



**STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU**

**Questions and Answers:
House Finance - October, 28 2015**

1. **Does the PILT amount change if TransCanada is not participating in the project? If so, by how much? If not, do the producers just pay more?**

Department of Revenue Response:

The Impact Payments have been proposed at a value equal \$800 million over the project construction period, currently anticipated to be five years. The Municipal Advisory Gas Project Review Board has not completed its review of the proposed Impact Payments amount. Under the anticipated terms of a Firm Transportation Services Agreement (FTSA) with TC, Impact Fees and Property Taxes incurred by TC would be passed-through to State for payment in the TC tariff. In addition, TC income taxes would also be passed through to the State in the TC tariff. Note that the Impact Fees and Property Taxes would be assessed by the State against the Project property owner (not the Project equity participants). The Project property owner would then issue a cash call to the Project Participants to fund their proportionate share of the Impact Fees and Property Taxes. This allocation will not change with a TC buyout – the State will pay its proportionate share either directly without TC, or indirectly through TC. Whether this would affect municipalities will depend on how the Legislature determines to allocate the Impact Fee and Property Tax receipts from the Project property owner. The MAGPR Board is currently considering allocation options as well as acceptable target Impact Fee and Property Tax levels.

- a) **Where are we in the process? Is there a draft PILT plan? If so, can you forward a copy to the committee.**

The Department of Revenue (DOR) is the lead agency in the Administration's efforts to communicate with and facilitate the efforts of the Municipal Advisory Gas Project Review Board (MAGPRB), a 12-member board authorized by SB 138, passed in 2014, and assembled by Administrative Order No. 269 on March 25th, 2014. The MAGPRB is a key component, representing directly and indirectly impacted municipalities and local stakeholders, in recommending possible options to address and mitigate the impacts of new infrastructure associated with the Alaska LNG project. The MAGP Board is a transparent collaborative public process chaired by Commissioner of Revenue. The Board meets on a regular basis, with the last meeting held on 10/9/15. The Commissioner of Revenue anticipates the next MAGPR Board meeting take place after

the Special Session to continue discussions. All discussion materials can be found on the MAGPR Board website: <http://dor.alaska.gov/MAGboard>

- Current Work:
 - Stemming from the September 23 and October 9th meetings, the Commissioner of Revenue presented tentative proposal between the state and the producers on a target amount for Impact Fees (\$800 million) and a Flow Rate Property Tax value proposal (\$15.7 billion) to the MAGPR Board for consideration. The MAGPR Board is currently considering the target Impact Fee and Property Tax levels, and discussions have commenced on an allocation methodology for distribution of Impact Fees and Flow Rate Property Tax receipts among the State stakeholders.
- Next Steps for the MAGPR Board include:
 - Continue Discussions to Finalize Overall Structure and Target Amounts
 - Impact payments during construction and
 - Flow-related property tax
- Collaborate and Provide recommendations on allocation of payments among State and local jurisdictions
 - Utilize FERC/NEPA pre-filing process of socioeconomic impacts for FERC Resource Report #5
- Begin process of drafting 2015 MAGPRB Annual Report due December 15, 2015
Propose modified legislation to change property tax statutes introduced in SB100 and HB183.

2. Can you provide a copy of the contract with Rigdon Boykin?

Attached, please find Rigdon's executed contract, and contract amendments 1 and 2.

3. Is AOGCC being assessed AKLNG-related charges by AGDC, a state department or the Governor's Office? If so, how much, and by whom?

AGDC Response:

AGDC is not a gas owner and does not have any direct dealings with AOGCC, so the commission isn't being assessed any fees by AGDC. Our AKLNG joint venture partners, who have North Slope oil & gas leases, have recently filed gas off-take petitions with AOGCC in support of the project. However, those are done by the individual companies, not the project itself. If there are fees or assessments associated with those petitions, best to direct that question to the producers directly (BP, ConocoPhillips and ExxonMobil).

4. If TransCanada is still at the table on December 4 and votes “no” on the 2016 project budget, does that constitute a default by TransCanada and eliminate the need to pay the 7.1% interest on TransCanada’s development costs?

Department of Natural Resources Response:

If TransCanada does not vote as directed by DNR or does not vote at all, it would be a Default Event under the PA, which TC would have to cure or to commence to remedy within 30 days after breach. If TC fails to cure the Default Event, DNR has the option to terminate the PA without the obligation to pay the 7.1% interest on TransCanada’s development costs. Please note that if TransCanada’s development costs (without the 7.1%) are not paid when due under the PA, the State would still be obligated to pay a higher interest rate of LIBOR + 10% during payback on any amount outstanding after the payment due date.