

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

1069 SCOMM 28: JOINT GAS PIPELINE COMMITTEE, 1981-82

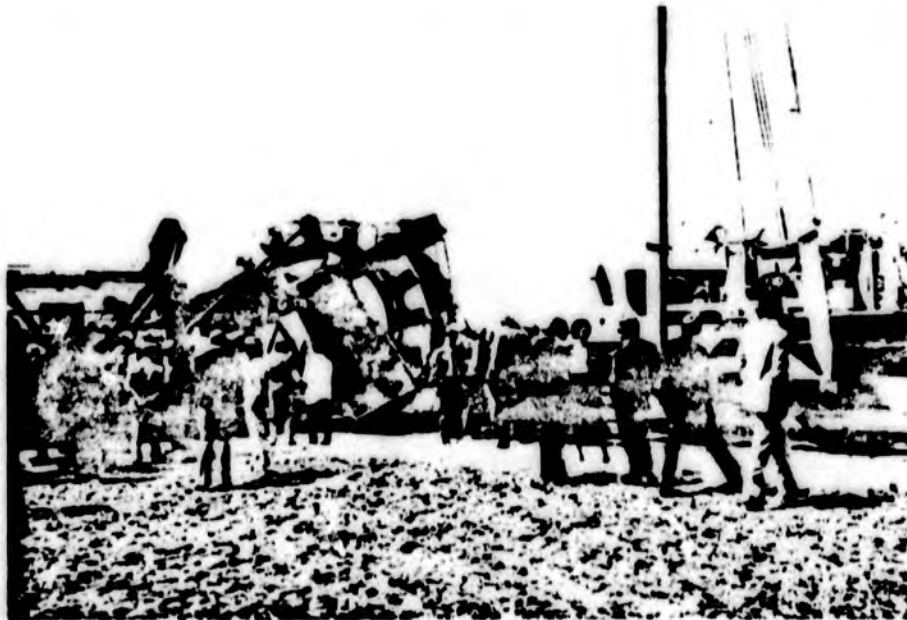
Reserved for further consideration is the question of how the conditioning plant should be included in the project, whether by integration into the System or as a certificated transportation facility necessary to the ANGTS.

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CEREMONY MARKS START OF EAST LEG CONSTRUCTION

Construction on the ANGTS East Leg began May 4 in South Dakota where 5,000 feet of right-of-way was cleared the first day. The following day about 500 people gathered to commemorate start of construction at a groundbreaking ceremony held in a rural area on the actual right-of-way just south of Aberdeen, South Dakota.

Keynote speakers at the mid-afternoon ceremony were Mike Butler, Chairman, designate of the Federal Energy Regulatory Commission; Harold Millican, Administrator and Chief Operating Officer of the Northern Pipeline Agency of Canada; and Gordon Severa, Senior V.P. of Gas Operations of InterNorth, the parent company of Northern Plains Natural Gas Pipeline Company, managing partner of the consortium sponsoring the East Leg.



Heavy construction equipment was placed near tent where the groundbreaking ceremony was held.

At the barbeque that evening brief remarks were made by South Dakota Governor William Janklow; Federal Inspector John Rhett; Northwest Energy Co.'s V.P. for Gas Operations and Supply, Bob Keener; and Northern Plains President, Howard Hawks. Many South Dakota landowners, whose land the pipeline will cross, observed the day's events.

Construction has since begun in Montana, Iowa and Minnesota and is scheduled to begin in North Dakota August 1.

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RHETT TESTIFIES BEFORE HOUSE APPROPRIATIONS SUBCOMMITTEE

Federal Inspector John Rhett on May 14 testified before the House Appropriations Subcommittee, chaired by John Murtha of Pa. Rhett responded to questions from Congressman Murtha concerning OFI's fiscal year 1982 budget request, project scheduling and status, logistics of the planned office move to Alaska, and the Citizens' Environmental Advisory Committee. Copies of Rhett's prepared testimony are available from OFI Public Affairs.

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NORTHERN BORDER WINS JACKSON COUNTY SUIT

The U.S. District Court in Minneapolis, Minn. on April 27 ruled in favor of Northern Border Pipeline Co. in a March 13 suit filed against Jackson County. The county had required that the pipeline segment which will cross the county be covered with 6 feet of soil. Judge Edward J. Devitt ruled that the county lacks statutory and constitutional authority to impose the six foot cover requirement on this interstate gas pipeline.

The company will use three feet of cover except when crossing drain tile systems used for agricultural purposes, where it will assure 12 inches of clearance between the pipeline and the drainage system. Construction in Minnesota began in early May.

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EMERGENCY SALVAGE PLAN FOR CULTURAL RESOURCES IMPLEMENTED

Peter Cook, OFI's headquarter's Deputy Federal Inspector, on May 12 endorsed the final Emergency Salvage Plan for Cultural Resources on the ANGTS Eastern Leg. The plan outlines a systematic approach to address cultural resources found during construction. The cultural resources plan was prepared by Charles McKinney, OFI's Cultural Resources Representative, and was coordinated with the State Historic Preservation Officers, OFI field archeologists, and Northern Border Pipeline Co.

Copies of the Emergency Salvage Plan may be obtained from OFI's Public Affairs Office.

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FERC OFFERS COMMENT ON ADOPTING AUDIT REPORTS BY NORTHERN BORDER PARTNERS

The FERC has issued a show cause order inviting public comment on two audit reports issued by its Office of the Chief Accountant on the expenditures of Northern Border Pipeline Co.

The first report covers expenditures incurred prior to March 9, 1978, by Northern Plains Natural Gas Co. and Pan Border Gas Co. The second report covers expenditures for partnership the period of March 9, 1978, through December 31, 1979, totaling \$7,215,699 excluding AFUDC which qualifies eventual inclusion in Northern Border Pipeline Company's rate base.

Comments on FERC's show cause order may be filed within 45 days of the May 5 issuance date. Copies of the order are available from FERC's Public Information Office at (202) 357-8818, and the audit reports may be obtained from FERC's Chief Accountant's Office at (202) 357-9100.

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WESTERN LEG ON SCHEDULE

The three segments of the pipeline that will enable deliveries of Canadian gas to southern California are well on the way to completion, on schedule, and will begin transporting gas October 1.

Northwest Pipeline's Pan Alberta Project--the northern portion of the so-called Western Delivery System consisting of 350 miles of pipeline--is essentially complete. The contract for trenching the Snake River in two locations was awarded May 5.

The southern leg of the WDS is owned by El Paso Natural Gas Company, which will carry the gas from Ignacio, Colorado to California border. El Paso is now doing a \$32 million system expansion to transport additional gas. It is adding a new compressor at both its Bondad, New Mexico station, and two compressors at San Juan River, New Mexico stations, under a certificate issued by the FERC on August 28, 1980. Pipeline construction is to begin July 1, consisting of almost 44 miles of 20 and 34-inch diameter looping.

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CANADIAN NEWS

East Leg Construction Begins - Construction on Canada's East Leg began May 25. William Scotland, NPA's Designated Officer, on May 22 issued the final order which allows for 15 miles of pipeline construction to begin in Alberta and 39 miles in Saskatchewan.

Construction of the 394-mile Canadian East Leg will take place over the next two years, and will extend southeasterly from Caroline, Alberta, to the American/Canadian border near Monchy, Saskatchewan. There it will join the Lower 48 Eastern Leg segment being built by Northern Border, which began construction May 4.

Canada's Northern Pipeline Agency also approved environmental protection plans for Eastern Leg construction in Saskatchewan and Alberta. Both plans outline mitigative measures the company will take in protecting the environment during construction.

Panel To Hold Environmental Assessment Hearings - Canada's Environmental Assessment Panel on the Alaska Gas Pipeline Project announced that public hearings will be held June 16 in Whitehorse, Yukon to review pipeline alternatives. The hearings are a continuation of technical hearings recessed in Whitehorse on April 19, 1979.

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SENATOR MURKOWSKI ADDRESSES ALASKAN SENATE ON GAS PIPELINE

Sen. Frank H. Murkowski (R-Ak.) in a speech before the Alaska Legislature expressed support for timely completion of the Alaska Natural Gas Transportation System. In his May 4 address he said it is "critical for the country and the State of Alaska to complete the Alaska Natural Gas Pipeline Project." He also encouraged the Alaska Legislature to support State financing of the pipeline which would give the State partnership with the major owner companies. "It should be a good business investment--perhaps better than the gold the State's already invested in," Murkowski said.

The freshman Senator also discussed important energy topics such as natural gas deregulation, and the use of Alaskan royalty oil for the Department of Energy's Strategic Petroleum Reserve to aid in lessening U.S. dependence on foreign oil.

Copies of Senator Murkowski's address may be obtained from OFI's Public Affairs Office.

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FI CONDITIONALLY APPROVES WESTERN DELIVERY SYSTEM AAP

The Federal Inspector on April 30 conditionally approved Northwest Pipeline Corporation's Affirmative Action Plan (AAP) for the Western Delivery System segment of the ANGTS. Final approval is contingent on the following modifications:

- * increasing of female business goals from 1.5% to 2% of contractable opportunities;
- * revision of definition section to exclude whites as minorities;
- * revision of contract listings to break out procurement and contracting opportunities available to MBE's/FBE's;
- * inclusion of a time schedule for complaint resolution in Complaint Procedures;
- * specification of technical and administrative assistance to facilitate MBE/FBE participation; and
- * reflection of employment goals as percentages of total employment in addition to absolute numbers.

Once the company adopts the above modifications the Federal Inspector will approve the final Affirmative Action Plan.

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FIELD COMPLIANCE MANUAL COMPLETED

A 60-page Field Compliance Manual has been completed and will soon be sent to all Federal field personnel involved with the ANGTS. The Manual, which applies only to lower leg construction, contains guidance on what to watch for and procedures for handling various kinds of problems in the field.

A substantially different Manual will be prepared for the Alaska segment, expected to be completed in about a year. The manuals are products of OFI's Compliance Division, headed by Larry Ouellette. Questions on the Manual should be directed to him or Bill Toskey, Permit and Compliance Director, at 275-0577.

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OFI ISSUES FINAL RULE ON REIMBURSEMENT

Final costs reimbursement rules were issued on May 21 setting standards and procedures to recover costs from ANGTS sponsor companies. The ANGTS sponsors are obligated to reimburse the Federal government for certain costs to Federal agencies in permitting the use of Rights-of-Way across Federal lands. The Office of the Federal Inspector will recover only a percentage of the costs associated with enforcing the Right-of-Way on Federal lands. The reimbursable costs apply to OFI field personnel, headquarters support personnel such as the offices of Engineering and Environmental Review, and support contractors.

The gas pipeline sponsors will reimburse OFI for administrative and other expenditures for processing right-of-ways or permit applications, and for monitoring construction costs, and operation of approved facilities on the right-of-way or permit area.

Billing, payment, and protest procedures are also explained in the May 21 regulations, which are available from OFI's Public Affairs Office.

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ALASKA NEWS

Environmental - Northwest Alaskan Pipeline Co. (NWA) is continuing environmental studies this summer to determine sensitive habitats and populations of fisheries and endangered wildlife species in Alaska. OFI's environmental staff is reviewing proposed NWA facility sites--camps, access roads, disposal sites, and right-of-way alignments--to assess environmental impacts. Mitigative measures will be developed to ensure unnecessary environmental damage is avoided.

Soil Data - Borehole drilling to determine soil characteristics for pipeline design is, with the exception of some private land in the Tok area, complete. Additional drilling may take place if the right-of-way alignment is changed or if additional soil data is needed to complete pipeline design.

One-Window - The first of 21 mineral material acquisition plans was submitted to OFI by NWA. Approximately 380 material sites will be developed to provide an estimated 28 million cubic yards of mineral material (mostly gravel) for Alaskan segment construction.

Cultural Resources - Dr. David Ruppert, a professional anthropologist, has joined OFI's Fairbanks, Alaska staff to review cultural and archeological matters during planning and construction of the Alaska segment. Ruppert holds a Ph.D. in cultural anthropology from the University of Arizona at Tucson and prior to joining OFI was the District Historian for the Bureau of Land Management in Fairbanks.

Frost Heave - All six chilled pipe test facilities built by NWA are now operational. Residual frost found around one end of the insulated pipe at the Livengood II test site will require thawing. Also, some mechanical problems in the refrigeration system require intensive remedial maintenance. Frost has penetrated six feet below the uninsulated pipe at Livengood I, the first operational site, and is 2 to 3 feet below the uninsulated pipe at the Little Salcha River Site. Heaving at each site is occurring at slow rates. Considering the complexity of these test facilities and their construction under severe winter conditions, startup and early operational phases have been exceptionally smooth.

NWA will perform the following frost heave tests this summer at the Fairbanks Frost Heave Test Site:

Differential Heave Test - Two 4-foot diameter chilled pipes will be buried with the pipe ends placed in artificially frozen ground. A frost bulb will form around each pipe's center section and will tend to heave it out of the ground. This test focuses on abrupt frozen/thawed soil transition.

Soil Uplift Resistance Test - Two 18-inch diameter and two 48-inch diameter pipes will be buried, and the soil surrounding the pipes frozen, followed by thawing of surface soils to simulate conditions. The pipes will then be pulled vertically to determine restraining forces exerted on the pipe by the overlying soil. A second set of four pipes will then be buried and allowed to freeze-in. The pipes will be pulled in late winter to measure frozen ground restraining forces. This test series will also provide calibration data for the soil/pipe structural model.

Twelve-Inch Diameter Pipe Tests - Two 12-inch diameter pipes will be buried and chilled at different temperatures (-10°F and +14°F). The test data will be used to bridge results from laboratory frost heave tests and the full scale 48-inch diameter chilled pipe tests, and supply data on frost penetration and heaving under a high thermal gradient.

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The Update is published by the Office of the Federal Inspector, who is responsible for overseeing construction of the Alaska Natural Gas Transportation System. Inquiries should be directed to:

Public Affairs
Office of the Federal Inspector
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20044
(202) 275-0586



Alaska Gas Pipeline Update

Office of the Federal Inspector
Alaska Natural Gas Transportation System

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WAIVER PROPOSAL UNDER CONSIDERATION

Administration officials and Congressional staff are hard at work reviewing possible items for inclusion in a proposal to Congress concerning the Alaska gas pipeline. Following agreement in May by the producers and sponsors on the basis for arranging construction financing, the sponsors have developed a list of conditions they believe are necessary to achieve private financing of the project.

When it became generally known what the basic concerns of the financial community were, Government began to analyze those concerns from its point of view. Following policy formulation and pre-coordination with Congressional staff, the President will submit a package to Congress for consideration. The package will request waiver of certain provisions of law including those necessary to permit the producer financial participation outlined in the sponsors' May 21 letter. Approval requires affirmative action by both Houses of Congress, in the form of a Joint Resolution.

Future action on this proposal will be released and announced by the White House.

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TRAINING MEETING HELD

The first meeting of a group that will be examining training needs and opportunities during pipeline construction was held at OFI's offices in Washington on May 28-29. It was organizational in nature, with the first item on the agenda a discussion of how the group should be structured and what its purpose is.

The meeting was called by OFI's Director of EEO/MBE, John Alexander. Present were representatives of Northwest Alaskan Pipeline Co., the Alaska Federation of Natives, U.S. Department of Labor, Alaska Department of Labor, Alaskan Commission on the Status of Women, Fluor, AFL-CIO, Department of Interior (including the Bureau of Indian Affairs), Anchorage Community College, and the Tanana Chiefs Conference.

The group agreed that its goal is "to provide a forum for the exchange and coordination of information and to provide advice necessary to ensure the availability of a sufficient qualified labor force to meet project needs and assure adequate and meaningful training opportunities to minorities and women and to help them qualify and secure jobs on the pipeline project consistent with the affirmative action plan goals and timetables."

Objectives of the training program will be:

1. To develop a plan to provide Alaska Natives, women and other minorities with the skills needed to work on the gas pipeline;
2. To equip these same groups with skills that would qualify them for technical and management positions transferable to other jobs in the oil and gas industry; and
3. To give those who are not interested in technical and management positions other construction skills that can be used once this project is completed.

Elected as Chairman of the Committee was Al Kuhn, Northwest's Director of Government Affairs. Sylvia Carlsson, the Alaska Federation of Natives' designated representative on project matters, was elected Vice Chairman. The committee was divided into four Subcommittees, to handle funding,

Senator Earl Hastings, Chairman of the Canadian Senate Committee on the Northern Pipeline Agency, expresses his appreciation to Deputy Federal Inspector Peter Cook for the briefing the Committee received in Fairbanks during their June visit to Alaska. The 21 Senators visited Juneau, Fairbanks, Prudhoe Bay, and several Canadian oil and gas exploration sites in their 10 day tour. Briefings in Fairbanks were also given by Dr. Charles Behlke, Alaska State Pipeline Coordinator, and Harold Moles, Vice President of Northwest Alaskan's Alaska operations.



manpower information, referral and recruitment, and sources capable of performing training (such as Wildwood, Seward Skill Center, Community Colleges, unions, etc.). The Chairmen of these Subcommittees are, respectively, Robert Crosslin, U.S. Department of Labor; Glenn Lundell, Deputy Director, Alaska Department of Labor; Sylvia Carlsson, AFN; and Russ Anderson, Target Outreach Program, Alaska AFL-CIO.

These Subcommittees were to meet before the next meeting, tentatively set for sometime in September in Alaska.

The prevailing tone of the meeting was a resolve to determine now what, if any, training is needed to meet the labor needs of the project, and to get organized, get the necessary data, and have the plans ready for action whenever appropriate to begin training. While it was agreed that training in the absence of a demonstrable need is not in the the best interests of the sponsors or gas consumers, it was also clear that special training of Alaskan Natives is required under the Department of Interior's permit, and that training above and beyond that may also be necessary, whether pre-employment or on-the-job.

Those present seemed satisfied, at the conclusion of the meeting, that the structure and plan agreed upon will meet the needs of all entities represented.

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AGREEMENT WITH EEOC FINALIZED

A final agreement has been reached with the Equal Employment Opportunity Commission for handling employment discrimination complaints received by OFI during construction of the gas pipeline. The final Memorandum of Understanding was published May 29 and is effective as of that date.

The agreement is a revision of one proposed in a notice issued last September 11. Two comments were filed in response to the notice--by the State of Alaska Human Rights Commission, which favored the proposal, and by the project sponsors, who found the proposal helpful but who nevertheless raised a number of concerns. Many of those were accommodated in revisions to the proposed agreement.

In addition to detailed procedures for filing and processing discrimination complaints, the agreement provides for exchange of information on such things as employment policies of the sponsors and their contractors, affirmative action programs, employment reports, and investigative files. EEOC will send OFI quarterly reports to keep it informed of all charges against those involved in project construction.

Each agency has designated a liaison officer to be primary contact on these matters. For EEOC that officer is the Executive Director or his designee. For OFI it is the EEO/MBE Director or his designee.

Copies of the agreement are available from OFI Public Affairs.

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Six members of Canada's Northern Pipeline Agency Environmental staff, led by Assistant Administrator John Naysmith, visited Alaska in June. Briefings from Al Ott (Deputy State Pipeline Coordinator), the Federal Inspector's staff, and Harold Moles, VP-Northwest, preceded their field trip along the gas line right-of-way. From left to right: Ott, Larry Birke (OFI), Naysmith, and John Santoria (NWA), listen to Harold Moles tell them about some of the things they will see the next day.

FINAL COST REPORT ON ALASKA SEGMENT ON TARGET

The final cost report being done by the Adger-Berman, FERC-OFI team, is on target to be completed and officially transmitted to the Federal Energy Regulatory Commission the end of July. It will contain final recommendations on the cost estimate Northwest Alaska filed with the Commission last summer, to be considered by the Commission prior to any issuance of a final certificate for construction of the Alaskan portion. In charge of the report process have been John Adger, FERC Alaskan Delegate, and Richard Berman, OFI's Director of Audit and Cost Analysis. The report will be public information as soon as it is received and stamped in by the Commission's Office of the Secretary.

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OFI ENVIRONMENT DIRECTOR LEAVES -- WORK CONTINUES

OFI's Director of Environmental Review, Lawrence Birke, has resigned to accept a position with private industry. His Deputy, Earl Kari, has been named Acting Director. Mr. Kari is stationed in Anchorage and has extensive experience with Alaskan environmental matters. He has done environmental-related work with the Federal Government for the last 21 years.

Meanwhile, the Environment staff continues to work on the segment of most immediate interest, the Eastern Leg. OFI staff recently completed a week-long survey to photograph and evaluate sensitive environmental areas along the right-of-way in South Dakota, Minnesota and Iowa. North Dakota will be surveyed later since construction will not begin there until September. A staff environmentalist in OFI's Glasgow field office completed a survey of sensitive sites in Montana before construction began there.

The previously-compiled list of environmentally sensitive areas includes river crossings and deep marshes, or prairie potholes as they're called. Northern Border's bank of environmental information is also being tapped for data on such items as grouse leks (nests), raptor (a species of bird) nests, and prairie dog towns.

The list of critically sensitive East Leg areas has been pared from 45 to 37. OFI personnel will be at these locations during critical phases of construction to assure that proper care is taken, since once damage is done it often is not easily or quickly corrected. A stand of 50-year-old cottonwoods improperly removed cannot be replaced as easily as an improper weld. The emphasis therefore is on preventing mistakes rather than detecting or reporting of them.

An interesting situation developed recently during East Leg construction when a prairie falcon nesting site, a rare species, was spotted on Rock Creek in Montana. Construction was delayed voluntarily by Northern

Border because a female and four chicks were observed nesting on the creek bank. As soon as the nestlings began to fly and were mature enough that construction noise would not disturb their development, construction was resumed.

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CANADA'S NPA APPROVES MANPOWER PLAN

Canada's Northern Pipeline Agency recently approved Foothills' manpower plan for construction of the entire Canadian segment, except for Yukon. Foothills estimates that 6,528 man-years of direct employment will be created for pipeline construction in Columbia, Alberta and Saskatchewan, and an additional 150,000 man-years generated indirectly as a result of the pipeline. The plan covers such major elements as labor supply and source; training; opportunity measures for Natives and women; employment and training information; recruiting procedures and local hire; and mobility. A similar report for the 508-mile Yukon segment will be submitted later.

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OFI AWARDS \$1.2 MILLION AUDIT CONTRACT

OFI on July 6 awarded a contract to the CPA firm of Main, Hurdman and Cranstoun, of New York City. The firm will review Northwest's management/cost control systems, and perform quarterly rate base audits of expenditures made by the Alaskan and Eastern Leg sponsors from the beginning of 1981 through September 1983. A one-time audit will be made of the West Leg sponsor.

The contract, valued at \$1,219,405, was a competitive action, initiated by an RFP last April 15. The contractor is a large, well-established accounting firm with offices all over the U.S., including Washington, D.C., and Fairbanks, Alaska. The contract will be under the program direction of OFI's Office of Audit and Cost Analysis.

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Alaska Gas Pipeline Update

Office of the Federal Inspector
Alaska Natural Gas Transportation System

August 13, 1981
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EEO/MBE PLAN APPROVED FOR ALASKAN SEGMENT

The Federal Inspector on August 13 announced approval of Northwest Alaskan Pipeline Company's Affirmative Action Plan for employment and procurement for the 745-mile Alaskan segment of the pipeline. The plan, which applies to the company, its contractors and subcontractors, sets goals for each of four minority groups and for females, for each job group. (cont'd.)



EAST LEG CONSTRUCTION IN PROGRESS

Welded pipe is cleaned and coated with an adhesive primer which bonds the polyken tape to the pipeline. Two layers of tape are applied to control corrosion. Here, construction workers prepare to lower the coated and taped pipe into a ditch along Spread 9 of the East Leg near Mason City, Iowa.

First filed in September of 1980, Northwest's original plan has been supplemented and revised three times since. Now that an approved plan is in place, some existing contractors must file affirmative action plans for OFI approval, according to the requirements of the EEO regulations issued in May 1980. Contractors with less than 50 employees on project activities or having a contract valued at less than \$50,000 do not have to file plans. Contractors having a contract of \$150,000 or more must submit an affirmative action plan for procurement, in addition to the employment plan.

The 1981 goal for minority business enterprise participation is \$31 million, or 15 percent of contractable opportunities. The goal for female business firms is \$4 million, or 2 percent. Contractable opportunities are expected to total about \$208 million in 1981. Northwest expects about 13,000 people to be working on the Alaska segment at peak construction, now estimated to be 1985. About 70 percent will be craft workers, operatives and laborers. The 1981 employment goals for minorities for these job skills are, respectively, 14.9, 17.3, and 21.5 percent.

A Fact Sheet with additional details on the affirmative action plan is available upon request from OFI Public Affairs, D.C. (202-275-0586), or Anchorage OFI (907-271-3668). The plan itself, which totals about 600 pages, is also available for review at those offices.

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EIGHTH QUARTERLY REPORT SENT TO CONGRESS

On July 24 the Federal Inspector sent to Congress his eighth quarterly report on Alaska gas pipeline system progress. The 14-page report includes current information on East and West Leg construction and the status of the Alaskan Leg; interface with other Federal agencies and the Canadian government; EEO and MBE issues; and technical activities, including arctic engineering and borehole drilling programs.

Copies of the 8th Quarterly Report are available on request from OFI Public Affairs.

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EXECUTIVE POLICY BOARD HAS NEW CHAIRMAN

Brigadier General Forrest T. ("Ted") Gay, III has recently been named as the Corps' representative to the Executive Policy Board (EPB), and, thus, its Chairman. He replaces Brigadier General George R. Robertson who has assumed new duties as Commander, MX Program Agency, Norton Air Force Base, California.

The EPB, authorized and established by Executive Order 12142 of June 21, 1979, is the highest level Federal advisory body to the Federal Inspector. The EPB agencies elect their own Chairman Agency; the Corps of Engineers is currently in that position.

General Gay brings a broad technical and managerial background to the EPB. He is a 1955 graduate of the U.S. Military Academy, holds MS degrees in Civil and Nuclear Engineering from the Massachusetts Institute of Technology, and has completed the University of Michigan's Advanced Management Program. During his many years of service, General Gay has held key command and staff assignments with the Corps of Engineers which include combat command in Vietnam; District Engineer, St. Paul, Minnesota; and his previous assignment as Executive Director and Chief of Staff to the Chief of Engineers. His current assignment is Deputy Director, Civil Works Directorate, Office of the Chief of Engineers, Washington, D.C.

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Welding on Canada's East Leg is being done by automatic welding machines, which are protected from the wind by shells which are lowered in place. Using this method, up to 1 mile of 48" pipe can be welded in a day. Welding activities in Canada were suspended for about two weeks because of a strike by the Welder's Union, but settlement was reached and operations resumed August 10.

EAST LEG PAMPHLET AVAILABLE

OFI has issued a pamphlet detailing Federal involvement during ANGTS East Leg construction. The fold-out pamphlet, titled "Guide to Government Involvement on the Eastern Leg," discusses the overall Alaska Natural Gas Transportation System; East Leg construction; OFI role and responsibilities; and common East Leg community concerns such as human safety and land disturbance.

In case of problems, misunderstandings, or the need for further information pertaining to the Northern Border pipeline, a telephone listing of Federal, State, local and company representatives is included in the pamphlet.

Copies of the pamphlet are available from OFI's Public Affairs Office.

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OFI SLIDE SHOWS AVAILABLE FOR VIEWING

OFI has prepared two slide-illustrated presentations describing its oversight role in construction of the Alaska Natural Gas Transportation System and the Northern Border gas pipeline--the East Leg.

Alaska Natural Gas Transportation System Slide Presentation - The ANGTS presentation discusses the system as a whole, emphasizing the construction challenges of the Alaskan segment; successful completion of West Leg first phase construction; and current buildup along the East Leg. The slide show also defines Federal Inspector involvement in monitoring and compliance; design and environmental review; and EEO enforcement.

Alaska Natural Gas Transportation System - East Leg Slide Presentation - The East Leg Slide Show focuses on current construction on the Northern Border pipeline, as well as describes the whole System and the functions of OFI.

Groups interested in having an OFI representative present either show should contact Joyce Morrison in OFI's Washington Office at (202) 275-0586 or Dennis Schroeder in OFI's Omaha Field Office at (402) 864-9555.

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OFI OPENS CONSTRUCTION OFFICE IN ROSALIA, WASHINGTON

OFI has opened a construction office in Rosalia, Wash., adjacent to PGT's Compressor Station #6, about 30 miles south of Spokane, Washington. The construction offices in Samuels, Idaho, and Wallula, Washington, are closing now that West Leg construction in Idaho and Washington is near completion.

The Rosalia construction office address is:

Office of the Federal Inspector/ANGTS
Rosalia Construction Office
P.O. Box 317
Rosalia, Washington 99170
Telephone: (509) 523-5811

The shipping address for the Rosalia construction office is:

Office of the Federal Inspector/ANGTS
Rosalia Construction Office
c/o Pacific Gas Transmission Company Station 6
3 miles west of 195 on Babb Road
Rosalia, Washington 99170

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Alaska Gas Pipeline Update

Office of the Federal Inspector
Alaska Natural Gas Transportation System

September 22, 1981
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FI APPOINTS BILL TOSKEY TO ALASKA POST

The Federal Inspector has appointed William M. Toskey, a civil engineer with 28 years of construction experience and two years with the Alaska gas pipeline, as Director of his Alaska Field Office. Mr. Toskey, was previously employed as the Department of Interior's (DOI) Agency Authorized Officer, in Washington, D.C. and also served as the Director of the Office of Permits and Compliance for the Office of the Federal Inspector.

Prior to joining DOI in 1980, Mr. Toskey was employed with the Army Corps of Engineers, retiring as Lt. Colonel after 24 years. During that time he worked on construction programs both here and abroad, and received numerous commendations and awards for public works construction. He is a graduate of West Point and has a Master's Degree in Civil Engineering.



William Toskey

Mr. Toskey reports to Amos Mathews, the Deputy Federal Inspector for Alaska, and has reported for duty in Fairbanks. He succeeds James Coan, who retired from government service last August.

The functions of the Alaska Field Office have been reorganized recently. Robert Stuart has been assigned as the Assistant Director for Construction and Logistics Planning. Mr. Kenneth Swanson has been named Assistant Director for Surveillance.

ADGER-BERMAN REPORT ON COST OF ALASKA SEGMENT

The final Adger-Berman report on estimated cost of construction of the Alaskan segment was issued August 21 by the Federal Energy Regulatory Commission. The report put the cost at \$6.73 billion after deferring consideration of \$887 million, rather than \$8.133 billion estimated by the project sponsors.

The report, written by John B. Adger, the Commission's Alaskan Delegate, and J. Richard Berman, Director of Audit and Cost Analysis, OFI, is a special study which will be used by the Commission when it sets the Certification Cost Estimate as part of its overall certificate proceeding on the Alaskan segment. One of the most important elements of that consideration is approving the Certification Cost Estimate which will be used as a basis for the incentive rate of return.

The Adger-Berman report relies extensively on an independent evaluation of the costs done by William Brothers Engineering Company, of Tulsa.

The Adger-Berman report concludes that its proposed cost estimate and Alaskan Northwest's are close enough to corroborate each other for the purpose of establishing a cost within which the Alaskan segment can be built. However, it continues, in establishing a target cost for the incentive rate of return, the sponsor's estimate includes excess amounts which must be removed to reach "risk-neutral" status, or the point at which the odds of overrun and underrun are evenly split.

The report found that these excess amounts appear in the sponsors' estimate:

- a. excess costs in the estimate, including such things as oversized crews, low productivity assumptions, etc;
- b. errors in the estimate; for instance, duplication of operations and inclusion of costs for hauling material-site losses to the right-of-way;
- c. insufficient resource optimization; for instance, crew and equipment estimates were independently prepared and costs assigned for individual operations, which were then summed to the total cost estimate without making sufficient allowances for the economies which normally result from shared labor and equipment.

In the the report's chapter on Center Point, the authors conclude that the Center Point should be reduced from 1.3 to 1.2. It cites several general factors as a basis, including experience with other projects (such as the Alaska oil pipeline); the significant cost growth (at least 161 percent) which has occurred between submission of the March 1977 estimate and the 1980 cost estimate; and the opportunities for limiting cost overruns. The report concludes that, as a result of these factors, the expected further cost growth will be considerably less than anticipated at the time of the President's Decision, and thus, the Center Point should be reduced.

In discussing "design" issues, the report concludes that, overall, the design of the Alaskan segment is sufficiently advanced to form a basis for setting the Certification Cost Estimate. However for three issues--the communications system, management plan, and affirmative action training

programs--the report concludes that there is an insufficient basis for inclusion in the approved cost estimate and recommends that these items be deferred for later action. It also recommends rejection of the sponsors' proposal to adopt the inflation index ultimately included in the project labor agreement, and the proposal to include actual third-party monitoring costs in the Cost Performance Ratio. It instead recommends adopting a composite labor index as approved for the Eastern Leg of the ANGTS, and deferring socioeconomic and Alaska monitoring costs for subsequent Commission action.

FERC has invited comments on the report (in an order issued August 21 in Docket No. CP80-435 et. al), to be filed with the Commission by September 18. Copies of the report are available from FERC's Public Affairs Office.

EAST LEG CONSTRUCTION CONTINUES

Although heavy rains have caused temporary slowdowns in sections of Minnesota and Iowa, overall East Leg construction is progressing without major hitches. Progress on the relatively flat farmland areas has been excellent. Contractors anticipate that mainline welding on four of the spreads will be completed by September 18.

Construction in North Dakota started earlier this month and will continue in 1982. Northern Border is aiming to complete at least the pipe installation this year on critical, specialized river crossings (Big and Little Missouri Rivers and the Oahe Reservoir). Due to low flows in 1981, construction conditions for river crossings are considered excellent; a bonus is that environmental disruptions will be minimized.

OFI's field office at Glasgow, Montana, will be abolished by October 31, as construction in that State winds down. In anticipation of construction start-up in North Dakota, OFI opened a field office in Williston in early September. The office is under the supervision of OFI's Field Office Director who is headquartered in Omaha, Nebraska. John Morton and Frank Bosiljevac will be the Federal Inspector Field Representatives stationed there, reachable on (701) 572-0289.

Three of the five States traversed by the Eastern Leg, (Iowa, Minnesota, and South Dakota) have both State and county inspectors. Generally, county inspectors are concerned with construction impacts on agricultural interests. These interests include drain tile and related ditch systems, topsoil/subsoil separation, rehabilitation, county road crossings, and road structures such as bridges and culverts. With three levels of government monitoring (Federal, State, and local), there was concern that construction progress might be impeded due to inadequate coordination, and misunderstandings regarding jurisdiction, and the application of OFI's compliance monitoring procedures. On August 10-13, OFI met with State and county inspectors in Clear Lake, Iowa; Slayton, Minnesota; and

Watertown, South Dakota, to explore these and related matters. Consensus was that coordination and liaison were adequate and that on-site problem-solving was working very well. This was attributed in large measure to the willingness of project sponsor contractors to rectify problems on the spot, and with minimum delay. The Federal/State/county relationships, based on informal arrangements and contacts, are working well.

On August 10, the Public Service Commission of North Dakota signed a Memorandum of Agreement (MOA) with the Federal Inspector. The MOA, drawn up in general language, covers the respective roles of the PSC and OFI and assures a high degree of cooperation and coordination between entities.

A pipeline goes through a series of tests before being put in service. The purpose of the tests is to assure that failure will not occur when the pipeline is pressured with natural gas. One of the pipeline safety tests is called hydrotesting. As the term implies, the practice involves filling sections of the buried line with water and pressurizing it substantially above the final operating pressure. Such a test was underway in the vicinity of Castlewood, S.D., on August 31, when a pipe rupture occurred. Pressure in the section of pipeline being tested was to be run up to 1992 psi. Operating pressure of the line is 1430 psi.

The failure started at the bottom of the pipe almost directly opposite the longitudinal weld, and spiraled upward at both ends, creating a hole in the earth roughly 40 feet long and 10 feet wide. The ruptured portion was cut out and replaced on September 1, and shipped for laboratory examination. There was no girth weld failure involved in the incident. The failure occurred in an open farm field; there were no injuries. Earlier in the month, hydrotesting on a section of the pipeline in Minnesota disclosed a slow leak at a small crack in a girth weld. The weld was repaired and the section was successfully retested.

ENVIRONMENTALLY SENSITIVE AREAS IN N.D. IDENTIFIED

Thirteen areas of North Dakota, the last state in which initial phase construction-related impacts during the remainder of this construction season and next summer. They will receive special surveillance by OFI to avoid undue construction-related impacts during the remainder of this construction season and next summer. Construction began in North Dakota earlier this month.

The sensitive areas are: Williams County Badlands; Missouri River and its Badlands; Cherry Creek; National Grasslands; the Little Missouri Badlands; the Little Missouri River; Killdeer Mountain area; Knife River Creek; Big Muddy Creek; Bahr Creek; Heart River, and the Oahe Reservoir (Missouri River); and South Branch of Beaver Creek.

These 13 sites bring to 40 the total number of sensitive sites for the Eastern Leg.



Shown above is the Little Missouri Badlands, an environmentally sensitive area. The drawn-in line shows the route the East Leg will take.

DOW-SHELL ISSUES PETROCHEMICAL REPORT

The Dow-Shell Group on September 9 issued its report on the feasibility of building a petrochemical industry in Alaska, concluding that a world-scale industry could be economically feasible in the late 1980's or early 1990's.

The 10-volume report, which culminates a year-long study, said such a petrochemical industry could cost between \$8.6 and \$10 billion in 1981 dollars, and would establish Alaska as a major producer of petrochemical derivatives and supplier of liquefied petroleum gas.

Conditions which the Dow-Shell Group thinks are necessary to make a petrochemical industry in Alaska economically healthy and competitive in world markets include the need for an increase in the real value of world crude oil, further growth of markets for petrochemical products in the Pacific Rim; development of an infrastructure in Alaska to support economic growth; availability of natural gas liquids at a competitive value, and the resolution and timing of the ANGTS pipeline issue.

Inquiries on the report should be directed to the Dow-Shell Group, 101 W. Benson Boulevard, Anchorage, Ak. 99503 (907) 276-7721, or in D.C. to Hugh Depland, Shell Oil, 466-1433.

NORTHWEST DRILLING AT ATIGUN

Northwest Alaskan Pipeline Company has been drilling about 15 boreholes along the Atigun Pass revised right-of-way. The company is gathering additional data to assess the cost of the overland route versus a tunnel under Atigun Pass. The borings will gather soil samples to assist with the design of that segment.

The State of Alaska asked Northwest to use a special traffic control plan during its tests, since some of the holes are being drilled right on the edge of the haul road that threads through the pass, and truck traffic combined with heavy dust or snow could create a hazardous work zone.



This photo shows construction of the oil line through Atigun Pass.

CANADIAN NEWS

NEB Issues Decision on First Phase Cost

Canada's National Energy Board in a recent decision adjusted downward the final design cost estimates for initial construction on the East and West Legs in Canada. The West Leg was reduced from \$167,379,000 to \$164,031,420, and the East Leg from \$653,942,000 to \$621,244,900. The decision also deals with other tariff-related issues.

B.C. Gets New Administrator

The Northern Pipeline Agency recently appointed Robert W. Hornal as its Administrator for British Columbia, replacing Eldon Shorn who resigned last spring. Hornal, who is based in Vancouver, is responsible for NPA oversight in B.C. to assure Foothills meets socioeconomic and environmental terms and conditions.

U.S.-Canadian Visits

The Federal Inspector and his two Deputies will be travelling to Ottawa for an October 22 meeting with NPA Commissioner Mitchell Sharp, Administrator Harold Millican from the Calgary Operations Office, Geoff Edge, Chairman of the National Energy Board, and other officials involved in the project. It will be the third of a series of quarterly meetings which are held to assure that mutual interests are explored in a timely and cooperative fashion.

The week of September 9 Commissioner Sharp, his Assistant, Terry Cameron, and others were in Washington to meet informally with various agency and Congressional people.

The Update is published by the Office of the Federal Inspector, who is responsible for overseeing construction of the Alaska Natural Gas Transportation System. Inquiries should be directed to:

Public Affairs
Office of the Federal Inspector
1200 Pennsylvania Ave. N.W.
Washington, D.C. 20044
(202) 275-0586

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Paul Steucke, OFI Anchorage
(907) 271-3668



Alaska Gas Pipeline Update

Office of the Federal Inspector
Alaska Natural Gas Transportation System

November 13, 1981
No. 25

CONGRESSIONAL COMMITTEES VOTE FAVORABLY ON WAIVERS

Three Congressional committees or subcommittees have favorably voted on the waivers of law requested by the President on October 15 to facilitate private financing of the Alaska gas pipeline. The votes followed conclusion of extensive hearings in both the Senate and the House.

Senate hearings concluded October 26, and on November 10 the Senate Energy Committee favorably voted on the waivers, 14 to 1, with two Members voting Present. The Committee report is to be issued soon, and Senate Floor action is tentatively scheduled for November 19 as first order of business.

In the House, the seventh and final day of hearings was November 9. On November 12 the House Interior and Insular Affairs Committee voted 32 to 7 to discharge the waivers to the full House. The Subcommittee on Fossil and Synthetic Fuels, of the Energy and Commerce Committee, on November 17 voted 12-9 to send the waivers for full Committee vote, which is scheduled for November 19. If that Committee votes favorably, the waivers will then be ready for action by the entire House.

OFI has prepared a Fact Sheet summarizing the most controversial provisions of the waiver proposal as discussed during the Congressional hearings. Copies are available on request from OFI Public Affairs.

CORRECTED COMMENT DATE ON RATE BASE POLICY

The last issue of the Update stated that public comments were due November 29 on an OFI policy statement on its procedures for auditing and approving costs incurred by the two ANGTS sponsors to which the incentive rate of return applies. The correct date for comments is November 20, as indicated in the policy statement published in the October 22 Federal Register. Comments should be filed with either Edward Hengerer (General Counsel), or Richard Berman (Director, Audit and Cost Analysis).

CULTURAL RESOURCES UPDATE

In February 1980 OFI reached agreement with the Interior Department to use their cultural resources expertise to assure early identification and preservation of archeological resources discovered in construction on the lower U.S. segments of the ANGTS system. The large part of that work has been successfully completed, and the agreement was terminated last November 13.

Cultural resource work on the East Leg will continue to be done by Steve Chomko, an OFI archeologist, and by William Butler, a National Park Service archeologist on detail to OFI. Both are located in Denver, and will now work under the direction of Dennis Schroeder, OFI's East Leg Field Director. In Alaska, David Ruppert, a cultural anthropologist on OFI's staff, is located in Fairbanks while Floyd Sharrock, an archeologist, on detail from the Park Service, works with OFI environmental staff in Anchorage.

The East Leg survey work is essentially complete, except for short portions of the right-of-way in North Dakota. Survey and excavation work was done under four major contracts. All work in Montana was done by Professional Analysts, Inc.; in North Dakota by the University of North Dakota; in South Dakota by South Dakota State University; and in Minnesota and Iowa by Archeological Field Services, Inc. Northern Border estimates the cost of the program to date at \$2.4 million, including about \$300,000 for excavation and testing of the Mondrian Tree Archeological Site in North Dakota.

The Mondrian Tree site is considered to be a significant find, yielding the longest continuous cultural record for the Northern Great Plains area covering a period from about 2000 to 3000 B.C. up to 1500 to 1800 A.D. Carbon dates from the site, now being performed by the University, will firmly establish dates and periods of habitation.

Much of the survey and excavation work at Mondrian Tree was done by University students last summer. The site is located on the south side of the Missouri River crossing near Williston, N.D., and is about 200 feet wide by 500 feet long. The deepest excavations were done along the trench line and areas of significant disturbance, and ranged in depth from 7 to 10 feet. Actual trench depth in the area will range from 7 to about 25 feet. Artifacts recovered will be curated and, with the consent of the landowner, are currently being housed at the University Laboratories. Reports on the work will be supplied by Northern Border to the State of North Dakota and OFI. The final reports will be public documents and available for review and study by the professional community and concerned public. This archeological work, funded by Northern Border, is considered a major contribution to understanding of the pre-history of the Northern Great Plains area.

OFI BUDGET STATUS

OFI's budget for fiscal 1982 is not yet appropriated. The Senate and House Appropriations Committees have agreed on an amount of \$28.5 million. At a conference committee held November 4 some differences were worked out, and the full House on Nov. 12 narrowly approved the bill (H.R. 4035) containing OFI's appropriation at \$28.5 million. A second continuing resolution is being considered, in the event that the Senate doesn't vote on our bill before the first continuing resolution expires November 20.

DOT'S REP MOVES TO OFI QUARTERS

This week the Department of Transportation's official representative on the Alaska gas pipeline project is relocating to OFI headquarters. Lloyd Ulrich and two senior engineers, Paul J. Cory and John Houk, will be located in Room 2313 (telephone number 275-0388).

The relocation will enable closer daily coordination between the two agencies on safety, pipeline welding, and other related matters, as construction proceeds. DOT has been quite active in helping to assure compliance with the Federal gas pipeline safety standards.

Mr. Ulrich is DOT's Agency Authorized Officer--that is, its primary staff expert and adviser on the project. He has been involved in ANGTS engineering matters since 1977, and prior to that worked on Alaska oil pipeline matters for DOT.

The Update is published by the Office of the Federal Inspector, who is responsible for overseeing construction of the Alaska Natural Gas Transportation System. Inquiries should be directed to:

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Anchorage, Alaska 99502
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Alaska Gas Pipeline Update

Office of the Federal Inspector
Alaska Natural Gas Transportation System

LS MTH

*MARK
FYI
MARY*

August 4, 1980
No. 10

CANADIAN
GOVT.
APPROVES
PREBUILD

On July 17 the Canadian Government acted to clear the way for construction this summer on prebuilding the southern Canadian portion of the ANGTS. The announcement was made by Senator H.A. Olson, Minister Responsible for the Northern Pipeline Agency. The Government took three steps:

- 1) It accepted U.S. assurances on timely completion of the entire system, including Alaska;
- 2) it approved an amendment of Condition 12 of the Northern Pipeline Act concerning the financing of the system in Canada; and
- 3) it approved a National Energy Board recommendation authorizing Pan Alberta Gas Ltd. to export an additional 522 million cubic feet of gas per day through the prebuild section.

*key
point*

The Canadian prebuild involves 526 miles of pipe on both legs of the system, and will cost about \$662 million. Construction of the West Leg will begin next month and should be completed early in 1981. Eastern Leg construction is due to be started next spring with completion in November 1981. Senator Olson, in outlining the reason for the Government's action, noted that sale of natural gas liquids byproducts through the prebuild facilities will produce revenue of about \$17 billion, and improve Canada's international balance of payment position by about \$2 billion annually. He said, "The Government has decided there is minimal risk of non-completion or long delay of construction of the entire Alaska Highway Gas Pipeline System...I do not believe there can be any doubt that our National interest lies in proceeding with this important undertaking at the earliest possible date."

Canadian approval of its prebuild puts fresh pressure on the U.S. to expedite work on the lower 48 prebuild sections. Construction on the U.S. West Leg is scheduled to begin in December of this year, with completion by spring. Construction of the East Leg

(more)

prebuild is now scheduled to begin in the spring of 1981 with completion by the fall of that year. The U.S. sponsors have been moving forward during the last several months, despite absence of a Canadian decision, and now are in good position to immediately gear up to actual construction.

PRESIDENT
CARTER
ISSUES
STATEMENT
ON ANGTS

President Carter issued a statement reiterating his support of the ANGTS and expressing pleasure with the Canadian Government's approval of its prebuild segment of the system. The President's one-page statement also refers to a letter he sent to Prime Minister Trudeau expressing confidence that the project will be carried forward to completion and, "become an example to the world of how international cooperation can serve the common energy needs of both partners." The statement was released at a July 18 White House press briefing along with a Department of Energy fact sheet, map, and the text of the President's letter to the Prime Minister.

FI SELECTS
EAST LEG
FIELD DIRECTOR

The Federal Inspector has selected Dennis E. Schroeder, a 12-year Department of the Interior veteran, as Director of OFI's Omaha Field Office. He will be the FI's representative and the "one-window" for all Federal activity on the Eastern Leg of ANGTS. Mr. Schroeder is a native of Muscatine, Iowa, and holds BA (1967) and MS (1968) degrees in engineering from the University of Iowa. For the past four years he has been Assistant Regional Supervisor of Water and Land for the Water and Power Resources Service (formerly the Bureau of Reclamation) in Billings, Montana. For the two years prior to that he was Field Representative to the Authorized Officer for the Alaska Pipeline Office in Anchorage, working directly with personnel of State and Federal agencies and Alyeska Pipeline. Before that he did structural engineering work with the Bureau of Reclamation in Billings and Denver.

At OFI Mr. Schroeder will oversee all Northern Border's pre-construction and construction activities for the East Leg, to avoid delays, cost overruns, and assure compliance with all certificate and permit conditions. He will also supervise monitoring of environmental and cultural resource matters.

(more)



Alaska Gas Pipeline Update

see separate
photo of Khetts
hands-on visit
to Barrow, p 4

Office of the Federal Inspector
Alaska Natural Gas Transportation System

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UPDATE

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AUGUST 25, 1980
No. 11

DOI ISSUES
GRANT FOR
ALASKA
SEGMENT

Department of Interior Assistant Secretary Guy Martin on August 20 approved and sent to Congress the grant of right-of-way for the 430 miles of Federal lands that will be crossed by the pipeline in Alaska. After Congress reviews and approves the grant it goes for signature by Alaska's State Director of the Bureau of Land Management and Northwest Alaska Pipeline. Congress has 60 days in which to act, unless it waives the 60-day rule. Interior requested a waiver of the normal approval time to expedite the project.

The application for the grant was received by DOI on July 1. Intensive review began immediately, and on July 31 representatives of various Federal agencies met to reach agreement and make recommendations to the Assistant Secretary. Key issues were native Alaskan concerns of land transfer prior to Grant; training and employment; protection of cultural resources and subsistence values. Negotiations between agencies and individuals representing native Alaskan interests have produced an agreement that the Grant will not apply to Federal lands where allotments to natives under the Alaskan Native Claims Settlement Act are pending. The Grant also requires strict compliance to EEO plans and requirements for training.

Technical concerns are numerous, but some have already been mitigated by the separation distance of 200 feet between TAPS and ANGTS. Special environmental considerations include endangered species and construction-related soil disposal and erosion control. The grant requires submission of detailed mitigation plans on these matters.

STEEL
CONTRACTS
LET FOR
TWO SYSTEM
SEGMENTS

Commitments to purchase steel pipe have been made by Pacific Gas Transmission Co. for the Western Leg prebuild, and by Northwest Pipeline Corporation for the Western Delivery System. PGT on August 13 announced award of a \$60 million purchase from Kaiser Steel of

SEE NEXT PAGE (more)
FOR ADDRESS TO GET ON THIS NEWSLETTER MAILING LIST

prepared by the Northern Pipeline Agency and include requirements that the company consult with interested parties, orient field employees, train and hire natives and women, and compensate for property damage.

OFI ALASKA
OFFICE
DIRECTOR
SPEAKS

Mo Mathews, OFI Alaska Director, on August 14 addressed the Resource Development Council in Anchorage. His topic was progress made towards start of construction since President Carter approved the plan. His talk was informal, but questions on it may be directed to Paul Steucke, OFI Anchorage.

OFI
ENVIRON-
MENTALIST
SPEAKS

David Critchfield, a biologist in the Office of Environmental Review, spoke at the summer annual meeting of the Natural Resources Council of America. The meeting was held in Rose Haven, Maryland on July 25, and was attended by thirty local representatives of national conservation groups. In his presentation, Critfield discussed the status of the ANGTS project, the background of the Federal Inspector's Office, and major environmental impacts anticipated on the Alaska leg of the pipeline project. He also called attention to the Alaska Citizen's Environmental Advisory Committee and the recent call for nominations published in the Federal Register on June 20, 1980.

NORTH DAKOTA
PUC TO HOLD
HEARINGS ON
ROUTE

The North Dakota Public Utilities Commission has scheduled two days of hearings August 28-29 on routing of the East Leg through that state. It previously held hearings last March. The hearing will be held at Stanley, North Dakota on the 28th and in Bismarck the following day. The hearings are part of the 3-member Commission's consideration in issuance of a Certificate of Corridor Compatibility.

The Update is published by the Office of the Federal Inspector, who is responsible for overseeing construction of the Alaska Natural Gas Transportation System. Inquiries should be directed to the Public Affairs Officer, Office of the Federal Inspector, 1200 Pennsylvania Avenue N.W., Room 2413, Washington, D.C. 20044 (202) 275-1100.

OFFICE OF THE FEDERAL INSPECTOR



ALASKA NATURAL GAS TRANSPORTATION SYSTEM

ROOM 2413, POST OFFICE BUILDING, 1200 PENNSYLVANIA AVENUE, WASHINGTON, D.C. 20044

August 18, 1981
No. 37

TOSKEY APPOINTED DIRECTOR OF OFI'S ALASKA FIELD OFFICE

William M. Toskey, Director of Permits and Compliance for the Office of the Federal Inspector, has been appointed by Federal Inspector John T. Rhett to be the Director of the Alaska OFI Field Office.

His office will be located in Fairbanks, Alaska, and he will be responsible for Federal surveillance of all preconstruction activity, processing of all Federal permits related to the Alaska natural gas pipeline, construction and logistics planning, and supervision of the surveillance office in Fairbanks and the permits office in Anchorage. He will assume his new duties in Alaska in early September.

Prior to his appointment, Mr. Toskey was the Department of the Interior's Agency Authorized Officer for the gas pipeline project, and on April 7, 1980, also began serving as the Federal Inspector's Director of Permits and Compliance in Washington, D.C.

Amos "Mo" Mathews, Deputy Federal Inspector for the Alaska segment of the gas pipeline said, "Mr. Toskey is a multi-talented person and we are fortunate in having him on our staff in Alaska."

Mr. Toskey was previously the Director of the Institute for Water Resources located at Ft. Belvoir, Virginia; Chief of German Funded Construction for the U.S. Army in Europe; and a NATO construction programmer in Norway. He is a graduate from the U.S. Military Academy at West Point and holds a Masters of Science Degree in Civil Engineering from the University of Illinois. He has received numerous awards including the Legion of Merit, four Bronze Stars, Air Medal, Commendation Medal, Meritorious Service Medal, and three foreign awards for public works construction.

-OFI-

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Gas begins to flow through Canadian leg of pipeline

The Associated Press

CALGARY, Alberta — Without much fanfare, the first shipment of Canadian natural gas began moving to the United States this week through the pre-build section of the Alaska Highway pipeline.

The gas, which began to flow when a valve was opened Thursday on the western leg of the pre-build, should reach its destination in Los Angeles Saturday, said G. W. Cameron, president and chief executive of Pan-Alberta Gas Ltd. The company negotiates sales to U.S. customers.

Nothing was done to mark the occasion in Canada, Cameron said in a telephone interview, but there was a bit of a celebration in Los Angeles where the buyer, Pacific Gas and Electric Co., had lobbied hard and long for the line.

The pre-build section, on which \$1.6 billion was spent in 1980, will be completed next September, when the gas will begin to flow through an eastern leg to the U.S. Midwest and on to eastern customers.

Cameron said the western leg was completed on schedule and under budget despite work stoppages. The eastern leg, too, is on time and under budget.

The pre-build, the first section of the 4,774-mile pipeline, was built after a U.S. government commitment that the rest of the line would be constructed.

But construction of other portions of the \$30 billion (Canadian) line has been stalled because President Reagan's administration insists that the line be privately financed.

If the project goes ahead, natural gas from Prudhoe Bay fields will start to flow to the lower 48 states in five years.

Meanwhile, Canadian gas is being exported through the pre-build. Export contracts call for 240 million cubic feet a day to flow through the western leg, which runs from a point north of Calgary, across the Rocky Mountains through the Crows-

nest Pass and into the United States at Kingsgate, British Columbia.

The eastern leg will carry about 900 million cubic feet a day from a compressor at Monchy, Saskatchewan to Ventura, Iowa. Peak flows of 1.36 billion

cubic feet a day are expected through both legs between 1983 and 1986.

About \$500 million a year in revenue is expected from deliveries through the western leg and \$2.5 billion through the eastern leg at a border price of

\$4.94 U.S. or about \$6 Canadian, Cameron said.

Some 200 producers are putting gas through the western leg, and Cameron said there will be "well over 400" producers on the eastern leg starting next year.

But, he said, the pre-build will not add significantly to the volume of gas exports to the United States. The amount's will total only about 10 percent of exports and producers are still complaining they have too much unsold gas in reserve.

Anchorage Daily News

Saturday, October 3,

1981

Energy Conservation. With an average inflation rate of 10%/yr, the price would be more than \$3/gal by 1990.

The study predicted petroleum products demand will decline at a rate of 0.3% annually because of "increasing automobile and truck efficiency."

The price of natural gas will rise from \$2.32/Mcf in 1979 to at least \$3.77, not including the inflation factor, the study predicted. Gas use in 1990 is predicted to be up 36% over 1979.

* * *

N. SLOPE GAS FORUM: A workshop to examine alternatives for North Slope natural gas use will take place Sept. 14-15 in Fairbanks, organized by the University of Alaska's Dept. of Petroleum Engineering, School of Mineral Industry. The objective is to provide a forum for informal, confidential discussions, according to Russell D. Osterman, assistant professor of chemical engineering, Texas A & M University, who helped organize the forum. Participants will be of "decision-making rank" within their respective companies or organizations.

Further information may be obtained from M. J. Economides, University of Alaska (907) 479-7388 or from Osterman (703) 845-3361.

-7734

portion of meeting?

FINANCIAL REPORTS

(Total Net Figures in Million \$)

	1981	1980
Entex		
4th qtr net	6.9	3.4
Net per share	\$0.32	\$0.17
12 mos net	42.9	39.3
Net per share	\$2.03	\$1.87

#

Conference On World Trade In Hydrocarbons: The Overlap of Strategic & Corporate Interests

Sept. 21-22, 1981
Washington, D.C.

This executive conference of Platt's OILGRAM NEWS, developed in cooperation with Conant & Associates, will provide a worldwide review of political, strategic and economic factors affecting crude oil and natural gas exploration, production, supply and logistics. Here's a partial list of speakers and discussants:

—U.S. Senate Energy Committee Chairman McClure (R-ID), on "The International Energy Responsibilities of the U.S. Government."

—Ulf Lantzke, executive director of the 21-member International Energy Agency, on the "Role of the IEA."

—Hermann Eilts, career U.S. diplomat in the Mideast.

—Robert F. Ellsworth, former Deputy Secretary of Defense, on "The Global Strategic Setting for

As hot as the real thing

Firefighter Roy Reich grimaces and turns away from the intense heat as he battles a fire that engulfed an abandoned building on

Barbara Street Friday. The blaze was part of a training exercise, but Reich found it no more comfortable than the real thing.

Gas line on schedule in Canada

The Associated Press

CALGARY, Alberta — The Canadian pre-build section of the Alaska natural gas pipeline is, in a fragmented fashion, progressing right on schedule.

If the current pace continues, three-quarters of the 500-mile southern Canadian section will be completed by the end of this year. Part of it even will be transmitting gas to the western United States from Alberta by October.

Alberta pipeline crews are at present working near Sundre, north of Calgary. Saskatchewan crews are working their way west from the community of Burstall on the Alberta-Saskatchewan border.

The crews are working at what can be considered a fast clip. Some crews are welding together about 4,300 feet of pipe each day, while others coat and then lower nearly a mile of pipe into the ground daily.

The westward line travels through part of British Columbia, where it will join a seg-

ment under construction in Washington, Idaho and Oregon. It will eventually terminate near San Francisco.

The eastward leg moves through part of Saskatchewan, then takes a sharp east turn through Montana, the Dakotas, Minnesota and Iowa, eventually ending near Chicago.

The Canadian sections of the \$23 billion, 4,600-mile project have advanced the farthest because construction began last August.

Work on the first U.S. section through the Western states began last December.

Construction on the main portion of the pipeline, which passes through uninhabited land in Alaska, the Yukon and northern British Columbia and Alberta, is to begin after the pre-build section is completed.

The final phase, the proposed Dempster lateral gas pipeline, would run from the main line through the Yukon and to the Mackenzie Delta. That phase is not yet approved.

Completion of the entire pipeline, which will carry gas from Alaska to U.S. markets, is scheduled for 1986.

If completed as planned, the pipeline will be the largest civil engineering task ever undertaken in the world by private

sector companies.

The mammoth project has been coordinated by five leading companies in Canada and the United States. Foothills Pipe Lines (Yukon) Ltd. of Calgary is in charge of the Canadian sections.

Anchor Point brush fire is brought under control

Our Kenai bureau

ANCHOR POINT — A four-acre fire that broke out on the outskirts of town at about 4 p.m. Thursday was under control and in the mop-up stage Friday morning.

Tom Merock, spokesman for the state Division of Forest, Land and Water Management, said the fire apparently started from dormant brush piles burned when the area was logged last April. The fire went underground, Merock said, and

restarted in the current extremely dry conditions.

Less than a half dozen state firefighters along with volunteers and one bulldozer contained the fire, Merock said. A helicopter will be stationed in Soldotna over the holiday weekend to provide quick response to any other fires.

Merock said the cloudy weather here recently is deceptive, suggesting little fire danger when actually the danger is extreme.

They were there, in force, for the 1981 legislative session. Hundreds of hours were spent discussing politics at talks that ranged from what to do with the oil billions to the gritty of what was to happen on the House and Senate floor the next day.

Politicians could be found at the table much later in the summer this year than in past sessions, a sign of the many problems abrew up the street in the state capital.

Suddenly last week, the solid, dark-brown table of political talk. They were gone — both the billio-

Just as suddenly, this week you could bump open the doors of the Red Dog and find yourself face-to-face with a standing-room-only crowd at the round table. Juneau's other migratory species has arrived, marking a turning point in the state's economy. Thousands of tourists off the ferries, airplanes and mammoth cruise ships into the Red Dog with flash cubes a-popping.

There seem to be more visitors sitting and standing at the table this year than last, in fact. One passenger ship, the giant Rotterdam — is putting ashore more than 1,000 a week in Juneau, and more ships than ever steam the Gastineau Channel.

They're everywhere now, but the end of the cruise season will chase them away, too.

But the legislators will depart from their normal session. They'll make another try at fashioning a session which some see as the only hope of injecting a little life into the spending of the oil billions. They'll talk about the street, unless the tourist crowd forces them to another place.

And yet another group soon will claim the table. And just like the others, the tired fishermen will open the doors and make their way through the smokey haze of their time of year, and their turn to gather at the table for some serious talk in the back of the Red Dog Saloon.

Jon Matthews staffs The Daily News Juneau bureau.

Alaskans will feel cut in federal home insulation funds

By NANCY SHUTE
States News Service

WASHINGTON — Alaskans counting on the federal government's wildly popular home weatherization grant program to help insulate their homes against winter's icy blasts may

and Power Development.

Money allocated for this year's program should last through the fall in the bush and through December in Anchorage, according to Mike Carr, state program director for weatherization in Anchorage.

of prospective applicants, according to Rod Betit of the state's division of public assistance.

The provision repealing the program was included in one of the several major amendments offered at the last minute Friday by Republicans unhappy

sion. Rep. Don Young, R-Alaska, voted for the measure, but a Young aide said the congressman wasn't aware of the program cut.

Proponents of the weatherization program are now gearing up for a last-ditch effort to have it returned to the budget.

grants. States could use no more than 10 percent of what they get from this pool "for low-income residential weatherization or other energy-related home repair."

But the Alaska legislature failed to keep funds for a state-sponsored weatherization pro-

popular," Carr said. "It's really the state failed program."

Carr said that voters have active state program, "it's hard to tell federal funds will



FERC's Butler: "It's not something that you can shoot from the hip about."

REGULATORS

A new route for decontrolling gas

Shortly after taking office, top Reagan Administration officials privately unfolded a strategy for the quick decontrol of natural gas: coupling legislation to speed the 1985 end of price controls for newly discovered gas with rule changes by a Republican-controlled Federal Energy Regulatory Commission to lift prices for some gas already under contract. But in selecting 38-year-old Charles Butler III to head FERC, the White House has picked a fiercely independent, free-market chairman who wants to take a look for himself.

"It's not something that you can shoot from the hip about," said "Mike" Butler, a longtime top aide to Senator John G. Tower (R-Tex.), shortly after he was sworn in on June 8. Although he has placed the issue of administrative decon-

A free-marketer takes the helm at the Federal Energy Regulatory Commission

trol of gas prices at the top of his early agenda and pledges to be "a loyal part of the Reagan Administration," the new chairman also stresses that under his guidance FERC—an independent regulatory agency—"will not be a bootstrap operation" to push White House directives blindly.

Still, Butler believes that "natural gas never should have been regulated at the wellhead" and that interstate price controls contributed to the periodic gas shortages of the 1970s. Whether FERC can increase prices through price regulations, however, will await a thorough

analysis of the cost and benefits of that action and a determination of whether FERC has the latitude to raise prices under the 1978 Natural Gas Policy Act. "If we're going to do something," Butler stresses, "I'd like to do it in a way that will stand up in court."

'Just' pricing. Walking that tight line will be a challenge. The act authorizes FERC to consider price increases for gas contracted for before its passage—which currently can be priced as high as \$2.05 per 1,000 cu. ft.—and allows for incentive prices of \$4.95 per 1,000 cu. ft. and higher for gas that FERC determines to "present extraordinary risks or costs" to produce. But at the same time, the law requires that the prices must be "just and reasonable." That provision has already prompted a petition by California and its public utilities commission asking FERC to reconsider incentive prices granted last year.

Butler has hired Robert C. Means, a former law professor at the University of Texas, to spearhead the analysis. Means, who has focused on what he calls gas's "market-ordering problem," believes—as does Butler—that the current multiprice system may actually cost more than full deregulation. Under Means's reasoning, gas pipelines with a "deep cushion" of price-controlled gas can bid as high as \$9 per 1,000 cu. ft. for newer, uncontrolled gas supplies because the expensive gas can be "rolled-in," or averaged with the cheaper gas.

Ironically, Butler's go-slow approach toward administrative decontrol so far sits well with the nation's gas producers,

who have launched a massive effort to raise wellhead prices as an inducement for increased exploration. "We've always thought the issue needed to be settled through legislation," says David H. Foster, president of the Natural Gas Supply Assn. "Doing it by regulation may save you time, but you'll probably wind up with a lawsuit. Congress may take as long, but you know where you stand."

Other goals. Even as Butler moves cautiously on gas decontrol, he is committed to bringing his free market philosophy to the commission. He intends to study whether the government should continue its 75-year role of setting rates for oil pipelines and whether a "generic" rate of return would help the financially strapped electric utility industry by allowing utilities to collect rates for interest on construction costs. Butler also intends to study "whether there isn't something reasonably innovative we can do to help the Northeast out of its critical energy problem." One option, he says, would have New England import Canadian gas in return for shipments to Canada of Alaskan gas.

Butler also plans to sit in on meetings of the Cabinet Council on Natural Resources & Environment, the energy policymaking forum headed by Interior Secretary James G. Watt. In that role, he can help the White House in forming both its policies regarding natural-gas decontrol legislation and the Clean Air Act, which he acknowledges is "far afield" for FERC but which significantly affects the economic viability of utilities' converting to coal.

Cash-hungry utilities explore deregulation

Deregulation fever is spreading to electric utilities. Economists, regulators, and Congress are beginning to debate the feasibility of restructuring the investor-owned electric utility industry as one way to finance the \$365 billion in outlays on plant and equipment that companies will need to make by 1990.

Ideas under consideration include removing restrictions on marketplace entry and earnings, lifting consumer rate regulations, and permitting increased diversification by utilities into unregulated businesses. So far there is little agreement on the impact of any of these options or on whether such moves could solve the utilities' basic problem: declining earnings and dropping stock prices that hobble efforts to raise money for capital construction.

But the issue is being raised seriously. The energy subcommittee of the House Science & Technology Committee has scheduled hearings for June 23 and 24 to weigh the technological and financial implications of less regulated operations. "The most likely candidate" for new competitive opportunities is the generation sector, suggests Ronald G. Carr, acting deputy assistant attorney general of the Justice Dept.'s Antitrust Div., who is overseeing a one-year study of the issue that may lead to legislative recommendations. Regulators and financial analysts generally agree that transmission operations should remain regulated monopolies.

Success story. Although legislation is far off, some federal regulators look sympathetically at proposals for substantial changes. Increased use of electricity, according to Federal Energy Regulatory Commissioner David Hughes, has created "more and more geographic markets capable of supporting more than one optimally sized company." But some state officials are skeptical. John Bryson, president of the California Public Utilities Commission, says deregulation would result in "innovative utilities, vigorously managed and responsive to economic changes." But Bryson warns that

working. In Lubbock, Tex., the city-owned Lubbock Power & Light Co. is in direct competition with the investor-owned Southwestern Public Service Co., based in Amarillo. Each operates its own generating, transmission, and distribution systems, and although rates are equal—they are controlled by the city—customers can choose which company they will do business with on the basis of service. "If the customer isn't satisfied with us, they have another place to go," points out Carroll McDonald, director of sales for Lubbock Power.

But, whether free-market operations would, in fact, lead to an improved investment outlook for utilities is open to dispute. In the short term, "we still have to resuscitate the languishing financial integrity" of utilities, says Charles L. Benore, first vice-president of Paine Webber Mitchell Hutchins Inc. Benore questions whether deregulated utilities with no assured earnings could attract sufficient capital for new construction. And Irwin M. Stelzer of the National Economic Research Association Inc. insists "better regulation" with higher rates of return is the real answer. Growing talk about deregulation "stems from the fact that earnings stink" and from industry "despair that regulation can ever work," he says. The impetus for such talk, Stelzer suggests, comes from utilities "who want to make their stock look better."

EMPLOYMENT

How Bolger Increased postal strike chances

A bold attempt by Postmaster General William F. Bolger to simplify this year's labor negotiations by forcing four unions to negotiate jointly has backfired. Moreover, in losing his point, Bolger stirred so much animosity in the unions and in Congress that he reduced the chances of negotiating a moderate, strike-free settlement. His plan for a nine-digit Zip code may also die.

The postal bargaining began on June 16, a few days after the National Labor Relations Board ruled that the four unions had the right to conduct negotiations as in the past. In that structure, which Bolger described as "chaotic," the two largest unions—the American Postal Workers Union and the National Association of Letter Carriers—will bargain jointly with the U. S. Postal Service in Washington. The service must engage in two other sets of negotiations with the Mail Handlers Div. of the Laborers' International Union and the National

Rural Letter Carriers' Assn. The four unions represent 590,000 workers.

All four unions are angry at Bolger. The larger unions, which view his action as an attempt to push them around, had already urged a militant stand in negotiations. Their presidents, Morris Biller of the Postal Workers and Vincent R. Som-brotto of the Letter Carriers, came to office as critics of the 1978 postal agreement. They have vowed to resist Bolger's attempts to place a cap on a cost-of-living adjustment (COLA) provision that yielded \$3,619 per worker over the past three years.

Throwing a 'hardball.' The smaller unions think they would have lost their identities if the NLRB had upheld Bolger's posi-

The Postmaster General upsets workers by pushing for joint contract talks

tion. Now these unions, which a few months ago talked of "taking the responsible position" in bargaining, are enraged. "I admire Bolger for his operational ability," says James LaPenta, chief negotiator of the Mail Handlers, "but I am mad as hell at him. At a time when we should be taking an approach like that of other threatened industries, like autos and railroads, and talking about better work rules for the industry in exchange for better safety rules for us, Bolger has to go and throw a hardball at us."

The postal contracts expire July 20. Strikes against the federal government and the Postal Service are prohibited by law, and Bolger has warned that he will fire anybody who strikes. His threat will dampen militancy as the contracts run out, but the unions' anger will make bargaining very difficult. Facing a possible \$2 billion shortfall in 1981-82 revenues, the Postal Service wants to keep labor costs as low as possible.

The unions also realize that the service must maintain or improve its 5.5% productivity gain of 1980 if it is to remain competitive with private carriers, especially in electronic mail. But the unions will resist any weakening of a rule that prohibits layoffs of workers with six or more years of service. Citing a spate of injuries and deaths in mail handling operations, they are demanding new safety rules.

Postal Service insiders insist that the effort to force the unions to bargain jointly was necessary. In addition to the problems of conducting three sets of talks, Bolger noted that the two larger unions were creating interunion animosities by attempting to raid the smaller unions and siphon off their memberships. But both an NLRB hearing examiner and the board itself rejected Bolger's petition on the ground that no postal



Bryson: Deregulation boosts innovation, but is not the remedy for financial ills.

deregulation is not a panacea for "the immediate problem of unprecedented financial constraints on utilities," which will have to be solved by public utility commissions that now are reluctant to grant rate increases.

In at least one case, competition is

Two Oil Firms Post Higher Net For 3rd Quarter

Shell's Earnings Advanced 20%
And Atlantic Richfield's
Showed Increase of 22%

A WALL STREET JOURNAL News Roundup

Shell Oil Co. reported a 20% increase in third quarter earnings, while Atlantic Richfield Co. posted a 22% rise.

Shell, an affiliate of the Royal Dutch/Shell Group, earned \$353 million, or \$1.14 a share, up from \$293 million, or 95 cents a share, in 1979's third quarter. Revenue rose 36% to \$5.14 billion from \$3.77 billion.

For the nine months, Shell earned \$1.13 billion, or \$3.67 a share, up 43% from \$794 million, or \$2.59 a share, for the year-earlier period. Revenue jumped 45% to \$14.83 billion from \$10.24 billion. The 1979 per-share figures have been restated for a two-for-one stock split paid in June.

Shell's president, John F. Bookout, said earnings increased in both the exploration and production and oil products divisions, but declined in the chemical products segment because of the "economic downturn." He said the earnings increase was fueled by the higher oil and gas prices, as well as increased crude-oil production.

Production Rose 3%

Shell said third quarter output of crude oil and natural gas liquids rose 3% from the 1979 quarter because of production from Kernridge Oil Co. properties acquired by Shell last December. Shell said Kernridge's third quarter production of 51,000 barrels a day more than offset the 6% decrease in its other domestic production. Shell said about two-thirds of the decrease was caused by temporary curtailments related to increased well maintenance and by gas production declines of 10,000 barrels a day, mainly because of a drop in natural gas demand.

Mr. Bookout said capital and exploratory expenditures for the first nine months totaled \$2.4 billion, up from \$1.6 billion a year earlier. He said Shell still plans \$3.2 billion in capital and exploratory spending for 1980, with \$2.5 billion going for energy-resource development.

Atlantic Richfield Profit

In Los Angeles, Atlantic Richfield reported that third quarter profit rose to \$389.7 million, or \$1.57 a share, from \$320.4 million, or \$1.30 a share, a year earlier. Sales increased 29% to \$5.64 billion from \$4.38 billion.

The company said the 1980 quarter included a net gain of \$115 million, consisting of credits from sale of its interest in the Colony oil-shale project in Colorado, losses from closing copper smelting and refining facilities, and other asset write-downs.

In the nine months, earnings climbed 52% to \$1.25 billion, or \$5.04 a share, from \$822.9 million, or \$3.35 a share, in the year-earlier period. Sales rose 44% to \$16.8 billion from \$11.6 billion.

Arco's production of crude oil from Alaska's North Slope increased from a year earlier. But Robert O. Anderson, chairman, said "energy conservation trends and the nation's economic downturn" contributed to a drop in sales volumes of petroleum

Oil Companies May Get a Sizable Stake In Alaska Gas Line to Assure Completion

By ANDY PASZTOR

Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—Backers of the proposed Alaska natural gas pipeline have concluded that oil companies must be allowed a major ownership interest if the \$25 billion project is to be completed.

The existing plan, as approved by President Carter and Congress in 1977, precludes equity investment by the oil companies that control most of the vast reserves of natural gas discovered in Alaska's Prudhoe Bay. But now the group of 11 U.S. and Canadian companies backing the much-delayed project is willing to turn over as much as a 40% interest in the stalled Alaskan portion of the pipeline in exchange for crucial financial help.

Such a change is likely to provoke criticism from consumer groups and some members of Congress, and also raise antitrust questions that the Justice Department would have to deal with.

Nevertheless, Energy Department officials and key congressional staffers agree with the companies and say a package of proposed changes is likely to be presented to Congress in the next few months. They view the changes as vital and expect the government will go along no matter who wins next month's presidential election.

Huge Price Tag

The 4,800-mile pipeline, if all of it is ever built, would channel about 2.5 billion cubic feet of gas a day from Alaska's North Slope across Western Canada to the U.S. The total price tag, which has more than doubled since Congress gave the go-ahead, makes it the most expensive and one of the most complicated privately financed construction jobs in history. Although all financing and government approvals are in hand for two shorter legs connecting Canada with this country's West Coast and Midwest, the lengthy Alaskan portion of the line remains in the preliminary engineering stage.

Northwest Alaskan Pipeline Co., the managing partner of the group of pipeline companies that wants to build the most difficult leg of the system in Alaska, hasn't been able, on its own, to line up the necessary financing. To get the money, the sponsors are willing to try to rewrite the original government approval in order to obtain essential oil company investment in the construction.

A spokeswoman for controversial Salt Lake City businessman John McMillian, who heads the group of sponsors, confirms the pipeline companies are "ready to allow the producers a substantial equity position" in the project. She said this could amount to as much as 40%, under certain circumstances. The spokeswoman said Northwest Alaskan and the Energy Department believe they will be able "to push an amendment through" Congress authorizing the new structure.

Oil Involvement Opposed

In the past, Mr. McMillian has opposed such extensive involvement by oil interests on the grounds that it could force his group to yield much of its control over the project. Exxon Corp., Atlantic Richfield Co. and Standard Oil Co. (Ohio), the three big producers that are continuing to negotiate with Mr. McMillian's group over financing, didn't have any immediate comment on the status of the talks.

One government source familiar with the discussions, however, said the project sponsors have "reluctantly but undeniably dropped their earlier opposition" to the new strategy because they "realize time is quickly running out to put any kind of deal together." Another source said "the atmos-

avorable today than anytime in the past, both in Congress and among the participants."

Some oil company executives said, however, that potential investors continue to insist on some form of legally binding "completion guarantee." Last July, when the two sides agreed to share the cost of the early design work, Exxon and the other oil companies flatly ruled out any plan that would make them, in effect, the "ultimate guarantors" of the pipeline's completion.

"All of the players are deathly afraid of starting the work and then being unable to finish it anywhere near the budget," said one investment banker close to the situation.

\$4 Billion Cushion

To deal with this issue, the sponsors and the Energy Department are pushing a plan that would set aside, at the beginning, a cushion of at least \$4 billion in addition to the estimated \$8 billion cost of building the Alaskan leg to take care of any unexpected difficulties.

Another complex question that hasn't yet been resolved involves antitrust considerations. The government originally precluded the oil companies from gas-line ownership to prevent them from making decisions about who should have access to the system. A Justice Department spokesman said yesterday that government attorneys believe the oil companies can gain an equity stake in the project as long as they don't exercise "full ownership" rights that could prevent other companies from tapping into the proposed system.

Whatever revisions to the project finally are submitted to Congress, sources said, they are likely to include concessions to the oil companies for their anticipated sizable investment in facilities required to process the gas before it enters the pipeline. Industry observers also expect the sponsors to ask for favored treatment of Canadian investors that would permit the Canadians to pass on their construction costs to U.S. consumers regardless of whether the Alaskan segment is ever completed.



Gas: It's
America's
energy

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Arco's production of crude oil from Alaska's North Slope increased from a year earlier. But Robert O. Anderson, chairman, said "energy conservation trends and the nation's economic downturn" contributed to an 18% drop in sales volumes of petroleum products. Arco's refineries ran at 80% of capacity during the third quarter, down from full capacity a year earlier.

The sluggish economy slowed chemical earnings, and the company's metal-mining business showed a loss "as a result of an industry-wide copper strike that began in July," Mr. Anderson said.

He added that Arco's share of crude-oil production from Alaska's North Slope increased to an average of 275,000 barrels a day from 236,000 a year earlier. The company's total domestic and foreign production of crude oil and natural gas liquids in the third quarter averaged 587,000 barrels a day, up from 571,000 barrels a year earlier.

Arco and Shell fall in line with most domestic oil companies, which are receiving higher prices for domestic oil as government-imposed price controls gradually are lifted. Overall, however, oil company earnings have been nearly flat, with many companies showing their first earnings declines in nearly two years. The declines stem mostly from sluggish petroleum markets and decreases in refining and marketing margins.

Clark Oil Planning Refinery Expansion At \$120 Million Cost

By a WALL STREET JOURNAL Staff Reporter
MILWAUKEE, Wis.—Clark Oil & Refining Corp. said its board gave preliminary approval to a \$120 million expansion of the company's Wood River refinery in Hartford, Ill.

Stage 2 Price Tag

The 4,300-mile pipeline, if all of it is ever built, would channel about 2.5 billion cubic feet of gas a day from Alaska's North Slope across Western Canada to the U.S. The total price tag, which has more than doubled since Congress gave the go-ahead, makes it the most expensive and one of the most complicated privately financed construction jobs in history. Although all financing and government approvals are in hand for two shorter legs connecting Canada with this country's West Coast and Midwest, the lengthy Alaskan portion of the line remains in the preliminary engineering stage.

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One government source familiar with the discussions, however, said the project sponsors have "reluctantly but undeniably dropped their earlier opposition" to the new strategy because they "realize time is quickly running out to put any kind of deal together." Another source said "the atmosphere for producer equity is much more fa-

Sun Co. Unit to Pass On Tax To Customers in Connecticut

PHILADELPHIA—Sun Co.'s Sunmark Industries operating division said it will pass on Connecticut's petroleum-products tax to gasoline customers there.

Sunmark, Sun's retail-marketing arm, said it's acting as the result of a U.S. Department of Energy interim order allowing such a pass-through. A company spokesman said it will add about two cents a gallon at the pump at current prices.

In April, Connecticut approved a 2% tax on gross earnings from petroleum products sold in the state. Sun estimated that it will pay \$1.5 million a year because of the levy.

Corrections & Amplifications

JONES & LAUGHLIN STEEL CORP., a subsidiary of LTV Corp., said it will raise prices on wire and rod products effective next Monday. Those increases were omitted in an earlier edition because of a company error.



Make
Spline
Maple

oil companies that will not equity in the project as long as they don't consider "full ownership" rights that could prevent other companies from tapping into the proposed system.

Whatever revisions to the project finally are submitted to Congress, sources said, they are likely to include concessions to the oil companies for their anticipated stable investment in facilities required to process the gas before it enters the pipeline. Industry observers also expect the sponsors to ask for favored treatment of Canadian investors that would permit the Canadians to pass on their construction costs to U.S. consumers regardless of whether the Alaskan segment is ever completed.



The Gas Option

Gas: Its America's energy

Consider America's gas energy:

- Enough clean, efficient primary energy options to come.
- Unsurpassed environmental benefits.
- A million-mile underground delivery system.
- Modern, energy-saving gas appliances.

It all adds up to America's most efficient energy system. It adds up to the Gas Option America cannot afford to ignore as the nation develops the potential of various energy sources.

All sources of energy will play an important role in meeting America's future energy needs. And it is consistently recognized that each should contribute in the jobs it does best. Oil, for example, is our primary transportation fuel; electricity, for homes and industry; gas for homes and industry. And we have a tremendous supply—can and to a far greater extent, and gas energy can greatly enhance its use.

The critically important contribution gas can and should continue to make to our nation's total energy mix is described

10/30

Chomski on WSJ -

What's New? -

original draft of cooperative agreement
discusses 40% figure

Antitrust questions will probably not arise

Kennedy - not a committee - only involved if antitrust problem

McMillan - an Energy Committee

giving of up to 40% always reasonable

but they are not uncomfortable w/ 40%

problem - McMillan will want 40% in debt
w/o giving up voting interest

Antitrust - access problem

since oil companies will agree

Problem - guarantees to Canadian investors

law - US consumers cannot pay until pipeline is
finished

Even w/ producers in at 40%, private financing is in question
Producers want project financing, won't put balance
sheet on line

MacMillan claimed positively pipeline could be privately financed
(but smallest, least able applicant got contract to build ^{biggest} project
in history.)

→ NS producer involvement → ^{major oil} NS involvement → NS + State → NS, State & Feds

US producers can't, and don't want, to own more than 49% -

integration problems - Kennedy & Metcalf
+ big oil pipeline - super high priced pipeline

★ Next step is squeeze on Alaska

Phase I meeting - not getting too much done

If Reagan wins, MacMillan will have big problems - but Fed financing will be tough
" Carter wins, pipeline could go quickly

Additional discoveries will ~~be~~^{be} large catalyst for pipeline

National perception - extension of life of pipeline
Arctic range, also

Canadians - get cheap access to their Arctic - hence their interest

Canadian - Canadianization - saving stocks done

look also come up for gas - based petrochemicals
vs. oil - based petrochemicals

Ultimately - basic petrochemicals will be available
for in-state manufacturers -

eg cleaning fluid

reduced costs



SEP 8 1981

An exclusive weekly report on federal energy activities

OFFICE OF THE COMMISSIONER

Inside Energy Interview

September 4, 1981

McMILLIAN: PRODUCERS MIGHT SHOULDER DECONTROL DURING ANGTS' EARLY YEARS

The gas-producing companies participating in the Alaska Natural Gas Transportation System (ANGTS) might be willing to buffer the pipeline from the initial shocks of gas decontrol, according to John McMillian, chairman of Northwest Alaskan Pipeline, lead sponsor of ANGTS. "We've been hearing a lot of the producers saying: 'Yes, decontrol could come . . . if it does come, we realize that the wellhead price of the gas might have to be adjusted in early years where we receive less, but in later years we would receive more.' And we [the pipeline sponsors] would be in favor of that," said McMillian in an interview with *Inside Energy* this week. (See related story on page 4b.)

Since the Reagan Administration first began to seriously consider decontrolling natural gas, speculation has ranged the gamut on how the Alaska gas pipeline would be affected by the elimination of the gas cushion and thus rolled-in pricing. McMillian, for one, doesn't believe ANGTS would have difficulty weathering decontrol. He maintained that the producers and pipeline companies could work out an arrangement "decoupling" the pipeline from decontrol. He granted, however, that the impact on consumers, industries using gas, transmission companies, and the economy will be considerable and should be carefully thought out. And, despite President Reagan's personal promise not to seek a windfall profits tax should he decontrol gas, McMillian observed that some type of tax would be necessary because of the massive transfer of economic benefits from consumers to producers.

During the interview, McMillian also discussed the commitment of the sponsors to the project, the con-

(continued on page 4a)

DOE CONSIDERS SAVANNAH RIVER LWR FUEL AS SOURCE OF PLUTONIUM FOR BREEDER

High-level DOE officials are seriously considering an internal proposal to modify the Savannah River plant so that it could reprocess N-reactor and civilian light-water-reactor (LWR) fuel to provide plutonium for both the breeder and weapons programs, *Inside Energy* has learned. Currently the Savannah River plant reprocesses only military and DOE R&D fuels and provides plutonium only for the weapons program.

The proposal — considered but quashed in DOE's budget exercise last year — is being pushed hard for FY-83 by DOE's Defense Program (DP) division, officials there said. Those officials claim that modifying the Savannah River plant would be less expensive and faster than building a new defense reactor, the only other alternative under consideration to eliminate a potential shortage of plutonium (besides steps already taken).

According to the DP officials, the proposed plant modification — if approved by DOE, other Reagan Administration officials and Congress — would be started in FY-83, cost a total of about \$500 million and take about six years to complete. This is compared to the \$1- to \$2-billion total cost and 10- to 12-year period it would take to build a new facility, those officials said.

No conflicts seen. DP officials claim that taking civilian fuel and producing plutonium for a civilian program at the Savannah River plant — in effect, combining civilian and military uses of the plant — would not cause problems. "We don't worry about civilian application so much as commercial application" for military facilities, one DP official said. The problem with commercial facilities, he said, is that they have to be licensed — a potentially delaying process from which military facilities are exempted. "We don't see that [licensing is needed]

Inside this Issue

RESIDENTIAL CONSERVATION: Loeffler calls for Congress to kill DOE program	page 2
NUCLEAR REPROCESSING: DOE seen seeking R&D funds related to Barnwell	page 3
COAL-SLURRY PIPELINE: Development issues on Cabinet council agenda	page 3
COAL LEASING: Questions over environmental criteria delay Watt package	page 4a
ENERGY BUDGET: House Republicans pose added \$4.8 billion in FY-82 cuts	page 7

is crucial for [DOE] to know at the earliest possible date."

Said Davis, "... I am focusing on what is needed to accelerate the first major project milestone, namely commencing site preparation." DOE sources said this means that Davis wants to begin site preparation before April 1983, construction by June 1984, and startup of the project in February 1990.

DEBATE ON TWO ISSUES DELAYS WATT PACKAGE ON COAL-LEASING PROGRAM CHANGES

Internal department debate — over the unsuitability criteria used to determine the environmental qualifications of federal lands for coal development, and on surface-owner consent — is delaying the unveiling of Interior Secretary James Watt's package of changes to the federal coal-leasing program, Interior sources said.

The comprehensive package of changes, which Watt had hoped to sign for proposed rulemaking prior to his appearance before the Western Governor's Assn. conference Sept. 11 in Teton Village, Wyo., isn't expected to be completed until late September, Interior officials said (Issue of 24 July, 10).

In fact, before making a decision on how to handle these two issues, Watt may wait for input from the Western governors, staffers said. In the case of unsuitability criteria, Interior officials are debating when and how the criteria should be applied to 171 remaining preference-right lease applications (PRLAs) and to approximately 535 so-called existing leases on federal-coal properties.

Interior focuses on PRLAs. In the case of PRLAs, the outcome of this debate could influence the number of affected properties that actually could be mined. At present Interior Dept. applies the unsuitability criteria to PRLAs and places stipulations on the PRLAs that must be complied with when environmental problems are found, Interior staffers noted. Meeting these environmental stipulations in some cases makes mining commercial quantities of coal from PRLAs uneconomic and results in Interior not awarding a lease to the holder of a PRLA, sources said.

Under the changes now being considered by Interior, some or all of the unsuitability criteria wouldn't be applied until the time a mine plan was submitted. This would mean that Interior wouldn't withhold leases from PRLA holders because environmental stipulations imposed by the department made a tract uneconomical to mine, one Interior source explained.

Non-transferrable consents eyed. Also posing problems for the department is whether to lease federal coal that underlies privately held surface rights (known as split estates) when the surface-owner consent for the mining of the coal isn't transferable. Under Carter Administration policy, such property would not have been offered for lease. The argument against leasing these tracts was that companies would be discouraged from participating in competitive coal-lease sales where the surface-owner consent wasn't transferrable because they would have no assurances of being able to negotiate a mining-consent agreement with the surface owner.

Despite this argument, Watt now is considering changing the policy on PRLAs in order to give the department greater flexibility in leasing some federal parcels of land even though such lease sales might give the holder of a non-transferrable consent a distinct advantage.

Meanwhile, the National Wildlife Federation is expected to take the lead among environmental groups in monitoring the changes to the federal coal-leasing program. The changes to diligent-development regulations, the application of environmental unsuitability criteria; tract ranking and leasing targets; exploration; and environmental impact statements are considered "significant" by NWF, which plans to develop a position in the next few weeks on the changes being drafted by Interior.

McMILLIAN: ANGTS WILL BE BUILT . . . begins on page 1

trolling role played by the bankers and its ensuing complications, the proposed waiver package, the weakness of DOE, and the Canadian factor.

The inevitability of ANGTS. "It's a project that has to be, although the time frame it has to be in is another matter," said McMillian wryly. "At one time we had the moral equivalent of war upon energy and now they're saying we've solved that. But that's temporarily. At the first international disruption, we'll go back and reinvent the energy crisis," he predicted.

Speaking with a tenacity worthy of the Great Plains project, McMillian asserted that ANGTS will be built, come what may this fall. "A corporate life is a long life," he observed, "and governments change every four

"If we don't get it this time . . . we'll wait until the next moral equivalent of war."

years . . . the energy questions will be here for a long time and all of us feel that we've put enough money in the project to keep pushing it forward." If the waiver package doesn't meet with success, McMillian said the project would go on hold — a state of suspended animation — until the next moral equivalent of war rolls around.

McMillian, however, doesn't expect that to happen. He claimed to have canvassed the leadership in the House and members of the House Energy Committee without discovering the degree of opposition he said several House Energy staffers "were beating

their chests about." "Once the package [of waivers] reaches the floor of the House, it will pass without too much trouble," he said.

Bankers call the tune. The critical role played by the bankers was emphasized repeatedly by McMillian who confided parenthetically that he had received, last week, a "very favorable" letter from the bankers. According to McMillian, the bankers informed the sponsors that they believe the project can be privately financed and outlined several possible financing plans. "It was a very favorable, positive first-step commitment," said McMillian, adding that the bankers had asked each of the sponsors, including the producers, to "step up and take a little more responsibility, a bigger bite of the apple."

As McMillian made clear, ANGTS might be Northwest Alaskan's project but the bankers own Northwest Alaskan. For example, while McMillian said that the project sponsors would support advance billing for just the Canadian segment, not for the Alaskan segment and conditioning plant as well, he doubted whether the banks would agree. "That's beyond our control . . . it's not me negotiating; it's the banks," McMillian said, adding that the House doesn't seem to understand the distinction. The same situation is true for the package of "regulatory-certainty" waivers of the Natural Gas Act (NGA), he continued. "We've got to have it," he said of the NGA waivers. "You look at what they [the Federal Energy Regulatory Commissioners] have done over time . . . private bankers won't take that risk; it won't be privately financed" without the NGA waivers.

Compounding the problem of bankers seeking maximum flexibility and security is the lack of communication between House staffers and the bankers, McMillian said. It's partly a problem of generation gaps, he explained, since the bankers are in their 50s while the staffers are in their 20s and 30s. "There's a lot of distrust between the two," he said. "The bankers think that some of the things they're putting in the waiver package are required . . . [they've] also said that this is a kind of minimum case: 'if it doesn't work this time, it's not going to be this easy next time.'" Meanwhile, McMillian continued, one or two naysayer House staffers are contending that the waivers go too far and that the package would never make it through the House.

Lack of DOE support. As for the administration, McMillian lamented the passing of a "strong DOE" with strong secretaries at the helm. "Now there's nobody to talk to over there. No one," said McMillian. "Now we just talk to [Interior Dept. Secretary James] Watt and he's had his problems."

But if there has been a lack of movement on the waiver package, McMillian doubted whether it has been directed at the pipeline sponsors. "It's more a batting around of the Canadians than us," he argued, citing the "sensitivity" of the administration to Canada's national energy policy and the recent takeover moves of U.S. companies by Canadians. — Sam Rovit



McMILLIAN

ALASKA GAS PIPELINE GEARS UP FOR CONGRESSIONAL DEBATE ON WAIVER PACKAGE

The proposed Alaska Natural Gas Transportation System (ANGTS) has come before Congress several times over the last few years and each time has received an approving pat on the back and a general affirmation of support. It is unlikely that the next meeting will be as smooth. Northwest Alaskan Pipeline, lead sponsor for the project consortium, will be shifting into high gear this fall in an effort to win approval for a controversial package of waivers of law which the sponsors contend is essential to project financing.

Discussions among project sponsors, House and Senate staffers, White House aides, and representatives of the banks, led to several waiver packages earlier this summer, the most recent being a July 24 package which the Senate sought to have the White House officially submit for congressional review (Issue of 31 July, 1). That waiver package was submitted to the administration despite earlier protests by several House Energy committee members who argued that a number of the waivers warranted further discussion, notably the ones dealing with pre-billing and regulatory certainty. The White House subsequently declined to officially submit the package, leaving the issue dormant for the summer, though ripe for controversy when Congress returns next week.

Administration's move. "The administration has a decision to make: Are they going to send something to Congress or not," commented one congressional staffer who doubted there will be further House-Senate discussions. "I wouldn't rule it out, but I wouldn't plan on it," the staffer said. Bicameral debate on the proposed waivers has been considered important by the House side because waivers submitted by the president aren't subject to amendment; they must be approved or disapproved. While the Senate has thrown its support behind the July 24 package, House Energy members are leery of the reception the waivers might get in the House and are reluctant to share Northwest's optimism.

Of major concern is the \$30-billion price tag, several times greater than initial projections. As the sponsors

themselves have indicated, the waivers are being sought to facilitate project financing but they will not guarantee that lenders will reach deep into their pockets. It is partly for that reason that the sponsors are seeking waivers which are viewed by some as "goldplating" in the name of preserving flexibility for the lenders.

Flexibility limited. "Northwest's flexibility is considerably limited by the banks," commented one attorney who follows the project closely. "The banks are the third party and Northwest is inflexible because [Northwest

"The banks are the third party and Northwest is inflexible because [Northwest is] trying to serve the banks and the banks aren't particularly politically astute."

is] trying to serve the banks and the banks aren't particularly politically astute," he said. This point was underscored by a representative of one of the three Prudhoe Bay gas producers in the project who observed: "Northwest is catering to the most conservative of the bankers since they have to work with the nth billion dollar in mind."

A banker working on the financing plan for ANGTS agreed that flexibility, in their eyes, is key to the success of fund raising. "What we're asking for is that the administration leave open as much as they can," he said. The banker confirmed that the four major banks — Bank of America, Citibank, Chase Manhattan, and Morgan Guaranty — had recently sent Northwest Alaskan a letter commenting favorably on the July 24 waiver package and outlining possible financing routes for the project.

One of the issues where leeway has been deemed most desirable by the banks is that of billing under the tariff prior to the completion of the entire pipeline. They further prefer that the question of treating the system as one or dividing it into segments be left unclear in order to provide further flexibility. As envisaged in recent Senate proposals, the system would be divided into three parts: the Alaskan and Canadian legs and the \$6-billion gas conditioning plant. The subject of advance billing is a particularly sensitive one in the House and has been the target of criticism by many of the groups recently solicited for comments by Rep. Philip Sharp, D-Ind. (Issue of 21 Aug. 4).

Canadian concern. Advance billing is of particular importance to the Canadians who have "counted on it from day one," said a project source, who noted that Canadian involvement in the project is a major issue in Canada. "A [Canadian] government could fall on this issue," added the source. An official of the Canadian government would say only that Canada is "concerned that the waiver package is adopted and achieves its objectives."

Friction between the House and the Senate and between the House and the project, however, leaves the outcome of the debate a mystery. The Senate has actively supported its proposed waiver package, going so far as to ask that the administration submit it to Congress. "The principle members in the Senate [Sens. Frank Murkowski, R-Alaska; Ted Stevens, R-Alaska; James McClure, R-Idaho; and Henry Jackson, D-Wash.] have been interested for years and are genuinely, personally committed to the project," a Senate aide said in explaining Senate support. "They see it as a high-priority, national-security, national-interest pipeline project; they've always been more committed than the House," the aide elaborated.

House staffers were more reserved, with several expressing doubts that the waivers will succeed but denying any significant friction and others maintaining that "the Senate set us up." One of the more displeased of House staffers working on the issue went so far as to warn that Northwest Alaskan is "setting themselves up for the biggest fall and no one wants to see it." According to the staffer, "the people telling McMillian he's got it in the bag must be on drugs . . . almost anywhere you stand on the issue you're a loser." The staffer said he had conducted his own informal poll of House Energy members and was unable to find more than a few who would support the waivers. "The question is 'who will get the blame for allowing the pipeline to die?'" he said, adding that the House has been maligned in that respect and is willing to compromise but hasn't received similar signals from anyone else.

"The people telling McMillian he's got it in the bag must be on drugs . . . almost anywhere you stand on the issue you're a loser."

The steel factor. Another twist in the debate concerns the purchase of steel for both the pipeline and the conditioning plant. According to McMillian, only one U.S. Steel Corp. mill is capable of producing the 48-inch pipe required by the project. And McMillian accused U.S. Steel of "kicking the project in the teeth each time we turn around." Project sponsors would prefer to use American products but they might not have the choice, he said in explaining that the sponsors have been keeping an eye on the international market.

McMillian based his charges on a position piece produced earlier this year by the Process Gas Consumers Group (PGC) of which U.S. Steel is a member. PGC argued that "government authorities should reject gas-supply project-financing methods which require ratepayers to bear the types of risks normally borne by project sponsors." A U.S. Steel source maintained that the PGC paper was prepared with the Great Plains Coal Gasification project and an LNG project in mind. "We're not saying it isn't applicable [to ANGTS]," he said. "U.S. Steel would want to see how this general policy fits a unique system such as the Alaska pipeline but we haven't taken a position yet." A spokesperson for Northwest Alaskan later retracted McMillian's charges but offered no assurance that the steel used in the project would be domestic.

Decontrol's impact. The final controversy centers upon decontrol. Producers have always maintained

the decontrol of gas will have little effect on ANGTS and are naturally supportive of decontrol since they will benefit through a rise in prices for their reserves in the lower-48. And McMillian told *Inside Energy* that the producers are considering various tacks they can take, among them adjustments in wellhead prices under decontrol, such that the gas will be marketable in the early years of the project (netback pricing).

Analysis prepared for both the Cabinet Council on Natural Resources and Environment and for Northwest Alaskan by Jensen Associates indicates uncertainty. According to a June 26 Cabinet council working paper, "The effect of deregulation on the financing of the pipeline depends on how the financial community evaluates this tradeoff between higher expected returns and increased risk. Since it would take a fairly substantial increase in costs or decrease in pipeline revenues to make the parties involved worse off than under the NGPA [Natural Gas Policy Act], the impact of deregulation on the pipeline could be favorable. However, because full decontrol could result in considerable uncertainty about the near-term marketability of Alaskan gas, the pipeline sponsors may be reluctant to proceed."

Jensen Associates, in a recently completed marketability study, maintained that decontrol of just new gas "would not significantly alter the relationship between clearing prices and the average price of old regulated gas, and thus — in our view — would not substantially change the extent of roll-in." Jensen barely touched the subject of what might be expected under decontrol of all gas — under the NGPA, most old gas would remain controlled, thus providing a vehicle to subsidize high-priced Alaskan gas — and a Jensen executive said they plan a more in-depth study in the future. But the study did concede that full decontrol could eliminate a large portion of roll-in capacity and suggested alternatives that Northwest Alaskan might consider to bridge the first few years of decontrol. Among the items were variations in rate design and greater use of market-risk clauses or netback-pricing approaches. The latter was cited by McMillian as a possibility. — S. R.

CONSTITUTIONALITY OF PURPA DEFENDED BY FOUR STATES, NUMEROUS TRADE GROUPS

A federal court in Mississippi erred miserably earlier this year in declaring unconstitutional Titles I and III and section 210 of the Public Utility Regulatory Policies Act (PURPA). That's the resounding opinion contained in briefs filed at the U.S. Supreme Court by the Justice Dept., which appealed the Feb. 27 decision (80-1749) of a U.S. District Court in Mississippi, and by four states, industry groups and various public interest groups.

At stake is the authority of the federal government: to remove inequities in interstate utility rate-making; to encourage cogeneration of electricity by requiring utilities to buy surplus power; to promote generation of power from renewable sources; and to boost efficient use of electricity through time-of-day rates and escalating-consumption rates.

State regulatory arms unfettered. In its brief to the high court, the Justice Dept., representing the Federal Energy Regulatory Commission (FERC) and Energy Secretary James Edwards, emphasized that there was no way the affected PURPA passages could be construed as directed at the states' authority to regulate. To the contrary, Justice said, states are free to design their own rate structures.

In rejecting the arguments brought by the plaintiffs, the State of Mississippi and Mississippi Power & Light (MP&L), Justice argued that: "Congress enacted the provisions at issue in order to protect interstate commerce from the adverse effects of these and other practices by utilities that led to inefficient utilization of energy resources. The means chosen by Congress are rationally related to this legitimate legislative purpose. That is enough to sustain Congress' exercise of its commerce powers."

PURPA imposes no burden. The Justice Dept.'s assertion was supported in *amicus curiae* briefs filed by the states of Maryland, Maine, California and Oregon. Maryland, in a brief filed jointly with Consumers Union of the United States, National Consumer Law Center, National Wildlife Federation, Natural Resources Defense Council and the Solar Lobby, argued that: "Although section 210 preempts certain state policies regarding public utilities, it effects no impairment of states' ability to structure their operations, since the section requires only that a federal rule of decision be respected in certain state adjudications between private parties."

"... The structure of the states' adjudicatory process is no more constrained here — and the 10th amendment is no more offended here — than they are every time a traditional state court is obliged to respect a federal rule of decision."

NAVAJO REFINING CO. AUG. 26 FILED A MEMORANDUM AS AMICUS CURIAE with the Temporary Emergency Court of Appeals (TECA) in support of DOE's motion for an accelerated mandate in TECA's entitlements-case decision against Mobil Oil Corp. Mobil has requested TECA to stay its mandate pending application to the U.S. Supreme Court for a writ of certiorari while DOE has asked that TECA issue its mandate — finalizing its decision — prior to the expiration of the appeals period on Sept. 4 (Issue of 28 Aug. 9).

Navajo, an independent refiner, estimated it would receive approximately \$6 million net through the sale

half of the 41 turbine compressor stations needed for the line: That portion of the deal could amount to \$2-billion—"a very big prize for us," Schreiber said.

Prorata Contracts

AEG officials expect that companies from each of the major gas purchasing countries—West Germany, France and Italy—will receive equipment contracts equivalent to the percentage of gas taken from the USSR.

AEG supplied 17 turbine compressor stations for the Orenburg pipeline from the Volga region to Russia's western border, and most observers in Moscow expect AEG will receive some share of the West Siberian deal. To increase its chances, AEG officials say their company, along with Mannesmann, has been paying all the expenses of the 30-person Machinimport delegation that has been stationed in Cologne since early May.

"They've been running up quite a tab," said one official, "but compared with \$2-billion, it's nothing."—Alex Beam

OILGRAM NEWS HEARS

That Canadian Finance Minister MacEachen has quietly sent word out to the Canadian financial community to "go slowly" on buybacks of foreign oil companies. The move is largely due to anxieties in Ottawa over U.S. Congressional reaction to the Canadian National Energy Plan (ON 9/11).

Meanwhile, British Petroleum continues to maintain that it will hold on in Canada rather than sell off its Canadian unit (ON 7/23). The Canadian company is at least profitable, if not wildly so, while other BP units around the world are having profitability difficulties.

Nonetheless, speculation persists that BP is looking to make a deal for the unit, and several sources note that a swap of some sort may be arranged whereby BP Canada would be picked up by Husky Oil, while Husky's U.S. operations (ON 9/8) would go to Standard of Ohio. BP officials are reportedly scheduled to visit Calgary Sept. 22 for meetings with undisclosed parties, and a meeting is supposedly scheduled in London involving top BP officials.

ALGERIA, ITALY TALKS ON LNG INCONCLUSIVE; FRENCHMAN SETS STAGE

Tunis 9/11—The latest round of LNG price negotiations between Algeria and Italy in Algiers didn't yield any results, judging from local press reports (ON 9/10).

Meantime, French External Trade Minister Michel Jobert said there's no "disagreement" between France and Algeria on gas pricing. He explained there's "global awareness of economic realities," and the problem is "to find a price permitting the development of both Algeria and France."

Jobert's comments at the end of a visit to Algiers

stressed that British policy on phasing out flaring of North Sea gas remains unchanged; so the onus shifts to industry to find some way to bring the gas ashore.

The Frigg gas pipeline operated by Total remains under-utilized, and expansion of the Shell/Esso Flagg pipeline now seems likely. Beyond that, Gray predicted that a number of smaller lines would probably be organized.

The government may have given up on a large-scale integrated system. But given the fact that a number of companies, including British Petroleum, took the position throughout the discussions that an integrated system was a good idea and could be privately financed if acceptable gas prices were forthcoming, it may be premature to rule out a private initiative on a single, large-scale system.

However, the government's official statement noted that the "private sector hasn't come forward with proposals to invest in the scheme at the necessary levels."

Gray pinpointed two major concessions sought by industry as preconditions to participation that the government had been unwilling to satisfy.

The first and major one, in Gray's view, was tax relief, particularly that the companies be allowed to offset investments in the pipeline against the petroleum revenue tax. He described this as "a non-starter" and indicated the government saw this as a bigger stumbling block than the demand emphasized more heavily by industry itself—prior agreement on a higher gas price.

Gray insisted that agreement between British Gas and the producers on gas prices is something "that could be achieved and I think will be achieved." He admitted that the producers are "still some way" from British Gas on non-associated gas prices, in particular, and it's clear that some of the companies involved see this as more crucial than the tax issue.

CANADIAN NEB REVIEWS 20-YEAR HYDROCARBON, PRODUCTS SUPPLY/DEMAND

Ottawa 9/11—Canada's National Energy Board, citing lead times required to produce oil from new fields, says the country could be importing 60% of its projected crude requirements of 1.92-million b/d by the year 2000.

That forecast is in the NEB's 425-page review of supply and demand for all primary energy forms to the end of the century. The projection is based on data provided by the petroleum industry, utilities, various levels of government and other interested sectors during public hearings held across the country late last year.

Although the forecast doesn't take into account the possible effects of the Alberta-Ottawa petroleum pricing and revenue-sharing agreement (ON 9/3) and NEB officials wouldn't try to update the report in light of the pact, some NEB officials said overall percentages of Canada's energy mix shouldn't change "that much."

Referring to the long lead times for new projects,

RECEIVED



Platt's Oilgram News

Editorial: Gene Marashian, Editor-in-Chief, Michael Noble, International Editor, Sharon Ihlen, Senior Editor, Robin Neasham, Senior Editor (Houston), Scott Williams, Associate Editor, Washington—Paul Kemezis, Gerald Kurey, Mary Kate Orlanston, London—Sarah Miles, Correspondents in more than 80 locations in the U.S. and overseas. (Phones: New York 212 997-2563, Washington 202 624-7350, Houston 713 659-1058)
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the NEB in its middle scenario says, "the supply of indigenous oil cannot be increased significantly in the short term and will decline from current levels by about 5%/yr until the mid-1980s."

Total imports by 1985 are forecast to about 640,000 b/d with total demand that year of 1.81-million b/d. After 1985 demand will drop to 1.7-million b/d with exports covering 600,000 b/d. In 1995 the demand and export requirements increase to 1.76-million and 740,000 b/d, and in 2000, to 1.92-million and 1.15-million b/d, respectively. The 1990 drop is due to expected penetration of traditional oil-consuming areas by natural gas, mainly because the eastern extension of the Trans-Quebec & Maritimes Pipeline is expected to be completed.

Demand for several products is expected to drop—motor gas by an average rate of 0.9%/yr in the 1980-2000 period, light fuel oil and kerosene by 5.0%/yr and heavy fuel oil by 4.9%/yr. Demand for aviation fuels, is expected to rise by 3.3%/yr, diesel fuel by 3.8%/yr, petrochemical feedstocks by 4.7%/yr and other products by 1.4%/yr.

'Frontier Gas Unneeded Until 1998'

The NEB estimates that natural gas supply from currently established reserves will be adequate to meet most domestic and export needs for the next 10 years. Further, if reserves additions in the conventional producing areas occur as expected, "it is likely that frontier gas will not be required to serve domestic markets until 1998." Also, NGLs are expected to remain in surplus until the late 1980s.

Supply capability of gas in petajoules per year is forecast at 4,139 from established reserves and 398 from reserves additions for a total by 1985 of 4,537. By 1995 capability from established reserves is set at 1,853 and from additions at 1,300 for a total of 3,153. At current production rates of 2.7 exajoules annually, the year-end 1980 established reserves of 76.2 exajoules would last 28 years.

NGL production also is forecast to peak in 1985 at 78,300 cu meters/d, which is broken down into 26,100 cu meters/d of ethane, 21,800 of propane, 13,400 of butanes and 17,000 of pentanes plus. Ten years later, it is expected to average 52,300 cu meters/d—18,400 ethane, 14,800 propane, 9,200 butanes and 9,900 pentanes plus.

Hibernia—314.5-Million Bbl

The frontier regions remain essentially a question mark for the NEB and the agency didn't include most offshore or Arctic oil supplies in its forecasts, even though it acknowledged "encouraging" discoveries had taken place off the East Coast in the past two years, in the Arctic Is. and in the Beaufort Sea.

Only Hibernia has been developed to a point where supply could be reasonably estimated, and NEB worked 314.5-million bbl into its forecasts. Much the same case is made for frontier gas, with the NEB generally leaving its 1979 forecast untouched.

\$41.35-47.70/Bbl Oil Sands Price Needed

The NEB also ruled oil sands plants out for the purposes of its forecast, saying "these schemes are not economic under current pricing and revenue-sharing agreements." However, the agency did say the new plants would need a price of C\$41.35-47.70/bbl and noted that the National Energy Program offered only \$40.00/bbl.

The Ottawa-Alberta agreement beefed up the offer, but the question of economic viability of plants

while "to at least enter into a study company with the concessionaires, Elf Aquitaine and Agip."

IGDC currently has agreements with Angola and Tanzania and is "planning to work with" Mozambique officials on "what to do with the gas they have already discovered."

DEL I STILL ACTIVELY DISCUSSING SALE OF ASSETS

Houston 9/11—Delhi International said its investment bankers "have been actively engaged in preliminary discussions with interested parties" about the possible sale of its Australian assets or the company as a whole.

Last month Delhi disclosed it received no bids to buy Delhi or its Australian assets pursuant to its offer by the deadline of Aug. 17. It said it had received offers for some U.S. and Colombian properties.

Delhi wouldn't identify with whom it is currently negotiating and added no assurance can be given that the talks will produce an acceptable proposal. Meantime, it will continue its exploration and development program in Australia.

JAPANESE FIRM TO BUY 400,000 MCF/D OF DOME PETE'S B.C. LNG

Calgary 9/11—Nic Resources (Nissho-Iwai) of Japan has agreed to buy 400,000 Mcf/d of LNG from Dome Petroleum. The LNG would be from Dome's proposed British Columbia liquefaction plant (ON 4/23). Deliveries to four Japanese utilities are to begin in late 1985.

The companies noted the agreement "marks the first sale of LNG between Canada and Japan, and provides a major new market for surplus Canadian natural gas."

The Japanese firm has also agreed to provide an undisclosed amount of financing for the plant. Approvals for the facility and for gas removal and export from Canada must still be received from the Canadian government (ON 9/3). Japanese approvals have been received.

IMF SEES ECONOMIC GROWTH IN MOST OPEC COUNTRIES

Washington 9/11—The International Monetary Fund anticipates that economic activity will continue to accelerate in most OPEC member-countries and, barring further destruction resulting from the Iran-Iraq war, the IMF expects an appreciable further rise in the average rate of growth in real non-oil gross domestic product (GDP).

In its 1981 annual report, the IMF said the substantial drop in the volume of oil output in these countries in 1980 more than offset the increase in non-oil production, resulting in a 3% decline in total real GDP.

"The contrasting movements of oil and non-oil output are expected to extend into 1981, when the total GDP is expected to change little," the report said. "Despite the lack of growth in total GDP since 1978, real national income of the oil-exporting countries—a measure that takes account of changes in the terms of

and new gas are 29% and 11%.

• For 1982-85, the net effect of deregulation of new gas prices on projected real gross national product (GNP) is a \$21.5 billion increase. Compared to the base case, projected real GNP under this option is lower in 1982 and 1983 but higher in 1984 and 1985. For deregulation of both old and new gas, projected real GNP for 1984 and 1985 is also higher; however, for 1982-85 as a whole, this old-new option results in about a \$5.5 billion decline of real GNP.

• Deregulation of gas prices in 1982 would increase inflationary pressures in 1982 and 1983 if old as well as new gas were deregulated, but earlier deregulation results in lower projected increases in the consumer price index for 1984 and 1985.

Tax effects. Energy Action says de-

control of natural gas prices will at least partly offset effects of the administration's 3 year tax cut for most families that use gas to heat their homes.

Edwin Rothschild, director of Energy Action, says his study is based on conservative price estimates that lead to decontrolled prices of \$5/Mcf in 1982, \$6 in 1983, and \$7.25 in 1984.

Using this assumption, he says a typical family earning \$20,000—the national median income—will face additional direct and indirect natural gas costs of \$2,600 in each of those years. In contrast, the tax cut for this family will be \$1,060.

Energy Action projected indirect consumption of natural gas by assuming that purchases of goods and services manufactured from natural gas

increase proportionally with income.

For direct costs of gas decontrol alone, the family earning \$20,000/year would pay \$310 in increased costs and have taxes cut by \$228.

As income rises, the effect of the tax cut becomes stronger. For a family making \$35,000/year, under the direct cost calculation, the tax cut (\$520) is larger than the gas cost increase (\$350). Including both direct and indirect costs, the tax cut of \$520 is eclipsed by increased gas costs of \$960.

"This report reconfirms the inherently regressive and pro-big business nature of this administration's economic and energy programs," says Rothschild.

"If decontrol takes place, then most people will simply see one tax replaced by another."

Early plans for Prudhoe Bay gas plant unveiled

Ralph M. Parsons Co., Pasadena, Calif., has unveiled some of the preliminary design features of the proposed \$6 billion natural gas conditioning plant to be built in Alaska's Prudhoe Bay field.

The plant, which would condition about 2.7 billion cfd of raw gas for movement to the Lower 48 through the proposed Alaska Natural Gas Transportation System (Angts) pipeline, likely would be the world's largest gas conditioning plant, say Angts sponsors.

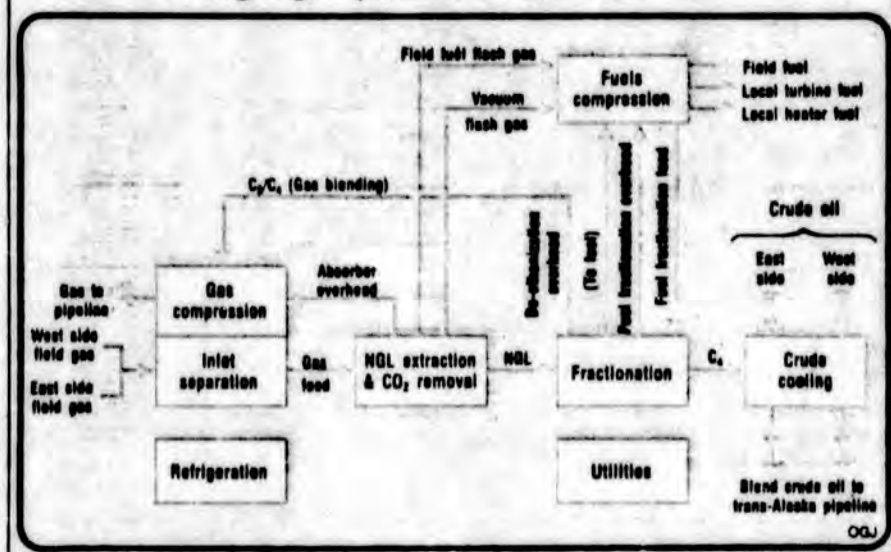
Parsons is conducting preliminary engineering design work on the gas plant while the U.S. Congress wrestles with waivers in federal law to permit financing of the Angts line.

Consideration of the plant as part of the Angts project for financing purposes is part of the waiver package. Another financing concern is whether North Slope producers will be allowed equity participation in the gas line. And it's still uncertain whether North Slope producers or the pipeline company group backing the Alaska segment of the Angts line will finance the plant.

Parsons' contract is for design, engineering, and planning, with a provision to broaden its responsibility to total construction management. The firm signed the contract last fall with Northwest Alaskan Pipeline Co., lead partner in the group backing the Angts Alaska leg (OGJ, Oct. 13, 1980, p. 98). Northwest Alaskan is a unit of Northwest Energy Co., Salt Lake City.

Extraordinary costs. Parsons cited the great size of the proposed plant

How the Angts gas plant would work



and severe environment of the North Slope as the main elements in the huge projected cost.

The \$6 billion price includes costs for the base plant and contingency, escalation, financing, and other owner/operator costs.

The plant, which would cover 1-1.2 million sq ft, would require about 100,000 tons of steel. Its central utilidor alone would be 2,200 ft long. Some of the process pipe envisioned would range up to a diameter of 72 in. Either of the natural gas liquids extraction/carbon dioxide removal trains would be one of the largest, if not the largest, single train plant in the world, Parsons said.

Some of the 200-220 modules to be built for the plant would weigh as much as 2,000 tons and be 170 ft long by 65 ft wide, with heights equivalent to an eight story building. That adds considerably to logistical costs to handle and haul the modules by barge, apart from bad weather.

Construction must be as modular as possible because of the severe North Slope environment.

The modular construction also entails additional supervision and construction costs of waterfront fabrication sites in the Lower 48.

North Slope construction work calls for the setting, connection, mechanical completion, and precommission-

for each employment job group. The 1981 target figures include goals for females to make up 13% of the total of officials and managers, 9% of professionals, 6% of laborers and 46% of clerical employees. Hiring goals for minorities through the end of this year include planned figures of 8% of officials and managers, 9% professionals, 20% clerical and 22% laborers.

The 1981 goal for minority business enterprise participation is \$31-million, or 15% of contractable opportunities, and \$4-million, or 2% for female firms. John Alexander, former Alaska Labor Commissioner and currently in charge of equal employment opportunity for OFI, stressed that the minority contracting would be competitive, with "no set asides as in the small business administration."

Team hopes to Avoid TAPS 'Mistakes'

Base information used by Northwest in formulation of its goals was 1970 census data updated to 1980. The company will revise and update its plan annually. The team which prepared the plan was determined to avoid the "horrible mistakes, actual and perceived, made on the trans-Alaska oil pipeline," Alexander said.

The employment goals in the plan are for each year through completion of construction.

"fairly broad" authority to change gas tariffs to protect the public interest, even at the expense of project lenders. A "respectable case" could be made against such a change, based on due process requirements of the Constitution. But the analysis said that the courts haven't yet made an authoritative ruling on this issue.

The study also noted that a Congressional waiver on tariff changes wouldn't create an extra risk to the public, but would merely reduce the "regulatory risk" of government actions that might hold up the gasoline.

Moore also said in the report that FERC chairman Butler would support passage of the waiver if it was consistent with positions outlined in the study.

The waiver proposal in question was one of a seven-point package submitted to the White House by Senate leaders in July (ON 7/30). So far, House committee leaders haven't approved the proposal. Sources say key House members would prefer a waiver that would preserve FERC's ultimate power to change the tariff, but only by a unanimous commission vote, after lengthy consideration.

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and perceived, made on
Alexander said.

The employment goals in the plan are for each year through completion of construction. However, because the information was based on 1985-86 project completion, the goals will have to be revised to reflect the new schedule (ON 6/18).

No steps have been taken toward a project labor agreement, Alexander said. He doesn't believe there will be one this year, but "we will be heavily involved" when it does begin, he said.

Alexander told OILGRAM NEWS that the OFI hasn't received any indication from the Reagan Administration that the regulations on EEO would be altered in the light of the push to cut back on federal regulations. Enforcement of the EEO regulations is the responsibility of the federal inspector.

UNTRACEABLE VOLUMES OF OIL NOTED IN STUDY FOR DOE

Washington 8/19—Some 269-million bbl of stripper well oil appeared "out of nowhere" in 1979 and 1980, according to a study prepared for the Dept. of Energy's Energy Information Agency. At the same time, volumes of old oil seemingly disappeared.

The study offered several explanations, ranging from technical reporting problems to miscertification of old oil as stripper oil to gain larger entitlements benefits.

However, EIA said the report, prepared by an outside contractor, didn't contain sufficient information "to quantify the various explanations for the disappearance of old oil."

Further more, since the entitlements system was ended by decontrol, EIA would make no recommendations on the study's findings.

Based on statistics compiled in the report, if miscertification accounted for all stripper production that materialized without explanation, about one-third of stripper well output reported to the entitlements system in 1980 would have to have been illegally classified.

A comparison of domestic crude oil first-purchase data and entitlements system data showed that for the 1977-1980 period, approximately 335-million bbl of oil disappeared, or 230,000 b/d.

WAIVER HELD ESSENTIAL TO PREVENT CHANGE IN ALASKA GASLINE TARIFF

Washington 8/19—A legal opinion by the Federal Energy Regulatory Commission found that a Congressional waiver is advisable if the Alaska gasline project is to be protected against any future FERC decisions to change the project's gas tariff structure in a way that might impair loan repayment.

The legal analysis, written by FERC General Counsel Charles Moore, was requested by the House Energy & Commerce Fossil subcommittee.

The analysis found that the Congressional waiver being sought by the gasline sponsors would provide a "far better assurance" to lenders than any type of FERC order. Previous orders notwithstanding, FERC has

leaders in July (ON 7/30). So far, House committee leaders haven't approved the proposal. Sources say key House members would prefer a waiver that would preserve FERC's ultimate power to change the tariff, but only by a unanimous commission vote, after lengthy consideration.

ALASKA TO SELL 20,000 B/D OF ROYALTY CRUDE TO SOHIO

Anchorage 8/19—The Alaska Royalty Oil & Gas Development Advisory Board has unanimously approved sale of 20,000 b/d of the state royalty oil allotment for six months retroactive to Aug. 1 to Ohio Standard, which will pay the state the in-value price minus transportation and other costs.

Originally the oil was sold at the December 1980 competitive sale to Alaska Petroleum Co. (Coastal Corp.) for an average premium of \$2.83/bbl above the in-value price. In the face of deteriorating market conditions the company last month defaulted on its contract (which became effective July) and stopped taking the oil July 27 (ON 6/5).

Alaska is considering legal action against Coastal. Alaska Natural Resources Commissioner John Katz said the state rejected the firm's request to amend the royalty oil contract because "a company should not gain the benefit of a reduced price simply because it chose to do business with the state in a manner which would possibly allow them an out if the risk they assumed materialized, but would still guarantee them enormous profits if the market for oil had turned out differently."

Competitive bidding was waived in the Sohio transaction because the state would have faced serious storage problems if the oil weren't immediately committed to a buyer. It has yet to be decided how the state will dispose of the five days of unsold royalty crude which has been stored in the Valdez tank farms of the trans-Alaska Pipeline terminal since the end of July.

U.S. AGENCIES RECOMMEND OKAY OF WYO. WILDCATS, DESPITE OPPOSITION

Denver 8/19—Two federal agencies are recommending drilling of two wildcats in the Jackson Hole region, one of Wyoming's popular scenic attractions over intense citizen opposition.

Environmental concerns aren't sufficient to justify disapproving the wells, the U.S. Forest Service and U.S. Geological Survey said in a draft environmental impact statement for the exploration in the Bridger-Teton National Forest.

National Cooperative Refinery Association has proposed a 10,000-ft wildcat six miles north of the town of Jackson in Cache Creek. Getty Oil is proposing a test at Little Granite in a wilderness study area seven miles beyond the Cache Creek location. Both are on the Overthrust Belt.

The EIS acknowledges that most of Jackson's businessmen and 60-80% of the entire community oppose the NCRA operation at Cache Creek. There is less local opposition to the Little Granite exploration.

The report says Congress would have to sanction canceling the leases and reimbursing the lease owners in view of the agencies' recommendation.

The Jackson Hole Alliance for Responsible Planning,

MAY 27 1981

Oil Concerns Get 30% Stake in Alaska Line

AN ASIAN WALL STREET JOURNAL ROUNDUP

SAN FRANCISCO—The long and sometimes bitter fight over who will own the proposed Alaska natural gas pipeline appears over, and what would be one of the world's largest energy projects has taken an important step forward.

An agreement has been reached between John McMillian, chairman of Northwest Energy Co., the lead partner in an 11-member consortium sponsoring the project, and three major oil companies that gives the oil giants a 30% ownership in the project. They are Exxon Corp., Atlantic Richfield Co. and Standard Oil Co. (Ohio).

Mr. McMillian, a 55-year-old former West Texas oil entrepreneur, conceived the project in 1977, but he needed the oil companies' bankrolls to help underwrite the project's debt and to provide funds in case the line cost more than expected. The two sides have been at loggerheads over the ownership question for more than a year.

The three oil companies, which own nearly all of the natural gas discovered in the rich oilfields of Alaska's Prudhoe Bay, weren't part of Mr. McMillian's group and had steadfastly declined to provide any money unless they were given part ownership in the line that would channel the gas from the North Slope across western Canada to the U.S. West Coast and Midwest. Mr. McMillian initially opposed giving up any ownership for fear the oil companies, particularly Exxon, would wind up running the project by virtue of their financial muscle.

Spokesmen for Exxon and Northwest Energy confirmed that an agreement had been reached, but declined to give details. However, The Wall Street Journal obtained copies of a letter and report sent to Energy Secretary James Edwards last Thursday that contained the specifics.

In addition, the Journal learned that meetings have already begun between the partnership, the oil companies and prospective lending institutions. A joint presentation by the consortium and the oil companies was made to Citibank last Thursday. Further presentations are to be made this week and over the next several weeks to other banks and to insurance companies. Citibank

and Bank of America are banking advisers to the project.

OTTAWA, CANADA
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MAY 29 1981

U.S. backs gas pipeline

WASHINGTON (CP) — The U.S. government pledged support Thursday for a new plan to raise money to build the U.S.-Canada Alaska natural gas pipeline, a necessary step in the private financing plan.

At the same time, U.S. and Canadian authorities took different tacks on a question whether the estimated \$30.5 billion cost of the U.S. portion—up from the original estimate of \$12 billion four years ago—is padded or likely to be right on.

Energy secretary James Edwards said the government will ask Congress within two weeks to approve a resolution clearing away legal hurdles to the U.S. financing plan.

Congress will be asked to waive a feature of its 1977 pipeline directive forbidding owners of Alaska gas from owning any of the pipeline designed to carry the gas to U.S. markets through Canada.

The financing plan presented to the U.S. government last week by Northwest Energy Co. of Salt Lake City, Utah, leader of the pipeline consortium building the line, includes a proposal that the gas owners put up \$9 billion of the cost in return for a 30-per-cent ownership interest in the consortium.

The rest would be sought in loans from banks and other financial institutions. Edwards reiterated the U.S. government position that it will not contribute to the costs or guarantee private loans, but said the Reagan administration "will move expeditiously on the necessary waivers required to get a northern gas pipeline under way."

MAY 29 1981 *RL*

Soaring costs threaten Alaska gas pipeline

By John Honderich Toronto Star

WASHINGTON — A 150 per cent jump in the expected cost of a major portion of the Alaska gas pipeline has left the entire project hanging precariously in the balance.

The pipeline's future now rests in the hands of Wall Street's bank barons as they decide whether to put up the needed \$22.5 billion. A decision should come in the next few weeks.

"It's clearly the make or break time," one senior congressional aide told The Star yesterday. "If the banks don't come through or if the strings they attach are too tough, then the whole thing would have to be put off."

If it is, then Canada will face the grim prospect of losing an estimated \$1 billion worth of steel pipeline contracts and thousands of jobs to complete the Canadian part of the 2,700-mile venture.

The \$22 billion needed in loans is a staggering amount when it is considered the top credit limit for the 50 biggest U.S. firms is about \$4.5 billion.

Major snag

The major snag now centres on the Alaska portion of the pipeline running from Prudhoe Bay on the Arctic Ocean to the Yukon border. A little over a year ago the price tag for this section was set at \$12 billion.

Earlier this week, John McMillan, head of the consortium of U.S. companies planning to build the American section, wrote the cost would be at least \$30 billion.



JOHN
HONDERICH

Washington
bureau

This whopping increase also means that the gas would have to be sold in 1986 at about \$15 per thousand cubic feet to be viable — a figure roughly three times the current world price.

"Some people are going to be very surprised by this," one U.S. energy expert said. "The jump in price comes at a time when there is a gas glut in the U.S. and at a time when oil prices have stabilized for the first time in years. The bankers may get a little nervous."

Financial go-ahead

Most of New York's major banks, including the Bank of America, Citibank, the Chase Manhattan and Morgan Guaranty, will be involved in the decision whether to give the financial go-ahead.

But they must also ponder another problem. When the pipeline was finally approved by former president Jimmy Carter in 1977, the U.S. legislation prohibited the three oil companies involved from owning any shares in the project.

The three are Exxon Corp., Standard Oil Co. of Ohio and Atlantic Richfield Co.

However, under the terms of an agreement hammered out last week between McMillan and the

three oil giants, the three are to receive 30 per cent of the shares.

Although the Reagan administration is in favor of the agreement, a change in the U.S. law must be made to take account of the oil companies' equity participation.

Some White House officials have argued this can take place by a simple executive order signed by President Ronald Reagan — a procedure similar to a Canadian order-in-council passed by cabinet.

However, the prevailing view is that the change must be approved by both the Senate and the House of Representatives. And that, of course, takes time.

"I think any thoughts this project ever could be completed by 1985 are out the window," one Canadian observer said. "We're looking at 1986 at the earliest."

Considering the enormity of the loans needed, the banks may well try to secure a U.S. government guarantee for the project.

Conservative attitude

But there seems little prospect the Reagan administration, with its conservative everyone-fight-for-themselves-attitude, would ever go along.

When Reagan was in Ottawa last March he told the House of Commons he favored "prompt completion" of the pipeline provided it is privately financed.

When asked later if the administration would ever go along with a guarantee, Secretary of State Alexander Haig told reporters, "that's a question to be faced."

Privately, White House officials said such an option "is just not in the cards."

No one questions that if the Alaska part is scuttled, the Canadian part is also dead.

Proven reserves

Proven gas reserves on Alaska's north slope now exceed 26 trillion cubic feet, roughly 10 per cent of the U.S. reserves.

If and when the pipeline is completed, it will carry about 2.4 billion cubic feet a day, about five per cent of total U.S. consumption.

Following are details of the agreement between the gas transmission consortium and the oil producers:

- 25 per cent of the \$30 billion is to be raised through the issuance of shares and the remaining 75 per cent through loans;

- Actual construction of the Alaskan leg is pegged at \$21 billion which includes a \$4 billion pool for cost overruns;

- \$6 billion is tagged for construction of a gas conditioning plant, needed to upgrade the gas for passage through the pipeline;

- 30 per cent of the total amount is to be raised by the three oil companies;

- The deal is also specific that all parties must be assured of completion of Alaska portions of the line and also assured that the Canadian portions will be funded without U.S. financing.

As one Canadian official summed it up: "We're all just holding our breath."

White House Won't Support Major Aspects Of Financing Plan for Alaska Gas Pipeline

By ANDY PASZTOR

Staff Reporter of THE WALL STREET JOURNAL

ANCHORAGE, Alaska—Plans to build a natural gas pipeline linking Alaska with western Canada and major U.S. markets have had more setbacks, this time primarily at the hands of the Reagan administration.

Energy Secretary James Edwards said Friday that President Reagan won't support the \$35 billion project if its sponsors insist that the "consumer shoulder so much of the financial risk." The Secretary's warning, in an interview at the start of a four-day visit to Alaska, is the first clear-cut indication that the White House opposes major elements of the financing package the pipeline's backers are developing.

According to Mr. Edwards, the administration urged companies working on the project "in the strongest terms" against pushing for controversial legislative changes that would permit them to pass on much of their construction costs to consumers before

the 4,800-mile project is completed. The administration "has some real concerns" about asking U.S. consumers to pay for current construction on the project's Canadian leg regardless of whether the most difficult segment across Alaska is ever completed.

Reagan Told Trudeau

The companies, however, claim that they won't finance the project unless the President and Congress approve a host of legislative amendments, including one covering the charges to consumers.

The administration is expected to send a package of proposed legislative changes to Capitol Hill later this summer. But Mr. Edwards made it clear that the project's sponsors, led by Northwest Energy Co. of Salt Lake City, and the Canadian government, which also has been pushing for certain amendments, won't get as much as they want.

Mr. Edwards said President Reagan personally delivered that message to Canadian

Prime Minister Pierre Trudeau last week when the two leaders met in Washington. In response to a question, Mr. Edwards conceded that the pipeline question is "becoming one of the real sore points" in U.S.-Canadian ties.

But Mr. Edwards asserted that the White House isn't planning to placate the Canadian government on the pipeline issue in exchange for help in other areas.

The pipeline, if completed, would channel about 2.5 billion cubic feet of gas a day from Alaska's North Slope across western Canada to the U.S. The Alaskan portion of the line is still in the engineering stage, and many industry executives and state officials question whether it can ever be financed.

State Participation Sought

The Reagan administration appears interested in trying to convince Alaska Gov. Jay Hammond to pledge a substantial chunk of money to the project to assure its completion. Among other things, Mr. Edwards said he intends to ask Mr. Hammond about possible state participation in the construction of a \$4 billion gas-conditioning plant slated to be part of the project.

In return, Alaska could get control over some of the gas and use it to establish a local petrochemical industry, Mr. Edwards said.

But that idea is getting a lukewarm reception in Alaska. "I don't think that I am ready or the legislature is ready to make that kind of commitment" until all the private financing is in line, Gov. Hammond said during a weekend interview.

Meanwhile, state officials concede that the sponsors' hope of breaking ground on the Alaskan leg of the project by next spring is unrealistic. To begin with, these officials said, the sponsors are at least five or six months behind in obtaining environmental and other permits from the state. And the companies are arguing with state officials over the financing of roads necessary for the construction.

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MAY 27 1981

Pact reached on Alaska gas

SAN FRANCISCO (DJ) — The long and sometimes bitter fight over who will own the proposed Alaska high-way natural gas pipeline appears to be over, and what would be one of the world's largest energy projects has taken an important step forward.

An agreement has been reached between John McMillan, chairman of Northwest Energy Co., the lead partner in an 11-member consortium sponsoring the project, and three major oil companies that gives the oil companies a 30 per cent ownership in the project. They are Exxon Corp. of New York, Atlantic Richfield Co. of Los Angeles and Standard Oil Co. of Ohio, Cleveland.

Mr. McMillan, a 55-year-old former west Texas oil entrepreneur, conceived the project in 1977. But he needed the oil companies' bankrolls to help underwrite the project's debt and to provide funds in case the line cost more than expected. The two sides have been at loggerheads over the ownership question for more than a year.

that authorized the project.

Of the Alaska segment's total \$30-billion cost, including the \$3-billion overrun pool, the oil companies would provide \$9-billion — \$2.25-billion of their own money and \$6.75-billion of borrowed funds. The 11-member consortium would provide the remainder.

The current plan is contingent upon U.S. President Ronald Reagan asking Congress to amend portions of the 1977 legislation to allow the oil companies to own part of the project. Oil company ownership was prohibited under the law because of anti-trust concerns by the Justice Department.

Since then the department has said it would not oppose ownership so long as the oil companies did not have a controlling ownership position.

Spokesmen for Exxon and Northwest Energy confirmed that an agreement had been reached, but declined to give details. However, the Wall Street Journal obtained copies of a letter and report sent to U.S. Energy Secretary James Edwards that contained the specifics.

In addition, the Journal learned that meetings have already begun among the partnership, the oil companies and prospective lending institutions.

A joint presentation by the consortium and the oil companies was made to Citibank of New York, to other banks and to insurance companies. Citibank and Bank of America, San Francisco, are banking advisers to the project.

The agreement covers the 745-mile Alaska segment of the 4,800-mile line and discloses that the Alaska segment is estimated to cost \$27-billion after allowing for inflation, interest costs and a plant to treat the gas before it is injected into the pipeline.

Other portions of the line in Canada and the United States, which are already under construction, have been estimated to cost a total of about \$7.5-billion, which would make the project the most expensive privately financed project in history.

The total of about \$34.5-billion for the entire project is lower than earlier unofficial estimates, which had ranged as high as \$40-billion. But it is about \$4-billion higher than estimates of a year earlier.

An important feature of the agreement provides for a \$3-billion cost overrun pool, of which 30 per cent will be provided by the oil companies. Such a pool has been deemed essential if the project is to attract lenders.

It, still may not be enough to ensure the project's success. Many critics maintain that lenders will participate only if the U.S. Government guarantees their loans. This was prohibited by the 1977 legislation

TORONTO, ONT., CAN.
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DAILY, 266,498

JUN 6 1981

Phase 1 contracts awarded for Alaska pipeline

6217
Foothills Pipe Lines (Yukon) Ltd. of Calgary has awarded compressor and meter station construction contracts for Phase 1, eastern leg construction on the Alaska Highway gas pipeline project.

In Saskatchewan, two contracts have been awarded to Interpro

Contractors Ltd. of Richmond, B.C., for compressor stations at Piapot and at Monchy. Interpro will also build a meter station at Monchy.

In Alberta, one contract has been awarded to Brown and Root Ltd. of Edmonton for a compressor station at

Jenner. Estimated cost of the station is \$33-million. The estimated direct capital cost of the stations being installed in Saskatchewan is \$47-million.

Gas pipeline priority item for Alaska's men in Congress

By GEORGE BRYSON
Daily News reporter

WASHINGTON — An effort to save the life of the \$30 billion Alaska Natural Gas Pipeline System should dominate the headlines generated by Alaska's congressional delegation this fall.

That's the consensus of the state's all-GOP contingent as it enters the home stretch in this first session of the 97th Congress.

Much more is on the agenda, of course. Congress will focus most of its time this fall on the federal budget. Billions of dollars in new spending cuts will have to be decided during the next 60 days — a blood-letting that isn't likely to leave Alaska unscathed.

There also will be:

- A bill to transfer federal ownership of the Alaska Railroad to the state.
- An Interior Department schedule for offshore oil leasing.
- A variety of bills affecting Alaska's fishing industry.
- Probably more news over the management of Alaska's new national parks and wildlife reserves.

But nothing that happens in Washington this fall, delegation members say, is likely to affect directly the future of the state quite as much as the outcome of the pipeline story. "It's the most important thing we'll be



Sen. Frank Murkowski expects Canada to pressure the U.S. on the gas line.

working on," Alaska Sen. Ted Stevens said last week as Congress returned from its August recess.

Still in search of money, the pipeline sponsors have asked the president and Congress to approve changes in the law that would make an investment in the inflation-prone project less risky.

One such change would allow North Slope oil producers to share in the ownership of the pipeline system — an arrange-

ment the Carter administration ruled out as a violation of antitrust laws.

Another waiver sought by the sponsors would allow them to begin billing American gas consumers for the cost of the pipeline, on a section-by-section basis, before it's completed.

The "pre-billing waiver" — by shifting much of the risk of the project onto the shoulders of consumers — could work wonders in securing loans from the international banking community. But it's also being attacked by consumer organizations as "a complete betrayal" of the sponsors' promise to finance the project on their own.

Members of Alaska's congressional delegation support the waiver package proposed by the pipeline sponsors. But key congressmen in the House oppose it. Both sides are waiting for President Reagan to strike a compromise.

"We're still trying to get the president to submit the waivers that were authorized under the Alaska Natural Gas Transportation Act," Stevens said last week.

At the same time, he acknowledged that the future of the project may be hanging in the balance. Said Stevens: "It's clear that the financial communities say they cannot finance the pipeline without waivers and certain (new)



provisions of federal law."

Timing is also a problem. The sponsors need to secure their financing soon if they're to avoid the loss of another construction season — and the impact that would ultimately have on the price-tag of the 4,800-mile gas line. The 740-mile Alaska segment alone, once estimated at \$8 billion, has more than tripled in cost in recent years.

Alaska Sen. Frank Murkowski thinks the impetus for a solution may come ultimately from Canada, where construction of the Canadian segment is already well underway.

"I think the pressure (on President Reagan) from the Canadian government is getting stronger and stronger,"

Murkowski said this week. "And I think that's working for the project."

If it doesn't — and the president and Congress fail to rescue the project this fall — the ever-increasing cost of the pipeline may drift out of the reach of private enterprise once and for all.

Stevens, Murkowski and Congressman Don Young also have their committee assignments to see to this fall.

Stevens in particular. As a member of the Senate Appropriations Committee, he'll be partly responsible for moving the Senate's 14 appropriation bills through Congress in the coming weeks. As chairman of the Senate Defense Appropriations Subcommittee, he'll also be a key figure in the new debate over defense spending.

A member of the Senate Environment and Public Works Committee, Murkowski will be participating in hearings to reauthorize the federal Clean Air Act. "It'll probably be a renewal of the previous legislation," Alaska's freshman senator predicts, "but we'll be making it more readable."

Murkowski was active last spring in a Senate Energy Committee debate for funding the nation's Strategic Petroleum Reserve. At one point, he proposed the state and the U.S. Department of Energy negotiate a deal to fill part of the reserve with Alaska's royalty oil. But the idea ran out of gas during the summer. "We found it wouldn't be economically beneficial to either party," Murkowski says.

Young, on a moose-hunting trip in Alaska during the first week following the recess, will be a key player in the pipeline debate if-and-when the waivers are forwarded to the House.

Young also is the delegation's watchdog over federal appropriations for the fishing industry and Coast Guard operations, serving as ranking minority member of the House Merchant Marine and Fisheries Committee.

The Fort Yukon native was able to win House funding for a number of marine programs tailored to Alaska earlier in the session, but he'll be hard-pressed to retain them as the budget tightens this fall.

C3 8/Sept. 19 '81

that the total number of Kuwaitis working in the oil sector doubled last year to 12,231.

SPAIN: Hispanoil, the state agency for overseas exploration and production, lifted 2,252,097 metric tons of crude from foreign fields in the first half of the year. Aside from small volumes in Algeria, Gabon, Egypt and Libya, the bulk of this production—2,221,889 metric tons—was lifted from Hispanoil's Saudi concession.

Domestic crude production fell 23.8% in the first five months of this year, compared with last year's like period. Output for the January-May 1981 period was 493,000 metric tons.

UNITED STATES

NPDC TAKES OPTION ON EGSI MAGNETO TELLURICS SYSTEM

New York 8/20—National Patent Development Corp. has taken a 12-month option to acquire majority interest in privately-held EGS International of Seattle, Wash., which has developed a system to detect oil-gas deposits through magneto tellurics which NPDC said appears to be ahead of similar systems suspected to be under development by major U.S. oil companies.

Donald A. Gainty, NPDC senior vice president, said that the EGSI system is expected to cut wildcatting risk beyond that achieved through conventional seismic. A more precise determination of the extent of risk reduction will be gained during the 12-month option period, during which the process will be made available to independents at NPDC cost for further feasibility tests. Field demonstration of the technology will begin Aug. 24.

The science of magneto tellurics correlates variations in electromagnetic fields of rock strata with existence of oil-gas deposits.

OCS LEASE EXTENSIONS TO BE EASED, UNIT RULES MODIFIED

Washington 8/20—The Interior Dept. is considering changes in procedures for unitizing and for extending offshore leases.

Interior is proposing to give the director of the U.S. Geological Survey the authority to take into account excessive delays in obtaining government permits for OCS operations when evaluating requests to suspend operations and extend the time of a lease.

The department noted that delays in obtaining

federal, state or local permits to begin operations have, in some cases, been of such length that they jeopardizes exploration and development within the lease term, normally five years.

Delays to be considered would include administrative or judicial challenges or appeals. The USGS director would determine on a case-by-case basis which delays are inordinate.

No More Segregation

Interior is also proposing to eliminate regulations that require segregation of the portion of an OCS lease outside a unit formed by holders of adjoining leases. Segregation separates the unitized portion of a lease from the rest of it, splitting the lease in two.

Interior's Office of Solicitor recently concluded that the department doesn't have the legal authority to require such segregation.

CALIF. UTILITIES COMMISSION FAULTS ALASKA GASLINE WAIVERS

Washington 8/20—The California Public Utilities Commission has approved the purchase of Canadian gas to be transported through the western prebuild portion of the Alaska Natural Gas Transportation System, starting in the fall.

In a letter to Rep. Sharp (D-IN), chairman of the Energy & Commerce Fossil Fuels, subcommittee, John Bryson, president of the commission, said purchase of the gas is a "sacrifice" on the part of California ratepayers as the gas isn't required to meet "high priority" needs, yet it will cost over \$7/Mcf. Sharp had requested comments from the commission on the financial waiver package for the gasline.

Bryson said California distribution companies expect to purchase 20% of Prudhoe Bay gas production when the Alaska gasline is completed. It will be difficult, if not impossible, for this commission to authorize purchase of the gas by our distributing utilities should price or supply conditions make that gas unmarketable," he noted.

His letter stated the following positions on the various waivers requested by the ANGTS sponsors:

—If the ANGTS can't be privately financed and if Congress decides the project should be built for national security reasons, then the entire U.S.—not just certain ratepayers—should share in the risk of noncompletion of the gasline.

—The inclusion of the gas conditioning plant in the system violates the pricing concept enunciated in the Natural Gas Policy Act, which established wellhead prices for pipeline quality gas. If Congress decides it is necessary to charge ratepayers for the conditioning plant, then "consideration must be given to their

PRINCIPAL DATA OF API'S WEEKLY STATISTICAL SUMMARY OF U.S. OPERATIONS

(Stocks figures in thous. bbl—all others in thous. b/d)

Weeks Ended	PROCESSING							STOCKS					
	Ref'y Input	Mogas Total	No Lead	Kero- sine*	Distil- late	Resid.	Crude	Mogas Total	No Lead	Kero- sine*	Distil- late	Resid.	Unfin. Oils
	Dist. T												
8/14/81	1,407	659	345	34	382	142	19,248	66,625	31,333	14,286	87,368	35,945	16,331
8/21/81	1,374	650	330	27	369	140	19,300	66,604	31,327	14,110	87,043	35,913	16,300

receiving a more equitable share of the value of the natural gas liquids" extracted by the plant.

—Congress must make an effort to determine whether Prudhoe Bay gas priced at \$15 to \$20/Mcf in 1987 can be absorbed into a natural gas market that will be substantially deregulated.

FERC REPORT CITES \$1.4-BILLION EXCESS COST FOR ALASKA GASLINE SECTION

Washington 8/20—A final cost report by federal energy officials on the Alaskan segment of the Alaskan gasline recommends that the Federal Energy Regulatory Commission adopt a certified cost estimate of \$6.73-billion instead of the sponsor's figure of \$8.13-billion for construction of that portion.

John Adger, FERC's Alaskan representative, and Richard Berman, director of audit and cost analysis for the Office of the Federal Inspector, said in their report that Alaskan Northwest Natural Gas Transportation Co.'s certified cost estimate contained "excessive inputs" and thus reflected a higher target cost than allowed by the incentive rate of return formula.

The final recommendations will be considered by FERC before it issues a final certificate for construction of the Alaskan portion. Adger and Berman based their recommendations on analysis done by Williams Brothers for the OFI as an independent evaluation of Alaskan Northwest's filing last summer.

The Adger-Berman report said the following aspects of Alaskan Northwest's cost estimate must be modified to reach a "risk-neutral" status:

—Excessive costs, including overpaid crews, low productivity assumptions, overstated material and equipment quantities and high unit costs for materials and services.

—Errors in estimates such as duplication of operations and the inclusion of costs for hauling material-site losses to the right-of-way.

—Insufficient resource optimization.

The report noted that, with minor exceptions, the status of the Alaska segment design is sufficiently advanced to estimate the target cost for the project.

The rate of return for the Alaska segment, to be determined by FERC, will provide an incentive for controlling construction costs and will be adjusted for inflation. This incentive rate of return will be calculated by comparing the target estimate with actual construction costs.

TEXAS BIDS, ESTIMATED OUTPUT FALL—TRC

Austin, Tex. 8/20—The Texas Railroad Commission staff estimates that crude production in Texas will average 2,460,000 b/d in September, 5,000 b/d less than expected for August.

Nominations announced at the commission's monthly proration hearing total 2,516,299 b/d, down 8,381 b/d from requests for August. Continued production on a 100% market demand factor was authorized for September.

Actual production in May, the latest month available, averaged 2,472,049 b/d, up 8,949 from April, according to preliminary commission reports. During part of May a temporary increase of 25,000 b/d was

For the Record

WYO. LEASE FILING FEE: The Wyoming State Land Board voted to raise the filing fee for state oil-gas leases to \$25 effective Nov. 1, matching a new fee schedule of the U.S. Bureau of Land Management, also effective No. 1 (ON 7/22). The state fee for both residents and non-residents, now is \$15.

Earlier the board had approved raising the non-resident charge to \$25 with no change for residents (ON 6/23). However, State Land Commissioner Oscar Swan said administering the two-tiered system would be an administrative nightmare and the board made the raise uniform. The BLM filing fee currently is \$10.

HOUSTON NATURAL ACQUISITION: Houston Natural Gas and Etacado Inc., of Hobbs, N. Mex., have signed a letter of intent for HNG's purchase of certain Estacado operations, including Llano Inc., NMESCO Fuels, and Minerals Inc. HNG proposes to obtain all of Estacado's natural gas facilities by exchanging a maximum of 1,100,000 shares of its common stock for all Estacado's capital stock. Estacado would first dispose of its interest in two other subsidiaries, New Mexico Electric Service and Hobbs Gas.

WILDCATting IN THE NEWS

OFFSHORE PHILIPPINES: The Philippines-Cities Service Galoc-1, located in 1,100 ft of water off Palawan Is., flowed during a drill stem test at an average rate of 1,850 b/d of 35.3-degree oil on a 3/4-in. choke with 275 psi wellhead pressure from perforations between 7,338-64 ft. Another drill stem test near the top of the same reservoir flowed some 1,800 b/d of oil through a 3/4-in. choke with 318 psi between 7,255-85 ft. The Galoc-1 wildcat, drilled to a total depth of 12,141 ft, is the first indicated discovery in a sandstone reservoir offshore Philippines. It is 65 km northeast of the Matinloc field.

THAILAND: Union Oil of California reports that the Jakrawan No. 2 in the Gulf of Thailand showed 37,000 Mcf/d of gas and 394 b/d of condensates through a 1/2-in. choke during four intervals at 5,200-7,137 ft. The wildcat is some 3.5 mi. north of the Jakrawan No. 1 and is in Block No. 12, held 80% by Union of Thailand and 20% by South East Asia Petroleum Exploration Co. of Japan.

FINANCIAL REPORTS

(Total Net Figures in Million \$)

	1981	1980
Canada Development Corp.		
3 mo. net	\$35.9	43.2
Net per share	\$0.78	\$1.19
6 mo net	79.6	92.3
Net per share	\$1.82	\$2.58

Washington 8/31—The Interior Dept. has scheduled OCS sale No. 60, covering 858,246 acres in Alaska's Lower Cook Inlet/Shellkof Strait, for Sept. 29 (ON 5/12).

Two bidding systems will be used: bonus bidding with a fixed net profit share and bonus bidding with a 16 2/3% royalty. All tracts will be offered for initial lease terms of five years.

FERC MEMBER WARNS OF INEQUITIES UNDER GAS ACT

9/1/81

San Antonio 8/31—Serious market-ordering problems that could result under the Natural Gas Policy Act after 1985 were described by Federal Energy Regulatory Commissioner David Hughes at a meeting of the Texas Independent Producers & Royalty Owners Assn. here. Specifically, he cited the so-called "fly-up" or "spike" of decontrolled prices and the potential inequities resulting from the "gas cushion."

Noting that interstate pipelines will control the bulk of price-controlled gas after 1985, Hughes said they will be in a position to pay a premium above the market price for deregulated gas because of their ability to roll in its cost with the lower cost of regulated gas.

The result, he said, will be prices for gas above its commodity value, or market clearing price. Indeed, he said there is evidence that the fly-up problem may already exist, noting that interstate pipelines are now regularly paying more than \$7.00/Mcf for deep gas, and that one producer recently sold to Southern Natural Gas for \$9.26/Mcf.

FERC Hobbled

Hughes noted that state regulators are concerned that prices currently paid for deregulated gas are too high, but he pointed out that under the NGPA, FERC's authority to reduce prices for decontrolled gas is limited to cases of "fraud, abuse or similar grounds."

Because of the lack of a FERC ruling so far in any case to determine fraud, and also because of the possible effect of high prices on area rate clauses if all gas were decontrolled, Hughes believes that interstate pipelines may also be concerned about the high prices.

NGPA Goes Awry

Hughes said the framers of the NGPA intended that the benefits of "cushion" gas—production which will remain controlled after 1985—would flow to high-priority gas consumers. But he said there are indications that consumers may derive no benefit from the cushion.

"Because of the fly-up problem, the average price under partial decontrol may be no lower than it would under complete decontrol. Thus, the benefits of the gas cushion will flow to the producers of unregulated gas, who will receive premium prices for their supplies."

Hughes said that though this may seem desirable, the fly-up and gas cushion issues could present two serious problems. "First, they may provide an uneconomic stimulus to the production of high-cost gas."

"Additionally, since intrastate pipelines will control very little of the price-regulated gas after 1985, and thus will be unable to roll in high-cost gas with low-cost gas, they will be at a disadvantage in bidding against interstate pipelines for new gas supplies."

NO. DAKOTA RIG INSPECTORS CAN'T KEEP UP WITH WORKLOAD, OFFICIAL SAYS

Dickinson, N.D. 8/31—North Dakota safety inspectors are finding it difficult to inspect all rigs working in western North Dakota.

The safety director for the state Worker's Compensation Bureau, Allan Stuart, said, "we're not even getting to 2% of the rigs." He said his two inspectors are "getting 60-70% of the safety violations when they go out to the rigs, which is not as good as the 95-100% I'd like."

Rig injury claims are "way out of line," he said.

PETROLEUM PRODUCTS DELIVERED (million b/d)

	Avg. for 4 Wks Ending		% Chg.
	8/21/81	8/21/80	81/80
Mogas	6.642	6.671	—
Jet Fuel	0.999	1.062	- 5.9
Kerosine	0.118	0.132	-10.6
Distillates	2.530	2.161	17.1
Resid	2.051	2.287	-10.3
Other Oils	3.240	3.480	- 6.9
Total	15.580	15.794	- 1.4

Source: U.S. Dept. of Energy, "Weekly Petroleum Status Report."

TEXAS INDEPENDENT USES SOLAR TO DRIVE REMOTE GAS WELL

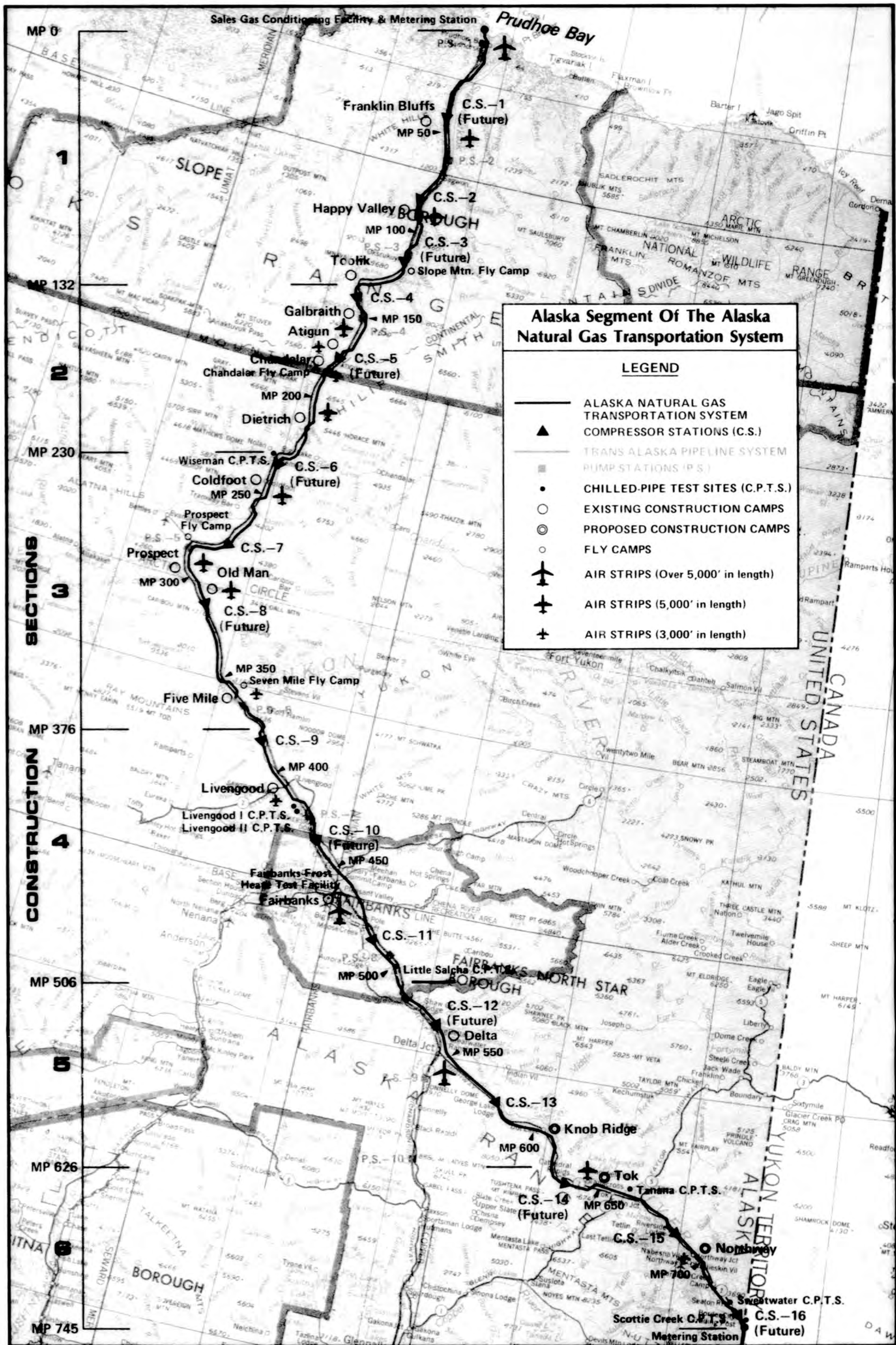
Austin 8/31—Texas Railroad Commission has approved an application to increase gas production from a stripper well in Lipscomb County by use of solar energy and chemical foam.

Pioneer Production Co. of Amarillo said the use of solar power to replace electricity is economic in remote areas to operate chemical injection pumps. Taking an idea from use of electric current to reduce corrosion in pipeline metal, Pioneer spokesmen said the experiment with solar panels for power at gas wells reduced the cost of generating electricity to about 20% of the expense of other methods. The firm said chemical pumps require less electricity than the cathodic pipeline protection system.

After installing a solar-powered chemical pump at its Fry-Wheatley No. 1 well in Mammoth Creek, North (Cleveland) field in the upper Texas Panhandle, Pioneer said it increased gas production from the stripper well to about 12,000 Mcf/mo from about 1,000 Mcf/mo. Current production is estimated at 8,000 Mcf/mo.

Although solar power operates only during daylight, Pioneer said shutting the well down at night apparently doesn't reduce production. The company plans to install a 12-volt battery at the pump to operate at night, when desired.

Based on its success at the Wheatley well, Pioneer plans to install solar-powered pumps at 10 more Panhandle stripper wells. Final approval of the project must be received from the Federal Energy Regulatory Commission.



****PLEASE NOTE****

THE ORIGINAL FILE CONTAINS AN OVERSIZED DOCUMENT THAT
IS UNSUITABLE FOR FILMING. PLEASE REFER TO THE ALASKA
STATE ARCHIVES TO VIEW THE ORIGINAL.

All Alaska Weekly, v. 12, no. 2, p. 1 and p. 16 (7/10/81)

SCOMM

28:26



Alaska Natural Gas Transportation System

Alaska Segment

Gasline Planning Update

Number 1

September 1981

Northwest Alaskan Pipeline Company
Manpower & Impact Planning Department
701 Douglas Avenue
Fairbanks, Alaska 99701

FOREWORD

The manpower statistics and other information which follow are intended to assist Alaska residents, businesses and government agencies in planning for construction of the gas pipeline project. This publication will be issued quarterly to keep you informed of new project developments.

If you would like to receive this "Gasline Planning Update" on a regular basis, complete and mail in the postcard which accompanies this publication.

Alaska Natural Gas Transportation System
Alaska Segment

GASLINE PLANNING UPDATE

Number 1

September 1981

EXECUTIVE SUMMARY

	<u>Page</u>
I. <u>CURRENT MANPOWER STATISTICS:</u> Two hundred people were working on the project in Alaska as of September 1, 1981. Total project manpower (Alaska and Lower 48) for 1981 peaked in March at 1,478 people.	1
II. <u>ALASKA MANPOWER PROJECTIONS:</u> Alaska manpower requirements for the project are expected to peak in 1985 at more than 13,000 people.	8
III. <u>PROJECT SCHEDULE:</u> Pipeline camp construction is scheduled to begin in 1983; pipeline spread construction in 1984, and compressor and metering station construction in 1985. Project completion is scheduled for fall 1986.	11
IV. <u>ALASKA FIELD PROGRAM SUMMARY -- 1981:</u> The major engineering field programs this year were borehole drilling, surveys of the proposed alignment, and installation of several frost heave test sites. Environmental programs included studies of raptors, waterbirds, Dall sheep, fisheries and archeological resources.	12
V. <u>LOGISTICS PLANNING:</u> An estimated 1.8 million tons of material will move into and within Alaska during construction of the gasline. Thirty-four percent of the commodity movements will be main-line pipe, 35 percent petroleum products and 31 percent other materials.	20

EXECUTIVE SUMMARY (Continued)

	<u>Page</u>
VI. <u>ALASKA GAS CONDITIONING FACILITY:</u> Sealifts of conditioning modules to Prudhoe Bay are scheduled to begin in 1983. The Alaska workforce for the facility is expected to peak at 1,000 to 1,200 people.	25
VII. <u>FAIRBANKS HOUSING TRENDS:</u> In July 1981, 262 single-family homes, condominiums and duplexes were for sale in Fairbanks at a median asking price of \$96,000. A survey of 20 major modern rental complexes in June 1981 found no vacant units, although 4.2 percent of the units turned over during the month.	29
VIII. <u>COMMUNITY PROFILE EVALUATION:</u> A survey, made in conjunction with socioeconomic profiles which were published by Northwest Alaskan for six communities along the gasline route, found that the top two gasline information needs cited by respondents were employment and training opportunities.	39

APPENDICES

Gasline Project -- System Map

Alaska Segment Map

I. CURRENT MANPOWER STATISTICS

As of September 1, 1981, there were 200 people working on the gasline in Alaska: 57 Northwest Alaskan employees, 51 Fluor and 92 contractor and consultant personnel (see Table I-1). Seventy-two percent of the September 1, 1981 project workforce in Alaska were Alaska hires (see Table I-2).

During July 1981, 380 people were employed on the project: 11 percent officials and managers, 32 percent professionals, 11 percent technicians, 9 percent clerical workers and 37 percent craft, labor and service workers (see Table I-3). Twenty-two percent of the persons employed in July 1981 were females (see Table I-4).

In 1981 full-time equivalent manpower for the Alaska segment peaked in March with 579 personnel in Alaska and 899 in the Lower 48 for a total of 1,478 people (see Table I-5).

In August the Federal Inspector for the Alaska Natural Gas Transportation System approved the Affirmative Action Plan (AAP) for the Alaska segment of the pipeline. The plan, which applies to the company, its contractors and subcontractors, sets employment goals for each of four minority groups and for females for each job group. Employment percentage goals for minorities and females for 1981 are given in Table I-6.

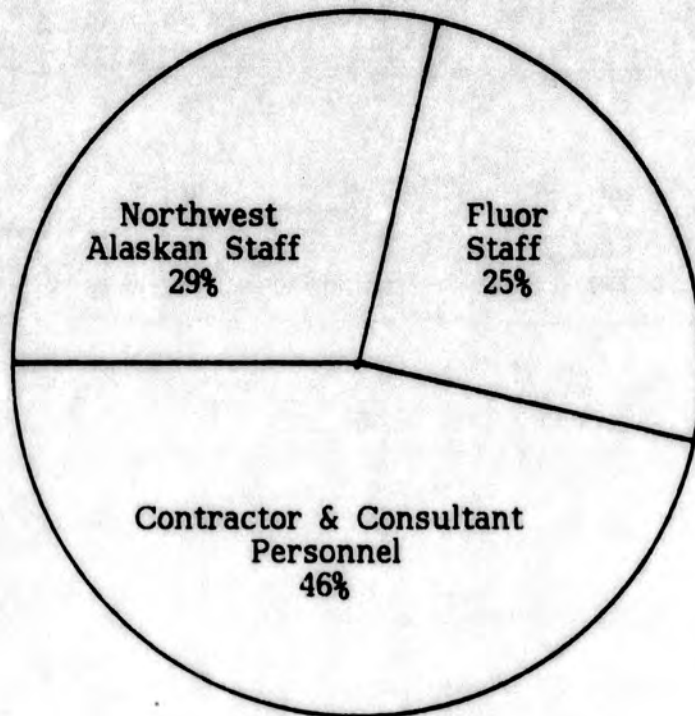
The AAP also sets goals for contracting to minority and female business enterprises. The 1981 goal for minority business enterprise participation is \$31 million and the goal for female firms is \$4 million.

I - 1

Alaskan Natural Gas Transportation System

ALASKA MANPOWER BY EMPLOYER

September 1, 1981



<u>Employer</u>	<u>Number</u>	<u>Percent</u>
Northwest Alaskan	57	29%
Fluor	51	25%
Contractors & Consultants	92	46%
<u>Total Manpower</u>	<u>200</u>	<u>100%</u>

Source: Northwest Alaskan Pipeline Company.

Alaska Natural Gas Transportation System

ALASKA MANPOWER BY PLACE OF HIRE

September 1, 1981

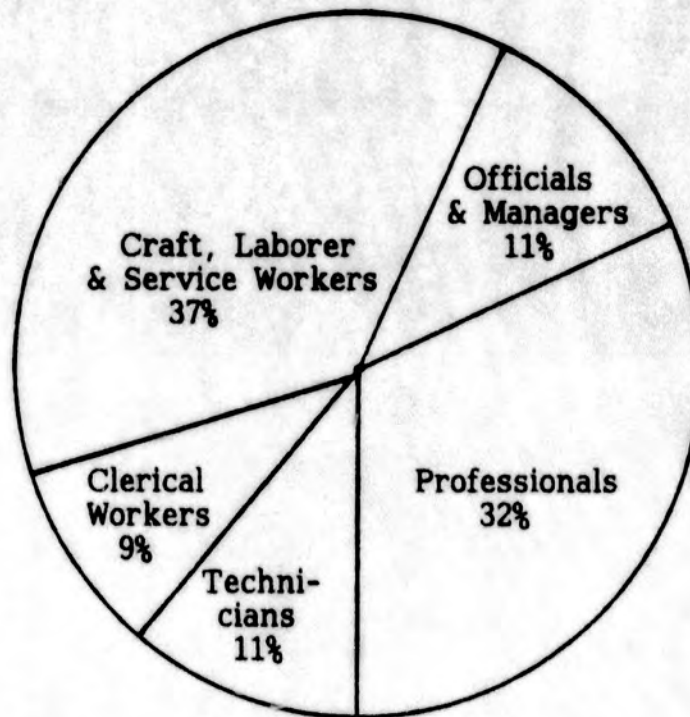
---Alaska Hires--- - Lower 48 Hires--					
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	<u>Total</u>
<u>Northwest Alaskan</u>					
Officials & Managers	4	33%	8	67%	12
Professionals	14	61%	9	39%	23
Technicians	9	82%	2	18%	11
Clerical Workers	11	100%	-	-	11
<u>Sub-Total</u>	<u>38</u>	<u>67%</u>	<u>19</u>	<u>33%</u>	<u>57</u>
<u>Fluor</u>					
Officials & Managers	1	17%	5	83%	6
Professionals	7	30%	16	70%	23
Technicians	12	92%	1	8%	13
Clerical Workers	9	100%	-	-	9
<u>Sub-Total</u>	<u>29</u>	<u>57%</u>	<u>22</u>	<u>43%</u>	<u>51</u>
<u>Contract Personnel</u>					
Officials & Managers	9	100%	-	-	9
Professionals	24	60%	16	40%	40
Technicians	6	100%	-	-	6
Clerical Workers	4	100%	-	-	4
Craft & Service Workers	33	100%	-	-	33
<u>Sub-Total</u>	<u>76</u>	<u>83%</u>	<u>16</u>	<u>17%</u>	<u>92</u>
<u>Total</u>					
Officials & Managers	14	52%	13	48%	27
Professionals	45	52%	41	48%	86
Technicians	27	90%	3	10%	30
Clerical Workers	24	100%	-	-	24
Craft & Service Workers	33	100%	-	-	33
<u>TOTAL</u>	<u>143</u>	<u>72%</u>	<u>57</u>	<u>28%</u>	<u>200</u>

Source: Northwest Alaskan Pipeline Company.

Alaska Natural Gas Transportation System

ALASKA EMPLOYMENT OPPORTUNITIES* BY JOB CLASSIFICATION

July 1981

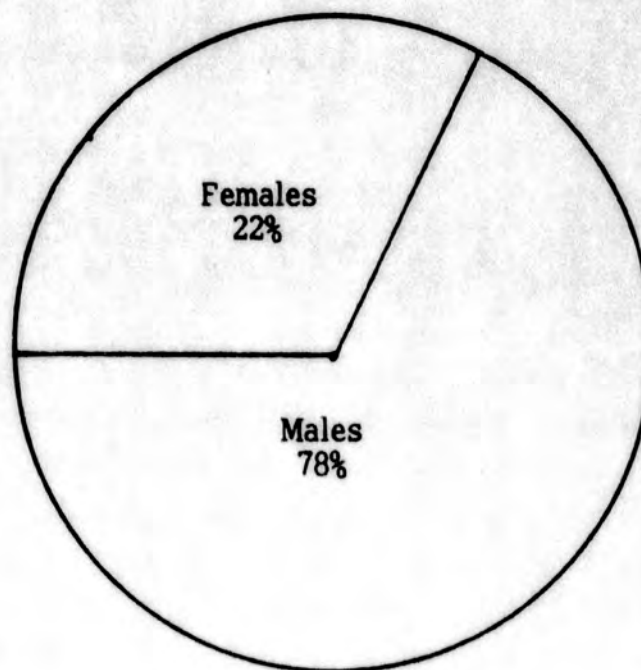


<u>Job Classification</u>	<u>Number</u>	<u>Percent</u>
Officials & Managers	43	11.3%
Professionals	123	32.4%
Technicians	40	10.5%
Clerical Workers	35	9.2%
Craft (Including Operatives)	120	31.6%
Laborers	15	3.9%
Service Workers	4	1.1%
<u>Total</u>	<u>380</u>	<u>100.0%</u>

*Includes all persons employed during the month.

Source: Northwest Alaskan Pipeline Company.

Alaska Natural Gas Transportation System
ALASKA EMPLOYMENT OPPORTUNITIES* BY SEX
 July 1981



<u>Job Classification</u>	<u>-----Males-----</u>		<u>-----Females-----</u>		<u>Total</u>
	<u>Number</u>	<u>Percent</u>	<u>Number</u>	<u>Percent</u>	
Officials & Managers	36	83.7%	7	16.3%	43
Professionals	104	84.6%	19	15.4%	123
Technicians	22	55.0%	18	45.0%	40
Clerical Workers	4	11.4%	31	88.6%	35
Craft (Including Operatives)	113	94.2%	7	5.8%	120
Laborers	15	100.0%	0	0.0%	15
Service Workers	2	50.0%	2	50.0%	4
<u>TOTAL</u>	<u>296</u>	<u>77.9%</u>	<u>84</u>	<u>22.1%</u>	<u>380</u>

*Includes all persons employed during the month.

Source: Northwest Alaskan Pipeline Company.

Alaska Natural Gas Transportation System
Alaska Segment

TOTAL PROJECT MANPOWER*

1981, By Month

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>
<u>Northwest Alaskan</u>								
Alaska	42	56	52	57	60	57	57	56
Lower 48	143	161	158	165	163	161	161	162
Sub-Total	<u>185</u>	<u>217</u>	<u>210</u>	<u>222</u>	<u>223</u>	<u>218</u>	<u>218</u>	<u>218</u>
<u>Fluor</u>								
Alaska	42	83	80	81	82	78	58	50
Lower 48	282	355	346	385	344	299	244	222
Sub-Total	<u>324</u>	<u>438</u>	<u>426</u>	<u>466</u>	<u>426</u>	<u>377</u>	<u>302</u>	<u>272</u>
<u>Joint Venture**</u>								
Alaska	15	44	70	48	48	43	37	19
Lower 48	140	176	238	222	223	172	152	129
Sub-Total	<u>155</u>	<u>220</u>	<u>308</u>	<u>270</u>	<u>271</u>	<u>215</u>	<u>189</u>	<u>148</u>
<u>Other Contractors & Consultants</u>								
Alaska	158	315	377	278	175	168	141	106
Lower 48	98	117	157	163	109	88	78	74
Sub-Total	<u>256</u>	<u>432</u>	<u>534</u>	<u>441</u>	<u>284</u>	<u>256</u>	<u>219</u>	<u>180</u>
<u>Totals</u>								
Alaska	257	498	579	464	365	346	293	231
Lower 48	663	809	899	935	839	720	635	587
<u>TOTAL PROJECT</u>	<u>920</u>	<u>1,307</u>	<u>1,478</u>	<u>1,399</u>	<u>1,204</u>	<u>1,066</u>	<u>928</u>	<u>818</u>

*Full-time equivalent manpower.

**Gulf Interstate/Michael Baker, JV.

Source: Northwest Alaskan Pipeline Company.

Alaska Natural Gas Transportation System
Alaska Segment

PROJECT EMPLOYMENT GOALS*

(As of July 1981)

<u>Job Classification</u>	<u>Minority</u>	<u>Female</u>
Officials & Managers	7.8%	13.8%
Professionals	9.4%	5.4%
Technicians	12.6%	9.4%
Clerical Workers	19.0%	45.6%
Service Workers	23.9%	30.0%
Craft Workers	17.5%	3.4%
Laborers	21.5%	5.5%
Operatives	12.3%	3.3%

PROJECT 1981 MINORITY & FEMALE BUSINESS ENTERPRISE GOALS**

1981

<u>Minority Goal</u>	<u>Female Goal</u>
\$31 Million	\$4 Million

*Includes Alaska and Lower 48; employment goals shown are averages of the job groups for the respective job categories.

**Includes Alaska and Lower 48; is based on contract opportunities of \$208 million.

Source: Northwest Alaskan Pipeline Company.

II. ALASKA MANPOWER PROJECTIONS

Gasline manpower in Alaska is expected to reach 2,550 workers in 1983 when camp construction begins. Project employment is expected to peak at approximately 13,200 workers in 1985 when both pipeline spread and compressor station construction are underway. In 1986 peak employment is expected to reach about 9,100 in the second quarter, with gas flow scheduled for fall of that year. During demobilization of the construction workforce in 1987, the peak is estimated to be 770 people. Figure II-1 gives quarterly estimates of project manpower from 1982 through 1987.

During operation of the gasline there will be approximately 30 management/administrative personnel and 25 operations personnel in Fairbanks. About 100 additional personnel will work out of the following four district maintenance centers:

<u>District</u>	<u>Area Covered</u>	<u>Location</u>
1	Mile Post 1 to 179	Compressor Station No. 2
2	Mile Post 179 to 381	Compressor Station No. 7
3	Mile Post 381 to 579	Fairbanks Maintenance Center
4	Mile Post 579 to 741	Compressor Station No. 15

Alaska Natural Gas Transportation System

ALASKA MANPOWER REQUIREMENTS

1982

1st Qtr	●	190
2nd Qtr	●●	280
3rd Qtr	●●	280
4th Qtr	●●	260

1983

1st Qtr	●●●●	900	
2nd Qtr	●●●●●●●●●●	2,300	
3rd Qtr	●●●●●●●●●●	2,550	
4th Qtr	●●●●●●●●●●	2,500	

1984

1st Qtr	4,400
2nd Qtr	6,900
3rd Qtr	8,200
4th Qtr	6,000

1985

1st Qtr	8,900
2nd Qtr	13,200
3rd Qtr	12,300
4th Qtr	7,000

1986

1st Qtr	8,500
2nd Qtr	9,100
3rd Qtr	4,900
4th Qtr	1,800

1987

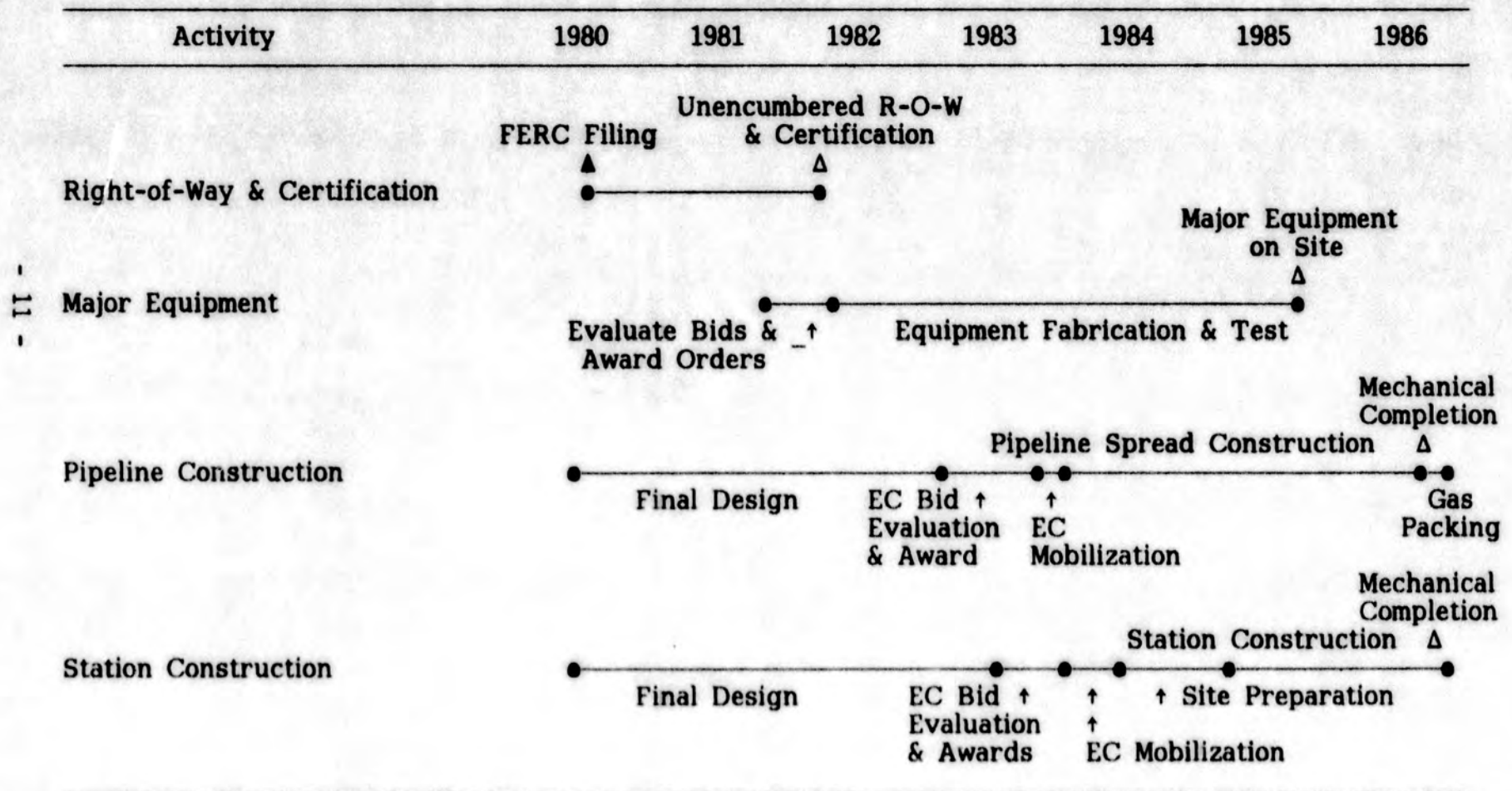
1st Qtr	●●	400
2nd Qtr	●●●●	770
3rd Qtr	●●●	550
4th Qtr	●	150

- 9 -

III. PROJECT SCHEDULE

Alaska Natural Gas Transportation System Alaska Segment

PROJECT SCHEDULE 1980-1986



Source: Northwest Alaskan Pipeline Company.

IV. ALASKA FIELD PROGRAM SUMMARY - 1981

Field Program	Contractor(s)	Schedule	Peak Field Manpower
Winter/Spring Drilling: Drilling of 861 test holes for centerline, compressor and metering stations and material sites to provide subsurface geotechnical data for design.	Doyon/Reading & Bates, JV (Fairbanks/Houston) The Drilling Company (Anchorage)	February-April	90
Facilities Water Supply Exploration: Testing at seven proposed construction camp sites to aid in final field selection of water well locations.	Geo-Physi-Con (Calgary)	March	15
Surface Disturbance: Nine sites have been instrumented and up to 24 more sites will be selected to evaluate the effects of ground surfaces disturbed by earlier construction near the proposed pipeline route. Sites are selected in locations with an old existing disturbed area and an undisturbed area. The sites are monitored with temperature sensors, and in some cases weather stations, to measure the differences and changes in soil temperature between the disturbed and undisturbed areas at each site and to record the weather at the sites.	R & M Consultants (Fairbanks) (Drilling for this program was done by Doyon/Reading & Bates JV as part of the winter/spring drilling program)	March-April	4

Field Program	Contractor(s)	Schedule	Peak Field Manpower
Atigun Pass Drilling Program: Drilling of 16 holes to determine subsurface geotechnical data for pipeline design.	Earthmovers of Fairbanks (Fairbanks) (R & M Consultants also had three personnel working on the program)	August-September	15
Aufeis Monitoring--River Crossings: Identification of significant aufeis (overflow ice) occurrences at various pipeline river and stream crossings; the development and decay of aufeis observed to determine the potential effects on the pipeline.	NORTEC (Anchorage)	February-May	6
Raptor Survey Program: Aerial surveys of the pipeline corridor in early spring (prior to tree leaf out) to identify raptor (eagle, falcon, hawk and owl) tree nest locations; summer surveys to identify and confirm nesting success of cliff nesting raptors, particularly the endangered peregrine falcon.	Alaska Biological Research (Fairbanks)	April-August	2
Waterbird Survey: A survey of migrating waterbirds in the Fairbanks area to help develop construction schedules which will minimize adverse impacts on these species.	Fluor Northwest, Inc. (Fairbanks)	April-August	2

IV. ALASKA FIELD PROGRAM SUMMARY - 1981 (Continued)

Field Program	Contractor(s)	Schedule	Peak Field Manpower
<u>Dall Sheep Lambing:</u> Aerial and ground surveys in spring and summer to identify Dall sheep lambing areas in the Brooks Range.	Fluor Northwest, Inc. (Fairbanks)	May-June	6
<u>Fisheries Studies:</u> Data collected for rivers, streams and lakes crossed by or adjacent to the proposed pipeline right-of-way to identify the presence and species of fish and the physical and chemical characteristics of the water-bodies.	LGL Alaska Inc. (Fairbanks) Fluor Northwest, Inc. (Fairbanks)	February-May	7
<u>Bedrock Reconnaissance:</u> Identification and evaluation of bedrock geologic features associated with the anticipated pipeline route excavations and foundations.	R & M Consultants (Fairbanks)	July	4
<u>Material Site Reconnaissance:</u> Potential gravel sources along the gasline route identified and evaluated to determine type and depth of overburden, clearing requirements, access evaluation and environmental considerations.	Gulf Interstate/Michael Baker, JV (Houston/Fairbanks) Fluor Northwest, Inc. (Fairbanks)	July	9