

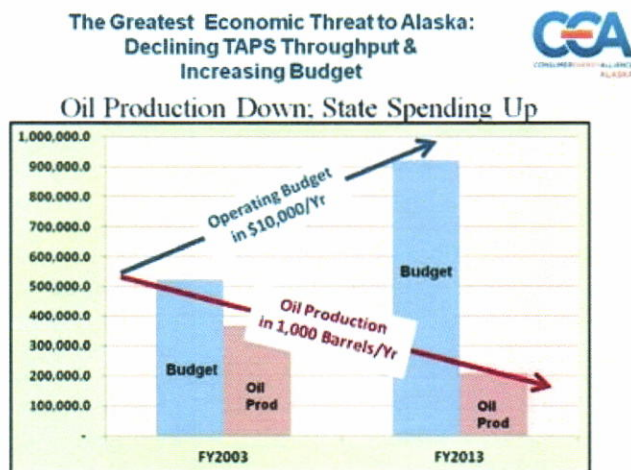
Linda Hay

From: Steve Pratt <spratt@consumerenergyalliance.org>
Sent: Monday, April 01, 2013 11:01 AM
To: Rep. Eric Feige; Rep. Dan Saddler; Rep. Peggy Wilson; Rep. Mike Hawker; Rep. Craig Johnson; Rep. Kurt Olson; Rep. Paul Seaton; Rep. Geran Tarr; Rep. Chris Tuck
Subject: Pass SB 21 for Alaska's Future
Categories: Linda



Members of the House Resources Committee –

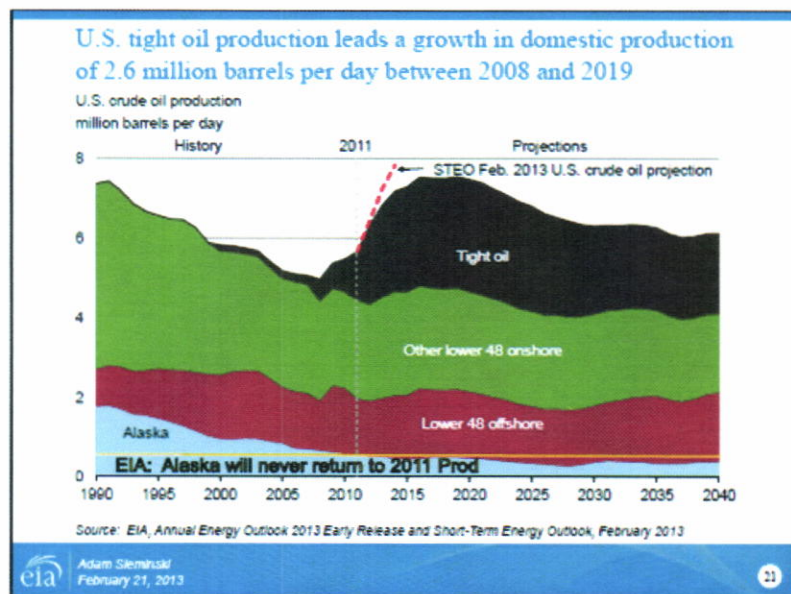
My name is Steve Pratt, Executive Director of Consumer Energy Alaska, a regional chapter affiliated with the national Consumer Energy Alliance. We believe the greatest economic threat to Alaska energy consumers is declining TAPS throughput as state spending increases. We need to reverse these decade long trends. Consequently your focus on declining throughput and fiscal issues this legislative session is critical.



As energy consumers, we all have a direct interest in obtaining competitively priced domestic energy. We also have a direct interest in robust overall economic activity to maintain livelihoods and at least 30% of working Alaskans are dependent upon oil and gas exploration and development for employment.

Unfortunately, Alaska oil production has declined from a peak of over 2 million barrels a day to a little over 500 thousand barrels, and is in freefall at the rate of 5 - 7% per year. What is especially remarkable is that these declines have occurred during times of high and increasing oil prices.

Alaska is capable of making a substantially greater contribution to U.S. domestic oil production and the nation's energy and economic security than it does today. Five weeks ago CEA met with Adam Sieminski, the head of the Energy Information Administration in the U.S. Department of Energy. Mr. Sieminski gave us a presentation on the agency's draft 2013 Energy Outlook. To me, Alaska was a disappointment. In the Energy Outlook, Alaska's contribution to the nation's energy supply will never return even to 2011 levels let alone increase unless state fiscal and federal regulatory changes occur. We are not doing our part to secure US energy security or fulfill our constitutional mandate to develop our resources.



A sustainable increase of only 500,000 bbls/day from today's levels, at \$100/bbl., would add \$1.5 Billion **per month** to overall U.S. economic activity. It might also reduce the export of 1.5 Billion U.S. consumer dollars per month to OPEC nations.

However, new, risky exploratory and development drilling is necessary to stem the decline in Alaska oil production. Alaska students need to compete globally for jobs. Alaska natural gas needs to compete globally to secure markets. And Alaska oil field development needs to compete globally for investment dollars. Your work here can enable that ability.

The rates and progressivity structure of Alaska's current tax regime provide a disincentive to attracting risk capital to the state as evidenced by declining production during times of high oil prices. As demonstrated in the EIA's Energy Outlook, increased prices and new technologies have resulted in substantial increases in oil production in other locations around the United States, but not in Alaska, and not because more oil is not available.

Alaska's remoteness from the markets, Arctic climate, high labor and logistical costs argue for a more competitive tax and regulatory structure.

Consumer Energy Alliance – Alaska, along with a solid majority of Alaskans, is in favor of the Alaska State Legislature reviewing and approving revisions to the Alaska Tax Code that will improve the investment climate in Alaska.

In closing I will simply note that something is terribly wrong here, and I thank you, members of the Resources Committee, for taking on the task, with the Governor, of coming up with useful changes to the tax code.

Linda Hay

From: Alan LeMaster <gakona@gakonaak.net>
Sent: Monday, April 01, 2013 10:56 AM
To: Representative_Eric_Feige@legis.state.ak.us
Subject: For your perusal.

Categories: Linda

SB 21 will cost state billions

Posted: March 20, 2013 - 4:51pm

By [Brad Faulkner](#)

In 1975, right out of high school, I went to work on the pipeline for a year. I then worked my way through Harvard University in the oil field. After college, I held a number of jobs in Prudhoe from field engineer to maintenance scheduling supervisor field wide for SOHIO. These were the early days when liquor flowed and tongues were loose. We had just built the pipeline and were building out the field.

Prudhoe is an elephant field. Kuparuk, Alpine and all other currently producing fields pale in comparison. Like every field, Prudhoe has a predictable decline curve. Production has been declining since 1987. Gas injection and sea water injection have helped slow the decline, but decline is inevitable.

The oil companies know this. To plan for the inevitable they set aside a 600 million barrel warehouse field on the eastern edge of the main Prudhoe structure. Essentially they warehoused this oil to keep the pipeline full through the main field's declining years. Think of it as an oilfield IRA. This is "proprietary information." I am not even sure how I know it. I have just known it for decades. The oil companies know it for sure. I expect the state reservoir people know it. Why we, the owners of the oil, are not allowed to know what is in the ground before making tax policy is a matter for another day. Trust me, it is there.

I have heard an oil field described as a glass of water that you put a straw into. This is wrong. It is many glasses. Sucking on a straw in one glass won't change the level in the other glasses. Many sub-fields at varying pressures and depths make up the Prudhoe Bay structure. Under a previous tax regime called the Economic Limit Factor, most of the oil leaving Kuparuk and Prudhoe had zero production taxes. The producers used sleight-of-hand accounting to juggle these sub-fields to pay zero taxes on most of the oil.

The best thing Frank Murkowski did as governor was declare all sub-fields within the main Prudhoe structure one unit.

The bipartisan coalition worked really hard last year to come up with some much-needed changes to ACES which was killed in the House. Now the Senate is working on the governor's bill, SB 21. This bill could have been written in a

Houston boardroom. SB 21 allows major tax breaks for new portions of legacy fields. It is specifically written to exempt the 600 million barrel warehouse field that has been known about for 40 years. Trust me again, the majority of “new oil” entering the pipeline in the next decade will come from this single field. It is adjacent infrastructure and will be easy to develop. The oil companies are following the plan of 35 years ago to keep pipeline throughput viable. This governor wants to call it “new oil” and the Republican controlled Senate is ready to play along.

Linda Hay

From: Donald Witzel <witzdp@mtaonline.net>
Sent: Monday, April 01, 2013 7:18 AM
To: Rep. Eric Feige
Subject: Oil tax

Categories: Linda

I oppose the House's, Senate's and Governor's bills to reduce taxes on the oil industry. I would support some modification to ACES to spur new and legacy development, but most of you folks don't comprehend is that the oil industry will always ask for more. Like the 5 yr olds in the TV ad, they will always ask for more. You need to protect the future of Alaska. The changes proposed will jeopardize the financial security for our state. Several Senators suggested that reducing oil taxes is a good way to reign in state spending, but I find this to be a political cowards way to cut the budget rather than do the hard work legislators are elected to do. It has also been suggested that changes will spur jobs which may help individual Alaskans, however will not benefit the state since we have no state income tax. The result is the same, the state will suffer financially.

The oil companies will not walk away from the legacy fields and Alaska is already a cash cow for the industry. They also seem to say one thing to federal govt. and stakeholders and another when they testify to you, the legislature, when discussing the decline in the flow of oil in the pipeline. In short, we do not have the facts to support the changes they ask for and instead seem poised to make a leap of faith with no assurance as to the result. Please use common sense and go table the process. Go back and begin by asking the question of what is really good for Alaska, then create the changes that wii truly benefit all of Alaska.

Don and Phyllis Witzel
Palmer, Alaska

Linda Hay

From: JanVandever <jan@mtaonline.net>
Sent: Monday, March 25, 2013 4:55 PM
To: Rep. Eric Feige
Subject: RE: SB21

Importance: High

Categories: Linda

I do not favor a giveaway. I can understand a tax credit for more realized production/exploration. I cannot understand a giveaway without any guarantee that oil companies will use the money in this state. Incentive is one thing; a gift is another.

Dr. Jan Vandever female.....

From: Rep. Eric Feige [<mailto:Rep.Eric.Feige@akleg.gov>]
Sent: Monday, March 25, 2013 12:27 PM
To: JanVandever
Subject: RE: SB21

Mr. Vandever,

What is it about the bill that you are not in favor of?

Rep Feige

From: JanVandever [<mailto:jan@mtaonline.net>]
Sent: Monday, March 25, 2013 12:17 PM
To: Rep. Eric Feige
Subject: SB21
Importance: High

Dear Representative Feige:

It is not often that I contact my state legislators, but I cannot let the opportunity to encourage you to vote against SB21 as it comes to the House. I hope that you will be a voice of reason. First, let me point out that senators with immediate ties – on the payroll - to the oil companies were allowed to vote on oil legislation in the first place. Do you and others not understand conflict of interest??? It is like having someone on trial also get a vote with the jury. Unbelievable. I hope when this legislation comes to you that you find the courage to stand up to the oil interests and the governor and vote as a representative of those who elected you. I certainly do not support giving money to oil interests without any guarantees. Should we all expect to be paid without doing any work??? Give them a break when they actually produce for the State. Not before...

Jan Vandever

Palmer AK

Linda Hay

From: tttilsworth@alaska.edu
Sent: Friday, March 22, 2013 4:12 PM
To: "Representative.Alan.Austerman@akleg.gov"@mxjnu01.legis.state.ak.us;
"Representative.Bryce.Edgmon@akleg.gov"@mxjnu01.legis.state.ak.us;
"Representative.Lynn.Gattis@akleg.gov"@mxjnu01.legis.state.ak.us;
"Representative.Bob.Herron@akleg.gov"@mxjnu01.legis.state.ak.us;
"Representative.Doug.Isaacson@akleg.gov"@mxjnu01.legis.state.ak.us;
"Representative.Wes.Keller@akleg.gov"@mxjnu01.legis.state.ak.us;
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"Representative.Max.Gruenberg@akleg.gov"@mxjnu01.legis.state.ak.us;
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"Representative.Craig.Johnson@akleg.gov"@mxjnu01.legis.state.ak.us;
"Representative.Beth.Kerttula@akleg.gov"@mxjnu01.legis.state.ak.us;
"Representative.Charisse.Millett@akleg.gov"@mxjnu01.legis.state.ak.us;
"Representative.Kurt.Olson@akleg.gov"@mxjnu01.legis.state.ak.us;
"Representative.Paul.Seaton@akleg.gov"@mxjnu01.legis.state.ak.us; Rep. Chris Tuck
Subject: SB21 and the Alaska House
Categories: Linda

Senate Bill 21 is not in the best interest of Alaskans. Here's what is going to happen unless the House gets serious about representing Alaskans instead of the oil industry:

- 1. Production – Based on SB21, Alaska will not likely see any increase in production until 2017 and possibly as late as 2020. SB21 passed 11-9 only because two industry employees, who asked to recused were required to vote – that is unethical at its worst. Had they not voted SB21 would have failed.**
- 2. State Budget – a looming fiscal crisis. We will lose important revenue under SB21 which will probably require we dip into the \$16+/- reserve. This continuing loss may mean the State will deplete that reserve and we may not recover any lost funds used to produce theoretical increased production.**
- 3. The oil industry has given no commitment to increase production based on SB21 – none.**
- 4. The Big3 oil industry will continue to take their profits and spend them in places other than Alaska.**
- 5. SB21 in essence negates ACES. This is wrong. There is factual evidence to show that production did not decrease because of ACES. Simply revise ACES by reducing progressivity when oil is above \$100/barrel. There are some good things about SB21 (like exploration, development and new fields), so don't throw the baby out with the bath water. Just revise SB21 to make ACES applicable, only, to the Legacy Fields.**
- 6. If the State budget continues to increase, and oil revenue decreases, the State may be looking at teacher layoffs, government layoffs, a possible return to a State income tax, and a possible raid on the Permanent Fund. This would be disastrous!**

PLEASE THINK CAREFULLY, before you blindly decide to support SB21. Some of the results of SB21 may not be obvious for 5-10 years.

If you choose to support SB21, there are many Alaskans that will not forget how you voted. So, before you cast your vote – think twice.

**Timothy Tilsworth, PhD, PE
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