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ALASKA CHAMBER

C
E
O

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Anchorage, AK
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r.com

February 23, 2017

Representative Geran Tarr
Representative Andy
Josephson
House Resources Committee
Co-Chairs Alaska House of
Representatives
State Capitol,
Rm 124
Juneau, AK
99801

Re: Opposition to House Bill 111-Oil & Gas Production Tax; Payments;

Credits Dear Representatives Tarr and Josephson:

The Alaska State Chamber of Commerce (Alaska Chamber) strongly opposes the current versions of both House Bill 111, that would once again change Alaska's oil and gas tax structure.

The mission of the Alaska Chamber is to promote a positive business environment in Alaska. We represent hundreds of businesses, manufacturers and local chambers from across the state. A vital aspect of a healthy business environment is certainty, especially when it comes to tax policy. The Alaska Chamber is already seeing businesses in other sectors holding back given the uncertainty of the State's fiscal situation. Making and keeping Alaska competitive on a national and global scale is critical to Alaska's long-term sustainability.

HB 111is just another in a long line of bills attempting to change Alaska's oil and gas taxes. In the last 11 years alone there have been six changes to Alaska's oil and gas taxes. The latest change, House Bill 247, was just signed into law by the Governor last July with many of its provisions having yet to take effect.
While there is little that can be done about the volatility of oil prices, we can stabilize our policies.

The Alaska Chamber opposes any effort to increase oil and gas taxes. We need a positive investment climate that provides certainty and stability for statewide oil and gas activities.

Sincerely,

Curtis W.
Thayer
President &

2.

Dear Representative Geran Tarr:

I just wanted to contact you to as you are a voice for Alaskans. It is important not change our tax structure yet again, and to keep a system in place that both brings in revenue to the state and encourages investment and exploration which leads to increases in production.

I appreciate your time.

Teena Applegate

3440 Hines Circle, Anchorage AK 99516

3.

ANCHORAGE CHAMBER
of COMMERCE

1016 W. Sixth Ave, Suite 303

Anchorage, AK 99501

FOR IMMEDIATE RELEASE

February 22, 2017

ANCHORAGE CHAMBER OPPOSES HB111

ANCHORAGE, AK - The Anchorage Chamber of Commerce today announced opposition to House Bill 111, a bill aimed at altering production taxes on the oil and gas industry for the seventh time in 12 years. The Anchorage Chamber of Commerce is a strong advocate for a solution to the state's ongoing fiscal crisis, which will need to involve reductions in government spending, a restructuring of the permanent fund, and possibly a new broad-based tax. The Anchorage Chamber has consistently advocated for a fair, competitive, and stable oil tax environment as foundational to Alaska's economic stability. In response to the introduction to this bill, Anchorage Chamber of Commerce Chairman JR Wilcox issued the following statement:

"There is an urgent need for the legislature to take responsible and decisive action during this legislative session to address the state's serious fiscal problems. The gap between government revenue and expenditure is manifestly unsustainable, and the failure to resolve the issue is creating a damaging climate of uncertainty for the state's business community. Trying to address the fiscal crisis through another change to the production tax system will only compound our economic and budgetary problems. This would curtail much-needed investment in the oil & gas sector and distract from the urgent matters at hand. Only through encouraging investment will we increase production, resulting in a vibrant economy and more government revenues."

The Anchorage Chamber will continue to oppose tax increases on the oil and gas industry and actively advocate on behalf of its members on the importance of creating a stable business climate.

# # #

ABOUT THE ANCHORAGE CHAMBER OF COMMERCE

The Anchorage Chamber of Commerce is a non-profit, member-driven business organization with more than 900 members representing more than 54,000 employees. For over 100 years, the Anchorage Chamber has served as a resource where members can gain business knowledge, insight and strength. More information about the Anchorage Chamber is available at AnchorageChamber.org or by calling (907) 272-2401.

Press Contact: Tosha Kelly

4.

From: Erica McCaslin
Sent: Tuesday, February 28, 2017 3:38 PM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>; Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>; Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>
Subject: HB111 - vote NO

Please do not support HB111. Oil companies will chose to further reduce spending in the state and negatively impact the economy.
Thanks,
Erica

5.

Subject: No to HB 111

Good Morning Representative Tarr,

North Star Terminal and Stevedore Co LLC has been operating in Alaska since 1950. Much of our survival is dependent on a healthy oil and gas industry. In fact, the State's fiscal solution is the oil and gas industry. We cannot continue to change our tax policy that negatively effects oil and gas investment in Alaska. We need increased oil production now more than ever, raising taxes will kill investment that leads to increased production.

Be a Statesman not a short term politician and oppose HB 111.

Respectfully Requested,

Steve Post

RDC Board Member

Steve Post

Vice President

Anchorage, AK 99501

6.

Sent: Wednesday, March 01, 2017 12:45 PM
To: House Resources <lhsres@akleg.gov>
Subject: HB111

Well, that was the worst word problem I have ever encountered. Not because the math was so difficult, but it is so poorly worded. As far as I can tell, this bill simply restructures the penalties on oil & gas producers who are already delinquent in paying their taxes. It has no repercussions for not paying taxes, allows permanent credits, and continues to allow the oil & gas producers to reduce their tax burden through exploration write-offs. For some bizarre reason, if the oil & gas producers get lucky, and the value of their product goes up, the tax on their product goes down. Does not sound to be designed to get Alaskans their fair share of oil revenue.

Joseph Richardson
of Juneau, Alaska

7.

From: Carrie Currey
Sent: Wednesday, March 01, 2017 1:16 PM
To: House Resources <lhsres@akleg.gov>
Subject: Opposing bill 111

Please stop demonizing our oil companies.

These are financially precarious times in Alaska. There is absolutely no need to change, tweak, or modify the current tax structure for oil exploration.

It is not necessary, it will result in harming our economy.

Vote No on House Bill 111!

Sincerely,

Carolyn and Kirk Currey

6.

From: Jason Ward
Sent: Wednesday, March 01, 2017 3:46 PM
To: House Resources <lhsres@akleg.gov>
Subject: Oppose House Bill 111

Dear committee members,

I am writing to oppose House Bill 111. As drafted, the bill will undoubtedly kill jobs and investment in our state at a time when we need them most. The basic rule of economics tells us that raising taxes on an industry when oil prices are low and companies are struggling will lead only to fewer oilfield projects being funded in Alaska, and a return to declining oil production. These negative developments will further harm our already fragile Alaska economy. Please consider voting NO on this job-killing piece of legislation.

Thank you,

Jason Ward

Anchorage, AK

9.

From: Daniel Bearden
Sent: Wednesday, March 01, 2017 4:09 PM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>; Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>; Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>; Rep. Harriet Drummond <Rep.Harriet.Drummond@akleg.gov>; Rep. Justin Parish <Rep.Justin.Parish@akleg.gov>; Rep. Chris Birch <Rep.Chris.Birch@akleg.gov>; Rep. DeLena Johnson <Representative.DeLena.Johnson@akleg.gov>; Rep. George Rauscher <Rep.George.Rauscher@akleg.gov>; Rep. David Talerico <Rep.David.Talerico@akleg.gov>; Rep. Mike Chenault <Rep.Mike.Chenault@akleg.gov>; Rep. Chris Tuck <Rep.Chris.Tuck@akleg.gov>
Subject: HB111

Dear House Resources Committee Members,

Do not pass HB111. My job and that of many of my team will be at stake. I am the drilling engineering supervisor for Kuparuk at ConocoPhillips. As individuals, we contribute a healthy amount to the Alaskan economy, but took pay cuts in 2015 and again in 2016. We have been through 3 rounds of layoffs since January 2015. Each time, I was forced to lay off a valued member of my team. ConocoPhillips is still performing a good amount of development drilling at Kuparuk and Alpine. However, HB111 is a massive threat to the economics of my drilling projects. I know that further consolidations would then be made, and several more of my team members will face layoffs or relocation to Houston - where drilling projects in the L48 already compete much better for Capital dollars than Alaska does. HB111 will make Alaska less competitive and drive oil company investment down south.

I have lived in Alaska since 2002. I have a good salary in Alaska. I shop local, I pay high property taxes, and contribute much of my income to the Alaskan economy. Please don't make me relocate to Texas by passing HB111.

Thank you for NOT passing HB111.

Daniel Bearden
Anchorage, Alaska

10.

From: Cox, Bob
Sent: Wednesday, March 01, 2017 4:17 PM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>; Rep. Chris Tuck <Rep.Chris.Tuck@akleg.gov>; Rep. Mike Chenault <Rep.Mike.Chenault@akleg.gov>; Rep. David Talerico <Rep.David.Talerico@akleg.gov>; Rep. George Rauscher <Rep.George.Rauscher@akleg.gov>; Rep. DeLena Johnson <Representative.DeLena.Johnson@akleg.gov>; Rep. Chris Birch <Rep.Chris.Birch@akleg.gov>; Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>; Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>; Rep. Harriet Drummond <Rep.Harriet.Drummond@akleg.gov>; Rep. Justin Parish <Rep.Justin.Parish@akleg.gov>
Cc: Brandy Dixon
Subject: HB 111

Members of the Alaska State House Resources Committee:

I am writing today in opposition to HB 111. A healthy oil and gas industry is vital to the Alaska economy and I fear that yet another change in tax policy will make Alaska a less attractive place for these companies to invest in the future.

After years of study and debate, after tinkering with changes to oil and gas tax regime for 11 years, Alaskans came together to support SB21. Let that stand for now and, in my opinion, for at least 5 years, so we can understand the full impact and effect of that tax structure. With a fair and stable tax regime, I believe the industry will continue to explore and expand, benefiting all Alaskans.

I am fully aware of the State's massive budget deficit and I advocate that the legislature address it head on. However, going back to the well, so to speak, and jacking up taxes on the industry that is so vital to our economy, is reckless and foolish.

Respectfully,

Bob

Robert E. Cox

Vice President | Crowley Fuels LLC

Safety

11.

From: Greg Beischer
Sent: Tuesday, February 28, 2017 12:04 PM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>; Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>; Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>; Rep. Harriet Drummond <Rep.Harriet.Drummond@akleg.gov>; Rep. Justin Parish <Rep.Justin.Parish@akleg.gov>; Rep. Chris Birch <Rep.Chris.Birch@akleg.gov>; Rep. DeLena Johnson <Representative.DeLena.Johnson@akleg.gov>; Rep. George Rauscher <Rep.George.Rauscher@akleg.gov>; Rep. David Talerico <Rep.David.Talerico@akleg.gov>
Cc:
Subject: HB111 Oil Tax Policy Reform

Dear Members of the House Resources Committee,

Alaska's Oil Tax Industry does not need reform. It is working exactly as the prior administration intended. The current policy attracts investment to the State of Alaska and has already resulted in recent discoveries. The way to increase revenues is to increase oil production. In my view it is far better to be patient, and let the current policy continue to work. It is better to show the industry that Alaska is stable and that it wants the investments that keep the oil industry, and therefore our state, thriving.

I have heard that many of the environmental groups are supporting HB111. This should tell you something. Their goal is not to achieve fiscal stability. Their goal is to stop resource development. This state depends almost completely on resource development. We can no longer afford to accommodate anti-development zealots. This state is teetering on the edge of an economic abyss. A serious tax increase could push this state right over the edge.

As a resource developer and as a private citizen I urge you not to make any changes to the current Oil Tax Policy. Oil companies can operate anywhere in the world. They have a choice. Please do not drive away the business upon which so much depends for Alaska. The oil renaissance for Alaska is just getting started. Tax stability is key to making it happen.

Gregory A. Beischer

President & CEO

Millrock Resources Inc.

www.millrockresources.com

12.

From: Saleutogi Letuligasenoa [mailto:togiletuligasenoa@gmail.com]
Sent: Tuesday, February 28, 2017 2:04 PM
To: Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>
Subject: HB111

Dear Representative Tarr,

My name is Togi Letuligasenoa and I am a life-long Alaska, born and raised in Fairbanks. I have worked at the same construction company since I was 14 years old. Our company has a division which performs oil field service, support and equipment rental in Prudhoe Bay and Kenai. In our current economic market, we have seen a revenue decline of approximately 30% for services and rentals. We have been told to expect another 10% decline this calendar year. I believe that increasing the oil production tax by any percentage would continue this downward spiral and make Alaska's oil noncompetitive in the national and global market. Our pipeline is aging and facing many problems due to low utilization that we have not encountered before. We, as a state, need to figure out a tax structure that increases the amount of oil in the pipeline. I understood why HB247 was passed, I understand that we do not have any money for tax incentives and exploration credits. I also believe that we have yet to understand the full economic impact that HB247 will have on producers, which is the exact reason why we should not be introducing another tax bill. I urge you to please vote no on HB111. I appreciate you taking the time to read this letter, let's continue to find a way to keep Alaska's oil competitive.

Sincerely,

Togi Letuligasenoa

13.

From: Genevieve Schok
Sent: Tuesday, February 28, 2017 2:29 PM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>; Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>; Rep. Chris Tuck <Rep.Chris.Tuck@akleg.gov>; Rep. David Talerico <Rep.David.Talerico@akleg.gov>; Rep. Harriet Drummond <Rep.Harriet.Drummond@akleg.gov>; Rep. Mike Chenault <Rep.Mike.Chenault@akleg.gov>; Rep. George Rauscher <Rep.George.Rauscher@akleg.gov>; Rep. DeLena Johnson <Representative.DeLena.Johnson@akleg.gov>; Rep. Justin Parish <Rep.Justin.Parish@akleg.gov>; Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>
Cc: Rep. Adam Wool <Rep.Adam.Wool@akleg.gov>; Rep. Adam Wool <Rep.Adam.Wool@akleg.gov>; Sen. Click Bishop <Sen.Click.Bishop@akleg.gov>
Subject: Testimony on HB 111

All,

Please submit this as public testimony on HB111. Feel free to contact me with questions. Thank you for your consideration.

As you listen to debate on HB 111, please keep in mind the effect that dis-incentivizing our biggest industry has on small businesses. Flowline Alaska is right in the Heart of Fairbanks and we service the needs of the producers by providing corrosion coatings, pipeline insulation and spool welding, among other things. I like to think of our employee parking lot as a barometer for the economy in Fairbanks, and when the Legislature raises taxes on Industry, those taxes have consequences. Instability in taxes have consequences as well, none on the positive side. Raising taxes equals empty employee parking lot. Instability in tax structures equals empty parking lot.

After ACES, we had a sharp downturn in work. Measureable.

After SB 21 we saw an uptick in work, companies investing and exploring again. In the past year or so of commodity prices hitting record lows, we see our clients fighting for investment dollars to spend in Alaska (a very high-cost state).

If we change Oil tax structures AGAIN for the 7th time in less than a dozen years, I am not optimistic about further investments. SB 21 has worked to spur investment and incentivize companies to come to Alaska; why would we consider sending a message that we are closed for business?

Please remember that when you take away money from the private sector to fund the public, it hurts those of us that employ YOUR constituents and the local vendors we use.

Like clockwork, every other year we have to keep lobbying the legislature for the right to work; please keep Alaska competitive by tossing HB 111 in its entirety and fund our bloated government another way.

Frankly, you should be working towards **growing the pie,** incentivizing the industry, paying companies what we LEGALLY OWE them, NOT taxing them more.

Sincerely,

Genevieve Schok Jr.

Flowline Alaska

Fairbanks, AK 99701

14.

From: Steven Gieryic
Sent: Wednesday, March 01, 2017 7:09 AM
Subject: Please Do Not Pass HB111

As a concerned Alaskan resident I urge you to not pass HB111.

- HB111 moves Alaska in the wrong direction by increasing taxes in an already high cost environment.

- HB111 makes Alaska less competitive and could drive investment to other places.

- If passed, HB111 will be the seventh oil tax law change in 12 years and the third since 2013. Stability matters.

- Under SB21, the State always has the highest percentage of net revenue. In fact, when industry is losing money, the State still has positive revenue. HB111 would simply increase State take even higher.

- In 2016, COPA made $233 million in adjusted net income. We incurred $490MM in estimated taxes and royalties to the State ($537MM when the federal piece is included) – over twice our earnings. We have been a significant contributor to State revenues, even at current low oil prices. Since 2007, we have paid over $26 billion to the State in taxes and royalties and over $34 billion when the federal government is included.

- Increasing taxes could result in less investment, less production, less revenue to the State and fewer jobs. Every oil company job supports about 20 jobs in the State economy.

- The oil industry has historically provided about 88% of the State's General Fund. Even at today's low oil prices, the industry is still providing about 67% of the General Fund revenues. Attempting to balance the State's budget through increased oil taxes will not fix the budget deficit, but will hurt the State when industry investment declines.

- SB21 has placed Alaska in a competitive position and is working. Since its passage in 2013 (and approved by voters in 2014), it has spurred increased investment, production, jobs and revenue to the State. Let it continue to work.

Thank you,

Steve Gieryic

15.

From: scott brunswick
Sent: Wednesday, March 01, 2017 8:27 AM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>; Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>; Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>; Rep. Harriet Drummond <Rep.Harriet.Drummond@akleg.gov>; Rep. Justin Parish <Rep.Justin.Parish@akleg.gov>; Rep. Chris Birch <Rep.Chris.Birch@akleg.gov>; Rep. DeLena Johnson <Representative.DeLena.Johnson@akleg.gov>; Rep. George Rauscher <Rep.George.Rauscher@akleg.gov>; Rep. David Talerico <Rep.David.Talerico@akleg.gov>; Rep. Mike Chenault <Rep.Mike.Chenault@akleg.gov>; Rep. Chris Tuck <Rep.Chris.Tuck@akleg.gov>
Subject: HB111

AK House Resources Committee

If you change the tax structure once again, you will cost many more thousands of jobs to be lost. If this happens it will cause the companies we work for to send their money elsewhere. Yes, I work in the industry, therefore, I'm in the trenches seeing first hand what is going on. Even though these companies lost money for quite a while the past couple years, they didn't decrease investment much into the slope & kept the vast majority of us employed. I'd really like to keep my job & provide for my family, without these companies investing here, there is no other work to be had in this state. You may personally hate the industry for your own ideology or perception of the world, but bottom line is, it is the engine that keeps our states economy going. If you cause them to shut down investment, it will be a boulder in a lake causing waves throughout every life here.

Regards

Scott Brunswick

Eagle River

16.

From: "rada@pacriminstitute.org" <rada@pacriminstitute.org>
Date: March 1, 2017 at 5:04:45 PM AKST
To: "Representative.DeLena.Johnson@akleg.gov" <Representative.DeLena.Johnson@akleg.gov>
Subject: HB 111

03-01-2017

House Resources Committee

Email submission

Dear Representative Johnson,

As an engaged Alaskan, serving as commissioner on two municipal commissions and a non-profit organization, I care most about the wellbeing of our state and people who live here. For over 20 years, I have been extremely fortunate to call Alaska home. My family includes my parents, their children and great children who love Alaska just like I do. I am a product of the University of Alaska system, most recently of its graduate program in Environmental Permitting. I come from Russia, which I left due to upheavals and unpredictable policies of the early 90s.

I am writing today because I am worried and concerned about the future of the state and its citizens, including my family and myself. Alaska political and industry leaders tout how secure, reliable, trustworthy Alaska is to do business here. Yet the activity of our legislature over the last dozen or so years paints a drastically different picture. The oil and gas industry, which pays for over 90% of state's budget has experienced six tax law changes in 12 years. If HB111 passes, it would be the 7th. Industry, like individual families rely on stable and predictable tax regime to make prudent decision about its activities. Passing HB111 will likely produce the opposite result the proponents are hoping for, slowly suffocating the goose that's laying the golden eggs.

Oil and gas and support industry, has drastically reduced jobs and cut wages to its employees, yet the public sector cannot show it has done the same. I believe spurring new production must be part of the solution. Changing the rules of the game yet again is bound to backfire and undermine the most important source of the State's revenue, with time making Alaska even more dependent on Federal government, unable to have a say about what's taking place on its lands or waters.

In short, leave the oil taxes alone.

Rada Khadjinova, PMP

Anchorage resident

17.

From: Erin Renfro
Date: March 1, 2017 at 5:08:45 PM AKST
To: "Representative.Andy.Josephson@akleg.gov" <Representative.Andy.Josephson@akleg.gov>, "Representative.Geran.Tarr@akleg.gov" <Representative.Geran.Tarr@akleg.gov>, "Representative.Dean.Westlake@akleg.gov" <Representative.Dean.Westlake@akleg.gov>, "Representative.Harriet.Drummond@akleg.gov" <Representative.Harriet.Drummond@akleg.gov>, "Representative.Justin.Parish@akleg.gov" <Representative.Justin.Parish@akleg.gov>, "Representative.Chris.Birch@akleg.gov" <Representative.Chris.Birch@akleg.gov>, "Representative.DeLena.Johnson@akleg.gov" <Representative.DeLena.Johnson@akleg.gov>, "Representative.George.Rauscher@akleg.gov" <Representative.George.Rauscher@akleg.gov>, "Representative.David.Talerico@akleg.gov" <Representative.David.Talerico@akleg.gov>, "Representative.Mike.Chenault@akleg.gov" <Representative.Mike.Chenault@akleg.gov>, "Representative.Chris.Tuck@akleg.gov" <Representative.Chris.Tuck@akleg.gov>
Cc: Casey Sullivan <Ca[redacted]
Subject: HB 111

House Resources Committee Members:

I am an engineer at Caelus Energy and I am concerned about the most recent oil tax increase that is being proposed under HB 111. While it is tempting to collect every dollar possible from the oil industry through increased taxation, doing so makes Alaskan projects less competitive making it very difficult, if not impossible, to raise the funds to complete projects like our Nuna development and Smith Bay prospect.

Oil tax reform in 2013 made Alaska more competitive and a more attractive place to invest. Oil companies have responded with over $5 billion in new projects including Caelus Energy buying Pioneer Natural Resources' Oooguruk and Nuna projects, hundreds of thousands of acres of leases on Alaska's Eastern North Slope and, of course, drilling two very successful exploration wells in Smith Bay. Alaska saw no production decline in 2014, a slight dip in 2015, followed by the first production uptick in 14 years in 2016. Oil tax reform played a significant role in the production increase in 2016.

Please do not spook our potential investors by making further changes to Alaska's oil taxes.

Thank you,

Erin Renfro

Operations Engineering Supervisor

Caelus Energy Alaska, LLC

18.

From: >
Date: March 1, 2017 at 5:35:37 PM AKST
To: "Representative.Andy.Josephson@akleg.gov" <Representative.Andy.Josephson@akleg.gov>, "Representative.Geran.Tarr@akleg.gov" <Representative.Geran.Tarr@akleg.gov>, "Representative.Dean.Westlake@akleg.gov" <Representative.Dean.Westlake@akleg.gov>, "Representative.Harriet.Drummond@akleg.gov" <Representative.Harriet.Drummond@akleg.gov>, "Representative.Justin.Parish@akleg.gov" <Representative.Justin.Parish@akleg.gov>, "Representative.Chris.Birch@akleg.gov" <Representative.Chris.Birch@akleg.gov>, "Representative.DeLena.Johnson@akleg.gov" <Representative.DeLena.Johnson@akleg.gov>, "Representative.George.Rauscher@akleg.gov" <Representative.George.Rauscher@akleg.gov>, "Representative.David.Talerico@akleg.gov" <Representative.David.Talerico@akleg.gov>, "Representative.Mike.Chenault@akleg.gov" <Representative.Mike.Chenault@akleg.gov>, "Representative.Chris.Tuck@akleg.gov" <Representative.Chris.Tuck@akleg.gov>
Cc: "Representative.Jennifer.Johnston@akleg.gov" <Representative.Jennifer.Johnston@akleg.gov>
Subject: HB 111

Co-Chairs Josephson, Tarr and Members of the House Resources Committee:

I am writing in opposition of HB 111. If passed this would represent the third oil tax change since 2013 and the seventh change in the past 12 years. This imposed on an industry vital to our economy and experiencing negative cash flow, and thousands of layoffs.

Alaska has significant fiscal challenges, but shrinking the economic contribution of the oil and gas industry will not provide the long-term economic stability that Alaskans seek. We are just starting to see the promise of the more reasonable oil and gas tax policy developed in 2013. The government take is higher at these low prices, the 6%+ production decline has been reversed, and over $5 billion has been invested in spite of severe price declines. Such investment has led to promising new discoveries by ConocoPhillips, Caelus, and Armstrong that could trigger a major reversal in TAPS throughput by adding up to 550,000 barrels per day of new oil into the pipeline.

If you think raising oil taxes once again will lead to an improved fiscal situation for the State or an improved economy for Alaskans, I think your vision is very short sighted. What gains this tax change may make in State revenues over the short run will soon be offset with declining investment, erosion of the TAPS throughput gains of recent years, and the failure to sanction promising new projects.

Alaska has developed a well-earned reputation of being an unreliable partner by changing tax policy to suit the political whims or oil price environment of the day. Industry invests capital in high lead time projects in Alaska based on rational assumptions, and the level of added risk resulting from ever changing oil and gas tax policies directly impacts the willingness of investors to do business here.

Please consider the very real implications of these most important policy decisions. Alaska has entered a recession that most agree will deepen before it gets better. Burdening our most important industry with added uncertainty and fiscal demands will only serve to prolong the downturn, and could lead to an irreversible decline.

Thank-you for consideration of these comments.

Rick Rogers, Anchorage Hillside (House District 28)

Sent from Mail for Windows 10

19.

Northrim Bank

March 1, 2017

State of Alaska - Legislature - House Resource Committee

Subject: HB 111

Honorable Members - House Resource Committee,

Please consider my inputs in this written testimony as objections to the breadth, reach and consequences of enacting this legislation as currently drafted. Though tactically modifying our oil tax credit formulas and pay-out mechanisms likely deserves some adjustment.

Often we Alaskan's associate our public resource ownership to a fiduciary responsibility for maximum benefit absent clear definitions of such measurement. From a financial and economic perspective, maximum value requires retaining a 'going concern', 'franchise' 'intrinsic' or 'discounted cash flow' value of a very long term proposition. If our tenant, lease-right holder, or operator is not successful, little or no value accrues. Our resource when assigned as leasehold, extraction and operating right is not listed on the State's financial statements as an asset (other than up-front lease bonus payments), but become earning opportunities when and if product is extracted and operations are profitable and sustainable. Our ownership culture needs to extend to the lessee and operator that require positive cash flow for us to accrue benefits. Balancing the very long term benefits for both State and lessee/operator, and relative to other opportunities, is the absolute goal, including the extraction of the last ounce of resource for royalty. This economic and financial model will deliver wealth to our progeny

As in the case of any contract or marriage, surprises do come up after the 'I do's' are exchanged and we must work through unforeseen circumstances for all parties and be collective good stewards of limited capital and retain long term viability.

As a studied bank observer of these circumstances I am concerned that during our current economic oil market environment we are proposing raising oil taxes too much and the result will be to impair the state's second largest asset and result in a flight of direct and indirect investment capital out of our state that could otherwise be retained.

Addressing some unintended consequences of tax credits, while retaining a motivating strategy for new oil may be appropriate, but the significant increase of production taxes is not appropriate at this time. Accordingly, please drop or significantly reduce the proposed tax increases in HB 111 or provide offset benefits that will retain and grow investments in this industry for the long term.

Respectfully submitted,

Joseph M. Beedle, Chairman

[redacted]
Anchorage, Alaska 99524-1489
[redacted]
northrim.com

20.

From: Judy Patrick
Date: March 1, 2017 at 4:36:30 PM AKST
To: <Representative.DeLena.Johnson@akleg.gov>
Subject: HB 111

Dear Rep. Johnson,

I am unable to testify in person this evening, so am sending this email to let you know my thoughts about HB 111 as a resident of Alaska.

In short, please stop adding taxes to Alaska's oil producers. As a business owner I feel the direct impact when taxes are raised on my business, it causes it to shrink, not grow.

We need a stable tax policy, which already is in place and should be left alone. Adding more taxes to oil will have a negative impact on oil production, and TAPS throughput is already at a historic low. Trying to squeeze every last dime out of the remaining producers, many of whom are operating at a loss due to low oil prices, sends a chilling message that the State government cannot stick with a policy long enough for the producers to have certainty, which is critical for any business. Uncertainty in business translates to job losses, lower production and less capital spending, none of these things are good for our State. It is unbelievable to think that after all the billions of dollars of of investment they have made, and have funded 90% of our State government for decades, that HB 111 can even be considered!

As a commercial photographer I see first-hand the way the oil industry has been operating in Alaska. Just last week I was on the slope and saw more rigs stacked than I've seen in nearly three decades of taking photos there. Each idle rig represents hundreds of jobs lost. So perhaps instead of thinking about adding new taxes, you should consider lowering taxes to add incentive during tough economic times like these and get the rigs up and working, and put people back to work. It will put more oil in the pipeline and bring our wonderful State back to prosperity.

Thank you for considering my comments.

Judy Patrick

PS I support a statewide sales tax instead.

Judy Patrick Photography

Anchorage, Alaska 99503

21.

From: Kathy Egrass >
Date: March 1, 2017 at 4:24:31 PM AKST
To: <Representative.Andy.Josephson@akleg.gov>, <Representative.Geran.Tarr@akleg.gov>, <Representative.Dean.Westlake@akleg.gov>, <Representative.Harriet.Drummond@akleg.gov>, <Representative.Justin.Parish@akleg.gov>, <epresentative.Chris.Birch@akleg.gov>, <Representative.DeLena.Johnson@akleg.gov>, <Representative.George.Rauscher@akleg.gov>, <Representative.David.Talerico@akleg.gov>, <Representative.Mike.Chenault@akleg.gov>, <Representative.Chris.Tuck@akleg.gov>
Subject: HB111

Please do not raise taxes on Alaska's primary industry. We need to be competitive.

thank you

Kathy Egrass

Alaska Textiles/Korbana Protective Apparel

Assistant Sales Manager

Anchorage, AK 99503

22.

From: Neal Collins

Date: March 1, 2017 at 3:26:58 PM AKST
To: <Representative.DeLena.Johnson@akleg.gov>
Subject: Please do not support HB111

Increasing taxes on an industry that is already in a high cost environment will only serve to decrease investment in Alaska, and reduce revenue for the state in the long run. Companies will choose to spend money elsewhere.

Industry makes investments based on an agreed tax burden, then we change the rules on them every couple of years when we don't like the outcome. I am surprised they even bother with us anymore.

Oil companies are the main non-government economic driver for the economy. Their jobs support lots of other Alaska jobs.

Please do not push HB111 forward and risk further damage to Alaska's economy.

Neal Collins
Chugiak, Alaska

23.

From: Melonnie Amundson
Date: March 1, 2017 at 2:36:19 PM AKST
To: "'Representative.Andy.Josephson@akleg.gov'" <Representative.Andy.Josephson@akleg.gov>, "'Representative.Geran.Tarr@akleg.gov'" <Representative.Geran.Tarr@akleg.gov>, "'Representative.Dean.Westlake@akleg.gov'" <Representative.Dean.Westlake@akleg.gov>, "'Representative.Harriet.Drummond@akleg.gov'" <Representative.Harriet.Drummond@akleg.gov>, "'Representative.Justin.Parish@akleg.gov'" <Representative.Justin.Parish@akleg.gov>, "'Representative.Chris.Birch@akleg.gov'" <Representative.Chris.Birch@akleg.gov>, "'Representative.DeLena.Johnson@akleg.gov'" <Representative.DeLena.Johnson@akleg.gov>, "'Representative.George.Rauscher@akleg.gov'" <Representative.George.Rauscher@akleg.gov>, "'Representative.David.Talerico@akleg.gov'" <Representative.David.Talerico@akleg.gov>, "'Representative.Mike.Chenault@akleg.gov'" <Representative.Mike.Chenault@akleg.gov>, "'Representative.Chris.Tuck@akleg.gov'" <Representative.Chris.Tuck@akleg.gov>
Subject: Opposition of HB 111

Dear Representatives,

Thank you in advance for taking the time to read my point of view of HB 111.

We all know that Alaska's economy is directly affected by the oil and gas industry, which is naturally cyclical. We also know that it is logistically expensive and difficult to do business in Alaska, which puts Alaska at a disadvantage to the lower 48 states. The implementation of HB 111 could be the bill that blocks exciting new exploration/development opportunities that we have in Alaska. Raising taxes and eliminating tax credits could halt much needed investment in Alaska. We desperately need investment, to keep oil production up, protect our Alaskan jobs and local businesses and increase economic stimulation that is needed in our current economic state. For these reasons, I am in opposition of HB 111.

As a lifelong Alaskan, I am very familiar with the stresses of economic change in Alaska. I have lived my entire life in the Anchorage/Eagle River area. I graduated from Chugiak High School and continued into college at the University of Alaska Anchorage. I graduated from UAA with a Bachelors in Management and a minor in economics and then went straight into the Alaska oil industry. I now have 16 years of Alaska oil and gas industry experience under my belt. I worked for over a decade with a corporate oilfield services company that services the North Slope and Cook Inlet. I currently work for Caelus Energy Alaska, a privately held independent exploration and production company that operates on Oooguruk Island in the North Slope. I have seen firsthand the impacts of economic change on a large services company and a small privately held oil company. I have been through the ups and the downs. I have cheered for colleagues when they succeeded and then I have shed tears as I watched them lose their jobs because of downsizing. My husband works for a distributor of printing, industrial papers, packaging products, janitorial, and maintenance products. The negative effects on the oil industry directly reflects as a decline in the distribution of products through his company. Implementation of HB 111 will further reflect as a decline on all essential services. Economic change in Alaska is scary and it touches everyone.

I am blessed that I was able to continue my education and begin a successful career here in Alaska. My husband and I have been able to keep the dollars we have earned and spend here locally. We have volunteered, donated and supported local charity organizations for over a decade now, most of which would not have been possible without the work I have done within the Alaska oil industry. We have never had to leave Alaska, our home. I want to ensure that the opportunities I had growing up and all future opportunities that await for me here in Alaska are available for our daughter and her generation when it's their turn to continue their education and begin their careers in Alaska.

Please oppose HB 111. Let's stabilize the tax regime and encourage investment and new projects in Alaska to positively stimulate our economy.

Thank you,

Melonnie

Melonnie Amundson

Engineering Analyst

Caelus Energy Alaska, LLC

24.

rom: Andy Bond <
Date: March 1, 2017 at 2:10:07 PM AKST
To: "representative.delena.johnson@akleg.gov" <representative.delena.johnson@akleg.gov>
Subject: I oppose HB111

Representative Johnson,

I oppose HB111 strongly. It is going to completely kill the investment climate in the state.

I have lived in Alaska and worked in Alaska's oil and gas industry since graduating from college in 1986. I have worked for Caelus Energy Alaska and its predecessor Pioneer Natural Resource Alaska for 12 years, the last 10 of which as Subsurface Manager for Alaska. The tax system under SB21 was working really well to incentivize companies to explore and find new oil. The new finds by Armstrong, ConocoPhillips and Caelus are all examples of how well this was working. The prospect of new taxes and just the fact that another change is being considered has chilled further investment in the state. We are competing against lower 48 shale – and it's a tough challenge.

The Resource Development Council has prepared a very thorough list of reasons why the tax increases of HB111 will chase away investment from Alaska:

· Alaska is competing against other states that are booming with the increase in oil prices.

· Alaska cannot compete against these other low cost areas by increasing taxes.

· While it is tempting to collect every dollar possible from the oil industry through increased taxation, doing so makes Alaskan projects less competitive with those elsewhere and robs the companies of the investment capital they require to expand existing fields and discover new ones.

- In the long run, increasing taxes on the industry will do more harm to Alaska's economy. Conversely, more investment means more production, more revenue for the state, and more jobs for Alaskans.

- The oil industry has traditionally accounted for 88 percent of Alaska's General Fund revenues and is the largest property tax payer in the North Slope Borough and Kenai Peninsula Borough. Even in these times of low oil prices, oil provides 67 percent of the state's unrestricted revenues and supports one-third of our economy.

- Alaska cannot control the price of oil, but it can control what kind of business climate we create here: one that encourages continued investment and more oil for TAPS.

- The current oil tax system is balanced, setting a higher minimum floor than the previous tax system, while setting a stable and predictable rate when oil prices rise again. At current prices, Alaska's oil tax policy has brought hundreds of millions of dollars more in tax revenue to the state than it would have under the previous system.

- Under the current oil tax system, Alaska's share is higher than the producers' at every price point. In fact, the state gets paid even when companies are operating at a loss because it still collects royalties, property tax, and a gross production tax.

- Oil tax reform in 2013 made Alaska more competitive and a more attractive place to invest. Oil companies have responded with over $5 billion in new projects. Alaska saw no production decline in 2014, a slight dip in 2015, followed by the first production uptick in 14 years in 2016. Oil tax reform played a significant role in the production increase in 2016.

- New oil plays by ConocoPhillips, Caelus, and Armstrong could trigger a major reversal in TAPS throughput by adding up to 550,000 barrels per day of new oil into the pipeline with commensurate economic benefits across the state. Maintaining a stable tax policy with incentives to invest is key to seeing these projects come into production.

- The new 2017 oil tax policy proposal (HB 111) represents the seventh major tax change in the last 12 years. Imposing significant tax increases and eliminating access to critical incentives will do nothing to increase production. It creates more harm to Alaska's largest industry and the state's economy as a whole.

- Raising taxes on companies that are reporting negative cash flow positions is not sound tax policy.

- Raising taxes and eliminating tax credits could slow or stop investment. Alaska needs that investment now more than ever to keep oil production up to protect Alaskan jobs and businesses as well as the revenue that production generates for the state.

- In 2016, the Legislature passed House Bill 247, a major piece of oil tax legislation. That bill phased out tax credits in the Cook Inlet, and sunsetted exploration credits on the North Slope, among other changes. The full economic impact of this legislation has yet to be understood. Introducing yet another tax bill before seeing how the current law is performing is short-sighted, and could jeopardize recent gains achieved in Alaska's oil industry.

- It takes an annual industry investment of $3 to 4 billion to keep production levels stable on the North Slope. This requires a durable and competitive tax policy to fund Alaska projects.

Thank you for your consideration, and I urge you to support a tax policy that will balance incentives for new developments with fair and equitable taxes.

Andy Bond

25.

From: Michael Ferris
Date: March 1, 2017 at 12:47:34 PM AKST
To: "Representative.Andy.Josephson@akleg.gov" <Representative.Andy.Josephson@akleg.gov>, "Representative.Geran.Tarr@akleg.gov" <Representative.Geran.Tarr@akleg.gov>, "Representative.Dean.Westlake@akleg.gov" <Representative.Dean.Westlake@akleg.gov>, "Representative.Harriet.Drummond@akleg.gov" <Representative.Harriet.Drummond@akleg.gov>, "Representative.Justin.Parish@akleg.gov" <Representative.Justin.Parish@akleg.gov>, "Representative.Chris.Birch@akleg.gov" <Representative.Chris.Birch@akleg.gov>, "Representative.DeLena.Johnson@akleg.gov" <Representative.DeLena.Johnson@akleg.gov>, "Representative.George.Rauscher@akleg.gov" <Representative.George.Rauscher@akleg.gov>, "Representative.David.Talerico@akleg.gov" <Representative.David.Talerico@akleg.gov>
Cc: "Representative.Mike.Chenault@akleg.gov" <Representative.Mike.Chenault@akleg.gov>, "Representative.Chris.Tuck@akleg.gov" <Representative.Chris.Tuck@akleg.gov>, Michael Ferris <Mike@aesalaska.com>
Subject: HB 111

Dear, House Resources Members and Alternates

As a small business with offices in Anchorage and Fairbanks I see every day how important the oil industry is to Alaska. I only have 9 employees and do not represent a huge business but I am vested in Alaska and it economy.

HB 111 would be the 6th change to our oil and gas taxes in the last 11 years. If any of you have run a small or large business you know how important it is to have some stability in your business planning. We need to project a healthy business environment for the largest producer of revenue in our state not a constantly changing environment.

We saw last year for the 1st time in many, many years an increase in oil production. I urge you to work on ways to help the oil industry continue to increase production to generate revenue for the state and not to increase taxes on the oil industry.

Sincerely

Michael S. Ferris

Owner Alaska Enterprise Solution

26.

From: David Hart

Date: March 1, 2017 at 12:07:01 PM AKST
To: "Representative.DeLena.Johnson@akleg.gov" <Representative.DeLena.Johnson@akleg.gov>
Cc: David Hart <
Subject: Oppose HB111

Representative Johnson,

I have lived in Alaska and worked in Alaska's oil and gas industry since graduating from college in 1990. I have worked for Caelus Energy Alaska and its predecessor Pioneer Natural Resource Alaska for 12 years, the last 7 of which as Operations and Production Manager for Alaska. I have seen first-hand the success possible from state incentives provided to smaller producers like Caelus and Pioneer. Unfortunately, more recently I have experienced the challenges our industry faces in acquiring funding for our new developments such as Nuna and Smith Bay when the state Legislature too often changes tax policy and fails to incentivize smaller independent producers.

I oppose HB111, as I believe it will deter the additional investment our state so dearly needs to increase production.

The Resource Development Council has prepared a very thorough list of reasons why the tax increases of HB111 will chase away investment from Alaska:

- Alaska is competing against other states that are booming with the increase in oil prices.

- Alaska cannot compete against these other low cost areas by increasing taxes.

- While it is tempting to collect every dollar possible from the oil industry through increased taxation, doing so makes Alaskan projects less competitive with those elsewhere and robs the companies of the investment capital they require to expand existing fields and discover new ones.

- In the long run, increasing taxes on the industry will do more harm to Alaska's economy. Conversely, more investment means more production, more revenue for the state, and more jobs for Alaskans.

- The oil industry has traditionally accounted for 88 percent of Alaska's General Fund revenues and is the largest property tax payer in the North Slope Borough and Kenai Peninsula Borough. Even in these times of low oil prices, oil provides 67 percent of the state's unrestricted revenues and supports one-third of our economy.

- Alaska cannot control the price of oil, but it can control what kind of business climate we create here: one that encourages continued investment and more oil for TAPS.

- The current oil tax system is balanced, setting a higher minimum floor than the previous tax system, while setting a stable and predictable rate when oil prices rise again. At current prices, Alaska's oil tax policy has brought hundreds of millions of dollars more in tax revenue to the state than it would have under the previous system.

- Under the current oil tax system, Alaska's share is higher than the producers' at every price point. In fact, the state gets paid even when companies are operating at a loss because it still collects royalties, property tax, and a gross production tax.

- Oil tax reform in 2013 made Alaska more competitive and a more attractive place to invest. Oil companies have responded with over $5 billion in new projects. Alaska saw no production decline in 2014, a slight dip in 2015, followed by the first production uptick in 14 years in 2016. Oil tax reform played a significant role in the production increase in 2016.

- New oil plays by ConocoPhillips, Caelus, and Armstrong could trigger a major reversal in TAPS throughput by adding up to 550,000 barrels per day of new oil into the pipeline with commensurate economic benefits across the state. Maintaining a stable tax policy with incentives to invest is key to seeing these projects come into production.

· The new 2017 oil tax policy proposal (HB 111) represents the seventh major tax change in the last 12 years. Imposing significant tax increases and eliminating access to critical incentives will do nothing to increase production. It creates more harm to Alaska's largest industry and the state's economy as a whole.

· Raising taxes on companies that are reporting negative cash flow positions is not sound tax policy.

· Raising taxes and eliminating tax credits could slow or stop investment. Alaska needs that investment now more than ever to keep oil production up to protect Alaskan jobs and businesses as well as the revenue that production generates for the state.

· In 2016, the Legislature passed House Bill 247, a major piece of oil tax legislation. That bill phased out tax credits in the Cook Inlet, and sunsetted exploration credits on the North Slope, among other changes. The full economic impact of this legislation has yet to be understood. Introducing yet another tax bill before seeing how the current law is performing is short-sighted, and could jeopardize recent gains achieved in Alaska's oil industry.

· It takes an annual industry investment of $3 to 4 billion to keep production levels stable on the North Slope. This requires a durable and competitive tax policy to fund Alaska projects.

Thank you for your consideration, and I urge you to support a tax policy that will balance incentives for new developments with fair and equitable taxes.

Thank you,

David Hart

Anchorage, Alaska

27.

From: Dom A <dom.armitage@gmail.com>
Date: March 1, 2017 at 11:00:25 AM AKST
To: <Representative.Andy.Josephson@akleg.gov>, <Representative.Geran.Tarr@akleg.gov>, <Representative.Dean.Westlake@akleg.gov>, <Representative.Harriet.Drummond@akleg.gov>, <Representative.Justin.Parish@akleg.gov>, <Representative.Chris.Birch@akleg.gov>, <Representative.DeLena.Johnson@akleg.gov>, <Representative.George.Rauscher@akleg.gov>, <Representative.David.Talerico@akleg.gov>, <Representative.Mike.Chenault@akleg.gov>, <Representative.Chris.Tuck@akleg.gov>
Subject: No to HB111

Dear Representatives,

Please take a moment to consider my opinion. As an employee for a major oil company with a large presence in Alaska, my opinion may be construed as biased; however, I would like to present a balanced, data-supported argument for not passing HB111.

The company brought me here and if there is not enough work to do the company will take me away. I appreciate there is no state income tax, but I spend plenty of money locally. I support the local economy, which I appreciate is weakening. I understand that every oil company job supports about 20 jobs in the State economy. There is a budget deficit and Big Oil is an easy target. Big Oil, just like the State and many other oil-dependent industries, has suffered immensely over the last few years. A lot of good people have been walked out the door and our budgets cut to unsustainable levels.

It must be appreciated that Alaska is at the upper end of the cost of supply curve for the company. Increasing taxes on our North Slope business will create doubt about our future competitiveness. To me, it appears as if the oil industry is increasingly being penalized, instead of encouraged, for doing businesses in Alaska. Less investment will be more damaging in the long run. Please exercise foresight, not shortsightedness. If passed, this would be the seventh oil tax law change in 12 years. Stability matters and garners confidence in the Government.

My viable solution would be to implement an income tax and/or slash the PFD and, indeed, use the fund to cover part of the deficit. Please appreciate that the majority of the principal is from oil tax anyway. The State should not want to encourage the oil industry to invest elsewhere. Historically, the oil industry has provided about 88% of the State's General Fund, today it stands at 67%.

Passing HB111 will as much as double the SB21 tax rate when oil prices begin to recover. The current SB21 rate has spurred increased investment, production, jobs, and revenue to the State. Let it continue to work.

Yours sincerely,

Dominic A Armitage, Ph.D.

28.

From: Paul Glavinovich

Date: March 1, 2017 at 10:30:43 AM AKST
To: <Representative.Geran.Tarr@akleg.gov>, <Representative.Andy.Josephson@akleg.gov>, <Representative.Dean.Westlake@akleg.gov>, <Representative.Harriet.Drummon@akleg.gov>, <Representative.Justin.Parish@akleg.gov>, <Representative.Chris.Birch@akleg.gov>, <Representative.DeLena.Johnson@akleg.gov>, <Representative.George.Rauscher@akleg.gov>, <Representative.David.Talerico@akleg.gov>, <Representative.Mike.Chenault@akleg.gov>, <Representative.Chris.Tuck@akleg.gov>
Subject: HB 111

FOR THE RECORD

To the Chair(s) and Members of the House Resources Committee:

Notwithstanding the price induced decline in revenue from Alaska's oil production, the State's economy remains strongly dependent upon this industry and revenues therefrom for well into the future. While we should anticipate an increase in the price of oil in the next several years, we cannot depend on such an increase to produce the revenue stream that Alaska has enjoyed in the recent past. To increase revenue from the State's oil production one has to increase production and that can only be induced by creating and maintaining a stable and competitive investment climate for the oil producers. We have recently been informed of two new major oil discoveries on the North Slope. It will take several years to convert said discoveries into commercial production and then only if they can viably compete within the global economy. House Bill 111 jeopardizes that opportunity. HB 111 also sends a signal to other explorers that they cannot depend upon a stable and consistent investment climate in Alaska.

I ask that the House Resources Committee revisit HB 111 within the context of the long term negative impact(s) that the proposed legislation will have upon the overall fiscal well-being of this state.

Respectfully,

Paul S. Glavinovich

Anchorage, AK

29.

From: Lanston Chinn
Date: March 1, 2017 at 6:41:43 PM AKST
To: Jesse Logan <Jesse.Logan@akleg.gov>
Subject: RE: Oil and Gas Legislation: HB111

Jesse –

Thanks for the email. I see our partners through Kuukpik/SAE have commented. Kuukpik Corporation is supportive and stands behind the JV's stated position(s).

Kuukpik Corporation has been conducting business with the oil and gas industry for over 25 years. During this period Kuukpik has experienced oil prices in the single digits as well as oil being over $100 a barrel. In both instances, increasing taxation at the State level on Industry has never boded well for Alaska.

The State of Alaska more than ever is in need of the revenues, jobs, and business opportunities the Oil and Gas Industry can bring by encouraging thoughtful and balanced development. This is not the time to essentially "penalize" by far the largest industry in the State by dramatically cutting tax credits and increasing taxation. This is contrary to the State's own economic well-being and is counter-productive. Organizationally, Kuukpik Corporation learned to "tighten its belt" in the lean times while "sharing in the upside" when prices and productivity are on the upswing. In this respect industry has kept its word.

It is time for the State of Alaska to work with the Oil and Gas Industry in forging stable, reliable policy(s), going forward.

Lanston Chinn, CEO

Kuukpik Corporation

30.

From: Galen Nelson
Sent: Wednesday, March 01, 2017 9:45 AM
To: Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>
Subject: No on HB111

Representative Westlake-

I'm writing in hopes that you will take a hard look at the proposed new taxes on the Oil industry. I'm a lifelong Alaskan and have worked in the industry for over 10 years. In that time I have witnessed I believe 6 tax policy changes. I have had to leave my job in town and work on the slope when ACES got passed, (with a pregnant wife at home). Luckily I have been able to stay gainfully employed through the good and bad times. This time may be different, the company I currently work for is Caelus Energy and we are a small Independent that was incentivized to acquire and explore in Alaska because of SB21. Since the acquisition in 2014 we have invested hundreds of Millions into the state by starting our Nuna project, we were responsible for the biggest single state land lease purchase in Alaska's history, explored where few have in recent times. All of this puts money back in Alaskans pockets, businesses grow and the state eventually gets their "investment" back.

I'm sure you have heard of our discovery in Smith Bay, the 2 wells we drilled last winter could yield an amazing increase to TAPS and to the state. We're thinking in the neighborhood of 200,000 bopd when fully operational. We executed these wells flawlessly and with the hopes to be out there this winter for an appraisal well. The tax credits promised to us have been in the form of an "IOU". This is a huge problem not only for capital reasons but more importantly for investment reasons, as a small company we survive on getting investment dollars from outside. With the tax structure changing about every other year it makes investors look for more stable tax environments. We are one of many across the slope that have discovered resources that would turn the downward trend of taps for the last >10 years in the right direction.

This letter is just a long winded way of saying I want to keep my job. I fear if the taxes change any more that are not in favor of development and exploration we will end up being sold, have more layoffs or shutting completely down. We laid our rig down last year and had to lay off ~25% of our direct hire workforce partly because of HB247, HB111 could be the knockout punch. None of that is good for the state, I know we are in financial hard times but I fear if we are shortsighted and tax the already burdened industry we will lose in the long run.

Galen Nelson

Logistics Supervisor

Caelus Energy Alaska, LLC

31.

From: Sydney Deering
Sent: Wednesday, March 01, 2017 1:48 PM
To: Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>
Subject: HB-111 Concerns

March 1, 2017

Dear Rep. Westlake,

The future of the oil industry is important to all Alaskans. But there is one group it is not just important to, *it is critical*. We are the petroleum engineering students. It is rare that we, as a group, partake in the legislative process. We rarely have time or feel as younger adults our opinions will matter.

Oil companies are businesses. A basic principle of running a successful business is to not operate at a loss. As the price of oil decreases, the income of these businesses decreases. The cost of operation, on the other hand, does not decrease proportionally. This means the profits decrease, and what we have seen is that this decrease is significant enough becomes a loss. We all feel the effects of this.

So what are we going to do? Some have proposed: "Lets increase the operating cost of the oil companies by increasing taxes and making the loss for a company larger! This will increase the income for the state regardless of the fact the production and business climate of Alaska will become even more difficult to survive in. This won't affect the production and exploration in Alaska."

It is not going to work. It is not a responsible approach to encouraging hydrocarbon production in Alaska and an unfavorable production climate will only lead to a worsening of the financial problems we are already facing.

"But it's our oil." While it is tempting to collect every dollar possible from the oil industry through increased taxation, doing so makes Alaskan projects less competitive with those elsewhere and makes expanding existing fields and discovering new accumulations improbable, and for smaller companies, impossible. In the long run, increasing taxes on the industry will do more harm to Alaska's economy. In my opinion, it is penny wise and pound foolish. A state, a company, or an individual, cannot control the price of oil, but we can control what kind of business climate we create in Alaska. New oil discoveries by ConocoPhillips, Caelus, and Armstrong have the potential to add up to 550,000 barrels per day to the pipeline. Caelus came to the University of Alaska Fairbanks and gave a presentation on their recent discoveries to the engineering students. Their message was very clear. These reservoirs will not move towards

production unless a stable, reliable, and financially feasible tax structure is adopted. It was a very eye-opening and sobering presentation.

I chose petroleum engineering because I want to work in Alaska and contribute to the state in a meaningful way. If the trend of taxing the oil companies dry continues, you will eventually run out of companies to tax. This means it will become increasingly difficult for me have a job here and significantly impacts my future in Alaska, as well as the futures of my fellow students. HB-111 would directly affect our lives and not for the better.

I implore you to make a decision to encourage oil and mineral production in Alaska to the utmost of your ability. Our state is rich in resources beyond our dreams and I believe locking them up with burdensome and prohibitive taxes and regulations at the bidding of a few squeaky wheels would severely hurt our economy and our people for generations. Alaska has the opportunity to be a world header in responsible resource development. Please place your vote in favor of development. When companies that pay taxes win, we all win.

Sincerely,

Sydney E Deering

Fairbanks AK, 99709

32.

m

From: Diana Kuest
Sent: Thursday, March 02, 2017 11:31 AM
To: House Resources <lhsres@akleg.gov>
Subject: Opposed to HB111

Enough is enough! Every year the legislature introduces this type of bill for tax purposes to the state and argues the permanent dividend fund for about 60 days of wasted effort. STOP what you do with this issue and look to create new industry in the state.

If you want a more broad responsibility of tax to communities, look to the UNORGANIZED BOROUGHS and begin organizing them to pay their way in this state. The organized boroughs pay their way and the unorganized boroughs do not, but do deplete the state coffers for every conceivable problem they can push on to the responsible boroughs and state to take up their end of paying for services.

Quit getting into the oil company issue and start with the organization of the boroughs that do nothing but deplete coffers of the state and resources of the state. I oppose SB111.

Diana Kuest, Registered Voter of Alaska and Long Term Resident

~~44.~~ 33.

From: Jim Hill
Sent: Friday, March 03, 2017 4:41 PM
To: House Resources <lhsres@akleg.gov>
Cc:
Subject: House Bill 111

Hello,

Please stop looking to the oil companies as the golden goose which needs to be overtaxed for the privilege to work in our state. When will we realize we are co dependant on oil to make our future work?

We are on the brink in Alaska but we are still in control of our destiny. Taxing oil further surely continue and accelerate the downward trend of our economy.

In these times the oil companies can get us back to where we once were production wise, or they can take their investments to the lower 48.

Plain and simple – if we change the oil taxes for the 8th time in 10 years the oil companies will have no choice but to go elsewhere- they need consistency on our part to make the long term investments needed in Alaska.

Vote a resounding **NO** on House Bill 111 for all of our futures!!

Kind Regards,

Jim Hill

Alaska Area Account Manager

All Pro Alaska

34.

From: Mike Purcell

Sent: Sunday, March 05, 2017 12:25 AM
To: House Resources <lhsres@akleg.gov>
Subject: House Bill 111

I oppose House Bill 111. As a lifelong Alaskan who makes my living on the North Slope, I know for a fact that increasing taxes and making project economics more challenging for the oil and gas industry will only reduce the amount of work up there. I have seen way too many co-workers lose their jobs during this downturn, and punishing companies with more taxes is only going to result in more Alaska job losses. Please focus your energy instead of making sure Alaska is a competitive place to do business so companies don't take their limited investment dollars to less erratic oil basins like Texas. Again, please vote no on HB 111.

Thank you.

Mike Purcell

Anchorage, AK

35.

From: Shane Locke
Sent: Sunday, March 05, 2017 7:20 PM
To: House Resources <lhsres@akleg.gov>
Subject: I oppose HB 111

Dear members of the committee:

I am opposed to House Bill 111 as it is currently written. Raising taxes on the oil industry during a recession is only going to make our economy worse. As a husband and father, it is important to me that our economy be sustainable for years into the future so that my children can choose to live in our great state. Raising taxes on the lifeblood of our economy, the oil industry, may be the easy thing to do politically, but it is short-sighted and will only end up hurting Alaskans in the long run. Please vote no on the bill in its current form.

Thank you,

Shane Locke

Anchorage, AK

[illegible]. 36.

From: Stephen Grabacki
Sent: Monday, March 06, 2017 10:53 AM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>; Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>; Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>; House Resources <lhsres@akleg.gov>
Subject: HB 111

Good day, and thank you for your service to Alaska.

I oppose HB 111. Here's why --

• Alaska cannot increase oil production by increasing taxes. Alaska cannot tax away the industry's incentive to invest and still expect to have a sustainable economy.

• While it is tempting to collect every dollar possible from the oil industry through increased taxation, doing so makes Alaskan projects less competitive with those elsewhere and robs the companies of the investment capital they require to expand existing fields and discover new ones. In the long run, increasing taxes on the industry will do more harm to Alaska's economy. Conversely, more investment means more production, more revenue for the state, and more jobs for Alaskans.

• New oil plays by ConocoPhillips, Caelus, and Armstrong could trigger a major reversal in TAPS throughput by adding up to 550,000 barrels per day of new oil into the pipeline with commensurate economic benefits across the state. Maintaining a stable tax policy with incentives to invest is key to seeing these projects come into production.

• The new 2017 oil tax policy proposal (HB 111) represents the seventh major tax change in the last 12 years. Imposing significant tax increases and eliminating access to critical incentives will do nothing to increase production. It creates more harm to Alaska's largest industry and the state's economy as a whole.

Please stop "moving the goalposts". We Alaskans, both corporate and individual, are in this together, and we must work together.

HB 111 would be like farmers eating their seed corn -- it briefly satisfies hunger, but kills future potential.

Please drop HB 111.

Thank you for your attention. Best regards, -- Steve

Stephen T. (Steve) Grabacki, FP-C
President, and Certified Fisheries Professional
GRAYSTAR Pacific Seafood, Ltd.

Anchorage

37.

-----Original Message-----
From: Patrick Walter
Sent: Monday, March 06, 2017 3:21 PM
To: House Resources <lhsres@akleg.gov>
Subject: HB-111

To whom it may concern;
I would like to take this opportunity to voice my opposition to HB-111.

Most sincerely,

Patrick Walter

38

-----Original Message-----
From: Lew Ulmer
Sent: Monday, March 06, 2017 3:25 PM
To: House Resources <lhsres@akleg.gov>
Subject: I oppose HB 111

I'm emailing to say i'm against changing the oil taxes again and that I oppose HB 111.
Thank You
Lew Ulmer

Sent from my iPhone

[redacted] 39.

From: Joe Kapper
Sent: Monday, March 06, 2017 3:48 PM
To: House Resources <lhsres@akleg.gov>
Subject: HB111 & 133

Dear members of the House Resources Committee:

As a small business owner with years of experience in supporting our oil and gas industry, I oppose House Bill 111.

The current bill will serve only to punish the very oil and gas companies that continue to invest in Alaska projects, even during this period of low oil prices. We should be encouraging their continued investment, not raising taxes and chasing them away.

In short, HB 111 is a bad bill that will lead to more job losses, and a prolonged economic recession. Please abandon this piece of legislation and focus your efforts instead on finding ways to increase the capital, projects, and jobs that will lift Alaska out of its current downturn. Please also respect the decision of Alaska voters who chose in 2014 to retain our current oil tax structure. In my mind, this issue has been decided numerous times.

Thank you,

Stephen J. Kapper

Anchorage, AK

40.

-----Original Message-----
From: Donale Leitch
Sent: Monday, March 06, 2017 4:36 PM
To: House Resources <lhsres@akleg.gov>
Subject: HB111

I would like to voice that I oppose HB111.

Sent from my iPhone

[redacted] 41.

Anchorage Office • 3900 C Street, Suite 801 • Anchorage, Alaska 99503-5963 • 907.339.6000 • FAX 907.339.6028 • 1.800.770.2772

arctic slope
regional corporation

March 6, 2017

The Honorable Geran Tarr, Co-Chair
The Honorable Andy Josephson, Co-Chair
House Resources Committee
State Capitol, Juneau AK 99801

Dear Representative Tarr and Representative Josephson,

I write to you today on behalf of Arctic Slope Regional Corporation (ASRC) regarding HB 111, *Oil & Gas Production Tax; Payments; Credits*. ASRC has serious concerns with the impacts this bill will have in its current form. ASRC is the largest Alaskan-owned company with approximately 10,000 employees nation-wide, with nearly half of those employees in Alaska. ASRC was established pursuant to the Alaska Native Claims Settlement Act in 1971 as a for-profit business to utilize our natural resources to provide for the economic and social well-being of our Iñupiat shareholders. ASRC has a shareholder base of approximately 13,000.Iñupiat. My testimony today will address how ASRC sees HB 111 impacting our businesses, investments, and shareholders.

ASRC is in a unique position as the largest locally owned Alaskan business; we are an ANCSA Corporation, land owner, a lessor, a producer, and an explorer. Because of our various ties to the industry, HB 111 impacts us in several ways. Like the State of Alaska, the majority of ASRC's revenue base and investments are associated with the oil and gas industry. We feel the impacts to changing oil price, production outputs, TAPS throughput, and exploration investments just as the State of Alaska does. These impacts ripple through the Alaskan economy. We all know the statistics on TAPS throughput and declining production—this is a topic that is always on the forefront of my mind as I'm sure it's on yours. We are at a critical time where we must reinvigorate the industry that we *all* depend on, not further burden it with taxes. This uncertainty creates a high-risk, unstable business environment in Alaska. . With current production boons in the Lower 48, Alaska must remain competitive and attractive to industry; we cannot achieve this with a fickle tax structure and high-cost exploration and production. It is time for us to start managing Alaska's financial affairs like a business and not based on emotions or misguided ideology. If the legislature fails to take a pragmatic approach to providing fiscal certainty for the state's dominant industry, our financial woes will continue to conflict spiral. This reckless behavior must stop.

Corporate Headquarters • PO Box 129 • Barrow, Alaska 99723-0129 • 907.852.8533 or 907.852.8633 • FAX 907.852.5733

As an Alaskan-based company, ASRC will always operate in Alaska; this is our home and the home of our shareholders. The Iñupiat thrived on the North Slope long before the discovery on Prudhoe Bay—and ASRC will continue to invest in Alaska and our region. However, even companies like ASRC who are committed to operating in Alaska will have to reconsider our investments with the current form of HB 111 in mind. Rather than penalizing companies committed to Alaska who are riding out the current economic downturn, the legislature should work to create a tax system that stimulates investments, encourages business, and works to brings jobs and production back up.

Alaskan companies, like ASRC, should not be disadvantaged for our commitment to the State's welfare and to the well-being of our shareholders. Instead, we should work together to create a fair and balanced structure which incentivizes companies and spurs increased production and exploration. Complicating and increasing the current tax structure does nothing to benefit the State of Alaska, the Alaskan economy, ASRC, Alaskans. Rather, it sends a chill over the economy which reverberates across the State. This inconsistent, unpredictable, and ever-changing tax structure in Alaska is incredibly short-sighted and will result in additional lay-offs, reduced drilling rigs, limited capital investment. Companies with the ability to invest elsewhere will do so. Meanwhile, nothing will be done to repair our fiscal gap, promote increased production, and increase throughput into TAPS—which we all rely on as the artery of the Alaskan economy.

Simply put, it is bad policy to keep changing the oil tax regime. There have been three changes to Alaska's oil tax regime since 2013, seven in the last 12 years. These frequent changes are reactionary and do not provide the stability companies need to make long-term investment in our State. ASRC specifically will be impacted by yet another change to the oil tax policy in several ways.

First, HB 111 would implement a Gross Minimum Tax of 5% for all production, this in an increase from 4%. This 25% hike in tax will impact capital reserved for future investments and particularly impact small businesses. With no option for a Small Producer Credit or credits for New Developments, this tax structure discourages exploration, investment, small businesses, and entrepreneurship. The erosion of these credits does not benefit the State in the long term. It will impact first and foremost Alaskan businesses like ASRC who are putting money into our economy and exploring new opportunities for the State.

Secondly, Net Operating Loss, or NOL credits will be reduced from 35% of loss to 15% of loss and will not be eligible against the Gross Minimum Tax. With current oil price environment, frozen investments, shut down rigs, and thousands of Alaskans out of work, it is nonsensical to reform a system which alleviates losses the industry is currently facing. For ASRC, NOL credits can be a determining factor as to whether a project proceeds, and with respect to the Gross Minimum Tax—a producer could be losing money and would still need to pay the Gross Minimum Tax. The changes to the NOL credits eliminate the mechanism Alaskan businesses like ASRC use to continue to invest in a low-price environment where companies will most certainly incur a loss. To ASRC and other companies working in Alaska, this sends a message that when times are tough, the State is no longer a partner.

Thirdly, the State purchase of NOL credits will be reduced from $70 million per year to $35 million per year, with eligibility diminished from those producers with less than 50,000 BOPD to those that produce less than 15,000 BOPD. With the recent influx of independents and small businesses investing in Alaska's oil and gas industry, as well as Native Corporations like ASRC who are beginning to take a more active role, the State's shift in policy is unsustainable for small companies and will significantly impact **Alaska** Native Corporations. The lack of certainty in Alaska's tax regime is bad business and disproportionately impacts small businesses and companies attempting to ride out the economic downturn in the industry.

Lastly, HB 111 impacts the per-barrel tax credits which were designed to be a progressive "credit" tied to oil price. HB 111 would not allow the per-barrel tax credit against the Gross Minimum Tax and would alter the current structure for "Old Oil." Previously, the per-barrel tax credit was linked to the price of oil in order to provide relief for industry in low-price environment. By altering this credit, the State is eliminating mechanisms which encourage production and investments at any price.

More instability to the oil tax regime, more burdensome taxes to the oil and gas industry, and reduction in credits to Small Businesses, Net Operating Loss, and other credits will not result in more jobs, more investment, increase production, increased throughput to TAPS, or offset Alaska's fiscal deficit. On the contrary, it will most certainly result in continued job loss, reduced investment, production, and exploration, and further suffocate an already struggling industry—an industry we **ALL** rely on. For these reasons, ASRC does not support HB 111. We support sound tax policy and a healthy industry which promote responsible exploration, production and incentives to spur additional investment throughout the State.

ASRC encourages the Committee and the legislature to consider our concerns and engage with ASRC and others in the industry to construct a fair and balanced tax structure that works for all Alaskans. Through collaboration with Alaska businesses, we can address the fiscal deficit and stimulate growth without sacrificing the lifeblood of our economy. HB 111 does not accomplish this, it would be one step forward and five steps back for Alaska's economy, at the expense of Alaskan businesses and industry partners. We cannot control the price of oil, but we can determine what kind of business environment Alaska will have and what kind of partner the State of Alaska will be—both of these factors are significant considerations that will drive investment regardless of the price environment.

Thank you for your time and consideration of this correspondence. Please feel free to contact me or ASRC Director of Government Affairs, Shalon Harrington (sharrington@asrc.com), if you have any questions or need additional information.

Quyanaqpak,
ARCTIC SLOPE REGIONAL CORPORATION

Teresa Imm

Teresa Imm
Executive Vice-President
Regional & Resource Development

HB. 42.

KEEP ALASKA COMPETITIVE

March 1, 2017 - 6 p.m.

KEEP Testimony on HB 111 – Bill Corbus
House Resources Committee

Madam Chairman and members of the House Resources Committee, my name is Bill Corbus. I served as Commissioner of Revenue from 2003-2006. I have been working as a volunteer for KEEP Alaska Competitive since its inception. KEEP is co-chaired by Jim Jansen, Chairman of Lynden, and Marc Langland, formerly Chairman & CEO of Northrim Bank. KEEP's membership of 5,000 is composed of Alaskans from all walks of life, a wide variety of businesses and professions and does not accept funding from the oil industry to support its activities.

First, and foremost, the bill as currently drafted would raise taxes on oil companies primarily at low oil prices. In our view that is precisely the wrong approach: when prices are down, the industry is either losing money and/or not recovering enough profit to continue to invest $4 to $6 billion per year in capital investments on the North Slope. Your proposal changes our tax structure to take more even when the industry is taking all of the risk that prices will increase enough to justify those expenditures.

That was not the philosophy of the SB 21 when it was passed. The legislature made a decision to share the risk with the oil industry – when prices were high we would take a greater share of profits and when prices were low, we would share in the downside for the sake of stabilizing investment and encouraging continued or expanded flow in TAPS in recognition of the rapid decline in production.

Because we adopted a net profit approach to taxation, we started off at a high (35%) tax rate. If we had adopted a gross tax that ignores the cost of production, the rate would have been much lower if we wanted to maintain industry presence here.

This was supposed to achieve stability over time – Alaska would become a predictable and rational partner through both high and low oil price environments. That approach is starting to work. Even when oil prices went below $30 barrel, the industry continued to invest on the North Slope, which is exactly what we want them to do. At higher tax rates, I do not believe this would have happened.

While many of the provisions of HB 111 deal with reversing course on SB 21, some deal with earlier provisions of ACES and other separate legislation that established the system of cashable credits resulting from Net Operating Losses (NOLs) as incentives for exploration.

Those provisions have done exactly what was intended which is to entice independent companies to Alaska. It has resulted in several new discoveries, which if developed, will provide us with future royalty and production income and maintain a workable flow in TAPS. At higher oil prices than exists today, this approach makes sense because we could afford to sacrifice some cash flow today for enhanced cash flow in the future.

At low oil prices and because of Alaska's massive budget deficit, we do not argue that it is inappropriate for the legislature to look more closely at this part of our tax structure to see there are effective ways of achieving a similar result with a lesser impact on cash flow to the state at low oil prices.

But we do encourage the legislature to spend the time and attention necessary to fully understand the options and to engage both the oil industry and the most-qualified experts when doing the critical analysis needed to estimate the likely impacts of any such decision.

At this point, it seems that the proposals are one sided – the state desires to cut its expenditures – without adequate consideration of the cost/benefit ratio of the impacts to future production by the companies which have come to Alaska because of the exploration incentives and continue to overwhelmingly contribute revenue to Alaska's budget.

So to sum this up, our KEEP supporters have been watching the proceedings on HB111 and the discussion in your committee, that given Alaska's situation, how should the State react?

We believe that the discussion should be on a long-term focus, not short-term to fill the gap on the back of the industries that must remain healthy. We supported SB-21, to get Alaska away from the punitive tax system, to change the industry's incentive to invest and produce oil vs. simply spend money. We also recognize that the State does not have the resources to "cash out" tax credits in the future when the prices are low; however, that does not mean that we shouldn't encourage investments during times of low prices by allowing credits and NOL's against production taxes for some time into the future when risk and development costs are mitigated and allow all parties to benefit.

We also believe that the primary focus should be on fixing the fiscal problem, focus on restructuring the Permanent fund, cutting costs, supporting reasonable and broad based revenue solutions, but don't kill the investment in the very resources that have built our State. We need more oil, but we also need stable and growing investment in fishing and mining too. We have the potential to grow oil production and mining too. We need these investments in Alaska to continue to make our businesses grow and thrive into the future.

Thank you for the opportunity to testify.

Bill Collins

. 43.

My name is Keith Silver; I do not work for an oil company or service company. I am opposed to HB 111. This bill represents the 7th oil tax law change in 12 years and the 3rd since 2013.

This bill does not take into account the fact that under the current tax and credit scheme, several multibillion barrel oil fields were discovered and announced. In 2016, Alyeska Pipeline had an increase in oil throughput, a fact that positively affects the state budget. These fields have not come online yet. Their profitability and the decisions to sanction these fields were determined under the current tax and credit law. Changes to that may put the development of these fields at risk and the affected oil companies may just pack up and go home. Alaska is already the most expensive place to develop an oil field. Constant fiscal uncertainty makes Alaska an unattractive place to do business. Production will then start to decrease and Alaska will end up with a much smaller economy.

Consider this: The current oil tax system is balanced, setting a higher minimum floor than the previous tax system, while setting a stable and predictable rate when oil prices rise again. At current prices, Alaska's oil tax policy has brought hundreds of millions of dollars more in tax revenue to the state than it would have under the previous system.

It takes an annual industry investment of $3 to 4 billion just to keep production levels stable on the North Slope. This requires a durable and competitive tax policy to fund Alaska projects.

Let's amend HB111 to this: The current tax laws may not be changed for another 7 years. This will allow the state to fully analyze what needs to be fixed and what still works. It would also significantly decrease the fiscal uncertainty. Increased investment dollars will follow.

Thank you for your time.

44.

ANCHORAGE LEGISLATIVE INFORMATION OFFICE

Email: Anchorage.LIO@akleg.gov 907-269-0111/ phone, 907-269-0229/fax

WRITTEN TESTIMONY

NAME: Eric Pickett

REPRESENTING: SELF

BILL#/ SUBJECT: HB 111
COMMITTEE &

HEARING DATE: 01 Mar 2017

- HB 111 moves Alaska in the wrong direction by increasing taxes in an already high cost environment when compared to other oil + gas producing regions in the world.

- HB111 makes Alaska less competitive and could drive investment to other places.

- HB111 is very complex & will lead to increased staff + admin to manage.

- we need a stable tax system which promotes continued future investment so that Alaska continues to produce oil for decades upon decades.

- Increasing taxes could result in less investment + thereby leading to less production which means less revenue to the state + fewer JOBS.

- No matter the business - we all need predictability when it comes to a fiscal regime. AK continues to revisit the oil tax issue year after year; this can lead to deferred investment + less production.

45.

MORRIS ENGINEERING GROUP LLC

12480 Mendenhall Loop Road, Auke Bay, Alaska 99821
Phone 907-789-3350, Fax 907-789-3360

Project Name PUBLIC TESTIMONY
Project Number HB 111 Sht 1 of 3
Calculated by MARK MORRIS Date
Checked by Date

- GOOD EVE

- HISTORIC TIMES LEADERSHIP NOW WOULD CAPITOL WILL DETERMINE IF WE RECOVER AND GO ON TO 30 MORE YEARS OF PROSPERITY OR IF WE HAVE A LONG DRAWN OUT LACKLUSTER RECOVERY ONCE OIL PRICES REBOUND.

- MARK MORRIS - BORN + RAISED IN JUNEAU, MY WIFE AND I HAVE ONE DAUGHTER IN COLLEGE IN HER SECOND YEAR AND TWO SONS WHO GRADUATE FROM HS THIS YEAR AND ENTER COLLEGE IN THE FALL.

- WE OWN AN ENGINEERING FIRM HERE IN JUNEAU. WE DID EXTENSIVE WORK FOR THE OIL + GAS INDUSTRY ON THE NORTH SLOPE

- WHEN THE PRICE OF OIL CRASHED, WE LAID OFF ALMOST ALL OF OUR EMPLOYEES. WE WENT FROM 10 TO 1 FULLTIME + 2 PART TIME.

- WE, LIKE SO MANY IN THE STATE, ARE WAITING FOR THE PRICE OF OIL TO REBOUND. WE ARE TRYING TO SURVIVE UNTIL THEN AS ALL OTHER GOVERNMENT CAPITAL PROJECT BUDGETS (STATE + LOCAL) ARE WAY DOWN.

- WE ARE LOOKING IN WASHINGTON + PACIFIC NW WHICH IS BOOMING FOR WORK.

- ~~IF~~ SO PICTURE HUNDREDS OF ALASKA FAMILIES HANGING ON ~~WAITING FOR + ENGINEERS, CONSTRUCTION WORKERS, TEACHERS AS SCHOOL FUNDING IS DROPPING AND EVERY OTHER~~

- JUST LIKE OURS WAITING FOR THE OIL PRICES TO ~~GO~~ REBOUND AND THEN THIS BILL COMES ALONG AND TAKES AWAY OUR HOPE OF A PROSPEROUS FUTURE.

- BECAUSE WHEN YOU TAX THE OIL INDUSTRY MORE + REDUCE OR ELIMINATE TAX CREDITS THEY TAKE THE BILLIONS WE NEED THEM TO SPEND HERE DEVELOPING OUR OIL AND THEY SPEND IT DEVELOPING SOME ONE ELSES OIL. ONCE THE PRICE REBOUNDS.

MORRIS ENGINEERING GROUP LLC

12480 Mendenhall Loop Road, Auke Bay, Alaska 99821
Phone 907-789-3350, Fax 907-789-3360

Project Name PUBLIC TESTIMONY
Project Number HB111 Sht 2 of 2
Calculated by ______ Date ______
Checked by ______ Date ______

THATS WHY GOV HAMMOND AND THE STATE LEGISLATURE CREATED A RAINY DAY FUND. THEY KNEW THAT IF THE STATE ECONOMY THRIVED THROUGH THE BENEFITS OF OIL REVENUE FROM IT'S RICH OIL RESERVES, DAYS WOULD COME WHEN THE PRICE OF OIL PLUMMETED AS IT SOMETIMES DOES.

THEN THE STATE WOULD NEED IT'S RAINY DAY FUND TO CARRY ITS GOVERNMENT AND PREVENT THE ECONOMY FROM BEING DEVASTATED AS EVERY COMMUNITY RECEIVES STATE REVENUES FOR SCHOOLS, HEALTH + SOCIAL SERVICES, WATER + SEWER PROJECTS, ROADWAY MAINTENANCE, ENERGY ASSITANCE, AND MANY OTHERS PROGRAMS.

INSTEAD OF USING THIS RAINY DAY FUND TO CARRY US, THE LEGISLATURE HAS BURNED THROUGH MOST OF OUR CONSTITUTIONAL BUDGET RESERVE AND NOW IS TURNING TO INCREASE TAXES ON THE OIL INDUSTRY AND TO TAX US; HURTING ALASKANS.

THIS WILL DRIVE OFF FUTURE INVESTMENT IN DEVELOPING UNTAPPED OIL RESERVES WHICH WILL PROVIDE JOBS TO MY FIRM AND MANY ALASKAN COMPANIES.

INSTEAD OF BRINGING PROSPERITY TO ALASKANS THROUGH MAINTAINING OUR STATE GOVT SPENDING THE LEGISLATURE IS CONSIDERING CUTTING STATE GOV FUNDING FURTHER AND THEN TO ADD INSULT TO INJURY, TAXING THE ALASKANS WHO ARE HANGING ON, WAITING FOR THE PRICE OF OIL TO REBOUND.

THIS IS SHORT SIGHTED LEADERSHIP THAT WILL COST HUNDREDS IF NOT THOUSANDS OF ALASKANS THEIR JOBS THROUGH FURTHER STATE CUTS, TAXING HARD WORKING ALASKANS WHO ARE TRYING TO HANG ON, AND THEN DENYING ALL ALASKANS A PROSPEROUS FUTURE BY DRIVING OFF OIL COMPANY INVESTMENT IN DEVELOPING OUR ALASKAN'S UNTAPPED OIL RESERVES

[redacted] 46.

North Slope Borough

OFFICE OF THE MAYOR

P.O. Box 69
Barrow, Alaska 99723
Phone: 907 852-2611 or 0200
Fax: 907 852-0337 or 2595

Harry K. Brower, Jr.,

Dear Representatives Tarr and Josephson,

Today, the North Slope Borough is testifying to express our concerns and opposition to HB 111. First, I want to begin by stating that it is my privilege to serve the people of the North Slope Borough as their Mayor. We are unified and resilient people; we value family and love and respect for our children and elders. We are also people that survive and thrive in changing times.

We as people, who live across the entire North Slope, have witnessed dramatic changes over the last four decades. When oil was first discovered in Prudhoe Bay, it started a chain of events that have had tremendous impacts to our region. Because of the visionary leadership of the people who walked before us, we have opportunities to better the lives of all the people that call the North Slope their home. That has been my primary focus of my administration since I was sworn into office.

The Borough's economy continues to be strong; however, the Borough's fiscal stability should never be taken for granted. Our economy is predominately based on oil and gas development. That means it depends on global markets and economic conditions, the oil industry's investment and development options around the world, state and federal policy, and the success of exploration activities on the North Slope. Many of these things are beyond our control, but we do have some influence in decisions relating to how exploration and development activities are conducted in our region.

With the State's Economic pressures and fiscal deficit, the Borough will be forced to make some tough economic and financial decisions to fulfill the gap in providing key essential services to our region where previously was funded by the State. The proposed policy under HB111 will further limit the Borough's resources to providing such services to our North Slope communities.

Simply, raising taxes on our state and region's most important industry during a time of low oil prices is not a wise policy. Oil Companies across the North Slope including Service and Support companies have already laid off thousands of their workforce and postponed project development due to low oil prices. By increasing taxes, the state runs the risk of seeing more job losses, less investment, and less production.

To put this into financial perspective, the Borough's operating budget is heavily contingent on the Borough's population. As part of our operating tax cap calculation, the Borough gets the benefit of counting half of the workforce into our population since they work at least half of the calendar year in the North Slope oil fields. The Borough's population has decreased by approximately 940 people over the last year due primarily to layoffs by industry, resulting in a decrease of approximately $13 million in our operating budget, which essentially limits our abilities to continue providing key services to our region. With the proposal of HB 111, our financial resources will be that much more limited.

The current oil tax policy has made a significant difference in the level of activity in our Borough. It increased investment, employment, and encouraged exploration and development across the North Slope.

Like the state, the North Slope Borough has a direct stake in a vibrant oil industry. When industry is confident in the future and its partner - - the State of Alaska - - they make investments. These investments lead to jobs for our residents, expand our tax base, and provide us with the financial opportunities to provide the same services taken for granted by our fellow citizens in more populated areas.

The reality is, when changes are made to oil & gas taxes, our people, our Borough, and our Native Corporations are the first to feel the impacts. We do not believe that HB 111 will bring more jobs, encourage more investment, or lead to more oil flowing down the pipeline. And that is why we raise our voice in opposition.

Public policy matters. We've already endured years of federal policies geared towards shutting down development across the North Slope. Let's not compound these impacts by imposing state fiscal policies that can be just as harmful.

Instead, let's work to fix our economic problems by keeping our state economic engine running at maximum capacity. If some tweaks to our existing tax structure need to be made, then let's work together to find solutions that work for the state and industry.

We are all partners in our state's economy. It is our hope that we can all work together as Alaskans to solve the challenges we face, and not try and pick winners and losers, so we can build a sustainable future for generations to come.

Respectfully,

for 3-1-17

Harry K. Brower, Jr.,
Mayor

cc: Representative Dean Westlake
Governor Bill Walker

47.

NANA

Written Testimony for House Resources Committee on HB 111

February 28, 2017

House Resources Committee
Alaska State Capitol
Juneau, AK 99801

Dear Co-Chairs Tarr and Josephson and Members of the Committee:

My name is Elizabeth Cravalho and I am the Vice President of External and Government Affairs at NANA.

At NANA, our mission is to improve the quality of life for more than 14,300 Iñupiat shareholders by maximizing economic growth, protecting and enhancing our lands, and promoting healthy communities with decisions and behaviors guided by our Iñupiat Illitquisiat, which is our traditional value system.

NANA is a for-profit corporation with a social responsibility to its shareholders, and like many Alaska companies, has a vested interest in working toward stabilizing the State's fiscal health while maintaining an oil tax structure that keeps Alaska competitive in the global oil and gas markets.

NANA companies have provided services to the oil industry for over thirty years. We provide a variety of services to the oil, gas and mining industries, and specialize in multiple disciplines, including engineering and design, project management, project controls, procurement construction management, camp services, catering, surveying and environmental sciences. NANA businesses, in total, employ more than 1,500 Shareholders, over 5,000 Alaskans and nearly 15,000 individuals worldwide.

As such, we have concerns with the proposal of another change to the oil tax structure in Alaska. It threatens the jobs and futures of our shareholders and Alaskans who have built lives for themselves and their families through opportunities created by the development of the oil and gas industry. This industry has yielded positive economic and social impacts through jobs, training, cultural and social investment and education support.

NANA has been fully engaged with the State's oil tax issue over the past decade and we stand by our past positions in which we supported of the passage of Senate Bill 21 in 2013 and our opposition of the referendum to repeal the bill in 2014. HB 111 creates a less competitive environment in the oil and gas sector, and contributes to the ongoing instability in taxation and regulation by the State of Alaska for this industry.

While NANA supports the implementation of a long-term fiscal plan by the State, we do not support yet another overhaul of the oil tax structure in Alaska because it presents further risk to exploration and development of resources. Rather, we suggest that the Committee look to other broad-based measures to raise revenue for State government without impairing a specific industry, or to the detriment of Alaskan families, especially those in rural areas, who already pay the highest cost of living in the State.

Fiscal security in Alaska is intrinsically tied to the oil and gas industry. We support forging long-term benefits and partnerships, rather than creating an environment in which options are limited and economic stability continues to be compromised.

Sincerely,

Elizabeth Cravalho,
Vice President, External & Government Affairs

[redacted].48.

Testimoney: Garvan Bucaria March 1, 2017
House Bill 111 - oil and gas production tax, tax payments, and credits ... Act.

I find it ironic that the first section AS 43.05.225 you Legislators address is delinquency of interest. How about Alaska Government paying its full incentive amounts to oil companies! Changing tax laws yearly offers No incentive for much needed new exploration.

Sec 2. AS 43.55.011 Graduated tax rates per barrel of oil based upon westcoast average price per barrel seems fair, yet difficult to comprehend unless fully referenced to the original bill - Shame on you for not providing the complete document on which an amended version is contingent - Sec. 3. AS. 55.011 (f) & (e) referenced. Confusing - yes Essential for comprehending effect - yes. You folks need to provide we citizens a summary of what is your Intent on this bill!

Obviously a complicated taxing Act, so a simplified response is justified;
Alaska Economy must be supported by three basic elements.

1. An environment conducive to a profitable productive oil Industry also benefits the State.
2. A Permanent Fund invested Independently of a Politically motivated Legislature and Governor - to protect the Corpus of the PF and provide Alaska residents Government

Testimony: Garvan Bucaria
HB 111

March 6, 2017

3. A balanced budget reduced to a level where expenditures match income. Currently not sustainable without drastic cuts to State government!

Related issues that should be addressed include maintaining incentives to small oil companies to sustain exploration and assist in bringing new fields into production.

Leveling taxes on Major oil companies who through Integration reap enormous benefits (profits) that escape fair taxation i.e. pipeline tariffs, continued restoration assessments that have been fully funded.

End one(1) year amortization of oil wells - should be spread over life of production.

Thank you,

Garvan Bucaria

P.O. Box 870298
Wasilla, AK 99687

[redacted]. 49.

From: Allison Griffith [
Sent: Tuesday, March 07, 2017 11:25 AM
To: LIO Anchorage <Lio.Anchorage@akleg.gov>
Cc: Allison Griffith <
Subject: HB 111 Oil & Gas Taxes

Honorable Members – House Resource Committee,

Please consider my input in this written testimony, as an objection to the consequences that would be caused by enacting this legislation as currently drafted.

I can support, to some degree, careful modification to the current cashable tax credit formulas and the current pay-out plans.

Other proposed changes effect the fundamental tax policy that was enacted through voter supported SB21, and HB247.

Please drop or significantly reduce the proposed tax increase in HB 111. We must continue to show Alaska is open for business, and support our resource development industries.

Thank you,

Allison Griffith

Anchorage, AK 99516

50.

From: Kevin Gunnip [
Sent: Tuesday, March 07, 2017 11:22 AM
To: LIO Anchorage <Lio.Anchorage@akleg.gov>
Subject: HB111 Testimony

Honorable Members – House Resource Committee,

Please consider my input in this written testimony, as an objection to the consequences that would be caused by enacting this legislation as currently drafted.

Although I do agree that some careful modification to the current cashable tax credit formulas and the current pay-out plans may deserve some adjustments.

Other proposed changes effect the fundamental tax policy that has been enacted through SB21 (and supported by the voters), and HB247.

Please drop or significantly reduce the proposed tax increase in HB 111. We must continue to show Alaska is open for business, and support our resource development industries.

We are operating in a world economy, we must keep Alaska competitive, and not push businesses away.

Kevin Gunnip | Account Manager | Lynden Transport

4a. 51.

From
Sent: Monday, March 06, 2017 5:04 PM
To: lhsres@akleg.gov.
Subject: Opposed to HB 111

To Whom It May Concern:

I am a constituent in South Anchorage and am opposed to HB 111. Please keep oil taxes the same.

Almost exactly one year ago, my position with an oil and gas support company was eliminated due to the lack of work from clients because of the low oil prices. Please do not add any more burden to these companies who fuel jobs and Alaska's economy.

I believe HB 111 will NOT make Alaska better and will likely result in less investment, less production, fewer jobs, and a deepening recession. It will create more situations like mine: job losses to an educated workforce who contribute to the economy and community.

Unfortunately, due to my teaching schedule at UAA, I am unable to testify in person. Please accept this email as my testimony against HB 111.

Thank you,
~Josie Wilson

52.

-----Original Message-----
From: Rosemary Tower
Sent: Monday, March 06, 2017 9:23 PM
To: House Resources <lhsres@akleg.gov>
Cc:
Subject: HB 111

I oppose HB 111

Rosemary Tower

Sent from my iPhone

53.

File HB111

From: Guy Turner
Sent: Tuesday, March 07, 2017 7:19 AM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>
Subject: Budget

Exxon makes major investment, but not in our state! No pro-business, consistent plan in Alaska! Increasing oil flowing through the pipeline can be done, but the budget committee must get their act together quickly, without taxing the people and destroying the PFD. Cut 20% across all state agencies, and we will balance the check book. The sucking sound in this state otherwise will be do to the **budget committee**.

This particular project from Exxon Mobil goes back a couple of years. However, management felt compelled to say it's confident that it can comply because it anticipates pro-business, pro-American worker fiscal policies. So yesterday it announced MAJOR investment in the lower 48. Sadly the proper actions by the budget committee does not include Alaska in their announcement.

Exxon makes major investment, but not in our state! No pro-business, consistent plan in Alaska! Increasing oil flowing through the pipeline can be done, but the budget committee must get their act together quickly, without taxing the people and destroying the PFD. Cut 20% across all state agencies, and we will balance the check book. The sucking sound in this state otherwise will be do to the **budget committee**.

This particular project from Exxon Mobil goes back a couple of years. However, management felt compelled to say it's confident that it can comply because it anticipates pro-business, pro-American worker fiscal policies. So yesterday it announced MAJOR investment in the lower 48.

Get the oil we have flowing with an increase in volume created by pro-business policies, and the increase in volume will help pay once again for our operating budget that is over bloated currently. The increase of activity to get more oil flowing will off set the jobs cut to the state agencies.

Regards, Guy

[redacted]. 54.

From: Akers, Randall
Sent: Monday, March 06, 2017 4:17 PM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>; Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>; Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>; Rep. Harriet Drummond <Rep.Harriet.Drummond@akleg.gov>; Rep. Justin Parish <Rep.Justin.Parish@akleg.gov>; Rep. Chris Birch <Rep.Chris.Birch@akleg.gov>; Rep. DeLena Johnson <Representative.DeLena.Johnson@akleg.gov>; Rep. George Rauscher <Rep.George.Rauscher@akleg.gov>; Rep. David Talerico <Rep.David.Talerico@akleg.gov>; Rep. Mike Chenault <Rep.Mike.Chenault@akleg.gov>; Rep. Chris Tuck <Rep.Chris.Tuck@akleg.gov>
Subject: re: HB11

Dear Respected Members of the Alaska State House Resources Committee

I am writing this letter to fully oppose HB11. I am very cognizant of the budget deficit we Alaskans face and understand we are all "panicking" a bit. However, to take our spending woes and simply pass them onto our most valued businesses and resource is not only wrong, but quite foolish.

With the ongoing decline in oil prices and the already loss of jobs and income here in Alaska due to these low oil prices, and now to think it is sound legislation to simply tax the oil / gas industry more is just the wrong thing to do at this juncture.

As I pondered writing this letter I began to look at how many times we have changed our oil tax structure, and not surprising to many of you, but to me it was, we have changed this structure 7 times in 12 years. How do we expect anyone to plan a future with that many changes in this many years? I liken this to raising my daughter, if I gave her rules to live / abide by and every other year changed my mind and gave her a new set of rules, she'd probably need a counselor by now.

We came together as a community, and as a State and passed SB21. After which we experienced a slight revitalization in the Oil / Gas sector. And now only a year later we are again wanting to change the structure? What message does that send to any / all perspective investors or companies regarding looking to Alaska as a possible location to invest in? More importantly what message does that send to those companies that HAVE invested in our State? This is NOT the message nor the time to hamper, hinder or further erode the business we have within the Oil / Gas Sector.

We have dug a hole with this deficit, to try and fill that hole with a bunch of "oil" is not what is needed. We need these producers to increase production, increase development, increase their stake in our State, and HB11 will do exactly the opposite. Please send the right message to our biggest resource and job sector, send the message we WANT them here.

I respectfully ask that you to PLEASE REJECT in its entirety, HB11.

Sincerely,

Randy Akers

Technical Sales Representative

State of Alaska

Pentair Valves & Controls

Anchorage, Alaska 99518

United States

#6. 55.

From: Dana Hahn
Sent: Monday, March 06, 2017 4:28 PM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>
Subject: HB111

Hello Representative Josephson,

Thank you for taking my input regarding HB111.

While my wife and I do not work for the oil industry, we are very concerned about jobs for our fellow Alaskans. Increasing taxes yet again on an industry that is struggling to compete with other projects, will not encourage investment here and therefore cost even more jobs. More investment means more production and more revenue for the state.

We encourage you to look at the long term in regards to taxation on the oil industry.

Sincerely,

Dana and Deborah Hahn

Eagle River AK 99577

36.

From: Josie Hickel [
Sent: Wednesday, March 08, 2017 3:41 PM
To: House Resources <lhsres@akleg.gov>
Subject: Testimony HB 111

March 8, 2017

House Resources Committee

Alaska State Capital

Juneau, AK 99801

Dear Co-Chairs Tarr and Josephson and Members of the Committee:

My name is Josie Hickel, and I am the Senior Vice President of Energy & Resources for Chugach Alaska Corporation (Chugach). As an Alaska Native corporation, we serve the interests of the Alaska Native people of the Chugach region and represent more than 2,600 shareholders. It is our duty to provide opportunities to our shareholders to support our culture and values. As such we are committed to profitability, celebration of our heritage and ownership of our lands. A healthy Alaskan economy is key to our ability to maintain our commitment to our shareholders and to our heritage.

Chugach companies have supported the oil industry for more than 25 years. Our services include drilling support, oil spill response, project management, safety, administrative and other professional services. Chugach businesses employ more than 6,000 people worldwide, and over 600 Alaskans, many of whom are shareholders.

I am writing in opposition to HB 111, and to voice concerns over the proposal of yet another change in the oil tax structure in Alaska. Our state has long been dependent on the oil and gas industry to support our state government and to provide jobs and other economic and social support for Alaskans. Businesses look for political and economic stability when making decisions on where to invest. If Alaska can't be competitive and provide a stable cost structure, we will lose investment dollars to other states or regions that can provide stability. Less oil in the pipeline increases cost and creates greater challenges related to maintaining infrastructure.

Another change to Alaska's oil taxes will further compound these challenges, which, in turn, will lead to lower throughput.

Alaska needs the investment and stability of a healthy oil and gas industry for the future of our State and our people. Simply put, HB 111 bites the hand that feeds, with no long-term benefit. Any fiscal plan for the State should take into consideration the negative impacts we will face by driving away an industry that has long sustained our way of life.

Respectfully,

Josie Hickel

SVP Energy & Resources
Chugach Alaska Corporation

www.chugach.com

Chugach

Anchorage, AK 99503

[redacted]. 57.

From: Paul Friese [
Sent: Tuesday, March 07, 2017 10:51 AM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>; Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>
Cc: Paul Friese <
Subject: Subject: HB 111

Honorable Members – House Resource Committee,

Please consider my input in this written testimony, as an objection to the consequences that would be caused by enacting this legislation as currently drafted.

Although I do agree that some careful modification to the current cashable tax credit formulas and the current pay-out plans may deserve some adjustments.

Other proposed changes effect the fundamental tax policy that has been enacted through SB21 (and supported by the voters), and HB247.

Please drop or significantly reduce the proposed tax increase in HB 111. We must continue to show Alaska is open for business, and support our resource development industries.

They are operating in a world economy, we must keep Alaska competitive.

Best regards,

Paul Friese |VP Alaska Sales | Lynden Transport, Anchorage www.lynden.com

[redacted]. 58.

[redacted]

From: Ella Ede
Sent: Wednesday, March 08, 2017 4:17 PM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>
Subject: NO on HB111

Dear Representative Josephson,

I strongly oppose HB111. Our state needs stable tax policy, not more changes for the 7th time in 12 years. Increasing taxes and decreasing incentives for the oil and gas industry is not the right approach to get more oil in the pipeline or more revenue for our state.

As a life-long Alaskan, I have first-hand experience working in the industry. I am also one of those over 9,000 people laid off in the past two years due to cuts. My family has made major adjustments to our personal budget and expenditures. As I have personally made hard choices, the industry has done the same. They have cut budgets, contracts, and staff because they had no choice.

HB111 would be a detriment to an already struggling industry. Raising taxes on companies that are reporting negative cash flow positions is not sound tax policy. Raising taxes and eliminating tax credits could slow or stop investment. Alaska needs that investment now more than ever to keep oil production up to protect Alaskan jobs and businesses as well as the revenue that production generates for the state.

The current oil tax system is balanced, setting a higher minimum floor than the previous tax system, while setting a stable and predictable rate when oil prices rise again. At current prices, Alaska's oil tax policy has brought hundreds of millions of dollars more in tax revenue to the state than it would have under the previous system.

It takes an annual industry investment of $3 to 4 billion to keep production levels stable on the North Slope. This requires a durable and competitive tax policy to fund Alaska projects. The investment in Alaska and Alaskans is what we need – **more investment, more oil in the pipeline, more jobs for Alaskans**.

Please kill HB111.

Thank you,

Ella Ede

Anchorage, Alaska 99508

[redacted] 59.

From: Neal Collins [
Sent: Wednesday, March 01, 2017 3:22 PM
To: Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>
Subject: HB111 please do not support

Increasing taxes on an industry that is already in a high cost environment will only serve to decrease investment in Alaska, and reduce revenue for the state in the long run. Companies will choose to spend money elsewhere.

Industry makes investments based on an agreed tax burden, then we change the rules on them every couple of years when we don't like the outcome. I am surprised they even bother with us anymore.

Oil companies are the main non-government economic driver for the economy. Their jobs support lots of other Alaska jobs.

Please do not push HB111 forward and risk further damage to Alaska's economy.

Neal Collins
Chugiak, Alaska

[redacted]. 60.

[redacted]

From: Anne Seneca [
Sent: Wednesday, March 01, 2017 3:41 PM
To: Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>
Subject: A Letter in Opposition to HB111

Dear Representative Tarr,

Please find, attached, a letter in OPPOSTITION to HB111. Thank you.

Anne Seneca

President
Consumer Energy Alliance – AK
Anchorage, AK 99503

[redacted]. 61.

From: Teri Mentzer []
Sent: Wednesday, March 01, 2017 4:49 PM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>; Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>; Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>; Rep. Harriet Drummond <Rep.Harriet.Drummond@akleg.gov>; Rep. Justin Parish <Rep.Justin.Parish@akleg.gov>; Rep. Chris Birch <Rep.Chris.Birch@akleg.gov>; Representative.Delana.Johnson@akleg.gov; Rep. George Rauscher <Rep.George.Rauscher@akleg.gov>; Rep. David Talerico <Rep.David.Talerico@akleg.gov>
Subject: HB 111

Dear Committee Representatives:

I am writing as the representative of a 100% employee owned, 100% Alaskan hire construction company. We have been struggling to make ends meet during the last several years since the decline in oil prices. We have hung on through a combination of tenacity, hard work and the good prior planning of our founding principles. We cannot continue under the current climate for much longer.

HB 111 will lessen Alaska's ability to compete against other states that are currently seeing a steady incline with the slow increase in oil prices; we have already lost a great deal of our work force to these other states and I fear, unless something is done rapidly that the decline in skilled labor will reach critical mass as they seek employment elsewhere.

An increase in taxes, driving the oil industry further away from a state where business is already difficult, will do more harm than good to Alaska's economy. Allowing the oil industry to once again increase investment dollars means more productions and more revenue for the state, in turn more jobs for those Alaskans that have not yet left the state, but that are in the process of packing up.

You, as the representatives of Alaska's future, have to set controls on the kind of business climate that encourages investment of this state's largest resource. You should not allow yourselves to be the political body that taxes Alaska out of the future of American's oil industry and renewed interest in independence from foreign governments. Under the current system, Alaska's share is higher than the producers' at every price point; Alaska is paid even when producers are operating at a loss – where else is this possible and where else would you even begin to think about adding more burden to a losing proposition such as that if you were a producer? You simply would not. This is not the time to slow up or put further roadblocks up to the oil industries production or investments in Alaska's future.

If HB 111 is passed, you will find yourselves as the shepherds of a barren State simply because if I cannot afford to keep my 150 employees fed, they will go elsewhere. I am not the only employer struggling, I haven't stopped fighting yet, but it is close.

Thank you for your time.

Respectfully,

Teri Mentzer

President,

The Superior Group, Inc.

"Commitment to Quality Through Pride of Employee Ownership"

62.

From: John Condio [mailto:jwcondio@icloud.com]
Sent: Wednesday, March 01, 2017 5:04 PM
To: Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>
Subject: HB111 and SB21

Dear Citizen Representative

I am opposed to both pieces of legislation. I believe this will make Alaska oil companies less competitive. This state depends so heavily on oil tax revenue, as well as, the jobs created by this industry and the money that flows into the economy from good paying jobs for Alaskan residents. Increasing taxation will only hurt the economy of Alaska in the long run, a short term gain, but long term damage overall.

As representatives of the people and the overall health of the economy, please don't strangle the golden goose and vote in opposition to these tax increases.

John Condio

4272 E. Serendipity Loop

Wasilla, AK 99654

63.

From: Kathy Gray [
Sent: Thursday, March 02, 2017 8:21 AM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>; Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>; Rep. Dean Westlake <Rep.Dean.Westlake@akleg.gov>; Rep. Harriet Drummond <Rep.Harriet.Drummond@akleg.gov>; Rep. Justin Parish <Rep.Justin.Parish@akleg.gov>; Rep. Chris Birch <Rep.Chris.Birch@akleg.gov>; Rep. DeLena Johnson <Representative.DeLena.Johnson@akleg.gov>; Rep. George Rauscher <Rep.George.Rauscher@akleg.gov>; Rep. David Talerico <Rep.David.Talerico@akleg.gov>
Subject: HB111

HB111, if passed, will be at least the seventh oil tax change since 2005 and more importantly the third change since 2013.
HB111 increases taxes in an already high cost environment. Increasing taxes could result in less investment which leads to less production which leads to less revenue to the State which leads to less jobs. Oil company job losses also leads to other job losses throughout the State.
HB111 makes Alaska less competitive and could drive investment to other places.

What we need to do is encourage other investment and you can only do that with a level playing field in the tax arena for all businesses. If we become a state with a reputation of not being consistent in our tax structure it will not help promote an increase in all companies wanting to do business in Alaska.
Oil is a commodity and it is price driven. Historically the oil industry has provided over 85% of the State's General Fund. At today's low prices the industry is still providing over 65% of the General Fund revenues. Attempting to balance the State's budget through increased oil taxes will not fix the budget deficit and it will hurt the State when the oil industry investments decline.

Please, do not pass HB111.

Kathy Gray

[redacted]. 64.

Good morning!

Attached you will find the letter from the Kenai Chamber of Commerce and Visitor Center opposing HB111.

Please let me know what questions you have.

Thank you,

Johna Beech

President/COO

Kenai Chamber of Commerce and Visitor Center

Kenai, AK 99611

65.

From: Ken Hall
Sent: Thursday, March 02, 2017 11:09 AM
To: Rep. Andy Josephson <Rep.Andy.Josephson@akleg.gov>; Rep. Geran Tarr <Rep.Geran.Tarr@akleg.gov>; representative.DeanWestlake@akleg.gov; Rep. Harriet Drummond <Rep.Harriet.Drummond@akleg.gov>; Rep. Justin Parish <Rep.Justin.Parish@akleg.gov>; Rep. Chris Birch <Rep.Chris.Birch@akleg.gov>; Rep. DeLena Johnson <Representative.DeLena.Johnson@akleg.gov>; Rep. George Rauscher <Rep.George.Rauscher@akleg.gov>; Rep. David Talerico <Rep.David.Talerico@akleg.gov>; Rep. Mike Chenault <Rep.Mike.Chenault@akleg.gov>; Rep. Chris Tuck <Rep.Chris.Tuck@akleg.gov>
Cc:
Subject: House Bill Comments HB111

Hello House Resources Committee Members,

Thank you for stepping forward to serve the State of Alaska during these challenging times. It may not seem it at times but your time and service is appreciated, Thank you.

I would like to comment on HB111 of which you are taking comments, regrettably I will not be available to speak in person but wanted to have my opposition to the bill noted. I see yesterday was the comment period but feel compelled to send a short note regardless.

I am disappointed with the introduction of HB111, I and feel that the bill is a distraction from truly addressing the State's economic challenges. It is no surprise the State is in a difficult financial position the current financial problems before the State are not new, they have been brewing for years. Yet turning to the only industry that has supported Alaska for the past forty years is narrow and short sighted for a long term solution

The solution will not be solved by yet again firewalling future development by changing and yet increasing the tax on the largest economic driver the State has. For the long term it will be important for companies to invest in Alaska and continue to develop new resource prospects in the State. This bill effectually increases taxes on the oil resource industry. In spite of what some may say increasing taxes will not save the State nor increase production of a needed resource, simply put we need to increase production. We have the means to increase development that will lead to increased production but we need to let the current setting under SB21 continue to work. There are those that contend that the oil industry is well prepared and verses in dealing with changing economic conditions since they operate on a global scale yet I have issue with being cast the same as some other regions or third world countries in with the industry operates, we are better than that. We need to maintain a solid economic basis and be seen as a reliable region in which to operate and not vilify the very industry we rely on for funding our most basic of needs.

There are those that contend we need to "Have our Fair Share" yet when you look at the division of revenue it becomes apparent the pie is not evenly divided. Between the Federal tax liability, State and local tax obligations the government takes, 55% of revenue, seems to me the government has what most kids on a playground would consider a larger portion of the pie. Often you hear that it is "our oil" yet we have sold the rights to develop the resource to an industry assume yet we assume none of the risk yet have enjoyed a pretty good life the past forty years.

Looking at HB111, there is a considerable increase to the base tax, it cuts the ability of many of the companies to apply or be eligible for any tax credits. The issue of tax credits admittedly is contentious yet we created them to attract smaller companies simply out of distain towards the large three producers. We got what we asked for now we are not living up to our obligations, in no other terms the State's behavior is shameful hopefully this year the State will at fund the minimum amount it has promised to pay in an effort to be seen as a good place to invest.

The key to Alaska's future is to do whatever it can to foster and develop industries that can provide a solid economic base to the State of Alaska and not continue to change the terns nor stand up to its obligations. I have worked in private industry my entire working career which is now forty years long, I have been able to raise a family and have life a lifestyle that enables me to enjoy some of what Alaska has to offer. I do not believe my children have the same opportunities to grow living in Alaska that I had simply because the State has enjoyed living off a single industry and seems reluctant to do everything with its power to create a healthy business environment and now seems to feel it is owed more.

I do not support HB111 and urge that you do what you can to balance the budget, work to create an environment that will foster development that will allow industries to consider Alaska as a good place to do business and not pass legislation that hinders the ability of the people of Alaska to live and enjoy Alaska.

You have an awesome responsibility I hope that the decisions of the Legislator today will reflect in a healthy Alaska tomorrow

Thank you

Ken Hall

Fairbanks, AK 99709

[redacted]. 66.

ARMSTRONG

Energy, LLC

March 7, 2017

The Alaska State Legislature
House Resources Committee
Representative Geran Tarr
State Capitol Room 126
Juneau, AK 99801

Dear Co-Chair Tarr:

You have heard from industry and its voice has been unanimous in opposition to HB111. Aside from the particulars contained in the bill, the mere fact the state is once again debating changes to the oil tax code are troubling. I cannot emphasize enough how incessant revisions disrupt project planning, and worse, discourages private investment in your state.

Following the enactment of SB21 - and defeat of the related referendum - we did exactly what we testified to: executed an exploration plan, found oil, filed for unit, and are moving forward with development. As your partner, we have kept our side of the agreement.

Just last year we watched as the state amended two key provisions of SB21 as it relates to our activities: capping cashable credits and truncating the GVR. Make no mistake, the changes in HB247 negatively impacted our economics.

While you strive to rebalance "government take," you must make certain that the system works for all companies so that the state gets the benefit of the application of new technology from numerous entities, new ideas from companies not biased by conventional wisdom, and basin competition. HB 111 does not achieve the aforementioned goals and will not lead to development of Alaska's oil & gas resources, "for the maximum benefit of the people."

Armstrong is fully aware of the state's challenging fiscal situation. We want to be a part of the solution - depositing billions into the state treasury and creating hundreds of jobs over the coming decades.

Notwithstanding my concerns noted above, and in full awareness of your challenging fiscal situation, should the Legislature decide oil tax code changes are absolutely necessary I suggest amendments be very narrow and limited to:

1. Repealing cashable credits and replacing them with simple NOLs;

1421 Blake Street Denver, CO 80202 *p* 303.623.1821 *f* 303.623.3019

2. NOLs, and any unused balance, should be allowed to be carry forward at full value until all costs are recovered. Further, NOLs should be tied to an uplift factor or rate;

3. NOLs can only be applied to production revenues.

If the committee feels a need to go further, we need a production tax that:

1. Replicates SB 21. Under SB 21 Armstrong found the Pikka field which appears to be between 1.5 to 3 billion barrels of oil recoverable and will produce at 120,000bopd for over 15 years and probably much longer. As a result of Armstrong's success ConocoPhillips found the Willow field which they say will produce over 100,000bopd Together these two fields would make up nearly half of the current production through TAPS. This clearly demonstrates the power of a fair tax system and its ability to reconcile the state's budget.

2 The production tax should accommodate the length of time to get to first production (especially for new companies). New fields sometimes take over14+ years to get on line. As such any production tax has to take into consideration that the length of time to get on production. Any economic analysis weighs heavily on how long to get to first production. All oil companies, investment banks, venture capital firms and sovereign wealth funds determine the viability of a government's oil assets based on how long it takes to get to first production. This is why no one is investing in Alaska's North Slope. As an example, it will probably take Armstrong and its partners 14 years from our first capital expenditure to get to first production. It will take us much longer than 14 years to get 100% of our investment back. Evaluate that to comparable investments that the permanent fund of Alaska has and the return on investment that Alaska requires on its own investments and you find that ALASKA would not likely invest in itself! To our knowledge Alaska's permanent fund does not have any investments that wait such a long time before beginning to get their money back. If Alaska will not invest in itself why would you expect anyone else to invest in the state?

With this in mind Alaska must have a tax policy that recognizes and accommodates the length of time to bring new fields online. Please refer to Armstrong's white paper for a workable policy to get new production on line on the North Slope. If anyone takes issue with this they should ask themselves, if Alaska's tax policy is so good, why under similar circumstances would Alaska not invest in itself. Also, remember that Alaska has less drilling activity than almost any other oil region in the United States or anywhere else in the world. This tells the whole story.

I'd also like to take this opportunity to apologize for not making it up to Alaska to participate in your hearings. We are in the final stages of drilling another field which we hope has great promise; nonetheless, we have followed your work closely and appreciate the time commitment that the committee has put in to better understand the issues and allow for public debate.

[redacted]. 67.

Kenai Chamber of Commerce & Visitor Center
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"Connecting Businesses
On the Kenai since 1954"

February 28, 2017

Representative Geran Tarr
Representative Andy Josephson
House Resources Committee Co-Chairs
Alaska House of Representatives
State Capitol, Rm 124
Juneau, Alaska 99801

Re: Opposition to House Bill 111 – Oil & Gas Production

Dear Representative Tarr and Josephson,

The Kenai Chamber of Commerce & Visitor Center (KCCVC) opposes the current version of House Bill 111, which would once again change Alaska's oil and gas tax structure. The mission of the KCCVC is to promote, support and advocate for our members and our community, and to strengthen the economic climate of the Kenai area. We have over 400 members consisting of individuals, non-profits and businesses large and small. The KCCVC has already seen Kenai area businesses holding back investment(s) and reducing spending given the uncertainty of the State's fiscal situation. KCCVC believes that keeping Alaska competitive on a national and global scale is crucial to the long term sustainability and stability of the Kenai area, and Alaska as a whole.

The Kenai area and local businesses are already working through adjustments related to the latest oil and gas tax change, House Bill 247, which was signed into law in 2016. The continual changing of the oil and gas taxes in Alaska over the last decade is not conducive to promoting business or the economy of the Kenai area.

The KCCVC opposes efforts to increase oil and gas taxes and supports the Alaska Legislature promoting a positive investment climate Statewide that provides for stability and certainty for oil and gas business.

Sincerely,

Johna Beech

Johna Beech
Kenai Chamber of Commerce & Visitor Center
President/COO

[redacted]. 68.

AOGA

121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114
Kara Moriarty, President/CEO

2017- 2

Contact: Kara Moriarty, (907) 272-1481or moriarty@aoga.org

AOGA: New version of House Bill 111 will drive Alaska deeper into recession

Result will be less projects, less jobs, and less production

ANCHORAGE- March 13, 2017: Last week, majority members of the House Resources Committee introduced a Committee Substitute (CS) of House Bill 111 (HB 111), one of the latest oil tax bills being considered in Juneau. If passed, the bill would represent the seventh major change to Alaska's oil tax law in 12 years.

While many House Majority members talk about the need for changes to tax credits, the bill goes far beyond that, as most of the bill simply increases costs to industry through a variety of tax hikes. The CS for HB 111 is merely an attempt to squeeze more money from an industry that has already laid off thousands of Alaskans because of low oil prices.

In addition, the proposed legislation disregards most of the advice of the legislature's experienced consultant by ignoring, and, in some cases, doing the exact opposite of his recommendations.

"The irony of this bill being rolled out just a few days after a giant Alaska oil field announcement is not lost on us, because this bill will make that field's economics worse. In fact, it makes the economics worse for every project in Alaska," said Kara Moriarty, AOGA president and CEO.

The CS HB 111:

- Will damage Alaska's economy even more during the current recession.
- Ignores most of the recommendations and counsel provided to the House Resources Committee by its own, $35,000 consultant on what it takes to be globally competitive in the oil industry.
- Negatively impacts the economics of companies exploring and operating on the North Slope, large and small, new and established.
- Jeopardizes the prospects of large-scale new oil discoveries on the North Slope from moving forward.
- Puts additional Alaska oil and gas jobs, property tax revenue, and royalty payments at risk.

- More -

- Does nothing to ensure continued, increased throughput though the Trans Alaska Pipeline.
- Further damages Alaska's reputation in the investment community.
- Makes the tax system more complex and virtually impossible to file an accurate monthly tax return.
- Adds new processes and responsibilities to the Department of Natural Resources that have never been discussed or explained in this public process.

Members of the committee supporting these new taxes are not listening to key constituencies like NANA, the North Slope Borough, and Arctic Slope Regional Corporation, all of which testified against the tax increases included in HB 111, which remain in this new version.

AOGA is a professional trade association whose mission is to foster the long-term viability of the oil and gas industry in Alaska for the benefit of all Alaskans. More information about the organization can be found at www.aoga.org, on Facebook (AlaskaOilAndGas), or twitter (@AOGA).

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February 19, 2017

State of Alaska
30th Legislature
House Resources Committee

RE: House Bill 111

Chairman Tarr, Chairman Josephson and Members of the Committee,

Thank you for giving Hilcorp the opportunity to provide comments on House Bill 111 (HB 111). Hilcorp, founded in 1989, is one of the largest privately-held oil and natural gas exploration and production companies in the United States. Headquartered in Houston, TX, Hilcorp has nearly 1,500 employees in multiple operating areas including the Gulf Coast of Texas and Louisiana, Wyoming, the Northeast United States, and Alaska's Cook Inlet and North Slope.

Here in Alaska, Hilcorp operates in both Cook Inlet and on the North Slope. Just over 500 full-time employees support our operations in Alaska and I'm proud to say that nearly 90% are Alaskan residents. Hilcorp's activity, on average, employs approximately 400 full-time contractor positions and hundreds more part time contractor positions. They are hard-working Alaskans helping Hilcorp develop the State's resources safely and responsibly and are a major part of Alaska's overall economy.

Hilcorp operates approximately 53,000 gross barrels of oil per day and 150 million cubic feet of gross gas sales per day from approximately 500 producing wells, for a total net production to Hilcorp of approximately 57,000 barrels of oil equivalent per day.

I'm proud to say that we had a role in last year's historic increase in North Slope production. It's quite a feat for an operator that's only been on the Slope since late 2014. It's also important to note that we have worked very hard and invested hundreds of millions of dollars in the Cook Inlet basin as well. Our activity has increased both oil and gas production- increasing revenues for paid to the state and providing long-term energy security for Alaska's largest population hub.

Hilcorp continues to invest and works hard to move the needle on oil and gas production. We've made great progress in all three producing fields we operate on the Slope – Northstar, Milne Point and Endicott. We continue to invest time and money in the Liberty Development. It's a project that could add an additional 70,000 barrels a day down the pipeline. Production from new fields can take several years and hundreds of millions of dollars to bring online; maintaining and growing production from existing/aging fields requires significant and continual investments. The multiple changes to the tax structure over the last several years does not provide the stability companies need to commit to capital intensive long-term projects. HB111 represents another round of significant change to Alaska's tax structure and brings further instability to Alaska's fiscal regime. This is a change that will force Hilcorp to cut our spending in Alaska and hinder our ability to increase production. It is hard to see how the substantive portions of HB 111 would put more oil in the pipeline. In fact many of the ideas outlined in HB 111will do the exact opposite.

In closing, I urge you to foster stability and a competitive fiscal regime so that companies like Hilcorp can continue to invest capital in Alaska. HB111 does not bring stability. HB111 makes Alaska less competitive than other areas of the world and threatens the State's long-term economic well-being. We want to keep Alaskans working and put more oil in the pipeline.

Sincerely,

David S. Wilkins
Senior Vice President
Hilcorp Alaska