



Representative Steve Thompson

Alaska State Legislature

House District 2

Committee Member

House Community and
Regional Affairs
House Military and Veterans
Affairs
House Rules
Joint Legislative Council

Session

State Capitol 204
Juneau, AK 99801

Contact

907-465-3004
Rep.Steve.Thompson@akleg
.gov

MEMORANDUM

TO: Representative Grier Hopkins, Chair
House Special Committee on Energy

FROM: Representative Steve Thompson
House Majority Leader

A handwritten signature in blue ink, appearing to read "S. Thompson".

DATE: 03/13/19

RE: Scheduling HB 87, "An Act extending the liquified natural gas storage facility tax credit; and providing for an effective date"

I respectfully request that the House Energy Committee schedule HB 87, "An Act extending the liquified natural gas storage facility tax credit; and providing for an effective date" for a hearing at your earliest convenience. I appreciate your consideration of this request.

Please find attached:

- Hearing Request
- House Bill 87 version A
- Sponsor Statement
- COF Resolution 4869 in Support of Extending Sunset Date for LNG Storage Tax Credits
- FNSB Support for HB87
- IGU support for HB87
- FEDC Letter of Support - SB 77 HB 87 - LNG Storage Sunset Extension (002)

If you have any questions, please do not hesitate to contact me or my staff Seth Whitten at 465-3004.

HOUSE BILL NO. 87
IN THE LEGISLATURE OF THE STATE OF ALASKA
THIRTY-FIRST LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES THOMPSON, Hopkins, LeBon

Introduced: 3/8/19

Referred: House Special Committee on Energy, Finance

A BILL
FOR AN ACT ENTITLED

1 **"An Act extending the liquefied natural gas storage facility tax credit; and providing for**
2 **an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 43.20.047(a) is amended to read:

5 (a) A person that is an owner of a liquefied natural gas storage facility
6 described in (b) of this section that commences commercial operation before June 30,
7 2021 [JANUARY 1, 2020], may apply a refundable credit against a tax liability that
8 may be imposed on the person under this chapter or receive the amount of the credit in
9 the form of a payment for the taxable year in which the liquefied natural gas storage
10 facility commences commercial operation. The tax credit or payment under this
11 section may not exceed the lesser of \$15,000,000 or 50 percent of the costs incurred to
12 establish or expand the liquefied natural gas storage facility. The tax credit in this
13 section is in addition to any other credit under this chapter for which the person is
14 eligible.

1 * Sec. 2. This Act takes effect immediately under AS 01.10.070(c).

ALASKA STATE LEGISLATURE

Session:
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REPRESENTATIVE STEVE THOMPSON HOUSE DISTRICT 2

Sponsor Statement HB 87

"An Act extending the liquefied natural gas storage facility tax credit; and providing for an effective date."

For years, the high cost of energy has been a burden on Interior Alaska's economy. In 2012, the Legislature passed legislation incentivizing the development of liquefied natural gas storage facilities to help lower the cost of energy (Chapter 51 SLA 12). That legislation created tax credits for LNG storage facilities constructed above-ground with 25,000 gallons or more of storage, creating savings that will be passed on to rate payers. The amount of the credit is limited to 50% of construction costs up to \$15 million.

House Bill 87 extends the sunset date of the previous legislation by 18 months in order to allow projects currently under construction to receive these credits, lowering the cost of energy for rate payers in Interior Alaska, and encouraging the use of clean burning natural gas.

I urge you to join me in lowering Interior Alaska's energy costs and helping to improve air quality in the Interior by supporting House Bill 87.

RESOLUTION NO. 4869

**A RESOLUTION IN SUPPORT OF LEGISLATION TO EXTEND
THE SUNSET DATE FOR LNG STORAGE TAX CREDITS**

WHEREAS, the Alaska Legislature passed SB23 in 2012 establishing tax credits for the construction of above-ground LNG storage tanks; and

WHEREAS, Fairbanks typically has among the highest utility costs in the nation; and

WHEREAS, the Environmental Protection Agency has designated much of the Fairbanks area as a non-attainment area for air quality related to PM_{2.5}; and

WHEREAS, federal requirements for air quality monitoring and containment of PM_{2.5} is an issue that has far-reaching consequences; and

WHEREAS, Fairbanks' long-term efforts for clean air are focused on bringing clean, affordable natural gas to the Fairbanks area for space heating; and

WHEREAS, the development of expanded LNG storage facilities in Fairbanks is critical to serving a greater number of residents; and

WHEREAS, the LNG storage tax credits are vital in helping to bring down the cost of providing natural gas to Fairbanks residents; and

WHEREAS, the Interior Gas Utility's current LNG tank construction schedule has a projected completion date of fall 2019; and

WHEREAS, the LNG storage tax credits in SB23 have a sunset clause of Dec 31, 2019; and

WHEREAS, extending the sunset on the LNG storage tax credits by 18 months, to June 30, 2021, will allow IGU additional time to qualify for the tax credits should completion take longer than anticipated.

NOW, THEREFORE, BE IT RESOLVED that the Fairbanks City Council supports legislation to extend the sunset date for LNG storage tax credits in Alaska to June 30, 2021.

PASSED and APPROVED this 11th day of March 2019.



Jim Matherly, Mayor

YEAS: PASSED and APPROVED on the CONSENT AGENDA
NAYS: None
ABSENT: None
APPROVED: March 11, 2019

ATTEST:

APPROVED AS TO FORM:



D. Darvielle Snider, CMC, City Clerk



Paul Ewers, City Attorney



Fairbanks North Star Borough

Mayor's Office

907 Terminal Street, PO Box 71267, Fairbanks, Alaska 99701 (907)459-1300 FAX (907)459-1102

****TRANSMITTED VIA ELECTRONIC MAIL****

March 12, 2019

The Honorable Steve Thompson
Alaska State House of Representatives
120 4th Street, Room 3
Juneau, Alaska 99801

RE: Support for HB87 – Liquefied Natural Gas Storage Tax Credit

Representative Thompson:

I write this letter today in support of House Bill 87, an act extending the tax credits for above-ground liquefied natural gas (LNG) storage projects. Thank you as well for your personal support in moving this important piece of legislation forward.

House Bill 87 will extend by 18-months the sunset on tax credits which were established by the Legislature in 2012. Senate Bill 23, in 2012, established tax credits for the construction of above-ground LNG storage tanks with a minimum volume of 25,000 gallons and limited the credits to 50 percent of construction costs up to \$15 million. House Bill 87 will extend the sunset for these tax credits from December 31, 2019 to June 30, 2021.

As you know, our air quality needs significant improvement and Interior residents need access to cheaper and more reliable forms of energy; critical for the health, safety and economic well-being of our community. House Bill 87 will enable the good work of the Interior Energy Project and the Interior Gas Utility to continue build out of natural gas infrastructure and soon, the first natural gas service beyond the city limits of Fairbanks.

Sincerely,

Bryce Ward, Mayor



March 12, 2019

The Honorable Steve Thompson
Alaska State House of Representatives
120 4th Street, Rm. 3
Juneau, AK 99801

Re: Support for HB87 – Liquefied Natural Gas Storage Tax Credit

Dear Representative Thompson,

The Interior Alaska Natural Gas Utility (IGU) is a municipal utility under the Fairbanks North Star Borough (FNSB). It operates independently of the FNSB and is governed by a seven-member board of directors. The IGU has an important mission to provide low cost, clean burning, natural gas to the most people in the Fairbanks North Star Borough as possible, as soon as possible. As a public utility, the IGU is focused on bringing both economic and environmental relief to the residents of the Interior to keep our community vibrant.

IGU currently has two LNG storage projects underway in the Fairbanks and North Pole areas that are critical to increasing the security of supply and providing capacity to serve a greater number of new customers. In December 2017, IGU initiated construction of a 5.25 million-gallon LNG storage tank in South Fairbanks. Work on this project is progressing on schedule and has a target completion date of fall 2019. Construction of a smaller LNG storage and regas facility located in North Pole will commence in summer 2019, and also has a target completion date of fall 2019.

The state's LNG storage tax credits are vital in helping to bring down the cost of providing natural gas to Interior residents as all money from tax credits will be passed along to rate payers. Expansion of natural gas service in the FNSB is also a priority for the State of Alaska to help alleviate the poor air quality and assist with the FNSB compliance related to the fine particulate matter (PM_{2.5}) nonattainment area designation.

IGU strongly supports HB87 and extending the sunset on the LNG storage facility tax credits to ensure the Interior's rate payers benefit should completion of these projects take longer than anticipated.

Sincerely,

A handwritten signature in black ink, appearing to read "Pamela Throop", with a long horizontal flourish extending to the right.

Pamela Throop
Chair

March 11, 2019

Senator Bishop and Representative Thompson
Alaska State Capital Building
120 4th Street
Juneau, Alaska 99801

Re: Senate Bill 77 / House Bill 87, an Act Extending the Liquefied Natural Gas Storage Tax Credit

Dear Sirs,

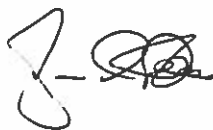
As President and CEO of the Fairbanks Economic Development Corporation (FEDC), and on behalf of the FEDC Board of Directors, I write to express FEDC's support for Senate Bill 77 and House Bill 87 – a brief sunset extension of the Liquefied Natural Gas Storage Tax Credit 18-months to June 30, 2021.

In 2013, the Legislature approved a financing package to assist in the development of natural gas conditioning and liquefaction, LNG storage and re-gasification, and distribution infrastructure to expand natural gas service to customers within the Interior. The intended purpose of the project (termed the Interior Energy Project or IEP), was to reduce heating bills for residential ratepayers and offer a mechanism toward improvement of air quality in the region.

The development of expanded LNG storage facilities in the Fairbanks and North Pole areas (as they will increase the security of supply and provide capacity to serve a greater number of new customers) is a critical component of the IEP and the State's LNG storage tax credits are vital in helping to reduce the cost of providing natural gas to Interior residents (as all money from tax credits for tanked storage will be under the oversight of the Regulatory Commission of Alaska, the IGU Board and FNSB Assembly to ensure that savings are passed along to rate payers).

FEDC supports HB 77 and SB87 as they are drafted. This simple sunset extension provides for the continued progress of the Interior Energy Project bringing affordable energy to Interior Alaskans.

Respectfully,



Jim Dodson
President & CEO
Fairbanks Economic Development Corporation