

FALL 2013 REVENUE FORECAST



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DISCLAIMER

- The Revenue Source Book is a *forecast*.
- As a forecast, it is subject to many variables and degrees of uncertainty.
 - Examples: oil price, market performance etc.
- Since 2012, the Department of Revenue has worked to refine the forecast methodologies to better incorporate and account for these uncertainties.

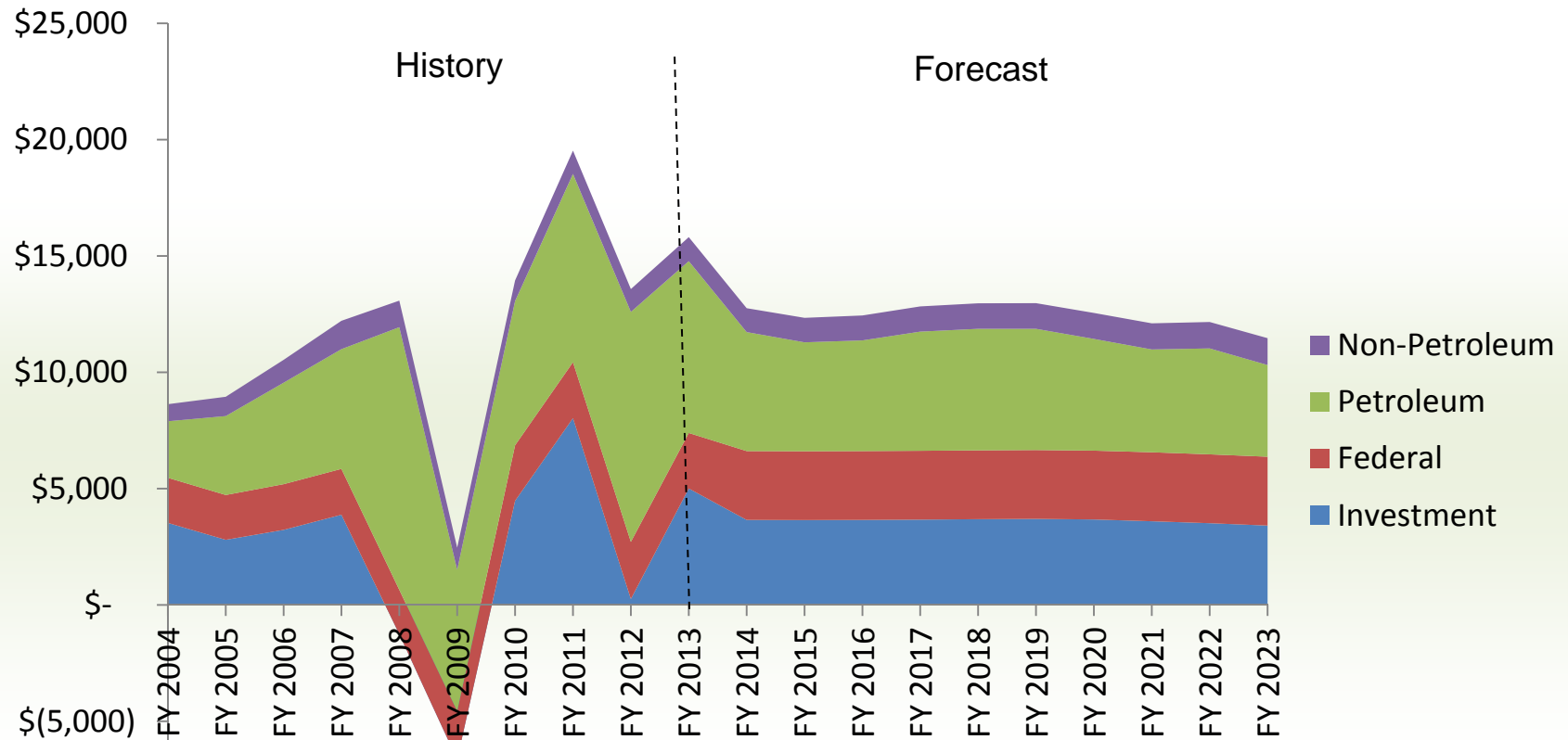


FALL 2013 HIGHLIGHTS

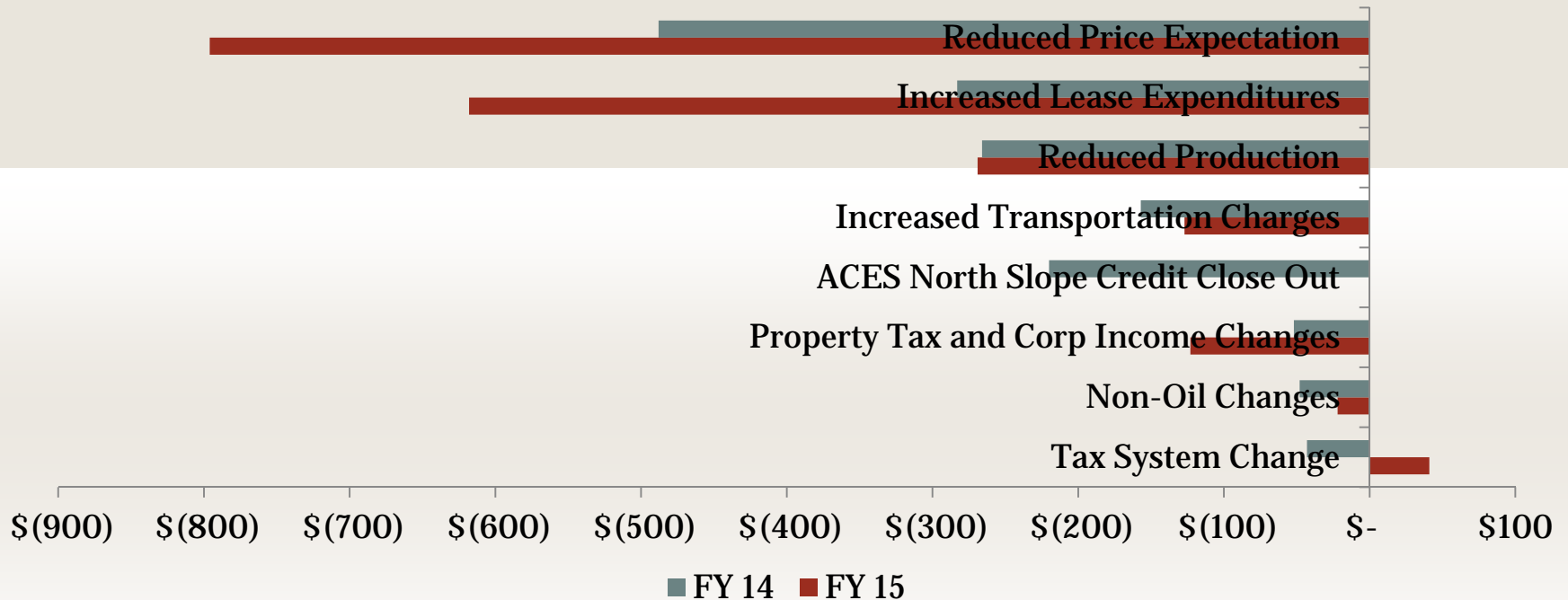
- Oil price and production levels have been reduced relative to the 2013 Spring Forecast.
- Correspondingly, unrestricted revenues have been revised down from the Spring 2013 Forecast.
- Revenues are similar under both the More Alaska Production Act (MAPA) and ACES in FY 2014 – FY 2017
 - Revenue impacts from recent changes to the production tax system are minimal compared to other factors (price, production and expenditures).
- Substantial (~\$10 billion) increase in spending on the North Slope over the next 10 years.
- Oil companies project increased North Slope production following the increased activity.
 - DOR continues to prudently assess future production and the forecast is not intended as a comprehensive assessment of all the potential activity or projects under evaluation.
- State investment earnings are strong.



FALL 2013 TOTAL REVENUE FORECAST



MAJOR CONTRIBUTORS OF CHANGES IN REVENUE FORECAST (FY14-15)



Note: "Major Contributors" do not reflect all of the factors associated with the revised forecast and are intended to depict the relative scale of the impact of certain variables on the forecast. These values are approximations and are not intended to represent exact calculations due to the interdependence among variables.

CONTRIBUTORS OF CHANGES IN FY 2014 REVENUE FORECAST

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

- Average Production Tax Value per barrel is reduced by \$9.23
- MAPA tax rate is 35% vs ACES tax rate of 34.9%



*Simplified calculation, does not represent any actual company value. Assumes 12.5% royalty

CONTRIBUTORS OF CHANGES IN FY 2015 REVENUE FORECAST

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

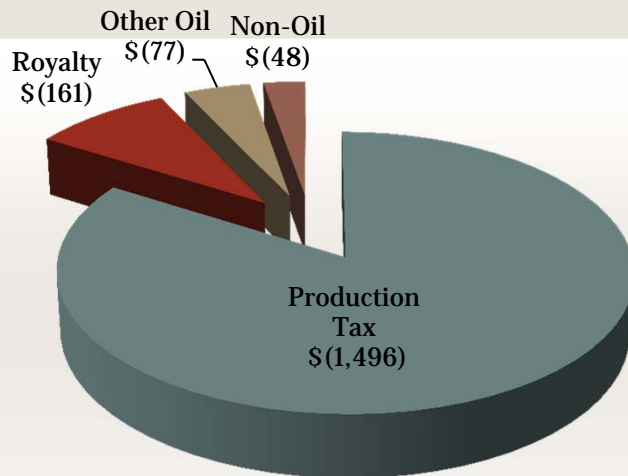
- Average Production Tax Value per barrel is reduced by \$14.90
- MAPA tax rate is 35% vs ACES tax rate of 32.6%



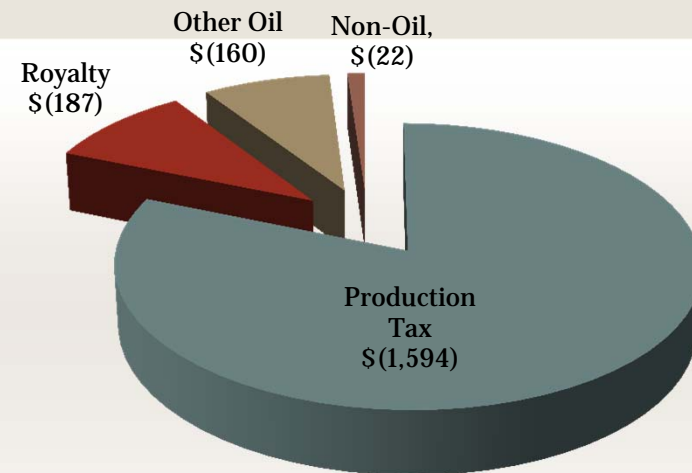
*Simplified calculation, does not represent any actual company value. Assumes 12.5% royalty

CHANGES FROM SPRING 2013 REVENUE FORECAST

FY 2014



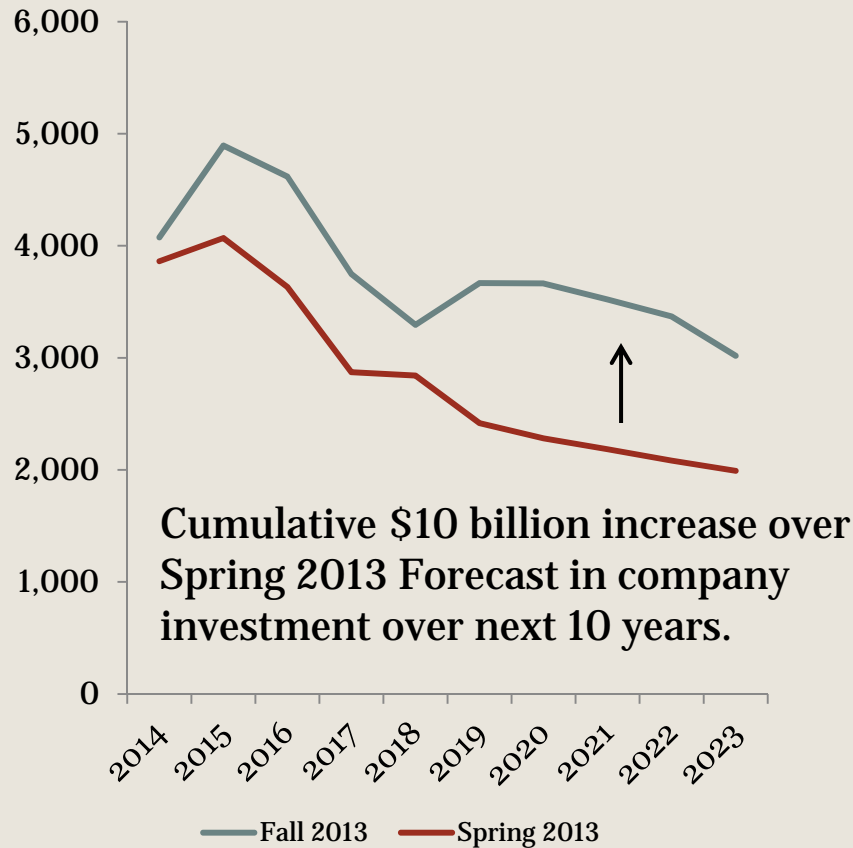
FY 2015



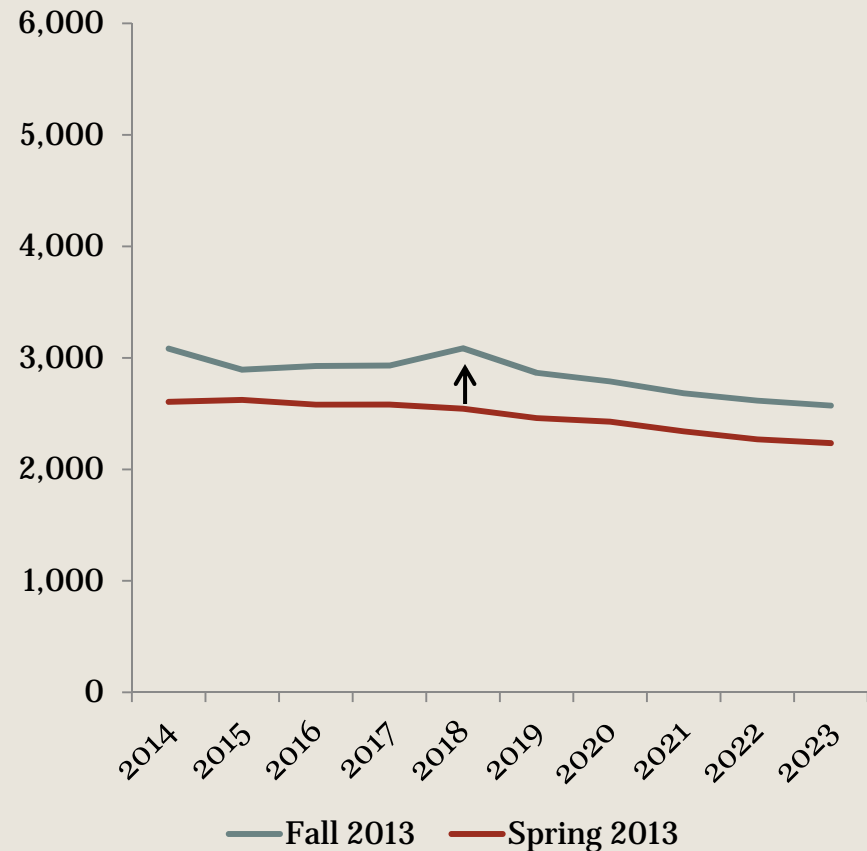
*MAPA and ACES provide similar revenues at forecast prices, costs, and production levels 8

NORTH SLOPE LEASE EXPENDITURE FORECAST CHANGE

CAPEX

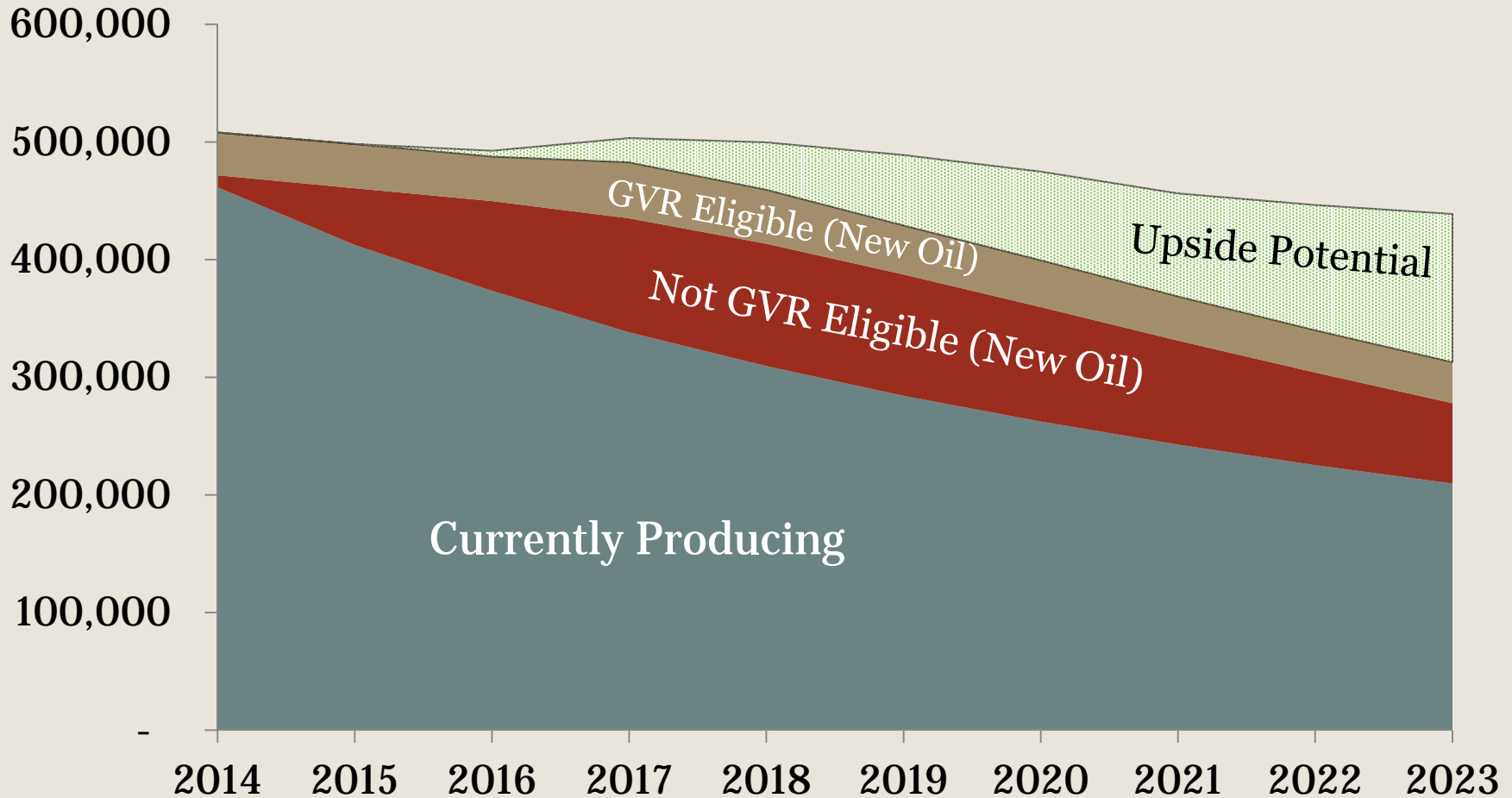


OPEX



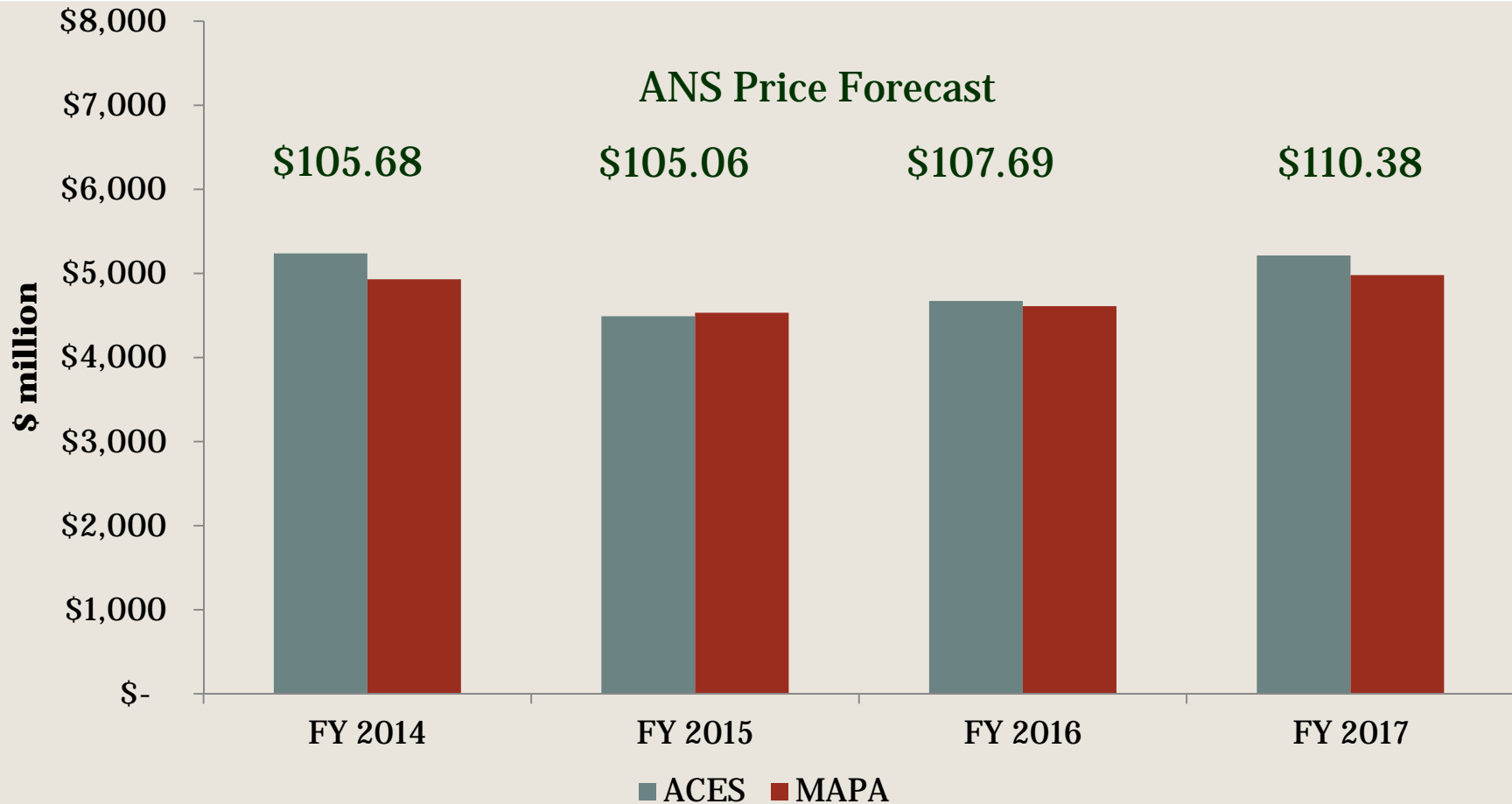
*Lease expenditures provide direct private investment to the State's economy.

NORTH SLOPE PRODUCTION FORECAST



*According to company data, the potential for revenue growth is strong.

REVENUE UNDER DIFFERENT TAX SYSTEMS



*MAPA and ACES provide similar revenues at forecast prices, costs, and production levels. 11