

Alaska State Legislature

Senator John Torgerson, Chair
Phone (907) 260-3041
Fax (907) 260-3044



Representative Joe Green, Vice Chair
Phone: (907) 269-0123
Fax (907) 269-0124

Joint Committee on Natural Gas Pipelines

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Contact: Sen. John Torgerson, (907) 260-3041

Hearings Cover Current Natural Gas Issues Sen. Ted Stevens Speaks to Committee on Gas Pipeline, ANWR

(Fairbanks) – The Joint Committee on Natural Gas Pipelines heard testimony Wednesday on some of the issues in bringing Alaska's natural gas to market, including regulatory jurisdiction and proposed federal legislation.

Sen. Ted Stevens (R-Alaska) was the final presenter on Wednesday, speaking to the committee during the period allowed for public testimony. Stevens congratulated Rep. Don Young (R-Alaska) on House passage of the Energy Bill, which includes a provision to allow oil and gas exploration on the coastal plain of the Arctic National Wildlife Refuge, and commended the efforts of Sen. Frank Murkowski (R-Alaska) to pass the bill through the Senate.

Stevens also told the committee that he continues to believe the highway route is the best route for a natural gas pipeline as it allows the possibility of both in-state use and outside marketing for Alaska's gas. He mentioned legislation proposed by BP Exploration, ExxonMobil and Phillips, saying that at this time he is not happy with the bill and that Senator Murkowski's office is currently reviewing it.

Earlier in the afternoon Robbie Schilhab of ExxonMobil and Joe Marushak of Phillips outlined the proposed federal legislation for the committee, explaining that it does not alter the Alaska Natural Gas Transportation Act (ANGTA) passed by congress in 1977, and would provide an expedited process for federal approval of proposed natural gas pipelines.

John Elwood of Foothills Pipe Lines also provided his company's analysis of the producers' proposed legislation, and said that in his opinion it is not required for the construction and operation of an Alaska natural gas pipeline. Elwood thinks that this legislation, if enacted, would contradict the purpose of ANGTA and create a confusing and chaotic parallel procedure for pipeline approval.

Three presenters addressed the regulation of a gas pipeline in Alaska and the application of federal laws to a current project. All three agreed that at this time there are more questions than answers. Robert Loeffler, a partner in Morrison & Forrester, described the current staff situation at the Federal Energy Regulatory Commission (FERC), and gave background on FERC's interest in regulating interstate gas and electricity. Loeffler addressed various scenarios for construction of a pipeline and when FERC regulation might apply.

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Joint Committee on Natural Gas Pipelines

Nan Thompson, commissioner and chair of the Regulatory Commission of Alaska (RCA), answered questions posed by the committee regarding the regulation of a gas pipeline, and how jurisdiction between RCA and FERC would be divided. Thompson explained that some of the jurisdiction issues have not yet been resolved, and that it is unclear which federal laws would apply to a pipeline constructed through Alaska. She emphasized that FERC and RCA have successfully conducted concurrent regulation of the Trans Alaska Pipeline, and that she doesn't expect that positive relationship to change.

John Katz, a staff attorney with FERC, spoke to the committee via teleconference. Katz acknowledged the committee's frustration that until an application is filed FERC is reluctant to respond to questions on whether new natural gas pipeline applications would be approved under the ANGTA. Katz explained that unlike other federal agencies, FERC is an independent regulatory commission, and final decisions are made by a vote of its five commissioners. He said that at this time it is unclear which law, the Natural Gas Act or ANGTA, would apply to any applications that are presented.

Ed Small of Cambridge Energy Associates, told the committee that the price of natural gas has fallen significantly since he last testified before the committee in July. He considers this a short term drop rather than a long term trend, and expects to see prices recover in the second half of 2002, in part because lower prices will create both a drop in supply growth in the lower 48 and an increase in demand. Following Small's testimony, Wilson Condon, commissioner of the Department of Revenue, answered questions from the committee regarding Alaska's gas royalty and tax system.

Richard Peterson, president and CEO of Alaska Natural Gas to Liquids Company, testified before the committee on the gas to liquids plant that his company proposes building on the North Slope. Bill Walker of the Alaska Gasline Port Authority, presented information on their proposed plan to build a natural gas pipeline. They explained the possible benefits of a publicly held pipeline over a private facility, including tax-exempt public debt financing for construction, income tax advantages and more in-state control over regulation and pricing.

John Katz, director of State/Federal Relations and special counsel to the Governor, told the committee that with the exception of some specific comments, the Canadian government is remaining neutral while individual premiers advocate for their preferred gas pipeline routes. CJ Zane and Duncan Smith of Dyer, Ellis & Joseph met with the committee early in the day and provided their preliminary analysis of the Energy Bill with regard to Alaska's interests.

Following the scheduled testimony, the committee held a brief meeting and discussed the logistics of the protocol trip to western Canada scheduled for Aug. 20-24. Committee delegates will meet with national and provincial/territorial government representatives in British Columbia, Alberta, Yukon and Northwest Territories.

The committee announced that it will hold hearings in Anchorage on September 19 to address federal natural gas legislation and in Kenai on Oct. 2 – 3 to hear updates on natural gas pipeline issues and Cook Inlet natural gas production and use.

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