Alaska State Legislature

SENATOR PETE KELLY

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To: Senator Fairclough, Chair, LB&A
By: Bruce Campbell, staff
Re: Testimony for Senate Finance Committee
Date: March 3rd, 2014

Would Enalytica be available to answer the following questions for Senate Finance Committee on Wednesday, March 5th, at 9:00 am? Or Friday, March 7th, at 9:00 am?

1) Model cash flow scenarios, cash calls on the State, off ramps, and ability to sell portions of our equity position.
2) Provide an inside explanation of the tax structure
    a. Compare to other countries.
    b. Are we taxing ourselves out of the market?
    c. Where is floor and where is ceiling on tax credits.
    d. Oil underpinning cost recovery.
    e. Overall government take.
    f. State's share vs. each of the 3 partners
3) Discuss the Feb 27th, presentation with extended modelling to prices below $10, say to $7, explain how different scenarios play out at lower gas price.
4) What are potential "worst case" scenarios:
    a. For example, a completed project with continuing debt obligations, and tariff obligations, and Asia switches back to coal.
    b. How would a significant cost overrun affect the potential revenue.
5) Discuss Enalytica's February 20 presentation to S Res, slide 12. What assumptions are built into the analysis about deductions for gas field expenses in the "status quo" situation on the left of the slide.
    a. Compare the above with expenses modelled for gas production, what does your modelling include as field costs by the producers. Is any of the State's infrastructure envisioned as "Additional State Support" in article 10 of the HOA included in these field costs?
6) What level of spending does the State have to maintain to be able to obtain full equity participation at FID?

Sen.Pete.Kelly@akleg.gov

Cc: Esther Tempel, Administration and Black & Veatch

Black & Veatch:

1) Discuss the Feb 19, 2004, slide on page 3. Income projection, please clarify that the increased income to the state from gas production is only gas, not oil and gas.

2) Feb 19, 2004, slide on page 3. How do possible modifications to oil tax revenues via changes in royalties (or credits?) under AS 38.05.180 (hh) affect revenues in the graph starting in the 2018 time frame and before first gas? (Where 2018 = earliest date for FID decision).

3) Discuss: Slide from Senate Resources titled: When the State is out of Money.

4) Discuss the Feb 27th, presentation with extended modelling to prices below $10, say to $7, different scenarios at lower gas price.

5) What level of spending does the State have to maintain through FID to be able to obtain full equity participation?

Administration:

1) AOGCC, Can someone explain the process for determining if gas can be marketed from ANS fields?

2) Where is the administration projecting operating costs and cash reserves to be in the 2018 to first gas timeframe?

3) The HOA references State infrastructure needed for pipeline, will our other partners participate in these costs?

4) HOA, Pg 16, Article 10. Requested written legal analysis from DOL.

5) AGDC: Do we need to add language to ensure lowest price of gas at burner tip for Alaskans/

6) Do we need to refine directions to AGDC? Timelines? To give Alaskans hope?

Bruce Campbell

From:	Bruce Campbell
Sent:	Monday, March 03, 2014 6:39 PM
To:	Tempel, Esther (DNR)
Cc:	Suzanne Armstrong; Tim Grussendorf; Laura Pierre; Erin Shine; Denise Liccioli; John Wood; Peter Fellman
Subject:	SB138 Questions for Consultants (pt 2)

Additional questions for Black & Veatch or Admin.
Thanks,
Bruce

From: Peter Fellman
Sent: Monday, March 03, 2014 6:17 PM
To: Bruce Campbell
Cc: Sen. Click Bishop
Subject: some ? SB138

Are costs from the AKLNG project, measuring in the billions of dollars, being deducted from the Producers' oil production tax liability?

1. What is the total anticipated impact of those reductions to the State Treasury through pre-FEED, FEED, and FID?

2. Have you modeled the impact of the oil production tax deductions to the State Treasury during the life of the AKLNG project?

3. Can we see the modeling in committee?

Pete Fellman
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