

HOUSE FINANCE COMMITTEE
April 11, 2018
5:08 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 5:08 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative David Guttenberg
Representative Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Rich Ruggiero, Consultant, In3nergy; Kara Moriarty, President/CEO, Alaska Oil and Gas Association; Dan Seckers, Tax Counsel, ExxonMobil; Representative Andy Josephson.

PRESENT VIA TELECONFERENCE

Carl Giesler, Glacier Oil and Gas, Houston; Scott Jepsen, Vice President, External Affairs and Transportation, Conoco Phillips, Anchorage; Paul Rusch, Conoco Phillips, Anchorage; Doug Chapados, President and CEO, Petro Star Inc.; Kate Blair, Andeavor; Damien Bilbao, BP, Anchorage; Lewis Westwick, Vice President of Finance, BP Alaska.

SUMMARY

HB 339 INCREASE BASE STUDENT ALLOCATION

HB 339 was REPORTED out of committee with a "do pass" recommendation and with three previously published fiscal notes; one zero impact note: FN1 (EED); and two fiscal impact notes: FN2 (EED) and FN3 (EED - Fund Cap).

HB 411 OIL and GAS PRODUCTION TAX;PAYMENTS;CREDITS

HB 411 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#hb411

HOUSE BILL NO. 411

"An Act relating to the oil and gas production tax, tax payments, and credits; and providing for an effective date."

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RICH RUGGIERO, CONSULTANT, IN3ENERGY, asked that members hold their questions to the end. He introduced the PowerPoint presentation: "HB 411, House Finance Committee, April 11, 2018" (copy on file).

Mr. Ruggiero began with slide 2, "Testimony Scope":

HB 411

- High level review
- Concept discussion as opposed to specific bill language
- Observations and comments

Mr. Ruggiero turned to slide 3, "Fiscal Design Considerations, What are Your Drivers?":

- Alaska is very dependent on energy revenues
- Many other regimes are in a similar position

- Savings account balance is low, budget deficit high
- Nothing in energy developments happens quickly in Alaska
- Legislative action must balance competing forces
 - How to keep the lights on.....Without killing the "Goose that laid the golden eggs"
 - Short-term needs/reactions versus longer-term strategic success
- Fiscal design drivers
 - Fill the pipe - extending legacy field life worth billions
 - Encourage new players - competition, new ideas
 - Get our fair share - how? timing?

Mr. Ruggiero advanced to slide 4, "Fiscal Design Considerations, From Fiscal Design 102":

- Sometimes the timing of the government take is more impactful on investment decisions than the size of the take

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Mr. Ruggiero continued to slide 5, "Fiscal Design Considerations, Fill the Pipe":

- Keeping TAPS flowing should be priority number 1
 - Need to ensure that short term needs and their corresponding actions do not jeopardize attainment of the goal
 - Projects have long lead times - thus, we must not stall progress towards commercialization and first oil

Mr. Ruggiero moved to slide 6, "Fiscal Design Considerations, Making LNG Happen":

- For Alaska LNG to become a reality, it will require a high degree of fiscal certainty
 - Current AGDC timing appears to target 2019 for signing detailed commitment level agreements

- Entities willing to invest over \$40Bn will, in order to make it a reality, demand a number of conditions precedent - and one or more of those will be related to Alaska fiscal structures for both upstream and midstream assets
 - The state's track record for petroleum fiscal changes will shape investor opinions on what they likely will require, i.e. fairly high level of certainty or some form of fiscal stabilization
- Are the contemplated changes in HB411 in line with the long term strategic goals of filling TAPS and making Alaska LNG a reality?

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Mr. Ruggiero discussed slide 7, "Fiscal Design Considerations, Change is the Only Constant":

- Alaska always has and always will be competing for investment capital
 - Versus the Lower 48/unconventional
 - Versus the rest of the world
 - You have good "Rocks" but also a very high cost structure
- One of the best 'windows' into the thinking of an oil company are its analyst presentations, for example:
 - Not too many years ago Alaska figured prominently in analyst presentations for all the legacy players; BP, CP and XOM
 - In 2018 analyst and investor presentations:
 - COP -AK still figures prominently
 - BP and XOM brief references, not listed as growth area
 - All 3 have an LNG segment focus
- How do you encourage a refocus on Alaska developments?

Mr. Ruggiero spoke to Alaska's complexity in terms of doing business on slide 8, "Fiscal Design Considerations, Time for Change":

- Alaska has a very complex fiscal system
 - Hard to administer
 - Costly to administer
- Contrary to other opinions expressed regarding a roughly 2 year timeframe to address Alaska's fiscal system
 - It need not take more than a few months to put together a comprehensive new plan to present to the legislature
 - Get the right people in the room, give them a (realistic) deadline, expect results
 - You already know generally where you stand competitively
 - Any number of consultants or committees have put those reviews together and presented them to you
 - Creating a new fiscal structure is more a subjective exercise than an objective exercise
- "Fixing" pieces is how the system got to where it is now

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Mr. Ruggiero scrolled to slide 9, "Fiscal Design Considerations, Costs Change with Oil Price"

- As oil prices go up and down, overall costs go up and down as well
- One major misleading aspect of many reviews of proposed tax changes is the failure to properly account for those cost changes providing unrealistic comparisons at much higher or lower prices than current:

- Past costs (from DOR prior presentation) exemplify this concept

Mr. Ruggiero explained slide 10, "Costs Held Flat, Correcting for the Real World." He stated that the yellow line was the current status quo, and the blue line was the suggested changes in the bill. He noted that the shapes of the curves were similar to the curves from the night before. He noted that the curves from the previous night had a cut from 40 to 120. He noted that the current slide went down to 20 and up to 200 to show the effect. He noted that the green bars represented either the gain or the loss between the two curves. He stated that when the green bars were above the zero line, the blue [HB 411] was higher than the status quo. He stated that the crossover was around \$140 per barrel, keeping the cost constant.

Mr. Ruggiero moved to slide 11, "Costs Proportional to Price, Correcting for the Real World." He noted that the crossover point occurred around \$125 per barrel. He stated that above \$125 HB 411 fell below the status quo. He stressed that it was because HB 411 was tied to the profit per barrel (PPB), whereas the barrel credits in the status quo were tied to the price irrespective of the profit level or taxable income at that point in time.

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Mr. Ruggiero continued to slide 12, "HB 411, Our High Level Views":

- Alaska State Perspective
 - Closes the gap on the 2/3 1/3 share split target
 - Reduces competitiveness
 - Provides near term tax revenue
- Legacy Players Perspective
 - It's a tax increase
 - State will pay a larger share of future investments
 - New administrative nightmare
- New Players Perspective

- Raises the hurdle (likely a 16+ percent royalty and a 25 percent petroleum tax) for being able to generate investment level economics
- Another change that could spook investors as very few companies have the balance sheet to carry a project on their own

Mr. Ruggiero advanced to slide 13, "HB 411, Our High Level Recommendations":

- Overall thoughts
 - Focus on what is necessary to bring on new NS developments
 - Make the low lower... 10 percent base
 - ...and the highs higher (i.e. more steps)
 - "Windfall" and high tax rates will only occur with short duration price spikes
 - Since costs rise with sustained price increases, this lowers anticipated PTV/bbl which pushes a 'windfall' to an ever higher price point
 - With LNG coming soon, the time to put together a comprehensive new fiscal system is before next January

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Vice-Chair Gara that there may be an increase, but remarked that the original was not necessarily fair. He remarked that the gross value reduction (GVR) fields paid basically no production tax for seven years. The legacy fields paid the minimum gross tax up to \$60 per barrel. Therefore, any change would increase those rates. He wondered whether the current rates were fair to the people of the state and served all interests well, when considering the public and the desire for long-term revenue and investment.

Mr. Ruggiero replied that the legislature must determine fairness. He stressed that his recommendations were focused on the impact of the major projects that needed to be brought on. He remarked that there should be a balance about fairness and stifling other production.

Vice-Chair Gara remarked that a number of consultants had asserted that the two most unstable tax regimes in democracies were too high and too low.

Mr. Ruggiero agreed. He remarked that there must be a balance to please both the companies and the government.

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Representative Guttenberg remarked that there would be supposed encouraging of development and production. He felt that there were different levels and needs, so he queried the efforts to balance. He remarked that the ability of the state to see the results of changes was difficult. He queried a comprehensive possible to put people at ease and trust that would yield results.

Mr. Ruggiero replied that there was an initial focus on the expected projects and developers. He stressed that some countries would only target the "super majors." He remarked that countries had small independents and large offshore operations. He shared that Alaska had a limited possibility for a subset of players. He stressed that the system in Alaska was designing for companies of substantial size. He remarked that those companies would be listed in the stock exchange, and understand the requirements and pressure in those companies. He stated that the types of companies help to influence the determination of the types of projects that may develop on the North Slope.

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Representative Guttenberg remarked that the credits would transfer to people who were interested in a segment. He queried a way to only encourage exploration by itself.

Mr. Ruggiero responded that the credits that were in place in 2007 and 2008, which had lead to the credits on the balance on the pay. He noted that there were a significant number of wells drilled, and a quantity of seismic with potential discoveries. He understood that the state would not continue to pay those credits, but that was the process that encouraged exploration. He noted that there should be a similar approach with transferability to other players. He stressed that some were known as explorers, who prefer not to develop. He stated that others were harvesters. He remarked that there were different roles with different players.

Representative Grenn asked if he was aware of anyone in the lower 48 contemplating a tax restructure like Alaska.

Mr. Ruggiero was not aware of anyone in the lower 48 who had a tax restructure like Alaska.

Representative Grenn thought Mr. Ruggiero was aware of the potential growth in Alaska. He asked what Mr. Ruggiero was hearing about in his circle.

Mr. Ruggiero could speak firsthand to his question. He had had the opportunity to talk to private equity investors. Almost every one of them he had talked to was that they would have to have much more certainty before investing in Alaska.

Co-Chair Seaton noted that on slide 8, and asked if a portion of the number was a sliding scale. He wondered if he would recommend a sliding scale.

Mr. Ruggiero would not suggest tying a sliding scale to price, because he would tie it to profit.

Co-Chair Seaton wondered whether the tax structure in the bill was self-correcting for cost structure, because it was based on a percentage of production tax value by field or company and their tax structure.

Mr. Ruggiero responded in the affirmative.

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Representative Pruitt looked at page 4, and remarked on the examples of what might turn a doable project into a "no-go", because of a lower internal rate of return (IRR). He noted that the presentation from Department of Revenue (DOR) used a hypothetical example of a new field of 750 million barrels, with approximately 120 barrels a day of peak production. He remarked that there was already an active similar field. He stated that the example gave several prices of oil, and the IRR in that scenario. He stated that changing to the new system would result in a 7.4 percent IRR. He wondered who had the ability to play in a scenario where there may be an IRR of a 6 percent, which would be considered a "no go." He queried the companies that would invest in fields that could potentially be 750 million barrels at 120 barrels per day.

Mr. Ruggiero replied that switching between the IRR of 7.4 percent and 7.9 percent was not a small change. He stressed that thirty to forty year projects could show a loss of hundreds of millions or billions of dollars that would make up that 0.5 percent IRR difference. He remarked that revenues in the future were discounted coming back to a net present value, so it took a lot in year thirty to impact the numbers in the present day. He stated that there would be no investors at the presented level of return. He noted that there may be added value in consideration when determining investment. He stated that some companies may want to keep Trans-Alaska Pipeline System (TAPS) open for added three to four years. He stressed that there were several different considerations for companies.

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Representative Wilson wondered what would occur that if the legislature passed a bill to "take care of the credit." She asked specifically about trust.

Mr. Ruggiero responded there would be many considerations and questions to determine whether it would happen again. He stressed that there would be care before investing the billions of dollars to develop new North Slope fields.

Representative Wilson asked about attempting to make changes and how it would reflect on a project.

Mr. Ruggiero replied that one of the countries that had changed their fiscal system more than most was the United Kingdom, yet they were deemed one of the most stable places to do work. He stressed that the United Kingdom changed to higher taxes when profits increased, and removed the higher taxes and go to lower taxes when profits decreased. He asserted that an investor would not whether the changes in the state of Alaska were in the right direction for the time period.

Representative Wilson spoke about a level people would invest in. She wondered if he had been speaking about the current structure or the proposed structure. She asked about the impact of the proposed bill.

Mr. Ruggiero responded that his answer was more generically about an IRR and the impact on investment. He stressed that it was irrespective of fiscal system.

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Representative Wilson asked how long a project could be delayed if the numbers were wrong.

Mr. Ruggiero answered that there were many factors that impacted investment.

Representative Wilson referred to his example of the United Kingdom. She asked if the oil was similar to Alaska.

Mr. Ruggiero replied that he had been stationed in the U.K. for six years.

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^INVITED TESTIMONY

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KARA MORIARTY, PRESIDENT/CEO, ALASKA OIL AND GAS ASSOCIATION, read from a prepared statement, "AOGA Testimony HB 411 - House Finance Committee April 11, 2018" (copy on file):

First, rhetoric. I hear time and time again, that the oil companies asked for and supported all of the changes since 2005. The reality is, that is simply not true. As you can see, we have opposed all but two of the previous changes. No other industry has experienced as many changes to its fiscal structure than Alaska's oil and gas industry, even though our industry still accounts for 77 percent of the unrestricted revenue. In fact, petroleum revenue doubled from FY 17 to FY 18. Other industries do not even contribute enough to the state treasury to cover the costs to regulate them. The constant bombardment of proposed tax increases we see introduced by the House, does instill uncertainty among already nervous investors. Yes, just discussing taxes makes us nervous. Look at what happened to the stock market

when the federal tax bill was being discussed. Investors react to talk, not just action.

Another thing we hear is about how new production won't pay taxes for 7 years. Let's put that in context. First, the lack of payment illustrates how long it takes to start making money on a new development. And, as the Administration said last night, this provision in the tax law was a specific policy measure built to encourage new companies to Alaska. It basically only applies to new companies with new production. So what portion of this provision applies to current production? Roughly about 7-8 percent. The way some are talking it would appear to the public that all new production would not pay production tax. Not true. And even if it were true, that new production would be paying royalty, corporate income tax, and property tax, not to mention providing jobs and economic benefit to Alaska. HB 411 is designed to collect more revenue for Alaska. It is clearly not designed to attract more investment and production to the state, which is a shame, because Alaska continues to fall behind the rest of the country in terms of investment and production. According to this chart, you can see capital investment for the last decade for Alaska and the rest of the US, as it corresponded to oil price. The bottom line is what Alaskans should care about: This year, 2018, energy companies plan to invest \$120 billion in capital projects in the United States alone. What portion is coming to Alaska? Less than 2 percent. Why would that be? We have the "rocks" - in fact, one-third of the nation's reserves are here in Alaska. We have a well-trained work force, and according to some, one of the lowest tax rates in the country at current prices.? And at the beginning of this session, the legislature's consultant, in3energy, shared a presentation outlining that at \$60 oil, an Alaskan producer's net is \$12/barrel for legacy fields and \$1.50/barrel for new fields. Meanwhile, companies operating in West Texas net \$31/barrel -Texas many have a higher minimum production tax at these prices, but even with a higher tax rate, due to Texas's cost structure and overall fiscal policy, oil companies can earn a lot more per barrel. And at the end of the day, companies invest where they can make money. Perhaps that's why business is booming in Texas. With

investment dismal compared to the rest of the country, and companies being able to net three times or more compared with their investments elsewhere, it should be no secret that even though we had slight increases in Alaska production the past two years, Alaska has recently slipped to 5th in the nation. When I started working at AOGA 13 years ago, we were 2nd.

Speaking of production tax rates, Rep. Gara is correct. At these lower prices in 2016, we do have one of the lowest production tax rates. Our current system is designed that way because of the high cost environment. But if you look at our tax structure holistically, and not in a vacuum looking only at one component, you will see that according to this recent report, our effective tax rate, at lower prices, is one of the highest in the nation. HB 411 makes three significant changes that completely alters the current tax structure: it would lower the current base production tax rate from 35 percent down to 25 percent, eliminate the sliding-scale per barrel tax credits on legacy production and eliminate the \$5 per barrel tax credits on new production. The bill would also create three compounding levels of progressive higher tax brackets, beginning when the "production" taxable value exceeds \$40 per barrel. Additionally, the structure of AS 43.55.011(g) as it reads in Section 2 of the bill looks to us like a means to establish a framework for more extreme versions in the new progressivity tax in the future. To us, HB 411 is merely an attempt to roll back the voter-ratified reforms under "SB 21" in 2013, in favor of the "bad old days" of progressivity. I think it is important for the committee to recognize that due to the complexity in how the bill was written and the effective dates of these new progressivity rates, it is conceivable that the "progressive" rates could be amended to have different rates for production tax values above the respective thresholds, or different thresholds for the period before 2022 and the one that follows. In regards to the sliding-scale tax credits, your own legislative consultants and the Administration warned against lowering or repealing the sliding-scale tax credits as those "credits" were essential to keeping Alaska's fiscal regime competitive. On July 17, 2015, legislative consultants, Enalytica, described the per barrel

credit as a "misnomer." They testified that - "The credit against the production tax is not really a credit; it has an explicit tax-rate-setting goal." On that same day, the DOR Tax Director acknowledged the importance of the sliding-scale tax credits for keeping Alaska's overall production tax competitive. He said: "With SB 21 the (per-barrel) credit is an offset to the tax and is designed to create a progressive element, a little bit lower tax rate at lower prices, a higher tax rate at higher prices, so it's hard to really consider them a credit in the context of an inducement to doing work. It's really what we are calling an integral part of the system."

About two years later, Legislative consultant Roger Marks said that the sliding-scale tax credits were an "important feature" of the current tax structure as an "adjustment of effective tax rate to offset high royalty at low prices. Adopting House Bill 411's new tax rate, turning the "progressivity" section back on, and removing the sliding-scale per barrel tax credits would in effect revert the current tax structure to a modified ACES type of tax structure - a tax structure which would raise industry taxes by significant amounts at low prices much as ACES did at high prices. Constant discussions and changes to tax policy does not impart confidence that Alaska is a good place for oil and gas investment. Instead, HB 411 is simply another attempt to take more from the one industry that pays more than its way in Alaska. HB 411 will not increase production. It does not simplify the tax structure. It will not incentivize investment. In closing, what is most troubling and concerning to my member companies is the constant barrage of tax increase proposals we have seen introduced in the House this legislative session, even though the Speaker of the House -when speaking on January 4, 2018 about broad based taxes and the potential for industry taxes, he said, "I don't see that (industry taxes) on the table." But here we are, on the 86th day of the Session with a bill that would triple our taxes. HB 411 is before us despite your leader's comment, despite the Administration not supporting this bill, despite the Administration not supporting changes to the oil tax system at this time, and despite all the statements that the Working Group was to be the entity to vet and consider changes to policy. It surprises me

that the Finance Committee did not take this draft bill to the co-chairs of the Working Group and ask them and the legislature's consultants to consider the impacts of this bill and all the others introduced this session. We have not seen this type of impact since ACES, which on a scale of 1 to 10 for us was a 10, which puts this bill at least a 9.5. My member companies respectfully ask, when will it be enough? When will the constant discussions end? Thank you for the opportunity to testify and I'm happy to address any questions.

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Ms. Moriarty discussed the presentation, "Alaska Oil and Gas Association, HB 411 - Oil and Gas Production Tax" (copy on file). She began with slide 5, "FY 19 North Slope Production."

Ms. Moriarty looked at slide 6, "Alaska Needs Investment":

Today, Alaska is only capturing 1.7 percent of total U.S. investment, or around \$1.9 billion in capital.

Recent history shows Alaska needs at least \$3.6 billion of investment capital to grow production.

How does Alaska compete for the investment capital necessary to grow production beyond 2018?

Ms. Moriarty turned to slide 8, "Alaska is Falling Behind":

Texas: 3.89 million
North Dakota: 1.15 million
New Mexico: 540,000
Oklahoma: 528,000
Alaska: 508,000

Alaska now ranks 5th among U.S oil producing states

Ms. Moriarty discussed slide 9, "Fact: Alaska's tax rate exceeds U.S. average":

Investment decisions are based on all tax rates.

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Ms. Moriarty turned to slide 10, "HB 411 Major Policy Changes":

- Changes base rate from 35 percent to 25 percent
- Eliminates sliding scale per-barrel credit
- Eliminates \$5 per barrel tax credits on new production
- Creates 3 compounding levels of progressivity when taxable value exceeds \$40/barrel

All changes combined triple production tax at current prices

Ms. Moriarty continued to slide 11, "Per Barrel Credits 'Integral'":

"The credit against the production tax is not really a credit; it has an explicit tax-rate-setting goal."
-Enalytica, Legislative Consultant -June 17, 2015

"With SB 21 the (per barrel) credit is an offset to the tax and is designed to create a progressive element, a little bit lower tax rate at lower prices, a higher tax rate at higher prices, so it's hard to really consider them a credit in the context of an inducement to doing work. It's really what we are calling an integral part of the system."
-DOR Tax Division Director -June 17, 2015

"(per barrel credit) is an adjustment of effective tax rate to offset high royalty at low prices."
-Roger Marks, Legislative Consultant, April 15, 2017

Ms. Moriarty turned to slide 12, "Speaker Edgmon on Industry Taxes":

Speaking about broad-based and the potential for industry taxes: "I don't see that (industry taxes) on the table."

-Speaker of the House Bryce Edgmon Resource Development Council Breakfast Forum January 4, 2018

Ms. Moriarty turned to slide 13, "The Walker Administration Opposes HB 411":

"The Administration does not support this bill (HB 411) and we do not support changing the oil tax system at this time." -Commissioner Sheldon Fisher House Finance Committee April 10, 2018

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Vice-Chair Gara stressed that Representative Edgmon's comments were general, and not intended to address the oil industry.

Ms. Moriarty stated that the comments from Representative Edgmon included all of industry, and she felt that the oil and gas industry was part of all industry.

Vice-Chair Gara felt that there was some wrong information in the presentation.

Ms. Moriarty replied that the information came from the legislature's oil consultant's presentation.

Vice-Chair Gara asked Ms. Moriarty to return to slide 9. He asked about the chart on the right. He relayed that a much larger royalty to the private sector.

Ms. Moriarty agreed to provide that information.

Vice-Chair Gara felt the chart would be vastly different.

Ms. Moriarty would provide the chart.

Vice-Chair Gara stated that it was his job to be fair to Alaskans but not necessarily her job.

Ms. Moriarty took exception with her job not being fair to Alaskans. The question was whether the legislature would provide an incentive to new producers to invest in the state.

Vice-Chair Gara did not think anyone wanted to have their words twisted. He asked her if it was fair to Alaska.

Ms. Moriarty suggested that was the legislature's policy call.

Representative Grenn asked Ms. Moriarty if her membership looked at the tax changes - he asked for an adjective to describe the feeling of members.

Ms. Moriarty responded, "schizophrenic and exhausting."

Representative Grenn asked about the chart on slide 6.

Ms. Moriarty pointed to the bottom line on the graph, and asserted that if the state were to get back to those prices, the state had to figure out how to compete.

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Representative Grenn thought it was difficult to see on the graph, but felt that it appeared that the state was the lowest in the graph that it had been.

Representative Wilson thought profit was a good thing. She asked how companies viewed a profit.

Ms. Moriarty responded that different companies looked at the meaning differently for different companies.

Representative Pruitt asked when she was aware of the bill.

Ms. Moriarty stated she had heard rumor but was not aware of it until it was read across the floor.

Representative Pruitt asked if she had been notified prior to the bill being read across the floor for feedback.

Ms. Moriarty responded in the negative.

Vice-Chair Gara referred to page 3, and felt that there had been no tax increases since 2008. He wondered whether SB 21 was seen as a tax increase or decrease.

Ms. Moriarty responded that SB 21 did both: increased taxes at low oil price and decreased at high oil price.

Representative Grenn noted that Ms. Moriarty had mentioned the working group. He asked that if it would have changed

the climate if the group had met regarding HB 411 or HB 399.

Ms. Moriarty responded that the point of having the working group when legislators offered a bill without running it by the working group.

Co-Chair Foster indicated there were 6 remaining testifiers.

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CARL GIESLER, GLACIER OIL AND GAS, HOUSTON (via teleconference), stated that even the discussion of the bill created instability. He remarked that his company was a small operation in Alaska. He stressed that the bill would almost triple the tax burden to almost \$800 million on the still recovering oil and gas industry in Alaska. He felt that passage of the bill would deter investment, and therefore employment.

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SCOTT JEPSEN, VICE PRESIDENT, EXTERNAL AFFAIRS AND TRANSPORTATION, CONOCO PHILLIPS, ANCHORAGE (via teleconference), introduced himself.

PAUL RUSCH, CONOCO PHILLIPS, ANCHORAGE (via teleconference), introduced himself.

Mr. Jepsen discussed the presentation, "House Finance Committee HB 411" (copy on file).

Mr. Jepsen turned to slide 2, "Cautionary Statement and Safe Harbor":

The following presentation includes forward-looking statements. These statements relate to future events, such as anticipated revenues, earnings, business strategies, competitive position or other aspects of our operations, operating results or the industries or markets in which we operate or participate in general. Actual outcomes and results may differ materially from what is expressed or forecast in such forward looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that may prove to be

incorrect and are difficult to predict such as oil and gas prices; operational hazards and drilling risks; potential failure to achieve, and potential delays in achieving expected reserves or production levels from existing and future oil and gas development projects; unsuccessful exploratory activities; unexpected cost increases or technical difficulties in constructing, maintaining or modifying company facilities; international monetary conditions and exchange controls; potential liability for remedial actions under existing or future environmental regulations or from pending or future litigation; limited access to capital or significantly higher cost of capital related to illiquidity or uncertainty in the domestic or international financial markets; general domestic and international economic and political conditions, as well as changes in tax, environmental and other laws applicable to ConocoPhillips' business and other economic, business, competitive and/or regulatory factors affecting ConocoPhillips' business generally as set forth in ConocoPhillips' filings with the Securities and Exchange Commission (SEC). We caution you not to place undue reliance on our forward-looking statements, which are only as of the date of this presentation or as otherwise indicated, and we expressly disclaim any responsibility for updating such information.

Use of non-GAAP financial information - This presentation may include non-GAAP financial measures, which help facilitate comparison of company operating performance across periods and with peer companies. Any non-GAAP measures included herein will be accompanied by a reconciliation to the nearest corresponding GAAP measure on our website at www.conocophillips.com/nongaap.

Cautionary Note to U.S. Investors - The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves. We use the term "resource" in this presentation that the SEC's guidelines prohibit us from including in filings with the SEC. U.S. investors are urged to consider closely the oil and gas disclosures in our Form 10-K and other reports and filings with the SEC. Copies are available from the SEC and from the ConocoPhillips website.

MR. Jepsen spoke on slide 3, "Pipeline of Projects on the Western North Slope":

GMT1

- ~ 25,000-30,000 BOPD*
- First oil planned late 2018
- ~700 construction jobs
- ~\$1 billion gross

GMT2

- 25,000-30,000 BOPD*
- First oil planned late 2021
- ~700 construction jobs
- ~\$1.5 billion gross

Fiord West

- 20,000 BOPD*
- First oil planned Aug 2020

Willow Discovery

- 100,000 BOPD*
- First oil possible as soon as 2023
- Multi-billion dollar investment
- Potential for hundreds of direct jobs, thousands of construction jobs

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Mr. Jepsen spoke about slide 4, "2018 Exploration - Three Rig Program":

ConocoPhillips NPRA acreage

- 594,972 gross acres acquired in late 2016
- 79,998 gross acres acquired in late 2017
- 1,000,000+ gross acres in NPRA

Willow appraisal and exploration

- 3 wells: T7, T8 and West Willow 1 (WW1)
- 3 potential well tests (T6, T7, T8)
- 37+ miles of ice road and 5 ice pads
- Drilling rig - Doyon 141

Stony Hill (SH1) exploration

- 1 well: 1 slant + 1 vertical
- 1 potential well test
- 17+ miles of ice road and 1 ice pad • Drilling rig - Arctic Fox

Putu (P2) exploration (state land)

- 1 well: 1 slant + 1 vertical
- 1 potential well test

- 1 mile of ice road and 1 ice pad • Drilling rig
- Kuukpik 5

Mr. Jepsen moved to slide 5, "Robust North Slope Investment Outlook." The slide showed the projects that were either underway or in the permitting phase. He stated that the projects were actively being pursued. He detailed the contents of the slide.

[6:45:17 PM](#)

Mr. Rusch moved to slide 6, "Unconventional North American Fields are Alaska's Competition":

- Enormous resource potential
- Tens of thousands of drilling opportunities
- Lower cost of supply
- Closer to market
- Easier to permit
- Stable fiscal policies

[6:52:32 PM](#)

Mr. Rusch moved to slide 7, "Increase in Production Tax from HB 411." He remarked that the bill was a significant tax increase.

Mr. Rusch advanced to slide 8, "FY 2018 State/Fed/Producer Share vs ANS WC - Fall 2017 RSB Assumptions." He remarked that the slide initially presented the slide to the House Resources Committee.

[6:59:46 PM](#)

Mr. Jepsen turned to slide 9, "HB 411":

- Costs matter: Taxes and royalties are only part of the equation. Total cost drives competitiveness.
- Bill raises taxes at lower prices
 - 100 percent+ increase in tax at \$50/bbl; 220 percent increase at \$66/bbl
 - Will likely cause reduced investment at times when economy and North Slope needs more investment, not less
- Alaska still competes because:

- Focus on cost reduction and efficiencies
- Core SB21 structure unchanged in 4+ years
- Oil and gas investment leads to more jobs and state revenue - key part of the solution to the State's fiscal gap
- The North Slope is on the cusp of significant spending for new fields
 - Maintaining SB21 competitive fiscal framework will encourage investment
- Recommend AGAINST passage of HB 411

Vice-Chair Gara appreciated the presentation and the civility of the presentation .He asked about CD5, and whether CD5 was and anchor field.

Mr. Jepsen responded that CD 5 was an extension of the Alpine Field.

[7:06:05 PM](#)

Vice-Chair Gara commented that the civil tone was appreciated. He spoke to the losses in the lower 48 and Canada versus Alaska over the previous three years.

Mr. Rusch replied that he did not have the financial reports. He asserted that in 2016 the lower 48 lost \$1.9 billion, and Alaska had positive earnings of \$233 million. He stated that the depreciation expense in 2016 for lower 48 was \$4.2 billion, and in Alaska it was \$867 million. He shared that, on a cash flow basis, there was \$1.1 billion for Alaska and \$2.3 billion for the lower 48. He stated that there were the same drivers.

Vice-Chair Gara remarked that investment costs had a bearing on profit. He wondered whether the gross tax had any impact on investment costs.

Mr. Jepsen answered with slide 8, and remarked that there was the same effect on both Alaska and the lower 48. He stressed that the only difference was that the overall costs in the lower 48 were lower than Alaska.

[7:09:47 PM](#)

Representative Grenn looked at slide 9, second to the last bullet point and slide 4 related to construction of ice road. He asked for the cost of the ice road.

Mr. Jepsen answered that typical costs were about \$1 million per mile, and the road was about 140 miles.

Representative Grenn asked for verification that the roads melt.

Mr. Jepsen answered in the affirmative.

Representative Grenn asked for verification that the state did not need ice roads.

Mr. Jepsen answered in the affirmative.

[7:12:51 PM](#)

Representative Grenn asked what the immediate impact would be if HB 411 was signed into law.

Mr. Jepsen answered that the question came up every time there was a proposal to increase taxes. The impact was not positive; the impacts would be negative.

Representative Ortiz asked about slide 8 pertaining to factors that increased producers' share. He asked about what factors allowed the company to achieve cost reductions.

Mr. Rusch replied there should be an arrangement that was suitable for both parties.

Mr. Jepsen elaborated that they had tried to find ways to reduce costs.

Representative Ortiz asked if there was a way of estimating how much of the reduction was driven by labor reductions.

Mr. Rusch answered that he did not have an answer for that.

[7:17:37 PM](#)

DAN SECKERS, TAX COUNSEL, EXXONMOBIL, read from a prepared statement. The must provide confidence that the underlying rules would not be changed. The company supported testimony

by Ms. Moriarty. He point to two of the state's major problems: reducing the deficit and increasing the economy. The company opposed the bill; it was bad for Alaska's struggling economy. The bill would make the state less competitive. He remarked that with the federal government's reopening of Alaska National Wildlife Refuge (ANWR) there had been a growing interest in the state; however, the bill would diminish the interest. Constant changes or threats of changes were discouraging to investment. He stated it was a significant tax increase. He spoke to the need for a stable fiscal policy. The production increase had let to an improved economy. Changing the tax structure again would not help Alaskans weather the economic downturn.

[7:23:00 PM](#)

Mr. Seckers continued to speak in opposition to the bill. He spoke about the cost of development, total government take, infrastructure needs, and other. Alaska was less competitive than other states and regimes in each of the areas. The bill would increase taxes, and would not lead to more investment or production. The legislature's tax consultants had stated over the years that changes should be carefully considered. He spoke about the bicameral bipartisan working group with the purpose to examine the state's tax structure. He wondered why the working group had not been consulted. He stated that the company believed the bill would reduce Alaska's overall competitiveness and would force companies to reexamine their investments. He spoke to the need for Alaska to remain competitive. The current tax structure was working as intended and if it remained it would continue to encourage more industry investment. He announced that the bill would be a major step in the wrong direction. He opposed the passage of the bill.

[7:27:39 PM](#)

Representative Wilson noted Mr. Seckers had spoken about the working group more than other testifiers. She wondered whether a necessary bill would have come from the working group.

Mr. Seckers answered in the affirmative; it was the company's understanding of the reason the working group had been established. He stated that all of the committee's questions were all good questions and underscored the need

for a thorough vetting with consultants. The working group was intended to provide the sound board.

Representative Wilson asked when the company was made aware of the bill.

Mr. Seckers answered the prior Friday.

Representative Wilson wondered if the company would have been willing to provide feedback on the bill if it had received it earlier.

Mr. Seckers answered it depended on various circumstances.

Representative Wilson asked if the company would have representation at working group meetings.

Mr. Seckers answered in the affirmative if meetings were public.

[7:30:36 PM](#)

Vice-Chair Gara thanked Mr. Seckers for his testimony. He remarked it was effectively the same bill the legislature had three weeks of testimony on the previous legislative session. He spoke to testimony from the prior year and differences in the bills. He understood the company's perspective but repeated that the bill was essentially the same with the exception of the smoother progressivity feature.

Mr. Seckers replied that he understood the point. However, the climate had changed, and the provision was not in the bill the previous year. The company paid taxes under a different regime, and there was significant complexity. The bill from the previous year had not passed and he thought there must be a reason.

Vice-Chair Gara did not believe there would ever be history that they would have the same view. The oil industry had changed his mind about a gross tax. He thought a modest profit tax when making money made sense.

Representative Wilson asked when a part of HB 111 did not pass if the company had made investment decisions because of that.

Mr. Seckers answered that he believe it negatively risk weighted.

Representative Wilson asked how much ExxonMobil had invested in Alaska.

Mr. Seckers answered it was well into the upper billions of dollars. He did not have the number on hand.

[7:36:07 PM](#)

Representative Guttenberg felt that the working group was dysfunctional. He did not believe that the legislature needed to wait for the working group recommendation. He stressed that there was already a comprehensive understanding of the problem. He felt that the legislature could still act accordingly without the working group.

Mr. Seckers replied that there had been very little modeling for the bill and it was the 86th legislative day. Parts of the bill had been vetted and disposed of the previous session. He did not know why the legislative working group had not met. To fast track a bill for the sake of fast tracking a bill was very concerning.

Representative Guttenberg understood that the company was constantly looking at the environment in Alaska. He stated it was possible to look at PowerPoint presentations all day, but stressed the need to have a dialogue to bounce something off of was a piece of legislation. He thought it was the legislature's role to constantly be looking at the changing structure.

Mr. Seckers did not take exception to the comments. He added that HB 411 would be a major tax increase - doubling and tripling taxes. He stated that a bill of that magnitude without more consideration about what it would do to jobs and other was not positive. He wondered how the legislature understood what it would do to the state's economy without a more thorough analysis. He thought the time line was too fast and problematic.

[7:42:13 PM](#)

Representative Ortiz asked for Exxon's profits in 2017.

Mr. Seckers answered that he could not provide that information. The company provided the information to DOR, but it was proprietary.

Representative Ortiz asked if he could not find the information anywhere.

Mr. Seckers answered that he believed it could probably be extrapolated, but it was not public information.

Representative Ortiz stated the industry's responsibility was to drive the company's best interest and to protect the competitive business environment in the state. The legislature's job was to come up with the best fiscal solution. The legislature had not made progress in establishing a fiscal plan, and the state was running out of time.

Mr. Seckers answered that he could not address why the legislature had been unable to come up with a broad-based plan. He stated it was up to the legislature. He stated that Alaskan citizens would all like to know why a fiscal plan had not been developed.

[7:47:33 PM](#)

Representative Pruitt stated that Mr. Seckers had highlighted something that was not really recognized - there was an effective date that would occur in a few months. He noted that the companies had already made their budget plans for the year. He asked if a knee jerk reaction - vis a vie the passage of the bill would mean the industry would also have a knee jerk reaction regarding investment.

Mr. Seckers answered it would be necessary to put a new system in place, and when the state had adopted mid-year tax regimes it had been an audit nightmare in the past.

Representative Pruitt asked for his thoughts on the issue. He asked how to respond to that.

Mr. Seckers responded that the company had always maintained that Alaska had a lot of potential. He stressed that ExxonMobil was always looking for potential investments.

[7:52:09 PM](#)

Co-Chair Seaton indicated that the suggestion for July would be a large plus to have the tax changes effective in January 1 versus in July. He asked if he agreed with Mr. Ruggiero's analysis that instead of the flat 25 percent proposal - profits tax rate - then it was converted to a 35 percent with a sliding scale.

Mr. Secker responded that that even if the effective date was changed to January 1 ExxonMobil would not support the bill.

Representative Grenn queried the effect of the instability of the credits.

Mr. Secker responded that Exxon had never received cash credits. However, from his perspective, it had left a chilling effect on the industry members that it affected. It sent a chilling reflection to industry and on the state. It has caused some negative impact to the state on its view of Alaska being competitive.

[7:57:03 PM](#)

DOUG CHAPADOS, PRESIDENT AND CEO, PETRO STAR INC. (via teleconference), read from a prepared statement:

For those who may not be familiar with our company, Petro Star is engaged in petroleum refining at its Valdez and North Pole refineries. Additionally, through terminals and distribution centers located in Fairbanks, Anchorage, Valdez, Kodiak, and Unalaska, Petro Star also provides fuel and services to a wide range of Alaska consumers, including home and business owners, fishing fleets, electrical utilities, commercial airlines, and Alaska's military and coast guard installations.

Being a wholly owned subsidiary of Arctic Slope Regional Corporation, Petro Star is Alaska's only locally owned refiner and, with the closure of the Flint Hills Resources Refinery in 2014, the last operator of refineries that draw crude oil directly from the Trans-Alaska Pipeline System, or TAPS as it is more commonly known.

Given its reliance on TAPS for crude oil supply, Petro Star and our parent company ASRC are opposed to yet another attempt to change Alaska's existing oil and gas tax policies. It is especially troubling that this latest effort comes despite two consecutive years of increased North Slope production and TAPS throughput, which strongly suggests that the existing tax regime is working as intended.

After many years of steady decline, increased TAPS throughput is something of a new concept for Petro Star, but it is one we are happy to embrace. Just two years ago, Petro Star was engaged in negotiations with the Department of Natural Resources and Division of Oil and Gas for the purchase of State Royalty in Kind (RIK) crude oil. Entering these negotiations, Petro Star was seeking to secure a long term supply of 30,000 bbls/day of RIK crude oil. However, it soon became evident that DNR would be unable to meet Petro Star's volume request. In fact, North Slope production forecasts at the time predicted continued steep, year-over-year declines, thus limiting DNR's ability to supply RIK oil in the quantities Petro Star needed.

Ultimately, Petro Star signed two RIK crude oil contracts - together, these cover a five-year period and feature a sharp ramp down in sales volume, starting at 23,500 bbls/day of supply in Year 1 and steadily falling to just 10,500 bbls/day in Year 5. This real world example helps to illustrate how far Alaska has come in just two years' time in terms of oil production and I believe that were we negotiating contracts today, far more RIK oil would be made available to Petro Star's needs.

ANS crude oil is Petro Star's lifeblood and the potential for future declines in North Slope production is not a scenario we care to contemplate. However, legislation like HB411 has the very real potential to reverse recent production gains and comes at a time when the industry appears poised to ship even more oil on TAPS in the coming years. This renewed vitality is one of many reasons why ASRC elected to reinvest capital in Petro Star's operations - most notably, Petro Star acquired a fuel terminal within the Port of Anchorage last year and recently

completed expansion of its North Pole Refinery, restoring both asphalt oil production to Interior Alaska and a local source of low-cost fuel to Golden Valley Electric Association's power generation facilities.

Investments such as these are far less likely in the event Petro Star cannot be assured of an adequate long term supply of crude oil. HB411 creates additional uncertainty and threatens potential TAPS throughput growth and sustainability and for these reasons, both Petro Star and ASRC oppose its passage.

[8:01:51 PM](#)

Representative Wilson appreciated all of the investment that had been made. She remarked that Petro Star saved her area from Flint Hills.

Mr. Chapados responded that company was the sole supplier for Ellison AFB. The company hoped to be around to meet that new demand.

Representative Wilson asked if he thought the company would have invested had the bill been in place prior to the laying of asphalt.

Mr. Chapados could not speak emphatically about what the company would have done.

Representative Wilson remembered sitting in the committee room while there was an attempt to keep Petro Star in business.

Mr. Chapados thought it was representative of the commitment of Petro Star.

Co-Chair Foster requested that Mr. Chapados send his written testimony to the committee.

Representative Thompson asked if Petro Star was still owed tax credits.

Mr. Chapados relayed that the company had only received a small amount that was owed by the state.

[8:05:56 PM](#)

Representative Grenn asked if the company had been paid in the prior year.

Mr. Chapados responded that only a small amount had been paid.

Representative Grenn wondered whether the nonpayment of credits had an impact on future investment.

Mr. Chapados replied that it made it difficult to attract investors.

Representative Thompson thanked Petro Star for laying the asphalt and making that investment. He commented that the company was saving the state millions but.

8:08:45 PM

KATE BLAIR, ANDEAVOR (via teleconference), read from a prepared statement:

For the record, my name is Kate Blair and I am the Government and Public Affairs Manager for Andeavor, formerly known as Tesoro Corporation.

Andeavor operates ten refineries across the western United States, have an extensive logistics portfolio, a record of solid performance, and a solid platform for growth for years to come. Although we are a growing company, Andeavor has a proud Alaska legacy, with our first refinery located in Nikiski. We employ approximately 270 family wage jobs in Nikiski, Anchorage, and Fairbanks and have greater than 97 percent Alaska hire rates.

To understand why we are testifying tonight, it's helpful to understand our operations in the state. In addition to our refinery, Andeavor's Alaska assets include marine assets that bring North Slope crude from TAPS to our Nikiski refinery, and a 69-mile common-carrier pipeline from Nikiski to the Ted Stevens International Airport and to our two terminals at the Port of Alaska, where refined products such as jet fuel, ultra-low sulfur diesel, and gasoline, are stored and transported to our terminals in Fairbanks and throughout the state. We rely on consistent in-

state production to manufacture the jet fuel that flies cargo jets out of the Ted Stevens International Airport, heat homes in the Interior, and to fuel the cars of Alaskans from Homer to Tok and everywhere in between.

We refine every drop of oil that comes out of the Cook Inlet basin, and we purchase North Slope crude straight from TAPS. In fact, we purchase approximately one-third of TAPS throughput, 160,000-170,000 barrels of North Slope crude per day, shipping it from Valdez for refining in Nikiski or to our refineries along the west coast. In 2016, we signed a royalty oil contract with the State that allows us to purchase 20,000- 25,000 barrels per day of the State's royalty share of oil, with a benefit to Alaska of \$45-56 million.

The increased investment and production since the passage of the Cook Inlet Recovery Act and the More Alaska Production Act (SB 21) have resulted in a stable, local supply for most of our crude. Declining production in either region would result in our Kenai refinery importing more crude to meet the demands of the market. Every barrel of oil that we buy in state is a barrel that we don't need to import to supply the state's needs. Importing a majority of our crude supply could make local refining a less economical option than shipping in refined products from other areas of the West Coast.

As you assess another significant production tax change, we ask that you consider how the modifications will affect production, and in turn, in state manufacturing. If your goal is to have gasoline and jet fuel refined in-state, then your focus should be in continuing to mitigate production decline. We urge to maintain policies that support Alaska crude being refined by Alaskans for use in Alaska. The current policy supports long-term in-state refining. We are proud to partner with the people of Alaska as the providers of reliable transportation fuel, and hope to continue to do so for years to come.

Thank you for the opportunity to speak this evening, and I would be happy to answer any questions either now or after the hearing.

Representative Wilson asked which part of the company would be affected by HB 411.

Ms. Blair responded that it would be the refinery portion.

[8:13:47 PM](#)

DAMIEN BILBAO, BP, ANCHORAGE (via teleconference), discussed the presentation, "BP Testimony - House Bill 411" (copy on file).

[8:18:05 PM](#)

LEWIS WESTWICK, VICE PRESIDENT OF FINANCE, BP ALASKA (via teleconference), looked at slide 2, "How would BN 411 impact BP Alaska?"

- HB 411 \$200 million impact to BP Alaska
- Equivalent to 2 rigs at Prudhoe Bay and 1 new North Slope pad

Mr. Westwick addressed slide 3, "BP Alaska profit 2017":

- BP Alaska Profit in 2017 \$118 million
- Reported Profit (annual report) excludes one off items and Pipeline/Shipping costs
- BP Alaska total payments in 2017 to State of \$543 million

[8:22:16 PM](#)

Vice-Chair Gara noted that there was a mention that there had been a 6 percent decline on the North Slope, but the projections at the time was that there would be a leveling out regardless of what there was a change to the tax law to 2 percent. He felt that, since then, almost every field that came online was invested prior to the tax change.

Representative Grenn asked about slide 2 and the impact and the cost of the new pad. The estimated cost was \$120 million.

Mr. Westwick reported that typically a pad on the North Slope cost \$250 million depending on gravel requirements.

Representative Grenn asked about the number of jobs that would be impacted.

Mr. Westwick responded that he did not have the figure, but it would be thousands of jobs.

[8:26:57 PM](#)

Representative Wilson thanked the testifiers. She asked about how SB 21 had affected investment in Alaska.

Mr. Westwick responded that in the prior year BP invested \$1.5 billion in Alaska. He noted that, looking forward, the predictability of any production tax impacted the view on the competitiveness of future investments.

Representative Wilson looked at page 2, and noted that they would fit into the plan as long as the tax structure remained the same.

Mr. Westwick replied that the graphic was meant to represent the magnitude of the change in HB 411. He stated that the impact of the bill to BP was estimated to be \$200 million, which equated to the current spending in drilling in Prudhoe Bay. He stressed that others had testified regarding the instability and its impact on investment decisions.

Mr. Bilbao furthered that SB 21, as a whole, was fundamentally transformational to investment on the North Slope across the value chain.

[8:31:22 PM](#)

Representative Wilson wondered whether there was a direct impact on the decrease in TAPS.

Mr. Bilbao replied that there was a direct attribution to TAPS and the exploration, which influenced confidence in the industry.

Representative Wilson thanked him for all of BP's investment in Alaska.

Representative Pruitt asked why Janet Wise shaved her head.

Mr. Bilbao explained that she shaved her head because of flat production.

Representative Pruitt thought to get flat production in a mature field, spending of additional capital was required. He commented that additional capital had to be expended. He asked for the amount of investment and whether the company would have invested had HB 411 had passed.

Mr. Bilbao responded that investment was required, and activity was important. He stated that BP moved forward with new projects. He asserted that BP must reexamine whether the activity levels were adequate, should HB 411 be in place. He stated that BP could be efficient and use new technology. He stressed that the state controlled the policy.

[8:35:21 PM](#)

Representative Guttenberg pointed out that the nonresident workforce was approximately 37.1 percent, and was expected to increase the following year. He thanked BP for donating to the completion of the engineering building at the University of Alaska Fairbanks (UAF). He stressed that there were many Alaska residents who were looking for employment. He asserted that the nonresidents were losing their jobs at a lower rate than the residents.

Mr. Bilbao replied that it was BP's preference to hire and source locally when available. He stated that BP had tremendous success hiring out of UAF.

Vice-Chair Gara recognized that the industry did not want to contribute more than the current rate. He remarked that he was confused, because the industry did not want HB 411 as part of the fiscal plan.

Co-Chair Foster requested that all testimony be supplied to the committee. He also reported that Caelus would be submitting testimony in written form.

Representative Wilson asked if Cook Inlet was included in the bill.

Co-Chair Seaton responded that there was a \$1 per barrel tax.

Representative Wilson asked if something would be supplied in writing from the other 2 consultants.

Co-Chair Seaton responded that the other two sets were not utilized.

[8:40:58 PM](#)

Representative Wilson asked if the legislature had a retainer on the other two consultants.

Co-Chair Seaton responded that there was a contract which was not being exercised monthly.

HB 411 was HEARD and HELD in committee for further consideration.

[8:41:28 PM](#)

AT EASE

[8:44:05 PM](#)

RECONVENED

#hb339

HOUSE BILL NO. 339

"An Act relating to the base student allocation; and providing for an effective date."

[8:44:42 PM](#)

Co-Chair Foster asked if Vice-Chair Gara had any further comments.

REPRESENTATIVE LES GARA, SPONSOR, did not have any further comments.

Co-Chair Seaton reviewed the fiscal notes.

Co-Chair Seaton MOVED to REPORT HB 339 out of committee with individual recommendations and the accompanying fiscal notes.

There being NO OBJECTION, it was so ordered.

HB 339 was REPORTED out of committee with a "do pass" recommendation and with three previously published fiscal

notes; one zero impact note: FN1 (EED); and two fiscal impact notes: FN2 (EED) and FN3 (EED - Fund Cap).

Co-Chair Foster reviewed the schedule for the following day.

#

ADJOURNMENT

8:48:18 PM

The meeting was adjourned at 8:48 p.m.