MUNICIPAL ADVISORY GAS PROJECT REVIEW BOARD

ANNUAL REPORT 2015

(November 2015 - DRAFT)

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This report is availible exclusively online and can be downloaded at the Board's website provided by the Department of Revenue:

http://dor.alaska.gov/MunicipalAdvisoryGasProjectReviewBoard.aspx

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EXECUTIVE SUMMARY

The Municipal Advisory Gas Project Review Board (MAGPRB), formed as a consequence of the enactment of SB 138, Section 74, and Administrative Order No. 269 on March 25th, 2014, is charged with advising the governor on municipal involvement in a North Slope natural gas project, including (i) developing a framework to evaluate the local governmental options that could be adopted to address and mitigate the impacts of new infrastructure associated with the development of the State's North Slope natural gas resources, (ii) recommending changes to property taxes under AS 43.56 and AS 29.45.080 relating to a North Slope natural gas project; (iii) recommending legislative options to minimize the financial impact to communities in proximity to the North Slope natural gas project infrastructure, and (iv) recommending legislative options to minimize the financial impact to communities not in proximity to the North Slope natural gas project. The MAGPRB has recently been reviewing information relating to a specific North Slope natural gas project, the Alaska LNG Project.

The Department of Revenue (DOR) is the lead agency in the Administration's efforts to communicate with and facilitate the efforts of the 12-member MAGPRB. The MAGPRB is a key component, representing directly and indirectly impacted municipalities and local stakeholders, in recommending possible options to address and mitigate the impacts of new infrastructure associated with the Alaska LNG project.

This report presents and update of the status of the MAGPRB's activities during 2015, since the 2014 Annual Report.

During 2015, the MAGPRB focused its activities on the development of Alaska LNG Project construction period impact fees in lieu of statutory property taxes and the development of post-construction operational phase property taxes in the form of variable flow rate based assessment in lieu of a fixed annual property tax levy based on property valuation. The DOR provided expert consultant presentations to the MAGPRB and received input from the MAGPRB members on the two proposed structures. In addition, the MAGPRB initiated discussions on options and alternatives for identifying impacts for all State stake holders, and discussions on mechanisms for distributing impact fees and flow rate based property taxes from the Alaska LNG Project. No conclusions have been reached yet by the MAGPRB on these subjects.

Based on input from the MAGPRB as to a high level understanding of a structure for impact payments and flow related property taxes, the DOR and the Alaska LNG property participants, ExxonMobil, ConocoPhillips and BP worked together to generate proposals with respect to impact payments and flow related property taxes and reached a tentative alignment that was presented to the MAGPRB for consideration and feedback.

The tentative proposal presented to the MAGPRB included the Alaska LNG Project, paying impact payments to the State equal to $800 million over a projected fie year construction period,The proposal would have the impact payments paid out in fixed annual increments which total $800 million. The total impact payment amount noted above assumes the project property owner will make the full impact fee payments to the State, and will pass on those costs proportionately to the members of the Project (including the Alaska Gasline Development Corporation (AGDC) for payment. Discussion was had with the Board that the legislature may determine that any share from AGDC is exempt from distribution, which would reduce the amount available for allocating to the State and local communities by 25%.

The tentative proposal presented to the MAGPRB also included a post-construction flow related property tax with a flow rate based on a total target amount of property taxes paid over the first 25 years of the project equal to $15.7 billion. The target amount would be converted to a tax in dollars-per-MMCF (million cubic feet) volume or per-MMBtu (million British thermal unit) heating value which would be applied to measured project flow throughput averaged over 5 years and paid annually throughout the 25-year project period. The amount of $15.7 billion is referred to as a target amount because (i) the actual tax-per-MMCF or per-MMBtu is established before production begins based on forecast design throughput and may be adjusted for final design throughput, and (ii) since the actual flow throughput may differ from the design based throughput, the flow rate based property tax may be less than or more than the target amount. As noted with the impact payments, flow related property taxes would be levied against the Project property owner which will allocate the property taxes among the Project members, including AGDC. Discussion was had with the Board that the legislature may determine that any share from AGDC is exempt from distribution, which would reduce the total target amount available for allocating to the State and local communities by 25 percent.

The MAGPRB provided initial feedback to the DOR on the tentative proposal raising questions regarding how the proposed impact payment and flow related property taxes compared with what would be collected under the current provisions of AS 43.56 and AS 29.45.080. A preliminary analysis presented by a Board member indicated a gap between the current property tax regime and the proposed property tax regime. Board members were concerned over any such gas given that any proposed impact payment and flow related property tax may be reduced by 25% as a result of AGDC participation, thereby creating an even greater gap and fewer tax revenues flowing to the local municipalities.

The MAGPRB will be further analyzing the proposed impact fee and flow related structure and the proposed target amounts to be paid by the Alaska LNG Project. The primary goals of the DOR are to finalize a consensus recommendation from the MAGPRB for the overall structure and target amounts of the impact payments and flow rate based property tax, and to reach an objective, predictable and equitable allocation methodology for disbursement of the impact payments and flow related property taxes between the State of Alaska and local municipalities.

Additional discussions must take place before final recommendations on a flow related property tax can be achieved to (i) set design rate basis for calculating the FRPT; (ii) establish the FRPT throughput measurement units, whether MMCF or MMBtu; (iii) establish the throughput measurement locations, gas treatment plant (GTP), pipeline, and LNG liquefaction plant, and (iv) determine whether measurement should be made at the inlet or outlet of the project components. When these determinations have been agreed upon, DOR can then consider statutory changes necessary for implementing the agreements and moving the Alaska LNG project forward.

Additional discussions must take place before recommendations on final allocations of impact payments among the stake holders can be achieved. The MAGPRB will be analyzing the research and data collected by the Alaska LNG project in the on-going FERC (Federal Energy Regulatory Commission)/NEPA (National Environmental Policy Act of 1969) pre-filing process as soon as that information is filed with FERC in 2016.

The MAGPRB supports continued work to advance a viable gas commercialization project. If the Alaska LNG Project does not come to fruition, the MAGPRB urges that other projects be explored as alternative means of supplying communities with long term, stable supplies of lower-cost energy.

Overarching Principles That Shape the Government Take Methodology

The state laws concerning the taxation of oil and gas property in Alaska are AS 29.45 (Municipal Property Tax) and AS 43.56 (State of Alaska Oil and Gas Exploration, Production and Pipeline Transportation Property Taxes). While the MAGPRB may not share a common view on certain issues, nonetheless the MAGPRB does agree that any recommendations for changes to the tax structure in AS 29.45 and/or AS 43.56 should be based on a set of principles. These principles include:

1) Municipal governments and the State must be able to maintain their financial capacity to address impacts created by the Alaska LNG Project throughout the life of the project.
2) Industry project leaders should be allowed to maintain the relative competitiveness of their project compared to other projects.
3) There should be opportunities for all Alaskans to benefit from the project.
4) Any property tax or alternative tax system should be predictable for both investors, including the State, and municipalities.
5) Revisions to AS 29.45 or AS 43.56 should be limited only to the Alaska LNG Project under consideration. Those revisions shall not include any property that is taxable under AS 29.45 or AS 43.56 prior to construction of the Alaska LNG Project. Furthermore, no property taxed under AS 29.45 or AS 43.56 prior to construction of the Alaska LNG Project should receive a tax deferral or a tax exemption.
6) Revenues received by municipalities and the State through any alternative property tax methodology to the existing property tax methodology set forth in AS 29.45 or AS 43.56 must realize revenues of no less than revenues that would have been received under the current property tax statutes.
7) Any revisions to AS 29.45 or AS 43.56 relevant to the Alaska LNG Project should not disadvantage the competitiveness of the Alaska LNG Project under consideration.
8) Reflecting the statewide nature of a large gas project, revenues from the Alaska LNG Project should be shared by all communities across Alaska, and not just communities where the project infrastructure is located or communities expected to have the preponderance of ongoing impacts from the project.

Actual impacts on communities and the State~~,~~ incurred during the construction and operation of the Alaska LNG Project, should be paid by the Alaska LNG Project. The MAGPRB recognizes that the actual impacts are not commensurate to the length of the pipeline or the value of taxable property within a community's boundaries. Instead, impact payments should be based on the anticipated actual community impacts.

GOVERNMENT TAKE METHODOLOGY

A preliminary analysis provided to the DOR by Greengate LLC (Greengate) helps define what property taxes on the Alaska LNG project would be anticipated under pre-existing oil and gas property tax statutes and regulations (i.e. the status quo property tax)[1,2,3]. The analysis provides a range of status quo property tax revenue outcomes based on different project assumptions, so that the MAGPRB can better understand a variety of possible outcomes based on its weighing of project assumptions. Note that thr preliminary analysis is based on publicly available information regarding the Alaska LNG Project and may be subject to change, revision and/or addition based on further analysis by the State, Greengate and/or further publicly available information provided by other agencies from the State of Alaska (the State), any of the State's other advisors and consultants, Alaska Gasline Development Corporation (AGDC) and/or the affiliates of BP, ConocoPhillips and ExxonMobil (collectively, the Producers). It is anticipated that once the FERC application for the project is submitted significant additional information will be available to the MAGPRB for its deliberations.

Status Quo Property Tax during Project Construction

The status quo property tax during construction analysis provided here contains a number of assumptions and interpretation of data related to the Alaska LNG project and plan. Key assumptions for analyzing a status quo property tax during the construction phase include estimates for the length of the construction phase for and an allocation of capital expenditures to the various components. The "Base Case" plan construction period estimates for the pipeline, LNG Train 1 and GTP Train 1 is 5 years; LNG Train 2 and GTP Train 2 is 6 years; and LNG train 3 and GTP Train 3 is 7 years. The expected capital expenditure breakdown by train the three trains of both the LNG and GTP facilities are 44 percent for the first train, 30 percent for the second, and 26 percent for the third. Two sensitivities were also analyzed, one where construction is completed one year earlier than under the Base Case and one where construction extends one year longer. No assurance can be given that the assumptions used in this analysis will prove to be realistic or accurate and, therefore, any projections or estimates provided herein should be viewed with caution.

The status quo property tax analysis provided to DOR concludes that the property tax during construction when using the assumptions mentioned above for the Base Case would equal approximately

[1] Greengate's status quo analysis is based on: (i) information provided by the State Alaska LNG team or the State's other consultants; (ii) publicly available data; and (iii) Greengate analysis based on Greengate's experience with similar projects.

[2] Greengate has not verified any of the information provided to it in connection with Alaska LNG and no representation or warranty, express or implied, is made and no liability or responsibility is accepted by Greengate as to the accuracy or completeness thereof.

[3] Greengate's analysis of the Alaska LNG project provided here, and any advice, recommendations, information or work product provided by Greengate is not intended for the benefit of any third party and may not be relied upon by any third party. Any use of their analysis shall constitute user's waiver and release of Greengate and all of its affiliates, partners, employees, agents and subcontractors from and against of all claims and liability in connection with such use and, to the fullest extent permitted by law, such waiver and release shall apply notwithstanding the negligence, fault, or breach of warranty or contract by Greengate or any of its affiliates, partners, employees, agents or subcontractors.

$1,682 million. Property tax during construction for the shorter and longer construction sensitivities is estimated at $1,310 million and $2,055 million, respectively.

Additionally, the calculation of property tax during construction requires a distinction between permanent capital expenditures and temporary construction costs. Permanent capital expenditures, as stated in 15 AAC 56.110, include “permanent camps and related facilities, pump stations, permanent storage facilities, roads, permanent air strips, terminal facilities, tank farms, docks, labor, materials, supplies, machinery, equipment, pipe, easements, rights-of-way, improvements, structures, and all other related costs.” Capital expenditures for the construction of these items are added to the property tax assessed value, as incurred.

Temporary construction costs, as stated in 15 AAC 56.110, include construction machinery and equipment, construction camps and related facilities; unallocated costs which relate to the overall project and are incurred both within and without the state and include such items as overhead and administrative costs, engineering costs, design costs, and research and development costs. A pro-rated accrual to value, based on months remaining to complete construction is then done. If everything else is held constant, a higher percentage of temporary construction costs as part of overall capital expenditures would result in lower property tax during construction, as the construction work in-progress (CWIP) balance would accrue less rapidly. The precise breakdown between permanent capital expenditures and temporary construction costs is not known at this time. The Base Case assumes that the share of temporary construction costs is 30% for the pipelines and 20% for the LNG plant and GTP. Sensitivities were evaluated for 10% higher than the Base Case and 10% lower share of temporary construction costs.

The status quo property tax analysis for the Base Case, previously stated as approximately $1,682 million, would increase to $1,785 million if temporary construction costs were to be 10 percent lower than expected and would decrease to $1,579 million if temporary construction costs were 10 percent higher. These sensitivities indicate that the variation in the amount of property tax during construction is modest when temporary construction costs vary as indicated here.

Status Quo Property Tax during Project Operations

Key assumptions for the analysis of status quo property tax during operations include assumptions around capital expenditures, the depreciation period, and the rate of escalation of replacement cost post-construction. Capital expenditures are assumed to be $55 billion, the initial asset value. The rate of escalation for the Base Case is assumed to be 2.5 percent annually. The analysis also includes sensitivity cases at 2, 3, and 3.5 percent annual escalation. Several depreciation cases were analyzed including, 25, 30, 35 and 40 years from start-up, but in each case, the total amount of property tax after start-up is only calculated for the first 25 years of operations so that appropriate comparisons can be made with the Flow Related Property Tax (FRPT) target amount of $15.7 billion discussed later in this report as part of the tentative proposal.

Analysis using $55 billion as the initial asset value, 2.5 percent annual escalation and a 30-year depreciation schedule results in a decline in replacement-cost-new-less-depreciation (RCNLD) asset value to $22 billion by the end of the initial 25-year operating period. Whereas, the same $55 billion initial asset value, 2.5 percent annual escalation and a 40-year depreciation schedule results in RCNLD value of $40 billion at the end of the first 25 years of operations. Further lengthening the depreciation schedule to 50 years results in a RCNLD value above $50 billion throughout the initial 25 years of operations.

The same analysis using 3.5 percent annual escalation results in less decline or even appreciation in RCNLD values in equivalent time periods. RCNLD under a 30-year depreciation schedule declines to $27 billion, under a 40-year depreciation schedule stays relatively stable above $50 billion, and under a 50-year depreciation schedule appreciates in value to $66 billion, by the end of the initial 25 years of operations.

Based on the RCNLD values discussed above and additional RCNLD calculations around different scenarios of asset escalation and depreciation, estimates of Alaska LNG project-related property taxes were calculated and provided in Table 1. This table shows that under the Base Case, the estimate of property taxes during the first 25 years of operations, assuming 2.5 percent escalation and 30 years of depreciation under the status quo property tax statutes equals $15.8 billion.

Table 1. Estimated Alaska LNG project-related property tax during initial 25 years of project operations after start-up using different assumptions for depreciation period and escalation. The Base Case estimate is highlighted in yellow. Results shown in $ millions.

	Property Tax During Initial 25 years of Operations ($ millions)			
Depreciation Period	**2.0% p.a. Escalation**	**2.5% p.a. Escalation**	**3.0% p.a. Escalation**	**3.5% p.a. Escalation**
25 years	12,846	13,412	14,013	14,651
30 years	15,024	15,777	16,581	17,440
35 years	16,571	17,456	18,404	19,421
40 years	17,726	18,710	19,766	20,900
45 years	18,621	19,682	20,821	22,047
50 years	19,335	20,457	21,664	22,962

Source: Greengate LLC

PRELIMINARY PROPERTY TAX TERMS PROPOSAL

Tentative Proposal from DOR and Producer Parties on Impact Payments

Tentative alignment has been reached between the DOR and the three project producer parties Exxon Mobil, ConocoPhillips, and BP, on Impact Payments during construction. Impact Payments during construction is in lieu of property tax payments that during the construction phase, also referred to as Construction Payments in Lieu of Tax (CPILT). The Impact Payments during construction are tentatively set at $800 million and are expected to be paid out in increments over the project construction period. Currently the construction period is anticipated to be five years, and although details have not been finalized, the impact payments are expected to be paid out in annual increments. The total impact payment amount quoted above assumes all project owners are obligated to make impact payments. However, it is possible that the actual payments will be reduced by the State of Alaska's ownership share in the project, which is currently estimated at approximately 25 percent of the project, due to its tax-exempt status. The allocation of the Impact Payments between the State and municipalities has yet to be determined.

Tentative Proposal from DOR and Producer Parties on Flow-Related Property Tax Payments

Tentative alignment has also been reached between the DOR and the three project producer parties on a target amount of Flow-Related Property Tax (FRPT) that will be paid during the operation phase of the project. The FRPT tentative alignment establishes a total target amount paid over the first 25 years of the project equal to $15.7 billion. If an alignment is finalized between the State and producer parties, it is anticipated that the target amount will be converted to a tax in dollars-per-MMCF (million cubic feet) volume or per-MMBtu (million British thermal unit) heating value which will be applied to project throughput averaged over 5 years and paid regularly throughout the 25-year project period. The amount of $15.7 billion is referred to as a target amount because the actual tax-per-MMCF or per-MMBtu is established before production begins based on forecast design throughput. Then after project start-up, it is assumed actual throughput will differ from the forecast design rate and the actual tax paid will vary from the target amount. If project throughput is greater than forecast the total project tax payments will be greater than the target amount. If throughput is less than forecast, total project tax payments will be less than the target amount. The allocation of the FRPT payments between the State and municipalities has yet to be determined.

Additionally, as with the Impact Payments, the total FRPT payment target amount of $15.7 billion is the amount payable by the property taxpayer, without consideration of the tax status of the individual property owners. However, it is possible that the actual payments will be reduced by the anticipated 25 percent State of Alaska ownership share in the project due to its tax-exempt status.

The $15.7 billion FRPT total amount is referred to as a target amount because the actual tax-per-MMCF or per-MMBtu is established before production begins based on forecast design throughput. Then after project start-up, it is assumed actual throughput will differ from the forecast design rate and the actual tax paid will vary from the target amount. If project throughput is greater than forecast the total project tax payments will be greater than the target amount. If throughput is less than forecast, they will be less than the target amount.

Project Property Tax after Project-End

After the end of the agreed project period, it is assumed that oil and gas property taxes on project assets will revert to the status quo and be assessed under the applicable oil and gas property tax statutes in existence at that time.

Allocation Methodology

The allocation methodology of both Impact Payments and FRPT between State and local jurisdictions is yet to be determined. Any discussions to-date of allocation of property tax payments by the project have been preliminary.

IMPACT AND BENEFITS OF A NORTH SLOPE NATURAL GAS PROJECT

This section describes the potential impact and benefits of infrastructure development resulting from a North Slope gas project, 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 gas development. For purposes of assessing and compensating communities for impact from the project the MAGPRB recommends that there be two tiers of impact payments: direct and indirect payments.

Direct Impacts and Benefits

Direct impacts and benefits are those experienced by municipalities and communities on or very near the proposed project facilities, pipelines or infrastructure, including locations used as staging areas or material sources for construction. These communities are expected to be affected immediately by the construction of the Alaska LNG Project through the use of municipal services and infrastructure. These communities are also more likely to experience benefits from the expected increase in economic activity that will result during construction of infrastructure located within or near their boundaries.

Indirect Impacts and Benefits

Indirect impacts and benefits are those experienced by municipalities and communities located in more removed locations, away from the direct locations of the facilities, pipelines or infrastructure. In these communities the Alaska LNG Project is not planned to be an immediate presence within their jurisdiction, but nevertheless is expected to indirectly impact municipal services (e.g. loss of municipal workforce to the project).

Impacts and Benefits Recommendations

Assessing Impact Payments: Alaska LNG Projects designed to move gas in interstate and international commerce will be permitted by the Federal Energy Regulatory Commission under the Natural Gas Act, Section 3. This will require the Project to prepare an Environmental Impact Statement (EIS) that assesses, among other matters, the socio-economic impacts to communities from the project. Those documents, and the processes associated with them, will be authoritative and publically documented. Any effort at this point to assess impacts should consider how to coordinate and/or incorporate those impacts into the FERC Pre-File and EIS processes respectively.

Appropriation: If impact payments are to be paid in lieu of property taxes during construction of the Alaska LNG Project, the municipalities believe that payments should be made directly to municipalities as provided under current property tax statutes, and not subject to legislative appropriation. Indirect impact payments could be made by the State through a separate fund.

Schedule: Impact payments should be scheduled and paid, regardless of construction schedule or activity. This is critical for communities directly impacted by work stoppages, who require a predictable revenue stream to offset impacts on services. The recommendations should also include provisions for the extension of construction terms, allowing for overruns.

Local Hire: Wherever possible, the State of Alaska and the Alaska LNG Project should maximize local hire to ensure the employability of the local workforce and to reduce the impacts of an imported labor pool overloading municipal services

Access to Energy: The State should commit to providing access to energy infrastructure in order to lower the cost of delivered energy for Alaskans. This can occur at off-take points, or other facilities that provide natural gas, or other forms of energy to communities, including through use of the Alaska Affordable Energy Fund (AAEF). The Alaska LNG Project and the State of Alaska should consult with the MAGPRB on the location of off-take points and other facilities that would provide communities with access to energy.

NEXT STEPS

Impact Payments and Flow-Related Property Tax Payment Allocation Methodology

The MAGPRB will be further analyzing the proposed impact fee and flow related structure and the proposed target amounts to be paid by the Alaska LNG Project prior to a final recommendation from the board. DOR has stated its plans to achieve a consensus recommendation from the MAGPRB for the overall structure and target amounts of the impact payments and flow rate based property tax.

Additional discussions must take place before recommendations on final allocations of impact payments among the stake holders can be achieved. The MAGPRB will be analyzing the research and data collected by the Alaska LNG project in the on-going FERC (Federal Energy Regulatory Commission)/NEPA (National Environmental Policy Act of 1969) pre-filing process as soon as that information is filed with FERC in 2016. Also, a plan for the timing of impact payments during construction and FRPT payments will likely need further discussion and analysis before a consensus recommendation is achieved.

The MAGPRB supports continued work to advance a viable gas commercialization project. If the Alaska LNG Project does not come to fruition, the MAGPRB urges that other projects be explored as alternative means of supplying communities with long term, stable supplies of lower-cost energy.

The MAGPRB continues to recommend that the Department of Revenue be as integrated in the FERC and NEPA process as is allowed by the project participants.

LNG export projects are subject to many different permits at the federal level. There are two federal agencies whose approval is necessary for the success of the project. One is the Department of Energy, which is responsible for issuing export licenses for countries with free trade agreements, and those without free-trade agreements.

The second federal agency relevant to the Alaska LNG Project is the Federal Energy Regulatory Commission (FERC), which regulates the construction, operation and safety environmental impacts of the project. After initiation of the pre-filing process, FERC coordinates the preparation of a single Environmental Impact Statement (EIS), to be used by all federal agencies for their respective permit and authorization services. The basis for the EIS is twelve (12) resource reports that the applicant is required to submit to FERC. The MAGPRB recommends that it stay very active in the drafting of the EIS for any gas project by submitting timely responses to any relevant resource reports and maintaining open lines of communication with FERC and any other relevant agencies. The MAGPRB also recommends that local governments participate in the EIS process on behalf of their respective communities.

Pre-filing is important because the burden is on the applicant to gather data for the EIS and review by FERC. The early identification of potential issues with regard to community concerns, environmental impacts and others during the pre-file process will generally result in a stronger application outcome.

Once the pre-filing process is complete, FERC will then issue a draft EIS. That draft will be open for public comment and review. After the public comment and review process, a final EIS draft is issued. Finally, the FERC commissioners will make a determination as to whether or not to authorize the construction and operation of the project. Without an EIS and FERC authorization, the Alaska LNG Project does not reach the critical Final Investment Decision (FID) phase, which is the stage when the majority of funds for a project are committed and construction begins.

Of the twelve resource books that collectively make up the draft EIS, resource book number five (5) is of the most interest to the MAGPRB. Resource Book No. 5 is the socioeconomic resource report. That book describes the baseline in communities regarding their socioeconomic conditions, and evaluates the socioeconomic impacts of the project as well as what can be done qualitatively to reduce those impacts. The baseline encompasses everything from employment, housing, school enrollment, medical services and government services.

The MAGPRB recognizes that the fiscal impact analysis of any gas project will be crucial in terms of determining the impact costs associated with an influx of temporary or permanent workers, the duration of their stay, and the use of municipal services. The MAGPRB therefore reiterates its recommendation to stay very active in the drafting of an EIS. Likewise the findings in the resource reports and the draft EIS will provide essential information necessary for the MAGPRB to complete its tasks under SB 138, Section 74 and the its Executive Order.

In the context of the EIS timeline, the Alaska LNG Project has hosted open houses in several communities; twelve (12) open houses were conducted between October and November, 2014. FERC personnel, though not participating, did observe the proceedings. The Alaska LNG Project is in the preliminary front end engineering design (pre-FEED). The estimated cost is between $400-500 million, encompassing 2014 and 2015. If the project still holds promise after that period, then the project moves into full front end engineering design (full FEED). The estimated cost of that phase is in excess of $2 billion, and a timeline of two to three years. During that time, the draft resource reports will be submitted, along with agency and community feedback. The final draft of the resource reports would then be made available. Scoping sessions are expected to begin sometime in February, 2015. The MAGPRB strongly recommends having a presence at these scoping sessions and contributing to the information being gathered for the Resource Books and the final EIS.

Outstanding Negotiations Regarding Flow Related Property Tax

Additional discussions and agreement must occur with the project producing partners on several material elements of the FRPT before the MAGPRB can debate and come to a consensus recommendation regarding the FRPT. Future discussions will address (i) setting the design rate basis for calculating the FRPT; (ii) establishing the FRPT throughput measurement units, whether MMCF or MMBtu; (iii) establishing the throughput measurement locations, gas treatment plant (GTP), pipeline, and LNG liquefaction plant, and (iv) determining whether measurement should be made at the inlet or outlet of the project components. When these determinations have been agreed upon, DOR can then present the agreed upon results to the MAGPRB and consider statutory changes necessary for implementing the agreements and moving the Alaska LNG project forward.

Recommendations for Change to AS 43.56 and AS 29.45.080

This section will recommend changes to AS 29.45.080 and 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 North Slope natural gas project and mitigate financial impacts to communities affected by a North Slope natural gas project, but is left blank as a placeholder for the board’s use….

OTHER RECOMMENDATIONS

This section left blank as a placeholder for the board's use….

RESOURCES

Office of the Federal Pipeline Coordinator: http://www.arcticgas.gov/

Municipal Advisory Gas Project Review Board Website:
http://dor.alaska.gov/MunicipalAdvisoryGasProjectReviewBoard.aspx

Alaska LNG Project Website: www.ak-lng.com

Alaska Department of Revenue Website: http://www.dor.alaska.gov

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APPENDICES

Appendix A-1. Municipal Advisory Gas Project Review Board members: (?NEEDS MODIFICATION?)

RANDALL HOFFBECK (Chair)
Commissioner, Alaska Department of Revenue

MARK MYERS
Commissioner, Alaska Department of Natural Resources

FRED PARADY
Acting Commissioner, Alaska Department of Commerce, Community, and Economic Development

CLAY WALKER
Mayor, Denali Borough

MIKE NAVARRE
Mayor, Kenai Peninsula Borough

DAN SULLIVAN (?NEEDS MODIFICATION?)
Mayor, Municipality of Anchorage

CHARLOTTE BROWER
Mayor, North Slope Borough

LUKE HOPKINS (?NEEDS MODIFICATION?)
Mayor, Fairbanks North Star Borough

LARRY DEVILBISS (?NEEDS MODIFICATION?)
Mayor, Matanuska-Susitna Borough

REGINALD JOULE
Mayor, Northwest Artic Borough

ROBERT VENABLES
Energy Coordinator, Southeast Conference

ROBERT BARTHOLOMEW
Finance Director, City and Borough of Juneau