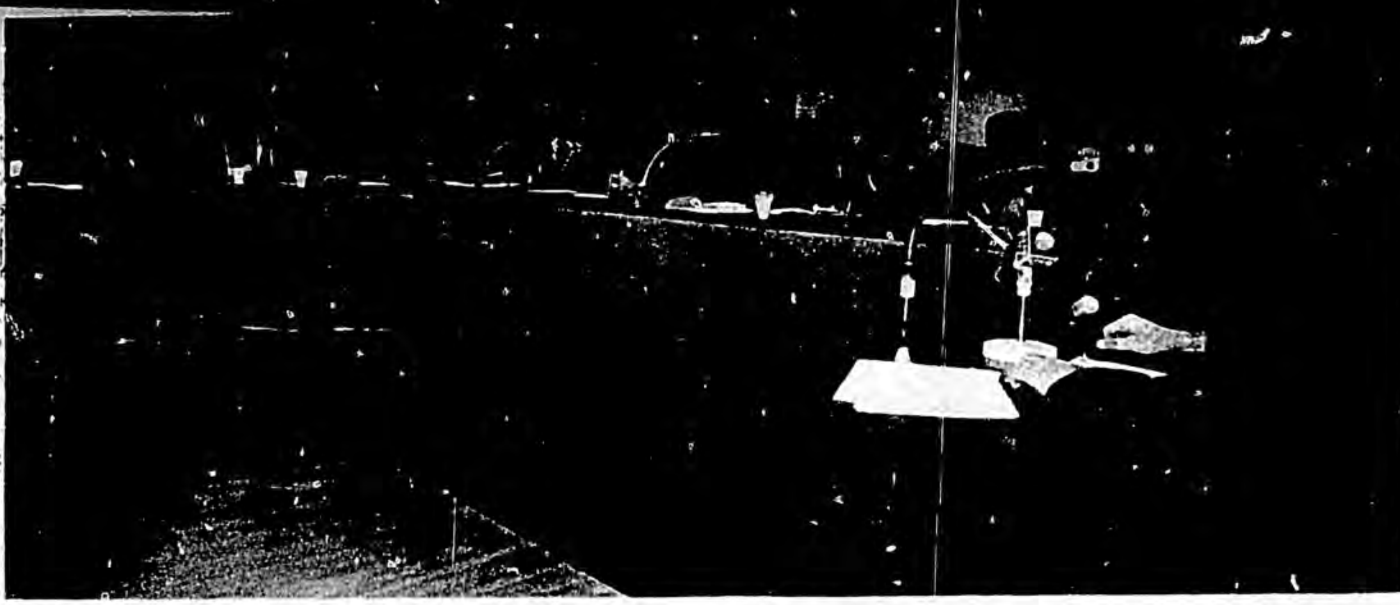
SCOMM

#13:7



IMPACT PANEL—Members of the legislature's joint interim pipeline impact committee listened to city and borough officials Monday at hearings in the Fairbanks city council chamber. From left are Sen. Ron Rettig, Rep. Dick McVeigh, Rep. Selwyn Carrol, Sen. Keith Miller, Rep. Robert Hartig and City Manager Wally Droz.
(Staff photo)

Area officials talk of impact

By DENNIS FRADLEY
Resources Editor

City and borough officials Monday made their needs known to members of the legislature's joint interim pipeline impact committee at hearings in the city council chamber.

Chaired by Sen. Ron Rettig, R-Anchorage, the panel is conducting hearings across the state this week to determine some of the problems that will be created once construction of the trans-Alaska pipeline begins.

Fairbanks Mayor Harold Gillam opened the testimony and told the legislators the state doesn't need to meet the impact problems, it just has to provide the people in the communities the tools to do the job themselves.

The tools Gillam mentioned were backing for municipal bonds, investment of state funds into local banks to lower interest rates, and opening land for the people to develop.

City Manager Wally Droz followed Gillam and was more specific with requests. Droz cited more than $27 million in capital improvements already made by the city to meet the expected population expansion.

These improvements were in the area of sewer and water line additions, expansion of electric generating facilities, additional police and fire vehicles, and numerous other new facilities.

The city urgently needs, however, improvements for its electrical, water and telephone services, Droz added.

"The city of Fairbanks requires assistance from the state to meet its power requirements in two areas," he said. "Firstly, we must get a commitment from the state to sell us oil and gas from its share of royalty oil and gas from the North Slope fields at the nearest point of delivery from pipelines carrying oil and gas which we have reason to believe will be in the North Pole area," Droz told the legislators.

"Secondly, the City of Fairbanks requires financial assistance."

A dual-fueled generator—capable of burning either natural gas or oil—would cost $6.5 million, according to Droz, while a coal-fired unit would cost $15 million.

He said utility rates in the area were already too high.

Other items needed by Fairbanks to meet the impact problem include additional water treatment and storage facilities, and new facilities for the telephone system.

Droz also cited needs for a slight buildup in the police and fire departments.

When asked what kind of assistance Fairbanks would be seeking from the state, Droz replied: "Whatever we can get." He said a grant would be his first choice and a loan second.

Borough Mayor John Carlson said the five-year delay in construction of the pipeline has been on the government's side, since the government has been able to gear up for impact. He cited the land zoning and recreation improvements as examples.

He estimated the borough administration budget would be increased $700,000 for impact related problems.

It was in the borough school system, however, that the more serious problems were seen. Business Manager Bill Case told the legislators that he believed studies done on impact to date were conservative in the estimates of increased student enrollment. These studies show a 20 per cent increase for the Fairbanks North Star Borough school system.

Case gave the panel estimates of the increased costs solely to pipeline-related impact. These figures went from $1.8 million in 1974-75 to $38.9 million in 1967-79. He said the state would have to provide money to meet these needs.

Chuck Rees spoke for the school board and told the legislators the board is on record favoring 100 per cent funding for schools by the state.

Rees cited three other areas where state assistance is needed: possible guarantee for the 12.8 million bonds recently approved, assistance to supply power to the Wainwright schools to keep them open, and purchase of mobile classrooms for use during the boom period.

In addition to Rettig, members on the committee include Sens. Clifford Groh, R-Anchorage, Keith Miller, R-Anchorage, Terry Miller, R-Fairbanks, and Reps. Andrew Warwick, R-Fairbanks, Lavell Wilson, R-Tok, Tom Fink, R-Anchorage, Robert Hartig, R-Anchorage, and Dick McVeigh, D-Anchorage. Rep. Selwyn Carrol, R-Fairbanks, sat in with the panel as an observer.

February 27, 1976

Senator Chancy Croft
President of the Senate
Alaska State Legislature
State Capitol, Pouch V
Juneau, Alaska 99811

Representative Mike Bradner
Speaker of the House
Alaska State Legislature
State Capitol, Pouch V
Juneau, Alaska 99811

RE: Interim Report of the Joint Gas Pipeline Impact Committee

Dear Mr. President and Mr. Speaker:

Please consider this to be a letter of transmittal of the Interim Report of the Joint Gas Pipeline Impact Committee existing pursuant to H.B. 258 "The Gas Pipeline Impact Committee", Chapter 170 SLA 75. I request that this letter of transmittal, together with the report, be read into the appropriate Journal in each house.

As an aid to the interpretation of the Interim Report, I submit the following as being my understanding of the sense of the Committee:

1. The Committee does not intend to suggest that the Commissioner of Natural Resources or the Royalty Board enter into unreasonable agreements with prospective purchasers. It is the sense of the Committee that Alaska should indicate that it is a "willing seller" of a portion of it's gas and is seeking a "willing buyer" on terms which will reserve as much gas as possible for future use to meet Alaska's internal domestic and other needs. The Committee would expect the executive to negotiate the best possible agreement. Understanding, that when such an agreement is negotiated, it may or may not be acceptable to the Legislature. It may be that the executive will negotiate the best possible agreement, at the same time recommending against its implementation on the basis that too little is received by the State and too much given by the State. We believe that it is imperative, however, in the conduct of the people's business, that such a tentative agreement be made public and its merits debated.

2. We do not wish to tie our negotiator's hands by quantifying the word "substantial" as used in paragraph #7 in the Committee's findings, and paragraph #1 of the Committee's recommendations.

3. The Committee does not suggest an arbitrary time deadline for our executive negotiators. We do point out, however, for the agreement to be finalized, legislative approval is necessary and a special session should be avoided if possible.

4. We do not intend in any manner to preclude negotiations for use of royalty gas within the State of Alaska and the further exploration of petrochemical and domestic uses. The major thrust of the Committee's recommendations is based on the belief that a Trans-Alaska pipeline is essential for future domestic and petrochemical in-state use options of North Slope gas.

5. Pursuant to other action by the Committee, the following have been introduced by the respective Rules Committee by request:

SCR 85/HCR 107	"Relating to the Impact on Alaska of a Trans-Canada Gas Transportation System"
SB 685/HB 848	"An Act Making a Special Appropriation to the Department of Natural Resources for the Purpose of Conducting Negotiations with Prospective Purchasers of North Slope Natural Gas and Providing for an Effective Date"
SB 686/HB 850	"An Act Relating to Waste of Oil and Gas and Providing for an Effective Date"
SB 687/HB 849	"An Act Relating to the Leases of State Land for Oil and Gas into taking of Royalty Gas from them and Providing for an Effective Date"

6. Finally, and most importantly, our recommendations are based on the facts and circumstances as they exist today.

   The situation may change at any time rendering the presently recommended strategy inappropriate. For example, it has been suggested that the Federal Power Commission may conduct allocation proceedings nullifying contractual sales commitments. Gas may be more or less deregulated. The recent request of the President for authority to make the final route decision subsequent to January 1, 1977 may effect the political climate. It may be determined, as has been suggested by some, that neither the Trans-Alaska nor the Trans-Canada line are economically feasible at this time.

The recommendations of the Committee rely strongly on the advice of our consultant, Mr. Rush Moody, recently Vice-Chairman of the Federal Power Commission. The strategy may only be appropriate if the Federal Power Commission closes the certification hearings in May according to it's present schedule and further certifies one route based on the precedents, principles, and considerations customarily employed in past certification proceedings admittedly more limited in scope and of much less national significance.

The opportunity to use royalty gas to accomplish our public purposes as we perceive them may be lost unless we have substantially negotiated possible sale terms and are ready to move if and when the time arrives - which may be very soon.

Respectfully submitted,

John Rader

Senator John Rader, Chairman
Gas Pipeline Impact Committee

JR/kb

INTERIM REPORT
OF THE
JOINT GAS PIPELINE IMPACT COMMITTEE

This Committee, through public hearings and staff investigation, has become convinced that immediate action by the State of Alaska is essential if the citizens of this State are to receive maximum benefit from the State's natural gas resource.

The Committee will issue a full and complete report on its findings and recommendations at a later date, but is impelled to submit this interim report to the Legislature and the people of the State of Alaska because of the urgency of the present situation.

The Committee finds and concludes the following:

1. A federal decision authorizing the transportation of North Slope natural gas across Canada would be inimical to the interests of the State of Alaska. The State's resource would be drained, its people denied access to a premium fuel and raw material, its work force deprived of employment opportunities, and productive economic growth would be thwarted.

2. A federal decision authorizing the transportation of North Slope natural gas across the State of Alaska to an open port will serve the best interests of the State.

3. The level of benefits, and burdens reasonably to be expected by the State as a consequence of any decision on a North Slope gas transportation system are of such magnitude that the routing decision must be regarded as critical to the future of the State. Action to secure a Trans-Alaska routing must be pursued as expeditiously as possible; no reasonable step should be left untaken.

4. The position of the state as owner of a one-eighth royalty in natural

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

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

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

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

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

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

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

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

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

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

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

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

5. Such arrangements, contracts, and agreements as are negotiated by the Commissioner and Board and approved by the Legislature should be incorporated into the pending applications for a Trans-Alaska transportation system, presented to the Federal Power Commission by the appropriate transporter-applicant, and approval thereof obtained in the pending Federal Power Commission proceedings.
6. The Legislature should adopt SCR 66 and further seek the active cooperation of all owners of North Slope gas in support of the Trans-Alaska pipeline route.

:/24/76

The big scramble for North Slope gas

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

HOWARD M. WILSON
West Coast Editor

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Exxon has estimated that $2 billion

has been advanced for such projects in recent years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Both agreements have been approved by FPC.

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

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

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

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

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

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

TABLE 1

DISTRIBUTION OF PRUDHOE BAY RESERVES 1/

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

<6% except state

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

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

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

First testimony was El Paso, John Bennett, VP;

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

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

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

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

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

Regulations and definitions were discussed

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

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

(Quote)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DATED this __________ day of ____________________, 1975.

THE STATE OF ALASKA

By: ________________________

EL PASO COMPANY

By: ________________________

(End Quote)

Prompt execution of such an agreement will achieve the following:

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

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

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

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

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

Thank you for your consideration of our proposal.

JOHN C. BENNETT

VICE PRESIDENT

EL PASO ALASKA COMPANY

DOW CHEMICAL U.S.A.

BENNETT BUILDING
2030 DOW CENTER
MIDLAND, MICHIGAN 48640

October 30, 1975

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

Dear Mr. Martin:

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

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

Very truly yours,

O. S. Andras

Board would like to have presentation

O. S. Andras
Director of Hydrocarbons
Hydrocarbons Department

cas

Enclosures

DEPARTMENT OF NATURAL RESOURCES

NOV 3 1975

RECEIVED
JUNEAU, ALASKA

LIFE IS FRAGILE HANDLE WITH CARE

ETHYLENE AND ETHYLENE DERIVATIVES COMPLEX IN ALASKA

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

Project Scope

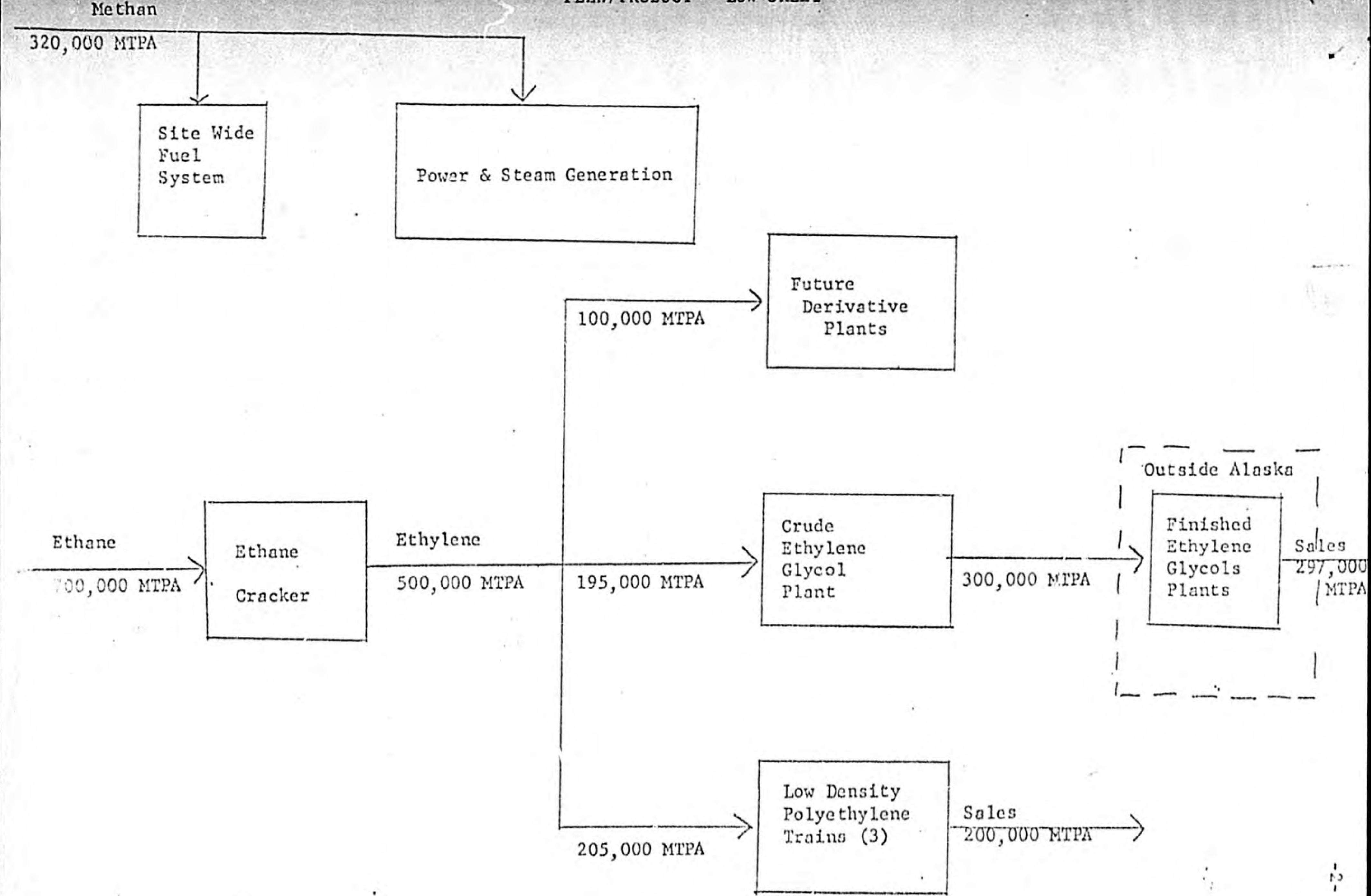
Ethylene plant	(500,000 metric tons per annum = MTPA)
Low density polyethylene plant	(200,000 MTPA)
Crude ethylene glycols plant	(300,000 MTPA)
Product storage and handling facility	
Utilities generation and distribution facility	
General service facilities	

Estimated utilities, catalyst, chemical and feedstock requirements

Utilities

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

FEED/PRODUCT FLOW SHEET



Catalyst

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

Chemicals

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

Feedstock

Ethane gas (700,000 MTPA)

Assume the following analysis:

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

Operating manpower

Supervisory	70
Skilled	390
Non-skilled	60
	520

Timing

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

Capital Estimates

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

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

Environmental Impact

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

CONFIDENTIAL (DO NOT DISTRIBUTE) FILE

Tennessee Gas Transmission
A Tenneco Company

TENNECO

Robert C. Thomas
Vice President

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

August 28, 1975

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

Dear Mr. Martin:

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

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

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

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

The company would receive:

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

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

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

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

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

R C Thomas

Robert C. Thomas

cm

Attachment

MEMORANDUM

CONTRACTING OF PRUDHOE BAY GAS

STATE OF ALASKA

In late May, 1975, Tennessee Gas Transmission Company received a letter from the Commissioner of Natural Resources for the State of Alaska requesting proposals for the purchase of the State's royalty gas from leases in the Pru ’oe Bay Field. We have communicated with Alaskan officials and discussed t e needs of the State to be met in contracting the gas and the ability of nnessee Gas Transmission or the industry to structure a mutually advantageous proposal.

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

1. Benefits Which Must Accrue to the State

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

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

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

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

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

2. <u>Benefits Which Must Accrue to the Purchaser</u>

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

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

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

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

We have worked toward an approach that would meet these requirements. In the consideration of various methods of financing, three limiting factors immediately surface. They are (1) the constitutional or statutory limitation on State debt for longer than one year, (2) FPC regulations controlling advance payments and their anticipated expiration at year end, and (3) the capital and debt position of most pipeline companies. The State does not qualify under current FPC regulations for receiving advance payments.

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

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

There has been much speculation about the economics of a market outlet for Prudhoe Bay gas and the effect it will have on the future wellhead price of this gas. This speculation is due to the substantial cost overuns being experienced by major engineering projects throughout the world. A recent study by Tenneco indicates the capital cost of the trans-Alaska pipeline the liquefaction plant, LNG ships, and receiving facilities, when escalated to the year of expenditure, to be $8.8 billion, or 57% greater than the recently published U. S. Department of Interior study. After adding a $.50/Mcf wellhead price, this capital cost would yield regasified LNG at the Los Angeles city gate at a cost of $2.58/Mcf in 1982. If Tenneco's projection of capital costs should be low by a factor of 50%, which is highly unlikely, the Los Angeles city gate price will increase to $3.54/Mcf. According to our market analysis, however, this gas will be saleable in the interstate market. We do not wish to minimize the problems of financing that relate to the escalating project cost, but the escalation certainly does not render this gas valueless at the wellhead.

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

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

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

1. <u>Pipeline Route Support</u>

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

2. <u>Capital Contribution</u>

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

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

   c. All financing will be arranged by Tenneco.

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

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

3. Gas Available for Alaskan Use

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

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

4. Pricing

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

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

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

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

Thomas wants more El Paso info

11/11/75 ADN

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

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

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

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

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

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

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

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

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

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

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

ANCHORAGE DAILY NEWS

Anchorage firm seeks state gas

11/11/75 ADN

By ROSEMARY SHINOHARA
Daily News Staff Writer

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

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

THE GAS IS presently shipped to Japan.

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

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

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

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

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

THE ROYALTY gas that Alas[ka] Gas wants from the state is produc[ed] from the North Kenai field by Philli[ps] Petroleum Co. and liquefied f[or] shipment to Japan.

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

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

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

Commitment of the state royalty ga[s] would provide an additional 5.5 billio[n] cubic feet of natural gas per year fo[r]

(Continued on page 2)

...o Anchorage

(Continued from page 1)

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

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

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

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

Because of the competition, Anchorage Natural Gas formed a subsidiary, Gas Supply Corp. of Alaska, to explore for natural gas. Gas Supply Corp. has invested more than $300,000 to date and has participated in the drilling of an exploratory well at the mouth of the Big Susitna River. The well was plugged and abandoned, but further exploration is contemplated, the company said.

THE EXPLORATION funds are from "retained earnings," and do not affect the company's utility operating expenses, Teel said.

John Horn, manager of natural gas and liquefied natural gas sales for Phillips, told the royalty board the state's best interest would be served by continuing to allow Phillips to take the royalty gas. Horn said Phillips "spent our money and took the risk" to commercially develop North Cook Inlet when markets were not available, and Phillips has invested sums of money predicated on a continued supply from the field.

Horn also said his company is concerned that any activity like the Alaska Gas proposition would render Phillips a public utility subject to Federal Power Commission jurisdiction.

El Paso Makes Second Gas Proposal

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Thomas Reviews His Trip

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

In a report to the Anchorage Chamber of Commerce yesterday on a trip Outside to promote an Alaska route for the pipeline from the North Slope, the lieutenant governor said the report estimated the Alaska route might encounter a cost overrun of $900 million and a six-month delay.

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

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

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

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

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

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

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

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

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

El Paso offer on state gas

11/12/75 ADN

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

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

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

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

ANCHORAGE DAILY NEWS

Bill mandates Canada gas line

11/13/75 ADN

By MARK PANITCH
Our Washington Correspondent

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

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

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

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

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

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

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

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

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

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

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

11/7/75

Officials To Talk Oil

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

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

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

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

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

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

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

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

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

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

Many Share Gas Dollar

ADT 11-9-75

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

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

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

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

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

Bearing all this in mind, it offers the following:

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

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

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

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

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

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

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

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

ADT 11/14/75

Canada Line Plan Finds Sponsor

By BETTY MILLS
Times Washington Bureau

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

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

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

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

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

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

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

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

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

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

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

Stevens said, "It will be almost

(See Page 2, Col. 7)

Canada Line Finds Sponsor

(Continued From Page 1)

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

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

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

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

Anchorage Daily Times

Gas Pipeline Panel Forms To Push For Alaska Route

By BARBARA ZANDER
Times Staff Writer

ADT 7/22/75

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

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

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

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

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

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

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

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

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

EDITORIAL PAGE
Anchorage Daily Times
ROBERT B. ATWOOD
Editor and Publisher
WILLIAM J. TOBIN
Associate Editor
And General Manager
CLINTON T. ANDREWS JR.
Managing Editor
Page 8 Thursday, July 24, 1975

The Gas Pipeline

TWO STATE GOALS

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

The committee set two goals:

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

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

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

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

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

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

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

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

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

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

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

ADT 8/6/75

Lease Sales Could Aid State Revenue Balance

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

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

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

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

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

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

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

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

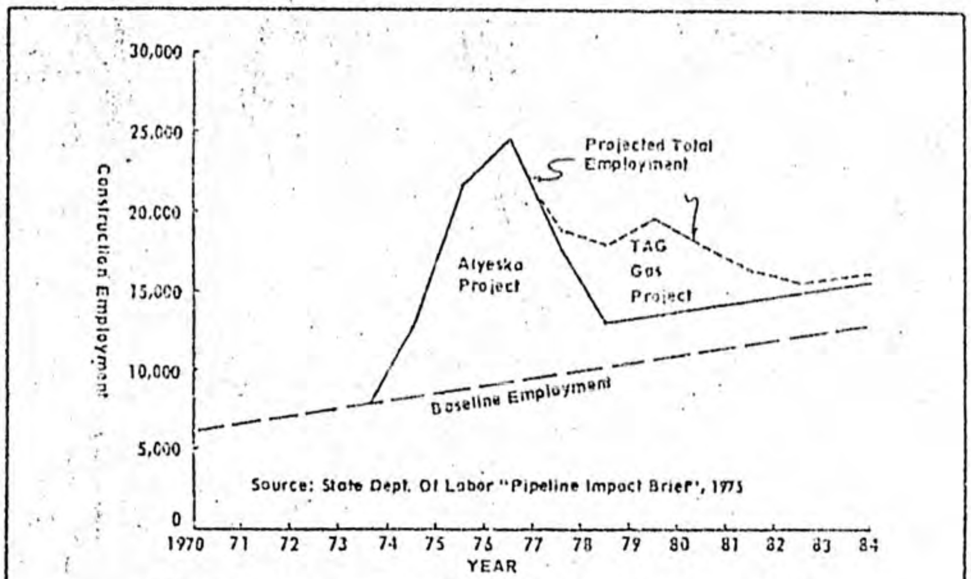
Gallagher said decontrol of old oil on the national level could have a significant impact on Alaska's state finances. For instance, if the price of old oil is left to the market, the state's anticipated deficit for fiscal year 1976 could be cut in half.

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

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

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

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



STATE PROJECTS GAS LINE EMPLOYMENT

The dotted line shows the estimat- construction, the gas

Five Plan Gas Line Testimony

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

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

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

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

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

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

(See Page 2, Col. 1.

Gas Offer Is Unveiled

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

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

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

Five Will Testify On Plan For Line Through Canada

(Continued From Page 1)

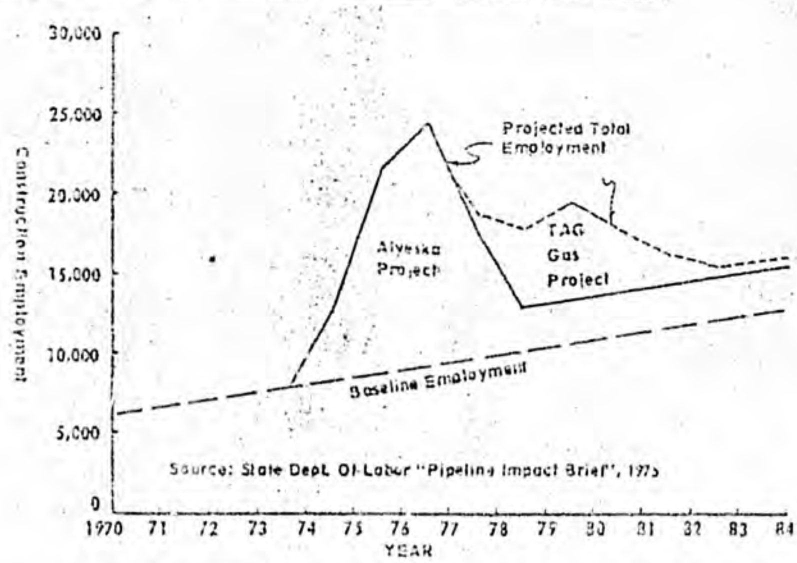
a trans-Alaska gas pipeline, has not applied for a right-of-way permit from Interior. However, El Paso's proposal for a combined pipeline-tanker route is dealt with in the draft study as one of the alternatives to an all-overland pipeline.

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

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

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

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



STATE PROJECTS GAS LINE EMPLOYMENT

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

Organization Requests State Gas Commitment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Martin Expects Leasing Delay 9/30/75

By FLIP TODD
Times Staff Writer

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

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

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

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

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

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

(See Page 2, Col. 4)

Problems Unresolved

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

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

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

(See Page 2, Col. 5)

Martin Expects Leasing Delay

(Continued From Page 1)

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

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

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

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

The four proposed amendment include:

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

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

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

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

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

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

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

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

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

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

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

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

Martin promised the state would give at least five months advance notice of a state sale in the offshore area to the east of Prudhoe Bay and predicted it would be held in 1979.

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

Treaty Proposal 'Creates Problems'

(Continued From Page 1)

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

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

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

HOMER BURRELL
Address Hearing

State Rebukes Gas Line Study

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

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

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

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

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

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

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

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

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

(See Page 2, Col. 5)

JERRY McCUTCHEON
Would File Suit

And Go

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

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

(See Page 2, Col. 1)

Index

State Rebukes Gas Study

(Continued From Page 1)

proposed Arctic Gas pipeline system.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Winter's Threat Curtails Two Services

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

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

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

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

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

Anchorage Daily Times

Published every afternoon and every Sunday morning, except certain holidays, by the Anchorage Times Publishing Co., 820 Fourth Avenue, Anchorage, Alaska, 99501. Mail subscriptions: Alaska, $10 per month. Second class postage paid at Anchorage, Alaska, and at additional mailing offices.

Represented nationally by Cresmer, Woodward, O'Mara & Ormsbee, Inc.

FDNM 9/18

Registration for gas line hearing

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

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

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

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

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

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

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

The Alaskan section of the 6,200-mile pipeline is to be built in the first three years of a project which will extend over eight years. In order to avoid having to build a permanent road across the wildlife range, Arctic Gas proposed to build the Alaskan portion entirely in winter from snow or ice roads.

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

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

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

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

M

Gas line treaty nears

A.O.R. 9/22

By PETER J. BERNSTEIN
© 1975 Newhouse News Service

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

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

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

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

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

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

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

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

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

Proposed Canada Gas Line Dra

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

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

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

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

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

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

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

e Draws Fairbanks Fire

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Thomas Begins Gas Line Tour

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

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

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

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

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

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

Calif. gas line plan scrapped

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

Lower estimates of Alaska natural gas availability have resulted in a decision to inform the Federal Power Commission and Interior Department that the leg of the $9.6 billion pipeline project will not be needed, Interstate Transmission Associates (Arctic) spokesman William Sawyer told a hearing.

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

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

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

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

Sawyer said that a section of another pip which would also start at Eastport, and run 1 Rye Valley, Ore., will be slightly relocated s run through Idaho's Moyie River Valley.

Opposition had been voiced by local farm Moyie route.

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

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

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

Gas line hearings ADN 10/2/75

Canadian route hit by Alaskans

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

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

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

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

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

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

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

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

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

Sen. Ted Stevens

such action apparently is not necessary.

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

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

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

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

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

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

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

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

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

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

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

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

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

LIMOUSINE DRIVER

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

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

ADT 10/18/75

Canadian Blasts Gas Line Campaign

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

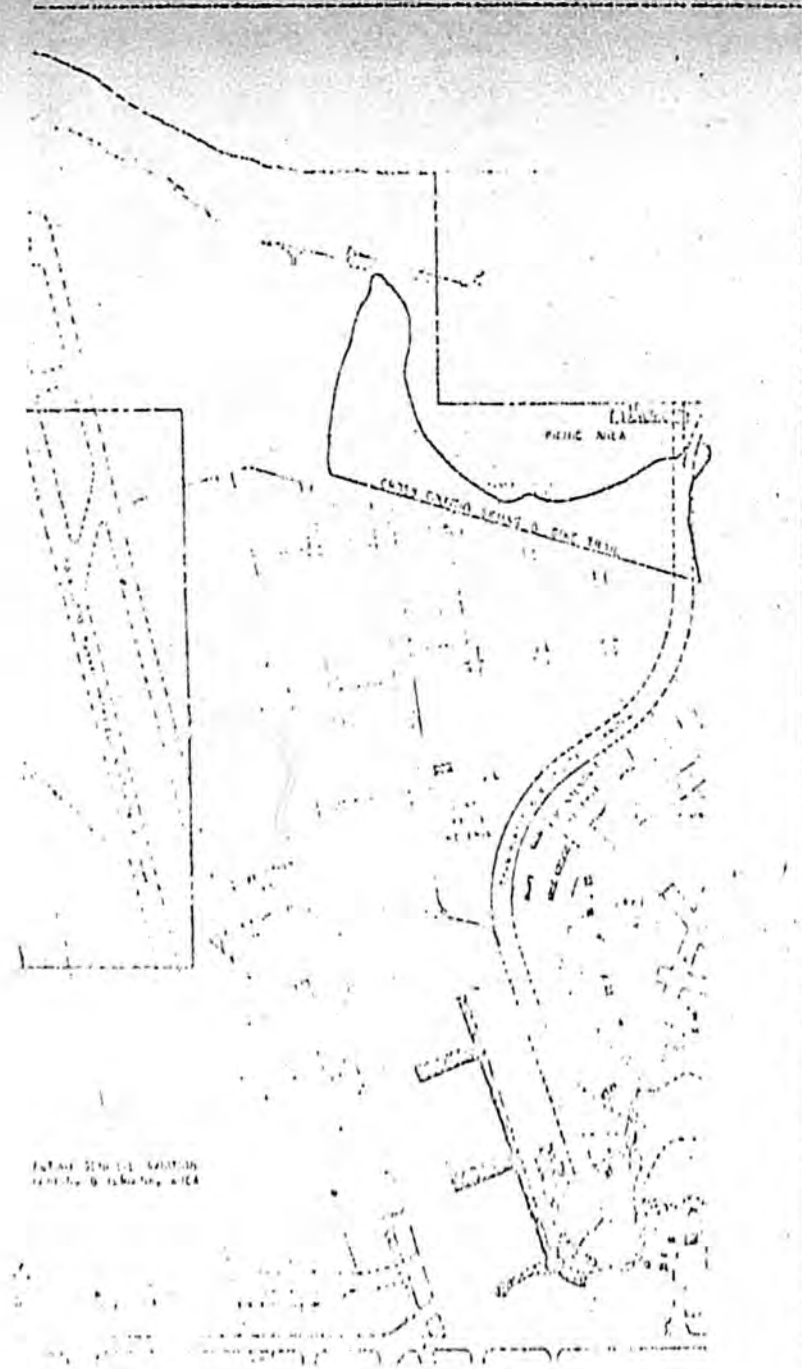
Where OMAR said the cabinet's decision would be subject to judicial review, Blais said, "I'm not aware of any judicial review of a cabinet decision, except if the final decision constitutes a breach of national justice."

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

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

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

ADT



...GLE AIRPORT RECREATION AREA

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

Study Compares Pipelines

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

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

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

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

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

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

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

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

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

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

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

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

Accountants To Meet Tomorrow

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

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

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

Legal Notice 116

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

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

The hearing will be held on Wednesday October [illegible], 1973 in the library of Chugiak High School, commencing at 7:30 p.m.

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

Persons wishing to submit written testimony prior to the hearing may submit their statements to the Department of Community and Regional Affairs, 311 West Fourth Avenue, Anchorage, Alaska [illegible].

Lee McAnerney
Commissioner

PUB. Oct. [illegible], 1973

Conservationists comment On gas pipeline route proposal

ADT 10/4/75

EDITED BY PETER SCHOLES

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

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

Jerry McCutcheon

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

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

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

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

Peter Scholes for the Alaska Center for the Environment

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

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

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

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

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

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

Gordon Wright for the Fairbanks Environmental Center

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

(Continued On Page 4)

Conservationists comment

(Continued From Page 2)

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

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

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

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

Stan Senner for the Federation of Western Outdoor Clubs

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

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

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

s not excited about Sl

Alaska pushes gas line

By The Associated Press

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

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

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

Martin Blasts Lease Schedule

By BETTY MILLS
Times Washington Bureau

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

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

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

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

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

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

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

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

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

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

Gravel Submits Gas Line Bill

Times Washington Bureau

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

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

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

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

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

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

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

ADT
10/22/75

Canadians seek own gas line

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

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

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

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

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

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

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

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

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

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

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

HE ADDED that his company estimates the undiscovered reserves in the Canadian north might bring the total as high as 39 trillion cubic feet, almost twice the Prudhoe Bay reserve, and Arctic Gas claims the undiscovered reserves total an even higher 50 trillion cubic feet.

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

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

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

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

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

ADT 10/23/75

Decontrol Bill Goes To House

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

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

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

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

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

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

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

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

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

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

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

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

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

...ulations

...eadline on the filing proposal.

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

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

et
el
ire

- Eugenio
, today won
re for his
ated human
usions.
mmittee of
79-year-old
important

received the
drawal and
occasion to

is widened
ccession of
ween them

l of poetry,
vocates a
ord choice

his school,
and the
ad an ear

outside of
: that his
tinued to
ool of its

of poems
They are
nd Other
rlodel '71

bility was

Senate Will Hold Gas Line Hearings

By BETTY MILLS
Times Washington Bureau

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

State Plea Wins Board Accord

Times Washington Bureau

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

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

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

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

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

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

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

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

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

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

Ford Plan Rejected

WASHINGTON (UPI) — The House Ways and Means ...

Jackson Wins Board Thanks But Chairman Sees Problem

Frank Danner, chairman of the ... meeting, leaving only Jackson ... Federation of Natives said he ...

ADT 10/25/75

Canadian Discusses Line

By BETTY MILLS
Times Washington Bureau

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

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

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

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

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

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

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

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

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

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

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

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

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

ADN 10/25/75

Task forces for energy, fishing

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

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

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

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

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

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

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

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

No representatives were named to the fisheries committee immediately.

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

Bethel prosecutor is asked to resign

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

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

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

Norway's king to visit Sunday

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

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

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

A break in the acti

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

ADN 10/25/75

...sium, but even in concert with ...er two fine singers in this troupe, ...ance is overwhelming.

...n Avery and Eve Roberts had ... moments too, notably Mr. ...s clever singing of "Nina" and ...ad's "Mad About the Boy".

...l Coward buffs will get the ... jolt out of "Oh Coward!", but ... with an ear for lyrics that strike ... everything sacred will join the ...se and want more.

...re is more, tonight at 8 o'clock, ...atinee Sunday at 2:30 p.m.

...Utilities

(Continued from page 1)

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

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

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

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

ANCHORAGE DAILY NEWS

Published every morning except Sundays and certain holidays by the Northern Publishing Co. and printed under an agency agreement by the Anchorage Times Publishing Co., 820 Fourth Ave., Anchorage, Alaska, 99501. Mail subscriptions $4.25 monthly in Alaska, $4.75 elsewhere.

Second class postage paid at Anchorage, Alaska.

Represented nationally by Cresmer, Woodward, O'Mara & Ormsbee, Inc.

Inlet fuel line proposed

By the Associated Press

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

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

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

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

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

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

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

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

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

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

Obituaries

DEBORAH CASPERSON

Funeral services for Deborah Ann Casperson, 20, will be held next week in Millbrae, Calif. An Alaska resident for 13½ months, she was employed as a secretary for Superior Lumber Co. in Kenai. Miss Casperson, who was born Sept. 11, 1955, in San Francisco, leaves her parents, Mr. and Mrs. Russell K. Casperson; a brother, Allan; three sisters, Chriss, Wendy and Carol, all of Millbrae; paternal grandmother, Augusta Casperson of San Francisco, and maternal grandmother, Gertrude Palmer, of Aiken, S.C.

ROBERT O. BAUM

Funeral services are pending for Robert O. Baum, 56. He had been employed as a construction engineer for Quality Asphalt Paving Co., and died Oct. 23. An Alaska resident for 23 years, Mr. Baum leaves his wife Carol; four stepsons, Richard Judd of Anchorage, David Judd of Minneapolis, Carl Judd of Freemont, Calif., and Michael Judd of Seattle; and his mother, Lillian Baum, of Los Angeles.

LINCOLN E. DAVIS

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

...Gay named three basic approaches to life: the theistic, which holds that everything points to that in which everything finds its ... would have to leave his homeland. "I have heard him tell his story with such effectiveness that the mascara of Texas women runs," said Gay.

Prayer book revised

1975, The Christian Science Monitor

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

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

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

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

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

His changed, brightened outlook is "almost indescribable," he said recently. ...his work handicapped, his thoughts preoccupied with the next drink, and any socializing centered around it. The illness "doesn't make you a very nice person to be around," he says. "There's no such thing as a happy drunk."

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

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

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

Anchorage Sunday Times, October 26, 1975

ADT 10/26/75

Betty Ford Speaks On Women's Rights

CLEVELAND (AP) — First Lady Betty Ford said [Sa]turday that the "cloud of fear and confusion" [mu]st be lifted from the battle for the Equal Rights [Am]endment because it is vital to undo laws that lock [wo]men out of opportunities.

[I]n remarks prepared for her first major speech on [wo]men's rights, the President's wife also advised [wo]men to stop under-valuing their own talents, [es]pecially in the home.

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

Mrs. Ford came to Cleveland on a chilly, rainy [da]y to speak before several thousand women on the [op]ening day of a three-day Greater Cleveland [Co]ngress of International Women's Year [Co]nference.

Alaskans In Washington

Report Asks Probe Of Pipeline Rule

By BETTY MILLS
Washington Bureau

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Chicken Pox Wins In Heat; Becomes High School Hero

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

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

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

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

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

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

[H]ohman Reviews Senate Role

By CHERYL PROBST
Times Staff Writer

[B]lattedly upset with the [Dem]ocratic leadership in the [the] Senate during the last [legi]slative session, Bethel [Dem]ocrat George Hohman is [spe]nding time between [ses]sions reassessing his ... with resentments carrying forth from that.

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

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

[Acc]ording to budget documents, the governor submitted a proposed budget of $755,000. The Senate finance ... had been done, the Senate would have arrived at a budget recommendation comparable to the House's, he said.

Looking at the school's budget from another angle, Hohman said it receives funding at $193 per student credit ...

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

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

ADT 10-26-75

Totem Chief Boasts Of Vessel Great Land

Special to The Times

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

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

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

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

He said the Great Land has been designed to operate through the rigorous Alaskan winter months. The ship is 791 feet long and weighs 31,762 displacement tons. It has a top speed of 24 plus knots and can carry the equivalent of 388 40 foot trailers and 126 vehicles.

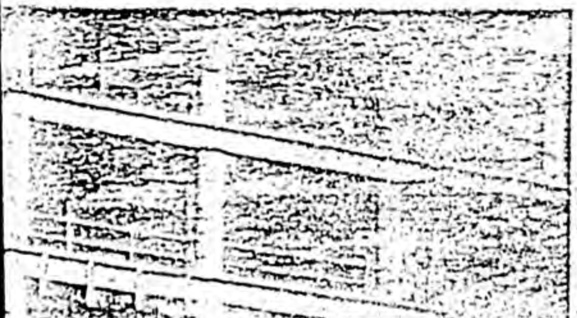
Like the previous roll-on ships Sun Ship built for the Puerto Rican and Middle East trades, the Great Land can take the full range of over-the-road transportation equipment, such as highway and rail piggy back trailers, autos on auto carriers, oversize cargo more than 40 feet long, mobile homes, steel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

Noting that The Great Land's speed makes possible an "over-the-weekend" express service from Seattle to Anchorage some 1400 miles away, Maling said:

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

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

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



E BUILDING

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

Gas Option Is Confab Subject

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

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

Bill By Buying Big Packages

with reconstituted that natural granolas cost less cup raisins, ½ cup peanuts, real estate financing through

Seattle-Anchorage trade than two months ago, ady is winning despread shipper tance," says William B. g, president of Totem Trailer Express.

askan shippers have as quick to appreciate ar cut cargo flexibility ntages of pure roll-on port as have shippers in erto Rican and Middle trades, where our first smaller class of erships have been ssfully operating for time," Maling told nen attending a Tote s luncheon at the ral Club.

hipping firm is a rarity g ocean cargo lines in t is in part owned by a U.S. shipyard — Sun building & Dry Dock Inc., er, Pa., which owns 30 cent of the 330 million re. Sun Ship claims to be 's leading designer and er of pure roll-on vessels. remaining 70 per cent ned by Sun Oil, Sun Ship's t company.

ing said that Sun Ship carrier providing a service capable of carrying both regular and oversized cargo.

He said the Great Land has been designed to operate through the rigorous Alaskan winter months. The ship is 731 feet long and weighs 31,762 displacement tons. It has a top speed of 24 plus knots and can carry the equivalent of 385 40 foot trailers and 136 vehicles.

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

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

"A substantial portion of the cargo we've been carrying is a direct result of the attracting that cargo that will be a major part of the Alaskan trade long after the completion of the pipeline."

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

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

Gas Option Is Confab Subject

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

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

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

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

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

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

Big Packages

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

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

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

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

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

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

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

Plans Fuel Link

By FLIP TODD
Times Staff Writer

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

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

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

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

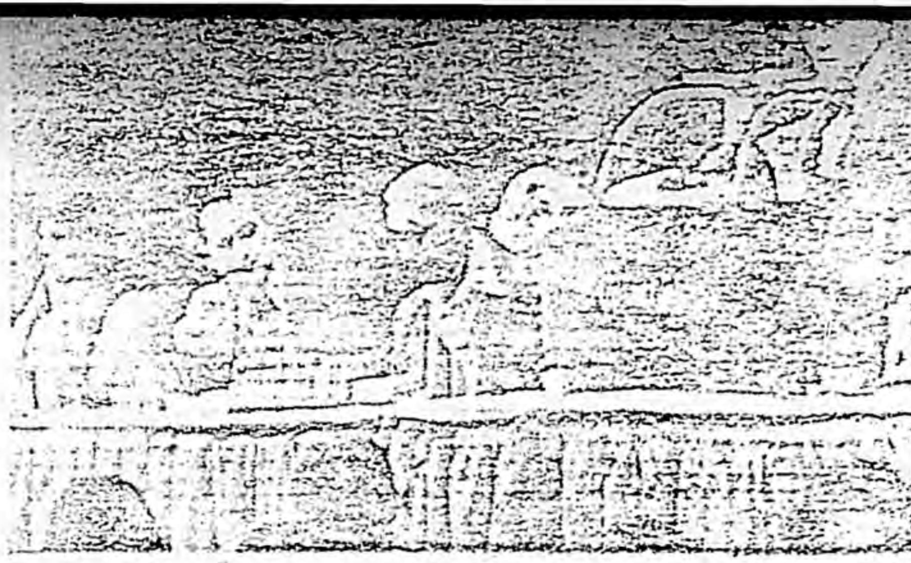
The application estimates the annual cost of operations and maintenance on the line at $1,260,000 with 150 people being employed during construction and 11 full-time employes to operate and maintain the pipeline.

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

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

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

(See Page 2, Col. 3)



NATIVE, STATE LE

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

Federation Opens Annu[...]

By MORGAN PARKER
Times Staff Writer

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

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

The federation is the political arm of the 12 Alaska Natives Claims Settlement Act regional corporations.

It represents Aleuts, Indians and Eskimos who are to control about $1 billion and 44 million acres of Alaska.

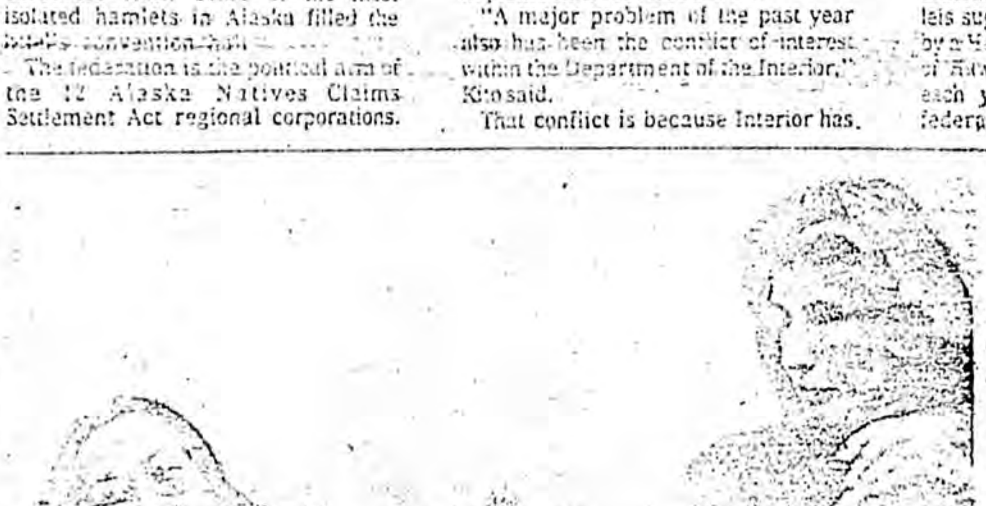
After the morning call to order, federation President Sam Kito told the assembly the biggest issue the federation has faced during the past year has been revising technical sections of the settlement act as flaws have been discovered by implementation of its sections.

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

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

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

The morning session was atte[...] federation officials bedecked [...] leis supplied to the convention [...] by a Hawaiian group. Aboriginal [...] of Hawaiian Ancestry [...] each year renews its ties [...] federation. Aloha is fight[...]



Mrs. Lord, Mrs. Kissinger Put Feet Up

Kissinger Party Pauses Here

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

(Earlier Story, Page 4.)

Kissinger's aircraft touched down at 3:15 a.m. ADT and was on the ground 53 minutes before taking off on the final leg to the nation's capital.

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

The nibblers included Mrs. Winston Lord, whose husband is chief of the State Department policy planning division.

Mrs. Kissinger said she spent many hours in Museums while in China — "my feet are sore" — and that she was anxious to get back home to watch "Star Trek" on television.

Printi[...] Unica[...]

Because of a printing [...] supporters of a unic[...] legislature will not beg[...] drive for petition sig[...] until the first week [...] November.

The backers of a co[...] state House and Sena[...] hoped to begin collecti[...] natures this weeken[...] legal, petition signature[...] printed in Juneau ha[...] been prepared.

Led by Rep. Bill Park[...] Sen. John Rader, both [...] chorage, the unica[...] boosters need to collec[...] 10,000 signatures by J[...] when the next leg[...] session convenes. Th[...] asking that an advisory [...] the unicameral questio[...] on the next general [...] ballot.

Such an advisory [...] question, if approved [...] require the legislature [...] sider the issue but it w[...] have to approve [...] stitutional amendm[...] change the current bic[...] setup.

Parker and Rader m[...] about 23 sponsors [...] petition drive last nigh[...] tral Junior High Sc[...] prepare for the [...] drive. Parker said a[...] sponsors [...]

Index

[illegible]

... anchored off the ... Anchorage today ... berthing space in the ... of one of the ... traffic snarls in the ... tory.

... Ocean Trailer ... SS Great Land, is ... delayed by a shortage of stevedores, expects to ... loading and leave by ... , at which time the ... would move in to ...

... Group started Wednesday ... in a dispute between ... and Sea-Land ... berthing space, settled ... the latter yielded to ... court order to move ... table to an adjacent ... space.

... porary order issued Wednesday night by Superior Court Judge Eben Lewis is scheduled for hearing at 9 a.m. Monday.

Meanwhile, it was taking about 25 hours to unload the SS Great Land instead of 15, according to Sea Star Stevedoring Co. General Manager Darrel Bahner. He said that with nine or 10 gangs working at four locations on the water front yesterday, a number of inexperienced men were dispatched to unload the Totem vessel.

"Out of a gang of 43 men, we had 31 with no experience on the Great Land," he said.

Unloading stopped at midnight, when it "became impossible to find fresh crews."

... State Land Use Planning Commission.

It is a "useless" layer of bureaucracy that "favors special interests" and is a perfect spawning ground for political delays to Alaska Native Claims Settlement Act implementation, said federation board Chairman Jack Wick this morning.

"We've met every deadline of the settlement act," he explained. "I don't think the commission has met one."

"It's the consensus of the 12 regional corporations land managers that the commission kowtows to environmentalists," added Koniag Corp. landsman Lew Anderson. The men also charged the panel, created by the settlement act, ... of Land Management causing unnecessary delays.

"The act says its implementation is to be expedited, and if the planning commission has been expediting things, I'd hate to see what a delay looks like," Anderson said.

The panel is headed by David Jackman, appointed by Gov. Jay Hammond, and co-chairman Burt Silcock, appointed by the federal administration.

Wick and Anderson said the environmentalist leanings of the Hammond administration and the protective trustee attitude of Interior's land agencies for which Silcock speaks, prejudices the purportedly neutral forum of the panel and its supposedly ...

"Also, the less bureaucracy the better," Anderson added. "Native groups take their problems to the commission and get lost in its paperwork, an example is an amendment to change 'group' settlement act regulations to make it easier for smaller-than-village hamlets to get some land, even if they are inside federal preserves of some sort.

"The commission does its job in compliance with interests of conservation groups and the bureaucracy," Anderson said of talks regarding the "group" problem between Koniag Corp. and planning commissioners last night.

"They do valuable studies for the state and natives," Wick admitted, "but as far as ...

... "has b... cetnan... The c... by a ba... tlement ... soon exc... Congress ... The p... help eve... settleme... monly ... provide ... discussi... technica... A pend... federatio... act omni... the comm... when Co... the fate ... federal ... into nativ...

...astor Instills ...lf-Respect

Dr. Leon Sullivan ... the podium to ... at yesterday's ... ge Opportunities ... zation Center lun... e audience rose to ... respectful standing ... n Sullivan concluded ... h, the thunderous ... reflected as much ... n as respect.

... ence's reaction was ... ence. Sullivan is in ... ss of teaching people ... enthusiasm and ... for themselves.

... years ago, Sullivan, ... pastor of Zion Bap... h in Philadelphia, ... first Opportunities ... zation Center in an ... jailhouse. The cen... people for jobs and ... ll self-respect and ... in its students.

... ration without ... tion leads to ... ," Sullivan says of ... ep. "I could see that ... minorities opened ... tion would result ... people were not ... fill them."

Sullivan estimates ... 200 centers have ... re than 300,000 ... ss the country, ... an annual earning ... 62 billion. The organization, funded by a combination of federal funds and private donations, has offices in 43 states, Africa and the Carribean.

Sullivan was in Anchorage yesterday to visit the local Opportunities Industrialization Center at 3530 Commercial Drive as part of Opportunities Industrialization Center month.

Speaking at yesterday's luncheon, Sullivan announced a new "nationwide crusade to spread from Alaska to Maine to deal with the problems of the unemployed and unskilled of America."

Sullivan said he has "heard enough lamenting about this country's problems" and that "now is the time to begin a massive effort to solve them."

Speaking with the flourish of the Baptist minister he is, Sullivan told his listeners "the decay in the ghettos will be turned around and the needs of every American can be met in the most remote parts of Alaska" through the centers' nationwide programs.

"OIC emphasizes the importance of industry and productivity," he said. "Not industry in terms of smokestacks but in terms of the spirit of people to be productive."

...mmittee Checks ...ails For Visit

(Continued From Page 1)

... Earthquake Park, ... was eliminated ... r on orders from ...

... says, having each ... ely planned takes ... t of it all," Mrs. ... said. "One just ... hat one is to do."

... Kristiansen and ... were born in Nor... as young people. ... They came to ... 5 years ago. He is ... truction business, ... y have two ... ri, 11, and Lise.

... both natives of ... rst came to ...

... manager for Scandinavian Airline Systems, also is a member of the committee. His special area of responsibility is airplane transportation.

With travel arrangements to Alaska changed at the last minute, "it was necessary to plan everything over again," he said.

Except for his work for Scandinavian Airline Systems and membership in the local Sons of Norway group, Kucala lacks a Norwegian background.

"My name is Finnish, my ancestry is partly Austrian and my wife is from Germany," Kucala joked. "I suppose I was included because of ...

Firm Plans Nikiski-A...

(Continued From Page 1)

would be laid from May 17 to July 31.

The pipe would cross Turnagain Arm from Pt. Possession on the Kenai Peninsula to Campbell Point within Anchorage. The job probably would require the use of a pipe laying barge.

A large portion of the 14.4 mile crossing goes dry at low tide. On the flood tides, tidal bores 10 feet or more in height frequently crash through two deep channels that cross the pipeline's path carrying all manner of flotsam including large trees into the arm.

The only other crossing of Turnagain Arm was completed in 1961. The Alaska Pipeline Co. which supplies natural gas to Anchorage laid two pipelines farther east with considerable difficulty. Oil companies that have laid pipelines on the bottom of the Cook Inlet to carry crude oil and natural gas from the 14 production platforms have experienced consistent difficulties with their pipelines. Several have been abandoned because they broke so frequently.

In addition to moving petroleum products refined at Nikiski to Anchorage, the pipeline has the potential for carrying cargo from tankers to the tank farms along the Anchorage waterfront which are maintained by Tesoro, Texaco Inc., Standard Oil Co. of California, Shell Oil and Union Oil Co.

The proposed route calls for the line to skirt the Army's Campbell Point Nike missile site along the western edge of Anchorage International Airport to the Chugach Electric Association right of way along Northern Lights Boulevard to the Alaska Railroad tracks. From there it would cross the mud flats and the mouth of Ship Creek to the waterfront tank farms.

Tesoro had discussed building the line several years, but instead chose to let Gulf Interstate handle the project because of its expertise in pipeline work and Tesoro's relative lack of experience in that area, said a company spokesman.

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

"The pipeline will be financed with a contributed equity of approximately 25 per cent and privately placed, long-term first mortgage bonds of approximately 75 per cent," according to the company's filing with the state division of lands.

"The owner is now seeking local Alaskan financing for the project," said a company statement issued yesterday.

Gulf Interstate is involved in engineering and ownership of pipelines and real estate investments. In 1973, however, the company began disposing of the real estate and reinvesting the money in owner-... ship of ... minals.

The i... employes ... working i... Interstate ... curren... Anchorag... to Mecha... is providi... quality sp... struction ... pipeline f... tment. ... employes ... the subcon... years as ... Gulf Inte... Ed Miche... president ... Pipeline C...

The com... numerou... federal, st... ment bodi... number c... including ... Engineers ... lands and ... —have he... pany any ... it can supp... informatio... and the ... tion.

"Right ... whether ... allowed on ... the rai... spokesman ... owned line.

"They're ... stay away ... there are ... ground co... just don't ... can be co... existing an... our right of ...

"For ex... cross our ... they can't ... either — ... long way a...

When th... of the gulli... ds they mig... ter to go so... added.

"We had ...

Food, Laughter Mark Benefit

By MORGAN PARKER
Times Staff Writer

The Tundra Times benefit banquest last night once again brought into harmony the spirits of almost 1,000 Alaska natives as former Alaska Federation of Natives President Roger Lang became half-toastmaster and half-village storyteller to turn the white-man-style occasion into a convivial, rollicking native bash.

The benefit, at the Captain Cook Hotel, was for the native weekly newspaper. It was a smashing success if laughter, good food and good stories are measures of an evening's fun.

Native leadership was the theme of the banquet. The two leaders to receive formal honors as the federation's citizens of the year were Lang and Emil Notti, the organization's first president. They shared the normally one-man honor.

As lettuce wilted on the dinner plates, trays of dried caribou, salmon and white fish were served by volunteer students to whet the appetites.

Then came the entre of broiled salmon and jokes and tales by Lang and the presidents of Alaska's 12 regional corporations.

An event which crystallizes the deeds of its participants into a year's worth of fireside remembrances, at Bush homes, the banquet filled its traditional role of giving the federation convention's participants the chance to laugh and cheer in unison despite the ...

... ebony, silver and scrimshaw was sold to Alec John of Cantwell for $950. The artist who carved it, 26-year-old Ron Brower, beamed when he saw his creation sold after a joke or two by the auctioneer, federation President Sam Kito, about what could be smoked in it.

What could have been lulling awards and introductions of those at the well-populated head table was kept fast and loose by Lang, whose quips spared nobody who caught his eye.

The newspaper awarded students Marc Olson, Sue Gamach and Jeff Richardson $250-per-month Howard Rock journalism fellowships. A special editor's award went to Lael Morgan, for her public relations on behalf of the native weekly.

The evening included a message from absent keynote speaker Bill Byler of the National Congress of American Indians. He regretted not being able to attend but was pressing the case of water rights for Arizona Indians in Washington, D.C. A carving of a dancing man mounted on a piece of Little Diomede Island was presented for Byler. It was crafted by Roger Kvnayak.

Though a Republican governor in front of a chiefly Democratic audience, Gov. Jay Hammond spun a ribald yarn and admitted — to sympathetic laughter — he thought as a child his blood contained ... Indian ...

Bowman Is Listed As Satisfactory

...ne act says its implementation is to be expedited, and if the planning commission has been expediting things, I'd hate to see what a delay looks like," Anderson said.

The panel is headed by David Hickman, appointed by Gov. Jay Hammond, and co-chairman Burt Silcock, appointed by the federal administration.

Wick and Anderson said the environmentalist leanings of the Hammond administration and the protective trustee attitude of Interior's land agencies for which Silcock speaks, prejudices the purportedly neutral forum of the panel and its supposedly ... Anderson added.

"Native groups take their problems to the commission and get lost in its paperwork, an example is an amendment to change 'group' settlement act regulations to make it easier for smaller-than-village hamlets to get some land, even if they are inside federal preserves of some sort.

"The commission does its job in compliance with interests of conservation groups and the bureaucracy," Anderson said of talks regarding the "group" problem between Koniag Corp. and planning commissioners last night.

"They do valuable studies for the state and natives," Wick admitted, "but as far as ... of a hindrance than a help," Wick charged.

The commission was set up by a back section of the settlement act and was to have soon exceeded its life set by its Congressional authorization.

The panel was created to help everybody involved in the settlement act work out commonly shared problems, provide a forum for neutral discussion and help with technical expertise.

A pending amendment to a federal-in backed settlement act omnibus bill would extend the commission's life until 1973 when Congress must decide the fate of much of Alaska's federal land that doesn't go into native hands.

... Daylight Savings Times ends at 2 a.m. Sunday giving everyone an extra hour's sleep that morning. Remember to turn your clock back one hour.

Unless Congress enacts legislation, daylight savings will resume on April 25, as it has for most states since World War II.

Last winter, however, daylight savings started two months earlier, in February, in an effort to save energy across the nation.

A bill is pending in the U.S. Senate that would make the April to February energy - saving measure permanent, thus giving Alaskans eight months of extended daylight instead of six.

In early 1974 daylight time had been extended to a full year, but this drew criticism from parents who complained that fast time was forcing their children to leave for school during hours of darkness.

The time change will occur in all states and U.S. possessions except Hawaii, Arizona, Puerto Rico, the Virgin Islands, American Samoa and a portion of Indiana.

...lans Nikiski-Anchorage Line

...uently crash through two ... channels that cross the ...line's path carrying all ...er of flotsam including ...trees into the arm.

...e only other crossing of ...again Arm was completed in 1961. The Alaska ...line Co. which supplies ...ral gas to Anchorage laid ...pipelines farther east with ...siderable difficulty. Oil ...panies that have laid ...lines on the bottom of the ...k Inlet to carry crude oil and natural gas from the 14 production platforms have experienced consistent difficulties with their pipelines. Several have been abandoned because they broke so frequently.

In addition to moving petroleum products refined at Nikiski to Anchorage, the pipeline has the potential for carrying cargo from tankers to the tank farms along the Anchorage waterfront which are maintained by Tesoro, Texaco Inc., Standard Oil Co. of California, Shell Oil and Union Oil Co.

The proposed route calls for the line to skirt the Army's Campbell Point Nike missile site along the western edge of Anchorage International Airport to the Chugach Electric Association right of way along Northern Lights Boulevard to the Alaska Railroad tracks. From there it would cross the mud flats and the mouth of Ship Creek to the waterfront tank farms.

Tesoro had discussed building the line several years, but instead chose to let Gulf Interstate handle the project because of its expertise in pipeline work and Tesoro's relative lack of experience in that area, said a company spokesman.

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

"The pipeline will be financed with a contributed equity of approximately 25 per cent and privately placed, long-term first mortgage bonds of approximately 75 per cent," according to the company's filing with the state division of lands.

"The owner is now seeking local Alaskan financing for the project," said a company statement issued yesterday.

Gulf Interstate is involved in engineering and ownership of pipelines and real estate investments. In 1973, however, the company began disposing of the real estate and reinvesting the money in ownership of pipelines and terminals.

The firm has about 260 employes. About 16 of them working for a subsidiary, Gulf Interstate Engineering, are currently working in Anchorage as a subcontractor to Mechanics Research, which is providing design review and quality spot checks on the construction of the trans-Alaska pipeline for the Interior Department. One of the firm's employes, who has worked on the subcontract for nearly two years as a vice president of Gulf Interstate Engineering, Ed Michels, has been named president of Nikiski Alaska Pipeline Co.

The company has submitted numerous applications to federal, state and local government bodies for the project. A number of the agencies — including the Army Corps of Engineers, the state division of lands and the Alaska Railroad — have held up giving the company any encouragement until it can supply more engineering information about the project and the method of construction.

"Right now I can't say whether it will or won't be allowed on the right of way of the railroad," said a spokesman for the federally owned line.

"They're going to have to stay away from the tracks and there are going to be some ground cover problems. We just don't know yet if the line can be compatible with our existing and planned uses for our right of way," he added.

"For example they can't cross our bridges with us and they can't go under them either — they'll have to be a long way away.

"When they encounter some of the gullies along the tidelands they might find it will be better to go some other way," he added.

"We had some objections to their original proposal so we asked them to come back again."

The 50-foot right-of-way would parallel an existing Phillips Petroleum natural gas pipeline for its first 30 miles, according to Michels, using the Phillips ramps and grades for water crossings.

With permission of the U.S. Forest Service some beetle-killed spruce trees would be cut in place for construction timber. The northernmost 13 miles of the pipeline on the Kenai Peninsula from Moose Point to Pt. Possession would be laid through essentially virgin forest which would require cutting a 50-foot wide path.

"A permanent corridor, treeless, will be visible from the air and accessible to vehicular traffic on the ground," the company says in its application to the state.

The line would have a wall thickness of .219 inch on the Kenai Peninsula and within Anchorage. The line wall would be .625 inch thick for the Turnagain Arm crossing. It would be inspected at least every two weeks, Nikiski Alaska Pipeline Co. promises in its state application.

The pipeline company has inquired of the Port of Anchorage whether it could acquire space for a maintenance plant on its property. Port Director Erwin Davis responded he could not recommend the company be given space there because it would not be an across-the-dock operation that would help generate revenue for the city-owned dock.

If tankers decide to tie up at Nikiski and discharge their fuel cargoes for Anchorage tank farms, Elmendorf Air Force Base and Ft. Richardson there, the pipeline could take business away from the port's petroleum dock.

...ughter ...enefit

...KER

...ly, silver and scrimshaw ...sold to Alec John of Cant... for $330. The artist who ...ed it, 26-year-old Ron ...ter, beamed when he saw ...ation sold after a joke or ... by the auctioneer, ...ation President Sam ... about what could be ...hint.

...t could have been telling ...ts and introductions of ... the well-populated ...table was kept fast and ... by Lang, whose quips ...nobody who caught his ...

... newspaper awarded ...nts Marc Olson, Sue ...ch and Jeff Richardson ...-month Howard Rock ...alism fellowships. A ...ector's award went to ...rgan, for her public ...ts on behalf of the ...eekly.

...evening included a ...ge from absent keynote ...r Bill Byler of the ...nal Congress of ...an Indians. He regretted being able to attend but ...sing the case of water ...for Arizona Indians in ...gton, D.C. A carving of ...ng man mounted on a ...Little Diomede Island ...sented for Byler. It was ... by Roger Kunayak.

...a Republican governor ...that of a chiefly ...tic audience. Gov. ...mond spun a moral ...d admitted — to sym... ...laughter — he thought ... his blood contained ...in part in 64, but ... ...realized ...

Bowman Is Listed As Satisfactory

Rep. Willard Bowman ...

BP Man Hits Policy

WHITEHORSE, Y.T. (AP) — Development of Alaska's resources is stagnating because of irresponsible land-use freezes on vast tracts, the minerals manager of B.P. Alaska Exploration Ltd. said Wednesday.

The amount of land withdrawn from possible development now equals the area of the United States east of the Mississippi excluding Maine, Charles F. Herbert told the 4th Northern Resources Conference.

The withdrawals were achieved by fanatical environmentalists who prevailed on government agencies to adopt the position that "no use is the best use," he said.

In March, 1972, about 83 million acres were excluded from mining, farming or permanent human habitation. The idea was to save virgin wilderness areas for parks, wildlife refuges and scenic spots. Herbert said another 100 million acres have been reserved for native Eskimos who will choose 40 million acres, but the 60 million remaining will be added to the 83 million already withheld from development.

"There is no doubt that the irresponsible withdrawal of huge areas of Alaska is discouraging," he declared. "Equally so are the ponderous, repetitive arguments advanced for permanent closure of those lands."

Canadians Air Gas Line Plan

Special To The Times

FAIRBANKS — Three Canadians who oppose a proposed trans-Canada natural gas pipeline were in Fairbanks this week to meet with local groups.

The Foothills Pipe Lines Ltd., often called the "Canadian El Paso," is proposing an all-Canada pipeline to bring gas from nothern Canada to its southern cities without Alaskan involvement.

Like El Paso Natural Gas Co., it is a pipeline common carrier company challenging the Arctic Gas consortium of major oil companies which are planning for a larger pipeline from Prudhoe Bay through Canada to the Midwest.

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

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

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

Foothills Director of Operations John Burrell explained the company's position at a meeting Tuesday afternoon with representatives of the Chamber of Commerce, Associated General Contractors, the Organization for the Management of Alaska's Resources and Fairbanks Industrial Development Corp.

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

Burrel said the Foothills system involves 817 miles of 42-inch pipe being built in the Northwest Territories to bring gas from the Mackenzie Delta to the northern end of the member companies' pipelines. Existing Canadian pipeline systems then will be expanded to distribute the added gas supply throughout Canada.

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

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

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

"I think we can show that there are enough reserves, and I see no hurdles beyond that," he said.

Burrell said the all-Canada system would increase gas supplies to Canadian cities and would be expected to end the gas shortages that are now forcing Canadian companies to cut off gas exports to the United States.

He said the Foothills project also is faster and cheaper than the Arctic Gas proposal.

KURT HYSEN
Joins Hickel

Firm Employs Finance Head

Kurt Hysen, 38, of Los Angeles, Calif., has been selected as vice president of finance and administration for Hickel Investment Co., according to Robert Hickel, executive vice president.

Hysen, a professional manager whose specialities are financial control and operations management, will be responsible for the real estate and development divisions of Hickel Investment. He will overview the company's finance, accounting, and credit functions.

Hysen also will have operational responsibilities for the firm's shopping centers and other properties.

Before coming to Alaska, he served with ...

Parents To Visit At Junior High

Detroit Reports G...

By EDWARD S. LECHTZIN

DETROIT (UPI) — Detroit automakers Thursday reported their best mid-month new car sales performance in 17 months —up 37 per cent from a year ago—but cautiously scheduled new layoffs to avoid bulging inventories of the successful 1976 models.

The 234,670 cars sold in the Oct. 11-20 period was within 2 per cent of the same period two years ago, just before the Arab oil embargo pushed the industry into its deepest and longest sales slump since the Great Depression.

General Motors said its sales were up 43 per cent, the strongest mid-month performance since May of 1974; Ford was up 23 per cent for its best performance for a mid-month in 23 months; Chrysler, hardest hit by the two-year slump.

Foreign automakers, who have been grabbing a record one of every five sales so far this year, report their October results at the end of the month. Because of the surging U.S. auto sales, however, their share of the market is expected to fall to its traditional 15 to 17 per cent mark.

The introduction of the 1976 models earlier this month and a strengthening economy were given credit for the big jump from a year ago when the new model premieres fell flat.

"There is increasing ... ce that the econ... recovering and is fla... green light for auto ... Ford Sales Vice Pr... Bennett E. Bidwe... "Many indicators— ... incomes, less inflation ... fuel-economy and good ... value—point to a co... upturn."

New layoffs schedu... next week will affect ... than 10,... workers. GM ... ned to eliminate one as... line at a truck plant. Ch... will close two big ... one week and AMC said ... cutting output of its new ...

ACCIDENTS DOWN

LOCK HAVEN, Pa. (AP) — American pilots are flying longer and farther these days but with fewer accidents, reports Piper Aircraft Corp. here. While the number of hours flown by general aviation aircraft — all business and pleasure planes, not commercial airliners — has increased nearly 100 per cent in the last 10 years, the number of fatal accidents per 100,000 flight hours decreased by 16 per cent.

the fund and the assessment would be ed on the experience of the fund, but the e would be required to make it good if practice settlements depleted it beyond assessments. Clearly, a great deal of ntion will be paid to this proposal.

Legislative support is less pronounced a constitutional amendment proposed he task force to allow an adjudication rd to award malpractice settlements in e of a jury trial. Even Gov. Jay S. mmond deferred judgment on the posal because of the constitutional s that would be relinquished.

iven the difficulties proposed by the titutional amendment, it is probable it not pass the legislature, and that's most in the public interest. A proposal rm a medical review board to screen ractice claims before they come to will probably be given serious deration, however; that should be fully reviewed.

embers of the governor's task force d be commended for the time they on this important public service. The they shed on the problem will aid ative deliberations inestimably and roposals they made quite likely will he basis for a legislative package.

t the ball is in the hands of the tors now and it is to the credit of all rned that they will be able to carry it neral session rather than in the tight ame of a special session.

year is because Congress has reorganized its working habits. Scrapping the traditional long weekends — the so-called "Tuesday to Thursday club" — leaders lengthened the legislative workweek and compensated by lengthening recesses.

THE IDEA IS TO make congressmen more efficient here in Washington (by keeping them in session more days) and at home (by enabling visits to be more carefully planned and giving lawmakers from distant states more travel time).

It is coincidence that senators and representatives also now are earning more pay — up this month from $42,500 to $44,625 per year — it is said here.

TOUCHÉ!

Nasty support of the Alaska gas line

By PETER SCHOLES

For the Alaska Center for the Environment.

The Anchorage Assembly on Oct. 7 unanimously approved Resolution 5-75, urging support and construction of a trans-Alaska natural gas pipeline. Despite two amendments which increased the reasonableness of the assembly's action, the resolution was the latest in a long line of unjustified, poorly worded legislation that for the mere asking puts the stamp of public approval on private development projects.

Support of a trans-Alaska natural gas pipeline is not necessarily an unreasonable action. However, considering this particular resolution and the manner in which it was handled by the assembly the adoption of 5-75 was both unreasonable and irresponsible. To understand this charge, it is informative to look back at a Sept. 26 assembly hearing.

ON THAT DATE THE ASSEMBLY listened as one person after another testified in favor of the goals and objectives of the Comprehensive Plan. Many of the people who came before the assembly on that evening recommended altering the goals and objectives in one way or another, but few, if any, suggested that the document needed a complete overhaul.

Although the goals and objectives have not yet been adopted as community goals and objectives, they have generated widespread interest and support. Therefore, one can look to them in evaluating Resolution 5-75.

The recurrent theme of the goals and objectives is that citizens desire to gain control over change in the Anchorage community — to direct growth and development so that the natural beauty of the Anchorage bowl and the amenities and opportunities offered by a modern city are blended in an enriching fashion.

MANY PEOPLE IN ANCHORAGE are coming to the realization that growth and development are not necessarily beneficial. Consider the economic goal. It is heavily lop-sided toward control and accountability in economic activity. The economic goal calls upon local government "to help develop an economy in which legitimate needs and desires are satisfied, while making public a full accounting for all 'social costs' of all economic development projects of any consequence."

Under the economic goal is an objective which calls upon government to "develop indices to measure social and environmental cost of any development, keep them current and well-publicized, and ensure that they be considered in every decision."

Resolution 5-75 flies in the face of an Anchorage citizenry that is asking for careful evaluation of massive development projects. Without an analysis of the environmental, social and economic effects of a trans-Alaska gas pipeline on Anchorage, neither the public nor its assembly can assess whether affirmative action is in the public interest. Until such analysis is completed and placed before the assembly a resolution urging support and construction of a trans-Alaska natural gas pipeline is premature and must be considered special interest, serving only those few people who believe that the trans-Alaska gas pipeline route would best serve their interests.

INSTEAD OF USING a thorough analysis of the various proposals for use and shipment of Prudhoe Bay gas, the assembly justified its support for a trans-Alaska gas pipeline with a "factsheet" prepared by either El Paso Natural Gas Co. or by OMAR, an organization dominated by developers and the construction industry. The factsheet contains factual material that is so abbreviated and twisted as to be blatantly inaccurate. It does not even deal directly with the impact that various gas pipeline route proposals will have on Anchorage.

Instead of relying on the factsheet the assembly would have done well to consider the following statements from a University of Alaska paper titled "Impact on the Alaska Economy of Alternative Gas Pipelines," published in April.

"Except during the very peak of the El Paso (trans-Alaska gas pipeline; boom, well over half of the total impact is concentrated on the Anchorage area. Over the long-run, about 60 per cent of the employment impact is focused on Anchorage. In terms of population, the El Paso proposal would increase Anchorage's 1990 population by more than 18,000 persons and the Arctic Gas proposal would increase the population by 5,700 persons."

"THE EL PASO PROPOSAL, unlike the Arctic Gas proposal, causes a moderate boom-bust cycle in the Anchorage area."

"The El Paso pipeline would result in no significant change in personal income per capita and there would be only a slight increase in state and local government expenditures per capita. These results are essentially the same as those obtained under the Arctic Gas proposal."

The assembly's action in support of a trans-Alaska gas pipeline was not inherently irresponsible. The state has taken a similar position. State conservation groups have taken several somewhat different positions. But, both the state and conservation groups such as the Alaska Center for the Environment spent many hours researching and discussing their positions. Theirs are positions founded on factual material that has been evaluated through discussion of individual and group values and interests.

The assembly's action shows no such careful consideration. Resolution 5-75 was unjustified and poorly worded. Its only saving grace is two amendments introduced by Assemblyman Tony Knowles. The amendments foreshadow more responsible assembly action in the future.

The more significant amendment calls for legislation "to insure that the natural gas pipeline is of net economic benefit to all Alaskans." Unfortunately as the oil pipeline has proven, money does not compensate for social turmoil.

Legislators Study Role In Gas Line Lobbying

Times Washington Bureau

WASHINGTON — The legislature's Joint Gas Pipeline Impact Committee is investigating the role the state can play in a major lobbying effort in Washington in favor of the proposed all-Alaskan natural gas pipeline.

The committee, here for three days of meetings with the congressional delegation and government officials, is considering retaining counsel in Washington to represent their interests.

Among the candidates being considered are former federal power commission member Rush Moody and John Miller.

House Speaker Mike Bradner, who is leading the committee's delegation here, said, "The committee is trying to stake out areas where the state can hope to have an influence in natural gas policy.

"Natural gas historically has been an area where national policy has reigned supreme," Bradner said. "If we're going to have any constructive input into that policy, we will need some of the finest brains in the country."

Among the issues the Washington representative would consider are taxation and the state's handling of its royalty gas, as well as the problems of mingling the state's gas with gas in interstate commerce.

A major topic of concern during the committee's meeting here yesterday was whether the state has the right to keep its royalty gas in the ground.

At a meeting of the committee in the office of Rep. Don Young, R-Alaska, late yesterday, Bradner said, "We're not without leverage. The state conservation committee can control the overall production from the field; that is our leverage for keeping the gas in the ground.

"Our number one legal problem now is to make sure we can do that. As long as we control the gas cap, we've got it made," he said. Bradner noted a "strong, growing political sentiment in Alaska" to keep the royalty gas in the ground if the state is unable to get its fair share at the market.

This political feeling is contingent on future oil and gas discoveries that may change the situation, he said. Young, who was involved in an Indian affiars subcommittee meeting, did not attend the session, but planned to meet with the pipeline committee.

Meanwhile, a House public lands subcommittee hearing on Alaskan natural gas pipeline issues was postponed until this afternoon to allow the full Interior Committee to meet on other matters in the morning.

Mebers of the pipeline committee in Washington, in addition to Bradner, are Reps. Nels Anderson, Keith Specking, Glen Hackney, Clem Tillion and Ramona Kelly.

a With Rifle

shortly after Emperor Hirohito of Japan passed beneath. Polce say no shot was fired.

Lawrence Fanning
Editor and Publisher, 1967 to 1971

Katherine Fanning
Editor and Publisher

Frederick W. Field
President

David L. Stein
General Manager

Stan Abbott
Executive Editor

Tom Gibboney
Managing Editor

Alaska's Only Morning Newspaper

Founded in 1946 by Norman C. Brown

Our views:

Gas line impact?

There was a sense of deja vu in the first meeting of the joint legislative Gas Pipeline Impact Committee Monday.

It was four years ago that a similar committee was formed to consider impact of the oil pipeline. That committee prepared legislation that became the framework for the taxing and regulatory policies established in the 1973 special session.

It is possible the recommendations of this committee will have results as far-reaching as those of the first impact committee. Certainly, information developed by the committee will be of value when the legislature grapples with the issue of the gas pipeline.

It is likely that in the next two or three years the gas pipeline will assume as large a presence in state affairs as the oil pipeline has for the past five years.

The stakes in the battle for the gas pipeline are at least as high as those for the oil pipeline.

The state could perhaps gain or lose billions of dollars in revenue depending on whether the pipeline went through Canada or Alaska. The route may also decide whether some of the vast reserves of gas on the North Slope are used within the state or are sent Outside. Gas severance taxes and state regulation of the pipeline will also be matters for consideration by the committee.

The gas pipeline will have to cross state lands whether it goes through Canada or to a liquefaction plant at Prince William Sound. This, and the fact that part of the gas carried in the pipeline belongs to the state, gives the state considerable bargaining power in determining conditions under which the pipeline is built.

Monday's meeting of the Gas Pipeline Impact Committee marked the entrance of the legislature into the process that will lead to construction of the gas pipeline. It has an important task: to insure that the [illegible] such a pipeline is [illegible]

10/23
ADT

Decontrol Bill Goes To House

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

The bill, passed by the Senate 58 to 32 Wednesday, would mean higher prices for natural gas, despite amendments aimed at softening and delaying the impact on homeowners. The administration backs the bill.

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

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

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

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

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

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

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

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

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

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

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

32 Anchorage Daily Times, Thursday, October 23, 19

Canada Pipeline Gets Opposition

Special To The Times

OTTAWA, Ont. — The Canadian Labor Congress says it plans to challenge a contention that a joint Canada and U.S. Mackenzie Valley natural gas pipeline would be in the Canadian "national interest."

According to the Ottawa Journal, the Canadian Labor Congress, representing 1.9 million organized workers, has submitted a three-page intervention to the National Energy Board. It claims that the case made by Canadian Arctic Gas in support of its proposed $10 billion joint pipeline "is both narrow and restrictive and must not be accepted in its present form."

The National Energy Board's hearings on the natural gas pipeline proposal begin Monday in Ottawa.

The labor organization notes, "It is well known that 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."

The labor congress says its purpose in intervening is to "demonstrate as clearly as possible that no real understanding of the complex issues raised by the Canadian Arctic Gas application can be arrived at unless we deal with first things first.

"It is our position that before we can make full sense of the Arctic Gas proposal, we must first work toward a clearly defined energy strategy for Canada, since it is only in this context that the Arctic Gas proposal can be evaluated.

Senate Will Hold Gas Line Hearings

By BETTY MILLS
Times Washington Bureau

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Canadians seek own gas line

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

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

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

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

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

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

Burrell said arguments between the two companies start Monday before the Canadian National Energy Board (NEB), a body and process similar to the arguments now going on between El Paso and Arctic Gas before the Federal Power Commission in Washington, D.C.

Burrell said the Foothills system involved 817 miles of new 42-inch pipe being built in the Northwest Territories to bring gas from the Mackenzie Delta to the northern end of the member company's pipelines. The existing Canadian pipeline systems will then be expanded to distribute the added gas supply throughout Canada.

HE SAID THE major argument for the competing Arctic Gas route was to "piggyback" smaller reserves in the Mackenzie Delta to larger Alaskan gas reserves heading for the southern states.

Prudhoe Bay is estimated to have about 26 trillion cubic feet of natural gas and the Mackenzie Delta has only 6.5 to 7.5 trillion cubic feet of proven reserves.

Burrell said recent developments in government energy pricing policy have convinced the Foothills member companies that the present Mackenzie Delta gas reserve will pay for an all-Canada pipeline.

HE ADDED that his company estimates the undiscovered reserves in the Canadian north might bring the total as high as 39 trillion cubic feet, almost twice the Prudhoe Bay reserve, and Arctic Gas claims the undiscovered reserves total an even higher 50 trillion cubic feet.

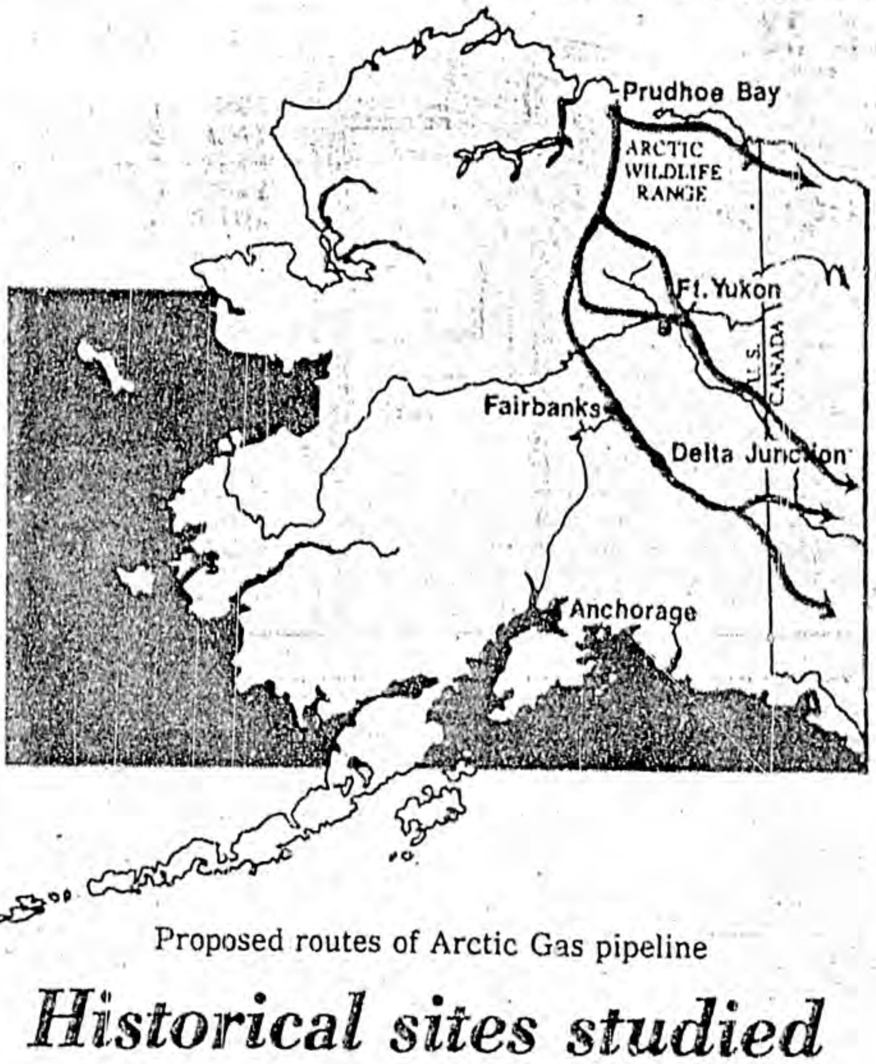
A third company has recently estimated the Canadian north gas reserves at 250 to 300 trillion cubic feet, Burrell added, but his company might have considered reserves expected to be discovered in deeper water offshore areas that were not considered by the two applicants.

Canada is adopting a national energy pricing policy called commodity value pricing, Burrell explained, where all forms of energy are priced to the amount of energy they produce. The price of gas will be set at a price corresponding to what its energy would produce equal to a similar volume of oil, then a national base price will be set on the Toronto commodity value price and prices in all other cities would be adjusted for differences in transportation costs.

THE CURRENT energy pricing system sets a price on the oil or gas at the wellhead, and the price consumers pay is the wellhead price less transportation and processing costs. Burrell explained the commodity value pricing as working in the opposite way. The government sets the price consumers pay and the oil and gas producers get the wellhead price left over when all the intervening costs are deducted.

The commodity value price at Toronto was recently set at $1.25 per thousand cubic feet, Burrell said, and will rise to follow oil price increases which will lift Canada's oil prices to match that of world markets over the next five years.

With this pricing system policy, Burrell said, Mackenzie Delta gas can provide enough return on the present reserves to insure financers that bonds will be paid back.



Proposed routes of Arctic Gas pipeline

Historical sites studied on gas pipeline routes

An analysis of archaeological and historical sites near Arctic Gas Pipeline Co.'s proposed pipeline routes from North Slope gas fields is being undertaken by the Iroquois Research Institute.

The institute, under contract to the Federal Power Commission and the Interior Department, has requested anyone having relevant information on sites to write to the company by Oct. 20 at 6201 Leesburg Pike, Suite 215, Falls Church, Va., 22044.

The area under study includes about one-fourth of the state, the northwest corner. Arctic Gas Co.'s preferred route would traverse the Arctic Wildlife Range in the north, but alternate routes would carry the gas south of Delta Junction and across Canada.

Canadians Give Line Perspective

By SUSAN ANDREWS
Times Staff Writer

Foothills Pipe Lines, Ltd., the company proposing an all-Canadian gas pipeline to take Mackenzie Delta gas to Canadian markets, has found it has much in common with Alaskans who want an all-American pipeline to take Prudhoe Bay gas to American markets.

Not the least of their points in common is that there's a man named Burrell working for both projects. For the all-Alaska line, it's former state director of oil and gas Homer Burrell. For the Foothills Canadian line it's John Burrell. They met for the first time here yesterday.

John Burrell and John Ellwood, the two Canadian visitors, said yesterday their project started out a year ago as underdog to the Arctic Gas project, the consortium of U.S. and Canadian companies who want to build one big pipeline to handle both U.S. and Canadian gas. "Now we are at least even," he added, "and our prospects are rising."

"I can see only one reason for Canadians favoring the Arctic Gas project," Burrell said, "and that is Arctic's claim that there are not sufficient gas reserves in the Delta to finance a pipeline. We are confident we can demonstrate that is not the case."

Homer Burrell said he had heard it from "good authority" that recent discoveries in the Delta mean that proven reserves now equal Prudhoe Bay's 26 trillion cubic feet.

John Burrell said their estimates still are 6.5 trillion to 7.5 trillion, although actual reserves are a tightly-held secret. "I hope your information is right," he added. "If so, we'll order the pipe."

The Canadian National Energy Board begins its deliberations next week in Ottawa, as to which of the two Canadian proposals it will approve. In theory, the board will make a recommendation to the Canadian cabinet — probably a year from now — and the cabinet has the final decision.

But the visitors said "Historically, the opposition in parliament brings up controversial issues to be settled in parliament. That's undoubtedly what will happen in the pipeline case."

The Canadians met here with about 20 members of the Organization of the Management of Alaska's Resources, the citizens' group which is pushing for approval of an Alaskan route for the gas pipeline from Prudhoe Bay.

The visitors denied that Canadian Premier Pierre Trudeau favors the Arctic Gas proposal, for a joint U.S.-Canadian line. "I don't think that's correct," John Burrell said. "I don't think he wants to pre-judge the Canadian National Energy Board."

Alaskan Robert Fleming suggested that communications between the Alaskan group and the Foothills people "should be open real wide," considering that they have basically the same objectives — though not the same problems.

"One member of Alaska's Congressional delegation believes the Federal Power Commission won't act on the Alaska gas line route until after the Canadians have made a decision," Fleming said.

Otherwise, it could be embarrassing, he pointed out, if the U.S. Federal Power Commission approved a Canadian route, and the Canadian government did not.

John Burrell said Foothills (also known as the Maple Leaf project) has a number of things going for it, including its estimate that it can deliver gas for about 10 per cent less cost than Arctic Gas. Foothills estimates its cost of service at 79.2 cents per thousand cubic feet, as compared to 90 cents per thousand estimated by Arctic Gas.

Also, he said, existing gas pipelines can be used in the Foothills project, and a whole new system won't have to be built, as it will in the Arctic Gas proposal.

Another plus is the fact that "The Canadian public is getting more nationalistic," he said. "They want to see the pipeline project financed and controlled by Canadians."

The Canadians also said they think it is "extremely unlikely" that Canadian natural gas contracts with the U.S. will be disregarded, in case of a gas shortage in Canada. "This doesn't buy you much in the way of time, only five or six years," John Burrell said.

VISITORS PROPOSE ALL-CANADA GAS LINE

Canadians John Ellwood and John Burrell, at right, met here yesterday with a group of 20 Alaskans, including Beverly Isenson, at left, and Robert Penney, officials of the Organization for Management of Alaska's resources. The visitors represent Foothills Pipe Lines Ltd., which proposes to build an all-Canadian gas line from the Mackenzie Delta. The Alaskans support a separate all-Alaskan gas line from Prudhoe Bay.

-10/25
ADT

Canadian Discusses Line

By BETTY MILLS
Times Washington Bureau

WASHINGTON — Walter B. Williston, a Canadian legal expert on energy policy, has testified that the provinces can tax property within their area, but cannot regulate a pipeline.

In testimony Wednesday before the Federal Power Commission hearing on the gas line proposals, Williston said, "If the terms of the direct tax within the province were of such a character that the courts considered that they were attempting to regulate, that fiscal statute would not stand any more than if the fiscal statute attempted to sterilize the pipeline."

In questioning by Arctic Gas attorney R. Clyde Hargrove, Williston said a province could impose a property tax to reflect the increase in land value because a pipeline carried natural gas.

Asked by Hargrove if a province could levy discriminatory taxes against one particular pipeline, Williston replied, "It (a province) could levy taxes that would in fact apply only to one particular pipeline in certain circumstances. It could not, in my opinion, just say we are going to tax this inter-provincial pipeline and not any other pipeline."

Administrative Law Judge Nahum Litt asked Williston if the federal power in Canada would supercede any provincial power if there were an attempt to regulate a pipeline.

Williston said the judge was correct, that the residual power in Canada is in the federal realm.

Williston is a partner in the Toronto firm of Fasken and Calvin, which has been representing the El Paso Co. for the past six years.

Williston said there is no limit to the amount of taxes the federal government of Canada could impose.

He said that in addition to certification of the pipeline, an export license would be required for gas leaving Canada and an import license for gas entering Canada, so-called transit gas.

Williston said there would be no difficulty in obtaining these licenses for transit gas.

El Paso Attorney Paul R. Connolly interrupted the questioning at that point, saying Arctic Gas originally planned to bring to the Lower 48 states export gas from Canadian sources which would not be transit gas but has changed its position.

Williston said any price increases would not apply to transit gas "except in extraordinary circumstances." He said transit gas will not affect surplus supply of natural gas.

ADT 10/27

Tesoro Begins Importation Of Crude From Indonesia

(Continued From Page 1)

part of the oil companies' needs there.

As far as anyone at any of those refineries or the U.S. Customs Service can remember, Tesoro is the first company to have brought crude oil into the state. During the early part of the century the Chilkat Oil Co. refinery operated at Katalla, south of Cordova, and supplied in part the needs of the Copper River and Northwestern Railroad and the Kennecott Copper Mines. The operation had a fire in its boiler house in 1933 and was never rebuilt.

The crude oil "had to be loaded onto the ship by barges because we have not yet built an export facility there," said Tesoro Crude Oil President James Smith of San Antonio, Tex.

"Normally the production there is pipelined to one of Pertamina's refineries or exported as crude to Japan," Smith explained. Bringing the crude to Alaska is at least a $1 per barrel more expensive than producing it from Cook Inlet crude oil, he said. A barrel is 42 gallons of oil.

10/27 ADT

Firm Starts Oil Imports

For the first time last month, the state with the nation's largest petroleum reserves began importing crude oil.

The situation resulted from the internal structure of Alaska's most rapidly expanding petroleum supplier, Tesoro-Alaskan Petroleum Corp., which brought about 218,000 barrels of Indonesian crude oil here from its sister company, Tesoro Crude Oil Co.

To some it seemed suggestive of the British expression about "bringing coal to Newcastle," one of England's coal-rich areas.

On Sept. 18, a Greek tanker pulled up to the Kenai Pipeline Terminal dock at Nikiski. On board the vessel were a 28-man crew and oil which Tesoro Crude Oil had produced in Indonesia through a technical assistance and production sharing agreement.

Tesoro brought the oil more than 9,000 miles to Alaska because the demand for its products here is outstripping its ability to purchase crude oil from the Kenai Peninsula and Cook Inlet, Alaska's only producing fields. Tesoro produces no crude oil in the state.

Tesoro's main supply of crude oil for its refinery at North Kenai is the state's 12.5 per cent royalty share of production there. It has also been able to purchase or trade oil with Marathon Oil Co., Shell Oil Co., Atlantic-Richfield and Standard Oil Co. of New Jersey. Tesoro traded oil in southern Louisiana or the Rocky Mountain states for oil the companies owned here.

The other reason Tesoro chose to bring the Indonesian crude to Alaska is that it has qualities similar to the Cook Inlet's low-sulfur crude, which the refinery was designed to handle. It also has a high wax content, like Alaska oil.

There are three refineries in Alaska: the Tesoro refinery at North Kenai, a Standard Oil Co. of California refinery less than a mile north and a small ARCO distillation refinery at Prudhoe Bay which is being used to supply

(See Page 2, Col. 1)

Sever
includin
Departm
will eval
improve
facilitie
The
yesterd
looking
divisio
by the
fact-f
govern
Cha
divisi

T
Q

The
Exam
points
during
held h
the ex
the
exa
"o
in'

10/26 ADN

Alaskans In Washington

Report Asks Probe Of Pipeline Rule

By BETTY MILLS
Washington Bureau

WASHINGTON — There are substantial questions concerning the Interstate Commerce Commission's regulatory authority over the trans-Alaskan Pipeline that should be considered by Congress, the staff of the Federal Trade Commission recommends.

The staff report on the petroleum industry in the Western states said the matter of ICC jurisdiction is important in analyzing the competitive consequences of the development of Alaskan oil.

"Under the circumstances, it would be timely and appropriate (for Congress) to give serious consideration to the question of pipeline regulation," the report said.

The document acknowledges that the portion of the transport of oil through TAPS is akin to interstate movement, and the pipeline will be operated as a common carrier. But because shipment through TAPS does not cross a state boundary, the staff asks: "In these circumstances, does the ICC have the jurisdiction to enforce the common carrier obligation to require treatment of all shippers on an equal basis and to insure that reasonable rates are charged?"

According to the FTC staff, the possibilities under present law affecting regulatory jurisdiction over TAPS are the following:

— If the oil is moved by private tanker, as planned, from Valdez to the lower 48 states, ICC jurisdiction is clouded, and state jurisdiction is also unclear.

— If the oil is moved by common carrier tanker from Valdez to the lower 48, jurisdiction appears to rest with the ICC, but the tanker transport would be subject to the jurisdiction of the Maritime Commission.

— If the oil is exported from Valdez, the ICC would have regulatory jurisdiction.

— Some shipments of the oil could be moved from Valdez by common carrier to the lower 48 while other shipments could be by private tanker; under this option, ICC jurisdiction could be a 'now you see it, now you don't' situation under current law.

The report points to competitive consequences within the petroleum industry that could result, beyond the immediate issue of regulatory control for the oil pipeline.

If substantial oil deposits are located in other regions of Alaska, including the Beaufort Sea area, "it may well be discovered by companies not involved in TAPS," the FTC staff said. "As shippers, those companies would be profoundly affected by the regulation of TAPS."

The question of state regulation under the Alaska Pipeline Commission Act is also unclear, the FTC staff said. The report describes the powers of the state commission as "substantially more pervasive than those of the ICC."

John R. Werner, chairman of the commission, wrote the FTC earlier this year that the state is studying the possibility of regarding TAPS as an intrastate line. However, Werner wrote, "I really feel that in the long run, we will be forced to accept direct federal regulation.

"Our role, however, will be to act as a protestant on behalf of the state of Alaska as a shipper of royalty oil and as one who stands to gain or lose substantially depending on pipeline rates," he said.

Meanwhile, the commission staff concludes that the effect on other Western states of Alaskan oil flowing through the pipeline is still difficult to determine.

"The flow of Alaskan crude could undermine the concentrated market structure in District V (Alaska, Arizona, California, Hawaii, Nevada, Oregon and Washington) because the owners of Alaskan crude are not the leading refiners in the district," according to the report.

"However, if the leading District V refiners are the chief recipients of Alaskan oil by exchange agreements or other arrangements, those refiners could become more firmly entrenched within a concentrated market."

The staff concludes that the impact of Alaskan oil on other Western states must be evaluated before the FTC takes any action on refining in District V.

... makes a ... ether to hold a ... se sale. The document ...

"We don't want to ... the states a veto over these resources," Hughes said.

10/28

Record Imports Seen For Oil

By The Associated Press

An oil study group forecast that the nation will require a record supply of foreign oil next year.

Petroleum imports for 1976 were estimated at 7,120,000 barrels a day by the supply and demand committee of the Independent Petroleum Association of America.

Such a requirement would be 919,000 barrels a day higher than the anticipated 1975 level and 864,000 barrels a day above the record level of 6,256,000 barrels a day set in 1973.

"Declining domestic oil and gas production combined with rising energy needs will boost required oil imports to an all-time high," the committee said. "Most of the increase will be in the form of crude oil to fill the void of declining domestic crude oil production and meet higher refinery requirements."

The committee submitted its report as the 4,100-member trade group opened its annual meeting.

The committee expressed hope the current upturn in domestic oil and gas drilling operations prompted by improved prices will in time stabilize or increase domestic crude production.

Domestic crude output is expected to decline a sixth consecutive year in 1976, the committee said, but at a reduced rate.

"The decline in crude oil production has slowed from 443,000 barrels a day in 1974 to an estimated 400,000 barrels daily this year and the committee expects the rate of decline barrels daily in 1976," the report said.

"Continued progress is dependent on economic incentives to explore for and develop new oil and gas supplies and the availability of funds to finance these activities. Adequate market prices and stability in governmental tax and price policies are essential for this to occur."

Next year's crude output was estimated at 8,141,000 barrels a day, compared with an estimated 8,365,000 this year, and the all-time high of 9,180,000 in 1970.

Next year's total domestic petroleum demand was estimated at 17,213,000 barrels a day. This would be 4.1 per cent above the 1975 level but still below the record 17,308,000 barrels a day requirement set in 1973.

ADT 10/27

Gravel Submits Gas Line Bill

Times Washington Bureau

WASHINGTON — Sen. Mike Gravel, D-Alaska, has submitted an amendment to natural gas legislation which would require the Federal Power Commission to make a decision on an Alaskan natural gas pipeline by June 30.

The amendment, virtually identical to legislation he introduced earlier this month, would mandate that all government agencies complete their work on the gas line case by June 30. Congress then would have 60 days to approve or disapprove the Federal Power Commission decision.

Judicial review of the decision would be through the circuit court, appealable directly to the U.S. Supreme Court.

Gravel indicated he would not press for a roll call vote on the amendment, but said he wanted to bring the issue to the Senate's attention.

Sen. Ted Stevens, R-Alaska, who has said legislation on the gas line case is "premature," said in an interview today he probably would support the Gravel amendment.

"I've urged him to hold back," Stevens said. "I don't think we have the votes."

Stevens added, "This is an approach we may have to take ultimately, but not yet."

10/27 News

Gravel pulls bill on gas pipeline

From Our Washington Correspondent

WASHINGTON — An amendment to the Senate's Natural Gas Act aimed at expediting construction of an Alaska natural gas transportation system was withdrawn Wednesday by Sen. Mike Gravel, D-Alaska, following expressions of interest in quick committee action by several other influential senators.

The amendment, introduced late last Tuesday, was similar to a bill Gravel introduced two weeks ago setting a deadline for administrative action on the Alaska gas question and requiring specific votes against the administrative decisions by both houses of Congress in order to block them.

During debate on the bill on the Senate floor, Sen. Walter F. Mondale, D-Minn., urged his colleagues to "avoid the acrimony" associated with the debate on the trans-Alaska (oil) pipeline. "I have a strong distaste for that kind of regionalism," he said.

Mondale called for rapid action in the Senate Commerce Committee on the Alaska gas question.

He was joined by Sen. Ted Stevens, R-Alaska, and Ernest Hollings, D-S.C. Hollings and Stevens are both members of the Commerce Committee.

At one point Stevens noted that he had been in Canada recently and had the impression that the Canadians might seek an all Canadian gas route. "That would moot the question," he said.

EDITORIAL PAGE
Anchorage Daily Times
ROBERT B. ATWOOD
Editor and Publisher
WILLIAM J. TOBIN
Associate Editor
And General Manager
CLINTON T. ANDREWS JR.
Managing Editor
Page 4 Thursday, October 30, 197

Gas Line Arguments

SOME DEVELOPMENTS on the Canadian scene are worth attention in the continuing effort to balance the pros and cons of competing proposals to build a natural gas pipeline over a route that will extend either through Alaska or through Canada.

For one thing, the president of Canadian Arctic Gas Pipeline Ltd., Vern Horte, told a meeting in Yellowknife, N.W.T., that approval of the Canadian route and actual construction of the pipeline could cut $2 billion annually from Canada's oil import deficits in the 1980s.

For another, the 20,000-member Indian Association of Alberta announced plans to initiate legal action to claim exclusive rights to the Athabascan oil sands — providing further indications that Canada faces a long battle to resolve native claims in the development of its northern natural resources.

BOTH FACTORS are important in considering the merits of works for approval of a trans-Canadian route.

In the case of native claims, indications are that long delays could be encountered in planning for a Canadian route, despite assurances from proponents that no serious hitches will develop.

Mr. Horte's comments point up another aspect of the debate that merits continued understanding — that Canada has its own economic interests at the forefront as it works for approval of a trans-Canadian route.

That's perfectly understandable. Canada is doing nothing more than looking out for its own national interests — which is precisely what the United States should be doing.

MR. HORTE in his Yellowknife talk said transportation charges for carrying Alaskan gas to U.S. markets through a trans-Canadian pipeline would bring in net foreign exchange earnings of about $400 million a year.

"In effect," he was quoted by Canadian Press, "the Arctic Gas project can reduce Canada's oil-dominated trade deficit by as much as $2 billion annually." That's great for Canada. But what does it do for the United States?

In connection with this, there have been concerns that a pipeline through Canada would be subject to additional taxes imposed by Canadian provinces. This prospect likewise has been attacked by proponents of a trans-Canadian route.

But in Washington three weeks ago, a U.S. State Department official, Julius Katz, deputy assistant secretary of state for economic affairs, said a proposed pipeline treaty between the federal governments of Canada and the United States would not eliminate the power of provinces to impose taxes.

The taxes, he said, could not be imposed on the gas in the line. But he made clear that provincial governments could, indeed, levy taxes on the pipeline itself, on the right-of-way where it is constructed and on fuel used in compressor stations along the route.

And that could mean a real impact on the economics of the pipeline, insofar as Alaska and the United States are concerned.

ADT - 10/29

Gravel Seeks Hearings

Times Washington Bureau

WASHINGTON — Sen. Mike Gravel, D-Alaska, has written Senate Commerce Committee Chairman Warren G. Magnuson, D-Wash., seeking hearings on his gas pipeline bill before Congress recesses for Thanksgiving.

Gravel's bill would mandate a Federal Power Commission decision in the gas line case by June 30, with Congress having 60 days to approve or disapprove the ruling.

Gravel submitted the legislation last week as an amendment to the natural gas bill but withdrew it after brief debate when several senators agreed to press for hearings on the issue.

In his letter to Magnuson, Gravel said bringing natural gas Outside from Alaska's North Slope "will be a long process regardless of which route is selected. The nation cannot afford to have this process unduly lengthened by court proceedings of the type that befell the trans-Alaskan pipeline."

Gravel sent copies of the letter to Sen. Adlai E. Stevenson, D-Ill., chairman of the subcommittee on oil and gas production and distribution, and to several other committee members, including Alaskan Republican Ted Stevens.

Oil Imports Eat Away At Surplus

WASHINGTON (AP) — A surge in imported oil eroded the nation's foreign trade balance in September, but the United States still managed to record its eighth consecutive monthly surplus, the government said today.

The Commerce Department said the surplus for September was $978.4 million, compared to a $1.04 billion surplus in August. It was the smallest monthly surplus in five months.

The drop in the surplus came because imports rose 2.9 per cent during the month, while exports advanced 1.9 per cent.

The biggest factor in the import increase was a 9.5 per cent jump in oil imports to a total of 207 million barrels. The quantity of oil imports in September was second only to January's import of 235 million barrels this year.

Commerce said the biggest factor in increased exports for September was a $112.5 million jump in wheat. Exports of wheat totaled $554.3 million. Exports of chemicals, civilian aircraft and nonferrous metals also were up.

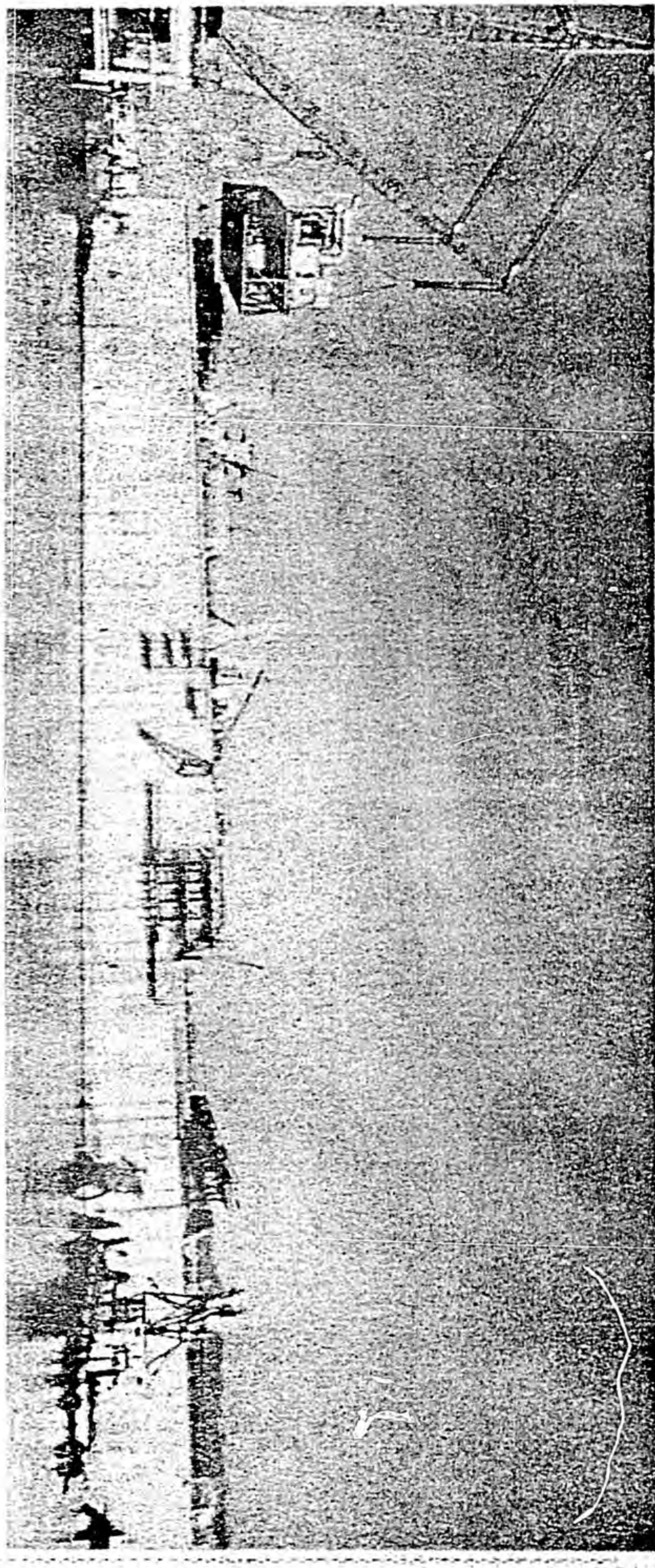
Other major increases in imports besides petroleum included a $114.2 million jump in sugar imports. Also higher were imports of coffee, cocoa and other foodstuffs.

Oil imports have varied widely all year as importers responded to President Ford's imposition of oil import tariffs and the Organization of Petroleum Exporting Countries increased prices. The latest increase in imports was in line with expectations by trade specialists that oil imports would resume their growth later this year as the U.S. recovery picked up steam and demands for fuel increased.

Despite oil, the quantity of imports for all of this year are still 1.9 per cent behind the same period a year ago.

Because of prices increases, the value of the oil imported so far — $18.5 billion — is 3.4 per cent ahead of the same period a year ago.

The over-all trade balance for the first nine months of this year is in surplus by $8.4 billion, compared to a $1.8 billion deficit for the first nine months of last year



$35 MILLION BARGE TO CARRY LIQUEFIED GAS

A crane lifts part of the superstructure for a 600-ton barge being built in Tacoma, Wash., for Atlantic Richfield Co. The barge will eventually carry liquefied natural gas. (AP Wirephoto)

The Seattle Times

AN INDEPENDENT NEWSPAPER

Founded August 10, 1896

Alden J. Blethen, 1896-1915 C. B. Blethen, 1915-1941

Elmer E. Todd, 1942-1949 W. K. Blethen, 1949-1967

John A. Blethen, Publisher

W. J. Pennington, President

SUNDAY, AUGUST 3, 1975

The Times' opinion and comment:

Alaska entitled to economic benefits of its natural gas

AS of now the environmental suitability of two competing proposals for an Alaska natural gas pipeline is rated a tossup.

That preliminary evaluation was made last week by an Interior Department official who headed the drafting of an environmental-impact statement for the Alaska Arctic Gas Pipeline Company proposal.

Arctic Gas wants to transport the vast Prudhoe Bay reserves to American and Canadian markets via a 2,625-mile trans-Canada line, only 195 miles of which would be in Alaska.

A competing proposal, by a subsidiary of the El Paso Natural Gas Company, calls for a line to be built roughly parallel to the trans-Alaska oil pipeline now under construction.

Both proposals are before the Federal Power Commission. There is considerable pressure for an early decision in view of looming natural-gas shortages in this country. Still, months of study and controversy lie ahead.

THE Interior Department's draft environmental-impact statement directly concerned only the trans-Canada proposal, since El Paso prefers to win the necessary F. P. C. approval before presenting its case to the Interior Department.

However, the El Paso alternative was considered as a viable option. In neither case were the environmental drawbacks found to be prohibitive.

In our view, if there is no clear environmental advantage to either route, the case for El Paso's "all-American" route has been strengthened.

The trans-Alaska route would sidestep the myriad complications of dealing not only with the Canadian federal government but with separate Canadian provincial governments, including the likes of British Columbia's tax-happy Socialist government under Premier Dave Barrett.

But what is most important, in our view, is that the trans-Alaska route would provide a base for industrial spinoffs that would enable Alaska to achieve maximum economic benefit from its own resources.

A TASK force headed by Alaska's attorney-general reported to Governor Jay Hammond last spring that if Alaska is to derive any significant economic benefit from development of its natural gas, "it may well have to be through direct use of the gas ourselves."

The report recommended continued state support of a pipeline through Alaska, rather than through Canada.

Strong pressures are building up in Congress for the trans-Canada project. The overall economic advantages and disadvantages—including costs—of the competing proposals have yet to be fully evaluated.

But at this point it is important that Alaska take a Texas-like stance in defense of maximum home-state advantages from its own resources.

And the Pacific Northwest—the Puget Sound region in particular—ought to join with Alaska in that posture.

Anch. Daily News 8-11-75

Canada owns oil company

By ROBERT TRUMBULL
©1975 New York Times

OTTAWA — Legislation establishing Canada's first government-owned company to produce oil and natural gas has been passed by the House of Commons.

The Crown corporation, to be called Petro-Canada, will have $500-million in initial capital, with authorization to borrow an additional $1-billion. Operations initially will be on a small scale, with the company eventually planning to compete with private multinational corporations in developing Canada's substantial reserves of natural fuels.

WHILE THE company's primary objective is exploration and development of new reserves, it is also empowered also to engage in refining and marketing.

The formation of Petro-Canada reflects national concern over the dominant position of foreign enterprises in the Canadian petroleum and natural-gas industries which together are more than [illegible] per cent under foreign control, mostly by multinational companies based in the United States.

Meanwhile, according to a spokesman for the ministry of Energy, Mines and Resources, Petro-Canada will take over the government's present 45 per cent interest in the Pan Arctic Oil Co., Ltd., which conducts petroleum exploration in the High Arctic, and its 15 per cent share in Syncrude Canada, Ltd., a consortium of three American companies formed to extract oil from the Athabasca tar sands in Alberta.

APPROVAL BY the Senate and Gov. Gen. Jules Leger, the remaining steps in the legislative process setting up Petro-Canada, is expected.

Organizational procedures making the company a reality awaits the enactment of the authorizing legislation into law. This is expected in the next few days, but official sources believe it will be the fall before the corporation takes shape.

As part of an economy program affecting all departments of the government, the Petro-Canada's budget for the first year of operation has been cut from $50-million to $10-million, or just enough to organize the company and hire a staff.

Canadian Land Claims News-Miner 8-6-1975

Mackenzie River gas pipeline expected in foreseeable future

EDMONTON, Alta. (AP) — Premier Peter Lougheed of Alberta says the Mackenzie natural gas pipeline will go ahead in the "foreseeable future."

"Subject to the federal government's determination through the National Energy Board of its feasibility, and subject to the Berger commission, the degree of discovered natural gas reserves to this date and their location, combined with the shortage of natural gas in Canada certainly indicates there will be a pipeline from the Mackenzie Delta in the foreseeable future," Lougheed said.

The premier said the impact of Prudhoe Bay activity and the Mackenzie pipeline construction will have a "strong economic impact" on Edmonton, Calgary and the Peace River district in terms of supplies, transportation and job opportunities. Lougheed, in an interview Tuesday after returning from an eight-day tour of the territories and the Prudhoe Bay area of Alaska, said the region could become a market area for Alberta "greater than any other part of Canada or...any foreign country."

Meanwhile, Chief Frank P'Selei told the Mackenzie Valley Pipeline Inquiry Tuesday the Dene Nation will not allow the proposed pipeline to be built.

In a 20-minute speech to the inquiry now sitting in the Hairskin Indian community of Fort Good Hope, the chief said the Dene people are saving their land for their children.

"It is for this unborn child ... that my nation will stop the pipeline. It is so that this unborn child can know the freedom of this land that I am willing to lay down my life," Chief P'Selei said.

His promise followed an attack on Robert Blair, president of Foothills Pipeline Ltd. of Calgary and its parent, Alberta Gas Trunk Pipeline Ltd., a company proposing to build the pipeline. Blair was invited to the community hearing by the commisioner of the inquiry, Justice Thomas Merger of the British Columbia Supreme Court.

"I cannot understand how a man can live for wealth and power, knowing that his ambition and greed is destroying so much around him," the Fort Good Hope chief said "I do not envy you, Mr. Blair, I feel sorry for you.

The chief accused Blair of being like the U.S. military — "planning the slaughter of innocent Vietnamese."

"Don't tell me you are not responsible," he said. "you are the 20th century General Custer; you have come to destroy the Dene Nation."

"I think he (Chief P'Selei) was speaking more in a symbolic way," Blair said later in an interview. "I don't think he was speaking specifically of our company destroying anything."

Fort Good Hope has a reputation for being the most radical of the Mackenzie Valley Indian communities. This situation coupled with the prospects of the pipeline passing within a few miles of the community, closer than to any other settlement, resulted in the most forceful statement heard by the commission.

"Independent in All Things . . . Neutral in None"

FAIRBANKS
Daily News-Miner

Friday, August 8, 1975

Editorials . . . Comment

El Paso's fatal mistake?

How is the "David and Goliath" struggle between Arctic Gas and El Paso shaping up at present?

The "David" in the struggle is El Paso Company, proposing an 800 mile gas pipeline from Prudhoe Bay to Prince William Sound, generally paralleling the oil pipeline now under construction. The "Goliath" is a huge consortium of 18 United States and Canadian companies generally known in Alaska as Arctic Gas Pipeline Company, who are proposing to build a 6,000-plus mile gas pipeline from Prudhoe across the Arctic Wildlife Range and down through Canada to the mid-western states.

Alaska and Alaskans have a vital stake in the decision as to how our own natural gas resource is to be developed and used. We are becoming increasingly concerned at what now appears to be the distinct possibility that whatever routing the gas line takes Alaskans may be deprived of the opportunity to utilize any of our own gas within Alaska. In the long run being able to use our own gas, to achieve a more balanced economy and a better way of life, is of far greater importance than what monetary benefits we may receive from royalties.

We are disturbed because up to now at least there has been absolutely no firm assurance from any of the federal agencies or the two companies competing for the right to build the gas pipeline that Alaskans will be able to use our own resource. In fact, as Alaska's congressional representative Don Young pointed out recently, there is an alarming precedent already established: the Federal Power Commission has refused to allow residents of one of the southern states to tap a gas line piping their own gas out of the state to other areas of the country.

While hearings on the proposed gas line routing started before the Federal Power Commission in May, a final decision from that body likely will not be forthcoming until at least 1977. Because of increasing concern down in the smaller states about shortages of natural gas, there is considerable talk among members of the congress of proposing legislation to bypass the Federal Power Commission, accelerate a route decision and get construction under way.

There is also evidence of awareness of the importance of accelerating the gas line construction by President Ford's administration. Last week a spokesman for the Federal Energy Administration stated that this potent group is studying the proposed project, and plans to make a recommendation to the White House Energy Resources Council on specific proposed legislation "by fall," now only a few weeks away.

Also, last week the Department of the Interior released a first draft of an environmental impact statement for the Arctic gas proposed routing. The essence of the Department of the Interior release was that there are significant environmental problems, but that probably most of them could be solved.

The Department of the Interior conducted the study because it is the agency that decides on right-of-way permits across federal lands. The study included only brief comment on the El Paso route because El Paso decided against applying to the Interior Department for the permit until after proceedings before the Federal Power Commission are completed.

As we understand existing laws, an environmental impact statement is an absolute necessity BEFORE any permit can be granted to any company to construct a gas line. Such studies are no small undertaking. For illustration, the Department of the Interior study involved 158 employes and included about 9,000 pages in 17 volumes. It is obvious that the Arctic Gas study would be much more involved than would one for the route advocated by El Paso; particularly so because the El Paso route is only about 800 miles in length through Alaska as compared to more than 6,000 miles on the Canadian routing. Also because El Paso would be largely utilizing the same right-of-way as the present oil pipeline, many difficult and critical decisions for their gas line right-of-way have already been determined by prior approval of the oil line routing.

However, because it is mandatory that El Paso secure approval of an environmental impact statement before it can get any green light to proceed, it is extremely difficult for us to comprehend why El Paso decided not to apply to the Department of the Interior for the permit.

Will time prove that El Paso made a fatal mistake by this decision?

Page 12 Alaska, Ketchikan Daily News, Wednesday, August 13, 1975

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 alloting 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.
445 West 4th Avenue, Suite 101C, Anchorage, Alaska 99501
Mail: ~~Pouch 7010,~~ Anchorage, Alaska 99510 - Box 516
Telephone (907) 278-9615
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 King 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 beallowed 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 whixh currently serves customers in N.M. Approval of thr 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 carring 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 ans 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 pursueing 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

THE ALBERTAN

Saturday, September 20, 1975 page 22

OMAB

Consumers' Gas Co. request permission to purchase gas

By JEFF CARRUTHERS

OTTAWA — Consumers' Gas Co. of Toronto has asked to buy 30-million cubic feet of natural gas this winter from Gaz Metropolitan 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   Anch. News 10-1-75

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 touting 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 ow to perform

By PAM MILLSAP
Daily News Staff Writer

The Alaska Petroleum Retailers Associati state to perform motor vehicle inspections state safety inspection program, rather tha garages, repair shops and service stations to

The state has indicated the program will b next year.

LOWELL NELSON, executive director of said his members would prefer a system w inspects a vehicle, gives the owner a ticket i repairs need to be made and then allows the ow shop of his choice to do the work. "Otherwis into the problem of a guy saying the private recommending unnecessary repairs," said service station operator could end up being the

Nelson said association members met with at their recent convention in Anchorage. He s was willing to come up with the type of inspec recommended by the association.

Nelson pointed out that the state has to vehicle inspection program or it will lose some federal highway and highway safety fund regulations will have to meet standards set by Safety Act, which is administered by the U.S. D

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.

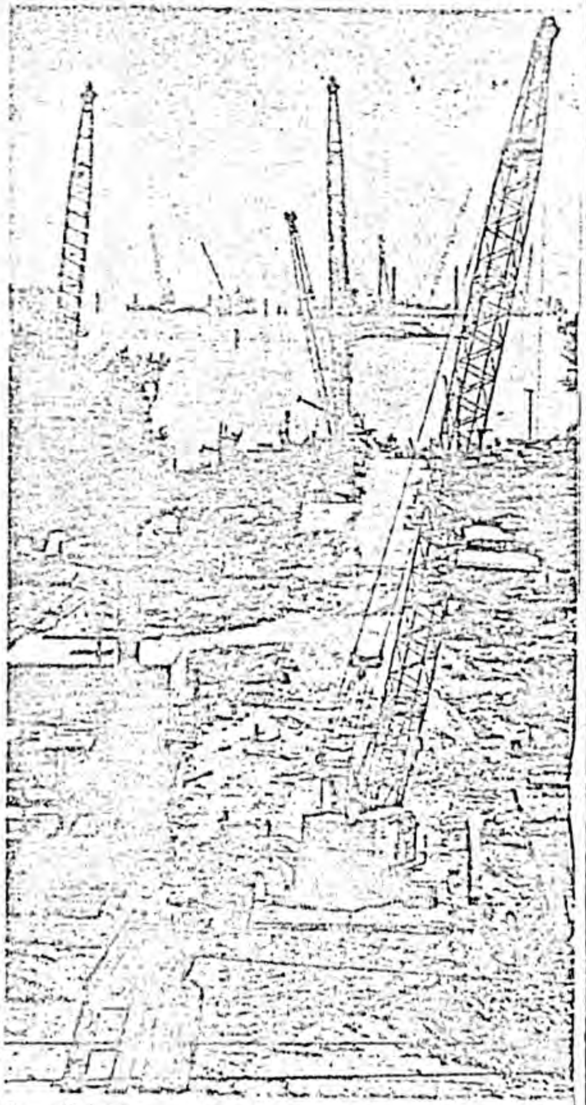
New wave. The U. S. has already imported some LNG, but the small volume from these occasional shiploads pales in comparison with the constant stream that will flow into the country at Cove Point. Nine LNG tankers built specifically for the El Paso project will continuously sail between Cove Point and 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:

- Eascogas 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



Grant Compton–BW

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.

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 criticial 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 Eascogas 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

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

WASHINGTON WINDOW

10/31/75 Times

Choosing A Villain For The Gas Shortage

By George J. Marder

WASHINGTON — The orker who gets laid off ecause of a shortage of atural gas, cam blame:

Congress for delaying a olution so long.

The Ford administration for aking emergency action with ontroversial long-range roposals.

Liberals for failing to recognize that gas sold interstate ontrolled at 51 cents a housand cubic feet and uncontrolled gas sold within a roducing state for as much as 2 a thousand cubic feet would urely bring on a crisis.

Conservatives for using the risis to push for long-range econtrol which wouldn't add a ubic foot of gas this winter. econtrol would start next pril under the bill pushed hrough the Senate.

THE INDUSTRY for helping reate the crisis by failing to rovide pipelines with the gas romised.

The Federal Power Commission for failing to make the ndustry live up to commitments.

At the moment, the focus is n Congress. And Congress is oing what comes naturally — quabbling so much that the outlook is for more crisis and more unemployment.

PRESIDENT 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.

ADT 10/31/75

Gas Firm Seeks To Pass Costs

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 - feet 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 bases — which Teel said use 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 are 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

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 corsortium 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 "awsome" 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. governments 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 what ever 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.

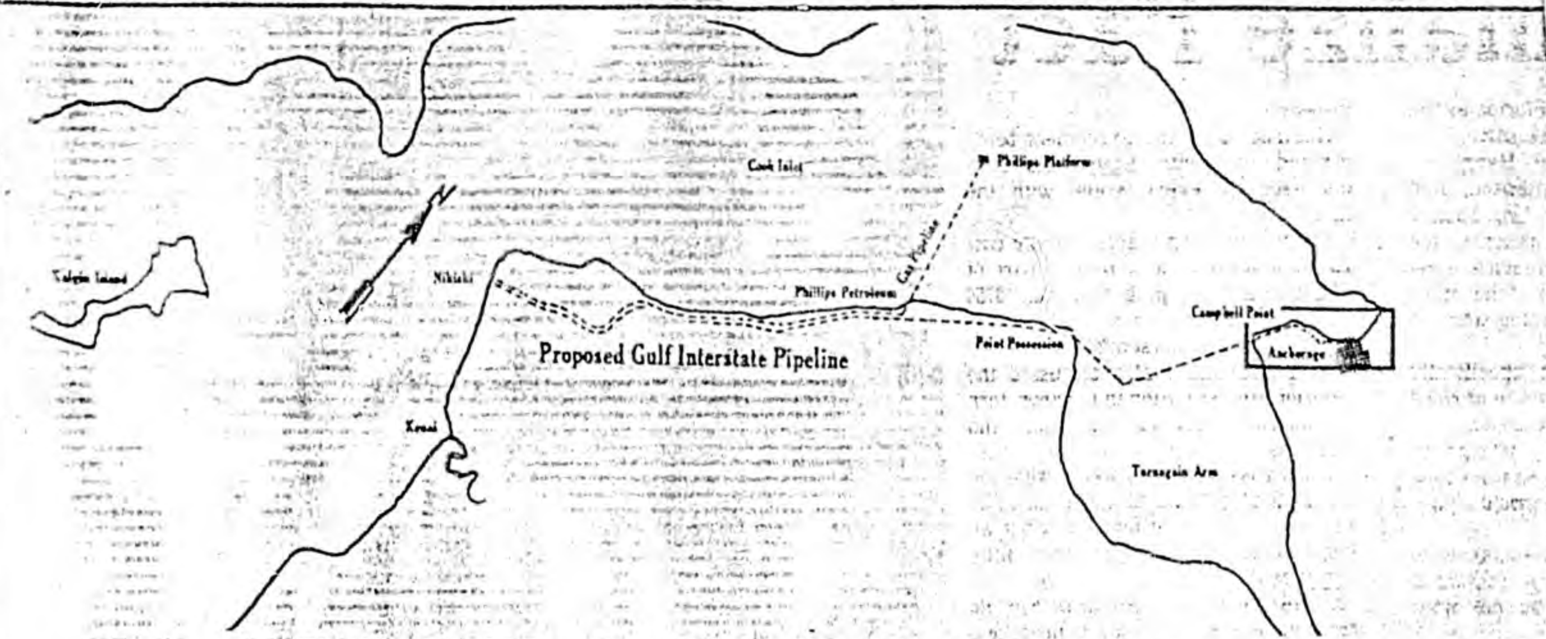
Arctic Gas is now stronger in Congress "by far" than El Paso, Ward added, in case the power commission is overridden by legislative action to speed pipeline approval. The firm now has better than a 50 per cent chance to get certification, he said.

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.

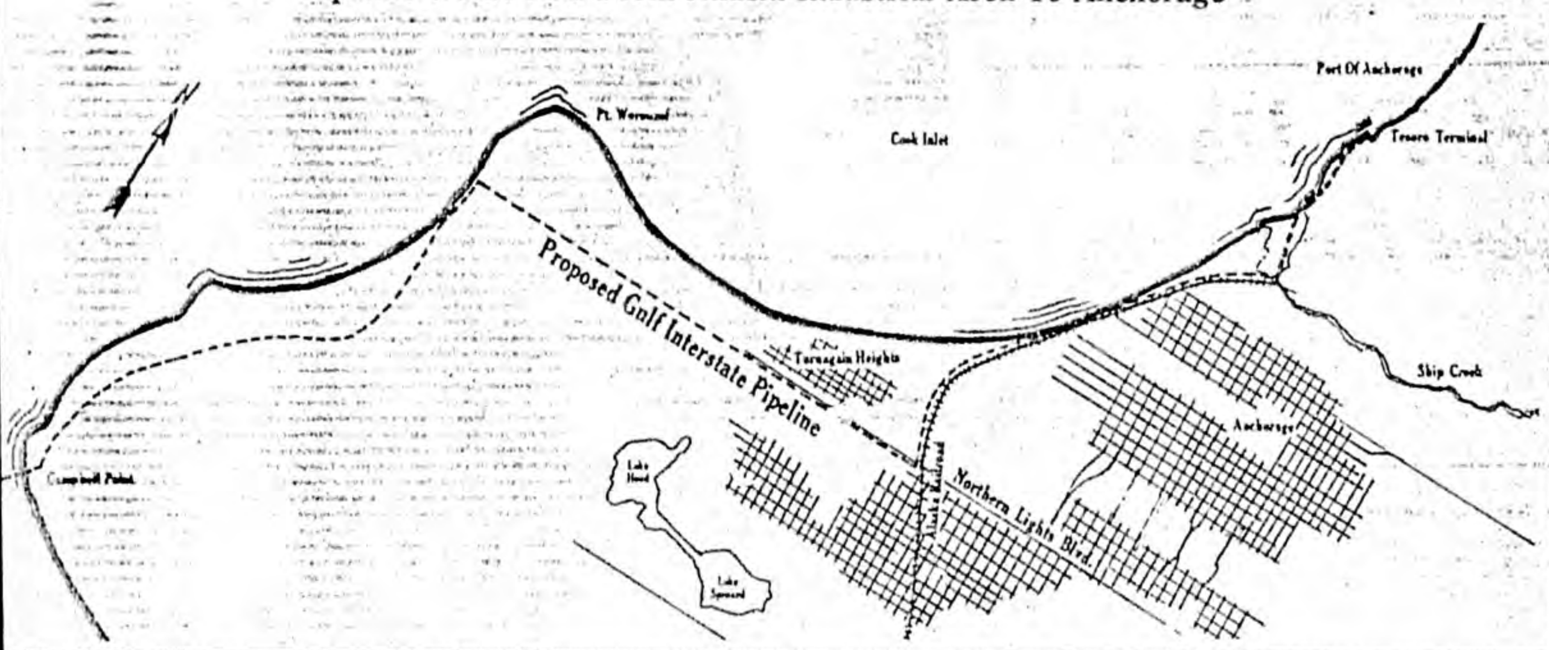
"They would also have to build a liquefaction plant at Port Gravena on the gulf likened to nothing in the world today — and you just can't pick one up at Montgomery Wards," he said. "And I won't be apologetic for our project. It's the best one."

PSST

The "big dish" antennas of NASA's Deep Space Network are so sensitive they can pick up a spacedraft'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.



Pipeline Would Run From Nikiski Industrial Area To Anchorage



?eninsula Line Survey Begins

rvey work on a proposed ...ed petroleum products ...ine has began on the ...i Peninsula.

...f Interstate Engineering ... of Houston, Tex., has ...sed to build the 10¾-inch ...eline from the ...ro-Alaska refinery at ...ki to the Tesoro tank farm ...the Anchorage port area. ...witt V. Lounsbury & Associates of Anchorage is conducting the prelminary 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.

Anchorage Daily Times

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. Mallone said contracts have been let for the study which could cost up to $240,000.

The study is to examine the future electricty 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 requsted $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 investment 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 ebergy 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.

Anchorage Daily Times

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."

11-6-75 ADT

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 Tell, 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.

ANCHORAGE DAILY NEWS

Daily News Numbers
Delivery 279-5622
Want Ads 272-7406
Display Ads 279-5622
Newsroom 272-8561

Cloudy

ANCHORAGE and vicinity and Mat Valley — Mostly cloudy Thursday and Thursday night. Light winds. Low tonight zero to 10. High Thursday low 20s. Low Thursday night 10 to 15. Outlook for Friday, cloudy.

VOL. XXIX, NO. 136 18 PAGES 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 severence 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. 20, 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 severence 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

ADN 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 $800 million less than the cost of an Alaska-Canada system.

However, the report notes that the capital costs of either system $7-$9 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-liquified natural gas (LNG) tanker system will be able to take advantage of U.S. Maritime Administration loan gurantees 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 10 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."

Anchorage Daily Times

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 Year

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 incre[ases, but] they will be slow, he said.

"Opec is in a defensive [position] today," he said. "The $10 and [more] it got in 1974 was beyond it[s] dreams."

Lipton told legislators it [is] economically better to use natural gas within the stat[e and] export the higher priced oil Ou[tside].

Lipton, who testified again[st the] reserves tax bill when it w[as] considered by legislative co[mmittees] last spring, still hasn't cha[nged his] mind about the law.

He still maintains it is a bad

ANCHORAGE DAILY NEWS

Energy 'sleeper'

11/15/75 ADN

Gas from coal--a 2nd look

By HARLAN DRAEGER
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 Reasearch 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 work 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 reviening 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 feet, compared to about 1,000 for natural gas.

Shuck says that experts consider underground gasification "sort of a darkhorse" 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 10¾ 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.

Sale of the notes, due on Jan. 1, 1993, and Jan. 1, 1998, were initially closed by the capital company's agent, Morgan-Stanley & Co., Thursday.

Gas lines cost more

11/19/75 ADN

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 dol.'rs 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

11-15-75 ADN

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.

ANCHORAGE
DAILY NEWS

Slope gas surplus

(Continued from page 1)

two million oy 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 Griffen, R-Mich.

The bill Ruppe plans to introduce is

(Continued on page 2)

Anchorage Daily Times

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 transport 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, [illegible] El Paso exhibit includes [illegible] letter agreement that [illegible] has entered into with U.S. Steel. In the agreement, which [illegible] 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 $657 miolion, 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 counciuded that "most of the energy consumption and any benefits" would accure to the populations in the "lower 48" states.

The four-volume study was released by the department yesterday.

Hickel urges Slope gas line

ADN 11/21/75

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.

Anchorage Daily Times
14 Anchorage Daily Times, Thursday, November 20, 1975

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 1380.

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 Sheld 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 a n d increased state involvement in planning."

Liberals Demand Canadian Pipeline

ADT 11-21-75

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?"

WINS ART LIC GRUN N S F X 3 K BL

omar

Beverly Isenson
Executive Director

The Organization for the Management of Alaska's Resources, Inc.
Suite 101C, 445 W. 4th Ave.
(907) 278-9615
Box 516
Anchorage, Alaska 99510

Three firms eye ethylene market

18-E

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 worldscale 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 Dupont of Canada Ltd., Montreal, in September to shelve plans for a high-density polyethylene plant associated with the complex.

CIL'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 37½ 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.

12/2/75 ADT

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.

ADT

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 transAlaska 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

12/2/75 ADT

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 wintertime 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

ADT 12-3-75

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

ADT 12-4-75

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 per cent.

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 Southwest 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

ADT 12-12-75

By Congressional Quarterly

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 Steven's 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

ADT 12-3-75

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

12/1/75 ADN

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 their 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

ADT 12/1/75

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 conclusion 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 Puso'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

12/1/75

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 [illegible] 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 compressor stations. This, in turn, "could affect the abundance of the primary winter food source of the caribou," the statement 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

12/2/75
ADN

(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 Natural 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 reasonale amount of time." And Wilderness Society counsel Berry admits that the pipeline fight "will be touch 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.

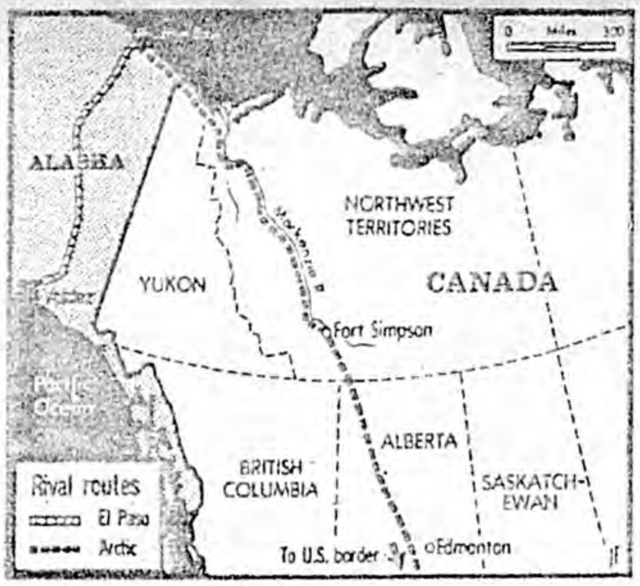
Without congressional action some observers think the Federal Power Commission hearings and deliberations on which pipeline route to approve could extend through 1977 with court challenges to the decision taking place after that.

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
12/2/75

By MARK PANITCH
Our Washington Correspondent

Energy chief Zarb studying both lines
Page 11

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 alternate route."

That route, the EIS says, would require a total of 735 miles of pipe inside Alaska before the line crossed in to 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 proposal 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 4½ 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 42-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 climactic 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 172nd 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

The vice chairmon 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' 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.

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.

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 proposal 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 4½ 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 42-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 climactic 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 172nd 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

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' 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.

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.

Federal energy chief is studying gas line routes

12/2/75 ADN

FAIRBANKS — Frank Zarb, 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 too 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?

Alaska's Lt. Gov. Lowell Thomas, Jr., has been barnstorming the nation speaking in favor of the Alaska route on behalf of the state. It remains to be seen whether the Ford administration will support the state's position.

NIPP SAID Zarb has held over 200 individual meetings with congressmen and senators in recent months to give legislators a feeling for the administration's desires with regard to energy policy. Many of the provisions of the bill — such as the establishment of a strategic storage capability — are Zarb's, according to Nipp.

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.

Energy Administrator Frank Zarb

All American Line

11/29/75 ADT

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 staving 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.

Federal energy chief is studying gas line routes

12/2/75 ADN

Energy Administrator Frank Zarb

FAIRBANKS — Frank Zarb, 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 too 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 foncommittal 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?

Alaska's Lt. Gov. Lowell Thomas, Jr., has been barnstorming the nation speaking in favor of the Alaska route on behalf of the state. It remains to be seen whether the Ford administration will support the state's position.

NIPP SAID Zarb has held over 200 individual meetings with congressmen and senators in recent months to give legislators a feeling for the administration's desires with regard to energy policy. Many of the provisions of the bill — such as the establishment of a strategic storage capability — are Zarb's, according to Nipp.

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
ADT

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 staving 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.

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 appraoch" 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.

---

12 Anchorage Daily Times, Wednesday, November 26,

Gas Line Choice Expected In Year

By BETTY MILLS
Times Washington Bureau

Washington — The final decision in an Alaska gas line 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 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."

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 Nahum Litt 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 lengthen the process considerably, saying natural gas pipeline certification proceedings have been delayed up to two years by court challenges.

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 appraoch" 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.

---

12 Anchorage Daily Times, Wednesday, November 26,

Gas Line Choice Expected In Year

By BETTY MILLS
Times Washington Bureau

Washington — The final decision in an Alaska gas line 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 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."

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 Nahun Litt 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 lengthen the process considerably, saying natural gas pipeline certification proceedings have been delayed up to two years by court challenges.

GAS LINE TREATY IS SEEN

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.

"Today, I can legitimately say we are honestly hopeful of the outcome" for an all-Alaska gas line, he said.

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 b r i n g 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 Pierro 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 104 million barrels of oil.

U.S. Destined For Chronic Shortage Of Gas

11-24-75
ADT

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.

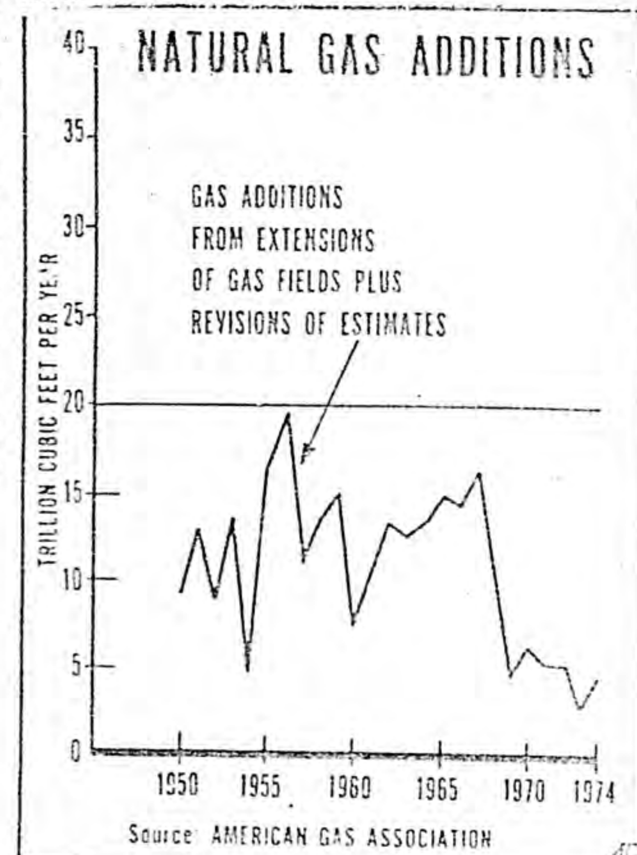
Even if federal price regulation were kept in force, the FPC probably could not hold the line very long.

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 loo[k] more costly than th[e] traditional fields of Texas, Oklahoma and Louisiana.

Next year's shortage is fore[-]cast at an over-all 16 per cent concentrated on interstat[e] pipelines, that could mea[n] regional shortages of 24 pe[r] cent or more, and substitut[e] fuels may become unavailabl[e] if the general econom[y] improves.

Gas industry forecasts in[-]dicate it may be 1985 befor[e] production could return to it[s] 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)

Natural Gas Producers May Wait In Hope Of Price Deregulation

11-24-7
ADT

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 52 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.

The $3 figure forecast in the study is even higher than the cost of intrastate natural gas that already is sold without price controls.

Intrastate 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 intrastate 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.

The study claims that the greatest risk the producers face if they are withholding is that their efforts will backfire.

"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."

U.S. Destined For Chronic Shortage Of Gas

11-24-7[illegible]
ADT

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 situaition 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 48 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.

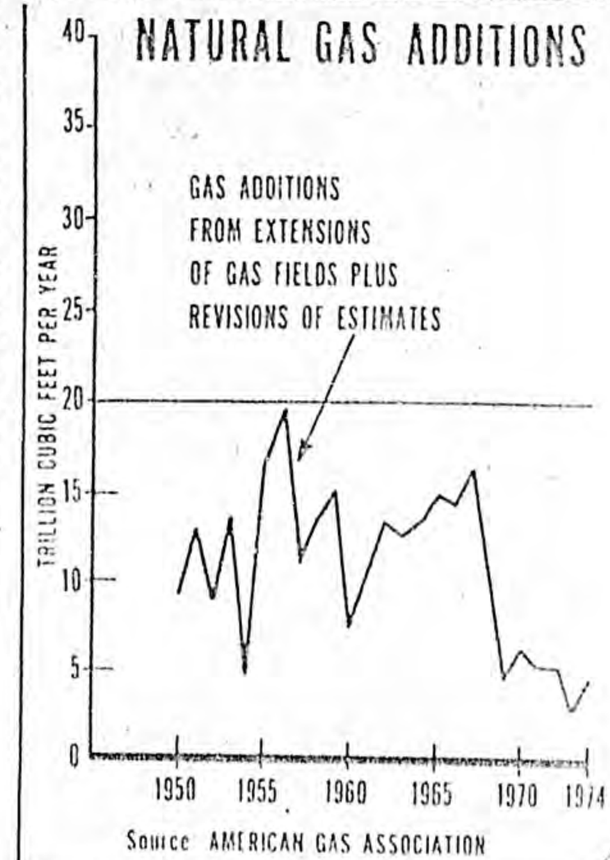
Even if federal price regulation were kept in force, the FPC probably could not hold the line very long.

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 th[e] 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 mea[n] 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 it[s] 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)

Natural Gas Producers May Wait In Hope Of Price Deregulation

11-24-7[illegible]
ADT

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 52 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.

The $3 figure forecast in the study is even higher than the cost of intrastate natural gas that already is sold without price controls.

Intrastate 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 intrastate 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.

The study claims that the greatest risk the producers face if they are withholding is that their efforts will backfire.

"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."

11-24-75 ADT

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 learning 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 are a gross exaggeration.

"It (the bill) makes grandiose claims about natural gas, which is quite limited, even with Prudhoe Bay," the aide said. "Gas is an limited resource and we have to conserve it."

In addition, Brodhead believes the legislation raises serious questions regarding the due process of law.

"The bill contains some provisions from the Alyeska oil pipeline bill," the staff aide said. "But the question is, is this a precedent that we want

(See Page 2, Col. 1)

Lack Of Sponsors Stalls Arctic Gas

(Continued From Page 1)

to follow?"

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.

---

provinces and which warned more than | died Thursday at the age of 82. | $6.3 million.

...ck Anderson

Jimmy the Greek gives odds on presidential candidates

...N — The 1976 presidential race, ...gambling odds, is just about a tossup. Las Vegas oddsmaker, Jimmy the ..., who figures the political odds ...s, rates President Ford as a narrow ...er the Democratic contenders.

...ubert Humphrey, D-Minn., has a ... Ford by Jimmy's odds. He gives ...ht, 7-to-6 edge over Ford.

...ENT is a solid ...ing to the odd... ...he Republican ...se betting on ...$3 against $1. ...nt's leading ...ald Reagan, ...nce to win the ... other words, ...lect $7 on a $2 ...nominated.

...publican possibilities are rated by ...s order: Vice President Nelson ...; Commerce Secretary Elliot ...; ex-Treasury Secretary John ... Sen. Howard Baker, R-Tenn., Sen... R-Ill., and Sen. Charles Mathias...

...atic favorite, at 3-1, is Senator ... bet on him, in other words, would ...d become the nominee.

JIMMY'S odds on the other ...ntenders: Sen. Henry Jackson... ...Georgia Gov. Jimmy Carter, 8-1; ...y, D-Mass., 12-1; Sen. Birch Bayh, ... 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 ..olding 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.

11-24-75 ADT

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 learning 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 are a gross exaggeration.

"It (the bill) makes grandiose claims about natural gas, which is quite limited, even with Prudhoe Bay," the aide said. "Gas is an limited resource and we have to conserve it."

In addition, Brodhead believes the legislation raises serious questions regarding the due process of law.

"The bill contains some provisions from the Alyeska oil pipeline bill," the staff aide said. "But the question is, is this a precedent that we want

(See Page 2, Col. 1)

Lack Of Sponsors Stalls Arctic Gas

(Continued From Page 1)

to follow?"

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.

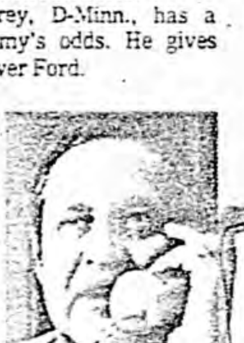
provinces and which warned more than died Thursday at the age of 82. $6.5 million.

...k Anderson

Jimmy the Greek gives odds on presidential candidates

...N — The 1976 presidential race, gambling odds, is just about a tossup. Las Vegas oddsmaker, Jimmy the ... who figures the political odds ...s, rates President Ford as a narrow ...er the Democratic contenders. ...ubert Humphrey, D-Minn., has a ... Ford by Jimmy's odds. He gives ...ht, 7-to-6 edge over Ford.

...ENT is a solid ...ing to the odd... ...he Republican ...se betting on ...$3 against $1. ...nt's leading ...ald Reagan, ...nce to win the ... other words, ...lect $7 on a $2 ...nominated.



...publican possibilities are rated by ...s order: Vice President Nelson ...-1; Commerce Secretary Elliot ...-1; ex-Treasury Secretary John ... Sen. Howard Baker, R-Tenn., Sen ... R-Ill., and Sen. Charles Mathias ...

...atic favorite, at 3-1, is Senator ... bet on him, in other words, would ...ld become the nominee.

JIMMY'S odds on the other ...ntenders: Sen. Henry Jackson, ...-Georgia Gov. Jimmy Carter, 8-1; ...y, D-Mass., 12-1; Sen. Birch Bayh, ... 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 D[r.] Heifetz the critical distinctio[n] and it has a distinguishe[d] ethical lineage. Kare[n] Quinlan's parents ar[e] Catholics, and befor[e] approaching the doctor [t] recommend that he turn o[ff] 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 th[e] Soviet lackeys in the Kremlin.

Defense Ministe[r] Schlesinger has been exiled t[o] the John Hopkins School o[f] International Affairs in th[e] purge, and has been replace[d] by Donald Rumsfeld, a youn[g] member of the Ford clique wh[o] has been involved in a powe[r] struggle with the Kissinge[r] loyalists for over a year.

"RUMSFELD has denied h[e] 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 employes in Alaska when the line is completed; trans-Canada line estimates 39.

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 Candian 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: Yarbro.

California: Chula Vista and Camp Pendleton.

Connecticut: Milford, Rocky Hill, Torrington, Stamford, Danbury, New London, Wateruby 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 Conshocken, 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, Nashvill 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

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.

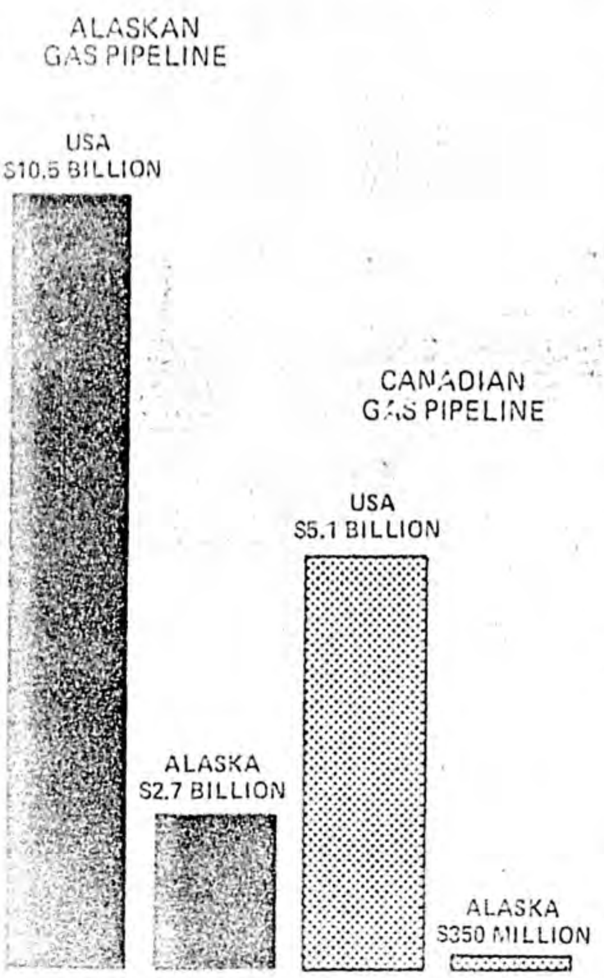
Carriers are under construction now to transport LNG from Algeria to Staten Island, N.Y.; Providence, R.I.; Cove Point, Md., and Savannah, Ga.

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.

TAXATION

ECONOMIC BENEFITS



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 $6 billion.
Economic Impact	**Economic Impact**
All goods and services will be contracted within the U.S., including the LNG carriers.	Only 6% of $6 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 57 million cubic yards.
Waterway crossings: Major: 26 Total: About 600	Waterway crossings: Major: 170 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 Alyeska's haul road and other construction facilities which required $1\frac{1}{2}$ years to complete, this project has a significant head start.	Subject to many unforeseen delays, such as those being experienced by Alyeska. 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 pipeline.
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.
	Faces intense opposition to the crossing of the Arctic National Wildlife Range from 15 environmental groups including Sierra Club, Wilderness Society and Audubon Society.
Benefits to State of Alaska	**Benefits to State of Alaska**
Substantial.	Minimal.
$1.6 billion worth of goods, services and facilities.	$592 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.	$325 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 $12\frac{1}{2}$% 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.	$3.0 billion in federal income taxes to the U.S. treasury over the life of the project.
$3 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.	2,500 workers to be employed at the peak of the project in the State of Alaska.
624 permanent employes 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 employes in the U.S. after completion of construction: 1,470 (including Alaska).	Permanent number of employes 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%, some of which could be recoverable in the form of cyrogenic energy.	9.0%, none of which is recoverable.
Total Capital Cost	**Total Capital Cost**
$8 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 of Japan.

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 than6,000 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 Sates 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 liquification 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 liquified 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.

The ORGANIZATION for the MANAGEMENT
of ALASKA'S RESOURCES, INC.
445 West 4th Ave., Suite 101C, Anchorage, Ak. 99501
Mail: Box 516, Anchorage, Ak. 99510
Telephone (907) 278-9615

Bev Isenson
Executive Director

YOUR PERSONAL AND BUSINESS CONTRIBUTIONS ARE NEEDED TO CONTINUE OUR EFFORTS TO INFORM THE GENERAL PUBLIC.

USAlaska Energy
2535 Massachusetts Avenue, N.W.
Washington, D. C. 20008

Gary Frank
Executive Director

Paid Advertisement

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 of 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 239

There are about 15,000 wholesale oil jobbers, 19,000 companies dealing in fuel oil and liquefied petroleum gas and more than 300,000 retailers of motor gasoline.

Oil is a business for specialists: wildcatters, geologists, geophysicists, petroleum engineers, drillers, roughnecks, pipeliners, refiners, marketers.

Col. Edwin Drake, a retired railroad conductor, conceived the idea of drilling for oil. Drake brought in the Titusville, Pa., discovery well 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 1,395,000 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 wel 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 retic.

Science has replaced hunches in selecting drilling sites, but financial risks are high.

One group of companies paid more than $600 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 1956, 30,730 were oil producers, and 4,543 were gas producers. Dry holes totaled 21,838.

A long drilling slump that oilmen blame mostly on federal natural gas price controls was reversed last year when 31,698 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 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 5,060 feet cost an average of $98,447, 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 $49,743, 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 $298,755 per well, or $31.29 a foot.

Recoverable domestic oil reserves peaked in 1970 at 39 billion barrels. Gas reserves peaked in 1967 at 292 trillion cubic feet.

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 fiveyear 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 33 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.

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 gasoline 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 liquefied 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.

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 of 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 250

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: wildcatters, geologists, geophysicists, petroleum engineers, drillers, roughnecks, pipeliners, refiners, marketers.

Col. Edwn Drake, a retired railroad conductor, conceived the idea of drilling for oil. Drake brought in the Titusville, Pa., discovery well 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 1,335,000 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 wel 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 rctic.

Science has replaced hunches in selecting drilling sites, but financial risks are high.

One group of companies paid more than $600 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 1956, 30,750 were oil producers, and 4,543 were gas producers. Dry holes totaled 21,338.

A long drilling slump that oilmen blame mostly on federal natural gas price controls was reversed last year when 31,698 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 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, 25,356 onshore wells drilled to an average depth of 5,000 feet cost an average of $98,447, 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 $49,743, or $12.36 a foot.

The 888 offshore wells drilled in 1973 had an average depth of 9,408 feet and average cost of $651,254, or $69.23 a foot. The 82 drilled in 1953 with a depth average of 9,549 feet cost $298,783 per well, or $31.29 a foot.

Recoverable domestic oil reserves peaked in 1970 at 39 billion barrels. Gas reserves peaked in 1967 at 292 trillion cubic feet.

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 fiveyear 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 33 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 30 barrels of crude an hour a distance of five miles. The domestic industry now has a pipeline network in excess of 222,000 miles.

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 gasoline 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 liquefied 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.

State to limit gasline flow

By ANDY WILLIAMS
Daily News Staff Writer

The state expects to limit the flow of natural gas om Prudhoe Bay to about half the level projected by l Paso in its application to build a pipeline, state fficials told the legislature's Joint Gas Pipeline mpact Committee Thursday.

Commissioner of Natural Resources Guy Martin nd other state oil and gas officials said a structural odel of the Prudhoe Bay formation indicated the ptimum rate of gas production was 2 billion cubic feet day. In its filing before the Federal Power ommission, El Paso projected a rate of production of billion cubic feet a day.

JOHN C. BENNET, head of Alaska operations for l Paso, said the company had been advised of the ower projection and had filed an amended form with he FPC taking it into consideration. He said the ipeline and liquefaction system proposed by El Paso vas 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. Gruy and Associates in a study for the Interior Department. Oil industry representatives agreed the Gruy 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 2.25 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

AT 12/11/75

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 ate 1960s.

Guy Martin, commissioner of atural resources, said the transfer of he 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

12/14/75 ADN

The state Department of Natural Resources has set Sunday as the deadline for calling for public hearings on a petroleum products 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

ADN 12-9-75

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.

nesday, 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 liquification 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.

VOL. XXIX, NO. 165 [illegible] PAGES ANCHORAGE, ALASKA, THURSDAY, DECEMBER 11, 1975 TWENTY-FIVE CENTS

Study favors Alaska gas route

By MARK PANITCH
Our Washington Correspondent

WASHINGTON — The Interior Department [illegible] released the Alaska Natural Gas Transportation Systems study mandated in 1973 [illegible] the trans-Alaska Pipeline Authorization Act. [illegible] due to be released under terms of the [illegible] December 16, the document was released [illegible] a month late, apparently as a result of [illegible] squabbling over possible bias in the [illegible] toward one of the two systems competing to [illegible] the Lower 48.

[illegible] of the controversy was [illegible] the study which compares the potential for interruption of construction on the [illegible] 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 [illegible] Carlson placed heavy weight on the risk [illegible] section of the report. When a reporter [illegible] 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 [illegible] their own judgement."

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 managability 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 [illegible] it has the advantage of using facilities [illegible] 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 solicited comments on the Aerospace study, which was conducted by H.J. Gruy and Associates.

Forrest Garb, president of H.J. Gruy, 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 latter 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 Keep, 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.

[illegible] NO. 145 [illegible] PAGES — ANCHORAGE, ALASKA, THURSDAY, DECEMBER 11, 1975 — TWENTY-FIVE CENTS

Study favors Alaska gas route

By MARK PANITCH
Our Washington Correspondent

WASHINGTON — The Interior Department [illegible]day released the Alaska Natural Gas [Tran]sportation Systems study mandated in 1973 [by t]he trans-Alaska Pipeline Authorization Act. [Orig]inally due to be released under terms of the [act] November 16, the document was released [almo]st a month late, apparently as a result of [inter]agency squabbling over possible bias in the [stu]dy toward one of the two systems competing to [brin]g Alaska gas to the Lower 48.

The center of the controversy was the [so-]called "risk analysis" in the study which compares 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 [illegible] 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." Moments later he replied to a follow-up question that the study "speaks for itself." He said "people have to be [illegible] [illegible] their own 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 $5.6 billion compared to $3.3 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 homogeneous 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 [illegible] [illegible] it has the advantage of using facilities [illegible] from the oil pipeline.

Gas production no threat to Slope oil

ADN

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 [s]olicited comments on the Aerospace study, which was conducted by H.J. Gray and Associates.

Forrest Garb, president of H.J. Gray, 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 latter 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 Keep, 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.

Arco Discloses Close Of Deal

ADT Special to The Times 12/11/75

NEW YORK — Atlantic Richfield Co. has announced he 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 $220 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.

16 Anchorage Daily Times, Thursday, December 11, 1975

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 line 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 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 systems.

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 factors.

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 $8.729 billion in national economic benefits to the U.S. The El Paso project would bring a total of $8.281 billion in the national economic benefits.

These figures take into account the benfits to consumers, the goal of achieving energy independence and the

(See Page 2, Col. 2)

Official Predicts Gas Shortages

ADT 12/11/75

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 closings and layoffs. The eastern states were expected to be the hardest hit.

...oderick appointed to state post

...k Roderick, former mayor of the ...rage Borough, has been appoin... ...eputy commissioner of the state ...rtment of Natural Resources.

...mmissioner Guy Martin announ... ...e appointment Monday, and said ...rick is expected to assume his new ...round the first of the year.

...rtin said that present deputy com... ...oner Bill Fackler will become ...tive director of the Alaska Royalty ...nd Gas Development Board. He ...announced the selection of Hope ...nt David G. Hanson as chief of the ...-formed Natural Resources Plan... ...and Research Section.

...ODERICK, contacted at home ...ay, said as far as he's concerned ...'going where the action is."

...feel the orderly development of ...atural resources is really essential ...e state's survival," he said. "I feel ...the field that is most important to ...tate, 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 1969 to 1972.

EARLIER, he practiced law for several years with present Sen. Ted Stevens, R-Alaska. In 1968 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 adoption of a resolution by the National Liberal Party calling for the federal government to "Canadianize the industry."

— The likelihood that the settlement of native land claims in Canada is many months away.

— 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 ...ter, a copy of a letter to Gr... from FPC chairman Rich... L. L. Dunham and a copy of bill were all sent to F... response to interest in the s... ject shown by the Presid... during his recent visit Alaska enroute to Chi... Gravel accompanied Ford far as Alaska on the trip.

In his letter, Dunham sa... neither application from ... Paso Alaska Co. nor from Ar... tic Gas is yet complete. Th... he said, is "one of the problem... which complicate th... 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 commiting 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 12½ 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 "otpimum" 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 12½ 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)