



Alaska State Legislature

Senate Majority Web: www.akrepublicans.org

Sponsor: Judiciary
Current Version: SB 314
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Fact Sheet for: Senate Bill 314

Short Title: RETROACTIVE ADJUSTMENTS IN OIL PRICES

Summary:

- Adds a new section to AS 38.05.183, Alaska Land Act, sale of royalty.
- Prohibits the commissioner of the Department of Natural Resources from making a retroactive adjustment in the sale price of royalty oil based on a change in rates for transporting oil in the Trans Alaska Pipeline system, except when necessitated by a rate change based on a quality bank differential adjustment.
- Defines "quality bank differential" as the "difference per barrel between the value of a specified Alaska North Slope oil stream that is commingled with one or more other streams at a pipeline connection and the value of the commingled pipeline stream, referred to as the reference stream, immediately downstream from that pipeline connection, as that difference in value is calculated by the person administering the pipeline quality bank for that pipeline connection."

Benefits:

- Resolves uncertainty regarding the cost of crude that has thwarted current investment by, and threatens future growth of, the Flint Hills North Pole Refinery.
- Prevents negative corollary impacts on the economy of the Interior and the State.

Background:

- In 2004, the Legislature approved a 10-year contract to sell state royalty oil to Flint Hills Resources, a subsidiary of Koch Industries in Wichita, Kansas. The contract was a condition of Flint Hills' purchase of the North Pole Refinery from Williams Alaska Petroleum. Current litigation before the Federal Energy Regulatory Commission could decrease the interstate tariff and increase the price Flint Hills pays for fuel, retroactive to Jan. 1, 2005. The result could mean a total potential liability of \$200 million or more.