HOUSE CS FOR CS FOR SENATE BILL NO.138(FIN) am H

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 4/20/14
Offered: 4/18/14

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

A BILL

FOR AN ACT ENTITLED

"An Act relating to the limitation on the value of property taxable by a municipality; relating to the Alaska Gasline Development Corporation; relating to an in-state natural gas pipeline, an Alaska liquefied natural gas project, and associated funds; requiring state agencies and other entities to expedite reviews and actions related to natural gas pipelines and projects; making certain contracts by the Department of Natural Resources and the Department of Law not subject to the State Procurement Code; relating to the authorities and duties of the commissioner of natural resources relating to a North Slope natural gas project, oil and gas and gas only leases, and royalty gas and other gas received by the state including gas received as payment for the production tax on gas; relating to a report and recommendations by the commissioner of natural resources regarding the delivery and availability of North Slope natural gas in the state, including the identification of risks and recommendations for mitigation; relating to the

tax on oil and gas production, on oil production, and on gas production; relating to the duties of the commissioner of revenue relating to a North Slope natural gas project and gas received as payment for tax; relating to confidential information and public record status of information provided to or in the custody of the Department of Natural Resources and the Department of Revenue; relating to apportionment factors of the Alaska Net Income Tax Act; amending the definition of gross value at the 'point of production' for gas for purposes of the oil and gas production tax; clarifying that the exploration incentive credit, the oil or gas producer education credit, and the film production tax credit may not be taken against the gas production tax paid in gas; relating to the oil or gas producer education credit; requiring the commissioner of revenue to provide a report to the legislature on financing options for state ownership and participation in a North Slope natural gas project; requesting the governor to establish an advisory planning group to advise the governor on municipal involvement in a North Slope natural gas project; relating to the development of a plan by the Alaska Energy Authority for developing infrastructure to deliver affordable energy to areas of the state that will not have direct access to a North Slope natural gas pipeline and a recommendation of a funding source for energy infrastructure development; establishing the Alaska affordable energy fund; requiring the Department of Transportation and Public Facilities to evaluate certain bridges and infrastructure related to an Alaska liquefied natural gas project; requiring the commissioner of revenue to develop a plan and suggest legislation for municipalities, regional corporations, and residents of the state to acquire ownership interests in a North Slope natural gas pipeline project; relating to the duties of the Oil and Gas Competitiveness Review Board; making conforming amendments; and providing for an effective date."

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

*** Section 1.** AS 29.45.080(c) is amended to read:

(c) A municipality may levy and collect a tax on the full and true value of that portion of taxable property taxable under AS 43.56 as assessed by the Department of Revenue which value, when combined with the value of property otherwise taxable by the municipality, does not exceed the product of **the percentage determined in (f) of this section** [225 PERCENT] of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality.

*** Sec. 2.** AS 29.45.080(d) is amended to read:

(d) **Each** [BY FEBRUARY 1 OF EACH] assessment year**,** a taxing municipality shall inform the Department of Revenue**, by**

(1) February 1, which method of taxation the municipality will use**; and**

(2) May 1, the

(A) total value of the municipality's locally assessed property tax base; and

(B) payment amount for the principal of and interest on bonds that the municipality intends to apply in its mill rate calculation for the fiscal year corresponding to the tax year for which the assessment method selected by the municipality under this section will apply.

*** Sec. 3.** AS 29.45.080 is amended by adding a new subsection to read:

(f) The percentage in (c) of this section is based on the total tax rate established by the municipality and levied each year under AS 43.56.010(b) and is as follows:

If the tax rate determined under AS 43.56.010(b) is:	The percentage is:
Not more than 18.0 mills	375 percent
More than 18.0 mills but not more than 19.0 mills	300 percent
More than 19.0 mills	225 percent

*** Sec. 4.** AS 29.45.090(b) is amended to read:

(b) A municipality, or combination of municipalities occupying the same geographical area, in whole or in part, may not levy taxes

(1) that will result in tax revenues from all sources exceeding $1,500 a year for each person residing within the municipal boundaries; or

(2) **__on__** [UPON] value that, when combined with the value of property otherwise taxable by the municipality, exceeds the product of **__the percentage determined in (e) of this section__** [225 PERCENT] of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality.

*** Sec. 5.** AS 29.45.090(c) is amended to read:

(c) The commissioner shall apportion the lawful levy and equitably divide the tax revenues on the basis of need, services performed, and other considerations in the public interest if two or more municipalities occupying the same geographical area, in whole or in part, attempt to levy a tax

(1) the combined levy of which would result in tax revenues from all sources exceeding $1,500 a year for each person residing within the municipal boundaries; or

(2) **__on__** [UPON] value that, when combined with the value of property otherwise taxable by the municipality, exceeds the product of **__the percentage determined in (e) of this section__** [225 PERCENT] of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality.

*** Sec. 6.** AS 29.45.090 is amended by adding a new subsection to read:

(e) The percentage in (b) and (c) of this section is based on the total tax rate established by the municipality and levied each year under AS 43.56.010(b) and is as follows:

If the tax rate determined under AS 43.56.010(b) is:	The percentage is:
Not more than 18.0 mills	375 percent
More than 18.0 mills but not more than 19.0 mills	300 percent
More than 19.0 mills	225 percent

*** Sec. 7.** AS 31.25.005 is amended to read:

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

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

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

(3) assist the Department of Natural Resources and the Department of Revenue to maximize the value of the state's royalty natural gas, natural gas delivered to the state as payment of tax, and other natural gas received by the state;

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

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

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

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

*** Sec. 8.** AS 31.25.010 is amended to read:

Sec. 31.25.010. Structure. The Alaska Gasline Development Corporation is a public corporation and government instrumentality **acting in the best interest of the state for the purposes required by AS 31.25.005,** located for administrative purposes in the Department of Commerce, Community, and Economic Development, but having a legal existence independent of and separate from the state. The corporation may not be terminated as long as it has bonds, notes, or other obligations outstanding. The corporation may dissolve when no bonds, notes, or other obligations of the corporation or a subsidiary of the corporation are outstanding and the corporation or a subsidiary of the corporation is no longer engaged in the development, financing, construction, or operation of an in-state natural gas pipeline **or an Alaska liquefied natural gas project**. Upon termination of the corporation, its rights and property pass to the state.

*** Sec. 9.** AS 31.25.020(a) is amended to read:

(a) The corporation shall be governed by a board of directors consisting of

(1) five public members; and

(2) two individuals designated by the governor that are each the head of a principal department of the state, except that the commissioner of natural resources and the commissioner of revenue may not be designated to serve on the board [UNLESS THE PROJECT FOR WHICH A LICENSE IS ISSUED UNDER AS 43.90 HAS BEEN ABANDONED OR IS NO LONGER RECEIVING THE INDUCEMENTS IN AS 43.90.110(a) OR THE COMMISSIONER OF NATURAL RESOURCES AND THE COMMISSIONER OF REVENUE ARE NO LONGER SIGNATORIES ON A VALID CONTRACT UNDER AS 43.90].

*** Sec. 10.** AS 31.25.040 is amended by adding new subsections to read:

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

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

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

(d) The board may appoint a program director for an Alaska liquefied natural gas project. The board may appoint a separate program director for an in-state natural gas pipeline as described in the July 1, 2011, project plan prepared under former AS 38.34.040 and defined in AS 31.25.390. A program director appointed under this section shall

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

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

*** Sec. 11.** AS 31.25.050 is amended to read:

Sec. 31.25.050. Legal counsel. <u>**Except as provided in (b) of this section, the**</u> [THE] corporation shall retain legal counsel to advise the corporation in legal matters and represent it in litigation.

*** Sec. 12.** AS 31.25.050 is amended by adding a new subsection to read:

(b) The attorney general shall

(1) be the legal counsel for the corporation for legal services related to the development of contracts and agreements by the corporation that relate to an Alaska liquefied natural gas project; and

(2) consult with the corporation when procuring outside counsel for legal services for the corporation related to an Alaska liquefied natural gas project.

*** Sec. 13.** AS 31.25.080(a) is amended to read:

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

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

state natural gas pipeline **<u>or an Alaska liquefied natural gas project</u>**;

(2) plan, finance, construct, develop, acquire, maintain, and operate a pipeline system and other transportation mechanism, including pipelines, compressors, storage facilities, and other related facilities, equipment, and works of public improvement, in the state to facilitate production, transportation, and delivery of natural gas or other related natural resources to the point of consumption or to the point of distribution for consumption;

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

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

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

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

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

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

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

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

Regulatory Commission;

(11) make and execute agreements, contracts, and other instruments necessary or convenient in the exercise of the powers and functions of the corporation under this chapter, including a contract with a person, firm, corporation, governmental agency, or other entity;

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

(13) adopt an official seal;

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

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

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

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

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

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

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

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

(22) enter into, as it determines to be necessary or appropriate, any swap or hedge, cap, or other contract providing for payments based on levels of or changes in interest rates or indices or in the cost or price of any commodity, supply, or expense expected to be used or incurred in connection with the acquisition, construction, or operation of any facility or property owned, leased, or operated by the corporation, or an option with respect to any of the foregoing**;**

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

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

*** Sec. 14.** AS 31.25.080(e) is amended to read:

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

*** Sec. 15.** AS 31.25.080 is amended by adding a new subsection to read:

(g) The power in (a)(23) of this section may not be exercised by an entity or subsidiary of the corporation that is advancing the development an in-state natural gas pipeline.

*** Sec. 16.** AS 31.25.090 is amended by adding a new subsection to read:

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

*** Sec. 17.** AS 31.25.100 is amended to read:

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

*** Sec. 18.** AS 31.25 is amended by adding a new section to read:

Sec. 31.25.110. Alaska liquefied natural gas project fund. The Alaska liquefied natural gas project fund is established in the corporation and consists of money appropriated to it. The corporation shall determine fund management and may contract with the Department of Revenue for fund management. If money is appropriated to the fund to finance the cost of an Alaska liquefied natural gas project, the corporation shall create an account in the fund for that purpose and hold the money appropriated for that purpose in that account. Interest and other income received on money in the fund shall be separately accounted for and may be appropriated to the fund. The corporation may use money appropriated to the fund without further appropriation for the purpose of managing the fund, for purposes related to an Alaska liquefied natural gas project, and for the purpose of transferring net revenue received by the corporation related to equity interest, contracts, and other activities to the appropriate fund of the state as determined by the commissioner of revenue in consultation with the commissioner of natural resources.

*** Sec. 19.** AS 31.25.120 is amended to read:

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

*** Sec. 20.** AS 31.25.140(c) is amended to read:

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

(1) annually review the corporation's assets, including the assets of the in-state natural gas pipeline fund under AS 31.25.100 **and the Alaska liquefied**

natural gas project fund under AS 31.25.110, to determine whether assets of the corporation exceed an amount required to fulfill the purposes of the corporation as defined in this chapter; in making its review, the board shall determine whether, and to what extent, assets in excess of the amount required to fulfill the purposes of the corporation during the next fiscal year are available without

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

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

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

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

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

*** Sec. 21.** AS 31.25.390 is amended by adding a new paragraph to read:

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

(A) "gas pipeline"

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

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

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

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

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

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

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

*** Sec. 22.** AS 36.30.850(b) is amended by adding new paragraphs to read:

(47) contracts for professional and technical services by the Department of Natural Resources to support the development of agreements and contracts under AS 38.05.020(b)(10) and (11);

(48) contracts of the Department of Law developed with client participation for legal services related to an Alaska liquefied natural gas project as that project is defined in AS 31.25.390, except that, to the extent practicable, the Department of Law shall use the procurement process under AS 36.30.320 with the participation of the client.

*** Sec. 23.** AS 37.05 is amended by adding a new section to article 6 to read:

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

(b) The amount to be deposited in (a) of this section is 20 percent of the revenue received from the state's royalty gas transported in an Alaska liquefied natural gas project that remains after the payment to the Alaska permanent fund under AS 37.13.010.

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

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

(e) In this section,

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

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

*** Sec. 24.** AS 38.05.020(b) is amended to read:

(b) The commissioner may

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

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

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

(4) exercise the powers and do the acts necessary to carry out the

provisions and objectives of this chapter;

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

(6) classify tracts for agricultural uses;

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

(A) the land is inaccessible by road; or

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

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

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

(B) the reconveyance or relinquishment is

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

(ii) in the best interests of the state;

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

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

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

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

(A) the terms of a proposed contract that the commissioner presents to the legislature for the purpose of obtaining authorization for the governor to execute are not confidential and must be made available to the public at least 90 days before the proposed effective date for the terms; and

(B) the commissioner may share confidential information obtained under this paragraph with members of the legislature, their agents, and contractors on request under confidentiality agreements, either in committees held in executive session or individually;

(13) consult with the Alaska Gasline Development Corporation in the development of agreements or contracts under (10) or (11) of this subsection for project services related to a gas treatment plant, pipeline, liquefaction facility, marine terminal, or marine transportation services necessary to transport natural gas to market;

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

*** Sec. 25.** AS 38.05.020(b), as amended by sec. 24 of this Act, is amended to read:

(b) The commissioner may

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

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

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

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

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

(6) classify tracts for agricultural uses;

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

(A) the land is inaccessible by road; or

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

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

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

(B) the reconveyance or relinquishment is

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

(ii) in the best interests of the state;

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

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

(11) in consultation with the commissioner of revenue, participate in the negotiation of agreements that include balancing, marketing, disposition of natural gas, and offtake and contracts and development of terms for inclusion in those proposed agreements and contracts associated with a North Slope natural gas project; an agreement or contract negotiated under this paragraph to which the state is a party

is not effective unless the legislature authorizes the governor to execute the agreement or contract;

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

(A) the terms of a proposed contract that the commissioner presents to the legislature for the purpose of obtaining authorization for the governor to execute are not confidential and must be made available to the public at least 90 days before the proposed effective date for the terms; and

(B) the commissioner may share confidential information obtained under this paragraph with members of the legislature, their agents, and contractors on request under confidentiality agreements, either in committees held in executive session or individually;

(13) consult with the Alaska Gasline Development Corporation in the development of agreements or contracts under (10) or (11) of this subsection for project services related to a gas treatment plant, pipeline, liquefaction facility, marine terminal, or marine transportation services necessary to transport natural gas to market;

(14) **<u>in consultation with the commissioner of revenue, take custody of gas delivered to the state under AS 43.55.014(b) and manage the project services and disposition and sale of that gas;</u>**

<u>(15)</u> exercise the powers and do the acts necessary to carry out the provisions and objectives of AS 43.90 that relate to this chapter.

*** Sec. 26.** AS 38.05 is amended by adding a new section to read:

Sec. 38.05.023. Terms in an agreement or contract related to a North Slope natural gas project. (a) An agreement or contract to which the state or an entity of the state is a party that is negotiated under AS 38.05.020(b)(11) must include a requirement that the state or an entity of the state shall have access to data developed under the agreement or contract in which the state or an entity of the state has directly participated financially. Access by the state or an entity of the state to the data must be on the same or substantially similar terms applicable to any other party in a North Slope natural gas project.

(b) A proposed agreement or contract associated with a North Slope natural gas project may not include a provision that changes the property tax on property that was previously taxable under AS 43.56.

(c) A proposed agreement or contract associated with a North Slope natural gas project must provide the means for allocating infrastructure costs between the state and other parties in the project. The allocation must take into consideration the extent to which infrastructure is used by the project and used by the public and the difference between the normal expected or actual life-cycle costs for the infrastructure as used by the project and the expected or actual life-cycle costs of the same infrastructure if subject only to general public use. The proposed agreement or contract may not require the state to pay infrastructure costs that are directly related to the project and not designed for general public use in a proportionate amount that is greater than the state's share of participation in the project.

(d) An agreement or contract to which the state or an entity of the state is a party that is negotiated under AS 38.05.020(b)(11) must include principles based on commercially reasonable terms for delivering natural gas to public utilities in the state when the demand for natural gas by the utilities exceeds the amount of the state's royalty natural gas and natural gas delivered to the state as payment of tax that is available in a North Slope natural gas project.

*** Sec. 27.** AS 38.05.180(i) is amended to read:

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

*** Sec. 28.** AS 38.05.180 is amended by adding new subsections to read:

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

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

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

(3) modify net profit shares for oil and gas and sliding scale royalty rates for gas by establishing fixed royalty rates that yield a value to the state that the commissioner determines to be not less than the value the state would have received

under the terms of the lease before a modification under this subsection.

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

(1) the modification

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

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

(2) a North Slope natural gas project has sufficient

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

(B) commitment of gas by lessees;

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

(4) the lessee or an affiliate of the lessee has offered to purchase, dispose of, or market the state's royalty gas taken in kind and gas delivered to the state under AS 43.55.014 on the same or substantially similar terms as the lessee or an affiliate of the lessee sells, disposes of, or markets the lessee's gas.

*** Sec. 29.** AS 38.05.183(a) is amended to read:

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

*** Sec. 30.** AS 38.05.183(c) is amended to read:

(c) If the commissioner determines that a sale, exchange, or other disposal of a mineral obtained by the state as a royalty under AS 38.05.182**,** [OR] of a right to receive future mineral production under a state lease under this chapter**, or of gas delivered to the state under AS 43.55.014(b)** shall be made otherwise than by competitive bid, and the Alaska Royalty Oil and Gas Development Advisory Board has been notified in writing of that determination, the commissioner shall make public in writing the specific findings and conclusions **on** [UPON] which that determination is based.

*** Sec. 31.** AS 38.05.183(d) is amended to read:

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

*** Sec. 32.** AS 38.05.183(e) is amended to read:

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

(1) the cash value offered;

(2) the projected effects of the sale, exchange, or other disposal on the economy of the state;

(3) the projected benefits of refining or processing the oil or gas in the state;

(4) the ability of the prospective buyer to provide refined products or by-products for distribution and sale in the state with price or supply benefits to the

citizens of the state; and

(5) the criteria listed in AS 38.06.070(a).

*** Sec. 33.** AS 38.05.965 is amended by adding new paragraphs to read:

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

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

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

*** Sec. 34.** AS 38.34.020(a) is amended to read:

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

*** Sec. 35.** AS 38.34.020(b) is amended to read:

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

*** Sec. 36.** AS 38.34.020(c) is amended to read:

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

*** Sec. 37.** AS 40.25.100(a) is amended to read:

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

*** Sec. 38.** AS 40.25.100(a), as amended by sec. 37 of this Act, is amended to read:

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

43.05.499.

*** Sec. 39.** AS 40.25.120(a) is amended to read:

(a) Every person has a right to inspect a public record in the state, including public records in recorders' offices, except

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

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

(3) medical and related public health records;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(12) records that are

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

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

(13) information of the Alaska Gasline Development Corporation

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

(14) information under AS 38.05.020(b)(11) that is subject to a confidentiality agreement under AS 38.05.020(b)(12).

*** Sec. 40.** AS 43.05.010 is amended to read:

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

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

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

(3) prescribe uniform rules for investigations and hearings;

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

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

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

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

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

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

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

(11) administer oaths and take acknowledgments;

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

(13) call upon the attorney general to institute actions for recovery of

unpaid taxes, fees, excises, additions to tax, penalties, and interest;

(14) issue warrants for the collection of unpaid tax penalties and interest and take all steps necessary and proper to enforce full and complete compliance with the tax, license, excise, and other revenue laws of the state;

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

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

*** Sec. 41.** AS 43.05.010, as amended by sec. 40 of this Act, is amended to read:

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

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

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

(3) prescribe uniform rules for investigations and hearings;

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

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

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

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

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

(9) issue subpoenas to require the attendance of witnesses and the

production of necessary books, papers, documents, correspondence, and other things;

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

(11) administer oaths and take acknowledgments;

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

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

(14) issue warrants for the collection of unpaid tax penalties and interest and take all steps necessary and proper to enforce full and complete compliance with the tax, license, excise, and other revenue laws of the state;

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

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

(17) direct the disposition of revenue received from gas delivered to the state under AS 43.55.014(b) by entering into agreements with the commissioner of natural resources related to the management of the custody and disposition of gas delivered to the state under AS 43.55.014(b).

*** Sec. 42.** AS 43.05.230 is amended by adding a new subsection to read:

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

*** Sec. 43.** AS 43.20.144(d) is amended to read:

(d) The sales factor of a taxpayer subject to this section is a fraction,

(1) the numerator of which is the sum of the following for the tax period:

(A) the tariffs allowed and received by or for the taxpayer for transporting oil or gas by pipeline in this state, regardless of whether the tariffs are paid by third parties or by entities within the taxpayer's consolidated business; and

(B) the total sales of the taxpayer in this state, determined in accordance with AS 43.19 (Multistate Tax Compact), but excluding

(i) those sales already included in the tariffs described in (A) of this paragraph;

(ii) constructive sales or deemed sales of natural gas delivered to the state as payment of tax under an election made by the taxpayer under AS 43.55.014;

(iii) fees, allowed and received, that are paid between entities within the consolidated business of the taxpayer for transporting the taxpayer's natural gas; and

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

(A) the tariffs allowed and received by or for the taxpayer's consolidated business for transporting oil or gas by pipeline everywhere, regardless of whether the tariffs are paid by third parties or by entities within the taxpayer's consolidated business; and

(B) the total sales of the taxpayer's consolidated business everywhere, determined in accordance with AS 43.19 (Multistate Tax Compact), but excluding

(i) those sales already included in the tariffs described in (A) of this paragraph**;**

(ii) constructive sales or deemed sales of natural gas delivered to the state as payment of tax under an election made by the taxpayer under AS 43.55.014 or delivered in another tax jurisdiction under a law comparable to AS 43.55.014;

(iii) fees, allowed and received, that are paid between entities within the consolidated business of the taxpayer

for transporting the taxpayer's natural gas.

*** Sec. 44.** AS 43.20.144(f) is amended to read:

(f) The extraction factor of a taxpayer subject to this section is a fraction,

(1) the numerator of which is the sum of the following for the tax period:

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

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

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

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

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

*** Sec. 45.** AS 43.55.011(e) is amended to read:

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

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

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

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

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

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

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

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

*** Sec. 46.** AS 43.55.011(f) is amended to read:

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

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

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

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

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

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

<u>**(E)**</u> [(5)] zero percent of the gross value at the point of production when the average price per barrel for Alaska North Slope crude oil for sale on the United States West Coast during the calendar year for which the tax is due is $15 or less<u>**; and**</u>

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

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

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

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

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

<u>**(E) zero percent of the gross value at the point of production when the average price per barrel for Alaska North Slope**</u>

<u>crude oil for sale on the United States West Coast during the calendar year for which the tax is due is $15 or less</u>.

*** Sec. 47.** AS 43.55 is amended by adding a new section to read:

Sec. 43.55.014. Payment in gas of tax for gas. (a) For gas produced on and after January 1, 2022, other than gas described in (e) of this section, the department shall allow a producer to make an election, under regulations adopted by the department, to pay in gas the production tax levied by this section in lieu of the tax otherwise levied for the gas by AS 43.55.011(e). An election under this subsection applies only to gas produced from oil and gas leases modified under AS 38.05.180(hh) from which the commissioner of natural resources has determined to take royalty gas in kind under AS 38.05.182.

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

(c) The Department of Natural Resources shall manage under AS 38.05.020(b)(14) the custody and disposition of gas delivered to the state under (b) of this section.

(d) An assessment under AS 43.05.245 against a producer for an underpayment of a tax levied by this section may be made in terms of an amount of gas or an amount of money, as determined under regulations adopted by the department. If the assessment is made in terms of money, the amount for a month of production for an oil and gas lease subject to an effective election under (a) of this section is the product of the number of units of gas by which the producer's delivery to the state was less than the amount required by (b) of this section, multiplied by the average gross value at the point of production for each unit of the gas produced by the producer from the lease during the month other than gas that was not subject to tax or gas that was delivered to the state under (b) of this section. The department may allow a credit or refund under AS 43.05.275 for an overpayment of a tax levied by this section that may be issued in the form of gas or money, as determined under regulations adopted by the department. If the credit or refund is allowed in terms of money, the amount of the credit or refund for a month of production for an oil and gas lease subject to an effective election under (a) of this section is the product of the number of units of gas by which the producer's delivery to the state was more than the amount required under (b) of this section, multiplied by the average gross value at the point of production for each unit of the gas produced by the producer from the lease during the month other than gas that was not subject to tax or gas that was delivered to the state under (b) of this section. Interest that is determined as a percentage of the amount of a tax underpayment or overpayment and a penalty that is a percentage of the amount of a tax underpayment are calculated as a percentage of the amount of money determined in this subsection. An amount of gas that was less than the amount required to be delivered to the state under (b) of this section or an amount of gas that was more than the amount required to be delivered to the state under (b) of this section that is adjusted as provided by a gas balancing agreement to which the state is a party under AS 38.05.020(b)(11) is not subject to assessment under AS 43.05.245 or a credit or refund under AS 43.05.275. In this subsection, "unit" means a unit of measurement for gas identified by the department under regulations adopted by the department and may be expressed as 1,000 cubic feet, 1,000,000 British thermal units, or another appropriate unit of measurement specified by the department under regulations adopted by the department.

(e) This section does not apply to gas that, under AS 43.55.020(e), is considered as gas produced from a lease or property for the purpose of AS 43.55.011 - 43.55.180.

*** Sec. 48.** AS 43.55.019(a) is amended to read:

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

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

(2) secondary school level vocational education courses, programs, and

facilities by a school district in the state;

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

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

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

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

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

*** Sec. 49.** AS 43.55.019(a), as amended by sec. 21, ch. 92, SLA 2010, sec. 14, ch. 7, FSSLA 2011, sec. 17, ch. 74, SLA 2012, and sec. 48 of this Act, is amended to read:

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

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

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

(3) **for vocational education courses, programs, equipment, and facilities** by

(A) a [STATE-OPERATED] vocational technical education and training school **in the state that offers programs approved by the**

United States Department of Veterans Affairs and the Alaska Commission on Postsecondary Education;

(B) a nonprofit regional training center recognized by the Department of Labor and Workforce Development; or

(C) an apprenticeship program in the state that is registered with the United States Department of Labor under 29 U.S.C. 50 - 50b (National Apprenticeship Act); and

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

*** Sec. 50.** AS 43.55.019(e) is amended to read:

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

*** Sec. 51.** AS 43.55.020(a) is amended to read:

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

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

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

(i) zero; or

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

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

(i) zero;

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

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

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

(i) zero; or

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

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

(i) the sum of 25 percent and the tax rate calculated for the month under AS 43.55.011(g) multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil and gas under AS 43.55.160 from the gross value at the point of production of the oil and gas produced from the leases or properties during the month for which the installment payment is calculated, but not less than zero; or

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

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

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

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

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

(4) any amount of tax levied by AS 43.55.011, net of any credits applied as allowed by law, that exceeds the total of the amounts due as installment payments of estimated tax is due on March 31 of the year following the calendar year of production;

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

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

(i) zero; or

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

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

(i) zero;

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

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

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

(i) zero; or

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

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

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

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

(6) an amount calculated under (5)(C) of this subsection for oil or gas subject to AS 43.55.011(j), (k), or (o) may not exceed the product obtained by carrying out the calculation set out in AS 43.55.011(j)(1) or (2) or 43.55.011(o), as applicable, for gas or set out in AS 43.55.011(k)(1) or (2), as applicable, for oil, but substituting in AS 43.55.011(j)(1)(A) or (2)(A) or 43.55.011(o), as applicable, the amount of taxable gas produced during the month for the amount of taxable gas produced during the calendar year and substituting in AS 43.55.011(k)(1)(A) or (2)(A), as applicable, the amount of taxable oil produced during the month for the amount of taxable oil produced during the calendar year**;**

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

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

(i) zero;

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

(iii) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures

for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil under AS 43.55.160(h)(1) from the gross value at the point of production of the oil produced from those leases or properties during the month for which the installment payment is calculated, except that, for the purposes of this calculation, a reduction from the gross value at the point of production may apply for oil subject to AS 43.55.160(f) or 43.55.160(f) and (g);

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

(i) zero; or

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

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

(i) 35 percent multiplied by the remainder obtained by subtracting 1/12 of the producer's adjusted lease expenditures for the calendar year of production under AS 43.55.165 and 43.55.170 that are deductible for the oil under AS 43.55.160(h)(3) from the gross value at the point of production of the oil produced from the leases or properties during the month for which the

installment payment is calculated, but not less than zero; and

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

(D) for oil produced from leases or properties in the state, no part of which is north of 68 degrees North latitude, other than leases or properties subject to (B) or (C) of this paragraph, the greater of

(i) zero; or

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

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

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

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

*** Sec. 52.** AS 43.55.020(g) is amended to read:

(g) Notwithstanding any contrary provision of AS 43.05.225,

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

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

*** Sec. 53.** AS 43.55.020(h) is amended to read:

(h) Notwithstanding any contrary provision of AS 43.05.280,

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

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

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

(2) except as provided under (1) of this subsection, interest with

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

(3) interest is allowed under (2) of this subsection only from a date that is 90 days after the later of March 31 following the calendar year of production or the date that the statement required under AS 43.55.030(a) is filed; interest is not allowed if the overpayment was refunded within the 90-day period;

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

*** Sec. 54.** AS 43.55.020(*l*) is amended to read:

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

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

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

*** Sec. 55.** AS 43.55.020 is amended by adding a new subsection to read:

(m) For oil and gas produced on and after January 1, 2022, in making settlement with the royalty owner for oil and gas that is taxable under AS 43.55.011, the producer may deduct the amount of the tax paid on taxable royalty oil and gas, or may deduct taxable royalty oil or gas equivalent in value at the time the tax becomes due to the amount of the tax paid. If the total deductions of installment payments of estimated tax for a calendar year exceed the actual tax for that calendar year, the producer shall, before April 1 of the following year, refund the excess to the royalty owner. In making settlement with the royalty owner for gas that is taxable under AS 43.55.014, the producer may deduct the amount of the gas paid as in kind tax on taxable royalty gas or may deduct the gross value at the point of production of the gas paid as in-kind tax on taxable royalty gas. Unless otherwise agreed between the producer and the royalty owner, the amount of the tax paid under AS 43.55.011(e) on taxable royalty oil for a calendar year, other than oil the ownership or right to which constitutes a landowner's royalty interest, is considered to be the gross value at the point of production of the taxable royalty oil produced during the calendar year multiplied by a figure that is a quotient, in which

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

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

*** Sec. 56.** AS 43.55.030(a) is amended to read:

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

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

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

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

(4) the gross value at the point of production of the oil and of the gas produced from each lease or property owned by the producer and the costs of transportation of the oil and gas;

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

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

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

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

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

*** Sec. 57.** AS 43.55.160(a) is amended to read:

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

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

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

(B) oil and gas produced from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude and that qualifies for a tax credit under AS 43.55.024(a) and (b); this subparagraph does not apply to

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

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

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

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

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

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

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

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

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

(B) oil and gas produced during a month from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, is the gross value at the point of production of the oil and gas taxable under AS 43.55.011(e) and produced by the producer from those leases or properties, less 1/12 of the producer's lease expenditures under AS 43.55.165 for the calendar year applicable to the oil and gas produced by the producer from those leases or properties, as adjusted under AS 43.55.170; this subparagraph does not apply to gas subject to AS 43.55.011(o);

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

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

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

*** Sec. 58.** AS 43.55.160(e) is amended to read:

(e) Any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer in a calendar year but whose deduction would cause an annual production tax value calculated under (a)(1) **or (h)** of this section of taxable oil or gas produced during the calendar year to be less than zero may be used to establish a carried-forward annual loss under AS 43.55.023(b). However, the department shall provide by regulation a method to ensure that, for a period for which a producer's tax liability is limited by AS 43.55.011(j), (k), (o), or (p), any adjusted lease expenditures under AS 43.55.165 and 43.55.170 that would otherwise be deductible by a producer for that period but whose deduction would cause a production tax value calculated under (a)(1)(C), (D), (E), [OR] (F)**, or (h)(3)** of this section to be less than zero are accounted for as though the adjusted lease expenditures had first been used as deductions in calculating the production tax values of oil or gas subject to any of the limitations under AS 43.55.011(j), (k), (o), or (p) that have positive production tax values so as to reduce the tax liability calculated without regard to the limitation to the maximum amount provided for under the applicable provision of AS 43.55.011(j), (k), (o), or (p). Only the amount of those adjusted lease expenditures remaining after the accounting provided for under this subsection may be used to establish a carried-forward annual loss under AS 43.55.023(b). In this subsection, "producer" includes "explorer."

*** Sec. 59.** AS 43.55.160(f) is amended to read:

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

*** Sec. 60.** AS 43.55.160(g) is amended to read:

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

*** Sec. 61.** AS 43.55.160 is amended by adding a new subsection to read:

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

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

(2) before or during the last calendar year under AS 43.55.024(b) for which the producer could take a tax credit under AS 43.55.024(a), from leases or properties in the state outside the Cook Inlet sedimentary basin, no part of which is north of 68 degrees North latitude, other than leases or properties subject to AS 43.55.011(p), is the gross value at the point of production of that oil, less the producer's lease expenditures under AS 43.55.165 for the calendar year incurred to explore for, develop, or produce oil and gas deposits located in the state outside the Cook Inlet sedimentary basin and south of 68 degrees North latitude, other than oil and gas deposits located in a lease or property that includes land north of 68 degrees North latitude or that is subject to AS 43.55.011(p) or, before January 1, 2027, from which commercial production has not begun, as adjusted under AS 43.55.170;

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

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

*** Sec. 62.** AS 43.55.165(e) is amended to read:

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

(1) depreciation, depletion, or amortization;

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

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

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

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

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

(7) fines or penalties imposed by law;

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

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

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

(11) surcharges levied under AS 43.55.201 or 43.55.300;

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

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

(14) a tax levied under AS 43.55.011 **<u>or 43.55.014</u>**;

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

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

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

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

(19) costs incurred for repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or equipment, other than a well, that results in or is undertaken in response to a failure, problem, or event that results in an unscheduled interruption of, or reduction in the rate of, oil or gas production; or costs incurred for repair, replacement, or deferred maintenance of a facility, a pipeline, a structure, or equipment, other than a well, that is undertaken in response to, or is otherwise associated with, an unpermitted release of a hazardous substance or of gas; however, costs under this paragraph that would otherwise constitute lease expenditures under (a) and (b) of this section may be treated as lease expenditures if the department determines that the repair or replacement is solely necessitated by an act of war, by an

unanticipated grave natural disaster or other natural phenomenon of an exceptional, inevitable, and irresistible character, the effects of which could not have been prevented or avoided by the exercise of due care or foresight, or by an intentional or negligent act or omission of a third party, other than a party or its agents in privity of contract with, or employed by, the producer or an operator acting for the producer, but only if the producer or operator, as applicable, exercised due care in operating and maintaining the facility, pipeline, structure, or equipment, and took reasonable precautions against the act or omission of the third party and against the consequences of the act or omission; in this paragraph,

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

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

(C) "replacement" includes renovation or improvement;

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

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

*** Sec. 63.** AS 43.55.900(10) is amended to read:

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

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

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

*** Sec. 64.** AS 43.55.900(20) is amended to read:

(20) "point of production" means

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

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

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

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

(iii) run through a gas processing plant, the **farthest**

upstream of the following locations: the first point where the gas is accurately metered downstream of the **gas processing** plant**, the inlet of any pipeline downstream of the gas processing plant transporting the gas to a gas treatment plant, or the inlet of any gas pipeline system downstream of the gas processing plant transporting the gas to a market** [;

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

*** Sec. 65.** AS 43.55.900 is amended by adding a new paragraph to read:

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

*** Sec. 66.** AS 43.56.010(c) is amended to read:

(c) If the total value of assessed property of a municipality taxing under AS 29.45.080(c) exceeds the product of **the percentage, as determined in AS 29.45.080(f),** [225 PERCENT] of the average per capita assessed full and true value of property in the state, to be determined by the department and reported to each municipality by January 15 of each year, multiplied by the number of residents of the taxing municipality, the department shall designate the portion of the tax base against which the local tax may be applied.

*** Sec. 67.** AS 43.90.900(18) is amended to read:

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

*** Sec. 68.** AS 43.98.030(c) is amended to read:

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

*** Sec. 69.** AS 43.98.050 is amended to read:

Sec. 43.98.050. Duties. The duties of the board include the following:

(1) establish and maintain a salient collection of information related to oil and gas exploration, development, and production in the state and related to tax structures, rates, and credits in other regions with oil and gas resources;

(2) review historical, current, and potential levels of investment in the state's oil and gas sector;

(3) identify factors that affect investment in oil and gas exploration, development, and production in the state, including tax structure, rates, and credits; royalty requirements; infrastructure; workforce availability; and regulatory requirements;

(4) review the competitive position of the state to attract and maintain investment in the oil and gas sector in the state as compared to the competitive position of other regions with oil and gas resources;

(5) in order to facilitate the work of the board, establish procedures to accept and keep confidential information that is beneficial to the work of the board, including the creation of a secure data room and confidentiality agreements to be signed by individuals having access to confidential information;

(6) make written findings and recommendations to the Alaska State Legislature before

(A) January 31, 2015, or as soon thereafter as practicable, regarding

(i) changes to the state's regulatory environment and permitting structure that would be conducive to encouraging increased investment while protecting the interests of the people of the state and the environment;

(ii) the status of the oil and gas industry labor pool in the state and the effectiveness of workforce development efforts by the state;

(iii) the status of the oil-and-gas-related infrastructure of the state, including a description of infrastructure deficiencies; and

(iv) the competitiveness of the state's fiscal oil and gas tax regime when compared to other regions of the world;

(B) <u>**January 15, 2017, regarding**</u>

<u>**(i) the state's tax structure and rates on oil and gas produced south of 68 degrees North latitude;**</u>

<u>**(ii) a tax structure that takes into account the unique economic circumstances for each oil and gas producing area south of 68 degrees North latitude;**</u>

<u>**(iii) a reduction in the gross value at the point of production for oil and gas produced south of 68 degrees North latitude that is similar to the reduction in gross value at the point of production in AS 43.55.160(f) and (g);**</u>

<u>**(iv) other incentives for oil and gas production south of 68 degrees North latitude;**</u>

<u>**(C)**</u> January 31, 2021, or as soon thereafter as practicable, regarding

(i) changes to the state's fiscal regime that would be conducive to increased and ongoing long-term investment in and development of the state's oil and gas resources;

(ii) alternative means for increasing the state's ability to attract and maintain investment in and development of the state's oil and gas resources; and

(iii) a review of the current effectiveness and future value of any provisions of the state's oil and gas tax laws that are expiring in the next five years.

*** Sec. 70.** Section 1(b), ch. 11, SLA 2013, is amended to read:

(b) It is the intent of the legislature that

(1) the Alaska Gasline Development Corporation, in its new placement as an independent public corporation of the state, shall be treated for all purposes as the transfer of a corporation within the state and not as the creation of a new entity by

the State of Alaska;

(2) the Board of Directors of the Alaska Gasline Development Corporation commit to governing the Alaska Gasline Development Corporation so as to affect positively as many Alaskans as possible, including those in rural and coastal communities, and to extend opportunities for all Alaskans to benefit from the natural gas resources of the state, including propane and associated gas-related hydrocarbons other than oil;

(3) to the maximum extent permitted by law, in developing a natural gas pipeline, the Alaska Gasline Development Corporation shall procure services, labor, products, and natural resources from qualified businesses located in the state, including organizations owned by Alaska Natives and municipal organizations directly affected by the project, if those persons are competitive;

(4) the Alaska Gasline Development Corporation **in its participation in an Alaska liquefied natural gas project as defined in AS 31.25.390 or a natural gas pipeline** shall, to the maximum extent permitted by law,

(A) hire qualified residents from throughout the state for management, engineering, construction, operations, maintenance, and other positions for a natural gas pipeline project;

(B) establish hiring facilities in the state or use existing hiring facilities in the state; and

(C) use, as far as practicable, the job centers and associated services operated by the Department of Labor and Workforce Development and an Internet-based labor exchange system operated by the state; and

(5) the Alaska Gasline Development Corporation and its subsidiaries shall wind up and dissolve when no bonds, notes, or other obligations are outstanding and the Alaska Gasline Development Corporation or a subsidiary of the Alaska Gasline Development Corporation is no longer engaged in the development, financing, construction, or operation of an in-state natural gas pipeline.

*** Sec. 71.** AS 31.25.080(f) is repealed.

*** Sec. 72.** The uncodified law of the State of Alaska is amended by adding a new section to read:

INFRASTRUCTURE. (a) The Department of Transportation and Public Facilities shall, in consultation with the Alaska Gasline Development Corporation, evaluate the design and construction of a new, separate bridge across the Yukon River that would accommodate both vehicular traffic and a gas pipeline resulting from an Alaska liquefied natural gas project.

(b) The Department of Transportation and Public Facilities shall, in consultation with the Alaska Gasline Development Corporation and the Department of Natural Resources, evaluate existing bridges and infrastructure and bridges and infrastructure constructed to accommodate a gas pipeline resulting from an Alaska liquefied natural gas project and determine whether the bridge or infrastructure could also be constructed for transportation uses, including vehicular traffic.

* **Sec. 73.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REPORT AND RECOMMENDATIONS BY THE COMMISSIONER OF NATURAL RESOURCES ON THE DELIVERY AND AVAILABILITY OF NORTH SLOPE NATURAL GAS IN THE STATE; IDENTIFICATION OF RISKS AND RECOMMENDATIONS FOR MITIGATION. (a) The commissioner of natural resources in consultation with the Alaska Gasline Development Corporation shall prepare and make available to the legislature a report on a plan and alternatives to make North Slope natural gas available for delivery and use in the state. The report must address

(1) the means by which North Slope natural gas may be delivered for use in the state;

(2) the anticipated benefits, risks, and liabilities to the state associated with the sale by the state to utilities and other customers in the state of natural gas received by the state as royalty in kind or as payment of tax;

(3) the effect and consequences, including the fiscal effect and liability to third parties, of the state's transport of a reduced amount of natural gas south of an in-state delivery point or underutilizing capacity in a liquefied natural gas plant;

(4) the costs, benefits, and risks associated with building a pipeline with a mainline diameter larger than 42 inches, including the effect of the increased diameter on compression, fuel, and other costs; the anticipated allocation of the cost of an increased diameter among project participants and the options for and effects of the state or participants

in the project funding the increased diameter; a quantification of the potential benefits from the increased diameter that may include increased exploration activity by parties and nonparties to the project and increased royalties and taxes from additional production transported in the increased capacity; and whether natural gas transported in the additional capacity is likely to be produced from federal or state land; and

(5) other issues the commissioner of natural resources determines are relevant to the delivery and use of North Slope natural gas in the state and should be considered by the legislature.

(b) In conjunction with the report in (a) of this section, the commissioner of natural resources shall recommend the means for eliminating or minimizing the risks and liabilities identified in the report.

(c) The commissioner of natural resources shall make the report and recommendations required by this section available to the legislature on or before the date a firm transportation services agreement in a North Slope natural gas project to which the state is a party is submitted to the legislature for approval.

(d) In this section, "North Slope natural gas project" has the meaning given in AS 38.05.965, as amended by sec. 27 of this Act.

*** Sec. 74.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REQUESTING THE GOVERNOR TO ESTABLISH AN ADVISORY PLANNING GROUP. (a) The legislature requests the governor to establish an advisory planning group under AS 44.19.145 to advise the governor on municipal involvement in a North Slope natural gas project. Members of the advisory planning group may include representatives of municipalities, the commissioner of natural resources, the commissioner of revenue, representatives of oil and gas and gas only lessees on the North Slope, and representatives of other persons expected to be directly involved in the development of a North Slope natural gas project.

(b) The advisory planning group shall review available information, hold public meetings, and provide annual reports by December 15 of each year to the governor that include

(1) the potential impact and benefits of new infrastructure for North Slope

natural gas development, whether designed to provide natural gas for in-state sale or for export, or both, on communities in the state, including consideration of tax structure under AS 29.45 and AS 43.56, and consideration of other payments before construction of new infrastructure associated with North Slope natural gas development;

(2) recommendations for changes to the oil and gas exploration, production, and pipeline transportation property taxes under AS 43.56 related to infrastructure for commercialization of natural gas that would facilitate development of a major natural gas project and mitigate financial impacts to communities affected by development of a North Slope natural gas project;

(3) recommendations for changes to AS 29.45.080 related to the commercialization of natural gas that would facilitate development of a North Slope natural gas project and mitigate financial impacts to communities affected by a North Slope natural gas project;

(4) recommendations for legislative or other options to minimize the financial impact to communities in proximity to North Slope natural gas project infrastructure during construction of a natural gas pipeline and associated infrastructure; and

(5) recommendations on the impact and benefits to communities not in proximity to a North Slope natural gas project.

(c) In this section, "North Slope natural gas project" has the meaning given in AS 38.05.965, as amended by sec. 33 of this Act.

*** Sec. 75.** The uncodified law of the State of Alaska is amended by adding a new section to read:

PLAN AND RECOMMENDATIONS TO THE LEGISLATURE ON INFRASTRUCTURE NEEDED TO DELIVER AFFORDABLE ENERGY TO AREAS IN THE STATE THAT DO NOT HAVE DIRECT ACCESS TO A NORTH SLOPE NATURAL GAS PIPELINE. (a) The Alaska Energy Authority, in consultation with the Alaska Gasline Development Corporation, the Alaska Industrial Development and Export Authority, and the Department of Revenue, shall, after considering the state energy policy under AS 44.99.115 and sec. 1, ch. 82, SLA 2010, 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. The plan must identify ownership options, different energy sources, including fossil fuels, hydro projects, tidal, and other alternative energy sources, and describe and recommend the means for generating, delivering, receiving, and storing energy in the most cost-efficient manner. For those citizens for whom there is no economically viable infrastructure available, the plan must recommend the means for directly underwriting the energy costs of the citizens to make their energy costs more affordable. The Alaska Energy Authority 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) The Alaska Energy Authority, in consultation with the Department of Revenue, 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) The Alaska Energy Authority 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.

*** Sec. 76.** The uncodified law of the State of Alaska is amended by adding a new section to read:

DEVELOPMENT OF A PLAN FOR MUNICIPALITIES, REGIONAL CORPORATIONS, AND RESIDENTS TO PARTICIPATE IN THE OWNERSHIP OF A NORTH SLOPE NATURAL GAS PIPELINE; IDENTIFICATION OF AND REPORT ON FINANCING OPTIONS FOR STATE OWNERSHIP AND PARTICIPATION IN A NORTH SLOPE NATURAL GAS PROJECT. (a) The commissioner of revenue shall identify and report to the legislature on a range of financing options for state acquisition of an ownership interest and participation in a North Slope natural gas project. The report must include a description of the risk associated with each option and the effect of each option on the bonding capacity and bond rating of the state. In this subsection, "North Slope natural gas project" has the meaning given in AS 38.05.965, as amended by sec. 33 of this Act.

(b) The commissioner shall make an interim draft of the report described in (a) of this section available to the legislature on the first day of the First Regular Session of the Twenty-Ninth Alaska State Legislature, and a final report at the time the commissioner of natural resources submits the first agreement or contract to the legislature for approval under AS 38.05.020(b)(11), enacted by sec. 24 of this Act.

(c) At the time the commissioner of natural resources submits the first agreement or contract to the legislature for approval under AS 38.05.020(b)(11), enacted by sec. 24 of this Act, the commissioner of revenue shall present a plan and suggested legislation to allow a municipality, regional corporation, or resident of the state to participate as a co-owner in a North Slope natural gas pipeline. The plan must include the recommendations and analysis by the commissioner as to

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

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

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

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

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

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

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

(8) whether the ownership interest held by a municipality, regional corporation, or resident would be subject to project assessments;

(9) how cash calls for the project and the expansion of the project would be managed;

(10) the income tax consequences to the holder of an ownership interest, including the timing and recognition of income related to the ownership interest, including differentiating income related to the ownership interest from the receipt of dividends or other distributions;

(11) the risk that the receipt of a benefit from the project by a person other than the state would make income received from the project by the state subject to federal income tax; and

(12) constitutional issues that may be implicated by restricting ownership interests under the plan to residents and municipalities in the state.

(d) In this section,

(1) "municipality" has the meaning given in AS 01.10.060;

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

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

*** Sec. 77.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE BRIEFINGS. Before the first flow of gas in a North Slope natural gas project developed under the authority of this Act, the parties to the project shall, at least once every four months, provide briefings to interested legislators, legislative staff, and legislative consultants on the progress of a North Slope natural gas project developed under the authority of this Act. A briefing under this section must be accompanied by a written report provided by the Department of Natural Resources of the amount of money the state may be obligated to pay a third party under an agreement or contract under AS 38.05.020(b)(10) or (11) if a North Slope natural gas project is terminated before the first flow of gas in the project.

*** Sec. 78.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. Sections 1 - 6 and 66 apply to tax years beginning after December 31, 2014.

*** Sec. 79.** The uncodified law of the State of Alaska is amended by adding a new section to read:

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

*** Sec. 80.** Sections 7 - 24, 27, 33 - 37, 39, 40, 48, 50, 67 - 77, and 79 of this Act take effect immediately under AS 01.10.070(c).

*** Sec. 81.** Sections 1 - 6, 66, and 78 take effect July 1, 2014.

*** Sec. 82.** Section 49 of this Act takes effect January 1, 2021.

*** Sec. 83.** Except as provided in secs. 80 - 82 of this Act, this Act takes effect January 1, 2015.