

DEPARTMENT OF REVENUE, TAX DIVISION**REQUEST FOR PUBLIC COMMENTS ON DRAFT TRANSPORTATION
REGULATIONS**

Attached are discussion drafts for Title 15 – Revenue, of the Alaska Administrative Code, Chapter 55 – Oil and Gas Properties Production Tax under consideration by the Department of Revenue, Tax Division. These drafts address: choice of methods for determining reasonable costs of transportation for oil and gas produced before July 1, 2007, comparison of actual and reasonable costs of transportation for oil and gas produced after June 30, 2007, calculation of reasonable costs of transportation for oil or gas produced before July 1, 2007, calculation of costs of transportation for oil and gas produced after June 30, 2007, and capital cost allowance for pipeline facilities.

A sample copy of the proposed model for the capital allowance for pipeline facilities can be viewed at: <http://www.tax.alaska.gov/programs/documentviewer/viewer.aspx?336>

Written comments on the drafts may be submitted through the close of business on June 11, 2008, to:

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Date: May 9, 2008

15 AAC 55.180 is amended by adding a new subsection to read:

15 AAC 55.180. Choice of methods for determining reasonable cost of transportation for oil and gas produced before July 1, 2007.

...

(c) This section applies to oil and gas produced before July 1, 2007. (Eff. 1/6/80, Register 73; am 1/1/95, Register 132; am 1/1/2000, Register 152; am ___/___/_____, Register _____)

Authority: AS 43.05.080

AS 43.55.020

AS 43.55.110

AS 43.55.150

15 AAC 55 is amended by adding a new section to read:

15 AAC 55.181. Comparison of actual and reasonable costs of transportation for oil and gas produced after June 30, 2007. (a) Subject to the adjustments

provided for under (b) of this section and except as otherwise provided under (c) of this section, for purposes of determining the lower of actual costs of transportation or reasonable costs of transportation under AS 43.55.150(b), the total actual costs for the calendar year of production are compared to the total reasonable costs for the calendar year of production for transportation of the producer's oil or gas from each point where that oil or gas is tendered into the facility of the carrier to each point where it is delivered from the facility of the carrier,

(1) where the shipper of oil or gas is affiliated with the transportation carrier or with a person that owns an interest in the transportation facility, when the department finds under AS 43.55.150(b) that a condition in AS 43.55.150(a)(1) is present;

(2) under the contract for the transportation of oil or gas that is not an arm's length transaction, when the department finds under AS 43.55.150(b) that the condition in AS 43.55.150(a)(2) is present;

(3) under the method or terms of transportation of oil or gas that are not reasonable in view of existing alternative transportation options, when the department finds under AS 43.55.150(b) that a condition in AS 43.55.150(a)(3) is present.

(b) If a filed tariff for pipeline transportation that constitutes the actual cost of transportation under 15 AAC 55.193(b)(1) includes a variable tariff methodology that mathematically adjusts a rate for a year to correct for the differences between (1) forecast costs and throughput amounts used in calculating a rate for an earlier year, and (2) the actual costs and throughput amounts for that earlier year, the producer shall account for the effect of those mathematical adjustments in the comparison of actual costs of transportation and reasonable costs of transportation under AS 43.55.150(b), using a method approved by the department.

(c) If different filed tariffs for intrastate transportation and for interstate transportation apply to the transportation of oil or gas from a given point where that oil or gas is tendered into the facility of the carrier to a given point where it is delivered from the facility of the carrier, the comparison of actual costs of transportation and reasonable

costs of transportation under (a) of this section is made separately for the intrastate transportation and the interstate transportation of the oil or gas.

(d) For purposes of AS 43.55.150 and this section,

(1) two persons are affiliated if they are both part of the same consolidated business, if one has an ownership interest of any amount in the other, or if another person has an ownership interest of any amount in both of them;

(2) a physical pipeline system is a single transportation facility regardless of whether multiple carriers own interests in the system, file separate tariffs for transporting oil or gas in the system, or enter into separate contracts with shippers to transport oil or gas in the system.

(e) This section applies to oil and gas produced after June 30, 2007.

(Eff. ___/___/____, Register _____)

Authority: AS 43.05.080

AS 43.55.020

AS 43.55.110

AS 43.55.150

15 AAC 55.191(a) is amended to read:

15 AAC 55.191. Calculation of reasonable costs of transportation for oil or gas produced before July 1, 2007. (a) Reasonable costs of transportation are the ordinary and necessary costs incurred to transport the oil or gas from the point of production to the sales delivery point [OR, IF GAS HAS BEEN RUN THROUGH A

GAS PROCESSING PLANT, FROM THE PLANT TO THE SALES DELIVERY POINT].

15 AAC 55.191 is amended by adding a new subsection to read:

(w) This section applies to oil and gas produced before July 1, 2007.

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2002, Register 160; am 1/1/2003, Register 164; am 5/3/2007, Register 182; am ___/___/_____, Register _____)

Authority: AS 43.05.080

AS 43.55.020

AS 43.55.030

AS 43.55.040

AS 43.55.110

AS 43.55.150

AS 43.55.900

15 AAC 55 is amended by adding a new section to read:

15 AAC 55.193. Calculation of costs of transportation for oil and gas produced after June 30, 2007. (a) Costs of transportation are the ordinary and necessary costs incurred to transport the oil or gas from the point of production to the sales delivery point.

(b) Actual costs of transportation under AS 43.55.150(a) are

(1) if transportation of oil or gas is by a regulated carrier, the tariff that is on file with the Federal Energy Regulatory Commission or other regulatory agency

having jurisdiction, and that is applicable to that transportation of the oil or gas by the carrier, from the point where that oil or gas is tendered into the facility of the carrier to the point where it is delivered from the facility of the carrier;

(2) if transportation of oil is by a vessel that is not owned or effectively owned, in whole or in part, by the producer of that oil

(A) for a single voyage charter, the total costs under the charter for that vessel, plus any voyage and port costs as provided in (e) of this section if those voyage and port costs are incurred for that transportation during the term of the charter, are not included in the charter fee, and are borne by the producer, plus the positioning costs, if any, borne by the producer for that vessel;

(B) for a consecutive voyage charter or a time charter, the total costs under the charter for that vessel, plus any voyage and port costs as provided in (e) of this section if those voyage and port costs are incurred for that transportation during the term of the charter, are not included in the charter fee, and are borne by the producer, plus the positioning cost, if any, borne by the producer for that vessel; the positioning cost must be amortized over the lesser of 36 months or the term of the charter in the case of a time charter, and amortized on the basis of the number of voyages in the case of a consecutive voyage charter; or

(C) for a contract of affreightment, the total costs under the contract, plus any voyage and port costs as provided in (e) of this section if those voyage and port costs are incurred for that transportation during the contract of affreightment, are not included in the charter fee, and are borne by the producer,

plus any positioning costs not included in that fee that are incurred with respect to that transportation during the contract of affreightment and that are borne by the producer;

(3) if transportation of oil is by a vessel that is owned or effectively owned, in whole or in part, by the producer of that oil, the producer's actual cost for that transportation, which is the sum of

(A) voyage and port costs incurred with respect to that transportation, as provided in (e) of this section;

(B) the positioning cost, amortized over 36 months, for that vessel;

(C) depreciation of the vessel as calculated by the producer for financial accounting purposes and used for reporting income and expenses to shareholders and owners, or as provided in 15 AAC 55.195(a), (b), (c), (f), or (h) or 15 AAC 55.196, as applicable; and

(D) an amount that, when added to the amount of depreciation allowed under (C) of this paragraph, will provide a reasonable return on the acquisition cost, as provided in 15 AAC 55.195(a), of the vessel over its expected useful life as used for financial accounting purposes and used for reporting income and expenses to shareholders and owners, or on the adjusted shipyard cost or invested capital as provided in 15 AAC 55.195(b), (c), (f), or (h) or 15 AAC 55.196, as applicable;

(4) in the case of transportation of gas as liquefied natural gas (LNG),

(A) if not all of the LNG transportation facilities are subject to tariff regulations of the Federal Energy Regulatory Commission or another federal

agency, a state, territory, or possession of the United States, or a foreign nation, and if the producer does not own or effectively own, in whole or in part, the LNG transportation facility, the amount charged to the producer for that LNG transportation;

(B) if the producer owns or effectively owns, in whole or in part, the LNG transportation facility, the producer's actual cost for that transportation, which is the sum of

(i) the direct operating costs of the LNG transportation facility incurred with respect to the producer's gas; for an LNG tanker, direct operating costs consist of the tanker's voyage and port costs as provided in (e) of this section;

(ii) the positioning cost, amortized over 36 months, in the case of an LNG tanker;

(iii) depreciation of the LNG transportation facility as calculated by the producer for financial accounting purposes and used for reporting income and expenses to shareholders and owners, or as provided in 15 AAC 55.195(a), (b), (c), or (d), as applicable;

(iv) an amount that, when added to the amount of depreciation allowed under (iii) of this subparagraph, will provide a reasonable return on the acquisition cost, as provided in 15 AAC 55.195(a), (b), (c), or (d), as applicable, of the LNG transportation facility over its expected useful life as used for financial accounting purposes and used for reporting income and expenses to shareholders and owners, or on

the adjusted shipyard cost as provided in 15 AAC 55.195(a), (b), (c), or (d), as applicable;

(5) if transportation of oil or gas is by a nonregulated carrier that is not owned or effectively owned, in whole or in part, by the producer of that oil or gas, the transportation fee specified in the contract plus any other costs not included in the fee with respect to that transportation that are borne by the producer;

(6) if transportation of oil or gas is by a nonregulated carrier that is owned or effectively owned, in whole or in part, by the producer of that oil or gas, the sum of the following, allocated to that oil or gas in the proportion that the volume of that oil or gas bears to the total volume of fluids transported by the pipeline:

(A) a cost of capital allowance that includes depreciation and a return on investment, as provided in 15 AAC 55.195(d);

(B) the reasonable operating and maintenance costs for the pipeline facility, which are determined by multiplying the projected actual annual amount of direct operating and maintenance costs for the pipeline facility by 112 percent; for purposes of this subparagraph, direct operating and maintenance costs are only those costs necessary to physically operate and maintain the pipeline facility;

(C) ad valorem taxes associated with the pipeline facility.

(c) Reasonable cost of marine transportation under AS 43.55.150(b) is fair market value. Fair market value of marine transportation is determined

(1) for shipments of oil, on the basis of third-party charters (that is, time charters in which the producer does not own or effectively own the vessel in whole or in part) of one year or more which are reported to the department for like vessels; two

vessels will be considered like vessels if the difference between them in tonnage is less than 10,000 dead-weight tons and if they are both

(A) Jones Act vessels (46 U.S.C. App. 808 and 883);

(B) Construction-Differential Subsidy ("CDS") vessels (46 U.S.C. App. 1151 - 1161);

(C) Operating-Differential Subsidy ("ODS") vessels (46 U.S.C. App. 1171 - 1185);

(D) CDS and ODS vessels; or

(E) vessels that do not meet the qualifications of (A) - (D) of this paragraph; or

(2) for shipments of gas as LNG, on the basis of third party charters or leases (that is, time charters or leases in which the producer does not own or effectively own, in whole or in part, the LNG transportation facility in question) of three years or more that are reported to the department for like LNG transportation facilities.

(d) If a producer sells its oil or gas to a third party in what would otherwise be a bona fide, arm's-length sale but at the time of the sale the producer expects to repurchase that oil or gas at a subsequent time and place, then that sale to the third party and the repurchase from the third party, when it occurs, must be disregarded and the oil or gas subject to that sale must be regarded as if it had remained the producer's own oil or gas throughout the time between that sale and repurchase. In determining the value at the point of production in such a case, the cost of transportation between the point of sale for that sale and the point of repurchase must be determined as if the producer were

the shipper. This subsection does not apply if the producer's expected repurchase does not in fact occur.

(e) For purposes of this section, allowable voyage and port costs for a vessel do not include losses, damages, or expenses incurred in connection with an oil discharge except as provided in this subsection, and do not include taxes or fees on the receipt of oil or LNG at a marine terminal from a vessel. Allowable voyage and port costs for a vessel or LNG tanker are costs actually incurred for the following purposes:

(1) fuel for the vessel or LNG tanker while in port and at sea not to exceed the actual cost if purchased from a third party, or if the fuel is not purchased from a third party, the spot market price of comparable fuel as reported in Platt's Oilgram Price Report at the time of the fuel purchase for the market nearest the point of refueling, plus related allowable fuel taxes and handling charges;

(2) stores and provisions for the vessel or LNG tanker and its captain and crew

(3) wages and benefits of the vessel's or LNG tanker's captain and crew;

(4) routine maintenance;

(5) drydocking costs, expensed in the year paid;

(6) port and dock fees;

(7) demurrage;

(8) tug and pilotage fees;

(9) marine agents' fees in port;

(10) lightering;

(11) transshipment charges;

(12) customs fees and duties;

(13) taxes incurred due to the ownership and operation of the vessel or LNG tanker, except for income taxes and other taxes (including certain franchise taxes) measured by income;

(14) regular and customary gratuities that are also legal;

(15) insurance premiums actually paid to third-party insurers;

(16) minor cargo losses or measuring differentials not to exceed .0025 of the oil transported, determined on an annual basis for each vessel;

(17) loading and unloading inspection fees;

(18) Panama Canal transit fees;

(19) a reasonable management fee for operating vessels or LNG tankers; this fee is set at six percent of the allowable costs set out in (1) - (3) of this subsection; this set fee covers all general and administrative costs related to vessel operations, including all costs for accounting services, clerical services, administrative services, secretarial services, data processing services, legal services, corporate and operations management, overhead pass-throughs, facility costs and depreciation, corporate planning, risk management, environmental planning and risk evaluation, public affairs, governmental affairs, political affairs, dues and subscriptions other than dues allowable under (21) of this subsection, long-range scheduling, and long-range planning; additional deductions will not be allowed for these costs;

(20) other costs directly associated with the operation or maintenance of the vessel or LNG tanker, including costs for port services and operations, cargo scheduling and planning, fleet staffing, fleet scheduling, fleet staff training, fleet safety,

engineering for repair, engineering for maintenance, engineering for drydocking, quality assurance for vessel operations, communication systems, navigation systems, United States Coast Guard certifications, and utility services; these costs include costs for personnel performing the functions listed and the first level of supervision of these personnel;

(21) costs incurred in transportation of oil to comply with 33 U.S.C. 2701 - 2761 (Oil Pollution Act of 1990), AS 46.04, and applicable laws of this or any other state or political subdivision requiring equipment and personnel to be in place for spill prevention and response to spills from vessels; those costs must have not been incorporated into a pipeline tariff, but must have been incurred as an actual cost in the transportation of oil produced in the state; and

(22) costs of containing and cleaning up cargo lost in a discharge, unless the discharge is a catastrophic oil discharge under AS 46.04.900.

(f) For purposes of this section, a producer "effectively owns" a vessel, LNG transportation facility, or nonregulated pipeline facility if the vessel, LNG transportation facility, or nonregulated pipeline facility

(1) is owned by another person comprising part of a consolidated business in which the producer is also a part;

(2) is the subject of a lease that qualifies as a capital lease under generally accepted accounting principles, in which the producer or another person comprising part of a consolidated business in which the producer is also a part, is the lessee;

(3) was built to the account of the producer, or of another person comprising part of a consolidated business in which the producer is also a part, was sold

and was chartered or leased back by the producer, or by another person comprising part of a consolidated business in which the producer is also a part, all in a simultaneous transaction, and is on a term charter or lease for a period of 15 years or longer to the producer, or to another person comprising part of a consolidated business in which the producer is also a part; or

(4) in the case of a vessel for which a cost of capital allowance is allowed under 15 AAC 55.196, is treated as owned by the producer, or by another person comprising part of a consolidated business in which the producer is also a part, in a federal income tax return filed by or on behalf of the producer, or by or on behalf of another person comprising part of a consolidated business in which the producer is also a part.

(g) For purposes of this section, the "positioning cost" for a vessel or LNG tanker includes the costs borne by the producer for placing that vessel or LNG tanker into position before the vessel's or LNG tanker's first voyage in service for that producer.

(h) The third-party nature of an agreement between a producer and a third-party carrier regarding transportation costs is not affected during the term of that agreement by a subsequent consolidation of that producer and carrier into a consolidated business, if, at the time they entered into that agreement, neither the producer nor the carrier exercised directly or indirectly any control over the business affairs of the other.

(i) The producer's actual marine transportation cost, as otherwise determined under this section, for a producer that transports oil produced in the state on behalf of a non-affiliated party through a charter, contract of affreightment, sublease, or other arrangement, in addition to the producer's own oil produced in the state, includes the cost

of transporting that non-affiliated party's oil produced in the state and is reduced by the revenue received for providing that transportation. For purposes of this subsection,

(1) "affiliated party" means a company effectively controlled by the producer or by the same company that effectively controls the producer; a company "effectively controls" another company if it directly or indirectly owns 20 percent or more of the outstanding stock or other ownership interests;

(2) "non-affiliated party" means a producer of oil produced in the state that is not an affiliated party.

(j) A producer shall report any reimbursed costs to the department. Reimbursed costs are not allowable as actual costs of transportation under this section.

(k) Only costs incurred in the transportation of oil or gas produced from a lease or property in the state are allowable costs. Costs incurred in connection with the transportation of any other oil or gas are not allowable costs.

(l) For purposes of this section, "expected useful life" means the period of time used to calculate depreciation under (b)(3)(C) or (b)(4)(B)(iii) of this section.

(m) Other costs incurred to transport oil or gas from the flange of the vessel to the sales delivery point are allowable for purposes of AS 43.55.150 if the other costs are actual costs of transportation.

(n) Except as otherwise provided under (o) - (q) of this section, the reasonable costs of pipeline transportation for oil under AS 43.55.150(b) are the sum of the following, allocated to the producer's oil in proportion to the number of barrel-miles transported:

(1) the ordinary and necessary costs incurred by the carrier or, in the case of a pipeline facility with multiple carriers, incurred by all of the carriers to prudently operate and maintain the pipeline facility; costs allowed under this paragraph do not include the costs disallowed as lease expenditures under AS 43.55.165(e) (3), (4), (6) – (10), (12), (13), (16), (19), and (21);

(2) ad valorem taxes associated with the pipeline facility;

(3) if specifically identified in an applicable tariff on file with a regulatory agency having jurisdiction, the allowance for the cost of dismantlement, removal, and restoration of the pipeline facility; and

(4) a cost of capital allowance for depreciation of and a return on investment prudently made in the pipeline facility, as provided in 15 AAC 55.195(j).

(o) If a producer of oil whose reasonable cost of pipeline transportation would otherwise be calculated under (n) of this section is unable to obtain from a carrier sufficient information to calculate that reasonable cost, the producer shall so inform the department, and the department will determine the reasonable cost of the pipeline transportation, using the method established under (n) of this section if sufficient information is available to the department and otherwise using another reasonable method.

(p) If a tariff rate for pipeline transportation has been adjudicated as just and reasonable by the Regulatory Commission of Alaska or another regulatory agency having jurisdiction, the tariff rate establishes the reasonable cost of the pipeline transportation for periods for which the tariff rate is in effect, unless the department determines based on

evidence to the contrary that the tariff rate is not the reasonable cost. If the department determines that the tariff rate is not the reasonable cost of the pipeline transportation, the reasonable cost is determined under (n) or (o) of this section, as applicable. For purposes of AS 43.55.150(b) and this subsection, a tariff rate has been adjudicated when the regulatory agency has issued its final order in the adjudication and that order has become effective, regardless of whether the order is subject to judicial review, unless the order is stayed.

(q) If a tariff rate for pipeline transportation on file with a regulatory agency having jurisdiction (1) is the result of a settlement that is approved by the regulatory agency and to which the state is a party, and (2) uses a cost-based tariff methodology, the tariff rate establishes the reasonable cost of the pipeline transportation for periods for which the tariff rate is in effect, unless the department determines based on evidence to the contrary that the tariff rate is not the reasonable cost. If the department determines that the tariff rate is not the reasonable cost of the pipeline transportation, the reasonable cost is determined under (n) or (o) of this section, as applicable. For purposes of this subsection, a “cost-based tariff methodology” is a methodology under which the charge for transportation is based solely on identified elements of actual costs incurred by the carrier, or identified elements of actual costs forecast to be incurred by the carrier if adjustments are subsequently made to account for differences between forecast and actual costs.

(r) This section applies to oil and gas produced after June 30, 2007. (Eff. ___/___/___, Register _____)

Authority: AS 43.05.080

AS 43.55.020

AS 43.55.030

AS 43.55.040

AS 43.55.110

AS 43.55.150

AS 43.55.900

Editor's note: Platt's Oilgram Price Report is published by McGraw-Hill, Inc., 1221 Avenue of the Americas, New York, New York 10020.

The section heading of 15 AAC 55.195 is changed:

15 AAC 55.195. Return on investment or cost of capital allowance to be used in calculation of [REASONABLE] costs of transportation for oil or gas, other than certain vessel transportation costs for oil or gas produced on or after January 1, 2003.

The lead-in language of 15 AAC 55.195(a) is amended to read:

(a) For a vessel, LNG transportation facility, or capitalized improvement placed in service before January 1, 1995, by the producer or by a person from whom, directly or through an intermediate transaction of the same nature, the producer later acquired the vessel as part of a larger transfer of both marine and non-marine assets associated with a business merger or acquisition transaction, a reasonable return including depreciation under 15 AAC 55.191(b)(3)(C) and (D), [OR] 15 AAC 55.191(b)(4)(B)(iii) and (iv), **15**

AAC 55.193(b)(3)C and (D), or 15 AAC 55.193(b)(4)(B)(iii) and (iv) is an amount that yields a return on the acquisition cost of the vessel, LNG transportation facility, or capitalized improvement, after federal income tax, of two percent plus the average annual national inflation rate, measured by the compound root of the GNP deflator, during the period between the time the commitment was made to construct or initially acquire the vessel, LNG transportation facility, or capitalized improvement for the purpose of placing it in service and the time when the vessel, LNG transportation facility, or capitalized improvement had been received or delivered and was ready to be placed into service, or if that period fell entirely within a calendar year, during that entire calendar year, except that if the department replaced that rate of return with a different rate of return for a vessel, LNG transportation facility, or capitalized improvement under former 15 AAC 55.190(i), that different rate of return is allowed instead. The allowance for the reasonable return on the acquisition cost is a level annual amount, determined in the year of initial acquisition for the purpose of placement in service, considering the marginal federal corporate income tax rate in effect that year and the contemporaneous and projected federal income tax benefits. If, in subsequent years, the federal tax rate changes, or other events occur that change the available federal income tax benefits, a revised level annual allowance must be calculated to yield the same after-tax return. For purposes of this subsection,

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15 AAC 55.195(d)(18)(B)(i) is amended to read:

(i) except as provided in (ii) of this subparagraph, is the cost of capital, as reasonably determined by the department, for the category of business described for Standard Industrial Classification (SIC) Industry No. 4924, in the Executive Office of the President, Office of Management and Budget, Standard Industrial Classification Manual, as revised as of 1987; as described in this subparagraph, SIC Industry No. 4924 is adopted by reference; in determining a cost of capital for a calendar year under this sub-subparagraph, the department will presume, in the absence of facts to the contrary, that the cost of capital is accurately represented by the weighted average cost of capital using the capital asset pricing model (CAPM), ordinary least squares (OLS) for the industrial composite for SIC code number 4924, as reported in Morningstar, Inc., [IBBOTSON ASSOCIATES] The Cost of Capital Yearbook published during the previous calendar year, plus, for LNG transportation facilities, 0.2 percent after December 31, 2001; and

15 AAC 55.195(c)(1) is amended to read:

(1) a reasonable return including depreciation under 15 AAC 55.191(b)(3)(C) and (D), [OR] 15 AAC 55.191(b)(4)(B)(iii) and (iv), **15 AAC 55.193(b)(3)C) and (D), or 15 AAC 55.193(b)(4)(B)(iii) and (iv)** is \$158,000 per year for 10 years for each \$1,000,000 of adjusted shipyard cost as defined in (b) of

this section, for oil or gas produced before January 1, 2002, and on or after January 1, 2003; and

The lead-in language of 15 AAC 55.195(d) is amended to read:

d) For an LNG transportation facility or capitalized improvement to that facility first placed in service by the producer on or after January 1, 1995, a cost of capital allowance that consists of depreciation and a return on acquisition cost will be allowed for oil or gas produced on or after January 1, 2002. The cost of capital allowance under this subsection is also available for a pipeline facility under 15 AAC 55.191(b)(8) or **15 AAC 55.193(b)(6)**, or for a capitalized improvement that is made to that facility.

However, an improvement to an LNG transportation or pipeline facility that the producer treats as an expense under 26 U.S.C. 179 may not receive a cost of capital allowance under this subsection. The cost of capital allowance under this subsection is an amount to be calculated annually for a calendar year as follows:

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15 AAC 55.195 is amended by adding new subsections to read:

(j) For purposes of 15 AAC 55.193(n), a cost of capital allowance is calculated under this subsection for the original investment in the pipeline facility and for capitalized improvements, to the extent not previously recovered. However, a capitalized improvement to a pipeline facility that the carrier treats as an expense under 26 U.S.C.

179 may not receive a cost of capital allowance under this subsection. The cost of capital allowance is an amount to be calculated annually for a calendar year as follows:

(1) the cost of capital allowance is calculated using the following formula:

cost of capital allowance = initial cash flow/ (1 – marginal income tax rate);

(2) for purposes of the formula set out in (1) of this subsection, initial cash flow is calculated using the following formula: initial cash flow = unrecovered investment net of the net present value of tax benefits/annuity factor for year n, where "n" is years of remaining life at interest rate WACC; except that in the last calendar year of remaining life initial cash flow = unrecovered investment beginning of year * ((1 + WACC) ^ .5);

(3) for purposes of the formula set out in (2) of this subsection, unrecovered investment net of the net present value of tax benefits is calculated using the following formula: unrecovered investment net of the net present value tax benefits = unrecovered investment beginning of year – net present value of tax benefits;

(4) for purposes of the formulas set out in (2), (3), (7), and (8) of this subsection, unrecovered investment beginning of year is calculated using the applicable formula as follows:

(A) for a calendar year after 2007 and for a pipeline facility that was in service during the previous year, unrecovered investment beginning of year = unrecovered investment from the end of the previous year;

(B) for a capitalized improvement placed in service during the calendar year on a pipeline facility previously placed in service, unrecovered investment beginning of year = total amount paid to the person building or selling

the capitalized improvement; however, if the capitalized improvement was previously used in a pipeline facility, unrecovered investment beginning of year may not exceed unrecovered capital and return on capital for the capitalized improvement as calculated as of the date the capitalized improvement is acquired, under the applicable tariff, if any, on file with the pipeline regulatory agency and otherwise as calculated under a reasonable methodology approved by the department;

(C) for a pipeline first placed in service after June 30, 2007, for the first year the pipeline facility is in service, unrecovered investment beginning of year = accumulated unrecovered investment during construction at the time the pipeline facility begins service; however, if the pipeline facility was previously operated, unrecovered investment beginning of year may not exceed unrecovered capital and return on capital for the pipeline facility agency as of the date the pipeline facility is acquired, as calculated under the applicable tariff, if any, on file with the pipeline regulatory agency and otherwise as calculated under a reasonable methodology approved by the department;

(D) for a pipeline first placed in service before July 1, 2007, on July 1, 2007, unrecovered investment beginning of year = unrecovered capital and return on capital as calculated as of July 1, 2007, under the applicable tariff, if any, on file with the pipeline regulatory agency and otherwise as calculated under a reasonable methodology approved by the department;

(5) for purposes of the formula set out in (4)(C) of this subsection, accumulated unrecovered investment during construction at the time the pipeline facility

begins service is calculated using the following formula: ; accumulated unrecovered investment during construction at the time the pipeline facility begins service = $((1 + \text{WACC}) * \text{accumulated unrecovered investment during construction at the end of the prior year})$ plus unrecovered investment during construction for the last year in which an expenditure for the pipeline facility was incurred; for purposes of this paragraph,

(A) accumulated unrecovered investment during construction at the end of the prior year = $((1 + \text{WACC}) * \text{accumulated unrecovered investment during construction at the end of the year prior to the prior year})$ plus unrecovered investment during construction for the year in which an expenditure for the pipeline facility was incurred;

(B) unrecovered investment during construction for the year in which an expenditure for the pipeline facility was incurred = $((1 + (\text{portion of the year in which the pipeline facility was under construction} * \text{WACC}))^{0.5}) * \text{total amount paid to the person building or selling the pipeline facility during the year};$

(6) for purposes of the formula set out in (4) of this subsection, unrecovered investment from the end of the prior year is calculated using the following formula: unrecovered investment from the end of the prior year = $(\text{unrecovered investment middle of year} * ((1 + \text{WACC})^{.5}))$;

(7) for purposes of the formula set out in (6) of this subsection, unrecovered investment middle of year is calculated using the following formula: unrecovered investment middle of year = unrecovered investment beginning of year + cost of capital addition middle of year – middle of year actual after-tax cash flow;

(8) for purposes of the formula set out in (7) of this subsection, cost of capital addition middle of year is calculated using the following formula: cost of capital addition middle of year = (unrecovered investment beginning of year X (((1 + WACC)^{.5})-1));

(9) for purposes of the formula set out in (7) of this subsection, middle of year actual after-tax cash flow is calculated using the following formula: middle of year actual after-tax cash flow = cost of capital allowance under (1) of this subsection - actual income tax;

(10) for purposes of the formula set out in (9) of this subsection, actual income tax is calculated using the following formula: actual income tax = marginal income tax rate * (cost of capital allowance under (1) of this subsection - depreciation);

(11) for purposes of the formula set out in (10) and (15) of this subsection, depreciation is calculated using the following formula: depreciation = depreciation factor * the total amount paid to the person building or selling the pipeline facility;

(12) for purposes of the formulas set out in (11) of this subsection, depreciation factor is the percentage of the total amount paid to the person building or selling the pipeline facility that can be depreciated for federal corporate income tax for a year;

(13) for purposes of the formulas set out in (1) and (10) of this subsection, marginal income tax rate is the highest marginal federal corporate income tax rate for the calendar year plus three percentage points; if the federal income tax rate changes during the year, the department will apply the new tax rate to that portion for the year that equals

the number of days in the year that include and follow the day on which the old tax rate changed, divided by the total number of days in that year;

(14) For purposes of the formula set out in (2) of this subsection, annuity factor is calculated using the following formula: annuity factor =

$$\frac{(1 - (1 / ((1 + \text{WACC})^{\text{Years of remaining life}})) / \text{WACC})}{((1 + \text{WACC})^{-0.5})}$$
the portion of the year in service; for purposes of this paragraph,

(A) for a pipeline for which there is a tariff on file with a regulatory agency having jurisdiction, years of remaining life must be the same as embedded in the tariff methodology;

(B) for other pipelines, years of remaining life is determined as follows:

(i) for a component of the pipeline facility in service at the start-up of the facility, as if that component had a 20-year life, unless the department determines on the basis of competent evidence that the years of remaining life is a lesser number;

(ii) for a capitalized improvement that extends the life of the pipeline facility and is put in service after start-up of the facility, as if that capitalized improvement had a 15-year life, unless the department determines on the basis of competent evidence that the years of remaining life is a lesser number;

(iii) for a capitalized improvements that does not extend the life of the facility and that is put in service after start-up of the facility,

as if that capitalized improvement had a 10-year life, unless the department determines on the basis of competent evidence that the years of remaining life is a lesser number;

(iv) for purposes of (i), (ii), and (iii) of this subsection, for a pipeline facility that comes into service midyear, the portion of the year in service for the first and last calendar years the facility is in service is the number of days the facility is in service during the year divided by 365, and 100 percent for all other years;

(C) for a pipeline first placed in service before July 1, 2007, for calendar year 2007 the portion of the year in service is one-half year;

(15) for purposes of the formula set out in (3) of this subsection, net present value tax benefits is the sum of the discounted annual tax depreciation amounts for each remaining year in which the total amount paid to the person building or selling the pipeline facility can be depreciated for federal corporate income tax for the year; the discounted annual tax depreciation amount is calculated using the following formula:
discounted annual tax depreciation amount = depreciation * marginal federal tax rate * discount factor;

(16) for purposes of the formula set out in (15) of this subsection, the discount factor is calculated using the following formula: discount factor = $1 / ((1 + \text{WACC})^{\text{exp. (discount factor exponent)}})$;

(17) for purposes of the formula set out in (16) of this subsection, the discount factor exponent is calculated using the following formula: discount factor exponent = $(((((1 - \text{portion of year in service}) + 1) * 0.5) - 1) + (\text{tax year in which the$

total amount paid to the person building or selling the pipeline facility can be depreciated for federal corporate income tax minus tax year in which the tax is paid, where the first tax year is the year the pipeline facility is placed in service);

(18) for purposes of the formulas set out in (2), (5), (6), (8), and (14) of this subsection, WACC, or the weighted average cost of capital, is the cost of capital, as reasonably determined by the department, for the category of business described for Standard Industrial Classification (SIC) Industry No. 4924, in the Executive Office of the President, Office of Management and Budget, Standard Industrial Classification Manual, as revised as of 1987; as described in this subparagraph, SIC Industry No. 4924 is adopted by reference; in determining a cost of capital for a calendar year under this sub-subparagraph, the department will presume, in the absence of facts to the contrary, that the cost of capital is accurately represented by the weighted average cost of capital using the capital asset pricing model (CAPM), ordinary least squares (OLS) for the industrial composite for SIC code number 4924, as reported in Morningstar, Inc. The Cost of Capital Yearbook published during the previous calendar year.

(k) The following example illustrates (j) of this section:

Taxpayer A places a facility into service 10% (37 days) into Year One. Construction started 75% (274 days) into the calendar year four years earlier.

Table 1 shows for each calendar year of construction a) the portion of the year under construction, b) the amount paid to the person building or selling the pipeline facility, and c) the WACC for each year of construction.

Construction Year	Portion of Year Under Construction	Amount Paid	wacc
1	0.25	5,800,000	0.07
2	1.00	11,600,000	0.08
3	1.00	17,400,000	0.09
4	1.00	23,300,000	0.08
5	0.10	29,100,000	0.07
total		87,200,000	

The pipeline facility begins service in Tax Year 1. Table 2 shows for each tax year a) the portion of year in service, b) the marginal income tax rate, c) the WACC, d) years of remaining life, and e) assumed depreciation factor.

Tax Year	Portion of Year in Service	Marginal Income Tax Rate	WACC	Years of Remaining Life	Depreciation Factor
1	90%	38%	7.00%	20.00	5.0000%
2	100%	37%	8.00%	19.10	9.5000%
3	100%	36%	9.00%	18.10	8.5500%
4	100%	35%	8.00%	17.10	7.6950%
5	100%	36%	7.00%	16.10	6.9255%
6	100%	37%	6.00%	15.10	6.2330%
7	100%	38%	5.00%	14.10	5.9049%
8	100%	39%	6.00%	13.10	5.9049%
9	100%	38%	7.00%	12.10	5.9049%
10	100%	37%	8.00%	11.10	5.9049%
11	100%	36%	9.00%	10.10	5.9049%
12	100%	35%	8.00%	9.10	5.9049%
13	100%	36%	7.00%	8.10	5.9049%
14	100%	37%	6.00%	7.10	5.9049%
15	100%	38%	5.00%	6.10	5.9049%
16	100%	39%	6.00%	5.10	2.9525%
17	100%	38%	7.00%	4.10	0.00000
18	100%	37%	8.00%	3.10	0.00000
19	100%	36%	9.00%	2.10	0.00000
20	100%	35%	8.00%	1.10	0.00000
21	10%	36%	7.00%	0.10	0.00000

Step One: Calculate the unrecovered investment during construction and the accumulated unrecovered investment for the year in which an expenditure for the pipeline facility was incurred:

For the first calendar year of construction the unrecovered investment during construction for the year in which an expenditure for the pipeline facility was incurred would be:

$$((1 + (0.25*0.07)) ^ 0.5) * 5,800,000 = 5,850,530$$

The accumulated unrecovered investment would be:

$$((1 + .07) * 0) + 5,850,530 = 5,850,530$$

For the second calendar year of construction the unrecovered investment during construction for the year in which an expenditure for the pipeline facility was incurred would be:

$$((1 + (1.00*0.08)) ^ 0.5) * 11,600,000 = 12,055,074$$

The accumulated unrecovered investment would be:

$$((1 + .08) * 5,850,530) + 12,055,074 = 18,373,646$$

For the third calendar year of construction the unrecovered investment during construction for the year in which an expenditure for the pipeline facility was incurred would be:

$$((1 + (1.00*0.09)) ^ 0.5) * 17,400,000 = 18,166,133$$

The accumulated unrecovered investment would be:

$$((1 + .09) * 18,373,646) + 18,166,133 = 38,193,407$$

For the fourth calendar year of construction the unrecovered investment during construction for the year in which an expenditure for the pipeline facility was incurred would be:

$$((1 + (1.00*0.08)) ^ 0.5) * 23,300,000 = 24,214,070$$

The accumulated unrecovered investment would be:

$$((1 + .08) * 38,193,407) + 24,214,070 = 65,462,950$$

For the fifth, and last, calendar year of construction the unrecovered investment during construction for the year in which an expenditure for the pipeline facility was incurred would be:

$$((1 + (0.10*0.07)) ^ 0.5) * 29,100,000 = 29,201,672$$

The accumulated unrecovered investment would be:

$$((1 + .07) * 65,462,950) + 29,201,672 = 99,247,029$$

Step Two: Calculate the unrecovered investment beginning of year for the first year the pipeline facility is in service:

For the first year the pipeline facility is in service the unrecovered investment beginning of year is accumulated unrecovered investment during construction at the time the pipeline facility begins service. From Step One this is 99,247,029. In subsequent years the unrecovered investment beginning of year is the unrecovered investment from the end of the previous year.

Step Three: Calculate the annuity factor:

For the first year the pipeline facility is in service the annuity factor would be:

$$((1-(1/((1 + 0.07)^{20}))/ 0.07)/((1 + 0.07)^{-0.5}) / 0.90 = 12.17615$$

Step Four: Calculate the depreciation:

For the first year the pipeline facility is in service the depreciation would be:

$$0.05 * 87,200,000 = 4,360,000$$

(Note that starting in the second year the depreciation is a blend of the depreciation factors for the first and second years in recognition of the partial year start-up.)

Step Five: Calculate the discount factor exponent for each remaining year in which depreciation for federal corporate income tax will occur:

For the first year the pipeline facility is in service:

- For Tax Year 1 the discount factor exponent would be:

$$(((1 - 0.9) + 1) * 0.5) - 1 + (1 - 1) = -0.45$$

- For Tax Year 2 the discount factor exponent would be:

$$(((1 - 1.0) + 1) * 0.5) - 1 + (2 - 1) = 0.50$$

- Table 3A shows for Tax Year 1 the discount factor exponent for each remaining year in which depreciation will occur. (Table 3B shows this for Tax Year 2.)

Step Six: Calculate the discount factor for each remaining year in which depreciation for federal corporate income tax will occur:

For the first year the pipeline facility is in service:

- For Tax Year 1 the discount factor would be:

$$1/((1 + 0.07)^{-0.45}) = 1.0309$$

- For Tax Year 2 the discount factor would be:

$$1/((1 + 0.07)^{0.50}) = 0.9667$$

- Table 3A shows for Tax Year 1 the discount factor for each remaining year in which depreciation will occur. (Table 3B shows this for Tax Year 2.)

Step Seven: Calculate the discounted annual tax depreciation amount for each remaining year in which depreciation for federal corporate income tax will occur:

For the first year the pipeline facility is in service:

- For Tax Year 1 the discounted annual tax depreciation amount would be:

$$4,360,000 * 0.38 * 1.0309 = 1,708,019$$

- For Tax Year 2 the discounted annual tax depreciation amount would be:

$$8,284,000 * 0.38 * 0.9667 = 3,043,209$$

- Table 3A shows for Tax Year 1 the discounted annual tax depreciation amount for each remaining year in which depreciation will occur. (Table 3B shows this for Tax Year 2.)

Step Eight: Calculate the net present value of tax benefits:

For the first year the pipeline facility is in service the net present value of tax benefits would be the sum of the discounted annual tax depreciation amounts for each remaining year in which depreciation for federal corporate income tax will occur. Table 3A shows for Tax Year 1 this is 22,566,842. Table 3B shows this for Tax Year 2. Table 3C shows this for each year.

TABLE 3A
Tax Year 1 - Discounted Annual
Tax Depreciation Amounts for
Each Remaining Year

Remaining Tax Year	Discount Factor Exponent	Discount Factor	Discounted Annual Tax Depreciation Amount
1	-0.45	1.0309	1,708,019
2	0.50	0.9667	3,043,209
3	1.50	0.9035	2,559,709
4	2.50	0.8444	2,153,026
5	3.50	0.7891	1,810,956
6	4.50	0.7375	1,523,234
7	5.50	0.6893	1,348,658
8	6.50	0.6442	1,260,428
9	7.50	0.6020	1,177,970
10	8.50	0.5626	1,100,907
11	9.50	0.5258	1,028,885
12	10.50	0.4914	961,575
13	11.50	0.4593	898,668
14	12.50	0.4292	839,876
15	13.50	0.4012	784,931
16	14.50	0.3749	366,790
17	15.50	0.3504	0
18	16.50	0.3275	0
19	17.50	0.3060	0
20	18.50	0.2860	0
21	19.50	0.2673	0
Sum of amounts each remaining year			22,566,842

TABLE 3B
Tax Year 2 - Discounted Annual
Tax Depreciation Amounts for
Each Remaining Year

Remaining Tax Year	Discount Factor Exponent	Discount Factor	Discounted Annual Tax Depreciation Amount
2	-0.50	1.0392	3,185,325
3	0.50	0.9623	2,654,437
4	1.50	0.8910	2,212,031
5	2.50	0.8250	1,843,359
6	3.50	0.7639	1,536,133
7	4.50	0.7073	1,347,485
8	5.50	0.6549	1,247,671
9	6.50	0.6064	1,155,251
10	7.50	0.5615	1,069,677
11	8.50	0.5199	990,442
12	9.50	0.4814	917,075
13	10.50	0.4457	849,144
14	11.50	0.4127	786,244
15	12.50	0.3821	728,004
16	13.50	0.3538	337,039
17	14.50	0.3276	0
18	15.50	0.3033	0
19	16.50	0.2809	0
20	17.50	0.2601	0
21	18.50	0.2408	0
Sum of amounts each remaining year			20,859,316

TABLE 3C
Net Present Value
of Tax Benefits

Tax Year	NPV of Tax Benefits
1	22,566,842
2	20,859,316
3	17,878,666
4	16,335,105
5	16,271,243
6	15,959,467
7	15,609,707
8	14,221,138
9	12,301,529
10	10,508,888
11	8,833,964
12	7,387,768
13	6,166,831
14	4,684,786
15	2,959,714
16	1,033,753
17	1,033,753
18	0
19	0
20	0
21	0

Step 9: Calculate the unrecovered investment net of the net present value tax benefits:

For the first year the pipeline facility is in service the unrecovered investment net of net present value tax benefits would be:

$$99,247,029 - 22,566,843 = 76,680,187$$

Step 10: Calculate the initial cash flow:

For the first year the pipeline facility is in service the initial cash flow would be:

$$76,680,187 / 12.17615 = 6,297,573$$

(Note that in the last calendar year of remaining life the initial cash flow is calculated different.)

Step 11: Calculate the cost of capital allowance

For the first year the pipeline facility is in service the cost of capital allowance would be:

$$6,297,573 * (1/(1 - 0.38)) = 10,157,376$$

Step 12: Calculate the actual income tax:

For the first year the pipeline facility is in service the actual income tax would be:

$$(.38 * (10,157,376 - 4,360,000)) = 2,203,003$$

Step 13: Calculate the middle of year actual after-tax cash flow:

For the first year the pipeline facility is in service the middle of year actual after-tax cash flow would be:

$$10,157,376 - 2,203,003 = 7,954,373$$

Step 14: Calculate the cost of capital addition middle of year:

For the first year the pipeline facility is in service the cost of capital addition middle of year would be:

$$(((1 + 0.07)^{0.5}) - 1) * 99,247,029 = 3,414,896$$

Step 15: Calculate the unrecovered investment middle of year:

For the first year the pipeline facility is in service the unrecovered investment middle of year would be:

$$99,247,029 + 3,414,896 - 7,954,373 = 94,707,552$$

Step 16: Calculate the unrecovered investment end of year:

For the first year the pipeline facility is in service the unrecovered investment end of year would be:

$$94,707,552 * ((1+0.07)^{0.5}) = 97,966,253$$

(Note that unrecovered investment end of year becomes in the following year the unrecovered investment beginning of year.)

Table 4 shows the derivation of the cost of capital allowance over the life of the pipeline.

TABLE 4
Cost of Capital Calculation

Year	Factor of Service	Marginal Income Tax Rate	WACC	Years of Remaining Life	Annuit Factor	Depreciation Factor	Depreciation	Unrecovered Investment Beginning of Year	Net Present Value of Tax Benefits	Unrecovered Investment End of Year	Total Cash Flow	Cost of Capital Allowance (Leveled Amount with Tax Costs)	Actual Income Tax	Made of Year Actual After-Tax Cash Flow	Cost of Capital Addition Made of Year	Unrecovered Investment Made of Year	Unrecovered Investment End of Year
1	90%	30%	7.00%	20.00	12.1765	5.000%	430.00	92,477.09	22,692.92	70,784.17	629,573	14,571.78	120,000	735,473	3,444.86	94,170.52	97,962.33
2	100%	30%	8.00%	19.00	10,034	9.000%	320.00	97,962.33	20,633.16	77,329.17	770,620	12,233.00	1,461.00	107,733.10	3,843.34	97,106.37	94,877.38
3	100%	30%	9.00%	18.00	9,624	8.500%	235.00	94,877.38	17,836.86	76,940.52	674,497	13,063.14	2,063.57	110,630.7	4,165.93	97,149.4	91,571.69
4	100%	30%	8.00%	17.00	9,594	7.890%	170.00	91,571.69	16,331.16	75,240.54	724,674	12,883.77	1,851.99	102,838	3,322.63	94,954.4	82,270.5
5	100%	30%	7.00%	16.00	9,854	6.825%	110.00	88,270.5	16,271.33	72,000.17	742,346	11,473.33	1,963.54	93,939	3,072.89	87,192.46	84,666.80
6	100%	30%	6.00%	15.00	10,097	6.220%	53.12	84,666.80	15,931.47	68,735.33	638,708	10,811.98	2,001.11	84,970	2,517.22	78,261.91	80,573.88
7	100%	30%	5.00%	14.00	10,947	5.690%	14.00	80,573.88	15,620.77	64,953.11	623,109	10,279.28	1,994.51	82,957	1,991.76	74,280.07	76,667.06
8	100%	30%	6.00%	13.00	9,614	5.040%	14.00	76,667.06	14,211.38	61,455.68	673,686	11,043.00	2,304.6	82,638	2,242.70	69,214.38	71,643.80
9	100%	30%	7.00%	12.00	8,202	5.940%	14.00	71,643.80	12,913.23	58,730.57	729,632	11,922.23	2,444.54	92,670	2,494.26	64,944.32	67,193.67
10	100%	30%	8.00%	11.00	7,467	5.940%	14.00	67,193.67	10,830.88	56,362.79	759,632	12,655.29	2,351.00	94,639	2,631.67	61,510.65	62,772.54
11	100%	30%	9.00%	10.00	6,723	5.940%	14.00	62,362.79	8,833.84	53,528.95	736,513	12,473.28	2,301.17	94,679	2,733.86	58,787.1	59,811.8
12	100%	30%	8.00%	9.00	6,547	5.940%	14.00	58,787.1	7,877.78	50,909.32	714,200	11,914.77	2,277.26	92,645	2,777.26	57,139.8	52,772.61
13	100%	30%	7.00%	8.00	6,295	5.940%	14.00	52,772.61	6,863.81	45,908.80	735,076	11,679.86	2,191.64	92,842	1,615.79	45,291.2	46,916.00
14	100%	30%	6.00%	7.00	5,812	5.940%	14.00	45,908.80	4,891.78	41,017.02	726,633	11,201.89	2,180.79	92,190	1,281.04	39,734.4	40,207.1
15	100%	30%	5.00%	6.00	5,257	5.940%	14.00	40,207.1	2,897.14	37,310.0	709,660	11,283.26	2,170.21	91,637	982.50	32,172.33	32,613.01
16	100%	30%	6.00%	5.00	4,413	2.835%	13,153	32,613.01	1,833.83	30,779.18	720,379	11,693.73	1,621.05	82,448	974.88	26,161.81	26,461.57
17	100%	30%	7.00%	4.00	3,978	0.000	0	26,461.57	1,023.53	25,438.04	710,839	11,457.91	4,310.09	71,039	910.80	20,883.07	20,883.07
18	100%	30%	8.00%	3.00	2,702	0.000	0	20,883.07	20,883.07	0	704,771	12,071.66	4,462.94	704,771	822.97	14,148.13	14,148.13
19	100%	30%	9.00%	2.00	1,905	0.000	0	14,148.13	0	14,148.13	737,064	11,995.44	4,313.90	737,064	641.09	17,110.6	16,834.30
20	100%	30%	8.00%	1.00	1,046	0.000	0	1,046	0	1,046	733,687	11,913.34	4,110.97	733,687	315.09	720.00	761.77
21	100%	30%	7.00%	0.00	0	0.000	0	0	0	0	768,882	12,219.19	4,427	768,882	26.15	0	0

Note: All amounts are in millions of dollars.

(Eff. 1/1/2000, Register 152; am 1/1/2002, Register 160; am 1/1/2003, Register 164; am 5/3/2007, Register 182; am ___/___/_____, Register ____)

Authority: AS 43.05.080 AS 43.55.030 AS 43.55.110
AS 43.55.020 AS 43.55.040 AS 43.55.150

Editor's note: The material adopted by reference in 15 AAC 55.195(d), (f), and (h) from the Standard Industrial Classification Manual may be viewed at or obtained from the Department of Revenue, Tax Division, 550 W. 7th Avenue, Suite 500, Anchorage, AK 99501. The Cost of Capital Yearbook is published by **Morningstar, Inc.** [IBBOTSON ASSOCIATES], 225 North Michigan Avenue, Suite 700, Chicago, Illinois 60601.

Before 1/1/2000, Register 152, the substance of 15 AAC 55.195(a), (b), and (c) was in 15 AAC 55.191(d), (f), and (g). The history note for 15 AAC 55.195 does not reflect the earlier history of the provisions currently set out at 15 AAC 55.195(a), (b), and (c).

15 AAC 55.800 is amended by adding new subsections to read:

(f) The following provisions apply retroactively to July 1, 2007:

- (1) 15 AAC 55.181;
- (2) 15 AAC 55.193;
- (3) 15 AAC 55.195(j);
- (4) 15 AAC 55.195(k).

(g) The changes to the following provisions, effective {effective date of regulations}, apply retroactively to July 1, 2007:

- (1) 15 AAC 55.195(a);

(2) 15 AAC 55.195(c)(1);

(3) 15 AAC 55.195(d).

(Eff. 5/3/2007, Register 182; am ___/___/_____, Register _____)

Authority: AS 43.05.080 Sec. 72, ch. 1, SSSLA 2007 AS 43.55.110