

CS FOR SENATE BILL NO. 138(FIN) am

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Amended: 3/18/14

Offered: 3/14/14

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the purposes, powers, and duties of the Alaska Gasline Development**
2 **Corporation; relating to an in-state natural gas pipeline, an Alaska liquefied natural gas**
3 **project, and associated funds; requiring state agencies and other entities to expedite**
4 **reviews and actions related to natural gas pipelines and projects; relating to the**
5 **authorities and duties of the commissioner of natural resources relating to a North Slope**
6 **natural gas project, oil and gas and gas only leases, and royalty gas and other gas**
7 **received by the state including gas received as payment for the production tax on gas;**
8 **relating to the tax on oil and gas production, on oil production, and on gas production;**
9 **relating to the duties of the commissioner of revenue relating to a North Slope natural**
10 **gas project and gas received as payment for tax; relating to confidential information and**
11 **public record status of information provided to or in the custody of the Department of**
12 **Natural Resources and the Department of Revenue; relating to apportionment factors of**

the Alaska Net Income Tax Act; amending the definition of gross value at the 'point of production' for gas for purposes of the oil and gas production tax; clarifying that the exploration incentive credit, the oil or gas producer education credit, and the film production tax credit may not be taken against the gas production tax paid in gas; relating to the oil or gas producer education credit; requesting the governor to establish an interim advisory board to advise the governor on municipal involvement in a North Slope natural gas project; relating to the development of a plan by the Alaska Energy Authority for developing infrastructure to deliver affordable energy to areas of the state that will not have direct access to a North Slope natural gas pipeline and a recommendation of a funding source for energy infrastructure development; establishing the Alaska affordable energy fund; requiring the commissioner of revenue to develop a plan and suggest legislation for municipalities, regional corporations, and residents of the state to acquire ownership interests in a North Slope natural gas pipeline project; making conforming amendments; and providing for an effective date."

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

* **Section 1.** AS 31.25.005 is amended to read:

Sec. 31.25.005. Purpose. The corporation shall, for the benefit of the state, to the fullest extent possible,

(1) develop and have primary responsibility for developing natural gas pipelines, an Alaska liquefied natural gas project, and other transportation mechanisms to deliver natural gas in-state for the maximum benefit of the people of the state;

(2) when developing natural gas pipelines, an Alaska liquefied natural gas project, and other transportation mechanisms to deliver natural gas in-state, provide economic benefits in the state, and revenue to the state;

(3) assist the Department of Natural Resources and the

Department of Revenue to maximize the value of the state's royalty natural gas, natural gas delivered to the state as payment of tax, and other natural gas received by the state;

(4) advance an in-state natural gas pipeline as described in the July 1, 2011, project plan prepared under former AS 38.34.040 by the corporation while a subsidiary of the Alaska Housing Finance Corporation, with modifications determined by the corporation to be appropriate to develop, finance, construct, and operate an in-state natural gas pipeline in a safe, prudent, economical, and efficient manner, for the purpose of making natural gas, including propane and other hydrocarbons associated with natural gas other than oil, available to Fairbanks, the Southcentral region of the state, and other communities in the state at the lowest rates possible;

(5) advance an Alaska liquefied natural gas project by developing infrastructure and providing related services, including services related to transportation, liquefaction, a marine terminal, marketing, and commercial support; if the corporation provides a service under this paragraph to the state, a public corporation or instrumentality of the state, a political subdivision of the state, or another entity of the state, the corporation may not charge a fee for the service in an amount greater than the amount necessary to reimburse the corporation for the cost of the service;

(6) [(2)] endeavor to develop natural gas pipelines and other transportation mechanisms to deliver natural gas, including propane and other hydrocarbons associated with natural gas other than oil, to public utility and industrial customers in areas of the state to which the natural gas, including propane and other hydrocarbons associated with natural gas other than oil, may be delivered at commercially reasonable rates; and

(7) [(3)] endeavor to develop natural gas pipelines and other transportation mechanisms that offer commercially reasonable rates for shippers and access for shippers who produce natural gas, including propane and other hydrocarbons associated with natural gas other than oil, in the state.

* **Sec. 2.** AS 31.25.010 is amended to read:

Sec. 31.25.010. Structure. The Alaska Gasline Development Corporation is a

public corporation and government instrumentality **acting in the best interest of the state for the purposes required by AS 31.25.005,** located for administrative purposes in the Department of Commerce, Community, and Economic Development, but having a legal existence independent of and separate from the state. The corporation may not be terminated as long as it has bonds, notes, or other obligations outstanding. The corporation may dissolve when no bonds, notes, or other obligations of the corporation or a subsidiary of the corporation are outstanding and the corporation or a subsidiary of the corporation is no longer engaged in the development, financing, construction, or operation of an in-state natural gas pipeline **or an Alaska liquefied natural gas project.** Upon termination of the corporation, its rights and property pass to the state.

* **Sec. 3.** AS 31.25.040 is amended by adding new subsections to read:

(c) To the maximum extent practicable, the board shall

(1) maximize the efficient use of state resources; and

(2) establish appropriate separation within the corporation by separating personnel and functions, and by other means to the extent that separation may be required by contract or applicable law for the purpose of screening and preventing the exchange of commercially sensitive information when developing an in-state natural gas pipeline, an Alaska liquefied natural gas project, and other transportation mechanisms to deliver natural gas in the state.

(d) The board shall appoint a program director for an Alaska liquefied natural gas project. The program director appointed under this section shall

(1) serve at the pleasure of the board; and

(2) report to the board and the executive director of the corporation.

* **Sec. 4.** AS 31.25.080(a) is amended to read:

(a) In addition to other powers granted in this chapter, the corporation may

(1) determine the form of ownership and the operating structure of an in-state natural gas pipeline developed by the corporation and may enter into agreements with other persons for joint ownership, joint operation, or both of an in-state natural gas pipeline **or an Alaska liquefied natural gas project;**

(2) plan, finance, construct, develop, acquire, maintain, and operate a

pipeline system and other transportation mechanism, including pipelines, compressors, storage facilities, and other related facilities, equipment, and works of public improvement, in the state to facilitate production, transportation, and delivery of natural gas or other related natural resources to the point of consumption or to the point of distribution for consumption;

(3) lease or rent facilities, structures, and properties;

(4) exercise the power of eminent domain and file a declaration of taking under AS 09.55.240 - 09.55.460 to acquire land or an interest in land that is necessary for an in-state natural gas pipeline **or an Alaska liquefied natural gas project**; the exercise of powers by the corporation under this paragraph may not exceed the permissible exercise of the powers by the state;

(5) acquire, by purchase, lease, or gift, land, structures, real or personal property, an interest in property, a right-of-way, a franchise, an easement, or other interest in land, or an interest in or right to capacity in a pipeline system determined to be necessary or convenient for the development, financing, construction, or operation of an in-state natural gas pipeline project **or an Alaska liquefied natural gas project** or part of an in-state natural gas pipeline project **or an Alaska liquefied natural gas project**;

(6) transfer or otherwise dispose of all or part of an in-state natural gas pipeline project, **an Alaska liquefied natural gas project, or** [DEVELOPED BY THE CORPORATION OR TRANSFER OR OTHERWISE DISPOSE OF] an interest in an asset of the corporation;

(7) elect to provide transportation of natural gas as a contract carrier, common carrier, or otherwise;

(8) provide light, water, security, and other services for property of the corporation;

(9) conduct hearings to gather and develop data consistent with the purpose and powers of the corporation;

(10) advocate for new pipeline capacity before the Federal Energy Regulatory Commission;

(11) make and execute agreements, contracts, and other instruments

1 necessary or convenient in the exercise of the powers and functions of the corporation
 2 under this chapter, including a contract with a person, firm, corporation, governmental
 3 agency, or other entity;

4 (12) sue and be sued in its own name;

5 (13) adopt an official seal;

6 (14) adopt bylaws for the regulation of its affairs and the conduct of its
 7 business and adopt regulations and policies in connection with the performance of its
 8 functions and duties;

9 (15) employ fiscal consultants, engineers, attorneys, appraisers, and
 10 other consultants and employees that may, in the judgment of the corporation, be
 11 required and fix and pay their compensation from funds available to the corporation;

12 (16) procure insurance against a loss in connection with its operation;

13 (17) borrow money as provided in this chapter to carry out its
 14 corporate purposes and issue its obligations as evidence of borrowing;

15 (18) include in a borrowing the amounts necessary to pay financing
 16 charges, to pay interest on the obligations, and to pay the interest, consultant, advisory,
 17 and legal fees, and other expenses that are necessary or incident to the borrowing;

18 (19) receive, administer, and comply with the conditions and
 19 requirements of an appropriation, gift, grant, or donation of property or money;

20 (20) do all acts and things necessary, convenient, or desirable to carry
 21 out the powers expressly granted or necessarily implied in this chapter;

22 (21) invest or reinvest, subject to its contracts with noteholders and
 23 bondholders, money or funds held by the corporation, including funds in the in-state
 24 natural gas pipeline fund (AS 31.25.100) **and the Alaska liquefied natural gas**
 25 **project fund (AS 31.25.110)**, in obligations or other securities or investments in
 26 which banks or trust companies in the state may legally invest funds held in reserves
 27 or sinking funds or funds not required for immediate disbursement, and in certificates
 28 of deposit or time deposits secured by obligations of, or guaranteed by, the state or the
 29 United States;

30 (22) enter into, as it determines to be necessary or appropriate, any
 31 swap or hedge, cap, or other contract providing for payments based on levels of or

changes in interest rates or indices or in the cost or price of any commodity, supply, or expense expected to be used or incurred in connection with the acquisition, construction, or operation of any facility or property owned, leased, or operated by the corporation, or an option with respect to any of the foregoing;

(23) except as provided in (g) of this section, acquire an ownership or participation interest in an Alaska liquefied natural gas project, natural gas treatment facilities, natural gas pipeline facilities, liquefaction facilities, marine terminal facilities related to the infrastructure of an Alaska liquefied natural gas project, an entity or joint venture that has an ownership interest in or is engaged in the planning, financing, acquisition, maintenance, construction, and operation of an Alaska liquefied natural gas project;

(24) after consultation with the commissioner of revenue and the commissioner of natural resources, enter into contracts relating to an Alaska liquefied natural gas project, including contracts for services related to operation, marketing, transportation, gas treatment, marine terminal operation, or liquefaction.

* Sec. 5. AS 31.25.080(e) is amended to read:

(e) If commitments to acquire firm transportation capacity **for the in-state natural gas pipeline** are received in an open season conducted by the corporation, the corporation shall, within 10 days after accepting and executing the written commitments received during the open season, report the results of the open season to the president of the senate and the speaker of the house of representatives and inform the public of the results of the open season through publication on the Internet website of the corporation and in a press release or other announcement to the media. The results made public must include the name of each prospective shipper, the amount of capacity allocated, and the period of the commitment. If the corporation determines that the commitments received during the open season are not sufficient to permit the corporation to continue the development or construction of the natural gas pipeline, the corporation shall report that to the legislature within 30 days.

* Sec. 6. AS 31.25.080 is amended by adding a new subsection to read:

(g) The power in (a)(23) of this section may not be exercised by an entity or

1 subsidiary of the corporation that is advancing the development an in-state natural gas
2 pipeline.

3 * **Sec. 7.** AS 31.25.090 is amended by adding a new subsection to read:

4 (i) Subject to limitations on the disclosure of confidential information in (g)
5 and (h) of this section, the corporation shall provide to the commissioner of natural
6 resources and the commissioner of revenue access to information that is related to the
7 development of contracts under AS 38.05.020(b)(10) and (11).

8 * **Sec. 8.** AS 31.25.100 is amended to read:

9 **Sec. 31.25.100. In-state natural gas pipeline fund.** The in-state natural gas
10 pipeline fund is established in the corporation and consists of money appropriated to
11 it. The corporation shall determine fund management and may contract with the
12 Department of Revenue for fund management. Unless otherwise provided by law,
13 money appropriated to the fund lapses into the general fund on the day this section is
14 repealed. Interest and other income received on money in the fund shall be separately
15 accounted for and may be appropriated to the fund. The corporation may use money
16 appropriated to the fund without further appropriation for the cost of managing the
17 fund and for the planning, financing, development, acquisition, maintenance,
18 construction, and operation of the [AN] in-state natural gas pipeline **described in**
19 **AS 31.25.005(4) and for the purposes in AS 31.25.005(4), (6), and (7).**

20 * **Sec. 9.** AS 31.25 is amended by adding a new section to read:

21 **Sec. 31.25.110. Alaska liquefied natural gas project fund.** The Alaska
22 liquefied natural gas project fund is established in the corporation and consists of
23 money appropriated to it. The corporation shall determine fund management and may
24 contract with the Department of Revenue for fund management. If money is
25 appropriated to the fund to finance the cost of an Alaska liquefied natural gas project,
26 the corporation shall create an account in the fund for that purpose and hold the money
27 appropriated for that purpose in that account. Interest and other income received on
28 money in the fund shall be separately accounted for and may be appropriated to the
29 fund. The corporation may use money appropriated to the fund without further
30 appropriation for the purpose of managing the fund, for purposes related to an Alaska
31 liquefied natural gas project, and for the purpose of transferring net revenue received

by the corporation related to equity interest, contracts, and other activities to the appropriate fund as determined by the commissioner of revenue in consultation with the commissioner of natural resources.

* **Sec. 10.** AS 31.25.120 is amended to read:

Sec. 31.25.120. Creation of subsidiaries. The corporation may create subsidiary corporations for the purpose of developing, constructing, operating, and financing in-state natural gas pipeline projects or other transportation mechanisms; for the purpose of aiding in the development, construction, operation, and financing of in-state natural gas pipeline projects; or for the purpose of acquiring [THE STATE'S ROYALTY SHARE OF NATURAL GAS,] natural gas from the North Slope, and natural gas from other regions of the state, including the state's outer continental shelf, and making that natural gas available to markets in the state, including the delivery of natural gas, including propane and other hydrocarbons associated with natural gas other than oil, to coastal communities in the state, or for export. **Subject to the limitations for the use of money appropriated to the in-state natural gas pipeline fund (AS 31.25.100) and the Alaska liquefied natural gas project fund (AS 31.25.110), the** [A SUBSIDIARY CORPORATION CREATED UNDER THIS SECTION MAY BE INCORPORATED UNDER AS 10.20.146 - 10.20.166. THE] corporation may transfer assets of the corporation to a subsidiary created under this section. A subsidiary created under this section may borrow money and issue bonds as evidence of that borrowing and has all the powers of the corporation that the corporation grants to it. Unless otherwise provided by the corporation, the debts, liabilities, and obligations of a subsidiary corporation created under this section are not the debts, liabilities, or obligations of the corporation.

* **Sec. 11.** AS 31.25.140(c) is amended to read:

(c) To further ensure effective budgetary decision making by the legislature, the board shall

(1) annually review the corporation's assets, including the assets of the in-state natural gas pipeline fund under AS 31.25.100 **and the Alaska liquefied natural gas project fund under AS 31.25.110,** to determine whether assets of the corporation exceed an amount required to fulfill the purposes of the corporation as

defined in this chapter; in making its review, the board shall determine whether, and to what extent, assets in excess of the amount required to fulfill the purposes of the corporation during the next fiscal year are available without

(A) breaching an agreement entered into by the corporation;

(B) materially impairing the operations or financial integrity of the corporation; or

(C) materially affecting the ability of the corporation to fulfill the purposes of the corporation as defined in this chapter;

(2) specifically identify in the corporation's assets the amounts that the board believes are necessary to meet the requirements of (1)(C) of this subsection; and

(3) present to the legislature by January 10 of each year a complete accounting of all assets of the corporation, including assets of the in-state natural gas pipeline fund under AS 31.25.100 and the Alaska liquefied natural gas project fund under AS 31.25.110, and a report of the review and determination made under (1) and (2) of this subsection; the accounting shall be audited by an independent outside auditor.

* **Sec. 12.** AS 31.25.390 is amended by adding a new paragraph to read:

(7) "Alaska liquefied natural gas project" means a natural gas project as described in AS 31.25.005(5) that includes collectively, the Prudhoe Bay unit gas transmission line, the Point Thomson unit gas transmission line, a gas pipeline, the gas treatment plant, a liquefied natural gas plant, and a marine terminal; in this paragraph,

(A) "gas pipeline"

(i) means the main natural gas pipeline from the outlet flange of the gas treatment plant on the North Slope to the inlet flange of the liquefied natural gas plant located in the Southcentral region of the state, which shall have off-take points along the pipeline for deliveries of gas in the state;

(ii) does not include any gas lines downstream of any off-take point between the gas treatment plant and the liquefied natural gas plant;

(B) "gas treatment plant" means those facilities and related

activities required to receive natural gas from the Prudhoe Bay unit gas transmission line, the Point Thomson unit gas transmission line, and other facilities, treat the natural gas to pipeline specifications, dispose of or deliver by-products, deliver liquid products for further transportation, and deliver treated natural gas for transportation through the gas pipeline;

(C) "liquefied natural gas plant" means the facility for liquefying natural gas and includes structures, equipment, underlying land rights, other associated systems, storage, and facilities for off-loading liquefied natural gas;

(D) "marine terminal" means the terminal and those facilities required to receive liquefied natural gas from the boundary of the liquefied natural gas plant for marine transportation, including auxiliary vessels used in the operation of the terminal;

(E) "Point Thomson unit gas transmission line" means a natural gas transmission line from the outlet flange of the Point Thomson unit production facility to the inlet flange of the gas treatment plant; and

(F) "Prudhoe Bay unit gas transmission line" means a natural gas transmission line from the outlet flange of the Prudhoe Bay unit central gas facility to the inlet flange of the gas treatment plant.

* **Sec. 13.** AS 37.05 is amended by adding a new section to article 6 to read:

Sec. 37.05.610. Alaska affordable energy fund. (a) The Alaska affordable energy fund is created as a special account in the general fund. The fund consists of the amount determined and deposited in the fund under (b) of this section and interest earned on the fund balance. The purpose of the fund is to provide a source from which the legislature may appropriate money to develop infrastructure to deliver energy to areas of the state that are not expected to have or do not have direct access to a North Slope natural gas pipeline.

(b) The amount to be deposited in (a) of this section is 10 percent of the revenue received from the state's royalty gas transported in an Alaska liquefied natural gas project that remains after the payment to the Alaska permanent fund under AS 37.13.010.

(c) The legislature may make appropriations from the Alaska affordable energy fund for the purpose described in (a) of this section.

(d) Nothing in this section creates a dedicated fund.

(e) In this section,

(1) "Alaska liquefied natural gas project" has the meaning given in AS 31.25.390;

(2) "North Slope natural gas pipeline" has the meaning given in AS 42.06.630.

*** Sec. 14.** AS 38.05.020(b) is amended to read:

(b) The commissioner may

(1) establish reasonable procedures and adopt reasonable regulations necessary to carry out this chapter and, whenever necessary, issue directives or orders to the director to carry out specific functions and duties; regulations adopted by the commissioner shall be adopted under AS 44.62 (Administrative Procedure Act); orders by the commissioner classifying land, issued after January 3, 1959, are not required to be adopted under AS 44.62 (Administrative Procedure Act);

(2) enter into agreements considered necessary to carry out the purposes of this chapter, including agreements with federal and state agencies;

(3) review any order or action of the director;

(4) exercise the powers and do the acts necessary to carry out the provisions and objectives of this chapter;

(5) notwithstanding the provisions of any other section of this chapter, grant an extension of the time within which payments due on any exploration license, lease, or sale of state land, minerals, or materials may be made, including payment of rental and royalties, on a finding that compliance with the requirements is or was prevented by reason of war, riots, or acts of God;

(6) classify tracts for agricultural uses;

(7) after consulting with the Board of Agriculture and Conservation (AS 03.09.010), waive, postpone, or otherwise modify the development requirements of a contract for the sale of agricultural land if

(A) the land is inaccessible by road; or

(B) transportation, marketing, and development costs render the required development uneconomic;

(8) reconvey or relinquish land or an interest in land to the federal government if

(A) the land is described in an amended application for an allotment under 43 U.S.C. 1617; and

(B) the reconveyance or relinquishment is

(i) for the purposes provided in 43 U.S.C. 1617; and

(ii) in the best interests of the state;

(9) lead and coordinate all matters relating to the state's review and authorization of resource development projects;

(10) enter into commercial agreements with a duration of not more than two years for project services related to a North Slope natural gas project;

(11) in consultation with the commissioner of revenue, participate in the negotiation of agreements that include balancing, marketing, disposition of natural gas, and offtake and contracts and development of terms for inclusion in those proposed agreements and contracts associated with a North Slope natural gas project; an agreement or contract negotiated under this paragraph to which the state is a party is not effective unless the legislature authorizes the governor to execute the agreement or contract;

(12) enter into confidentiality agreements to maintain the confidentiality of information related to contract negotiations and contract implementation associated with a North Slope natural gas project; information under those confidentiality agreements is not subject to AS 40.25 (Alaska Public Records Act), except that

(A) the terms of a proposed contract that the commissioner presents to the legislature for the purpose of obtaining authorization for the governor to execute are not confidential; and

(B) the commissioner may share confidential information obtained under this paragraph with the legislature only in committees held in executive session or under confidentiality agreements;

1 **(13)** exercise the powers and do the acts necessary to carry out the
 2 provisions and objectives of AS 43.90 that relate to this chapter.

3 * **Sec. 15.** AS 38.05.020(b), as amended by sec. 14 of this Act, is amended to read:

4 (b) The commissioner may

5 (1) establish reasonable procedures and adopt reasonable regulations
 6 necessary to carry out this chapter and, whenever necessary, issue directives or orders
 7 to the director to carry out specific functions and duties; regulations adopted by the
 8 commissioner shall be adopted under AS 44.62 (Administrative Procedure Act);
 9 orders by the commissioner classifying land, issued after January 3, 1959, are not
 10 required to be adopted under AS 44.62 (Administrative Procedure Act);

11 (2) enter into agreements considered necessary to carry out the
 12 purposes of this chapter, including agreements with federal and state agencies;

13 (3) review any order or action of the director;

14 (4) exercise the powers and do the acts necessary to carry out the
 15 provisions and objectives of this chapter;

16 (5) notwithstanding the provisions of any other section of this chapter,
 17 grant an extension of the time within which payments due on any exploration license,
 18 lease, or sale of state land, minerals, or materials may be made, including payment of
 19 rental and royalties, on a finding that compliance with the requirements is or was
 20 prevented by reason of war, riots, or acts of God;

21 (6) classify tracts for agricultural uses;

22 (7) after consulting with the Board of Agriculture and Conservation
 23 (AS 03.09.010), waive, postpone, or otherwise modify the development requirements
 24 of a contract for the sale of agricultural land if

25 (A) the land is inaccessible by road; or

26 (B) transportation, marketing, and development costs render
 27 the required development uneconomic;

28 (8) reconvey or relinquish land or an interest in land to the federal
 29 government if

30 (A) the land is described in an amended application for an
 31 allotment under 43 U.S.C. 1617; and

1 (B) the reconveyance or relinquishment is

2 (i) for the purposes provided in 43 U.S.C. 1617; and

3 (ii) in the best interests of the state;

4 (9) lead and coordinate all matters relating to the state's review and
5 authorization of resource development projects;

6 (10) enter into commercial agreements with a duration of not more
7 than two years for project services related to a North Slope natural gas project;

8 (11) in consultation with the commissioner of revenue, participate in
9 the negotiation of agreements that include balancing, marketing, disposition of natural
10 gas, and offtake and contracts and development of terms for inclusion in those
11 proposed agreements and contracts associated with a North Slope natural gas project;
12 an agreement or contract negotiated under this paragraph to which the state is a party
13 is not effective unless the legislature authorizes the governor to execute the agreement
14 or contract;

15 (12) enter into confidentiality agreements to maintain the
16 confidentiality of information related to contract negotiations and contract
17 implementation associated with a North Slope natural gas project; information under
18 those confidentiality agreements is not subject to AS 40.25 (Alaska Public Records
19 Act), except that

20 (A) the terms of a proposed contract that the commissioner
21 presents to the legislature for the purpose of obtaining authorization for the
22 governor to execute are not confidential; and

23 (B) the commissioner may share confidential information
24 obtained under this paragraph with the legislature only in committees held in
25 executive session or under confidentiality agreements;

26 (13) **in consultation with the commissioner of revenue, take**
27 **custody of gas delivered to the state under AS 43.55.014(b) and manage the**
28 **project services and disposition and sale of that gas;**

29 **(14)** exercise the powers and do the acts necessary to carry out the
30 provisions and objectives of AS 43.90 that relate to this chapter.

31 * **Sec. 16.** AS 38.05.180(i) is amended to read:

(i) The commissioner may provide for the establishment of an exploration incentive credit system under which a lessee of state land drilling an exploratory well on that land may earn credits based on [UPON] the footage drilled and the region in which the well is situated. The commissioner may also provide for credits to be earned by persons performing geophysical work on state land, if that work is performed during the two seasons immediately preceding an announced lease sale and on land included within the sale area and the geophysical information is made public following the sale. Credits may not exceed 50 percent of the cost of the drilling or geophysical work. Credits may be used during a limited period established by the commissioner and may be assigned during that period. Credits may be applied against (1) royalty and rental payments for oil and gas or for gas only payable to the state or (2) taxes payable under AS 43.55.011 [AS 43.55]. A credit may not exceed 50 percent of the payment toward which it is being applied. Amounts due the Alaska permanent fund (AS 37.13.010) shall be calculated before the application of credits under this subsection.

* **Sec. 17.** AS 38.05.180 is amended by adding new subsections to read:

(hh) Notwithstanding (j) of this section, the commissioner may propose modification to a lease from which a lessee has committed gas from that lease to a North Slope natural gas project. A modification may be made under this subsection only after the commissioner makes the written determination under (ii) of this section that the lease may be modified. If a modification is made, the modification shall be in effect during the initial project term that has acquired the major permits required for the work plan and budget considered by the commissioner in the written determination under (ii) of this section. A modification under this subsection may

(1) relate to switching between taking the state's royalty gas in value and in-kind to ensure that the lessee, the state, or another person shall bear proportionate costs for treatment, transportation, and liquefaction to the state's royalty gas, and the state's actions do not unreasonably interfere with the long-term marketing of natural gas by the lessee, the state, or another person;

(2) provide a method for establishing a fair market value for each component of the state's royalty gas and appropriate adjustments to reflect fair market

deductions for reasonable costs for treatment, transportation, and liquefaction for the state's royalty gas from the North Slope to the destination market; in this paragraph, "reasonable costs for treatment, transportation, and liquefaction" may not be greater than actual costs;

(3) modify net profit shares for oil and gas and sliding scale royalty rates for gas by establishing fixed royalty rates that yield a value to the state that the commissioner determines to be not less than the value the state would have received under the terms of the lease before a modification under this subsection.

(ii) Before making a modification to a lease under (hh) of this section, the commissioner shall make a written determination that the lease may be modified. The determination by the commissioner must be based on a clear and convincing showing by the lessee that

(1) the modification

(A) is in the best interests of the state; and

(B) will materially improve the likelihood of a successful North Slope natural gas project;

(2) the North Slope natural gas project has sufficient

(A) financial commitment for a work plan and budget necessary to support major permits and regulatory filings required by state and federal agencies; and

(B) commitment of gas by lessees; and

(3) the lease will produce hydrocarbons that will be transported on the North Slope natural gas project during the initial project term.

*** Sec. 18.** AS 38.05.180(hh), as enacted in sec. 17 of this Act, is amended to read:

(hh) Notwithstanding (j) of this section, the commissioner may propose modification to a lease from which a lessee has committed gas from that lease to a North Slope natural gas project. A modification may be made under this subsection only after the commissioner makes the written determination under (ii) of this section that the lease may be modified. If a modification is made, the modification shall be in effect during the initial project that has acquired the major permits required for the work plan and budget considered by the commissioner in the written determination

1 under (ii) of this section. A modification under this subsection may

2 (1) relate to switching between taking the state's royalty gas in value
3 and in-kind to ensure that the lessee, the state, or another person shall bear
4 proportionate costs for treatment, transportation, and liquefaction to the state's royalty
5 gas **or gas delivered to the state under AS 43.55.014**, and the state's actions do not
6 unreasonably interfere with the long-term marketing of natural gas by the lessee, the
7 state, or another person;

8 (2) provide a method for establishing a fair market value for each
9 component of the state's royalty gas and appropriate adjustments to reflect fair market
10 deductions for reasonable costs for treatment, transportation, and liquefaction for the
11 state's royalty gas from the North Slope to the destination market; in this paragraph,
12 "reasonable costs for treatment, transportation, and liquefaction" may not be greater
13 than actual costs;

14 (3) modify net profit shares for oil and gas and sliding scale royalty
15 rates for gas by establishing fixed royalty rates that yield a value to the state that the
16 commissioner determines to be not less than the value the state would have received
17 under the terms of the lease before a modification under this subsection.

18 * **Sec. 19.** AS 38.05.183(a) is amended to read:

19 (a) The sale, exchange, or other disposal of a mineral obtained by the state as a
20 royalty under AS 38.05.182, [OR] the sale, exchange, or other disposal in whole or in
21 part of a right to receive future mineral production under a state lease under this
22 chapter, **or the sale, exchange, or other disposal of gas delivered to the state under**
23 **AS 43.55.014(b)** shall be by competitive bid and the sale, exchange, or other disposal
24 made to the highest responsible bidder, except that competitive bidding is not required
25 when the commissioner, after prior written notice to the Alaska Royalty Oil and Gas
26 Development Advisory Board under AS 38.06.050, determines that the best interest of
27 the state does not require it or that no competition exists.

28 * **Sec. 20.** AS 38.05.183(c) is amended to read:

29 (c) If the commissioner determines that a sale, exchange, or other disposal of a
30 mineral obtained by the state as a royalty under AS 38.05.182, [OR] of a right to
31 receive future mineral production under a state lease under this chapter, **or of gas**

delivered to the state under AS 43.55.014(b) shall be made otherwise than by competitive bid, and the Alaska Royalty Oil and Gas Development Advisory Board has been notified in writing of that determination, the commissioner shall make public in writing the specific findings and conclusions on [UPON] which that determination is based.

* **Sec. 21.** AS 38.05.183(d) is amended to read:

(d) Oil or gas taken in kind by the state as its royalty share or gas delivered to the state under AS 43.55.014(b) may not be sold or otherwise disposed of for export from the state until the commissioner determines that the [ROYALTY-IN-KIND] oil or gas is surplus to the present and projected intrastate domestic and industrial needs. The commissioner shall make public, in writing, the specific findings and reasons on which the determination is based.

* **Sec. 22.** AS 38.05.183(e) is amended to read:

(e) When a sale, exchange, or other disposal of oil or gas taken in kind by the state as its royalty share, or a sale, exchange, or other disposal in whole or in part of a right to receive future royalty oil or gas, under a state lease under this chapter is made other than by competitive bid, or when a sale, exchange, or other disposal of gas delivered to the state under AS 43.55.014(b) is made other than by competitive bid, the sale, exchange, or other disposal shall be awarded by the commissioner to the prospective buyer whose proposal offers the maximum benefits to citizens of the state. The commissioner shall consider

- (1) the cash value offered;
- (2) the projected effects of the sale, exchange, or other disposal on the economy of the state;
- (3) the projected benefits of refining or processing the oil or gas in the state;
- (4) the ability of the prospective buyer to provide refined products or by-products for distribution and sale in the state with price or supply benefits to the citizens of the state; and
- (5) the criteria listed in AS 38.06.070(a).

* **Sec. 23.** AS 38.05.965 is amended by adding new paragraphs to read:

(26) "initial project term" means the duration sufficient to support an investment decision by the sponsors of a North Slope natural gas project to permit realization of a competitive economic return, to enable necessary financing, and to support agreements for the sale of hydrocarbons transported on a North Slope natural gas project;

(27) "North Slope natural gas project" means a project to produce natural gas from state oil and gas and gas only leases that include land north of 68 degrees North latitude for transport in a gaseous state from the North Slope;

(28) "project services" means services provided by a gas treatment plant, pipeline, liquefaction facility, or marine terminal, marine transportation services, or other services necessary to transport natural gas to market.

* **Sec. 24.** AS 38.34.020(a) is amended to read:

(a) A state agency or entity conducting a review or taking action relating to **a project under AS 31.25 (Alaska Gasline Development Corporation)** [THE IN-STATE NATURAL GAS PIPELINE PROJECT UNDER THIS CHAPTER] shall expedite the review or action in a manner consistent with the timely completion of the project.

* **Sec. 25.** AS 38.34.020(b) is amended to read:

(b) Notwithstanding any contrary provision of law, a state agency or entity may not include in any project certificate, right-of-way, permit, or other authorization a term or condition that is not required by law if the in-state gasline project coordinator determines that the term or condition would prevent or impair, in any significant respect, the expeditious construction and operation or expansion of **a project under AS 31.25 (Alaska Gasline Development Corporation)** [THE IN-STATE NATURAL GAS PIPELINE PROJECT].

* **Sec. 26.** AS 38.34.020(c) is amended to read:

(c) Unless required by law, a state agency or entity may not add to, amend, or abrogate any certificate, right-of-way, permit, or other authorization if the in-state gasline project coordinator determines that the action would prevent or impair, in any significant respect, the expeditious construction, operation, or expansion of **a project under AS 31.25 (Alaska Gasline Development Corporation)** [THE IN-STATE

1 NATURAL GAS PIPELINE PROJECT].

2 * **Sec. 27.** AS 40.25.100(a) is amended to read:

3 (a) Information in the possession of the Department of Revenue that discloses
 4 the particulars of the business or affairs of a taxpayer or other person, including
 5 information under AS 38.05.020(b)(11) that is subject to a confidentiality
 6 agreement under AS 38.05.020(b)(12), is not a matter of public record, except as
 7 provided in AS 43.05.230(i) or for purposes of investigation and law enforcement. The
 8 information shall be kept confidential except when its production is required in an
 9 official investigation, administrative adjudication under AS 43.05.405 - 43.05.499, or
 10 court proceeding. These restrictions do not prohibit the publication of statistics
 11 presented in a manner that prevents the identification of particular reports and items,
 12 prohibit the publication of tax lists showing the names of taxpayers who are delinquent
 13 and relevant information that may assist in the collection of delinquent taxes, or
 14 prohibit the publication of records, proceedings, and decisions under AS 43.05.405 -
 15 43.05.499.

16 * **Sec. 28.** AS 40.25.100(a), as amended by sec. 27 of this Act, is amended to read:

17 (a) Information in the possession of the Department of Revenue that discloses
 18 the particulars of the business or affairs of a taxpayer or other person, including
 19 information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement
 20 under AS 38.05.020(b)(12), is not a matter of public record, except as provided in
 21 AS 43.05.230(i) or (k) or for purposes of investigation and law enforcement. The
 22 information shall be kept confidential except when its production is required in an
 23 official investigation, administrative adjudication under AS 43.05.405 - 43.05.499, or
 24 court proceeding. These restrictions do not prohibit the publication of statistics
 25 presented in a manner that prevents the identification of particular reports and items,
 26 prohibit the publication of tax lists showing the names of taxpayers who are delinquent
 27 and relevant information that may assist in the collection of delinquent taxes, or
 28 prohibit the publication of records, proceedings, and decisions under AS 43.05.405 -
 29 43.05.499.

30 * **Sec. 29.** AS 40.25.120(a) is amended to read:

31 (a) Every person has a right to inspect a public record in the state, including

1 public records in recorders' offices, except

2 (1) records of vital statistics and adoption proceedings, which shall be
3 treated in the manner required by AS 18.50;

4 (2) records pertaining to juveniles unless disclosure is authorized by
5 law;

6 (3) medical and related public health records;

7 (4) records required to be kept confidential by a federal law or
8 regulation or by state law;

9 (5) to the extent the records are required to be kept confidential under
10 20 U.S.C. 1232g and the regulations adopted under 20 U.S.C. 1232g in order to secure
11 or retain federal assistance;

12 (6) records or information compiled for law enforcement purposes, but
13 only to the extent that the production of the law enforcement records or information

14 (A) could reasonably be expected to interfere with enforcement
15 proceedings;

16 (B) would deprive a person of a right to a fair trial or an
17 impartial adjudication;

18 (C) could reasonably be expected to constitute an unwarranted
19 invasion of the personal privacy of a suspect, defendant, victim, or witness;

20 (D) could reasonably be expected to disclose the identity of a
21 confidential source;

22 (E) would disclose confidential techniques and procedures for
23 law enforcement investigations or prosecutions;

24 (F) would disclose guidelines for law enforcement
25 investigations or prosecutions if the disclosure could reasonably be expected to
26 risk circumvention of the law; or

27 (G) could reasonably be expected to endanger the life or
28 physical safety of an individual;

29 (7) names, addresses, and other information identifying a person as a
30 participant in the Alaska Higher Education Savings Trust under AS 14.40.802 or the
31 advance college tuition savings program under AS 14.40.803 - 14.40.817;

(8) public records containing information that would disclose or might lead to the disclosure of a component in the process used to execute or adopt an electronic signature if the disclosure would or might cause the electronic signature to cease being under the sole control of the person using it;

(9) reports submitted under AS 05.25.030 concerning certain collisions, accidents, or other casualties involving boats;

(10) records or information pertaining to a plan, program, or procedures for establishing, maintaining, or restoring security in the state, or to a detailed description or evaluation of systems, facilities, or infrastructure in the state, but only to the extent that the production of the records or information

(A) could reasonably be expected to interfere with the implementation or enforcement of the security plan, program, or procedures;

(B) would disclose confidential guidelines for investigations or enforcement and the disclosure could reasonably be expected to risk circumvention of the law; or

(C) could reasonably be expected to endanger the life or physical safety of an individual or to present a real and substantial risk to the public health and welfare;

(11) the written notification regarding a proposed regulation provided under AS 24.20.105 to the Department of Law and the affected state agency and communications between the Legislative Affairs Agency, the Department of Law, and the affected state agency under AS 24.20.105;

(12) records that are

(A) proprietary, privileged, or a trade secret in accordance with AS 43.90.150 or 43.90.220(e);

(B) applications that are received under AS 43.90 until notice is published under AS 43.90.160;

(13) information of the Alaska Gasline Development Corporation created under AS 31.25.010 or a subsidiary of the Alaska Gasline Development Corporation that is confidential by law or under a valid confidentiality agreement;

(14) information under AS 38.05.020(b)(11) that is subject to a

confidentiality agreement under AS 38.05.020(b)(12).

* **Sec. 30.** AS 43.05.010 is amended to read:

Sec. 43.05.010. Duties of commissioner. The commissioner of revenue shall

(1) exercise general supervision and direct the activities of the Department of Revenue;

(2) supervise the fiscal affairs and responsibilities of the department;

(3) prescribe uniform rules for investigations and hearings;

(4) keep a record of all departmental proceedings, record and file all bonds, and assume custody of returns, reports, papers, and documents of the department;

(5) adopt a seal and affix it to each order, process, or certificate issued by the commissioner;

(6) keep a record of each order, process, and certificate issued by the commissioner, and keep the record open to public inspection at all reasonable times;

(7) hold hearings and investigations necessary for the administration of state tax and revenue laws;

(8) except as provided in AS 43.05.405 - 43.05.499 and in AS 44.64.030, hear and determine appeals of a matter within the jurisdiction of the Department of Revenue and enter orders on the appeals that are final unless reversed or modified by the courts;

(9) issue subpoenas to require the attendance of witnesses and the production of necessary books, papers, documents, correspondence, and other things;

(10) order the taking of depositions before a person competent to administer oaths;

(11) administer oaths and take acknowledgments;

(12) request the attorney general for rulings on the interpretation of the tax and revenue laws administered by the department;

(13) call upon the attorney general to institute actions for recovery of unpaid taxes, fees, excises, additions to tax, penalties, and interest;

(14) issue warrants for the collection of unpaid tax penalties and interest and take all steps necessary and proper to enforce full and complete

1 compliance with the tax, license, excise, and other revenue laws of the state;

2 (15) report to the legislature before February 15 of each year the total
3 amount of contributions reported and the total amount of credit claimed during the
4 previous calendar year under AS 43.20.014, AS 43.55.019, AS 43.56.018,
5 AS 43.65.018, AS 43.75.018, and AS 43.77.045;

6 **(16) consult with the commissioner of natural resources on**
7 **negotiation of contracts and development of terms for inclusion in proposed**
8 **contracts associated with a North Slope natural gas project.**

9 * **Sec. 31.** AS 43.05.010, as amended by sec. 30 of this Act, is amended to read:

10 **Sec. 43.05.010. Duties of commissioner.** The commissioner of revenue shall

11 (1) exercise general supervision and direct the activities of the
12 Department of Revenue;

13 (2) supervise the fiscal affairs and responsibilities of the department;

14 (3) prescribe uniform rules for investigations and hearings;

15 (4) keep a record of all departmental proceedings, record and file all
16 bonds, and assume custody of returns, reports, papers, and documents of the
17 department;

18 (5) adopt a seal and affix it to each order, process, or certificate issued
19 by the commissioner;

20 (6) keep a record of each order, process, and certificate issued by the
21 commissioner, and keep the record open to public inspection at all reasonable times;

22 (7) hold hearings and investigations necessary for the administration of
23 state tax and revenue laws;

24 (8) except as provided in AS 43.05.405 - 43.05.499 and in
25 AS 44.64.030, hear and determine appeals of a matter within the jurisdiction of the
26 Department of Revenue and enter orders on the appeals that are final unless reversed
27 or modified by the courts;

28 (9) issue subpoenas to require the attendance of witnesses and the
29 production of necessary books, papers, documents, correspondence, and other things;

30 (10) order the taking of depositions before a person competent to
31 administer oaths;

- 1 (11) administer oaths and take acknowledgments;
- 2 (12) request the attorney general for rulings on the interpretation of the
- 3 tax and revenue laws administered by the department;
- 4 (13) call upon the attorney general to institute actions for recovery of
- 5 unpaid taxes, fees, excises, additions to tax, penalties, and interest;
- 6 (14) issue warrants for the collection of unpaid tax penalties and
- 7 interest and take all steps necessary and proper to enforce full and complete
- 8 compliance with the tax, license, excise, and other revenue laws of the state;
- 9 (15) report to the legislature before February 15 of each year the total
- 10 amount of contributions reported and the total amount of credit claimed during the
- 11 previous calendar year under AS 43.20.014, AS 43.55.019, AS 43.56.018,
- 12 AS 43.65.018, AS 43.75.018, and AS 43.77.045;
- 13 (16) consult with the commissioner of natural resources on negotiation
- 14 of contracts and development of terms for inclusion in proposed contracts associated
- 15 with a North Slope natural gas project;
- 16 **(17) direct the disposition of revenue received from gas delivered**
- 17 **to the state under AS 43.55.014(b) by entering into agreements with the**
- 18 **commissioner of natural resources related to the management of the custody and**
- 19 **disposition of gas delivered to the state under AS 43.55.014(b).**

20 * **Sec. 32.** AS 43.05.230 is amended by adding a new subsection to read:

- 21 (k) The name of each person that the department has allowed to make an
- 22 election under AS 43.55.014(a) and the amount of gas produced from each lease or
- 23 property to which an effective election under AS 43.55.014 applies is public
- 24 information.

25 * **Sec. 33.** AS 43.20.144(f) is amended to read:

- 26 (f) The extraction factor of a taxpayer subject to this section is a fraction,
- 27 (1) the numerator of which is the sum of the following for the tax
- 28 period:
- 29 (A) the number of barrels of the taxpayer's oil (net of royalty to
- 30 an unrelated party) produced from or allocated to leases or properties of the
- 31 taxpayer in this state; and

(B) one-sixth of the number of Mcf of the taxpayer's gas, excluding reinjected gas but including gas subject to an election under AS 43.55.014, (net of royalty to an unrelated party) produced from or allocated to leases or properties of the taxpayer in this state [, EXCLUDING REINJECTED GAS]; and

(2) the denominator of which is the sum of the following for the tax period:

(A) the number of barrels of oil of the taxpayer's consolidated business (net of royalty to an unrelated party) produced from or allocated to leases or properties of the taxpayer's consolidated business everywhere; and

(B) one-sixth of the number of Mcf of gas, excluding reinjected gas but including gas subject to an election under AS 43.55.014, of the taxpayer's consolidated business (net of royalty to an unrelated party) produced from or allocated to leases or properties of the taxpayer's consolidated business everywhere [, EXCLUDING REINJECTED GAS].

* **Sec. 34.** AS 43.55.011(e) is amended to read:

(e) There is levied on the producer of oil or gas a tax for all oil and gas produced each calendar year from each lease or property in the state, less any oil and gas the ownership or right to which is exempt from taxation or constitutes a landowner's royalty interest or for which a tax is levied by AS 43.55.014. Except as otherwise provided under (f), (j), (k), (o), and (p) of this section, for oil and gas produced

(1) before January 1, 2014, the tax is equal to the sum of

(A) the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 25 percent; and

(B) the sum, over all months of the calendar year, of the tax amounts determined under (g) of this section;

(2) on and after January 1, 2014, and before January 1, 2022, the tax is equal to the annual production tax value of the taxable oil and gas as calculated under AS 43.55.160(a)(1) multiplied by 35 percent;

(3) on and after January 1, 2022, the tax for

(A) oil is equal to the annual production tax value of the taxable oil as calculated under AS 43.55.160(h) multiplied by 35 percent;

(B) gas is equal to 13 percent of the gross value at the point of production of the taxable gas; if the gross value at the point of production of gas produced from a lease or property is less than zero, that gross value at the point of production is considered zero for purposes of this subparagraph.

* Sec. 35. AS 43.55.011(f) is amended to read:

(f) The levy of tax under (e) of this section for

(1) oil and gas produced before January 1, 2022, from leases or properties that include land north of 68 degrees North latitude, other than [OIL AND GAS PRODUCTION SUBJECT TO (i) OF THIS SECTION AND] gas subject to (o) of this section, may not be less than

(A) [(1)] four percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is more than \$25;

(B) [(2)] three percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$20 but not over \$25;

(C) [(3)] two percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$17.50 but not over \$20;

(D) [(4)] one percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$15 but not over \$17.50; or

(E) [(5)] zero percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil

for sale on the United States West Coast during the calendar year for which the tax is due is \$15 or less; and

(2) oil produced on and after January 1, 2022, from leases or properties that include land north of 68 degrees North latitude, may not be less than

(A) four percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is more than \$25;

(B) three percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$20 but not over \$25;

(C) two percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$17.50 but not over \$20;

(D) one percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is over \$15 but not over \$17.50; or

(E) zero percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is \$15 or less.

* **Sec. 36.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.014. Payment in gas of tax for gas. (a) For gas produced on and after January 1, 2022, other than gas described in (e) of this section, the department shall allow a producer to make an election, under regulations adopted by the department, to pay in gas the production tax levied by this section in lieu of the tax otherwise levied for the gas by AS 43.55.011(e). An election under this subsection

1 applies only to gas produced from oil and gas leases modified under AS 38.05.180(hh)
 2 from which the commissioner of natural resources has determined to take royalty gas
 3 in kind under AS 38.05.182.

4 (b) A production tax levied by this section is equal to 13 percent of the gas
 5 otherwise taxable under AS 43.55.011(e)(3) produced from each oil and gas lease to
 6 which an effective election under (a) of this section applies, when and as that gas is
 7 produced. The producer shall pay the tax in gas by delivering that 13 percent of the
 8 gas to the state at the point of production.

9 (c) The Department of Natural Resources shall manage under
 10 AS 38.05.020(b)(13) the custody and disposition of gas delivered to the state under (b)
 11 of this section.

12 (d) If a deficiency in a tax levied by this section is assessed, or if a provision
 13 of this title providing for interest or a penalty based on a percentage of a tax liability or
 14 tax deficiency applies to gas for which a tax is levied by this section, the amount of the
 15 deficiency and the tax amount on which the interest or penalty percentage is calculated
 16 is treated for the purpose only of that calculation as having been levied by
 17 AS 43.55.011(e) rather than this section.

18 (e) This section does not apply to gas

19 (1) flared, released, or allowed to escape upstream of the point of
 20 production of gas; or

21 (2) used in the operation of a lease or property in the state for drilling
 22 for or producing oil or gas, or for repressuring a reservoir.

23 * **Sec. 37.** AS 43.55.019(a) is amended to read:

24 (a) A producer of oil or gas is allowed a credit against the tax **levied by**
 25 **AS 43.55.011(e)** [DUE UNDER THIS CHAPTER] for cash contributions accepted for

26 (1) direct instruction, research, and educational support purposes,
 27 including library and museum acquisitions, and contributions to endowment, by an
 28 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or
 29 four-year college accredited by a regional accreditation association;

30 (2) secondary school level vocational education courses, programs, and
 31 facilities by a school district in the state;

(3) vocational education courses, programs, **equipment**, and facilities by a state-operated vocational technical education and training school, **a nonprofit regional training center recognized by the Department of Labor and Workforce Development, and an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 - 50b (National Apprenticeship Act)**;

(4) a facility or an annual intercollegiate sports tournament by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(5) Alaska Native cultural or heritage programs and educational support, including mentoring and tutoring, provided by a nonprofit agency for public school staff and for students who are in grades kindergarten through 12 in the state;

(6) education, research, rehabilitation, and facilities by an institution that is located in the state and that qualifies as a coastal ecosystem learning center under the Coastal America Partnership established by the federal government; and

(7) the Alaska higher education investment fund under AS 37.14.750.

* **Sec. 38.** AS 43.55.019(a), as amended by sec. 21, ch. 92, SLA 2010, sec. 14, ch. 7, FSSLA 2011, sec. 17, ch. 74, SLA 2012, and sec. 37 of this Act, is amended to read:

(a) A producer of oil or gas is allowed a credit against the tax **levied by AS 43.55.011(e)** due under this chapter for cash contributions accepted

(1) for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association;

(2) for secondary school level vocational education courses, programs, and facilities by a school district in the state;

(3) **for vocational education courses, programs, equipment, and facilities** by a state-operated vocational technical education and training school, **a nonprofit regional training center recognized by the Department of Labor and Workforce Development, and an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 - 50b**

1 **(National Apprenticeship Act)**; and

2 (4) for the Alaska higher education investment fund under
3 AS 37.14.750.

4 * **Sec. 39.** AS 43.55.019(e) is amended to read:

5 (e) The credit under this section may not reduce a person's tax liability under
6 **AS 43.55.011(e)** [THIS CHAPTER] to below zero for any tax year. An unused credit
7 or portion of a credit not used under this section for a tax year may not be sold, traded,
8 transferred, or applied in a subsequent tax year.

9 * **Sec. 40.** AS 43.55.020(a) is amended to read:

10 (a) For a calendar year, a producer subject to tax under AS 43.55.011 shall pay
11 the tax as follows:

12 (1) **for oil and gas produced** before January 1, 2014, an installment
13 payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied
14 as allowed by law, is due for each month of the calendar year on the last day of the
15 following month; except as otherwise provided under (2) of this subsection, the
16 amount of the installment payment is the sum of the following amounts, less 1/12 of
17 the tax credits that are allowed by law to be applied against the tax levied by
18 AS 43.55.011(e) for the calendar year, but the amount of the installment payment may
19 not be less than zero:

20 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
21 produced from leases or properties in the state outside the Cook Inlet
22 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
23 the greater of

24 (i) zero; or

25 (ii) the sum of 25 percent and the tax rate calculated for
26 the month under AS 43.55.011(g) multiplied by the remainder obtained
27 by subtracting 1/12 of the producer's adjusted lease expenditures for the
28 calendar year of production under AS 43.55.165 and 43.55.170 that are
29 deductible for the oil and gas under AS 43.55.160 from the gross value
30 at the point of production of the oil and gas produced from the leases or
31 properties during the month for which the installment payment is

1 calculated;

2 (B) for oil and gas produced from leases or properties subject
3 to AS 43.55.011(f), the greatest of

4 (i) zero;

5 (ii) zero percent, one percent, two percent, three
6 percent, or four percent, as applicable, of the gross value at the point of
7 production of the oil and gas produced from the leases or properties
8 during the month for which the installment payment is calculated; or

9 (iii) the sum of 25 percent and the tax rate calculated for
10 the month under AS 43.55.011(g) multiplied by the remainder obtained
11 by subtracting 1/12 of the producer's adjusted lease expenditures for the
12 calendar year of production under AS 43.55.165 and 43.55.170 that are
13 deductible for the oil and gas under AS 43.55.160 from the gross value
14 at the point of production of the oil and gas produced from those leases
15 or properties during the month for which the installment payment is
16 calculated;

17 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
18 each lease or property, the greater of

19 (i) zero; or

20 (ii) the sum of 25 percent and the tax rate calculated for
21 the month under AS 43.55.011(g) multiplied by the remainder obtained
22 by subtracting 1/12 of the producer's adjusted lease expenditures for the
23 calendar year of production under AS 43.55.165 and 43.55.170 that are
24 deductible under AS 43.55.160 for the oil or gas, respectively,
25 produced from the lease or property from the gross value at the point of
26 production of the oil or gas, respectively, produced from the lease or
27 property during the month for which the installment payment is
28 calculated;

29 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

30 (i) the sum of 25 percent and the tax rate calculated for
31 the month under AS 43.55.011(g) multiplied by the remainder obtained

by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated, but not less than zero; or

(ii) four percent of the gross value at the point of production of the oil and gas produced from the leases or properties during the month, but not less than zero;

(2) an amount calculated under (1)(C) of this subsection for oil or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(3) an installment payment of the estimated tax levied by AS 43.55.011(i) for each lease or property is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of

(A) the applicable tax rate for oil provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the oil taxable under AS 43.55.011(i) and produced from the lease or property during the month; and

(B) the applicable tax rate for gas provided under AS 43.55.011(i), multiplied by the gross value at the point of production of the gas taxable under AS 43.55.011(i) and produced from the lease or property during the month;

(4) any amount of tax levied by AS 43.55.011, net of any credits

1 applied as allowed by law, that exceeds the total of the amounts due as installment
 2 payments of estimated tax is due on March 31 of the year following the calendar year
 3 of production;

4 (5) **for oil and gas produced** on and after January 1, 2014, **and before**
 5 **January 1, 2022,** an installment payment of the estimated tax levied by
 6 AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each
 7 month of the calendar year on the last day of the following month; except as otherwise
 8 provided under (6) of this subsection, the amount of the installment payment is the
 9 sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be
 10 applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount
 11 of the installment payment may not be less than zero:

12 (A) for oil and gas not subject to AS 43.55.011(o) or (p)
 13 produced from leases or properties in the state outside the Cook Inlet
 14 sedimentary basin, other than leases or properties subject to AS 43.55.011(f),
 15 the greater of

16 (i) zero; or

17 (ii) 35 percent multiplied by the remainder obtained by
 18 subtracting 1/12 of the producer's adjusted lease expenditures for the
 19 calendar year of production under AS 43.55.165 and 43.55.170 that are
 20 deductible for the oil and gas under AS 43.55.160 from the gross value
 21 at the point of production of the oil and gas produced from the leases or
 22 properties during the month for which the installment payment is
 23 calculated;

24 (B) for oil and gas produced from leases or properties subject
 25 to AS 43.55.011(f), the greatest of

26 (i) zero;

27 (ii) zero percent, one percent, two percent, three
 28 percent, or four percent, as applicable, of the gross value at the point of
 29 production of the oil and gas produced from the leases or properties
 30 during the month for which the installment payment is calculated; or

31 (iii) 35 percent multiplied by the remainder obtained by

1 subtracting 1/12 of the producer's adjusted lease expenditures for the
 2 calendar year of production under AS 43.55.165 and 43.55.170 that are
 3 deductible for the oil and gas under AS 43.55.160 from the gross value
 4 at the point of production of the oil and gas produced from those leases
 5 or properties during the month for which the installment payment is
 6 calculated, except that, for the purposes of this calculation, a reduction
 7 from the gross value at the point of production may apply for oil and
 8 gas subject to AS 43.55.160(f) or (g);

9 (C) for oil or gas subject to AS 43.55.011(j), (k), or (o), for
 10 each lease or property, the greater of

11 (i) zero; or

12 (ii) 35 percent multiplied by the remainder obtained by
 13 subtracting 1/12 of the producer's adjusted lease expenditures for the
 14 calendar year of production under AS 43.55.165 and 43.55.170 that are
 15 deductible under AS 43.55.160 for the oil or gas, respectively,
 16 produced from the lease or property from the gross value at the point of
 17 production of the oil or gas, respectively, produced from the lease or
 18 property during the month for which the installment payment is
 19 calculated;

20 (D) for oil and gas subject to AS 43.55.011(p), the lesser of

21 (i) 35 percent multiplied by the remainder obtained by
 22 subtracting 1/12 of the producer's adjusted lease expenditures for the
 23 calendar year of production under AS 43.55.165 and 43.55.170 that are
 24 deductible for the oil and gas under AS 43.55.160 from the gross value
 25 at the point of production of the oil and gas produced from the leases or
 26 properties during the month for which the installment payment is
 27 calculated, but not less than zero; or

28 (ii) four percent of the gross value at the point of
 29 production of the oil and gas produced from the leases or properties
 30 during the month, but not less than zero;

31 (6) an amount calculated under (5)(C) of this subsection for oil or gas

subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year;

(7) for oil and gas produced on or after January 1, 2022, an installment payment of the estimated tax levied by AS 43.55.011(e), net of any tax credits applied as allowed by law, is due for each month of the calendar year on the last day of the following month; the amount of the installment payment is the sum of the following amounts, less 1/12 of the tax credits that are allowed by law to be applied against the tax levied by AS 43.55.011(e) for the calendar year, but the amount of the installment payment may not be less than zero:

(A) for oil produced from leases or properties that include land north of 68 degrees North latitude, the greatest of

(i) zero;

(ii) zero percent, one percent, two percent, three percent, or four percent, as applicable, of the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated; or

(iii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil under AS 43.55.160(h)(1) from the gross value at the point of production of the oil produced from those leases or properties during the month for which the installment payment is calculated, except that, for the purposes of this calculation, a reduction from the gross value at the point of

production may apply for oil subject to AS 43.55.160(f) or 43.55.160(f) and (g);

(B) for oil produced before or during the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, other than leases or properties subject to AS 43.55.011(p), the greater of

(i) zero; or

(ii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil under AS 43.55.160(h)(2) from the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated;

(C) for oil and gas produced from leases or properties subject to AS 43.55.011(p), except as otherwise provided under (8) of this subsection, the sum of

(i) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil under AS 43.55.160(h)(3) from the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated, but not less than zero; and

(ii) 13 percent of the gross value at the point of production of the gas produced from the leases or properties during the month, but not less than zero;

(D) for oil produced from leases or properties in the state, no part of which is north of 68 degrees North latitude, other than leases or

properties subject to (B) or (C) of this paragraph, the greater of

(i) zero; or

(ii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil under AS 43.55.160(h)(4) from the gross value at the point of production of the oil produced from the leases or properties during the month for which the installment payment is calculated;

(E) for gas produced from each lease or property in the state, other than a lease or property subject to AS 43.55.011(p), 13 percent of the gross value at the point of production of the gas produced from the lease or property during the month for which the installment payment is calculated, but not less than zero;

(8) an amount calculated under (7)(C) of this subsection may not exceed four percent of the gross value at the point of production of the oil and gas produced from leases or properties subject to AS 43.55.011(p) during the month for which the installment payment is calculated;

(9) for purposes of the calculation under (1)(B)(ii), (5)(B)(ii), and (7)(A)(ii) of this subsection, the applicable percentage of the gross value at the point of production is determined under AS 43.55.011(f)(1) or (2) but substituting the phrase "month for which the installment payment is calculated" in AS 43.55.011(f)(1) and (2) for the phrase "calendar year for which the tax is due."

* Sec. 41. AS 43.55.020(g) is amended to read:

(g) Notwithstanding any contrary provision of AS 43.05.225,

(1) before January 1, 2014, an unpaid amount of an installment payment required under (a)(1) - (3) of this section that is not paid when due bears interest (A) at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date the installment payment is due until March 31 following the calendar year of production, and (B) as

provided for a delinquent tax under AS 43.05.225 after that March 31; interest accrued under (A) of this paragraph that remains unpaid after that March 31 is treated as an addition to tax that bears interest under (B) of this paragraph; an unpaid amount of tax due under (a)(4) of this section that is not paid when due bears interest as provided for a delinquent tax under AS 43.05.225;

(2) on and after January 1, 2014, an unpaid amount of an installment payment required under (a)(3), (5), [OR] (6), or (7) of this section that is not paid when due bears interest (A) at the rate provided for an underpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the date the installment payment is due until March 31 following the calendar year of production, and (B) as provided for a delinquent tax under AS 43.05.225 after that March 31; interest accrued under (A) of this paragraph that remains unpaid after that March 31 is treated as an addition to tax that bears interest under (B) of this paragraph; an unpaid amount of tax due under (a)(4) of this section that is not paid when due bears interest as provided for a delinquent tax under AS 43.05.225.

* **Sec. 42.** AS 43.55.020(h) is amended to read:

(h) Notwithstanding any contrary provision of AS 43.05.280,

(1) an overpayment of an installment payment required under (a)(1), (2), (3), (5), (6), or (7) [(a)(1) - (3), (5) OR (6)] of this section bears interest at the rate provided for an overpayment under 26 U.S.C. 6621 (Internal Revenue Code), as amended, compounded daily, from the later of the date the installment payment is due or the date the overpayment is made, until the earlier of

(A) the date it is refunded or is applied to an underpayment; or

(B) March 31 following the calendar year of production;

(2) except as provided under (1) of this subsection, interest with respect to an overpayment is allowed only on any net overpayment of the payments required under (a) of this section that remains after the later of March 31 following the calendar year of production or the date that the statement required under AS 43.55.030(a) is filed;

(3) interest is allowed under (2) of this subsection only from a date that is 90 days after the later of March 31 following the calendar year of production or the

1 date that the statement required under AS 43.55.030(a) is filed; interest is not allowed
2 if the overpayment was refunded within the 90-day period;

3 (4) interest under (2) and (3) of this subsection is paid at the rate and in
4 the manner provided in AS 43.05.225(1).

5 * **Sec. 43.** AS 43.55.020(l) is amended to read:

6 (l) **For oil and gas produced on** [ON] and after January 1, 2014, **and before**
7 **January 1, 2022,** in making settlement with the royalty owner for oil and gas that is
8 taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on
9 taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in
10 value at the time the tax becomes due to the amount of the tax paid. If the total
11 deductions of installment payments of estimated tax for a calendar year exceed the
12 actual tax for that calendar year, the producer shall, before April 1 of the following
13 year, refund the excess to the royalty owner. Unless otherwise agreed between the
14 producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) on
15 taxable royalty oil and gas for a calendar year, other than oil and gas the ownership or
16 right to which constitutes a landowner's royalty interest, is considered to be the gross
17 value at the point of production of the taxable royalty oil and gas produced during the
18 calendar year multiplied by a figure that is a quotient, in which

19 (1) the numerator is the producer's total tax liability under
20 **AS 43.55.011(e)(2)** [AS 43.55.011(e)] for the calendar year of production; and

21 (2) the denominator is the total gross value at the point of production
22 of the oil and gas taxable under AS 43.55.011(e) produced by the producer from all
23 leases and properties in the state during the calendar year.

24 * **Sec. 44.** AS 43.55.020 is amended by adding a new subsection to read:

25 (m) For oil and gas produced on and after January 1, 2022, in making
26 settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011,
27 the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or
28 may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes
29 due to the amount of the tax paid. If the total deductions of installment payments of
30 estimated tax for a calendar year exceed the actual tax for that calendar year, the
31 producer shall, before April 1 of the following year, refund the excess to the royalty

owner. In making settlement with the royalty owner for gas that is taxable under AS 43.55.014, the producer may deduct the amount of the gas paid as in kind tax on taxable royalty gas or may deduct the gross value at the point of production of the gas paid as in-kind tax on taxable royalty gas. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) on taxable royalty oil for a calendar year, other than oil the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil produced during the calendar year multiplied by a figure that is a quotient, in which

(1) the numerator is the producer's total tax liability under AS 43.55.011(e)(3)(A) for the calendar year of production; and

(2) the denominator is the total gross value at the point of production of the oil taxable under AS 43.55.011(e) produced by the producer from all leases and properties in the state during the calendar year.

* **Sec. 45.** AS 43.55.030(a) is amended to read:

(a) A producer that produces oil or gas from a lease or property in the state during a calendar year, whether or not any tax payment is due under AS 43.55.020(a) for that oil or gas, shall file with the department on March 31 of the following year a statement, under oath, in a form prescribed by the department, giving, with other information required, the following:

(1) a description of each lease or property from which oil or gas was produced, by name, legal description, lease number, or accounting codes assigned by the department;

(2) the names of the producer and, if different, the person paying the tax, if any;

(3) the gross amount of oil and the gross amount of gas produced from each lease or property, **separately identifying the gross amount of gas produced from each oil and gas lease to which an effective election under AS 43.55.014(a) applies, the amount of gas delivered to the state under AS 43.55.014(b),** and the percentage of the gross amount of oil and gas owned by the producer;

(4) the gross value at the point of production of the oil and of the gas

1 produced from each lease or property owned by the producer and the costs of
2 transportation of the oil and gas;

3 (5) the name of the first purchaser and the price received for the oil and
4 for the gas, unless relieved from this requirement in whole or in part by the
5 department;

6 (6) the producer's qualified capital expenditures, as defined in
7 AS 43.55.023, other lease expenditures under AS 43.55.165, and adjustments or other
8 payments or credits under AS 43.55.170;

9 (7) the production tax values of the oil and gas under **AS 43.55.160(a)**
10 **or of the oil under AS 43.55.160(h), as applicable** [AS 43.55.160];

11 (8) any claims for tax credits to be applied; and

12 (9) calculations showing the amounts, if any, that were or are due
13 under AS 43.55.020(a) and interest on any underpayment or overpayment.

14 * **Sec. 46.** AS 43.55.160(a) is amended to read:

15 (a) **For oil and gas produced before January 1, 2022, except** [EXCEPT] as
16 provided in (b), (f), and (g) of this section, for the purposes of

17 (1) **AS 43.55.011(e)(1) and (2)** [AS 43.55.011(e)], the annual
18 production tax value of taxable oil, gas, or oil and gas produced during a calendar year
19 in a category for which a separate annual production tax value is required to be
20 calculated under this paragraph is the gross value at the point of production of that oil,
21 gas, or oil and gas taxable under AS 43.55.011(e), less the producer's lease
22 expenditures under AS 43.55.165 for the calendar year applicable to the oil, gas, or oil
23 and gas in that category produced by the producer during the calendar year, as
24 adjusted under AS 43.55.170; a separate annual production tax value shall be
25 calculated for

26 (A) oil and gas produced from leases or properties in the state
27 that include land north of 68 degrees North latitude, other than gas produced
28 before 2022 and used in the state;

29 (B) oil and gas produced from leases or properties in the state
30 outside the Cook Inlet sedimentary basin, no part of which is north of 68
31 degrees North latitude and that qualifies for a tax credit under AS 43.55.024(a)

1 and (b); this subparagraph does not apply to

2 (i) gas produced before 2022 and used in the state; or

3 (ii) oil and gas subject to AS 43.55.011(p);

4 (C) oil produced before 2022 from each lease or property in the
5 Cook Inlet sedimentary basin;

6 (D) gas produced before 2022 from each lease or property in
7 the Cook Inlet sedimentary basin;

8 (E) gas produced before 2022 from each lease or property in
9 the state outside the Cook Inlet sedimentary basin and used in the state, other
10 than gas subject to AS 43.55.011(p);

11 (F) oil and gas subject to AS 43.55.011(p) produced from
12 leases or properties in the state;

13 (G) oil and gas produced from leases or properties in the state
14 no part of which is north of 68 degrees North latitude, other than oil or gas
15 described in (B), (C), (D), (E), or (F) of this paragraph;

16 (2) AS 43.55.011(g), for oil and gas produced before January 1, 2014,
17 the monthly production tax value of the taxable

18 (A) oil and gas produced during a month from leases or
19 properties in the state that include land north of 68 degrees North latitude is the
20 gross value at the point of production of the oil and gas taxable under
21 AS 43.55.011(e) and produced by the producer from those leases or properties,
22 less 1/12 of the producer's lease expenditures under AS 43.55.165 for the
23 calendar year applicable to the oil and gas produced by the producer from
24 those leases or properties, as adjusted under AS 43.55.170; this subparagraph
25 does not apply to gas subject to AS 43.55.011(o);

26 (B) oil and gas produced during a month from leases or
27 properties in the state outside the Cook Inlet sedimentary basin, no part of
28 which is north of 68 degrees North latitude, is the gross value at the point of
29 production of the oil and gas taxable under AS 43.55.011(e) and produced by
30 the producer from those leases or properties, less 1/12 of the producer's lease
31 expenditures under AS 43.55.165 for the calendar year applicable to the oil and

1 gas produced by the producer from those leases or properties, as adjusted under
 2 AS 43.55.170; this subparagraph does not apply to gas subject to
 3 AS 43.55.011(o);

4 (C) oil produced during a month from a lease or property in the
 5 Cook Inlet sedimentary basin is the gross value at the point of production of
 6 the oil taxable under AS 43.55.011(e) and produced by the producer from that
 7 lease or property, less 1/12 of the producer's lease expenditures under
 8 AS 43.55.165 for the calendar year applicable to the oil produced by the
 9 producer from that lease or property, as adjusted under AS 43.55.170;

10 (D) gas produced during a month from a lease or property in
 11 the Cook Inlet sedimentary basin is the gross value at the point of production
 12 of the gas taxable under AS 43.55.011(e) and produced by the producer from
 13 that lease or property, less 1/12 of the producer's lease expenditures under
 14 AS 43.55.165 for the calendar year applicable to the gas produced by the
 15 producer from that lease or property, as adjusted under AS 43.55.170;

16 (E) gas produced during a month from a lease or property
 17 outside the Cook Inlet sedimentary basin and used in the state is the gross
 18 value at the point of production of that gas taxable under AS 43.55.011(e) and
 19 produced by the producer from that lease or property, less 1/12 of the
 20 producer's lease expenditures under AS 43.55.165 for the calendar year
 21 applicable to that gas produced by the producer from that lease or property, as
 22 adjusted under AS 43.55.170.

23 * **Sec. 47.** AS 43.55.160(e) is amended to read:

24 (e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that
 25 would otherwise be deductible by a producer in a calendar year but whose deduction
 26 would cause an annual production tax value calculated under (a)(1) or (h) of this
 27 section of taxable oil or gas produced during the calendar year to be less than zero
 28 may be used to establish a carried-forward annual loss under AS 43.55.023(b).
 29 However, the department shall provide by regulation a method to ensure that, for a
 30 period for which a producer's tax liability is limited by AS 43.55.011(j), (k), (o), or
 31 (p), any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would

otherwise be deductible by a producer for that period but whose deduction would cause a production tax value calculated under (a)(1)(C), (D), (E), [OR] (F), or (h)(3) of this section to be less than zero are accounted for as though the adjusted lease expenditures had first been used as deductions in calculating the production tax values of oil or gas subject to any of the limitations under AS 43.55.011(j), (k), (o), or (p) that have positive production tax values so as to reduce the tax liability calculated without regard to the limitation to the maximum amount provided for under the applicable provision of AS 43.55.011(j), (k), (o), or (p). Only the amount of those adjusted lease expenditures remaining after the accounting provided for under this subsection may be used to establish a carried-forward annual loss under AS 43.55.023(b). In this subsection, "producer" includes "explorer."

* **Sec. 48.** AS 43.55.160(f) is amended to read:

(f) On and after January 1, 2014, in the calculation of an annual production tax value of a producer under (a)(1)(A) or (h)(1) [(a)(1)] of this section, the gross value at the point of production of oil or gas produced from a lease or property north of 68 degrees North latitude meeting one or more of the following criteria is reduced by 20 percent: (1) the oil or gas is produced from a lease or property that does not contain a lease that was within a unit on January 1, 2003; (2) the oil or gas is produced from a participating area established after December 31, 2011, that is within a unit formed under AS 38.05.180(p) before January 1, 2003, if the participating area does not contain a reservoir that had previously been in a participating area established before December 31, 2011; (3) the oil or gas is produced from acreage that was added to an existing participating area by the Department of Natural Resources on and after January 1, 2014, and the producer demonstrates to the department that the volume of oil or gas produced is from acreage added to an existing participating area. This subsection does not apply to gas produced before 2022 that is used in the state or to gas produced on and after January 1, 2022. A reduction under this subsection may not reduce the gross value at the point of production below zero. In this subsection, "participating area" means a reservoir or portion of a reservoir producing or contributing to production as approved by the Department of Natural Resources.

* **Sec. 49.** AS 43.55.160(g) is amended to read:

(g) On and after January 1, 2014, in addition to the reduction under (f) of this section, in the calculation of an annual production tax value of a producer under **(a)(1)(A) or (h)(1)** [(a)(1)] of this section, the gross value at the point of production of oil or gas produced from a lease or property **north of 68 degrees North latitude** that does not contain a lease that was within a unit on January 1, 2003, is reduced by 10 percent if the oil or gas is produced from a unit made up solely of leases that have a royalty share of more than 12.5 percent in amount or value of the production removed or sold from the lease as determined under AS 38.05.180(f). This subsection does not apply if the royalty obligation for one or more of the leases in the unit has been reduced to 12.5 percent or less under AS 38.05.180(j) for all or part of the calendar year for which the annual production tax value is calculated. This subsection does not apply to gas produced before 2022 that is used in the state **or to gas produced on and after January 1, 2022**. A reduction under this subsection may not reduce the gross value at the point of production below zero.

* **Sec. 50.** AS 43.55.160 is amended by adding a new subsection to read:

(h) For oil produced on and after January 1, 2022, except as provided in (b), (f), and (g) of this section, for the purposes of AS 43.55.011(e)(3), the annual production tax value of oil taxable under AS 43.55.011(e) produced by a producer during a calendar year

(1) from leases or properties in the state that include land north of 68 degrees North latitude is the gross value at the point of production of that oil, less the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil or gas deposits located in the state north of 68 degrees North latitude or located in leases or properties in the state that include land north of 68 degrees North latitude, as adjusted under AS 43.55.170;

(2) before or during the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, other than leases or properties subject to AS 43.55.011(p), is the gross value at the point of production of that oil, less the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to

1 explore for, develop, or produce oil or gas deposits located in the state outside the
 2 Cook Inlet sedimentary basin and south of 68 degrees North latitude, other than oil or
 3 gas deposits located in a lease or property that includes land north of 68 degrees North
 4 latitude or that is subject to AS 43.55.011(p) or, before January 1, 2027, from which
 5 commercial production has not begun, as adjusted under AS 43.55.170;

6 (3) from leases or properties subject to AS 43.55.011(p) is the gross
 7 value at the point of production of that oil, less the producer's lease expenditures under
 8 AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil or
 9 gas deposits located in leases or properties subject to AS 43.55.011(p) or, before
 10 January 1, 2027, located in leases or properties in the state outside the Cook Inlet
 11 sedimentary basin, no part of which is north of 68 degrees North latitude from which
 12 commercial production has not begun, as adjusted under AS 43.55.170;

13 (4) from leases or properties in the state no part of which is north of 68
 14 degrees North latitude, other than leases or properties subject to (2) or (3) of this
 15 subsection, is the gross value at the point of production of that oil less the producer's
 16 lease expenditures under AS 43.55.165 for the calendar year incurred to explore for,
 17 develop, or produce oil or gas deposits located in the state south of 68 degrees North
 18 latitude, other than oil or gas deposits located in a lease or property in the state that
 19 includes land north of 68 degrees North latitude, and excluding lease expenditures that
 20 are deductible under (2) or (3) of this subsection or would be deductible under (2) or
 21 (3) of this subsection if not prohibited by (b) of this section, as adjusted under
 22 AS 43.55.170.

23 * **Sec. 51.** AS 43.55.165(e) is amended to read:

24 (e) For purposes of this section, lease expenditures do not include

25 (1) depreciation, depletion, or amortization;

26 (2) oil or gas royalty payments, production payments, lease profit
 27 shares, or other payments or distributions of a share of oil or gas production, profit, or
 28 revenue, except that a producer's lease expenditures applicable to oil and gas produced
 29 from a lease issued under AS 38.05.180(f)(3)(B), (D), or (E) include the share of net
 30 profit paid to the state under that lease;

31 (3) taxes based on or measured by net income;

(4) interest or other financing charges or costs of raising equity or debt capital;

(5) acquisition costs for a lease or property or exploration license;

(6) costs arising from fraud, wilful misconduct, gross negligence, violation of law, or failure to comply with an obligation under a lease, permit, or license issued by the state or federal government;

(7) fines or penalties imposed by law;

(8) costs of arbitration, litigation, or other dispute resolution activities that involve the state or concern the rights or obligations among owners of interests in, or rights to production from, one or more leases or properties or a unit;

(9) costs incurred in organizing a partnership, joint venture, or other business entity or arrangement;

(10) amounts paid to indemnify the state; the exclusion provided by this paragraph does not apply to the costs of obtaining insurance or a surety bond from a third-party insurer or surety;

(11) surcharges levied under AS 43.55.201 or 43.55.300;

(12) an expenditure otherwise deductible under (b) of this section that is a result of an internal transfer, a transaction with an affiliate, or a transaction between related parties, or is otherwise not an arm's length transaction, unless the producer establishes to the satisfaction of the department that the amount of the expenditure does not exceed the fair market value of the expenditure;

(13) an expenditure incurred to purchase an interest in any corporation, partnership, limited liability company, business trust, or any other business entity, whether or not the transaction is treated as an asset sale for federal income tax purposes;

(14) a tax levied under AS 43.55.011 or 43.55.014;

(15) costs incurred for dismantlement, removal, surrender, or abandonment of a facility, pipeline, well pad, platform, or other structure, or for the restoration of a lease, field, unit, area, tract of land, body of water, or right-of-way in conjunction with dismantlement, removal, surrender, or abandonment; a cost is not excluded under this paragraph if the dismantlement, removal, surrender, or

1 abandonment for which the cost is incurred is undertaken for the purpose of replacing,
2 renovating, or improving the facility, pipeline, well pad, platform, or other structure;

3 (16) costs incurred for containment, control, cleanup, or removal in
4 connection with any unpermitted release of oil or a hazardous substance and any
5 liability for damages imposed on the producer or explorer for that unpermitted release;
6 this paragraph does not apply to the cost of developing and maintaining an oil
7 discharge prevention and contingency plan under AS 46.04.030;

8 (17) costs incurred to satisfy a work commitment under an exploration
9 license under AS 38.05.132;

10 (18) that portion of expenditures, that would otherwise be qualified
11 capital expenditures, as defined in AS 43.55.023, incurred during a calendar year that
12 are less than the product of \$0.30 multiplied by the total taxable production from each
13 lease or property, in BTU equivalent barrels, during that calendar year, except that,
14 when a portion of a calendar year is subject to this provision, the expenditures and
15 volumes shall be prorated within that calendar year;

16 (19) costs incurred for repair, replacement, or deferred maintenance of
17 a facility, a pipeline, a structure, or equipment, other than a well, that results in or is
18 undertaken in response to a failure, problem, or event that results in an unscheduled
19 interruption of, or reduction in the rate of, oil or gas production; or costs incurred for
20 repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or
21 equipment, other than a well, that is undertaken in response to, or is otherwise
22 associated with, an unpermitted release of a hazardous substance or of gas; however,
23 costs under this paragraph that would otherwise constitute lease expenditures under (a)
24 and (b) of this section may be treated as lease expenditures if the department
25 determines that the repair or replacement is solely necessitated by an act of war, by an
26 unanticipated grave natural disaster or other natural phenomenon of an exceptional,
27 inevitable, and irresistible character, the effects of which could not have been
28 prevented or avoided by the exercise of due care or foresight, or by an intentional or
29 negligent act or omission of a third party, other than a party or its agents in privity of
30 contract with, or employed by, the producer or an operator acting for the producer, but
31 only if the producer or operator, as applicable, exercised due care in operating and

maintaining the facility, pipeline, structure, or equipment, and took reasonable precautions against the act or omission of the third party and against the consequences of the act or omission; in this paragraph,

(A) "costs incurred for repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or equipment" includes costs to dismantle and remove the facility, pipeline, structure, or equipment that is being replaced;

(B) "hazardous substance" has the meaning given in AS 46.03.826;

(C) "replacement" includes renovation or improvement;

(20) costs incurred to construct, acquire, or operate a refinery or crude oil topping plant, regardless of whether the products of the refinery or topping plant are used in oil or gas exploration, development, or production operations; however, if a producer owns a refinery or crude oil topping plant that is located on or near the premises of the producer's lease or property in the state and that processes the producer's oil produced from that lease or property into a product that the producer uses in the operation of the lease or property in drilling for or producing oil or gas, the producer's lease expenditures include the amount calculated by subtracting from the fair market value of the product used the prevailing value, as determined under AS 43.55.020(f), of the oil that is processed;

(21) costs of lobbying, public relations, public relations advertising, or policy advocacy.

* **Sec. 52.** AS 43.55.900(10) is amended to read:

(10) "gas processing plant" means a facility that

(A) extracts and recovers liquid hydrocarbons from a gaseous mixture of hydrocarbons by gas processing; and

(B) is located upstream of the inlet of any pipeline transporting gas to a gas treatment plant and upstream of the inlet of any gas pipeline system transporting gas to a market;

* **Sec. 53.** AS 43.55.900(20) is amended to read:

(20) "point of production" means

(A) for oil, the automatic custody transfer meter or device through which the oil enters into the facilities of a carrier pipeline or other transportation carrier in a condition of pipeline quality; in the absence of an automatic custody transfer meter or device, "point of production" means the mechanism or device to measure the quantity of oil that has been approved by the department for that purpose, through which the oil is tendered and accepted in a condition of pipeline quality into the facilities of a carrier pipeline or other transportation carrier or into a field topping plant;

(B) for gas [, OTHER THAN GAS DESCRIBED IN (C) OF THIS PARAGRAPH,] that is

(i) not subjected to or recovered by mechanical separation or run through a gas processing plant, the **farthest upstream of the** first point where the gas is accurately metered, **the inlet of any pipeline transporting the gas to a gas treatment plant, or the inlet of any gas pipeline system transporting gas to a market;**

(ii) subjected to or recovered by mechanical separation but not run through a gas processing plant, the **farthest upstream of the** first point where the gas is accurately metered after completion of mechanical separation, **the inlet of any pipeline transporting the gas to a gas treatment plant, or the inlet of any gas pipeline system transporting gas to a market;**

(iii) run through a gas processing plant, the **farthest upstream of the** first point where the gas is accurately metered downstream of the plant, **the inlet of any pipeline transporting the gas to a gas treatment plant, or the inlet of any gas pipeline system transporting gas to a market** [;

(C) FOR GAS RUN THROUGH AN INTEGRATED GAS PROCESSING PLANT AND GAS TREATMENT FACILITY THAT DOES NOT ACCURATELY METER THE GAS AFTER THE GAS PROCESSING AND BEFORE THE GAS TREATMENT, THE FIRST POINT WHERE GAS PROCESSING IS COMPLETED OR WHERE GAS TREATMENT BEGINS,

WHICHEVER IS FURTHER UPSTREAM];

* **Sec. 54.** AS 43.55.900 is amended by adding a new paragraph to read:

(25) "gas treatment plant" means a facility that performs gas treatment, regardless of whether the facility also performs gas processing.

* **Sec. 55.** AS 43.90.900(18) is amended to read:

(18) "point of production" has the meaning given in AS 43.55.900 **as that section read on June 8, 2007;**

* **Sec. 56.** AS 43.98.030(c) is amended to read:

(c) A taxpayer acquiring a transferable tax credit certificate may use the credit or a portion of the credit to offset taxes imposed under AS 21.09.210, AS 21.66.110, AS 43.20, **AS 43.55.011** [AS 43.55], AS 43.56, AS 43.65, AS 43.75, and AS 43.77. Except as provided in (e) of this section, any portion of the credit not used may be used at a later period or transferred under (b) of this section.

* **Sec. 57.** AS 31.25.080(f) is repealed.

* **Sec. 58.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REQUESTING THE GOVERNOR TO ESTABLISH AN INTERIM ADVISORY BOARD. The legislature requests the governor to establish an interim advisory board under AS 44.19.028 to advise the governor on municipal involvement in a North Slope natural gas project. Members of the advisory board may include representatives of municipalities, the commissioner of natural resources, the commissioner of revenue, representatives of oil and gas and gas only lessees on the North Slope, and representatives of other persons expected to be directly involved in the development of a North Slope natural gas project. In this section, "North Slope natural gas project" has the meaning given in AS 38.05.965, as amended by sec. 23 of this Act.

* **Sec. 59.** The uncodified law of the State of Alaska is amended by adding a new section to read:

PLAN AND RECOMMENDATIONS TO THE LEGISLATURE ON INFRASTRUCTURE NEEDED TO DELIVER AFFORDABLE ENERGY TO AREAS IN THE STATE THAT DO NOT HAVE DIRECT ACCESS TO A NORTH SLOPE NATURAL GAS PIPELINE. (a) The Alaska Energy Authority, in consultation with the Alaska Gasline

1 Development Corporation, the Alaska Industrial Development and Export Authority, and the
 2 Department of Revenue, shall develop a plan for developing infrastructure to deliver more
 3 affordable energy to areas of the state that are not expected to have direct access to a North
 4 Slope natural gas pipeline. The plan must identify ownership options, different energy
 5 sources, including fossil fuels, hydro projects, tidal, and other alternative energy sources, and
 6 describe and recommend the means for generating, delivering, receiving, and storing energy
 7 in the most cost-efficient manner. For those citizens for whom there is no economically viable
 8 infrastructure available, the plan must recommend the means for directly underwriting the
 9 energy costs of the citizens to make their energy costs more affordable. The Alaska Energy
 10 Authority may consider the development of regional energy systems that can receive and store
 11 bulk fuel in quantity and distribute that fuel as needed within the region.

12 (b) The Alaska Energy Authority, in consultation with the Department of Revenue,
 13 shall recommend a plan for funding the design, development, and construction of the required
 14 infrastructure and may identify a source of rent, royalty, income, or tax received by the state
 15 that may be appropriated by the legislature to implement the plan.

16 (c) The Alaska Energy Authority shall provide the plan and suggested legislation for
 17 the design, development, construction, and financing of the required infrastructure to the
 18 legislature before January 1, 2017.

19 * **Sec. 60.** The uncodified law of the State of Alaska is amended by adding a new section to
 20 read:

21 DEVELOPMENT OF A PLAN FOR MUNICIPALITIES, REGIONAL
 22 CORPORATIONS, AND RESIDENTS TO PARTICIPATE IN THE OWNERSHIP OF A
 23 NORTH SLOPE NATURAL GAS PIPELINE. (a) At the time the commissioner of natural
 24 resources submits the first agreement or contract to the legislature for approval under
 25 AS 38.05.020(b)(11), enacted by sec. 14 of this Act, the commissioner of revenue shall
 26 present a plan and suggested legislation to allow a municipality, regional corporation, or
 27 resident of the state to participate as a co-owner in a North Slope natural gas pipeline. The
 28 plan must include the recommendations of the commissioner as to

29 (1) the means by which a municipality, regional corporation, or resident may
 30 invest in the North Slope natural gas pipeline; for a resident, the means may include providing
 31 an option to designate an amount of a permanent fund dividend to be deducted for the

1 investment;

2 (2) whether the ownership interest in a North Slope natural gas pipeline should
3 be acquired from the portion of a North Slope natural gas pipeline acquired by the state,
4 through the purchase of stock in a publicly traded corporation that invests in a North Slope
5 natural gas pipeline, or some other means;

6 (3) the means for providing notice to a municipality, regional corporation, or
7 resident receiving an ownership interest that explains the type of ownership interest and the
8 rights and obligations related to that ownership interest;

9 (4) whether the ownership interest received by a municipality, regional
10 corporation, or resident may be transferred or assigned to another person and the means for
11 transferring the interest;

12 (5) the means by which the proportional share of a dividend or other income
13 may be distributed to a municipality, regional corporation, resident, or transferee of an interest
14 if the municipality, regional corporation, or resident receives an ownership interest acquired
15 by the state in a North Slope natural gas pipeline and the state receives a dividend or other
16 income from its ownership interest, and whether the payment should be subject to interest if
17 not timely distributed;

18 (6) the means by which the commissioner may identify a publicly traded
19 corporation that has an ownership interest in a North Slope natural gas pipeline that is subject
20 to investment by a municipality, regional corporation, or a resident under the proposed plan;
21 and

22 (7) the means by which an individual may qualify as a resident for purposes of
23 investing in an ownership interest.

24 (b) In this section,

25 (1) "North Slope natural gas pipeline" means a natural gas pipeline project that
26 transports natural gas produced in the state north of 68 degrees North latitude to a market in
27 the state or to tidewater for export from the state including a facility in the state for liquefying
28 natural gas for transport;

29 (2) "regional corporation" means a regional corporation organized under 43
30 U.S.C. 1606(a) as amended.

31 * **Sec. 61.** The uncoded law of the State of Alaska is amended by adding a new section to

1 read:

2 TRANSITION: REGULATIONS. The Department of Revenue and the Department of
3 Natural Resources may adopt regulations to implement this Act. The regulations take effect
4 under AS 44.62 (Administrative Procedure Act), but not before the effective date of the
5 provisions of this Act being implemented.

6 * **Sec. 62.** Sections 1 - 14, 16, 17, 23 - 27, 29, 30, 37, 39, and 55 - 61 of this Act take effect
7 immediately under AS 01.10.070(c).

8 * **Sec. 63.** Section 38 of this Act takes effect January 1, 2021.

9 * **Sec. 64.** Except as provided in secs. 62 and 63 of this Act, this Act takes effect January 1,
10 2015.