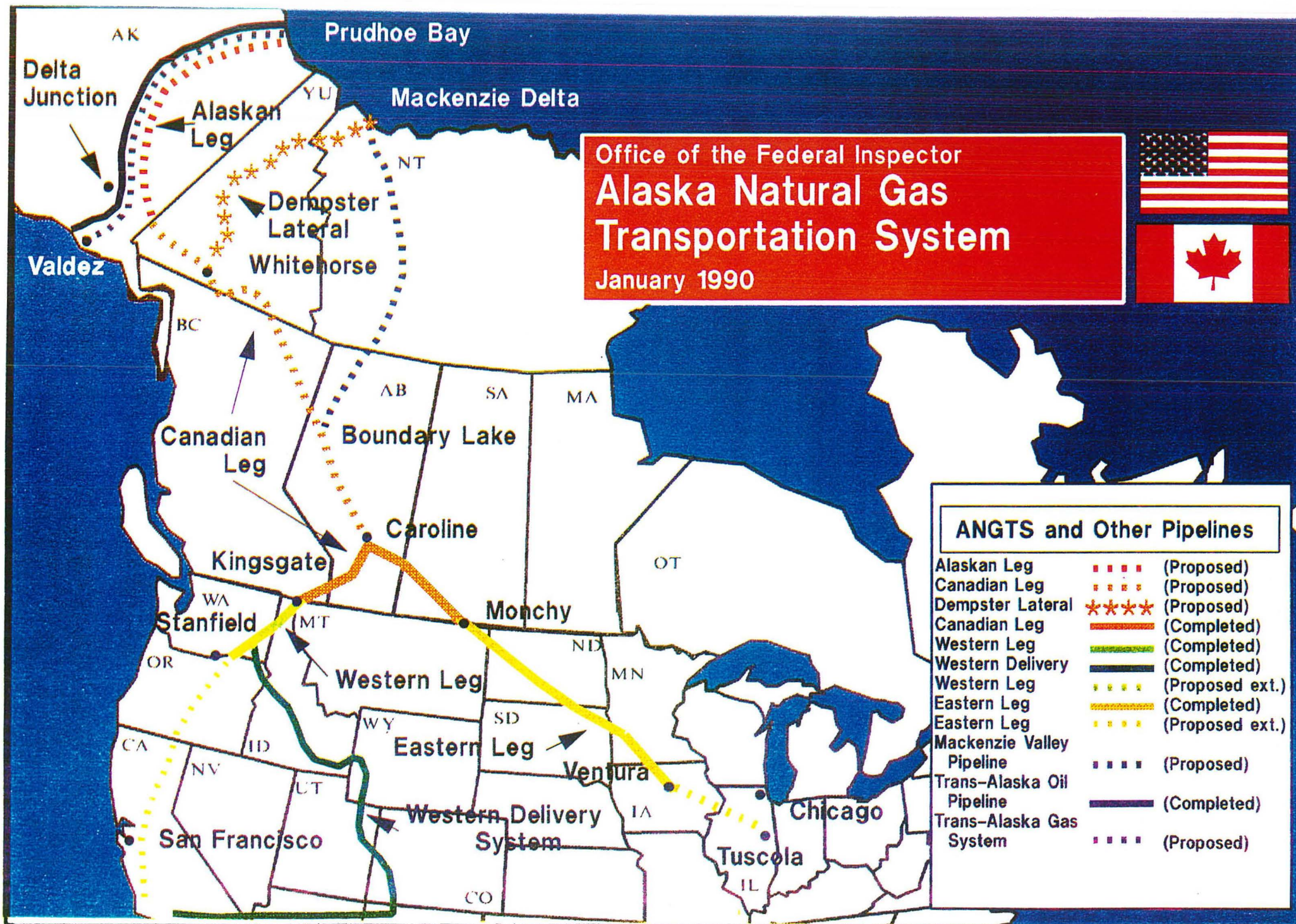


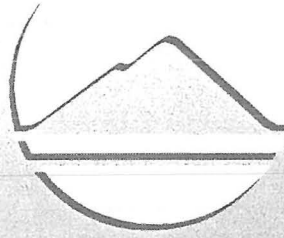
MATERIALS ABOUT THE PROPOSED ALASKA NATURAL GAS TRANSPORTATION SYSTEM

This is a collection of reports, fact sheets, chronologies, news releases, American and Canadian government correspondence, legislative acts, government announcements, and maps collected by the Office of the Federal Inspector for the Alaska Natural Gas Transportation System. The materials are dated from 1979 to 1999. This collection consists of papers originally assembled in August 1992 and again in March 1993 (see the separate tables of contents inside), then later merged with later materials added. Some of the documents are lists, diagrams, maps, and outlines written by staff of the Office of the Federal Inspector.

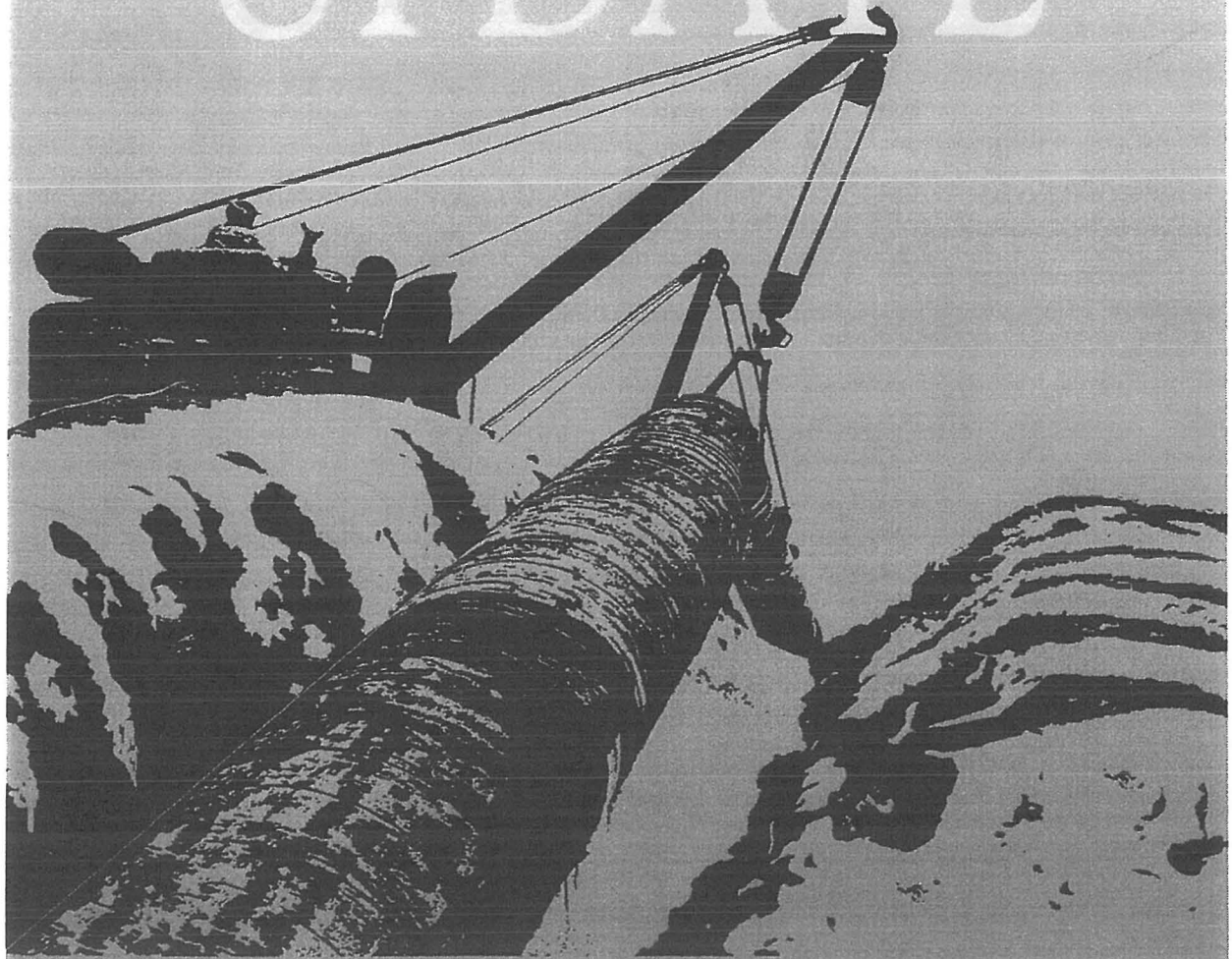
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THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM



UPDATE



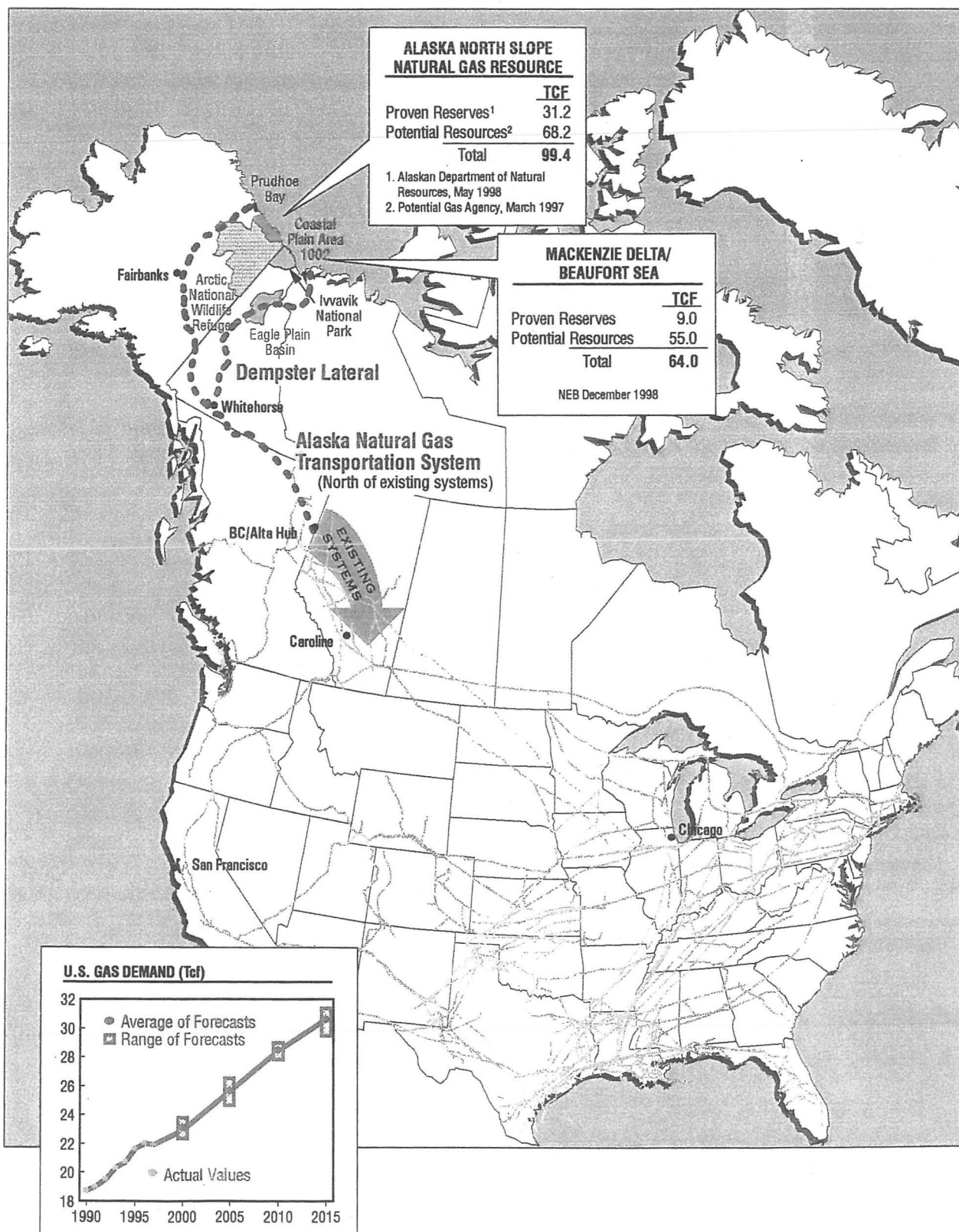
THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM

- The Alaska Natural Gas Transportation System (ANGTS) remains a viable option for the marketing of Alaska North Slope natural gas.
- Project sponsors are active and committed to its timely completion.
- The Alaskan Northwest Natural Gas Transportation Company (ANNGTC), the company responsible for the Alaskan Segment of the ANGTS, is currently sponsored by Foothills Pipe Lines Alaska Inc. and TransCanada PipeLines USA Ltd. who are also the joint operators.
- The ANGTS remains committed to the continued expenditure of capital to advance the development of pipeline technology with the goal of reducing the costs for transporting Alaskan North Slope gas to market.
- Foothills Pipe Lines Ltd. is the company responsible for the Canadian Segment of the ANGTS. Foothills is owned equally by TransCanada PipeLines Limited and Westcoast Energy Inc.
- ANGTS is certificated to transport Alaska North Slope gas reserves to market. Advantages of the ANGTS over other unconnected gas sources include a large proven reserve, minimal field development costs, major permits and construction certificates already in place, rights-of-way acquired through Alaska and the Yukon and completion of extensive engineering work.
- Pipeline technology advancements have significantly reduced project capital costs which now is estimated at \$US 6 billion for a pipeline from Prudhoe Bay, Alaska to the B.C.-Alberta border where it has the potential to connect with existing pipeline systems.
- Available or expanded capacity on these existing pipeline systems would then be used to transport the gas to markets in the Lower 48.
- Upon the completion of the ANGTS, arrangements are also in place to accommodate the transportation of Mackenzie Delta gas to market via the Dempster Lateral, when it becomes economical to do so.

DEMAND

- Market Demand
 - A consensus of forecasters expects lower-48 gas demand to increase significantly in the new millennium, reaching 30 trillion cubic feet by 2015. Demand will depend upon many factors including economic growth, environmental regulation, and electrical deregulation.
 - Environmental considerations including emissions controls will be a major driver for new gas-fired electric generation projects to satisfy growing electric demand and the loss of existing capacity due to the retirement of old and inefficient power plants. A decline in nuclear power due to facility retirements would also aid in the development of new gas-fired generation.
 - Strong growth in the U.S. economy and recovery of Asian economies would fuel additional industrial gas demand.

FOOTHILLS PIPE LINES LTD. ALASKA NATURAL GAS TRANSPORTATION SYSTEM (ANGTS)



CURRENT ORGANIZATIONAL STRUCTURE FOR THE ALASKAN SEGMENT

Alaska Northwest Natural Gas Transportation Company (ANNGTC)

- ANNGTC was formed in 1978 for the purpose of planning, designing, obtaining the financing for and constructing the Alaskan Segment of the ANGTS.
- At its most active stage the ANNGTC was comprised of 11 partners;
 - Those partners included affiliates of several U.S. and Canadian pipeline companies.
 - Over the years some of the partners have withdrawn.
 - Withdrawn partners retain certain financial interests and obligations to the Project.

Current Partners

- Foothill Pipe Lines Alaska Inc.
 - An indirectly wholly-owned U.S. subsidiary of Foothills Pipe Lines Ltd.
- TransCanada PipeLines USA Ltd.
 - Wholly owned U.S. subsidiary of TransCanada PipeLines Ltd.
- Both partners bring extensive expertise in constructing natural gas pipelines under extreme conditions
 - Foothills and TransCanada have both conducted extensive research and full scale testing in northern climates to prove engineering and construction techniques
 - ANNGTC has also conducted extensive research and full scale field testing in Alaska
 - Remain fully committed to completing the project in a timely manner

PROFILES

Foothills Pipe Lines Ltd.

- Privately held Canadian company
- Owned equally by TransCanada PipeLines Limited and Westcoast Energy Inc.
 - Both Westcoast and TransCanada are:
 - Widely held public Canadian companies
 - Leaders in Canada's natural gas industry, both being widely diversified industrial corporations
 - Total Assets - \$Cdn Billions
 - TransCanada - 25.6, Westcoast - 11.0
 - Major natural gas transporters and marketers
 - TransCanada operates over 23,200 miles of transmission pipeline
 - Westcoast operates over 11,700 miles of transmission pipeline
- Created to pursue northern pipeline project development and has actively done so since its inception
 - Canadian sponsor of the ANGTS
 - Owns and operates the Canadian Prebuild section of ANGTS
 - \$1.5 Cdn billion of investment
 - 647 miles of pipeline and 370,000 compression horsepower
 - 938 Bcf of throughput in 1998 or over one third of the total Canadian natural gas exports to the U.S.
 - Ownership interest in ANNGTC
 - Sponsor of Mackenzie Valley Pipeline and Dempster Lateral
- Has done extensive work with respect to all aspects of northern pipeline development
 - Design and construction techniques - permafrost related
 - Environmental
 - Socio-Economic

TransCanada PipeLines Ltd.

- Canadian based public company
- One of North America's leading transporters and marketers of natural gas in the U.S. and Canada
 - Partner in four U.S. regional gas pipelines
 - Great Lakes Gas Transmission System
 - Iroquois Gas Transmission System
 - Northern Border Pipeline Company
 - Tuscarora Gas Transmission Company
- Has been a major sponsor of northern pipeline projects development since the early 1970's
 - The Polar Gas Project
 - Extensive research with respect to all aspects of northern pipeline development
 - Ownership interest in ANNGTC

Westcoast Energy Inc.

- Canadian based public company
- A leading North American energy company specializing in natural gas gathering, processing, marketing, transmission, storage and distribution
 - Partner in five Canadian transporters and two U.S. transporters
- Have significant interest in power generation projects in Canada
- Have been a major sponsor in northern pipeline development since early 70s.

BACKGROUND

- With the passage of the Alaska Natural Gas Transportation Act in 1976, Foothills Pipe Lines Ltd. and Northwest Alaskan Pipeline Company advanced the Alaska Natural Gas Transmission System (ANGTS) to transport Alaskan North Slope Natural Gas to markets in the lower 48 states

- Northwest sponsored the Alaskan segment of the Project
- Foothills sponsored the Canadian section

- Following extensive U.S. and Canadian regulatory hearings, the Project was approved in 1977 over a number of competitive projects

- Declared to be the most economically and environmentally sound Project

- Extensive Project Legislative/Regulatory Approvals in place

- Bilateral treaty between the U.S. and Canada
- Special Legislation of the U.S. Congress and the Canadian Parliament
- Certificates in place for the pipeline in Canada, and the pipeline/gas conditioning plant in Alaska
- Agreements to connect Canadian Mackenzie Delta Gas

- ANNGTC and Foothills hold right-of-way easements in Alaska and Yukon respectively

- Extensive field data gathered, field testing conducted and engineering completed

- Project is in an advanced state of readiness

- Project sponsors are committed to a timely completion

- Technological advancements could contribute to a substantial reduction in Project costs and to the increased ability to transport to market a wider range of hydrocarbons safely and more efficiently

- Over the years the Project Partners have always remained active in maintaining the ANGTS as a viable entity

U.S. Legislative Background

1973

- Trans-Alaska Pipeline Authorization Act
 - Determined that "the early development and delivery of oil and gas from Alaska's north slope to domestic markets is in the national interest because of growing domestic shortages, increasing dependence upon insecure foreign sources", and in the interest of national security
 - Directed President to enter into negotiations with Canada with respect to the possibility of an overland gas pipeline from Alaska

1976

- Alaska Natural Gas Transportation Act ("ANGTA")
 - Determined that the construction of "a viable natural gas system for delivery of Alaskan natural gas to United States markets is in the national interest"
 - Established a framework for presidential and congressional selection of the best delivery system after comparative hearings before the Federal Power Commission (predecessor to FERC)

U.S. and Canadian Decision Process

1977

- FPC
 - Rejected LNG alternative
 - Recommended approval of overland pipeline through Canada
- Canadian National Energy Board
 - Recommended approval of the ANGTS Project
 - Rejected routing across North Slope and along the Mackenzie Valley
- U.S. and Canada signed agreement (with minimum term of 35 years) to support the ANGTS Project
- President issued decision approving ANGTS under ANGTA
- Congress ratified Presidential approval of ANGTS
- Conditional certificates were issued by FERC for U.S. segments of ANGTS
- Transit Treaty signed by governments of Canada and the United States providing for non-discriminatory transportation of hydrocarbons between the two countries

1978

- Canadian Parliament passed Northern Pipeline Act
 - Granted certificates for Canadian Segments
 - Established Northern Pipeline Agency (special regulatory authority to oversee Project)

1979

- In the U.S. the Office of Pipeline Inspection (OFI) was established by the President under the ANGTA.
 - Provided a one window approval for ANNGTC to all federal regulation
 - OFI approved the design, construction, and environmental criteria for all phases of ANNGTC (the Alaskan segment of ANGTS)
- Agreement between Foothills and Government of Canada regarding Dempster Lateral for the transportation of Delta Gas

1981

- U.S. Waiver of Law eliminated financial hurdles for Phase II of Project
 - Permits producers' equity participation
 - Contains provisions on billing commencement
 - Prohibits FERC from adversely altering final tariffs
 - Includes conditioning plant as part of ANGTS

Prebuilding the ANGTS

- Recognized as an advantage to U.S. in Presidential decision and to Canada in NEB decision approving ANGTS
 - Approved by FERC and NEB in 1980
- Approved in Canada in 1980, but only after assurances that the U.S. would remain committed to completion of the entire system
 - Congress passed resolution stating that ANGTS "remains an essential part of securing this nation's energy future and, such, enjoys the highest level of congressional support. . ."
 - President advised Canadian Prime Minister that "the U.S. Government. . . remains committed to the Project . . . (and) is satisfied that the entire Alaska Natural Gas Transportation System will be completed . . ."
- Special regulatory treatment including exemption from orders 380 and 256 granted by FERC
- In 1988 U.S. President reaffirmed support of special regulatory treatment of Prebuild
- In August, 1999 the FERC reaffirmed its commitment to the ANGTS Project

ANGTS TECHNOLOGICAL ADVANCEMENTS

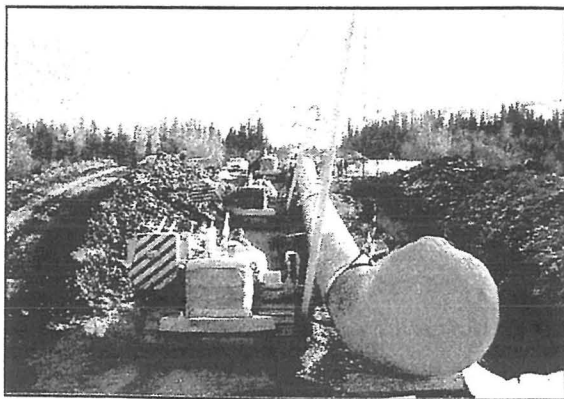
The sponsors of the ANGTS continue to actively pursue technological advancements with the goal of reducing the costs for transporting Alaskan North Slope gas to market.

Rich Gas Flow

- Advanced technology will accommodate a broad range of natural gas liquids resulting in increased product mix flexibility.
- Increased heating value will significantly reduce unit transportation costs.
- More uniform pipe temperature will reduce frost heave/thaw settlement.

High Operating Pressures

- Advanced technology will facilitate significantly increased operating pressure.
- High pressures result in reduced diameter, thicker walled, more robust pipe which will better accommodate frost heave and thaw settlement.
- Frost heave can be successfully mitigated through use of special design

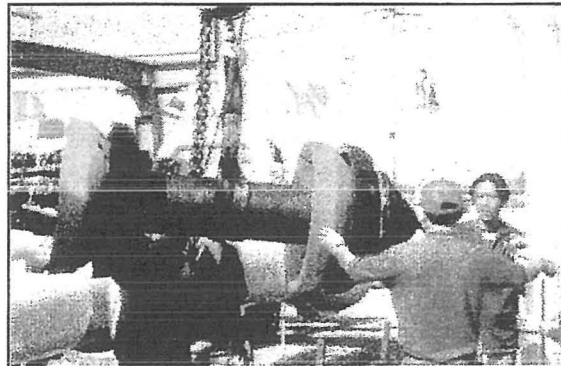


Lowering of Pipe

Ultra High Strength Steel/Composite Material Reinforcement

- Advanced technology has developed steels with increased strength and research efforts will soon provide steels as high as X100. (Original design utilized x70 pipe)
- Increases in steel strength will reduce Project costs.
- Composite materials are being developed that could potentially reduce steel requirements even further.

Electronic Positioning Pigs

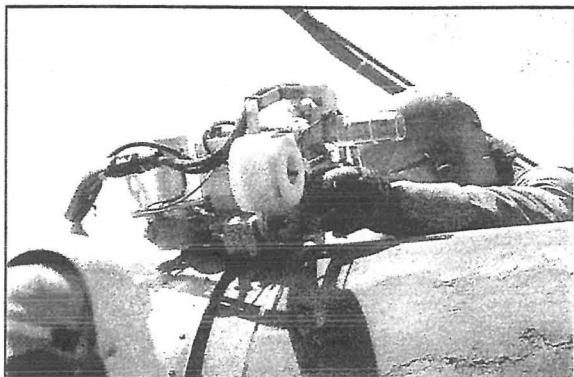


Electronic Positioning Pig

- Recently developed electronic positioning pigs make it possible to detect any pipe movements prior to any pipeline integrity concerns.
- Will offset the need for large quantities of granular material and special design to reduce the expected pipeline movements due to frost heave/thaw settlement.
- Low cost operational procedures can then be used to neutralize such pipe movements.

High Speed Automatic Welding Systems

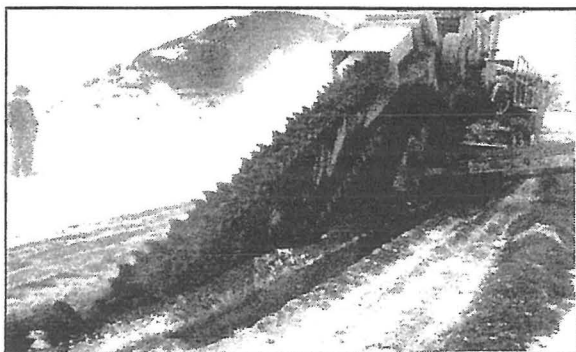
- Advancements in technology have made possible almost double the welding speed expected when the original system was planned.
- These advancements will make it possible to consider reducing the construction period by one year with major savings in Project financing costs.



Automatic Welding

Rock Saws to Trench Permafrost

- Advancements in technology have developed rock saws that will be capable of trenching most permafrost materials rather than the drill and blast technique previously contemplated.
- This advancement will significantly reduce requirements for granular materials associated with the irregular ditch resulting from the drill and blast techniques and will further reduce Project costs.



Rock Saw

Enhanced Modular Construction Techniques

- Design and construction techniques have developed such that the majority of the compression facilities can be modularly constructed in low cost fabrication plants for later assembly along the pipeline.
- These developments will reduce costs without affecting quality of facilities.

Satellite Communications Systems

- Advancements in satellite communications make it possible to attain high levels of system control, system interrogation and system optimization at relatively low cost and with minimal personnel on site.

High Efficiency Gas Turbines

- Advanced gas turbine technology provides very high efficiency resulting in a significant reduction in fuel consumption.
- Advancements have reduced weight and physical size requirements per horsepower resulting in reduced field construction costs.

Preliminary Cost Information for Revised Pipeline Design

Prudhoe Bay to Alberta / B.C. Border (\$1999) ¹

- Capital Cost \$US 6 Billion.
- 2.0 Bcfd Throughput.
- Assumes exchange rate of \$0.65 \$US/\$Cdn.

¹ Point of connection with existing pipeline systems.

PROJECT PIPELINE RESEARCH

- The ANGTS Project has spent hundreds of millions of dollars in both Alaska and Canada in order to confirm northern pipeline engineering design and construction techniques in such areas as:

- Permafrost
- Frost heave and thaw settlement
- Stabilization of disturbed areas
- Environmental disturbance mitigation

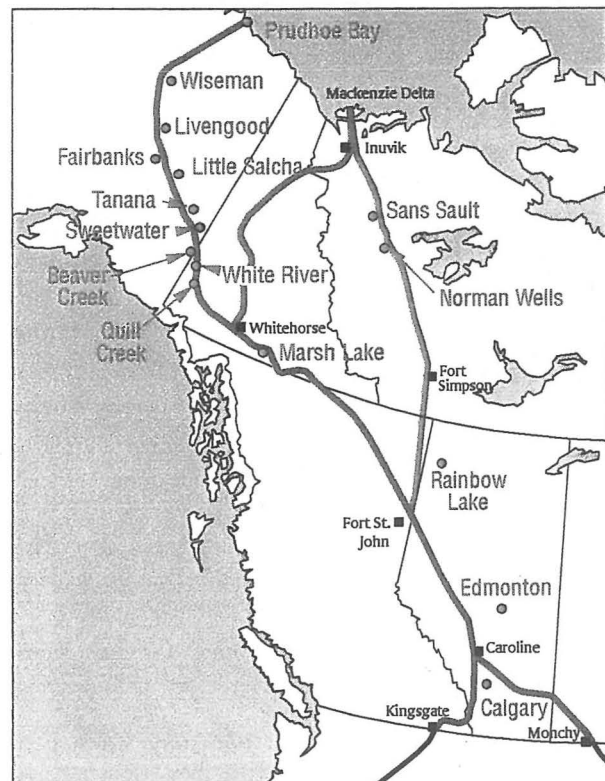
- Much of the information was obtained through extensive studies conducted at full scale field testing facilities.



Northern Pipeline Development Activities

■ Project Test Sites

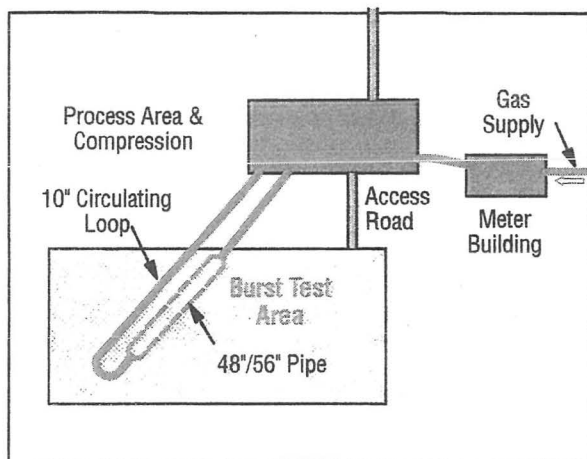
Sites	Purpose
<u>Canada</u>	
Yukon	
Beaver Creek	Frost Heave
Marsh Lake	Frost Heave
White River	Frost Heave
Quill Creek	Thaw Settlement
N.W.T.	
Norman Wells	Thaw Settlement
Sans Sault	Thaw Settlement
Alberta	
Rainbow Lake	Pipe Fracture Arrest
Calgary	Frost Heave
Edmonton	Pipe Bending
<u>Alaska</u>	
Fairbanks	Frost Heave
Little Salcha River	Frost Heave
Livengood I	Frost Heave
Livengood II	Frost Heave
Sweetwater	Frost Heave
Tanana	Frost Heave
Wiseman	Frost Heave
Prudhoe Bay	Thermal Modeling



Northern Alberta Burst Test Facility

(1979-1984)

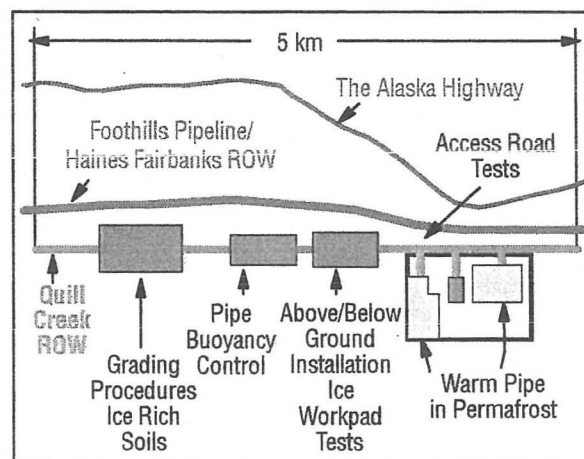
- Under conditions representative of those where ANGTS is to be operated:
 - Tested extent of propagating fractures at maximum operating pressure,
 - Tested fracture arrest properties of various wall thicknesses and toughness of pipe.
- At high operating pressures, pipe is available with toughness sufficient to mitigate fracture initiation and crack arrestors are required for economical fracture arrest.



Quill Creek Test Facility

(1981-1986)

- Under full scale conditions, confirmed:
 - Accuracy of thermal and thaw settlement predication techniques.
- Acceptability of conventional pipeline construction methods in permafrost regions
 - Several acceptable slope stabilization techniques.
- Results permit use of more cost effective construction modes.



Chilled Pipe Test Sites

- Objective
 - Test a variety of soil types along route
 - Provide additional data for empirical model development
- Locations
 - Sweetwater, Wiseman, Tanana, Little Salcha, Livingood I and II
 - Bare pipe with anti-corrosion coating
 - Insulated pipe section
 - Results used in development of empirical frost heave models

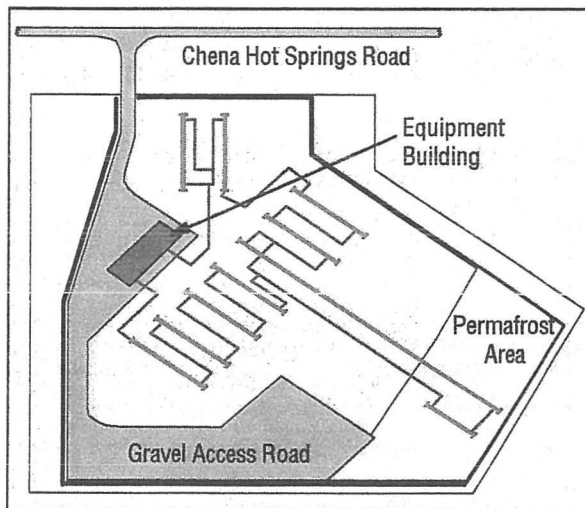


Arctic Ditcher

PROJECT PIPELINE RESEARCH *CONTINUED*

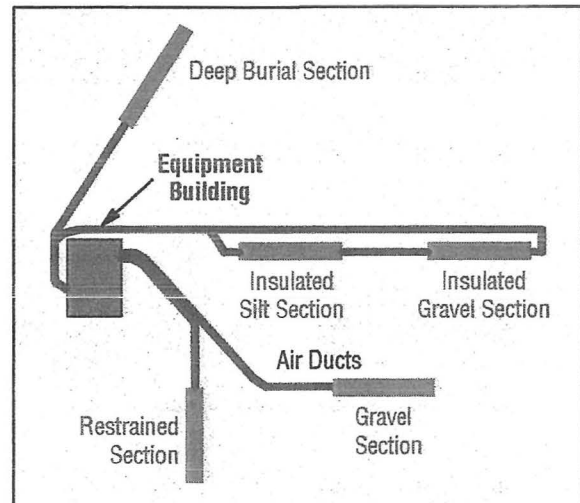
Fairbanks Frost Heave Test Facility (1980-1985)

- Objectives
 - Test a soil representative of significant length in Alaska
 - Demonstrate performance of mitigative designs
- Ten full scale test sections constructed



Calgary Frost Heave Test Facility (1974-1986)

- Under full scale conditions, measured extent of frost heave for pipe under:
 - Various pipeline designs,
 - Various soil conditions.
- Frost heave can be successfully mitigated through use of special design



Foothills Pipe Lines Ltd.
3100 - 707 EIGHTH AVENUE S.W.
CALGARY, ALBERTA T2P 3W8

OCTOBER 1999



CORPORATE HIGHLIGHTS

Foothills is a major Canadian natural gas transportation company exporting natural gas to the United States. In 1998, Foothills transported 938 Bcf or over one-third of all Canadian natural gas exported to the U.S. Load factors on Foothills' system averaged 99% over the year.

Alaska North Slope Project

- In August 1998, Foothills joined four other sponsors to develop a project that will move a portion of Alaska's North Slope natural gas reserves to Asian markets in the form of liquified natural gas. Foothills has a 22% interest in the undertaking and, along with the other sponsors, will spend over \$100 million during the first phase of the project. Other participating companies include Arco Alaska Inc. (37%), Marubeni Corp. (17%), Phillips Petroleum Company (12%) and CSX Corp. (12%). The multibillion dollar undertaking envisaged by the sponsors will involve the construction and operation of gas conditioning facilities on Alaska's North Slope, an 800 mile long high pressure pipeline to Valdez or Cook Inlet, a gas liquifaction facility, a marine terminal and the commissioning of marine tankers. The first phase will be completed over four years and will focus on defining costs and minimizing economic uncertainty. Engineering, regulatory and commercial issues will also be addressed as well as supply and market.

Eastern Leg Expansion

- Foothills completed an expansion of its pipeline system in 1998 and began flowing gas through the new facilities in December. The Eastern Leg Expansion was the largest single addition to the Foothills system to date and increased capacity to markets in the U.S. Midwest by approximately 700 MMcfd. The expansion saw the installation of 113 km of 42" pipe, a replacement 38,000 hp turbine and compressor at the Piapot Compressor Station, a new 13,000 hp recompressor at the Empress De/Re Facility and cooler additions at three of the four compressor stations in Saskatchewan. Total cost of the expansion was \$179 million. The added pipeline capacity is providing an outlet for Alberta gas to new markets and has helped to restore the pricing equilibrium between the U.S. Midwest and Alberta for Canadian producers.

Y2K

- Foothills is proactively addressing the Y2K issue. Initial work began in the mid 1990's. The Y2K compliance program was developed over the last year and a multidisciplinary staff committee was given the task of implementing the program. A consulting firm specializing in Y2K issues has provided assistance in completing an inventory and compliance check of Foothills operating equipment. The inventory allowed identification of critical systems and potential risks which are being addressed through mitigation and contingency plans. Purchasing procedures have been modified to increase Y2K compliance and a "Clean Management" policy has been adopted. A major issue was identified with the corporate financial system and as a result that system has been replaced. It is Foothills intent to provide continuous, safe and reliable service into the new millennium.

Climate Change

- Negotiation of the Kyoto Accord on Climate Change in November 1998 further signalled the increasing importance of reducing greenhouse gas emissions from energy production and use. Dealing with the accord will require innovation throughout the energy industry over the coming decades. Foothills has actively engaged in the climate change debate and became a participant in the Voluntary Climate Change Challenge in 1994. The voluntary action plan adopted by Foothills was among several from the pipeline industry receiving top marks from the Pembina Institute for Appropriate Development. Foothills' goal is to maintain a prudent approach that considers customer needs for an efficient and competitive means to move clean burning natural gas to markets where it can be used as an alternative to more polluting hydrocarbon fuels.



THROUGHPUT SUMMARY

The Canadian natural gas industry has benefited significantly from the development of the Foothills pipeline system. Since the original system went into service in October 1981, a total of 8.6 Tcf of Canadian natural gas has been delivered for export to the United States.

THROUGHPUT AND LOAD FACTORS

► Throughput and load factors for 1997 and 1998 are shown in the following table:

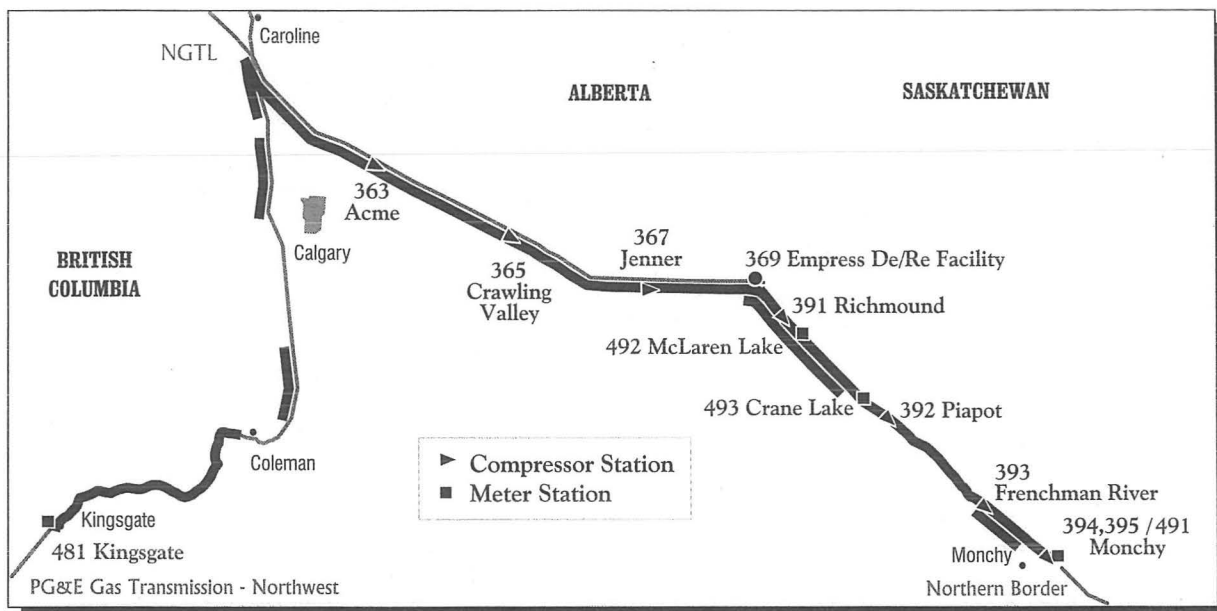
	Eastern Leg		Eastern and Western Leg Combined	
	1997	1998	1997	1998
Throughput (Bcf)	559	554	934	938
Load Factor (%)	102	101	98	99

► Currently the Foothills pipeline system has firm contracted capacity of roughly 3.3 Bcfd. This total is comprised of 2.2 Bcfd on the Eastern Leg serving markets in the U.S. midwest and 1.1 Bcfd on the Western Leg serving markets in California and the Pacific Northwest.



SYSTEM FACTS

FACT SHEET



	Eastern Leg	Western Leg	Total
Length of Pipeline (km / miles)			
Zone 6 (Alta.)	380 / 236		380 / 236
Zone 7 (Alta.)		124 / 77	124 / 77
Zone 8 (South B.C.)		166 / 103	166 / 103
Zone 9 (Sask.)	370 / 231		370 / 231
Total	750 / 467	290 / 180	1,040 / 647
Pipe Diameter (mm / inches)	1067 / 42	1,067 / 42 914 / 36	
Maximum Operating Pressure (kPa / psig)	8,690 / 1,260	6,280 / 911 8,690 / 1,260	
Compression Power (KW / Hp)			
Station 363 (Acme)	26,100 / 35,000 (ISO)		
Station 365 (Crawling Valley)	26,100 / 35,000 (ISO)		
Station 367-1 (Jenner)	21,679 / 29,072 (ISO)		
Station 367-2 (Jenner)	19,800 / 26,542 (ISO)		
Empress De/Re Facility Turbo Expanders	32,775 / 43,950 (ISO)		
Recompressors	27,591 / 37,000 (ISO)		
Station 391 (Richmond)	21,679 / 29,072 (ISO)		
Station 392 (Piapot)	28,340 / 38,000 (ISO)		
Station 393 (Frenchman River)	26,100 / 35,000 (ISO)		
Station 394 (Monchy)	21,679 / 29,072 (ISO)		
Station 395 (Monchy)	26,100 / 35,000 (ISO)		
Total	276,442/370,658 (ISO)		
Firm Export Delivery Capacity (10 ⁶ m ³ /d / MMcfd)	62.3 / 2,190	31.0 / 1,094	93.3 / 3,284



CURRENT TRANSPORTATION SERVICES

1999 ESTIMATED TOLLS

FIRM SERVICE

Firm Service (T-1)

- ▶ T-1 service is available to any customer who has signed a Firm Service Agreement with Foothills.
- ▶ A monthly demand charge (based on contract quantity and distance) is calculated on the actual costs of Foothills.
- ▶ Fuel is provided by individual customers on a volume distance basis.
- ▶ Revenue from interruptible service is credited to the T-1 cost of service.
- ▶ Backward haul service up to a customer's maximum daily receipt quantity is provided at no additional cost under the Firm Service Agreement as long as there is sufficient gas moving forward on the system. Customers are not required to provide fuel for backhaul service.
- ▶ Current estimates of the 1999 unit transportation costs based on zone receipt point quantities (excluding fuel) at 100% load factor are:

Foothills (Alta.)	Cdn.¢/Mcf
Zone 6	
- Caroline to Alta. / Sask. Border	9.0¢
Zone 7	
- Caroline to Alta. / B.C. Border	3.7¢

Foothills (South B.C.)

Zone 8	
- Alta. / B.C. Border to Kingsgate, B.C.	6.7¢

Foothills (Sask.)

Zone 9	
- Alta. / Sask. Border to Monchy, Sask.	7.2¢

- ▶ The Zone 9 toll has been reduced in 1999 as a result of the benefit of the capital cost allowance related to the 1998 Eastern Leg Expansion.
- ▶ Foothills uses an open season process to allocate available and expansion capacity. Any inquiries regarding capacity may be directed to Bob Moore at the address listed below.

Requests should be addressed to:

Bob Moore, Customer Service Representative
Foothills Pipe Lines Ltd.
3100 - 707 Eighth Avenue S.W.
Calgary, Alberta T2P 3W8
Dir: (403) 294-4407 Fax: (403) 294-4174
E-Mail: bob.moore@foothillspipe.com

INTERRUPTIBLE SERVICE IN SASKATCHEWAN

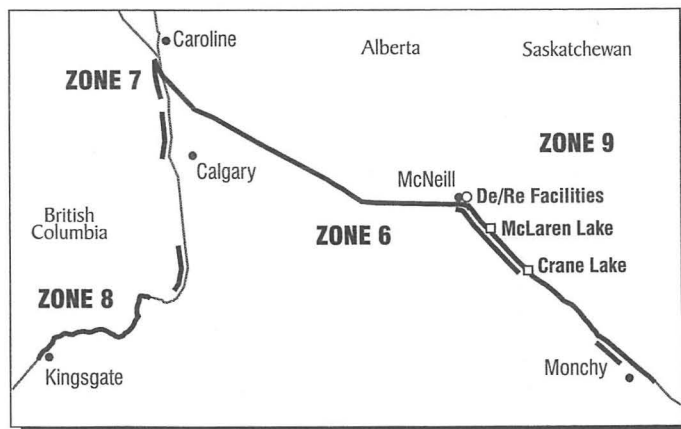
Interruptible Service (IT-1/IT-2)

- ▶ IT service for forward haul and backward haul is available in Saskatchewan (Zone 9) to any customer who has signed an Interruptible Transportation Service Agreement with Foothills.
- ▶ A commodity charge (per Mcf charge) for each of the two tiers of interruptible service is calculated at the T-1 service rate at a 90% load factor (IT-1) and a 100% load factor (IT-2). Tier 1 service has a higher priority than Tier 2.
- ▶ The rates for the two tiers of interruptible service for the period April 1, 1999 to March 31, 2000 are as follows:

	\$/10 ³ m ³ /100 km	McNeill to Monchy
Tier 1 (IT-1)	1.098	8.1¢/Mcf
Tier 2 (IT-2)	0.988	7.2¢/Mcf

Requests for Interruptible Capacity

- ▶ To request service, please make a request in writing including the following:
 1. Name, address and authorized representative of the company requesting service.
 2. Desired Maximum Daily Receipt Quantity.
 3. Term of service requested including commencement and termination dates.
 4. The proposed receipt and delivery points. In the case of service through Saskatchewan, this is McNeill (Alberta / Saskatchewan Border) and Monchy, respectively.



Phil Cochrane, Senior Supervisor, Customer Service & Regulatory Affairs
Foothills Pipe Lines Ltd.
3100 - 707 Eighth Avenue S.W.
Calgary, Alberta T2P 3W8
Dir: (403) 294-4495 Fax: (403) 294-4174
E-Mail: philip.cochrane@foothillspipe.com

PREBUILD

Phase I of the Alaska Natural Gas Transportation System was constructed by Foothills Pipe Lines following regulatory and legislative approvals in both Canada and the United States. Phase I, or the Prebuild as it has been known, was developed to deliver Canadian natural gas to the lower 48 states in advance of the flow of northern reserves. The Prebuild has been expanded on several occasions and Foothills has been responsive to changes in natural gas regulation and customer needs.

Western Leg

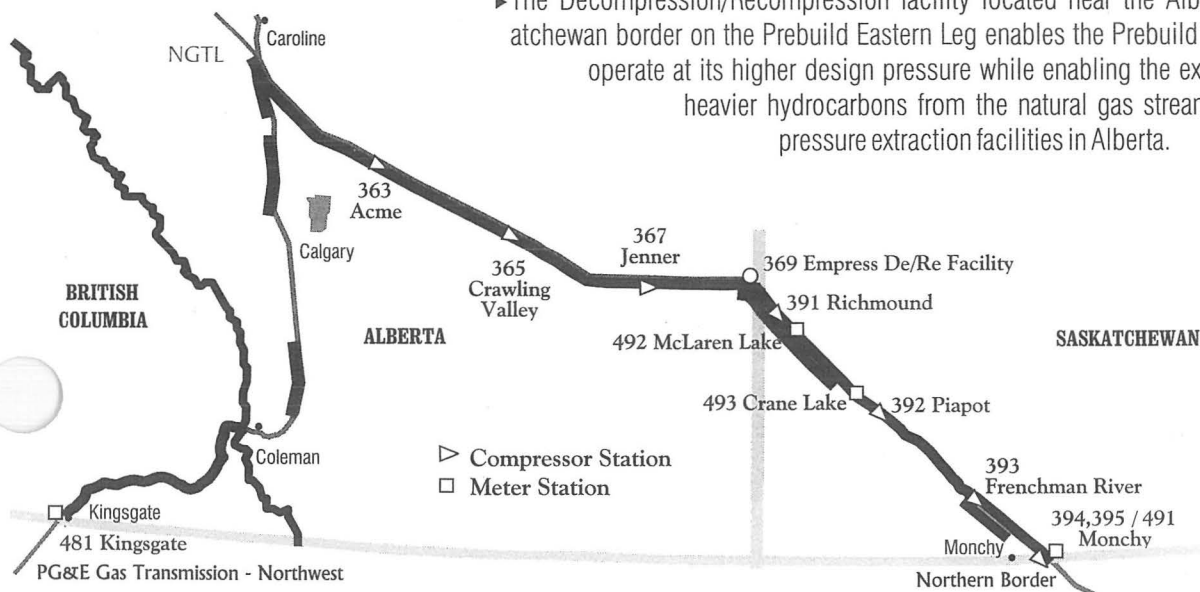
► The Western Leg in Canada consists of 180 miles of 36" and 42" O.D. - 911/1260 psig pipeline. The Western Leg is located south of Caroline along the foothills of the Rocky Mountains, through the Crowsnest Pass to Kingsgate, B.C. where it connects with PG&E's Trans-Alberta Pipeline - Northwest. The natural gas transported through this segment of the Prebuild is ultimately delivered to California and the Pacific Northwest. The Western Leg began operation on October 1, 1981. Capacity on the Western Leg is currently 1,094 MMcfd.

Eastern Leg

► The Eastern Leg in Canada consists of 466 miles of 42" O.D. - 1260 psig pipeline and associated compression facilities. Commencing at Caroline, the pipeline traverses in a southeasterly direction across Alberta, and through southwestern Saskatchewan to Monchy, Saskatchewan where it interconnects with Northern Border Pipeline Company. The natural gas is delivered primarily to U.S. Midwest markets. The Eastern Leg began operation September 1, 1982. In addition to firm transportation, an interruptible service is offered on the Saskatchewan section of the Eastern Leg. Capacity on the Eastern Leg has increased since its inception to approximately 2.2 Bcfd.

Other Facts

- The system's current total firm contract export delivery capacity of almost 3.3 Bcfd has more than tripled since the system went into service.
- The Canadian portion of the Prebuild system currently consists of 647 miles of 36" and 42" pipeline, seven compressor stations, four meter stations and a Decompression/Recompression facility.
- The Decompression/Recompression facility located near the Alberta/Saskatchewan border on the Prebuild Eastern Leg enables the Prebuild system to operate at its higher design pressure while enabling the extraction of heavier hydrocarbons from the natural gas stream at lower pressure extraction facilities in Alberta.



NORTHERN PIPELINE PROJECTS

Since its inception in the mid 1970's, Foothills has had extensive involvement in Canada's north. Several full scale test sites were established to provide information toward the cost-effective construction of a safe, reliable northern pipeline while minimizing environmental impacts. Foothills has also worked closely over the years with the people and the communities of the North to assist in the provision of sustainable development in northern regions, to minimize socio-economic impacts, and to provide benefits to northern residents.

Today, Foothills holds certificates in Canada for the construction and operation of the Alaska Natural Gas Transportation System (ANGTS) and has applications before the National Energy Board for both the Dempster Lateral Project and the Mackenzie Valley Pipeline Project. In 1998, Foothills embarked on a feasibility study for delivery of Alaskan gas reserves by LNG to Asian markets.



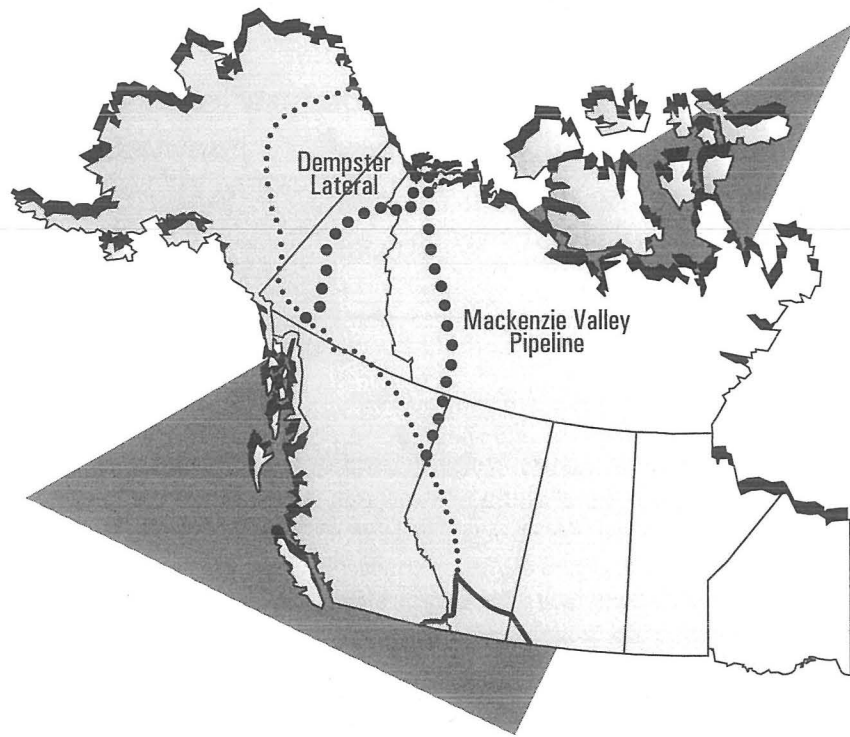
Alaska North Slope (ANS)

► In 1998, Foothills along with four other sponsors embarked on a joint venture to explore and develop a viable project for the delivery of liquefied natural gas from reserves on the North Slope of Alaska to markets in Asia. The natural gas from these frontier reserves would be shipped by pipeline across Alaska to the southern coast, liquefied and delivered to market via tankers. Foothills involvement in this project will provide valuable experience and ultimately reduce costs on Foothills' other northern development projects.

NORTHERN PIPELINE PROJECTS

ANGTS

- ▶ The ANGTS will be the largest pipeline project in North America encompassing nearly 4,800 miles of large diameter pipeline in Canada and the United States. The route for the pipeline through Canada and the United States is depicted on the left.
- ▶ The ANGTS offers a safe, reliable and environmentally sound means to transport an initial 2.3 Bcfd of Alaskan gas, with provision for an additional 1.2 Bcfd of Canadian Mackenzie Delta/Beaufort Sea gas reserves via the proposed Dempster Lateral.
- ▶ In 1988, as part of their ongoing efforts to reduce the cost of transporting natural gas via ANGTS, Foothills and its U.S. partner undertook a complete assessment of the design, capital costs, and related cost of service for the project based upon advances in pipeline technology, knowledge gained from full scale testing and changes in the economic environment. The result was a 45% reduction from the original 1982 estimate.
- ▶ Foothills continues to investigate alternative means to achieve further cost, design and operating efficiencies for the project.



Dempster Lateral Pipeline Project

- ▶ The Dempster Lateral Pipeline Project would connect 1.2 Bcfd of Canadian Mackenzie Delta/Beaufort Sea area reserves through a pipeline system that follows closely the existing Dempster and Klondike Highways to an interconnection with the ANGTS near Whitehorse, Yukon.
- ▶ The Dempster Lateral Pipeline Project assumes the ANGTS is in place.

Mackenzie Valley Pipeline Project

- ▶ The Mackenzie Valley Pipeline Project generally follows the Mackenzie River Valley to Fort Simpson, N.W.T. then south to Boundary Lake on the Alberta/B.C. Border where it would connect with an extension of the existing Prebuild System. The project was designed to transport an initial volume of 1.2 Bcfd from the Mackenzie Delta/Beaufort Sea area.

BACKGROUND

Foothills sponsors have been active in the development of northern pipelines dating back to the late 1960's when the first large discoveries of natural gas were made near Prudhoe Bay, Alaska and subsequently in the Canadian Mackenzie Delta/Beaufort Sea Region. Foothills was formed as a joint venture to advance the development of northern pipeline systems on behalf of its shareholders, NOVA (now TransCanada PipeLines Limited) and Westcoast Energy Inc.

1976

- ▶ In 1976, Foothills and its American partner (Northwest Alaskan Pipeline Company) jointly proposed the Alaska Natural Gas Transportation System (ANGTS) to transport Alaskan natural gas from Prudhoe Bay through Alaska and Canada for markets in the lower 48 United States. Two other competing projects were also advanced at that time; a liquefied natural gas (LNG) tanker project and a project crossing the environmentally sensitive Alaskan North Slope.
- ▶ The Alaska Natural Gas Transportation Act (ANGTA) was passed in 1976, establishing a procedural framework to permit the President and Congress to make a final decision on a transportation system for Alaskan reserves.

1977

- ▶ In 1977, after extensive public hearings in both Canada and the United States, Canada's National Energy Board (NEB) and the United States Federal Power Commission (FPC) [predecessor to the Federal Energy Regulatory Commission (FERC)] chose the ANGTS as the most economic and environmentally sound means to deliver Alaskan reserves to market.
- ▶ In the same year, the President approved the ANGTS, which was ratified by Congress and an "Agreement on Principles Applicable to a Northern Pipeline" was then signed and ratified by Canada and the United States, approving the ANGTS routing. In 1977 the FPC also granted conditional certificates to the ANGTS sponsors in the United States.

1978

- ▶ Following the Agreement, the Canadian Parliament in 1978 enacted the Northern Pipeline Act which granted certificates to Foothills for the construction of the ANGTS in Canada and established the Northern Pipeline Agency to oversee design and construction of the Canadian portion of the project.

1979

- ▶ The opportunity to access Canadian Mackenzie Delta/ Beaufort Sea reserves prompted the Government of Canada and Foothills to enter into two Agreements. The first, the Dempster Link Agreement, required Foothills to file an application for approval to construct the Dempster Lateral and the second, the Natural Gas Throughput Agreement, required Foothills to provide for transportation of these reserves on the ANGTS. In June 1979, Foothills filed the necessary application to meet its obligation. In 1990, the Dempster Link Agreement was extended to April, 2000.

1980

- ▶ In both the NEB Decision (1977) and the President's decision (1977), the concept of prebuilding the southern portions of the ANGTS was identified as a benefit of the project.
- ▶ This would provide U.S. consumers with the opportunity to obtain additional surplus Canadian gas in advance of Alaskan gas. United States Presidential and Congressional assurances and support for the expeditious completion of ANGTS enabled the approval of the Prebuild in Canada.
- ▶ The Prebuild was designed to include a Western Leg transporting Canadian gas to markets in California and the Pacific Northwest, and an Eastern Leg to primarily serve the U.S. Midwest market.
- ▶ In the early 1980's, transportation contracts were put in place for 240 MMcfd (Pan-Alberta Gas Ltd.) on the Western Leg and 975 MMcfd (800 MMcfd - Pan-Alberta Gas Ltd., 100 MMcfd - Consolidated Natural Gas Company and 75 MMcfd - ProGas Limited) on the Eastern Leg, following which construction began in Canada and the United States.

BACKGROUND

1981/82

- The Prebuild Western and Eastern Legs were placed in service in 1981 and 1982 respectively. The installation of these pipeline facilities was the result of an investment of approximately \$Cdn. 2.5 billion in Canada including transmission, gathering and production facilities. The Prebuild system has provided and continues to provide substantial benefits to Canada and the U.S. that otherwise would not have been realized.



1988

- In 1988, renewed interest in the Canadian Mackenzie Delta/Beaufort Sea reserves raised the possibility that these reserves could move to market in advance of Alaskan north slope reserves. Consistent with Foothills' commitment to transport both Alaskan and Mackenzie Delta natural gas reserves to market, the Company filed an application for approval to construct a pipeline system to transport Mackenzie Delta/Beaufort Sea reserves to market. The Mackenzie Valley Pipeline was developed as an alternative to the Dempster Lateral.
- The decision as to which project proceeds first is dependent upon whether Alaskan North Slope or Canadian Delta gas is marketed first. Both the Dempster Lateral Project and the Mackenzie Valley Pipeline Project applications remain before the NEB.

1990

- In 1990, Foothills acquired an interest in the Alaska segment of the ANGTS demonstrating its further commitment to the delivery of northern gas reserves.
- The addition of De/Re Facilities at the Alberta/Saskatchewan border enabled Foothills (Alta.) system to be segregated from NOVA Gas Transmission facilities and operate at a higher pressure consistent with its original design. The facilities were located adjacent to the Empress Extraction Plants and maintained the ability to strip the gas of its heavier hydrocarbons prior to exiting Alberta.
- A new compressor station was added near the Frenchman River in Saskatchewan to act as a security station in the event of an outage at the Monchy Station located at the Canada/U.S. border.

1991

- In 1991, Foothills along with three major Delta producers and two other pipeline companies formed a joint venture to examine the viability of a common pipeline project to connect northern Canadian natural gas reserves.

1992

- Minor modifications to the Monchy Compressor Station on the Saskatchewan segment increased firm capacity to 1500 MMcfd.

1992 CONTINUED

- Foothills also added two new compressor stations in Alberta located near Acme and Crawling Valley and modified the existing station near Jenner to meet the increased capacity requirements on the Alberta section. The additions and modifications were completed for service by November 1992 and added 577 MMcfd of additional capacity in Alberta.
- Foothills added a second stage to its De/Re Facilities to increase capacity to accommodate the new expansion volumes.

1993

- Foothills received a request to increase capacity on the Western Leg of its system by 854 MMcfd. To accommodate this request, Foothills constructed four sections of new pipeline virtually completing the pipeline in South B.C. The facilities were completed for a November, 1993 in-service.

1994

- The high system load factors and potential significant throughput losses associated with an unscheduled outage at Monchy dictated the need for a second compressor unit at that station. The new unit was completed and ready for service in September of 1994.

1998

- Based on new capacity requests totalling 700 MMcfd, Foothills made major additions to its Saskatchewan and Alberta facilities on the Eastern Leg. A third phase was added to the De/Re Facility, 113 km of 42" pipeline looping to the existing system was constructed, a new larger horsepower compressor and turbine unit replaced the existing unit at Piapot and other modifications to existing Saskatchewan compressor stations were completed. The facilities were placed into service in the last quarter of 1998.
- Foothills embarked on a feasibility study for delivery of Alaskan stranded natural gas reserves by LNG to Asia Pacific markets.

11/19/99

FOOTHILLS PIPE LINES LTD.
FACT SHEET

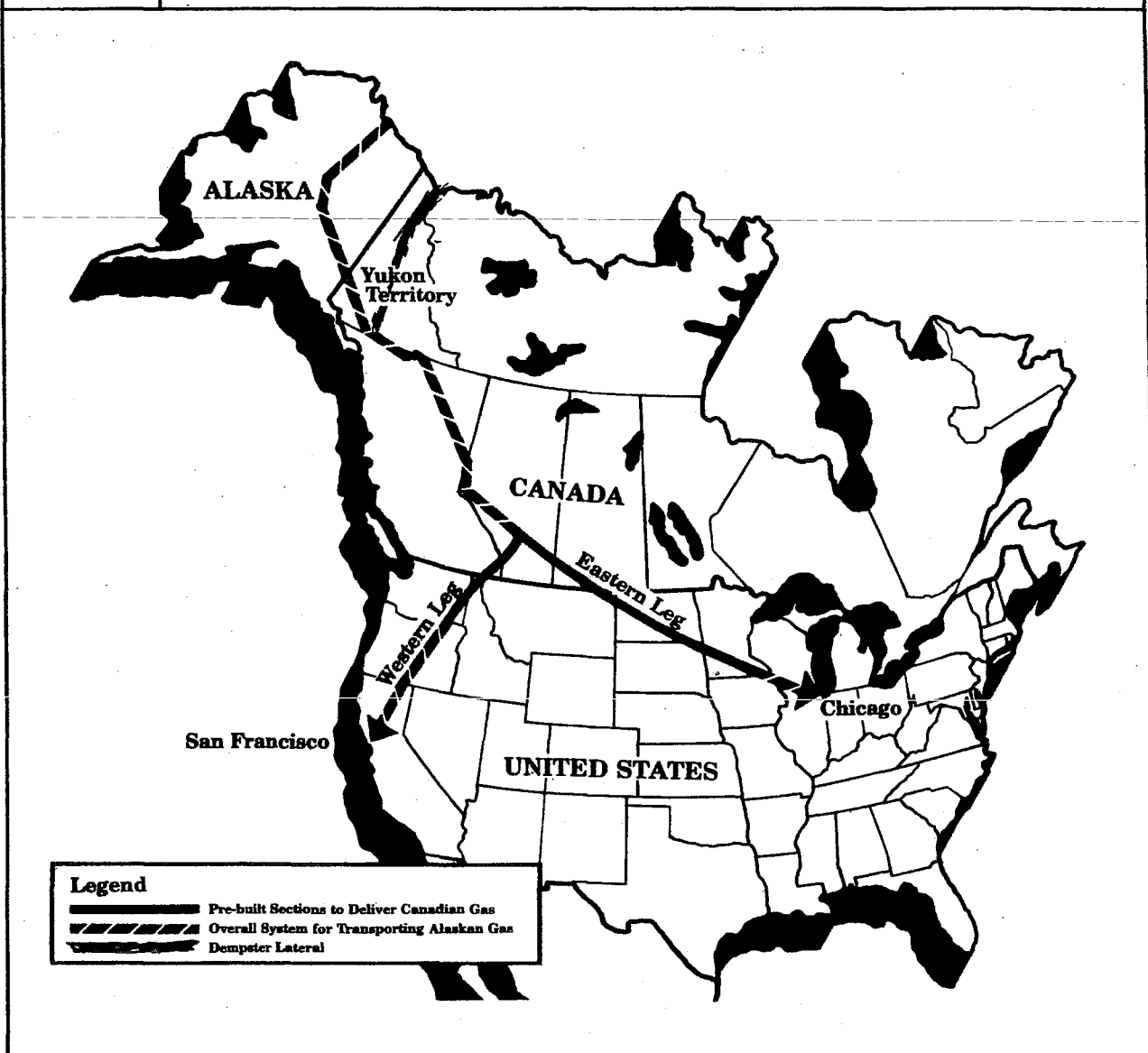
(November 19 Meeting with Robert L. Pierce, Chairman & CEO and
Vice Presidents John Elwood and Harry Hobbs)

- Foothills Pipe Lines Ltd. (Foothills) is a major Canadian natural gas pipeline which is a privately-held company, equally owned by a wholly owned subsidiary of TransCanada PipeLines Ltd. of Calgary, Alberta, and Westcoast Energy, Inc. of Vancouver, British Columbia. In 1998, Foothills delivered almost one-third of all Canadian gas exports to the United States (938.3 billion cubic feet). (See attached map)
- Foothills is the Canadian sponsor of the Alaska Natural Gas Transportation System (ANGTS). In 1977, the United States and Canada signed an Agreement on Principles for the construction and operation of the ANGTS, which would have extended almost 4,800 miles from Prudhoe Bay, south to near Fairbanks, then to the southeast along the route of the Alaska-Canadian highway to near Calgary, Alberta, where it would split into two legs, one continuing to the Pacific Northwest and California (Western Leg), and the other to Iowa and Illinois in the Midwest (Eastern Leg). The planned ANGTS was designed to deliver up to 2 Bcf of gas per day to the lower 48 states from Alaska at a cost of \$14.6 billion (1988 est.)
- The complete ANGTS has not yet been built -- only the first phase or "prebuild" portion was completed. (Foothills remains committed to completion of ANGTS -- see attached press release.) The Foothills pre-build segment was completed in 1982 and consists of a 400-mile eastern and 130-mile western leg serving two major U.S. import pipelines. While originating just south of Caroline, Alberta, the eastern leg continues through southeast Alberta and terminates at the border in western Saskatchewan at Port of Morgan, Montana. There it connects with the Northern Border Pipeline. The western leg travels in a southwesterly direction, crossing into British Columbia where it terminates at the border near Eastport, Idaho. There it connects with PG&E Transmission - Northwest (formerly Pacific Gas Transmission).
- The delay in the completion of the ANGTS, was due to environmental and cost feasibility concerns, as well as the fact that there was far more natural gas supplies in Canada readily available to the United States than previously realized. The delay in the completion of the ANGTS also led to the proposal of an alternate Alaskan gas pipeline known as the Trans-Alaska Pipeline System, or TAGS. TAGS was planned as a 820-mile gas pipeline that would have transported gas from the North Slope to the Kenai Peninsula of Alaska where it would have been processed into liquefied natural gas (LNG) and marketed to Japan and other Pacific Rim countries. To date, TAGS has not initiated construction.

- Foothills also supports the construction of a pipeline to the Mackenzie Delta area in the Northwest Territories near the Beaufort Sea as a possible intermediate step to the completion of ANGTS. Foothills estimates that the Mackenzie Delta Pipeline could deliver up to 1.2 Bcf for \$3.7 billion to the ANGTS pre-build. To date, this pipeline has not gone forward. This is due, in part, to expansions that have taken place north of Foothills' system on NOVA Gas Transmission that have offset the near-term need for either ANGTS or the Mackenzie Valley Pipeline projects.
- Foothills Expansion: In November 1998 Foothills expanded capacity on its system to allow it to increase deliveries on its eastern leg to Northern Border by 700 MMcf per day. The expansion now gives Foothills the ability to make deliveries to the Midwest for up to 2.3 Bcf per day. By 2001, Foothills will be in direct competition with the Alliance Pipeline Project which will have the capacity to deliver 1.3 Bcf gas per day into the Chicago region where Northern Border based much of its expansion.
- Foothills is Partner in Project to Market Alaska LNG: Foothills is also a partner in another project to market the Alaskan North Slope Gas Project. The three other partners include ARCO Alaska Inc., Marubeni Corp. and Phillips Petroleum. The project would consist of building an 800-mile gas pipeline from Alaska's North Slope to the Cook Inlet -- for converting natural gas to LNG for sale to Pacific Rim countries. This group has earmarked 2003 to start construction and 2007 for the first LNG shipments to Asia. CSX Corp.'s wholly owned subsidiary, Yukon Pacific Corp., recently withdrew its partnership in this project because the consortium had decided to opt for a southern terminus in Cook Inlet rather than Valdez. Much of this project is similar in concept to the TAGS project, which has been on indefinite hold; however, but this project is much smaller in scale.

**FIGURE
1**

The Alaska Natural Gas Transportation System



Currently, both Korea and Japan have announced that in conjunction with ARCO they are conducting feasibility studies of importing additional LNG from Alaska.

Future Outlook for Alaskan Gas

Although market conditions do not encourage extensive development of Alaskan gas resources at this time, the large gas resource of Alaska will most likely become an important element of

American gas supply as economic conditions and energy needs change. As the marketability of Alaskan gas becomes apparent, completion of the projects underway to deliver this resource will ensure that Alaskan gas will be available to the lower-48 states. (Table 2 follows on the next page.) □

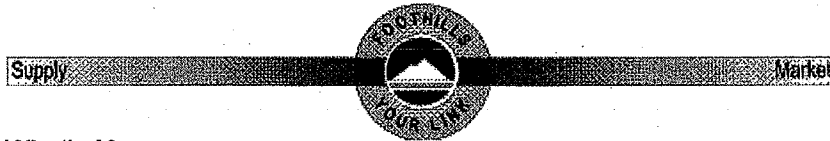
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³Potential Gas Agency, *Potential Supply of Natural Gas in the United States* (Golden, CO: Colorado School of Mines, 1985).

**What's New****NEWS RELEASE****ALASKA NATURAL GAS TRANSPORTATION SYSTEM (ANGTS)
EFFECTIVE WAY TO SHIP ALASKAN GAS TO U.S. MARKETS**

Calgary, Alberta, November 9, 1999 - Prompted by recent press speculation about possible northern pipeline projects, Robert L. Pierce, Chairman & CEO of Foothills Pipe Lines Ltd., stated that he remains convinced that the ANGTS from Prudhoe Bay along the Alaska Highway remains a very effective way to ship Alaskan Gas by pipeline to the lower 48 states.

"There is a growing demand for natural gas in the United States, estimated to reach 30 trillion cubic feet per year," said Mr. Pierce. "I have recently met with interested parties in Ottawa, Washington, Whitehorse and Anchorage and advised them to this effect and that in my opinion Alaskan gas will be required to meet this 30 Tcf demand."

Foothills Pipe Lines is the Canadian sponsor of the ANGTS and a partner in the Alaskan segment of the project. The system, which has been granted regulatory approval, includes an unprecedented level of agreement and legislation between the Canadian and U.S. Governments. Both regulators then agreed it was the most economic and environmentally sound means to deliver Alaskan reserves to market. The proposed system also provides for the transport of Mackenzie Delta gas through the Dempster Lateral pipeline, as then recommended by the National Energy Board.

"The ANGTS system will provide significant national and regional economic benefits in both Canada and the United States, particularly Alaska, Yukon, Northern British Columbia, and to the Northwest Territories with a shipment of Mackenzie Delta gas via pipeline along the Dempster Highway," said Mr. Pierce. "Our re-assessments of the project in light of advances in technology, our northern research and our operating experience have resulted in significant reductions in costs from our original estimate. Because of the ANGTS head start resulting from its regulatory approvals, advancements in project engineering, full scale testing in northern conditions and the certificates held for construction and operation, I believe the ANGTS not only remains economically viable, but will be earliest to lower 48 markets. No other project is in that position."

Foothills Pipe Lines is a major Canadian natural gas transmission company which delivers approximately one-third of all Canadian exports to the United States. It is owned by TransCanada PipeLines Limited and Westcoast Energy Inc.

For further information, please contact

Robert L. Pierce
Chairman & Chief Executive Officer
403-294-4490

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U.S. Commitment to Canada on ANGTS

I. Introduction

The U.S. commitment to Canada on the Alaska Natural Gas Transportation System (ANGTS) is two-fold, embracing a broad commitment to construction of the project by removing regulatory impediments to its private financing, and a more narrow but not unrelated guarantee of the stream of revenue that supports financing of the Canadian "prebuild." Despite numerous and continuing Presidential, Congressional, and administrative actions reaffirming these commitments, it is unclear whether the U.S. and Canada interpret them in the same manner.

II. Removal of Regulatory Impediments to Private Financing

Pursuant to the 1976 Alaska Natural Gas Transportation Act (ANGTA), 15 U.S.C. §719, and an Agreement on Principles signed by the U.S. and Canada on September 20, 1977,¹ President Carter issued a decision (President's Decision) selecting and approving for construction a 5,000-mile pipeline to bring North Slope gas to U.S. markets.² The Agreement on Principles reflects the support of the U.S. and Canada for the project based on a principle of private financing, and their mutual commitment, consistent with this principle, to facilitate the construction and operation of the pipeline.

¹ Agreement Between the United States of America and Canada on Principles Applicable to the Northern Natural Gas Pipeline, 29 U.S.T. 3581, T.I.A.S. No. 9030.

² Decision and Report to Congress on the Alaska Natural Gas Transportation System (September 22, 1977), H.J. Res. 621, P.L. No. 95-158, 91 Stat. 1268, 95th Cong., 1st Sess. (November 1, 1977).

In a series of orders issued in 1980, the Federal Energy Regulatory Commission (Commission) authorized the "prebuilding" of the lower half of ANGTS. In addition, those orders authorized Northwest Alaskan Pipeline Company (Northwest Alaskan) to import a total of 1.04 Bcf/d of natural gas from Canada to support the prebuild.³ Northwest Alaskan purchases Canadian gas from Pan-Alberta Gas Ltd. (Pan-Alberta) pursuant to two 1978 agreements. The first agreement, the Eastern Leg contract, provided for the import of 800,000 Mcf/d at Monchy, Saskatchewan, for resale to United Gas Pipeline Company (United) (450,000 Mcf/d), Northern Natural Gas Company (200,000 Mcf/d), and Panhandle Eastern Pipe Line Company (150,000 Mcf/d). The second agreement, the Western Leg contract, provided that Northwest Alaskan would purchase 240,000 Mcf/d at Kingsgate, British Columbia, to be resold to Pacific Interstate Transmission Company.

In June and July of 1980, when the Parliament was considering final approvals for construction of the Canadian portion of the prebuild, Canada sought reassurance that the U.S. was committed to construction of the full ANGTS. Of particular concern was whether the U.S. would waive a financial condition in the President's Decision, which condition prohibited tariff

³ See orders issued in Docket No. CP78-123 et al., on January 11, April 28, and June 13 and 20, 1980, 10 FERC 61,032, and 11 FERC 61,088, 61,279, and 61,302, respectively. The President's Decision anticipated the "early construction of the southern Canadian and lower 48 sections of [ANGTS]... in advance of the delivery of Alaskan gas." President's Decision, p.xii.

recovery of costs until completion of ANGTS,⁴ to allow Canadian sponsors of the northern (Canadian) segment to recover their investment when that segment was completed. Domestic opponents in Canada were pressuring the government at the time not to approve the requested authorization because in their view the project would never receive the private financing necessary to complete the remaining segments. Canada, opponents claimed, would be stuck with the southern portion in place, but good only for carrying to the U.S. Canadian gas which many in Canada argued would be needed for its own markets.

Canada approved commencement of construction of its prebuild on the basis of assurances from both the White House and Congress. On July 1, 1980, Congress passed a Joint Resolution which reaffirmed its support for ANGTS.⁵ After finding, among other things, that prebuilding would enable the U.S. to displace two hundred thousand barrels of foreign oil per day with Canadian natural gas, the Joint Resolution declared ANGTS "remains an essential part of reassuring the Nation's energy future and, as such, enjoys the highest level of Congressional support for its expeditious construction and completion...."⁶ On July 18, 1980, President Carter wrote Prime Minister Trudeau a letter expressing U.S. support for prebuilding and the eventual completion of the remainder of ANGTS. Addressing the specific financing condition,

⁴ See, n.7, infra.

⁵ S. Con. Res. 104, 96th Cong., 2nd Sess.

⁶ Id.

(4)

the letter concluded: "I would be prepared at the appropriate time to initiate action before the U.S. Congress to remove any impediment as may exist under the present law to provide that desired confidence for the Canadian portion of the line."

A year later, unable to secure the necessary financing, in part due to the lack of Canadian participation, project sponsors submitted a waiver proposal to the Administration under section 8(g) of ANGTA. On October 15, 1981, President Reagan sent Congress a five-part waiver package that included a proposal to waive language in the President's Decision in order to allow purchasers of Alaskan gas to be prebilled, on a "full cost of service" basis, upon completion of the northern Canadian facilities (the southern Canadian prebuild had already been financed and constructed), without regard to whether the U.S. facilities, i.e., those in Alaska, were completed.⁷ Another element of the waiver proposal provided regulatory certainty to lenders by waiving sections 4, 5, 7, and 16 of the Natural Gas Act (NGA), 15 U.S.C. §717, to the extent those sections permitted the Commission to approve or revise ANGTS-related tariffs in a way that impaired cost recovery.

⁷ Section 5, Condition IV-3, of the President's Decision prohibited any tariff or other fee which forced a purchaser or ultimate consumer of the Alaska gas to pay for ANGTS at any time prior to its completion. (To this date, the Alaska and northern Canadian facilities remain unbuilt.)

In the Committee report accompanying the Joint Resolution approving the waiver package,⁸ Congress expressed its sense that the waivers discharged the U.S. commitment to Canada by removing all remaining legal and regulatory obstacles to private financing, a matter which became then a function of the marketplace.

Should the sponsors of the pipeline fail to secure private funds for its construction, despite passage of the waiver proposal, then it is the judgement of the Committee that a basic precondition of all agreements concerning the project with Canada, that is that the project be privately financed, will have failed through no fault of the United States, but through the exercise of the free judgment of private investors; and that no obligations of the Congress to consider further means of promoting or assuring construction of the project will remain.⁹

III. Minimum Revenue Stream Guarantee

The second part of the U.S. ANGTS commitment devolves from the 1980 prebuild authorizations issued by the Commission.¹⁰ In its April 28, 1980, order authorizing imports and related

⁸ H.J. Res. 341, December 10, 1981, P.L. No. 97-93.

⁹ Report on Waivers for Alaska Gas Pipeline, December 3, 1981, p.8.

¹⁰ Adopting a position that would be repeated in virtually every subsequent Commission and Department of Energy (DOE) order regarding the matter, the Commission found the prebuild project was related to the construction and initial operation of ANGTS, within the meaning of section 9(a) of ANGTA, and would also create substantial benefits with respect to financing and ultimate completion of the entire system. Among other things, the Commission concluded prebuilding would (1) reduce future transportation costs of Alaskan gas; (2) get the project started sooner than would otherwise be the case; (3) spread labor, capital, and other demands over a longer period; and (4) facilitate financing of ANGTS. 10 FERC 61,032, pp. 61,079-80 (1980).

tariffs for the Eastern Leg of ANGTS, the Commission recognized the need for a mechanism to ensure the generation of sufficient revenues to assist in financing the associated, including Canadian, facilities. Although the Commission believed the cost-of-service tariffs "afforded to both U.S. and Canadian segments of the ANGTS [offset] the requirement for take-or-pay provisions to finance transportation facilities," it found certain additional assurances necessary to support financing of Canadian production, gathering, and related facilities.¹¹ In place of the annual and daily take provisions in the prebuild contracts between Northwest Alaskan and Pan-Alberta, which the Commission determined would unnecessarily expose U.S. purchasers to an open-ended obligation, the Commission fashioned a substitute mechanism which converted the minimum volumes to a minimum revenue provision.¹² The Commission authorized application of this contract formula to the Western Leg in the June 13, 1980, rehearing order.¹³

In response to Canadian concerns that language in the Commission's April 28, 1980, order appeared to contradict U.S.

¹¹ 11 FERC 61,088, pp.61,161-4 (1980).

¹² The Commission established a formula under which a base price of \$3.45 per MMBtu (the uniform border price in effect when the prebuild record was closed) would be multiplied times the quantities of gas specified in the prebuild contracts. For example, using an unescalated base price of \$3.45, Northwest Alaskan's obligation under the Eastern Leg contract would be limited to \$1,380,000 daily (800,000 Mcf/d x 50%) and \$856,290,000 annually (800,000 Mcf/d x 365 days x \$3.45/MMBtu x 85%).

¹³ 11 FERC 61,279 (1980).

assurances, the Commission's June 20, 1980, Eastern Leg order on rehearing promised it "would not change the principles upon which the revenue stream is calculated during the authorized term of the imports."¹⁴ Consistent with this commitment, the Commission has concluded that while it may modify ANGTS rates and certificates under section 9(d) of ANGTA, it is precluded from modifications that may jeopardize the flow of minimum revenues, thereby impairing the guaranteed recovery of ANGTS-related financing.¹⁵ For example, the Commission exempted the ANGTS prebuild tariff from application of its rule banning variable cost recovery through minimum bills because any "action that could adversely affect [the] stream of revenue would constitute a breach of our nation's relationship with Canada."¹⁶ The Commission's only apparent exception to this commitment relies on mutual agreement by the ANGTS sponsors, such as the long series of negotiations between United, Northwest Alaskan,

¹⁴ 11 FERC 61,302, p.61,607 (1980). The originally authorized terms of the imports have most recently been extended by DOE to 2002 for the Eastern Leg and 2012 for the Western Leg. See 1 ERA 70,579 (1984), and 1 ERA 70,813 (1988), respectively.

¹⁵ See, e.g., 49 FERC 61,072, p.61,306 (1989).

¹⁶ Order 380-A, 28 FERC 61,175, FERC Statutes and Regulations, Regulations and Preambles 1982-85, 31,584 (1985), affirmed in Wisconsin Gas Company et al. v. FERC, 770 F.2d 1144 (D.C. Cir. 1985), cert. denied, 476 U.S. 1114 (1986). See also TransCanada Pipelines Limited v. FERC, 878 F.2d 401 (D.C. Cir.1989), affirming the Commission's "as-billed" exemption for ANGTS prebuild tariffs and refusal to extend exemption to Canadian gas shipped over prebuild but not considered part of the ANGTS stream of revenue.

and Pan-Alberta involving United's take-or-pay obligations and ultimate release from the Eastern Leg contract.¹⁷

IV. Ramifications of Repealing Statutory Framework

It is unclear whether repeal of the statutory framework for ANGTS--a framework that includes ANGTA, and ostensibly the President's Decision, and the 1981 Waiver of Laws--would abrogate U.S. commitments to Canada. A decade of seemingly consistent reassurances in the face of dramatic changes to the natural gas market adds to the ambiguity.

Between 1981 when the waiver package was approved and the present, repeated statements of the U.S. Government have reaffirmed both aspects of the commitment.¹⁸ Perhaps the most significant of these statements concludes the Presidential Finding, issued January 12, 1988, under section 12 of ANGTA:¹⁹

¹⁷ See 29 FERC 61,302 and 29 FERC 61,304 (1984), 39 FERC 61,302 (1987), 47 FERC 61,477 (1989), and 49 FERC 61,113 and 49 FERC 61,394 (1989).

¹⁸ See, e.g., testimony on November 16, 1983, by E. Allen Wendt, Deputy Assistant Secretary of State, and Jan W. Mares, DOE Office of Policy Planning, and Analysis, before the Senate Committee on Energy and Natural Resources on Marketing Alternatives for Alaska North Slope Natural Gas.

¹⁹ 53 FR 999 (January 15, 1988). The impetus for the section 12 finding was the application of Yukon Pacific Corporation for authorization under section 3 of the NGA to export natural gas to the Pacific Rim by means of the proposed Trans-Alaska Gas System.

This Administration supports the timely, economic development of Alaskan natural resources. To this end the Administration has removed all regulatory barriers to the private sector's expeditious completion of [ANGTS]. In particular, I want to reaffirm our support for the special regulatory treatment of the "prebuild" portion of ANGTS, including the minimum revenue stream guarantee.²⁰

Writing the Canadian Embassy in March of 1988, in the first of several letters exchanged between U.S. and Canadian officials, the Deputy Assistant Secretary of State noted, in reference to the section 12 finding, "the [USG] has, as originally agreed, undertaken all actions necessary to facilitate ANGTS construction and eliminate regulatory obstacles to private financing. [for example, the letter indicates, Commission approval of minimum revenue streams] ...[P]rojects for developing [North Slope] gas resources will have to rise and fall on their economic merits, as determined by the market."

The U.S. says it has discharged its commitment to remove regulatory impediments to construction of ANGTS, but the discharge arguably is tied to the statutory framework, particularly the 1981 waiver, staying in place. On the other hand, although the waiver contains no "sunset" provision, implicit in the incentives it supplied the marketplace was the expectation, if it ever worked, it would induce private financing in the reasonably near term.

The explicit source of the minimum revenue stream guarantee is not statutory but rather that body of previously cited 1980 Commission orders. In addition, although government reassurances, including Commission orders, do not specify when the guarantee terminates, since the guarantee relates to the financing of prebuild costs that are presumably fixed, the costs should be ascertainable and dischargeable.²¹

No matter how broadly or narrowly the U.S. might interpret its ANGTS commitment, it is reasonable to believe Canada views the commitment symbolically and as based on the collective assurances made by Congress, the President, and the Commission. If this is assumed, U.S. efforts to repeal the statutory framework would likely be considered a breach of the relationship.

²¹ Pan-Alberta recently noted at least \$1.5 billion (U.S.) in prebuild costs remain unrecovered. See Natural Gas Week, June 15, 1992, at 7.

**OFFICE OF THE FEDERAL INSPECTOR
FOR THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM
March 1993**

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¹ See also: OFI Reports to President/Congress on Construction of ANGTS
(37 Reports: October 1979-January 1992)

FACT SHEET
OFFICE OF THE FEDERAL INSPECTOR
ALASKA NATURAL GAS TRANSPORTATION SYSTEM

March 1993

- o The Office of the Federal Inspector for the Alaska Natural Gas Transportation System (OFI) was an independent agency created by the Alaska Natural Gas Transportation Act of 1976, Reorganization Plan No. 1 of 1979, and Executive Order 12142.
- o OFI began operations in July 1, 1979 with a sunset clause to remain in effect until one year after initial operation of the completed pipeline System.
- o OFI's mission was to expedite the Federal permitting process and oversee the construction and initial operation of the U.S. portions of the Alaska Natural Gas Transportation System (ANGTS), a proposed 4,800-mile natural gas pipeline to bring gas from Prudhoe Bay on Alaska's North Slope south across western Canada to U.S. markets in the lower 48 States.
- o Phase I, the southern portion of ANGTS, known as the prebuild, comprising 32 percent of the total System and 1,512 miles, was completed. This segment delivers Canadian gas from near Calgary, Canada, to Oregon in the Western Leg and to Iowa in the Eastern Leg. In 1982, the Alaska and Canadian sponsors suspended operations on the northern sections of ANGTS.
- o In response to the project delay, OFI curtailed its operations, reduced its staff, closed its field offices, and in 1985 became affiliated with the Department of Energy (DOE) for administrative convenience and coordination purposes.
- o From 1985-1992, OFI continued to monitor events affecting the ANGTS, including the U.S. and Canadian sponsors plans to expand and extend Phase I of ANGTS, to bring additional supplies of Canadian gas to U.S. markets; and to follow closely developments concerning the Trans-Alaska Gas System (TAGS), a competing gas pipeline that would transport Prudhoe Bay natural gas to Port Valdez on Alaska's southern coast, where it would be exported to Pacific Rim countries as liquefied natural gas (LNG).
- o With completion of ANGTS and delivery of North Slope gas to lower 48 markets remaining far off, Michael J. Bayer, the Federal Inspector, recommended in a January 1992 Report to the President that OFI be abolished. (See Tab A)
- o No funding was proposed for OFI in FY 1993 and the majority of FY 1992 funds were rescinded by P.L. 102-298, the FY 1992 Rescission Act, signed by President Bush on June 4, 1992.
- o The OFI was abolished on October 24, 1992 by P.L. 102-486, the Energy Policy Act of 1992, which transferred all functions and authority vested in the Federal Inspector to the Secretary of Energy.

**OFFICE OF THE FEDERAL INSPECTOR
FOR THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM**

August 1992

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¹ See also: OFI Reports to President/Congress on Construction of ANGTS
(37 Reports: October 1979-January 1992)

**FACT SHEET
OFFICE OF THE FEDERAL INSPECTOR
ALASKA NATURAL GAS TRANSPORTATION SYSTEM**

August 1992

- o The Office of the Federal Inspector for the Alaska Natural Gas Transportation System (OFI) is an independent agency created by the Alaska Natural Gas Transportation Act of 1976, Reorganization Plan No. 1 of 1979, and Executive Order 12142.
- o OFI's mission is to expedite the Federal permitting process and oversee the construction and initial operation of the U.S. portions of the Alaska Natural Gas Transportation System (ANGTS), a proposed 4,800-mile natural gas pipeline to bring gas from Prudhoe Bay on Alaska's North Slope south across western Canada to U.S. markets in the lower 48 States.
- o OFI began operations in July 1979 with a sunset clause--to remain in effect until one year after initial operation of the completed pipeline System.
- o Phase I, the southern portion of ANGTS, known as the prebuild, comprising 32 percent of the total System and 1,512 miles was completed. This segment delivers Canadian gas from near Calgary, Canada, to Oregon in the Western Leg and to Iowa in the Eastern Leg. In 1982, the Alaska and Canadian sponsors suspended operations on the northern sections of ANGTS.
- o In response to the project delay, OFI curtailed its operations, reduced its staff, closed its field offices, and in 1985 affiliated with the Department of Energy (DOE) for administrative convenience and coordination purposes.
- o From 1985-1992, OFI continued to monitor events affecting the ANGTS, including the U.S. and Canadian sponsors plans to expand and extend Phase I of ANGTS, to bring additional supplies of Canadian gas to U.S. markets; and to follow closely developments concerning the Trans-Alaska Gas System, a competing gas pipeline that would export North Slope natural gas to Pacific Rim countries as liquified natural gas (LNG).
- o Since completion of ANGTS and delivery of North Slope gas to lower 48 markets still remains far off, Michael J. Bayer, the Federal Inspector, recommended in a January 1992 Report to the President that OFI be abolished. (See Tab C)
- o There are currently two proposals before Congress to abolish the OFI: H.R. 776, the Energy bill, which would abolish the OFI and transfer its functions to the Federal Energy Regulatory Commission; and DOE's draft legislation, which would abolish the OFI and transfer its functions to DOE.
- o On June 4, 1992, the President signed P.L. 102-298, the FY 1992 Rescission Act, which rescinded funding for the OFI.

Alaska Natural Gas Transportation Act, 10/22/76 (P.L. 94-586)

Purpose: provide for expeditious:

1. selection of a transportation system;
2. construction and initial operation, while still achieving quality of construction, cost control, safety, and environmental protection.

Provisions to expedite construction and initial operation are as follows:

Sec. 15

Authorizes appropriations for funds for:

Sec. 7(a)(5)

- Appointment of a Federal Inspector, with advice and consent of the Senate who shall:

- A. establish a joint surveillance and monitoring agreement with Alaska;
- B. monitor compliance with laws, terms and conditions of permits, etc.;
- C. monitor actions taken to assure timely completion, quality of construction, cost control, safety, environmental protection;
- D. have power to compel submission of information, by subpoena if necessary; and
- E. make quarterly reports to President and Congress.

Sec. 9(a)

Requires Federal agencies to grant all necessary authorizations at the earliest practicable date.

Sec. 9(b)

ANGTS applications to take precedence over similar ones.

Terms and Conditions

Sec. 7(a)(6)

President's Decision may specify terms and conditions to be included in ANGTS authorizations.

Sec. 9(c)

Federal agencies cannot include terms and conditions only permitted by law which would change basic nature and general route or which would prevent or impair the expeditious construction and initial operation.

Sec. 9(d)

Federal agencies may add to, amend or abrogate terms and conditions, subject to the provisions of 9(c).

Sec. 9(e)

President's terms and conditions (Sec. 7(a)(6)) shall be included in any authorization, except that inclusion shall not limit Federal agencies' authorities under Sec. 9(d).

Supplemental Enforcement Authority

Sec. 11(a)(b)(c)

In addition to existing enforcement authorities, Federal agencies may issue a compliance order, if violation of a law or an authorization occurs; civil action (not to exceed \$25,000 per day) may be brought for violations of the compliance order.

Waivers

Sec. 8(g)

Provides for President to recommend and Congress to approve waivers of laws necessary to permit expeditious construction and initial operation.

Limits on Judicial Review

Sec. 10(a)

Federal agency acts pursuant to Sec. 9 shall be subject only to the limited judicial review described in Sec. 10.

Sec. 10(c)(1)(2)

Following may be filed only with U.S. (D.C.) Court of Appeals which shall render a decision within 90 days unless extended to satisfy Constitution:

Sec. 10(b)(1)

Claims of invalidity of Act not allowed later than 60 days after President's Decision.

Sec. 10(b)(2)

Claims that an action is unconstitutional not allowed later than 60 days after the action.

Sec. 10(c)(3)

Challenge of legal and factual sufficiency of EIS not allowed after approval of President's Decision.

Financing

Sec. 7(c)

President's Decision must contain financial analysis.

Sec. 7(e)

Approval of President's Decision not to be construed as amending existing laws so as to grant any new financing authority as may have been specified pursuant to Sec. 7(c).

EEO

Sec. 17

Prohibits discrimination; agencies shall promulgate rules to implement, similar to those in effect under title VI of the Civil Rights Act of 1964.

Common Carrier; Alaska's Royalty Gas

Sec. 13(a)

Degree of ownership of ANGTS shall not be basis for discrimination in giving permission to transport gas in ANGTS.

Sec. 13(b)

State of Alaska is authorized to ship its royalty gas in ANGTS and to use this gas in Alaska.

Limits on Export of Alaska Gas

Sec. 12

Before export of more than 1,000 Mcf/d (to other than Canada or Mexico) President must find that exports won't: 1) increase cost to U.S. consumer and 2) diminish total quality or quantity of U.S. energy.

Antitrust

Sec. 14

Antitrust laws not affected by ANGTA.

Separability

Sec. 16

If part of ANGTA is held invalid, the rest of ANGTA is not affected.

Reorganization Plan No. 1 of 1979 (effective 7/1/79)

Creates Office of the Federal Inspector, in effect until one year after initial operation of ANGTS.

Transfers to Federal Inspector (FI) exclusive responsibility for all functions related to enforcement (including monitoring and other compliance or oversight) of laws and regulations and terms and conditions and stipulations of agencies' authorizations.

- Functions transferred are those of: EPA, COE, DOT, DOE, FERC, DOI, DOA, DT (Treasury) and responsibilities in ANGTA and President's Decision.
- Any agency may delegate any other relevant statutory function to FI.

FI shall:

1. coordinate expeditious discharge of non-enforcement agency activities, including scheduling for issuance of authorizations and may serve as "one window" for all data gathering and permit application and issuance activities.
2. unless inconsistent with Sec. 9 of ANGTA, FI shall carry out normal enforcement policies and procedures of the agencies. FI determination shall prevail.

Each agency shall appoint an AAO who shall:

- be detailed to, and under supervision of, FI; and
- be delegated authority to enforce their agency's authorizations subject to (2) above.

Makes Executive Policy Board (EPB) advisory to FI

- EPB reviews FI budget.

Presidential Documents

Title 3—

The President

REORGANIZATION PLAN NO. 1 OF 1979

Prepared by the President and transmitted to the Senate and House of Representatives in Congress assembled, April 2, 1979, pursuant to the provisions of Chapter 9 of Title 5 of the United States Code.

Office of the Federal Inspector for Construction of the Alaska Natural Gas Transportation System

Part I. Office of the Federal Inspector and Transfer of Functions

Section 101. Establishment of the Office of Federal Inspector for the Alaska Natural Gas Transportation System

(a) There is hereby established as an independent establishment in the executive branch, the Office of the Federal Inspector for the Alaska Natural Gas Transportation System (the "Office").

(b) The Office shall be headed by a Federal Inspector for the Alaska Natural Gas Transportation System (the "Federal Inspector") who shall be appointed by the President, by and with the advice and consent of the Senate, and shall be compensated at the rate now or hereafter prescribed by law for Level III of the Executive Schedule, and who shall serve at the pleasure of the President.

(c) Each Federal agency having statutory responsibilities over any aspect of the Alaska Natural Gas Transportation System shall appoint an Agency Authorized Officer to represent that authority on all matters pertaining to pre-construction, construction, and initial operation of the system.

Section 102. Transfer of Functions to the Federal Inspector

Subject to the provisions of Sections 201, 202, and 203 of this Plan, all functions insofar as they relate to enforcement of Federal statutes or regulations and to enforcement of terms, conditions, and stipulations of grants, certificates, permits and other authorizations issued by Federal agencies with respect to pre-construction, construction, and initial operation of an "approved transportation system" for transport of Canadian natural gas and "Alaskan natural gas," as such terms are defined in the Alaska Natural Gas Transportation Act of 1976 (15 U.S.C. 719 *et seq.*), hereinafter called the "Act", are hereby transferred to the Federal Inspector. This transfer shall vest in the Federal Inspector exclusive responsibility for enforcement of all Federal statutes relevant in any manner to pre-construction, construction, and initial operation. With respect to each of the statutory authorities cited below, the transferred functions include all enforcement functions of the given agencies or their officials under the statutes as may be related to the enforcement of such terms, conditions, and stipulations, including but not limited to the specific sections of the statute cited. "Enforcement", for purposes of this transfer of functions, includes monitoring and any other compliance or oversight activities reasonably related to the enforcement process. These transferred functions include:

(a) Such enforcement functions of the Administrator or other appropriate official or entity in the Environmental Protection Agency related to compliance with: national pollutant discharge elimination system permits provided for in Section 402 of the Federal Water Pollution Control Act (33 U.S.C. 1342); spill prevention, containment and countermeasure plans in Section 311 of the Federal Water Pollution Control Act (33 U.S.C. 1321); review of the Corps of Engineers' dredged and fill material permits issued under Section 404 of the

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Executive Director, E.P.A.

Federal Water Pollution Control Act (33 U.S.C. 1344); new source performance standards in Section 111 of the Clean Air Act, as amended by the Clean Air Act Amendments of 1977 (42 U.S.C. 7411); prevention of significant deterioration review and approval in Sections 160-169 of the Clean Air Act, as amended by the Clean Air Amendments of 1977 (42 U.S.C. 7470 *et seq.*); and the resource conservation and recovery permits issued under the Resource Conservation and Recovery Act of 1976 (42 U.S.C. 6901 *et seq.*);

(b) Such enforcement functions of the Secretary of the Army, the Chief of Engineers, or other appropriate officer or entity in the Corps of Engineers of the United States Army related to compliance with: dredged and fill material permits issued under Section 404 of the Federal Water Pollution Control Act (33 U.S.C. 1344); and permits for structures in navigable waters, issued under Section 10 of the Rivers and Harbors Appropriation Act of 1899 (33 U.S.C. 403);

(c) Such enforcement functions of the Secretary or other appropriate officer or entity in the Department of Transportation related to compliance with: the Natural Gas Pipeline Safety Act of 1968, as amended (49 U.S.C. 1671, *et seq.*) and the gas pipeline safety regulations issued thereunder; the Federal Aviation Act of 1958, as amended (49 U.S.C. 1301, *et seq.*) and authorizations and regulations issued thereunder; and permits for bridges across navigable waters, issued under Section 9 of the Rivers and Harbors Appropriation Act of 1899 (33 U.S.C. 401);

(d) Such enforcement functions of the Secretary or other appropriate officer or entity in the Department of Energy and such enforcement functions of the Commission, Commissioners, or other appropriate officer or entity in the Federal Energy Regulatory Commission related to compliance with: the certificates of public convenience and necessity, issued under Section 7 of the Natural Gas Act, as amended (15 U.S.C. 717f); and authorizations for importation of natural gas from Alberta as predeliveries of Alaskan gas issued under Section 3 of the Natural Gas Act, as amended (15 U.S.C. 717b);

(e) Such enforcement functions of the Secretary or other appropriate officer or entity in the Department of the Interior related to compliance with: grants of rights-of-way and temporary use permits for Federal land, issued under Section 28 of the Mineral Leasing Act of 1920 (30 U.S.C. 185); land use permits for temporary use of public lands and other associated land uses, issued under Sections 302, 501, and 503-511 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1732, 1761, and 1763-1771); materials sales contracts under the Materials Act of 1947 (30 U.S.C. 601-603); rights-of-way across Indian lands, issued under the Rights of Way Through Indian Lands Act (25 U.S.C. 321, *et seq.*); removal permits issued under the Materials Act of 1947 (30 U.S.C. 601-603); approval to cross national wildlife refuges, National Wildlife Refuge System Administration Act of 1966 (16 U.S.C. 668dd-668jj) and the Upper Mississippi River Wildlife and Fish Refuge Act (16 U.S.C. 721-731); wildlife consultation in the Fish and Wildlife Coordination Act (16 U.S.C. 661 *et seq.*); protection of certain birds in the Migratory Bird Treaty Act (16 U.S.C. 703 *et seq.*); Bald and Golden Eagles Protection Act (16 U.S.C. 668-668d); review of Corps of Engineers dredged and fill material permits issued under Section 404 of the Federal Water Pollution Control Act (33 U.S.C. 1344); rights-of-way across recreation lands issued under the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 4601-4-4601-11); historic preservation under the National Historic Preservation Act of 1966 as amended (16 U.S.C. 470-470f); permits issued under the Antiquities Act of 1906 (16 U.S.C. 432, 433); and system activities requiring coordination and approval under general authorities of the National Trails System Act, as amended (16 U.S.C. 1241-1249), the Wilderness Act, as amended (16 U.S.C. 1131-1136), the Wild and Scenic Rivers Act, as amended (16 U.S.C. 1271-1287), the National Environmental Policy Act of 1969 (42 U.S.C. 4321 *et seq.*), the Act of April 27, 1935 (prevention of soil erosion) (16 U.S.C. 590a-f), and an Act to Provide for the Preservation of Historical and Archeological Data, as amended (16 U.S.C. 469-469c);

(f) Such enforcement functions of the Secretary or other appropriate officer or entity in the Department of Agriculture, insofar as they involve lands and programs under the jurisdiction of that Department, related to compliance with: associated land use permits authorized for and in conjunction with grants of rights-of-way across Federal lands issued under Section 28 of the Mineral Leasing Act of 1920 (30 U.S.C. 185); land use permits for other associated land uses issued under Sections 501 and 503-511 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1761, 1763-1771), under the Organic Administration Act of June 4, 1897, as amended (16 U.S.C. 473, 474-482, 551), and under Title III of the Bankhead-Jones Farm Tenant Act of 1937, as amended (7 U.S.C. 1010-1012); removal of materials under the Materials Act of 1947 (30 U.S.C. 601-603) and objects of antiquity under the Antiquities Act of 1906 (16 U.S.C. 432, 433); construction and utilization of national forest roads under the Roads and Trails System Act of 1964 (16 U.S.C. 532-538); and system activities requiring coordination and approval under general authorities of the National Forest Management Act of 1976 (16 U.S.C. 1600 *et seq.*); the Multiple Use-Sustained-Yield Act of 1960 (16 U.S.C. 528-531); the Forest and Rangelands Renewable Resources Planning Act of 1974 (16 U.S.C. 1601-1610); the National Trails System Act, as amended (16 U.S.C. 1241-1249); the Wilderness Act, as amended (16 U.S.C. 1131-1136); the Wild and Scenic Rivers Act, as amended (16 U.S.C. 1271-1287); the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 460 *et seq.*); the Federal Water Pollution Control Act of 1972 (33 U.S.C. 1151 *et seq.*); the Fish and Wildlife Coordination Act and Fish and Game Sanctuaries Act (16 U.S.C. 661 *et seq.* and 694, 694a-b, respectively); the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470-470f); an Act to Provide for the Preservation of Historical and Archeological Data, as amended (16 U.S.C. 469-469c); the National Environmental Policy Act of 1969 (42 U.S.C. 4321 *et seq.*); the Watershed Protection and Flood Prevention Act, as amended (16 U.S.C. 1001 *et seq.*); the Soil and Water Conservation Act of 1977 (16 U.S.C. 2001 *et seq.*); and the Act of April 27, 1935 (prevention of soil erosion) (16 U.S.C. 590a-f);

(g) Such enforcement functions of the Secretary or other appropriate officer or entity in the Department of the Treasury related to compliance with permits for interstate transport of explosives and compliance with regulations for the storage of explosives, Title XI of the Organized Crime Control Act of 1970 (18 U.S.C. 841-848);

(h) (1) The enforcement functions authorized by, and supplemental enforcement authority created by the Act (15 U.S.C. 719 *et seq.*);

(2) All functions assigned to the person or board to be appointed by the President under Section 7(a)(5) of the Act (15 U.S.C. 719e); and

(3) Pursuant to Section 7(a)(6) of the Act (15 U.S.C. 719e), enforcement of the terms and conditions described in Section 5 of the *Decision and Report to the Congress on the Alaska Natural Gas Transportation System*, as approved by the Congress pursuant to Public Law 95-158 (91 Stat. 1268), November 2, 1977, (hereinafter the "*Decision*").

Part II. Other Provisions

Section 201. Executive Policy Board

The Executive Policy Board for the Alaska Natural Gas Transportation System, hereinafter the "Executive Policy Board", which shall be established by executive order, shall advise the Federal Inspector on the performance of the Inspector's functions. All other functions assigned, or which could be assigned pursuant to the *Decision*, to the Executive Policy Board are hereby transferred to the Federal Inspector.

Section 202. Federal Inspector and Agency Authorized Officers

(a) The Agency Authorized Officers shall be detailed to and located within the Office. The Federal Inspector shall delegate to each Agency Authorized Officer the authority to enforce the terms, conditions, and stipulations of each

grant, permit, or other authorization issued by the Federal agency which appointed the Agency Authorized Officer. In the exercise of these enforcement functions, the Agency Authorized Officers shall be subject to the supervision and direction of the Federal Inspector, whose decision on enforcement matters shall constitute "action" for purposes of Section 10 of the Act (15 U.S.C. 719h).

(b) The Federal Inspector shall be responsible for coordinating the expeditious discharge of nonenforcement activities by Federal agencies and coordinating the compliance by all the Federal agencies with Section 9 of the Act (15 U.S.C. 719g). Such coordination shall include requiring submission of scheduling plans for all permits, certificates, grants or other necessary authorizations, and coordinating scheduling of system-related agency activities. Such coordination may include serving as the "one window" point for filing for and issuance of all necessary permits, certificates, grants or other authorizations, and, consistent with law, Federal government requests for data or information related to any application for a permit, certificate, grant or other authorization. Upon agreement between the Federal Inspector and the head of any agency, that agency may delegate to the Federal Inspector any statutory function vested in such agency related to the functions of the Federal Inspector.

(c) The Federal Inspector and Agency Authorized Officers in implementing the enforcement authorities herein transferred shall carry out the enforcement policies and procedures established by the Federal agencies which nominally administer these authorities, except where the Federal Inspector determines that such policies and procedures would require action inconsistent with Section 9 of the Act (15 U.S.C. 719g).

(d) Under the authority of Section 15 of the Act (15 U.S.C. 719m), the Federal Inspector will undertake to obtain appropriations for all aspects of the Federal Inspector's operations. Such undertaking shall include appropriations for all of the functions specified in the Act and in the general terms and conditions of the *Decision* as well as for the enforcement activities of the Federal Inspector. The Federal Inspector will consult with the various Federal agencies as to resource requirements for enforcing their respective permits and other authorizations in preparing a unified budget for the Office. The budget shall be reviewed by the Executive Policy Board.

Section 203. Subsequent Transfer Provision

(a) Effective upon the first anniversary of the date of initial operation of the Alaska Natural Gas Transportation System, the functions transferred by Section 102 of this Plan shall be transferred to the agency which performed the functions on the date prior to date the provisions of Section 102 of this Plan were made effective pursuant to Section 205 of this Plan.

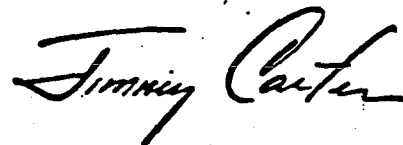
(b) Upon the issuance of the final determination order by the Director of the Office of Management and Budget for the transfers provided for by subsection (a) of this section, the Office and the position of Federal Inspector shall, effective on the date of that order, stand abolished.

Section 204. Incidental Transfers

So much of the personnel, property, records and unexpended balances of appropriations, allocations and other funds employed, used, held, available, or to be made available in connection with the functions transferred under this Plan, as the Director of the Office of Management and Budget shall determine, shall be transferred to the appropriate agency or component at such time or times as the Director of the Office of Management and Budget shall provide, except that no such unexpended balances transferred shall be used for purposes other than those for which the appropriation was originally made. The Director of the Office of Management and Budget shall provide for the terminating of the affairs of the Office and the Federal Inspector upon their abolition pursuant to this Plan and for such further measures and dispositions as such Director deems necessary to effectuate the purposes of this Plan.

Section 205. Effective Date

This Plan shall become effective at such time or times as the President shall specify, but not sooner than the earliest time allowable under Section 906 of Title 5 of the United States Code, except that the provisions of Section 203 shall occur as provided by the terms of that Section.



FR Doc. 79-18307
Filed 6-11-79 11:31 am
Billing code 5195-01-M

LEGISLATIVE HISTORY:

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS:

Vol. 15, No. 14: Apr. 2, Presidential message transmitting Reorganization Plan No. 1 of 1979 to Congress. (Also printed as House Document No. 83.)

HOUSE REPORT No. 96-222 accompanying H. Res. 199 (Comm. on Government Operations).

SENATE REPORT No. 96-191 accompanying S. Res. 128 (Comm. on Governmental Affairs).

CONGRESSIONAL RECORD, Vol. 123 (1979):

- Apr. 3. H. Res. 199, resolution of disapproval introduced in House and referred to Committee on Government Operations.
- Apr. 4. S. Res. 128, resolution of disapproval introduced in Senate and referred to Committee on Governmental Affairs.
- May 23. S. Res. 128, rejected by Senate.
- May 31. H. Res. 199, rejected by House.

Presidential Documents

Title 3—

The President

Executive Order 12142 of June 21, 1979

The Alaska Natural Gas Transportation System

By the authority vested in me as President by the Constitution and laws of the United States of America, including Section 301 of Title 3 of the United States Code and Sections 201 and 205 of Reorganization Plan No. 1 of 1979, it is hereby ordered as follows:

1-101. Reorganization Plan No. 1 of 1979, not having been disapproved by Congress (S. Res. 126, 125 Cong. Rec. S 6563-64 (May 23, 1979); H. Res. 199, 125 Cong. Rec. H 3950-51 (May 31, 1979)), shall be effective on July 1, 1979.

1-102. In accord with Section 201 of that Plan, there is hereby established the Executive Policy Board for the system for the transportation of Alaska natural gas ("the System") as such system is defined in the Alaska Natural Gas Transportation Act of 1976 (15 U.S.C. 719 *et seq.*).

1-103. The Board shall consist of the Secretaries of the Departments of Agriculture, Energy, Labor, Transportation, and the Interior, the Administrator of the Environmental Protection Agency, the Chief of Engineers of the United States Army, and the Chairman of the Federal Energy Regulatory Commission. Additional members may be elected to the Board by vote of a majority of the members. The Board will by majority vote elect a Chairman to serve for a one-year term.

1-104. The Board shall perform the following functions:

(a) Advise the Federal Inspector for the Alaska Natural Gas Transportation System (the "Federal Inspector") established by Reorganization Plan No. 1 of 1979, on policy issues in accord with applicable law and existing Departmental or Agency policies.

(b) Provide advice, through the Federal Inspector, to the officers representing and exercising the functions of the Federal Departments and Agencies that concern the System ("Agency Authorized Officers").

(c) Advise the Federal Inspector and the Agency Authorized Officers on matters concerning enforcement actions.

(d) At least every six months, assess the progress made and problems encountered in constructing the System and make necessary recommendations to the Federal Inspector.

1-105. The Federal Inspector shall keep the Board informed of the progress made and problems encountered in the course of construction of the System.

1-106. Whenever the Federal Inspector determines that implementation of Departmental or Agency enforcement policies and procedures would require action inconsistent with Section 9 of the Alaska Natural Gas Transportation Act of 1976, the Federal Inspector shall issue a written statement of such determination including a complete factual and legal basis for the determination. A copy of each statement shall be forwarded promptly to the Board and made available to the public by the Federal Inspector.

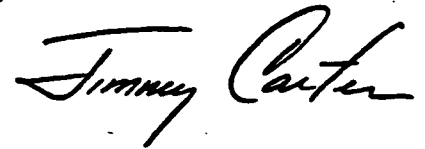
1-107. After written notice of a proposed enforcement action is given by the Federal Inspector, the Federal Inspector will be subject to the rules of procedure for *ex parte* contacts as reflected in the guidelines and policies of Departments and Agencies from which the specific enforcement authority is transferred.

1-108. The Federal Inspector and all employees of the Office of the Federal Inspector shall be subject to the provisions of Executive Order No. 11222, concerning standards of conduct for Federal employees. The Federal Inspector shall issue standards of conduct, pursuant to the Order, for the Office of the Federal Inspector.

1-109. To the extent permitted by law, each Department and Agency shall cooperate with and furnish necessary information and assistance to the Board in the performance of its functions.

1-110. This Order shall be effective on July 1, 1979.

THE WHITE HOUSE,
June 21, 1979.



Executive Order No. 12142 (6/21/79)

Establishes Executive Policy Board (EPB) = DOA, DOE, DOL, DOT, DOI, EPA, COE, FERC; (may elect additional members)

Chairman; 1 year, majority vote

Functions:

- advise FI on policy issues regarding law or agency policies
- advise FI and AAO's (through FI on matters concerning enforcement actions
- semi-annually, assess problems and make recommendations to FI

FI shall:

- keep EPB informed of progress and problems;
- notify EPB when FI determines that existing agency enforcement policies and procedures are inconsistent with Sec. 9 of ANGTA;
- abide by agency rules for ex-parte in enforcement actions; and
- issue standards of conduct pursuant to Executive Order No. 11222.

Departments shall:

- cooperate with and furnish necessary information and assistance to EPB.

President's Decision and Report to Congress (September 1977)

The Decision:

1. designates Alaska Highway Pipeline Project as selected ANGTS;
2. establishes requirements for project sponsors (applicant); and
3. outlines Federal organization for project. (See Reorganization Plan No. 1 of 1979, Executive Order No. 12142, and ANGTA for details.)

Terms and Conditions:

Applicant shall comply with:

1. general terms and conditions in Decision;
2. stipulations establishing general standards of environmental and construction performance (to be established by appropriate agencies); and
3. site-specific terms and conditions for particular segment.

Construction Costs and Schedule, Management and Organization

Applicant must:

- submit a detailed overall management plan for FI approval, prior to certification;
- use fixed price contracts unless FI approves otherwise;
- specify insurance, bonding, etc. requirements of its contractors;
- provide analysis of proposed cost and schedule control techniques, prior to construction;
- submit 70% (FI may relax) final design, design-cost estimate, and construction schedule for FI approval before construction;
- submit methods for supplying general and specialized equipment, spare parts, etc.;
- submit information on labor relations procedures, including resolution of disputes (without litigation for contracts with execution contractors);
- submit detailed Quality Assurance/Quality Control program (including environmental protection, corrosion control, welding) to be approved by FI and implemented before construction;

- not initiate any pipeline-related activity before receiving appropriate authorization to proceed; and
- develop affirmative action plan for minority business enterprise participation (also applies to contracts valued at \$150,000 or more).

Safety and Design

Applicant must:

- construct, operate, maintain and terminate system in accordance with Federal safety regulations and good engineering practice;
- receive FI approval of design, including technical construction specifications, before starting construction of any portion of system;
- brief FI on project status;
- insure FI access to all project facilities; and
- develop a seismic monitoring system.

Environment

Applicant must:

- conduct all activities with concern for environment;
- provide for timely integration of restoration or mitigation techniques with activity creating the need for such restoration;
- develop plan for implementing special environmental safeguards through education of field personnel both before and during construction; and
- establish a monitoring system to ensure performance in keeping with environmental concerns.

Finance and Antitrust

- no Federal debt guarantees; all private financing
- consumers not required to bear risks of non-completion
- applicant to arrange financing before construction
- FERC to establish variable rate of return on equity to reward applicant for completion under budgeted cost (and reverse); thus cost overruns shared by equity holders and consumers.

- Producers of Alaska gas may not own ANGTS; they may provide guarantees for project debt.
- FERC shall approve all contracts and collateral agreements regarding sale of Alaskan gas.
- Producers and State of Alaska should participate in financing either directly or in form of debt guarantees.
- Provision of debt service in event of service interruption borne by consumers through a tariff which becomes effective only after initial operation.

Agreement on Principles Applicable to a Northern Natural Gas Pipeline (between U.S. and Canada) provides:

- Canadian taxation shall be non-discriminatory; i.e., similar to that in effect for other pipelines;
- socioeconomic impact assistance (\$200M) required of Canadian companies will not affect cost of service to U.S. consumers;
- no charges for Native claims settlements to be levied against Canadian companies;
- supply of goods and services to be on generally competitive terms;
- both U.S. and Canadian sections to be privately financed, with variable rate of return;
- both governments shall appoint senior official for consultation;
- specifies allowed direct charges on pipeline;
- U.S. agreed to share costs of extending Dempster Highway Lateral from Dawson to Whitehorse and, prior to construction of this segment, to provide Alaska gas to remote communities in Canada. (Equal volumes of Canadian gas will be made available for export to U.S. simultaneously.)
- U.S. share of costs based on cost overruns on Canadian segments and on proportion of U.S. gas transported.

Other:

Secretary, DOE to specify capacities of Eastern and Western Legs prior to Certification.

Waivers: Sec. 103, Energy Policy and Conservation Act, and

Sec. 3, Natural Gas Act to allow for exchanges of Alberta and Alaska Gas.

Chronology of Major Events, Alaska Natural Gas Transportation System

The section "Chronology of major events, Alaska Natural Gas Transportation System" had originally been written in June 1982 listing events from 1968 to April 1982 on pages numbered up to 9.

When this collection was assembled in 1992, the chronology was updated. Two additional unnumbered pages had been added listing events from September 1, 1982 to December 1991. The addition is noted on page 1 where the date of updating had been changed to December 1991.

When the collection was re-assembled in 1993, the two added pages were re-typed and updated through October 1992.

This binder contains all original and all updated pages.

This page is supplied by Alaska Resources Library and Information Services (ARLIS).



**OFFICE OF THE FEDERAL INSPECTOR
ALASKA NATURAL GAS TRANSPORTATION SYSTEM**

CHRONOLOGY OF MAJOR EVENTS

Alaska Natural Gas Transportation System

Dec. 1991
(Updated through ~~June 1982~~)

1968	Reserves of oil and gas discovered in Prudhoe Bay, Alaska, estimated to contain 9.6 billion barrels of crude oil and over 26 trillion cubic feet of gas.
March 21, 1974	A group of private companies headed by Arctic Gas filed for necessary approvals with the Federal Power Commission (FPC), Department of Interior (DOI), and Canadian National Energy Board (NEB).
April 1974	Construction started on 800 mile pipeline to bring crude oil from Prudhoe Bay to shipping terminal at Valdez, Alaska. The \$7.7 billion line was completed and operational by mid-1977.
May 14, 1974	Northern Border Pipeline Co. sought FPC approval to build an Eastern Leg, and on July 12, made a similar filing with DOI.
September 24, 1974	El Paso Alaska, a second competitor, filed for FPC approval for a land-sea system involving liquification at Valdez, Alaska.
December 13, 1974	Pacific Gas Transmission and Pacific Gas and Electric jointly filed with DOI and FPC to build the Western Leg of the Arctic Gas system.
April 1975- November 1976	FPC Administrative Law Judge Nahum Litt held hearings on the two competing applications.
June 1975	DOI issued its draft environmental impact statement (EIS) on the Arctic Gas proposal.
September - October 1975	DOI held public hearings on its draft EIS.
November 1975	FPC released its draft EIS on the El Paso system.
March 29, 1976	DOI issued its final EIS on Arctic Gas system.

April 1976	FPC issued its final EIS on El Paso's System.
July 9, 1976	Alcan Pipeline Company, a new affiliate of Northwest Pipeline Corporation, filed the third competing application with FPC and the Canadian NEB to build an overland system generally following the Trans-Alaska oil line and the Alcan Highway.
September 1976	FPC issued a final EIS on the Alcan system.
October 22, 1976	Congress passed the Alaska Natural Gas Transportation Act to expedite the selection and approval process.
February 1, 1977	Judge Litt (FPC) issued his initial decision recommending Arctic Gas, but found that any of the three proposals were feasible.
May 1, 1977	FPC made a split recommendation to the President: two Commissioners chose Arctic Gas, two chose Alcan.
May 9, 1977	Canadian Justice Thomas R. Berger issued a report recommending postponement of a Mackenzie Delta pipeline because of environmental and sociological problems, to allow time for native claims settlement.
June 1977	Canadian NEB decision found Alcan route preferable.
July 4, 1977	NEB recommended Alcan project and denied Arctic Gas' application as environmentally unacceptable.
July 20, 1977	DOI Secretary Andrus recommended to the President that the Alcan project be approved.
July 23, 1977	Northwest Energy contracted with Pan-Alberta Gas Ltd. of Calgary for delivery of substantial gas reserves for early transport through the Eastern leg.
July 29, 1977	Kenneth M. Lysyk of Canada submitted a report recommending that construction of the pipeline in the Yukon Territory be delayed until August 1981 to allow time for native claims settlement.
July 29, 1977	Arctic Gas withdrew and the eight American members joined in the Alcan project.
September 8, 1977	President Carter and Canada's Prime Minister Trudeau announced agreement on the gas pipeline project.
September 22, 1977	President Carter issued his <u>Decision and Report to Congress</u> selecting the Alcan system.

October 12, 1977	Federal Energy Regulatory Commission (FERC; formerly FPC) commented on the President's <u>Decision</u> , supporting the Alcan selection.
November 2, 1977	Both Houses of Congress overwhelmingly approved the President's recommendation of Alcan.
November 8, 1977	President Carter signed the Congressional Joint Resolution approving the <u>Decision</u> .
December 16, 1977	FERC conditionally approved Alcan's proposed project, enabling the company to begin pipeline design and planning.
December 31, 1977	Alcan changed its name to Northwest Alaskan Pipeline Company and the project name to the Alaska Highway Pipeline Project.
May 8, 1978	FERC proposed an incentive rate of return structure, as required by the President's <u>Decision</u> .
November 9, 1978	President Carter signed into law the Natural Gas Policy Act which set the wellhead price of Alaskan natural gas at \$1.45 per thousand cubic feet plus monthly inflation allowances.
December 1, 1978	FERC adopted an incentive rate of return plan, but did not attach values to the factors.
January 26, 1979	Northern Border filed for FERC approval to build \$1.4 billion facilities to take Canadian gas in advance of availability of Alaskan gas.
February 2, 1979	FERC proposed to require the Prudhoe Bay producers to pay for construction and operation of conditioning facilities needed to ready the gas for transport.
April 6, 1979	FERC issued notice of proposed rulemaking attaching values to each incentive rate of return component.
April 20, 1979	FERC ordered expedited hearing on the prebuild portion of the system.
June 8, 1979	FERC issued an order adopting incentive rate of return values and deciding tariff issues, by permitting rehearing.
June 8, 1979	John T. Rhett nominated as Federal Inspector.
June 11, 1979	President Carter signed Reorganization Plan No. 1 spelling out the duties of the Federal Inspector.

June 13, 1979	DOI conditionally authorized right-of-way grant for construction across Federal lands in Alaska.
June 21, 1979	President Carter signed Executive Order 12142.
July 1, 1979	Office of the Federal Inspector officially came into being.
July 12, 1979	Senate confirmed John T. Rhett as Federal Inspector.
July 13, 1979	John T. Rhett sworn in as Federal Inspector.
August 1, 1979	FERC staff issued an EIS which finds Prudhoe Bay an acceptable site for the gas conditioning plant.
August 6, 1979	FERC approved 48-inch pipe size, 1260 psig pressure for Alaskan segment, and in October denied rehearing of that decision.
August 24, 1979	FERC issued an order affirming its policy that the producers must bear the production-related costs, but allowed applications for rehearing to be filed.
September 6, 1979	FERC issued its final, unappealable incentive rate of return and tariff order.
October 12, 1979	DOI published proposed regulations to assure that minorities and women have the opportunity to participate in construction of the project, and scheduled hearings in November 1979.
October 26, 1979	Exxon submitted to DOE a proposed final decision on production related conditioning costs, at the request of the Secretary of Energy.
October 31, 1979	FERC agreed to postpone final decision on production related conditioning costs, at the request of the Secretary of Energy.
January 11, 1980	FERC issued Western Leg pre-build certificate subject to rehearing.
January 31, 1980	FERC upgraded diameter for Western Leg pre-build from 36 to 42 inches.
February 26, 1980	FERC conditioned Northwest's certificate to give the Federal Inspector authority on stop-work orders.
February 26, 1980	First major gas pipeline drilling began in Alaska to gather soil samples on southern part of the route.
March 10, 1980	Major contract involving about \$36 million awarded to Unified Industries Inc., a minority firm, for engineering and environmental support services to OFI.

- April 1980 Federal Inspector reached agreement with Interior's Heritage Conservation and Recreation Service to represent him in cultural resource matters for lower 48 system. This will help assure early identification and preservation of archeological resources.
- April 15, 1980 Budget hearing before Senate Appropriations Committee, chaired by Senator Ted Stevens of Alaska. The Federal Inspector announced trimming of his requested staff from 130 to 104.
- April 28, 1980 FERC certified Eastern Leg pre-build involving 811 miles and \$1-1.2 billion in cost.
- May 12, 1980 Interior Department and FERC published final regulations on EEO/MBE.
- June 10, 1980 House budget committee made a preliminary cut of \$4.3 million from OFI's requested \$25.8 million for fiscal 1981.
- May-June 1980 Interior's Bureau of Land Management in Alaska, through the OFI one-window, issued permits for Northwest build to four construction flycamps.
- June 10, 1980 U.S. and Canada formally agreed on procedures for use by both countries in approving contracts for ANGTS goods and services.
- June 13, 1980 FERC finalized January 10, 1980, Western Leg order on rehearing, by provided for an additional 30-day rehearing on the Northwest Energy's Western Delivery System.
- June 19, 1980 Agreement signed by pipeline sponsors, gas producers, and the State of Alaska for financing of \$500 million design, engineering and final cost estimate of Alaska segment. A statement of intent to develop a financing plan for construction was also signed.
- June 20, 1980 OFI announced creation of a Citizen's Environmental Advisory Committee and asked for nominations to the five-member group.
- July 1, 1980 Northwest Alaska filed its application for a final certificate with the FERC, and applied to Interior for a right-of-way permit. The FERC filing contained a cost estimate which will, if approved, be the basis for the incentive rate of return.

July 1, 1980	The U.S. House of Representatives unanimously approved a Resolution affirming Congressional support for the ANGTS. The Senate on June 27 had given its approval.
July 17, 1980	President Carter signed letter to Canadian Prime Minister Trudeau reaffirming U.S. Government support for completion of ANGTS.
July 17, 1980	Canadian Government approved construction of the southern part of its system.
August 4, 1980	Construction began on Canadian Western Leg.
August 6, 1980	OFI issued policy statement on the legal status of the Western Delivery System, construction of which began that same month.
August 13, 1980	Pacific Gas Transmission Co. announced \$60 million steel pipe contract award for Western Leg.
August 20, 1980	Department of Interior signed off on the Alaska Leg grant of right-of-way and sent it to Congress with a request for waiver of the 60-day review period.
September 11, 1980	OFI published proposed EEO enforcement regulations, along with a Memorandum of Understanding with the Equal Employment Opportunity Commission concerning handling of employment discrimination complaints.
September 26, 1980	The Federal Energy Regulatory Commission filed a joint suit in Federal District Court in Bismarck, North Dakota, challenging a September 12 State Public Service Commission order disapproving the route selected through that state.
September 30, 1980	Northern Plains Natural Gas Co. announced purchase of \$490 million in steel pipe from three U.S. and two foreign firms for the Eastern Leg phase one construction.
November 29, 1980	Department of Interior issued right-of-way grant to Northwest Alaska Pipeline Co. to cross the 433 miles of Federal land in Alaska, following Congressional approval on November 19.
December 8, 1980	Federal Inspector issued a Notice to Proceed to Pacific Gas Transmission Co. initiating the final green light for actual Lower 48 construction.
December 8, 1980	Construction began in Idaho on the Western Leg by Pacific Gas Transmission Co.

December 10, 1980 Northern Border Pipeline Co. signed an agreement on a \$1.055 billion loan from a consortium of North American banks for financing most of East Leg construction.

December 29, 1980 FI announced approval of Northern Border Pipeline Co.'s Eastern Leg affirmative action and minority business contracting plan.

January 9, 1981 Secretary of Energy Charles Duncan recommends to the FERC that PGT'S remaining West Leg be 42-inches in diameter instead of 36-inches.

February 9, 1981 A West Leg ceremony is held in Spokane, Washington to commemorate start of ANGTS Lower 48 construction.

February 26, 1981 FI approves Pacific Gas Transmission's Affirmative Action Plan.

March 9, 1981 Dennis Schroeder, OFI's East Leg Director, was named OFI's one-window authority for East Leg transactions.

March 11, 1981 Dept. of Interior right-of-way grant signed for Eastern Leg passage across Federal lands.

March 25, 1981 Dept. of Interior's Bureau of Indian Affairs approved a right-of-way grant to Northern Border Pipeline Co. to allow the East Leg to cross the Fort Peck Indian reservation in Montana.

April 2, 1981 U.S. District Court for North Dakota granted a motion for summary judgement in favor of OFI and the FERC in a lawsuit filed against North Dakota's Public Service Commission in September 1980. The PUC objected to the Federal Government's authority to route the ANGTS Eastern Leg through North Dakota.

April 10, 1981 FERC and the OFI issued first draft of, the "Adger-Berman Report", which analyzes the cost estimate for the Alaskan segment.

April 15, 1981 FI issued final design cost estimate for the East Leg.

April 18, 1981 FI issued a Notice to Proceed which allowed for construction to begin in May on six spreads in Montana, South Dakota, Minnesota, and Iowa.

- April 21, 1981 FI testified before the Senate Appropriations Subcommittee, chaired by Sen. James McClure, R-Idaho.
- April 27, 1981 U.S. District Courts in Minneapolis, Minn. ruled in favor of Northern Border Pipeline Co. in a March 13 suit filed against Jackson County for its 6 foot cover requirement.
- April 30, 1981 FI conditionally approved Northwest Pipeline Corporation's Affirmative Action Plan (AAP) for the Western Delivery System--an arm of the ANGTS West Leg.
- May 4, 1981 Northern Border Pipeline Co. held a groundbreaking ceremony in Aberdeen, S. Dakota, to commemorate start of East Leg construction.
- May 14, 1981 FI testified before the House Appropriations Subcommittee, chaired by Representative John Murtha, D-Penn.
- May 21, 1981 The pipeline sponsor consortium and the major gas producers in Prudhoe Bay--Exxon, Sohio, and ARCO--reached agreement for financing of the Alaskan segment.
- June 17, 1981 John McMillian of Northwest Alaskan Pipeline Co. in a letter to the President requested consideration of a series of waivers of laws that the company believes are necessary to enable private financing.
- July 24, 1981 Senators McClure, Jackson, Stevens, and Murkowski in a letter to the President submit a revised waiver proposal and urge prompt consideration.
- August 10, 1981 The Federal Inspector approved Northwest Alaskan Pipeline Co.'s Affirmative Action Plan for the Alaska segment.
- August 21, 1981 The final Adger-Berman report on estimated construction costs for the Alaskan segment was issued by the FERC.
- September 23, 1981 Two letters were sent to the President: one by Congressmen Dingell and Udall; the other by Congressmen Broyhill and Brown. Representing both majority and minority membership, they state willingness to cooperate toward resolution of the waiver issue, while expressing concern with some specific provisions proposed.
- October 1, 1981 A ceremony in Los Angeles marks the first flow of Canadian gas through ANGTS facilities to California.
- October 15, 1981 President Reagan sent to Congress waivers for certain provisions of the 1977 President's Decision. If approved, the waiver package will aid in firming up financing for Alaskan segment construction.

November 19, 1981 The U.S. Senate approved the President's waiver package by a vote of 75 to 19.

December 10, 1981 U.S. House of Representatives approved the President's waiver package by a vote of 230 to 188.

December 15, 1981 President Reagan signs the waiver package, Senate Joint Resolution 115, into law.

December 31, 1981 Alaska Northwest consortium filed with FERC an application to include the North Slope gas conditioning facility in project facilities to be approved by the final certificate.

January 4, 1982 FERC amended its 1977 conditional certificate designating the sponsors, nature, and route of the Alaska segment to include the conditioning plant.

January 28, 1982 Senator Howard Metzenbaum (and others) filed a lawsuit with the D.C. Court of Appeals challenging the Alaska gas pipeline waiver package.

March 16, 1982 FERC held a conference to focus on central issues concerning Alaska segment construction such as financing status, NWA's final certificate, and new proposed construction schedules.

April 20, 1982 The U.S. District Court of Appeals for the D.C. Circuit Court dismissed the lawsuit against the waivers filed by Senator Howard Metzenbaum (and others).

April 30, 1982 Northwest Alaska Pipeline Co. announced a two-year Alaska segment construction delay, and projected a new target completion date, Fall 1989.

MAJOR EVENTS (Continued)
1982-1992

September 1, 1982	Gas from Canada began flowing through the Eastern Leg of ANGTS. This segment was completed under budget and on time. With completion of the Eastern Leg, 1,512 miles or 32% of ANGTS was constructed.
December 1982	OFI approved the Alaska sponsor's process and design of the Alaska Gas Conditioning Facility.
June 1983	Audited costs for the Alaska Leg (as of 6/30) totaled: \$ 603,740,000.
September 1983	Merger between Northwest Energy Company and The Williams Companies.
February 1, 1984	District of Columbia Circuit Court of Appeals issued a judgment affirming OFI's determination concerning the resolution of the court case initiated by Iowa State Commerce Commission over a final rate base determination issued by OFI on Eastern Leg expenditures.
1984	Final audited costs for the West Leg prebuild totaled: \$ 172,877,000. Final audited costs for the East Leg prebuild totaled: \$ 1,279,931,000.
April 16, 1985	OFI approved the Pipeline Design Criteria Manual and Stipulation 1.6.1 environmental plans for the Alaska segment of ANGTS.
November 1987	Northern Border filed application with FERC to expand/extend the Eastern Leg for 371 miles between Ventura, Iowa and Tuscola, Illinois.
December 1987	ARCO withdrew from its involvement in ANGTS project partnership.
January 1988	President Reagan issued a "Finding" required under section 12 of ANGTA to permit the exportation of Alaskan natural gas (which cleared the way for Yukon Pacific Corporation to seek export authorization from DOE under the Natural Gas). (See Tab G - TAGS)
June 1988	Alaska sponsors announced revised cost estimate for ANGTS (reduction of 45%) from \$26.1 billion to \$14.6 billion (in 1988 dollars).
June 1988	Bureau of Land Management issued the final Environmental Impact Statement issued for Trans-Alaska Gas System (TAGS), competing project to ANGTS.

November 1988	Bureau of Land Management issued the Right-of-Way Grant for TAGS.
December 1988	Pacific Gas Transmission Company filed application with FERC to expand/extend the Western Leg of ANGTS.
April 1989	PGT filed application with California Public Utilities Commission for the interstate portion of the project in California.
September 21, 1989	Executive Policy Board was reactivated in light of increased activity on ANGTS and, in June 1990, the Board members visited Alaska.
November 16, 1989	DOE issued Order 350 approving the application of Yukon Pacific Corporation to export 16.5 trillion cubic feet (Tcf) of Alaskan natural gas as liquified natural gas (LNG) to Pacific Rim markets. (See Tab G - TAGS)
June 1990	Foothills Pipe Lines Ltd. (Canadian sponsor of ANGTS) joined the ANGTS consortium. Foothills became a co-equal partner with Pacific Gas & Electric, The Williams Companies and TransCanada Pipelines, acquiring a 25 percent voting interest in the partnership.
December 1990	CPUC granted certificate for construction of California portion of PGT-PG&E pipeline expansion.
January 1991	Northern Border filed application with FERC to acquire the Iowa Line and construct 231 miles of new 30" pipeline from Harper, Iowa to Tuscola, Illinois.
May 24, 1991	FERC issued final EIS for PGT portion of PGT-PG&E expansion project.
August 1, 1991	FERC issued PGT certificate for pipeline construction. (total project: 845 miles of 42" and 36" pipeline looping of its existing system to be completed and in operation by November 1993).
September 1991	Northern Border filed amendment with FERC for expansion/extension project to acquire the Iowa Line and withdrew request to build new pipeline from Harper, Iowa to Tuscola, Illinois.
December 1991	Exxon and BP withdrew from involvement in the ANGTS partnership.

MAJOR EVENTS (Continued)
1982-1992

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December 1982	OFI approved the Alaska sponsor's process and design of the Alaska Gas Conditioning Facility.
June 1983	Audited costs for the Alaska Leg (as of 6/30) totaled: \$603.7 million.
September 1983	Merger between Northwest Energy Company and The Williams Companies.
February 1, 1984	District of Columbia Circuit Court of Appeals issued a judgment affirming OFI's determination concerning the resolution of the court case initiated by Iowa State Commerce Commission over a final rate base determination issued by OFI on Eastern Leg expenditures.
1984	Final audited costs for the West Leg prebuild totaled: \$172.9 million. Final audited costs for the East Leg prebuild totaled: \$1.280 billion.
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December 1991	Exxon and BP withdrew from involvement in the ANGTS partnership.
October 1992	Office of the Federal Inspector for ANGTS was abolished by P.L. 102-486, the Energy Policy Act of 1992, which transferred all functions and authority vested in the Federal Inspector to the Secretary of Energy.

Regulatory Guide 3.55, "Standard Format and Content for the Health and Safety Sections of License Renewal Applications for Uranium Hexafluoride Production," describes the information needed in the health and safety sections of renewal applications for uranium hexafluoride plants and recommend a format for its presentation.

Comments and suggestions in connection with (1) items for inclusion in guides currently being developed or (2) improvements in all published guides are encouraged at any time. Comments should be sent to the Secretary of the Commission, U.S. Nuclear Regulatory Commission, Washington, D.C. 20555, Attention: Docketing and Service Branch.

Regulatory guides are available for inspection at the Commission's Public Document Room, 1717 H Street NW., Washington, D.C. Copies of active guides may be purchased at the current Government Printing Office price. A subscription service for future guides in specific divisions is available through the Government Printing Office. Information of the subscription service and current prices may be obtained by writing to the U.S. Nuclear Regulatory Commission, Washington, D.C. 20555, Attention: Publications Sales Manager.

(5. U.S.C. 552(a))

Dated at Silver Spring, Maryland this 15th day of April 1985.

For the Nuclear Regulatory Commission,
Robert B. Minogue,
Director, Office of Nuclear Regulatory Research.

[FR Doc. 85-9862 Filed 4-19-85; 8:45 am]

BILLING CODE 7590-01-M

OFFICE OF THE FEDERAL INSPECTOR FOR THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM

Federal Inspector Approval of "Stipulation 1.6.1" Plans for the Alaska Segment of the Alaska Natural Gas Transportation System

AGENCY: Office of the Federal Inspector (OFI) for the Alaska Natural Gas Transportation System.

ACTION: Notice.

EFFECTIVE DATE: April 22, 1985.

FOR FURTHER INFORMATION CONTACT: Rhodell B. Fields, Legal Counsel, Office of the Federal Inspector for the Alaska Natural Gas Transportation System, (202) 275-1100, 1200 Pennsylvania Ave., NW., P.O. Box 290, Washington, D.C. 20044.

Take notice that by letter dated April 16, 1985, to Northwest Alaskan Pipeline

Company (NWA), John T. Rhett, the Federal Inspector, acknowledged that, with the approval on January 25, 1985, of "Stipulation 1.6.1," Plan No. 18 for the Alaska segment of the Alaska Natural Gas Transportation System (ANGTS), the Federal Inspector has approved those 1.6.1 plans that could be concluded prior to remobilization.

On December 1, 1980, the United States Department of the Interior (DOI) issued a grant of right-of-way (F-24538) (R-O-W) to the Alaskan Northwest Natural Gas Transportation Company (ANNGTC), to allow construction of the Alaska segment of the ANGTS over Federal lands. Stipulation 1.6.1 of the R-O-W required the company to submit to the Federal Inspector comprehensive plans for the following areas (1.6.1 Plans):¹

- (1) Air Quality;
- (2) Blasting;
- (3) Camps;
- (4) Clearing;
- (5) Corrosion Control;
- (6) Cultural Resource Preservation;
- (7) Environmental Briefings;
- (8) Erosion and Sedimentation Control;
- (9) Fire Control;
- (10) Liquid Waste Management;
- (11) Material Exploration and Extraction;
- (12) Oil and Hazardous Substances Control, Cleanup and Disposal;
- (13) Overburden and Excess Material Disposal;
- (14) Pesticides, Herbicides, Chemicals;
- (15) Pipeline Contingency;
- (16) Quality Assurance/Quality Control;
- (17) Restoration;
- (18) River Training Structures;
- (19) Solid Waste Management;
- (20) Stream, River and Floodplain Crossings;
- (21) Surveillance and Maintenance;
- (22) Visual Resources;
- (23) Wetland Construction;
- (24) Seismic; and
- (25) Human/Carnivore Interaction.

Moreover, Stipulation 1.6.2 of the R-O-W provides that the plans and programs specified in Stipulation 1.6.1 must be approved in writing by the Federal Inspector.

By letter dated April 16, 1985, the Federal Inspector acknowledged approval of the following plans required by Stipulation 1.6.1 of the R-O-W: 1, 2, 3, 6, 7, 10, 11, 12, 14, 18, 19, 22, 24, and 25. These plans were reviewed by the Federal Inspector and Alaska, and where relevant, were commented upon by the Alyeska Pipeline Service

Company. They address a variety of environmental, health, safety, construction and operation matters related to the Alaskan segment of ANGTS. All parties directly involved consider these plans and programs to be the ones that could be concluded at this time. They agree that the remainder of the plans will be completed following remobilization and, where applicable, prior to approval of site-specific (or mile-by-mile) design packages that would be affected by these plans.

All of the pertinent approval letters for the respective 1.6.1 plans are available for review upon request.

Dated April 16, 1985.

John T. Rhett,

Federal Inspector.

[FR Doc. 85-9588 Filed 4-19-85; 8:45 am]

BILLING CODE 6119-01-M

Federal Inspector Actions Concerning the Pipeline Design Criteria Manual for the Alaska Segment of the Alaska Natural Gas Transportation System

AGENCY: Office of the Federal Inspector (OFI) for the Alaska Natural Gas Transportation System.

ACTION: Notice.

EFFECTIVE DATE: April 22, 1985.

FOR FURTHER INFORMATION CONTACT: Rhodell G. Fields, Legal Counsel, Office of the Federal Inspector for the Alaska Natural Gas Transportation System, (202) 275-1100, 1200 Pennsylvania Ave., NW., P.O. Box 290, Washington, D.C. 20044.

Take notice that by letters dated April 16, 1985, to Northwest Alaskan Pipeline Company (NWA), John T. Rhett, the Federal Inspector, approved Sections 13 and 21A¹ of the Pipeline Design Criteria Manual for the Alaska segment of the Alaska Natural Gas Transportation System (ANGTS).

On December 1, 1980, the United States Department of the Interior (DOI) issued a grant of right-of-way (F-24538) (R-O-W) to the Alaskan Northwest Natural Gas Transportation Company (ANNGTC), to allow construction of the Alaska segment of the ANGTS over Federal lands. Stipulation 1.6.1 of the R-O-W required the company to submit to the Federal Inspector Design Criteria. Moreover, Stipulation 1.6.2 of the R-O-W provided that the plans and programs specified in Stipulation 1.6.1 must be approved in writing by the Federal Inspector.

¹ Design Modes and Frost Heave Design Criteria and Methodology, respectively.

¹ Numbers conform to Plan Numbers.

During the past four years, NWA, as agent and operator for the ANGSTS partnership, has submitted individual sections of the Pipeline Design Criteria Manual (DCM) for review by the Federal Inspector and the State of Alaska (Alaska). In addition, as required by Stipulation 1.6.1, NWA submitted Design Criteria to the Alyeska Pipeline Service Company for comment on behalf of the owners of the Trans-Alaska Pipeline System. These comments were considered during the DCM review process. Individual sections of the DCM have been approved previously by the Office of the Federal Inspector. By letters dated April 16, 1985, the Federal Inspector approved Sections 13 and 21A of the DCM. With these most recent approvals, the DCM is now complete as a significant component of the Design Criteria for the Alaska segment of the ANGSTS.

The sponsors can rely on those approvals as a basis for development of design procedures, completion of remaining Design Criteria, and Final Design of the pipeline. Those approvals only cover the documents currently on file with the OFI related to the approved DCM sections. The OFI has encouraged the sponsors to make any reasonable changes to the DCM which would provide a more cost-effective design. Positive results from such efforts would be reviewed by the OFI at the appropriate time.

All of the pertinent approval letters for the individual sections of the DCM are available for review upon request.

Dated: April 18, 1985.

John T. Rhett,

Federal Inspector.

[FR Doc. 85-9589 Filed 4-19-85; 8:45 am]

BILLING CODE 6119-01-M

DEPARTMENT OF STATE

[Public Notice 936]

Agency Form Submitted for OMB Review

ACTION: In accordance with the provisions of the Paperwork Reduction Act of 1980, the Department has submitted a collection of information to the Office of Management and Budget for review.

SUMMARY: The following summarizes the information collection proposal submitted to OMB:

1. Form number—JF-53.
2. Title—Application for Dependent Care Training Grant.
3. Purpose—Used to determine eligibility of and identify dependents requesting training outside the Foreign Service Institute's facilities or to request day-care services while dependent is attending a training course.
4. Type of request—Extension.
5. Origin—Foreign Service Institute.
6. Frequency—On occasion.
7. Respondents—Employees and dependents of Foreign Service employees.
8. Estimated number of responses—75.

2. Estimated number of hours needed to respond—8.25.

Section 3504(h) of Pub. L. 96-511 does not apply.

Additional Information or Comments: Copies of the forms and supporting documents may be obtained from Gail J. Cook (202) 632-3602. Comments and questions should be directed to (OMB) Francine Picoult (202) 395-7231.

Dated: April 1, 1985.

Robert E. Lamb,

Assistant Secretary for Administration and Security.

[FR Doc. 85-9641 Filed 4-19-85; 8:45 am]

BILLING CODE 4710-24-M

DEPARTMENT OF TRANSPORTATION

Applications for Certificates of Public Convenience and Necessity and Foreign Air Carrier Permits Filed Under Subpart Q of Department of Transportation's Procedural Regulations (See, 14 CFR 302.1701 et seq.), Week Ended April 12, 1985

Subpart Q Applications

The due date for answers, conforming application, or motions to modify scope are set forth below for each application. Following the answer period DOT may process the application by expedited procedures, such procedures may consist of the adoption of a show-cause order, a tentative order, or in appropriate cases a final order without further proceedings.

Date filed	Docket No	Description
Apr. 8, 1985	43029	Trans Global Airlines, Inc., c/o Harry A. Bowen, Bowen and Atkin, 2020 K Street NW., Suite 350, Washington, D.C. 20006. Conforming Application of Trans Global Airlines, Inc. pursuant to Section 401 of the Act and Subpart Q of the Regulations requests a certificate to engage in scheduled foreign air transportation of persons, property and mail. (a) Between points in interstate and overseas air transportation within the United States, the District of Columbia, and U.S. territories or possessions. (b) Between coterminal points in the United States, the District of Columbia, or U.S. territories and coterminal points in Belgium, the Federal Republic of Germany, Ireland, Israel, Luxembourg, Netherlands, Portugal, and Switzerland. (c) Between coterminal points in the United States, the District of Columbia, or U.S. territories and coterminal points in Antigua, Bahamas, Barbados, Chile, Costa Rica, Dominican Republic, El Salvador, Grenada, Guadeloupe, Guatemala, Haiti, Honduras, Jamaica, Martinique, Netherland Antilles, Panama, St. Kitts, and Trinidad and Tobago, and (d) Between San Juan and Mexico City, Mexico. Answers may be filed by April 22, 1985.
Apr. 11, 1985	43096	Midway Airlines (1984), Inc., c/o Joel Stephen Burton, Ginsburg, Feldman and Bress, 1250 Connecticut Avenue, N.W. Washington, D.C. 20036. Application of Midway Airlines (1984), Inc. pursuant to Section 401 of the Act and Subpart Q of the Regulations requests a certificate of public convenience and necessity authorizing scheduled interstate and overseas air transportation. Applicant also requests a determination of fitness pursuant to Part 204 of the Regulations. Conforming Applications, Motions to Modify Scope and Answers may be filed by May 9, 1985.
Apr. 9, 1985	42922	King Flying Service, c/o Bill Miller, Bill Miller Associates, Suite 301, 1341 G Street, N.W., Washington, D.C. 20005. Supplemental Material to the Application of King Flying Service. Answers may be filed by May 7, 1985.
Apr. 12, 1985	43038	Eastern Air Lines, Inc., Miami International Airport, Miami, Florida 33148. Application of Eastern Air Lines, Inc. pursuant to Section 401 of the Act and Subpart Q of the Regulations to permit Eastern to provide air service on the following routes: Atlanta, Georgia—Tokyo, Japan Honolulu, Hawaii—Tokyo, Japan Los Angeles, California—Tokyo, Japan Miami, Florida—Tokyo, Japan Portland, Oregon—Tokyo, Japan Conforming Applications, Motions to Modify Scope and Answers may be filed by May 10, 1985.

Phyllis T. Kaylor,

Chief, Documentary Services Division.

[FR Doc. 85-9611 Filed 4-19-85; 8:45 am]

BILLING CODE 4910-62-M

**Statement of John T. Rhett
Federal Inspector
Office of the Federal Inspector
For the Alaska Natural Gas Transportation System**

The next document in this collection of documents is the first page of:

Statement of John T. Rhett, Federal Inspector, Office of the Federal Inspector for the
Alaska Natural Gas Transportation System before the Subcommittee on Energy
Regulation, Senate Energy and Natural Resources Committee, November 16, 1983.

This 12-page statement is cataloged separately in The Pipe Files catalog for the Alaska natural gas document collection.

A label was attached to this sheet (which fell off due to age). That label read:

Excellent Project background - See also 4/22/85 Federal Register notice attached - OFI's final approvals for Stipulation 1.6.1 environmental plans & Pipeline Design Criteria Manual for Alaska segment of ANGTS.

This page is supplied by Alaska Resources Library and Information Services (ARLIS).

EXCELLENT PROJECT BACKGROUND -

See also 4/22/85 Federal Register Notice attached - OFI's final approvals for Stipulation 1.6.1 environmental plans & Pipeline Design Criteria Manual for Alaska segment of ANGTS.

STATEMENT OF JOHN T. RHETT
FEDERAL INSPECTOR
OFFICE OF THE FEDERAL INSPECTOR
FOR THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM

Before the
Subcommittee on Energy Regulation

Senate Energy and Natural Resources Committee
November 16, 1983

Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you today to discuss the Alaska Natural Gas Transportation System (ANGTS) and the role the Office of the Federal Inspector (OFI) has had in overseeing this extraordinary project to date.

Let me begin by giving you a short history of the project itself and the origins of the OFI. I will then give you a status report on the project from a technical, and regulatory viewpoint.

The ANGTS project was conceived following discovery, in 1968, of a huge reservoir of oil and natural gas at Prudhoe Bay on the North Slope of Alaska. The proven reserves of 9.6 barrels of oil and 26 trillion cubic feet of gas stimulated interest in moving the vast supplies to markets in the lower 48 States. The oil eventually began flowing, in June 1977, through the Trans-Alaskan Pipeline System (TAPS), which was built to transport the oil from the North Slope to the port of Valdez where the oil could be shipped by tanker. The natural gas is currently being reinjected to maintain field pressure and maximize oil recovery.

Domestic gas shortages, coupled with sharp oil price increases in the mid-1970s, encouraged plans for an Alaskan gas pipeline system. Between 1974 and 1976 three separate project groups applied to the Federal Power Commission (FPC) for certification to transport Alaskan gas. The Arctic Gas consortium proposed to build a pipeline east from Prudhoe Bay across the Arctic National Wildlife Range, down Canada's Mackenzie River Valley to Alberta where separate legs would deliver the gas to the U.S. Midwest and West Coast. The El Paso group wanted to construct a gas line along the oil line corridor to the Gulf of Alaska, where the gas would be liquified and shipped to California. Finally, the Alcan Pipeline Company submitted what was to become the approved system.

Because the sizeable Prudhoe reserves were viewed as critical to the Nation's total energy program, Congress passed the Alaska Natural Gas Transportation Act (ANGTA) of 1976, while the FPC was holding hearings on the three proposals. The ANGTA provided for the participation of the President and the Congress in the selection process and for the means to expedite construction and initial operation of the approved system. Pursuant to the requirements

**ALASKA NATURAL GAS TRANSPORTATION SYSTEM
PROJECT SPONSORS**

The following are the project sponsors of the Alaska Natural Gas Transportation System:

ALASKAN LEG

ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY

Partner

Northwest Alaskan Pipeline Company*
TransCanada PipeLines Alaska, Ltd.
Foothills Pipe Lines Ltd.

Parent

The Williams Companies
TransCanada PipeLines USA, Ltd.

EASTERN LEG

NORTHERN BORDER PIPELINE COMPANY

Partner

Northern Plains Natural Gas Company*	35%**
Northwest Border Pipeline Company	12.25%
Pan Border Gas Company	22.75%
TransCanada Border Pipeline Ltd.	16%
TransCan Northern Ltd.	14%

Parent

Enron Corporation
The Williams Companies
Panhandle Eastern Corporation
TransCanada PipeLines Ltd.
TransCanada Pipelines Ltd.

WESTERN LEG

Partner

Pacific Gas Transmission Company

Parent

Pacific Gas and Electric Company

CANADIAN SPONSOR

Parents

Foothills Pipe Lines (Yukon) Ltd.

NOVA, an Alberta Corporation
Westcoast Transmission Co. Ltd.

*Operating Partners

ALASKA NATURAL GAS TRANSPORTATION SYSTEM PROJECT SPONSORS

The following are the project sponsors of the Alaska Natural Gas Transportation System:

ALASKAN LEG

ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION COMPANY

Partner

Northwest Alaskan Pipeline Company*
~~Calaska Energy~~
TransCanada Pipeline Alaska, Ltd.
Foothills Pipe Lines Ltd.

Parent

The Williams Companies
~~Pacific Gas and Electric Company~~
TransCanada PipeLines USA, Ltd.

Active *DIC*

EASTERN LEG

NORTHERN BORDER PIPELINE COMPANY

Partner

Northern Plains Natural Gas Company* 35%**
Northwest Border Pipeline Company 12.25%
Pan Border Gas Company 22.75%
TransCanada Border Pipeline Ltd. 16%
TransCan Northern Ltd. 14%

Parent

Enron Corporation
The Williams Companies
Panhandle Eastern Corporation
TransCanada PipeLines Ltd.
TransCanada Pipelines Ltd.

WESTERN LEG

Partner

Pacific Gas Transmission Company

Parent

Pacific Gas and Electric Company

CANADIAN SPONSOR

Parents

Foothills Pipe Lines (Yukon) Ltd.

NOVA, an Alberta Corporation
Westcoast Transmission Co. Ltd.

*Operating Partners
**Ownership interests

33 1/3%
not in
1 Co. 1 vote

fair
27 levelized
withdrawn offer to sell

for also have

ALASKA NATURAL GAS TRANSPORTATION SYSTEM

Proposed 4,800-mile Natural Gas Pipeline
32 percent or 1,512 miles completed (prebuild) in U.S. and Canada

CANADIAN SPONSOR

FOOTHILLS PIPE LINES (YUKON) LTD.

Western Leg - 132 miles/Alberta to Kingsgate, BC
Eastern Leg - 396 miles/Alberta to Monchy, Sask.
(Prebuild or completed)

U. S. SPONSORS

PACIFIC GAS TRANSMISSION COMPANY

Western Leg - 160 Miles/Kingsgate, BC to Stanfield, OR
(Prebuild or completed)

NORTHERN BORDER PIPELINE COMPANY

-Consortium of Four Companies
-Northern Plains Natural Gas Co., Operating
partner (ENRON, Parent Co.)

Eastern Leg - 823 Miles/Monchy, Sask. to Ventura
(Prebuild or completed)

ALASKAN NORTHWEST NATURAL GAS TRANSPORTATION CO.

-Consortium of Four Gas Companies
-Northwest Alaskan Pipeline Co., Operating
partner (THE WILLIAMS COS., Parent)

Alaskan Leg - 745 Miles/Prudhoe Bay to Alberta
(Proposed/not constructed)

TRANS-ALASKA GAS SYSTEM (TAGS)

(Competing Project for Alaska Gas)
Proposed 800-mile pipeline from Prudhoe Bay to Valdez
to export LNG to Pacific Rim countries

SPONSOR

YUKON PACIFIC CORPORATION

TRANS-ALASKA PIPELINE SYSTEM (TAPS)

Completed Oil pipeline from Prudhoe Bay to Valdez, AK

SPONSOR

ALYESKA PIPELINE SERVICE COMPANY

KEY PLAYERS

8/92

ALASKA LEG

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Bev Blackwood, Wash. Rep.
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(Northern Border Pipeline Company)

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Calgary, Alberta T2P 3V3
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U. S. GOVERNMENT

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Nancy Ellett, Office of Fuels Programs,
586-4669, Rm. 3G-064

Office of International Affairs
Richard Williamson, Assoc. Dep. Asst. Sec.
586-5493, Rm. 7C-034
Andrea Lockwood, Economist
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DEPARTMENT OF ENERGY

3/93

- o In 1985, the Reagan Administration recommended, and Congress affirmed, that the Office of the Federal Inspector (OFI), because of its unique oversight authority for the Alaska Natural Gas Transportation System, should remain independent, but be attached to the Department of Energy (DOE), for administrative convenience.

This determination was reached after consultations with the Office of Management and Budget (OMB) and Congressional staff (including discussions with the Alaska Delegation). The decision was reached since elimination of the OFI and placement of its functions into another agency would require a basic change in the OFI legislation and might affect the overall franchise and the regulatory process accomplished to date.

DOE was selected as the host agency since this was no longer a construction project, but rather one revolving primarily around energy policy and regulatory issues.

- o OFI became affiliated with DOE in November 1985 and through a Memorandum of Understanding (MOU) received administrative support to carry out the functions of the Office. To comply with OMB and the Government Accounting Office (GAO) audit standards, an MOU with the DOE Inspector General was initiated in October 1987 (see attached MOUs).
- o OFI funds were appropriated under the DOE/Fossil Energy R&D budget from FY 86 through FY 92. The FY 92 budget of \$ 334,000 supported 4 employees. (See FY 92 budget testimony of Michael J. Bayer (4/30/91) attached.) On June 4, 1992, the President signed the FY 1992 Rescission Act which included \$ 144,000 for the OFI (see TAB C).
- o See attached list of former Federal Inspectors.

DEPARTMENT OF ENERGY

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- o See attached list of Federal Inspectors.

RENEWAL OF MEMORANDUM OF UNDERSTANDING

BETWEEN

DEPARTMENT OF ENERGY

AND

OFFICE OF THE FEDERAL INSPECTOR
FOR THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM

The Memorandum of Understanding of October 11, 1985, between the Office of the Federal Inspector and the Department of Energy for administrative support services is hereby renewed.

The following amendment is hereby substituted for the original Item VII contained in the MOU of October 11, 1985:

"VII. Amendment and Termination

- A. This MOU may be amended by agreement of both parties.
- B. This MOU can be terminated by either party upon a 60-day advance written notice prior to the end of any fiscal year."

Department of Energy

By:

Henry R. Puder

Title: Director of Administration

Date: September 30, 1986

Office of the Federal Inspector

By:

[Signature]

Title: Federal Inspector, ANGS

Date:

9-30-86

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE DEPARTMENT OF ENERGY AND THE OFFICE OF THE FEDERAL INSPECTOR

I. INTRODUCTION

The Office of the Federal Inspector for the Alaska Natural Gas Transportation System, authorized by the Alaska Natural Gas Transportation Act of 1976, began operation in July 1979 pursuant to Executive Order No. 12142. This legislation and Executive Order made the Office of the Federal Inspector responsible for coordinating all Federal activities pertaining to the pipeline in order to assure timely, efficient, safe, and environmentally sound construction. The current workload of the Federal Inspector requires a very small staff consistent with the reduced activity of the project sponsors, and includes liaison with all project participants, assessment of energy market development affecting the project, and participation in related regulatory and remobilization activities. These changes have brought about arrangements between the Department of Energy (DOE) and the Office of the Federal Inspector (OFI) to establish a Memorandum of Understanding (MOU) for DOE to provide administrative support services required to assist OFI in carrying out their responsibilities.

II. PURPOSE

The purpose of this MOU is to identify the responsibilities that DOE and the OFI will observe in DOE providing administrative support services to OFI. The intent of this Agreement is to govern the relationship between DOE and OFI and to establish guidelines to ensure that this support will be provided in a responsive manner.

III. AUTHORITY

Pursuant to the authority of Section 601 of the Economy Act of 1932, as amended, (31 U.S.C. 1535) the U.S. Department of Energy, and the Office of the Federal Inspector enter into this MOU.

IV. RESPONSIBILITIES

- A. The Department of Energy shall provide administrative, personnel, payroll, financial reporting and accounting, budget, legal, contracting and other procurement, and support services to the OFI as outlined under paragraph V. in this Agreement. Currently these services are being provided primarily by the General Services Administration (GSA). However, DOE will assume these responsibilities upon the execution of this MOU, with the exception of the payroll function which will continue to be performed by GSA through the 1985 pay year. DOE will begin payroll OFI employees beginning with the first pay period in the 1986 pay year.

- B. Office of the Federal Inspector shall designate a point of contact who shall be responsible for assisting DOE in the implementation of this Agreement, and requesting services as required.

V. Description of Services To Be Provided

- A. The OFI is an independent agency and will be maintained as such in all records and accounts maintained by DOE. Administrative support will also include required reporting to OPM, Treasury, OMB, GSA and other agencies in all functional areas.
- B. The services to be rendered by DOE as described below include professional staff advice in all of the functional areas as well as technical and clerical support in the processing of essential paperwork. Specific details may be developed as supplemental to this Agreement in any of the functional areas.

1. Personnel

DOE shall provide Personnel support services to include processing all personnel actions, maintaining official records, and preparation and submission of required reports to appropriate Agencies.

The normal level of health services and facilities provided to all personnel occupying the Forrestal building will be extended to OFI employees.

2. Payrolling

DOE shall provide routine payrolling services including maintaining leave and other records, preparing necessary reports and documents to assure prompt and accurate payment and accounting, and providing staff advice on payroll and related matters.

3. Financial Management and Reporting

DOE shall maintain required accounting records for OFI appropriations including reports to appropriate Agencies. OFI will be provided current and accurate financial reports. OFI hereby agrees to allow duly authorized DOE Certifying Officers to certify payroll transactions and all classes of vouchers payable from funds made available to OFI. DOE shall also provide impress fund services.

4. Budgeting

DOE shall provide OFI with staff assistance in preparing all necessary documents required for satisfactory completion of the budget process including submissions to OMB and Congress. The OFI will justify all submissions.

5. Legal Services

DOE shall provide legal services to include opinions or formal actions required as a result of activities relative to OFI operations as well as past actions which may surface as a result of litigation, FOIA requests, etc.

6. Contracting and Other Procurement

DOE shall provide staff assistance in the preparation of any contracts for services such as technical review required for project related documents, etc. Other necessary procurement support will be provided by DOE as necessary to maintain operations.

7. Support Services

DOE shall provide support services to include such items as:

- all materials and supplies
- telephones
- space, including routine cleaning and maintenance
- mail services
- duplication services
- local transportation
- equipment, including routine and emergency maintenance
- furniture and other office furnishings
- travel support

VI. Management Arrangements

- A. The OFI will adopt all established DOE administrative policies and procedures. This can be suspended or modified on a case-by-case basis by mutual agreement of the parties where the policies are impractical or for some other reason, inappropriate. One specific exemption for FY 1986 is records disposition. The OFI will maintain the full responsibility for the establishment of disposition schedules and making other policy decisions in the area of records management.
- B. All existing OFI property will be transferred to DOE for inclusion in DOE records and as such becomes subject to DOE property management regulations.
- C. If authority is provided for this OFI activity in the FY 1986 DOE Appropriations, DOE agrees to provide the services outlined in this agreement at no charge for the term (through September 30, 1986), to be reviewed at that time with other terms and conditions. If authority is not provided, the parties shall enter into an interagency agreement obligating OFI funds, not expected to exceed \$25,000, and OFI will be subsequently billed to recover costs incurred.

- D. If appropriations are provided for OFI to spend official entertainment and representation expenses, these funds will be managed in accordance with current DOE policies and procedures.

VII. Amendment and Termination

- A. This MOU shall be effective until September 30, 1986. By agreement of the parties, this MOU may be extended for a further period of time.
- B. This MOU may be amended by agreement of both parties.
- C. This MOU shall be reviewed prior to September 30, 1986, and, if extended, on an annual basis thereafter to determine the need for modification, continuance, or termination. It can be terminated by either party upon a 60-day advance written notice prior to the date of termination.

VIII. Effective Date

This Memorandum of Understanding is effective when signed by both parties.

U.S. Department of Energy

Office of the Federal Inspector

By William E. Heffernan

By: J. Richard Berman

Title: Dir. of Admin.

Title: Deputy Federal Inspector

Date: 10/11/85

Date: 10/11/85

MEMORANDUM OF UNDERSTANDING

BETWEEN

DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL

AND

OFFICE OF THE FEDERAL INSPECTOR
ALASKA NATURAL GAS TRANSPORTATION SYSTEM

The purpose of this Memorandum of Understanding is to document expressly an agreement on audit responsibility between the Department of Energy, Office of Inspector General, and the Office of the Federal Inspector for the Alaska Natural Gas Transportation System.

This Memorandum of Understanding makes explicit that the Office of Inspector General provides audit coverage of all Office of the Federal Inspector activities. The audit coverage will comply with the requirements of OMB Circular A-73 and the GAO Standards for such audits.

Office of Inspector General

By:

John C. Layton

Title:

Inspector General

Date:

Oct 14, 1987

Office of the Federal Inspector

By:

[Signature]

Title:

Federal Inspector, ANGTS

Date:

10-14-87

Statement of Michael J. Bayer
Federal Inspector
Office of the Federal Inspector
for the Alaska Natural Gas Transportation System
Before the
Committee on Appropriations
Subcommittee on Interior and Related Agencies

April 30, 1991

Mr. Chairman and Members of the Committee, it is a pleasure to appear before you today concerning the President's FY 1992 budget request of \$278,000 for the Office of Federal Inspector for the Alaska Natural Gas Transportation System (ANGTS). I am Michael J. Bayer, the Federal Inspector for ANGTS. I have been in office since October 30, 1990.

Mr. Chairman, I am here to report to you that the Office of the Federal Inspector is very much alive and kicking. The last time an ANGTS Federal Inspector appeared before this Committee was on March 6, 1985, and during the interim the Office relied on the Office of Fossil Energy to appear before you. Although I expect the Office's budget for FY 1993 to continue to be a line item in the Fossil Energy budget request, the Committee may be assured that during my tenure it will have the benefit of my direct participation in the Committee's hearings, and in all other matters concerning ANGTS that are of interest to this Committee.

The Office of the Federal Inspector continues to operate with a skeleton staff. The project sponsors have reiterated their commitment to the project, but there has been little activity, at least with respect to the Alaskan Leg of the project. I could not now predict when the full ANGTS project is likely to be completed. Although completion of the ANGTS remains far off, there has and continues to be a substantial amount of activity.

This project has typically been described in terms of two phases. Phase I, or the "prebuild," involved more than 1500 miles of pipeline, roughly 1/3 of the total ANGTS project. The prebuild was put into service to bring Canadian gas to lower 48 markets pending completion of the full project. In Phase II, the Alaskan Leg would be built, together with the Northern Canadian segment, connecting the Alaskan Leg and the prebuild, and extensions of the Eastern and Western Legs of the prebuild in the lower 48. Currently, the sponsors of the Eastern and Western Legs of the prebuild are seeking FERC approval to expand the prebuild from Stanfield, Oregon to Southern California in the Western Leg, and from Ventura, Iowa to Illinois in the Eastern Leg. The status of these projects under the Alaska Natural Gas Transportation Act has been a matter of some concern and uncertainty.

Another important development is the so-called TAGS project, the Trans-Alaska Gas System, which is designed to bring Alaskan natural gas to Pacific Rim markets as liquefied natural gas (LNG). It remains a substantial issue for the ANGTS sponsors, and is of great interest to this Office. Additionally, there has

been substantial activity in Canada, concerning the potential development of Mackenzie Delta natural gas, with 11.7 trillion cubic feet (Tcf) of proven reserves.

To be quite honest, Mr. Chairman, the Office of Federal Inspector (OFI) was not very active the past 6 years. Although it may be quite a while until OFI is "re-mobilized" to match a re-start of this project, I believe there is much this Office can and should do now.

First and foremost, we must have a clear idea of the facts -- and the facts have changed a lot since 1977 when Congress and the President planned for ANGTS.

- o Expectations about the supply and pricing of crude oil and natural gas never materialized. There is more natural gas in the lower 48 and in Canada than anyone predicted. And compared to the price predictions of the late 1970's and early 1980's, crude oil is a bargain. This has seriously affected the economics of ANGTS.

- o In 1977, there was no TAGS project. Since that time President Reagan issued a finding permitting the exportation of Alaskan natural gas, and the TAGS project won approval from DOE to export 16.5 Tcf of North Slope gas as LNG. Although the DOE order is being challenged in court, TAGS itself challenges our assumptions about the marketability of Alaskan gas, and supplies available to the ANGTS project.

- o In 1977, the Canadian government anticipated that Mackenzie Delta gas would flow south through the so-called "Dempster Lateral" and hook-up with the ANGTS project in Whitehorse, in the Yukon Territory. Now, serious attention is being paid to a direct pipeline connection between the Delta and an extension of the prebuild near Boundary Lake. The Mackenzie Delta pipeline would render the Dempster Lateral moot -- which pipeline is constructed depends on whether Mackenzie Delta gas or Alaskan gas is brought to market first.

- o Since the Federal Inspector last appeared before you, there has been a substantial amount of activity by the sponsors of the prebuild in the United States to expand and extend the facilities originally constructed. Northern Border Pipeline Company is seeking to extend its current facilities from Ventura, Iowa to Illinois, and Pacific Gas Transmission Company and Pacific Gas and Electric Company are seeking to expand their facilities from Stanfield, Oregon to Southern California. The status of these projects has been the subject of some controversy.

I have commenced a series of discussions with a variety of organizations and individuals, including the project sponsors of ANGTS and TAGS, the North Slope producers, industry trade associations, and involved U.S. government agencies. I also have met with my Canadian counterpart, Mr. Donald Campbell, the Commissioner of the Northern Pipeline Agency, and believe we have re-established a cooperative working relationship. I consider this process extremely important so that OFI has a clear picture of the facts, not as they existed in 1977, or

even 1987, but as they exist today, and as we expect them to exist in the near term.

I have also taken a fresh look at the Office to be sure that it is positioned to be of real value to the President and the Congress, not to mention the sponsors of this project. It simply won't do that the 50 pages of OFI regulations, which are published in the Code of Federal Regulations, are out of date and inaccurate. The world has changed since the early 1980's, and the Office of Federal Inspector has to reflect those changes.

There is no serious challenge to the notion that the Alaskan natural gas resource is of enormous importance -- and the National Energy Strategy and various pieces of legislation pending in this Congress underscore the importance of natural gas to our energy markets and the environment. I want to be sure our Office is ready to fulfill the job the President and the Congress gave to us.

To meet this current level of activity, OFI will, by the end of the fiscal year, consume its FY 1991 appropriation and the funds carried forward from the prior years.

Thank you for the opportunity to appear before the Committee today, and I would be happy to respond to any questions that you may have.

FEDERAL INSPECTORS for the ALASKA NATURAL GAS TRANSPORTATION SYSTEM

John T. Rhett

July 13, 1979 - December 27, 1985

Danny J. Boggs

December 8, 1985 - March 26, 1986

Theodore J. Garrish

- Acting Federal Inspector
- Appointed by President

March 26, 1986

August 18, 1986 - February 21, 1989

B. Melvin Hurwitz

Deputy Federal Inspector
(Acting Federal Inspector)

February 1989 - October 1990

Michael J. Bayer

October 30, 1990 - April 18, 1992

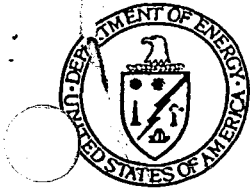
LEGISLATIVE PROPOSALS TO ABOLISH THE OFFICE OF THE FEDERAL INSPECTOR

- o On April 13, 1992, the Secretary of Energy sent draft legislation to Congress proposing that the Office of the Federal Inspector be abolished and its functions transferred to the Secretary of Energy (see attached).
- o On May 27, 1992, the House approved H.R. 776, the Energy bill, which would abolish the Office of the Federal Inspector and transfer its functions to the Chairman of the Federal Energy Regulatory Commission (see attached).
- o In September 1992, section 3002 of H.R. 776 was amended to transfer OFI's functions to the Secretary of Energy (see attached).
- o On October 24, 1992, OFI was abolished by P.L. 102-486, the Energy Policy Act of 1992, which transferred all functions and authority vested in the Federal Inspector to the Secretary of Energy.

8/92

LEGISLATIVE PROPOSALS TO ABOLISH THE OFFICE OF THE FEDERAL INSPECTOR

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The Secretary of Energy
Washington, DC 20585

April 13, 1992

The Honorable Dan Quayle
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

Enclosed is a legislative proposal "To abolish the position and Office of the Federal Inspector for the Alaska Natural Gas Transportation System, to transfer its functions to the Secretary of Energy, and for other purposes."

The Office of Management and Budget advises that enactment of this proposal would be in accord with the program of the President.

The Alaska Natural Gas Transportation Act of 1976 (15 U.S.C. 719-719o) established a procedure for the President to designate a route for transporting Alaska natural gas to the contiguous United States. Among other things, the Act required the President, after designating the route, to appoint either a Federal Inspector or a Board to expedite the permitting process, enforce permit conditions, and oversee the construction of the Alaska Natural Gas Transportation System (ANGTS). The route selected was a pipeline from the Prudhoe Bay area, running south through Alaska and Canada to the contiguous United States where it splits into eastern and western segments. Construction was expected to begin within a short period of time, and the Office of the Federal Inspector (OFI) for the ANGTS was established as an independent office within the Executive Branch.

ANGTS was planned and construction of Phase I of the project was completed during a time of perceived natural gas shortage in the continental United States; oil and gas prices were skyrocketing then. Natural gas markets have changed dramatically since then. In the past 10 years, natural gas supplies have become abundant; prices have moderated (natural gas wellhead prices are at their lowest point in years); and it is

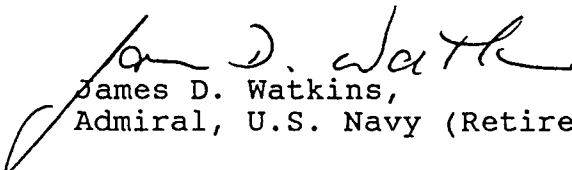
unlikely that it will be economical to renew construction of ANGTS in this decade. Accordingly, there is no longer a need for OFI presently or in the foreseeable future. It exists only because its establishment was mandated by law.

The President has made the elimination of redundant and outmoded operations of the government a central theme of his Administration. Accordingly, his Fiscal Year 1993 Budget proposes no funding for OFI. In addition, a request for rescission of FY 1992 funds appropriated for the OFI has recently been submitted to Congress.

The only question is what to do about the authorities for which OFI is responsible. The enclosed draft bill would abolish the position and Office of the Federal Inspector as well as the requirement to issue quarterly reports to the President and Congress. It would require the Secretary of Energy to report to Congress by the end of this year on the remaining OFI functions and regulations that need to be continued in effect. This short review period is necessary to assure that sufficient authority remains in place to permit the U.S. to meet its international commitments with respect to the ANGTS project. By abolishing the position and Office of the Federal Inspector and the quarterly report requirement, this legislation will avoid additional expenditures of taxpayer funds during the review period.

Enactment of the enclosed draft bill would be a small, but important, step toward efficiency in government, and I strongly urge the Congress to enact it quickly so that the taxpayers can reap the benefit.

Sincerely,


James D. Watkins,
Admiral, U.S. Navy (Retired)

Attachment

A BILL

To abolish the position and Office of the Federal Inspector for the Alaska Natural Gas Transportation System, to transfer its functions to the Secretary of Energy, and for other purposes.

1 Be it enacted by the Senate and House of Representatives of
2 the United States of America in Congress assembled,

3 SECTION 1. ABOLITION

4 (a) The position and Office of the Federal Inspector for
5 the Alaska Natural Gas Transportation System established by
6 Reorganization Plan No. 1 of 1979 (93 Stat 1373; 15 U.S.C. 719e
7 note) are abolished.

8 (b) The Executive Policy Board established by Executive
9 Order 12142 (44 F.R. 36927; 15 U.S.C. 719e note) is abolished.

10 SEC. 2. TRANSFER OF FUNCTIONS. (a) The functions of the
11 Office of the Federal Inspector for the Alaska Natural Gas
12 Transportation System are transferred to, and vested in, the
13 Secretary of Energy.

14 (b) Section 7(a)(5) of the Alaska Natural Gas Trans-
15 portation Act of 1976 is amended by striking subparagraph (E).

16 (c) As used in this section, "functions" includes any duty,
17 obligation, power, authority, responsibility, right, privilege,
18 and activity.

19 (d) The Secretary of Energy shall report to the President
20 and the Congress no later than December 31, 1992 on whether any
21 of the laws and regulations relating to the Alaska Natural Gas
22 Transportation System need to be continued in effect.

102D CONGRESS
2D SESSION

H. R. 776

AN ACT

To provide for improved energy efficiency.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

4 (a) **SHORT TITLE.**—This Act may be cited as the
5 “Comprehensive National Energy Policy Act”.

TITLE XXIX—RADIATION PROTECTION

Subtitle A—Below Regulatory Concern

- Sec. 2901. State authority to regulate radiation below level of NRC regulatory concern.
- Sec. 2902. Revocation of related NRC policy statements.

Subtitle B—Disposal Standards at Mill Tailings Sites

- Sec. 2911. Disposal standards at mill tailings sites.

TITLE XXX—MISCELLANEOUS

- Sec. 3001. Powerplant and Industrial Fuel Use Act of 1978 repeal.
- Sec. 3002. Alaska Natural Gas Transportation Act of 1976 repeal.
- Sec. 3003. Geothermal heat pumps.
- Sec. 3004. Employee protection for nuclear whistleblowers.
- Sec. 3005. Renewable Energy Park Demonstration Program.
- Sec. 3006. Use of energy futures for fuel purchases.
- Sec. 3007. Energy subsidy study.
- Sec. 3008. Tar sands.
- Sec. 3009. Exemption of certain research and educational licensees from annual charges.
- Sec. 3010. Amendments to title 11 of the United States Code.

TITLE XXXI—FEDERAL AND STATE LANDS

- Sec. 3101. Rights-of-way on certain Federal lands.
- Sec. 3102. Dams in national parks.
- Sec. 3103. State or local government lands.
- Sec. 3104. Coordination with Federal agencies.

1 TITLE I—ENERGY EFFICIENCY

2 SEC. 101. FINDINGS, PURPOSE, AND DEFINITION.

3 (a) FINDINGS.—The Congress finds that the more ef-
 4 ficient use of energy and the greater use of renewable en-
 5 ergy can—

6 (1) improve energy security and the balance of
 7 trade by reducing energy imports;

8 (2) improve air quality by reducing combustion
 9 of fossil fuels;

10 (3) reduce emissions of carbon dioxide, a major
 11 “greenhouse” gas;

1 “(2) the radioactive material to be disposed of
2 is byproduct material as defined in section 11 e.(2)
3 and—

4 “(A) the site to be used for disposal is in
5 compliance with all applicable Federal and
6 State regulations; and

7 “(B) the proposed disposal will not cause
8 the site to fail to comply with such regula-
9 tions.”.

10 **TITLE XXX—MISCELLANEOUS**

11 **SEC. 3001. POWERPLANT AND INDUSTRIAL FUEL USE ACT** 12 **OF 1978 REPEAL.**

13 Section 403(a) of the Powerplant and Industrial Fuel
14 Use Act of 1978 (42 U.S.C. 8373(a)) is repealed.

15 **SEC. 3002. ALASKA NATURAL GAS TRANSPORTATION ACT** ← 16 **OF 1976 REPEAL.**

17 (a) REPEAL.—Section 7(a)(5) of the Alaska Natural
18 Gas Transportation Act of 1976 (15 U.S.C. 719e(a)(5))
19 is repealed.

20 (b) ABOLITION OF OFFICE OF FEDERAL INSPECTOR
21 OF CONSTRUCTION.—The Office of Federal Inspector of
22 Construction for the Alaska Natural Gas Transportation
23 System, created pursuant to the paragraph repealed by
24 subsection (a) of this section, is abolished. All functions
25 and authority vested in the Inspector are hereby trans-

1 ferred to the Chairman of the Federal Energy Regulatory
2 Commission.

3 (c) REVOCATION OF CERTAIN OFI REGULATIONS.—
4 Regulations applicable to the Office of Federal Inspector
5 of the Alaska Natural Gas Transportation System, as set
6 forth in chapter 15 of title 10, Code of Federal Regula-
7 tions, are hereby revoked.

8 **SEC. 3003. GEOTHERMAL HEAT PUMPS.**

9 The Secretary shall—

10 (1) encourage States, municipalities, counties,
11 and townships to allow the installation of geothermal
12 heat pumps, and, where applicable, to permit public
13 and private water recipients to utilize the flow of
14 water from, and back into, public and private water
15 mains for the purpose of providing sufficient water
16 supply for the operation of residential and commer-
17 cial geothermal heat pumps; and

18 (2) not discourage any local authority which al-
19 lows the use of geothermal heat pumps from—

20 (A) inspecting, at any reasonable time,
21 geothermal heat pump connections to the water
22 system to ensure the exclusive use of the public
23 or private water supply to the geothermal heat
24 pump system; and

RESCISSION OF FY 92 FUNDING

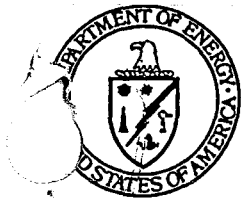
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- o On June 4, 1992, the President signed P.L. 102-298, the FY 1992 Rescission Act, which included funding (\$144,000) for the Office of the Federal Inspector (see attached).**

8/92

RESCISSION OF FY 92 FUNDING

- o On June 4, 1992, the President signed P.L. 102-298, the FY 1992 Rescission Act, which included funding (\$144,000) for the Office of the Federal Inspector (see attached).



Department of Energy

Washington, DC 20585

April 27, 1992

The Honorable Sidney R. Yates
Chairman, Subcommittee on Interior
and Related Agencies
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am writing to provide information on the status of the Department's Office of the Federal Inspector for the Alaska Natural Gas Transportation System. On April 13, 1992, the Department of Energy sent a letter to the Speaker of the House and President of the Senate with draft legislation proposing that the Office of the Federal Inspector be abolished and its functions be transferred to the Secretary of Energy. The proposed legislation would also abolish the requirement to issue quarterly reports to the President and Congress and would require the President and the Secretary of Energy to report to Congress by the end of this year on the additional Office of Federal Inspector functions and regulations that should be repealed.

On April 8, the President sent a rescission proposal (R92-34) totaling \$145,000 in budgetary resources to the Congress which would eliminate funds remaining for the Federal Inspector's Office. The rescission proposal complements the President's FY 1993 budget which contains no new funding for the Office of Federal Inspector. Both the Federal Inspector and the Deputy Federal Inspector have resigned effective April 18, 1992. For this reason, there is no Federal Inspector to testify at the House Interior and Related Agencies Appropriations Subcommittee hearing scheduled for April 30, 1992. The Department will be happy to answer questions you may have for the record. I hope this will be satisfactory to the Subcommittee and responsive to your need for information on this program.

Sincerely,

Elizabeth E. Smedley
Elizabeth E. Smedley
Acting Chief Financial Officer

Federal Inspector for the Alaska Gas Pipeline

Question: Your report to the President recommends abolishing the Federal Inspector. What is the status of doing this?

Answer: On April 13, 1992, the Secretary of Energy sent draft legislation to the Congress proposing that the Office of the Federal Inspector be abolished. On April 18, 1992, the Federal Inspector and the Deputy Federal Inspector resigned.

Question: Is currently pending legislation sufficient to terminate all of your activities and transfer any existing authorities to others as necessary? If not, has the Administration forwarded legislation to do so?

Answer: No. H.R. 776, as reported by the House Committee on Energy and Commerce, includes a provision which would transfer the Inspector's duties to FERC. This proposal is too limiting given FERC's narrow regulatory function. FERC does not have jurisdiction over export-import issues and does not represent the Administration in a policy-making role in international relations, both of which are included with respect to ANGTS.

The draft legislation proposed by the Department would abolish the position and Office of the Federal Inspector (OFI) as well as the requirement to issue quarterly reports to the President and Congress. It would require the Secretary of Energy to report to Congress by the end of this year on the remaining OFI functions and regulations that need to be continued in effect. This short review period is necessary to assure that sufficient authority remains in place to permit the U.S. to meet its international commitments with respect to the ANGTS project.

In addition, the President has requested rescission of OFI for FY 1992. This rescission has been approved by both the House and Senate.

Question: How long will it take to close out your operation?

Answer: It is estimated to take several months to shut-down the Office to include preparing files and scheduling records for the National Archives and Records Administration.

Question: On April 8, 1992, the President forwarded a rescission of funding for your office. Does it leave sufficient funds to close the office down?

Answer: The Department believes there is sufficient funding for this purpose.

PUBLIC LAW 102-298

H. R. 4990

One Hundred Second Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Friday, the third day of January,
one thousand nine hundred and ninety-two*

An Act

Rescinding certain budget authority.

*Be it enacted by the Senate and House of Representatives of
the United States of America in Congress assembled,*

DEPARTMENT OF ENERGY

FOSSIL ENERGY RESEARCH AND DEVELOPMENT

(RESCISSION)

Of the funds made available under this heading in Public Law 102-154, \$144,000 for the Office of the Federal Inspector for the Alaska Natural Gas Transportation System are rescinded.

EASTERN LEG - EXPANSION/EXTENSION

- o In November 1987, Northern Border Pipeline Company, the Eastern Leg sponsor, filed an application with FERC to expand its capacity and extend its existing 822-mile, 42" pipeline for 371 miles between Ventura, Iowa, and Tuscola, Illinois.

(Northern Border filed this application under the provisions of the Natural Gas Act, not under ANGTA, indicating the expansion/extension would not be a second phase of ANGTS because it is not intended to transport Alaskan gas, has different project sponsors, and does not correspond to the technical specifications or proposed location of Phase II of ANGTS.)

- o On June 15, 1990, Northern Border filed an application with FERC to construct five additional compressor stations on its existing pipeline and construct 368 miles of 30-inch pipeline extending the line from Ventura, Iowa, to interconnect with Panhandle Eastern Pipeline Company at Tuscola, Illinois, with two compressor stations to be constructed on the new line.
- o In January 1991, Northern Border filed an application with FERC to acquire the 150-mile, 30" Iowa Line owned by Natural Gas Pipeline Company (NGPL), which would connect the current terminus of the Northern Border system in Ventura, Iowa, to NGPL's compressor station 109 near Harper, Iowa, and construct 231 miles of new 30" pipeline from Harper, Iowa to Tuscola, Illinois. In addition, five compressor stations would be constructed on the existing pipeline.
- o On June 14, 1991, FERC issued an Order to dismiss Northern Border's January 1991 application unless there was a further filing to support additional downstream facilities to transport from Tuscola the additional gas Northern Border had proposed to deliver.
- o On July 15, 1991, Northern Border filed a request with FERC to file an amended application by September 30, 1991.
- o In September 1991, Northern Border filed an amendment with FERC to acquire the Iowa Line and withdrew its request to build a new pipeline from Harper, Iowa, to Tuscola, Illinois.
- o Northern Border received FERC certification to construct four compressor stations and to acquire the Iowa line. The certificate also authorized them to construct a meter station at the Harper delivery point and to operate an existing mainline valve setting as a new point of receipt in the Williston Basin area for firm receipt of up to 40 MMcf/d of natural gas from Williston Basin. The new facilities will increase the capacity of Northern Border's existing system by 313 MMcf/d to approximately 1.7 Bcf/d. The estimated cost of the project is \$158 million, including acquisition costs related to the Iowa line. The expansion/extension project was placed in service in November 1992.
- o Northern Border transports about 1.4 Bcf/day of Canadian gas (near capacity).

EASTERN LEG - EXPANSION/EXTENSION

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- o Northern Border transports about 1.4 Bcf/day of Canadian gas (near capacity).

- o In December 1988, the Pacific Gas Transmission Company (PGT), the Western Leg sponsor, filed application with FERC (under the provisions of the Natural Gas Act, not ANGTA) to expand/extend the Western Leg of ANGTS.

The proposed expansion project would allow approximately 710 MMcf/d of natural gas to be received at Kingsgate, British Columbia and, on an average annual basis, approximately 150 MMcf/d to be delivered to the existing interconnection with Northwest Pipeline Corporation at Stanfield, Oregon, and approximately 600 MMcf/d to be delivered to the existing interconnection with Pacific Gas & Electric (PG&E) near Malin, Oregon. The project also includes looping of PG&E's intrastate pipelines within California.

- o In April 1989, PGT filed application with the California Public Utilities Commission (CPUC) for the interstate portion of the expansion project.
- o In October 1989, PGT amended its FERC application to reflect increased volumes on its project to have the capacity to transport 766 MMcf/d of Canadian natural gas to California and 148 MMcf/d to the Pacific Northwest.
- o On December 27, 1990, the CPUC granted a certificate for construction of the California portion of the PGT-PG&E pipeline expansion project.
- o On May 24, 1991, FERC issued an Environmental Impact Statement for the PGT portion of the project and on August 1, 1991, issued the certificate to PGT for construction of the facilities.
- o PGT-PG&E expects the project, 845 miles of 42" and 36" pipeline looping of its existing system, to be completed and in operation by November 1993 at an estimated cost of \$1.6 billion. (In May 1992, the National Energy Board approved the application by Alberta Natural Gas Company to expand its pipeline system in southern British Columbia, as part of the overall prebuild expansion - see Tab H - Canadian Activities.)
- o PGT/PG&E transports about 1.2 Bcf/Day of Canadian gas (at capacity).

ALASKA LEG ACTIVITIES

8/92

- o In June 1988, the ANGTS project sponsors (Alaskan Northwest Natural Gas Transportation Company and Foothills Pipe Lines (Yukon) Ltd., U.S. and Canadian sponsors, respectively) jointly announced a reduced cost estimate for ANGTS, with the capital cost for the entire project reduced 45 percent, from \$26.1 billion to \$14.6 billion (as expressed in January 1, 1988 dollars). (See sponsors press releases attached)
- o In December 1989, the sponsors of ANGTS requested DOE review their decision authorizing Yukon Pacific Corporation to export North Slope gas to Pacific Rim countries via the Trans-Alaska Gas System (TAGS). They challenged the DOE decision as being inconsistent with the Alaska Natural Gas Transportation Act (ANGTA) and the bilateral agreement between the U.S. and Canada relating to the completion of ANGTS. In addition, they filed a "protective complaint" with the U.S. Court of Appeals for the District of Columbia Circuit to preserve their right to judicial review of the DOE decision under ANGTA. Litigation remains pending. It now appears that the competing project, TAGS, will also be delayed due to the inability to secure necessary commitments from prospective Japanese customers. (See 1/92 Report to the President on Construction of ANGTS.)
- o ANGTS sponsors have expended approximately \$1.7 billion (in Dec. 1989 dollars) on the Alaskan segment. Current plans call for a 42" diameter pipeline of 2160 psig in Alaska.
- o The current ANGTS partners--The Williams Companies, Pacific Gas & Electric, Foothills Pipe Lines and TransCanada PipeLines all have a 25 percent voting interest in the project.
- o The ANGTS sponsors remain committed to the completion of the project in the future (see attached letter of 2/7/92 to George Bush from Vernon Jones).

February 7, 1992

The Honorable George Bush
The White House
Washington, D.C. 20500

Dear Mr. President:

On January 14, 1992, Mr. Michael J. Bayer, the Federal Inspector for the Alaska Natural Gas Transportation System, sent you a report containing certain recommendations with respect to ANGTS.

On behalf of Alaskan Northwest Natural Gas Transportation Company, the general partnership responsible for the Alaskan segment of the ANGTS project, we reiterate our continued support for the project. ANGTS represents the most economic and environmentally sound means of moving Alaskan North Slope gas to market, and the existing legislative and regulatory framework assures that ANGTS can be expeditiously completed when market conditions warrant.

As sponsor of the uncompleted U.S. segment of ANGTS, we urge you to continue honoring the assurances and the commitments made by the government of the United States to the Canadian government in respect to ANGTS. We believe it is important for the United States and Canada to maintain a cooperative working relationship in the energy area as well as other areas of common interest. Moreover, there is no need to burden Congress with the extensive legislative process that would result from a proposal to repeal ANGTA.

We certainly understand, however, the need for maintaining prudent and efficient budget procedures within the Executive Branch while at the same time fulfilling its oversight responsibilities under ANGTA. If the need for such efficiency suggests elimination of OFI and transfer or consolidation of oversight responsibility within an appropriate department of DOE then we encourage your consideration of appropriate legislative and executive action necessary to implement such reorganization.

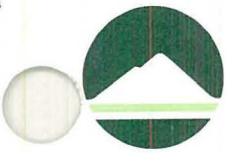
We appreciate your attention to this matter and are available to discuss this matter with your staff if that is desired.

Respectfully,



Vernon T. Jones
Chairman of the Board of
Partners of Alaskan
Northwest Natural Gas
Transportation Company

cc: His Excellency
Derek H. Burney
The Ambassador of Canada



NEWS RELEASE

FOR IMMEDIATE RELEASE

JUNE 6, 1988

FOOTHILLS ANNOUNCES SIGNIFICANTLY REDUCED ANGTS COSTS

Foothills Pipe Lines (Yukon) Ltd., the Canadian sponsor of the Alaska Natural Gas Transportation System ("ANGTS"), today announced the results of a capital cost re-estimate for the project. The ANGTS, the subject of the 1977 Agreement on Principles between Canada and the United States, will transport natural gas from Prudhoe Bay on the North Slope of Alaska to the lower 48 United States.

In early 1987, Foothills and Alaskan Northwest Natural Gas Transportation Company, sponsor of the Alaskan segment, decided to conduct a detailed reassessment of project design and the capital cost estimate. This work was necessary to take into account advances in pipeline design and information gathered from extensive field testing programs conducted by the project sponsors as well as the significant changes in the economic climate from the basis for estimates prepared in the late 1970's and early 1980's. The sponsors are extremely pleased with the results.

Capital costs for the entire project have been reduced from U.S. \$26.1 billion to U.S. \$14.6 billion expressed in January 1, 1988 dollars. This reduction in capital cost could result in an average transportation cost of approximately \$3.05 per MMBTU in 1988 \$U.S. to the lower 48 over the first ten years.

Foothills Pipe Lines (Yukon) Ltd.

3000 - 707 EIGHTH AVENUE S.W., CALGARY, ALBERTA T2P 3W8 (403) 294-4111

On the timing of the project, it is Foothills' view that the system will be operational in the mid to late 1990's. With the new cost estimate for the Project, Foothills is convinced additional supplies of natural gas will be required in the lower 48 states by that time and can be delivered at a market clearing price. In addition, the replacement of imported oil by secure U.S. gas supplies cannot be ignored. The initial gas throughput of the ANGTS would be equivalent to 400,000 barrels of oil per day, ultimately increasing to 600,000 barrels per day.

Considerable progress has been made in the construction of the pipeline. The southern one-third of the system is already in-service delivering Canadian gas to U.S. markets throughout the lower 48 states. In addition, the Canada-U.S. Agreement as well as enabling legislation and major regulatory approvals in both countries are in place for the remaining portions of the line. Given the advanced status of the project, completion of the northern sections of the line could be undertaken in the most expeditious time frame possible.

CONTACT: R. L. Pierce
(403) 294-4400

C. Kent Jespersen
(403) 294-4430

THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM

COMPARISON OF CAPITAL COSTS FOR PRUDHOE BAY GAS

\$U.S.(\$CDN) BILLIONS

	1982 \$	January 1, 1988 \$		As Spent \$ November 1, 1995 In Service
	1982 Baseline	1982 Baseline	1988 Re-Estimate	1988 Re-Estimate
ALASKAN SEGMENT	14.2(18.0)	15.6(20.8)	7.2(9.6)	10.2(13.6)
CANADIAN SEGMENT	7.9(10.0)	8.2(11.0)	5.6(7.5)	9.5(12.7)
LOWER 48 STATES	2.1(2.7)	2.3(3.1)	1.8(2.4)	2.8(3.7)
TOTAL	24.2(30.7)	26.1(34.9)	14.6(19.5)	22.5(30.0)

% Reduction from 1982 estimate
expressed in 1988 \$

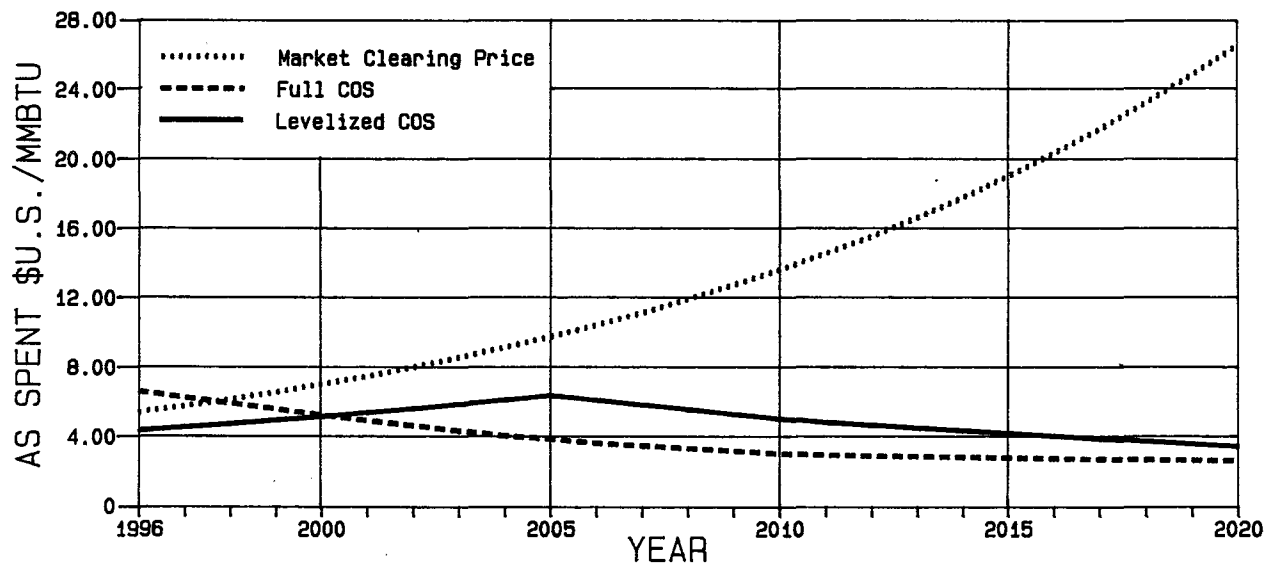
45%

THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM

1988 RE-ESTIMATE COST OF SERVICE
PRUDHOE TO LOWER 48 STATES

	Full COS		Levelized COS	
	1988\$	As Spent\$	1988\$	As Spent\$
Total Cost of Service to Lower 48 States - \$U.S./MMBTU				
5 Year Average	3.80	5.95	3.05	4.80
10 Year Average	3.05	5.15	3.05	5.35

AS SPENT \$U.S./MMBTU



Source: Northwest Alaskan Pipeline Company

NEWS

**NORTHWEST ALASKAN
PIPELINE COMPANY**
ONE OF THE WILLIAMS COMPANIES

Contact Cuba Wadlington, Vice President, Regulatory Affairs
Tel.: (801) 584-7082

FOR IMMEDIATE RELEASE

COST ESTIMATE DRAMATICALLY REDUCED
ON MAJOR PIPELINE PROJECT TO SERVE U.S.

Salt Lake City, June 06--The estimated cost of building the Alaska Natural Gas Transportation System (ANGTS) from Prudhoe Bay to serve the lower 48 states has been reduced by \$11.5 billion, Northwest Alaskan Pipeline Company today announced.

Capital costs for the entire project, as expressed in January 1, 1988 dollars, have been reduced 45%, from \$26.1 billion to \$14.6 billion.

The new figure is the result of a reassessment of the project design and re-estimate of the capital costs. This latest study was ordered in early 1987 by Northwest Alaskan Pipeline Company, operator for the Alaskan Northwest Natural Gas Transportation Company partnership--sponsor of the Alaskan segment of the project--and Foothills Pipe Lines (Yukon) Ltd.--sponsor of the Canadian segment.

The ANGTS project is the subject of a 1977 Agreement on Principles among the United States and Canada regarding transportation of gas from Prudhoe Bay on the Alaskan North Slope to the lower 48.

The new, dramatically lower cost estimate took into consideration:

- Advances in pipeline design.

ANGTS RELEASE

- Information gathered from extensive field testing programs conducted by the project sponsors.
- Significant changes in the economic climate from the basis for estimates prepared in the late 1970s and early 1980s.

The capital cost reduction could result in an estimated annual average transportation cost of \$3.05 per MMBtu to the lower 48 states over the first 10 years, as figured in 1988 dollars.

Northwest Alaskan Pipeline Company believes that gas supplies on ANGTS will be required in the lower 48 states by the mid to late 1990s. The company is convinced that gas on the ANGTS system can be delivered at a market clearing price at that time.

The ANGTS system also appears promising because it could reduce the nation's reliance on 400,000 to 600,000 barrels of imported oil per day via secured gas supplies.

Substantial construction progress has been made. The southern one-third of the system already is in service, delivering Canadian gas to U.S. markets throughout the lower 48 states. Also, the U.S.-Canada agreement and enabling legislation and major regulatory approvals are in place in both countries. Given the advanced status of the project, completion of the northern sections of the line could be undertaken in the most expeditious time frame possible, according to Northwest Alaskan Pipeline Company.

Northwest Alaskan Pipeline Company is a unit of Northwest Energy Company, a subsidiary of The Williams Companies, Inc. of Tulsa, Oklahoma. The Williams Companies is engaged in pipeline transmission of natural gas and petroleum products, and in interstate digital telecommunications.

TRANS-ALASKA GAS PIPELINE SYSTEM

- o Competing project to ANGTS. TAGS would transport North Slope natural gas to Valdez in southern Alaska where it would be prepared for export to Pacific Rim countries. Under the plan up to 16.5 trillion cubic feet of gas would be converted to liquefied natural gas and shipped to Pacific Rim countries over a 25-year period.
- o In January 1988, President Reagan issued a "Finding" required under section 12 of ANGTA to permit the exportation of Alaskan natural gas (see attached).
- o In June 1988, the Bureau of Land Management issued the final Environmental Impact Statement for TAGS and, in November 1988, issued a Right-of-Way Grant.
- o On November 16, 1989, DOE granted the TAGS application to export natural gas to Pacific Rim countries - DOE Order 350. (See attached correspondence re TAGS Order/Affect on ANGTS).
- o In December 1989, the Alaska and Canada ANGTS sponsors requested DOE review the TAGS/DOE Order 350. In addition, they filed a "protective complaint" with the U.S. Court of Appeals for the District of Columbia Circuit to preserve their right to judicial review of the DOE decision under the Alaska Natural Gas Transportation Act.
- o On March 8, 1990, DOE issued an order denying the request for rehearing by the ANGTS sponsors of the TAGS decision. In April, the ANGTS sponsors requested a rehearing of this decision which DOE denied. In May of 1990, the ANGTS sponsors filed in the U.S. Court of Appeals for the District of Columbia Circuit to challenge the above DOE order. The Court has not, to date, established a briefing schedule or date for oral arguments.

December 1989

TAGS ORDER/AFFECT ON ANGTS

On November 16, 1989, the Department of Energy (DOE) granted the application of Yukon Pacific Corporation to export North Slope natural gas to the Pacific Rim countries of Japan, South Korea and Taiwan by means of the proposed Trans-Alaska Gas System (TAGS). DOE has conditioned the export authorization to minimize any detrimental effects on American consumers, the Alaska Natural Gas Transportation System (ANGTS), and the environment. Specifically, the authorization provides that no costs of the export project can be recovered from American consumers, that no action can be taken in connection with the export project that would impair the construction and operation of the ANGTS project, and that the export project must be undertaken in accordance with all applicable environmental procedures and safeguards.

DOE recognized the proposed TAGS might impair the completion and operation of the ANGTS. Accordingly, DOE imposed a so-called "ANGTA condition" on Yukon Pacific that prohibits any action in connection with Yukon Pacific's export project that: "would compel a change in the basic nature and general route of the (ANGTS) or otherwise prevent or impair in any significant respect the expeditious construction and initial operation of ANGTS." This condition essentially restates the language of Section 9 of the Alaska Natural Gas Transportation Act (ANGTA). In footnote 83 to the export authorization, DOE recognized that Reorganization Plan No. 1 of 1979 transferred to the Office of the Federal Inspector (OFI) exclusive responsibility for enforcing all Federal statutes, regulations, and authorizations relevant in any manner to the preconstruction, construction, and initial operation of ANGTS and that the "ANGTA condition" would be directly relevant to ANGTS. Therefore, OFI is responsible for enforcing the "ANGTA condition."

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

January 13, 1988

January 12, 1988

PRESIDENTIAL FINDING CONCERNING ALASKA NATURAL GAS

This Administration has been dedicated to encouraging free trade and to removing regulatory impediments that inhibit the development of our Nation's natural resources. Proven natural gas reserves in the Prudhoe Bay area of Alaska's North Slope represent approximately 15 percent of total U.S. gas reserves. In addition, undiscovered, recoverable supplies of natural gas from Alaska's North Slope may exceed 100 trillion cubic feet. There can be no doubt the development of Alaskan oil has played an important role in ensuring adequate energy supplies at reasonable prices for American consumers. I believe efficient development of Alaska natural gas will provide similar benefits. Leaving this resource undeveloped benefits no one.

Efficient development of Alaska natural gas on the basis of market financing could encompass the export of some of this gas to other countries. Because world energy markets are interrelated, our Nation will benefit from an enlarged international gas supply. Production of Alaska reserves will increase the amount of secure energy sources available at market prices and, thus, displace less secure or more expensive energy sources, including oil from the Persian Gulf.

Before Alaska natural gas can be exported to nations other than Canada or Mexico, Section 12 of the Alaska Natural Gas Transportation Act (15 U.S.C. 719j) requires me to find exportation "will not diminish the total quantity or quality nor increase the total price of energy available to the United States." In order to make this finding, it has been necessary to assess the relationship of Alaska natural gas to the U.S. energy market.

There exist adequate, secure, reasonably priced supplies of natural gas to meet the demand of American consumers for the foreseeable future. This demand can be met by lower-48 production and already-approved Canadian imports. If necessary, this demand also can be met at lower delivered energy cost by coal, oil, imported liquified natural gas (LNG), natural gas from Mexico, and other energy sources.

Given these facts, exports of Alaska natural gas would represent a judgment by the market that the energy demands of American consumers can be met adequately from other sources at comparable or lower prices. Exports of Alaska natural gas would not diminish the total quantity or quality of energy available to U.S. consumers because world energy resources would be increased and other more efficient supplies would thus be available. Finally, exports would not increase the price of energy available to consumers since increased availability of secure energy sources tends to stabilize or lower energy prices.

more

(OVER)

Accordingly, I find that exports of Alaska natural gas in quantities in excess of 1,000 Mcf per day will not diminish the total quantity or quality nor increase the total price of energy available to the United States.

This finding removes the Section 12 regulatory impediment to Alaskan natural gas exports in a manner that allows any private party to develop this resource and sets up competition for this purpose. It is my belief that removal of this impediment to private sector development of Alaska's vast natural gas resources, using private sector resources with no government subsidy, will benefit our entire Nation.

This finding represents a determination that the effects of exports of Alaska natural gas on American consumers would comply with the market criteria of Section 12 in the context of current and projected future energy markets and that such exports would be consistent with our comprehensive energy policy. It does not assess the merits or feasibility of a particular project, but rather lets the marketplace undertake a realistic consideration of various options concerning Alaska natural gas. The operation of market forces is the best guarantee that Alaska natural gas will be developed efficiently and that there is an incentive to find additional reserves.

I do not believe this finding should hinder completion of the Alaska Natural Gas Transportation System (ANGTS). This Administration supports the timely, economic development of Alaskan natural resources. To this end the Administration has removed all regulatory barriers to the private sector's expeditious completion of this project. In particular, I want to reaffirm our support for the special regulatory treatment of the "prebuild" portion of ANGTS, including the minimum revenue stream guarantees.

This finding shall be published in the Federal Register.

RONALD REAGAN

Office of the Federal Inspector

Alaska Natural Gas Transportation System


FA-1

1000 Independence Avenue, SW
Washington, DC 20585

March 1, 1991

MEMORANDUM

To: James K. White

Fm: Michael J. Bayer 

Re: TAGS Order ANGTA Condition

I recently revisited the DOE/OFE TAGS decision (ERA Docket No. 87-68-LNG), which was issued on November 16, 1989, and in particular the portion of the Order that establishes the so-called ANGTA condition. Under the Order, Yukon Pacific is prohibited

from taking any action that would compel a change in the basic nature and general route of ANGTS or otherwise prevent or impair in any significant respect its expeditious construction and initial operation.

Order at 40 (footnote omitted). The Order goes on to indicate that

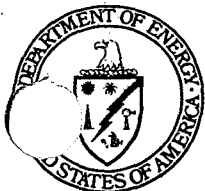
In areas where TAGS and ANGTS would interact OFI would have responsibility to determine the compatibility of TAGS with ANGTS, to review and approve designs, plans, and schedules, and to enforce the provisions and requirements of Federal authorizations such as the TAGS right-of-way when it is on or adjacent to the ANGTS right-of-way.

Since the "ANGTA condition" in this authorization is directly relevant to ANGTS, OFI will be responsible for its enforcement.

Order at n.83.

Could your office address the following and advise me:

1. In practice, how would the ANGTA condition be enforced?
2. Does this Order require Yukon Pacific to provide to OFI any information or data?
3. Does this Order establish OFI approval of designs, plans, and schedules, as a condition precedent to Pacific Yukon commencing construction and/or export, or is the failure of OFI to disapprove any aspect of this project tantamount to approval?



Department of Energy

Washington, DC 20585

March 11, 1991

MEMORANDUM FOR: Michael J. Bayer
Federal Inspector
Alaska Natural Gas Transportation System

THROUGH: James K. White *James K. White*
Assistant General Counsel
Fossil Energy

FROM: Diane J. Stubbs *DJS*
Attorney
Fossil Energy

SUBJECT: ANGTA CONDITION IN TAGS ORDER

This responds to the three questions in your March 1 request for information and advice regarding enforcement of the "ANGTA condition" in DOE Order 350, the order that approved the export of Alaska North Slope gas through the Trans-Alaska Gas System (TAGS).

1. As a general matter, the enforcement authority of the Federal Inspector (section 202(c) of the Reorganization Plan of 1979) envisions use of the existing enforcement machinery of a given agency, which in this case would encompass the relevant DOE enforcement provisions, those in 10 CFR Part 590, DOE's regulation's governing exports and imports of natural gas, and in section 20 of the Natural Gas Act. Order 350 emphasizes OFI is also required by the Reorganization Plan to exercise these enforcement functions consistent with DOE policy. In this regard, DOE policy, as stated in Order 350, footnote 83, directs OFI to enforce the condition in a manner that employs expeditious procedures and does not unduly delay any aspect of the TAGS project.

Order 350 requires the ANGTS sponsors to initiate enforcement of the ANGTA condition. They must demonstrate, in concrete terms, the adverse effect on ANGTS of an action by Yukon Pacific, the TAGS exporter. DOE regulations do not describe the enforcement process with specificity but rather contemplate an ad hoc process in response to particular situations. The regulations provide for complaint and show cause proceedings, and give the agency subpoena and numerous other information gathering devices to facilitate monitoring and compliance activities. OFI's enforcement role within this framework would be supervisory.

As a practical matter, while Order 350 recognizes the potential for conflicts between TAGS and ANGTS, DOE considers the ANGTA condition a backstop measure. The decision anticipates the sponsors will resolve matters among themselves to a large degree, and the number of actual situations involving adverse interaction between ANGTS and TAGS will be small.

2. Order 350 does not require Yukon Pacific to provide OFI with any information or data except to the extent it is necessary to enforce the ANGTA condition. If information held by Yukon Pacific is necessary to the enforcement process, OFI would request and Order 350 implicitly requires its submission.

3. Order 350 does not establish an OFI approval process as a condition precedent to the Yukon Pacific export. The primary focus of OFI is ANGTS. OFI's involvement in the TAGS project only arises in the event the ANGTS sponsors claim Yukon Pacific has violated the ANGTA condition. In this event, the Department's decision places the burden on the ANGTS sponsors to show in a particular instance a particular action would violate the condition.

Procurement

- o With current activity on the ANGTS prebuild in the U.S. and Canada, the OFI and its Canadian counterpart, the Northern Pipeline Agency (NPA), have met on several occasions to discuss the prebuild expansion and, in particular, the implementation by both countries of procurement procedures for certain goods. Agreement was reached between both countries that, wherever feasible, the procurement of certain designated items (i.e., mainline pipe, valves, fittings and compressors) for prebuild expansion, would be processed in a manner consistent with the objectives of the reciprocal procedures adopted by the U.S. and Canada in 1977 and 1980 for ANGTS. (See "Decision and Report to Congress" and 6/10/80 Diplomatic Note attached)
- o OFI has raised concerns with NPA regarding the "Canadian Content" requirement with respect to the Foothills Procurement Program, i.e., its consistency with the GATT and the U.S.-Canada Free Trade Agreement. (See OFI (internal) memo of 12/91 and correspondence between OFI/NPA of 8/26/91 and 6/1/92 attached)

Expansion/Extension

- o The NPA has issued Foothills Pipe Lines, the ANGTS Canadian sponsor, several approvals for expansion of the prebuild in Alberta. The Western Leg expansion will increase throughput capacity in British Columbia by 932 MMcf/d and add almost 50 miles of 42 inch pipe. Foothills is also planning to construct two new compressor stations in Alberta to increase the capacity of the Eastern Leg in Canada.

(In May 1990, Foothills and Alberta Natural Gas (ANG) submitted applications to NPA and the National Energy Board (NEB), respectively, for authorization to expand the capacity of the Western Leg in southern British Columbia. ANG will design, build and operate the southern B.C. expansion project and own any new compression facilities. Foothills will own the expanded pipeline sections in the Province. In May 1992, NEB approved ANG's application to expand its pipeline system in southern B.C.)

Mackenzie Delta Gas

- o The (NEB) issued a decision in 1992 finding no potentially adverse environmental effects associated with the issuance of export licenses for gas from the Mackenzie Delta to the U.S.

(In August 1989, NEB approved licenses allowing the export of gas from the Delta by Esso Resources Canada Ltd., Gulf Canada Resources and Shell Canada. The licenses authorize the export of 9.2 Tcf over a 20-year period beginning November 1996.) In March 1991, a consortium of six companies: Esso Resources Canada Ltd., Shell Canada Ltd. and Gulf Canada Resources Ltd, Interprovincial Pipeline Co., Polar Gas and Foothills signed a statement of principles to provide a basis for planing the development of a pipeline to transport gas from the Delta region to southern markets.

Foothills had previously filed a separate application with the NEB to construct a pipeline along the Mackenzie Valley to Boundary Lake where it would connect with an extension of the prebuild. (See Tab A - Report to the President on ANGTS)

U.S./Canada Commitments

- o From 1977 to present, the Administration and Congress have repeatedly assured the Canadian Government of U.S. support for construction of ANGTS with private financing.
- o The U.S. Government's position has been that it has no legal obligation to finance the construction of the Alaskan or Canadian sections of ANGTS, but it does have an obligation to facilitate the private financing and construction of ANGTS through the elimination of regulatory impediments.
- o With respect to those sections of ANGTS already built, the FERC has taken affirmative regulatory action to support the construction and operation of these segments including the guaranteed revenue stream. The U.S. Government has consistently reiterated its support for this regulatory treatment of the prebuild.

(See early history of U.S. commitments to Canada - attached. This listing is not inclusive of all events. DOE's Office of International Affairs and the State Department's Economic and Business Affairs Bureau, Energy, Resources & Food Policy, may be helpful in supplying additional information.)

(See 2/19/92 Diplomatic Note from Canada regarding "commitments" relative to the "Report to the President on ANGTS" 1/92 attached.)

DEPARTMENT OF STATE
WASHINGTON

June 10, 1980

Excellency:

I have the honor to refer to Paragraph 7 of the Agreement between Canada and the United States on the Principles Applicable to a Northern Natural Gas Pipeline (Pipeline Agreement) and the recent discussions between representatives of the Government of the United States of America and representatives of the Government of Canada regarding procedures to ensure procurement on a generally competitive basis for the Alaskan Natural Gas Transportation System.

As a result of these discussions, the Government of the United States agrees to enter into an agreement with the Government of Canada permitting the mutual and reciprocal implementation of procedures governing the purchase of specified items for the Alaskan Natural Gas Transportation System.

In fulfillment of this agreement, the United States agrees to adopt the procurement procedures contained in the Annex to this note. It is understood that the procedures in the Annex are subject to regulatory approval in the United States, specifically the amendment of the conditional certificates of the Alaskan Northwest Natural Gas

His Excellency

Peter Towe,

Ambassador of Canada.

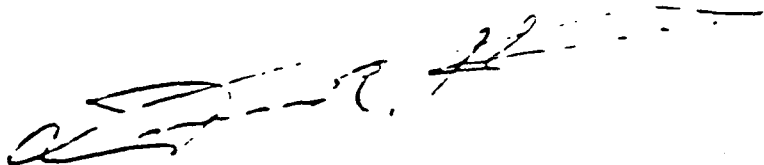
Transportation Company, of the Pacific Gas Transmission Company, and of the Northern Border Pipeline Company by the Federal Energy Regulatory Commission of the United States. It is further understood that Canada will also adopt the procurement procedures contained in the Annex to this note, and bring them into force with Canadian regulatory process.

In the event of disputes regarding implementation of the procurement procedure in the United States of America or in Canada, either country may request consultations in accordance with paragraphs 7 (b) and 8 of the Pipeline Agreement.

If the foregoing is acceptable to the Government of Canada, this note and its Annex, together with your note in reply, shall constitute an agreement between the two Governments with effect from the date of your reply.

Accept, Excellency, the renewed assurances of my highest consideration.

For the Secretary of State:



Enclosure:

Annex: Procurement Procedures for
the Alaskan Natural Gas
Transportation System

Canadian Embassy



Ambassade du Canada

No. 224

10 June, 1980

Sir,

I have the honour to refer to your Note of today's date concerning procurement procedures designed to implement the provisions of the Agreement between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline, signed at Ottawa on September 20, 1977.

I have the honour to inform you that these proposals are acceptable to the Government of Canada, and to confirm that your Excellency's Note, together with the attached statement on Procedures Governing the Procurement in Canada and the United States of America of Certain Designated Items for the Alaska Highway Gas Pipeline, and this reply, which is equally authentic in English and French, shall constitute an agreement between our two governments which shall enter into force on the date of this reply.

Accept, Sir, the renewed assurances of my highest consideration.

The Secretary of State
Washington, D.C.

A handwritten signature in dark ink, appearing to be "B. J. ...".

PROCEDURES GOVERNING THE PROCUREMENT IN
CANADA AND THE UNITED STATES OF AMERICA
OF CERTAIN DESIGNATED ITEMS
FOR THE ALASKA HIGHWAY GAS PIPELINE

Introduction

The Agreement between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline, which was signed in Ottawa on September 20, 1977, states in its preamble that one of the principal objectives of the project is to "maximize related industrial benefits of each country." It further states in Clause 7(a) that "having regard to the objectives of this Agreement, each Government will endeavor to ensure that the supply of goods and services to the Pipeline will be on generally competitive terms." The same clause stipulates that the elements to be taken into account in weighing competitiveness will include price, reliability, servicing capacity and delivery schedules. Clauses 7(b) and 8 provide for coordination and consultation between the two governments with respect to the achievement of the objectives of the Agreement with respect to procurement.

In order to implement these principles, the Governments of Canada and the United States of America agree that the following procedures with respect to the procurement of certain designated items of supply for the Alaska Highway Gas Pipeline will be adopted on a reciprocal basis by the appropriate regulatory authority in each country, namely, the Northern Pipeline Agency in Canada (NPA) and the Office of the Federal Inspector in the United States (OFI).

1. Qualification of Bidders

The project companies in each country will submit a list of qualified bidders they propose to invite to tender

on any of the items designated in Schedule I to the appropriate domestic regulatory authority, which will expeditiously convey copies of any such lists to the regulatory authority of the other country both directly and through normal diplomatic channels. The regulatory authority of the other country will have 14 calendar days following its receipt in which to review the bidders' list and to propose to its counterpart the addition of any firm or firms which it considers should also be invited to tender. If any such modification is proposed, it is to be communicated to the originating project sponsor by the responsible regulatory authority in that country. Should the project sponsor not be prepared to accept the additional bidder or bidders proposed by the regulatory authority of the other country, the reasons for its position shall be communicated to that authority by the responsible domestic authority.

The project sponsors may, but are not required to, place advertisements inviting interested suppliers to prequalify as bidders for particular supplies. In the event that such advertisements are decided on for designated items, they shall be placed in appropriate trade journals or other publications in both Canada and the United States.

2. Technical Specifications and Tendering Documents

Prior to the actual solicitation of bids on designated items listed in Schedule I, the project sponsors in each country will submit technical specifications and tendering documents to the appropriate domestic regulatory authority, which will first expeditiously review the solicitation information for possibly restrictive language that would prohibit open competition and then expeditiously convey

copies of such information on a confidential basis to the regulatory authority of the other country both directly and through normal diplomatic channels. The regulatory authority of the other country will have 14 calendar days following its receipt to review such information and to submit any proposed modifications in the technical specifications or tender document to the responsible regulatory authority, which in turn will communicate such representations to the originating project sponsor. Should the project sponsor not be prepared to accept the modification of the technical specifications or tender document proposed by the regulatory authority of the other country, the reasons for its position shall be communicated to that authority by the responsible domestic authority.

3. Recommended Decisions to Purchase or Negotiate

Following the receipt and evaluation of bids on designated items listed in Schedule I, the project sponsor will submit its conclusions in a report satisfactory to the domestic regulatory authority with respect to the purchase of supply, or of entering into negotiation with one or more firms for the purpose of reaching contract agreement, to the responsible domestic regulatory authority. After expeditiously reviewing these submissions for general competitiveness, the domestic regulatory authority shall prepare and submit to the regulatory authority of the other country a meaningful summary of the report and of its conclusions. Such information shall include an outline of the factors which were taken into account by the project sponsor in arriving at its conclusions, and, in cases where consideration of industrial benefit were involved, demonstrate that they came within the framework of general competitiveness.

While maintaining the confidentiality of proprietary commercial information, including the tender prices of individual bidders, such summaries should be designed to make possible an assessment of the extent to which the proposed procurement conforms with the stated objectives of the Canada-United States Agreement. In cases where bids submitted by either Canadian or United States firm on tenders called by sponsoring companies in the other country have been rejected or accepted only in part, the conclusions of the project sponsor and the reasons for them as outlined in the project sponsor's report will be communicated by the responsible domestic regulatory authority to the regulatory authority of the other country as part of the meaningful summary.

In the event the regulatory authority in the other country wishes to raise questions with respect to the conclusions or the summary containing the factors which led to those conclusions, or wishes to initiate formal consultations as provided for under Clause 7(b) of the Canada-United States Agreement on Principles, it will be required to provide notification to the responsible domestic regulatory authority within a period of 14 calendar days.

Should consultations as provided for under the Agreement be invoked with respect to any aspect of the procurement process, it is recognized by the Governments of both Canada and the United States that they should proceed expeditiously so as to avoid causing any undue delay in the timely completion of the project.

4. Award of Contract

Although no specific requirement for consultation should be necessary at this time in view of the extensive provisions at earlier stages, a short delay may be required to advise the other country's regulatory authority of any significant changes that resulted during negotiations with the selected vendor(s).

Schedule I

Designated Items

1. Line Pipe - Main Line Pipe 36 inches and over.
2. Gas Turbine/Compressor Packages.
3. Valves - 20 inches interior diameter and over
(both block valves and station valves).
4. Pipe Fittings - 20 inches interior diameter and over.

**NATIONAL TREATMENT UNDER THE FTA AND GATT:
CANADIAN CONTENT AND INDUSTRIAL BENEFIT POLICIES
FOR THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM**

ANGTS Procurement Agreements

In 1977, when the President designated the routing for ANGTS, the United States and Canada entered into an agreement setting forth certain principles to govern the construction and operation of the pipeline system. Among other things, Section 7 of that Agreement committed each nation to "endeavor to ensure that the supply of goods and services to the Pipeline project will be on generally competitive terms."

In 1980, the United States and Canada entered into a further agreement governing the procurement of certain designated classes of capital equipment and supplies for the pipeline's construction. This 1980 Agreement only applies to the procurement of (i) mainline pipe (36 inches and larger); (ii) gas turbine/compressor packages; (iii) valves (20 inches interior diameter and larger); and (iv) pipe fittings (20 inches interior diameter and larger). The Agreement recognized that "industrial benefit" to the country in which the procurement occurs may be considered, but within the framework of "general competitiveness."

The National Treatment Issue

1. Origins of the Canadian content and industrial benefit policy and program.

The activities of Foothills are regulated by the NPA, the Canadian counterpart to OFI created by the Northern Pipeline Act. Item 10(a)(ii) of Schedule III of the Northern Pipeline Act requires Foothills to design a program for the procurement of goods and services for the pipeline that ensures that

the level of Canadian content is maximized so far as practicable, with respect to the origin of products, services and their constituent components.

Item 10(b) of Schedule III of the Northern Pipeline Act further requires that the "program" developed by Foothills be submitted to the Canadian Government for review, amendment and approval, together with implementing procedures.¹ Once the program and procedures are approved by the Canadian Government, Item 10(c) of Schedule III of the Northern Pipeline Act makes clear that the "company shall comply" with the procurement program and procedures.

¹ According to excerpts from the Northern Pipeline Act included in the Foothills Program, such review and approval is by the "Minister," i.e., such member of the Queen's Privy Council for Canada who is designated by the Governor General in Council to act as the Minister for purposes of the Northern Pipeline Act.

Thus, the somewhat general legislative prescription of the Northern Pipeline Act was refined by a mandatory program that was approved by the Canadian Government and implemented by Foothills, whose compliance is monitored by the NPA.

The approved Foothills Program expressly states as a policy that

- o when assessing bids, Foothills will take into consideration the projection of industrial benefit to Canada and Canadian content, and the extent to which suppliers are owned and controlled by Canadians

- o Foothills will emphasize the procurement in Canada of goods and services which will involve a substantial level of technological and innovative input by Canadians

- o Foothills will purchase from Canadian suppliers if they are generally competitive

2. National Treatment under the GATT/FTA

Foothills' discrimination against foreign goods would constitute a national treatment violation if the Foothills' discriminatory policy was adopted as the result of Canadian government laws, regulations, or requirements.

Under the GATT (Article III:4), a Contracting Party violates the national treatment requirement if its "laws, regulations or requirements" afford foreign products less favorable treatment than domestic products. In this case, either Canada's adoption of the Northern Pipeline Act or its approval of Foothills' Procurement Program could constitute a national treatment violation.

The Northern Pipeline Act required Foothills to adopt a procurement program ensuring that "the level of Canadian content is maximized so far as practicable." However, this provision of the Northern Pipeline Act might not be considered a specific requirement or regulation, but instead, merely a goal.

On the other hand, the Northern Pipeline Act also required that Foothills develop an implementing procurement program and that the program be reviewed, amended and approved by the Canadian government. Here Foothills submitted a procurement program, as required, and the government approved it. This approval step could also constitute an act by a GATT Contracting Party. Moreover, even if a GATT panel were to consider the approval process to represent merely a contract between the Canadian government and the private company, GATT precedent would support a finding that approval of the Foothills procurement program constituted a government "requirement" in conflict with Article III.

3. Impacts of the Canadian content and industrial benefit policy and program.

First, the terms of the Foothills Program makes clear that Canadian content and industrial benefits are two factors that will be taken into account. Moreover, the Program makes clear that Canadian firms will receive a preference that translates into a contract award if the Canadian firm can submit a competitive bid.

Second, the Program, in order to assess the benefit to Canada, includes a means to collect such information from potential suppliers. To this end, Foothills requests potential bidders to complete a questionnaire entitled, "Evaluation of Benefit to Canada." This document underscores the extent to which Canadian benefit will be considered in the evaluation of bids, and the level of detail requested of bidders on this subject highlights the disadvantage any firm faces that cannot show Canadian benefit. It is not unreasonable to assume that American firms would get the message and be discouraged from even submitting bids.

Third, to the extent that the 1980 reciprocal procurement procedures might be viewed as a curb on Canadian practices, it is important to bear in mind that the 1980 Agreement is limited to the four (4) designated types of items, and is inapplicable to all other supplies and equipment, and is inapplicable to all services. The preference of Foothills' Program, in contrast, is applicable to all Canadian-procured ANGTS goods and services.

More than 10 years ago, the Office of the Federal Inspector estimated that the total procurement costs for items designated for review under the 1980 procedures "will approach a value of \$1.35 billion" in 1980 dollars. This figure does not include the non-designated capital equipment or the services that would be procured during the construction of the pipeline.

The ANGTS project is an enormous construction project. And with approximately 2,000 miles of pipeline construction in Canada remaining to finish ANGTS, the lost opportunities for American companies could be substantial.

U.S. Procurement Practices

We are aware of no "Buy American" or other preference for American firms or American content contained in U.S. legislation or regulations applicable to ANGTS. Likewise, we are aware of no "Buy American" or other preference for American firms or American content contained in U.S. legislation or regulations applicable to non-ANGTS pipeline projects, and we are aware of no state public utility requirement imposed on regulated energy producers. None of the U.S. ANGTS sponsors have any "Buy American" policy.

Rec'd 6/9/92



Northern Pipeline Agency
Canada

Administration du pipe-line du Nord
Canada

Commissioner

Directeur général

Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario
K1A 0G2

Édifice Lester B. Pearson
125, promenade Sussex
Ottawa (Ontario)
K1A 0G2

June 1, 1992.

Dear Sirs:

On December 4, 1991, Michael Bayer, the then-Federal Inspector, and I met in Ottawa to consult on two issues involving our respective concerns associated with the implementation of the 1977 Agreement on a Northern Pipeline between Canada and the United States and the ancillary agreement of 1980 on procurement of certain designated items for the Alaska Highway Gas Pipeline Project.

I am writing now in keeping with my undertaking at that time to consider and respond at a later date regarding the issue raised by Mr. Bayer concerning the Procurement Program adopted by the Canadian sponsor of the project, Foothills Pipe Lines Ltd., in compliance with the provisions of the Northern Pipeline Act.

The former Federal Inspector first raised the matter in a letter to me of August 26, 1991, in which he expressed concern about an appendix included in bid documents prepared by Foothills in connection with certain valves and fittings for two new compressor stations planned to be installed on the Eastern Leg of the Prebuild. This appendix involved a questionnaire entitled "The Alaska Highway Gas Pipeline Project Evaluation of Benefit to Canada", which is included in all bid documents for designated items in compliance with the Procurement Program approved by the Minister responsible for the Northern Pipeline Agency.

... 2

Office of the Federal Inspector,
Alaska Natural Gas Transportation System, FA-1,
1000 Independence Avenue, S.W.,
WASHINGTON, D.C. 20585
U.S.A.

Canada

During our discussion in December and in subsequent written references on the subject, including his January, 1992, report to the President recommending termination of the underlying U.S. legislation and abrogation of the 1977 Agreement, Mr. Bayer contended that this Procurement Program was contrary to the provisions of the General Agreement on Tariffs and Trade and the 1988 Canada-U.S. Free Trade Agreement.

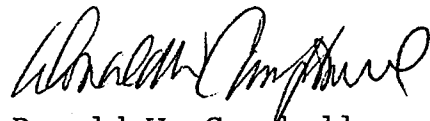
I should point out that the 1977 Pipeline Agreement states in its opening preamble that the two governments have supported the project out of a desire "to advance the national economic and energy interests and to maximize related industrial benefits of each country..." At the same time, the Agreement also stipulates in Section 7 that each government will endeavour to ensure that the supply of goods and services will be "on generally competitive terms". In keeping with these provisions, Foothills is required under the Northern Pipeline Act to maximize the industrial benefits available to Canada from the project within the ambit of the second objective - namely, that procurement be undertaken on generally competitive terms.

On consideration, it is our judgment that the Procurement Program adopted by Foothills is entirely in keeping with the provisions of the 1977 Agreement between our two governments and fully in compliance with the existing provisions of the GATT. It is similarly our judgment that the Program is also in keeping with the terms of the 1988 Free Trade Agreement, a view that is reinforced by the fact that the U.S. negotiators of that accord took no exception to the provisions of the Northern Pipeline Act or the Procurement Agreement adopted in compliance with that legislation.

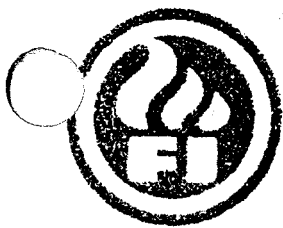
I think you should be aware that, as I indicated at the beginning of my letter, the meeting with Mr. Bayer in Ottawa last December also involved discussion of our continuing concern with respect to the implementation on

the U.S. side of the procedures governing procurement of designated items that were established under the 1980 agreement. This bilateral procurement process was instituted at the urging of the U.S. government as one means of ensuring that procurement was undertaken on generally competitive terms. While the former Federal Inspector agreed in principle that this procedure should have been followed from the outset in the case of the recent expansions under way on the Eastern and Western Legs in the United States (as it has been in connection with parallel expansions in Canada), and sought belatedly to implement the process with the voluntary compliance of U.S. sponsors, the fact is that potential Canadian bidders were afforded only an extremely limited reciprocal opportunity to take advantage of these procurement provisions.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "Donald W. Campbell", written in a cursive style.

Donald W. Campbell



Office of the Federal Inspector

Alaska Natural Gas Transportation System

FA-1

1000 Independence Avenue, SW
Washington, DC 20585

August 26, 1991

Honorable Donald W. Campbell
Commissioner
Northern Pipeline Agency
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Canada

By Fax

Dear Mr. Campbell:

On August 12, 1991, the Office of the Federal Inspector received from the Northern Pipeline Agency bidding documents for Foothills Pipe Lines, Ltd.'s proposed acquisition of fittings and valves (20 inches and larger) for compressor stations 363 and 365.

I have concerns with respect to Appendix 6 "The Alaska Highway Gas Pipeline Project Evaluation of Benefit to Canada," and references to it in the bidding documents, and request the opportunity to consult with you with respect to it at your earliest convenience.

Sincerely,

Michael J. Bayer
Federal Inspector



Canadian Embassy

Ambassade du Canada

501 Pennsylvania Ave. N.W.
Washington, D.C. 20001

February 19, 1992

Mr. Michael J. Bayer
Federal Inspector
for the Alaska Natural Gas
Transportation System
Department of Energy
Room 3G-064
1000 Independence Ave. S.W.
Washington, D.C. 20585

Dear Mr. Bayer,

Attached for your information is a copy of a
diplomatic note delivered to the Department of State on
February 18, 1992 regarding the recent report to the President
by the Office of the Federal Inspector.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "M. Martin".

Margaret Martin
Counsellor (Energy)

Att.



No. 026

The Embassy of Canada presents its compliments to the Department of State and has the honour to draw to the Department's attention certain recommendations made to the President of the United States by the Federal Inspector of the Alaska Natural Gas Transportation System in his Report on the Construction of the Alaska Gas Transportation System dated January 14, 1992.

Among the Federal Inspector's ten recommendations are six that are relevant to Canada:

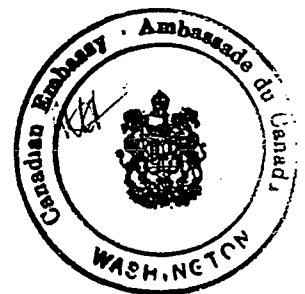
- repeal the Alaska Natural Gas Transportation Act;
- eliminate the exclusive ANGTS route to transport Alaska North Slope gas to the Lower 48;
- eliminate the ANGTS project sponsors' unique legal monopoly status;
- withdraw the President's Decision and Report, rescind Executive Order 12142 and withdraw Reorganization Plan No. 1 of 1979;
- terminate the 1977 Agreement of Principles with Canada;
- terminate the 1980 Procurement Procedures Agreement with Canada.

The Canadian Government expects that the United States will continue to honour its obligations under the 1977 Agreement of Principles and subsequent assurances given to the Government of Canada with respect to the pipeline. Any action giving effect to the above-noted recommendations would be contrary to the obligations of the United States and would not be acceptable to Canada.

The Embassy of Canada avails itself of this opportunity to renew to the Department of State the assurances of its highest consideration.

Washington, D.C.

14 February 1992



HISTORY OF U.S. COMMITMENTS
TO CANADA ON ANGTS

8/3/77

The U.S. Senate ratified a treaty between the United States and Canada concerning "transit pipelines." This Transit Pipeline Treaty applies to the transmission by pipeline, through one country, of hydrocarbons not originating in that country for delivery in the other country. The treaty prohibits either country from taking any measures which would impede the transmission of hydrocarbons in transit through the country. It provides that each country will facilitate the expeditious issuance of permits, licenses, and other authorizations needed for the import or export of hydrocarbons through a transit pipeline. The treaty also mandates that public authorities in both countries may not impose taxes or other monetary charges on a transit pipeline that are not placed on similar pipelines entirely within either country.

9/20/77

The United States and Canada signed an "Agreement on Principles Applicable to a Northern Natural Gas Pipeline" which established the terms and conditions by which the two countries would cooperate on a joint gas pipeline system for the transportation of gas from Alaska and northern Canada. This Agreement provides for:

- o prompt governmental approval of necessary permits, licenses and certificates;
- o nondiscriminatory charges assessed in a just and reasonable manner;
- o expeditious and efficient construction;
- o sufficient capacity to meet the needs of United States and Canadian shippers;
- o private financing and variable rate of return;
- o nondiscriminatory taxation;
- o procurement practices on "generally competitive" terms;
- o coordination and consultation between the governments and their respective regulatory authorities (the FERC and the NEB;
- o each government to take measures necessary to facilitate timely construction, consistent with their respective regulatory requirements, and to seek all required legislative authority to facilitate expeditious construction and remove any causes of delay.

- 6/27/80 The U.S. Senate unanimously passed resolution (the House of Representatives concurring on 7/1/83) stating that the ANGTS remains "An essential part of securing this Nation's energy future and enjoys the highest level of Congressional support for its expeditious construction and completion by the end of 1985."
- 7/18/80 President Carter sent a letter to Prime Minister Trudeau of Canada stating that the U.S. government is committed to the ANGTS project and expressing his confidence that it will be carried forward to completion. He also stated that he would be prepared to initiate action before the U.S. Congress to remove any impediments under existing law to the completion of the project.
- 2/6/81 Energy Secretary Edwards sent a letter on the ANGTS to H. A. Olson, Canadian Minister of State for Economic Development. Secretary Edwards wrote: "The United States Government is firmly committed to the completion of ANGTS in conformity with agreements between our two countries."
- 3/11/81 President Reagan addressed the Canadian Parliament, confirming U.S. support for construction of the full ANGTS with private financing.
- 10/15/81 President Reagan sent to the Congress a proposed waiver of law to facilitate private financing of the ANGTS.
- 11/20/81 The U.S. Senate approved the waivers of law requested by the President.
- 12/10/81 The U.S. House of Representatives approved the waivers.
- 4/27/82 Secretary Haig reaffirmed U.S. support of ANGTS in letter to Mark MacGuigan, Canadian Secretary of State for External Affairs

Miscellaneous

FEDERAL INSPECTOR RECOMMENDS DEREGULATION OF THE ALASKA GAS PIPELINE, AND THE ABOLITION OF HIS OFFICE

Summary

In the late 1970's, Congress and the President established a special regulatory structure for the construction of a government designated natural gas pipeline from Alaska, through Canada, to the Lower 48 States -- the Alaska Natural Gas Transportation System ("ANGTS"). Fifteen years later, Office of the Federal Inspector ("OFI"), a special purpose federal agency created to monitor and oversee construction of ANGTS, recommends, in a Report to the President, that the Federal government withdraw from this unnecessary interference with the marketplace, by abolishing the OFI and repealing the implementing legislation, orders and executive agreements.

The Government's failed effort to pick winners and losers

The special regulatory structure created by the Alaska Natural Gas Transportation Act of 1976, and subsequent implementing decisions, orders and agreements, is a relic of the energy crisis of the 1970's and an example of Government picking winners and losers. ANGTS resulted in the designation of an exclusive route for the delivery of Alaska natural gas to Lower 48 markets. In this case, the "pick" has never matured:

- the Prudhoe Bay gas producers have long-term plans to use the gas to enhance oil recovery on the North Slope, rather than send it to market
- there is far more natural gas in Canada available for export to the U.S. than previously predicted
- the natural gas markets will not support a project of the size and risk of ANGTS for the foreseeable future
- ANGTS faces significant competition from other Arctic gas projects
- ANGTS' special legal status is a governmental anachronism

Recommendations to deregulate the Alaska Natural Gas Transportation System

In spite of these facts, ANGTS remains supported by a complex legal structure, including the OFI, which protects that pick to the exclusion of other market-generated alternatives to bring Alaskan gas to the Lower 48 States. The Report's recommendations, thus, are that ANGTS and the panoply of legal authorities implementing it be repealed, ending the ANGTS special legal structure, and that the agency authorities delegated to OFI be returned to the normal Federal regulatory process. This would, among other things, wipe out 50 pages of regulations devoted solely to this project (10 C.F.R. Ch. XV), and terminate the OFI. The dismantling of the Act, and its related authorities and structures, will save the American taxpayer money and remove an unnecessary government intrusion into the marketplace. Whether, when and how Alaska natural gas will be delivered to the Lower 48 States would be left to market forces.

Implementation will require cooperation

Implementation of the Report's recommendations will require the input from a number of Executive Branch agencies and departments and the State of Alaska, consultations with the Canadian government, the project sponsors, the producers and other affected private sector interests, and ultimately the development of legislative recommendations in coordination with the Congress. The Department of the Interior would be an ideal choice as the lead agency to oversee the shutdown of the Office of the Federal Inspector and implementation of the Report's recommendations.

Office of the Federal Inspector

Alaska Natural Gas Transportation System

FA-1

1000 Independence Avenue, SW
Washington, DC 20585

January 23, 1989

MEMORANDUM

TO: B. Reid Detchon
Department of Energy Transition
Coordinator

FROM: Theodore J. Garrish *T. Garrish*
Federal Inspector for the Alaska
Natural Gas Transportation System

SUBJECT: Office of the Federal Inspector Transition Paper

As a follow-up to our brief conversation, the attached paper discusses the Office of the Federal Inspector (OFI) and is being provided for use of the new Administration.

The OFI is an independent, single-purpose, Federal Agency which reports directly to the President and Congress for oversight. For administrative convenience and coordination purposes, it is currently housed at the Department of Energy (DOE).

The OFI was established pursuant to the Alaska Natural Gas Transportation Act of 1976 (ANGTA), Reorganization Plan No. 1 of 1979 and Executive Order No. 12142. In particular, Reorganization Plan No. 1 transferred to the OFI exclusive responsibility for enforcement of all Federal statutes relevant in any manner to the pre-construction, construction, and initial operation of the Alaska Natural Gas Transportation System (ANGTS). OFI's mission is to expedite the Federal permitting process and oversee the construction and initial operation of the U. S. portions of ANGTS, a proposed 4,800-mile natural gas pipeline to bring Alaska natural gas from Prudhoe Bay on Alaska's North Slope south across western Canada to U. S. markets in California and the Midwest.

The first phase of the project, the prebuild segments, comprising 32 percent of the total System and 1,512 miles, was completed in 1982. Canadian gas now flows through the Western Leg of the System to Stanfield, Oregon, and the Eastern Leg to Ventura, Iowa. Through prudent Federal oversight, both segments were completed within budget and on schedule.

In 1982, the ANGTS project sponsors decided to postpone construction of the Alaskan segment of the System. In response to this action, OFI curtailed its operations, closed its field offices and reduced its staff, which had reached a peak of 159 employees, in addition to contractor support.

In 1985, the Administration recommended, and Congress affirmed, that the OFI, because of its unique oversight authority for the ANGTS project, should remain independent, but be attached to DOE strictly for administrative convenience. This determination was reached after consultations with OMB and Congressional staff, which included indepth discussions with the Alaska Delegation. The decision was reached since elimination of the Office and placement of its functions into another agency would require a basic change in the OFI enabling legislation and might affect the overall franchise and the regulatory process accomplished to date. DOE was selected as the host agency since this was no longer a construction project, but rather one revolving primarily around energy policy and regulatory issues.

Through a Memorandum of Understanding in 1985, OFI affiliated with DOE to provide the administrative support services necessary to carry out the functions of the Office. OFI's funds were appropriated under the Fossil Energy budget. Danny Boggs was appointed the Federal Inspector, in addition to his DOE responsibilities as Deputy Secretary, and I succeeded him as Federal Inspector.

The OFI, with a small staff, is currently following the project sponsors activities, maintaining liaison with the ANGTS participants, and is closely following the activities of a competing gas pipeline project in Alaska.

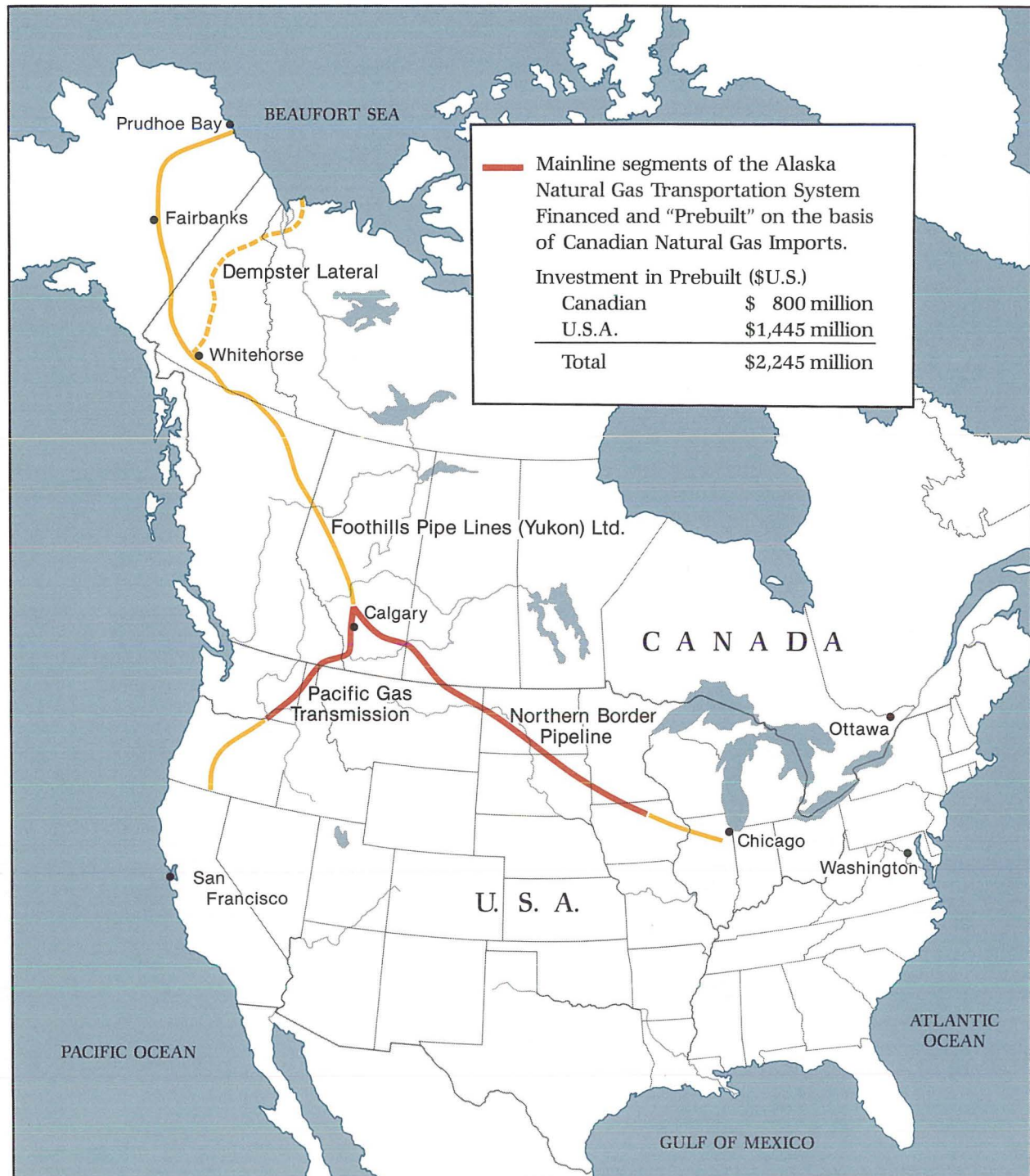
Recently OFI has focused on the Trans-Alaska Gas System (TAGS), a project to export North Slope gas to Pacific Rim countries. As noted previously, the Federal Inspector is responsible for the enforcement functions connected with any Federal action that relates to the ANGTS project and, accordingly, will be involved in any work under the recently issued Right-of-Way Grant for the TAGS project. OFI actively participated in the review of both the Environmental Impact Statement and the Right-of-Way Grant for TAGS and is now following the developments in the proceeding for an export license.

OFI has been watching recent activities concerning the expansion and extension of both the Eastern and Western Legs of ANGTS and expects to become involved in these developments.

In addition, the sponsors of the Alaskan and Canadian segments of ANGTS have indicated they hope to begin work in the near future and have announced a significantly reduced cost estimate for completing this project. If the sponsors do begin work in the near future, OFI will have to expand greatly to carry out its oversight responsibilities. In anticipation of this, OFI is staying abreast of actions which could affect the resumption of project activity and is prepared to remobilize at the appropriate time.

The relationship between OFI and DOE has been positive and beneficial to both agencies and the dual appointment mechanism has worked well. No changes appear warranted in the status of OFI at this time and I recommend continuing the current arrangement. I would welcome the opportunity to sit down with you and discuss the sensitivities of the Office in greater detail at your convenience.

THE ALASKA NATURAL GAS TRANSPORTATION SYSTEM



U.S. Commitments to Canada

June 27, 1980 (Senate) and July 1, 1980 (House) Resolutions:

Expressed Congressional support for expeditious completion of ANGTS in 1985.

July 17, 1980:

Canada approved pre-build.

July 18, 1980 Letter from Carter to Trudeau:

"I recognize the reasonable concern of Canadian project sponsors that they be assured recovery of their investment in a timely manner if, once project construction is commenced, they proceed in good faith with completion of the Canadian portions of the project and the Alaskan segment is delayed.

I would be prepared at the appropriate time to initiate action before the U.S. Congress to remove any impediment as may exist under present law to providing that desired confidence for the Canadian portion of the line.

I can assure you that the U.S. government not only remains committed to the project; I am able to state with confidence that the U.S. government now is satisfied that the entire Alaska Natural Gas Transportation System will be completed."

February 6, 1981 Letter from Edwards to Olson:

"The U.S. Government is firmly committed to completion of the ANGTS in conformity with agreements between our countries."

NOTE: DOE now says this meant "formal agreements."

March 10, 1981 Reagan's Speech to Parliament:

"We strongly favor prompt completion of this project, based on private financing."

- Haig to Press on private talks between Reagan and Trudeau:
"What we reiterated was our assurance that we are going to seek as soon as possible completion of the U.S. segments of this through private financing. This is a reassurance and restatement of our earlier assurances in this area."

July 10, 1981 Reagan/Trudeau Lunch in D.C.:

The only quote available is classified, but earlier assurances were re-expressed.

October 6, 1981 Telegram from Reagan to Trudeau:

"I have decided to submit for Congressional approval the full package of waivers requested by the sponsors of the ANGTS..."

As I made clear during our previous discussions of this matter, my Administration supports the completion of this project through private financing, and it is our hope that this action will clear the way to moving ahead with it."

Meeting in Grand Rapids, Michigan:

We have no reliable record of discussions on ANGTS.