

OIL & GAS COMPETITIVENESS REVIEW BOARD

February 13, 2015
9:04 a.m.

Taken Via Telephone

OIL & GAS COMPETITIVENESS REVIEW BOARD:

Tom Hendrix, Chair
Deputy Commissioner Bob Swenson
Kara Moriarty
Tom Maloney
Peter Stokes
Curtis Freeman
Director Kristin Ryan
Commissioner Michael Gallagher
Deputy Commissioner Dona Keppers

Others participating:

Stephanie Alexander, Department of Revenue
Tim Ryherd, Department of Revenue
Bob Pawlowski, Department of Natural Resources

PROCEEDINGS

CHAIR HENDRIX calls the meeting to order, and asks Ms. Alexander to call the roll. He asks for a motion to approve the minutes of the January 6, 2015 meeting.

MR. MALONEY makes a motion to approve the minutes of January 6, 2015.

MR. STOKES seconds.

There being no objection, the motion is approved.

CHAIR HENDRIX asks Ms. Alexander to get the committee back to the proper page numbers and continue with the editing.

MS. ALEXANDER states that in the February 5th document it is page 49, and in the January 31st document it is page 50.

CHAIR HENDRIX asks if these are available online.

MS. ALEXANDER replies that they are not because there have been so many drafts. She states that she will get those to anyone who requests them.

CHAIR HENDRIX states that the objective and goal he would like to set forth is to go through this page by page to get to the end and finish it today. He continues that after going through the suggested changes, Ms. Alexander and her team will work with getting the changes implemented, the grammar corrected, the font, and anything else needed to clean it up. He states that he has drafted a letter that is waiting for review and comment by Commissioner Hoffbeck. He continues that he would like to set forward as the plan to take the cleaned-up report and submit it with a letter of transmittal to the Legislature, and include the RFP. He adds, also on the agenda, is to have a conversation about the RFP. He begins on the 31st document looking at Property Tax. There is a comment in there regarding operating expenses and asks for elaboration.

MR. RYHERD states that it is basically saying that not all operating expenses are qualified. He continues that there needs to be an acknowledgement of that. He adds, that has already been incorporated in the document. He states that he will go back to statute and see how it is addressed.

CHAIR HENDRIX moves on.

MR. RYHERD explains that additional graphics have been edited that required renumbering.

CHAIR HENDRIX continues addressing the comments. He adds that if they are correct, they are being incorporated into the document.

A discussion ensues on the Tax Credits comment and continues on.

CHAIR HENDRIX states that on page 54, the Fiscal Regime Comparisons have been rewritten. He moves on into Peer Group Jurisdictions and states that there is a notation around renumbering the figures.

MR. RYHERD states that is related to the shifting of the text that was not chosen to be done. He continues that verification on figures, numbering and pagination will be done on that.

CHAIR HENDRIX states that Commissioner Myers brought up an inclusion of Eastern Canada during the peer group conversation. He continues that it would be an appropriate inclusion and asks what it would take to pull it into this report.

MR. RYHERD replies that some of the numbers for reserves have been pulled and it is worth looking at, but not right now because of the effort of modifying the text and figures.

CHAIR HENDRIX states that it would be wise for the board to be able to speak to that if questioned by the legislators or general public of why it was not included in this first report.

A discussion ensues.

MR. RYHERD states that most of the changes were adopted as recommended.

CHAIR HENDRIX moves on, starting with Corporate Income Tax.

MR. RYHERD explains that these are individual kinds of summary tables, one per jurisdiction. He states that most of the comments were on style changes and percent symbols.

CHAIR HENDRIX goes through fiscal highlights, stating that it is broken down by jurisdiction and on page 71 there has been a rearrangement under Corporate Income Tax, Gulf of Mexico, and Outer Continental Shelf.

MR. RYHERD states that he did not see any changes there, but will give it a second look to make sure.

CHAIR HENDRIX moves on to the Summary section.

MR. RYHERD explains that he, basically, took recommendation from the comments and tried to incorporate them as best he could.

CHAIR HENDRIX asks for any comments on the Summary.

MR. FREEMAN states that he likes the last part enumerating where this is going down the road. It seems to set the stage up for the next two.

CHAIR HENDRIX states that the summary is pretty succinct and lines out what is before us.

MS. MORIARTY asks about, under Work and Future Deliverables, the section that is highlighted, what was the meaning of “resource offers” further delineated.

MR. RYHERD states that he highlighted it because he was not sure what that meant, and did not attempt to redefine it. He asks for any comments. There being none, he states that he will strike it unless someone wants to define it or reword it in some way that makes sense.

CHAIR HENDRIX moves on to the appendices, which are being worked on. He states that there is a lot of content in this first report. He adds that the legislators will read the letter of transmittal, which is basically saying that this has been worked on in earnest; the surface has been barely scratched; money is needed; the request to get in front of the right committees. He continues that there will be interest, but it has to be turned in now. He states that the edits will be made, and this will be cleaned up. He asks Ms. Alexander about working on this.

MS. ALEXANDER replies that there is staff to review it.

CHAIR HENDRIX states that Ms. Moriarty had a graphic in the last meeting, which is really quite simple and easy to follow.

MS. MORIARTY states that it was an early schematic, and that slide has been used for some time as a representation of what a typical operation might look like. She explains that it shows

all the different types of permits from local, state, and federal government. It is a good graphic that shows the myriad of permits that the industry has to obtain.

CHAIR HENDRIX asks if permission is needed before it can be used.

MS. MORIARTY replies that it is theirs.

CHAIR HENDRIX states that in going through and doing due diligence on reviewing other jurisdictions and their permitting hurdles, this will tell whether it is either easier or more difficult than where the State has control of that permitting.

A short discussion ensues.

CHAIR HENDRIX asks if everyone is in agreement about the infrastructure, lack thereof, or access to, and comfortable with that section before moving on.

MS. MORIARTY states that the sentence has been amended and thinks that it is adequate. She continues that the only other thing is to justify capital expenditures for new investment and/or access to current infrastructure, or pay for access to current infrastructure. She adds that this is better than the previous version.

DEPUTY COMMISSIONER SWENSON states that he was the original commenter on the infrastructure deficiencies, and his intent was about the fact that a vast majority of the resources are far away from the remote areas.

The discussion continues.

CHAIR HENDRIX moves on to the last tasks of corrections. He asks if this could be finalized by mid-week and sent to Ms. Alexander and her team. He continues that he would like everyone to get the final copy by the beginning of the following week for a last look, and then sent to the Legislature before the end of the month.

MR. RYHERD states, that brings up one topic on the type of font.

CHAIR HENDRIX suggests figuring out the most predominant font in the report now and use that one.

MR. MALONEY states that there is an executive summary section in the February report that would be appropriate to put in about how things are working. He asks for some dialogue on that.

MR. RYHERD states that he had forgotten about the executive summary, and adds that will take a couple of days to make sure it is well written and polished.

CHAIR HENDRIX states that page can be inserted and asks Ms. Alexander to send out the draft of the letter of transmittal to the other board members to give them an idea of what is being thought of to send.

MS. ALEXANDER agrees.

CHAIR HENDRIX states that the executive summary is going to be very short and sweet. It will state that the Board has embarked on a series of meetings to look at what they were tasked with, which is not possible in the short time period, and they have put together this report to give a baseline of the work for an understanding of the enormity of this task. He adds that the goal is that this will be prepared to insert sometime during the week of the 23rd.

MR. RYHERD states that it could be two pages or so and would like for people to look at the February 12th document to make sure everything is captured to everyone's satisfaction.

CHAIR HENDRIX asks that the board review that document and get any concerns or comments back to Ms. Alexander by the 18th. He cautions the board that this needs to get finished, so unless it's a glaringly large omission or correction, he does not want to do an entire rewrite.

MR. PAWLOWSKI comments that the hydrocarbon endowment has been substantially updated, the trends and comparisons across the jurisdiction. He asks the Board to look at it.

CHAIR HENDRIX states that the next thing on the agenda is to review and finalize the draft of the RFP. He continues that in this RFP draft there is an amount specified that will not be exceeded. "Department of Revenue Commissioner's office estimates budget not to exceed \$300,000 for the completion of this project. Proposals priced at more than \$300,000 will be considered nonresponsive." He asks if that 1.04 budget language needs to be in here, or can that just be omitted.

MS. ALEXANDER replies that she will check with procurement and get back on that. She asks that if it does have to remain, how the board would like it to stay.

CHAIR HENDRIX recommends allowing a lot smaller budget for it.

DIRECTOR RYAN states that she will confirm with procurement, but thinks that a ceiling has to be in there.

COMMISSIONER GALLAGHER states that he is not sure how the process works within the Legislature, but there needs to be a request, from department administration or someone, to put it in the budget, and then the Legislature approves a number.

CHAIR HENDRIX asks if it needs to remain, what should that budget number be.

DEPUTY COMMISSIONER KEPPERS suggests that Ms. Alexander check with Dorie Choquette and maybe modify that language. He offers to work with both of them on that.

The discussion continues.

CHAIR HENDRIX suggests expanding the language to add that the State is trying to get the work done as efficiently and cost effectively as possible.

DEPUTY COMMISSIONER SWENSON suggests that it would be very good for the board to have one of the procurement officers to come and give the board what the State rules are as far as going out with an RFP. He states that they are very specific and somewhat stringent.

CHAIR HENDRIX asks if Dorie works for DOR as a procurement officer.

MS. ALEXANDER replies yes.

CHAIR HENDRIX asks if she could set up a meeting, possibly a telephone conference, to have a quick discussion to find out the State's requirements on what needs to be done. He adds possibly for next week.

MS. ALEXANDER states that if the meeting has four or more people, it does have to be publicly noticed.

CHAIR HENDRIX states that if a meeting notice is put out today, a meeting could be held on the 23rd.

MR. STOKES states that it does not have to be an official meeting, because a technicality is being worked out.

CHAIR HENDRIX asks if Ms. Alexander, Deputy Commissioner and Dorie can have that conversation.

MS. ALEXANDER agrees.

The discussion continues and includes the company Analytica.

CHAIR HENDRIX states that next on the agenda is any additional items for discussion.

MR. STOKES asks for clarification on where the expenses for all of this is coming from.

CHAIR HENDRIX replies that it is coming through the Department of Revenue. He states the need to set up a meeting to go over the last draft, what has been done on the RFP, and have a conversation before the letter of transmittal is sent to Juneau. He asks if a telephone conference meeting can be set up for Wednesday, February 25, 2015, at about 8:30-9:00 a.m. for about 45 minutes.

A short discussion ensues on the Executive Summary.

CHAIR HENDRIX states that he will ask Commissioner Hoffbeck to take a first cut on the Executive Summary with Ms. Alexander's help. Then it can be sent out to the rest of the board members for review and comment.

CHAIR HENDRIX adjourns the meeting and wishes Deputy Commissioner a happy retirement.

DEPUTY COMMISSIONER SWENSON thanks Chair Hendrix.

MR. STOKES thanks Tim and Bob for all their good work.

(Meeting adjourned at 10⁰⁰:55 a.m.)

DRAFT