



KENAI PENINSULA BOROUGH

144 North Binkley Street • Soldotna, Alaska 99669-7520
Toll-free within the Borough: 1-800-478-4441 Ext. 2150
PHONE: (907) 714-2150 • **FAX:** (907) 714-2377
www.borough.kenai.ak.us

Mike Navarre
Borough Mayor

April 14, 2015

Senator Click Bishop, Chair
Senate Community and Regional Affairs Committee
Alaska State Legislature
Room 115
State Capitol, Juneau

Dear Senator Bishop and Committee Members,

As you would expect, the Kenai Peninsula Borough and its almost 60,000 residents are keenly interested in Senate Bill 100, regarding the assessment of property taxes on a North Slope natural gas project, as we focus on seeing this project move forward in the best interests of all Alaskans for decades to come. The economics of financing, building and operating the facilities and marketing liquefied natural gas in today's global marketplace are challenging, with multiple LNG hopefuls worldwide all competing for the same customers. As such, the Kenai Peninsula Borough sees the need — and the wisdom — of adopting a fiscal structure that will allow an Alaska North Slope gas pipeline and LNG project to succeed in that competitive environment.

A key part of that fiscal structure is property taxes; key for the municipalities affected by the project and key for the project sponsors as they strive to determine all of their costs before committing to tens of billions of dollars in debt and equity to pay for construction. Looking at the decades of contentious litigation between the trans-Alaska oil pipeline owners and the state and municipalities, arguing over the assessed value of the oil line and related facilities, it's important that all parties avoid a repeat of a similar property tax debate over a North Slope gas project. The investment decision cannot afford that level of fiscal uncertainty, nor can the affected municipalities.

As a member of the Municipal Advisory Gas Project Review Board (more often called the Municipal Advisory Group, or MAGP), I have been involved in the search for the best way to avoid years of disputes over the property tax assessment for a natural gas pipeline and liquefaction plant, and I believe the bill before you Tuesday, April 14, Senate Bill 100, is a good step toward a solution. The bill is far from complete, but, while it currently lacks details and will require more work to meet the needs of all parties, it provides positive momentum toward a successful project. It is good to see the administration and legislature willing to address this issue, one of the many complex components necessary to advance an Alaska North Slope gas pipeline and LNG project that will benefit all Alaskans.

If we're willing to learn from our history, I'm confident there is a better way to assess the property tax liability of a North Slope gas project. The proposal in SB100 of an alternative calculation, as proposed for AS43.56.060(h), looks to be a good way to get there, certainly a more durable way than decades of fighting over the replacement value, income-producing value or depreciated value of a world-class investment for which there are no easily quantifiable comparables.

I commend the administration for working on legislation intended to protect municipalities' interests while treating the project sponsors fairly. I also commend the Senate Community and Regional Affairs Committee for making time to hear the bill in these final days of the regular legislative session.

Please call on my office for any assistance we can provide as work continues on this bill after adjournment of the regular session. Only through a concerted effort by the state, municipalities, and project partners, can we get where we need to go with this bill — a fair solution to property taxes and a successful project investment decision.

Sincerely,



Mike Navarre
Mayor