



## **Legislative Budget & Audit Committee**

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**Senator Gene Therriault, Chair**

**Representative Ralph Samuels, Vice Chair**

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**CONTACT:** Joe Balash, 907-465-4797

### **FERC Issues Landmark Gas Pipeline Rules** **Order No. 2005 viewed as favorable to State**

(Juneau)—The Federal Energy Regulatory Commission today approved landmark rules regarding opportunities for potential customers to acquire capacity for proposed Alaska gas pipeline projects.

FERC was required by Congressional mandate to establish “open season” rules following enactment of the Alaska Natural Gas Pipeline Act. Open season is the time prior to pipeline construction when gas producers or consumers interested in transporting gas through the line can bid for space, or capacity, in the pipe.

“At first blush, we are pleased with the Commission’s rules. We believe they addressed most of the concerns we expressed during the rulemaking process and think it bodes well for the future of natural gas development in Alaska,” said Sen. Gene Therriault, (R-North Pole), Chairman of the Legislative Budget & Audit Committee. LB&A will hold a work session to further examine the order Friday, Feb. 11 at 8 a.m. in the Senate Finance Committee Room.

Among the issues covered in the FERC order is pricing for future expansion of the pipeline. The LB&A committee, which is handling proposed contracts for the Legislature under the Stranded Gas Development Act, supports “rolled in” pricing that shares the cost of future pipeline expansion among all gas shippers, not only the company or companies needing additional capacity.

FERC’s ruling makes the rolled-in rate treatment the default unless an overriding argument can be made against it.

“FERC’s determination on the rolled-in tariffs is critical to the long-term expansion of the pipeline,” said LB&A vice chairman Rep. Ralph Samuels.

“In particular, our policy on pricing for pipeline expansion will promote additional exploration and development of Alaska natural gas,” said FERC Commissioner Suede Kelly.

FERC also established a long timeline of 120 days for notices and opportunities to bid in the open season, something the state had requested. In addition, FERC is requiring that a “detailed plan” for conducting the open season be filed for FERC’s approval 90 days before the 120 day period. The State requested an initial open season of six months with subsequent open seasons of four months to provide time to fully evaluate the substantial commitment of capital involved in contracting for capacity.

The Commission will also permit a locked-in rate called “pre-subscriptions” for shippers that hold significant volumes of natural gas and provide extensive financial support of the initial design and cost of the project. However, all pre-subscription agreements must be made public within 10 days of execution and all other bidders in the open season must have an opportunity to negotiate the same terms.

The final rules respond to comments received on the FERC’s November 15, 2004 Notice of Proposed Rulemaking and comments presented at a Dec. 3, 2004 technical conference held in Anchorage. Because of the importance of the rulemaking, the Commission designated it as Order No. 2005.

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