



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

COMMISSIONER'S OFFICE

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April 11, 2023

The Honorable Bryce Edgmon
House Finance Committee, Co-Chair
Alaska State Legislature
State Capitol, Room 410
Juneau, AK 99801

The Honorable Neal Foster
House Finance Committee, Co-Chair
Alaska State Legislature
State Capitol, Room 511
Juneau, AK 99801

The Honorable DeLena Johnson
House Finance Committee, Co-Chair
Alaska State Legislature
State Capitol, Rooms 505
Juneau, AK 99801

Dear Co-Chairs Edgmon, Foster, and Johnson:

Thank you for providing us with the opportunity to address a question that was raised during the Willow Fiscal Analysis presentation to the House Finance Committee on March 23, 2023. Please find below the question and corresponding response.

1. Provide a summary comparison between the February analysis and March analysis.

The Department of Revenue released the initial Willow analysis in a white paper on February 28, 2023. An updated white paper was released March 23, 2023 and was the basis for the March 23 presentation to the committee. There were four main changes between the February and March analyses:

- The Spring 2023 forecasts for oil prices and transportation costs were incorporated in the new model.
- More detailed modeling of how lease expenditure deductions would interact with the minimum tax floor was added.

- Assumptions were updated to include a zero net impact on State Corporate Income Tax prior to production.
- Estimates of North Slope-wide state benefit through reduced feeder pipeline tariffs for the Alpine and Kuparuk pipelines were integrated into the new model.

The following tables summarize the changes in outputs between the two versions of the Willow analysis:

Cumulative to Year	Feb-23	Mar-23	Change
2028	\$ 2,057.9	\$ (361.5)	\$ (2,419.4)
2033	\$ (496.4)	\$ 924.9	\$ 1,421.3
2043	\$ 3,447.7	\$ 4,396.6	\$ 948.9
2053	\$ 5,354.8	\$ 9,282.8	\$ 3,928.0
Cash Flow Positive	FY 2035	FY 2030	-5 years

Table 1: Cumulative State Revenues After 5, 10, 20 and 30 Years, \$ millions.

	State	Impacted Communities	NSB	Federal	Producer
February 2023	\$ 5,354.8	\$ 3,699.0	\$ 1,263.9	\$ 7,131.3	\$ 12,762.0
March 2023	\$ 6,282.8	\$ 3,413.0	\$ 1,263.9	\$ 6,079.3	\$ 9,880.5
Change	\$ 928.0	\$ (286.0)	\$ (0.0)	\$ (1,052.0)	\$ (2,881.5)

Table 2: Cumulative Cash Flow by Recipient After 30 Years, \$ millions.

	State	Impacted Communities	NSB	Federal	Producer
February 2023	\$ 404.5	\$ 1,198.3	\$ 377.5	\$ 1,965.1	\$ 2,837.6
March 2023	\$ 1,296.9	\$ 1,100.0	\$ 377.5	\$ 1,470.4	\$ 1,346.3
Change	\$ 892.4	\$ (98.3)	\$ 0.0	\$ (494.7)	\$ (1,491.3)

Table 3: Net Present Value of Cash Flow by Recipient After 30 Years, Using 10% Discount Rate, \$ millions.

For your reference, the current version of the Willow Project Fiscal Analysis – Spring 2023 Update has been attached. Note, this version is dated April 10, 2023. One table was updated in the April 10 version, but the underlying analysis is unchanged from the March 2023 version discussed above.

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Adam Crum', with a long horizontal flourish extending to the right.

Adam Crum
Commissioner-Designee

Attachment:

Willow Project Fiscal Analysis – Spring 2023 Update dated April 10, 2023