Municipal Advisory Group Resolution 2006-04

A Resolution supporting the removal of A.S. §43.56 Oil Tax Concessions that lowers the 2006 value of the Trans-Alaska Pipeline

A. Whereas, the intent of the Stranded Gas Development Act is to provide for a mechanism for achieving the fiscal certainty that potential project sponsors indicate they need before proceeding with the large investment needed to bring Alaska North Slope gas to market; and

B. Whereas, the proposed contract between Governor Murkowski and the producers under the Stranded Gas Development Act has now been released in full; and

C. Whereas, the proposed contract provides significant changes in the present taxation of oil property currently taxed in Alaska; and

D. Whereas, the Stranded Gas Development Act specifically states, in A.S. §43.82.010(1), "encourage new investment to develop the state's stranded gas resources by authorizing establishment of fiscal terms related to that new investment <u>without significantly altering tax and royalty methodologies and rates on existing oil and gas infrastructure and production</u>"; and

E. Whereas, the Stranded Gas Development Act specifically precludes in A.S. §43.82.010 interference with non-gas related taxation; and

F. Whereas, under the proposed contract the value of the Trans-Alaska Oil Pipeline System (TAPS) is established at approximately $3.49 Billion; and

G. Whereas, the State Assessment Review Board (SARB) ruled on May 24, 2006, that the assessed value of TAPS should be increased to $4,306,271,800.

NOW, THEREFORE, be it resolved by the Municipal Advisory Group that:

1. If changes in oil taxation remain in the proposed gas contract the value of TAPS in the contract should be increased to the value established by the State Assessment Review Board of $4,306,271,800.