



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE

State Office Building
333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

October 17, 2017

Senator Cathy Giessel, Chair, Senate Resources Committee

Representative Geran Tarr, Co-Chair, House Resources Committee

1500 West Benson Blvd

Rooms 215 and 422

Anchorage, AK, 99503

Senator Giessel and Representative Tarr:

At the Joint House Senate Resources Committee Meeting on October 16, 2017, Senator MacKinnon asked Lieza Wilcox of AGDC about the final "Lazard Report." Ms. Wilcox deferred to the Department of Revenue to answer this question.

Lazard, a Global Financial Advisory and Asset Management firm was contracted by the Department of Revenue to produce the report described in Section 76 (a) of Senate Bill 138, Chapter 14, SLA 14. The preliminary draft report was delivered to the Legislature in January 2015 as required by SB 138.

The final report required by Section 76 of SB 138 is due "at the time the commissioner of natural resources submits the first agreement or contract to the legislature for approval under AS 38.05.020(b)(11), enacted by sec. 24 of this Act". I have included the language of Sec. 76 of SB 138 and AS 38.05.020(b)(11) below. I believe this trigger was intended to put the report in front of the Legislature at a time which would help them evaluate options prior to a final investment decision.

Since January 2015 the project has evolved such that there has been no specific action to trigger a final report as contemplated in Section 76 of SB 138 and the report has not been finalized. The Department of Revenue does not currently have Lazard under contract and the final report may be completed by another contractor when a final decision is needed.

** Sec. 76. The uncodified law of the State of Alaska is amended by adding a new section to read:*

DEVELOPMENT OF A PLAN FOR MUNICIPALITIES, REGIONAL CORPORATIONS, AND RESIDENTS TO PARTICIPATE IN THE OWNERSHIP OF A NORTH SLOPE NATURAL GAS PIPELINE; IDENTIFICATION OF AND REPORT ON FINANCING OPTIONS FOR STATE OWNERSHIP AND PARTICIPATION IN A

NORTH SLOPE NATURAL GAS PROJECT. (a) The commissioner of revenue shall identify and report to the legislature on a range of financing options for state acquisition of an ownership interest and participation in a North Slope natural gas project. The report must include a description of the risk associated with each option and the effect of each option on the bonding capacity and bond rating of the state. In this subsection, "North Slope natural gas project" has the meaning given in AS 38.05.965, as amended by sec. 33 of this Act.

(b) The commissioner shall make an interim draft of the report described in (a) of this section available to the legislature on the first day of the First Regular Session of the Twenty-Ninth Alaska State Legislature, and a final report at the time the commissioner of natural resources submits the first agreement or contract to the legislature for approval under AS 38.05.020(b)(11), enacted by sec. 24 of this Act.

** Sec. 24. AS 38.05.020(b) (11) in consultation with the commissioner of revenue, participate in the negotiation of agreements that include balancing, marketing, disposition of natural gas, and offtake and contracts and development of terms for inclusion in those proposed agreements and contracts associated with a North Slope natural gas project; an agreement or contract negotiated under this paragraph to which the state is a party is not effective unless the legislature authorizes the governor to execute the agreement or contract;*

Sincerely,

A handwritten signature in cursive script, appearing to read "Jerry Burnett", followed by a long horizontal flourish line.

Jerry Burnett

Deputy Commissioner

Alaska Department of Revenue