

CS FOR SENATE BILL NO. 203(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SIXTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered: 3/2/10

Referred: Finance

Sponsor(s): SENATORS FRENCH AND WIELECHOWSKI, Ellis

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the regulation of a gas storage facility by the Regulatory**
2 **Commission of Alaska; relating to a tax credit for a facility to store Cook Inlet gas for**
3 **sale and delivery in the state; and providing for an effective date."**

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

5 *** Section 1.** AS 42.05.990(4) is amended to read:

6 (4) "public utility" or "utility" includes every corporation whether
7 public, cooperative, or otherwise, company, individual, or association of individuals,
8 their lessees, trustees, or receivers appointed by a court, that owns, operates, manages,
9 or controls any plant, pipeline, or system for

10 (A) furnishing, by generation, transmission, or distribution,
11 electrical service to the public for compensation;

12 (B) furnishing telecommunications service to the public for
13 compensation;

14 (C) furnishing water, steam, or sewer service to the public for

1 compensation;

2 (D) furnishing by transmission or distribution of natural or
3 manufactured gas to the public for compensation;

4 (E) furnishing for distribution or by distribution petroleum or
5 petroleum products to the public for compensation when the consumer has no
6 alternative in the choice of supplier of a comparable product and service at an
7 equal or lesser price;

8 (F) furnishing collection and disposal service of garbage,
9 refuse, trash, or other waste material to the public for compensation;

10 **(G) furnishing a tank, depleted reservoir, injection well for**
11 **gas storage permitted under AS 31.05, or other structure in the state for**
12 **the storage of gas that is designated to be sold, delivered, or used in the**
13 **state by a public utility providing the services described in (A) or (D) of**
14 **this paragraph if an expenditure incurred for the tank, depleted reservoir,**
15 **injection well for gas storage permitted under AS 31.05, or other structure**
16 **was the basis for a tax credit under AS 43.20.046;**

17 * **Sec. 2.** AS 43.20 is amended by adding a new section to article 1 to read:

18 **Sec. 43.20.046. Cook Inlet gas storage facility tax credit.** (a) A taxpayer that
19 is an owner of a Cook Inlet gas storage facility may apply as a credit against the state
20 tax liability that may be imposed on the taxpayer under this chapter, for a tax year
21 beginning after December 31, 2009, 20 percent of the taxpayer's qualified capital
22 investment in a Cook Inlet gas storage facility. The credit is subject to the terms and
23 conditions of this section and is in addition to any other credit authorized to the
24 taxpayer by this chapter. The credit under this section is applicable only to the first
25 purchase, construction, or acquisition of a Cook Inlet gas storage facility after
26 December 31, 2009.

27 (b) A qualified capital investment for the investment credit under (a) of this
28 section is

29 (1) an expenditure incurred under a binding payment agreement
30 entered into after December 31, 2009, and before January 1, 2013, made for the direct
31 cost of purchasing, constructing, or otherwise acquiring an ownership interest in the

1 real property or tangible personal property used in this state for a Cook Inlet gas
2 storage facility that was not in operation before January 1, 2010; in this paragraph,
3 "property" includes

4 (A) property that is placed in use under a capitalized lease or an
5 operating lease; and

6 (B) machinery, appliances, supplies, and equipment directly
7 related to the storage of gas produced from the Cook Inlet sedimentary basin
8 and designated for sale and delivery in the state; and

9 (2) the cost of cushion gas acquired after December 31, 2009, and
10 before January 1, 2013, that is required for a Cook Inlet gas storage facility to
11 function.

12 (c) The credit for each tax year allowed under (a) of this section may not
13 exceed 50 percent of the taxpayer's total tax liability under this chapter. An unused
14 portion of the credit for the tax year

15 (1) may be carried forward into one or more of the following tax years,
16 except that the unused credit from one tax year may not be carried forward for more
17 than five following tax years;

18 (2) shall be applied to the taxpayer's tax liability under this chapter
19 during the following tax year before allowance of a credit allowed under (a) of this
20 section for that following tax year.

21 (d) A credit may not be taken against a tax due under this chapter before the
22 gas storage facility is ready to receive gas for storage.

23 (e) A taxpayer entitled to a credit under this section forfeits the credit to which
24 the taxpayer is entitled during the tax year and any carryover of it under (c) of this
25 section, but does not forfeit the portion of the credit that accrued in a previous taxable
26 year that may be carried over under (c) of this section, if the taxpayer

27 (1) disposes of the qualified capital investment;

28 (2) takes the qualified investment out of service; or

29 (3) fails to use the Cook Inlet gas storage facility primarily for the
30 storage of gas for sale and delivery in the state.

31 (f) In this section,

1 (1) "Cook Inlet gas storage facility" means a tank, depleted reservoir,
2 injection well for gas storage permitted under AS 31.05, or other structure in the state
3 for the storage of gas that is produced from the Cook Inlet sedimentary basin and
4 designated for sale and delivery in the state, and includes machinery, supplies, and
5 equipment directly related to and necessary for filling and withdrawing gas from the
6 structures holding the gas for storage in the facility;

7 (2) "Cook Inlet sedimentary basin" has the meaning given in
8 AS 43.55.900;

9 (3) "cushion gas" means gas that is needed to pressurize the storage
10 facility and that allows the storage facility to function.

11 * **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).