



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

COMMISSIONER'S OFFICE

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May 4, 2026

The Honorable Cathy Giessel
Senate Resources Committee, Chair
Alaska State Legislature
State Capitol, Room 121
Juneau, AK 99801

Dear Chair Giessel,

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue (DOR) during the Senate Bill 280 presentations to the Senate Resources Committee on April 27 and 29, 2026. Please see the questions in bold and italics and our responses immediately below the questions.

1. Do you currently contract out audit-level services, and do you still have ongoing ACES tax audits?

The Tax Division does not contract out audit-level services for taxes under Alaska Statute (AS) 43.55. With the exception of a limited number of exploration credit audits conducted more than 14 years ago, audit work has been performed internally. All audits under AS 43.55, including those associated with Alaska's Clear and Equitable Share (ACES) tax regime, have been completed through tax year 2019.

2. Provide analysis of state revenue impacts under alternative state equity participation scenarios (e.g., 5% and 25%), relative to the no-equity baseline.

DOR has provided analysis of stakeholder cashflow outcomes under alternative state equity participation scenarios of 5 percent and 25 percent for the full Alaska LNG project. Results are shown under current law and under SB 280 as introduced, as presented in the tables below. All values are presented on a cumulative nominal basis.

Note, these values are net of capital outlays required. The estimated capital outlay over 2027 to 2032 in nominal dollars would be \$885 million for a 5% equity stake and \$4.4 billion for a 25% equity stake. These values assume a 70% debt / 30% equity financing structure for the

project and a total project construction cost of \$46.2 billion in real 2026 dollars. If the project cost increased, the state's share of capital outlays would also increase.

State Share of Project Equity Capital Costs at 5%

State Share of Project Equity Capital Costs (\$ millions)	Nominal	Real (\$2026)
State Share of GTP Capital	\$ 211	\$ 194
State Share of Pipeline Capital	296	275
State Share of LNG Plant Capital	378	352
Total State Share of Project Capital	885	821

State Share of Project Equity Capital Costs at 25%

State Share of Project Equity Capital Costs (\$ millions)	Nominal	Real (\$2026)
State Share of GTP Capital	\$ 1,056	\$ 970
State Share of Pipeline Capital	1,479	1,374
State Share of LNG Plant Capital	1,889	1,761
Total State Share of Project Capital	4,423	4,105

5% State Equity: Current Law

Total Cashflow Nominal (\$ millions)	State SQ Revenues	State Equity Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 10,093	\$ 360	\$ (2,254)	\$ 6,274	\$ 19,376	\$ 5,919
Cumulative to 2052	20,770	1,609	7,974	11,870	41,651	23,734
Cumulative to 2062	29,716	4,364	21,751	17,297	60,379	64,788

5% State Equity: SB 280 as Introduced

Total Cashflow Nominal (\$ millions)	State SQ Revenues	State Equity Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 7,482	\$ 367	\$ (2,259)	\$ 1,337	\$ 19,376	\$ 6,042
Cumulative to 2052	15,867	1,577	7,879	2,699	41,651	23,233
Cumulative to 2062	22,532	4,247	21,284	3,968	60,379	63,058

25% State Equity: Current Law

Total Cashflow Nominal (\$ millions)	State SQ Revenues	State Equity Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 10,093	\$ 1,802	\$ (2,420)	\$ 6,274	\$ 19,376	\$ 4,073
Cumulative to 2052	20,770	8,045	6,699	11,870	41,651	15,440
Cumulative to 2062	29,716	21,821	18,367	17,297	60,379	42,495

25% State Equity: SB 280 as Introduced

Total Cashflow Nominal (\$ millions)	State SQ Revenues	State Equity Revenues	Federal Revenues	Municipal Revenues	Upstream Owners	Midstream Owners
Cumulative to 2042	\$ 7,482	\$ 1,834	\$ (2,423)	\$ 1,337	\$ 19,376	\$ 4,166
Cumulative to 2052	15,867	7,886	6,624	2,699	41,651	15,076
Cumulative to 2062	22,532	21,236	17,998	3,968	60,379	41,243

In these tables, “State SQ Revenues” represent state revenues from tax and royalty expected with no state equity investment, so total state revenues would be the sum of the “State SQ Revenues” and “State Equity Revenues” columns. Midstream Owners’ revenue excludes State Equity Revenues.

3. Provide the percentage of fuel gas used in LNG processing that DOR assumed in the modeling.

The Department of Revenue assumed that approximately 12.7 percent of total gas volumes are used as fuel across the Alaska LNG project from the Gas Treatment Plant through the pipeline and LNG facility. This includes approximately 5.7 percent at the Gas Treatment Plant, 1.4 percent for pipeline operations, and 5.5 percent at the LNG facility.

4. Under a 70-30 equity split, what is the return on equity for the midstream developer?

Under DOR’s modeling assumptions, the midstream components of the Alaska LNG project are structured using a cost-of-service framework with a 20-year tolling period and a capital structure of approximately 70 percent debt and 30 percent equity applied to total capital expenditures. During this period, the model assumes a 10 percent pre-tax internal rate of return (IRR) on midstream investment, adjusting the tolls for each project component to match the assumed rate of return. This rate of return is a modeling assumption that can be changed.

Over the full project life, including periods beyond the initial tolling structure, the modeled pre-tax internal rate of return through 2062 is approximately 12 percent.

This 12 percent rate of return over total project life consists of the assumed 10 percent over the first 20 years of full export operations, combined with continued positive equity cashflows in the final 10 years of the modeled time horizon (2053 through 2062). Over this period, average annual midstream equity cashflow (pre-tax) is approximately \$5.5 billion under current law, \$5.3 billion under SB 280 as introduced, and \$5.0 billion under CS SB 280 Version G.

5. What are the exact negative production tax revenue impacts for the early years shown in the chart (2029–2032, slide 13)?

Slide 13 presents annual production tax revenue under the Spring 2026 official forecast alongside estimated incremental production tax revenues from the AKLNG project. In the early years of the project, incremental AKLNG production tax revenues are modeled as negative due to the ability of upstream producers to apply incremental lease expenditures in the production tax calculation.

Annual incremental AKLNG production tax revenues for the years 2026 through 2035 are provided in the table below, including the negative values for 2029 through 2032.

Note, total production tax paid to the state is still positive, it is just slightly lower than under the Spring 2026 forecast for a few years. Also, the cumulative net impact of AKLNG to production tax would be a significant positive over the next decade under the baseline modeling assumptions.

This analysis is based on aggregated production and costs from the fields expected to supply gas to the project only, primarily Prudhoe Bay and Point Thomson. Dividing the production and costs between the producing companies and aggregating with each company's other fields on the North Slope could lead to production tax being materially different to that shown here. In addition, oil prices and costs remain significantly uncertain.

Production Tax Revenue Nominal (\$, millions)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Spring 2026 Official Production Tax Forecast	\$ 524	\$ 456	\$ 377	\$ 340	\$ 310	\$ 251	\$ 215	\$ 194	\$ 442	\$ 448
Incremental AKLNG Production Tax	\$ -	\$ -	\$ -	\$ (72)	\$ (82)	\$ (42)	\$ (24)	\$ 402	\$ 437	\$ 438
Total Production Tax Revenue	\$ 524	\$ 456	\$ 377	\$ 269	\$ 228	\$ 209	\$ 191	\$ 595	\$ 878	\$ 886

6. What is the additional cost of gas storage (winter withdrawal cost) on top of the delivery cost?

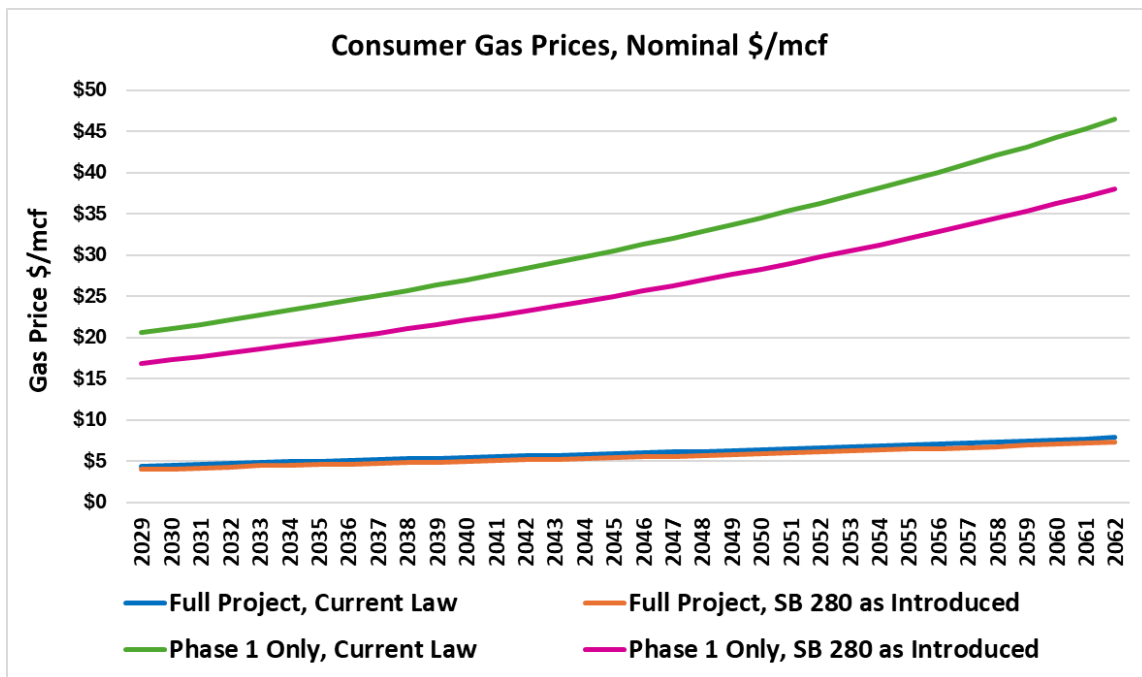
In general, costs are passed on to ratepayers, either as a Gas Cost Adjustment (GCA) or as part of the base rate or customer charge. The ENSTAR GCA was last updated on May 15, 2025, and applied to customer bills from July 1, 2025, so any changes after that date would not yet be included in the current GCA which we referenced for our analysis. We recommend contacting the Regulatory Commission of Alaska (RCA), ENSTAR or the other utilities in Southcentral Alaska, for more detailed information about costs for gas storage and how these costs might impact consumers.

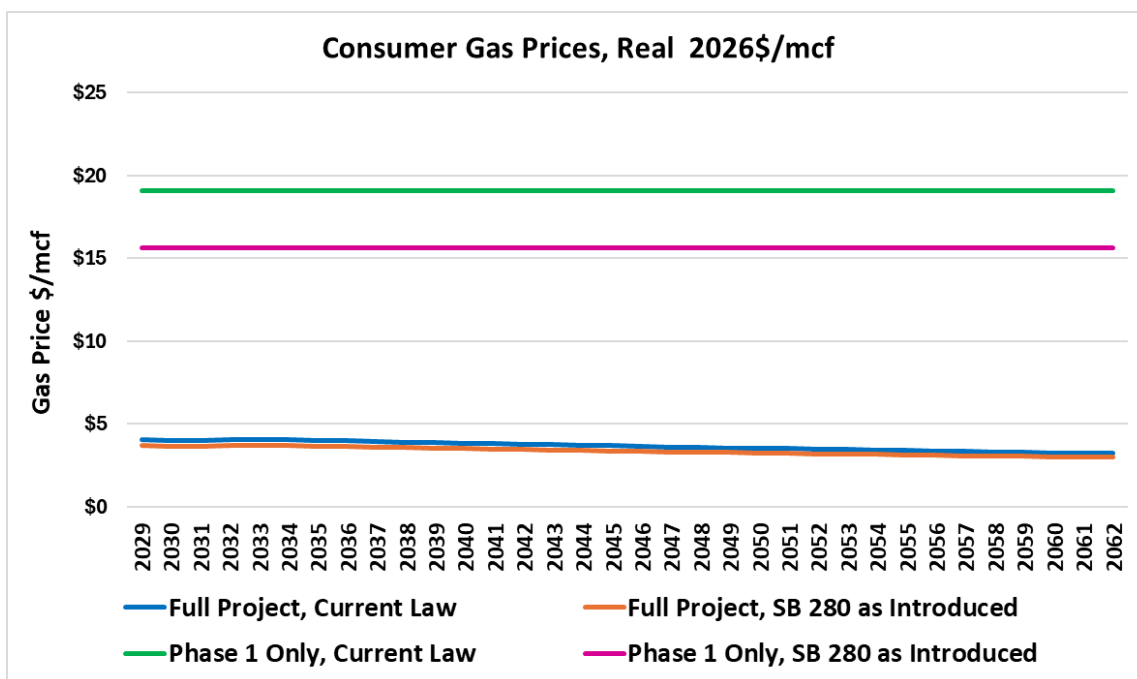
7. Provide a projection of consumer gas prices through 2062 including inflation.

DOR has provided consumer gas price projections through 2062 by applying a 2.5 percent annual inflation rate to the modeled utility cost assumptions. In real terms (2026 dollars), prices remain relatively constant over time, while nominal prices increase with inflation.

We assume delivery costs of \$3.67 per mcf in 2026 dollars, inflated to \$4.36 per mcf in 2033, based on delivery costs from ENSTAR’s latest rate case, as of May 2, 2025. These delivery costs are included in the projection below.

The charts below illustrate provided consumer gas prices under the full Alaska LNG project and a Phase 1-only scenario, under both current law and SB 280 as introduced.





8. Verify annual producer profit estimate when the project is at full capacity.

Based on DOR modeling assumptions, estimated annual upstream producer profit is reflected in the table below as incremental producer cashflows associated with the AKLNG project.

At full project operations, average annual producer cash flows are approximately \$1.9 to \$2.2 billion per year over the central years of the project, as shown in the table below.

	Total through 2026	Average Annual, 2033-2042	Average Annual, 2043-2052	Average Annual, 2053-2062
Incremental Producer Cashflows Nominal (\$, millions)	\$60,379	\$1,977	\$2,227	\$1,873

9. Given the difficulty of making significant oil tax changes without executive branch involvement and the potential for large revenue swings, would the Department of Revenue (and the administration) be willing to develop and provide policy proposals in the near term that the legislature could incorporate into the bill?

This legislation was intended to accomplish two things: moving the project forward by addressing a known issue of the property tax burden, and ensuring a long-term, secure supply of low-cost energy for Alaskans. Oil and gas tax increases could add complexity to the

legislation, could increase the price of gas for Alaskans, and could make the project less attractive for the developer.

The administration prefers to keep SB 280 simple and focused on the objectives of alleviating property tax burden and reducing the cost of energy for Alaskans. That said, the administration is willing to separately consider revenue measures as part of a broader fiscal plan, such as the plan introduced by the Governor earlier this year.

Please let me know if I can be of further assistance.

Sincerely,



Janelle L. Earls
Acting Commissioner

cc: Jordan Shilling, Legislative Director, Office of the Governor
Lacey Sanders, Director, Office of Management and Budget