

# MAGPRB Update on Proposed Impact Payments during Construction and Flow-Related Property Tax

Alaska Department of Revenue  
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# Current Status of PILT Discussions

Tentative Alignment Reached with Producer Parties on:

1. Amount of Impact Payments during Construction and
2. Structure and Target Amount for Flow-Related Property Tax

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# Overview

- Conceptual overview of Impact Payments during Construction
- Conceptual overview of Flow-Related Property Tax
- Flow-Related Property Tax calculation
- Impact Payment Proposal

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# Impact Payments during Construction

- Total Amount = \$800 million
  - 4:4ths
  - Expected pay out over 5-year construction period
- Annual Payment amount, schedule, and allocation among State and impacted local jurisdictions yet to be determined

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# Flow-Related Property Tax

- Total Target Amount = \$15.7 billion
  - Actual payment amount will vary as actual flow rate with five year averaging varies from project design flow
  - Calculated using MAGPRB recommended formula
  - Paid out over 25-year period
  - 4:4ths
  - Payment schedule incorporates 1% increase in payments each year, which is included in target amount
- Allocation among State and local jurisdictions yet to be determined

# Flow-Related Property Tax

MAGP Board Recommendation (March 13, 2015)

$$\left( \text{Capital Cost} \times (1 + e)^m \times \text{Depreciation Factor} \times \left( \frac{\text{Actual Throughput}^n}{\text{Design Throughput}} \right) \times \text{Mill Rate} \right)$$

MAGP Board Recommendation  
(Formula Values)

**n** = exponent to dampen effect of actual flow  
**e** = annual escalation rate  
**m** = years of operation (startup = 0)

**Capital Cost** = FID estimate x 1.1  
**e** = 4% per annum  
**Depreciation Factor** based on 50 year floating life  
**Actual Throughput** = 5 year floating average  
**n** = 1  
**Mill Rate** based on current statutes **for all Project assets including LNG Plant**

# Flow-Related Property Tax

## SB 100 Recommendation

$$\left( \text{Original Cost} \times \text{Inflation Factor} \times \text{Depreciation Factor} \times \left( \frac{\text{Actual Throughput}}{\text{Design Throughput}} \right) \times 20 \text{ Mills} \right)$$

**Original Cost** = Fixed by **pre-FID** project specific data/fiscal agreement  
**Inflation Factor** = Fixed by fiscal agreement  
**Depreciation Factor** = Fixed by fiscal agreement  
**Actual Throughput** = Operational measurable  
**Design Throughput** = Fixed by **pre-FID** project specific data  
**Mill Rate** = Fixed by Statute, **with total take adjusted by fiscal agreement**

# Flow-Related Property Tax

## Tentative Alignment

$$\left( \text{Original Cost} \times \text{Escalation Factor} \times \text{Depreciation Factor} \times \left( \frac{\text{Actual Throughput}}{\text{Design Throughput}} \right) \times \text{Blended Mill Rate} \right)$$

**Original Cost** = \$55 Billion

**Escalation Factor** = 2.5% (3.25% inflation - .75% obsolescence)

**Depreciation Factor** = 30 year modified floating/fixed life

**Actual Throughput** = Operational measurable (5 year rolling average)

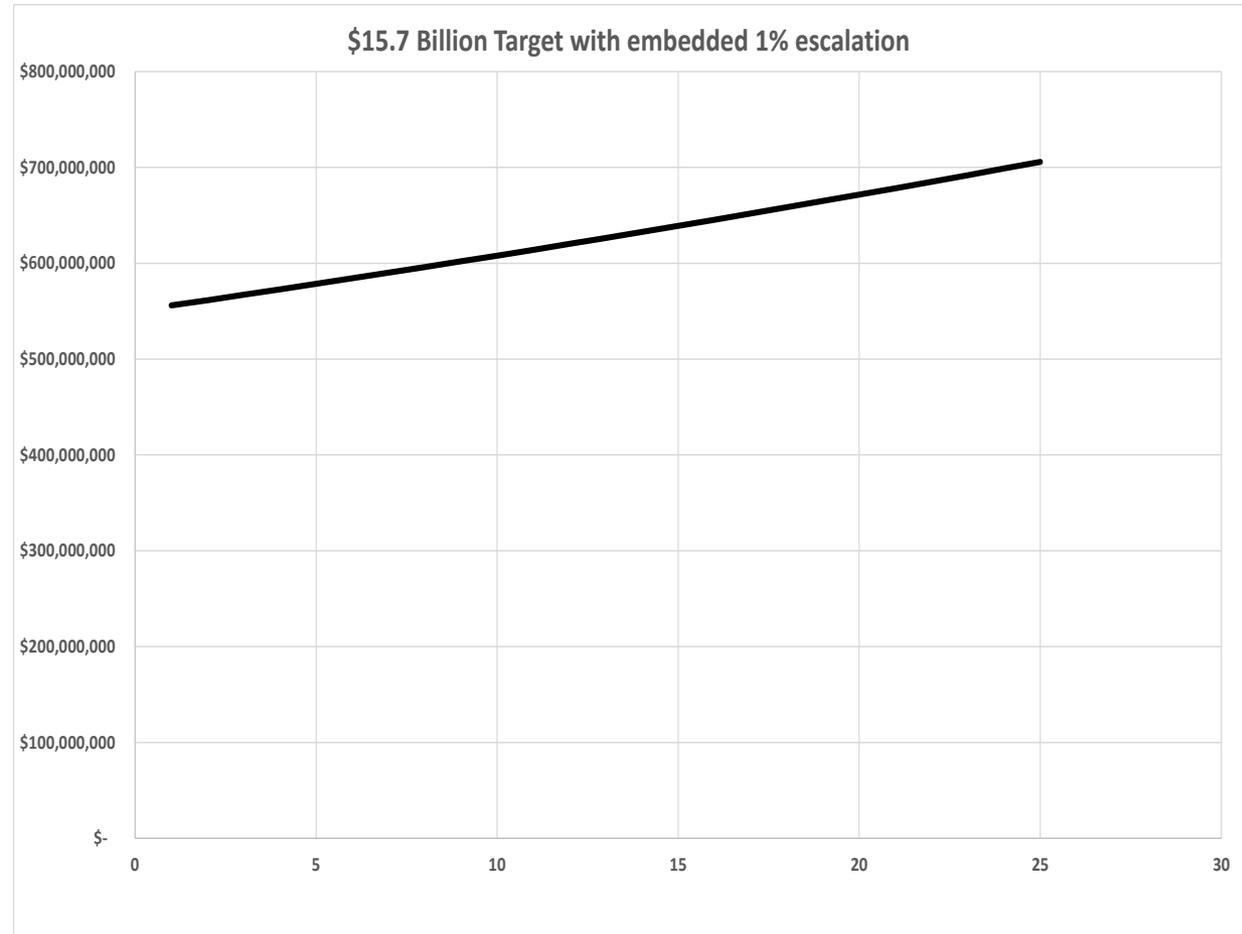
**Design Throughput** = To Be Determined

**Mill Rate** = 13.75 Mills (20 Mills GTP, 20 Mills Pipeline, 7.5 Mills LNG\*)

# \$15.7 Billion

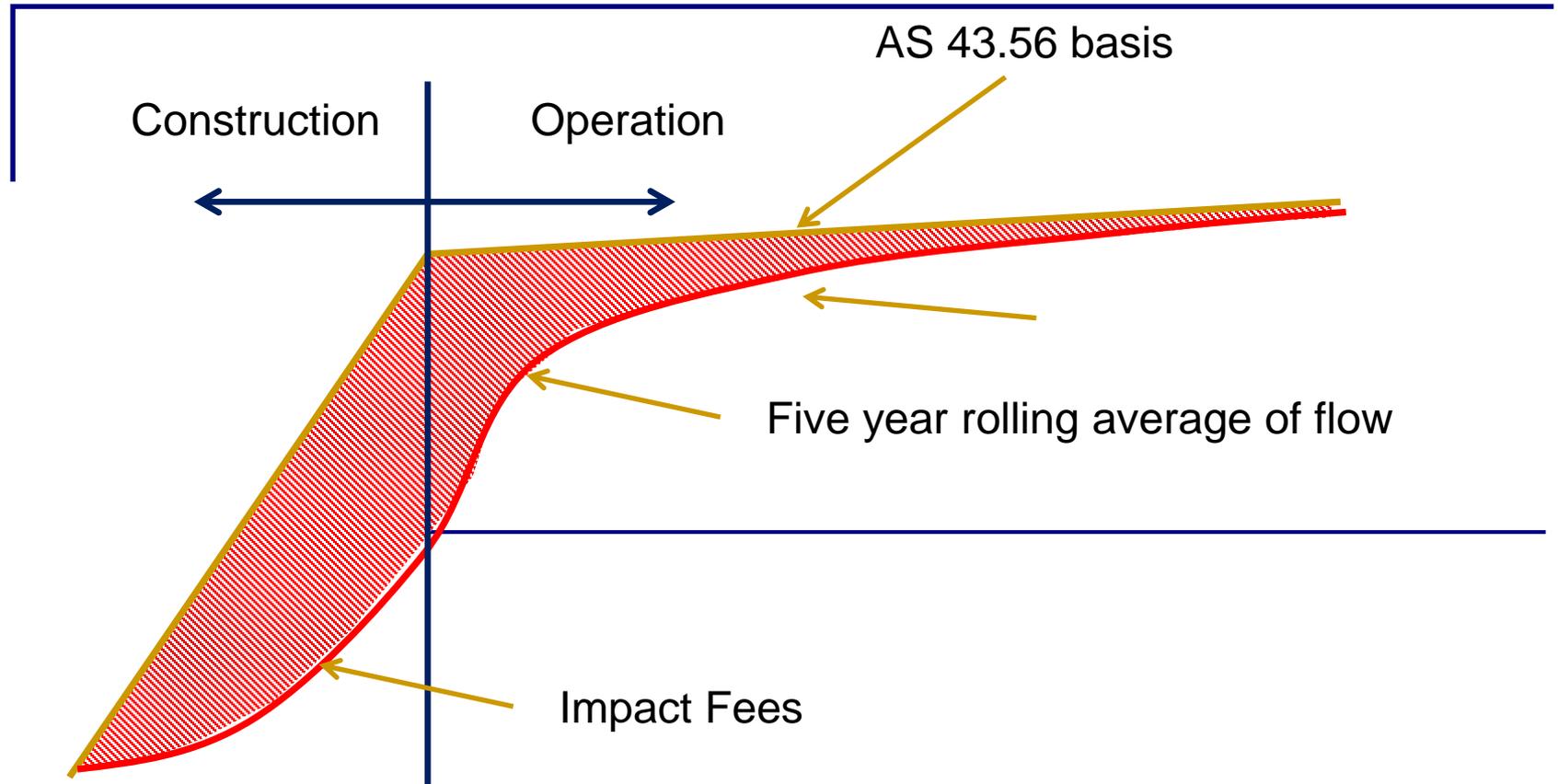
# Flow-Related Property Tax Target Payments (millions)\*

Year 1	\$	556
Year 2	\$	562
Year 3	\$	567
Year 4	\$	573
Year 5	\$	578
Year 6	\$	584
Year 7	\$	590
Year 8	\$	596
Year 9	\$	602
Year 10	\$	608
Year 11	\$	614
Year 12	\$	620
Year 13	\$	626
Year 14	\$	633
Year 15	\$	639
Year 16	\$	645
Year 17	\$	652
Year 18	\$	658
Year 19	\$	665
Year 20	\$	672
Year 21	\$	678
Year 22	\$	685
Year 23	\$	692
Year 24	\$	699
Year 25	\$	706
<b>Target</b>	<b>\$</b>	<b>15,700</b>



\*Actual payment amount will vary as actual flow rate with 5 year averaging varies from project design flow

# Conceptual Project Benefits from Flow-Related Property Tax Target Payments



*Schematic, not to scale*

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# Flow-Related Property Tax Target Payment Components yet to be Determined

- Volume and Timing for setting Design Rate
- Flow rate measurement based on Mcf (thousands of cubic feet) or mmbtu (millions of British Thermal Units)
- Measurement location taken at each component (GTP, Pipeline, LNG) individually or one location for entire project
- Measurement taken at the inlet or the outlet of project components

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# Next Steps for MAGPRB

- Provide Recommendations on Proposed Structure and Target Amounts
    - Impact Payments during Construction and
    - Flow-Related Property Tax
  - Provide Recommendations on allocation of payments among State and local jurisdictions
  - Begin process of drafting 2015 MAGPRB Annual Report
  - Recommendations on legislation
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