

**01/24/2014  
BUDGET  
OVERVIEW  
FY 15:  
DEPARTMENT OF  
REVENUE  
TREASURY  
DIVISION**

<TARGET><BILL></BILL><SUBJECT>01-24-2014 BUDGET OVERVIEW  
FY 15 DEPARTMENT OF REVENUE TREASURY  
DIVISION</SUBJECT><COMM>SFIN28</COMM></TARGET>



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# State of Alaska

## An Update on the State's Savings Accounts

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January 23, 2014

Department of Revenue -  
Treasury Division

Angela M. Rodell  
Commissioner  
Alaska Department of Revenue



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# **1: Comparative Analysis of State Operating and Savings Funds**

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# General Fund and other non-segregated investments (GeFONSI)

Fiduciary oversight: Commissioner of Revenue

		General Fund (and other non-segregated investments)	
Investment Objective		Moderate Risk, Short to Intermediate investment horizon	
Target Asset Allocation		<p>A 3D pie chart illustrating the target asset allocation for the General Fund. The chart is divided into three segments: Intermediate-Term (45%), Short-Term (45%), and Liquidity Fund (10%).</p>	
		Actuals	Benchmark*
Market Value (in 000s)	12/31/2011	\$9,427,300	-
	12/31/2012	\$11,799,600	-
	12/31/2013	\$5,765,200**	-
Returns (6/30/13)	FY13	0.31%	0.29%
Returns (12/31/13)	YTD	0.22%	0.21%
	FYTD	0.28%	0.18%
	3 Year Actuals	1.05%	0.79%
	5 Year Actuals	1.72%	0.99%

\*Short-term: 3-month U.S. Treasury Bill; Intermediate-term: Barclays 1-3 Year Gov't Bond Index

\*\* The Statutory Budget Reserve has a current market value of \$4,773,600,000 which is managed under a separate asset allocation

Current Fiscal Year market values and stated returns are unaudited, preliminary, and include some estimates

# Constitutional Budget Reserve Fund (main & sub)

Fiduciary oversight: Commissioner of Revenue


		Constitutional Budget Reserve (main fund)		Constitutional Budget Reserve (sub fund)	
Investment Objective		Moderate Risk, Intermediate investment horizon		High Risk, Moderately Long investment horizon	
Target Asset Allocation					
		Actuals	Benchmark*	Actuals	Benchmark*
Market Value (in 000s)	12/31/2011	\$5,290,600	-	\$4,955,400	-
	12/31/2012	\$5,770,800	-	\$5,511,200	-
	12/31/2013	\$5,839,000	-	\$6,385,100	-
Returns (6/30/13)	FY13	0.18%	0.19%	11.75%	11.37%
Returns (12/31/13)	YTD	-0.25%	-0.16%	15.85%	15.53%
	FYTD	0.35%	0.31%	10.08%	10.05%
	3 Year Actuals	1.79%	1.63%	9.01%	8.67%
	5 Year Actuals	2.75%	2.09%	12.20%	11.50%

\*Short-term: 3-month U.S. Treasury Bill; Intermediate-term: Barclays 1-3 Year Govt. Bond Index; Broad Market: Barclays U.S. Aggregate; Domestic Equity: Russell 3000 Stock Index; International Equity: MSCI EAFE

*Current Fiscal Year market values and stated returns are unaudited, preliminary, and include some estimates*

# Power Cost Equalization Fund

Fiduciary oversight: Commissioner of Revenue



		Power Cost Equalization Fund	
Investment Objective		High Risk, Moderately Long investment horizon	
Target Asset Allocation			
		Actuals	Benchmark*
Market Value (in 000s)	12/31/2011	\$716,300	-
	12/31/2012	\$787,500	-
	12/31/2013	\$937,300	-
Returns (6/30/13)	FY13	15.12%	14.51%
Returns (12/31/13)	YTD	22.33%	22.08%
	FYTD	14.11%	13.87%
	3 Year Actuals	11.95%	11.43%
	5 Year Actuals	14.02%	13.23%

\*Broad Market: Barclays U.S. Aggregate; Domestic Equity: Russell 3000 Stock Index; International Equity: MSCI EAFE

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# Public School Trust Fund (Principal and Income accounts)

Fiduciary oversight: Commissioner of Revenue

		Public School Trust Fund (Principal)		Public School Trust Fund (Income)	
Investment Objective		Moderate Risk, Long Term investment horizon		Low Risk, Short investment horizon	
Target Asset Allocation		 <p>International Equity: 15%</p> <p>Domestic Equity: 27%</p> <p>Broad Market: 58%</p>		 <p>Short-Term Fixed Income: 100%</p>	
		Actuals	Benchmark*	Actuals	Benchmark*
Market Value (in 000s)	12/31/2011	\$433,400	-	\$14,300	-
	12/31/2012	\$487,200	-	\$10,400	-
	12/31/2013	\$536,700	-	\$16,000	-
Returns (6/30/13)	FY13	8.19%	7.91%	0.24%	0.11%
Returns (12/31/13)	YTD	10.59%	10.39%	0.21%	0.07%
	FYTD	7.27%	7.34%	0.16%	0.03%
	3 Year Actuals	8.65%	8.73%	0.35%	0.10%
	5 Year Actuals	11.13%	10.71%	0.85%	0.12%

\*Short-term: 3-month U.S. Treasury Bill; Broad Market: Barclays U.S. Aggregate; Domestic Equity: Russell 3000 Stock Index

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# PERS & TRS

Fiduciary oversight: Alaska Retirement Management Board

## PERS Retirement Defined Benefit Pension / Health

## TRS Retirement Defined Benefit Pension / Health

Investment Objective		Moderate Risk, Long Term investment horizon		Moderate Risk, Long Term investment horizon	
Target Asset Allocation		<ul style="list-style-type: none"> <li>■ 12% Fixed Income</li> <li>■ 26% Domestic Equity</li> <li>■ 25% Global Equity Ex-US</li> <li>■ 17% Real Assets</li> <li>■ 3% Alternative Equity Strategies</li> <li>■ 14% Absolute Return / Private Equity</li> <li>■ 3% Cash</li> </ul>		<ul style="list-style-type: none"> <li>■ 12% Fixed Income</li> <li>■ 26% Domestic Equity</li> <li>■ 25% Global Equity Ex-US</li> <li>■ 17% Real Assets</li> <li>■ 3% Alternative Equity Strategies</li> <li>■ 14% Absolute Return / Private Equity</li> <li>■ 3% Cash</li> </ul>	
		Actuals	Benchmark*	Actuals	Benchmark*
Market Value (in 000s)	12/31/2011	\$10,873,100	-	\$4,545,200	-
	12/31/2012	\$12,016,500	-	\$5,018,600	-
	12/31/2013	\$14,031,700	-	\$5,850,600	-
Returns (6/30/13)	FY13	12.51%	12.27%	12.59%	12.27%
Returns (12/31/13)	YTD	18.57%	16.74%	18.62%	16.74%
	FYTD	11.32%	10.96%	11.32%	10.96%
	3 Year Actuals	10.14%	9.75%	10.22%	9.75%
	5 Year Actuals	10.79%	11.90%	10.83%	11.90%

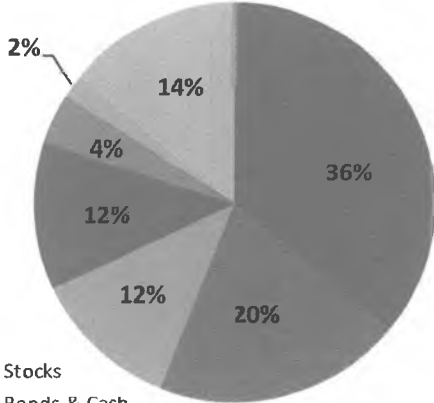
\*3% 3-month Treasury Bill; 0.6% Bank of America Yield Alternatives index; 0.9% CBOE Buy Write Index; 1.5% S&P 500 Index; 0.4% JP Morgan Global Bond Index - EM Global Diversified; 0.8% Citigroup World Gov. Bond Ex-US; 1.2% Merrill Lynch High Yield II Constrained; 9.6% BC Intermediate Treasury; 5.0% 3-month Treasury Bill; 5%; 0.85% FTSE NAREIT Equity Index; 1.7% NCREIF Farmland Index; 1.7% NCREIF Timberland Index; 3.4% BC US TIPS Index; 9.35% NCREIF Property Index; 3% Russell 2000 Index; 3% S&P 500 Index; 3% MSCI EAFE Index; 25% MSCI ACWI ex-US Gross; 26% Russell 3000

Current Fiscal Year market values and stated returns are unaudited, preliminary, and include some estimates

# APFC

Fiduciary oversight: Alaska Permanent Fund Corporation Board

## Alaska Permanent Fund Corporation

Investment Objective		Long Term Investment Goal is to achieve a real rate of return of 5% per year	
Target Asset Allocation		 <ul style="list-style-type: none"> <li>■ 36% Stocks</li> <li>■ 20% Bonds &amp; Cash</li> <li>■ 12% Real Estate</li> <li>■ 12% PE / Absolute Return</li> <li>■ 4% Infrastructure Investments</li> <li>■ 2% Public / Private Credit</li> <li>■ 14% Other</li> </ul>	
		Actuals	Benchmark*
Market Value (in 000s)	12/31/2011	\$38,646,700	-
	12/31/2012	\$43,654,800	-
	12/31/2013	\$49,241,900	-
Returns (6/30/13)	FY13	10.93%	11.27%
Returns (12/31/13)	YTD	12.27%	12.43%
	FYTD	8.86%	8.68%
	3 Year Actuals	8.25%	8.03%
	5 Year Actuals	11.09%	11.20%

\*The APFC Benchmark is a diversified weighted composite comprised of 20% Barclays Global Corp. Index + 80% MSCI All Country Index for Company Exposure; 75% NCREIF + 25% Barclays US TIPS Index for Real Assets; Barclays Global Treasury Index (Hedged) for Fixed Income; and 3 Month T-Bill for Cash.

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## **2: FY2014 Investment Revenue Forecast**

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## FY2014 Investment Revenue Forecast

All Amounts in \$ Millions

Prepared January 23, 2014 by the State of Alaska - Department of Revenue

<b>FY 2013 Actuals</b>	
	<u>Total FY13</u>
<b>UNRESTRICTED</b>	
Investments	26.7
Interest Paid by Others	1.4
<b>TOTAL UNRESTRICTED</b>	<b>28.1</b>
<b>RESTRICTED</b>	
Investments - Designated GF	2.6
Investments - Other Restricted	5.2
<b>GF Restricted - Total</b>	<b>7.8</b>
<i>    CBRF - Main Account</i>	<i>8.2</i>
<i>    CBRF - Special Sub Account</i>	<i>610.0</i>
<b>CBRF - Total</b>	<b>618.2</b>
Other Treasury Managed Funds	37.9
Alaska Permanent Fund	4,313.9
<b>TOTAL RESTRICTED</b>	<b>4,977.8</b>
<b>GRAND TOTAL</b>	<b>5,005.9</b>

<b>FY 2014 Forecast - Based on actuals through Dec 31, 2013</b>			
	Actual through 12-31-13	Forecast through 06-30-14	Total FY14
<b>UNRESTRICTED*</b>			
Investments	71.3	29.2	100.5
Interest Paid by Others	0.7	0.7	1.4
<b>TOTAL UNRESTRICTED</b>	<b>72.0</b>	<b>29.9</b>	<b>101.9</b>
<b>RESTRICTED</b>			
Investments - Designated GF	1.8	0.7	2.5
Investments - Other Restricted	3.7	1.5	5.2
<b>GF Restricted - Total</b>	<b>5.5</b>	<b>2.2</b>	<b>7.7</b>
<i>    CBRF - Main Account</i>	<i>20.1</i>	<i>24.9</i>	<i>45.0</i>
<i>    CBRF - Special Sub Account</i>	<i>584.7</i>	<i>193.3</i>	<i>778.0</i>
<b>CBRF - Total</b>	<b>604.8</b>	<b>218.2</b>	<b>823.0</b>
Other Treasury Managed Funds	36.3	13.1	49.4
Alaska Permanent Fund**	4,014.5	N/A	4,014.5
<b>TOTAL RESTRICTED</b>	<b>4,661.1</b>	<b>233.5</b>	<b>4,894.6</b>
<b>GRAND TOTAL</b>	<b>4,733.1</b>	<b>263.4</b>	<b>4,996.5</b>

**Notes:**

FY2014 investment forecasts include actual data through 12/31/13. Projections for the remainder of FY2014. Due to financial market volatility, forecasts shown are subject to review and adjustment.

\*Unrestricted investment revenue includes earnings on the Statutory Budget Reserve Fund, managed under a separate asset allocation than the General Fund.

\*\*Please refer to APFC Fund Financial History & Projections as of Dec. 31, 2013 for mid-case and quartile projections. APFC forecasts shown are subject to review and adjustment.

*Current Fiscal Year market values and stated returns are unaudited, preliminary, and include some estimates*

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# THANK YOU

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# Fall 2013 Revenue Forecast

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January 23, 2014

Department of Revenue

Angela M. Rodell  
Commissioner

Alaska Department of Revenue

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# FALL 2013

## Revenue Forecast



# UNRESTRICTED REVENUE FORECAST 2012-2022

	Actual		Forecast								
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
ANS WC Oil Price (\$/bbl)	112.65	107.57	105.68	105.06	107.69	110.38	115.40	121.19	122.43	123.67	133.00
Total ANS Production (State + Federal) (thousand bbls/day)	579.4	531.6	508.2	498.4	487.6	482.7	459.5	429.1	399.6	368.8	340.1
Deductible Lease Expenditures	\$4,405	\$4,924	\$6,600	\$7,294	\$7,147	\$6,439	\$6,060	\$6,247	\$6,018	\$5,766	\$5,604
General Fund Unrestricted Revenues (million)	\$9,485	\$6,929	\$4,930	\$4,532	\$4,610	\$4,981	\$5,105	\$5,135	\$4,810	\$4,503	\$4,654
PTV per Taxable Barrel	\$79.33	\$67.76	\$54.67	\$49.04	\$51.85	\$57.44	\$62.50	\$63.20	\$62.12	\$60.86	\$66.67

Source: Department of Revenue - Revenue Sources Book Fall 2013

## CONTRIBUTORS OF CHANGES IN FY2013 REVENUE - ACTUAL

Component	FY 2012 Actual	FY 2013 Actual	Change
ANS Production (thousand bbl/day)	579.4	531.6	-47.8
ANS Price	\$112.65	\$107.57	-\$5.08
ANS Deductible Lease Expenditures (\$million)	\$4,405	\$4,924	+\$519
Transportation Costs	\$8.81	\$9.76	+\$0.95

- Average Production Tax Value per barrel fell from about \$79 to about \$68.
- General Fund Unrestricted Revenue fell \$2.5 billion

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## FALL 2013 HIGHLIGHTS

- Oil price and production levels have been reduced relative to the 2013 Spring Forecast.
- Correspondingly, unrestricted revenues have been revised down from the Spring 2013 Forecast.
- Revenue impacts largely due to changes in oil price, production, lease expenditures, and tariffs.
- Substantial (~\$10 billion) increase in spending on the North Slope over the next 10 years.
- Oil companies project increased North Slope production following the increased activity.
  - DOR continues to prudently assess future production and the forecast is not intended as a comprehensive assessment of all the potential activity or projects under evaluation.
- State investment earnings are strong.

# GENERAL FUND UNRESTRICTED OIL REVENUES

(MILLIONS\$)

Revenue Type	Actual		Forecast			
	2013	Percent	2014	Percent	2015	Percent
<b>Petroleum Revenue</b>						
Net Royalty (less PF & SF)	\$1,768	25.5%	\$1,696	34.4%	\$1,663	36.7%
Production Tax	\$4,050	58.5%	\$2,100	42.6%	\$1,711	37.8%
Corporate Income Tax	\$435	6.3%	\$464	9.4%	\$464	10.2%
Property Tax	\$99	1.4%	\$100	2.0%	\$97	2.1%
<b>Total Petroleum Revenue</b>	<b>\$6,352</b>	<b>91.7%</b>	<b>\$4,360</b>	<b>88.4%</b>	<b>\$3,935</b>	<b>86.8%</b>
<b>Non-petroleum Revenue</b>	<b>\$576</b>	<b>8.3%</b>	<b>\$571</b>	<b>11.6%</b>	<b>\$597</b>	<b>13.2%</b>
<b>Total General Fund Unrestricted Revenue</b>	<b>\$6,929</b>	<b>100.0%</b>	<b>\$4,930</b>	<b>100.0%</b>	<b>\$4,532</b>	<b>100.0%</b>

Source: Department of Revenue - Revenue Sources Book Fall 2013 page 7

# GENERAL FUND UNRESTRICTED OTHER REVENUES

(MILLIONS\$)

Revenue Type	Actual		Forecast			
	2013	Percent	2014	Percent	2015	Percent
<b>Taxes</b>						
Non-petroleum Corporate Income	\$113	19.5%	\$88	15.4%	\$127	21.3%
Mining License Tax	\$47	8.1%	\$45	7.9%	\$42	7.0%
Insurance Premium	\$52	9.1%	\$54	9.5%	\$56	9.4%
Tobacco	\$45	7.8%	\$44	7.7%	\$43	7.2%
Motor Fuel	\$42	7.3%	\$41	7.2%	\$41	6.8%
Other Taxes	<u>\$63</u>	10.9%	<u>\$66</u>	11.5%	<u>\$67</u>	11.2%
<b>Subtotal Taxes</b>	<b>\$361</b>	<b>62.7%</b>	<b>\$338</b>	<b>59.3%</b>	<b>\$376</b>	<b>62.9%</b>
<b>Investments</b>	<b>\$28</b>	<b>4.9%</b>	<b>\$86</b>	<b>15.1%</b>	<b>\$85</b>	<b>14.2%</b>
<b>Other</b>	<b><u>\$187</u></b>	<b>32.5%</b>	<b><u>\$146</u></b>	<b>25.6%</b>	<b><u>\$137</u></b>	<b>22.9%</b>
<b>Total Non-Oil</b>	<b>\$577</b>	<b>100.0%</b>	<b>\$571</b>	<b>100.0%</b>	<b>\$597</b>	<b>100.0%</b>

Source: Department of Revenue - Revenue Sources Book Fall 2013 pages 8-9

# TOTAL REVENUE FORECAST – FY13, 14 & 15

(MILLIONS\$)

Revenue Type	Actual	Forecast	
	FY 2013	FY 2014	FY 2015
<b>Unrestricted General Fund</b>			
Oil Revenue	\$ 6,352.0	\$ 4,359.5	\$ 3,935.0
Non-Oil Revenue*	\$ 548.4	\$ 484.1	\$ 512.3
Investment Revenue	\$ 28.1	\$ 86.4	\$ 84.7
<b>Total Unrestricted Revenue</b>	<b>\$ 6,928.5</b>	<b>\$ 4,930.0</b>	<b>\$ 4,532.0</b>
<b>Designated General Fund</b>			
Non-Oil Revenue*	\$ 299.8	\$ 329.0	\$ 327.6
Investment Revenue	\$ 40.5	\$ 40.1	\$ 30.7
<b>Subtotal</b>	<b>\$ 340.3</b>	<b>\$ 369.1</b>	<b>\$ 358.3</b>
<b>Other Restricted Revenue</b>			
Oil Revenue	\$ 1,032.5	\$ 756.5	\$ 738.5
Non-Oil Revenue*	\$ 185.2	\$ 214.0	\$ 215.4
Investment Revenue	\$ 4,937.3	\$ 3,523.5	\$ 3,531.3
<b>Subtotal</b>	<b>\$ 6,155.0</b>	<b>\$ 4,494.0</b>	<b>\$ 4,485.2</b>
<b>Federal Revenue</b>			
Oil Revenue	\$ 3.6	\$ 3.6	\$ 3.6
Federal Receipts	\$ 2,383.2	\$ 2,963.0	\$ 2,963.0
<b>Subtotal</b>	<b>\$ 2,386.8</b>	<b>\$ 2,966.6</b>	<b>\$ 2,966.6</b>
<b>Total State Revenue</b>	<b>\$ 15,810.6</b>	<b>\$ 12,759.7</b>	<b>\$12,342.1</b>

\*Except Federal and Investment

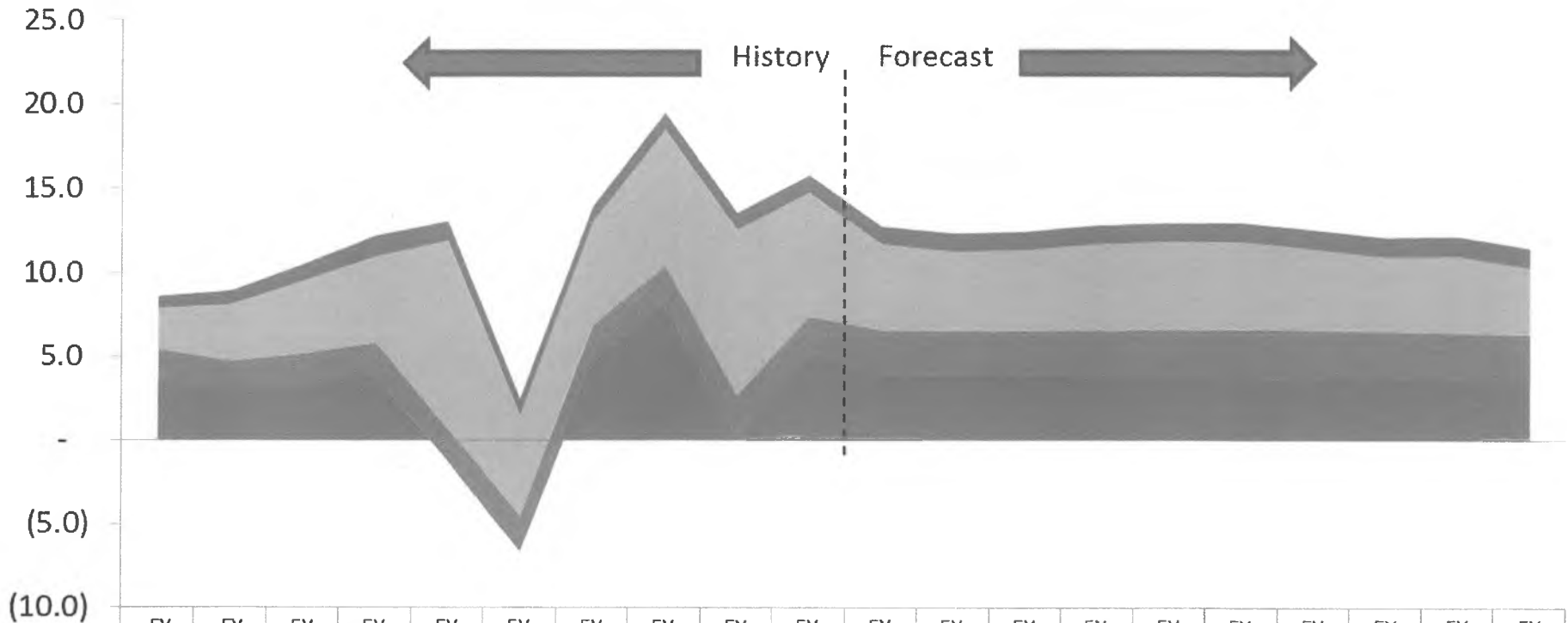
Source: Department of Revenue - Revenue Sources Book Fall 2013

## GENERAL FUND UNRESTRICTED REVENUE PRICE SENSITIVITY FY2014-2016

Year	2014	2015	2016
<b>Production</b> (ths bbls/day)	508.2	498.4	487.6
<b>Forecast Price</b>	\$105.68	\$105.06	\$107.69
<b>Revenue (million\$)</b>	\$4,930	\$4,532	\$4,610
<b>ANS (\$/barrel)</b>	<b>GF Unrestricted Revenue (Million \$)</b>		
\$50	\$2,350	\$1,860	\$1,820
\$60	\$2,620	\$2,130	\$2,090
\$70	\$2,880	\$2,410	\$2,350
\$80	\$3,170	\$2,690	\$2,620
\$90	\$3,530	\$3,240	\$3,160
\$100	\$4,370	\$4,150	\$4,040
\$110	\$5,380	\$4,900	\$4,930
\$120	\$6,360	\$5,820	\$5,830
\$130	\$7,470	\$6,730	\$6,720
\$140	\$8,450	\$7,650	\$7,460
\$150	\$9,420	\$8,560	\$8,360

Source: Department of Revenue - Revenue Sources Book Fall 2013 page 88

# FALL 2013 TOTAL REVENUE FORECAST



	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	
■ Non-Petroleum	0.7	0.8	1.0	1.2	1.1	0.9	0.9	1.0	1.0	1.0	1.0	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2
■ Petroleum	2.4	3.4	4.4	5.1	11.3	6.1	6.2	8.1	9.9	7.4	5.1	4.7	4.8	5.1	5.2	5.2	4.8	4.4	4.5	3.9	
■ Federal	1.9	1.9	2.0	2.0	1.9	2.1	2.4	2.4	2.5	2.4	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
■ Investment	3.5	2.8	3.2	3.9	(1.3)	(6.6)	4.5	8.0	0.3	5.0	3.7	3.6	3.7	3.7	3.7	3.7	3.7	3.6	3.5	3.4	

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Production	973.8	911.3	839.7	734.2	715.4	692.8	642.6	599.9	579.4	531.6	508.2	498.4	487.6	482.7	459.5	429.1	399.6	368.8	340.1	312.9
Price	\$ 32.36	\$ 44.85	\$ 62.12	\$ 61.60	\$ 96.51	\$ 68.34	\$ 74.90	\$ 94.49	\$ 112.65	\$ 107.57	\$ 105.68	\$ 105.06	\$ 107.69	\$ 110.38	\$ 115.40	\$ 121.19	\$ 122.43	\$ 123.67	\$ 133.00	\$ 131.85

Source: Department of Revenue - Revenue Sources Book Fall 2013

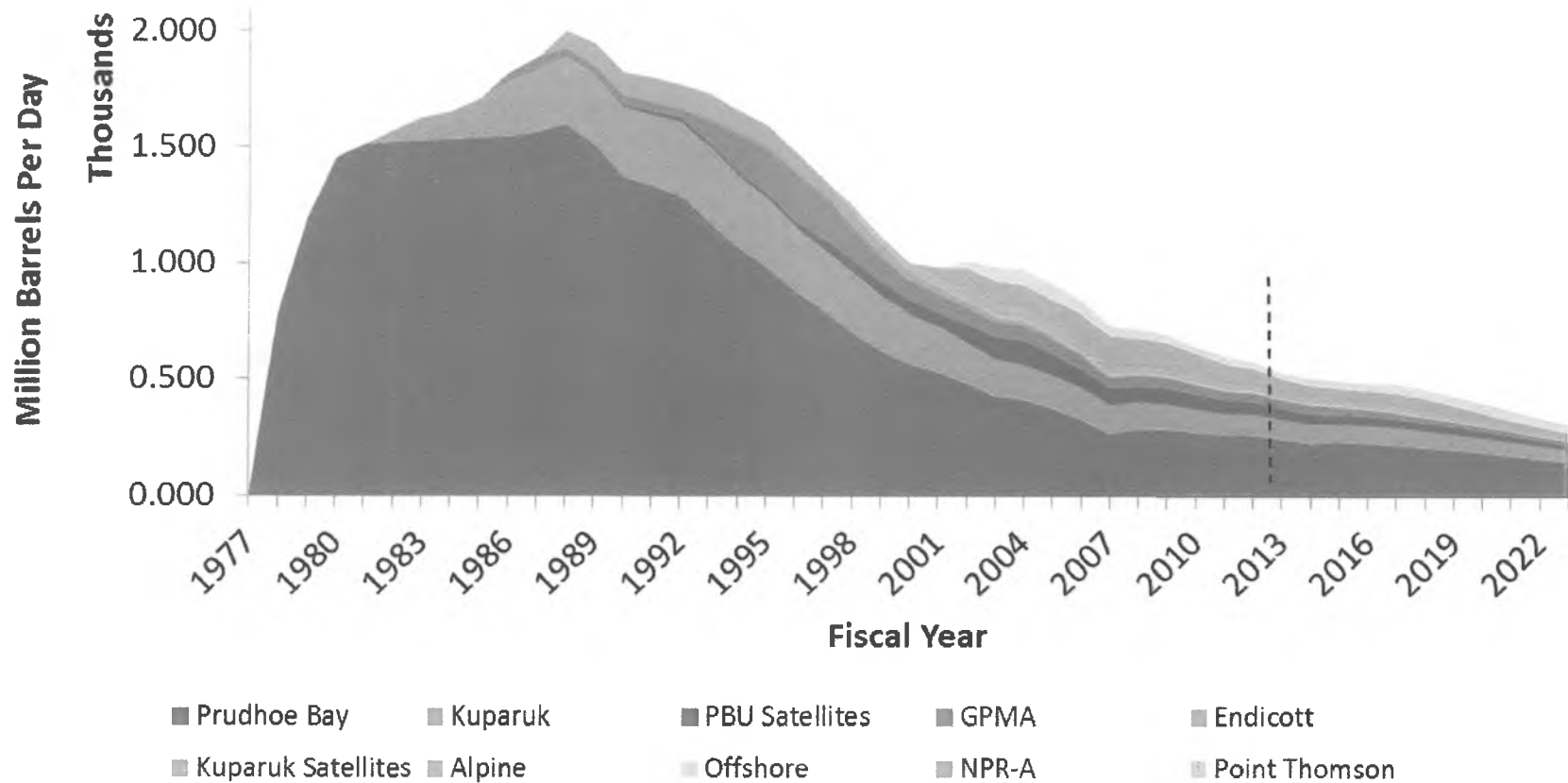
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# FALL 2013

## Production Forecast and Methodology

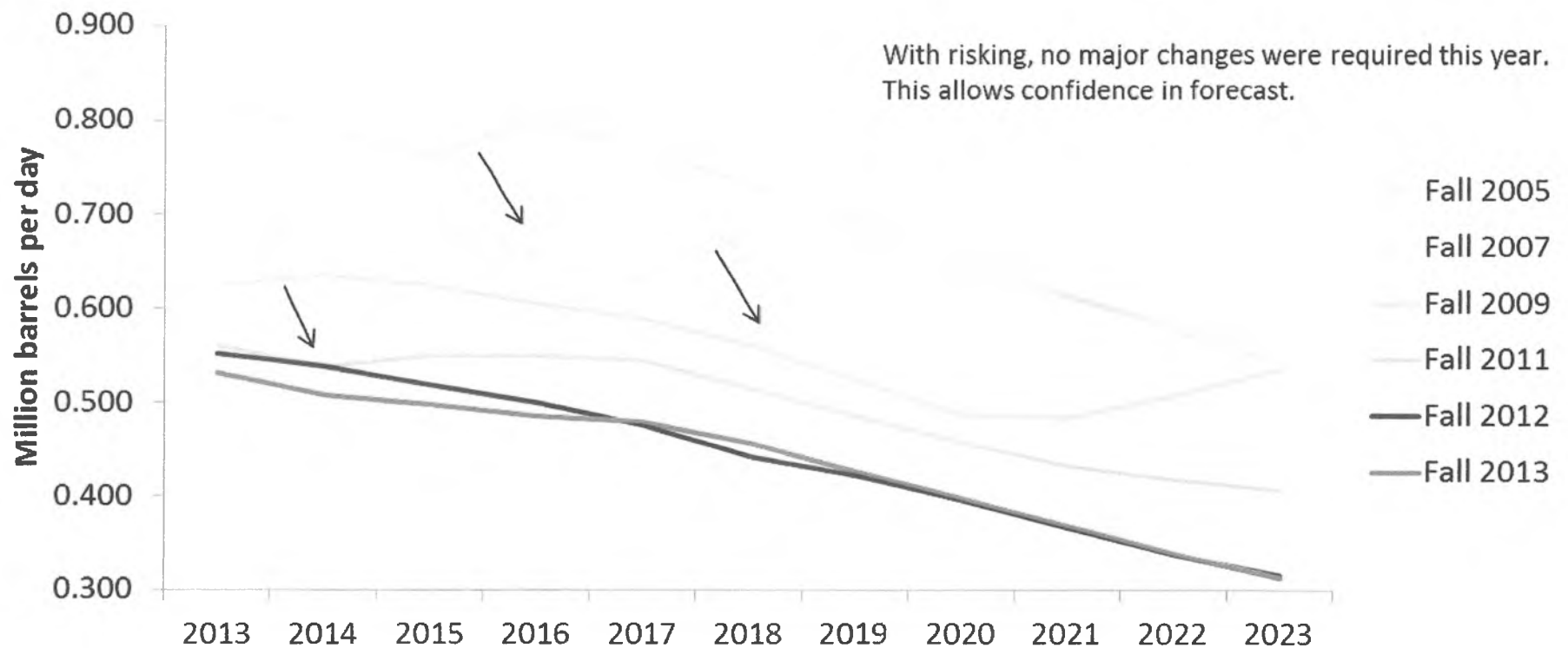


# PRODUCTION HISTORY AND FORECAST



Source: Department of Revenue - Revenue Sources Book Fall 2013 page 43

# ANS OIL PRODUCTION FORECAST



Source: Department of Revenue - Revenue Sources Books Fall 2005-2013

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## ANS OIL PRODUCTION FORECAST

- **Currently Producing:**
  - Oil from wells that are in production and following typical reservoir engineering optimization without major investment.
- **Under Development (UD):**
  - Oil from projects that will add incremental oil to existing fields or will bring new fields into production.
  - Project must have senior management approval and be allocated funds in the company's budget.
- **Under Evaluation (UE):**
  - Oil from projects that are likely to occur in the future, but have not met the requirements of the previous category.
  - Requires that oil reserves are known and recovery is technically possible with current technology.
- *Under Development + Under Evaluation = "New Oil"*

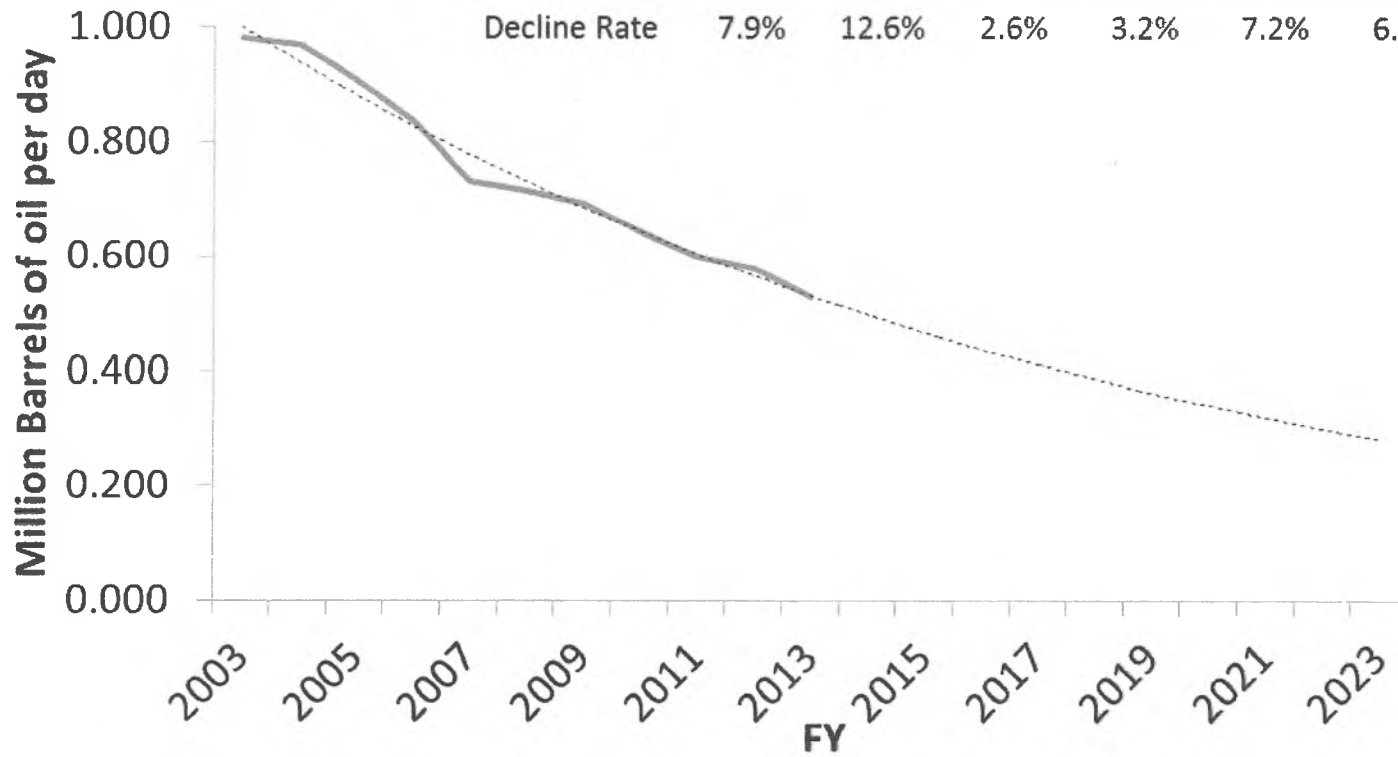
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## ANS OIL PRODUCTION FORECAST

- “Currently Producing” oil was not risked
  - Engineering assessment based on actual production data
- The “New Oil” portion of the Forecast was adjusted for risks
  - Accounts for uncertainty in subsurface conditions and risk of delay
- The “Under Evaluation” portion of the Forecast was risked at a greater rate than “Under Development”
  - Accounts for greater uncertainty in subsurface conditions and higher risk of delay

# ANS OIL PRODUCTION – ACTUALS & FORECAST

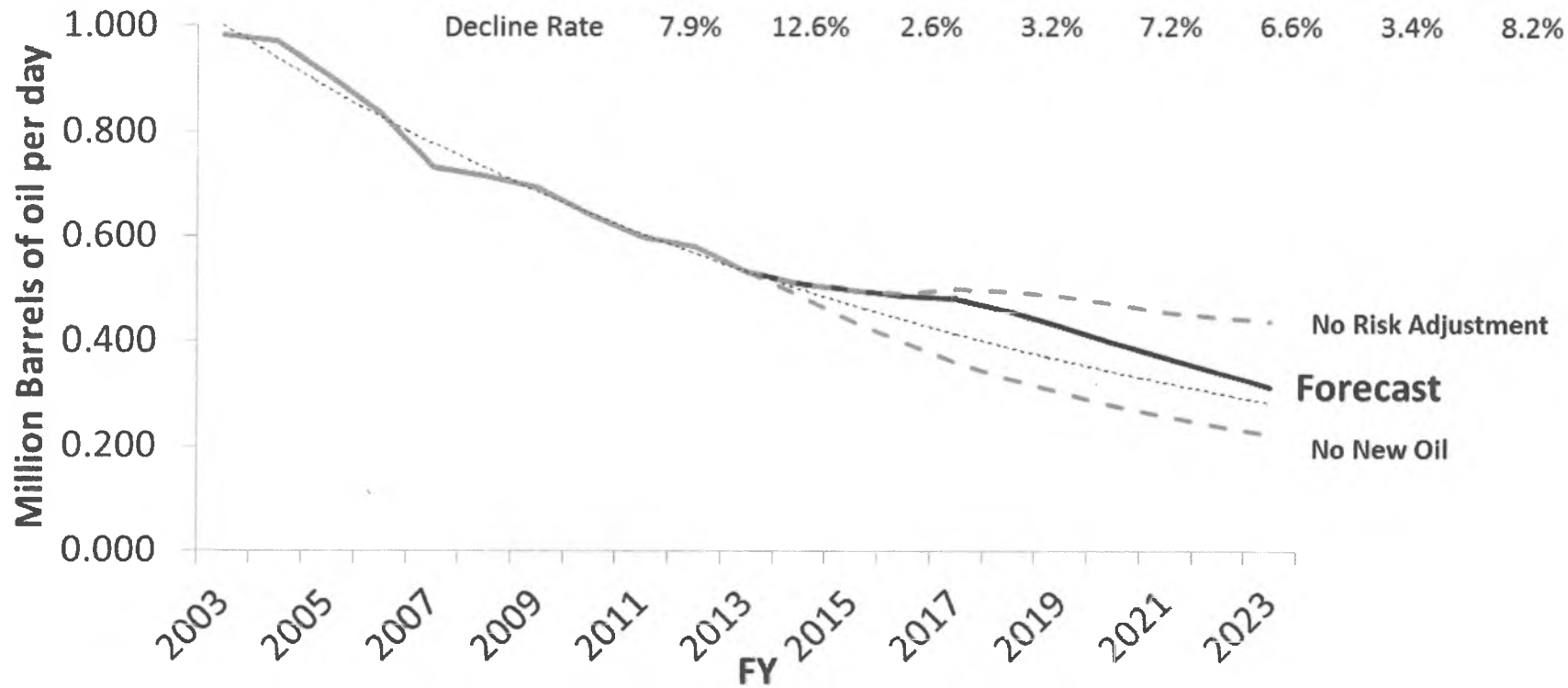
	2006	2007	2008	2009	2010	2011	2012	2013
Production	839.7	734.2	715.4	692.8	642.6	599.9	579.4	531.6
Decline Rate	7.9%	12.6%	2.6%	3.2%	7.2%	6.6%	3.4%	8.2%



Source: Department of Revenue - Revenue Sources Book Fall 2013 page 45

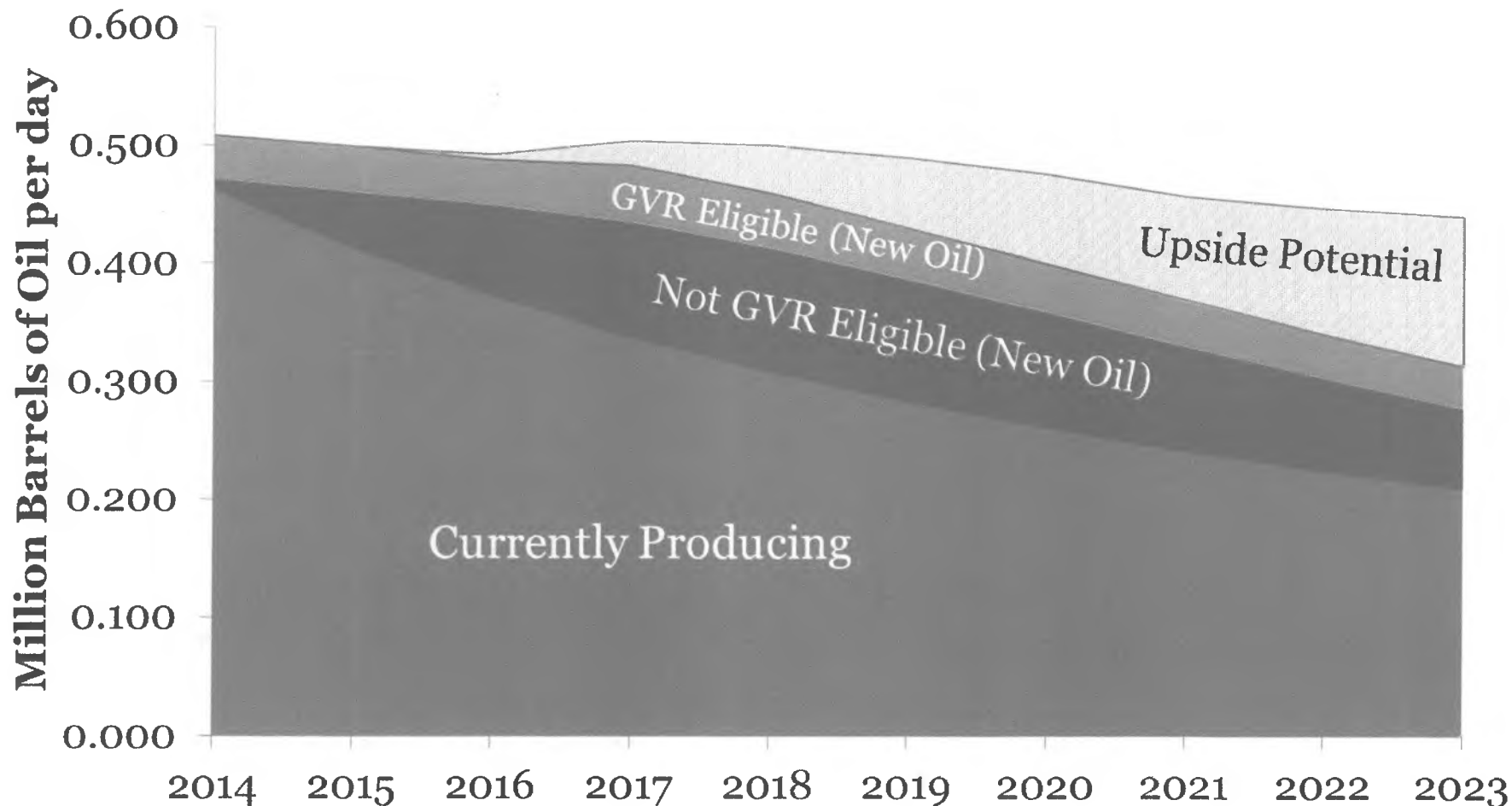
# ANS OIL PRODUCTION – ACTUALS & FORECAST

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Source: Department of Revenue - Revenue Sources Book Fall 2013 page 45

# NORTH SLOPE PRODUCTION FORECAST



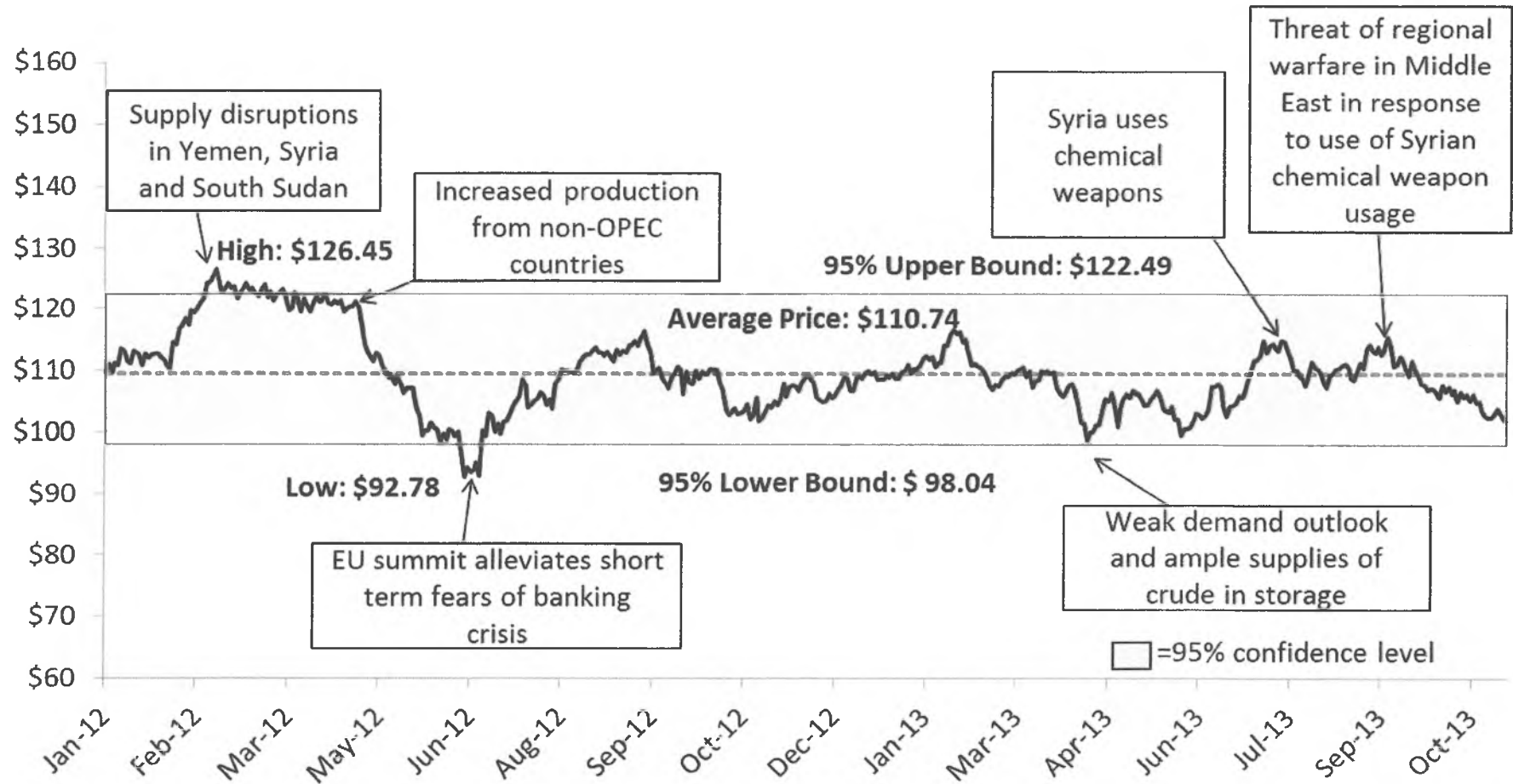
Source: Department of Revenue - Revenue Sources Book Fall 2013

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# FALL 2013 Price Forecast



# ALASKA NORTH SLOPE CRUDE WEST COAST PRICE



Source: Department of Revenue - Revenue Sources Book Fall 2013 page 37

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## KEY OIL PRICE DRIVERS

- Supply & Demand
  - There are two main factors to monitor.
    - Global spare capacity, since it is both a reflection of supply and demand. In other words, the Organization of Petroleum Exporting Countries (OPEC) spare capacity (flipping a switch) is key.
    - Cost of developing new oil supply.
  - Department is developing a probability and statistical model incorporating spare capacity and cost of developing new supply to help forecast ANS prices in the future.

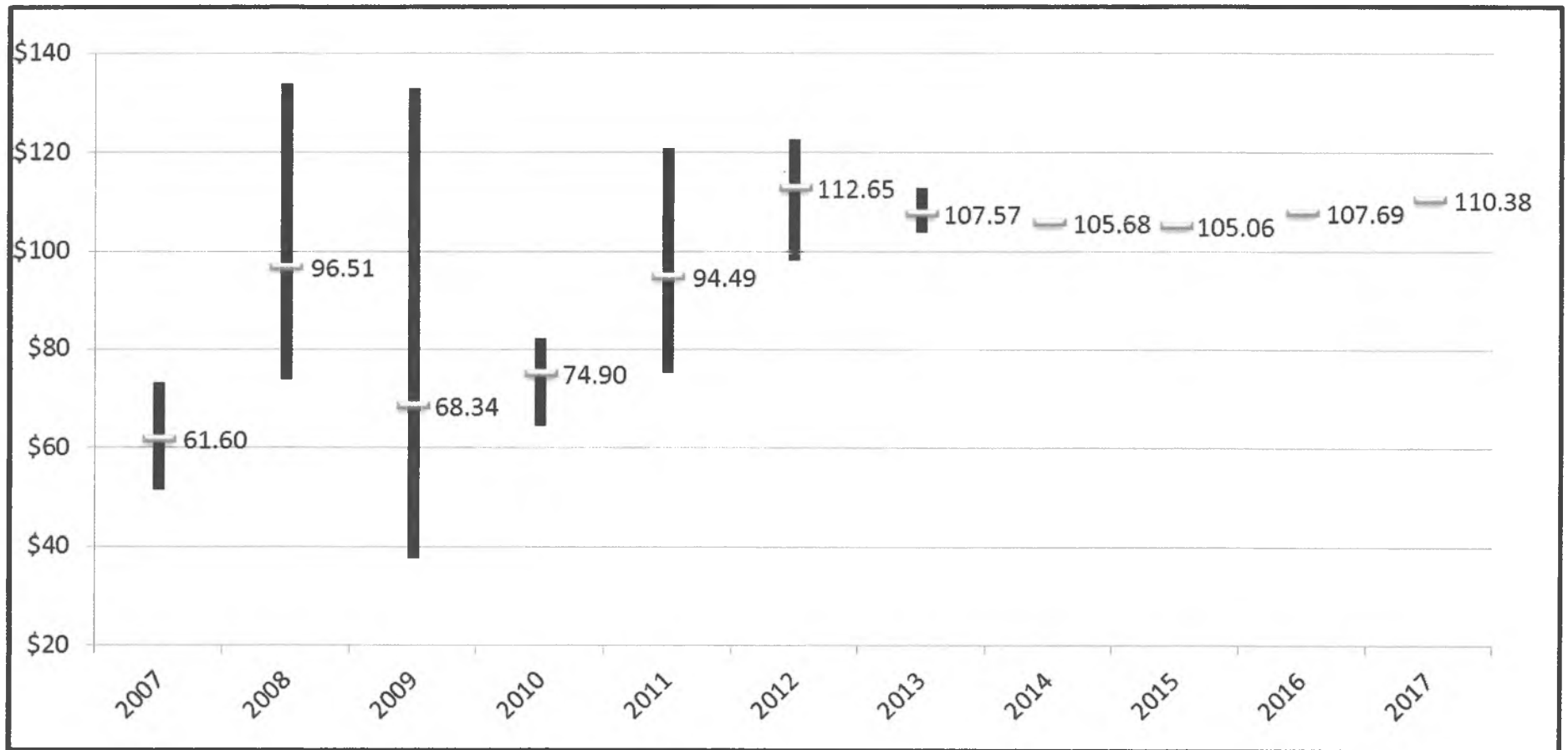
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## PRICE FORECAST METHODOLOGY

- Price Forecasting Session
  - Held a day long oil price forecasting session on October 1, 2013.
  - Speakers provided insight into oil markets, probability and analysis, modeling, and financial aspects of commodity markets.
  - 39 participants from state government, academia and the private sector.
    - DOR, DNR, DOL, OMB, University, Legislative Finance and outside participants.
  - Participants were asked to forecast real ANS prices for the West Coast.
    - Real prices were converted to nominal using a 2.5% inflation assumption.
  - Median price path was chosen for each time period.

# HISTORICAL ANS WEST COAST FY OIL PRICE BANDS

## ANNUAL AVERAGE AND OFFICIAL FY2013 FORECAST



Source: Department of Revenue - Revenue Sources Book Fall 2013 page 38

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# Changes from Spring 2013 Forecast



## COMPARISON – FALL VS. SPRING 2013 FORECASTS

<b>FY 2014</b>	<b>Spring 2013</b>	<b>Fall 2013</b>	<b>Difference</b>	<b>Change</b>
Oil Price (ANS West Coast per barrel)	\$109.61	\$105.68	(\$3.93)	-3.6%
Avg ANS oil Production (ths barrels/day)	526.6	508.2	(18.60)	-3.5%
Unrestricted GF Revenue (million)	\$6,712.7	\$4,930.0	(\$1,782.7)	-26.6%
 <b>FY 2015</b>				
Oil Price (ANS West Coast per barrel)	\$111.67	\$105.06	(\$6.61)	-5.92%
Avg ANS oil Production (ths barrels/day)	512.8	498.4	(14.40)	-2.8%
Unrestricted GF Revenue (million)	\$6,521.0	\$4,532.0	(\$1,989.0)	-30.5%

## CONTRIBUTORS OF CHANGES IN FY2014 REVENUE FORECAST

Component	Fall 2013 Forecast	Spring 2013 Forecast	Change
ANS Production (thousand bbl/day)	508.2	526.6	-18.4
ANS Price	\$105.68	\$109.61	-\$3.93
ANS Deductible Lease Expenditures (\$million)	\$6,600	\$6,146	+\$454
Transportation Costs	\$10.11	\$8.87	+\$1.24

- **Average Production Tax Value per barrel is reduced by \$9.23. Simplified calculation, does not represent any actual company value. Assumes 12.5% royalty.**

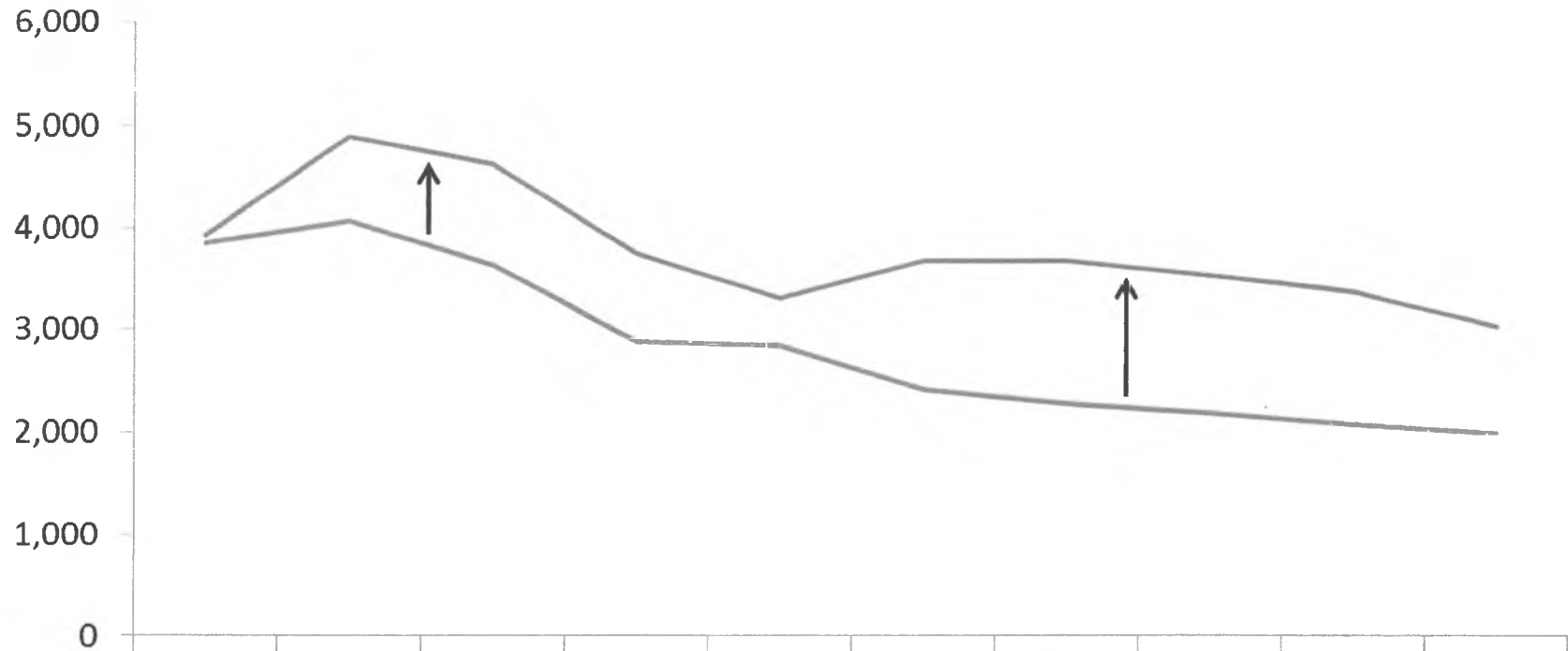
## CONTRIBUTORS OF CHANGES IN FY2015 REVENUE FORECAST

Component	Fall 2013 Forecast	Spring 2013 Forecast	Change
ANS Production (thousand bbl/day)	498.4	512.8	-14.4
ANS Price	\$105.06	\$111.67	-\$6.61
ANS Deductible Lease Expenditures (\$million)	\$7,294	\$6,294	+\$1,000
Transportation Costs	\$10.03	\$9.03	+\$1.00

- **Average Production Tax Value per barrel is reduced by \$14.90. Simplified calculation, does not represent any actual company value. Assumes 12.5% royalty.**

# NORTH SLOPE LEASE EXPENDITURE FORECAST CHANGE

## CAPEX



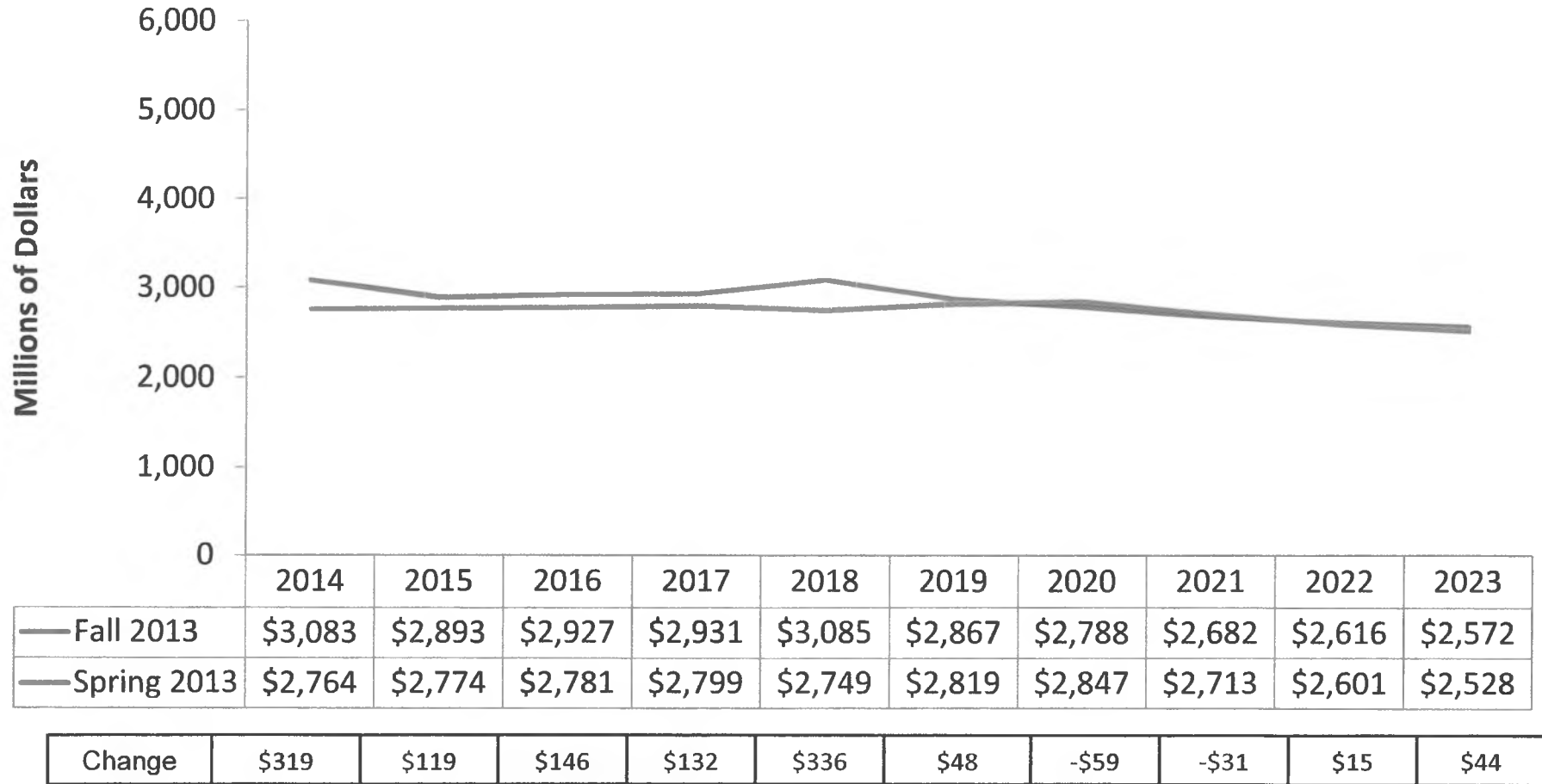
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
— Fall 2013	\$3,929	\$4,894	\$4,617	\$3,747	\$3,294	\$3,666	\$3,664	\$3,521	\$3,370	\$3,019
— Spring 2013	\$3,862	\$4,069	\$3,632	\$2,870	\$2,841	\$2,416	\$2,281	\$2,184	\$2,083	\$1,992
<b>Change</b>	<b>\$67</b>	<b>\$826</b>	<b>\$985</b>	<b>\$877</b>	<b>\$453</b>	<b>\$1,250</b>	<b>\$1,383</b>	<b>\$1,337</b>	<b>\$1,287</b>	<b>\$1,027</b>

**Total Increase: \$9,492**

Source: Department of Revenue - Revenue Sources Book Fall 2013 and Spring 2013 forecast

# NORTH SLOPE LEASE EXPENDITURE FORECAST CHANGE

## OPEX



**Total Increase: \$1,069**

Source: Department of Revenue - Revenue Sources Book Fall 2013 and Spring 2013 forecast

# THANK YOU

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