



ALASKA STATE LEGISLATURE

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Sponsor Statement

SB 122: Pipeline Act Exemptions

Senate Bill 122 aims to protect the economic viability of mature pipelines and to sensibly regulate pipelines that have no multiple-party interest by allowing the Regulatory Commission of Alaska (RCA) to exempt these pipelines from tariff rate regulation.

The RCA regulates oil and gas pipelines to ensure safe, adequate, and fair services, including open access (i.e. multiple shippers are given access to shipping capacity on equal terms) and just, fair, and reasonable rates. Pipelines are regularly reviewed to ensure tariff rates charged to multiple shippers are kept as low as possible while allowing the pipeline an opportunity to recover costs and earn a fair return.

However, some pipelines once utilized by multiple producers now have a single affiliated shipper (i.e. the company that owns the pipeline is the same and sole company that ships products on that pipeline) and other pipelines have only ever had a single affiliated shipper. Under current law, these pipelines must be regulated to ensure fair multiple-shipper tariff rates, even when there is no multiple-party interest. This tariff rate-setting process is costly—for both the pipeline owners and for state regulators—and, in the case of single affiliated shipper pipelines, provides little or no public benefit.

Additionally, some pipelines in Alaska's mature oil and gas basins have minimal throughput and fail to generate enough revenue to cover operating costs or produce a reasonable return on investment. Requiring these pipelines to go through a costly annual tariff rate-setting process can threaten their economics and hasten decommissioning. In a still-viable field, decommissioning a pipeline can result in shut-in production or producers resorting to other means of transportation like trucking or rail—costlier forms of transportation that can lead to increased demands on infrastructure and greater potential environmental impacts.

SB 122 would allow the Regulatory Commission of Alaska to exempt these marginally economic and single affiliated shipper pipelines from tariff rate regulation while preserving the agency's authority to ensure open access and just, fair, and reasonable rates where it is in the state's best interest.