of the El Paso proposal.

"The probability of major spills of fuels, lubricants, or toxic materials at storage sites and during tanker transportation of the LNG cannot be discounted," the statement says. "Should a major spill occur, there would be long-term adverse impacts on water quality, especially if such products seeped into groundwater beds where they could remain for extended periods of time."

The El Paso pipeline construction would destroy some 6,700 acres of existing vegetative cover, and would disturb through removal, burial or soil erosion, another 24,000 acres of vegetation.

In addition, all surrounding vegetation could be affected by sulfur dioxide emissions from the proposed pipeline and liquefaction plant on the tiny fishing village of Cordova.

food source of the caribou," the statements said.

In addition, pipeline construction by El Paso would affect wildlife populations through harassment or disturbances during critical periods of their life cycles and the introduction of pollutants into the ecosystem.

The report also notes that the locating two compressor stations just north and south of Fairbanks could be detrimental to local air quality.

In its analysis of the socio-economic effects of both projects, the staff believes the statewide impact of the El Paso proposal on population and the private sector would be significant, particularly in the peak year of construction and impact in 1980.

Anchorage — and, to a lesser extent, Fairbanks — will bear the brunt of this impact.

The commission's report also points to the effects of the proposed pipeline and liquefaction plant on the tiny fishing village of Cordova.

Ecologists facing fight on gas line

(c) Christian Science Monitor

WASHINGTON — With a winter of natural gas shortages predicted, environmental groups face a strengthening congressional sentiment to speed approval of a pipeline bringing Alaska gas to the lower 48 states.

The Wilderness Society and its environmentalist allies in the Alaskan Coalition (AC) plan "a last ditch stand" against one of two proposed pipeline routes, says society counsel Frank Berry.

Environmentalists object most to an Alaskan Arctic Gas Pipeline Company plan that would cross northern Alaska, then move southeast down Canada's Mackenzie River valley and into the U.S. Midwest.

EL PASO Natural Gas Company has proposed a pipeline largely paralleling the oil pipeline under construction. Environmental leaders like this plan best but consider it less likely to be approved by the Federal Power Commission.

The environmentalist's ire is directed against the Arctic Gas plan because it crosses the Arctic National Wildlife Range in northern Alaska, "an area of incomparable value" which should be preserved in its natural state, says Stewart Brandborg, Wilderness Society executive director.

Arctic Gas spokesman Jim Beall counters that the proposed pipeline routing was drawn up by 50 independent environmental experts to minimize damage and claims that environmental groups have seized the wildlife refuge issue "as more of a symbol than anything else."

BEALL FINDS "growing congressional interest in legislation to see that the pipeline gets built in a reasonable amount of time." And Wilderness Society counsel Berry admits that the pipeline fight "will be tough and go" with an outcome "hard to predict."

A key reason for new congressional moves to speed approval of one of the two pipeline routes is the Federal Power Commission estimate that the nation will be short at least 2.91 trillion cubic feet of natural gas this year with curtailments of supplies to businesses up 45 per cent from last year.

Without congressional action some observers think the Federal Power Commission hearings and deliberations on which pipeline route to approve could extend through 1977 with court challenges to the decision

taking place after that.

THE SENATE Commerce Committee is scheduled to hold hearings this week on a bill (S2150) introduced by Sen. Mike Gravel, D-Alaska, that would require the Federal Power Commission to meet a June 30, 1976, deadline for its pipeline decision. The bill also would eliminate court review of the commission decision and substitute a 60-day period for congressional review of the decision.

Staff members in Gravel's office say the decision deadline may be extended to Dec. 1, 1976.

Before the Christmas congressional recess, members of both houses are expected to introduce legislation that would mandate a decision for Arctic Gas. Rep. Philip E. Ruppe, R-Mich., has announced that he will introduce such legislation and Sen. Robert P. Griffin, R-Mich., is expected to introduce the bill in the Senate.

The expected congressional activity comes in the wake of a Library of Congress study recently released which found that natural gas producers have a "strong profit motivation" to hold available gas supplies in the ground for as long as six years due to the impact of price regulations.



New routes asked for 2 gas pipelines

ADN

By MARK PANITCH
Our Washington Correspondent

WASHINGTON — In a recommendation with potentially far-reaching consequences, the Federal Power Commission environment staff has urged that even a trans-Canadian gas pipeline system follow the route of the trans-Alaska pipeline as far south as Fairbanks before turning east into Canada.

The recommendation was offered as a staff conclusion to a draft environmental impact statement on Alaska gas systems issued by the F.P.C. Most of the F.P.C. document is based on the El Paso Alaska Gas Co. proposal to build a pipeline to Prince William Sound, liquefy the gas and ship it to California aboard cryogenic tankers.

However, the F.P.C. staff indicates that it is incorporating significant amounts of data contained in another draft impact statement issued last July by the Interior Department to cover the trans-Canadian route. Taken together, the two documents are supposed to provide a total environmental picture of the competing proposals.

In reference to the Canadian line, proposed by Arctic Gas, the EIS says, "The Alaskan Arctic route of the Arctic Gas system should be constructed along the proposed Fairbanks Corridor

Energy chief Zarb
studying both lines

Page 11

alternate route."

That route, the EIS says, would require a total of 735 miles of pipe inside Alaska before the line crossed into Canada.

The F.P.C. staff also recommends that the El Paso system follow a route that would bring it to Cook Inlet, at Nikiski, rather than taking it farther east to Prince William Sound.

This route, the F.P.C. staff indicated, would result in less environmental disruption and have fewer socio-economic impacts on surrounding areas than the proposed Prince William Sound route.

Hammond

asks support on gas route

Daily News Bureau

Alaska Gov. Jay S. Hammond is appealing to other governors to review arguments on competing Alaska natural gas pipeline proposals and take the state's own conclusions into consideration.

"I hope you will conclude, as I have, that the proposed trans-Alaska gas pipeline route is best not only for Alaska but for the entire United States," Hammond told 49 other governors in letters last month.

HAMMOND reviewed the competing trans-Alaska pipeline and tanker proposals of El Paso Natural Gas Co. and the trans-Canada pipeline proposal of Arctic Gas Co., and points out the significant advantages he sees in the El Paso proposal.

Both companies are

involved in Federal Power Commission (FPC) hearings now and the final decision will probably be made by Congress next year.

Hammond said the El Paso proposal is better for the entire nation as well as better for Alaska, saying it can be built more quickly, has less environmental damage, will have greater economic benefits during construction and may be as good or better in operation costs.

"WHILE THE costs and benefits to Alaska of the competing pipeline proposals have been clear for some time, the balance sheet for the nation as a whole only recently has begun to take shape," Hammond said.

Citing gas shortages in other states, Hammond says the most significant advantage of the trans-Alaska route is its ability to get gas to Lower 48 markets earlier than the Canadian route.

"Applications before the FPC indicate that no matter what route is selected, it will be approximately 4 1/2 to 5 years after certification before the project will be able to deliver Alaska gas to the Lower 48 states," Hammond said. "However, there are several reasons for believing that a trans-Canada pipeline system will encounter significant delays."

HAMMOND cites the threat of suits over Native land claims in Canada and the treaty being negotiated for the pipeline project. He says the state's analysis of the Arctic Gas route found the trans-Canada pipeline construction schedule "extremely optimistic" and he added that the later assessment in the Department of Interior environmental impact statement reached the same conclusion.

"We believe Arctic Gas will be unable to keep to its proposed construction schedule," he said.

In comparison, Hammond said, El Paso's construction schedule is not based on using the oil pipeline facilities built since then, and use of these facilities may shorten that pipeline's schedule.

THE SECOND advantage in the Alaska line, Hammond said, is its economic benefits to the U.S. He said the 48-inch pipe required for the trans-Canada line cannot be manufactured in the U.S., but must be made in Japan, Canada or Germany, but the smaller 36-inch pipe in the El Paso line can be made in U.S. mills.

Exercise to defend pipeline

By The Associated Press

More than 14,000 troops will take part next month in Arctic winter maneuvers designed to test plans for defense of the Alaska pipeline, the Pentagon announced Tuesday.

Army, Air Force, Air National Guard and Navy units will be brought in from as far away as Massachusetts for the exercise, which will last from Jan. 5 to Jan. 31.

"The purpose of the exercise is to train a joint task force under the extreme climatic conditions of the arctic to defend the main base complexes of Alaska, the trans-Alaska pipeline and to repel or destroy any invading force," the Pentagon said.

The maneuvers, named Jack Frost '76, will be conducted in an area covering some 400 miles from Galena Air Force Station to Ft. Greely.

The main ground forces will be drawn from the Army's 12th Infantry brigade based in Anchorage and Fairbanks, plus a battalion from the Ninth Infantry Division at Ft. Lewis, Wash.

In addition to Air Force units based in Alaska, the U.S. Readiness Command will employ regular Air Force and National Guard units from Idaho, Nebraska, and Massachusetts.

Elements of a new ranger battalion will be flown in from Ft. Stewart, Ga., and two platoons of Navy special Warfare men will be brought from Coronado, Calif.

11/28/75

Line Decision Year Away

existing proposals."

Any shortcut to this procedure "must be done with care so as to preserve the due process rights of all parties," he added.

Smith said the Federal Power Commission expects

the staff final environmental impact statement to be issued by Feb. 26, with the initial decision on the pipeline route expected by next Sept. 1, and the final commission decision by Dec. 1, 1976.

The vice chairman of the Federal Power Commission has told a congressional subcommittee that a final commission decision on the route of a natural gas pipeline from Prudhoe Bay is expected by Dec. 1 of next year.

Don Smith, the vice chairman, told Rep. John Melcher's House subcommittee on public lands that it is difficult to project a timetable for the proceedings.

He noted there are "a great number of uncontrollable factors" and that "much depends on the applicants and intervenors themselves: the number of witnesses called, the time needed for preparation of cross examination, the time used for cross examination and the possibility of future amendments to the applicants'

Natural gas pipeline

Two companies have proposed each a different route to carry North Slope natural gas to Lower 48 markets. One route parallels the trans-Alaska oil pipeline, the other goes through Canada to the U.S. Midwest. If it's determined that a gas pipeline is financially feasible, that its product can be delivered to consumers at reasonable prices, then it would be in the nation's best interest to follow the Alaska route.

The short-term advantage is an inviting one for the nation. Presumably, an Alaska line could be built more quickly: the route is shorter, its corridor already has been studied for environmental precautions and camps built along it, and it avoids the international political entanglements that Canada holds.



The Alaska route also has a broader long-term advantage, primarily that it offers options of using the gas within the state. With it, the nation could maintain the option of developing an imaginative, inexpensive petrochemical industry, conceivably one that could even be used through the production of fertilizers to help feed the world.

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Federal energy chief is

studying gas line routes

FARRANKS—Frank Zarb, looking at critical questions one of President Ford's top energy advisors, doesn't have a view on the gas pipeline route question, but he'll have one before long.

Zarb, head of the Federal Energy Administration, said in a brief interview at Pump Station 8 Saturday that his office is studying the gas route question thoroughly and expects to "come down one way or the other" in about four or five months.

ZARB was also noncommittal about the energy bill drafted recently by a joint House-Senate conference committee, but an aide to the energy chief described his boss as "happy" about the reported provisions of the bill.

Gov. Jay S. Hammond urged President Ford by letter last week to ask the committee to change provisions of the bill affecting Alaska oil prices. Hammond also urged Ford to veto the bill if changes are not made.

On the gas route question, Zarb's press secretary, Robert Nipp, said the administrator is

looking at critical questions that will help the administration decide which line—Alaskan or Canadian—to support. The questions include:

—Which line can be completed first?
—Where is the need for natural gas greatest?
—Which route affords greater strategic security?

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Nipp said that he personally was unaware of the impact the

bill would have on the state's current fiscal problems. He said he did not know whether Zarb had considered the state's financial woes.

NIPP said many of President Ford's advisors have counseled against vetoing the energy bill because a veto would result in the decontrolling of oil prices, and the

President would be blamed for the resulting rise in prices at the gas pump.

HAMMOND'S petroleum revenue specialists have told the Governor that the legislation pending in Washington might undermine the reserves tax on Prudhoe Bay fields.

All American Line

11/29/75
AOT

ALASKA'S congressional delegation is seldom united on any issue. But it is in tune on at least one matter—sharing a conviction that natural gas from Prudhoe Bay must move to market via a pipeline routed through Alaska, and not Canada.

Sen. Ted Stevens, in speeches here last week during the congressional Thanksgiving recess, reported that support is growing in Washington for an all-American line. "Today," he reported in Cordova, "I can legitimately say we are honestly hopeful of the outcome."

One of the big factors, according to the senator, is an indication that the Federal Power Commission will decide in favor of the trans-Alaska route. The reason is obvious; if the trans-Canadian route is approved, the United States will lose control over that segment of the line which lies within Canada's territorial domain.

A continuing worry, however, is

that the decision may be lifted from the hands of the FPC and taken over by Congress. The decision will then be based on political whim and emotions, primarily based on arguments that the trans-Canada route would more directly aid natural gas consumers in the Midwest and the East.

THOSE WHO favor a Canadian line brush aside, as insignificant, various factors which almost certainly would impede and delay construction. They would minimize the environmental concerns posed by a construction job that would cover a couple of thousand more miles than the Alaska route. They ignore Canadian native land claims problems. And they dismiss as unimportant Canadian national interests in the line.

It's an American resource, however. And the best way to American markets is through America's 49th State.

Oil Price Crisis

A CONGRESSIONAL bill which would put the price of Prudhoe Bay oil in limbo is causing consternation in Alaska. If enacted, it would pretty well wreck the state's plan to impose a tax on petroleum reserves on the North Slope.

If that happens, the state's hopes of staying off its own form of New York bankruptcy would be dashed and the state would face an economic crisis that could cause turmoil during the next two years.

As proposed by the Joint Energy Conference Committee, and as expected to pass the Congress before the Christmas adjournment, the bill would delay until 1977 the fixing of a price on Prudhoe Bay oil.

Without the price being firmed up, the state has no real way to levy assessments under the reserve taxation plan. Without revenue from the reserve tax, the state can't fund its operating budget when fiscal 1977 begins next July.

To Congress, the price of Alaska oil from the North Slope may seem

to be no immediate concern—particularly since the pipeline operations are not scheduled to begin until mid-1977. But to Alaska, the matter is vital—a life-or-death economic worry.

GOV. JAY Hammond wrote President Ford earlier this week, urging his veto of the bill if it reaches his desk in its present form.

The trouble is that the bill represents the main energy proposal of the Congress this session, and with an election year coming up is likely to have strong support for enactment now without further amendment.

The danger is that it may become law with the promise that Congress will take up a new measure early in the year to try to accommodate Alaska. But that may be too late for Alaska.

The state's hopes may lie with how convincing Gov. Hammond can be in conversations with President Ford.

Energy Administrator Frank Zarb



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Without the price being firmed up, the state has no real way to levy assessments under the reserve taxation plan. Without revenue from the reserve tax, the state can't fund its operating budget when fiscal 1977 begins next July.

To Congress, the price of Alaska oil from the North Slope may seem

to be no immediate concern — particularly since the pipeline operations are not scheduled to begin until mid-1977. But to Alaska, the matter is vital — a life-or-death economic worry.

GOV. JAY Hammond wrote President Ford earlier this week, urging his veto of the bill if it reaches his desk in its present form.

The trouble is that the bill represents the main energy proposal of the Congress this session, and with an election year coming up is likely to have strong support for enactment now without further amendment.

The danger is that it may become law with the promise that Congress will take up a new measure early in the year to try to accommodate Alaska. But that may be too late for Alaska.

The state's hopes may lie with how convincing Gov. Hammond can be in conversations with President Ford.

Energy Administrator Frank Zarb



Alaskans In Washington

Events Give El Paso Backers Hope For Success

By BETTY MILLS
Washington Bureau

WASHINGTON — Several developments in recent days have given proponents of the Alaskan gas line cause to place new hope in the eventual success of the project.

The developments are these: the bumbling efforts by Arctic Gas lobbyists to introduce legislation that would mandate the Canadian route; the passage by the Canadian Liberal Party of a resolution favorable to the El Paso project; and the pledge by El Paso to pour \$120,000 into the lobbying efforts of the Organization for Management of Alaska's Resources (Omar).

The Arctic Gas bill, news of which leaked to the Alaskan congressional delegation and reporters before the consortium apparently was ready to reveal it, has not yet made its way into the hopper of either the House or Senate.

Rev. Philip E. Ruppe, a Republican from Michigan's Upper Peninsula, is ready to put the bill in on the House side, but is waiting for more co-sponsors. He is likely to get some powerful names on the bill: House Minority Whip John Anderson of Illinois and Democratic presidential hopeful Morris K. Udall of Arizona.

Udall's presence on the bill in part may serve to stave off criticism of Arctic Gas by

environmentalists.

But as Vice Chairman William W. Brackett and other Arctic Gas lobbyists have made their way around Capitol Hill, they have made at least one enemy with their heavy-handed tactics.

One congressional staff member deplored the "bulldozer approach" that Arctic Gas is using in pushing its bill.

"There are so many unresolved issues in this matter," he said. "The final environmental impact statement is not out on either project, the financing studies are not complete and the economic impact is not yet known. One could regard this bill as premature if it calls for an open and shut case. If it is

meant to serve as a vehicle for hearings and open discussion of the various gas line proposals, then it may have some merit."

It is safe to assume that Arctic Gas would prefer the "open and shut case" approach to its bill, rather than a prolonged hearing process where the merits of the El Paso proposal would be advanced by members of the Alaskan delegation and others.

The same source said the congressman, who favors the Canadian route, might be more amenable to legislation if "if it were not so blatant. The congressman does not want to become known as a front for Arctic Gas."

In another matter, El Paso and Rep. Don Young, R-Alaska, have placed great stock in the resolution approved this month by the Canadian Liberal Party, which they say gives a boost to the All-Alaskan pipeline proposal. Arctic Gas officials dismiss it as insignificant, and many observers believe a resolution by the ruling party will not carry that much weight with Prime Minister Pierre Trudeau, who has in the past expressed support for the Canadian Arctic Gas project.

Arctic Gas has been quick to criticize, however, the news that El Paso plans to funnel substantial sums into Omar's lobbying efforts. One spokesman for the consortium said the announcement proves that Omar is not a citizens' group at all, but a front for El Paso.

Omar can certainly use the funds to counter the activities of Arctic Gas. In a news release announcing the El Paso "no-strings attached contribution," Omar said their "national information campaign" will increase soon from \$20,000 a month to \$30,000 a month. Omar said Arctic Gas is spending about \$3 million a month on public relations and advertising efforts.

Despite these encouraging signs, Alaskan gas line supporters have no reason to get cocky.

There is a long tough fight ahead, both on the agency front in the Federal Power Commission and in the Congressional arena.

Recent lobbying initiatives by Omar's Gary Frink should be stepped up and broadened.

Gas Line Choice Expected In Year

By BETTY MILLS

Times Washington Bureau

Washington — The final gas purchase contracts, a decision in an Alaska gas line fence between the parties case now before the Federal Power Commission could come as early as October 1976, one of the commissioners has told a congressional subcommittee.

In written testimony to the House Interior subcommittee on public lands, the commission's vice chairman, Don S. Smith, set December 1976 as a target date for completion of the proceeding. But he said if the hearing is expedited, a decision could come as early as October.

The Federal Power Commission opened hearings last May on two competing proposals by the Arctic Gas Consortium and El Paso Natural Gas Co. to bring gas from Alaska's North Slope to markets in the Lower 48.

Sen. Mike Gravel, D-Alaska, has introduced legislation to mandate a decision in the case by June 1976.

Smith, responding to a series of questions posed by the subcommittee during a hearing on the gas line last month, acknowledged that it is difficult to project a timetable for conclusion of the proceeding.

"Any attempt to short cut this procedure must be done with care so as to preserve due process rights of all parties," Smith said.

One issue raised in recent days that may delay the proceeding is the necessity for the two applicants to submit

sales contracts for their reserves and seek appropriate authorizations for these sales," Smith said. "Neither the Gas Arctic group nor El Paso can perfect their respective applications as to final design, cost and economics of delivery of the Arctic Gas supplies to Lower 48 customers. Absent such information, the proceeding cannot be concluded."

Smith, in his written answers to public lands subcommittee Chairman John Melcher, D-Mont., said he hoped the gas purchase contracts can be submitted early in 1976.

Following the timetable Smith sets out in the document to Melcher, Smith projects that the hearing record in the case could be closed by next May, with an initial decision by Administrative Law Judge Nihum lit in September. The full commission decision would be handed down by Dec. 1.

In further response to Melcher's 18 questions, Smith said judicial review could begin then the process considerably, saying natural gas pipeline certification proceedings have been delayed up to two years by court challenges.

12 Anchorage Daily Times, Wednesday, November 28,

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"Any attempt to short cut this procedure must be done with care so as to preserve due process rights of all parties," Smith said.

One issue raised in recent days that may delay the proceeding is the necessity for the two applicants to submit

the final gas purchase contracts. A conference between the parties and the administration law judge is scheduled for next week to discuss the matter.

"Until such time as the North Slope producers enter into sales contracts for their reserves and seek appropriate authorizations for these sales," Smith said, "neither the Gas Arctic group nor El Paso can perfect their respective applications as to final design, cost and economics of delivery of the Arctic Gas supplies to Lower 48 customers. Absent such information, the proceeding cannot be concluded."

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12 Anchorage Daily Times, Wednesday, November 26,

Senator Holds To Optimism

Special To The Times 11/25/75

CORDOVA — Sen. Ted Stevens, R-Alaska, told the Cordova Chamber of Commerce he is optimistic that a pipeline to transport Prudhoe Bay natural gas to the Lower 48 will be a trans-Alaska one.

Supporters of an all-Alaska line are in a better position today than they were six months ago, Stevens said yesterday, adding that six months from now chances for the all-Alaska line will be even better.

"I think the Federal Power Commission will go with an Alaskan line," Stevens said, because the commission would not have any say in a line that crosses Canada.

The senator briefly discussed conditions in Canada and said recent developments there will have more impact in Congress than on the Federal Power Commission.

He said opposition is growing in Canada to a gas line that would cross Canada in bringing Alaska's gas Outside.

"Today, I can legitimately say we are honestly hopeful of the outcome" for an all-Alaska gas line, he said.

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Stevens said he did not know what the vote in Congress would be but that forces are changing from opposition to support of a trans-Alaska line.

Executive Says Pact Could Pave Way For Arctic

MINNEAPOLIS, Minn. (AP) — A natural gas pipeline treaty between the United States and Canada will be initialed soon, a Northern Natural Gas Co. executive predicted Monday.

John R. Brady, vice president of supplemental supplies for the pipeline company based in Omaha, Neb., said if such a treaty were approved by Congress, it would pave the way for the Arctic Gas pipeline project.

The project is a proposal to bring natural gas from Alaska's north slope to the lower 48 states which Brady said would provide gas to consumers at less cost than a competing proposal.

Northern Natural Gas delivers 95 per cent of the natural gas used in Minnesota. The company is a member of a consortium that wants to build the pipeline south from Prudhoe Bay through Canada to serve California, the Midwest and the East. The pipeline would cost \$9 billion to \$10 billion.

The Federal Power Commission (FPC) is considering the Arctic Gas pipeline proposal and a rival pipeline plan advanced by El Paso Natural Gas Co.

El Paso wants to build a pipeline paralleling the Alaska oil pipeline to southern Alaska, where the gas would be liquefied and transported by ship to

Southern California. At that point it would enter El Paso's pipeline system. Estimated cost of that proposal is about \$7 billion.

However, also being considered are the ultimate price to consumers, the environmental impact of the proposals, safety and U.S.-Canadian relations.

Brady said Northern Natural would receive gas under either proposal, as it has contracted for 15 to 20 per cent of the discovered gas in the Prudhoe Bay region.

However, he added that Alaskan gas would cost more, and perhaps twice as much, as gas now being supplied.

Party backs all-Canadian pipeline plans

ADN

11/25/75

From Our Washington Correspondent

WASHINGTON — Rep. Don Young, R-Alaska, reports that the Canadian Liberal Party has gone on record favoring "northern Canadian pipeline schemes that are all Canadian in ownership and which are designed to serve adequately the Canadian public first."

He said this was the gist of a resolution passed at a Liberal Party plenary meeting November 8-9 in Ottawa. The Liberal Party is Canada's ruling political party. Its leader is Prime Minister Pierre Trudeau.

In addition, Young said that the party had gone on record favoring a policy to "Canadianize the petroleum industry."

On both these counts, Young said the political balance in Canada was shifting to favor construction of an "all Alaska, all-American" pipeline for North Slope gas.

William Brackett, vice president of Arctic Gas, a company seeking to build a joint U.S.-Canadian gas line, said he felt the resolution left his company's position unchanged in Canada.

"The merits of the Arctic Gas project are sufficiently great for Canada," he said, "that we think they will be agreed to."

On related matters, Senate and House staff members said last week that a bill to mandate the Arctic Gas proposal now probably would not be introduced until after Congress returns from its Thanksgiving recess.

THE FEDERAL GOVERNMENT'S energy-conserving efforts have saved taxpayers some \$1.4 billion over the past 21 months, the Federal Energy Administration says. Federal Energy Administrator Frank Zarb says the federal energy consumption has been reduced by 24.5 per cent during those months, resulting in a savings of an equivalent of 164 million barrels of oil.

ARCTIC GAS PIPELINE TREATY IS SEEN

Natural Gas Producers May Wait In Hope Of Price Deregulation

By EDMUND PINTO
WASHINGTON (AP) — Producers of natural gas may have an economic incentive to withhold supplies in the hope price controls eventually will be lifted, a new Library of Congress study says.

The conclusion was based on a hypothetical analysis that considered the gain of selling fuel now at regulated prices or waiting up to six years for deregulation and selling it then at much higher prices.

The Library of Congress said the deregulated price of natural gas could reach \$3 per thousand cubic feet at the wellhead, compared to about \$2.25 cents per thousand cubic feet now.

The potential increase gives a producer of a typical natural gas field "a strong profit motivation not to commit that gas to market at current regulated prices because committing his field at deregulated prices is more profitable even after a four to six year wait," the study said. It did not charge that producers are withholding gas.

"Should Congress, considering deregulation, discover that large amounts of natural gas were being held off the market for speculative purposes, the legislative impact of the discovery could well be swift and very damaging to the producing industry," the report said.

Chairman John Dingell, D-Mich., of the House energy and power subcommittee, which released the report, said that the "incentive to withhold" as illustrated in the Library of Congress report, "is obviously the reason why we have 8.5 trillion cubic feet of gas under contract to the interstate pipelines that is not being produced."

By STAN BENJAMIN
WASHINGTON (AP) — The United States appears destined for a chronic shortage of increasingly expensive natural gas for at least the next 10 years.

Prodded by the gas industry and President Ford, Congress has moved toward ending federal regulation of wellhead gas prices, hoping to stimulate production that way.

Even deregulation backers don't advertise a quick cure; at best they say, it may keep a bad situation from getting to much worse. Shortages this winter are expected to be especially severe.

"In the 1970's, even with deregulation, there is not going to be any surplus of gas, ever," says Edward Calland, vice president of Columbia Gas Transmission Corp., a pipeline which says it already is badly short of gas for its customers. "There is going to be a shortfall from now on. We won't be

able to meet unrestricted demand."

Gas-burning electric power plants will generally be the first to have their gas cut off under federal and state priority plans, says the Federal Energy Administration (FEA). They will be followed by other large industrial users. Residential and other essential gas users would be the last to face serious curtailments.

Some industries may not be able to afford substitute fuels, the FEA warns, and some are simply unable to switch to other fuels.

If such industries can't get natural gas, they will shut down, bringing unemployment and economic depression to communities that depend on them.

The FEA said that industries requiring natural gas to keep going include: the chemical industry, motor vehicle parts, textiles (the bulk of them in

North Carolina, the state facing one of the worst shortages), fertilizers, primary metals, stone, clay and glass, food processing, paper, machinery manufacturing, and — ironically — the petroleum industry itself.

From last April through next March, interstate pipelines expect a shortage of 2.9 trillion cubic feet of gas, 19 per cent of their requirements.

But the FEA estimates they could get another 200 billion to 400 billion cubic feet, now unsold within the producing states, if deregulation frees them to buy it — at triple the current regulated price.

The FEA says other fuels are available, largely because of the nation's economic slowdown, to replace most of the missing gas this year.

Switching fuels will multiply costs.

The Federal Power Commission (FPC) reports that electric utilities paid an average of 49 cents for one million BTUs (energy units) in the form of natural gas in 1974.

As coal, the same energy cost them 71 cents; as oil, it cost \$1.92.

When power plants and other industries switch from gas to coal or oil, their higher fuel

costs will show up as higher consumer prices for electricity, merchandise and services.

Gas bills, too, are rising. Restrained by federal regulation, it took 12 years for the wellhead price of natural gas to rise 4.6 cents to an average of 18.6 cents per thousand cubic feet.

In only two more years, by 1974, the average climbed almost 12 cents to 30.4.

Last December, the FPC raised its ceiling price to 50 cents, plus annual one-cent increases.

Even without further ceiling increases, the recent price hikes will gradually increase future consumer bills as contracts at old, low prices expire and are replaced at the higher prices.

If federal regulation ends, new gas contracts are expected to leap to prices of \$1.25 or more, already paid within gas-producing states where gas, exempt from federal regulation, has brought as much as \$2.00 per thousand cubic feet.

"We estimate deregulation would increase the cost to the consumer about 6 per cent a year," said Calland, referring to gas industry studies.

That would add about \$10 a year to the average residential gas bill, which was about \$170 in 1974.

The FPC staff estimated last April that deregulation would add about \$20 to the average residential bill in its first year, but the impact would shrink later on.

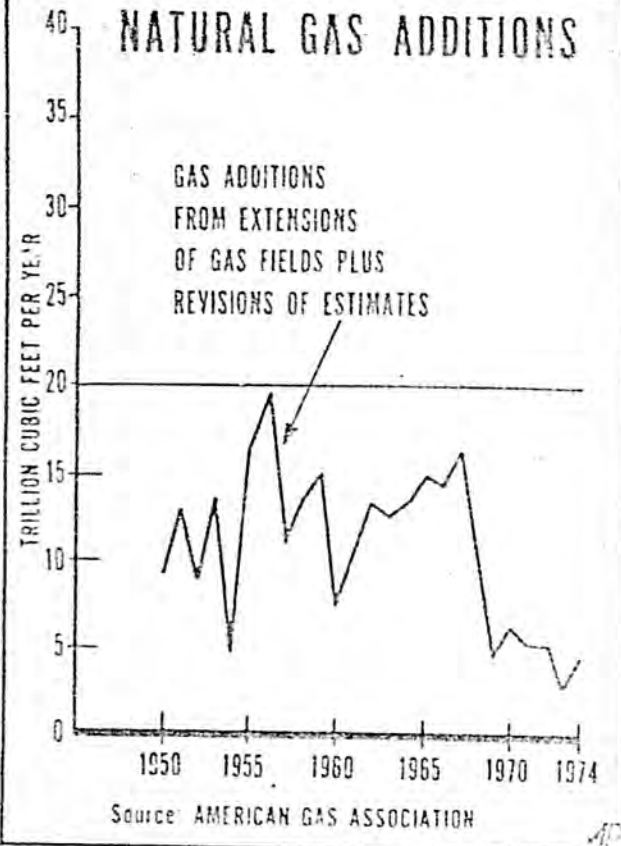
Even if federal price regulation were kept in force, the FPC probably could not hold the line very long.

It has already authorized small producers to charge 30 per cent more than the standard ceiling price, to compensate for their financial risks.

Future gas supplies look more costly than the traditional fields of Texas, Oklahoma and Louisiana.

Next year's shortage is forecast at an over-all 16 per cent concentrated on interstate pipelines, that could mean regional shortages of 24 per cent or more, and substitute fuels may become unavailable if the general economy improves.

Gas industry forecasts indicate it may be 1985 before production could return to its 1973 level.



SHOWS GAS ADDITIONS

This chart shows the natural gas additions from extensions of gas fields from 1950 to 1974, plus revisions of estimates. (AP Wirephoto)

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The study claims that the greatest risk the producers face if they are withholding is that their efforts will backfire. "Should Congress, consid-

The \$3 figure forecast in the study is even higher than the cost of interstate natural gas that already is sold without price controls.

Interstate natural gas is produced and used solely within one state. Its current price averages \$1.50 per thousand cubic feet at the wellhead but it has sold in some locales for as much as \$2.

Interstate natural gas is produced in one state and shipped for use in another. Its price is regulated by the Federal Power Commission.

Natural gas producers have claimed they are not withholding their product, but that because of higher interstate prices, much of it is earmarked for that market, helping create shortages in the interstate market. They also have insisted that a lifting of all price controls would spur exploration and drilling for new supplies of the fuel.

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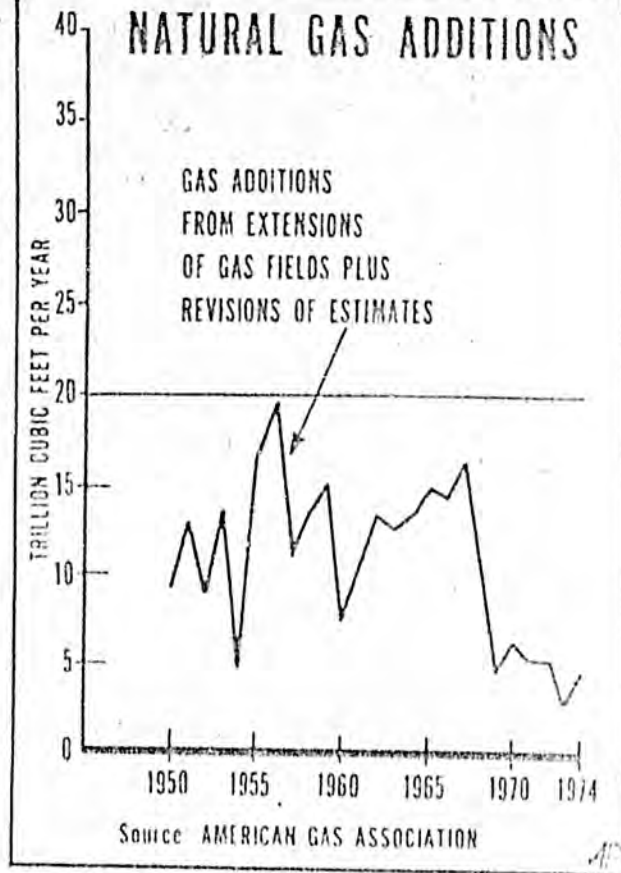
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11-24-75 ADT

Rep. Phillip E. Ruppe, R-Mich., plans to introduce the bill that Arctic Gas has drawn

"It (the bill) makes grandiose claims about natural gas, which is quite limited, even with Prudhoe Bay," the

"I'm sure we would have no trouble getting co-sponsors," said Vice Chairman William W. Brackett.

Jimmy the Greek gives odds on presidential candidates

JIMMY'S odds on the other contenders: Sen. Henry Jackson-Georgia Gov. Jimmy Carter, 8-1; W. D-Mass., 12-1; Sen. Birch Bayh-Lloyd Bentsen, D-Tex., 15-1.

Footnote: Jimmy also took one of his scientific polls to find out whether Americans support federal aid to New York City. Of 1,500 who were polled, 656 agreed that the federal government should bail out New York City and 504 opposed any aid. Another 195 didn't know and 105 didn't care.

Spokesmen have solemnly denied any conspiracy between the regulators and the regulated. But now we have learned that Frank Allen, boss of the FPC's Natural Gas Bureau, told staff attorney Bill Braun bluntly: "If you find producers withholding gas, you should do nothing."

If the corruption completes the full circle, price controls will be removed, prices will soar and gas users will feel an acute pain in the pocketbook.

THE CLEAR IMPLICATION of Allen's remark was that Braun should do nothing about Transco's gas curtailments. Earlier, Allen had given additional duties to the only staff member who had been helping Braun with the Transco investigation.

It appeared to Braun, at least, that Allen was trying to obstruct his investigation of Transco. The charge is denied by Allen. But Braun has moved up to Capitol Hill, meanwhile, where he can continue his investigation.

FOOTNOTE: Rep. John Dingell, D-Mich., may attempt to determine whether any FCC officials are guilty of misfeasance.

Sponsor Paucity Stalls

Arctic Gas Legislation

By BETTY MILLS

Times Washington Bureau
WASHINGTON — The attempt by the Arctic Gas consortium to sponsor legislation that would mandate their route to bring natural gas from Alaska has been stalled temporarily, for lack of adequate sponsors.

Rep. Philip E. Ruppe, R-Mich., plans to introduce the bill that Arctic Gas has drawn up and circulated extensively on Capitol Hill. But Ruppe has held off actually putting the legislation in the hopper, awaiting more co-sponsors. The bill may go in next week.

House Assistant Minority Leader John B. Anderson, R-Ill., has not made a final decision, but is leaning heavily toward co-sponsoring the legislation.

Another so-called "heavyweight," presidential candidate Morris K. Udall, D-Ariz., is considered a likely co-sponsor, unless he decides there will be reprisals from environmentalists.

An aide to Udall said today the congressman "has under active consideration" the question of whether to co-sponsor the Arctic Gas bill. "He favors the Canadian line but that doesn't necessarily mean he favors their main route going through the Arctic Wildlife Range."

According to the spokesman, Udall, chairman of the House energy and environment subcommittee, "plans to look at the trade-offs involved."

But Arctic Gas has lost one potential co-sponsor, Rep. William M. Brodhead, D-Mich., due in part to their heavy-handed lobbying tactics.

The Detroit congressman's legislative assistant said today that Arctic Gas has painted the bill "as a panacea" to the nation's energy problems, something the congressman regards as a gross exaggeration.

"If (the bill) makes arctic claims about natural gas, which is quite limited, even with Prudhoe Bay," the

Lack Of Sponsors Stalls Arctic Gas

(Continued From Page 1)

The congressman also is concerned about financial provisions that are the "shadow behind the bill," including the possibility of loan guarantees, he said.

Moreover, Brodhead does not want to become known as an ally of Arctic Gas through the legislation, his aide said.

Arctic Gas itself remains close-mouthed about the legislation.

"I'm sure we would have no trouble getting co-sponsors," said Vice Chairman William W. Brackett.

\$6.5 million.

died Thursday at the age of 62.

provinces and which warned more than

Jimmy the Greek gives odds on presidential candidates

Jack Anderson

ON — The 1976 presidential race, gambling odds, is just about a tossup. Las Vegas oddsmaker, Jimmy the Greek, who figures the political odds, rates President Ford as a narrow favorite over the Democratic contenders. Hubert Humphrey, D-Minn., has a shot at Ford by Jimmy's odds. He gives him, 7-to-6 edge over Ford.

ENT is a solid bet on the odds. The Republican odds are 3-1 against 5-1. Ford's leading odds are 3-1 against 5-1. In other words, Ford is a 3-1 favorite to win the election. He is a 3-1 favorite to win the election. He is a 3-1 favorite to win the election.

Republican possibilities are rated by the order: Vice President Nelson A. Rockefeller, 1-1; Commerce Secretary Elliot L. Richardson, 2-1; ex-Treasury Secretary John Connally, 3-1; Sen. Howard Baker, R-Tenn., 4-1; Sen. R. Frank C. Dill, 5-1; and Sen. Charles Mathias, 6-1.

atic favorite, at 3-1, is Senator Hubert H. Humphrey, D-Minn., who would become the nominee.

JIMMY'S odds on the other contenders: Sen. Henry Jackson, 7-1; Georgia Gov. Jimmy Carter, 8-1; Sen. Edward Brooke, R-Mass., 12-1; Sen. Birch Bayh, D-Ind., 15-1; and Sen. Lloyd Bentsen, D-Tex., 15-1.



Sen. Frank Church, D-Idaho, 20-1; ex-North Carolina Gov. Terry Sanford, 20-1; Pennsylvania Gov. Milton Shapp, 20-1; Rep. Mo Udall, D-Ariz., 20-1; Alabama Gov. George Wallace, 20-1.

Sen. John Glenn, D-Ohio, 25-1; Sen. Ed Muskie, D-Me., 25-1; ex-Sen. Fred Harris, D-Okla., 40-1; Sargent Shriver, 40-1; Sen. George McGovern, 100-1; Sen. Adlai Stevenson, D-Ill., 100-1.

Footnote: Jimmy also took one of his scientific polls to find out whether Americans support federal aid to New York City. Of 1,500 who were polled, 696 agreed that the federal government should bail out New York City and 504 opposed any aid. Another 195 didn't know and 105 didn't care.

COSTLY ROMANCE: The illicit romance between the Federal Power Commission and the oil-and-gas industry is an old story.

We have written repeatedly, for example, about the strange reluctance of the FPC to crack down on producers for withholding natural gas from the market.

Spokesmen have solemnly denied any conspiracy between the regulators and the regulated. But now we have learned that Frank Allen, boss of the FPC's Natural Gas Bureau, told staff attorney Bill Braun bluntly: "If you find producers withholding gas, you should do nothing."

THIS ATTITUDE has encouraged producers to hold back gas until prices increase. The more gas they keep off the market, the greater the shortage will be. As the shortage becomes more acute, the pressure will build up to deregulate prices.

If the corruption completes the full circle, price controls will be removed, prices will soar and gas users will feel an acute pain in the pocketbook.

The FPC, of course, is supposed to protect the consumers' pocketbooks, not the companies' profits. But the reluctant regulators have become convinced by the oil-and-gas gang that deregulation is now necessary to stimulate exploration for new natural gas.

ALLEN IS KNOWN inside the FPC as an apologist for the industry and an advocate of price deregulation. At the time of the incident, he denied that he had urged Braun to do nothing about gas manipulation. But when our associate Jack Cloherty pinned him down, Allen acknowledged that he had made the statement but contended that Braun had misinterpreted it.

What he had meant, Allen explained, was that producers may be holding back gas supplies so they will have enough to deliver during the winter months or to critical shortage areas.

This explanation doesn't square, however, with the available facts. When Allen told Braun to do nothing about gas held off the market, Braun was investigating why Transco, a major East Coast pipeline, was cutting back on gas deliveries.

THE CLEAR IMPLICATION of Allen's remark was that Braun should do nothing about Transco's gas curtailments. Earlier, Allen had given additional duties to the only staff member who had been helping Braun with the Transco investigation.

It appeared to Braun, at least, that Allen was trying to obstruct his investigation of Transco. The charge is denied by Allen. But Braun has moved up to Capitol Hill, meanwhile, where he can continue his investigation.

FOOTNOTE: Rep. John Dingell, D-Mich., may attempt to determine whether any FPC officials are guilty of misfeasance.

the municipal budget.

Other views:

Too slick, too fast

From the Los Angeles Times

The State of California and the City of Los Angeles should move quickly and in concert in the federal courts to block the Interior Department's planned Dec. 11 sale of oil leases off the Southern California coast.

There are sound legal bases for seeking an injunction to prevent the leasing of 1.24 million acres of oil tracts at this time. There are overriding environmental and economic reasons for doing so. Finally, there is a good chance that Congress will soon complete action on legislation that would satisfy the state's major objections to offshore leasing. A delay of a few months in the lease sales until that legislation can become law clearly is in the best interests of this area.

Responsible state and city officials do not want to prevent oil exploration and development. They recognize that the extensive oil and natural-gas deposits on federal lands off the California coast are of major importance to the nation's energy future. Those deposits, like similar offshore resources elsewhere, must be exploited. But that must and can be done under procedures that will minimize risk, harm and social impact.

The legislation already passed by the Senate and now being considered by a special House committee would meet the needs of the affected coastal states. But it is not expected to win full congressional approval before the Dec. 11 lease sales off Southern California. That is why it is so important that there be prompt action in the courts to delay those sales.

Gov. Brown has endorsed this legislation and the need to assure its applicability to California; he should now promptly put the state government behind a legal effort to delay the leasing until the legislation clears Congress. Los Angeles officials have endorsed this legislation; the City Council should now promptly authorize legal action by the city to the same end.

The aim in all this is not to prevent necessary offshore drilling, but only to protect the interests of Southern California. The Interior Department has stubbornly ignored those interests. The state and the city must act promptly in their behalf.

prominence the whole question of the right of the individual to command the movements of his doctors under dire circumstances.

Dr. Milton Heifetz, a prominent California neurosurgeon, has written a subtle and informative book on the subject called "The Right to Die." He testified in the Karen Ann Quinlan case on the side of the petitioners, Karen's parents, who begged the doctor to "pull the plug," the earthy term, for which however there is no satisfactory substitute conveying exactly that meaning. The distinction is between letting a patient die of natural causes,



W. F. Buckley

and causing him to die.

IT IS IN THE opinion of Dr. Heifetz the critical distinction and it has a distinguished ethical lineage. Karen Quinlan's parents are Catholics, and before approaching the doctor to recommend that he turn off the respirator that keeps the

Taking a great

WASHINGTON—The power struggle in Washington goes on unabated and foreign ambassadors stationed in Washington are sending long cables back to their countries trying to explain it.

Here is one of the cables sent by a representative of the People's Republic of China who is living in D.C.

"MOMENTOUS historical events are taking place here in Washington with the opening salvo of President Ford's

Great Cultural Revolution. At first it was believed that Henry Kissinger was behind the cultural revolution to bring disgrace on Defense Minister James Schlesinger. But now Kissinger is in disgrace himself and has been demoted to only one inconsequential post as Secretary of State. He has also been cited for contempt by the People's Congressional Subcommittee. Official American newspapers are predicting he will soon be sent to North Dakota to harvest grain at a state farm run by Agriculture Minister Earl Butz.

"Kissinger is now called a revisionist and counterrevolutionary by a majority of the People's Congress for



Art Buchwald

advocating detente with the Soviet lackeys in the Kremlin.

Defense Minister Schlesinger has been exiled to the John Hopkins School of International Affairs in the purge, and has been replaced by Donald Rumsfeld, a young member of the Ford clique who has been involved in a power struggle with the Kissinger loyalists for over a year.

"RUMSFELD has denied he was the instigator of the palace revolt, but his picture with Ford has been plastered on posters all over the outside walls of the Pentagon.

"Another victim of the purge was William Colby, Director of the People's Central Intelligence Committee. Colby's main crime was that he publicly confessed to the

THE OPPOSING GAS WHY IT SHOULD BE

Two Alternative Plans Offered

Two routes are being considered for transporting natural gas from the Alaska North Slope to the Lower 48.

Alaskan Canadian Arctic Gas Pipeline Co. proposes a pipeline that would pass through Canada and connect with a pipeline system in other parts of the United States, while Alaska is sponsoring an all-Alaska pipeline route with natural gas moving to the West Coast on tankers.

Congress decided on final right-of-way approval of Alyeska's trans-Alaska oil pipeline; it will make this decision too on the gas line.

The Canadian alternative consists of two separate sections that will require a total of 6,300 miles of new pipeline.

The first section, technically referred to as the Arctic Gas Pipeline, begins at Prudhoe Bay and travels east into Canada where it is joined by another pipeline from the MacKenzie Delta gas field.

They share a common 48-inch pipeline moving south. North of Calgary, Alberta, the pipeline again splits in two, with a western branch entering Idaho and an eastern branch entering Montana.

The pipeline system travels 2,600 miles through Canada before reaching the United States border.

At this point the second section, the distribution system within the Lower 48, begins.

Near the international border the western branch divides into two sections, with one serving Northern California and the other serving Southern California.

The eastern branch connects with the existing trans-Canada gas pipeline near the United States border to serve eastern Canadian provinces, then it traverses south and east toward distribution systems in Illinois and the Eastern Seaboard.

Under the trans-Alaska project sponsored by El Paso, the pipeline would follow the Alyeska pipeline from Prudhoe Bay to Gravina Point, Alaska.

Natural gas would be liquefied at the Gravina Point terminus, an all-weather port on Prince William Sound between Valdez and Cordova.

There it would be loaded aboard 11 LNG tankers for shipping to the Lower 48. Most

of the liquefied natural gas would be taken to Southern California, where it would be returned to its gaseous form and routed into a new pipeline between the port terminal and existing, under-utilized gas pipelines in California.

From there it would enter existing pipeline systems serving Southwest, Midwest and Eastern Seaboard customers. The fact that customer distribution line already exists makes the Alaska plan 2 to 3 years quicker than trans-Canadian proposal and cheaper to U.S.A. customers.

More Jobs, Tax Revenue From Line

The entire nation will benefit from 15 times as many permanent jobs and seven times the tax revenues if the all-Alaska gas pipeline project is approved.

We anticipate over 600 permanent employees in Alaska when the line is completed; trans-Canada line estimates 30.

Over the 25-year life of the project, \$2.2 billion in tax revenues would accrue to the state of Alaska from the Alaska proposal, compared with \$311 million from Alaska-Canadian project.

Tax revenue estimated to accrue to all of the United States from the Alaska Gas line is \$10.7 billion, twice the \$5 billion benefits expected from the Trans-Canada proposal.

Jobs, goods and services within Alaska during the construction phase would total \$4 billion from the Alaska proposal, as compared to \$500 million from the Canadian proposal.

Finally, the Alaska proposal will provide inexpensive access to royalty gas for the state of Alaska, while the Canadian proposal will not, in fact. The State's gas would be lost forever to the State of Alaska.

Royalty gas alone is of major importance to Alaska because much of its future hope for industrialization rests on the availability of low cost energy in Alaska.

States with LNG Facilities

Liquefied natural gas (LNG) is now being stored in numerous locations throughout the U.S.

This storage enables natural gas distribution utilities to take gas during the summer months when demand is low, liquefy it, store it and then regasify (or "vaporize") the gas and return it to the distribution lines when need is greatest.

This system is accomplished by refrigeration which reduces the natural gas to 1-600th of its volume. It can then be stored or transported efficiently.

The following are communities where LNG is stored for use in peak demand periods:

Alabama: Birmingham, Montgomery, Trussville (1976), Fort Payne and Cordova.

Arkansas: Yarbrough.

California: Chula Vista and Camp Pendleton.

Connecticut: Milford, Rocky Hill, Torrington, Stamford, Danbury, New London, Waterbury and Norwich.

Delaware: Wilmington.

Georgia: Riverdale, Columbus, Macon (1977) and Austell.

Idaho: Boise.

Illinois: Mahomet.

Indiana: Beech Grove, La Porte and Kokomo.

Iowa: Bettendorf, Des Moines, Waterloo (1976) and Ventura (1977).

Kentucky: Erlanger.

Maryland: Baltimore.

Massachusetts: Lowell, Ludlow, Lynn, Boston, Fall

River, Lawrence, Holyoke,

Fitchburg, Acushnet, Easton,

Marshfield, South Yarmouth,

Wareham, Haverhill, Salem,

Westminster, Wilmington,

Westford, Middleboro and

Westfield.

Maine: Lewiston.

Minnesota: Carlton, Wescott

and Burnville.

Nebraska: Omaha.

New Hampshire: Nashua.

New Jersey: Hackensack,

Hackettstown, Farmingdale,

Elizabeth, Burlington

Township, Manahawkin and

McKee City.

New York: Staten Island and

Brooklyn.

North Carolina: Charlotte,

Cary (1976) and Lenoir.

Oregon: Portland.

Pennsylvania: West

Conshohocken, Philadelphia,

Temple and Hazelton.

Rhode Island: Exeter and

Cumberland.

South Carolina: Charleston

(1976) and Fort Hill.

Tennessee: Chattanooga,

Memphis, Springfield,

Brownsville and

Murphreesboro.

Virginia: Tidewater,

Roanoke, Fordtown, Nashville

and Lynchburg (1976).

Washington: Plymouth.

Wisconsin: Eau Claire, Oak

Creek, Rice Lake and La

Crosse.

Loss Could Total About \$6.9 Billion With Canada Route

A gas pipeline project passing through Canada could result in a \$6.9 billion loss to the American economy over the 25-year life of the project which will be paid by U.S.A. consumers.

Timing Favors Alaska Line

Timing offers an overwhelming argument in favor of Alaska's gas line proposal. Once oil production starts, only so much gas can be re-injected into North Slope fields. Estimates vary, but 1980-81 is probably the very latest before North Slope production must either be curtailed, or the gas must be flared, which is illegal.

Timing is also important from the standpoint of balance of payments, because of the growing demand in the United States for imported natural gas and the rapid increase in its cost.

Groundwork already done by the Alyeska oil pipeline gives Alaska an edge of two to three years because roads, construction camps and support facilities are in place, which cost in excess of 1 billion dollars.

Total number of permits required would be much less with the Alaska proposal. The Native Land Claims issue is not resolved in Canada and it could take years, just as it did in Alaska.

Treaty negotiations between the United States and Canada could also cause new delays, because the Provinces must also sign for a VALID treaty. The sheer distance of pipe that must be laid, 6,000 miles for trans-Canada proposal versus 1,000 miles Alaska, suggests a major time difference. Shipbuilding for Alaska tankers is not a time factor because ships can be built at the same time the pipe is being laid, and at the present time U.S. shipyards are not building up to their capacity.

PIPELINE PROPOSALS...

AN ALL-AMERICAN LINE

Paid Advertisement

Basic LNG Transport Information

Twenty-three LNG carriers have been constructed since 1964 plus nine more in 1975 alone. It is expected that 11 more will be launched in 1976 joined by 14 in 1977 and seven in 1978.

Already there is one under contract for construction and launching in 1979.

The main routes of LNG carriers are Brunei-Japan, Algeria-France, Libya-Italy, Kenai (Alaska)-Japan, Abu Dhabi-Japan, Sarawak-Japan and Algeria-Everett, Mass.

Carriers are under construction now to transport LNG from Algeria to Staten Island, N.Y.; Providence, R.I.; Cove Point, Md., and Savannah, Ga.

Pacific Lighting has a project under way to liquefy Kenai (Alaska) gas and transport it to Southern California. Two tankers are under construction for that route, to be launched in 1977 and 1978.

Pacific Lighting is part of the Arctic Gas consortium. It has applied to the FPC for the necessary permits for the Kenai-California project. In Southern California, a facility for re-gasification and unloading the carriers has been proposed for construction by a firm called Western Terminals. Both the Kenai gas and North Slope gas could be handled through that terminal. Possible sites are Point Conception (90 miles north of L.A.), Port Hueneme (Oxnard), just north of L.A. and the L.A. harbor.

Factual Comparisons of Projects

THROUGH ALASKA THROUGH CANADA

Security Risks	Security Risks
None. Totally under American control.	Severe. Substantial portion of the pipeline crosses a foreign country. Contrary to claims, a treaty is powerless to solve the problem.
Balance of Payments Impact	Balance of Payments Impact
Favorable.	Unfavorable. Adverse balance of at least \$8 billion.
Economic Impact	Economic Impact
All goods and services will be contracted within the U.S., including the LNG carriers.	Only 6% of \$8 billion of Arctic Gas facilities in Canada will be procured in the U.S.
Environmental Impact	Environmental Impact
Miles of new pipe: 809 in Alaska; plus a few hundred miles principally in West Texas, connecting with existing pipelines in the Lower 48 having idle capacity.	6,300 miles of new pipe.
Gravel required: approximately 7.5 million cubic yards.	Gravel required: approximately 37 million cubic yards.
Waterway crossings: Major: 26 Total: About 500	Waterway crossings: Major: 179 Total: about 3,000
Does not enter a wildlife range.	Traverses the width of the Arctic National Wildlife Range.
Timing	Timing
With the use of Alyaska's haul road and other construction facilities which required 1 1/2 years to complete, this project has a significant head start.	Subject to many unforeseen delays, such as those being experienced by Alyaska. Requires construction of camps, haul roads and other preliminary facilities before construction of pipeline may begin.
The laying of 809 miles of pipe in Alaska, coincident with the construction of the liquefied natural gas (LNG) plant represent the major time requirements for the project.	Requires the laying of 6,300 miles of pipe.
Permits must be obtained only from American agencies.	Permits must be sought from both U.S. and Canadian agencies. Must compete before the National Energy Board (NEB) in Canada against Foothills' all-Canadian, Maple Leaf Project. Decision expected in 1977.
Native claims settled in Alaska, after five years of extensive efforts in the U.S. Congress.	Native claims not settled in Canada. Berger Commission investigating claims.

Benefits to State of Alaska	Benefits to State of Alaska
Substantial.	Minimal.
\$1.6 billion worth of goods, services and facilities.	\$392 million worth of goods, services, and facilities.
Construction payroll of \$710 million in Alaska.	Construction payroll of \$188 million in Alaska.
\$2.2 billion to be paid in ad valorem and income taxes to the state over the life of the project.	\$221 million in ad valorem and income taxes to be paid to state over the life of the project.
Pipeline route provides state of Alaska direct access to its 12 1/2% royalty share of the gas.	Arctic Gas route precludes state access to its royal share of gas.
Tax Benefits to U.S.	Tax Benefits to U.S.
\$7.7 billion in federal income taxes to the U.S. treasury over the life of the project.	\$1.0 billion in federal income taxes to the U.S. treasury over the life of the project.
\$2 billion to be paid in other taxes to American governmental entities over the life of the project.	\$2 billion to be paid in other taxes to American governmental entities over the life of the project. In addition, \$6.9 billion will be paid to Canada at present tax rates. (Taxing powers of the provinces are sovereign and cannot be controlled by the Canadian federal government.)
Employment	Employment
7,300 workers to be employed at the peak of the project in State of Alaska.	2,300 workers to be employed at the peak of the project in the State of Alaska.
624 permanent employees in Alaska after construction.	39 permanent employees in Alaska after construction.
Total work force in U.S. at peak of construction: 24,000 (including Alaska).	Total work force in U.S. at peak of construction: 12,000.
Permanent number of employees in the U.S. after completion of construction: 1,470 (including Alaska).	Permanent number of employees in the U.S. after completion of construction: 420.
American citizens would have preferential hire.	Canadian citizens would have preferential hire.
Shrinkage	Shrinkage
11 1/2%, some of which could be in recoverable in the form of cryogenic energy.	9 1/2%, none of which is recoverable.
Total Capital Cost	Total Capital Cost
\$4 billion.	\$10 billion.
Pipe Rolling	Pipe Rolling
Pipe requirements can be met by U.S. mills.	Requires substantial portion of worldwide pipe mill capacity. No U.S. mill can now roll 48-inch pipe; must be done in Canada, Germany or Japan.

TAXATION ECONOMIC BENEFITS

ALASKAN GAS PIPELINE

USA
\$10.5 BILLION



CANADIAN GAS PIPELINE

USA
\$5.1 BILLION



ALASKA
\$2.7 BILLION



ALASKA
\$350 MILLION



By almost any standards, the environmental impact of the Canadian pipeline route would be six times as great as an All-Alaska pipe & tanker route to South 48.

A Canadian proposal will require more than 6,000 miles of new pipeline, with over 1,000 miles of that passing through the sensitive tundra of Alaska and Canada.

In the Alaska proposal, almost all new pipeline construction would be in the existing Alyeska Pipeline corridor, using work camps and roads already in place. This alone saves years of time and nearly 1 billion dollars.

Alaska line would cross some 200 miles of permafrost and requires construction of a new 200-mile pipeline in South 48.

The Alyeska oil pipeline has already sparked concern that the real environmental impact will come from opening of the Alaska tundra to hunters and tourists once the access road becomes a public highway.

Arctic's proposal would not only open more of the Alaskan tundra to ready access, but also Alaska's Arctic National Wildlife Refuge and the near pristine wilderness of the MacKenzie Valley in Canada.

The Canadian route will require three times as much steel as the all-Alaska line, and an amount of rolled steel tubing equal to the entire tubing capacity for a minimum of three years.

But Alaska's proposal will utilize thousands of miles of pipeline within the United States that are not being used to their full capacity because of the dwindling gas supply in West Texas.

Terminal facilities and LNG tankers that would be used by Alaska Tanker route are relatively clean and not a major environmental issue.

Alaska line liquefaction terminal at Gravina Point will use a technological process perfected over a decade ago on the Kenai Peninsula and elsewhere in the world.

Safety of the LNG tankers is receiving attention from maritime experts throughout the world. Although natural gas must obviously be handled with a great deal of care, the physics of liquefied natural gas make explosions impossible.

Concern has been raised about the safety of the 48-inch diameter pipe that Arctic Gas made of a new untested type of steel.

Give Our People Jobs

The \$6.7 billion Alaskan pipeline project will put twice as many Americans to work during its construction phase as the \$10 billion Arctic Gas proposal through Canada would.

Shipbuilding makes up a significant portion of the Alaska Pipe - Tanker route expenditure.

The firm proposing an Alaska line is committed to use U.S. - made steel.

Because of tanker construction, one - sixth less pipeline, the LNG terminals and no Canadian participation, Alaska route would have a greater overall United States employment impact in spite of the lower capital expenditure (which also would give the consumers in South 48 cheaper gas).

The Alaska proposal would

employ an estimated 24,000 Americans, compared to about 12,000 Americans on the Arctic Gas project.

Seattle Port

Favors

All-Alaska Route

An all - Alaska gas pipeline route has been endorsed by the Port Commission of the Port of Seattle as the most logical and economic way to transport Alaska's North Slope natural gas to the Lower 48.

Seattle has 5,000 people employed as a result of the oil line construction and can expect a similar result from the Alaska gas line.

Canadian Liberals

Oppose Arctic Line

The National Liberal Party headed by Prime Minister Pierre Elliott Trudeau passed the following resolution at a policy plenary session Nov. 9 in Ottawa:

Be it resolved that the Federal Government (a) Canadianize the petroleum industry and (b) give first priority to northern Canadian pipeline schemes that are all-Canadian in ownership and which are designed to serve adequately the Canadian public first.

There was considerable discussion on the intent of the word "Canadianize" with speakers' interpretations varying between "nationalization" and continued "laissez-faire."

Discussion on the northern Canadian pipeline was directed mainly against Arctic Gas as being "too big" and "non-Canadian."

The resolution was adopted and is now a policy of the Liberal party.

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 labor organization notes, "It is well known that certain groups and individuals do not share the opinion of Canadian Arctic Gas Pipeline Ltd. about projected shortages," the Ottawa Journal reports.

The Canadian Labor Congress says that "no adequate information exists to date concerning potential reserves in other areas of Canada," and that "a full consideration" of the possibility of substituting other forms of production "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 said "The CLC is not convinced that the applicant's proposal constitutes a 'national 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."

"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."

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Executive Director



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Bev Isenson
Executive Director

YOUR PERSONAL AND BUSINESS CONTRIBUTIONS ARE
NEEDED TO CONTINUE OUR EFFORTS TO INFORM THE
GENERAL PUBLIC.

Gasoline Was Once Waste, Now It's 'Waste Not'

By MAX B. SKELTON

HOUSTON (AP) — Motorists may find it difficult to believe, but gasoline was an unwanted byproduct in the pioneering days of petroleum refining.

Gasoline components of crude oil were thrown away as refiners sought kerosene to replace whale oil as lamp fuel. The first refinery, conceived in 1847, processed only five gallons of crude a day.

The processing capacity of one U. S. refinery now is being expanded to 650,000 barrels a day, which will be the world's largest, and total domestic capacity is approaching 15.5 million barrels a day, with a barrel containing 42 gallons.

The early refineries were, in a sense, do-it-yourself operations. The refiner sought places where oil seeped above ground, skimmed crude from water processed it, and then marketed it, first as medicine and later as kerosene.

Such one-man enterprises were the forerunners of today's gigantic petroleum industry that supplies 70 per cent of the nation's energy.

Two events near the turn of the century paved the way for oil to attain its big business stature:

The first gasoline-powered automobile appeared in 1893. And the Jan. 10, 1901, Spindletop discovery in southeast Texas gave the nation its first oil "gusher." It produced more than 100,000 barrels of crude each day.

About 10,000 firms ranging from one-man independents to multibillion dollar giants now are engaged in exploration and production.

About 100 pipeline companies move crude oil, petroleum products and natural gas to interstate markets. More than 130 companies operate a total of 350

completions included 12,784 oil wells and 7,240 gas wells and 11,674 dry holes.

The risks are even higher for new field wildcats, wells drilled in an area never before productive.

A study by the American Association of Petroleum Geologists of such wells indicates only one of every 10 is completed as a discovery well, only two out of 100 make significant discoveries of one million or more barrels of oil or the natural gas equivalent, and 60 per cent of the discoveries have reserves of less than one million barrels.

A companion study indicates independents — all the explorers except the 16 largest major companies — drill nine out of every 10 new field wildcats and make 75 per cent of the discoveries.

Additions to reserves show another picture. Despite drilling only one out of 10 such wildcats, the majors discover almost half of the oil and gas reserves, with most of their explorations in ultra-deep, high-cost or high-risk areas.

Drilling costs have doubled since 1953.

In 1973, 25,358 onshore wells drilled to an average depth of 5,960 feet cost an average of \$28,447, or \$19.46 per foot drilled. The 49,197 drilled in 1953 with an average depth of 4,026 feet had a cost average of \$19,743, or \$12.36 a foot.

The 898 offshore wells drilled in 1973 had an average depth of 9,408 feet and average cost of \$651,251, or \$69.23 a foot. The 82 drilled in 1953 with a depth average of 9,519 feet cost \$298,765 per well, or \$21.29 a foot.

Recoverable domestic oil reserves peaked in 1970 at 29 billion barrels. Gas reserves peaked in 1967 at 262 trillion cubic feet.

Gathering systems totaling nearly 70,000 miles collect oil from individual wells and move it to storage tanks or dump it into a 76,000-mile trunk pipeline system serving the refining centers.

Most U. S. refineries place

emphasis on gasoline production. Refineries in Western Europe concentrate on fuel oils.

Compared with the kerosene objectives of 1850, modern refineries produce an estimated 2,000 products, ranging from asphalt to plastics.

Refineries separate crude oil into its various parts called fractions. The basic process is fractional distillation, boiling the liquid and then collecting and condensing the resulting vapor.

Each fraction such as gaso-

line or kerosene has its own boiling point and is drawn off as a vapor.

More sophisticated processes are used to increase gasoline production or improve its quality.

Basic production includes li-

quified gases, gasoline, kerosene and jet fuel, home heating oil, diesel oils, lubricating oils, heavy fuel oils, and asphalt.

Once refined, the fuels are sent on their way to retail distribution centers and eventually, in the case of gasoline, to

the local service station. Much of this refined fuel is distributed via a 76,000-mile pipeline which spreads out from the refineries to transport products to major consumer areas.

The drilling slump and increased demand have more than offset additions to reserves. At the start of 1975, domestic reserves were about 34.2 billion barrels of oil and 237 trillion cubic feet of natural gas.

Recoverable proved reserves are estimates of oil and gas that scientists believe can be produced with existing technology. Engineering data on the performance of a reservoir can cause up or down revisions in the recoverable estimates.

Most estimates of oil reserves are conservative in that current technology permits production of only about 33 per cent of the oil believed to be in a reservoir. Oilmen say research to increase this ratio could go a long way in reversing a five-year downward trend in domestic oil production and relieving the nation's energy shortages.

A Texas group, for example, estimates that the state's recoverable reserves, estimated at 12 billion barrels under the 23 per cent factor, would be increased by 1.5 billion barrels if the figure were raised just to 34 per cent.

Estimates of reserves cannot be based on a single well. Additional or development wells must be drilled to define the extent of the new reservoir. An initial discovery could ultimately lead to development of a giant field of 100 million barrels but dry holes in development could reduce its financial value greatly or even cause abandonment.

Such development drilling is a major factor in the lead time separating the start of explorations and the delivery of the newly discovered oil to consumers.

It takes years to translate new discoveries into significant production. Proved reserves first must be enough to justify such major service costs as pipelines to move the oil to refineries.

Oilmen say that very little oil discovered this year will be available this decade.

The time lag for a small 1967 Louisiana offshore lease sale was four years, but the area normally carries predicted lags of five to 10 years.

The first pipeline to be built after the Drake discovery transported 80 barrels of crude an hour a distance of five miles. The domestic industry now has a pipeline network in excess of 222,000 miles.

There are about 15,000 wholesale oil jobbers, 18,000 companies dealing in fuel oil and liquefied petroleum gas and more than 300,000 retailers of motor gasoline.

Oil is a business for specialists: wildcaters, geologists, geophysicists, petroleum engineers, drillers, roughnecks, pipelayers, refiners, marketers. Col. Edwin Drake, a retired railroad conductor, conceived the idea of drilling for oil. Drake brought in the first discovery well in Titusville, Pa., after drilling on Aug. 27, 1859, after drilling to a depth of 69½ feet. The well produced eight to 10 barrels a day.

Drilling quickly spread to Ohio, Texas, California and Oklahoma. Since the Drake well, more than 2,325,000 wells have been drilled in the United States, including more than 1,365,000 oil wells drilled to completion, of which about 500,000 still are producing.

But the gushers are gone. The average well now produces only 17.4 barrels a day. One with a potential of several hundred barrels a day is a good well and one with potential in the thousands is rare.

Most obvious prospects have been drilled at least once, many of them several times. Explorers now are having to drill deeper and deeper and in difficult areas offshore, in Alaska and the Arctic.

Science has replaced hunches in selecting drilling sites, but financial risks are high.

One group of companies paid more than \$800 million for the right to explore in the Gulf of Mexico off the Florida coast. The first seven test wells were dry.

Geologists and an army of specialists using seismographs and other sophisticated instruments are constantly searching for hints of oil deposits more than 400 million years old below the earth's surface.

But drilling is the only way to determine whether such hints are correct. And, again, there are high risks.

Of the record 57,111 wells completed in 1968, 30,739 were oil producers, and 4,543 were gas producers. Dry holes totaled 21,829.

Along with the slump that oilmen blame mostly on federal natural gas price controls was reversed last year when 31,698

Gasoline Was Once Waste, Now It's 'Waste Not'

Wednesday, December 10, 1975, Anchorage Daily Times 25

By MAX B. SKELTON

HOUSTON (AP) — Motorists may find it difficult to believe, but gasoline was an unwanted byproduct in the pioneering days of petroleum refining.

Gasoline components of crude oil were thrown away as refiners sought kerosene to replace whale oil as lamp fuel. The first refinery, conceived in 1847, processed only five gallons of crude a day.

The processing capacity of one U. S. refinery now is being expanded to 550,000 barrels a day, which will be the world's largest, and total domestic capacity is approaching 15.5 million barrels a day, with a barrel containing 42 gallons.

The early refineries were, in a sense, do-it-yourself operations. The refiner sought places where oil seeped above ground, skimmed crude from water processed it, and then marketed it, first as medicine and later as kerosene.

Such one-man enterprises were the forerunners of today's gigantic petroleum industry that supplies 70 per cent of the nation's energy.

Two events near the turn of the century paved the way for oil to attain its big business stature:

The first gasoline-powered automobile appeared in 1893. And the Jan. 10, 1891, Spindletop discovery in southeast Texas gave the nation its first oil "gusher." It produced more than 100,000 barrels of crude each day.

About 10,000 firms ranging from one-man independents to multibillion dollar giants now are engaged in exploration and production.

About 100 pipeline companies move crude oil, petroleum products and natural gas to interstate markets. More than 130 companies operate a total of 259

completions included 12,784 oil wells and 7,240 gas wells and 11,674 dry holes.

The risks are even higher for new field wildcats, wells drilled in an area never before productive.

A study by the American Association of Petroleum Geologists of such wells indicates only one of every 10 is completed as a discovery well, only two out of 100 make significant discoveries of one million or more barrels of oil or the natural gas equivalent, and 80 per cent of the discoveries have reserves of less than one million barrels.

A companion study indicates independents — all the explorers except the 10 largest major companies — drill nine out of every 10 new field wildcats and make 75 per cent of the discoveries.

Additions to reserves show another picture. Despite drilling only one out of 10 such wildcats, the majors discover almost half of the oil and gas reserves, with most of their explorations in ultra-deep, high-cost or high-risk areas.

Drilling costs have doubled since 1953.

In 1973, 25,356 onshore wells drilled to an average depth of 5,700 feet cost an average of \$28,447, or \$19.46 per foot drilled. The 49,197 drilled in 1953 with an average depth of 4,926 feet had a cost average of \$49,743, or \$12.36 a foot.

The 888 offshore wells drilled in 1973 had an average depth of 9,403 feet and average cost of \$631,251, or \$69.23 a foot. The 822 drilled in 1953 with a depth average of 9,549 feet cost \$298,763 per well, or \$31.29 a foot.

Recoverable domestic oil reserves peaked in 1970 at 29 billion barrels. Gas reserves peaked in 1967 at 202 trillion cubic feet.

Gathering systems totaling nearly 70,000 miles collect oil from individual wells and move it to storage tanks or dump it into a 76,000-mile trunk pipeline system serving the refining centers.

Most U. S. refineries place

emphasis on gasoline production. Refineries in Western Europe concentrate on fuel oils.

Compared with the kerosene objectives of 1950, modern refineries produce an estimated 2,000 products, ranging from asphalt to plastics.

Refineries separate crude oil into its various parts called fractions. The basic process is fractional distillation, boiling the liquid and then collecting and condensing the resulting vapor.

Each fraction such as gaso-

line or kerosene has its own boiling point and is drawn off as a vapor.

More sophisticated processes are used to increase gasoline production or improve its quality.

Basic production includes li-

quefied gases, gasoline, kerosene and jet fuel, home heating oil, diesel oils, lubricating oils, heavy fuel oils, and asphalt.

Once refined, the fuels are sent on their way to retail distribution centers and eventually, in the case of gasoline, to

the local service station. Much of this refined fuel is distributed via a 76,800-mile pipeline which spreads out from the refineries to transport products to major consumer areas.

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But drilling is the only way to determine whether such hints are correct. And, again, there are high risks.

Of the record 57,111 wells completed in 1953, 30,730 were oil producers, and 4,643 were gas producers. Dry holes totaled 21,338.

Along drilling slumps that oilmen blame mostly on federal natural gas price controls was reversed last year when 31,038

State to limit gasline flow

By ANDY WILLIAMS
Daily News Staff Writer

The state expects to limit the flow of natural gas from Prudhoe Bay to about half the level projected by El Paso in its application to build a pipeline, state officials told the legislature's Joint Gas Pipeline Impact Committee Thursday.

Commissioner of Natural Resources Guy Martin and other state oil and gas officials said a structural model of the Prudhoe Bay formation indicated the optimum rate of gas production was 2 billion cubic feet a day. In its filing before the Federal Power Commission, El Paso projected a rate of production of 4 billion cubic feet a day.

JOHN C. BENNET, head of Alaska operations for El Paso, said the company had been advised of the lower projection and had filed an amended form with the FPC taking it into consideration. He said the pipeline and liquefaction system proposed by El Paso was still "feasible at the lower level of production."

However, a staff assistant to the committee said the rate of production had a direct bearing on the rate at which the cost of the pipeline was amortized. With the lower production figure, the pipeline would transport half as much gas at the same cost, he said.

Martin and his assistants, Hoye Hamilton of the Division of Oil and Gas and Pat Dobey of the Division of Geological and Geophysical Surveys, presented results of tests with the model at various rates of production and injection of water.

THE TESTS showed gas could be produced from the field at a rate up to 2 billion cubic feet a day, with water injection, without the volume of recoverable oil falling off appreciably. Beyond 2 billion cubic feet a day, the volume of recoverable oil declined significantly.

Martin said the state had the authority to limit the rate of gas production by regulation and intended to do so to the optimum rate of the field.

State officials said the optimum rate would be determined by experience in the first years of oil

production, when all the gas will be reinjected. Hamilton said it was not known whether water injection would work in the Prudhoe Bay field, although, he thought the chances were better than 50-50 it would. Martin said the state would commit no gas until it was determined the gas could be produced without diminishing the amount of recoverable oil.

THE STATE'S estimate on the rate of gas production was lower than the 2.5 billion cubic feet a day estimated by H. J. Gray and Associates in a study for the Interior Department. Oil industry representatives agreed the Gray figure was a reasonable one in testimony before the committee Wednesday.

Amos Mathews, executive vice president of Alaskan Arctic Gas, said his company intended to transport 2.5 billion cubic feet of Prudhoe Bay gas a day in its proposed pipeline through Canada, picking up another 2.25 billion cubic feet from the Mackenzie delta area.

Board votes to sell portion of Inlet gas

A state advisory board Wednesday voted to sell a portion of the state's Cook Inlet royalty gas to the Anchorage Natural Gas Co.

The state Royalty Oil and Gas Development Advisory Board's action calls for Phillips Petroleum Co., operators of a liquefied natural gas plant at Nikiski, to relinquish its rights to the state's gas. The company now exports to Japan about 15 million cubic feet of state royalty gas daily. The contract allowing the purchase of the state gas for that use was signed in the late 1960s.

Guy Martin, commissioner of natural resources, said the transfer of the state's gas from Phillips to the

Anchorage company would become effective next year if the legislature approves the board's findings.

Anchorage Natural Gas has told state officials that its Anchorage-area customers could be in danger of minor gas shortages as early as next year and significant interruptions of service could occur in the early 1980s, unless the company finds additional supplies.

The gas company supplies gas for the Chugach Electric Co. and Municipal Light and Power Co. generating plants.

Asked if the issue of exports contributed to the board's vote Wednesday, Martin said, "It was not so much a reaction . . . as a balancing of value."

Approval asked for Nikiski pipeline

The state Department of Natural Resources has set Sunday as the deadline for calling for public hearings on a pipeline from Nikiski to Anchorage.

The Nikiski Alaska Pipeline Co. applied for a state pipeline right of way permit in October for the 70-mile line. The company also sought approval from the Army Corps of Engineers for a portion of the pipeline that would cross Cook Inlet.

The \$11.3 million line would bring 40,000 barrels of refined petroleum products daily to Anchorage from the Tesoro-Alaska refinery at Nikiski.

About half the project would cross state lands. The company also has sought Corps of Engineers approval to cross Ship and Chester Creeks with the 10-inch line.

No public hearings have been scheduled for the Nikiski proposal, and the Corps of Engineers comment period on the permit application has expired. The Department of Natural Resources is scheduled to close its comment period on the proposal Dec. 14, and after that time no requests for public hearings will be considered.

Oil, gas strike in Canada

A consortium of Canadian and American oil companies have announced a major hydrocarbon discovery in the Mackenzie River Delta region of northern Canada.

Standard Oil Company of California — a member of the group, which includes Sun Oil, Bow Valley Exploration Ltd., Arctic Coast Petroleum Ltd. and Numac Oil and Gas Limited — said Monday the discovery, located on 1146 acres of a 45,000 acre lease, flowed at the rate of 31 million cubic feet of gas and 7,200 barrels of oil per day on short tests.

SoCal said the 11,000 foot well penetrated two hydrocarbon zones — one just below 5,100 feet and one below 9,600 feet. Gas flowed at 17 million cfd from upper zone and 14 million cfd from the lower strata.

Sun Oil, as operator for the consortium, drilled the well — designated at Garry P-04.

Wednesday, December 10, 1975, Anchorage Daily Times 3

University Gets Gas Line Study

FAIRBANKS (AP) — As decisions near on the routing of a natural gas pipeline from Prudhoe Bay to the south, the University of Alaska says it has received a grant to study alternatives to the arctic gas proposal.

The director of the Institute of Social, Economic and Government Research, Vic Fischer, has confirmed that his department has received a \$15,000 contract from the Bureau of Land Management to study alternatives to the Arctic Gas pipeline proposal. The study is a follow up on Arctic Gas Co.'s draft environmental impact statement.

Nine alternatives are being considered, in addition to the arctic gas proposal, which would see the line cross the Arctic Wildlife Range:

—An offshore route, which would go offshore in the Arctic Ocean from the Beaufort Sea to Canada.

—An onshore route, which would skirt the south edge of the Arctic Wildlife Range.

—Also being considered is the route known as the Fort

Yukon Route, which would take the gasline right through Fort Yukon, along the north side of the Yukon River through Canada.

—A route proposed through Fairbanks then along the Alaska Highway to Edmonton, Alberta.

—Another route through Fairbanks would go along the Alaska Highway, and then to a gas liquefaction plant at Haines.

Three other routes involve turning the gas to a liquid before shipping it by tanker. They include:

—The Point Gravina Route, which is favored by the El Paso Co.

—The Cook Inlet Route, which takes the gas from Prudhoe through Fairbanks, down the rail belt, to the existing petrochemical complex at Nikiski Beach, north of Kenai, and from there by tanker.

—The last alternative is the Golovin Route, which would take the gas from Prudhoe by pipeline to the Seward Peninsula, and then by tanker across the Bering Sea.

Study favors Alaska gas route

By MARK FANICH

Our Washington Correspondent

WASHINGTON — The Interior Department yesterday released the Alaska Natural Gas Transportation Systems study mandated in 1973 by the Trans-Alaska Pipeline Authorization Act. Initially due to be released under terms of the act November 16, the document was released about a month later, apparently as a result of "discrepancies" over possible bias in the study toward one of the two alternative routes to Canada.

The content of the study was the subject of "leakage" in the study which com-

pared the potential for interruption of construction on the two proposed routes.

THE ANALYSIS clearly favors an Alaska liquefied natural gas tanker route over an all pipeline Alaska-Canada route.

In unveiling the study, Assistant Interior Secretary John Carlson placed heavy weight on the risk of "leakage" mentioned in the report. When a reporter pressed him on whether the Interior Department favored one route over the other, he insisted, "Interior doesn't have a position." Moments later he replied to a follow-up question that the study "speaks for itself." He said "people may wish to see the decision judgment."

The risk analysis reportedly was challenged by officials at both the State Department and the Federal Energy Administration on the basis that it made too many assumptions and then used those assumptions to justify an Alaska-LNG route.

THE STATE Department, particularly, is understood to have felt that the risk analysis would undercut ongoing negotiations with Canada for a hydrocarbon treaty.

However, the risk analysis also concludes that the Alaska-LNG route would stand more chance of interruption once it was in operation.

"Two tentative conclusions were reached,"

the study says. "First the . . . Alaska-Canada system would be the more risky to construct and would have the greater potential for schedule slip and cost overrun . . . Second the . . . Alaska-LNG system is more risky to operate, with a greater potential for flow interruption once in operation."

But, the study concludes that the National Net Economic Benefit (NNEB), a system of assigning economic value to certain aspects of each proposal, for the Alaska-LNG system would be \$9.6 billion compared to \$5.3 billion for the Alaska-Canada system.

The factors compared in the analysis were:

Modularity — The Alaska-LNG system, the

study says, can be divided into five discrete components. "This modularity," it says, "provides a distinct advantage in manageability over a more homogenous and interactive project such as the Alaska-Canada system."

Labor — "Potential labor difficulties in Canada are considered more likely than in Alaska."

Arctic Conditions — The Alaska-LNG system, it says, is less exposed to arctic construction conditions because more of it lies further south. It has the advantage of using facilities left from the oil pipeline.

Gas production no threat to Slope oil

By ANDY WILLIAMS

Daily News Staff Writer

Oil industry representatives Wednesday denied production of natural gas at Prudhoe Bay would reduce the amount of recoverable oil there, as was suggested in a study, but said costs of production would be higher than those estimated in the study.

Spokesmen for BP-Alaska, Exxon and Atlantic Richfield Co., the "big three" leaseholders at Prudhoe Bay, took exception to conclusions of a study by the Aerospace Corporation for the Department of Interior that gas production over the life of the field would

decrease the volume of recoverable oil by 400 billion barrels.

BUT THEY also objected to the study's figure of 47 cents per mcf (million cubic feet) for the wellhead value of the gas as the break-even point for production of the gas. They said it would be considerably higher.

The testimony came at a meeting of the legislature's Joint Gas Pipeline Impact Committee, which began two days of hearings on relative merits of competing routes for the pipeline and of producing the gas as opposed to reinjecting it into the field. The committee

elicited comments on the Aerospace study, which was conducted by H.J. Gray and Associates.

Forrest Garb, president of P.J. Garb, acknowledged that the 400-million-barrel figure for oil lost through gas production could be reduced by effective management of the field. He said the study used a life of 23 years for the field and that oil produced after that would also cut into the 400-million-barrel figure.

GARB SAID the figure of 47 cents per mcf was influenced by use of a discount rate of 10 per cent, which is the cost producers would pay on money invested. The 10 per cent figure was set by the Interior Department but the actual discount rate would probably be higher, he said.

Oil industry representatives testified there was no reason any oil would be lost through gas production if sound practices were used in management of the field. They said the optimum production of oil and gas could be established early in the life of the field and that reinjection of the gas could hurt the field in the later stages of production.

They agreed with Garb that the discount rate would be greater than 10 per cent, probably in the range of 15-20 per cent per year. However, they said they did not know what the break-even wellhead price would be.

TESTIFYING for the oil industry were Kenneth Keap, resident manager of BP; Judd Miller Jr. of Exxon, and Howard Slack, resident manager of ARCO.

The hearings will continue today with state officials expected to testify on economic benefits to the state of production.

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pared the potential for interruption of construction on the two proposed routes.

THE ANALYSIS clearly favors an Alaska liquefied natural gas tanker route over an all pipeline Alaska-Canada route.

In unveiling the study, Assistant Interior Secretary Jack Carlson placed heavy weight on the risk analysis section of the report. When a reporter pressed him on whether the Interior Department favored one route over the other, he insisted "Interior doesn't have a position." Montana's later he replied to a follow-up question that the study was for itself. "He said 'people have to be... for their own judgment.'"

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Arco Discloses Close Of Deal

ADT Special to The Times 12/11/75
NEW YORK — Atlantic Richfield Co. has announced the closing of the sale of a \$420 million oil and gas production payment to Alasca, Inc., a Delaware non-profit corporation. The announcement said the proceeds are to be received in seven installments through March 1977.

The credit agreement is to finance development of Alaskan natural gas reserves at Prudhoe Bay.

Alasca, Inc. financed the purchase of the production payment with a private placement of \$200 million of notes with institutional lenders and the syndication of \$120 million of commercial bank loans. First National City Bank of New York acted as a financial adviser in the private placement and as agent and manager in syndicating the commercial bank portion.

Discharge of the production payment will be made out of revenues generated from the

sale of production from a 20 per cent portion of Atlantic Richfield's interest in the main Prudhoe Bay field on the North Slope of Alaska and from other properties in Alaska, Texas and offshore Louisiana.

In a separate transaction last March 25, Pacific Lighting Gas Development Co., a subsidiary of Pacific Lighting Corporation, agreed to pay to Atlantic Richfield interest, fees, legal and other costs related to the production payment for the exclusive right to negotiate for the purchase of 60 per cent of Atlantic Richfield's future natural gas production from the main Prudhoe Bay field.

An Atlantic Richfield spokesman said that a major portion of the company's capital commitments, which will total nearly \$2 billion in 1975 alone, is dedicated to development of the Prudhoe Bay field in Alaska.

Gravel To Amend Bill On Gas Line Decision

By BETTY MILLS
Times Washington Bureau

WASHINGTON — Sen. Mike Gravel, D-Alaska, plans to amend his legislation mandating an expedited decision in the natural gas pipeline case to give the Federal Power Commission an additional five months to reach a decision.

Gravel decided to make the change following discussions with members of the commission which has set Dec. 1, 1976, as the target date for reaching a decision in the gas case.

In addition, Gravel has sent a copy of his bill to President Ford.

The Alaskan Democrat said he discussed the legislation with the President when he accompanied Ford to Alaska earlier this month, and the President asked to see the bill.

"In introducing legislation of this type, my hope is to add some discipline to the proceedings and prevent any possible slippage in the schedule," Gravel wrote the President. "The commission has agreed that legislation of this type would be helpful to them in attempting to meet their proposed deadline."

Gravel told the President his bill substitutes congressional review for judicial review of the commission decision.

"A seven-year delay such as we experienced in trying to build the trans-Alaska oil pipeline would be devastating to the nation's efforts to become energy self-sufficient."

"A speedy FPC decision and expeditious implementation of that decision are essential to our efforts in this regard," Gravel wrote Ford.

Gravel also sent the president a copy of a letter he had received from Power Commission Chairman Richard I. Dunham, who said a final commission decision by Dec. 1, 1976, is a reasonable target.

Meanwhile, rival legislation sponsored by the Arctic Gas consortium is expected to go into the hopper of the House of Representatives next week.

Rep. Philip Ruppe, R-Mich., said yesterday he intends to introduce the legislation before the Christmas recess. He said he is still talking to other members to gain co-sponsors.

Congress Gets Gas Line Study

(Continued From Page 1)

cost of the two transportation factors.

The cost of the Arctic Gas transportation system, according to the report, is \$4.538 billion, whereas the cost of the El Paso project is \$5.079 billion.

The department's projections were based on an extensive, year-long analysis of the economic benefits of the gas pipeline proposals, risk studies, national security considerations and international

The 230-page document went to Congress yesterday, several days past its due date.

In releasing the report, Kleppe said, "the important message of this report is that both of the systems studied are technically and economically feasible, subject of course to the environmental considerations revealed by the final environmental impact statement."

Kleppe Delivers Gas Line Study

12/11/75 By THOMAS P. SOUTHWICK
Times Washington Bureau

WASHINGTON — Interior Secretary Thomas S. Kleppe told Congress yesterday that the Arctic Gas proposal for bringing natural gas from the North Slope involves the risk of substantial cost overruns and schedule delays.

In a report submitted to Congress, the department said the possible cost overruns for the Canadian route could range between \$1 billion and \$3

billion and the schedule delays could be anywhere from one to three years.

In contrast, the department believes the risk of overruns and delays with the competing project, that proposed by the El Paso Natural Gas Co., would be between \$500 million and \$1.5 billion and between six months and 18 months.

However, the Interior document concludes that the El Paso proposal is more expensive and offers fewer economic benefits to American consumers.

The report said the Canadian line would bring a total of \$9.729 billion in national economic benefits to the U.S. The El Paso project would bring a total of \$3.281 billion in the national economic benefits.

These figures take into account the benefits to consumers, the goal of achieving energy independence and the

(See Page 2, Col. 2)

Official Predicts Gas Shortages

WASHINGTON (AP) — Warm autumn weather has provided a respite from a severe natural gas shortage but the potential for serious shortfalls will increase each year as production continues to decline, a federal energy

official says.

Natural gas production may be restored to present levels in the 1980s if federal price regulations are removed and if new areas offshore and in Alaska are explored, Deputy Federal Administrator Eric Zausner said.

But "we're in for a couple more years of declining supplies of gas" before that, he told reporters Tuesday.

FEA estimated in 1974 that raising wellhead prices to \$2 per thousand cubic feet would not stimulate production any more than a price of 75 cents per thousand cubic feet.

But Zausner said the agency had oversimplified its analysis and FEA now believes that the higher price will be adequate to encourage natural gas discoveries.

Federal agencies had predicted that natural gas supplies this winter would fall 19 per cent below demand, causing fears of industrial shortages and layoffs. The eastern states were expected to be the hardest hit.

Roderick appointed to state post

Jack Roderick, former mayor of the Prudhoe Borough, has been appointed deputy commissioner of the state department of Natural Resources.

Commissioner Guy Martin announced the appointment Monday, and said Roderick is expected to assume his new round the first of the year.

Roderick said that present deputy commissioner Bill Fackler will become the director of the Alaska Royalty and Gas Development Board. He announced the selection of Hope and David G. Hanson as chief of the reformed Natural Resources Planning and Research Section.

Roderick, contacted at home Monday, said as far as he's concerned, "I feel the ordinary development of natural resources is really essential to the state's survival," he said. "I feel the field that is most important to state, and that I have something to

offer."

He said he looks forward to working with Martin, and added that despite the move to Juneau he will not sell his Anchorage home.

Roderick has been in Alaska over 20 years, and has a lengthy and varied experience involving Alaska natural resource issues. He was the founder in 1955 of Alaska Petroleum Publications, and three years later founded Alaska Title Guaranty Company. He also founded and directed firms devoted to oil and gas exploration and investment, and was a co-publisher of Alaska Industry magazine from 1963 to 1972.

Earlier, he practiced law for several years with present Sen. Ted Stevens, R-Alaska. In 1963 Roderick took a one-year sabbatical leave to direct the Peace Corps in India. Just prior to his election as borough mayor in 1972, he was a government relations advisor to Alyeska Pipeline Service

Company.

"I am delighted that Jack will be joining the department," said Martin. "His record of private and public achievement speaks for itself, and his knowledge of key Alaska resource issues will greatly strengthen the state administration during an exciting and important period."

He said Fackler's new duties as director of the royalty board are crucial to the future of the state, adding that the entire board believed he was ideally qualified to take on the job.

HANSON, who has already assumed his new post, holds a bachelor's degree from Pacific Lutheran University and a master's in resource management. For four years he was with the Environmental Protection Agency in Washington.

Martin said the new section will coordinate resource issues within the department and with other state agencies.



Jack Roderick

Stevens Submits Plan For All-Alaska Route

By BETTY MILLS

Times Washington Bureau

WASHINGTON — Sen. Ted Stevens, R-Alaska, threw a new wrinkle into the gas line debate today, submitting legislation to require that the pipeline bring natural gas from the North Slope must be totally under U.S. jurisdiction.

Stevens' legislation would prohibit the Federal Power Commission from issuing a certificate to the Arctic Gas Consortium, which wants to pipe the gas through Canada.

The legislation is a calculated effort to gain the support of Middle West and Northern State senators who previously have opposed the El Paso proposal to bring the gas through Alaska on a route nearly parallel to the oil pipeline.

The legislation includes language requiring the Federal Power Commission to allocate natural gas produced in the Prudhoe Bay area "in such manner as will supply each such region and state with an equal per centum of the per centum decline in natural gas supplies from all sources to such region or state between the calendar year 1973 and the date transmission of Prudhoe Bay gas commences."

The bill mandates that the commission and other governmental agencies can approve "only such application or request which provides for such pipeline to be constructed or otherwise located in its entirety above, on, or under land areas in a state or states of the United States."

In a lengthy Senate floor

speech, Stevens said recent development in Canada have convinced him that "it will be a long cold wait if we wait for our Canadian neighbors to act" on the Arctic Gas proposal.

Stevens cited three developments in Canada that persuaded him to introduce the bill:

- The present challenge by Arctic Gas of the impartiality of Marshall Crowe, the master of the National Energy Board which is hearing the competing Canadian proposals.

- The net impact on me regarding the Canadian attitudes is that we will have nothing but a long cold delay if the U.S. waits for Canada to make a decision, Stevens said.

- "My bill does not say the FPC must approve the El Paso approach," Stevens said.

- "Congress has the right to tell the FPC it must only consider a pipeline under U.S. jurisdiction."



DAYS TO CHRISTMAS

Gravel sees gas line decision by Dec. of '76

From Our Washington Correspondent

WASHINGTON — Sen. Mike Gravel, D-Alaska, Wednesday advised President Gerald Ford that the chairman of the Federal Power Commission feels a decision on Alaska gas systems competing for certification by the FPC could be made by December 1976. Gravel said he is changing the target date in a bill he introduced to substitute Congressional review of the FPC decision for judicial review to conform with that view.

Gravel, in a letter to Ford, said he introduced his bill in an effort "to add some discipline

to the proceedings and pre any possible slippage in schedule."

Gravel's office said his letter, a copy of a letter to Gravel from FPC chairman Rick L.L. Dunham and a copy of a bill were all sent to Ford in response to interest in the subject shown by the President during his recent visit to Alaska. Gravel's bill would have Gravel accompany Ford to Alaska on the trip.

In his letter, Dunham said neither application from El Paso Alaska Co. nor from Arctic Gas is yet complete. The bill, he said, is "one of the problems which complicate the assessment."

State declines gas study funds

The Royalty Oil and Gas Development Advisory Board has declined to take action on a private group's offer to contribute \$10,000 toward a study of Prudhoe Bay natural gas reserves.

The board, meeting in Juneau this week, reached a consensus that accepting the offer would be a conflict of interest.

The Organization for the Management of Alaska's Resources (OMAR) offered to contribute \$10,000 for a study on how the state's royalty gas should be allocated. The group seeks to learn how much of the royalty gas can be used in the state and how much could be sold to companies. OMAR proposed that the board provide \$30,000 for the study.

The private group said committing a share of state royalty gas to a company could contribute to a favorable Federal Power Commission decision on routing a proposed natural gas line through Alaska.

The El Paso Alaska Co. and Arctic Gas Co. currently are involved in hearings before the Federal Power Commission (FPC) on a gas line route from Prudhoe Bay. El Paso's proposal calls for an Alaska route; Arctic's an Alaska-Canada route.

OMAR and others supporting a trans-Alaska route fear the state will lose the line unless it shows a willingness to commit all or part of Alaska's 12 1/2 per cent share of Prudhoe reserves to El Paso.

Martin said the state may in the future do so. But he said a number of questions will need to be answered before making a commitment of any kind for Alaska's royalty gas.

In addition, said Martin, the board in its discussions late Wednesday determined that accepting \$10,000 from OMAR for a royalty study would be "clearly a conflict of interest" because OMAR has received donations from El Paso.

Martin said several questions should be answered before any royalty commitment is made.

State Block Of Gas Line Possible

(Continued From Page 1)

The oil company spokesmen challenged an Aerospace Corporation report to the Department of Interior that there could be a loss of 400 million barrels of oil from the Prudhoe Bay field's ultimate production if gas is produced for sale, rather than reinjected.

Testifying for Arco, Howard Slack said with good reservoir management, it is possible that the 400 million barrel estimated "loss" can be reduced to a negligible amount.

And Dr. Kenneth Keep, Alaska manager for BP Alaska, raised the possibility of a loss in oil production if all the gas is reinjected.

However, he, too, said with good reservoir management schemes this loss could be prevented.

Judd Miller Jr., production manager for Exxon USA, testified that optimum recovery from the Prudhoe Bay field is dependent on early gas sales.

"The gas at Prudhoe Bay will ultimately be sold," Miller said. "The question is one of timing. In our opinion, the benefits from an early sale offset possible loss in oil recovery."

Hamilton said their studies show that if gas production at Prudhoe Bay should exceed 2 billion cubic feet a day, oil

production drops off drastically. Highest recovery from the field would be 2 million barrels of oil a day if no gas were sold and water were injected, he said. Forrest Gard, president of the H. J. Gruy Co., of Dallas, who made the reservoir study for the Department of the Interior, told the committee that 2.5 billion cubic feet a day would be "optimum" gas production.

Martin said both El Paso Alaska, proposing a trans-Alaska pipeline, and Arctic Gas, proposing a pipeline through Canada, have estimated their projects would require 3 to 3.5 billion cubic feet a day.

However, this statement was challenged by both companies. El Paso Alaska Vice president John Bennett later said his company has filed with the Federal Power Commission an alternative to carry 2.5 billion cubic feet a day. And Amos Mathews, executive vice president of Alaskan Arctic Gas, said his company never has said it would require more than 2.25 billion cubic feet of gas per day from Prudhoe Bay, which would be combined with 2.25 billion from Canada's Mackenzie Delta.

Martin also told the committee that the reservoir study "is merely one of the factors" that will be considered by the Federal Power Commission in

arriving at a decision to certify either a trans-Alaska or a trans-Canadian pipeline.

The committee gave about 10 minutes each to Bennett and Matthews, at the end of the two-day meeting.

It was the first appearance before the committee for either El Paso, which already has the state legislature's endorsement for its trans-Alaska pipeline proposal, or Arctic Gas.

The committee, seemed to be unclear what its role or its next step should be.

After hearing economist Arlon Tussing expound for 30 minutes on how it is possible Alaska's natural gas could be "valueless" because of the high cost of building any pipeline, Rader asked, "Can we ignore your pessimistic outlook and go ahead and state a preference for one route over another?"

Tussing responded that "As a member of the state's Royalty Gas Development Advisory Board, a quasi-judicial group, I don't want to speak prejudicially about issues before the board." One of those issues obviously is El Paso's proposal to purchase all or part of the state's royalty gas — a commitment El Paso has said is

needed to insure that a trans-Alaska route will be selected by the Federal Power Commission.

But, he added, "I don't think it wise to push for one route in spite of what the state receives" for its gas. "I would be conservative about committing the state's royalty gas now. There are so many contingencies." The Royalty Board took that position at its meeting in Juneau this week.

One alternative to a pipeline, which would convert the state's royalty gas to methanol, "is worth looking into," Tussing said, although it is "not in the race." There is no one ready to submit such a proposal to the Federal Power Commission, he pointed out.

Sen. John Huber, D-Fairbanks, frequently mentioned the methanol alternative during the two days the committee was in session. He said privately that Wentworth Brothers of Cincinnati is investigating the methanol proposal, and he said if Wentworth could obtain the state's 12 1/4 per cent royalty gas, plus uncommitted gas from other Prudhoe Bay owners, it "might be enough to block a Canadian (pipeline) route."

Another proposal, by Westinghouse, would take the

methanol out by submarine tanker, Huber said.

In his brief time before the committee, El Paso's Bennett said in the last 30 days, his company has amended its filing to the Federal Power Commission updating its total project cost estimate to \$7.8 billion. He said the cost increase is due almost entirely to increases in the cost of materials.

They have modified construction plans for a liquefaction plant, to have it built within five years from the time a permit is issued, he added.

"For the last six weeks," he said, "El Paso has had a team looking at the Alyeska (trans-Alaska oil) pipeline and they have found that 75 per cent of the work pad and the entire haul road could be used for our construction. This moves us into year-round construction, and gives us greater comfort in that five-year time frame."

Bennett said because of new compressor design, they find they can reduce the amount of gas needed to operate the

system to 9.6 per cent, "and we can recover an unknown amount of that," as the liquefied gas is regasified.

Tussing had predicted that a "pessimistic" prediction of the cost of transporting Alaska gas is \$4 to \$5 per thousand cubic feet. Bennett said the president of a gas company supplying gas to Boston told him four days ago that gas there is selling at \$5.45 per thousand cubic feet.

"There are 40 million American homes who must use natural gas. It would cost \$60 billion to convert them" to another form of fuel," Bennett said.

"There are many complex problems facing us and many obstacles, but the lack of a market for Alaska's gas is not one of them."

Bennett predicted that Mathews would agree with that statement, and he did.

Mathews and Arctic's trans-Canadian pipeline system could be built in roughly the same time frame as El Paso's.

Gas Line Block Seen By State

By SUSAN ANDREWS
Times Staff Writer

State officials told a legislative committee yesterday they will block any gas pipeline from the North Slope until they are convinced that gas can be produced without drastically reducing the recovery of oil from the Prudhoe Bay field.

"Haven't we effectively

destroyed a pipeline?" committee chairman state Sen. John Rader asked Commissioner of Natural Resources Guy Martin.

Martin replied, "No, only delayed it."

The testimony came yesterday during a two-day meeting of the legislature's Gas Pipeline Impact Committee. Wednesday, officials of Atlantic Richfield Co., BP Alaska and Exxon all said they are confident both oil and gas can be produced from the Prudhoe Bay field without a loss in oil production.

They said water will be injected into the field to replace the pressure removed when gas is produced.

But Hoyle Hamilton, chief petroleum engineer for the state division of oil and gas yesterday said they have yet to see proof that sufficient water is available for injection and that the Prudhoe Bay reservoir will absorb the volumes of water that will be needed.

(See Page 3, Col. 3)

SCOMM

#13:8

PARTIAL BUDGET

OFFICE & STAFF, 5 months.....\$19,675.00

Director & Coordinator.....	\$2500 per mo.
Secretary.....	750 per mo.
Office rent.....	100 per mo.
Telephone.....	100 per mo.
Office parking space.....	15 per mo.
Supplies & postage.....	50 per mo.
Travel/per diem.....	420 per mo.

REPRODUCING REPORTS.....Total 1,000.00

MISCELLANEOUS & CONTINGENCY.....Total 500.00

COMMITTEE TRAVEL.....Total 12,600.00

(Based on 4 trips of 5 days each)

Per diem.....\$600.00

Plus travel of \$200.00 per trip
for 9 members.....800.00

TOTAL.....\$33,775.00

SCOPE

IMPACT FACTORS

ELEMENT I (Immediate or most concern)

- A. Employment
- B. Population
- C. Housing
- D. Public Services
- E. Public Works - Utilities, Sewers, etc.
- F. Transportation
- G. Health
- H. Cost of Living Factors.
- I. Local Government - Organization & Financing -
Revenues & Taxes
- J. Schools

ELEMENT II (Less Urgent Concern)

- A. Service Industries in Support of Functioning Community
- B. Environmental Considerations
- C. Communications
- D. Land Use and Availability
- E. Other Industry
- F. Recreation
- G. Department of Defense Interests
- H. Planning Needs.*

All factors should be studied in terms of both short and long range impact and need.

*Planning needs should be determined regardless of the scope of the study.

A. - NOTES ON EMPLOYMENT

1. Historical Information
2. Present Employment conditions
 - a. Labor Force
 - b. Full and partial employment & unemployment - characteristics and statistics.
 - c. Employables, not working, not now considered part of the labor force.
 - d. Numbers of persons unemployed with handicaps of various kinds, with characteristics and education/training levels.
3. Determine employment directly associated with pipeline construction.
 - a. Pipeline consortium.
 - b. Prime and Sub contractors.
 - c. Transportation in direct support - common carrier and contract.
 - d. Contract services in direct support.
 - e. Independent services in support - not directly arranged for by Alyeska or its contractors.
4. Learn if and to what extent construction camps will be set up.
 - a. Total numbers of employees affected and characteristics and locations.
 - b. Logistic Plan for support.
 - c. Extent of dependence of such employees on local supply of:
 - A. Local purchases of personal items.
 - B. Recreation.
 - C. Other services or commodities.
 - D. Time-off policy for employees.
5. Local hiring policy and extent.
 - a. Kinds of labor or skills.
 - b. Utilization of native labor - Native Corp. policies on recruitment.
 - c. Training programs.
 - d. Union policies on local labor.
 - e. Union jurisdictions anticipated.
 - f. Apprentice programs.
 - g. Wage scale schedules - Alyeska policies.
6. Construction phase time period.
 - a. Approximate beginning dates.
 - b. Periods of time for the different phases, with respect to the types of employment and numbers.
7. Other employment generated in local communities not directly associated with construction.
 - a. Expansion of existing industry, or services, and projected increases in employment.
 - b. Anticipated new industry or services and numbers of employees.
 - c. Increased local, state and federal employment based in the community.
 - d. Employment expected for new commercial investments or public works during pipeline construction period.
 - e. Explore potential of using present unemployed during construction.
8. Estimate of numbers of transient workers supported by the community during construction.

A. - NOTES ON EMPLOYMENT

9. Determine employment following pipeline construction by the pipeline complex and the marine transport operations:
 - a. Living in, and supported by, the communities involved.
 - b. Learn support logistics of others not completely part of the community.
10. Estimate employment changes in community at the end of the construction period.
 - a. Contraction of business and industry and associated dis-employment.
 - b. Construction created jobs that will carry over.
 - c. Determine new community jobs that will be indirectly created by the start of pipeline and marine operations.
 - d. Characteristics of new and terminated jobs.
 - e. Effects on community of any job decrease after construction.
 - A. Excess of housing.
 - B. Loss of revenue to local and state governments.
 - C. Effect on debt service of local community.
 - D. Effect on quantity and quality of community services.
 - E. Total unemployment.
 - F. Welfare rolls.
11. Possible postponement of other construction during pipeline construction period.
 - A. Government projects, local, state or federal that could be postponed.
 - B. Large private investments not necessary for construction period.

B. -- NOTES ON POPULATION

1. Present population.
 - a. Historical record.
 - b. Total composition and characteristics.
2. Estimate of total population that will live in community during construction, exclusive of work-camp population.
 - a. Composition of population with respect to:
 - A. Permanent residents
 - B. Transient & temporary workers
 - C. Dependents and ages (Non-working)
 - D. Racial composition
 - E. Sex composition
 - b. Size of labor force.
3. Estimated total population after construction, for 5 to 10 years.
 - a. Any future construction anticipated or planned by Alyeska or the pipeline industry or oil industry.
 - b. Normal growth due to natural increase and net in-out migration.
 - c. Increased employment due to other industry or services--new or expanded.
 - d. Increases expected from expanded government activities or public works activities.
 - e. Population characteristics of estimated post construction periods, including labor force estimates.
 - f. Anticipated exploration and development programs.

C. - NOTES ON HOUSING

1. Existing housing.

- a. Total units and type
- b. Persons per unit
- c. Standards
- d. Kinds of units.
 - A. Residential
 - B. Apartments
 - C. Public housing
 - d. Mobile homes
 - E. Hotels and motels
 - F. Trailer & other
 - G. Parking
- e. Range of values
- f. Total population housed
- g. Vacancies
- h. Housing trends since 1968
- i. Permit records

2. Housing needs - construction phase.

- a. Total units
 - A. Family
 - B. Worker and spouse
 - C. Single
- b. How to meet temporary needs
 - A. Apartment
 - B. Temporary barrack type
 - C. Mobile home
 - D. Trailer or other
- c. Location - zoning restrictions
- d. Utilities, water, sewer, road requirements
 - A. Subdivision regulations and other code requirements
- e. Other services or public works requirements
- f. Post-pipeline-construction disposition of any added facilities
- g. Costs to community of temporary housing
- h. Building and housing codes
- i. Financing - private, Government, or combination
- j. Rent requirements
- k. Management

3. Housing needs - post construction

- a. Total requirements
- b. Population characteristics, income categories
- c. Type
 - A. Apartment
 - B. Residential
 - C. Mobile home and other
- d. Utility, Sewer, water, streets, & other improvements needed
- e. Land use plan, zoning, etc.
- f. Availability of suitable land
- g. Availability of capital
- h. Construction costs
- i. Tax rates, revenues, rates and impact on tax base
- j. Building codes, housing codes, other codes
- k. Skilled labor supply
- l. City, State planning
- m. Availability of federal or state aid
- n. A.F.N. housing commitment

NOTES ON
D. - GOVERNMENT PUBLIC SERVICES

1. Historical.
2. Existing services.
 - a. Garbage and solid wastes
 - A. Disposal facilities and disposal methods
 - B. Extent of coverage
 - C. Consideration of health hazards & water pollution
 - b. Street maintenance & snow removal
 - c. Police protection - Local
 - A. Number of personnel - professional proficiency
 - B. Methods of operation
 - C. Cooperation with other law enforcement agencies
 - D. Communications
 - E. Transportation
 - d. State police
 - A. Number of personnel in area
 - B. Jurisdictional area
 - e. Fire protection
 - A. Area of coverage
 - B. Equipment - age and other characteristics
 - C. High-pressure hydrant coverage area
 - D. Alarm system
 - E. Length of runs
 - F. Communications
 - G. Limitations of use beyond normal area of coverage
 - H. Full-time personnel, proficiency, and volunteer reliability
 - I. Facilities and stations
 - J. Protection of water supply from freezing
 - K. Electrical & other codes affecting fire hazards
 - L. Fire prevention programs
 - M. Fuel storage regulations
 - f. Street lighting
 - g. Traffic volumes and control
 - h. Parking facilities - general
3. Estimate adequacy of services, based on expected population, during construction and the impact of non-resident workers.
4. Estimate adequacy of services, based on the estimated post-construction population, following the construction period.
5. Willingness of local community to accept responsibilities.

E. - Notes on UTILITIES & SEWERS

1. Water supply.

- a. Source and capacity
- b. Potential new sources
- c. Transport system and distance
- d. Treatment
- e. Distribution system, meters or flat rate
- f. Adequacy of protection
- g. Conservation methods
- h. Extent of coverage
- i. Percentage of modern living units
- j. Industrial and commercial water uses
- k. Chlorination and fluoridation
- l. Estimate of present per capita use
- m. Estimate of future per capita use
- n. Projected improvements required
- o. Financing

2. Electric power

- a. Present capacity - Yearly KWH potential and Maximum capacity in KW
- b. Reserve capacity
- c. Present KWH usage
- d. Type of generation
- e. Location of generation
- f. Transmission length and routing
- g. Total customers
 - A. Residential
 - B. Commercial
 - C. Industrial
- h. Fuel source
- i. Fuel storage facilities & capacity
 - A. Normal days of usage
- j. Capability of expansion with respect to:
 - A. Additional generation units
 - B. Transmission line capacity
 - C. Distribution lines and transformer capacities
 - D. Purchase of electrical energy from other sources
 - E. Engineer and technical services
- k. Rates schedule
- l. Emergency maintenance and repair capability
- m. Estimates of increased demands
 - A. Construction phase
 - B. Post-construction period
- n. Estimate of new or modified facilities to meet increased demands
- o. Estimated costs & methods of financing
 - A. Amortization forecast
- p. Federal & State aid programs available

3. Sewage and disposal system

- a. Present system
- b. Capacity of trunks and laterals
- c. Excess capacity above present needs
- d. Treatment
- e. Effluent disposal
 - A. Pollution potential

E. - NOTES ON UTILITIES & SEWERS

3. Sewage and disposal system (cont'd)
 - f. Extent of coverage
 - A. Connections - Residential, commercial & Industrial
 - g. Maintenance program
 - h. Storm Drainage system - adequacy with additional population
 - i. Estimated impact of necessary improvements
 - A. Construction period
 - B. Post-construction period
 - j. Costs and methods of financing
 - k. Federal or state assistance available
4. Public buildings
 - a. Present facilities
 - A. Government operations
 - B. Maintenance and repair facilities
 - C. Other
 - D. Present excess capacity
 - b. Estimate of improvements needed
 - A. Construction phase
 - B. Post-construction period
 - c. Costs & methods of financing
 - d. Federal & State assistance available

F. - NOTES ON TRANSPORTATION

1. Historical Recap
2. Air
 - a. Services provided - scheduled
 - b. Capacity - passengers and freight
 - c. Private and contract potential, with airport and runway limitations in mind
3. Airport facilities and services
 - a. Traffic control
 - b. Navigational facilities - all-weather operations
 - c. Runway lengths and surfacing - loading information
 - d. Runway lighting facilities
 - e. Communications
 - f. Terminal facilities
 - g. Parking
 - h. Aircraft servicing and maintenance
 - i. Fuel facilities and storage
 - j. Traffic capabilities
 - k. Estimate of necessary improvements or expansion
 - A. Costs and method of financing
 - B. Federal and State aid programs available
4. Water Transportation
 - a. Services presently provided
 - b. Potential of contract and private services
 - c. Present capacity in tonnages per month - scheduled
 - d. Adequacy of present & potential services
5. Terminals and Docks
 - a. Navigational and harbor control methods and facilities
 - b. Dock capacity and facilities - characteristics
 - c. Unloading facilities - mechanization
 - d. Efficiency of transfer to land transport
 - e. Storage and warehouse facilities, dock-side and other
 - f. Availability of longshoremen
 - g. Shipping costs, total
 - h. Normal dock time for ships normally used
 - i. Availability of pilots and tugs
 - j. Communications
 - k. Coast Guard availability
 - l. Parking
 - m. Tug availability and capacity
 - n. Regulations on tanker operation
 - o. Estimate of improvements necessary
 - A. Construction phase of pipeline
 - B. Post-construction period
 - C. Plan for meeting needs
 - D. Costs and financing method
 - E. Possible Federal and State aid

F. - NOTES ON TRANSPORTATION

6. Highway

- a. Common carrier services provided
- b. Contract and private potential
- c. Capacities involved
- d. Highway load limitations
- e. Problems of keeping passes open
- f. Estimated needs
 - A. Capability of increasing services
 - B. Alaska Transportation Commission approval

7. Railroad

- a. Present capacity
- b. Rates
- c. Roadway problems
- d. Capability of increasing services
 - A. Condition of present equipment
 - B. Acquisition of new rolling stock
 - C. Source of funds

8. Pipeline

- a. Local and state regulations for operation
- b. Source of power for pipeline operation
 - A. Purchase from other sources?
 - B. Generate own - any excess for sale?
- c. Source of communications needed for pipeline operation
 - A. Purchase services?
 - B. Provide own - capacity for public use?
- d. Labor policy of pipeline operators re: transportation

9. Ferry

- a. Routes
- b. Schedules and fares
- c. Kinds of traffic
 - A. Cargo
 - B. Passenger
 - C. Vehicle
- d. Future plans and capabilities

G. - NOTES ON HEALTH

1. Historical
2. Present hospital facilities
 - a. number of beds
 - b. Professional help - resident
 - c. Facilities
 - A. Occupancy rates
 - B. Patient days and average stay
 - d. Degree of seriousness or severity of cases that can be handled
 - e. Methods of transport to hospital
 - f. Emergency facilities & procedures
 - g. Parking
 - h. Emergency power facilities
 - i. Out-patient facilities
3. Back-up facilities
 - a. Anchorage
 - b. Seattle and others
 - c. Methods of transport and time element involved
4. Available clinical and doctor's office facilities available as supplemental to emergency hospital services
5. Community professional personnel - Health
 - a. Physicians and surgeons
 - b. Dentists and their facilities and services
 - c. Psychiatrists
 - d. Nurses - RN & LPN
 - e. Other - Paramedic program
 - f. Availability from other communities, if needed
6. Long-term care facilities
 - a. Facilities
 - b. Statistics of past use
7. Needs during construction phase
 - a. Will needs be acute enough for additional facilities and services? Or, can outside facilities (Anchorage, etc.) be used without serious consequences?
 - b. Anticipated hospital & medical needs due to construction, and responsibility of serving all workers within the service area
 - c. Transport requirements, if deemed inadequate
 - d. Survey and analyses necessary to determine expansion in personnel or modification of facilities and procedures
8. Review of State and Federal programs which might be available for expansion of health facilities or services.
9. Health factors related to environment.
10. Occupational safety programs
11. Welfare problems

H. - NOTES ON COST OF LIVING

1. Elements of economy where potential may exist for shortages, or demand pressures being created.
 - a. Lack of adequate or efficient shipping into community
 - b. Storage or warehouse shortage
 - c. Lack of competition in private enterprise functions
 - d. Lack of labor or shortages in particular skills which might bid up labor costs
 - e. Lack of sufficient or adequate housing
 - f. Lack of necessary financing for general uses
 - g. Lack or shortage of significant and important private or government services which could result in higher prices or labor costs
 - h. Unwarranted or improper bidding by contractors for skilled labor, technicians, and engineers, on a unilateral basis, in the interests of meeting construction deadlines.
2. The necessity of attempting to anticipate any and all shortages of labor, services and supplies, and devise ways to mitigate them on a timely basis.
 - a. Coordinated program, probably under leadership of a State agency.

I. - NOTES ON LOCAL GOVERNMENT

1. Organization
 - a. Election process
 - b. Administrative system
 - c. Class city - powers
 - d. Taxing powers - limitation
 - e. Area of coverage
2. Financing
 - a. Property tax base - assessed evaluation
 - b. Taxes
 - A. Tax rate
 - B. Total property tax revenue
 - c. Other taxes
 - d. Other revenues
 - e. Utility ownership
 - f. State revenue sharing and other State aid
 - g. Federal aid programs
3. Debts
 - a. Debt service
 - b. Total obligations
 - A. General obligation bonds
 - B. Revenue bonds
 - C. Other debts - method of amortizing
 - c. Credit rating
 - d. Interest rates on outstanding debt
4. Cost of Government
 - a. Annual General Fund budget
 - b. Special operating budgets
5. Anticipated needs during construction
 - a. Operating budgets
 - b. Public works acceleration
 - c. Utility expansion needs
 - d. School operation and construction
6. Estimate of added revenues due to increased population and employment
 - a. Property taxes
 - b. Sales taxes
 - c. Utilities
 - d. Other
7. Post construction forecast and problems

J. - NOTES ON SCHOOLS

1. Historical - Statistical - Characteristics
2. Present plant
 - a. Capacity
 - b. Characteristics
 - c. Excess capacity
3. Enrollment - Characteristics
4. Faculty and staff
5. Anticipated enrollment - Construction period
 - a. Characteristics
 - b. Teachers needed
 - c. Plant needed
6. Financing
 - a. Operation - State & Federal aid programs
 - b. Construction - State & Federal aid programs
 - c. Local support - tax rates
 - d. Indebtedness
 - A. Outstanding debt - rates
 - B. Debt service - source of payments
7. State-operated schools
 - a. Needs along pipeline
 - b. Special construction programs
 - c. Available funds
 - d. Transportation problems
8. Special academic programs
 - a. Vocational training (Private and State)
 - b. Vocational rehabilitation
 - c. MDTA programs
 - d. Other

CHAMBER OF COMMERCE

Claire Banks Sept. 11 lunch
Bill Tobin

1. The Chamber has had a committee making an economic impact study.....Frank Danner, Chairman
Jesse Carr....Teamsters
Bob Richards..NBA economist
Will get report from them.
2. The Chamber intends to hold a seminar on the Piepline impact with the aim of acquainting business men with what to expect.
3. Mr. Tobin and Mr. Banks were much interested in ways of holding local inflation down, however, no concrete suggestions were made. They agreed if anything could be done to alleviate shortage it should be done.
4. Bill Tobin recommended I see Gen. Sherrill. Contact Col. Roy Brunhart, P.R.
5. Financing may be difficult for private enterprise services needed.
6. Stressed need of careful study of school needs. Discussed 45-15 plan for year-round school.

COPPER CENTER-Interviews
George Ashby-Mr. Rogge & Mrs. Bayles

1. Copper Center also has no excess housing and there is very little private land. The U. of A. also has land there. Some is already on 55 year lease.
2. Mr. Ashby believes there may be some school impact even here, to the extent that workers and families want to live here. Presently there are only two class rooms and two teachers. The school is presently full (Primary). High school students go to Glennallen and that too is believed to be almost full.
3. If very many more people move into Copper Center, they will have a pollution problem with sewage because of permafrost. They, of course, have no sewers or water systems.
4. Same concern was stated for the availability of money for housing, if there is a housing need.

DELTA JUNCTION - September 6, 1973
4th Class City

Attendance at meeting.

Don Kobierowski.....Mayor
Mary Kobierowski.....Wife of Mayor
Ray Servela.....Highway Director
Loretta Nessler.....President Chamber of Commerce
Ken Ryther.....Councilman and Fbxs. Med. & Dental
Physicians Association
Glen Chowning.....Councilman and Principal Ft. Greely
schools
Roy Gilbertson.....Councilman
Trooper Brooks.....State Troopers
Tom Dull.....State Parks
Bill Freeze.....Delta Chamber and Alaska Motor Coaches
Fern Harkness.....Husband with I.T.T.....representing
community
Don Jameson.....R.C.A.
Evelyn Peek.....works here at hotel & owns apartments
in Anchorage
Garret Vermeulen.....Service Station
Lloyd Anderson.....owners
Joe Nessler.....husband of Chamber president

1. Population & Employment. Delta Junction has 2000 population in 10 mile radius. They believe many new families of pipeline workers will want to live in Delta Junction. The people here are not sure whether Alyeska will hire Alaskan residents, however, it was stated Alaska unions have signed agreements and that local members will be hired.

The people of Delta Junction expect a large impact from people just seeking employment, because if they come up the Alaska Highway, Delta Junction will be the first point they hit the pipeline.

It was believed that construction camps would be temporary, mobile-type buildings, self-contained.

They have not had enough information to project employment increases.

Delta Junction has not had any official word of where the construction camps will be located nor the exact route of the pipeline. They have heard that it will go through the center of town, but the City fathers have not been contacted by anyone from Alyeska. The people there said I was the first person who has talked with them about the pipeline, except 2 years ago, Alyeska PR men talked to the Chamber of Commerce, but not much about how Delta Junction would be affected.

2. Public Safety. Delta Junction has 1 State Trooper and an enforcement officer for Fish & Game has just been assigned there. They believe they need at least one more trooper, and that Delta Junction has been bypassed in past trooper increases. Delta Junction does qualify for \$10,000.00 from State but so far they have no local revenues for the required matching funds. (This would probably only be enough for one man and his quarters).

Delta Junction now has a volunteer fire department and 3 pieces of equipment - 2 pumpers (one poor) and a tanker. They believe a full time chief will be needed.

3. Transportation. Delta Junction believes the State should study the air transportation requirements for the area, and determine improvements needed. An area adjacent to town is needed for helicopter pad. They are not now permitted to land in town. The landing field at Ft. Greeley is now jointly used by the military and the public, however, there are no fuel facilities there for public use and should be provided. The airport is virtually always open (weather conditions), since it's been closed only one day in 10 years. Heavy vehicular traffic and smog may change this.

4. Housing. There are 14 private homes under construction in Delta Junction. There was not much concern expressed about the availability of land for housing. There are three trailer mobile-home courts with 14 units being added to one of them now. There is adequate space for 50 more.

5. Government. Delta Junction is a 4th Class City with an elected council and mayor. They presently have no property or sales tax but the Council is considering a tax program (I believe only in the talking stage. Some tax program probably will be necessary)

6. Utilities, Public Services & Health. No concern was expressed on the lack of electric power during the construction. (They are connected to the Fairbanks power net) The City has no central water supply or distribution. Water is dependent upon wells.

Neither is there any sewage system. Because of this an important impact on Delta Junction will be with the health problems created. If the population grows to any great extent some sewage disposal methods may be required.

The Fairbanks Medical & Dental Physicians Ass'n. has a clinic there. It is believed that with population growth and any significant services provided to construction workers, the clinic will be over-loaded. (The professional help apparently commute from Fairbanks on a scheduled basis)

The City will have an ambulance by January 1, 1974.

The City feels the State needs more representation in Delta Junction. There is no public health nurse, only a social worker whose responsibilities take her up and down the highways out of Delta Junction. There are few other State offices.

Solid waste disposal is already a problem. They say the garbage dump is good for only 2 more years at the present rate of use and that only a modest increase in population will overload the present area. Some thought has been given to some kind of solid waste treatment plant.

7. Courts. No concern was expressed in Delta Junction regarding the court system, possibly because it is not too far from Fairbanks. (It is believed further study needs to be done in this area)

8. Planning. Statements were made that the principal impact on Delta Junction will be following the construction. Pumping station No. 9 (Phase 2, probably 1978) will be 2 miles beyond Ft. Greeley.

They claim unable to plan intelligently because Alyeska has been too secretive.

9. Schools. Delta Junction doesn't know how many to plan for in schools because of lack of information. The present schools are full and over-flowing. There are 472 pupils at Delta Junction schools and 338 at Ft. Greeley, both State operated. Of course, they can and may need to double-shift (no community really wants to do this), but more teachers will be needed.

This year when school opened 50 new students registered. No one knows at this time (school had just opened) where they came from, what the parents do, but they think it is indicative of what is going to happen in their community.

There was some concern expressed regarding information they had that the pipeline was to pass very near the city-located schools. They are also worrying about whether the pipe will be above ground because of local soil conditions. They have not been told.

FAIRBANKS - Capt. Ralph E. Shafer, State Troopers
September 7, 1973

1. The Troopers problem has been to guess at what will happen during the pipeline construction. They haven't been able to get much information. There are many conflicting stories. They have a wide area of coverage and when a single complaint is filed or an investigation necessary it takes a trooper two days in an area where he must fly. The closest man they have in the North is at Barrow. It is usually easier to send a man from Fairbanks to points between Fairbanks and the North Slope.

The Troopers presently have direct communications with Dead Horse from 8 to 10 hours per day (via commercial radio phone services).

Sideband radio is not the answer to the policing problem. VHF with repeaters is the answer.

There is evidently the intent, if the budget is approved, to put two men at Dead Horse and two at Livengood. Housing at Dead Horse will be a problem. Bettles will need a trooper.

Col. Dankworth has talked to the oil companies (and presumably Alyeska) and asked each Trooper Post to submit budget requests. (I have not yet had an opportunity to talk with Col. Dankworth).

Capt. Shafer expects that with a large influx of people they will face abnormally high rates of law breakers (or peace breakers), because of the questionable character of camp followers. The troopers presently police the North Star Borough areas outside the City. City police now adequate but will need more. Furthermore, there will be industrial accidents and fatalities, and for insurance reasons, the first person usually called is the police. He was in Kenai also, and is thoroughly familiar with the problems. Troopers are called for everything, rescue and recovery work, too.

FAIRBANKS - City Manager Wally Droz
September 7, 1973

1. Employment & Population. Fairbanks has the same uncertainties as other communities as to the numbers of families of pipeline workers that will come to Fairbanks. They think that there will be a gradual influx despite Alyeska efforts to keep them out.

Mr. Droz believes Alyeska will make an effort to hire native workers, but that many will not stay, for several reasons. One is drinking. Fairbanks had an alcoholic rehabilitation program but were forced to discontinue because of abuse by the natives.

Mr. Droz believes much of the construction work will be such that the workers will need to be imported from the other states. He thinks Fairbanks will get mostly service people and few white-collar workers.

2. Public Safety. Fairbanks has made little headway in anticipating problems created by the pipeline construction, and no projection of anticipated police costs. He predicts there will be organized crime activities and all kinds of "fast buck" artists. The City of Fairbanks, however, is sponsoring a Pipeline Law Enforcement study aimed at determining some of the problems and what needs to be done. This study is federally funded under the L.E.A. program.

(No special concern was expressed at this interview in respect to fire-fighting problems. However since the North Star Borough has no fire-fighting powers, this subject needs further study)

3. Transportation. Air transportation is considered adequate since scheduled carriers could increase service and there is charter and contract carriers available. The airport is considered adequate. The A.R.R. now has a spur to the airport.

The only problem with Air will be from the States and they probably can't handle required cargo.

There are potential problems with surface transportation. He believes the highways will not be able to carry the load during the peak of construction. (Teamsters are requiring cargo to move by highway that could be carried by the A.R.R. See interview with the General Manager of the A.R.R.)

Mr. Droz also thinks the railroad capacity may not be adequate.

4. Housing. Mr. Droz doesn't expect housing problems, at least in the early stages of construction, because of the presently high vacancy rate. (It is not known what the break-down is on the relative amounts of high, medium and low income housing is available. This needs study)

5. Government. A distracting element at this time in the Fairbanks area is the attempt toward unification of the City and Borough governments.

6. Utilities. Mr. Droz considers the utility services and capacities to be adequate to handle construction period loads with the exception

of the telephone utility (It has been learned that both trunking and switching equipment are not adequate and are already the cause of many problems).

All areas have water except two but service is being extended to these. The City Government doesn't own the utilities as in Anchorage, but are under separate operating boards.

7. Health. Fairbanks has their new hospital in operation. Medical & dental professions have adequate personnel at present and Droz is confident more will come. Ft. Wainwright is closing half of the post. The hospital there will be de-activated and might be made available for public use if needed.

Air pollution during the severely cold weather is already a problem. Further study by E.P.A. is being done. Severe restrictions are expected in those present activities which add to the smog problem, such as leaving the auto engine running while parked. The pipeline construction period will be certain to aggravate this problem.

8. Community Facilities. The sewer system now is extended to all areas in the City of Fairbanks (or is being constructed now). The 2nd sewage treatment plant will be under construction soon (Concurrently with the pipeline).

Other services are considered adequate or can be expanded.

9. Courts. Mr. Droz says the courts are over-loaded. There are also problems with detention facilities. (State owned)

The courts are expected to be completely over-loaded during the pipeline construction period.

10. Inflationary Pressures. Fairbanks is much concerned with the expected competition with the construction industry for help of all kinds.

There will be other government construction projects that will compete with pipeline construction, or add to the total impact. The flood control project will start. Fairbanks will have a new Federal Building. His belief is that non-urgent construction projects be delayed and phased in as the pipeline construction phases out.

GLENNALLEN - COPPER VALLEY ELECTRIC (& TELEPHONE)
James Palin - Manager Sept. 6, 1973

1. Copper Valley serves general Glennallen area, Valdez and points in between. They have been expanding only as fast as demand increases. They recently added a generator in Valdez (total now 3728 KW peak power, firm 1800 KW). B. & B. Fisheries freezer plant will soon start operating and will absorb nearly all surplus they now have. Generators cannot be added easily or quickly.
2. They have been unable to get any answers from Alyeska regarding estimates of electrical power needs. (Alyeska plans to provide their own, and evidently will neither need commercial supplies nor have any excess of their own to sell. (This is a question I have asked Alyeska).

GLENNALLEN - Interview
Sgt. Norman C. Chafin, State Troopers
September 6, 1973

1. Sgt. Chafin made a report through headquarters on his estimated requirements to meet the pipeline impact. (will talk to Col. Dankworth)

He believes the largest problem will be with job-seekers rather than workers. He knows there will be work-camps but doesn't know where they will be located nor what working hours they will maintain nor their time of schedules.

2. Sgt. Chafin asked for 2 more troopers for Valdez (now 1), one clerical worker and a trooper for Glennallen. He wants to keep the office open 24 hours a day. He has 2 men at Paxson now and no more have been requested. They have 5 men at Tok (mostly involved with dope) and he has asked for one more. If there is much Alaska Highway traffic created by the pipeline construction, they will not be able to handle the problems.

There is presently 16 hours of patrol out of Glennallen, with men being on call the other 8 hours. His request would allow 24 hour coverage at all posts. Now the best he can do is concentrate manpower where needed.

Sgt. Chafin was in Kenai during the construction period there. They were continually snowed under with many emergency situations, including 6 murders. He says he would like to have a full-time investigator stationed in Valdez. Sgt. Chafin expects road traffic to increase 1000% and radar equipment is needed.

3. Communications, especially between base stations and the patrol cars is bad. They presently use the Highway radio system, which is manned only 8 hours per day 5 days per week. Even this is good out to a little over 50 miles toward Valdez, perhaps more in other directions, depending upon the atmospheric conditions. Communications to Anchorage is spotty. A patrol car on the road at night has no communication. Because of potential situations increased highway use and recreational activity of construction workers, better communications are needed. Only land line telephone between Valdez and Glennallen posts, subject to breaks in line at any time or sabotage. Better communications between State Troopers posts will be available when RCA installs the microwave circuits up and down the pipeline. See Delta Junction interview.

4. Sgt. Chaffin says the State jail at Glennallen is very inadequate. The Magistrate, the State Health office and nurse are in one small building. The magistrate has two small holding cells. Under present conditions often some of the detainees must sleep on the floor.

The Magistrate has requested more space. The Trooper thinks a District Court Judge and a prosecutor will be needed at Glennallen.

5. There have been additional liquor licenses issued recently in his jurisdiction, evidently in preparation for the pipeline construction. The Sgt. doesn't know if the population requirements were met since this is not the State Troopers function. There are

Glennallen.....Sgt. Chafin.....cont'd.....page 2.

more applications for liquor licenses on file.

6. There is very little land available for housing in private ownership. There is U. of A. land and also B.L.M. It was not known if the State has land in the immediate area.

7. He believes the schools (State operated) are not able to absorb many more students.

In general, Sgt. Chafin says the Glennallen area has not done anything to gear up for the pipeline construction.

GOLDEN VALLEY ELECTRIC - Robert Huffman, Manager
September 7, 1973

The R.E.A. Coops of Alaska made a proposal to Alyeska to furnish electric power for certain of the pumping stations and other required power. The proposal, briefly was to run the line of those pumping stations south of the Yukon River which are in Phase 2 and Phase 3 of Alyeska's construction plans.

Great amounts of electrical energy are required (one estimate was for more than presently exists in Alaska). The eventual aim of the coops was to tie in all Central and South-Central Alaska with a common generation and transmission system. With the large loads possible with an integrated system, all users would benefit from lower rates and less reserve requirements. (I attempted three years ago to get some action started on this, in conjunction with the Alaska Power Adm.)

The State Administration (Joe Henri) has worked with the Coops in their study and proposal. The proposal has been turned down by Alyeska, especially in Phase 1. There seems to be some interest in Phase 2 and less in Phase 3.

Without going into details of proposal (I have the proposal and will summarize in further detail later). Mr. Huffman says their program can meet the time schedule needed by Alyeska for Phases 2 & 3, and Alyeska (Patton) did not quarrel with the economics except to question the Coops estimate for fuel costs. Huffman believes they can fully substantiate the economics of their proposal and that it is competitive with Alyeska's own proposed system.

When I asked about redundancy in the power supply, Huffman says Patton was not too concerned about this as long as they have some of the stations on firm power. With a few pumping stations operating, the oil can be kept flowing at a reduced rate.

The Coops were planning on a small LNG pipeline from the North Slope to bring gas to the generating units, and have been assured of the feasibility of this.

With a favorable legislative or Impact Committee position on this matter, Alyeska might review its position, particularly since they have not yet definitely turned down the Phase 2 & 3 proposals.

NORTH STAR BOROUGH - Mayor John Carlson
September 7, 1973

1. Employment. Mr. Carlson thinks the MSNW report made for Alyeska on the impact is good and that the employment projections are fairly realistic. He says Fairbanks is a strong union town and that they will require local hiring.

2. Public Safety. Mr. Carlson does anticipate both law enforcement and fire protection problems, but since the Borough has neither power, was not prepared to discuss them to any extent.

3. Transportation. He sees one of the most immediate needs, in transportation as building a by-pass from the Alaska Highway to the Steese Highway so as to eliminate the need of all pipeline traffic going through the City. Such a by-pass would require the construction of another Chena bridge.

Mr. Carlson believes local merchants will have difficulty getting merchandise and food and that they may need to rely more on air transportation for many items. He recalled the problem immediately following the 1967 flood and that the air transportation was very inadequate. He was thinking of requesting Pan Am diverting their New York-Fairbanks-Tokyo flight through Seattle since Pan Am evidently has empty cargo space on the west-bound flights. (There could be serious obstacles in putting such a plan into effect).

Mr. Carlson says Wien has cut back their schedules into Fairbanks and Alaska Airlines has cancelled many flights, but assumes also that schedules could be increased.

As to the A.R.R., Mr. Carlson quoted Mr. Rogers Morton as saying the A.R.R. should beef up their power and other rolling stock.

4. Housing. Mr. Carlson says there is not much private land available that has sewer and water available. Much is being held for speculation. There are no large areas available for large housing development projects.

The F. E. Co. has 20 acres but it is not served by water or sewer.

He says the Borough has no involvement in supplying water or sewer services. This is a City function.

The Borough does not have health or sanitation powers. That is still a State function.

Mr. Carlson said there has been talk of establishing service districts but none so far. He is recommending that they encourage cluster housing so that water and sewer can be more easily and efficiently provided.

There is also discussion of getting use of some of the housing being vacated on the closed portions of Ft. Wainwright. This will be studied.

5. Utilities. Mr. Carlson says there is not much concern for utilities with the exception of telephone (There evidently is not too much concern in Fairbanks about the ability of the two electrical entities to provide sufficient power. I did not have time to talk