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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Kate Giard, Chairman
Dave Harbour
Mark K. Johnson
Anthony A. Price
James S. Strandberg

In the Matter of the Formal Complaint Filed by)
Agrium U.S. Inc. Against MARATHON OIL)
COMPANY and Union Oil Company of California)
as Owners of the Cook Inlet Gas Gathering)
System)

P-04-20

ORDER NO. 10

In the Matter of the Formal Complaint Filed by)
Agrium U.S. Inc. Against MARATHON OIL)
COMPANY and Union Oil Company of California)
as Owners of the Cook Inlet Gas Gathering)
System)

U-05-20

ORDER NO. 8

**ORDER GRANTING JOINT MOTION AND STIPULATION TO VACATE
PROCEDURAL SCHEDULE, ESTABLISHING NEW PROCEDURAL
SCHEDULE FOR APPROVAL OF SETTLEMENT; AND ESTABLISHING
INTERIM TERMS AND CONDITIONS FOR SERVICE**

BY THE COMMISSION:

Summary

The Parties¹ have reached an Agreement in Principle to resolve the underlying issues in the above-captioned Dockets. At the Parties request, we vacate the existing procedural schedule in these Dockets and allow the Parties to finalize and

¹The parties are Marathon Oil Company (Marathon), Union Oil Company of California (Unocal Alaska), Agrium U.S. Inc. (Agrium), State of Alaska (State), Aurora Gas, LLC (Aurora Gas), Alaska Pipeline Company, and ENSTAR Natural Gas Company (ENSTAR) (collectively, the Parties).

1 file for our consideration a Final Settlement Agreement. We establish a procedural
2 schedule for our consideration of the Final Settlement Agreement. We allow interim
3 transportation through Cook Inlet Gas Gathering System (CIGGS) and accept interim
4 terms and conditions.

5 Background

6 The Parties represent that they executed a comprehensive Agreement in
7 Principle setting forth settlement terms intended to resolve all outstanding rate and tariff
8 issues in these Dockets regarding the operation of CIGGS. The Agreement in Principle
9 is the detailed product of numerous meetings, extensive negotiations, mediation, and
10 the briefing filed to date by the Parties. The Parties requested that we vacate the
11 existing procedural schedule in these Dockets to allow the Parties time to finalize and
12 file a Final Settlement Agreement for our consideration. The Parties also requested that
13 we establish a procedural schedule for our consideration, acceptance, and approval of
14 the Final Settlement Agreement upon a record. The Parties also requested that we
15 allow interim transportation and accept and approve interim terms and conditions for
16 service pending our consideration, acceptance and approval of the Final Settlement
17 Agreement or our issuance of a final order resolving the underlying issues in these
18 Dockets.

19 Discussion

20 We believe that granting the Parties' requests is in the public interest. We
21 favor the settlement of issues where possible. The underlying issues in these Dockets
22 are complex and difficult issues that would otherwise require considerable resources by
23 the Commission and the Parties to resolve through adjudication. We commend the
24 parties for their efforts in reaching an Agreement in Principle and note that their
25 agreement will allow trapped gas to be transported to market. According, we grant the
26 Parties' requests.

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ORDER

THE COMMISSION FURTHER ORDERS:

1. Ordering Paragraph No. 7 of Order P-04-20(3)/U-05-20(1) is vacated.

2. Through agreement among all parties, the statutory timelines governing Docket U-04-20 are hereby waived to allow our consideration of the Final Settlement Agreement.

3. Ordering Paragraph No. 4 of Order P-04-20(8)/U-05-20(6) is vacated.

4. The following procedural schedule is hereby established for consideration of the Final Settlement Agreement:

a. by 4 p.m., August 26, 2005, the Parties shall finalize and file the Final Settlement Agreement;

b. by 4 p.m., October 26, 2005, the Parties to the Final Settlement Agreement shall file prepared testimony and exhibits;

c. by 4 p.m., November 7, 2005, any interested person or entity shall file its petition to intervene in these proceedings;

d. by 4 p.m., November 30, 2005, parties other than the settling parties shall file answering testimony and exhibits;

e. by 4 p.m., November 30, 2005, interested persons shall file comments;

f. by 4 p.m., January 4, 2006, the Parties to the Final Settlement Agreement shall file reply testimony and exhibits;

g. a public hearing shall convene at 9:00 a.m., January 25, 2006, and continue as necessary on January 26, 2006, in the East Hearing

1 Room of the Regulatory Commission of Alaska,² 701 West Eighth Avenue,
2 Suite 300, Anchorage, Alaska.³ The hearing will be for Commissioner
3 inquiry regarding the settlement agreement and the Parties to the Final
4 Settlement Agreement are expected to make the witnesses filing prefiled
5 testimony available to respond to Commissioner questions and questions
6 from interested parties.

7 3. Marathon Oil Company and Union Oil Company of California
8 stipulated and shall, as part of the Agreement in Principle, transport gas for third-party
9 shippers, beginning November 1, 2005, unless earlier agreed by the CIGGS Owners,
10 on an interim basis until such time as this Commission approves the Final Settlement
11 Agreement or issues a final order resolving the underlying issues in these Dockets.

12 4. Marathon Oil Company and Union Oil Company of California shall
13 provide interim service under the terms and conditions set out in the agreement in
14 principle (including the provisions relating to Forest Oil Company's blending of gas into
15 Cook Inlet Gas Gathering System and in accordance with the following terms and
16 conditions:

17 a. the Commission will not assert jurisdiction over Cook Inlet Gas
18 Gathering System or over the facilities or the Cook Inlet Gas Gathering
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21 ²Any party wishing to appear telephonically at the hearing must advise us, in
22 writing, by 4 p.m. at least one week before the hearing and provide a telephone number
23 where it may be reached for that appearance.

24 ³If you are a person with a disability who may need a special accommodation,
25 auxiliary aid, or service or alternative communication format in order to participate in this
26 hearing, please contact Joyce McGowan at 1-907-276-6222, toll-free at
1-800-390-2782, or TTY 1-907-276-4533 at least one week before the hearing to make
the necessary arrangements.

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System Owners by reason of or with reference to the interim and conditional access of third-party shippers under the stipulation;

b. interim access and the agreed-upon terms are without prejudice to any party's position and cannot be cited as evidence in support of any Party's position with respect to whether the Cook Inlet Gas Gathering System facilities or Marathon Oil Company and Union Oil Company of California are subject to the Commission's permanent jurisdiction;

c. Marathon Oil Company and Union Oil Company of California shall charge an interim rate of \$.0152 MCF/D; and

d. Any third-party shipper that uses the interim service shall advance a deposit consistent with the terms of the Agreement in Principle prior to commencing service, such deposit to be fully and immediately refundable in the event the Final Settlement Agreement is not approved;

e. 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.

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5. The *Joint Motion for Expedited Consideration of Joint Motion and Stipulation to Vacate the Procedural Schedule, Set a New Procedural Schedule for Approval of Settlement, and Establish Interim Terms and Conditions for Service* is here by granted.

DATED AND EFFECTIVE at Anchorage, Alaska, this 27th day of June, 2005.

BY DIRECTION OF THE COMMISSION
(Commissioners Dave Harbour and
James S. Strandberg, not participating.)

(S E A L)