

SB

138

(FILE 5)

<TARGET><BILL>SB 138</BILL><SUBJECT>SB 138 (FILE
5)</SUBJECT><COMM>HRES28</COMM></TARGET>



Introduction to Senate Bill 138 relating to the Commercial Production of North Slope Natural Gas

The recent alignment by parties around a path forward on a large-scale LNG project, and the Alaska Gasline Development Corporation's ("AGDC") preparation for an open season in 2015 for an in-state pipeline, creates an opportunity for a coordinated and collaborative effort.

With parties working together on Alaska's terms, and in Alaskans' interests, the bill relating to the Commercial Production of North Slope Natural Gas will advance a natural gas project that would provide natural gas for Alaskans and markets beyond.

The bill advances a natural gas project to provide gas to Alaskans and markets beyond in a number of important ways.

1. The bill would establish an AGDC subsidiary to pursue state equity interests in a large-diameter natural gas pipeline project and associated facilities.

Commercialization of North Slope natural gas should occur with both in-state needs and export potential in mind. Therefore, the bill would create a subsidiary under the AGDC, utilizing a fund exclusively for a large-diameter natural gas pipeline project, to pursue holding state equity interests in a large-diameter natural gas pipeline project that could include treatment and liquefaction facilities. The bill contemplates a separate, but cooperative effort between AGDC's pursuit of ASAP and the newly created subsidiary's pursuit of the AKLNG project that does not impede the mission of the AGDC to continue to advance the Alaska Stand Alone Pipeline (ASAP) in-state natural gas pipeline project.

2. The bill authorizes the Department of Natural Resources (DNR) to participate in negotiations of contracts and the development of terms for project services and other contracts for the development and implementation of a North Slope natural gas project.

The bill would provide authority for the Commissioner of Natural Resources to enter into short-term commercial agreements to advance the project through the development and implementation phases. In addition, it would allow the Commissioner to negotiate terms, subject to legislative approval, for state equity interests in a natural gas project, project services related to a natural gas project, and other contracts for the development and implementation of a North Slope natural gas project. To facilitate

negotiations and continuing development activities, confidentiality of information would be maintained. Any contract to be presented to the Legislature for authorization would not be confidential.

3. The bill would authorize DNR to modify certain lease terms on properties that provide gas to any North Slope natural gas project.

Current state oil and gas leases contain terms - such as those that allow the state to switch between taking royalty oil and gas in-kind or in-value - that may hinder the ability of lessees to enter in to long-term contracts for sales of natural gas produced on the North Slope. Under the bill, if a natural gas project sponsor has demonstrated sufficient project commitments, the Commissioner may modify existing leases that commit gas to a natural gas project, with the concurrence of the lessees. Gas committed from these leases, whether through royalty or the production tax, would be subject to the current standards for sale, exchange, or disposal of gas taken in-kind by the state as its royalty share. In addition, and with the concurrence of lessees, the commissioner may also modify existing royalty and net profit share provisions to achieve consistency among leases.

4. The bill would make changes to Alaska's Oil and Gas production tax that will advance the project.

The current tax structure, which imposes a net tax on the annual production tax value of oil and gas, is retained until 2022. The bill introduces a new gross tax levy on gas produced after 2021.

For gas produced after 2021, the tax levy on gas would be 10.5 percent of annual gross value at the point of production. The oil tax levy would remain at 35 percent of net annual production tax value. Most importantly, for leases that have been modified as described above, the bill would allow producers to pay, for gas from modified leases only, production tax on that gas with gas instead of with money, equal to 10.5 percent of the taxable gas production from the modified leases. The name of a producer and the volumes of gas subject to the election to pay tax as gas would be public information.

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Governor Sean Parnell
STATE OF ALASKA

January 23, 2014

The Honorable Charlie Huggins
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Huggins,

Alaska has significant gas resources on the North Slope. Current known reserves are nearly 35 trillion cubic feet (TCF), and US Geological Survey estimates of technically recoverable conventional gas resources are more than 240 TCF. Bringing this gas to market has been the focus of many efforts over the last 30 years, but to be successful, requires a coordinated and collaborative effort of many parties.

The recent alignment by parties around a path forward on a large-scale LNG project, and the Alaska Gasline Development Corporation's (AGDC) preparation for an open season in 2015 for an in-state pipeline, create an opportunity for that coordinated and collaborative effort. With parties working together on Alaska's terms, and in Alaskans' interests, it is time to move forward with legislation to advance a natural gas project that would provide natural gas for Alaskans and markets beyond. Therefore, under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill designed to achieve the long-sought State goal of commercial production of North Slope natural gas for the benefit of all Alaskans.

The bill will expand the purposes of AGDC to allow it, through a separate subsidiary, to advance a large-diameter natural gas pipeline project by carrying the State's equity interest in the project's infrastructure, including treatment and liquefaction facilities. The bill would also authorize the Commissioner of Natural Resources to negotiate modifications of existing oil and gas leases to better manage Alaska's interests in its North Slope natural gas resources. Finally, the bill would amend the levy of tax on gas under Alaska's oil and gas production tax, providing the clarity of terms any North Slope natural gas project needs to proceed.

First, commercialization of North Slope natural gas should occur with both in-state needs and export potential in mind. Therefore, the bill would provide authority to pursue an equity position in a large-diameter natural gas pipeline project that could include treatment and liquefaction facilities, but would not impede the mission of AGDC to continue to advance the Alaska Stand Alone Pipeline (ASAP) in-state gasline project.

As to the provisions of the bill relating to the Department of Natural Resources, the bill would provide the needed authority for the Commissioner of Natural Resources to enter into short-term commercial agreements related to the North Slope natural gas project. In addition, the bill would allow the Commissioner of the Department of Natural Resources to negotiate terms, subject to legislative approval, for project services related to a natural gas project. To facilitate negotiations and continuing development activities, confidentiality of information would be maintained, but any contract to be presented to the Legislature for authorization would not be confidential.

Current State oil and gas leases contain terms – such as provisions that allow the State to switch between taking royalty oil and gas in-kind or in-value – which may hinder the ability of lessees to enter into long-term contracts for sales of natural gas produced on the North Slope. The bill would allow the Commissioner of Natural Resources to modify certain lease terms on property that commits gas to a natural gas project in order to facilitate commercialization. After a natural gas project sponsor has demonstrated sufficient project commitments, the Commissioner may modify existing leases that commit gas to a natural gas project, with the concurrence of the lessees. Gas committed from these leases, whether through royalty or the production tax, would be subject to the current standards for sale, exchange, or disposal of gas taken in-kind by the State as its royalty share.

Other provisions of the bill relate to the oil and gas production tax, specifically to the tax levy on gas. The current tax structure, which imposes a net tax on the annual production tax value of oil and gas, is retained until 2022 when the tax limitations expire for Cook Inlet oil and gas produced anywhere in the state but used in-state. The bill proposes changes to the tax system to facilitate natural gas development and provide gas for in-state sale and export. For gas produced after 2021, the tax levy on gas would be 10.5 percent of annual gross value at the point of production. The oil tax levy would remain at 35 percent of net annual production tax value. Most importantly, for leases that have been modified as described above, the bill would allow a producer to pay, for gas from modified leases only, its production tax with gas instead of with money equal to 10.5 percent of the taxable gas production from the modified leases. The Commissioner of Revenue will continue to direct revenue received from the sale of gas to the General Fund.

In order to pay the production tax in-kind, the producer must make an irrevocable election under regulations adopted by the Department of Revenue. Disputes over any tax deficiency, and interest or penalties on a deficiency, would be accounted for as if the tax was levied in money. Furthermore, gas flared, released, or allowed to escape upstream of the point of production, or gas used on a lease or property would not be subject to an in-kind election.

The bill would make changes to provisions in current law to facilitate the new gross tax levy on gas. The name of a producer and the volumes of gas subject to the election to pay tax as gas would be public information. The alternate minimum tax on North Slope oil and gas would apply only to oil after 2021. The bill accounts for how producers make estimated monthly installment payments of tax due after 2021 and clarifies that credits may be taken only against the tax levy in money, not against the levy in-kind.

Development of natural gas projects of this scope is a new chapter in State resource development that will be enhanced by the State's equity participation in either project. Given the momentum on

The Honorable Charlie Huggins
January 23, 2014
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developing North Slope gas, we must act now to assure that our laws provide the appropriate agencies with authorities and tools to allow the State to advance projects on Alaska's terms and in Alaskans interests.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in black ink that reads "Sean Parnell". The signature is written in a cursive style with a large, stylized "S" at the beginning.

Sean Parnell
Governor

Enclosure

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 138(FIN)
Fiscal Note Number: 15
(S) Publish Date: 3/17/14

Identifier: SB138CS(FIN)-DCCED-AEA-03-17-14
Title: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: SFIN

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Energy Authority
Allocation: Statewide Project Development, Alternative
Energy and Efficiency
OMB Component Number: 2888

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 1,375.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **No**
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Differs from original AEA fiscal note written to CSSB Fin version Y. This note makes minor changes to remove section-specific references since those references have changed and will continue to change as the bill proceeds through the legislative process. This note also clarifies that the capital appropriation referenced above will be from the general fund.

Prepared By:	Sara Fisher-Goad, Executive Director	Phone:	(907)771-3000
Division:	Alaska Energy Authority	Date:	03/17/2014 10:25 AM
Approved By:	Jeanne Mungle, Director	Date:	03/17/14
Agency:	Administrative Services		

FISCAL NOTE ANALYSIS #15

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 138(FIN)

Analysis

CSSB138(FIN) would require the Alaska Energy Authority (AEA) to plan and make a recommendation to the legislature on infrastructure needed to deliver affordable energy to areas in the state that do not have direct access to a north slope natural gas pipeline. Specifically, the bill requires AEA to do the following:

- a) In consultation with the Alaska Gasline Development Corporation, AIDEA and the Department of Revenue,
 - 1) Develop a plan for developing infrastructure to deliver more affordable energy to areas of the state that are not expected to have direct access to a North Slope natural gas pipeline; identify ownership options, different energy sources, including fossil fuels, hydro projects, tidal, and other alternative energy sources; 2) Describe and recommend the means for generating, delivering, receiving, and storing energy in the most cost-efficient manner; and 3) AEA may consider the development of regional energy systems that can receive and store bulk fuel in quantity and distribute that fuel as needed within the region.
- b) In consultation with the Department of Revenue, AEA shall recommend a plan for funding the design, development, and construction of the required infrastructure, and may identify a source of rent, royalty, income, or tax received by the state that may be appropriated by the legislature to implement the plan.
- c) AEA shall provide the plan and suggested legislation for the design, development, construction, and financing of the required infrastructure to the legislature before January 1, 2017.

AEA expects to contract for the technical expertise required to complete the plan and funding recommendations, and estimates \$1,375.0 in contractual costs funded by a general fund capital appropriation to AEA. This estimate is based on the following:

The ongoing effort of the AEA to collaborate with regional stakeholders in the development of regional energy plans is on track to generate the baseline information requested in SB138. This effort has been driven by previous policy direction, established through legislation and budgetary appropriations, to evaluate and develop local fossil fuels, renewable and alternative energy sources to support regional energy needs. The activity is scheduled to conclude in 2015 using funds in the administration's proposed FY2015 budget. However, the possibility of bulk LNG being available from an Alaska Gasline LNG plant will require reassessment of potentially relevant energy projects, funding approaches and innovations in infrastructure ownership at the local and regional level. Refining the existing analysis is estimated to cost \$150.0. Evaluating opportunities for increased electricity transmission along with more aggressive use of local energy sources for heat compared to LNG delivery is estimated at \$600.0. Costing of LNG logistics and assessment of powerhouse conversions are anticipate to be \$500.0.

CSSB138(FIN) also requires AEA to collaborate with the Dept. of Revenue to evaluate sources of state revenue that could be used to fund development and construction of infrastructure to implement the regional energy plan for geographic areas of the state that will not have direct access to natural gas off a North Slope natural gas pipeline. The work will entail working with consultants to quantify future revenue streams, estimate project costs including possible "stranded infrastructure" and to assess the expected rate of conversion if a new energy source can be delivered. Using existing data available from AHFC's Energy Rebate and Home Weatherization program, as well as other state sources should limit this expense to \$100.0.

CSSB138(FIN) entails the compilation and production of generated materials into a comprehensive report for delivery to the Legislature prior to January 1, 2017. Due to expected size and complexity of the document, \$25.0 is requested.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 138(FIN)
Fiscal Note Number: 10
(S) Publish Date: 3/17/14

Identifier: SB138CS(FIN)-DCCED-AGDC-03-16-14
Title: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: SFIN

Department: Department of Commerce, Community and
Economic Development
Appropriation: Alaska Gasline Development Corporation
Allocation: Alaska LNG Participation
OMB Component Number:

Expenditures/Revenues

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

(Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates				
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services	1,394.0		1,394.0	1,394.0	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	1,394.0	0.0	1,394.0	1,394.0	***	***	***

Fund Source (Operating Only)

1178 temp code	1,394.0		1,394.0	1,394.0			
Total	1,394.0	0.0	1,394.0	1,394.0	***	***	***

Positions

Full-time	6.0		6.0	6.0			
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 66,726.7 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **N**
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

This revised fiscal note reflects the substantial changes made to the original legislation with regard to AGDC. The Corporation's purpose has been significantly broadened to incorporate the State's participation in advancing an Alaska liquefied natural gas project (AKLNG). This increases AGDC's operational costs and requires hiring additional staff dedicated to this initiative. This note outlines the capital costs associated with the State's participation in pre-feed activities beginning in FY14 and running through FY17. These include the funds necessary to take a 25% equity interest in the LNG Facility, to purchase 40% of TransCanada's mid-stream interest, and the funds necessary to meet the terms of the MOU related to TC's development costs should their project involvement not continue through to FEED. This session, AGDC is only requesting the funds necessary to cover FY14 & FY15 expenses. Specific changes are detailed in the analysis section.

Prepared By:	Miles Baker, Director of Governmental Relations & External Affairs	Phone:	(907)330-6360
Division:	Alaska Gasline Development Corporation	Date:	03/16/2014 08:00 PM
Approved By:	Dan Fauske, President	Date:	03/16/14
Agency:	Alaska Gasline Development Corporation		

FISCAL NOTE ANALYSIS #10

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 138(FIN)

Analysis

Activity Growth: This bill expands the purpose of the Alaska Gasline Development Corporation (AGDC) by authorizing it to participate in advancing an Alaska liquefied natural gas project (AKLNG) while continuing to advance the in-state natural gas pipeline project described in AS 31.25.005, commonly known as the Alaska Stand Alone Pipeline (ASAP). In its current form, the bill:

- Gives AGDC the primary responsibility for developing the AKLNG project on the state's behalf, to include developing infrastructure and services related to transportation, liquefaction, marine terminals, marketing and commercial support. Authorizes AGDC to acquire an ownership interest in the AKLNG project, including liquefaction facilities associated with that project.
- Directs AGDC to act in the State's best interest to deliver instate gas, and to provide both economic benefit and revenue to the State; and to assist DOR and DNR in maximizing the value of the State's royalty gas and gas delivered in lieu of taxes.
- Establishes a new Large-Diameter Natural Gas Pipeline Project Fund to fund AGDC's participation in the AKLNG project and restricts the use of those funds to AKLNG related work. Similarly, funds appropriated to the existing In-State Natural Gas Pipeline Fund (1229) would be restricted to work associated with the ASAP project.
- Directs the AGDC Board to hire a Program Manager for the AKLNG Project and to establish separations in operations, personnel and functions as may be necessary to firewall commercially sensitive and confidential information between the ASAP and AKLNG projects.

Allocation: A new allocation – *Alaska LNG Participation* – will be created to track AGDC expenditures related to advancing the AKLNG project.

Positions: AGDC will need to build in-house capacity to manage the Corporation's participation in this large-scale, multi-year initiative. It will be necessary to attract seasoned professionals capable of managing the negotiations, contacts and investments associated with this complex commercial partnership. To augment AGDC's existing management team a VP level position will be added to integrate the internal operations and processes across both project initiatives. Specific to the AKLNG initiative, in addition to the Program Manager mandated in this legislation, the team would include a Contract Compliance Officer, Senior Accountant and two Administrative Assistants for a total of 6 new fulltime positions:

- 1 – VP, \$410.0 annual burdened salary (\$250.0 + benefits)
- 1 – Program Manager, \$410.0 annual burdened salary (\$250.0 + benefits)
- 1 – Contract Compliance Officer, \$196.8 annual burdened salary (\$120.0 + benefits)
- 1 – Senior Accountant, \$164.0 annual burdened salary (\$100.0 + benefits)
- 2 – Administrative Assistant, each at \$106.6 annual burdened salary (\$65.0 + benefits)

Personal Services: The annual salary and benefit costs for the positions outlined above are estimated at \$1,394.0 for each of the next 3 fiscal years FY15-FY17. To maintain the momentum of current AKLNG negotiations, this legislation has an immediate effective date. It is anticipated that AGDC will begin recruiting staff immediately upon this legislation becoming law. Consequently, in addition to \$1,394.0 for FY15, an appropriation of \$232.3 is also being requested for FY14. Total Personal Services costs required to manage the Corporation's AKLNG participation through FY17 will total \$4,414.4.

Other Project Related Expenditures: As required by AS 31.25.140, and to track the new positions associated with participation in the AKLNG project, AGDC's Personal Service costs have been detailed above. However, AGDC will incur a number of other costs related to the Corporation's participation in the first 3 years of AKLNG activities. AGDC intends to fund these expenditures by drawing as necessary from the new Large-Diameter Natural Gas Pipeline Project Fund. The cost estimates through FY17 are summarized by category on the following page.

FISCAL NOTE ANALYSIS #10

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 138(FIN)

Analysis Continued

\$15,108.5 - Contractual Services: It's anticipated that 50+ commercial agreements will need to be executed over the next 18-36 months. AGDC will necessarily have to contract for subject matter expertise and outside counsel to support the AKLNG team's efforts in deal origination, negotiation and analysis. Focus areas include contract negotiations, midstream and liquefaction facility engineering analysis, interface engineering, commercial analysis, gas marketing and investment financing.

\$ 2,470.0 – Travel: Extensive and frequent travel expenses will be incurred by senior corporate staff, AKLNG Program Manager, commercial, marketing, engineering and legal teams.

\$ 988.2 – Lease: Additional office space will be necessary to accommodate new employees and contractor work areas.

\$ 582.6 – AGDC Board: Increased responsibilities and authority for the AGDC board will generate additional costs associated with travel, meetings and other related expenses.

\$ 230.0 – Capital Outlay: Communications equipment, IT and furnishings for expanded staff.

Capital Investment & Participation Expenditures: The capital investment and participation expenditures associated with the State's AKLNG pre-feed activities are estimated at \$170,224.4 and are detailed by category below. These activities would begin immediately upon enactment of this legislation and funds will begin to be drawn before the end of FY14. As with the other costs associated with this legislation, AGDC would pay for its share of these expenses by drawing funds out of the new Large-Diameter Natural Gas Pipeline Project Fund. The State's financial participation in the AKLNG project can be grouped into three major categories 1) State's equity participation, 2) State's 40% option on TransCanada mid-stream and 3) State's guarantee of TransCanada's development costs.

\$ 57,850.0 - State's Equity Participation: At 25% equity participation, AGDC's share of pre-feed LNG Facility technical costs are estimated at \$42.5 million. It's anticipated that an additional \$2.0 million will be required to cover AGDC's share of non-technical project costs that will also be allocated to each AKLNG partner. These estimates are based on the information available at this time, consequently a 30% contingency of \$13.35 million has been added.

	Total	AGDC %	ADGC \$
LNG Facility Cost	\$ 170,000.0	25%	\$ 42,500.0
LNG Non-Technical Share			\$ 2,000.0
	Subtotal		\$ 44,500.0
30% Contingency		30%	\$ 13,350.0
	Total		\$ 57,850.0

\$ 42,250.0 - State's 40% Option on TC Mid-stream: AGDC's cost to exercise the state's option to buy-out 40% of TransCanada's mid-stream interests is estimated at \$26.5 million. If exercised, TransCanada will be entitled to be reimbursed for all of its non-technical costs previously attributed to that 40%. Those are estimated at \$6.0 million. These estimates are based on the information available at this time, consequently a 30% contingency of \$9.8 million has been added. This option is not likely to be exercised before FY16 and is therefore not included in this year's appropriation request.

	Total	AGDC %	ADGC \$
40% of TC Midstream (=10% Total Project Share)	\$ 265,000.0	10%	\$ 26,500.0
TC's Cost Reimbursement			\$ 6,000.0
	Subtotal		\$ 32,500.0
30% Contingency		30%	\$ 9,750.0
	Total		\$ 42,250.0

FISCAL NOTE ANALYSIS #10

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 138(FIN)

Analysis Continued

\$ 70,124.4 –Guarantee of TransCanada's Development Costs: If TransCanada doesn't progress to the FEED stage of the project for any reason other than their own voluntary withdrawal, the MOU between the State and TC requires the State to reimburse TC for the AKLNG project costs incurred since 1/01/2014, to include the pre-feed costs on their portion of the mid-stream, any non-technical cost allocations they've paid, plus a 7.1% return on that investment (AFUDC - *Allowance For Funds Used During Construction*). These costs are estimated below based on the best information available at this time, consequently a 30% contingency has been added. If required, these reimbursements and return guarantees are not anticipated to occur before FY16 and are therefore not included in this year's appropriation request.

	Total	TC%	AGDC \$
TC Midstream Share	\$ 265,000.0	15.0%	\$ 39,750.0
TC Non-Tech & Other Development Costs			\$ 9,000.0
	Total Invested		\$ 48,750.0
30% Contingency		30.0%	\$ 14,625.0
	Subtotal		\$ 63,375.0
7.1% AGUDC		7.1%	\$ 6,749.4
	Total		\$ 70,124.4

AKLNG Expenditure Summary: It is anticipated that AGDC will need a total of \$194,018.1 to cover it's AKLNG related expenditures through FY17. The timing of those expenditures is summarized in the table below:

AGDC AKLNG Pre-Feed Expenditures					
	FY14 Supp	FY15	FY16	FY17	Total
Personal Services	\$ 232.3	\$ 1,394.0	\$ 1,394.0	\$ 1,394.0	\$ 4,414.4
Other Project Expenses					
<i>Contractual Services</i>	\$ 795.2	\$ 4,771.1	\$ 4,771.1	\$ 4,771.1	\$ 15,108.5
<i>Travel</i>	\$ 130.0	\$ 780.0	\$ 780.0	\$ 780.0	\$ 2,470.0
<i>Lease</i>	\$ -	\$ 329.4	\$ 329.4	\$ 329.4	\$ 988.2
<i>AGDC Board</i>	\$ 30.7	\$ 184.0	\$ 184.0	\$ 184.0	\$ 582.6
<i>Capital Outlay</i>	\$ -	\$ 230.0	\$ -	\$ -	\$ 230.0
State Equity Participation	\$ 10,000.0	\$ 47,850.0	\$ -	\$ -	\$ 57,850.0
State 40% Option on TC	\$ -	\$ -	\$ 42,250.0	\$ -	\$ 42,250.0
State's Guarantee of TC	\$ -	\$ -	\$ 70,124.4	\$ -	\$ 70,124.4
	\$ 11,188.2	\$ 55,538.5	\$ 119,832.9	\$ 7,458.5	\$ 194,018.1

Fund Source: A new fund - *Large-Diameter Natural Gas Pipeline Project Fund* - is created in this legislation to fund expenditures related to the AKLNG project. The fund will need to be capitalized through a separate appropriation at an amount sufficient to cover AGDC's costs as detailed elsewhere in this note. Once appropriated to the fund, the legislation authorizes AGDC to spend money out of the fund for AKLNG related expenditures as they occur, without further appropriation. AGDC intends to institute procedures similar to those currently being used to track ASAP Project expenditures that are funded through the existing In-State Natural Gas Pipeline Fund (1229).

Supplemental Request: Through a separate fiscal note, AGDC is requesting a FY14 supplemental appropriation of \$66,726.7 UGF to initially capitalize the Large Diameter Natural Gas Pipeline Fund. This is the minimum amount necessary to fund the Corporation's FY14 and FY15 AKLNG pre-feed activities. Approximately \$11,188.2 of that will be drawn down in FY14 and \$55,538.5 in FY15. A future appropriation of \$127,291.5 will be required to fund AGDC's continued participation in pre-feed for FY16 and FY17 (\$14,917.0), to exercise the State's 40% mid-stream option (\$42,850.0) and to reimbursement TC's development costs in the event they exit the deal prior to FEED (\$70,124.4).

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 138(FIN)
Fiscal Note Number: 12
(S) Publish Date: 3/17/14

Identifier: SB138CS(FIN)-DNR-NSG-3-16-14
Title: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: SFIN

Department: Department of Natural Resources
Appropriation: Administration & Support Services
Allocation: North Slope Gas Commercialization
OMB Component Number:

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates				
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services	1,769.7		1,769.7	***	***	***	***
Travel	102.0		102.0				
Services	7,090.0		7,090.0				
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	8,961.7	0.0	8,961.7	***	***	***	***

Fund Source (Operating Only)

1004 Gen Fund	8,961.7		8,961.7				
Total	8,961.7	0.0	8,961.7	***	***	***	***

Positions

Full-time	6.0		6.0				
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 03/31/15

Why this fiscal note differs from previous version:

This fiscal note has been updated to reflect the committee substitute adopted by the Senate Finance Committee, which amended the Commissioner's ability to modify royalty rates under certain leases. No changes were made in the committee substitute that would affect the fiscal impact on the Department.

Prepared By: Esther Tempel, Legislative Liaison
Division: Commissioner's Office
Approved By: Joe Balash, Commissioner
Agency: Department of Natural Resources

Phone: (907)465-4730
Date: 03/16/2014 02:00 PM
Date: 03/16/14

FISCAL NOTE ANALYSIS #12

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 138(FIN)

Analysis

This bill establishes the framework for state participation in a large natural gas project by giving the Commissioner of the Department of Natural Resources (DNR) the authority to enter into upstream and downstream commercial agreements related to a North Slope natural gas project. It also gives the DNR Commissioner, in consultation with the Commissioner of Revenue, the authority to manage the project services and disposition and sale of tax-as-gas (TAG) gas from the Department of Revenue (DOR).

With passage of this bill, the DNR Commissioner, in consultation with the DOR commissioner, will enter into contractual agreements related to the state's equity position in the project. DNR's role is to make sure that the state's equity participation complements and facilitates the state's royalty and TAG gas marketing efforts. The contracts, equity arrangements, and gas sales agreements will be subject to legislative approval and will define the state's relationship with the parties and potential gas customers during the life of a North Slope natural gas project. Each contract, arrangement, and agreement will be conditioned on continued progress of a North Slope gas project and will establish how value will be shared among the parties and manage the state's exposure to commercial risks.

Most of these agreements will be negotiated during the 12–18 months following passage of this legislation so that the state and the other parties in the project can be in a position to commit to the Front-End Engineering Design (FEED) phase. This pre-FEED work will provide the state with the information necessary to make the investment decision to enter into FEED. Equity partners will spend more than a billion dollars during FEED.

With the rights and obligations defined in the agreements, DNR will be able to structure its royalty and TAG gas marketing efforts. The marketing organization may include the potential utilization of a marketing subsidiary of AGDC or may leverage the Producers' marketing organizations and expertise, per Article 8.3 of the Heads of Agreement (HOA), resulting in a smaller state organization than might otherwise be required.

The DNR commissioner will need the support, expertise, and involvement of a variety of experts to inform the state's decisions, including:

- When the state takes its royalty and TAG gas, it will become more aligned with the North Slope gas producers than has ever been the case historically. DNR will enter into production offtake agreements and gas balancing agreements. The DNR Commissioner may modify the state's oil and gas lease terms, including modification of the lease royalty rates not less than the value the state would have received before a modification, treatment of lease net profit share provisions, field costs, and the state's rights to take royalty gas in-value.
- The DNR commissioner will enter agreements to define gas treatment costs, transportation tolls/tariffs, and liquefaction services. These agreements will also be designed to manage capacity and arrange for expansion of the project, if needed, and must accommodate changes in equity ownership. DNR will forge contractual arrangements with the producers and other industry parties participating in the project as well as state entities who may be part of the project initially or who may take over ownership later.
- The marketing of the state's gas will depend on the rights and obligations that will be defined in the agreements. As time progresses, DNR must make decisions about how it will supply royalty and TAG gas to the domestic and international markets. Gas supply agreements are likely to be long-term and may include mechanisms to attract additional investment capital into the project. Planning and design of the marketing organization will occur during the pre-FEED phase.

FISCAL NOTE ANALYSIS #12

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 138(FIN)

Analysis Continued

Allocation: DNR will create a separate allocation code for expenditures related to the commercial production of North Slope natural gas for ease of tracking appropriations.

Expenditures: DNR will create in-house capacity to provide the administration with consistent and well-informed advice throughout the initial negotiations and to manage experts as needed through this process. This team will provide consistent support throughout the pre-FEED phase and will be in place to manage the marketing role. Establishing this capacity now and preserving it as the project develops is essential to facilitate the state's effective participation in the project.

The team will be involved in negotiating, crafting agreements, managing expert consultants at each of the project phases, monitoring the agreements as the project progresses and conditions are met or changed, and preserving and protecting confidential information provided by the state's counterparties.

This team will include a lead expert analyst; four subject matter experts specializing in commercial aspects of upstream, gas treatment and pipeline transportation, liquefaction, and international marketing; and a project assistant responsible for contract management, recordkeeping and administrative support, as follows:

- 1 Lead Expert Analyst (exempt)- \$349.8 annual salary and benefits
- 4 Subject Matter Expert Analysts (exempt) - \$323.7 annual salary and benefits each (total of \$1,294.8)
- 1 Project Assistant (range 20) - \$125.1 annual salary and benefits

Total Personal Services: \$1,769.7

It is anticipated that the lead expert analyst and four subject matter expert analysts will need to make trips to Asia to conduct market research and outreach. DNR estimates that each will make quarterly trips at an estimated cost of \$5.1 per trip. **Total Travel Expenses: \$102.0**

Contract services include:

- \$4,000.0 for substantial subject matter expertise to support the DNR commissioner and team including deal origination, deal analysis, market monitoring, infrastructure analysis, commercial contracting, financial and credit analysis, risk control and analysis, and imbalance reconciliation
- Reimbursable Service Agreements to the Department of Law: \$3,000.0 for legal advice from outside counsel on commercial and financial agreements, transactional negotiations and agreements, federal jurisdictional, statutory and regulatory issues and in-house attorney services (\$250.0 per month)
- DOA core service charges, lease space, and office supplies: \$15.0 per position (\$90.0 for 6 positions)

Total Contract Services: \$7,090.0

It is anticipated that the decision to proceed into FEED will take place by the end of FY16. Impacts in FY17 and beyond are indeterminate at this time; however, pre-FEED will help determine the potential costs leading up to the FEED phase.

Revenues: No new revenues from a large gas project would be expected during the timeframe (through FY20) of this fiscal note. Revenues from a North Slope gas project could be realized as soon as FY22.

Regulations: DNR expects it will need to amend its regulations as they pertain to the disposition of royalty oil and gas to include TAG gas.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 138(FIN)
Fiscal Note Number: 13
(S) Publish Date: 3/17/14

Identifier: SB138CS(FIN)-DOR-TAX-03-16-14
Title: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: SFIN

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates				
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015					
Personal Services							
Travel							
Services	750.0						
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	750.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

1004 Gen Fund	750.0						
Total	750.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/15

Why this fiscal note differs from previous version:

Updated for Sen Finance addition of amendment to expand qualifying expenditures for the purpose of the education tax credit against the production tax.

Prepared By:	Michael R. Pawlowski, Deputy Commissioner	Phone:	(907)269-1033
Division:	Revenue	Date:	03/16/2014 07:21 PM
Approved By:	Angela M. Rodell, Commissioner	Date:	03/16/14
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS #13

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 138(FIN)

Analysis

Bill Language:

This bill would help the state to move forward as a partner in a large natural gas project, including liquefaction facilities. It gives the Commissioner of DNR, in consultation with the Commissioner of Revenue, the ability to take custody of gas delivered to the state and manage the disposition and sale of that gas. The main tax provision of the bill would allow gas producers to make an election to pay their production tax liabilities with gas (tax as gas "TAG") instead of with money.

This bill also expands the education tax credit allowed against the oil and gas production tax to include contributions made to vocational education for equipment and for contributions made to a nonprofit regional training center recognized by the Department of Labor and any apprenticeship program in the state that is registered with the U.S. Department of Labor. This bill does not increase or decrease the aggregate amount of total education tax credits allowed against the oil and gas production tax. It merely identifies additional types of contributions that can qualify for the credit. It is possible that taxpayers who have not made qualifying contributions and not claimed an education tax credit in the past, may make contributions to these entities for these purposes. However, it is difficult to determine how this language will affect taxpayer behavior and, therefore, it is difficult to determine if this bill will affect revenue from the oil and gas production tax. This bill does not increase the maximum education tax credit amount which is currently limited to \$5 million per taxpayer.

Currently, there are 8 tax types for which an education tax credit can be claimed. The total amount a taxpayer can claim across all eight tax types is \$5 million. The language in this amendment will only affect the oil and gas production tax. Therefore, contributions made to these new entities can only be claimed as a credit against the oil and gas production tax.

The effect on revenue for this language is indeterminate.

While the bill itself has numerous sections that affect other departments or corporations in the state, the analysis done for this fiscal note is limited to the tax provisions contained in the bill.

Revenues:

The department is unable to determine the amount of revenue that will be created by this bill in the future. Taxable gas production is not expected until after 2024, so no new revenues from a large gas project would be expected during the timeframe (through FY-20) of this fiscal note.

Expenditures:

The department is currently in the process of implementing its new Tax Revenue Management System (TRMS), for which the legislature appropriated approximately \$35 million for during the 2011 session. If this bill passes, we will need to amend the current contract with FAST Enterprises to allow for them to reconfigure TRMS to reflect these tax law changes. DOR estimates that it will incur an additional expense of approximately \$500,000 to reconfigure the system.

Regulations:

The department expects it will need to enter into expanded RSA's with the Department of Law to assist in drafting regulations to help the department implement the new law. DOR estimates that it will incur an additional expense of approximately \$250,000 to retain the necessary resources to assist with a regulations project of this magnitude.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 138(FIN)
Fiscal Note Number: 11
(S) Publish Date: 3/17/14

Identifier: SB138CS(FIN)-DOR-TRS-03-16-14
Title: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: SFIN

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Treasury Division
OMB Component Number: 121

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services					***	***	***	***
Travel								
Services	500.0		150.0					
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	500.0	0.0	150.0		***	***	***	***

Fund Source (Operating Only)

1004 Gen Fund	500.0		150.0				
Total	500.0	0.0	150.0		***	***	***

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Revised note to reflect amendment adding establishment of rural capital energy fund, added in S FIN.

Prepared By:	Pam Leary, Director	Phone:	(907)465-3751
Division:	Treasury	Date:	03/16/2014 06:00 PM
Approved By:	Mike Pawlowki, Deputy Commissioner	Date:	03/16/14
Agency:	Revenue		

FISCAL NOTE ANALYSIS #11

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 138(FIN)

Analysis

This bill would help the state move forward as a partner in a large scale Alaska Liquefied Natural Gas Project. While the bill itself contains numerous sections that affect other departments or corporations in the state, the analysis done for this fiscal note is limited to the provisions impacting the Treasury Division in the Department of Revenue. There are two provisions that would affect the division:

1.) Section 13 of the bill would establish the rural capital energy fund to provide a source from which the legislature may appropriate money to develop infrastructure to deliver energy to areas of the state that are not expected to have or do not have direct access to a North Slope natural gas pipeline. This fiscal note assumes that this fund would be established as one of many funds managed as part of the GeFonsi and therefore, no additional costs are envisioned to manage the fund. The fiscal note does not reflect an indeterminate change in revenues due to the fact that there are no projected royalty revenues before 2024. Current estimates by the Administration's consultants are that 10% of royalty revenues would exceed \$90 million annually over the life of the project.

2.) Section 60 of the bill directs the Commissioner of Revenue to develop a plan for municipalities, regional corporations and residents to participate in the ownership of a North Slope natural gas pipeline. The plan must include recommendations by the Commissioner of Revenue regarding:

- Qualifications as a resident that may invest in the pipeline
- How a municipality, regional corporation or resident may invest in the pipeline
- The entity through which ownership should be acquired
- The notification process to residents acquiring ownership
- Ownership transferability
- If ownership is via the State's interest in the pipeline, how income or dividends will be shared with resident owners
- If ownership is via a publicly traded corporation that has an ownership interest in the pipeline, how those publicly traded corporations will be identified.

In order to develop the above recommendations, the department will require substantial subject matter expertise in order to come up with a plan at the time a contract is submitted to the legislature under the proposed AS 38.05.020(b)(11) as amended by section 14 of this act. The department estimates that these contracted services will cost \$500,000 during FY15 and \$150,000 during FY16.

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 138(FIN)
Fiscal Note Number: 14
(S) Publish Date: 3/17/14

Identifier: SB138CS(FIN)-FUNDCAP- LDNGPF-03-16-14
Title: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: SFIN

Department: Fund Capitalization
Appropriation: Caps Spent as Duplicated Funds
Allocation: Large Diameter Natural Gas Pipeline Fund
OMB Component Number:

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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Estimated SUPPLEMENTAL (FY2014) cost: 66,726.7 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

This revised fiscal note reflects the changes made to the original legislation with regard to State's participation in advancing an Alaska liquefied natural gas project (AKLNG). This fiscal note incorporates the capital costs associated with AGDC's participation in AKLNG pre-feed activities beginning in FY14 and running through FY15. These include AGDC's increased operational costs associated with this initiative and the funds necessary to take a 25% equity interest in the LNG Facility. Costs associated with FY16 and FY17 activities are not being requested at this time. Funding categories and amounts are detailed in the analysis section to follow. AKLNG costs separately identified by either the Dept. of Revenue, the Dept. of Natural Resources or the Alaska Energy Authority are not included in this fund capitalization.

Prepared By:	Miles Baker, Director of Governmental Relations & External Affairs	Phone:	(907)330-6360
Division:	Alaska Gasline Development Corporation	Date:	03/16/2014 08:00 PM
Approved By:	Dan Fauske, President	Date:	03/16/14
Agency:	Alaska Gasline Development Corporation		

FISCAL NOTE ANALYSIS #14

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 138(FIN)

Analysis

The legislation gives AGDC the primary responsibility for developing the AKLNG project on the state's behalf, to include developing infrastructure and services related to transportation, liquefaction, marine terminals, marketing and commercial support. It also authorizes AGDC to acquire an ownership interest in the AKLNG project, including liquefaction facilities associated with the project. To maintain the momentum of current AKLNG negotiations, this legislation has an immediate effective date. AGDC's activities would accelerate immediately upon enactment of this legislation and funds will begin to be drawn before the end of FY14.

The *Large-Diameter Natural Gas Pipeline Project Fund* is created in this legislation to fund expenditures related to the AKLNG project.

AGDC is requesting a FY14 supplemental appropriation of \$66,726.7 UGF to initially capitalize the new Fund. This year's appropriation request will cover FY14 and FY15 costs only and is the minimum amount necessary to fund the Corporation's pre-feed activities through FY15. Approximately \$11,188.2 of this initial funding will be drawn down in FY14 and \$55,538.5 in FY15. Once appropriated to the fund, the legislation authorizes AGDC to spend money out of the fund for AKLNG related expenditures as they occur, without further appropriation. AGDC intends to institute procedures similar to those currently being used to track ASAP Project expenditures that are funded through the existing In-State Natural Gas Pipeline Fund (1229).

In addition to this supplemental appropriation request, a future appropriation of approximately \$127,291.5 will be required to fund AGDC's AKLNG activities through FY17. This funding would cover AGDC's continued participation in pre-feed for FY16 and FY17 (\$14,917.0); the cost of purchasing 40% of TransCanada's (TC) mid-stream interest (\$42,850.0); and should TC's involvement not continue through FEED, the amount necessary (approx. \$70,124.4) to satisfy the State's obligation to reimburse TC for its development costs and provide a 7.1% (AFUDC - *Allowance For Funds Used During Construction*). Because it is unlikely that the State will exercise its equity option before FY16, those funds are not included in this year's request. If required, the State's reimbursements to TC are unlikely to occur before FY16, so they also are not included in this year's appropriation request.

The timing of AGDC's expenditures related to advancing the Alaska liquefied natural gas pipeline project through FY17 are summarized in the table below:

AGDC AKLNG Pre-Feed Expenditures

	FY14 Supp	FY15	FY16	FY17	Total
Personal Services	\$ 232.3	\$ 1,394.0	\$ 1,394.0	\$ 1,394.0	\$ 4,414.4
Other Project Expenses					
<i>Contractual Services</i>	\$ 795.2	\$ 4,771.1	\$ 4,771.1	\$ 4,771.1	\$ 15,108.5
<i>Travel</i>	\$ 130.0	\$ 780.0	\$ 780.0	\$ 780.0	\$ 2,470.0
<i>Lease</i>	\$ -	\$ 329.4	\$ 329.4	\$ 329.4	\$ 988.2
<i>AGDC Board</i>	\$ 30.7	\$ 184.0	\$ 184.0	\$ 184.0	\$ 582.6
<i>Capital Outlay</i>	\$ -	\$ 230.0	\$ -	\$ -	\$ 230.0
State Equity Participation	\$ 10,000.0	\$ 47,850.0	\$ -	\$ -	\$ 57,850.0
State 40% Option on TC	\$ -	\$ -	\$ 42,250.0	\$ -	\$ 42,250.0
State's Guarantee of TC	\$ -	\$ -	\$ 70,124.4	\$ -	\$ 70,124.4
	\$ 11,188.2	\$ 55,538.5	\$ 119,832.9	\$ 7,458.5	\$ 194,018.1



CSSB 138 (FIN) am: Commercial Production of North Slope Gas SECTIONAL ANALYSIS: 28-GS2806\I.A

House Resources Committee – March 19, 2014

Bill sections related to the Alaska Gasline Development Corporation (AS 31.25)

Section 1 amends AS 31.25.005, related to the purpose of the Alaska Gasline Development Corporation (AGDC), to add new subsections (1) - (2) to direct the AGDC to develop and have primary responsibility for developing natural gas pipelines, an Alaska liquefied natural gas project (AK LNG), and other transportation mechanisms to deliver gas in-state for the maximum benefit of the people of the state, and to provide economic benefits and revenue to the state.

New subsection (3) expands the AGDC's purpose to include assisting the commissioners of natural resources and revenue to maximize the value of natural gas royalty and tax values.

New subsection (5) expands the AGDC's purpose to include advancement of an AK LNG project, including infrastructure related to liquefaction and commercial support; fees for services for commercial support provided to the state may not be greater than the cost of the service to the AGDC.

Section 2 conforms AS 31.25.010, the structure of the AGDC related to dissolution, to include reference to the purpose section, AS 31.25.005 (amended in section 1).

Section 3 amends AS 31.25.040 to add a new subsection to direct the AGDC board, to the maximum extent practicable, to maximize efficient use of state resources, and establish separation with respect to the missions and information for the in-state natural gas pipeline and the AK LNG project. The AGDC board shall appoint a program director for the AK LNG project.

Section 4 amends AS 31.25.080(a), the powers and duties of the AGDC, to add references to the AK LNG project where needed.

New paragraph (23) adds, for the AK LNG project only, authority to acquire an ownership interest in the AK LNG project components (pipeline facilities, treatment and liquefaction) or in an entity or joint venture with an ownership or other interest in an AK LNG project. This power is limited to the entity of the AGDC pursuing the AK LNG project.

New paragraph (24) allows the AGDC, after consultation with the commissioners of revenue and natural resources, to enter contracts for services related to an AK LNG project.

Section 5 is a conforming amendment to AS 31.25.080(e) to explicitly reference the in-state natural gas pipeline open season currently in the AGDC statutes.

Section 6 adds a new subsection to AS 31.25.080 to direct that an entity or subsidiary of the corporation pursuing the in-state natural gas pipeline may not pursue an AK LNG project (AS 31.25.080(23)).

Section 7 amends AS 31.25.090, regarding confidential information held by the AGDC, to expressly direct that the commissioners of revenue and natural resources shall have access to contract information related to the AK LNG project.

Section 8 amends AS 31.25.100 to direct that money appropriated to the in-state natural gas pipeline fund may be used for the in-state natural gas pipeline and for purposes related to transportation mechanisms in the state, including delivery of propane.

Section 9 establishes AS 31.25.110, the Alaska liquefied natural gas project fund in the AGDC. If money is appropriated to advance an AK LNG project, the corporation shall create an account in the fund for that purpose. The money may be used without further appropriation for purposes related to an AK LNG project and for the purpose of transferring revenues related to equity interests, contracts and other activities to the appropriate fund as determined by the commissioner of revenue.

Section 10 related to subsidiaries created under AS 31.25.120, removes a reference to acquiring the state's royalty share of natural gas yet leaves the broad authority to acquire gas from the North Slope. The AGDC may transfer assets between any subsidiaries it creates under this subsection, except that money for the in-state natural gas pipeline and the AK LNG project may not be transferred. A reference which may have been read to limit subsidiary formation to not for profit subsidiaries is removed.

Section 11 makes a conforming amendment in AS 31.25.140(c) on budgetary reporting to the legislature to reference the AK LNG project fund, AS 31.25.110.

Section 12 amends AS 31.25.390 to add a definition of the Alaska liquefied natural gas project and includes an explanation of gas pipeline, gas treatment plant, liquefied natural gas plant, marine terminal, Point Thomson and Prudhoe Bay unit gas transmission lines.

Bill sections related to an Alaska affordable energy fund (AS 37.05)

Section 13 adds AS 37.05.610, an Alaska affordable energy fund as a special non-dedicated account in the general fund to develop infrastructure to deliver energy to areas in the state not expected to have direct access to a North Slope natural gas pipeline. The fund will receive 10 percent of the money received from the state's royalty gas transported in an AK LNG project (net of royalty payments to the Alaska permanent fund).

Bill sections related to the Alaska Land Act (AS 38.05)

Section 14 amends the authority of the commissioner of the Department of Natural Resources (DNR) by adding new paragraphs (10) – (12) to AS 38.05.020(b). Effective upon passage of the bill, the DNR commissioner may enter into commercial agreements of not more than two years duration for project services related to the North Slope natural gas project. In addition, in consultation with the commissioner of revenue, the DNR commissioner may participate in negotiations associated with a North Slope natural gas project, including agreements that include balancing, marketing, disposition of natural gas, and offtake contracts associated with a North Slope natural gas project.

A contract or agreement negotiated in which the state is a party would not be effective against the state without legislative authorization for the governor to execute the contract. Paragraph (12) permits the DNR commissioner to enter into confidentiality agreements related to contract negotiations and implementation. Confidential information obtained under paragraph (12) may be shared with the legislature only in committees held in executive session or under confidentiality agreements. Final contracts subject to approval by the legislature would not be confidential.

Section 15 adds new paragraph (13) to allow the DNR commissioner, in consultation with the commissioner of revenue, to take custody of gas delivered to the state, to manage project services and the disposition of gas delivered to the state under AS 43.55.014(b)(tax as gas).

Section 16 clarifies AS 38.05.180(i) with a conforming amendment that the exploration incentive credit may be applied against the oil and gas production tax levied under AS 43.55.011.

Sections 17 and 18 add new subsections (hh) and (ii) to the Alaska Land Act, AS 38.05.180, which deals with oil and gas leasing, to permit the DNR commissioner to propose modifications to existing leases that: (1) relate to switching between taking royalty gas in kind or in value to ensure that the lessee, state or other person bear proportionate costs for transportation, and to assure the state's actions do not unreasonably interfere with the long-term marketing; (2) provide a method to establish a fair market value for each component of the state's royalty gas; and (3) modify royalty provisions, including net profit provisions, modifications may not result in less than the value the state would have received before a modification.

The DNR commissioner must make written determinations relating to the best interests of the state, including whether the modifications will improve the likelihood of a successful North Slope natural gas project for which sufficient commitment has been shown. Section 18 adds an explicit reference to gas delivered to the state as payment for production tax.

Sections 19 through 22 amend AS 38.05.183, related to sales of royalty oil or gas, by adding references to gas delivered to the state under AS 43.55.014(b), the levy of production tax on gas to be paid in gas for certain North Slope leases.

Section 23 adds definitions to AS 38.05.965 for "initial project term," "North Slope natural gas project;" and "project services."

Bill sections relating to the in-state gasoline project coordinator (AS 38.34)

Sections 24 through 26 amend AS 38.34 related to review by state agencies or entities to expedite review or action of a project under AS 31.25 (AGDC) and to direct that state agencies may not include project provisions that the in-state gasoline project coordinator determines would prevent or significantly impair a project under AS 31.25 (AGDC).

Bill sections relating to tax records and general revenue administration (AS 40.25 and 43.05)

Sections 27 and 28 amend AS 40.25.100 related to the confidentiality of tax information to clearly establish as confidential information related to contract negotiations for a North Slope natural gas project. Section 28 references new subsection (k) in AS 43.05.230 to except from taxpayer confidentiality provisions the name of each person that makes an election to pay the gas production tax from modified North Slope leases in gas and the amount of gas subject to that election.

Section 29 amends AS 40.25.120(a) to establish an exception in public records for information confidential under the new provisions of AS 38.05.020(b) (related to contract negotiations for a North Slope natural gas project).

Sections 30 and 31 expand the authority of the commissioner of the Department of Revenue (DOR) by adding new paragraphs (16) and (17) in AS 43.05.010. Effective immediately, paragraph (16) provides that the DOR commissioner may consult with the DNR commissioner on negotiations associated with a North Slope natural gas project. Section 31 amends AS 43.05.010 by adding paragraph (17) to provide that the DOR commissioner direct the disposition of revenues received from gas delivered to the state under AS 43.55.014(b) by entering into agreements with the DNR commissioner.

Section 32 adds new subsection (k) to AS 43.05.230 to except from taxpayer confidentiality provisions the name of each person that makes an election to pay the gas production tax in gas and the amount of gas subject to that election.

Section 33 amends AS 43.20.144(f) to clarify that gas subject to an election to pay the oil and gas production tax on gas as gas under AS 43.55.014 is included the extraction factor of a taxpayer subject to AS 43.20.144(f) in the Alaska Net Income Tax Act.

Bill sections relating to the oil and gas production tax (AS 43.55)

Section 34 amends AS 43.55.011(e), the levy of the oil and gas production tax, to add reference to the separate levy under AS 43.55.014 for certain North Slope gas. *For oil and gas produced after January 1, 2014 and before January 1, 2022*, AS 43.55.011(e)(2) would levy on producers of oil and gas produced each calendar year a flat rate tax of 35 percent of the production tax value of taxable oil and

gas produced from each lease or property in the state. No change is made to current tax ceilings that apply to Cook Inlet oil and gas, gas produced outside the Cook Inlet basin and used in the state, and oil and gas produced from new fields outside the Cook Inlet basin and south of the North Slope.

For oil and gas produced on or after January 1, 2022, AS 43.55.011(e)(3) would levy on producers of oil produced each calendar year a flat tax rate of 35 percent of the production tax value of taxable oil produced from each lease or property in the state and on producers of gas, and a flat tax rate of 13 percent of the gross value at the point of production of gas produced from each lease or property in the state. The tax on gas for which the DOR commissioner has approved an election to pay in gas would be levied under AS 43.55.014.

Section 35 amends AS 43.55.011(f), the alternate minimum tax on North Slope oil and gas, to retain the current minimum tax until January 1, 2022. After that date, the minimum tax would apply to oil produced on the North Slope. A minor amendment adds the reference to the tax applying to leases or properties "that include land" to ensure that property that straddles 68 degrees North latitude will be considered north of 68 degrees North latitude for purpose of the alternate minimum tax.

Section 36 adds AS 43.55.014 which allows producers to make an election, under regulations adopted by the DOR, to pay the oil and gas production tax on gas in gas for gas produced from oil and gas leases whose terms have been modified under proposed AS 38.05.180(hh) from which the DNR commissioner has determined to take royalty gas in kind. The levy would be 13 percent of the taxable gas when and as the gas is produced. The producer would pay the tax by delivering the gas to the state at the point of production. The DNR would manage the custody and disposition of gas delivered to the state. Gas subject to this provision would not include gas flared, released, or allowed to escape upstream of the point of production, or to gas used in lease operations or for repressuring. Tax deficiencies and interest and penalties on any tax deficiency would be accounted for as if the tax was levied for money under AS 43.55.011(e). This section would take effect on January 1, 2015 to be applied to gas produced from certain North Slope leases on and after January 1, 2022.

Sections 37 through 39 include conforming amendments to the oil and gas producer education credit, AS 43.55.019, to clarify that the credit can be applied to tax liability under AS 43.55.011(e) only. The credit is expanded to include expenditures related to nonprofit regional training centers and apprenticeship programs.

Section 40 amends AS 43.55.020(a), monthly installment payments of estimated tax, to add provisions for payment of tax after January 1, 2022 and to clarify the tax rates that apply to oil and gas produced after a certain date. Monthly installment payments for oil and gas produced on and after January 1, 2022 are in new subsection (a)(7).

Sections 41 and 42 are conforming changes to AS 43.55.020, monthly installment payments. Subsection (g) is amended to account for new tax provisions for oil and gas produced on and after January 1, 2022. A similar conforming change is made in AS 43.55.020(h) to account for interest on overpayments of installment payments.

Sections 43 and 44 amend AS 43.55.020(*l*) and add subsection (*m*), related to making settlements by a producer with private landowner royalty owner, to account for making a settlement with the royalty owner for gas taxable before January 1, 2022 and under new AS 43.55.014.

Section 45 amends AS 43.55.030(*a*), annual statements by producers and explorers, to require reporting of the amount of gas produced from a lease or property for which tax is levied under AS 43.55.014 and the amount of gas delivered to the state under AS 43.55.014.

Section 46 amends AS 43.55.160(*a*), calculation of annual production tax values, to clarify and conform to the levy of tax under AS 43.55.011(*e*)(2) for oil and gas produced before January 1, 2022.

Section 47 amends AS 43.55.160(*e*), related to determination of excess lease expenditures for the purpose of calculating a carried-forward loss credit, to account for annual production tax values for oil produced on and after January 1, 2022.

Section 48 amends AS 43.55.160(*f*), a 20 percent gross value reduction for certain oil and gas produced north of 68 degrees North latitude, so that gas produced on and after January 1, 2022 would not qualify for the gross value reduction in this section.

Section 49 amends AS 43.55.160(*g*), a 10 percent gross value reduction for certain oil and gas produced from a unit north of 68 degrees North latitude made up solely of leases that have a royalty share of more than 12.5 percent in amount or value of the production removed or sold from the lease so that gas produced on and after January 1, 2022 would not qualify for the gross value reduction in this section.

Section 50 amends AS 43.55.160, calculation of annual production tax values, to add a new subsection (*h*) for calculation of annual production tax values for oil produced on and after January 1, 2022. On and after January 1, 2022, gas would be taxed at a percentage of gross value. Accordingly, there would be no need to calculate a production tax value (gross value at point of production less lease expenditures) for gas. Producers would still calculate a production tax value of oil taxable under AS 43.55.011(*e*) for the segments set out in AS 43.55.160(*h*).

Section 51 makes a conforming amendment to AS 43.55.165, lease expenditures, to exclude as a deduction from lease expenditures the tax levied under AS 43.55.014 (tax paid as gas).

Sections 52 through 55 amend, for purposes of the oil and gas production tax, the definitions of "gas processing plants" and "point of production" for gas to be upstream of either the first point where it is accurately measured, the inlet of a pipeline transporting the gas to a gas treatment plant, or the inlet of any gas pipeline system transporting gas to market. Section 54 adds a definition of "gas treatment plant". A conforming amendment is made to AS 43.90.900(18), the definition of the "point of production" for purposes of the Alaska Gasline Inducement Act.

Conforming amendments and uncodified law

Section 56 makes conforming amendments to AS 43.98.030, the film production tax credit, to limit the applicability of the credit to the tax levied by AS 43.55.011.

Section 57 repeals AS 31.25.080(f) as unnecessary due to new provisions in the AS 31.25. Subsection (f) related to the ability of the AGDC to, without delaying progress on an in-state natural gas pipeline, coordinate with developers of a large-diameter natural gas pipeline related to a certain geographic area.

Section 58 adds to uncodified law a legislative request that the governor establish an interim advisory board to advise the governor on municipal involvement in a North Slope natural gas project.

Section 59 adds to uncodified law a direction to the Alaska Energy Authority (AEA), in consultation with the AGDC, the Alaska Industrial Development and Export Authority, and the DOR, to develop plans relating to the delivery of energy - whether fossil fuel, hydro, tidal or other - to areas of the state not expected to have direct access to commercialization of North Slope gas through a North Slope natural gas pipeline. The AEA will also consider storage options, and recommendations related to means to make energy more affordable. The AEA and the DOR will consider and recommend funding possibilities. The AEA shall provide the plan and suggested legislation by January 1, 2017.

Section 60 adds to uncodified law a direction that the DOR commissioner consider and report, including submission of proposed legislation, to the legislature on options to allow municipalities, residents, or regional corporations to invest in a North Slope natural gas pipeline. The DOR commissioner is directed to consider relevant factors in preparing the plan and report, which is to be presented to the legislature when the DNR commissioner submits contracts to the legislature.

Section 61 allows the DNR and the DOR to adopt regulations to implement this Act.

Sections 62 through 64 set effective dates for different sections of the bill. Sections 1 - 14, 16, 17, 23 - 27, 29, 30, 37, 39, and 55 - 61 would be effective immediately. The other sections would be effective January 1, 2015 except for section 38 (amending as 43.55.019(a)), which takes effect January 1, 2021.

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Senator Click Bishop

Letter of Intent for SB138

It is the intent of the Alaska State Legislature that the Alaska LNG project honor the commitments, as copied below, made in "Article 11: Alaska Hire and Content", agreed to in the Heads of Agreement by and among the Administration of the State of Alaska, Alaska Gas-line Development Corporation, TransCanada Alaska Development Inc., ExxonMobil Alaska Production Inc., ConocoPhillips Alaska, Inc., and BP Exploration (Alaska) Inc. through construction of the project.

ARTICLE 11: ALASKA HIRE AND CONTENT

11.1 For the Alaska LNG Project, the Alaska LNG Parties will, within the constraints of law:

- a. Employ Alaska residents and contract with Alaska businesses to the extent they are qualified, available, ready, willing and cost competitive;
- b. Use, as far as practicable, job centers and associated services operated by the State Department of Labor and Workforce Development;
- c. Participate with the State Department of Labor and Workforce Development to update the training plan for an LNG export project including main operations;
- d. Advertise for available positions locally and use, as far as practicable, Alaska job service organizations to notify the Alaska public; and
- e. Work with the State Department of Labor and Workforce Development and other organizations to provide training.

11.2 Prior to construction, the Alaska LNG Parties commit to negotiate in good faith project labor agreements for the Alaska LNG Project.



CS SB138(FIN)AM: Commercial Production of North Slope Gas SUMMARY OF CHANGES

House Resources Committee – March 19, 2014

This is a summary of changes between SB138\A and CS SB138(FIN)am\28-GS2806\I.A. References to section and page numbers are to version I.A. This summary does not include technical or clean-up, drafting style, or conforming changes. Further explanation of specific provisions can be found in the sectional analysis. *Italicized page references refer to CSSB 138(FIN) am.*

Changes related to the Alaska Gasline Development Corporation (AS 31.25)

The Senate Finance Committee made significant changes to the sections (1-12) related to the Alaska Gasline Development Corporation (AGDC). These changes add the Alaska liquefied natural gas (AK LNG) project to the AGDC's responsibilities and provide direction to the AGDC board to carry out its duties, including advancing two projects with appropriate separation while maximizing the efficient use of state resources. The AGDC board is directed to hire a program director for the AK LNG project. (*page 4, sec.3*). The CS for SB 138(FIN) am removes language which statutorily created a subsidiary corporation to for LNG project (Section 7 of SB 138\A). The AGDC still retains statutory authority to create subsidiaries, but language that could have been read to limit subsidiaries to not-for-profit corporations was removed (*page 9, sec. 10*)

The CS for SB 138 (FIN) am retains restrictions on use of funds for the in-state line (ASAP) and the AK LNG project - each project may use only the funds appropriated for that project. (*page 8 -9, secs. 8 -10*).

In addition, the committee added references to an "Alaska liquefied natural gas project" (AK LNG) and replaced references to "a large-diameter natural gas pipeline project" where needed. (*page 10 -11, sec. 12*).

Alaska affordable energy fund (AS 37.05)

Section 13 (*page 11, line 20*) is a new section that creates a new Alaska affordable energy fund that will be used to develop infrastructure to deliver energy to areas not expected to have direct access to a North Slope gas pipeline.

Changes related to the Alaska Land Act (AS 38.05)

Changes were made in **Sections 14 and 15** to the Department of Natural Resources (DNR) commissioner's authority to negotiate contracts to include references to balancing, marketing, disposition of natural gas, and offtake agreements (*page 13, line 16*).

Changes were made in **Sections 17 and 18** (*page 16, line 16*) related to the DNR commissioner's new authorities in AS 38.05.180(hh) to allow the DNR commissioner the ability to modify leases in conjunction with a North Slope natural gas project. The provisions amended in the Senate Finance committee are generally the same in content as the original language proposed. These sections also provide that any changes the DNR commissioner make to net profit shares and sliding scale royalty rates have to yield a value to the state that is no less than the value the state would have received before a modification. The modification shall be in effect during the initial project term for a project that has acquired major permits required for the work plan and budget considered by the DNR commissioner.

Section 23 (*page 19, line 31*) adds and defines a new term, "initial project term" meaning the duration sufficient to support an investment decision by the sponsors of a North Slope natural gas project to permit realization of a competitive economic return, to enable necessary financing, and to support agreements for the sale of hydrocarbons transported on a North Slope natural gas project.

Bill sections relating to the in-state gasline project coordinator (AS 38.34)

The Senate Finance committee added new **Sections 24 through 26**, (*page 20*) which conform the AGDC's new ability to develop an AK LNG project related to review by state agencies or entities to expedite review or action of a project under AS 31.25 (AGDC) and to direct that state agencies may not include project provisions that the in-state gasline project coordinator determines would prevent or significantly impair a project under AS 31.25 (AGDC).

Bill sections relating to tax records and general revenue administration (AS 40.25 and 43.05)

No changes were made to sections related to confidentiality of confidentiality of tax information to clearly establish as confidential information related to contract negotiations for a North Slope natural gas project.

Bill sections relating to the oil and gas production tax (AS 43.55)

In **Section 34** (*page 26*) the gross tax on gas produced after January 1, 2022, was increased from 10.5% to 13%. A similar increase was made to the levy of tax paid in gas in **Section 36**. The intent is to set the state's equity share in a North Slope natural gas pipeline project at 25%, when combining the gas tax with the royalty percentages due the state. In addition, the qualifier " irrevocable" was removed from the election a producer can make to pay production tax with gas. Producers must still make an election to pay the tax as gas under regulations to be adopted by the Department of Revenue (DOR).

Changes were made to **Section 37** (*page 30*), to expand the existing oil and gas producer education tax credit to include contributions to nonprofit regional training centers recognized by the Department of Labor and Workforce Development, and for vocational education, equipment and facilities

Bill sections on uncodified law

Section 58 (*page 53*) requests that the governor establish an advisory board to advise the governor on municipal involvement in a North slope gas project. The board would include representatives of municipalities, the DNR and DOR commissioners and oil and gas industry representatives or others expected to be involved in the development of a North Slope natural gas project on municipal involvement in a North Slope natural gas project.

Section 59 (*page 53*) directs Alaska Energy Authority to develop a plan extending energy infrastructure to parts of the state without direct access to a North Slope natural gas pipeline. Through Amendment 1 on the Senate floor, direction was added that for citizens with no economically viable infrastructure available, the plan must recommend means for underwriting energy costs to make energy more affordable. The plan is due to the legislature in January 2017.

Section 60 (*page 54*) added to the section on development of a plan for participation in the ownership of a North Slope natural gas pipeline to include that DOR's plan for Alaska ownership must include ownership opportunities for municipalities and for regional corporations (organized under 43 U.S.C. 1606(a)).



CS SB 138 (FIN) am

Key Sections

A Presentation to the House Resources Committee

March 19, 2014

Michael Pawlowski
Deputy Commissioner
Alaska Department of Revenue



The AK LNG Project

Per the Heads of Agreement (HOA) & Memorandum of Understanding (MOU)

GAS

EM
BP
COP

LNG

DNR and DOR (Royalty + "Tax as Gas")

GTP
& Transmission Lines

PIPELINE

LNG Plant
& Marine Terminal

EM
BP
COP
TC

EM
BP
COP
TC

EM
BP
COP
AGDC

The Three “P’s”

Participation: *Will the State participate in the AKLNG Project? If so, how?*

Process: *What will be the process for developing project enabling contracts?*

Percentage: *What percentage will the State’s participation be?*

CS SB 138 (FIN) am

Participation: *Sections 1-12 (AGDC)*

Process: *Sections 14 – 15 AS 38.05.020(b)*

Percentage: *Section 36 AS 43.55.014*

THANK YOU

Please find our contact information below:

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