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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Robert M. Pickett, Chairman
Kate Giard
Mark K. Johnson
Anthony A. Price
Janis W. Wilson

In the Matter of the Tariff Revision, Designated as)
TA167-4, Regarding a Proposed Gas Sales)
Agreement Between ENSTAR NATURAL GAS)
COMPANY, A DIVISION OF SEMCO ENERGY,)
INC. and ConocoPhillips Alaska, Inc. and a)
Proposed Gas Sales Agreement Between)
ENSTAR NATURAL GAS COMPANY, A)
DIVISION OF SEMCO ENERGY INC. and)
MARATHON OIL COMPANY)

U-08-58

ORDER NO. 8

SEPARATE STATEMENT OF COMMISSIONER KATE GIARD

In 2001, the RCA approved a pricing scheme designed to lure wildcat exploration into Cook Inlet, by replicating Lower 48 futures prices. Believing extreme measures were needed to offset Cook Inlet's depleting gas supply, the RCA declined to cap the futures market prices.

We now know that near-term gas supplies were not in danger of depletion. We also know that millions of dollars would, today, rest in Alaskan bank accounts if the RCA had adopted that cap.

1 Price caps are greatly unpopular, except to the ratepayers they protect.
2 Some politicians and economists will undoubtedly revile our asserting price controls
3 over the natural gas contracts in this proceeding.¹

4 However, markets like Cook Inlet require strong regulatory intervention
5 and the courage to make decisions in the public interest.

6 Cook Inlet is vertically integrated, enabling two producers to be their own
7 best customer. Inelastic demand in this isolated market further creates a natural
8 opportunity for producers to exercise market power by withholding supply, creating false
9 shortages, or exaggerating deliverability issues until the "price is right".

10 After 2001, Cook Inlet moved out of its natural balance. The price paid by
11 ENSTAR's consumers did not reflect the reality of one of the most prolific gas producing
12 basins in the United States. Rather, the price reflected a natural gas market on the
13 verge of shortage and a desperate effort by the RCA to put its finger in the dike.

14 Draconian measures by this commission or any state or federal agency
15 are not needed to restore a reasonable balance to the Cook Inlet market. Our goal was
16 not to enforce bargain-basement prices on such a precious commodity as warm homes
17 in the winter. We did, however, remove the opportunity for windfall prices.

18 Our price containment measures use the Lower 48 production basins
19 where ConocoPhillips and Marathon have ongoing operations, so the revenue streams
20 will be familiar to them.

21 Our goal was to return Cook Inlet to balance and to craft a solution that
22 ratepayers can afford and that our producers would be willing to take.

23
24 ¹ In Alaska, RCA commissioners always face the danger on major decisions that
25 a bit of legislation will be introduced to fire us all, as happened in 2007, or that our
26 wages will be mysteriously and inexplicably reduced, as happened recently.

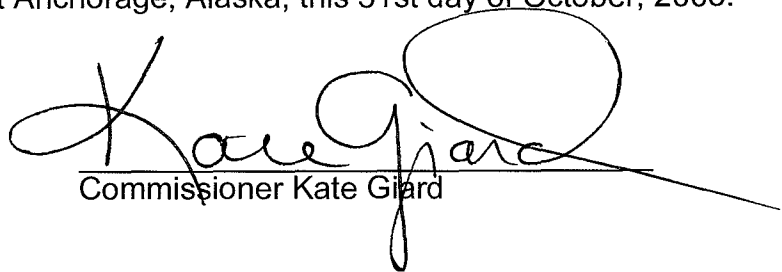
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If Marathon and ConocoPhillips agree to supply Alaskan families through the winter cold in exchange for reasonable, yet comparably higher, revenue streams to those they receive in the Lower 48, then we will have brought Cook Inlet back into balance.

I would like to take a personal moment to dedicate my efforts in this docket to Eric Redmond's final closing argument. Sometimes, the spoken word can change the world.

DATED AND EFFECTIVE at Anchorage, Alaska, this 31st day of October, 2008.



Commissioner Kate Giard