DOR Response to Senate Resources Committee Senate Bill 280 Hearings on April 13 & 14, 2026

Department of Revenue

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THE STATE of ALASKA
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Overview

- Responses to questions from April 13–14, 2026 hearings
- Alaska LNG fiscal modeling under current law and SB 280 as introduced
- Key topics addressed in this presentation:
  - State vs. local revenue framework (MAGPRB)
  - State revenue estimates and sensitivities
  - Upstream economics and assumptions
  - In-state gas pricing and Phase 1 analysis
- Supporting tables and charts provided for select questions

MAGPRB = Municipal Advisory Gas Project Review Board; SB = Senate Bill

MAGPRB (2015) – State vs Local Revenue Allocation

- The 2015 Municipal Advisory Gas Project Review Board (MAGPRB) report does not establish a fixed percentage split between state and municipal revenues
- Total payments estimated as:
  - CPILT: ~$800 million (construction period)
  - OPILT: ~$15.7 billion (first 25 years of operations)
- Payments proposed in lieu of traditional property tax
- Revenues distributed by the state using a formula-based methodology:
  - Based on location of project infrastructure
  - Includes potential statewide distribution components
- Final allocation percentages to be determined through legislation and project agreements

CPILT, OPILT = Payment in Lieu of Taxes during construction and operations

Mill Rate Sensitivity & Project Viability

- Committee asked – at what level of tax would the fiscal note not be positive?
- Fiscal note for SB 280 as introduced showed positive revenue impact – this was a model assumption/ fiscal note presentation decision, not a definitive prediction
- Questions about whether project will or will not proceed are best directed to the project operator
- Additional provisions in subsequent bill versions, as well as unfolding national and global events, will also impact project attractiveness
- DOR cannot say with reasonable certainty what level of taxation and regulation will trigger a binary FID decision
- Future fiscal notes will likely be indeterminate

FID = Final Investment Decision

Fiscal Note Table: Property Tax Revenues Current Law vs. SB 280 as Introduced

Estimated Property Tax Under Current Law, Based on the Spring 2026 Forecast ($ millions)

Revenue Summary in Nominal Terms	Fiscal Year									
	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Midstream Property Tax										
North Slope Borough	$0	$0	$0	$0	$49	$155	$240	$288	$288	$288
Fairbanks North Star Borough	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Denali Borough	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Matanuska-Susitna Borough	$0	$0	$0	$0	$5	$16	$25	$31	$31	$31
Kenai Peninsula Borough	$0	$0	$0	$0	$33	$97	$146	$178	$178	$178
Total Midstream Property Tax	$0	$0	$0	$0	$87	$269	$413	$497	$497	$497
State Property Tax	$0	$0	$0	$0	$41	$129	$200	$239	$239	$239
Total Property Tax Impacts	**$0**	**$0**	**$0**	**$0**	**$128**	**$398**	**$612**	**$736**	**$736**	**$736**

Estimated AVT Under SB 280 as Introduced, Based on the Spring 2026 Forecast ($ millions)

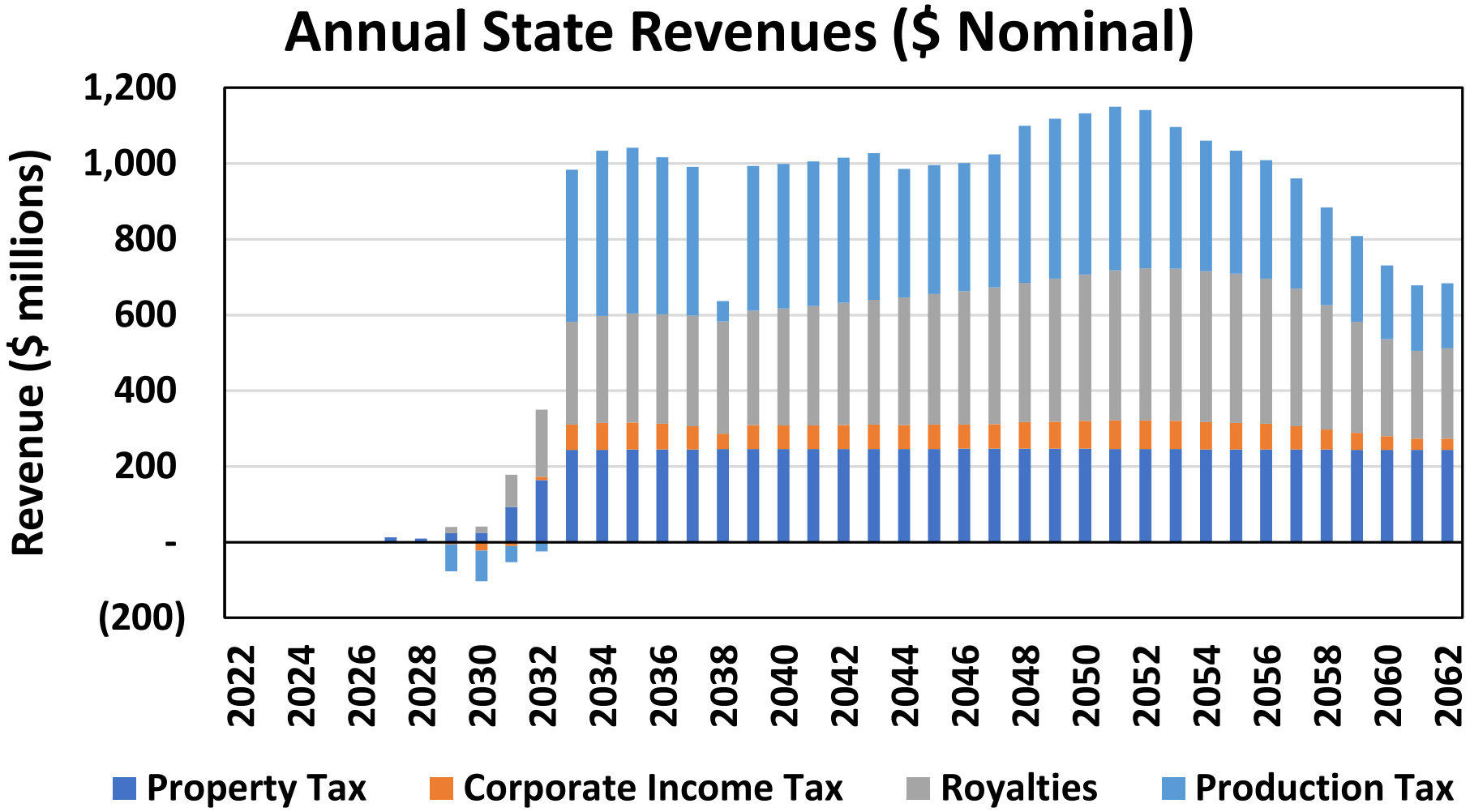
Revenue Summary in Nominal Terms	Fiscal Year									
	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Midstream AVT										
North Slope Borough	$0	$0	$0	$0	$3	$12	$20	$24	$24	$24
Fairbanks North Star Borough	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Denali Borough	$0	$0	$0	$0	$0	$1	$2	$3	$3	$3
Matanuska-Susitna Borough	$0	$0	$0	$0	$1	$3	$4	$5	$5	$5
Kenai Peninsula Borough	$0	$0	$0	$0	$4	$16	$27	$32	$33	$33
Total Midstream AVT	$0	$0	$0	$0	$9	$31	$53	$64	$65	$65
State AVT	$0	$0	$0	$0	$1	$4	$7	$9	$9	$9
Total AVT Impacts	**$0**	**$0**	**$0**	**$0**	**$10**	**$36**	**$60**	**$73**	**$74**	**$74**

AVT = Alternative Volumetric Tax

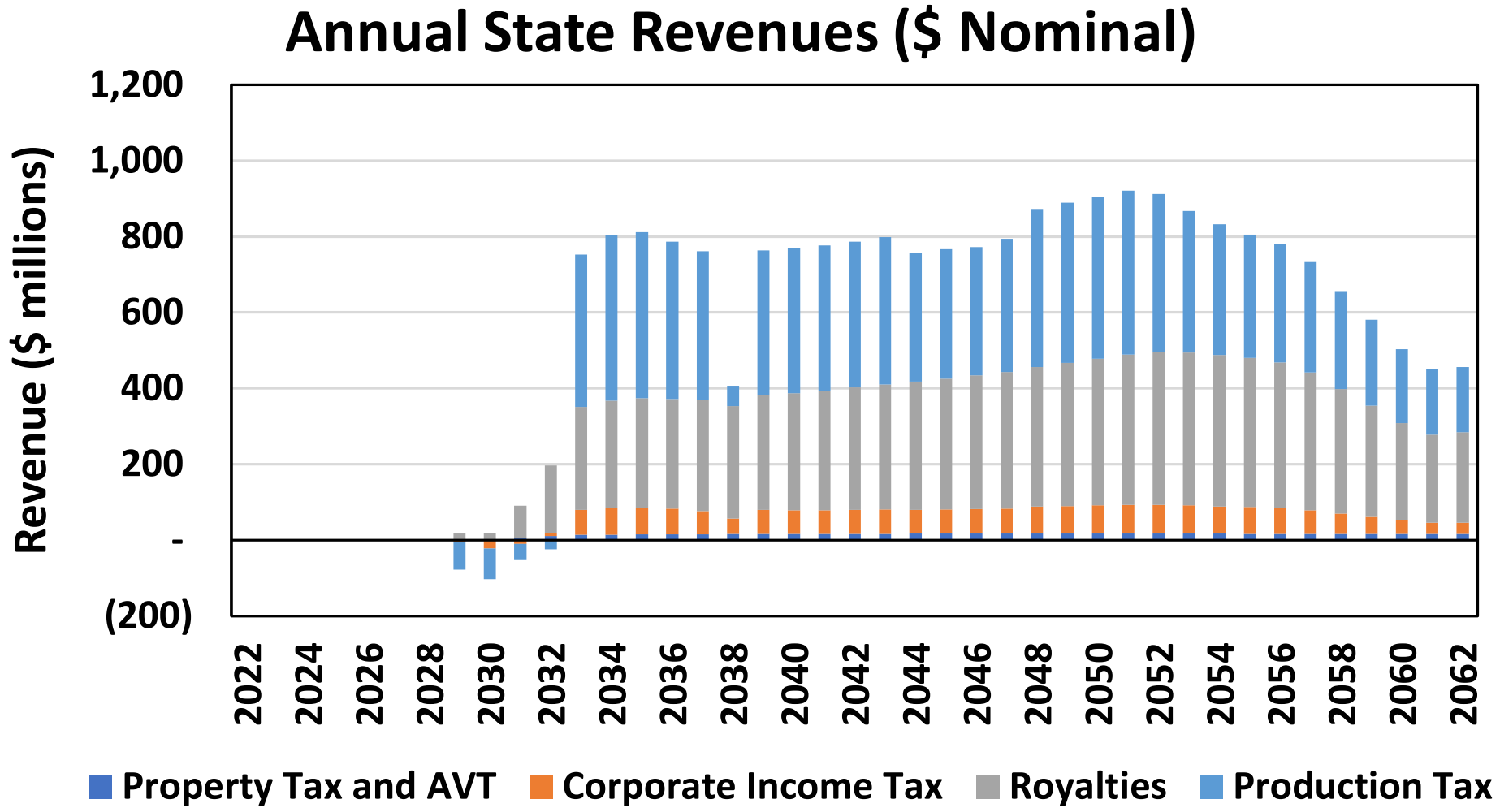
Prudhoe Bay Oil Impact Assumption

- Alaska Gasline Development Corporation (AGDC) provided assumption of zero oil production impact from gas commercialization
- Based on BP analysis presented to the Alaska Oil and Gas Conservation Commission (AOGCC) in 2015
  - Indicates cumulative oil impacts from Major Gas Sales of <300 million barrels
- Assumption applied in DOR modeling as no impact on oil production
- Production could increase or decrease – complex modeling of economic limits, reservoir dynamics and constraints
- Alternative illustrative scenarios/ sensitivities can be evaluated

State Revenues by Year; Current Law



State Revenues by Year; SB 280 as Introduced



Estimated Producer Profit per mcf

- **$1.05 per mcf** – incremental upstream net cash flows (real 2026$) over total project throughput (2026–2062)
  - Represents additional revenue less additional upstream costs
- **$0.82 per mcf** – excludes oil and condensate revenue impacts from new liquid production
  - Represents additional revenue from gas only less additional upstream costs
  - Attempts to isolate upstream value attributable to gas sales
- Assumes zero oil production impacts at Prudhoe Bay
- Includes simplified tax assumptions for production tax, property tax, corporate tax

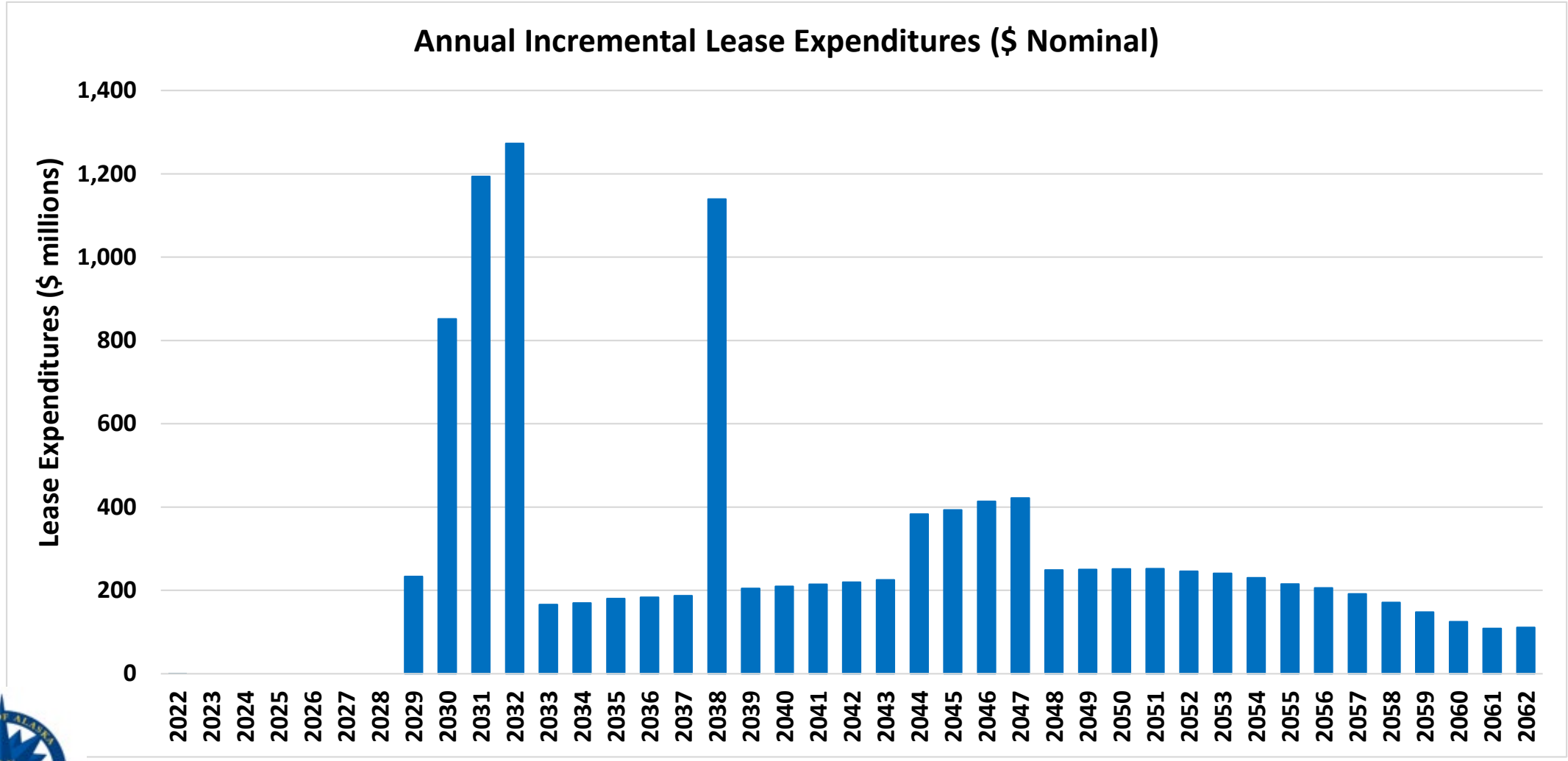
mcf = Thousand cubic feet

Estimated Upstream Owner Returns (IRR)

- 83% IRR – baseline assumptions (includes oil and condensate impacts)
  - Represents additional revenue less additional upstream costs
- 54% IRR – excludes oil and condensate revenue from new liquid production
  - Represents additional revenue from gas only less additional upstream costs
- Based on incremental after-tax producer cash flows from expanded oil and gas production
- Assumes zero oil production impacts at Prudhoe Bay
- Includes incremental upstream capital expenditures associated with project-related development
  - Excludes previously incurred development costs
  - Excludes certain overhead costs not deductible for production tax purposes

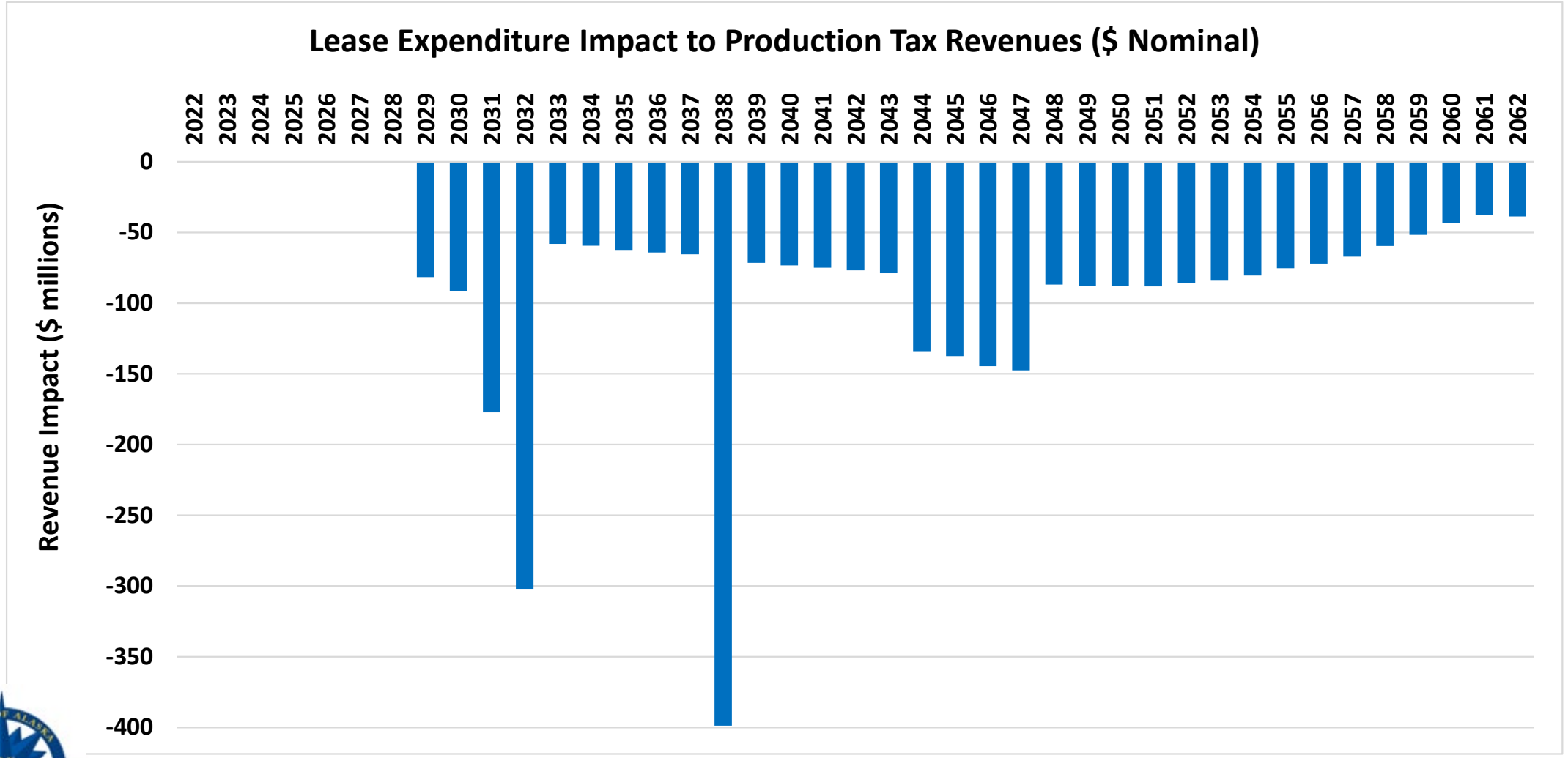
IRR = Internal Rate of Return

Incremental Lease Expenditures Associated with AKLNG Project



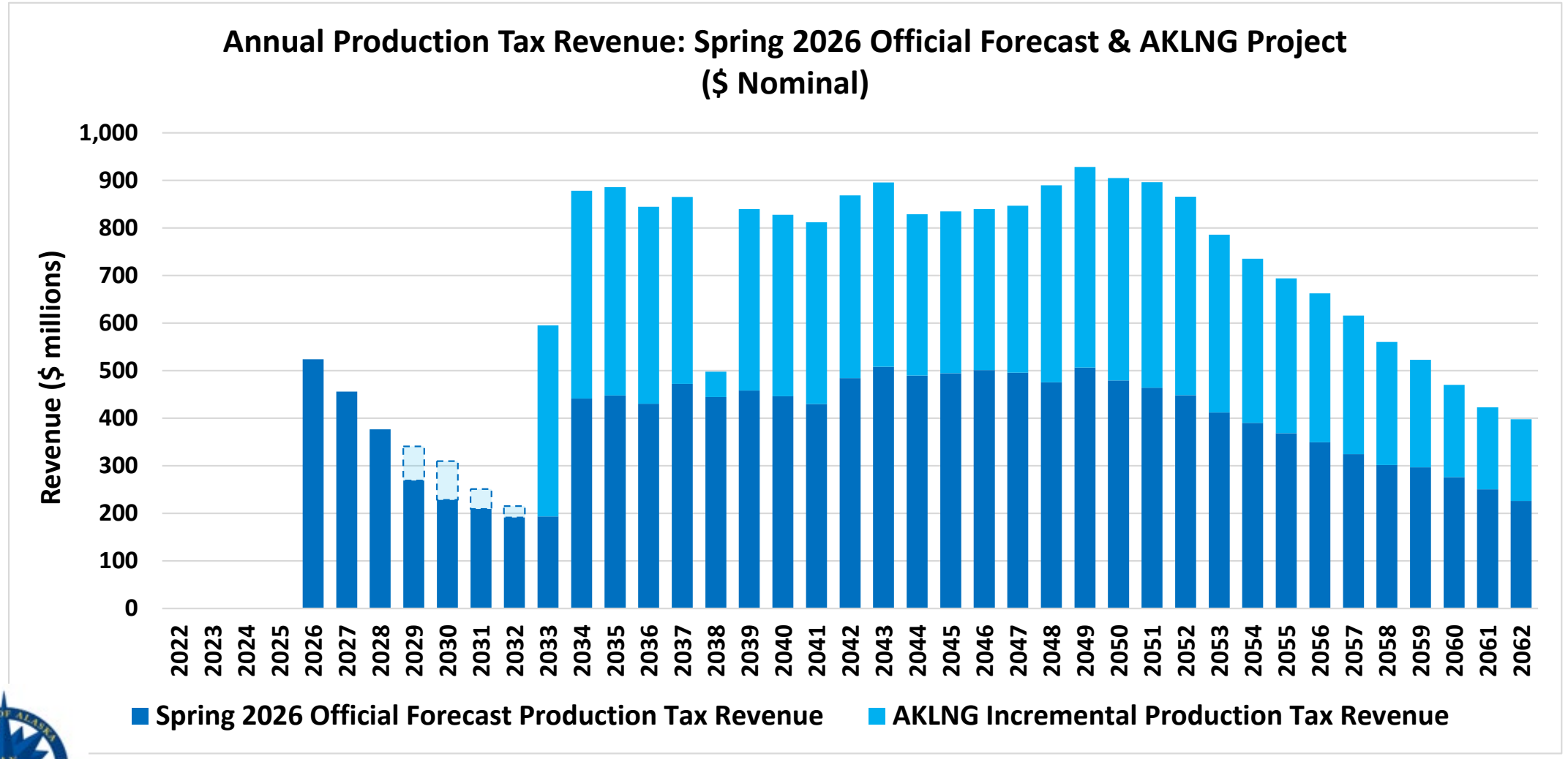
Lease expenditures shown reflect modeled incremental capital and operating costs associated with AKLNG project development.

Impact of Incremental Lease Expenditures on Production Tax



Production tax is calculated net of lease expenditures; impacts shown reflect the reduction in production tax associated with incremental AKLNG-related lease expenditures, without regard to whether those would be deemed oil or gas related and assuming no change to baseline allowable lease expenditures per Spring 2026 forecast.

Production Tax Revenues: Spring Forecast & Incremental AKLNG Project



Production tax is calculated net of lease expenditures; values shown reflect official Spring 2026 Forecast production tax revenue and estimated incremental impacts from AKLNG-related production, including periods where incremental impacts are negative.

Consumer Gas Price per mcf

- Gas price varies by customer type (residential, industrial, electric utility) and by utility provider
- For ENSTAR residential customers:
  - Gas price = Gas commodity charge + delivery service cost
    - No markup/ return on commodity charge
    - Regulated return on distribution infrastructure, etc.
  - Current delivery cost: $3.67 per mcf (2026$)
  - With inflation, estimated delivery cost: ~**$4.36** per mcf in 2033
- Add this value to modeled in-state break-even gas price to estimate total consumer price
  - Example, if cost of gas is $10/ mcf, consumer price would be $14.36/ mcf in 2033

mcf = Thousand cubic feet

Source: ENSTAR Rate Case Overview & FAQs, https://www.enstarnaturalgas.com/enstar-rate-case-overview-faqs/

State Revenue Impacts – State Corporate Income Tax (SCIT) Scenarios

- Estimated impacts to state revenue under alternative state corporate income tax (SCIT) scenarios:
- Results shown on an incremental basis relative to baseline (current law scenario)
- Simplified analysis – does not consider impacts to required commodity charge or delivered gas cost

Incremental State Revenue Impacts ($ millions, nominal)	All Upstream Pays SCIT	All Midstream Pays SCIT	All Upstream & Midstream Pay SCIT
Total Impact Thru 2062	$896	$7,354	$8,250
Average Annual Impact, 2033-2042	$33	$37	$70
Average Annual Impact, 2043-2052	$35	$244	$244
Average Annual Impact, 2053-2062	$24	$455	$479

SCIT = State Corporate Income Tax

Note: Values shown in nominal terms. Upstream analysis reflects impact of taxing AKLNG incremental revenue only.

Phase 1 Modeling Capital Expenditure Assumptions (no LNG export)

- Assumes in-state gas supply only – no LNG exports
- Pipeline capital expenditures $11.6 billion in 2026 real dollars, from 2026 to 2028
  - Includes pipeline from North Slope to Southcentral gas network. Excludes pipeline across Cook Inlet, Point Thomson feeder line, and additional compressors needed for higher throughput for full project
- Gas treatment costs $1.14 per mcf (current law), $0.96 per mcf (SB 280)
  - Cost per mcf assumed equal to full AKLNG project in absence of more detailed estimate
  - Economies of scale could lead to higher cost per mcf for Phase 1 only
  - Lower required levels of CO2 removal could lead to lower cost for Phase 1 only
    - Utility grade ~ 2% CO2
    - LNG grade ~ 50 ppm (0.005%)

LNG = Liquified Natural Gas; mcf = Thousand cubic feet. CO2 = Carbon dioxide; Ppm = parts per million

Phase 1 Modeling Demand Assumptions (no LNG export)

- First in-state gas sales in 2029, consistent with full project analysis
- Assumed in-state gas demand:
  - Shortfall of Cook Inlet gas supply compared to Southcentral gas demand (from DNR study, 2022)
    - Cook Inlet gas development unlikely to drop below forecast in short term unless gas prices decrease below current level
    - Prevailing Value for Cook Inlet gas for Q1 2026 = $8.74 per mcf
  - Plus anchor industrial customer at 50 Bcf/year, modeled on Agrium fertilizer plant (from AGDC), could also represent data centers, large mining operation, etc.
  - Total demand 65 Bcf/year in 2029, rising to 110 Bcf/year in 2041

DNR = Department of Natural Resources; mcf = Thousand cubic feet; Bcf = Billion cubic feet; AGDC = Alaska Gasline Development Corporation

Phase 1 Modeling Pricing Assumptions (no LNG export)

- Anchor industrial customer would require lower gas price for economic operation, assumed $6 per mcf in 2026 dollars (from AGDC)
  - Despite lower price, demand from anchor customer would still reduce price for other customers
- Demand controls gas price
  - Lower demand (including no anchor customer) would lead to higher prices
  - Higher demand (additional anchor customers) would lead to lower prices
- Following slides show sensitivity matrixes for:
  - Weighted average price for all customers, including anchor customer
  - Average price for utilities and other current customers only, excluding anchor customer

mcf = Thousand cubic feet; AGDC = Alaska Gasline Development Corporation

Phase 1 only Weighted Average In-State Break-Even Price , Nominal $/mcf in 2033

Current Law

Alaska LNG Capital Cost	$1.00	$1.50	$2.00	$2.50	$3.00	$3.50	$4.00	$4.50	$5.00
Base CAPEX	$13.95	$14.55	$15.16	$15.76	$16.36	$16.97	$17.57	$18.17	$18.78
+20%	$16.17	$16.77	$17.37	$17.98	$18.58	$19.18	$19.79	$20.39	$21.00
+40%	$18.38	$18.99	$19.59	$20.19	$20.80	$21.40	$22.01	$22.61	$23.21
+60%	$20.60	$21.20	$21.81	$22.41	$23.01	$23.62	$24.22	$24.83	$25.43
+80%	$22.82	$23.42	$24.02	$24.63	$25.23	$25.84	$26.44	$27.04	$27.65
+100%	$25.03	$25.64	$26.24	$26.84	$27.45	$28.05	$28.66	$29.26	$29.86

SB 280 as Introduced

Alaska LNG Capital Cost	$1.00	$1.50	$2.00	$2.50	$3.00	$3.50	$4.00	$4.50	$5.00
Base CAPEX	$11.85	$12.45	$13.06	$13.66	$14.26	$14.87	$15.47	$16.07	$16.68
+20%	$13.69	$14.29	$14.89	$15.50	$16.10	$16.70	$17.31	$17.91	$18.52
+40%	$15.52	$16.13	$16.73	$17.34	$17.94	$18.54	$19.15	$19.75	$20.35
+60%	$17.36	$17.97	$18.57	$19.17	$19.78	$20.38	$20.98	$21.59	$22.19
+80%	$19.20	$19.80	$20.41	$21.01	$21.61	$22.22	$22.82	$23.42	$24.03
+100%	$21.04	$21.64	$22.24	$22.85	$23.45	$24.05	$24.66	$25.26	$25.87

mcf = Thousand cubic feet

Phase 1 only In-State Break-Even Price for Utilities, Nominal $/mcf in 2033

Current Law

Alaska LNG Capital Cost	$1.00	$1.50	$2.00	$2.50	$3.00	$3.50	$4.00	$4.50	$5.00
Base CAPEX	$21.52	$22.70	$23.87	$25.05	$26.23	$27.41	$28.59	$29.77	$30.94
+20%	$25.84	$27.02	$28.20	$29.38	$30.56	$31.74	$32.91	$34.09	$35.27
+40%	$30.17	$31.35	$32.53	$33.71	$34.89	$36.06	$37.24	$38.42	$39.60
+60%	$34.50	$35.68	$36.86	$38.03	$39.21	$40.39	$41.57	$42.75	$43.93
+80%	$38.83	$40.01	$41.18	$42.36	$43.54	$44.72	$45.90	$47.07	$48.25
+100%	$43.15	$44.33	$45.51	$46.69	$47.87	$49.05	$50.22	$51.40	$52.58

SB 280 as Introduced

Alaska LNG Capital Cost	$1.00	$1.50	$2.00	$2.50	$3.00	$3.50	$4.00	$4.50	$5.00
Base CAPEX	$17.42	$18.60	$19.77	$20.95	$22.13	$23.31	$24.49	$25.67	$26.84
+20%	$21.00	$22.18	$23.36	$24.54	$25.72	$26.90	$28.07	$29.25	$30.43
+40%	$24.59	$25.77	$26.95	$28.13	$29.30	$30.48	$31.66	$32.84	$34.02
+60%	$28.18	$29.36	$30.53	$31.71	$32.89	$34.07	$35.25	$36.43	$37.60
+80%	$31.76	$32.94	$34.12	$35.30	$36.48	$37.66	$38.83	$40.01	$41.19
+100%	$35.35	$36.53	$37.71	$38.89	$40.06	$41.24	$42.42	$43.60	$44.78

Note: Add ~$4.36/ mcf for final price to consumer. i.e. baseline $27.06 current law, $22.96 SB 280 as introduced
mcf = Thousand cubic feet