

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSSB 148(CRA)
 Fiscal Note Number 2
 (S) Publish Date 3/2/12

Identifier (file name) SB148-DNR-O&G-02-06-12 Dept. Affected Department of Natural Resources
 Title Gas Pipeline Property Tax Exemption Appropriation Oil and Gas
 Allocation Oil and Gas
 Sponsor Wielechowski, Egan, Ellis, French, Davis, Kookesh
 Requester Senate Community & Regional Affairs 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					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
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	0.0

FUND SOURCE (Thousands of Dollars)

	FY13	FY14	FY15	FY16	FY17	FY18
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

POSITIONS

	FY13	FY14	FY15	FY16	FY17	FY18
Full-time						
Part-time						
Temporary						

CHANGE IN REVENUES

	FY13	FY14	FY15	FY16	FY17	FY18
	***	***	***	***	***	***

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)

Not applicable, Initial Version

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Department of Natural Resources

Phone 907-269-8800
 Date/Time 2/6/12 3:00 PM
 Date 2/6/2012

FISCAL NOTE #2

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BILL NO. CSSB 148(CRA)

Analysis

SB 148 exempts a large gas pipeline (over half a billion cubic feet per day) from paying property tax during construction and for the first year of operation. Currently, the gas pipeline would have to pay a 20 mil (two percent) tax on the value of the real and tangible property of a gas pipeline during construction and for the first year of operation.

The impact on royalties is positive indeterminate. All else equal, the property tax exemption would slightly improve the economics of a large gas line. The exact amount of savings from the property tax exemption would depend upon the cost of the project and the length of the construction period. As an example, in an open season filing with FERC, the Alaska Pipeline Project (APP) estimated that it would have to pay between \$186 and \$243 million total in property taxes during construction for the Alaska section of its project, and between \$9 and \$11 million during construction for the gas pipeline from Point Thomson to the Gas Treatment Plant (GTP). See Appendix C, Exhibit J, Alaska-Canada Rate Model at pgs. 2-3, 16-17. The lower cost of the pipelines would mean slightly lower tariffs, and, all else equal, slightly higher netback royalty values for gas.