

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

February 20, 2013

3:30 p.m.

**MEMBERS PRESENT**

Senator Cathy Giessel, Chair  
Senator Fred Dyson, Vice Chair  
Senator Peter Micciche  
Senator Click Bishop  
Senator Lesil McGuire  
Senator Anna Fairclough  
Senator Hollis French

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE JOINT RESOLUTION NO. 3

Urging the United States Congress to pass legislation to open the coastal plain of the Arctic National Wildlife Refuge to oil and gas exploration, development, and production; relating to oil and gas exploration, development, production, and royalties; and relating to renewable and alternative energy technologies.

- SCHEDULED BUT NOT HEARD

SENATE BILL NO. 21

"An Act relating to appropriations from taxes paid under the Alaska Net Income Tax Act; relating to the oil and gas production tax rate; relating to gas used in the state; relating to monthly installment payments of the oil and gas production tax; relating to oil and gas production tax credits for certain losses and expenditures; relating to oil and gas production tax credit certificates; relating to nontransferable tax credits based on production; relating to the oil and gas tax credit fund; relating to annual statements by producers and explorers; relating to the determination of annual oil and gas production tax values including adjustments based on a percentage of gross value at the point of production from certain leases or properties; making conforming amendments; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 21

SHORT TITLE: OIL AND GAS PRODUCTION TAX

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/16/13	(S)	READ THE FIRST TIME - REFERRALS
01/16/13	(S)	TTP, RES, FIN
01/22/13	(S)	TTP AT 3:30 PM BELTZ 105 (TSBldg)
01/22/13	(S)	Heard & Held
01/22/13	(S)	MINUTE(TTP)
01/24/13	(S)	TTP AT 3:30 PM BUTROVICH 205
01/24/13	(S)	Heard & Held
01/24/13	(S)	MINUTE(TTP)
01/29/13	(S)	TTP AT 3:30 PM BELTZ 105 (TSBldg)
01/29/13	(S)	Heard & Held
01/29/13	(S)	MINUTE(TTP)
01/31/13	(S)	TTP AT 1:00 PM BUTROVICH 205
01/31/13	(S)	Heard & Held
01/31/13	(S)	MINUTE(TTP)
02/05/13	(S)	TTP AT 3:30 PM BUTROVICH 205
02/05/13	(S)	Heard & Held
02/05/13	(S)	MINUTE(TTP)
02/07/13	(S)	TTP AT 3:30 PM BUTROVICH 205
02/07/13	(S)	Moved SB 21 Out of Committee
02/07/13	(S)	MINUTE(TTP)
02/08/13	(S)	TTP RPT 1NR 4AM
02/08/13	(S)	NR: DUNLEAVY
02/08/13	(S)	AM: MICCICHE, GARDNER, FAIRCLOUGH, MCGUIRE
02/08/13	(S)	LETTER OF INTENT WITH TTP REPORT
02/09/13	(S)	TTP AT 10:00 AM BUTROVICH 205
02/09/13	(S)	-- MEETING CANCELED --
02/11/13	(S)	RES AT 3:30 PM BUTROVICH 205
02/11/13	(S)	Heard & Held
02/11/13	(S)	MINUTE(RES)
02/13/13	(S)	RES AT 3:30 PM BUTROVICH 205
02/13/13	(S)	Heard & Held
02/13/13	(S)	MINUTE(RES)
02/15/13	(S)	RES AT 3:30 PM BUTROVICH 205
02/15/13	(S)	Heard & Held
02/15/13	(S)	MINUTE(RES)
02/18/13	(S)	RES AT 3:30 PM BUTROVICH 205
02/18/13	(S)	Heard & Held
02/18/13	(S)	MINUTE(RES)
02/20/13	(S)	RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

DAMIAN BILBAO, Head of Finance  
BP Exploration Alaska, Inc.  
Anchorage, Alaska

**POSITION STATEMENT:** Related how ACES impacts BP's business evaluations.

THOMAS WILLIAMS, Senior Tax & Royalty Counsel  
BP Exploration Alaska, Inc.  
Anchorage, Alaska

**POSITION STATEMENT:** Explained how BP uses tax structures in evaluating business opportunities.

SCOTT JEPSEN, Vice President  
External Affairs  
ConocoPhillips Alaska

**POSITION STATEMENT:** Discussed ConocoPhillips's investment criteria.

BOB HEINRICH, Vice President  
Finance and Administration  
ConocoPhillips Alaska

**POSITION STATEMENT:** Discussed how SB 21 is a good step in setting the stage for improving the investment climate in Alaska and how eliminating investment incentives affects ConocoPhillips' decisions.

DAN SECKERS, Government Relations Manager  
ExxonMobil

**POSITION STATEMENT:** Discussed how ExxonMobil makes its investment decisions.

CHARLIE POWERS, member  
Resource Development Council (RDC)  
Kodiak, Alaska

**POSITION STATEMENT:** Supported SB 21.

SKIP REIERSON, representing himself  
Seward, Alaska

**POSITION STATEMENT:** Supported SB 21.

MIKE LEONARD, representing himself  
Fairbanks, Alaska

**POSITION STATEMENT:** Considered SB 21 a good start.

DANIEL FINNEY, Teamsters Local 959-Fairbanks  
Fairbanks, Alaska

**POSITION STATEMENT:** Supported SB 21.

CARL COLBY, representing himself  
Fairbanks, Alaska

**POSITION STATEMENT:** Supported SB 21.

JIM PLAQUET  
Events and Membership Coordinator  
Alaska Support Industry Alliance  
Fairbanks, Alaska

**POSITION STATEMENT:** Supported SB 21.

ROGER BURGRAFF  
Alaska Miners Association  
Fairbanks, Alaska

**POSITION STATEMENT:** Supported SB 21 as written.

ROBERT TOTH, representing himself  
Fairbanks, Alaska

**POSITION STATEMENT:** He didn't support SB 21 as written.

CYNTHIA HENRY, representing herself  
Fairbanks, Alaska

**POSITION STATEMENT:** Supported SB 21.

LISA HERBERT, Executive Director  
Fairbanks Chamber of Commerce  
Fairbanks, Alaska

**POSITION STATEMENT:** Supported SB 21.

RICK POLLOCK, representing himself  
Anchorage, Alaska

**POSITION STATEMENT:** Supported SB 21.

RICK CANOY, business representative, Teamsters Local 959  
Fairbanks, Alaska

**POSITION STATEMENT:** Considered SB 21 a good start.

JOHN DICKENS, representing himself  
Bethel, Alaska

**POSITION STATEMENT:** Supported SB 21.

ERIC FOX, Vice President of Operations for Camp Services  
Nana Management Services  
Subsidiary of Nana Development Corporation

Nana Regional Corporation  
Anchorage, Alaska  
**POSITION STATEMENT:** Supported SB 21.

PRISCILLA SIMMONS, representing herself  
Anchorage, Alaska  
**POSITION STATEMENT:** Supported SB 21.

KENNETH CARON, representing himself  
Anchorage, Alaska  
**POSITION STATEMENT:** Supported SB 21.

RACHAEL PETRO, President and CEO  
Alaska State Chamber of Commerce  
Anchorage, Alaska  
**POSITION STATEMENT:** Supported SB 21.

GRAHAM GREEN, representing himself  
Anchorage, Alaska  
**POSITION STATEMENT:** Supported SB 21.

JIM AYERS, representing himself  
**POSITION STATEMENT:** He supported the direction SB 21 was going,  
but hoped there would be discussion with industry leadership  
about what Alaska would get in exchange for the tax break.

GARY DIXON, Vice President  
Teamsters Local 959  
Anchorage, Alaska  
**POSITION STATEMENT:** Supported SB 21.

CARL PORTMAN, representing himself  
Anchorage, Alaska  
**POSITION STATEMENT:** Supported meaningful oil production tax  
reform this session.

PAUL FRIESE, representing himself and family  
Wasilla, Alaska  
**POSITION STATEMENT:** Supported SB 21.

BRIAN HOVE, representing himself  
Anchorage, Alaska  
**POSITION STATEMENT:** Supported SB 21.

PAUL GLAVINOVICH, representing himself  
Anchorage, Alaska  
**POSITION STATEMENT:** Supported SB 21.

KATY CAPOZZI, representing herself  
Anchorage, Alaska  
**POSITION STATEMENT:** Supported SB 21.

RADA KHADJINOVA, representing herself  
Anchorage, Alaska  
**POSITION STATEMENT:** Supported SB 21.

JIM SYKES, representing himself  
Palmer, Alaska  
**POSITION STATEMENT:** Opposed SB 21 in its current form.

RON JOHNSON, representing himself and his wife  
Fairbanks, Alaska  
**POSITION STATEMENT:** Opposed SB 21.

DAVE HARBOUR, representing himself  
Anchorage, Alaska  
**POSITION STATEMENT:** Encouraged changing oil and gas tax policy.

JIM PALMER, representing himself  
Eagle River, Alaska  
**POSITION STATEMENT:** Supported SB 21.

MARY BRAHM, representing herself  
Eagle River, Alaska  
**POSITION STATEMENT:** Supported SB 21.

JOE HEGNA, Past President  
Chugach/Eagle River Chamber of Commerce  
Eagle River, Alaska  
**POSITION STATEMENT:** Supported SB 21.

JOHN SIMS, Vice President  
Chugach/Eagle River Chamber of Commerce  
Eagle River, Alaska  
**POSITION STATEMENT:** Supported SB 21.

STUART COHEN, representing himself  
Juneau, Alaska  
**POSITION STATEMENT:** Did not support SB 21.

PETE STOKES, representing himself  
Anchorage, Alaska  
**POSITION STATEMENT:** Supported SB 21.

PHILLIS SPENCER-BELZ, representing herself  
Anchorage, Alaska

**POSITION STATEMENT:** Supported giving tax breaks to all Alaskans not just the oil and gas industry.

ROCK HENGGEN, President and General Manager  
NANA Worley Parson, LLC  
Anchorage, Alaska

**POSITION STATEMENT:** Supported SB 21.

JASON BRUNE, representing himself  
Anchorage, Alaska

**POSITION STATEMENT:** Supported SB 21, but said it doesn't go far enough.

PAULA EASLEY, representing herself  
Anchorage, Alaska

**POSITION STATEMENT:** Supported SB 21.

#### **ACTION NARRATIVE**

[3:30:28 PM](#)

**CHAIR CATHY GIESSEL** called the Senate Resources Standing Committee meeting to order at 3:30 p.m. All members were present at the call to order.

CHAIR GIESSEL announced that SJR 3 would not be heard.

#### **SB 21-OIL AND GAS PRODUCTION TAX**

[3:32:16 PM](#)

CHAIR GIESSEL announced SB 21 to be up for consideration.

DAMIAN BILBAO, Head of Finance, BP Exploration Alaska, Inc., Anchorage, Alaska, introduced himself and said today they would walk through a conversation around the impact of ACES on how BP evaluates business in a bit more detailed way than they typically do. It's also important to understand the context of how ACES is affecting the analysis of their business opportunities and Mr. Williams would walk through that.

[3:34:45 PM](#)

THOMAS WILLIAMS, Senior Tax & Royalty Counsel, BP Exploration Alaska, Inc., Anchorage, Alaska, introduced himself and said there are three primary changes that SB 21 would make to ACES. It would repeal progressivity, change the system of tax credits that now exists, which threatens to harm some producers even if

it may help others, and it creates a new gross revenue exclusion for new production that they feel is innovative, but largely misdirected.

MR. WILLIAMS explained that progressivity is a sliding scale tax that runs quickly up to a 25 percent rate and then rises more slowly and is in addition to the base rate and that repealing it is a good idea for a number of reasons, but he wanted to describe two significant unintended effects that seem largely unknown and even less understood.

[3:36:33 PM](#)

He used eight slides to describe how progressivity works; the following is a copy of his written comments:

If you look at this first slide, you will see the tax calculation for a hypothetical producer with 10,000 barrels of oil who sells it on the West Coast for \$100 a barrel and receives a million dollars. It costs \$150,000 - or \$15 a barrel - to transport that oil from the field in Alaska to the West Coast, which leaves \$850,000 as the gross value at the point of production or "GVPP." The producer had \$300,000 of allowable lease expenditures, or field expense, to produce the oil, which leaves a taxable production tax value, or "PTV," of \$550,000 or \$55 a barrel. The base tax is 25 percent of the PTV, or \$137,500.

The progressivity rate equals four tenths of a percentage point times the difference between \$30 and the producer's PTV per barrel. Here the difference between \$30 and \$55 is \$25, and \$25 times four tenths of a point per dollar equals 10 percent. Ten percent of \$550,000 is \$55,000 of progressivity tax. That plus the base tax of \$137,500 equals a total tax of \$192,500. So far there is nothing here that is new to you.

So now let me begin to show you something you probably have not seen before. This scenario is not about what the producer has actually produced, but about an evaluation of what could happen from the development of a new reservoir or field if the investment is made. And let's suppose that this producer sees three different ways that she could potentially improve this investment. One is that she knows of a buyer willing to pay a premium of a dollar a barrel for the oil

delivered on the West Coast; the second is a way to save \$20,000 in transportation costs; and the third is a way to cut the costs for field operations by \$30,000. If she can do all three, what is the change in the tax?

In this slide we see the three changes. The extra dollar a barrel in the price increases the sales revenue from the oil to \$1,010,000. The transportation savings reduces that cost from \$150,000 to \$130,000. Between the increased price and the transportation savings, the GVPP of the oil back in the field is \$880,000 instead of \$850,000. And the reduction in upstream lease expenditures raises the taxable PTV by another \$30,000, for a total increase in PTV of \$60,000 from \$550,000 to \$610,000.

The 25 percent base tax is now \$152,500 instead of \$137,500. And with PTV per barrel now \$61, the progressivity rate is \$61 minus \$30, or \$31, times four tenths of a percentage point per dollar, or 12.4 percent. Twelve-point-four percent of \$610,000 is \$75,640, and the total tax is \$228,140 instead of \$192,500. This is an increase of \$35,640.

I have highlighted this change in yellow and recorded it in the upper right corner of the slide in order to keep it on screen so we can remember what it was, because in this scenario the producer next asks what the tax change is separately for each of these improvements to the investment. This next slide shows the change resulting only from the extra dollar in the West Coast price.

[3:40:16 PM](#)

SENATOR MICCICHE asked why the field expense changed from \$300 thousand to \$270 thousand.

MR. WILLIAMS answered because they are assuming that there is a way this producer sees to improve the efficiency of the field by \$30,000.

The higher price increases the sales proceeds by \$10,000 to \$1,010,000. And as you go down the "As Revised" column you see this \$10,000 flowing down into the \$860,000 GVPP and then into the taxable PTV, raising it to \$560,000. The 25 percent base tax on

\$560,000 is \$140,000. The progressivity rate is \$56 minus \$30, or \$26, times four tenths of a percentage point per dollar, which is 10.4 percent. Ten-point-four percent of \$560,000 is \$58,240 and the total tax is \$198,240, an increase of \$5,740 from the base case.

3:41:47 PM

The next slide shows the change in tax from the \$20,000 savings in transportation costs. The \$20,000 again flows straight down into the taxable PTV, increasing it from \$550,000 to \$570,000.

The progressivity rate is now \$57 dollars minus \$30, or \$27, times four tenths of a percentage point per dollar, or 10.8 percent. That plus the 25 percent base rate on \$570,000 of PTV yields a total tax of \$204,060, an increase of \$11,560 from the base case.

Finally, this next slide shows the effect of saving \$30,000 in field expense. The PTV increases by \$30,000 to \$580,000 and the progressivity rate is 11.2 percent. The base tax and progressivity add up to \$209,960, an increase of \$17,460 from the base case.

3:42:33 PM

And here at last, this slide shows what it is that you probably have not seen before. The sum for the three changes separately is \$34,760. This is less than the \$35,640 change in tax when all three are factored in at once. In other words, with progressivity, the whole is greater than the sum of its parts. And that's not all. The amount of tax that is calculated for each individual part changes depending on what order you look at them. Here's a slide that looks at the \$20,000 savings in transportation cost and the \$30,000 reduction in field expense together.

The two cost reductions together increase PTV by \$50,000, to \$600,000. The base tax on that is \$150,000; the progressivity for \$60 of PTV per barrel is \$60 minus \$30, or \$30, times four tenths of a percentage point per dollar, or 12 percent, times \$600,000, which is \$72,000. The total tax change from the two is \$29,500. From the previous cases where we considered each cost reduction separately, the tax increase with transportation only was \$11,560 and for field expense only was \$17,460.

If we look at transportation first, it is equivalent to looking at it standing alone, and we have already calculated what that is - \$11,560. So \$11,560 of the combined \$29,500 tax increase is from the change in transportation cost, and the rest - \$17,940 - is for the change in field expense. But this means the field expense is almost \$500 greater than what it is when it's standing alone.

3:44:35 PM

And if you reverse the order, then the field-expense tax increase is the same as when it stands alone, but now the tax increase for the transportation savings is different, \$12,040, instead of the \$11,560 when it stands alone or is taken first. Either one cost stays the same as what it was when it is factored separately and the other one changes or it's the other way around. Either one is an equally valid approach.

MR. WILLIAMS commented that reversing the order that these deductions are taken changes the field expenses figure.

[Continuation of written testimony] What we have done here on this sixth slide is to look at the pair of cost savings for downstream transportation and upstream lease expenditures, and we've looked at that pair first ahead of the change in market price. But if we go back to the previous slide, we see that if we take transportation first and subtract its \$5,740 from the total \$35,640 tax effect for all three, then that leaves a different number - \$29,900 for this pair of changes instead of the \$29,500 on slide six when that pair was calculated back first.

3:46:43 PM

SENATOR FRENCH asked if a clearer regulation stipulating which order the calculations are made would help.

MR. WILLIAMS replied that a regulation wouldn't help, because they are not talking about what is being put on the return, but rather how a producer would model its potential investments. You often look at particular components; in this case he chose a market price change, a transportation cost change and an upstream field cost change. These numbers would be adjusted to see what the sensitivity is. The point is when you try do that, by the very nature of the mathematical properties this tax

prevents you from coming up with a single valid number that is the tax effect for any one of the changes; it depends on the sequence when you look at it.

3:48:07 PM

[Mr. Williams continued to read prepared comments.] There is nothing special about this particular pair of changes that creates this difference. There would be a similar difference if we pair price with transportation or price with lease expenditures. With either one, we'd get one set of tax effects for this pair if we calculate them first, and a different set of tax effects if we calculate the effect of the unpaired change first. And, as here, within each pair, there is a different cost for each change in that pairing depending on whether its effect is calculated first or the other's effect is calculated first.

3:48:20 PM

These examples involve a triplet of categories of change that could be made to improve the economics of the project: an increase in price, a reduction in transportation costs to market, and greater efficiency in field operations. But I have simplified these examples by using lease expenditures generically as a single cost category. In the real world a would-be investor would look at capital expenditures separately from operating costs because the timing for when the two kinds of cost are incurred is different and - especially important in the context of analyzing tax effects - the capex generates a 20 percent Qualified Capital Expenditure tax credit in addition to changing the PTV and the progressivity rate. So there are really four categories of change to look at: changes in sales price, changes in transportation costs, changes in operating expense, and changes in capital expenditures. And that is what a real producer would be looking at.

But, for each one of these four categories, its respective tax effect can be calculated separately from the other three, either ahead of them or after them. And each such triplet of changes has the same analysis and the same variations in tax effect for individual changes that we have seen in the entire analysis that we have just gone through in this and the four earlier slides - namely, the tax effect for

the entire triplet being greater than the sum of the effects for the individual categories in it; the different amount for the unpaired category in each triplet relative to the pair of other categories, depending on whether the effect of the pair is calculated first or second; and within each such pair, the different amount depending on which category in that pair is calculated first. Each of these numerous variations and combinations will divide the \$35,640 total tax effect up into a different set of amounts calculated for the four categories. Yet even with all those sets of calculated amounts for the categories, none of those sets will add up to the tax effect for all the changes taken together as a whole.

[3:50:31 PM](#)

SENATOR FAIRCLOUGH asked if BP had resolved its outstanding tax issues with the department, because the scenarios Mr. Williams was putting forward seemed to be valid and could be argued from either way. And she asked as the state audits their financial disclosures, if there were problems resolving audits because of these particular calculations.

MR. WILLIAMS replied that confidentiality on tax matters in Alaska was not entirely clear and therefore, he would "respectfully decline to answer that." They being audited on all the taxes they pay for every tax period.

SENATOR FAIRCLOUGH said she wanted to hold the question for the Department of Revenue (DOR). She was wondering about the possibility of debating whether the calculation was favorable to two different people, the state being one perspective and the industry being another.

[3:52:27 PM](#)

MR. WILLIAMS said that wouldn't be a fruitful exercise, because mathematically there is no correct answer. That is the point. In this case they are not talking about an assessment; they are talking about looking at an investment and how to tweak the parameters and look at the sensitivity to see the pluses or downsides with different risks, but those effects can't be quantified. Regulations can't account for all the possible scenarios you can envision to change all the possible scenarios.

[3:53:28 PM](#)

SENATOR MICCICHE said he thought Senator Fairclough was saying that the complication of the tax code delivers its own problems and part of it is that the answer is not consistent.

MR. WILLIAMS elaborated his point was that you get a correct amount when you look at all of them together; it's only when you try to figure out how much is from the different changes that you're testing that you cannot get a correct answer for each individual cause.

SENATOR MICCICHE commented that inherent in ACES is that the state is paying BP for having less than efficient operations and penalizing them for becoming more efficient.

MR. BILBAO remarked that BP always strives to make their operations more efficient, regardless - as does every business, but there is a tax consequence of doing that and that is part of what Mr. Williams was trying to outline. Efficiency in Alaska would have a different level of impact than the same type of efficiency identified in another jurisdiction.

[3:56:06 PM](#)

MR. WILLIAMS continued reading from his prepared comments:

These bizarre effects are not mere abstract curiosities. If you are an investor and you have a variety of ways to try to improve the performance of an investment, these effects from progressivity mean there is no single correct answer about how much each one changes the tax and improves the investment. The more ways you have to improve the investment, the more the change in tax for each one depends on where you put it in the sequence of calculating the changes for all of the opportunities. This is because each opportunity in that sequence not only increases the PTV, but it also increases the progressivity rate applicable to the base case PTV plus all the PTV that has been added by the prior opportunities in the sequence. So, you layer on and take a higher percentage of the pile with that last layer added; that is why you can't identify a single amount and why it depends on the order.

Interestingly, the Department of Revenue has exactly the same problem when it audits a taxpayer and makes multiple changes to figures reported on the tax return and increases the amount of tax. The auditor can

quantify the whole tax increase from all the changes, but he or she cannot make a definitively correct determination of the amount of any one of those changes. A taxpayer might have an interesting time in an appeal having an auditor admit, issue by issue, that there is no correct amount for each one.

3:58:17 PM

There is a second important consequence of progressivity that was generally unintended or is greater than intended. I call it a tax on price volatility, because it increases the tax when prices change during a tax year even though the total PTV is exactly the same as if the prices had stayed constant at the average price for the year.

3:59:10 PM

On this slide we see such a "flat price" scenario. To fit conveniently within the space available in a slide, the table omits columns for West Coast prices, transportation costs and field expenses, and starts instead with the PTV that is calculated from them. Here the PTV is \$61.25 per barrel, and with 2 million barrels of production a month, the amount of the taxable PTV is \$122.5 million a month.

Progressivity starts when the PTV per barrel exceeds \$30, and it reaches 25 percent at a PTV per barrel of \$92.50. I have chosen \$61.25 as the PTV per barrel in this base case because it is half way between \$30 and \$92.50. The progressivity rate at this price is \$61.25 minus \$30, or \$31.25, times four tenths of a percentage point per dollar, or 12.5 percent. This also is half way between the zero rate at \$30 and the 25 percent rate at \$92.50. As you can see, each month the PTV is \$122.5 million, the progressivity rate is always 12.5 percent, and the progressivity tax is exactly the same for each month as \$15.31 million. Total progressivity for the year is \$183.75 million.

4:00:29 PM

In this next slide the left half is exactly the same as the previous one with the flat-price scenario. The right half of the table shows what happens when there are six months in the year when the PTV per barrel is \$30 and six when it is \$92.50. In this case the first three months and the last three have the \$30 PTV per

barrel, and the middle six from April through September have the \$92.50. This price profile resembles what actually happened with West Coast prices for North Slope oil during 2008, when they peaked at the all-time record of \$144.59 a barrel on July 3rd.

For the six months when the PTV per barrel is \$30, the progressivity tax rate is zero because \$30 of PTV per barrel minus the \$30 threshold for progressivity is zero. So, as you can see, there is no progressivity tax for the first three months of the year and the last three. In the middle six, the PTV per barrel is \$92.50. That is \$62.50 higher than the \$30 threshold, so the progressivity rate is four tenths of a percentage point times 62.50, or 25 percent. At \$92.50 a barrel, the progressivity tax on two million barrels a month is \$46.25 million, so the total progressivity tax for the six non-zero months is \$277.5 million. The progressivity tax under the changing-price scenario is 51 percent higher than the \$183.75 million of progressivity for the flat-rate scenario.

4:02:19 PM

This tax increase is entirely the result of the fact that prices changed during the year instead of being flat. You can see this for yourselves. The total PTV for the year in the right-hand column is \$1,470 millions of dollars, or \$1.47 billion – exactly the same as in the flat-price scenario on the left. Total production for the year is exactly the same – 24 million barrels. Dividing \$1.47 billion of PTV by 24 million barrels equals \$61.25 per barrel, exactly the same, but progressivity on one side is 51 percent higher.

4:03:58 PM

And if you look at the monthly calculations in the changing-price scenario, you can see that the monthly progressivity tax will be exactly the same for each of the \$30 months no matter what order you put those months in. The same is true for the \$92.50 months. So this phenomenon is different from what I showed you earlier about the whole being greater than the sum of its parts, because here there are no changes in the actual progressivity calculation for a \$30 month or a \$92.50 one.

The bottom line here is this. The year under the changing-price scenario is just as profitable as the flat-price one, and for the same amount of production. The tax base to which progressivity applies is exactly the same for the year. Yet the tax is 51 percent higher when prices change during the year. Now, I have chosen these PTV-per-barrel figures so they would show the greatest amount of tax increase resulting from prices that are not flat all year long. I did this because, if I showed you an example with a smaller effect, someone would surely ask me what the maximum effect could be. My example gives you that answer at the same time it explains the phenomenon.

4:04:39 PM

Those of you who were here in the Legislature in 2009 may recall the surprise of the Department of Revenue when the actual ACES tax collected during its first full year of operation - the 2008 calendar year - came in about half a billion dollars higher than the Department had forecasted. This tells you why: 2008 was a very volatile year for prices. While that volatility did not generate the maximum 51 percent increase that my example illustrates, it did produce a very substantial increase in progressivity tax - on the order of half a billion dollars - from the mere fact that prices fluctuated during 2008, instead of being flat at the volume-weighted average price for the year.

So, to summarize: Progressivity has two major unintended consequences. First, when you are analyzing combinations of steps to take to improve an investment opportunity, the whole is greater than the sum of its parts. Second, if you, as a potential inventor, do not take into account the effect from price volatility during each year in an investment's life, the progressivity could turn out to be 50 percent higher than what you have estimated. Both of these effects promise to increase the risks and reduce the competitiveness of an Alaskan investment relative to a comparable one elsewhere.

These negatives of progressivity complement what AOGA told you during its testimony last Monday. Without repeating that testimony here, I will only list AOGA's

main points. One, progressivity sacrifices the one advantage Alaska has from its economic remoteness - namely, the greater improvement in financial performance for investments here if prices turn out better than projected. This sacrifice occurs because progressivity taxes away more and more of that improvement the better it turns out to be. And two, progressivity makes the tax extraordinarily complex and inconsistent to compute, and to analyze. For these reasons BP fully endorses the proposed repeal of progressivity that Senate Bill 21 proposes.

4:06:44 PM

[Mr. Williams continued] Let me now turn to the second main feature in this bill - the changes it proposes to the present system of tax credits, and in particular to the sunset of the credit for "qualified capital expenditures" or "QCE" at the end of this calendar year. The first, and probably most important observation I can offer about tax credits in general is they would not be so significant for the economics of oil and gas production here if the production tax were not so high.

Second, the QCE tax credit depends solely on how much a company invests for oil and gas exploration, development and production in Alaska. Period. If you want to address the North Slope decline curve, there have to be investments here leading to more production - not just by finding and developing new fields and new reservoirs, but also by getting more recovery out of fields already in production. The QCE tax credit is a direct incentive for making these investments. And it costs the State nothing unless there are investments: if investment is zero, then 20 percent of zero is zero. The QCE tax credit arises only when it succeeds, and costs nothing if it doesn't.

The QCE tax credit is not affected by oil prices, the costs of transporting oil and gas to market, nor the operating costs of the field. Consequently, its value to a business like BP's is the same for a given amount of QCE expenditure, regardless of the price and the transportation and field operating cost scenarios that the business estimates in its investment decisions. And it is the same regardless of how prices and those other costs actually turn out. Progressivity, on the

other hand, is dependent on prices and costs in a twofold way: one in determining the amount of PTV that is subject to tax, and again in calculating the tax rate that progressivity will apply to that PTV.

4:08:26 PM

[Mr. Williams continued] Thus, the point where the cost of losing the QCE credit begins to outweigh the benefit from repealing progressivity depends both on the price of oil and, for each individual producer, on that producer's own unique portion of the lease expenditures for the North Slope. For BP's own business and expenditures, this crossover comes at a higher price level - in the mid to upper 90s - than that which Econ One and others are presenting for North Slope producers as a whole.

So, the improvement to our investment economics from the repeal of progressivity stands to be substantially undone by the sunset of the QCE tax credit. Since I am a tax man who is here to testify about this tax, I would ask, please, for your patience for just a few minutes if you have questions regarding this point, so I can quickly finish up and Mr. Bilbao can testify.

The third major feature in SB 21 is its proposed "gross revenue exclusion" or "GRE," which is something new. It would exclude from the taxable PTV (production tax value) a percentage of the gross value at the point of production for additional or new volumes of oil or gas being produced. This concept could have significant potential, and indeed it may prove very valuable for explorers and others who can bring new fields and reservoirs into production.

Unfortunately, the proposed GRE aims away from the significant opportunities for new production that BP has identified for its business. SB 21 would allow a GRE only for production "from a lease or property that does not contain land that was within a unit on January 1, 2003[,]" or if it does have land that was in such a unit before 2003, "the oil or gas is produced from a participating area established after ... 2011 [that] does not contain a reservoir that had previously been in a participating area established before ... 2012." This means that new units and new

participating areas are eligible and old units and old participating areas are not.

[4:10:41 PM](#)

SENATOR DYSON asked if "new participating area" is a different stratum that was not produced before, so it ends up being a new field within the unit, because this GRE gives an incentive to those new areas and the state wants new production. But, he inferred from what Mr. Williams said, it doesn't incentivize going back and producing more from the existing wells in the existing strata.

MR. WILLIAMS responded that he was correct.

SENATOR DYSON said industry should be doing work-overs on their own wells without getting more incentives.

[4:12:31 PM](#)

MR. WILLIAMS remarked that he would address a number of those points in the next two paragraphs.

CHAIR GIESSEL asked if it would be helpful to BP if SB 21 was altered to allow an extension of an existing PA.

MR. BILBAO replied that BP will look at the bill in its entirety and consider it in the context of its business opportunities. As in ACES, if you try to pick one piece to evaluate, the other pieces don't hold together: if you take away the credits, you would recognize very quickly that the very high tax rate creates a concern. Mr. Williams just articulated that because their reservoir is already covered by PAs, it is not applicable.

CHAIR GIESSEL asked if they had modeled SB 21 as proposed.

MR. BILBAO said yes.

CHAIR GIESSEL asked if they find it better than ACES.

MR. BILBAO replied yes; eliminating progressivity is a great step forward for many reasons. SB 21 makes a good first step at making Alaska more attractive, but at certain oil prices, it would not make Alaska more competitive.

[4:15:48 PM](#)

SENATOR MCGUIRE asked if using the structure of SB 21 - eliminating progressivity - but now including GREs, which many like because it delivers some results that Alaskans have asked

for, as opposed to the credits which some are concerned are being misapplied - protects the state from exposure (estimated to be as high as \$1 billion). If the GRE was be increased or if the definition of these PAs was expanded, is there room for the bill to have some merit for BP?

MR. BILBAO answered that the impact has to affect their investment decisions at a range of prices not just one, because that is the way they look at their business. They will consider various evolutions of the bill and speak to it in its entirety. They believe fundamentally that the governor's principles are met most effectively when the policy is in place for all different good projects for all the different producers to move forward.

CHAIR GIESSEL said that was a wonderful closing statement and thanked him for presenting today. She welcomed Scott Jepsen and Bob Heinrich from ConocoPhillips Alaska to the table.

[4:18:33 PM](#)

SCOTT JEPSEN, Vice President, External Affairs, ConocoPhillips Alaska, said this is the same presentation they gave to the TAPS Throughput Committee and it summarizes some of the salient elements with regard to Alaska, ACES and SB 21.

SENATOR FAIRCLOUGH said she appreciated BP's detailed explanation on evaluating opportunities under different pricing scenarios and different reductions.

MR. JEPSEN said the first topic he would cover was Alaska's production challenge. Turning to slide 3 he explained that it showed production going up significantly in the Lower 48, which has been driven predominantly by production coming out of Texas and North Dakota (also shown). However, it also showed the North Slope's constant decline for the last decade. The natural question would be: what is driving those production increases in the Lower 48 and does it apply to potentially turning around the production decline in Alaska?

Clearly, he said there is resource availability: everyone is familiar with what is happening with the shale plays; there is also additional investment in some of the conventional plays, and technology is playing a role. Some of the shale production would not have been possible without the evolution in fracking technology and some of that technology is being applied to conventional sand stones, as well. So, huge reinvestments are being seen in older basins.

MR. JEPSEN said another thing that has happened is that the price has gone up significantly - a fourfold increase since 2002. And lastly they have a good tax environment. An investor in the Lower 48 will enjoy the upside as prices go up.

[4:22:24 PM](#)

Alaska compared to the Lower 48 has the resource and technology has contributed significantly to developing it on the North Slope, and it will continue to play a significant role. However, the costs are high: Alaska is remote; it has a hostile environment in the wintertime and is a very difficult place to operate in the summertime, because essentially you are operating in a wetland. And last, Alaska has a high tax that takes away the upside; the progressivity in ACES is very punitive and as prices go up and costs decrease industry doesn't see much return on overall revenue. ACES really takes away the incentive to invest much more than what they are currently investing.

MR. JEPSEN said slide 4 summarized how ConocoPhillips thinks about making investments in basins as a whole. Its investment criteria are as follows:

-Exploration prospectivity: don't see it here compared to other places in the world. Alaska doesn't rank where it used to.

-Costs: Alaska is high cost: far from market, high transportation costs; winter is a hostile environment; logistics are expensive and difficult; summer is wet and special techniques are necessary. Drilling and production is much easier in Texas and Oklahoma where you simply open a gate, push the bulldozer through, plow a road, clear out some dirt and drill a well.

-Cycle time: If you find a place where you want to drill a well, for instance an extension in Kuparuk called "2S" IT will require a new gravel pad, pipelines and extending a road out there; it will take a minimum of three years before it comes on stream. An extreme example like CD5 took seven years to permit and 3-4 more years to get it on stream. That takes deep pockets and a lot of staying power to invest in Alaska.

-Taxes: Alaska's tax environment doesn't incentivize more investment above what is happening today.

-Legacy oil fields are a big positive: If you want to make a big change in Alaska's production decline that is the place where a focus needs to be.

[4:27:27 PM](#)

ConocoPhillips is drilling new wells on the North Slope but maybe not at the pace lawmakers would like to see.

SENATOR DYSON asked if he is limited by availability of rigs.

MR. JEPSEN said with a better tax environment they could get the rigs up here.

SENATOR DYSON said his experience is that Lower 48 rigs need a lot of refitting before coming up here.

MR. JEPSEN said that was correct; they need modifications for Alaska's environment.

SENATOR DYSON said he would like to know what can be done to bring more rigs up.

MR. JEPSEN answered that eliminating progressivity in SB 21 would be a good step.

SENATOR DYSON said it was represented to them today that credits taken to date are somewhere around \$3 billion from the Legacy fields on North Slope and asked if that was far off.

MR. JEPSEN said that didn't jibe with his recollection of what ConocoPhillips had experienced. He deferred to Mr. Heinrich.

4:30:45 PM

BOB HEINRICH, Vice President, Finance and Administration, ConocoPhillips Alaska, remarked that a number as large as \$3 billion sounded more like the total tax credits from the ACES structure, which would be for all the participants; less than half of that had been taken by participants on the North Slope.

SENATOR DYSON said he understood the total was about \$6 billion, \$3 billion within the unit and \$3 billion outside, but he wanted to know for sure.

4:31:17 PM

SENATOR MCGUIRE said she was shocked at the lack of rig count in Alaska compared to its neighbors in Texas and Alberta and asked what credit would create a stampede like SB 309 did for Cook Inlet. What types of things would be effective in bringing up more rigs?

MR. JEPSEN said for starters tax credits should apply towards drilling and work over well expenditures and infrastructure. Make sure the incentives apply to legacy fields.

SENATOR MCGUIRE said the gross revenue exclusion is probably what will be passed and she didn't want to pass another bill that doesn't deliver the kind of results they want, which is to have more production in TAPS, which will come from the Legacy fields in Prudhoe Bay for the next 3-5 years.

MR. JEPSEN appreciated her comments and said he wanted to give it more thought rather than a quick off-the-cuff response.

[4:36:25 PM](#)

SENATOR DYSON said they struggle to get good information. One of the participants in the unit said last year that credits are fine, but they make their plans for 10 or 20 years out based on the tax rate; the rest is just frosting. But now that same person was saying you've got to go back to the credits that we had before. "So, you can see why we struggle."

MR. JEPSEN said eliminating progressivity was very significant; they have stated before and again that the tax credits don't offset progressivity. Under ACES the tax credits did not improve the investment climate overall, although they were useful for some parties, in particular.

[4:38:30 PM](#)

SB 21 takes care of the most deleterious parts of ACES by elimination progressivity, but that alone doesn't entirely separate it from making investments in other locals, and it doesn't address the fact that Alaska is still a very high cost place to do business.

MR. HEINRICH added that from ConocoPhillips' experience, the tax credits represent a very small reduction of their overall tax liability, which has been in the high rates lately.

SENATOR FRENCH went back to slide 5 and asked what a realistically achievable decline curve is for the legacy fields.

MR. JEPSEN said he could give a better answer if he knew what the tax would be.

SENATOR FRENCH said back in 2006 they got a slide from BP saying basically that you can have three different decline curves: one that is horrible if you don't invest much, one that is better if you invest a medium amount and one that is stronger with more investment, and asked what would it take to flatten the decline curve or make it slightly sloping downward.

MR. HEINRICH said he would have to get back to him on that, but slide 10 is the result of their modeling work on SB 21 (green line) compared to ACES (red line) on a producer share basis (percentage of the available cash after costs and taxes). It's pretty much the inverse of what they might hear from the consultants about the state's share. Care is needed in looking at these types of calculations to understand how the data is presented. The actual calculation will depend on your cost assumptions, your capital assumption which will vary from field to field, and from producer to producer.

ConocoPhillips used 2012 Senate Resources data to model all the producers' tax liability in aggregate. The graph represents FY2014 only as though SB 21 was in effect for the full fiscal year. It's not a five year average nor is it a full field life average. They chose the first year, because it is easier to explain, but also because from their perspective the first year of any forecast is much more reliable in terms of what they can expect to see. It shows a cross over (where producer starts retaining more cash) between ACES and SB 21 at around \$93. This means as you head prices higher than \$93 there is a tax reduction from the share of cash retained by the producer under SB 21. But it also means that below \$93, SB 21 by itself represents a tax increase for producers. So they are evaluating the "tradeoff."

[4:43:58 PM](#)

SENATOR MICCICHE asked if they used the GRE in their analysis.

MR. JEPSEN answered that none of their production would qualify for a GRE in 2014.

SENATOR MICCICHE asked if he thought that was the primary reason for the difference in Econ One and ConocoPhillips analysis on the crossover.

MR. HEINRICH replied that it's more around cost assumptions and presentation; one is done on a 5-year average v. a single fiscal year; and also the costs assumed for the assumptions could be different. ConocoPhillips used data from DOR, because they have access to it.

MR. JEPSEN said that raised a good point, that this analysis is very sensitive to an individual producers' cost structure and it's hard to generalize it to all producers across the North Slope.

[4:45:21 PM](#)

MR. HEINRICH said slide 11 was a recap and that the tax credits structure helps with the overall effective tax rate, but it's not enough to offset the negative effects of the progressivity surcharge. SB 21 is a good step in setting the stage for improving the investment climate; eliminating progressivity solves the problem of the high marginal taxes and makes Alaska more competitive at higher prices (where we are at today and above), but it disadvantages Alaska at the lower prices (below \$93). Elimination of the investment incentives doesn't result in a differential tax structure. You can overlay the same tax structures you see in Texas and North Dakota here, but with the Alaska's high cost environment, it is still at a disadvantage.

The GRE is not broad enough; if it applied to more things in the legacy fields, it would help bring more production from there and they really need to be part of the equation short term.

[4:47:23 PM](#)

CHAIR GIESSEL asked if they were able to identify areas in the same well bore in the legacy fields that they had passed through to get to a more hefty pay level that would become economic with a GRE applying to "new oil."

MR. JEPSEN replied that they had identified the resource base in fields like the Kuparuk and Prudhoe Bay unit pretty well, but didn't know if the presented incentives would be sufficient to spur investment in things like the more difficult parts of West Sak. But if ConocoPhillips significantly expands its investment in West Sak, it won't be as significant as making that same investment in the legacy fields. They try not to pick winners and losers; rather make them general. They want to find the most prolific highest productivity profitable fields to invest in, and they will do that; but it doesn't mean they will not invest in fields like West Sak where they have 15,000 barrels a day now. It is not a high rate producing operation.

[4:49:26 PM](#)

SENATOR DYSON observed that Mr. Jepsen missed the intent of the chair's question; Senator Giessel was talking about within the unit and the other producing zones that have not been developed. DNR is saying you can have a participating unit within the existing field that taps another stratigraphic trap there. The understanding is that the state will give a company a GRE for the new strata and the question is why that is not enough.

MR. JEPSEN explained that most of the identified satellite fields inside the Kuparuk River Unit have been identified and many are on production; Tarn, Meltwater, West Sak, and Kuparuk all have their own PAs. Opportunities inside the Kuparuk field to create a new PA are slim, although BP would know better about Prudhoe Bay.

He didn't think the future lies in trying to incentivize the small potentially newer PAs inside of existing fields. It's back to trying to incentivize additional investment beyond what they are doing today in the legacy fields.

SENATOR DYSON asked if they are already in the unit, why do they need more to produce from their existing wells in the legacy fields where billions [of barrels] are still left.

MR. JEPSEN replied that it's not just a function of whether or not they are doing it today; it's a function of getting two or three more rigs up there. There is competition for capital around the world. If a company can get twice the return and be exposed to higher profit margins in a different locale, what would you do? So they are talking about whether Alaska can attract that discretionary investment.

SENATOR DYSON said but the infrastructure is there; the wells are on the pad. He thought they were talking about producing more from the existing unit at Prudhoe Bay. Can you invest in a green field somewhere else and get more return than harvesting the 3-5 billion they are told is available?

[4:52:40 PM](#)

MR. JEPSEN responded that Eagleford, for example, could serve as an illustration of a Lower 48 green field. Pads are not needed there; they don't need roads and if they need one they can just bulldoze it in. They don't have to drill from centralized well pads. The cycle time to drill that is probably the same as or less than it is to drill a well in Prudhoe Bay.

SENATOR DYSON asked if his answer was yes.

MR. JEPSEN replied yes.

SENATOR FRENCH said he wanted to talk about gas handling in the legacy fields. To what degree the legacy fields are gas constrained and what would it take to overcome that?

MR. JEPSEN replied that in optimizing production in a field they look at the "incremental gas/oil (GOR) ratio." A low GOR gets shut in or throttled back. When the drill new wells they are not unable to produce that oil, but most of those wells have much lower GORs and the amount of oil that is shut in is very small. But trying to build facilities or facility expansions to handle that volume of gas for that very small volume of oil is just not economic. They look at this constantly. Many facilities expansions have happened at Kuparuk, Prudhoe Bay and Alpine.

SENATOR MICCICHE said he was frustrated last year when the state spent a lot of money on a man named Gerking who said there is a relationship between tax policy and investment, which he thought was counter to what all they know about tax policy. Is there a list of projects they have in mind that at a certain level of profit the tax revisions would allow to be developed? Alaskans want to know that a reduction in tax policy will increase rig count or development resulting in more oil.

MR. JEPSEN said that was a good question and asked to get back to him on that.

[4:56:26 PM](#)

CHAIR GIESSEL thanked them for speaking today and invited ExxonMobil to come forward.

[4:56:37 PM](#)

DAN SECKERS, Government Relations Manager, ExxonMobil Alaska, said he was ExxonMobil's tax counsel based in Alaska, had no power point and would cut to the chase by taking questions immediately. He said previous testimony from BP underscored ExxonMobil's concerns with progressivity. Alaska's fiscal regime is uncompetitive and needs to be addressed, and he welcomed the opportunity to be here.

He said that SB 21 makes significant progress in drawing investment back to Alaska. Eliminating progressivity, alone, will dramatically improve Alaska's investment climate. However, the gross revenue exclusions (GRE) should be expanded to all fields including the legacy fields, because a majority of the work in the near term will be in areas that will not generally yield a new PA. He said you want to incent all production, because a small recovery of additional reserves in Prudhoe Bay will dwarf any other discovery that is on the horizon in Alaska. This is critical.

SENATOR DYSON asked if he had to trade GREs in the legacy fields for the investment credits which he would choose.

MR. SECKERS answered that tax calculations are just math to get to a bottom line calculation and that a GRE can function in many respects as a tax credit. The tax credits are more incentivizing on a present value basis, because the result is immediate versus a delay in getting the production to apply them to. But both are critical and both can work; the key is to come up with a balance.

SENATOR DYSON asked which of the two mechanisms would be more likely to get at production sooner, which is more in the state's interest than ExxonMobil's.

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MR. SECKERS replied that tax credits would provide a present value impact of a greater amount than a GRE. He said, however, the elimination of credits is concerning, because they are very important in helping with present values. The base rate is also still too high. Why? Benchmarking government take against other regimes like North Dakota and Texas is useful, but it's not the whole picture. Alaska is burdened by a lot of issues that other states don't have like high costs and Arctic conditions. But, as policy makers, legislators should ask what they can do to bring all investors to Alaska and if the current path they are on is the right course for a long term solution or is change needed. He would pick the later.

SENATOR FRENCH asked what a realistically achievable decline curve would be for the legacy fields.

MR. SECKERS answered that ExxonMobil isn't an operator at Prudhoe Bay; BP speaks for Prudhoe Bay and ConocoPhillips speaks for Kuparuk. ExxonMobil is the operator at Pt. Thomson and they are doing everything they can do there.

SENATOR MCGUIRE said that growing up in Alaska she had a sense of partnership with industry and with TAPS; perhaps it's because they sort of built the state together by making Alaska the major domestic supplier of crude oil to the country; roads were paved and great schools were built, and she felt a sense of accomplishment. But in the last decade, she had seen animosity and division between the state and industry and she hoped that in their partnering now they could continue to mature going into the next chapter of their development. She hoped all were aligned on increasing production and all can agree that ACES

didn't increase production. Those who supported it thought the qualified investment credit would increase it, but it just increased investment not production.

SENATOR MCGUIRE said with the next tax system they want to incentivize production. They don't want to deplete Prudhoe Bay by creating a stampede, but to get back to some level of sustainability so the state can manage its budget. What can they do?

[5:09:06 PM](#)

MR. SECKERS said ExxonMobil shares the same concerns and he also thought a change in policy would increase production. He said a good policy shouldn't pick winners or losers and promised to talk within AOGA and get a unified voice and get back to them with ideas.

CHAIR GIESSEL said she appreciated Senator McGuire's question, because they are wrestling with the fact that they have been offering these very magnanimous credits - no one had addressed the GRE yet - and yet the production curve continues to go down. They are trying to align with industry and that is why this was crafted. She asked how it doesn't align, because she was having trouble believing that ExxonMobil doesn't have the financial fortitude to be able to forward fund a development without credits from the State of Alaska.

MR. SECKERS said he didn't address the tax loss carry forward, because he hoped ExxonMobil would never be there, but it is an interesting proposal. He shared AOGA's comments that the restrictions on transferability diminish some of that.

Why isn't eliminating progressivity enough? From a pure tax perspective, he said Exxon looks at the bottom line: you can give us all the deductions in the world, but if our taxes triple, it hasn't really helped that much. Yes, ACES did provide these credits, but their taxes also were raised quite substantially - and that had quite a bit to do with it. Their hope is to work with the legislature as policy makers to craft a policy that would lead to this new production through investment.

[5:14:12 PM](#)

SENATOR FRENCH asked if it takes all three partners to agree to a major investment at Prudhoe Bay.

MR. SECKERS replied that as tax counsel, it was hard for him to say for certain, but it takes a certain level of vote and it generally requires all three companies to do that. When projects pencil out, they generally go forward, and ExxonMobil has been supportive of all of them.

SENATOR FRENCH said as an example, last year as HB 110 was working its way through the system, representations were made about investments BP and ConocoPhillips would make if it passed; ExxonMobil did not join in those representations.

MR. SECKERS said their response now, as then, is that Alaska is "a very important part of our portfolio." Their goal is to make every investment they can that pencils out and believe that improving Alaska's fiscal climate would increase investments from all companies.

CHAIR GIESSEL asked what an equitable tax structure is in his mind.

MR. SECKERS said he didn't have an answer; the company has not looked at it from that point of view. In general they think the legislative consultants were doing a great job and have given them some indication of where Alaska ranks among competitors. As policy makers, the legislature needs to design a policy with that information. ExxonMobil will invest everything it can under the policy they create.

CHAIR GIESSEL thanked him for joining the committee.

[5:18:09 PM](#)

At ease from 5:18 to 5:22 p.m.

[5:22:24 PM](#)

CHAIR GIESSEL opened public comment.

CHARLIE POWERS, Resource Development Council (RDC) member, Kodiak, Alaska, supported SB 21 saying that incentives attract investment like that used for Cook Inlet gas development, the Alaska film industry, the Home Energy Rebate Program, and North Dakota's exploration. He had noticed that disincentives like the Alaska cruise ship tax and ACES discourage investment, and that many of his neighbors seem to harbor a mentality of "sticking it to the oil companies" that likely comes from the Exxon Valdez and high fuel prices. People in Kodiak seemed to think that the oil industry didn't affect Kodiak's economy directly, but this year he hears more folks joining other business leaders in

asking what is going to happen to fishing communities when throughput continues to drop. People are realizing that in the absence of one industry's ability to foot the bill the industry they are in will have to pick up the slack.

[5:25:33 PM](#)

SKIP REIERSON, representing himself, Seward, Alaska, said as a 38-year resident of Alaska he supported SB 21 to help reverse the decline of North Slope oil production and the potential adverse impacts it has. He wonders how about fishing, timber and mining would cope with the same tax structure that is in place for oil.

[5:27:22 PM](#)

MIKE LEONARD, representing himself, Fairbanks, Alaska, said he is a retired member of Teamsters Local 959 and he represents working and retired Alaskans who are concerned about the future of the state and the decline in North Slope oil production. He urged them to consider Governor Parnell's plan in SB 21 as a good start. He also urged them to consider that any plan for oil tax reform must be fair to all Alaskans; it must encourage new production; it must be simple and restore balance to the system; it must be durable and long term to ensure opportunities for future generations, and it must promote and include a commitment to Alaskan hire for all Alaskans.

[5:28:48 PM](#)

DANIEL FINNEY, Teamsters Local 959-Fairbanks, Fairbanks, Alaska, supported SB 21. They want to ensure a good solid future for all Alaskans and make sure the Alaska hire provision is in place. He said Alaska has a great product that is in demand, but others have the same product to offer. They want Alaska to be competitive again.

[5:30:41 PM](#)

CARL COLBY, representing himself, Fairbanks, Alaska, said he was a member of Teamsters Local 959-Fairbanks and represents working Alaskans who are concerned about the future of the state and the decline in North Slope oil production. He supported SB 21. He said that Alaska's high oil taxes are pricing us out of the market and Alaska must make an effort to make itself more competitive.

JIM PLAQUET, Events and Membership Coordinator, Alaska Support Industry Alliance, Fairbanks, Alaska, supported SB 21. He said he is also a 40-year member of the Operating Engineers Local 302. He agreed with Governor Parnell that the state legislature

must act this year to address production taxes in order to spur oil industry investment. The government take remains too high under ACES and encourages a harvest mode that realizes short term gain for the state at the expense of increased long term production and revenue.

He said that billions of barrels of oil remain in the North Slope fields that will be challenging and expensive to develop. Today's high oil prices should be spurring that investments just as they have led to a new boom in oil production elsewhere: for example Texas that has 830 active drilling rigs when Alaska has 6; North Dakota that has 174; Oklahoma has 183; and Pennsylvania has 80 drilling rigs. The single biggest reason is that ACES that passed in 2007 has stifled investments.

ROGER BURGRAFF, Alaska Miners Association, Fairbanks, Alaska, supported SB 21 as written. He said its incentives will encourage investment in the Alaska petroleum industry that will produce more oil and keep the pipeline full.

[5:37:27 PM](#)

ROBERT TOTH, representing himself, Fairbanks, Alaska, said he is a member of Carpenters Local 1243 and has also been a commercial fisherman; he didn't support SB 21 as written. Progressivity is a bit of a problem he said; it was done before the oil prices spiked in 2006, so the top end is too high. But the tax structure can be changed without scraping the whole thing. He pointed out that the pipeline shouldn't have been built over 36 inches in diameter, in which case we would still be producing 1 million barrels a day. But the oil companies invest on net present value, but sometimes they make false assumptions about the future; the state, on the other hand, knows it has oil to sell in the long term, so our stuff has to be long term.

MR. TOTH said Alaska will not out-compete North Dakota and Texas for oil rigs where they wouldn't be drilling at under \$85/barrel. At \$60/barrel most investment won't happen. The Bakken just doesn't pay and is driven by prices. The production in Alaska will increase as the price for oil brings us back into the market; heavy oil isn't going to be there for a while.

MR. TOTH said our tax structure is somewhat discouraging, but it could be changed without a massive overhaul. It is not discouraging companies. BP is in harvest mode but it is all about going after the next big play.

CYNTHIA HENRY, representing herself, Fairbanks, Alaska, supported SB 21 saying she had owned a retail business for more than 30 years and even though they have no connection to the oil industry, her family depends on a healthy Alaskan economy. A decline in pipeline throughput indicates that something is wrong with the state's current tax policies.

[5:41:09 PM](#)

LISA HERBERT, Executive Director, Fairbanks Chamber of Commerce, Fairbanks, Alaska, supported SB 21. She said increased oil production is one of the chamber's top critical priorities to encourage through taxation and regulatory policy changes.

She said the Chamber supports the governor's four key guiding principles, continued vetting of SB 21, and exercising due diligence to reform oil taxes in a fair and meaningful way.

RICK POLLOCK, representing himself, Anchorage, Alaska, supported SB 21. He is vice president of global projects for Lynden International and a lifelong Alaskan who cares very much for the economic vitality of the state. He is on the ground and sees oil patch activity throughout the world, and without hesitation he could say that the only location that is struggling to find investment dollars geared towards increasing production activity is Alaska. He believed this struggle is directly tied to ACES and that it is essential to reform it.

RICK CANOY, business representative, Teamsters Local 959, Fairbanks, Alaska, said he represents several hundred employees who work for companies that support oil production efforts. Their jobs are affected by the continued decline in oil production and he encouraged them therefore to consider SB 21 as a good start. He said this is an opportunity to reform a tax structure that is not viable and is pricing Alaska out of the market.

[5:46:39 PM](#)

JOHN DICKENS, representing himself, Bethel, Alaska, supported SB 21. He thought Alaska was on the verge of a financial apocalypse that no one can comprehend. Corporations are not some faceless entity; they are organizations of human beings called shareholders. A lot has changed since the pipeline was built and a lot of markets were not open back then. Capital is invested to get return. Why would anyone want to invest Alaska even if the tax rates were the same? Our weather and logistical challenges are so much more difficult that it would be a violation of

fiduciary responsibility to invest money in Alaska, especially with the current tax structure, which is just insane.

[5:49:22 PM](#)

ERIC FOX, Vice President of Operations for Camp Services, Nana Management Services, Subsidiary of Nana Development Corporation, a business arm of Nana Regional Corporation, Anchorage, Alaska, supported SB 21. He supported changes in the oil tax structure to bring more business to the Nana subsidiaries that work in the oil industry that in turn bring economic opportunities to Nana shareholders. Unemployment is a real problem in most of the 11 villages in the Nana region as it is in most of rural Alaska and the current tax structure is having a negative impact on all of them. Alaska's investment climate is driving away business; we don't have a lack of oil.

[5:51:40 PM](#)

PRISCILLA SIMMONS, representing herself, Anchorage, Alaska, supported SB 21. She said she grew up in Alaska and received an outstanding public education here. She now works in mechanical and process engineering in support of Alaska's oil industry. Her generation is very concerned about the tremendous decline in North Slope production and the decrease in overall development and exploratory wells over the last few years. The entire state needs a vibrant oil industry to provide revenue, job opportunities and growth for our educated work force.

KENNETH CARON, representing himself, Anchorage, Alaska, supported SB 21. He came to Alaska in 1975 and worked two years on TAPS, 33 years on the Alaska radar system and spent 20 years on the Yukon River. He supported SB 21 because the state needs jobs. During the building TAPS there were so many jobs that everyone could find good work. He suggested asking how much more oil would have to go through the pipeline to equal the amount of revenue that we get today and then judge for ourselves if we can trust the oil companies to make the investment and develop to reach that threshold.

[5:55:57 PM](#)

RACHAEL PETRO, President and CEO, Alaska State Chamber of Commerce, Anchorage, Alaska, supported SB 21. This year chamber members chose reforming oil tax policy to encourage new production as its top legislative priority. Additionally, 13 local Chambers of Commerce - Anchorage, Bethel, Chugach/Eagle River, Haines, Fairbanks, Juneau, Kenai, Ketchikan, Kodiak, Palmer, Seward, and Sitka - have resolutions supporting meaningful oil tax reform. They represent thousands of

additional businesses and Alaskan citizens who are gravely concerned about Alaska's economic future.

[5:57:48 PM](#)

GRAHAM GREEN, representing himself, Anchorage, Alaska, supported SB 21. He and his wife are lifelong Alaskans and their four kids go to Anchorage public schools; he works for the oil and gas industry as his family did. But his brother moved to North Dakota two years after working in the Alaska oil patch for 30 years and now runs a successful welding business. The state is uncompetitive and that has to change. He urged learning from the lessons of the past and change the things they can control.

[6:00:24 PM](#)

JIM AYERS, representing himself, said he served as chief of staff for Governor Tony Knowles and had various other positions in government. He supported the direction SB 21 was going, but he hoped they would bring some industry leadership in to talk about what they are going to do for Alaska. Don't let them sit in their offices in other states or other countries since you're going to do all this for them.

MR. AYERS explained that during his time with the state he dealt former President Bob Malone with BP in negotiations over several issues including orphan sites and Chairman Lee Raymond of ExxonMobil over a variety of things from the Valdez settlement to adopting escort tugs, providing university scholarships, establishing moratoriums in a variety of important areas, as well as constructing modules (controversial in Canada). And there was no better gentleman than Jim Mulva with ConocoPhillips. Those guys taught him this: taxes is matter of discussion and has been since the first oil came out of the ground and it will continue to be so. It's a matter of big time negotiation. Tax breaks may or may not result in expanded exploration or oil development enhancement or jobs.

He advised if you're going to consider give-backs, breaks or incentives, bring industry leaders in and have them be clear about what the performance will be for the incentives they are suggesting.

[6:03:09 PM](#)

GARY DIXON, Vice President, Teamsters Local 959, Anchorage, Alaska, supported SB 21. He said he represents workers from all over Alaska who are concerned about the future of the state and the decline on the TAPS throughput. He urged them to, "Please make us competitive again."

CARL PORTMAN, representing himself, Anchorage, Alaska, supported meaningful oil production tax reform this session. He said Alaska needs to position itself as "a most compelling place for investment." He said the private sector is the foundation of Alaska's economy and the oil industry is the state's biggest economic engine. "ACES is broken and it is redirecting capital to more attractive oil and gas jurisdictions elsewhere." SB 21 is a big step in the right direction.

[6:06:41 PM](#)

PAUL FRIESE, representing himself and family, Wasilla, Alaska, supported SB 21. He said he is vice president of sales for Lynden in Alaska. He moved here in 1984 to work and go to school. In the late 80s he watched as the state struggled with oil at \$10 a barrel. It's hard for him to imagine that at \$100 a barrel we are facing a similar situation unless some reforms are made immediately to the oil tax. He said the oil and gas industry supports everybody from the restaurants to the retailers. Currently three of his kids are in college and they all want to make Alaska their home.

BRIAN HOVE, representing himself, Anchorage, Alaska, supported SB 21. The oil industry has provided him with a standard of living that has been greater than it otherwise would have been; he hasn't paid any income tax or state sales tax for the last 33 years. When he moved to Alaska in 1980 he was 18 years old and even then he could see the opportunity here. Now he looks around at the 18 year olds and asks himself if they feel the way he did in 1980. He just doesn't know, but he believes that we have a responsibility to make sure there is opportunity for future generations of Alaskans.

[6:10:17 PM](#)

PAUL GLAVINOVICH, representing himself, Anchorage, Alaska, supported SB 21. He said it is common knowledge that Alaska is dependent upon the petroleum industry for upwards of 90 percent of its tax revenue and the current decline in production is cause for acute concern. It is only the recent high price that has kept Alaskans from raiding its various savings accounts.

He said he is more than familiar with the investment criteria that drives the successful production of the earth's resources and any investment in the extraction industry, be it mining or oil and gas, and it all involves a degree of risk. The investment community deploys its assets in those areas of the

greatest potential for acceptable returns. And Alaska is or is rapidly becoming a non-competitor in that criterion.

6:12:13 PM

KATY CAPOZZI, representing herself, Anchorage, Alaska, supported SB 21. She was concerned about the decline in TAPS throughput while we know for certain that there is still a lot more oil available to be produced on the North Slope. At the same time, places like California and North Dakota have enjoyed massive investment and production in their oil fields. She said there is no reason why during historically high oil prices that Alaska shouldn't also be enjoying the increased investment in production.

RADA KHADJINOVA, representing herself, Anchorage, Alaska, supported SB 21. She came to Alaska in 1993 from Russia and now has three degrees from UAA including a graduate level degree in environmental regulation and permitting. She wants to continue using her skills and expertise to live and work in Alaska and wants the same for her friends and family. No matter what kind of rhetoric is being used, she said the facts remain the facts and those are that what we have been doing thus far is not working, because production continues to decline. Alaska is not competitive with other oil producing nations or other oil producing states. Legislators should go over the bill with a fine toothed comb.

JIM SYKES, representing himself, Palmer, Alaska, opposed SB 21 in its current form. He wasn't in favor of the net profits tax when it was enacted, but on the other hand it hasn't been audited and we don't know exactly where we are. And it does appear to be working. What troubles him about SB 21 is that it gets rid of progressivity, which is one of the most successful parts of the tax. It might need adjusting or to be capped at the high end, but we have a constitutional obligation to get the maximum value from our resources. He agreed with the speaker that said we need to get away from politics and into the problem solving mode. He has heard some assumptions that need to be checked against the facts. Both OPEX and CAPEX have increased in the past several years and employment has increased to record highs.

He said that most of the rest of the oil that is going to be produced from state lands is in the legacy fields and many of those have the highest profits for any oil company anywhere in the world. They need to demand the evidence of what the actual economic rent is that we get from those fields. Throughput in

1988 was over 2 million barrels per day; we're actually making about twice the money off of about one-quarter of the oil. So, it's really more about price than throughput. We need to maximize the value of our one-time resources.

6:19:56 PM

RON JOHNSON, representing himself and his wife, Fairbanks, Alaska, said he is a retired Fairbanks professor and that he opposed SB 21. He favors increased throughput in TAPS, but SB 21 doesn't ask for any specific throughput increase or investment to qualify for the tax breaks. What evidence do we have that lowering tax rates will increase TAPS throughput? For example, from 1996-2006, Kuparuk's throughput went down by about 7 percent a year - as the tax rate went down from 12 percent to 1 percent. If we use that logic, maybe we should raise the tax rates to increase the throughput.

He asked where the analysis was to back the governor's bet that lowering the tax rate by more than 20 percent will increase throughput by more than that to make up for the loss in tax revenue due to the tax rate going down. He urged them to assess how much extra drilling success is needed to recoup the losses from reduced tax rates and the likelihood that industry will make the necessary investments.

MR. JOHNSON said there is also the time value of money. If we change from ACES to SB 21, maybe the state will lose \$10 billion in tax revenue over the next half dozen years. So, are we going to get back more than \$15 billion in revenue over the next 10 years to make up for it? He wanted them to assess these details in determining whether SB 21 will increase revenues, but he didn't think it would.

DAVE HARBOUR, representing himself, Anchorage, Alaska, said he serves as publisher of Northern Gas Pipelines, a 10-year old energy web page in Alaska, and chairs oil and gas conferences throughout the U.S. and Canada. He has served with state and municipal governments, the Alaska University and the oil industry. He wanted to provide some historical comments. Back in 1969, at the time of the Prudhoe Bay lease sale, Alaska was about 10 years old. It hadn't fully developed or defined what Alaska's constitutional requirement for developing maximum benefit for the people for its natural resource really meant. The decade of the 70s was a period of dissension as taxes increased almost every year (as the legislature struggled to define maximum benefit), followed by a period of tranquility. In 1981, Governor Hammond and the legislature had unique a press

conference in that it was non-partisan and was attended by virtually all the leaders of the legislature. In it they announced that in a unified way they had established a "fair share" of oil and gas revenue that was roughly about one-third of total revenues among the state, the federal government and the oil industry. Once that was done - and the tradeoff for doing that was repeal of the separate accounting methodology for corporate income tax as well as the oil industry's agreement to change the severance tax from 12.25 to 15 percent - there followed a 20 year period of relative tranquility and high investment, the best evidence of which is that Prudhoe Bay and TAPS were financed on the basis of 9.6 billion barrels of proved reserves (and as we know about twice that has been produced).

He summarized that the legislature would be well advised not to pick a percentage, but rather analyze where we stand and put us in the median of competing oil and gas jurisdictions with an offset for the high cost of doing business here, the need for a 800-mile pipeline to move the oil down to tidewater, and the fact that many of our competitors located at tidewater are in the temperate zone.

[6:26:11 PM](#)

JIM PALMER, representing himself and his family, Eagle River, Alaska, supported SB 21. He remembered the beginnings of North Slope production and the onslaught of royalties and taxes into the state treasury. He also remembered the many legislative battles over taxes, fair share, all of which he thought weakened Alaska's competitive place in the world's oil markets. We are now at a critical point in the state's history when the governor and the legislature have an opportunity to finally fix the detrimental ACES provisions and put Alaska in a place where it effectively and over longer term seizes investment capital for both production and exploration.

He said we can no longer depend on high oil prices to sustain state spending; production is the key. He urged them to fix the progressivity provisions of ACES and fashion a bill that effectively makes Alaska competitive. Marginal changes are not enough.

[6:28:26 PM](#)

SENATOR FAIRCLOUGH thanked Mary and Jim for taking the time to call in.

MARY BRAHM, representing herself, Eagle River, Alaska, supported SB 21. She is on professional staff with the Chugiak Eagle River Chamber, but testified for herself. She agreed with the Chamber's position on Resolution 2010-1 that passed in February 2010. It supported the re-evaluation of ACES and encouraged the Alaska state legislature to create the most competitive environment with fiscal certainty in order to attract sustainable reinvestment in North Slope oil production. Again, in 2013, they established the revision of ACES as their highest priority in order to reverse declining production and increase investment on the North Slope. She said the state needs a \$106 price in order to cover its operating budget. Her children and grandchildren want to make Alaska their home and that is dependent upon the state's ability to prosper and grow.

[6:30:42 PM](#)

JOE HEGNA, past president, Chugach/Eagle River Chamber of Commerce, Eagle River, Alaska, supported SB 21. The Chamber has identified the oil and gas production tax as its number one priority, because it is clearly the state's most important issue. They support the governor's four key principles on oil and gas production and SB 21 addresses them. The Chamber believes the current production tax rate discouraged development investment and the progressivity component is the most problematic component. It has also concluded that a significant change in the production tax is needed now. He, personally, is concerned about the current short term tax and spend approach that Alaska has; it will eventually kill the future of his grandchildren and maybe even his children.

[6:32:18 PM](#)

JOHN SIMS, Vice President, Chugach/Eagle River Chamber of Commerce, Eagle River, Alaska, supported SB 21. He was born and raised in Alaska and is a father of three. He is continually concerned about the declining production of oil on the North Slope. Even a basic understanding of the decision making process in the corporate environment shows clearly that Alaska holds the key to its own success. Alaska has the highest industry costs and tax rate in the nation, and only the most profitable projects in a company's portfolio get funded. The state can keep its current policy that limits investment or it can show businesses and residents that their main focus is on securing a long term solution, he supported the governor's four principles for guiding this legislation.

[6:33:07 PM](#)

STUART COHEN, representing himself, Juneau, Alaska, said he had lived in Juneau for 30 years and has a business called "Invisible World" that does business in South America and Asia. Before that he was in the oil business in eastern Kentucky where a good well might be two or three barrels a day. He agreed with a lot of the general things he had heard: oil is important and we all want the state to thrive and for the treasury to be full. The question they are addressing is if this bill specifically moves us towards increasing production and throughput. But the answer is no; it gives a tax break for the existing oil in Prudhoe Bay, but experts have said that even when oil taxes were much lower oil companies had decided not to reinvest here and harvested the profits from Prudhoe Bay oil.

And from listening to testimony you would think that these guys were losing money hand over fist, but in actuality [the oil business] is still extremely profitable and the infrastructure is in place. He supported some sort of tax break on new production and on new investment, which are already giving, but he didn't see the point of giving a tax break for a field that the oil companies have already decided to milk, especially with no guarantees to us about what they would do to increase production.

The other problem with SB 21 is that it creates an instant budget crisis. His kids are in the public schools here just like very one else's who testified and the question is how much will oil production have to increase to make up for the budget shortfall that it will instantly create and how long that will take to happen.

PETE STOKES, representing himself and his three children, Anchorage, Alaska, supported SB 21. He is a petroleum engineer for Petrotechnical Resources of Alaska, on the board of the Alliance, and a chairman of the University of Alaska Fairbank's College of Engineering and Mines Advisory and development Council. SB 21 is a good start in attracting more investment and making Alaska more competitive, especially eliminating progressivity. Other modifications could include no increase of tax in the \$50-90 range, incentives for new production within the existing PAs, allowing new explorers to continue to sell loss carry forward credits (taking this away limits their ability to raise and explore for new production).

[6:39:09 PM](#)

PHILLIS SPENCER-BELZ, representing herself, Anchorage, Alaska, said she has a small business and a daughter in private school.

She is an Arctic Slope Regional Corporation Inupiat shareholder and said these tax breaks don't seem fair to her. If the state is handing them out, why not give them out to all the shareholders all the Alaska Native Claims Settlement Act corporations, and all Alaskans - along with a job since lack of Native hire is also an issue.

ROCK HENGGEN, President and General Manager, NANA Worley Parson, LLC, Anchorage, Alaska, supported SB 21. He had three points to make: in 2008, they achieved their peak growth with 650 employees. The work was based upon projects they had won in 2007. Today they have approximately 400 employees. The lack of opportunities within the oil and gas industry has had a significant impact on their ability to get back on their feet.

In addition, the supply and demand environment that currently exists in Alaska's oil and gas industry has made it difficult to retain employees. Changes are needed that will encourage growth in the industry. He has lost many valued employees to the heated oil and gas market in the Lower 48, because they cannot compete with the compensation that market offered.

Finally, the picture of an insecure future that is currently presented in Alaska has created a challenge for their company to attract employees. Without it, talented people look elsewhere to establish their lives. Real change needs to occur that will create the environment for real growth in the oil and gas industry.

[6:42:36 PM](#)

JASON BRUNE, representing himself, Anchorage, Alaska, supported SB 21, but said it doesn't go far enough. He serves as the chairman of the Consumer Energy Alliance Alaska Board of Directors, Vice Chair of the Alaska branch of the Alaska Miners Association, said he is on the board of the State Chamber of Commerce and on several other non-profits that depend on the oil industry contribution for much of their on-going support.

He said that the state's royalty is our fair share of each barrel of oil. Taxes are a choice of the legislature. Previous legislatures have chosen to be punitive and he hopes this legislature is different. Alaska's cost of business is one of the highest on earth. To lure more investment dollars, our taxes should be some of the lowest on earth. Investment dollars follow the best rates of return.

A couple of years ago he served as co-chair of the governor's resources energy and environment transition team. After many meetings and lengthy discussions there was unanimous agreement that increasing throughput in TAPS should be the number one goal of Alaskans. A conclusion in the report said, "Specific emphasis must be placed on addressing the negative investment climate caused by progressivity."

[6:44:49 PM](#)

PAULA EASLEY, representing herself, Anchorage, Alaska, supported SB 21. She asked if anyone remembered how it was living in Alaska in the 1980s; when stores were boarded up and schools were closed. She dreads the thought of that happening again. She hoped this legislature would solve the issue once and for all.

CHAIR GIESSEL thanked everyone for their comments and held SB 21 in committee.

[6:46:30 PM](#)

There being no further business to come before the committee, Chair Giessel adjourned the Senate Resources Standing Committee meeting at 6:46 p.m.