

HOUSE CS FOR CS FOR SENATE BILL NO. 138(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered: 4/11/14

Referred: Finance

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the Alaska Gasline Development Corporation; relating to an in-state**
2 **natural gas pipeline, an Alaska liquefied natural gas project, and associated funds;**
3 **requiring state agencies and other entities to expedite reviews and actions related to**
4 **natural gas pipelines and projects; making certain contracts by the Department of**
5 **Natural Resources and the Department of Law not subject to the State Procurement**
6 **Code; relating to the authorities and duties of the commissioner of natural resources**
7 **relating to a North Slope natural gas project, oil and gas and gas only leases, and royalty**
8 **gas and other gas received by the state including gas received as payment for the**
9 **production tax on gas; relating to a report and recommendations by the commissioner**
10 **of natural resources regarding the delivery and availability of North Slope natural gas**
11 **in the state, including the identification of risks and recommendations for mitigation;**
12 **relating to the tax on oil and gas production, on oil production, and on gas production;**

1 relating to the duties of the commissioner of revenue relating to a North Slope natural
2 gas project and gas received as payment for tax; relating to confidential information and
3 public record status of information provided to or in the custody of the Department of
4 Natural Resources and the Department of Revenue; relating to apportionment factors of
5 the Alaska Net Income Tax Act; amending the definition of gross value at the 'point of
6 production' for gas for purposes of the oil and gas production tax; clarifying that the
7 exploration incentive credit, the oil or gas producer education credit, and the film
8 production tax credit may not be taken against the gas production tax paid in gas;
9 relating to the oil or gas producer education credit; requiring the commissioner of
10 revenue to provide a report to the legislature on financing options for state ownership
11 and participation in a North Slope natural gas project; requesting the governor to
12 establish an interim advisory board to advise the governor on municipal involvement in
13 a North Slope natural gas project; relating to the development of a plan by the Alaska
14 Energy Authority for developing infrastructure to deliver affordable energy to areas of
15 the state that will not have direct access to a North Slope natural gas pipeline and a
16 recommendation of a funding source for energy infrastructure development;
17 establishing the Alaska affordable energy fund; requiring the commissioner of revenue
18 to develop a plan and suggest legislation for municipalities, regional corporations, and
19 residents of the state to acquire ownership interests in a North Slope natural gas pipeline
20 project; relating to the duties of the Oil and Gas Competitiveness Review Board;
21 making conforming amendments; and providing for an effective date."

22 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

23 * **Section 1.** AS 31.25.005 is amended to read:

24 **Sec. 31.25.005. Purpose.** The corporation shall, for the benefit of the state, to

1 the fullest extent possible,

2 (1) develop and have primary responsibility for developing natural
3 gas pipelines, an Alaska liquefied natural gas project, and other transportation
4 mechanisms to deliver natural gas in-state for the maximum benefit of the people
5 of the state;

6 (2) when developing natural gas pipelines, an Alaska liquefied
7 natural gas project, and other transportation mechanisms to deliver natural gas
8 in-state, provide economic benefits in the state, and revenue to the state;

9 (3) assist the Department of Natural Resources and the
10 Department of Revenue to maximize the value of the state's royalty natural gas,
11 natural gas delivered to the state as payment of tax, and other natural gas
12 received by the state;

13 (4) advance an in-state natural gas pipeline as described in the July 1,
14 2011, project plan prepared under former AS 38.34.040 by the corporation while a
15 subsidiary of the Alaska Housing Finance Corporation, with modifications determined
16 by the corporation to be appropriate to develop, finance, construct, and operate an in-
17 state natural gas pipeline in a safe, prudent, economical, and efficient manner, for the
18 purpose of making natural gas, including propane and other hydrocarbons associated
19 with natural gas other than oil, available to Fairbanks, the Southcentral region of the
20 state, and other communities in the state at the lowest rates possible;

21 (5) advance an Alaska liquefied natural gas project by developing
22 infrastructure and providing related services, including services related to
23 transportation, liquefaction, a marine terminal, marketing, and commercial
24 support; if the corporation provides a service under this paragraph to the state, a
25 public corporation or instrumentality of the state, a political subdivision of the
26 state, or another entity of the state, the corporation may not charge a fee for the
27 service in an amount greater than the amount necessary to reimburse the
28 corporation for the cost of the service;

29 (6) [(2)] endeavor to develop natural gas pipelines and other
30 transportation mechanisms to deliver natural gas, including propane and other
31 hydrocarbons associated with natural gas other than oil, to public utility and industrial

1 customers in areas of the state to which the natural gas, including propane and other
 2 hydrocarbons associated with natural gas other than oil, may be delivered at
 3 commercially reasonable rates; and

4 (7) [(3)] endeavor to develop natural gas pipelines and other
 5 transportation mechanisms that offer commercially reasonable rates for shippers and
 6 access for shippers who produce natural gas, including propane and other
 7 hydrocarbons associated with natural gas other than oil, in the state.

8 * **Sec. 2.** AS 31.25.010 is amended to read:

9 **Sec. 31.25.010. Structure.** The Alaska Gasline Development Corporation is a
 10 public corporation and government instrumentality **acting in the best interest of the**
 11 **state for the purposes required by AS 31.25.005,** located for administrative
 12 purposes in the Department of Commerce, Community, and Economic Development,
 13 but having a legal existence independent of and separate from the state. The
 14 corporation may not be terminated as long as it has bonds, notes, or other obligations
 15 outstanding. The corporation may dissolve when no bonds, notes, or other obligations
 16 of the corporation or a subsidiary of the corporation are outstanding and the
 17 corporation or a subsidiary of the corporation is no longer engaged in the
 18 development, financing, construction, or operation of an in-state natural gas pipeline
 19 **or an Alaska liquefied natural gas project.** Upon termination of the corporation, its
 20 rights and property pass to the state.

21 * **Sec. 3.** AS 31.25.020(a) is amended to read:

22 (a) The corporation shall be governed by a board of directors consisting of
 23 (1) five public members; and
 24 (2) two individuals designated by the governor that are each the head
 25 of a principal department of the state, except that the commissioner of natural
 26 resources and the commissioner of revenue may not be designated to serve on the
 27 board [UNLESS THE PROJECT FOR WHICH A LICENSE IS ISSUED UNDER
 28 AS 43.90 HAS BEEN ABANDONED OR IS NO LONGER RECEIVING THE
 29 INDUCEMENTS IN AS 43.90.110(a) OR THE COMMISSIONER OF NATURAL
 30 RESOURCES AND THE COMMISSIONER OF REVENUE ARE NO LONGER
 31 SIGNATORIES ON A VALID CONTRACT UNDER AS 43.90].

1 * **Sec. 4.** AS 31.25.020 is amended by adding a new subsection to read:

2 (e) A public member appointed by the governor under (b) of this section shall
3 be a citizen of the United States. Notwithstanding AS 39.05.100, a person appointed
4 under (b) of this section is not required to be or have been a registered voter in the
5 state and is not required to reside in the state.

6 * **Sec. 5.** AS 31.25.040 is amended by adding new subsections to read:

7 (c) To the maximum extent practicable, the board shall

8 (1) maximize the efficient use of state resources; and

9 (2) establish appropriate separation within the corporation by
10 separating personnel and functions, and by other means to the extent that separation
11 may be required by contract or applicable law for the purpose of screening and
12 preventing the exchange of commercially sensitive information when developing an
13 in-state natural gas pipeline, an Alaska liquefied natural gas project, and other
14 transportation mechanisms to deliver natural gas in the state.

15 (d) The board may appoint a program director for an Alaska liquefied natural
16 gas project. The board may appoint a separate program director for an in-state natural
17 gas pipeline as described in the July 1, 2011, project plan prepared under former
18 AS 38.34.040 and defined in AS 31.25.390. A program director appointed under this
19 section shall

20 (1) serve at the pleasure of the board; and

21 (2) report to the executive director of the corporation.

22 * **Sec. 6.** AS 31.25.050 is amended to read:

23 **Sec. 31.25.050. Legal counsel. Except as provided in (b) of this section, the**

24 [THE] corporation shall retain legal counsel to advise the corporation in legal matters
25 and represent it in litigation.

26 * **Sec. 7.** AS 31.25.050 is amended by adding a new subsection to read:

27 (b) The attorney general shall

28 (1) be the legal counsel for the corporation for legal services related to
29 the development of contracts and agreements by the corporation that relate to an
30 Alaska liquefied natural gas project; and

31 (2) consult with the corporation when procuring outside counsel for

1 legal services for the corporation related to an Alaska liquefied natural gas project.

2 * **Sec. 8.** AS 31.25.080(a) is amended to read:

3 (a) In addition to other powers granted in this chapter, the corporation may

4 (1) determine the form of ownership and the operating structure of an
5 in-state natural gas pipeline developed by the corporation and may enter into
6 agreements with other persons for joint ownership, joint operation, or both of an in-
7 state natural gas pipeline **or an Alaska liquefied natural gas project**;

8 (2) plan, finance, construct, develop, acquire, maintain, and operate a
9 pipeline system and other transportation mechanism, including pipelines, compressors,
10 storage facilities, and other related facilities, equipment, and works of public
11 improvement, in the state to facilitate production, transportation, and delivery of
12 natural gas or other related natural resources to the point of consumption or to the
13 point of distribution for consumption;

14 (3) lease or rent facilities, structures, and properties;

15 (4) exercise the power of eminent domain and file a declaration of
16 taking under AS 09.55.240 - 09.55.460 to acquire land or an interest in land that is
17 necessary for an in-state natural gas pipeline **or an Alaska liquefied natural gas**
18 **project**; the exercise of powers by the corporation under this paragraph may not
19 exceed the permissible exercise of the powers by the state;

20 (5) acquire, by purchase, lease, or gift, land, structures, real or personal
21 property, an interest in property, a right-of-way, a franchise, an easement, or other
22 interest in land, or an interest in or right to capacity in a pipeline system determined to
23 be necessary or convenient for the development, financing, construction, or operation
24 of an in-state natural gas pipeline project **or an Alaska liquefied natural gas project**
25 or part of an in-state natural gas pipeline project **or an Alaska liquefied natural gas**
26 **project**;

27 (6) transfer or otherwise dispose of all or part of an in-state natural gas
28 pipeline project, **an Alaska liquefied natural gas project, or** [DEVELOPED BY
29 THE CORPORATION OR TRANSFER OR OTHERWISE DISPOSE OF] an interest
30 in an asset of the corporation;

31 (7) elect to provide transportation of natural gas as a contract carrier,

1 common carrier, or otherwise;

2 (8) provide light, water, security, and other services for property of the
3 corporation;

4 (9) conduct hearings to gather and develop data consistent with the
5 purpose and powers of the corporation;

6 (10) advocate for new pipeline capacity before the Federal Energy
7 Regulatory Commission;

8 (11) make and execute agreements, contracts, and other instruments
9 necessary or convenient in the exercise of the powers and functions of the corporation
10 under this chapter, including a contract with a person, firm, corporation, governmental
11 agency, or other entity;

12 (12) sue and be sued in its own name;

13 (13) adopt an official seal;

14 (14) adopt bylaws for the regulation of its affairs and the conduct of its
15 business and adopt regulations and policies in connection with the performance of its
16 functions and duties;

17 (15) employ fiscal consultants, engineers, attorneys, appraisers, and
18 other consultants and employees that may, in the judgment of the corporation, be
19 required and fix and pay their compensation from funds available to the corporation;

20 (16) procure insurance against a loss in connection with its operation;

21 (17) borrow money as provided in this chapter to carry out its
22 corporate purposes and issue its obligations as evidence of borrowing;

23 (18) include in a borrowing the amounts necessary to pay financing
24 charges, to pay interest on the obligations, and to pay the interest, consultant, advisory,
25 and legal fees, and other expenses that are necessary or incident to the borrowing;

26 (19) receive, administer, and comply with the conditions and
27 requirements of an appropriation, gift, grant, or donation of property or money;

28 (20) do all acts and things necessary, convenient, or desirable to carry
29 out the powers expressly granted or necessarily implied in this chapter;

30 (21) invest or reinvest, subject to its contracts with noteholders and
31 bondholders, money or funds held by the corporation, including funds in the in-state

1 natural gas pipeline fund (AS 31.25.100) **and the Alaska liquefied natural gas**
 2 **project fund (AS 31.25.110)**, in obligations or other securities or investments in
 3 which banks or trust companies in the state may legally invest funds held in reserves
 4 or sinking funds or funds not required for immediate disbursement, and in certificates
 5 of deposit or time deposits secured by obligations of, or guaranteed by, the state or the
 6 United States;

7 (22) enter into, as it determines to be necessary or appropriate, any
 8 swap or hedge, cap, or other contract providing for payments based on levels of or
 9 changes in interest rates or indices or in the cost or price of any commodity, supply, or
 10 expense expected to be used or incurred in connection with the acquisition,
 11 construction, or operation of any facility or property owned, leased, or operated by the
 12 corporation, or an option with respect to any of the foregoing;

13 **(23) except as provided in (g) of this section, acquire an ownership**
 14 **or participation interest in an Alaska liquefied natural gas project, natural gas**
 15 **treatment facilities, natural gas pipeline facilities, liquefaction facilities, marine**
 16 **terminal facilities related to the infrastructure of an Alaska liquefied natural gas**
 17 **project, an entity or joint venture that has an ownership interest in or is engaged**
 18 **in the planning, financing, acquisition, maintenance, construction, and operation**
 19 **of an Alaska liquefied natural gas project;**

20 **(24) after consultation with the commissioner of revenue and the**
 21 **commissioner of natural resources, enter into contracts relating to an Alaska**
 22 **liquefied natural gas project, including contracts for services related to**
 23 **operation, marketing, transportation, gas treatment, marine terminal operation,**
 24 **or liquefaction.**

25 * **Sec. 9.** AS 31.25.080(e) is amended to read:

26 (e) If commitments to acquire firm transportation capacity **for the in-state**
 27 **natural gas pipeline** are received in an open season conducted by the corporation, the
 28 corporation shall, within 10 days after accepting and executing the written
 29 commitments received during the open season, report the results of the open season to
 30 the president of the senate and the speaker of the house of representatives and inform
 31 the public of the results of the open season through publication on the Internet website

1 of the corporation and in a press release or other announcement to the media. The
 2 results made public must include the name of each prospective shipper, the amount of
 3 capacity allocated, and the period of the commitment. If the corporation determines
 4 that the commitments received during the open season are not sufficient to permit the
 5 corporation to continue the development or construction of the natural gas pipeline,
 6 the corporation shall report that to the legislature within 30 days.

7 * **Sec. 10.** AS 31.25.080 is amended by adding a new subsection to read:

8 (g) The power in (a)(23) of this section may not be exercised by an entity or
 9 subsidiary of the corporation that is advancing the development an in-state natural gas
 10 pipeline.

11 * **Sec. 11.** AS 31.25.090 is amended by adding a new subsection to read:

12 (i) Subject to limitations on the disclosure of confidential information in (g)
 13 and (h) of this section, the corporation shall provide to the commissioner of natural
 14 resources and the commissioner of revenue access to information that is related to the
 15 development of contracts under AS 38.05.020(b)(10) and (11).

16 * **Sec. 12.** AS 31.25.100 is amended to read:

17 **Sec. 31.25.100. In-state natural gas pipeline fund.** The in-state natural gas
 18 pipeline fund is established in the corporation and consists of money appropriated to
 19 it. The corporation shall determine fund management and may contract with the
 20 Department of Revenue for fund management. Unless otherwise provided by law,
 21 money appropriated to the fund lapses into the general fund on the day this section is
 22 repealed. Interest and other income received on money in the fund shall be separately
 23 accounted for and may be appropriated to the fund. The corporation may use money
 24 appropriated to the fund without further appropriation for the cost of managing the
 25 fund and for the planning, financing, development, acquisition, maintenance,
 26 construction, and operation of the [AN] in-state natural gas pipeline **described in**
 27 **AS 31.25.005(4) and for the purposes in AS 31.25.005(4), (6), and (7).**

28 * **Sec. 13.** AS 31.25 is amended by adding a new section to read:

29 **Sec. 31.25.110. Alaska liquefied natural gas project fund.** The Alaska
 30 liquefied natural gas project fund is established in the corporation and consists of
 31 money appropriated to it. The corporation shall determine fund management and may

1 contract with the Department of Revenue for fund management. If money is
 2 appropriated to the fund to finance the cost of an Alaska liquefied natural gas project,
 3 the corporation shall create an account in the fund for that purpose and hold the money
 4 appropriated for that purpose in that account. Interest and other income received on
 5 money in the fund shall be separately accounted for and may be appropriated to the
 6 fund. The corporation may use money appropriated to the fund without further
 7 appropriation for the purpose of managing the fund, for purposes related to an Alaska
 8 liquefied natural gas project, and for the purpose of transferring net revenue received
 9 by the corporation related to equity interest, contracts, and other activities to the
 10 appropriate fund of the state as determined by the commissioner of revenue in
 11 consultation with the commissioner of natural resources.

12 * **Sec. 14.** AS 31.25.120 is amended to read:

13 **Sec. 31.25.120. Creation of subsidiaries.** The corporation may create
 14 subsidiary corporations for the purpose of developing, constructing, operating, and
 15 financing in-state natural gas pipeline projects or other transportation mechanisms; for
 16 the purpose of aiding in the development, construction, operation, and financing of in-
 17 state natural gas pipeline projects; or for the purpose of acquiring [THE STATE'S
 18 ROYALTY SHARE OF NATURAL GAS,] natural gas from the North Slope, and
 19 natural gas from other regions of the state, including the state's outer continental shelf,
 20 and making that natural gas available to markets in the state, including the delivery of
 21 natural gas, including propane and other hydrocarbons associated with natural gas
 22 other than oil, to coastal communities in the state, or for export. **Subject to the**
 23 **limitations for the use of money appropriated to the in-state natural gas pipeline**
 24 **fund (AS 31.25.100) and the Alaska liquefied natural gas project fund**
 25 **(AS 31.25.110), the** [A SUBSIDIARY CORPORATION CREATED UNDER THIS
 26 SECTION MAY BE INCORPORATED UNDER AS 10.20.146 - 10.20.166. THE]
 27 corporation may transfer assets of the corporation to a subsidiary created under this
 28 section. A subsidiary created under this section may borrow money and issue bonds as
 29 evidence of that borrowing and has all the powers of the corporation that the
 30 corporation grants to it. Unless otherwise provided by the corporation, the debts,
 31 liabilities, and obligations of a subsidiary corporation created under this section are not

1 the debts, liabilities, or obligations of the corporation.

2 * **Sec. 15.** AS 31.25.140(c) is amended to read:

3 (c) To further ensure effective budgetary decision making by the legislature,
4 the board shall

5 (1) annually review the corporation's assets, including the assets of the
6 in-state natural gas pipeline fund under AS 31.25.100 **and the Alaska liquefied**
7 **natural gas project fund under AS 31.25.110**, to determine whether assets of the
8 corporation exceed an amount required to fulfill the purposes of the corporation as
9 defined in this chapter; in making its review, the board shall determine whether, and to
10 what extent, assets in excess of the amount required to fulfill the purposes of the
11 corporation during the next fiscal year are available without

12 (A) breaching an agreement entered into by the corporation;

13 (B) materially impairing the operations or financial integrity of
14 the corporation; or

15 (C) materially affecting the ability of the corporation to fulfill
16 the purposes of the corporation as defined in this chapter;

17 (2) specifically identify in the corporation's assets the amounts that the
18 board believes are necessary to meet the requirements of (1)(C) of this subsection; and

19 (3) present to the legislature by January 10 of each year a complete
20 accounting of all assets of the corporation, including assets of the in-state natural gas
21 pipeline fund under AS 31.25.100 **and the Alaska liquefied natural gas project**
22 **fund under AS 31.25.110**, and a report of the review and determination made under
23 (1) and (2) of this subsection; the accounting shall be audited by an independent
24 outside auditor.

25 * **Sec. 16.** AS 31.25.390 is amended by adding a new paragraph to read:

26 (7) "Alaska liquefied natural gas project" means a natural gas project
27 as described in AS 31.25.005(5) that includes collectively, the Prudhoe Bay unit gas
28 transmission line, the Point Thomson unit gas transmission line, a gas pipeline, the gas
29 treatment plant, a liquefied natural gas plant, and a marine terminal; in this paragraph,

30 (A) "gas pipeline"

31 (i) means the main natural gas pipeline from the outlet

1 flange of the gas treatment plant on the North Slope to the inlet flange
2 of the liquefied natural gas plant located in the Southcentral region of
3 the state, which shall have off-take points along the pipeline for
4 deliveries of gas in the state;

5 (ii) does not include any gas lines downstream of any
6 off-take point between the gas treatment plant and the liquefied natural
7 gas plant;

8 (B) "gas treatment plant" means those facilities and related
9 activities required to receive natural gas from the Prudhoe Bay unit gas
10 transmission line, the Point Thomson unit gas transmission line, and other
11 facilities, treat the natural gas to pipeline specifications, dispose of or deliver
12 by-products, deliver liquid products for further transportation, and deliver
13 treated natural gas for transportation through the gas pipeline;

14 (C) "liquefied natural gas plant" means the facility for
15 liquefying natural gas and includes structures, equipment, underlying land
16 rights, other associated systems, storage, and facilities for off-loading liquefied
17 natural gas;

18 (D) "marine terminal" means the terminal and those facilities
19 required to receive liquefied natural gas from the boundary of the liquefied
20 natural gas plant for marine transportation, including auxiliary vessels used in
21 the operation of the terminal;

22 (E) "Point Thomson unit gas transmission line" means a natural
23 gas transmission line from the outlet flange of the Point Thomson unit
24 production facility to the inlet flange of the gas treatment plant; and

25 (F) "Prudhoe Bay unit gas transmission line" means a natural
26 gas transmission line from the outlet flange of the Prudhoe Bay unit central gas
27 facility to the inlet flange of the gas treatment plant.

28 * **Sec. 17.** AS 36.30.850(b) is amended by adding new paragraphs to read:

29 (47) contracts for professional and technical services by the
30 Department of Natural Resources to support the development of agreements and
31 contracts under AS 38.05.020(b)(10) and (11);

(48) contracts of the Department of Law developed with client participation for legal services related to an Alaska liquefied natural gas project as that project is defined in AS 31.25.390, except that, to the extent practicable, the Department of Law shall use the procurement process under AS 36.30.320 with the participation of the client.

* **Sec. 18.** AS 37.05 is amended by adding a new section to article 6 to read:

Sec. 37.05.610. Alaska affordable energy fund. (a) The Alaska affordable energy fund is created as a special account in the general fund. The fund consists of the amount determined and deposited in the fund under (b) of this section and interest earned on the fund balance. The purpose of the fund is to provide a source from which the legislature may appropriate money to develop infrastructure to deliver energy to areas of the state that are not expected to have or do not have direct access to a North Slope natural gas pipeline.

(b) The amount to be deposited in (a) of this section is 20 percent of the revenue received from the state's royalty gas transported in an Alaska liquefied natural gas project that remains after the payment to the Alaska permanent fund under AS 37.13.010.

(c) The legislature may make appropriations from the Alaska affordable energy fund for the purpose described in (a) of this section.

(d) Nothing in this section creates a dedicated fund.

(e) In this section,

(1) "Alaska liquefied natural gas project" has the meaning given in AS 31.25.390;

(2) "North Slope natural gas pipeline" has the meaning given in AS 42.06.630.

* **Sec. 19.** AS 38.05.020(b) is amended to read:

(b) The commissioner may

(1) establish reasonable procedures and adopt reasonable regulations necessary to carry out this chapter and, whenever necessary, issue directives or orders to the director to carry out specific functions and duties; regulations adopted by the commissioner shall be adopted under AS 44.62 (Administrative Procedure Act);

1 orders by the commissioner classifying land, issued after January 3, 1959, are not
2 required to be adopted under AS 44.62 (Administrative Procedure Act);

3 (2) enter into agreements considered necessary to carry out the
4 purposes of this chapter, including agreements with federal and state agencies;

5 (3) review any order or action of the director;

6 (4) exercise the powers and do the acts necessary to carry out the
7 provisions and objectives of this chapter;

8 (5) notwithstanding the provisions of any other section of this chapter,
9 grant an extension of the time within which payments due on any exploration license,
10 lease, or sale of state land, minerals, or materials may be made, including payment of
11 rental and royalties, on a finding that compliance with the requirements is or was
12 prevented by reason of war, riots, or acts of God;

13 (6) classify tracts for agricultural uses;

14 (7) after consulting with the Board of Agriculture and Conservation
15 (AS 03.09.010), waive, postpone, or otherwise modify the development requirements
16 of a contract for the sale of agricultural land if

17 (A) the land is inaccessible by road; or

18 (B) transportation, marketing, and development costs render
19 the required development uneconomic;

20 (8) reconvey or relinquish land or an interest in land to the federal
21 government if

22 (A) the land is described in an amended application for an
23 allotment under 43 U.S.C. 1617; and

24 (B) the reconveyance or relinquishment is

25 (i) for the purposes provided in 43 U.S.C. 1617; and

26 (ii) in the best interests of the state;

27 (9) lead and coordinate all matters relating to the state's review and
28 authorization of resource development projects;

29 (10) **enter into commercial agreements with a duration of not more**
30 **than two years for project services related to a North Slope natural gas project;**

31 **(11) in consultation with the commissioner of revenue, participate**

1 in the negotiation of agreements that include balancing, marketing, disposition of
 2 natural gas, and offtake and contracts and development of terms for inclusion in
 3 those proposed agreements and contracts associated with a North Slope natural
 4 gas project; an agreement or contract negotiated under this paragraph to which
 5 the state is a party is not effective unless the legislature authorizes the governor
 6 to execute the agreement or contract;

7 (12) enter into confidentiality agreements to maintain the
 8 confidentiality of information related to contract negotiations and contract
 9 implementation associated with a North Slope natural gas project; information
 10 under those confidentiality agreements is not subject to AS 40.25 (Alaska Public
 11 Records Act), except that

12 (A) the terms of a proposed contract that the commissioner
 13 presents to the legislature for the purpose of obtaining authorization for
 14 the governor to execute are not confidential and must be made available to
 15 the public at least 90 days before the proposed effective date for the terms;
 16 and

17 (B) the commissioner may share confidential information
 18 obtained under this paragraph with members of the legislature, their
 19 agents, and contractors on request under confidentiality agreements,
 20 either in committees held in executive session or with any member of the
 21 legislature individually;

22 (13) consult with the Alaska Gasline Development Corporation in
 23 the development of agreements or contracts under (10) or (11) of this subsection
 24 for project services related to a gas treatment plant, pipeline, liquefaction facility,
 25 marine terminal, or marine transportation services necessary to transport
 26 natural gas to market;

27 (14) exercise the powers and do the acts necessary to carry out the
 28 provisions and objectives of AS 43.90 that relate to this chapter.

29 * **Sec. 20.** AS 38.05.020(b), as amended by sec. 19 of this Act, is amended to read:

30 (b) The commissioner may

31 (1) establish reasonable procedures and adopt reasonable regulations

1 necessary to carry out this chapter and, whenever necessary, issue directives or orders
2 to the director to carry out specific functions and duties; regulations adopted by the
3 commissioner shall be adopted under AS 44.62 (Administrative Procedure Act);
4 orders by the commissioner classifying land, issued after January 3, 1959, are not
5 required to be adopted under AS 44.62 (Administrative Procedure Act);

6 (2) enter into agreements considered necessary to carry out the
7 purposes of this chapter, including agreements with federal and state agencies;

8 (3) review any order or action of the director;

9 (4) exercise the powers and do the acts necessary to carry out the
10 provisions and objectives of this chapter;

11 (5) notwithstanding the provisions of any other section of this chapter,
12 grant an extension of the time within which payments due on any exploration license,
13 lease, or sale of state land, minerals, or materials may be made, including payment of
14 rental and royalties, on a finding that compliance with the requirements is or was
15 prevented by reason of war, riots, or acts of God;

16 (6) classify tracts for agricultural uses;

17 (7) after consulting with the Board of Agriculture and Conservation
18 (AS 03.09.010), waive, postpone, or otherwise modify the development requirements
19 of a contract for the sale of agricultural land if

20 (A) the land is inaccessible by road; or

21 (B) transportation, marketing, and development costs render
22 the required development uneconomic;

23 (8) reconvey or relinquish land or an interest in land to the federal
24 government if

25 (A) the land is described in an amended application for an
26 allotment under 43 U.S.C. 1617; and

27 (B) the reconveyance or relinquishment is

28 (i) for the purposes provided in 43 U.S.C. 1617; and

29 (ii) in the best interests of the state;

30 (9) lead and coordinate all matters relating to the state's review and
31 authorization of resource development projects;

1 (10) enter into commercial agreements with a duration of not more
2 than two years for project services related to a North Slope natural gas project;

3 (11) in consultation with the commissioner of revenue, participate in
4 the negotiation of agreements that include balancing, marketing, disposition of natural
5 gas, and offtake and contracts and development of terms for inclusion in those
6 proposed agreements and contracts associated with a North Slope natural gas project;
7 an agreement or contract negotiated under this paragraph to which the state is a party
8 is not effective unless the legislature authorizes the governor to execute the agreement
9 or contract;

10 (12) enter into confidentiality agreements to maintain the
11 confidentiality of information related to contract negotiations and contract
12 implementation associated with a North Slope natural gas project; information under
13 those confidentiality agreements is not subject to AS 40.25 (Alaska Public Records
14 Act), except that

15 (A) the terms of a proposed contract that the commissioner
16 presents to the legislature for the purpose of obtaining authorization for the
17 governor to execute are not confidential and must be made available to the
18 public at least 90 days before the proposed effective date for the terms; and

19 (B) the commissioner may share confidential information
20 obtained under this paragraph with members of the legislature, their agents,
21 and contractors on request under confidentiality agreements, either in
22 committees held in executive session or with any member of the legislature
23 individually;

24 (13) consult with the Alaska Gasline Development Corporation in the
25 development of agreements or contracts under (10) or (11) of this subsection for
26 project services related to a gas treatment plant, pipeline, liquefaction facility, marine
27 terminal, or marine transportation services necessary to transport natural gas to
28 market;

29 (14) **in consultation with the commissioner of revenue, take**
30 **custody of gas delivered to the state under AS 43.55.014(b) and manage the**
31 **project services and disposition and sale of that gas;**

1 **(15)** exercise the powers and do the acts necessary to carry out the
 2 provisions and objectives of AS 43.90 that relate to this chapter.

3 * **Sec. 21.** AS 38.05 is amended by adding a new section to read:

4 **Sec. 38.05.023. Terms in an agreement or contract related to a North**
 5 **Slope natural gas project.** (a) An agreement or contract in which the state or an agent
 6 of the state is a party that is negotiated under AS 38.05.020(b)(11) must include a
 7 requirement that, if the commissioner determines that the North Slope natural gas
 8 project is not making adequate progress toward a final investment decision, the state
 9 shall have access to data developed under the agreement or contract in which the state
 10 has directly participated financially. Access by the state to the data may not be on
 11 terms that are more restrictive than the terms that are applicable for access by any
 12 other party in the North Slope natural gas project.

13 (b) A proposed agreement or contract associated with a North Slope natural
 14 gas project may not include a provision that changes a payment in lieu of property tax
 15 on property that was previously taxable under AS 43.56.

16 * **Sec. 22.** AS 38.05.180(i) is amended to read:

17 (i) The commissioner may provide for the establishment of an exploration
 18 incentive credit system under which a lessee of state land drilling an exploratory well
 19 on that land may earn credits based on [UPON] the footage drilled and the region in
 20 which the well is situated. The commissioner may also provide for credits to be earned
 21 by persons performing geophysical work on state land, if that work is performed
 22 during the two seasons immediately preceding an announced lease sale and on land
 23 included within the sale area and the geophysical information is made public
 24 following the sale. Credits may not exceed 50 percent of the cost of the drilling or
 25 geophysical work. Credits may be used during a limited period established by the
 26 commissioner and may be assigned during that period. Credits may be applied against
 27 (1) royalty and rental payments for oil and gas or for gas only payable to the state or
 28 (2) taxes payable under **AS 43.55.011** [AS 43.55]. A credit may not exceed 50 percent
 29 of the payment toward which it is being applied. Amounts due the Alaska permanent
 30 fund (AS 37.13.010) shall be calculated before the application of credits under this
 31 subsection.

1 * **Sec. 23.** AS 38.05.180 is amended by adding new subsections to read:

2 (hh) Notwithstanding (j) of this section, the commissioner may propose
3 modification to a lease from which a lessee has committed gas from that lease to a
4 North Slope natural gas project. A modification may be made under this subsection
5 only after the commissioner makes the written determination under (ii) of this section
6 that the lease may be modified. If a modification is made, the modification shall be in
7 effect during the initial project term that has acquired the major permits required for
8 the work plan and budget considered by the commissioner in the written determination
9 under (ii) of this section. A modification under this subsection may

10 (1) relate to switching between taking the state's royalty gas in value
11 and in-kind to ensure that the lessee, the state, or another person shall bear
12 proportionate costs for treatment, transportation, and liquefaction to the state's royalty
13 gas, and the state's actions do not unreasonably interfere with the long-term marketing
14 of natural gas by the lessee, the state, or another person;

15 (2) provide a method for establishing a fair market value for each
16 component of the state's royalty gas and appropriate adjustments to reflect fair market
17 deductions for reasonable costs for treatment, transportation, and liquefaction for the
18 state's royalty gas from the North Slope to the destination market; in this paragraph,
19 "reasonable costs for treatment, transportation, and liquefaction" may not be greater
20 than actual costs;

21 (3) modify net profit shares for oil and gas and sliding scale royalty
22 rates for gas by establishing fixed royalty rates that yield a value to the state that the
23 commissioner determines to be not less than the value the state would have received
24 under the terms of the lease before a modification under this subsection.

25 (ii) Before making a modification to a lease under (hh) of this section, the
26 commissioner shall make a written determination that the lease may be modified. The
27 determination by the commissioner must be based on a clear and convincing showing
28 by the lessee that

29 (1) the modification

30 (A) is in the best interests of the state; and

31 (B) will materially improve the likelihood of a successful North

1 Slope natural gas project;

2 (2) the North Slope natural gas project has sufficient

3 (A) financial commitment for a work plan and budget
4 necessary to support major permits and regulatory filings required by state and
5 federal agencies; and

6 (B) commitment of gas by lessees; and

7 (3) the lease will produce hydrocarbons that will be transported on the
8 North Slope natural gas project during the initial project term.

9 * **Sec. 24.** AS 38.05.180(hh), enacted by sec. 23 of this Act, is amended to read:

10 (hh) Notwithstanding (j) of this section, the commissioner may propose
11 modification to a lease from which a lessee has committed gas from that lease to a
12 North Slope natural gas project. A modification may be made under this subsection
13 only after the commissioner makes the written determination under (ii) of this section
14 that the lease may be modified. If a modification is made, the modification shall be in
15 effect during the initial project that has acquired the major permits required for the
16 work plan and budget considered by the commissioner in the written determination
17 under (ii) of this section. A modification under this subsection may

18 (1) relate to switching between taking the state's royalty gas in value
19 and in-kind to ensure that the lessee, the state, or another person shall bear
20 proportionate costs for treatment, transportation, and liquefaction to the state's royalty
21 gas **or gas delivered to the state under AS 43.55.014**, and the state's actions do not
22 unreasonably interfere with the long-term marketing of natural gas by the lessee, the
23 state, or another person;

24 (2) provide a method for establishing a fair market value for each
25 component of the state's royalty gas and appropriate adjustments to reflect fair market
26 deductions for reasonable costs for treatment, transportation, and liquefaction for the
27 state's royalty gas from the North Slope to the destination market; in this paragraph,
28 "reasonable costs for treatment, transportation, and liquefaction" may not be greater
29 than actual costs;

30 (3) modify net profit shares for oil and gas and sliding scale royalty
31 rates for gas by establishing fixed royalty rates that yield a value to the state that the

1 commissioner determines to be not less than the value the state would have received
2 under the terms of the lease before a modification under this subsection.

3 * **Sec. 25.** AS 38.05.182(a) is amended to read:

4 (a) Any royalty provided for in AS 38.05.135 - 38.05.181 may be taken in
5 kind rather than in money if the commissioner determines that the taking in kind
6 would be in the best interest of the state. However, royalties on oil and gas shall be
7 taken in kind unless the commissioner determines that the taking in money would be
8 in the best interest of the state. **It is not in the best interest of the state to take**
9 **royalty on gas in money from a lessee transporting gas in the North Slope natural**
10 **gas project if the lessee has committed to dispose of or market the state's royalty**
11 **gas taken in kind on the same terms and conditions as the lessee markets or**
12 **disposes of the lessee's gas.**

13 * **Sec. 26.** AS 38.05.183(a) is amended to read:

14 (a) The sale, exchange, or other disposal of a mineral obtained by the state as a
15 royalty under AS 38.05.182, [OR] the sale, exchange, or other disposal in whole or in
16 part of a right to receive future mineral production under a state lease under this
17 chapter, **or the sale, exchange, or other disposal of gas delivered to the state under**
18 **AS 43.55.014(b)** shall be by competitive bid and the sale, exchange, or other disposal
19 made to the highest responsible bidder, except that competitive bidding is not required
20 when the commissioner, after prior written notice to the Alaska Royalty Oil and Gas
21 Development Advisory Board under AS 38.06.050, determines that the best interest of
22 the state does not require it or that no competition exists.

23 * **Sec. 27.** AS 38.05.183(c) is amended to read:

24 (c) If the commissioner determines that a sale, exchange, or other disposal of a
25 mineral obtained by the state as a royalty under AS 38.05.182, [OR] of a right to
26 receive future mineral production under a state lease under this chapter, **or of gas**
27 **delivered to the state under AS 43.55.014(b)** shall be made otherwise than by
28 competitive bid, and the Alaska Royalty Oil and Gas Development Advisory Board
29 has been notified in writing of that determination, the commissioner shall make public
30 in writing the specific findings and conclusions **on** [UPON] which that determination
31 is based.

1 * **Sec. 28.** AS 38.05.183(d) is amended to read:

2 (d) Oil or gas taken in kind by the state as its royalty share **or gas delivered to**
 3 **the state under AS 43.55.014(b)** may not be sold or otherwise disposed of for export
 4 from the state until the commissioner determines that the [ROYALTY-IN-KIND] oil
 5 or gas is surplus to the present and projected intrastate domestic and industrial needs.
 6 The commissioner shall make public, in writing, the specific findings and reasons on
 7 which the determination is based.

8 * **Sec. 29.** AS 38.05.183(e) is amended to read:

9 (e) When a sale, exchange, or other disposal of oil or gas taken in kind by the
 10 state as its royalty share, or a sale, exchange, or other disposal in whole or in part of a
 11 right to receive future royalty oil or gas, under a state lease under this chapter is made
 12 other than by competitive bid, **or when a sale, exchange, or other disposal of gas**
 13 **delivered to the state under AS 43.55.014(b) is made other than by competitive**
 14 **bid**, the sale, exchange, or other disposal shall be awarded by the commissioner to the
 15 prospective buyer whose proposal offers the maximum benefits to citizens of the state.
 16 The commissioner shall consider

17 (1) the cash value offered;

18 (2) the projected effects of the sale, exchange, or other disposal on the
 19 economy of the state;

20 (3) the projected benefits of refining or processing the oil or gas in the
 21 state;

22 (4) the ability of the prospective buyer to provide refined products or
 23 by-products for distribution and sale in the state with price or supply benefits to the
 24 citizens of the state; and

25 (5) the criteria listed in AS 38.06.070(a).

26 * **Sec. 30.** AS 38.05.965 is amended by adding new paragraphs to read:

27 (26) "initial project term" means the duration sufficient to support an
 28 investment decision by the sponsors of a North Slope natural gas project to permit
 29 realization of a competitive economic return, to enable necessary financing, and to
 30 support agreements for the sale of hydrocarbons transported on a North Slope natural
 31 gas project;

1 (27) "North Slope natural gas project" means a project to produce
 2 natural gas from state oil and gas and gas only leases that include land north of 68
 3 degrees North latitude for transport in a gaseous state from the North Slope;

4 (28) "project services" means services provided by a gas treatment
 5 plant, pipeline, liquefaction facility, or marine terminal, marine transportation
 6 services, or other services necessary to transport natural gas to market.

7 * **Sec. 31.** AS 38.34.020(a) is amended to read:

8 (a) A state agency or entity conducting a review or taking action relating to **a**
 9 **project under AS 31.25 (Alaska Gasline Development Corporation)** [THE IN-
 10 STATE NATURAL GAS PIPELINE PROJECT UNDER THIS CHAPTER] shall
 11 expedite the review or action in a manner consistent with the timely completion of the
 12 project.

13 * **Sec. 32.** AS 38.34.020(b) is amended to read:

14 (b) Notwithstanding any contrary provision of law, a state agency or entity
 15 may not include in any project certificate, right-of-way, permit, or other authorization
 16 a term or condition that is not required by law if the in-state gasline project
 17 coordinator determines that the term or condition would prevent or impair, in any
 18 significant respect, the expeditious construction and operation or expansion of **a**
 19 **project under AS 31.25 (Alaska Gasline Development Corporation)** [THE IN-
 20 STATE NATURAL GAS PIPELINE PROJECT].

21 * **Sec. 33.** AS 38.34.020(c) is amended to read:

22 (c) Unless required by law, a state agency or entity may not add to, amend, or
 23 abrogate any certificate, right-of-way, permit, or other authorization if the in-state
 24 gasline project coordinator determines that the action would prevent or impair, in any
 25 significant respect, the expeditious construction, operation, or expansion of **a project**
 26 **under AS 31.25 (Alaska Gasline Development Corporation)** [THE IN-STATE
 27 NATURAL GAS PIPELINE PROJECT].

28 * **Sec. 34.** AS 40.25.100(a) is amended to read:

29 (a) Information in the possession of the Department of Revenue that discloses
 30 the particulars of the business or affairs of a taxpayer or other person, **including**
 31 **information under AS 38.05.020(b)(11) that is subject to a confidentiality**

1 **agreement under AS 38.05.020(b)(12)**, is not a matter of public record, except as
 2 provided in AS 43.05.230(i) or for purposes of investigation and law enforcement. The
 3 information shall be kept confidential except when its production is required in an
 4 official investigation, administrative adjudication under AS 43.05.405 - 43.05.499, or
 5 court proceeding. These restrictions do not prohibit the publication of statistics
 6 presented in a manner that prevents the identification of particular reports and items,
 7 prohibit the publication of tax lists showing the names of taxpayers who are delinquent
 8 and relevant information that may assist in the collection of delinquent taxes, or
 9 prohibit the publication of records, proceedings, and decisions under AS 43.05.405 -
 10 43.05.499.

11 * **Sec. 35.** AS 40.25.100(a), as amended by sec. 34 of this Act, is amended to read:

12 (a) Information in the possession of the Department of Revenue that discloses
 13 the particulars of the business or affairs of a taxpayer or other person, including
 14 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement
 15 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in
 16 AS 43.05.230(i) **or (k)** or for purposes of investigation and law enforcement. The
 17 information shall be kept confidential except when its production is required in an
 18 official investigation, administrative adjudication under AS 43.05.405 - 43.05.499, or
 19 court proceeding. These restrictions do not prohibit the publication of statistics
 20 presented in a manner that prevents the identification of particular reports and items,
 21 prohibit the publication of tax lists showing the names of taxpayers who are delinquent
 22 and relevant information that may assist in the collection of delinquent taxes, or
 23 prohibit the publication of records, proceedings, and decisions under AS 43.05.405 -
 24 43.05.499.

25 * **Sec. 36.** AS 40.25.120(a) is amended to read:

26 (a) Every person has a right to inspect a public record in the state, including
 27 public records in recorders' offices, except

28 (1) records of vital statistics and adoption proceedings, which shall be
 29 treated in the manner required by AS 18.50;

30 (2) records pertaining to juveniles unless disclosure is authorized by
 31 law;

- 1 (3) medical and related public health records;
- 2 (4) records required to be kept confidential by a federal law or
3 regulation or by state law;
- 4 (5) to the extent the records are required to be kept confidential under
5 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure
6 or retain federal assistance;
- 7 (6) records or information compiled for law enforcement purposes, but
8 only to the extent that the production of the law enforcement records or information
- 9 (A) could reasonably be expected to interfere with enforcement
10 proceedings;
- 11 (B) would deprive a person of a right to a fair trial or an
12 impartial adjudication;
- 13 (C) could reasonably be expected to constitute an unwarranted
14 invasion of the personal privacy of a suspect, defendant, victim, or witness;
- 15 (D) could reasonably be expected to disclose the identity of a
16 confidential source;
- 17 (E) would disclose confidential techniques and procedures for
18 law enforcement investigations or prosecutions;
- 19 (F) would disclose guidelines for law enforcement
20 investigations or prosecutions if the disclosure could reasonably be expected to
21 risk circumvention of the law; or
- 22 (G) could reasonably be expected to endanger the life or
23 physical safety of an individual;
- 24 (7) names, addresses, and other information identifying a person as a
25 participant in the Alaska Higher Education Savings Trust under AS 14.40.802 or the
26 advance college tuition savings program under AS 14.40.803 - 14.40.817;
- 27 (8) public records containing information that would disclose or might
28 lead to the disclosure of a component in the process used to execute or adopt an
29 electronic signature if the disclosure would or might cause the electronic signature to
30 cease being under the sole control of the person using it;
- 31 (9) reports submitted under AS 05.25.030 concerning certain

1 collisions, accidents, or other casualties involving boats;

2 (10) records or information pertaining to a plan, program, or
3 procedures for establishing, maintaining, or restoring security in the state, or to a
4 detailed description or evaluation of systems, facilities, or infrastructure in the state,
5 but only to the extent that the production of the records or information

6 (A) could reasonably be expected to interfere with the
7 implementation or enforcement of the security plan, program, or procedures;

8 (B) would disclose confidential guidelines for investigations or
9 enforcement and the disclosure could reasonably be expected to risk
10 circumvention of the law; or

11 (C) could reasonably be expected to endanger the life or
12 physical safety of an individual or to present a real and substantial risk to the
13 public health and welfare;

14 (11) the written notification regarding a proposed regulation provided
15 under AS 24.20.105 to the Department of Law and the affected state agency and
16 communications between the Legislative Affairs Agency, the Department of Law, and
17 the affected state agency under AS 24.20.105;

18 (12) records that are

19 (A) proprietary, privileged, or a trade secret in accordance with
20 AS 43.90.150 or 43.90.220(e);

21 (B) applications that are received under AS 43.90 until notice is
22 published under AS 43.90.160;

23 (13) information of the Alaska Gasline Development Corporation
24 created under AS 31.25.010 or a subsidiary of the Alaska Gasline Development
25 Corporation that is confidential by law or under a valid confidentiality agreement;

26 **(14) information under AS 38.05.020(b)(11) that is subject to a**
27 **confidentiality agreement under AS 38.05.020(b)(12).**

28 * **Sec. 37.** AS 43.05.010 is amended to read:

29 **Sec. 43.05.010. Duties of commissioner.** The commissioner of revenue shall

30 (1) exercise general supervision and direct the activities of the
31 Department of Revenue;

- 1 (2) supervise the fiscal affairs and responsibilities of the department;
- 2 (3) prescribe uniform rules for investigations and hearings;
- 3 (4) keep a record of all departmental proceedings, record and file all
- 4 bonds, and assume custody of returns, reports, papers, and documents of the
- 5 department;
- 6 (5) adopt a seal and affix it to each order, process, or certificate issued
- 7 by the commissioner;
- 8 (6) keep a record of each order, process, and certificate issued by the
- 9 commissioner, and keep the record open to public inspection at all reasonable times;
- 10 (7) hold hearings and investigations necessary for the administration of
- 11 state tax and revenue laws;
- 12 (8) except as provided in AS 43.05.405 - 43.05.499 and in
- 13 AS 44.64.030, hear and determine appeals of a matter within the jurisdiction of the
- 14 Department of Revenue and enter orders on the appeals that are final unless reversed
- 15 or modified by the courts;
- 16 (9) issue subpoenas to require the attendance of witnesses and the
- 17 production of necessary books, papers, documents, correspondence, and other things;
- 18 (10) order the taking of depositions before a person competent to
- 19 administer oaths;
- 20 (11) administer oaths and take acknowledgments;
- 21 (12) request the attorney general for rulings on the interpretation of the
- 22 tax and revenue laws administered by the department;
- 23 (13) call upon the attorney general to institute actions for recovery of
- 24 unpaid taxes, fees, excises, additions to tax, penalties, and interest;
- 25 (14) issue warrants for the collection of unpaid tax penalties and
- 26 interest and take all steps necessary and proper to enforce full and complete
- 27 compliance with the tax, license, excise, and other revenue laws of the state;
- 28 (15) report to the legislature before February 15 of each year the total
- 29 amount of contributions reported and the total amount of credit claimed during the
- 30 previous calendar year under AS 43.20.014, AS 43.55.019, AS 43.56.018,
- 31 AS 43.65.018, AS 43.75.018, and AS 43.77.045;

1 **(16) consult with the commissioner of natural resources on**
 2 **negotiation of contracts and development of terms for inclusion in proposed**
 3 **contracts associated with a North Slope natural gas project.**

4 * **Sec. 38.** AS 43.05.010, as amended by sec. 37 of this Act, is amended to read:

5 **Sec. 43.05.010. Duties of commissioner.** The commissioner of revenue shall

6 (1) exercise general supervision and direct the activities of the
 7 Department of Revenue;

8 (2) supervise the fiscal affairs and responsibilities of the department;

9 (3) prescribe uniform rules for investigations and hearings;

10 (4) keep a record of all departmental proceedings, record and file all
 11 bonds, and assume custody of returns, reports, papers, and documents of the
 12 department;

13 (5) adopt a seal and affix it to each order, process, or certificate issued
 14 by the commissioner;

15 (6) keep a record of each order, process, and certificate issued by the
 16 commissioner, and keep the record open to public inspection at all reasonable times;

17 (7) hold hearings and investigations necessary for the administration of
 18 state tax and revenue laws;

19 (8) except as provided in AS 43.05.405 - 43.05.499 and in
 20 AS 44.64.030, hear and determine appeals of a matter within the jurisdiction of the
 21 Department of Revenue and enter orders on the appeals that are final unless reversed
 22 or modified by the courts;

23 (9) issue subpoenas to require the attendance of witnesses and the
 24 production of necessary books, papers, documents, correspondence, and other things;

25 (10) order the taking of depositions before a person competent to
 26 administer oaths;

27 (11) administer oaths and take acknowledgments;

28 (12) request the attorney general for rulings on the interpretation of the
 29 tax and revenue laws administered by the department;

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

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

4 (15) report to the legislature before February 15 of each year the total
 5 amount of contributions reported and the total amount of credit claimed during the
 6 previous calendar year under AS 43.20.014, AS 43.55.019, AS 43.56.018,
 7 AS 43.65.018, AS 43.75.018, and AS 43.77.045;

8 (16) consult with the commissioner of natural resources on negotiation
 9 of contracts and development of terms for inclusion in proposed contracts associated
 10 with a North Slope natural gas project;

11 **(17) direct the disposition of revenue received from gas delivered**
 12 **to the state under AS 43.55.014(b) by entering into agreements with the**
 13 **commissioner of natural resources related to the management of the custody and**
 14 **disposition of gas delivered to the state under AS 43.55.014(b).**

15 * **Sec. 39.** AS 43.05.230 is amended by adding a new subsection to read:

16 (k) The name of each person that the department has allowed to make an
 17 election under AS 43.55.014(a) and the amount of gas produced from each lease or
 18 property to which an effective election under AS 43.55.014 applies is public
 19 information.

20 * **Sec. 40.** AS 43.20.144(d) is amended to read:

21 (d) The sales factor of a taxpayer subject to this section is a fraction,

22 (1) the numerator of which is the sum of the following for the tax
 23 period:

24 (A) the tariffs allowed and received by or for the taxpayer for
 25 transporting oil or gas by pipeline in this state, regardless of whether the tariffs
 26 are paid by third parties or by entities within the taxpayer's consolidated
 27 business; and

28 (B) the total sales of the taxpayer in this state, determined in
 29 accordance with AS 43.19 (Multistate Tax Compact), but excluding

30 **(i)** those sales already included in the tariffs described
 31 in (A) of this paragraph;

1 (ii) constructive sales or deemed sales of natural gas
 2 delivered to the state as payment of tax under an election made by
 3 the taxpayer under AS 43.55.014;

4 (iii) fees, allowed and received, that are paid
 5 between entities within the consolidated business of the taxpayer
 6 for transporting the taxpayer's natural gas; and

7 (2) the denominator of which is the sum of the following for the tax
 8 period:

9 (A) the tariffs allowed and received by or for the taxpayer's
 10 consolidated business for transporting oil or gas by pipeline everywhere,
 11 regardless of whether the tariffs are paid by third parties or by entities within
 12 the taxpayer's consolidated business; and

13 (B) the total sales of the taxpayer's consolidated business
 14 everywhere, determined in accordance with AS 43.19 (Multistate Tax
 15 Compact), but excluding

16 (i) those sales already included in the tariffs described
 17 in (A) of this paragraph;

18 (ii) constructive sales or deemed sales of natural gas
 19 delivered to the state as payment of tax under an election made by
 20 the taxpayer under AS 43.55.014 or delivered in another tax
 21 jurisdiction under a law comparable to AS 43.55.014;

22 (iii) fees, allowed and received, that are paid
 23 between entities within the consolidated business of the taxpayer
 24 for transporting the taxpayer's natural gas.

25 * **Sec. 41.** AS 43.20.144(f) is amended to read:

26 (f) The extraction factor of a taxpayer subject to this section is a fraction,

27 (1) the numerator of which is the sum of the following for the tax
 28 period:

29 (A) the number of barrels of the taxpayer's oil (net of royalty to
 30 an unrelated party) produced from or allocated to leases or properties of the
 31 taxpayer in this state; and

1 (B) one-sixth of the number of Mcf of the taxpayer's gas,
 2 **excluding reinjected gas but including gas subject to an election under**
 3 **AS 43.55.014**, (net of royalty to an unrelated party) produced from or allocated
 4 to leases or properties of the taxpayer in this state [, EXCLUDING
 5 REINJECTED GAS]; and

6 (2) the denominator of which is the sum of the following for the tax
 7 period:

8 (A) the number of barrels of oil of the taxpayer's consolidated
 9 business (net of royalty to an unrelated party) produced from or allocated to
 10 leases or properties of the taxpayer's consolidated business everywhere; and

11 (B) one-sixth of the number of Mcf of gas, **excluding**
 12 **reinjecte** **gas but including gas subject to an election under AS 43.55.014**,
 13 of the taxpayer's consolidated business (net of royalty to an unrelated party)
 14 produced from or allocated to leases or properties of the taxpayer's
 15 consolidated business everywhere [, EXCLUDING REINJECTED GAS].

16 * **Sec. 42.** AS 43.55.011(e) is amended to read:

17 (e) There is levied on the producer of oil or gas a tax for all oil and gas
 18 produced each calendar year from each lease or property in the state, less any oil and
 19 gas the ownership or right to which is exempt from taxation or constitutes a
 20 landowner's royalty interest **or for which a tax is levied by AS 43.55.014**. Except as
 21 otherwise provided under (f), (j), (k), (o), and (p) of this section, **for oil and gas**
 22 **produced**

23 (1) before January 1, 2014, the tax is equal to the sum of

24 (A) the annual production tax value of the taxable oil and gas
 25 as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

26 (B) the sum, over all months of the calendar year, of the tax
 27 amounts determined under (g) of this section;

28 (2) on and after January 1, 2014, **and before January 1, 2022**, the tax
 29 is equal to the annual production tax value of the taxable oil and gas as calculated
 30 under AS 43.55.160(a)(1) multiplied by 35 percent;

31 **(3) on and after January 1, 2022, the tax for**

1 **(A) oil is equal to the annual production tax value of the**
 2 **taxable oil as calculated under AS 43.55.160(h) multiplied by 35 percent;**

3 **(B) gas is equal to 13 percent of the gross value at the point**
 4 **of production of the taxable gas; if the gross value at the point of**
 5 **production of gas produced from a lease or property is less than zero, that**
 6 **gross value at the point of production is considered zero for purposes of**
 7 **this subparagraph.**

8 * **Sec. 43.** AS 43.55.011(f) is amended to read:

9 (f) The levy of tax under **(e)** of this section for

10 **(1)** oil and gas produced **before January 1, 2022, from leases or**
 11 **properties that include land** north of 68 degrees North latitude, other than [OIL
 12 AND GAS PRODUCTION SUBJECT TO (i) OF THIS SECTION AND] gas subject
 13 to (o) of this section, may not be less than

14 **(A)** [(1)] four percent of the gross value at the point of
 15 production when the average price per barrel for Alaska North Slope crude oil
 16 for sale on the United States West Coast during the calendar year for which the
 17 tax is due is more than \$25;

18 **(B)** [(2)] three percent of the gross value at the point of
 19 production when the average price per barrel for Alaska North Slope crude oil
 20 for sale on the United States West Coast during the calendar year for which the
 21 tax is due is over \$20 but not over \$25;

22 **(C)** [(3)] two percent of the gross value at the point of
 23 production when the average price per barrel for Alaska North Slope crude oil
 24 for sale on the United States West Coast during the calendar year for which the
 25 tax is due is over \$17.50 but not over \$20;

26 **(D)** [(4)] one percent of the gross value at the point of
 27 production when the average price per barrel for Alaska North Slope crude oil
 28 for sale on the United States West Coast during the calendar year for which the
 29 tax is due is over \$15 but not over \$17.50; or

30 **(E)** [(5)] zero percent of the gross value at the point of
 31 production when the average price per barrel for Alaska North Slope crude oil

1 for sale on the United States West Coast during the calendar year for which the
2 tax is due is \$15 or less; and

3 (2) oil produced on and after January 1, 2022, from leases or
4 properties that include land north of 68 degrees North latitude, may not be less
5 than

6 (A) four percent of the gross value at the point of
7 production when the average price per barrel for Alaska North Slope
8 crude oil for sale on the United States West Coast during the calendar
9 year for which the tax is due is more than \$25;

10 (B) three percent of the gross value at the point of
11 production when the average price per barrel for Alaska North Slope
12 crude oil for sale on the United States West Coast during the calendar
13 year for which the tax is due is over \$20 but not over \$25;

14 (C) two percent of the gross value at the point of production
15 when the average price per barrel for Alaska North Slope crude oil for
16 sale on the United States West Coast during the calendar year for which
17 the tax is due is over \$17.50 but not over \$20;

18 (D) one percent of the gross value at the point of production
19 when the average price per barrel for Alaska North Slope crude oil for
20 sale on the United States West Coast during the calendar year for which
21 the tax is due is over \$15 but not over \$17.50; or

22 (E) zero percent of the gross value at the point of
23 production when the average price per barrel for Alaska North Slope
24 crude oil for sale on the United States West Coast during the calendar
25 year for which the tax is due is \$15 or less.

26 * **Sec. 44.** AS 43.55 is amended by adding a new section to read:

27 **Sec. 43.55.014. Payment in gas of tax for gas.** (a) For gas produced on and
28 after January 1, 2022, other than gas described in (e) of this section, the department
29 shall allow a producer to make an election, under regulations adopted by the
30 department, to pay in gas the production tax levied by this section in lieu of the tax
31 otherwise levied for the gas by AS 43.55.011(e). An election under this subsection

1 applies only to gas produced from oil and gas leases modified under AS 38.05.180(hh)
2 from which the commissioner of natural resources has determined to take royalty gas
3 in kind under AS 38.05.182.

4 (b) A production tax levied by this section is equal to 13 percent of the gas
5 otherwise taxable under AS 43.55.011(e)(3) produced from each oil and gas lease to
6 which an effective election under (a) of this section applies, when and as that gas is
7 produced. The producer shall pay the tax in gas by delivering that 13 percent of the
8 gas to the state at the point of production.

9 (c) The Department of Natural Resources shall manage under
10 AS 38.05.020(b)(14) the custody and disposition of gas delivered to the state under (b)
11 of this section.

12 (d) An assessment under AS 43.05.245 against a producer for an
13 underpayment of a tax levied by this section may be made in terms of an amount of
14 gas or an amount of money, as determined under regulations adopted by the
15 department. If the assessment is made in terms of money, the amount for a month of
16 production for an oil and gas lease subject to an effective election under (a) of this
17 section is the product of the number of units of gas by which the producer's delivery to
18 the state was less than the amount required by (b) of this section, multiplied by the
19 gross value at the point of production for each unit of the gas other than gas that was
20 not subject to tax or gas that was delivered to the state under (b) of this section. The
21 department may allow a credit or refund under AS 43.05.275 for an overpayment of a
22 tax levied by this section that may be issued in the form of gas or money, as
23 determined under regulations adopted by the department. If the refund is allowed in
24 terms of money, the amount of the credit or refund for a month of production for an oil
25 and gas lease subject to an effective election under (a) of this section is the product of
26 the number of units of gas by which the producer's delivery to the state was more than
27 the amount required under (b) of this section, multiplied by the gross value at the point
28 of production for each unit of the gas other than gas that was not subject to tax or gas
29 that was delivered to the state under (b) of this section. Interest that is determined as a
30 percentage of the amount of a tax underpayment or overpayment and a penalty that is
31 a percentage of the amount of a tax underpayment are calculated as a percentage of the

1 amount of money determined in this subsection. An amount of gas that was less than
 2 the amount required to be delivered to the state under (b) of this section or an amount
 3 of gas that was more than the amount required to be delivered to the state under (b) of
 4 this section that is adjusted as provided by a gas balancing agreement to which the
 5 state is a party under AS 38.05.020(b)(11) is not subject to assessment under
 6 AS 43.05.245 or a credit or refund under AS 43.05.275. In this subsection, "unit"
 7 means a unit of measurement for gas identified by the department under regulations
 8 adopted by the department and may be expressed as 1,000 cubic feet, 1,000,000
 9 British thermal units, or another appropriate unit of measurement specified by the
 10 department under regulations adopted by the department.

11 (e) This section does not apply to gas

12 (1) flared, released, or allowed to escape and, under AS 43.55.020(e),
 13 considered as gas produced from a lease or property for the purpose of AS 43.55.011 -
 14 43.55.180; or

15 (2) used in the operation of a lease or property in the state in drilling
 16 for or producing oil or gas, or for repressuring and, under AS 43.55.020(e), considered
 17 as gas produced from a lease or property for the purpose of AS 43.55.011 - 43.55.180.

18 * **Sec. 45.** AS 43.55.019(a) is amended to read:

19 (a) A producer of oil or gas is allowed a credit against the tax **levied by**
 20 **AS 43.55.011(e)** [DUE UNDER THIS CHAPTER] for cash contributions accepted for

21 (1) direct instruction, research, and educational support purposes,
 22 including library and museum acquisitions, and contributions to endowment, by an
 23 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or
 24 four-year college accredited by a regional accreditation association;

25 (2) secondary school level vocational education courses, programs, and
 26 facilities by a school district in the state;

27 (3) vocational education courses, programs, **equipment**, and facilities
 28 by a state-operated vocational technical education and training school, **a nonprofit**
 29 **regional training center recognized by the Department of Labor and Workforce**
 30 **Development, and an apprenticeship program in the state that is registered with**
 31 **the United States Department of Labor under 29 U.S.C. 50 - 50b (National**

1 **Apprenticeship Act**);

2 (4) a facility or an annual intercollegiate sports tournament by a
3 nonprofit, public or private, Alaska two-year or four-year college accredited by a
4 regional accreditation association;

5 (5) Alaska Native cultural or heritage programs and educational
6 support, including mentoring and tutoring, provided by a nonprofit agency for public
7 school staff and for students who are in grades kindergarten through 12 in the state;

8 (6) education, research, rehabilitation, and facilities by an institution
9 that is located in the state and that qualifies as a coastal ecosystem learning center
10 under the Coastal America Partnership established by the federal government; and

11 (7) the Alaska higher education investment fund under AS 37.14.750.

12 * **Sec. 46.** AS 43.55.019(a), as amended by sec. 21, ch. 92, SLA 2010, sec. 14, ch. 7,
13 FSSLA 2011, sec. 17, ch. 74, SLA 2012, and sec. 45 of this Act, is amended to read:

14 (a) A producer of oil or gas is allowed a credit against the tax **levied by**
15 **AS 43.55.011(e)** due under this chapter for cash contributions accepted

16 (1) for direct instruction, research, and educational support purposes,
17 including library and museum acquisitions, and contributions to endowment, by an
18 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or
19 four-year college accredited by a regional accreditation association;

20 (2) for secondary school level vocational education courses, programs,
21 and facilities by a school district in the state;

22 (3) **for vocational education courses, programs, equipment, and**
23 **facilities** by a state-operated vocational technical education and training school, **a**
24 **nonprofit regional training center recognized by the Department of Labor and**
25 **Workforce Development, and an apprenticeship program in the state that is**
26 **registered with the United States Department of Labor under 29 U.S.C. 50 - 50b**
27 **(National Apprenticeship Act)**; and

28 (4) for the Alaska higher education investment fund under
29 AS 37.14.750.

30 * **Sec. 47.** AS 43.55.019(e) is amended to read:

31 (e) The credit under this section may not reduce a person's tax liability under

1 **AS 43.55.011(e)** [THIS CHAPTER] to below zero for any tax year. An unused credit
2 or portion of a credit not used under this section for a tax year may not be sold, traded,
3 transferred, or applied in a subsequent tax year.

4 * **Sec. 48.** AS 43.55.020(a) is amended to read:

5 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
6 the tax as follows:

7 (1) **for oil and gas produced** before January 1, 2014, an installment
8 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
9 as allowed by law, is due for each month of the calendar year on the last day of the
10 following month; except as otherwise provided under (2) of this subsection, the
11 amount of the installment payment is the sum of the following amounts, less 1/12 of
12 the tax credits that are allowed by law to be applied against the tax levied by
13 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
14 not be less than zero:

15 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
16 produced from leases or properties in the state outside the Cook Inlet
17 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
18 the greater of

19 (i) zero; or

20 (ii) the sum of 25 percent and the tax rate calculated for
21 the month under AS 43.55.011(g) multiplied by the remainder obtained
22 by subtracting 1/12 of the producer's adjusted lease expenditures for the
23 calendar year of production under AS 43.55.165 and 43.55.170 that are
24 deductible for the oil and gas under AS 43.55.160 from the gross value
25 at the point of production of the oil and gas produced from the leases or
26 properties during the month for which the installment payment is
27 calculated;

28 (B) for oil and gas produced from leases or properties subject
29 to AS 43.55.011(f), the greatest of

30 (i) zero;

31 (ii) zero percent, one percent, two percent, three

1 percent, or four percent, as applicable, of the gross value at the point of
2 production of the oil and gas produced from the leases or properties
3 during the month for which the installment payment is calculated; or

4 (iii) the sum of 25 percent and the tax rate calculated for
5 the month under AS 43.55.011(g) multiplied by the remainder obtained
6 by subtracting 1/12 of the producer's adjusted lease expenditures for the
7 calendar year of production under AS 43.55.165 and 43.55.170 that are
8 deductible for the oil and gas under AS 43.55.160 from the gross value
9 at the point of production of the oil and gas produced from those leases
10 or properties during the month for which the installment payment is
11 calculated;

12 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
13 each lease or property, the greater of

14 (i) zero; or

15 (ii) the sum of 25 percent and the tax rate calculated for
16 the month under AS 43.55.011(g) multiplied by the remainder obtained
17 by subtracting 1/12 of the producer's adjusted lease expenditures for the
18 calendar year of production under AS 43.55.165 and 43.55.170 that are
19 deductible under AS 43.55.160 for the oil or gas, respectively,
20 produced from the lease or property from the gross value at the point of
21 production of the oil or gas, respectively, produced from the lease or
22 property during the month for which the installment payment is
23 calculated;

24 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

25 (i) the sum of 25 percent and the tax rate calculated for
26 the month under AS 43.55.011(g) multiplied by the remainder obtained
27 by subtracting 1/12 of the producer's adjusted lease expenditures for the
28 calendar year of production under AS 43.55.165 and 43.55.170 that are
29 deductible for the oil and gas under AS 43.55.160 from the gross value
30 at the point of production of the oil and gas produced from the leases or
31 properties during the month for which the installment payment is

1 calculated, but not less than zero; or

2 (ii) four percent of the gross value at the point of
3 production of the oil and gas produced from the leases or properties
4 during the month, but not less than zero;

5 (2) an amount calculated under (1)(C) of this subsection for oil or gas
6 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
7 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
8 applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
9 substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the
10 amount of taxable gas produced during the month for the amount of taxable gas
11 produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
12 (2)(A), as applicable, the amount of taxable oil produced during the month for the
13 amount of taxable oil produced during the calendar year;

14 (3) an installment payment of the estimated tax levied by
15 AS 43.55.011(i) for each lease or property is due for each month of the calendar year
16 on the last day of the following month; the amount of the installment payment is the
17 sum of

18 (A) the applicable tax rate for oil provided under
19 AS 43.55.011(i), multiplied by the gross value at the point of production of the
20 oil taxable under AS 43.55.011(i) and produced from the lease or property
21 during the month; and

22 (B) the applicable tax rate for gas provided under
23 AS 43.55.011(i), multiplied by the gross value at the point of production of the
24 gas taxable under AS 43.55.011(i) and produced from the lease or property
25 during the month;

26 (4) any amount of tax levied by AS 43.55.011, net of any credits
27 applied as allowed by law, that exceeds the total of the amounts due as installment
28 payments of estimated tax is due on March 31 of the year following the calendar year
29 of production;

30 (5) **for oil and gas produced** on and after January 1, 2014, **and before**
31 **January 1, 2022,** an installment payment of the estimated tax levied by

1 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
 2 month of the calendar year on the last day of the following month; except as otherwise
 3 provided under (6) of this subsection, the amount of the installment payment is the
 4 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
 5 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
 6 of the installment payment may not be less than zero:

7 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
 8 produced from leases or properties in the state outside the Cook Inlet
 9 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
 10 the greater of

11 (i) zero; or

12 (ii) 35 percent multiplied by the remainder obtained by
 13 subtracting 1/12 of the producer's adjusted lease expenditures for the
 14 calendar year of production under AS 43.55.165 and 43.55.170 that are
 15 deductible for the oil and gas under AS 43.55.160 from the gross value
 16 at the point of production of the oil and gas produced from the leases or
 17 properties during the month for which the installment payment is
 18 calculated;

19 (B) for oil and gas produced from leases or properties subject
 20 to AS 43.55.011(f), the greatest of

21 (i) zero;

22 (ii) zero percent, one percent, two percent, three
 23 percent, or four percent, as applicable, of the gross value at the point of
 24 production of the oil and gas produced from the leases or properties
 25 during the month for which the installment payment is calculated; or

26 (iii) 35 percent multiplied by the remainder obtained by
 27 subtracting 1/12 of the producer's adjusted lease expenditures for the
 28 calendar year of production under AS 43.55.165 and 43.55.170 that are
 29 deductible for the oil and gas under AS 43.55.160 from the gross value
 30 at the point of production of the oil and gas produced from those leases
 31 or properties during the month for which the installment payment is

1 calculated, except that, for the purposes of this calculation, a reduction
2 from the gross value at the point of production may apply for oil and
3 gas subject to AS 43.55.160(f) or (g);

4 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
5 each lease or property, the greater of

6 (i) zero; or

7 (ii) 35 percent multiplied by the remainder obtained by
8 subtracting 1/12 of the producer's adjusted lease expenditures for the
9 calendar year of production under AS 43.55.165 and 43.55.170 that are
10 deductible under AS 43.55.160 for the oil or gas, respectively,
11 produced from the lease or property from the gross value at the point of
12 production of the oil or gas, respectively, produced from the lease or
13 property during the month for which the installment payment is
14 calculated;

15 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

16 (i) 35 percent multiplied by the remainder obtained by
17 subtracting 1/12 of the producer's adjusted lease expenditures for the
18 calendar year of production under AS 43.55.165 and 43.55.170 that are
19 deductible for the oil and gas under AS 43.55.160 from the gross value
20 at the point of production of the oil and gas produced from the leases or
21 properties during the month for which the installment payment is
22 calculated, but not less than zero; or

23 (ii) four percent of the gross value at the point of
24 production of the oil and gas produced from the leases or properties
25 during the month, but not less than zero;

26 (6) an amount calculated under (5)(C) of this subsection for oil or gas
27 subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by
28 carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as
29 applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but
30 substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the
31 amount of taxable gas produced during the month for the amount of taxable gas

1 produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or
2 (2)(A), as applicable, the amount of taxable oil produced during the month for the
3 amount of taxable oil produced during the calendar year;

4 (7) for oil and gas produced on or after January 1, 2022, an
5 installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax
6 credits applied as allowed by law, is due for each month of the calendar year on
7 the last day of the following month; the amount of the installment payment is the
8 sum of the following amounts, less 1/12 of the tax credits that are allowed by law
9 to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but
10 the amount of the installment payment may not be less than zero:

11 (A) for oil produced from leases or properties that include
12 land north of 68 degrees North latitude, the greatest of

13 (i) zero;

14 (ii) zero percent, one percent, two percent, three
15 percent, or four percent, as applicable, of the gross value at the
16 point of production of the oil produced from the leases or
17 properties during the month for which the installment payment is
18 calculated; or

19 (iii) 35 percent multiplied by the remainder obtained
20 by subtracting 1/12 of the producer's adjusted lease expenditures
21 for the calendar year of production under AS 43.55.165 and
22 43.55.170 that are deductible for the oil under AS 43.55.160(h)(1)
23 from the gross value at the point of production of the oil produced
24 from those leases or properties during the month for which the
25 installment payment is calculated, except that, for the purposes of
26 this calculation, a reduction from the gross value at the point of
27 production may apply for oil subject to AS 43.55.160(f) or
28 43.55.160(f) and (g);

29 (B) for oil produced before or during the last calendar year
30 under AS 43.55.024(b) for which the producer could take a tax credit
31 under AS 43.55.024(a), from leases or properties in the state outside the

1 Cook Inlet sedimentary basin, no part of which is north of 68 degrees
 2 North latitude, other than leases or properties subject to AS 43.55.011(p),
 3 the greater of

4 (i) zero; or

5 (ii) 35 percent multiplied by the remainder obtained
 6 by subtracting 1/12 of the producer's adjusted lease expenditures
 7 for the calendar year of production under AS 43.55.165 and
 8 43.55.170 that are deductible for the oil under AS 43.55.160(h)(2)
 9 from the gross value at the point of production of the oil produced
 10 from the leases or properties during the month for which the
 11 installment payment is calculated;

12 (C) for oil and gas produced from leases or properties
 13 subject to AS 43.55.011(p), except as otherwise provided under (8) of this
 14 subsection, the sum of

15 (i) 35 percent multiplied by the remainder obtained
 16 by subtracting 1/12 of the producer's adjusted lease expenditures
 17 for the calendar year of production under AS 43.55.165 and
 18 43.55.170 that are deductible for the oil under AS 43.55.160(h)(3)
 19 from the gross value at the point of production of the oil produced
 20 from the leases or properties during the month for which the
 21 installment payment is calculated, but not less than zero; and

22 (ii) 13 percent of the gross value at the point of
 23 production of the gas produced from the leases or properties
 24 during the month, but not less than zero;

25 (D) for oil produced from leases or properties in the state,
 26 no part of which is north of 68 degrees North latitude, other than leases or
 27 properties subject to (B) or (C) of this paragraph, the greater of

28 (i) zero; or

29 (ii) 35 percent multiplied by the remainder obtained
 30 by subtracting 1/12 of the producer's adjusted lease expenditures
 31 for the calendar year of production under AS 43.55.165 and

1 43.55.170 that are deductible for the oil under AS 43.55.160(h)(4)
 2 from the gross value at the point of production of the oil produced
 3 from the leases or properties during the month for which the
 4 installment payment is calculated;

5 (E) for gas produced from each lease or property in the
 6 state, other than a lease or property subject to AS 43.55.011(p), 13 percent
 7 of the gross value at the point of production of the gas produced from the
 8 lease or property during the month for which the installment payment is
 9 calculated, but not less than zero;

10 (8) an amount calculated under (7)(C) of this subsection may not
 11 exceed four percent of the gross value at the point of production of the oil and gas
 12 produced from leases or properties subject to AS 43.55.011(p) during the month
 13 for which the installment payment is calculated;

14 (9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and
 15 (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the
 16 point of production is determined under AS 43.55.011(f)(1) or (2) but substituting
 17 the phrase "month for which the installment payment is calculated" in
 18 AS 43.55.011(f)(1) and (2) for the phrase "calendar year for which the tax is
 19 due."

20 * **Sec. 49.** AS 43.55.020(g) is amended to read:

21 (g) Notwithstanding any contrary provision of AS 43.05.225,

22 (1) before January 1, 2014, an unpaid amount of an installment
 23 payment required under (a)(1) - (3) of this section that is not paid when due bears
 24 interest (A) at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal
 25 Revenue Code), as amended, compounded daily, from the date the installment
 26 payment is due until March 31 following the calendar year of production, and (B) as
 27 provided for a delinquent tax under AS 43.05.225 after that March 31; interest accrued
 28 under (A) of this paragraph that remains unpaid after that March 31 is treated as an
 29 addition to tax that bears interest under (B) of this paragraph; an unpaid amount of tax
 30 due under (a)(4) of this section that is not paid when due bears interest as provided for
 31 a delinquent tax under AS 43.05.225;

1 (2) on and after January 1, 2014, an unpaid amount of an installment
 2 payment required under (a)(3), (5), [OR] (6), or (7) of this section that is not paid
 3 when due bears interest (A) at the rate provided for an underpayment under 26 U.S.C.
 4 6621 (Internal Revenue Code), as amended, compounded daily, from the date the
 5 installment payment is due until March 31 following the calendar year of production,
 6 and (B) as provided for a delinquent tax under AS 43.05.225 after that March 31;
 7 interest accrued under (A) of this paragraph that remains unpaid after that March 31 is
 8 treated as an addition to tax that bears interest under (B) of this paragraph; an unpaid
 9 amount of tax due under (a)(4) of this section that is not paid when due bears interest
 10 as provided for a delinquent tax under AS 43.05.225.

11 * **Sec. 50.** AS 43.55.020(h) is amended to read:

12 (h) Notwithstanding any contrary provision of AS 43.05.280,

13 (1) an overpayment of an installment payment required under (a)(1),
 14 (2), (3), (5), (6), or (7) [(a)(1) - (3), (5) OR (6)] of this section bears interest at the rate
 15 provided for an overpayment under 26 U.S.C. 6621 (Internal Revenue Code), as
 16 amended, compounded daily, from the later of the date the installment payment is due
 17 or the date the overpayment is made, until the earlier of

18 (A) the date it is refunded or is applied to an underpayment; or

19 (B) March 31 following the calendar year of production;

20 (2) except as provided under (1) of this subsection, interest with
 21 respect to an overpayment is allowed only on any net overpayment of the payments
 22 required under (a) of this section that remains after the later of March 31 following the
 23 calendar year of production or the date that the statement required under
 24 AS 43.55.030(a) is filed;

25 (3) interest is allowed under (2) of this subsection only from a date that
 26 is 90 days after the later of March 31 following the calendar year of production or the
 27 date that the statement required under AS 43.55.030(a) is filed; interest is not allowed
 28 if the overpayment was refunded within the 90-day period;

29 (4) interest under (2) and (3) of this subsection is paid at the rate and in
 30 the manner provided in AS 43.05.225(1).

31 * **Sec. 51.** AS 43.55.020(l) is amended to read:

1 (l) **For oil and gas produced on** [ON] and after January 1, 2014, **and before**
 2 **January 1, 2022,** in making settlement with the royalty owner for oil and gas that is
 3 taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on
 4 taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in
 5 value at the time the tax becomes due to the amount of the tax paid. If the total
 6 deductions of installment payments of estimated tax for a calendar year exceed the
 7 actual tax for that calendar year, the producer shall, before April 1 of the following
 8 year, refund the excess to the royalty owner. Unless otherwise agreed between the
 9 producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) on
 10 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or
 11 right to which constitutes a landowner's royalty interest, is considered to be the gross
 12 value at the point of production of the taxable royalty oil and gas produced during the
 13 calendar year multiplied by a figure that is a quotient, in which

14 (1) the numerator is the producer's total tax liability under
 15 **AS 43.55.011(e)(2)** [AS 43.55.011(e)] for the calendar year of production; and

16 (2) the denominator is the total gross value at the point of production
 17 of the oil and gas taxable under AS 43.55.011(e) produced by the producer from all
 18 leases and properties in the state during the calendar year.

19 * **Sec. 52.** AS 43.55.020 is amended by adding a new subsection to read:

20 (m) For oil and gas produced on and after January 1, 2022, in making
 21 settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011,
 22 the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or
 23 may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes
 24 due to the amount of the tax paid. If the total deductions of installment payments of
 25 estimated tax for a calendar year exceed the actual tax for that calendar year, the
 26 producer shall, before April 1 of the following year, refund the excess to the royalty
 27 owner. In making settlement with the royalty owner for gas that is taxable under
 28 AS 43.55.014, the producer may deduct the amount of the gas paid as in kind tax on
 29 taxable royalty gas or may deduct the gross value at the point of production of the gas
 30 paid as in-kind tax on taxable royalty gas. Unless otherwise agreed between the
 31 producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) on

1 taxable royalty oil for a calendar year, other than oil the ownership or right to which
 2 constitutes a landowner's royalty interest, is considered to be the gross value at the
 3 point of production of the taxable royalty oil produced during the calendar year
 4 multiplied by a figure that is a quotient, in which

5 (1) the numerator is the producer's total tax liability under
 6 AS 43.55.011(e)(3)(A) for the calendar year of production; and

7 (2) the denominator is the total gross value at the point of production
 8 of the oil taxable under AS 43.55.011(e) produced by the producer from all leases and
 9 properties in the state during the calendar year.

10 * **Sec. 53.** AS 43.55.030(a) is amended to read:

11 (a) A producer that produces oil or gas from a lease or property in the state
 12 during a calendar year, whether or not any tax payment is due under AS 43.55.020(a)
 13 for that oil or gas, shall file with the department on March 31 of the following year a
 14 statement, under oath, in a form prescribed by the department, giving, with other
 15 information required, the following:

16 (1) a description of each lease or property from which oil or gas was
 17 produced, by name, legal description, lease number, or accounting codes assigned by
 18 the department;

19 (2) the names of the producer and, if different, the person paying the
 20 tax, if any;

21 (3) the gross amount of oil and the gross amount of gas produced from
 22 each lease or property, **separately identifying the gross amount of gas produced**
 23 **from each oil and gas lease to which an effective election under AS 43.55.014(a)**
 24 **applies, the amount of gas delivered to the state under AS 43.55.014(b),** and the
 25 percentage of the gross amount of oil and gas owned by the producer;

26 (4) the gross value at the point of production of the oil and of the gas
 27 produced from each lease or property owned by the producer and the costs of
 28 transportation of the oil and gas;

29 (5) the name of the first purchaser and the price received for the oil and
 30 for the gas, unless relieved from this requirement in whole or in part by the
 31 department;

1 (6) the producer's qualified capital expenditures, as defined in
2 AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other
3 payments or credits under AS 43.55.170;

4 (7) the production tax values of the oil and gas under **AS 43.55.160(a)**
5 **or of the oil under AS 43.55.160(h), as applicable** [AS 43.55.160];

6 (8) any claims for tax credits to be applied; and

7 (9) calculations showing the amounts, if any, that were or are due
8 under AS 43.55.020(a) and interest on any underpayment or overpayment.

9 * **Sec. 54.** AS 43.55.160(a) is amended to read:

10 (a) **For oil and gas produced before January 1, 2022, except** [EXCEPT] as
11 provided in (b), (f), and (g) of this section, for the purposes of

12 (1) **AS 43.55.011(e)(1) and (2)** [AS 43.55.011(e)], the annual
13 production tax value of taxable oil, gas, or oil and gas produced during a calendar year
14 in a category for which a separate annual production tax value is required to be
15 calculated under this paragraph is the gross value at the point of production of that oil,
16 gas, or oil and gas taxable under AS 43.55.011(e), less the producer's lease
17 expenditures under AS 43.55.165 for the calendar year applicable to the oil, gas, or oil
18 and gas in that category produced by the producer during the calendar year, as
19 adjusted under AS 43.55.170; a separate annual production tax value shall be
20 calculated for

21 (A) oil and gas produced from leases or properties in the state
22 that include land north of 68 degrees North latitude, other than gas produced
23 before 2022 and used in the state;

24 (B) oil and gas produced from leases or properties in the state
25 outside the Cook Inlet sedimentary basin, no part of which is north of 68
26 degrees North latitude and that qualifies for a tax credit under AS 43.55.024(a)
27 and (b); this subparagraph does not apply to

28 (i) gas produced before 2022 and used in the state; or

29 (ii) oil and gas subject to AS 43.55.011(p);

30 (C) oil produced before 2022 from each lease or property in the
31 Cook Inlet sedimentary basin;

1 (D) gas produced before 2022 from each lease or property in
2 the Cook Inlet sedimentary basin;

3 (E) gas produced before 2022 from each lease or property in
4 the state outside the Cook Inlet sedimentary basin and used in the state, other
5 than gas subject to AS 43.55.011(p);

6 (F) oil and gas subject to AS 43.55.011(p) produced from
7 leases or properties in the state;

8 (G) oil and gas produced from leases or properties in the state
9 no part of which is north of 68 degrees North latitude, other than oil or gas
10 described in (B), (C), (D), (E), or (F) of this paragraph;

11 (2) AS 43.55.011(g), for oil and gas produced before January 1, 2014,
12 the monthly production tax value of the taxable

13 (A) oil and gas produced during a month from leases or
14 properties in the state that include land north of 68 degrees North latitude is the
15 gross value at the point of production of the oil and gas taxable under
16 AS 43.55.011(e) and produced by the producer from those leases or properties,
17 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
18 calendar year applicable to the oil and gas produced by the producer from
19 those leases or properties, as adjusted under AS 43.55.170; this subparagraph
20 does not apply to gas subject to AS 43.55.011(o);

21 (B) oil and gas produced during a month from leases or
22 properties in the state outside the Cook Inlet sedimentary basin, no part of
23 which is north of 68 degrees North latitude, is the gross value at the point of
24 production of the oil and gas taxable under AS 43.55.011(e) and produced by
25 the producer from those leases or properties, less 1/12 of the producer's lease
26 expenditures under AS 43.55.165 for the calendar year applicable to the oil and
27 gas produced by the producer from those leases or properties, as adjusted under
28 AS 43.55.170; this subparagraph does not apply to gas subject to
29 AS 43.55.011(o);

30 (C) oil produced during a month from a lease or property in the
31 Cook Inlet sedimentary basin is the gross value at the point of production of

1 the oil taxable under AS 43.55.011(e) and produced by the producer from that
 2 lease or property, less 1/12 of the producer's lease expenditures under
 3 AS 43.55.165 for the calendar year applicable to the oil produced by the
 4 producer from that lease or property, as adjusted under AS 43.55.170;

5 (D) gas produced during a month from a lease or property in
 6 the Cook Inlet sedimentary basin is the gross value at the point of production
 7 of the gas taxable under AS 43.55.011(e) and produced by the producer from
 8 that lease or property, less 1/12 of the producer's lease expenditures under
 9 AS 43.55.165 for the calendar year applicable to the gas produced by the
 10 producer from that lease or property, as adjusted under AS 43.55.170;

11 (E) gas produced during a month from a lease or property
 12 outside the Cook Inlet sedimentary basin and used in the state is the gross
 13 value at the point of production of that gas taxable under AS 43.55.011(e) and
 14 produced by the producer from that lease or property, less 1/12 of the
 15 producer's lease expenditures under AS 43.55.165 for the calendar year
 16 applicable to that gas produced by the producer from that lease or property, as
 17 adjusted under AS 43.55.170.

18 * **Sec. 55.** AS 43.55.160(e) is amended to read:

19 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
 20 would otherwise be deductible by a producer in a calendar year but whose deduction
 21 would cause an annual production tax value calculated under (a)(1) **or (h)** of this
 22 section of taxable oil or gas produced during the calendar year to be less than zero
 23 may be used to establish a carried-forward annual loss under AS 43.55.023(b).
 24 However, the department shall provide by regulation a method to ensure that, for a
 25 period for which a producer's tax liability is limited by AS 43.55.011(j), (k), (o), or
 26 (p), any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would
 27 otherwise be deductible by a producer for that period but whose deduction would
 28 cause a production tax value calculated under (a)(1)(C), (D), (E), [OR] (F), **or (h)(3)**
 29 of this section to be less than zero are accounted for as though the adjusted lease
 30 expenditures had first been used as deductions in calculating the production tax values
 31 of oil or gas subject to any of the limitations under AS 43.55.011(j), (k), (o), or (p) that

1 have positive production tax values so as to reduce the tax liability calculated without
 2 regard to the limitation to the maximum amount provided for under the applicable
 3 provision of AS 43.55.011(j), (k), (o), or (p). Only the amount of those adjusted lease
 4 expenditures remaining after the accounting provided for under this subsection may be
 5 used to establish a carried-forward annual loss under AS 43.55.023(b). In this
 6 subsection, "producer" includes "explorer."

7 * **Sec. 56.** AS 43.55.160(f) is amended to read:

8 (f) On and after January 1, 2014, in the calculation of an annual production tax
 9 value of a producer under (a)(1)(A) or (h)(1) [(a)(1)] of this section, the gross value at
 10 the point of production of oil or gas produced from a lease or property north of 68
 11 degrees North latitude meeting one or more of the following criteria is reduced by 20
 12 percent: (1) the oil or gas is produced from a lease or property that does not contain a
 13 lease that was within a unit on January 1, 2003; (2) the oil or gas is produced from a
 14 participating area established after December 31, 2011, that is within a unit formed
 15 under AS 38.05.180(p) before January 1, 2003, if the participating area does not
 16 contain a reservoir that had previously been in a participating area established before
 17 December 31, 2011; (3) the oil or gas is produced from acreage that was added to an
 18 existing participating area by the Department of Natural Resources on and after
 19 January 1, 2014, and the producer demonstrates to the department that the volume of
 20 oil or gas produced is from acreage added to an existing participating area. This
 21 subsection does not apply to gas produced before 2022 that is used in the state **or to**
 22 **gas produced on and after January 1, 2022.** A reduction under this subsection may
 23 not reduce the gross value at the point of production below zero. In this subsection,
 24 "participating area" means a reservoir or portion of a reservoir producing or
 25 contributing to production as approved by the Department of Natural Resources.

26 * **Sec. 57.** AS 43.55.160(g) is amended to read:

27 (g) On and after January 1, 2014, in addition to the reduction under (f) of this
 28 section, in the calculation of an annual production tax value of a producer under
 29 (a)(1)(A) or (h)(1) [(a)(1)] of this section, the gross value at the point of production of
 30 oil or gas produced from a lease or property **north of 68 degrees North latitude** that
 31 does not contain a lease that was within a unit on January 1, 2003, is reduced by 10

1 percent if the oil or gas is produced from a unit made up solely of leases that have a
 2 royalty share of more than 12.5 percent in amount or value of the production removed
 3 or sold from the lease as determined under AS 38.05.180(f). This subsection does not
 4 apply if the royalty obligation for one or more of the leases in the unit has been
 5 reduced to 12.5 percent or less under AS 38.05.180(j) for all or part of the calendar
 6 year for which the annual production tax value is calculated. This subsection does not
 7 apply to gas produced before 2022 that is used in the state **or to gas produced on and**
 8 **after January 1, 2022**. A reduction under this subsection may not reduce the gross
 9 value at the point of production below zero.

10 * **Sec. 58.** AS 43.55.160 is amended by adding a new subsection to read:

11 (h) For oil produced on and after January 1, 2022, except as provided in (b),
 12 (f), and (g) of this section, for the purposes of AS 43.55.011(e)(3), the annual
 13 production tax value of oil taxable under AS 43.55.011(e) produced by a producer
 14 during a calendar year

15 (1) from leases or properties in the state that include land north of 68
 16 degrees North latitude is the gross value at the point of production of that oil, less the
 17 producer's lease expenditures under AS 43.55.165 for the calendar year incurred to
 18 explore for, develop, or produce oil and gas deposits located in the state north of 68
 19 degrees North latitude or located in leases or properties in the state that include land
 20 north of 68 degrees North latitude, as adjusted under AS 43.55.170;

21 (2) before or during the last calendar year under AS 43.55.024(b) for
 22 which the producer could take a tax credit under AS 43.55.024(a), from leases or
 23 properties in the state outside the Cook Inlet sedimentary basin, no part of which is
 24 north of 68 degrees North latitude, other than leases or properties subject to
 25 AS 43.55.011(p), is the gross value at the point of production of that oil, less the
 26 producer's lease expenditures under AS 43.55.165 for the calendar year incurred to
 27 explore for, develop, or produce oil and gas deposits located in the state outside the
 28 Cook Inlet sedimentary basin and south of 68 degrees North latitude, other than oil
 29 and gas deposits located in a lease or property that includes land north of 68 degrees
 30 North latitude or that is subject to AS 43.55.011(p) or, before January 1, 2027, from
 31 which commercial production has not begun, as adjusted under AS 43.55.170;

1 (3) from leases or properties subject to AS 43.55.011(p) is the gross
 2 value at the point of production of that oil, less the producer's lease expenditures under
 3 AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and
 4 gas deposits located in leases or properties subject to AS 43.55.011(p) or, before
 5 January 1, 2027, located in leases or properties in the state outside the Cook Inlet
 6 sedimentary basin, no part of which is north of 68 degrees North latitude from which
 7 commercial production has not begun, as adjusted under AS 43.55.170;

8 (4) from leases or properties in the state no part of which is north of 68
 9 degrees North latitude, other than leases or properties subject to (2) or (3) of this
 10 subsection, is the gross value at the point of production of that oil less the producer's
 11 lease expenditures under AS 43.55.165 for the calendar year incurred to explore for,
 12 develop, or produce oil and gas deposits located in the state south of 68 degrees North
 13 latitude, other than oil and gas deposits located in a lease or property in the state that
 14 includes land north of 68 degrees North latitude, and excluding lease expenditures that
 15 are deductible under (2) or (3) of this subsection or would be deductible under (2) or
 16 (3) of this subsection if not prohibited by (b) of this section, as adjusted under
 17 AS 43.55.170.

18 * **Sec. 59.** AS 43.55.165(e) is amended to read:

19 (e) For purposes of this section, lease expenditures do not include

20 (1) depreciation, depletion, or amortization;

21 (2) oil or gas royalty payments, production payments, lease profit
 22 shares, or other payments or distributions of a share of oil or gas production, profit, or
 23 revenue, except that a producer's lease expenditures applicable to oil and gas produced
 24 from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net
 25 profit paid to the state under that lease;

26 (3) taxes based on or measured by net income;

27 (4) interest or other financing charges or costs of raising equity or debt
 28 capital;

29 (5) acquisition costs for a lease or property or exploration license;

30 (6) costs arising from fraud, wilful misconduct, gross negligence,
 31 violation of law, or failure to comply with an obligation under a lease, permit, or

1 license issued by the state or federal government;

2 (7) fines or penalties imposed by law;

3 (8) costs of arbitration, litigation, or other dispute resolution activities
4 that involve the state or concern the rights or obligations among owners of interests in,
5 or rights to production from, one or more leases or properties or a unit;

6 (9) costs incurred in organizing a partnership, joint venture, or other
7 business entity or arrangement;

8 (10) amounts paid to indemnify the state; the exclusion provided by
9 this paragraph does not apply to the costs of obtaining insurance or a surety bond from
10 a third-party insurer or surety;

11 (11) surcharges levied under AS 43.55.201 or 43.55.300;

12 (12) an expenditure otherwise deductible under (b) of this section that
13 is a result of an internal transfer, a transaction with an affiliate, or a transaction
14 between related parties, or is otherwise not an arm's length transaction, unless the
15 producer establishes to the satisfaction of the department that the amount of the
16 expenditure does not exceed the fair market value of the expenditure;

17 (13) an expenditure incurred to purchase an interest in any corporation,
18 partnership, limited liability company, business trust, or any other business entity,
19 whether or not the transaction is treated as an asset sale for federal income tax
20 purposes;

21 (14) a tax levied under AS 43.55.011 **or 43.55.014**;

22 (15) costs incurred for dismantlement, removal, surrender, or
23 abandonment of a facility, pipeline, well pad, platform, or other structure, or for the
24 restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in
25 conjunction with dismantlement, removal, surrender, or abandonment; a cost is not
26 excluded under this paragraph if the dismantlement, removal, surrender, or
27 abandonment for which the cost is incurred is undertaken for the purpose of replacing,
28 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

29 (16) costs incurred for containment, control, cleanup, or removal in
30 connection with any unpermitted release of oil or a hazardous substance and any
31 liability for damages imposed on the producer or explorer for that unpermitted release;

1 this paragraph does not apply to the cost of developing and maintaining an oil
2 discharge prevention and contingency plan under AS 46.04.030;

3 (17) costs incurred to satisfy a work commitment under an exploration
4 license under AS 38.05.132;

5 (18) that portion of expenditures, that would otherwise be qualified
6 capital expenditures, as defined in AS 43.55.023, incurred during a calendar year that
7 are less than the product of \$0.30 multiplied by the total taxable production from each
8 lease or property, in BTU equivalent barrels, during that calendar year, except that,
9 when a portion of a calendar year is subject to this provision, the expenditures and
10 volumes shall be prorated within that calendar year;

11 (19) costs incurred for repair, replacement, or deferred maintenance of
12 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is
13 undertaken in response to a failure, problem, or event that results in an unscheduled
14 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for
15 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or
16 equipment, other than a well, that is undertaken in response to, or is otherwise
17 associated with, an unpermitted release of a hazardous substance or of gas; however,
18 costs under this paragraph that would otherwise constitute lease expenditures under (a)
19 and (b) of this section may be treated as lease expenditures if the department
20 determines that the repair or replacement is solely necessitated by an act of war, by an
21 unanticipated grave natural disaster or other natural phenomenon of an exceptional,
22 inevitable, and irresistible character, the effects of which could not have been
23 prevented or avoided by the exercise of due care or foresight, or by an intentional or
24 negligent act or omission of a third party, other than a party or its agents in privity of
25 contract with, or employed by, the producer or an operator acting for the producer, but
26 only if the producer or operator, as applicable, exercised due care in operating and
27 maintaining the facility, pipeline, structure, or equipment, and took reasonable
28 precautions against the act or omission of the third party and against the consequences
29 of the act or omission; in this paragraph,

30 (A) "costs incurred for repair, replacement, or deferred
31 maintenance of a facility, a pipeline, a structure, or equipment" includes costs

1 to dismantle and remove the facility, pipeline, structure, or equipment that is
2 being replaced;

3 (B) "hazardous substance" has the meaning given in
4 AS 46.03.826;

5 (C) "replacement" includes renovation or improvement;

6 (20) costs incurred to construct, acquire, or operate a refinery or crude
7 oil topping plant, regardless of whether the products of the refinery or topping plant
8 are used in oil or gas exploration, development, or production operations; however, if
9 a producer owns a refinery or crude oil topping plant that is located on or near the
10 premises of the producer's lease or property in the state and that processes the
11 producer's oil produced from that lease or property into a product that the producer
12 uses in the operation of the lease or property in drilling for or producing oil or gas, the
13 producer's lease expenditures include the amount calculated by subtracting from the
14 fair market value of the product used the prevailing value, as determined under
15 AS 43.55.020(f), of the oil that is processed;

16 (21) costs of lobbying, public relations, public relations advertising, or
17 policy advocacy.

18 * **Sec. 60.** AS 43.55.900(10) is amended to read:

19 (10) "gas processing plant" means a facility that

20 (A) extracts and recovers liquid hydrocarbons from a gaseous
21 mixture of hydrocarbons by gas processing; and

22 (B) is located upstream of **the inlet of any pipeline**
23 **transporting gas to a gas treatment plant** and upstream of the inlet of any gas
24 pipeline system transporting gas to a market;

25 * **Sec. 61.** AS 43.55.900(20) is amended to read:

26 (20) "point of production" means

27 (A) for oil, the automatic custody transfer meter or device
28 through which the oil enters into the facilities of a carrier pipeline or other
29 transportation carrier in a condition of pipeline quality; in the absence of an
30 automatic custody transfer meter or device, "point of production" means the
31 mechanism or device to measure the quantity of oil that has been approved by

1 the department for that purpose, through which the oil is tendered and accepted
 2 in a condition of pipeline quality into the facilities of a carrier pipeline or other
 3 transportation carrier or into a field topping plant;

4 (B) for gas [, OTHER THAN GAS DESCRIBED IN (C) OF
 5 THIS PARAGRAPH,] that is

6 (i) not subjected to or recovered by mechanical
 7 separation or run through a gas processing plant, the **farthest upstream**
 8 **of the** first point where the gas is accurately metered, **the inlet of any**
 9 **pipeline transporting the gas to a gas treatment plant, or the inlet**
 10 **of any gas pipeline system transporting the gas to a market;**

11 (ii) subjected to or recovered by mechanical separation
 12 but not run through a gas processing plant, the **farthest upstream of**
 13 **the** first point where the gas is accurately metered after completion of
 14 mechanical separation, **the inlet of any pipeline transporting the gas**
 15 **after completion of mechanical separation to a gas treatment plant,**
 16 **or the inlet of any gas pipeline system transporting the gas after**
 17 **mechanical separation to a market;**

18 (iii) run through a gas processing plant, the **farthest**
 19 **upstream of the** first point where the gas is accurately metered
 20 downstream of the **gas processing** plant, **the inlet of any pipeline**
 21 **downstream of the gas processing plant transporting the gas to a**
 22 **gas treatment plant, or the inlet of any gas pipeline system**
 23 **downstream of the gas processing plant transporting the gas to a**
 24 **market** [;

25 (C) FOR GAS RUN THROUGH AN INTEGRATED GAS
 26 PROCESSING PLANT AND GAS TREATMENT FACILITY THAT DOES
 27 NOT ACCURATELY METER THE GAS AFTER THE GAS PROCESSING
 28 AND BEFORE THE GAS TREATMENT, THE FIRST POINT WHERE GAS
 29 PROCESSING IS COMPLETED OR WHERE GAS TREATMENT BEGINS,
 30 WHICHEVER IS FURTHER UPSTREAM];

31 * **Sec. 62.** AS 43.55.900 is amended by adding a new paragraph to read:

1 (25) "gas treatment plant" means a facility that performs gas treatment,
2 regardless of whether the facility also performs gas processing.

3 * **Sec. 63.** AS 43.90.900(18) is amended to read:

4 (18) "point of production" has the meaning given in AS 43.55.900 **as**
5 **that section read on June 8, 2007;**

6 * **Sec. 64.** AS 43.98.030(c) is amended to read:

7 (c) A taxpayer acquiring a transferable tax credit certificate may use the credit
8 or a portion of the credit to offset taxes imposed under AS 21.09.210, AS 21.66.110,
9 AS 43.20, **AS 43.55.011** [AS 43.55], AS 43.56, AS 43.65, AS 43.75, and AS 43.77.
10 Except as provided in (e) of this section, any portion of the credit not used may be
11 used at a later period or transferred under (b) of this section.

12 * **Sec. 65.** AS 43.98.050 is amended to read:

13 **Sec. 43.98.050. Duties.** The duties of the board include the following:

14 (1) establish and maintain a salient collection of information related to
15 oil and gas exploration, development, and production in the state and related to tax
16 structures, rates, and credits in other regions with oil and gas resources;

17 (2) review historical, current, and potential levels of investment in the
18 state's oil and gas sector;

19 (3) identify factors that affect investment in oil and gas exploration,
20 development, and production in the state, including tax structure, rates, and credits;
21 royalty requirements; infrastructure; workforce availability; and regulatory
22 requirements;

23 (4) review the competitive position of the state to attract and maintain
24 investment in the oil and gas sector in the state as compared to the competitive
25 position of other regions with oil and gas resources;

26 (5) in order to facilitate the work of the board, establish procedures to
27 accept and keep confidential information that is beneficial to the work of the board,
28 including the creation of a secure data room and confidentiality agreements to be
29 signed by individuals having access to confidential information;

30 (6) make written findings and recommendations to the Alaska State
31 Legislature before

1 (A) January 31, 2015, or as soon thereafter as practicable,
2 regarding

3 (i) changes to the state's regulatory environment and
4 permitting structure that would be conducive to encouraging increased
5 investment while protecting the interests of the people of the state and
6 the environment;

7 (ii) the status of the oil and gas industry labor pool in
8 the state and the effectiveness of workforce development efforts by the
9 state;

10 (iii) the status of the oil-and-gas-related infrastructure
11 of the state, including a description of infrastructure deficiencies; and

12 (iv) the competitiveness of the state's fiscal oil and gas
13 tax regime when compared to other regions of the world;

14 (B) **January 15, 2017, regarding**

15 (i) **the state's tax structure and rates on oil and gas**
16 **produced south of 68 degrees North latitude;**

17 (ii) **a tax structure that takes into account the unique**
18 **economic circumstances for each oil and gas producing area south**
19 **of 68 degrees North latitude;**

20 (iii) **a reduction in the gross value at the point of**
21 **production for oil and gas produced south of 68 degrees North**
22 **latitude that is similar to the reduction in gross value at the point of**
23 **production in AS 43.55.160(f) and (g);**

24 (iv) **other incentives for oil and gas production south**
25 **of 68 degrees North latitude;**

26 (C) January 31, 2021, or as soon thereafter as practicable,
27 regarding

28 (i) changes to the state's fiscal regime that would be
29 conducive to increased and ongoing long-term investment in and
30 development of the state's oil and gas resources;

31 (ii) alternative means for increasing the state's ability to

1 attract and maintain investment in and development of the state's oil
2 and gas resources; and

3 (iii) a review of the current effectiveness and future
4 value of any provisions of the state's oil and gas tax laws that are
5 expiring in the next five years.

6 * **Sec. 66.** AS 31.25.080(f) is repealed.

7 * **Sec. 67.** The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 REPORT AND RECOMMENDATIONS BY THE COMMISSIONER OF
10 NATURAL RESOURCES ON THE DELIVERY AND AVAILABILITY OF NORTH
11 SLOPE NATURAL GAS IN THE STATE; IDENTIFICATION OF RISKS AND
12 RECOMMENDATIONS FOR MITIGATION. (a) The commissioner of natural resources in
13 consultation with the Alaska Gasline Development Corporation shall prepare and make
14 available to the legislature a report on a plan and alternatives to make North Slope natural gas
15 available for delivery and use in the state. The report must address

16 (1) the means by which North Slope natural gas may be delivered for use in
17 the state;

18 (2) the anticipated benefits, risks, and liabilities to the state associated with the
19 sale by the state to utilities and other customers in the state of natural gas received by the state
20 as royalty in kind or as payment of tax;

21 (3) the effect and consequences, including the fiscal effect and liability to third
22 parties, of the state's transport of a reduced amount of natural gas south of an in-state delivery
23 point or underutilizing capacity in a liquefied natural gas plant; and

24 (4) other issues the commissioner of natural resources determines are relevant
25 to the delivery and use of North Slope natural gas in the state and should be considered by the
26 legislature.

27 (b) In conjunction with the report in (a) of this section, the commissioner of natural
28 resources shall recommend the means for eliminating or minimizing the risks and liabilities
29 identified in the report.

30 (c) The commissioner of natural resources shall make the report and
31 recommendations required by this section available to the legislature on or before the date a

1 firm transportation services agreement in a North Slope natural gas project to which the state
2 is a party is submitted to the legislature for approval.

3 (d) In this section, "North Slope natural gas project" has the meaning given in
4 AS 38.05.965, as amended by sec. 30 of this Act.

5 * **Sec. 68.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 **REQUESTING THE GOVERNOR TO ESTABLISH AN INTERIM ADVISORY**
8 **BOARD.** (a) The legislature requests the governor to establish an interim advisory board
9 under AS 44.19.028 to advise the governor on municipal involvement in a North Slope
10 natural gas project. Members of the advisory board may include representatives of
11 municipalities, the commissioner of natural resources, the commissioner of revenue,
12 representatives of oil and gas and gas only lessees on the North Slope, and representatives of
13 other persons expected to be directly involved in the development of a North Slope natural
14 gas project.

15 (b) The advisory board shall review available information, hold public meetings, and
16 provide annual reports by December 15 of each year to the governor that include

17 (1) the potential impact and benefits of new infrastructure for North Slope
18 natural gas development, whether designed to provide natural gas for in-state sale or for
19 export, or both, on communities in the state, including consideration of tax structure under
20 AS 29.45 and AS 43.56, and consideration of other payments before construction of new
21 infrastructure associated with North Slope natural gas development;

22 (2) recommendations for changes to the oil and gas exploration, production,
23 and pipeline transportation property taxes under AS 43.56 related to infrastructure for
24 commercialization of natural gas that would facilitate development of a major natural gas
25 project and mitigate financial impacts to communities affected by development of a North
26 Slope natural gas project;

27 (3) recommendations for changes to AS 29.45.080 related to the
28 commercialization of natural gas that would facilitate development of a North Slope natural
29 gas project and mitigate financial impacts to communities affected by a North Slope natural
30 gas project;

31 (4) recommendations for legislative or other options to minimize the financial

1 impact to communities in proximity to North Slope natural gas project infrastructure during
2 construction of a natural gas pipeline and associated infrastructure; and

3 (5) recommendations on the impact and benefits to communities not in
4 proximity to a North Slope natural gas project.

5 (c) In this section, "North Slope natural gas project" has the meaning given in
6 AS 38.05.965, as amended by sec. 30 of this Act.

7 * **Sec. 69.** The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 PLAN AND RECOMMENDATIONS TO THE LEGISLATURE ON
10 INFRASTRUCTURE NEEDED TO DELIVER AFFORDABLE ENERGY TO AREAS IN
11 THE STATE THAT DO NOT HAVE DIRECT ACCESS TO A NORTH SLOPE NATURAL
12 GAS PIPELINE. (a) The Alaska Energy Authority, in consultation with the Alaska Gasline
13 Development Corporation, the Alaska Industrial Development and Export Authority, and the
14 Department of Revenue, shall develop a plan for developing infrastructure to deliver more
15 affordable energy to areas of the state that are not expected to have direct access to a North
16 Slope natural gas pipeline. The plan must identify ownership options, different energy
17 sources, including fossil fuels, hydro projects, tidal, and other alternative energy sources, and
18 describe and recommend the means for generating, delivering, receiving, and storing energy
19 in the most cost-efficient manner. For those citizens for whom there is no economically viable
20 infrastructure available, the plan must recommend the means for directly underwriting the
21 energy costs of the citizens to make their energy costs more affordable. The Alaska Energy
22 Authority may consider the development of regional energy systems that can receive and store
23 bulk fuel in quantity and distribute that fuel as needed within the region.

24 (b) The Alaska Energy Authority, in consultation with the Department of Revenue,
25 shall recommend a plan for funding the design, development, and construction of the required
26 infrastructure and may identify a source of rent, royalty, income, or tax received by the state
27 that may be appropriated by the legislature to implement the plan.

28 (c) The Alaska Energy Authority shall provide the plan and suggested legislation for
29 the design, development, construction, and financing of the required infrastructure to the
30 legislature before January 1, 2017.

31 * **Sec. 70.** The uncodified law of the State of Alaska is amended by adding a new section to

1 read:

2 DEVELOPMENT OF A PLAN FOR MUNICIPALITIES, REGIONAL
3 CORPORATIONS, AND RESIDENTS TO PARTICIPATE IN THE OWNERSHIP OF A
4 NORTH SLOPE NATURAL GAS PIPELINE; IDENTIFICATION OF AND REPORT ON
5 FINANCING OPTIONS FOR STATE OWNERSHIP AND PARTICIPATION IN A
6 NORTH SLOPE NATURAL GAS PROJECT. (a) The commissioner of revenue shall identify
7 and report to the legislature on a range of financing options for state acquisition of an
8 ownership interest and participation in a North Slope natural gas project. The report must
9 include a description of the risk associated with each option and the effect of each option on
10 the bonding capacity and bond rating of the state. In this subsection, "North Slope natural gas
11 project" has the meaning given in AS 38.05.965, as amended by sec. 30 of this Act.

12 (b) The commissioner shall make an interim draft of the report described in (a) of this
13 section available to the legislature on the first day of the First Regular Session of the Twenty-
14 Ninth Alaska State Legislature, and a final report at the time the commissioner of natural
15 resources submits the first agreement or contract to the legislature for approval under
16 AS 38.05.020(b)(11), enacted by sec. 19 of this Act.

17 (c) At the time the commissioner of natural resources submits the first agreement or
18 contract to the legislature for approval under AS 38.05.020(b)(11), enacted by sec. 19 of this
19 Act, the commissioner of revenue shall present a plan and suggested legislation to allow a
20 municipality, regional corporation, or resident of the state to participate as a co-owner in a
21 North Slope natural gas pipeline. The plan must include the recommendations and analysis by
22 the commissioner as to

23 (1) the means by which a municipality, regional corporation, or resident may
24 invest in the North Slope natural gas pipeline; for a resident, the means may include providing
25 an option to designate an amount of a permanent fund dividend to be deducted for the
26 investment;

27 (2) whether the ownership interest in a North Slope natural gas pipeline should
28 be acquired from the portion of a North Slope natural gas pipeline acquired by the state,
29 through the purchase of stock in a publicly traded corporation that invests in a North Slope
30 natural gas pipeline, or some other means;

31 (3) the means for providing notice to a municipality, regional corporation, or

1 resident receiving an ownership interest that explains the type of ownership interest and the
2 rights and obligations related to that ownership interest;

3 (4) whether the ownership interest received by a municipality, regional
4 corporation, or resident may be transferred or assigned to another person and the means for
5 transferring the interest;

6 (5) the means by which the proportional share of a dividend or other income
7 may be distributed to a municipality, regional corporation, resident, or transferee of an interest
8 if the municipality, regional corporation, or resident receives an ownership interest acquired
9 by the state in a North Slope natural gas pipeline and the state receives a dividend or other
10 income from its ownership interest, and whether the payment should be subject to interest if
11 not timely distributed;

12 (6) the means by which the commissioner may identify a publicly traded
13 corporation that has an ownership interest in a North Slope natural gas pipeline that is subject
14 to investment by a municipality, regional corporation, or a resident under the proposed plan;

15 (7) the means by which an individual may qualify as a resident for purposes of
16 investing in an ownership interest;

17 (8) whether the ownership interest held by a municipality, regional
18 corporation, or resident would be subject to project assessments;

19 (9) how cash calls for the project and the expansion of the project would be
20 managed;

21 (10) the income tax consequences to the holder of an ownership interest,
22 including the timing and recognition of income related to the ownership interest, including
23 differentiating income related to the ownership interest from the receipt of dividends or other
24 distributions;

25 (11) the risk that the receipt of a benefit from the project by a person other
26 than the state would make income received from the project by the state subject to federal
27 income tax; and

28 (12) constitutional issues that may be implicated by restricting ownership
29 interests under the plan to residents and municipalities in the state.

30 (d) In this section,

31 (1) "municipality" has the meaning given in AS 01.10.060;

1 (2) "North Slope natural gas pipeline" means a natural gas pipeline project that
2 transports natural gas produced in the state north of 68 degrees North latitude to a market in
3 the state or to tidewater for export from the state including a facility in the state for liquefying
4 natural gas for transport;

5 (3) "regional corporation" means a regional corporation organized under 43
6 U.S.C. 1606(a) as amended.

7 * **Sec. 71.** The uncodified law of the State of Alaska is amended by adding a new section to
8 read:

9 LEGISLATIVE BRIEFINGS. Before the first flow of gas in a North Slope natural gas
10 project developed under the authority of this Act, the parties to the project shall, at least once
11 every four months, provide briefings to interested legislators, legislative staff, and legislative
12 consultants on the progress of a North Slope natural gas project developed under the authority
13 of this Act. A briefing under this section must be accompanied by a written report provided by
14 the Department of Natural Resources of the amount of money the state may be obligated to
15 pay a third party under an agreement or contract under AS 38.05.020(b)(10) or (11) if a North
16 Slope natural gas project is terminated before the first flow of gas in the project.

17 * **Sec. 72.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 TRANSITION: REGULATIONS. The Department of Revenue and the Department of
20 Natural Resources may adopt regulations to implement this Act. The regulations take effect
21 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
22 provisions of this Act being implemented.

23 * **Sec. 73.** Sections 1 - 19, 22, 23, 30 - 34, 36, 37, 45, 47, and 63 - 72 of this Act take effect
24 immediately under AS 01.10.070(c).

25 * **Sec. 74.** Section 46 of this Act takes effect January 1, 2021.

26 * **Sec. 75.** Except as provided in secs. 73 and 74 of this Act, this Act takes effect January 1,
27 2015.