

The logo for Petroleum News, featuring the word "Petroleum" in a large, serif font above the word "NEWS" in a smaller, sans-serif font, all contained within a dark green rectangular box.[Home](#)[Subscriptions](#)[Products](#)[Archives](#)

North America's Source for Oil and Gas News
July 2005

Vol. 10, No. 27

Week of July 03, 2005

Parties in CIGGS dispute reach agreement

Agreement in principle reached in Cook Inlet Gas Gathering System dispute; RCA gives parties time to reach final settlement

Kristen Nelson

Petroleum News Editor-in-Chief

The Regulatory Commission of Alaska has accepted an agreement in principle reached by the parties to resolve outstanding rate and tariff issues for the Cook Inlet Gas Gathering System. The parties have 60 days to finalize the agreement.

Marathon Oil, Unocal, Agrium, the State of Alaska, Aurora Gas, Alaska Pipeline Co. and Enstar Natural Gas Co., the parties in the CIGGS dispute, notified the commission June 24 that they have executed a comprehensive agreement in principle "setting forth the principal settlement terms intended to resolve all outstanding rate and tariff issues" in two dockets before the commission.

Agrium U.S. Inc. filed complaints against Marathon and Unocal, owners of CIGGS, arguing that the pipeline should be regulated by the commission. CIGGS, which moves gas from the west side of Cook Inlet to the Kenai Peninsula, was built prior to Alaska statutes requiring regulation of such pipelines. The Agrium complaint, filed in October, said Marathon and Unocal are violating the Alaska Public Utilities Regulatory Act and the Alaska Pipeline Act by providing unregulated transportation service through CIGGS.

The parties told the commission they have a detailed plan for reaching a final settlement and asked for 60 days to draft and file the final settlement agreement with the commission.

In a June 27 order the commission agreed to vacate its existing procedural schedule to allow the parties to finalize the settlement. It said the parties had requested a procedural schedule for the commission's "consideration, acceptance, and approval" of the final settlement, and also requested that the commission allow interim transportation and approve interim terms and conditions.

The commission said it favors settlement of issues where possible, and noted that underlying issues in the CIGGS' dispute "are complex and difficult issues" that, in the absence of a settlement, would require "considerable resources" by both the commission and the parties "to resolve through litigation."

Agreement will get gas to market

The commission said it commends the parties for reaching an agreement in principle, and notes "that their agreement will allow trapped gas to be transported to market."

The parties have until Aug. 26 to finalize and file a final settlement agreement; a public hearing on the settlement is set for Jan. 25, 2006.

As part of the agreement in principle, the commission said that Marathon and Unocal will transport gas for third-party shippers beginning Nov. 1, "unless earlier agreed" by the CIGGS owners. This transportation will be on an interim basis until the commission approves the final settlement agreement or issues a final order.

The commission agreed not to use the interim agreement as the basis for asserting jurisdiction over CIGGS and also said interim access and terms cannot be used for any party as the basis for an argument that CIGGS is subject to the commission's permanent jurisdiction.

Marathon and Unocal will charge an interim rate of 1.52 cents per thousand cubic feet per day; third-party shippers will advance a deposit for use of the interim service, a deposit which would be "fully and immediately refundable" if the final settlement agreement is not approved.

"The fact of interim and conditional access to Cook Inlet Gas Gathering System under this Order and the commercial terms of the access will not be accepted as evidence in support of any party's advocacy position on any issue of law or fact to be resolved in these Dockets or in any future proceeding," the commission said.

Petroleum News - Phone: 1-907 522-9469 - Fax: 1-907 522-9583
circulation@PetroleumNews.com --- <http://www.petroleumnews.com> --- **S U B S C**
R I B E