

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSHB 289(FIN)
Fiscal Note Number 8
(H) Publish Date 4/2/12

Identifier (file name) HB289CS(FIN)-DNR-DOG-03-30-12 Dept. Affected Natural Resources
Title Natural Gas Storage Tax Credit/Regulation Appropriation Oil and Gas
Allocation Oil and Gas
Sponsor Rep. Thompson
Requester House Finance Committee OMB Component Number 439

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS

Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES

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Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

The House Finance committee substitute bill changes our bill analysis because the CS changes the credit ceiling, gas storage volume, credit clawback provision, and now includes all LNG storage provisions instead of just above-ground facilities.

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Approved by Daniel Sullivan, Commissioner
Department of Natural Resources

Phone (907) 269-8800
Date/Time 3/30/12 12:00pm
Date 3/13/2012

Analysis

CSHB289(FIN) extends provisions encouraging gas storage in certain liquefied natural gas storage facilities. Section 1 provides that the lessee of a surface lease for gas storage can receive a 10-year exemption from making lease payments on state lands.

Section 2 amends AS 42.05.381(k) so that payments or tax credits granted under this bill shall be reflected in the utility's rates. Section 3 amends the definitions "public utility" or "utility" to include furnishing liquefied natural gas to the public. Section 4 adds new definitions of "liquefied natural gas storage facility" and "reservoir" and "service of liquefied natural gas storage".

Section 5 of CSHB289(FIN) provides for an Alaska corporate income tax credit for new liquefied natural gas (LNG) storage facilities with storage volumes of 25,000 gallons of LNG or more. A person can also claim the credit for an expansion of storage facilities that increases the capacity by more than 25,000 gallons to claim the tax credit noted below.

Section 5 also allows a person not subject to the Alaska Corporate Income tax to receive the credit in the form of a cash payment. A taxpayer that is entitled to a credit exceeding their tax liability can also receive a cash payment for the amount the credit exceeds their tax liability. The credit or payment under AS 43.20.047(a) may not exceed the lesser of \$15,000,000 or 50 percent of the costs incurred to establish or expand a LNG gas storage facility. If a gas storage facility ceases operation before the end of the nine calendar years following the first year of operation, the person receiving the credit must refund a pro-rata portion of that credit. The credit does not apply to storage facilities put into operation after 2020.

The impact of CSHB289(FIN) is indeterminate on revenues but is not expected to need additional operating expenditures.

To the extent new markets are not accessed, the credit might not increase the netback value of the gas for royalty purposes because a gas storage facility is regulated under this section, with the value of the credit required to be passed on to the consumer. The State's royalty value also might be more or less for gas removed from a lease and put into storage versus gas removed from the lease and sold.