

DEPARTMENT OF PUBLIC SAFETY REPORT

# MEMORANDUM

RECEIVED  
JOINT PIPELINE OFFICE  
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State of Alaska  
Department of Public Safety

To: John Kerrigan  
State Pipeline Coordinator  
Department of Natural Resources

Date: December 7, 2001

File No:

Telephone Number: 269-5461

From: Kelly Nicole!lo  
shstant: State Fire Marshal  
Division of Fire Prevention

FAX Number: 33g-4375  
Budget Information  
on Renewal of North  
Slope Pipeline AS  
38.35 Right-of-Way  
Leases

In your memorandum dated November 26,2001,you requested that the Alaska Department of Public Safety Division of Fire Prevention (DPS) provide budget estimates to complete four tasks associated with renewal of five North Slope AS 38.35 pipeline right-of-way leases. The five pipelines are the Kuparuk (ADL 402294), Kuparuk Extension (ADL 409027), Oliktok (ADL 411731), Milne (ADL 410221), and Endicott (ADL 410562). The four tasks essentially require DPS to compile available data on each pipeline to assess whether the lessee is in compliance with state laws and regulations. A report for each pipeline is to be completed by DPS and submitted to the State Pipeline Office by May 3.2002.

Since we don't inspect piping and the production facilities are not part of the renewal process we have no records of violation, investigation or noncompliance with state laws and regulations to report or budget for.

If you have any questions please don't hesitate to contact me at 269-5491.

KTN/ktn

DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT REPORT

STATE OF ALASKA  
DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT  
SAFETY OFFICE OF THE DIRECTOR

TONY KNOWLES, GOVERNOR

P.O. Box 107021

Anchorage, Alaska 99510-7021  
Phone: (907) 269-4919  
Fax: (907) 269-4992

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**DEPARTMENT OF LABOR  
& WORKFORCE DEVELOPMENT**

**DIVISION OF LABOR STANDARDS &  
SAFETY OFFICE OF THE  
DIRECTOR**

January 17, 2002

John Kerrigan

State Pipeline Coordinator  
Department of Natural Resources  
411 W. 4th Ave., 2nd Floor  
Anchorage, AK 99501-2343  
Dear Mr. Kerrigan:

RE: Memo 010087-MC, November 26, 2001

We will not require a budget to provide the information you requested for the renewal of North Slope pipelines.

The Department of Labor and Workforce Development does not have any civil proceedings, criminal proceedings, notice of violations, compliance orders, or instances of noncompliance issues with any of the North Slope pipelines mentioned in your memo. We do not conduct inspections of pipelines once they are constructed and do not issue any permits related to pipeline operations.

Please direct any questions or responses regarding this matter to the department for evaluation.

Sincerely,



Richard A. [Name]  
Director  
Labor Standards & Safety

cc: Ed Flanagan, Commissioner  
Tom Stuart, Chief, OSH  
Ray Elleven, Inspector, JPO

Director\2002 jan\kerrigan.ltr

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DEPARTMENT OF REVENUE REPORT

Alaska Department of Revenue  
Tax Division  
Compliance Report to State Pipeline Coordinators Office  
Endicott Pipeline  
Endicott Pipeline Company (ADL 410562) and Owner Companies  
February 2002

**Background and Summary**

As a prerequisite to the renewal of the right-of-way lease for the Endicott Pipeline, the State Pipeline Coordinator's Office requests a report addressing tax compliance by the lessee with the tax laws administered by the Department of Revenue Tax Division. The lessee, Endicott Pipeline Company is a partnership. Doyon Ltd., Nana Regional Corporation, and affiliates of Exxon/Mobil, BP Amoco and Unocal ("owner companies") are partners in Endicott Pipeline Company. This report explains the tax compliance requirements for the lessee and its owner companies including the audit and appeal process.

AS 43.05.230 makes it unlawful to disclose the particulars contained in a tax return or report. While AS 43.05.230 prohibits the disclosure of tax particulars, this report concludes that there are no tax compliance matters that should adversely affect the Endicott Pipeline Company lease renewal determination.

**Tax Compliance**

There are three Alaska taxes types that apply to pipeline operations: the Alaska Corporate Net Income Tax, the Alaska Motor Fuel Tax and the Alaska Oil and Gas Property Tax. Each of these taxes has compliance requirements as summarized below. **In this context, full compliance with tax laws does not mean that the State is in agreement that all taxes, interest and/or penalties owed have been paid. Taxpayers are entitled to dispute tax and penalty assessments, and the exercise of their appeal rights does not constitute non-compliance with tax laws.**

Corporate Income Tax

AS 43.20.030 requires corporations to file returns and pay tax within 30 days of the filing of the federal corporate income tax return. Partnerships are not subject to Corporate Income Tax, rather the partners report the tax attributes of the partnership. In this instance, the owner companies cited above report their proportionate share of income and expense on their corporate net income tax returns. The owner companies and their affiliated corporations have the most significant economic presence of any industry in Alaska and incur some of the largest Alaska corporate income tax liabilities. These taxpayers receive a significant portion of available audit resources. The audits deal with complex tax accounting and legal issues, and may result in multi-million dollar assessments for additional tax. It is common for taxpayers to exercise their rights to appeal under AS 43.05, and there may be audits currently at various stages in the appeals process. These appeals and the underlying disagreements about tax issues do not constitute non-compliance. **With the understanding set out in paragraph titled Tax Compliance, Endicott Pipeline Company and all of its owner companies are in full compliance with the corporate income tax requirements of AS 43.20.**

### Motor Fuel Tax

AS 43.65 requires motor fuel tax returns be filed and tax paid by the last day of the month succeeding sale or use. **With the understanding set out in the paragraph titled Tax Compliance, the Endicott Pipeline Company and all of its owner companies are in full compliance with motor fuel tax requirements of AS 43.65.**

### Property Tax

AS 43.56 levies an ad valorem tax on oil and gas property. Taxpayers routinely exercise their appeal rights in determining the correct tax liability. These appeals do not constitute non-compliance. **With the understanding set out in the paragraph titled Tax Compliance, Endicott Pipeline Company and all of its owner companies are in full compliance with the ad valorem tax requirements of AS 43.56.**

## **Appendix A: Relevant Statutes**

### **Term of Lease and Tax Information Confidentiality:**

The statutes relevant to this report follow:

AS 38.35.110. TERM OF LEASE. Each lease of state land for pipeline right-of-way purposes must contain a provision that the lease shall run for specified term of not greater than 30 years, and shall be renewable for additional periods of up to 10 years each, so long as the lessee is in commercial operation and is in full compliance with all state law, including but not limited to state law pertaining to regulation and taxation of the pipeline facility, and is in compliance with all terms of the lease. In making this determination the commissioner shall take into consideration the cost of the proposed pipeline, its useful life, and the probable financing requirement for the proposed pipeline.

AS 43.05.230. DISCLOSURE OF TAX RETURNS AND REPORTS.

(a) It is unlawful for a current or former officer, employee, or agent of the state to divulge the amount of income or the particulars set out or disclosed in a report or return made under this title, except

- (1) in connection with official investigations or proceedings of the department, whether judicial or administrative, involving taxes due under this title;
- (2) in connection with official investigations or proceedings of the child support enforcement agency, whether judicial or administrative, involving child support obligations imposed or imposable under AS 25 or AS 47;
- (3) as provided in AS 38.05.036 pertaining to audit functions; and
- (4) as otherwise provided in this section.

(b) The department, upon written request, shall furnish to the taxpayer a copy of the taxpayer's tax return upon payment of a fee of \$1 per page.

(c) The department may permit the proper officer of the United States or of a state, territory or possession of the United States or of Canada or of a province or territory of Canada, or the officer's authorized representative, to inspect tax returns

or reports filed with the department, or may furnish to the officer or representative a copy of the tax return, if the other jurisdiction grants substantially similar privileges to the department or its representative or to counsel for the state, and if the department determines that the other jurisdiction provides adequate safeguards for the confidentiality of the returns and reports, and that the returns and reports will be used for tax purposes only. The department may also permit the employment security division of the state Department of Labor to inspect tax returns or reports filed with the department or may furnish a copy of the tax returns for tax purposes only.

(d) The commissioner may furnish to the Multistate Tax Commission or other authorized agent information contained in the tax returns, reports, related schedules and documents filed under an audit or investigation of a multistate business made by the department. This information may be furnished for tax purposes only. The Multistate Tax Commission or other authorized agent may make the information available to the tax officials of other states, the District of Columbia, and the United States and its territories for tax purposes only.

(e) Nothing in this section prohibits the publication of statistics so classified as to prevent the identification of particular returns or reports or the publication of delinquent lists showing the names of taxpayers who have failed to pay their taxes at the time and in the manner provided by law, together with other relevant information which in the opinion of the department may assist in the collection of delinquent taxes.

(f) A wilful violation of the provisions of this section is punishable by a fine of not more than \$5,000, or by imprisonment for not more than two years, or by both.

(g) The information contained in a license issued by the commissioner of revenue or the commissioner of commerce and economic development under AS 43.50, AS 43.60, AS 43.65, AS 43.70, and AS 43.75 is public information.

(h) The commissioner shall, upon request, furnish to the Department of Natural Resources copies of tax returns, reports, documents filed under AS 43.65, and the Department of Revenue's determinations and workpapers. The Department of Natural Resources shall maintain the confidentiality that the Department of Revenue is required to extend to the returns, reports, documents, determinations, and workpapers furnished to the Department of Natural Resources under this subsection.

#### **Audit**

AS 43.05.040 gives the Department of Revenue the authority to audit:

#### **AS 43.05.040. INSPECTION OF RECORDS OR PREMISES AND ISSUANCE OF SUBPOENAS.**

(a) The department may examine the books, papers, records, or memoranda of any person to ascertain the correctness of a return filed or to determine whether a tax or a payment for oil or gas royalty or net profits shares under a contract,

agreement, or lease under AS 38.05 is due, or in an investigation or inspection in connection with tax matters or matters relating to oil and gas royalty or net profits under contracts, agreements, or leases under AS 38.05. The records and the premises where a business is conducted shall be open at all reasonable times for official inspection, and the department may subpoena any person to appear and produce books, records, papers, or memoranda bearing upon tax matters or matters relating to oil and gas royalty or net profits under contracts, agreements, or leases under AS 38.05, and to give testimony or answer interrogatories under oath respecting tax matters or matters related to oil and gas royalty or net profits under contracts, agreements, or leases under AS 38.05, and the department may administer oaths to persons who are so subpoenaed. A subpoena issued under this section may compel attendance of a witness or production of a document or thing, located either inside or outside the state, to the maximum extent permitted by law.

(b) A subpoena may be served by the commissioner of public safety or a peace officer designated by the commissioner of public safety, by a person designated by the Department of Revenue, or as otherwise provided by law. A subpoena may also be served by registered or certified mail for delivery restricted only to the person subpoenaed. The return delivery receipt must be addressed so that the receipt is returned to the department.

(c) If a person who is subpoenaed neglects or refuses to obey the subpoena issued as provided in this section, the department may report the fact to the superior court or the appropriate court of another jurisdiction, and may seek an order from the court compelling obedience to the subpoena. The court, to the maximum extent permitted by law, may compel obedience to the subpoena to the same extent as witnesses may be compelled to obey the subpoenas of the court.

AS 43.05.245 gives the department the authority to assess additional tax and AS 43.05.010 gives the commissioner of revenue the authority to request the attorney general to enforce collection of an assessment.

#### AS 43.05.245. ASSESSMENT AND COLLECTION OF TAX, PENALTIES, AND INTEREST.

If a taxpayer fails to file a return or report required by this title in the time required by law or regulation, or makes an erroneous or fraudulent return, the department shall proceed to assess the license fees, tax, penalties, or interest and make a return from information that it obtains. An assessment or a return subscribed by the department in accordance with this section is presumed sufficient for all legal purposes. However, nothing prevents a taxpayer from presenting evidence or other information in an informal conference under AS 43.05.240 or in an appeal under AS 43.05.241 in order to rebut the presumed sufficiency of an assessment or return subscribed by the department, nor does the presumption of sufficiency alter the parties' respective burdens of proof once the taxpayer has presented evidence or other material information to rebut that presumption. The assessment of license fees, tax, penalties, or interest under this section occurs when the department issues

a notice and demand for payment of the license fees, tax, penalties, or interest. The notice and demand for payment is issued when the notice and demand is delivered to the taxpayer in person or placed in the United States mail, addressed to the last known address of the taxpayer. Penalties and interest assessed under this title shall be collected in the same manner as provided in this title for the collection of tax or license fees.

#### AS 43.05.010. DUTIES OF COMMISSIONER.

The commissioner of revenue shall

(13) call upon the attorney general to institute actions for recovery of unpaid taxes, fees, excises, additions to tax, penalties, and interest;

(14) issue warrants for the collection of unpaid tax penalties and interest and take all steps necessary and proper to enforce full and complete compliance with the tax, license, excise, and other revenue laws of the state;

### **Taxpayer Appeals**

AS 43.05.240, AS 43.05.241 and AS 43.05.242 give taxpayers the right to appeal the actions of the department.

#### AS 43.05.240. TAXPAYER REMEDIES.

(a) A taxpayer aggrieved by the action of the department in fixing the amount of a tax or penalty may apply to the department within 60 days after the date of mailing of the notice required to be given to the taxpayer by the department, giving notice of the grievance, and requesting an informal conference to be scheduled with an appeals officer. The taxpayer shall be given access to the taxpayer's file in the department in the matter for preparation for the informal conference. At the informal conference, the taxpayer may present to the appeals officer arguments and evidence relevant to the amount of tax or penalty due the state. If the department determines that a correction is warranted, the department shall make the correction.

(b) A party who believes that the appeals officer is unduly delaying a hearing process may notify the commissioner in writing. Within 30 days after being notified by a party, the commissioner may issue an order prescribing a schedule for the appeals officer to complete the informal conference or setting a meeting at which that schedule will be discussed and prescribed. The schedule may be subsequently modified by consent of the parties. If the commissioner fails to issue an order within 30 days after receiving notice of a party's belief of undue delay, the department's action in fixing the amount of tax or penalty shall be considered to have been summarily affirmed by the appeals officer the same as if an informal conference decision to that effect were issued on the last day of that 30-day period.

#### AS 43.05.241. ADMINISTRATIVE APPEAL.

For a matter within the jurisdiction of the office of tax appeals under AS 43.05.405 , the taxpayer aggrieved by an informal conference decision entered under AS 43.05.240 may file with the office of tax appeals a notice of appeal for formal hearing, as provided in AS 43.05.430 , no later than 30 days after service of the decision resulting from an informal conference.

AS 43.05.242. JUDICIAL APPEAL CHALLENGING VALIDITY OF TAX.

(a) Within 30 days after a decision resulting from the informal conference, a person aggrieved by the action of the department under AS 43.05.240 on a ground specified in this section may appeal to the superior court.

(b) An appeal under this section may be taken from an informal conference decision only with respect to an issue in the assessment for tax, interest, and penalties that the taxpayer raises upon the ground that a tax statute or tax regulation is

- (1) violative of the United States Constitution;
- (2) violative of the state constitution; or
- (3) preempted by federal statute, regulation, or treaty.

(c) An appeal of an issue under this section may not be taken from an informal conference decision if

- (1) there is a dispute of material fact;
- (2) a factual record is necessary to decide the question of law raised;
- (3) development of a factual record will render it unnecessary to reach the question of law raised; or
- (4) the taxpayer challenges the assessment of the tax related to the issue on a ground other than one listed in (b) of this section.

(d) An issue may not be presented to the superior court unless the issue first has been presented in writing to the department at or before the informal conference. The department shall prepare a record of that portion of the informal conference relevant to the issue on appeal. The superior court shall

- (1) resolve a question of law in the exercise of the independent judgment of the superior court judge;
- (2) defer to the department on a question of law for which discretion is legally vested in the department unless not supported by a reasonable basis.

(e) An appeal of the informal conference decision under this section is exclusive as to the issue raised. The taxpayer electing to appeal under this section may not pursue an appeal of the issue under AS 43.05.241 or pursue any other action under another statute on the issue.

(f) When an appeal is taken under this section, the taxpayer shall be given access to the file of the department in the matter for preparation of the appeal.

(g) In an appeal under this section, the amount due shall be paid within 30 days after the date of the service of the informal conference decision. In place of payment of the amount due, the taxpayer may file a bond with the court or otherwise obtain relief from payment in accordance with the Alaska Rules of Appellate Procedure.

(h) Venue for an appeal filed under this section shall be set under rules adopted by the supreme court.

(i) If it is determined that appeal was improperly filed under this section, the appeal shall be transferred to the office of tax appeals for further proceedings under AS 43.05.400 - 43.05.499.

DEPARTMENT OF LAW REPORT

From: Philip Reeves

To: [jkerriga@jpo.doi.gov](mailto:jkerriga@jpo.doi.gov) Date: 1/4/02 10:48AM Subject: Budget information on pipeline renewals

John -- After a clarifying discussion with Julie Murrel, I believe that my appropriate response to your November 26 budget information request is that the Department of Law has no documentation or information regarding the five (5) north slope pipelines' compliance with laws and regulations that would not be contained in the files of the individual regulatory agencies. That is, DOL is not itself a regulator of the pipelines in a capacity independent from the agencies that it advises. There are no DOL regulations that Therefore, while an RSA will be necessary to cover the work of DOL in its direct advice to SPO on the pipeline renewals, that work appears to fall outside the scope of the November 26 budgeting request. Julie informs me that a separate request will be forthcoming that focuses on the legal advisor role that DOL will play in the ongoing SPO renewal work. PAR

CC: [jmurrell@jpo.doi.gov](mailto:jmurrell@jpo.doi.gov); [tbraden@jpo.doi.gov](mailto:tbraden@jpo.doi.gov)

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ADL 409027

DEPARTMENT OF FISH AND GAME REPORT

**MEMORANDUM**  
**Department of Fish and Game**

**State of Alaska**

*To:* John Kerrigan  
State Pipeline Coordinator  
Department of Natural Resources

*Date:* March 29, 2002  
*File No:*

*Telephone Number:* 459-7279  
*FAX Number:* 456-3091

*From:* Alvin G. Ott, Regional Supervisor  
Habitat and Restoration Division  
Department of Fish and Game

*Subject:* Endicott  
Renewal of North  
Slope Pipeline AS  
38.35 Right-of-Way  
Lease

Endicott Right-of-Way Lease (ADL 410562)

The Alaska Department of Fish and Game (ADF&G) has reviewed the right-of-way lease for the Endicott Pipeline and the application submitted by BP Transportation (Alaska) Inc. (BPTA) requesting renewal of the right-of-way lease. In summary, the ADF&G supports renewal of the right-of-way lease to BPTA. Although we have not recently inspected the pipeline and related facilities, we are not aware of any significant adverse impacts from the pipeline or the related facilities to fish and wildlife resources or their habitats.

The Endicott pipeline system, including the causeway portion of the project, potentially affected fish and wildlife resources and their habitat. Mitigation for the free movement of caribou was required by permit conditions and the pipe was constructed with three caribou ramps in accordance with the State's coastal zone consistency determination. The causeway was built with two breaches (200 and 500 foot) and later an additional 650-foot breach was added to facilitate movement of fish and to mitigate changes in water quality. All of the culverts in fish bearing waterbodies were installed in accordance with Fish Habitat Permits, except for three in the outer part of the delta. Shortly after construction, the three outer delta culverts were replaced with three new culverts set in the proper locations in side channels of the Sagavanirktok River. Minor erosion along the toe of the road occurred at Washout Creek, but this was stabilized and the outwash gravels removed.

We continue to work with BP Exploration (Alaska) Inc. on some issues related to the Endicott pipeline system including:

- (1) Duck Island Mine Site – This material site provided the majority of the gravel for construction of the Endicott road and the causeway. A rehabilitation plan for the Duck Island Mine Site has been developed by BP Exploration (Alaska) Inc. (BPXA) and approved by state and federal agencies; however, the rehabilitation has not been completed. The approved rehabilitation plan (dated November 14, 1994) was approved as Amendment #2 to Fish Habitat Permit FG85-III-0004.
- (2) West Channel Sag River Pipeline Crossing – There are a number of pipelines, including the Endicott Pipeline, on the pipeline bridge crossing of the West Channel of the Sagavanirktok River. A combination of the existing pipeline and road bridges has created shallow ponded water areas in the floodplain of the river. These shallow ponded areas are used by a variety of resident and anadromous fish species, including young-of-the-year broad whitefish. The ponded areas become isolated as stream flow decreases thus entrapping fish in areas unsuitable for overwintering survival. The ADF&G is working with BPXA to develop plan(s) to rehabilitate this reach of the West Channel Sagavanirktok River.

The creation of the shallow-ponded habitats is caused mainly by the road bridge crossing, but remedial work that may be done in the future has to take into consideration the elevated pipeline bridge located downstream of the vehicle bridge.

- (3) Side Channels of the Sagavanirktok River in the Delta – In the terrace of the Sagavanirktok River between the East and West Channels of the Sagavanirktok River, the pipeline and road cross ten streams used by resident and/or anadromous fish. Maintenance of the culverted crossings is an ongoing activity that requires cleanout of snow/ice in the spring before breakup to accommodate spring breakup flows. The ADF&G plans to inspect each of these crossings during the ice-free season in summer 2002.

If there are any questions regarding our comments on the Endicott Pipeline right-of-way renewal, please contact either me or Mr. Winters at 907-459-7289.

Enclosure: Applicable ADF&G Fish Habitat Permits for the Endicott Pipeline System

ecc: w/o enclosure

Patrick Bobo, JPO, Anchorage	Tony Braden, JPO, Anchorage
William Clifton, BPTA, Anchorage	Ed Flanagan, ADL, Anchorage
Dawn-Bishop-Kleweno, RC, Anchorage	Jeff Mach, ADEC, Juneau
Bill Morris, ADF&G, Fairbanks	Julie Murrell, JPO, Anchorage
Kelly Nicoletto, DPS, Anchorage	Philip Reeves, AG, Anchorage
Dick Shideler, ADF&G, Fairbanks	Jonne Slemmons, ADF&G, Anchorage
Neil Slotnick, ADR, Anchorage	Greg Swank, BPXA, Anchorage
Nan Thompson, RC, Anchorage	Jack Winters, ADF&G, Fairbanks

AGO/ago

DEPARTMENT OF ENVIRONMENTAL CONSERVATION REPORT

# MEMORANDUM

State of Alaska

Department of Environmental Conservation

RECEIVED  
STATE PIPELINE COORDINATOR'S OFFICE  
MAY - 1 AM 8:48

TO: John Kerrigan  
State Pipeline Coordinator  
Department of Natural Resources

DATE: April 26, 2002

FILE NO:

PHONE NO: 465-5290

FROM: Jeff Mach  
Oil and Gas Coordinator  
Department of Environmental Conservation

SUBJECT: Compliance of North Slope Pipelines  
with DEC Requirements

The State Pipeline Coordinator's Office requested the Department of Environmental Conservation (DEC) to report on five North Slope pipeline lessees' compliance with DEC's laws and regulations, from 1999 to the present. The lessees and pipelines are:

- Milne Point Pipeline LLC, lessee for the Milne Point Pipeline;
- Kuparuk Transportation Company, lessee for the Kuparuk and Kuparuk Extension Pipelines;
- Endicott Pipeline Company, lessee for the Endicott Pipeline; and
- Oliktok Pipeline Company, lessee for the Oliktok Pipeline.

Compliance status was researched through queries to DEC's computerized enforcement database, the Complaint Automated Tracking System (CATS), and inquiries to appropriate Department program managers and staff. Only those instances of noncompliance involving the pipeline operations, and not instances involving associated production or support facilities, were considered for this report. Because DEC typically deals with the pipeline operators, BP Exploration (Alaska), Phillips Alaska, and, formerly, ARCO Alaska, rather than the pipeline lessee entities named above, our research included potential violations under both the lessees' and the operators' names.

No instances of noncompliance with DEC laws or regulations involving the operation of the five subject North Slope pipelines from 1999 to the present were identified.

Please contact me if you or a member of your staff have any questions or need further information concerning this matter.

cc: Tony Braden, DNR/JPO  
Julie Murrell, DNR/JPO

REGULATORY COMMISSION OF ALASKA REPORT

# STATE OF ALASKA

DEPARTMENT OF COMMUNITY  
AND ECONOMIC  
REGULATORY COMMISSION OF ALASKA

TONY KNOWLES, GOVERNOR

701 WEST EIGHTH AVENUE, SUITE 300  
ANCHORAGE, ALASKA 99501-3469  
PHONE: (907) 276-6222  
FAX: (907) 276-0160

TTY: (907) 276-4533

April 18, 2002

State Pipeline Coordinator's

Office Attn: John Kerrigan

411 W. 4<sup>th</sup> Ave.

Anchorage AK 99501-2343

SUBJECT: Renewal on North Slope Pipeline AS 38.35 Right-of-Way

Dear Sir.

In your Letter No. 01-087-MC dated November 26, 2001, you requested budget information from the RCA to prepare a report for the SPOC's Renewal on North Slope Pipeline AS 38.35 Right-of-way Leases. The Regulatory Commission of Alaska (RCA) decided to omit the budgeting process, as the report preparation would consume only a minimum amount of time. This memorandum is our report

JOHN KERRIGAN  
RECEIVED

The SPCO requested the RCA to provide information relative to lessee compliance with State laws. The lessees include: Kuparuk (ADL 402294), Kuparuk extension (ADL 409027), Oliktok (ADL 411731), Milne (ADL 410221), and Endicott (ADL 410562).

1. Provide a report for each of the subject pipelines to the SPCO regarding the lessees compliance with all laws and regulations applicable to the above pipelines
2. Each report should provide information about agency action involving the lessee, which resulted from instances of noncompliance with laws and regulations. The report should include specific information concerning civil and criminal proceedings; Notices of Violation; compliance orders; and instances of non-compliance that did not result in formal action. Each report should provide information about ongoing investigations which may result in criminal or civil proceedings, Notices of Violation, or compliance orders if that information will not
3. For each instance of non-compliance, the report for each pipeline should provide a statement regarding self-detection and reporting by lessee, and whether the noncompliance has been corrected or is the subject of an approved corrective
4. The report should consider available records and data from January 1, 1999

The NS Carriers that the RCA is to address for the SPCO's review of the ROW lease renewals are shown below. This list identifies the Certificate of Public Convenience and Necessity (CPCN) on file with the RCA, the most recent RCA order granting the

CPC No.	CPCN Order	ADL No.	Lessee Name
307	P-82-5 (5)	402294	Kuparuk Trans. Co.
"	"	409027	Kuparuk Trans. Co. (extension)
334	P-95-5 (2)	411731	Oliktok Pipeline Company
329	P-84-1 (3)	410221	Milne Point Pipeline, LLC (oil)"
638	P-01-04	410221	Milne Point Pipeline, LLC
392	P-87-3 (4)	410562	Endicott Pipeline Company

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The RCA regulates pipelines and pipeline carriers under AS 42.06, the Pipeline Act. Authority is granted to the RCA in Article 1 of this statute. In general, the RCA is responsible for making or requiring just, fair, and reasonable rates, classifications, rules, regulations, practices, services, and facilities for pipeline carriers. The RCA has the authority to investigate, hold hearings, prescribe systems of accounts, require the filing of reports, adopt regulations, and take other lawful actions necessary to

The authorities of the RCA are implemented in

- The state legislature provided Articles 2, 3, 4, 5, 6, and 7 of AS 42.06 as the minimum requirements for carrying out the statutory duties of the RCA.

As authorized under AS 42.06.140 and other statutory provisions, the Commission has adopted regulations to carry out its statutory duties. The Commission's regulations pertaining to the NS Carriers are set out in the Alaska Administrative Code Title 3 Part 7 Chapter 47 (Regulatory Cost Charge) and Chapter 48

Staff has reviewed the files of the NS Carriers for compliance with the statutes and regulations applicable under the authority of the RCA, for the period January 1, 1999 to the present. There are no new or ongoing proceedings, other than rate proceedings, involving the NS Carriers. The RCA has not issued any Notice of Violation to any of the NS Carriers. The RCA has not investigated, either upon

In addition, Staff reviewed the terms and conditions that were attached to the Commission Order granting the CPCN for each NS Carrier. Two of the NS Carriers (Milne Point Pipeline, LLC (products) and Endicott Pipeline Company) had no conditions on the granting of their CPCN. The conditions placed on the remaining NS Kuparuk Transportation Company, CPCN No. 307

The pipeline must be constructed in accordance with all applicable federal/state/local laws.  
If a spill occurs, Carrier must notify the NS Borough within 24 hours.

If a spill occurs, Carrier must file with the RCA a copy of the final report to the ADEC under 18 AAC 75. 100.  
Oliktok Pipeline Company, CPCN No. 334

The Carrier must notify the RCA of any change in ownership of the pipeline.  
If a spill occurs, Carrier must notify the NS Borough within 24 hours.

Milne Point Pipeline, LLC, CPCN No. 329 (oil pipeline)

The pipeline must be constructed in accordance with all applicable federal/state/local laws.

If a spill occurs, Carrier must file with the RCA a copy of the final report to the ADEC under 18 AAC 75.100.

2002

The RCA has not received any reports of a spill from the above Kuparuk or Milne Point pipeline carriers, nor is it aware of any spill on these pipelines. The RCA is not aware of violation of any of the remaining conditions noted above.

In general, we find that there are no significant areas of non-compliance. In areas of minor non-compliance, we feel that the NS Carriers have acted in good faith, with adequate self-detection, and that the minor non-compliance issues can or will be readily corrected.

Sincerely,



G. Nanette  
Chair,  
Regulatory Commission of Alaska

CC: Company Files: Kuparuk Pipeline Oliktok Pipeline Milne Point Pipeline Endicott Pipeline

Jim Struempf