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RCA sets schedule for Agrium vs. Marathon, Unocal

Commission to decide whether the Cook Inlet Gas Gathering System should be regulated under Alaska's public utility act or its pipeline act

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The Regulatory Commission of Alaska will decide whether the Cook Inlet Gas Gathering System should be regulated as charged in a complaint by Agrium U.S. Inc. against Marathon Oil Co. and Union Oil Company of California, and has accepted petitions by Aurora Gas LLC, Enstar Natural Gas Co. and the state of Alaska to intervene.

CIGGS moves gas from the west side of Cook Inlet to the Kenai Peninsula, running up the west side of the inlet from Trading Bay to Granite Point and crossing under the inlet to Nikiski. The system has been in operation since 1972, before the 1974 passage of the Alaska Pipeline Act, and because of that is not regulated under the pipeline act.

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 commission said it found that "good cause existed to institute an investigation" and in January asked the companies for a preliminary joint statement of issues.

The companies were unable to agree on the issues, and submitted separate preliminary statements. Agrium submitted one statement; Marathon and Unocal submitted a joint statement and at a January prehearing conference Aurora Gas

joined the Marathon and Unocal statement of issues.

The commission also asked the parties for their views on procedural issues, but said they were not able to reach clear consensus.

“In our review of the transcript, we recognize that many of the parties have a common procedural concern, that the scope of the investigation is very broad and could become burdensome,” the commission said in a March 7 ruling.

“We appreciate the effort the parties made in the prehearing conference to enunciate their concerns and to move toward agreement where possible. We recognize, however, that we need to take a strong role in achieving the end result with the lowest possible cost to all parties.”

Phased approach

The commission said it is establishing “a sequential pleading process that permits us to focus initially only on the narrow question of whether CIGGS should be regulated. We call this process Phase One.”

In addition to an existing pipeline docket, P-04-20, the commission established a new docket, U-05-20, “to consider whether CIGGS is furnishing, by transmission or distribution, gas to the public for compensation” under the state’s public utilities act.

Filings, briefs and responses have been scheduled in a series of steps beginning March 11 and running through Nov. 2.

Among the filings required are: Marathon’s and Unocal’s gas customers, with gas volumes and designations shipped through CIGGS.

The commission also asked for response to a suggestion made by Unocal at the prehearing conference: Can CIGGS “be bifurcated jurisdictionally ... with one half of the pipeline regulated and the other half of the pipeline unregulated, based on ownership of the pipeline and/or the end users of the gas which flows through the pipeline?”

The commission said the parties expressed concern about the operational results if the commission decides CIGGS should be regulated under the state’s public utility or pipeline acts.

“To alleviate these concerns, we provide for a Phase Two of this proceeding to address the interim terms and conditions of pipeline or utility operation. In Phase Three, if necessary, we will establish final terms and conditions of ongoing operations.”

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