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

15 AAC 55.140. Processing cost deduction for a downstream gas plant. (a) For gas processed in a downstream gas plant under an arm's-length contract, the processing cost deduction under 15 AAC 55.151(b)(2)(B) is the actual cost incurred by the producer under the contract for processing the taxable gas.

(b) For gas processed in a downstream gas plant other than under an arm's-length contract, the processing cost deduction under 15 AAC 55.151(b)(2)(B)

(1) will be calculated by the department as a volume-weighted average of processing costs under arm's-length contracts for comparable processing in the area where the downstream gas plant is located, if the department determines that sufficient arm's-length contracts for comparable processing exist and are available to the department to provide a reliable basis for the processing cost deduction;

(2) otherwise is determined using the methodology under 15 AAC 55.197; the following may not be included in determining the processing cost deduction under that methodology:

- (1) costs of capital improvements or equipment that are not an integral part of the downstream gas plant;
- (2) nondepreciable property, including land and pipeline rights-of-way;
- (3) facilities used to store, deliver, or otherwise dispose of residue gas or gas plant products after extraction;
- (4) operating and maintenance costs not directly related to gas processing;
- (5) costs associated with nonallowable capital improvements or equipment;

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(6) federal, state, or other income taxes.

(c) Allowable processing costs do not include costs not directly related to actual processing of the producer's taxable gas produced from a lease or property in the state or costs incidental to marketing.

(d) If the producer has multiple arm's-length gas processing contracts under which the producer's gas produced from leases or properties in the state or other gas may be processed or under which a commingled stream of the producer's gas produced from leases or properties in the state and other gas is processed, the producer's gas produced from leases or properties in the state must be allocated pro rata among contracts based on the relative amounts delivered to that area of the producer's gas produced from leases or properties in the state and other gas, to the extent the total processing capacity available under the contracts exceeds the amount delivered to that area of the producer's gas produced from leases or properties in the state. (Eff.

___/___/____, Register _____)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.900

15 AAC 55.151(b) is amended to read:

(b) The gross value at the point of production for a producer's oil or gas must be calculated as follows:

(1) a destination value must be determined for the oil or gas; the destination value is the sales price under 15 AAC 55.161(a) – (d) unless (c) or (d) of this section applies, in which case the destination value is the prevailing value under 15 AAC 55.171 or 15 AAC 55.173, as applicable;

(2) **for oil and gas produced**

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(A) before July 1, 2007, the producer's reasonable costs of transportation under 15 AAC 55.180 and 15 AAC 55.191 must be subtracted from the destination value determined under (1) of this subsection; reasonable costs of transportation are calculated from the point of production of the oil or gas to its sales delivery point, or if different, to a point where prevailing value is calculated under 15 AAC 55.171 or 15 AAC 55.173;

(B) after June 30, 2007, the producer's costs of transportation under AS 43.55.150 and 15 AAC 55.193 and, if applicable, the producer's processing cost deduction under 15 AAC 55.140 must be subtracted from the destination value determined under (1) of this subsection; costs of transportation are calculated from the point of production of the oil or gas to its sales delivery point or, if the destination value is determined under (1) of this subsection is the prevailing value, to the point where prevailing value is determined under 15 AAC 55.171 or 15 AAC 55.173;

(3) if oils of different qualities are commingled, the value calculated under (2) of this subsection must be adjusted for **the cash value of the full** [ANY] consideration paid or received for quality differentials, regardless of whether prescribed by a filed tariff;

(4) if gas of different qualities is commingled, the value calculated under (2) of this subsection must be adjusted for the cash value of the full consideration paid or received for quality differentials, including the value of any volumetric allocations or adjustments made on the basis of the relative Btu content, NGL content, or any other characteristic of the gas, regardless of whether prescribed by a filed tariff.

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(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 43.55.110 AS 43.55.900
AS 43.55.020 AS 43.5.150

15 AAC 55.151(c) is amended to read:

(c) The prevailing value under 15 AAC 55.171 or 15 AAC 55.173 must be used in determining the gross value at the point of production for a producer's oil or gas if

(1) the producer's oil or gas is refined, used as fuel or petrochemical feedstock, or otherwise consumed at a refinery or plant owned by the producer, or the oil or gas is transferred from the producer in other than an arm's-length, third party transaction;

(2) the prevailing value for the producer's gas under 15 AAC 55.173, **plus the actual or reasonable costs of transportation, as applicable, incurred to transport the gas from the point where prevailing value is calculated to the sales delivery point,** exceeds the sales price for that gas under 15 AAC 55.161; **except that if the sales delivery point is upstream of the point where prevailing value is calculated, the actual or reasonable costs of transportation, as applicable, incurred to transport the gas from the sales delivery point to the point where prevailing value is calculated are subtracted from the prevailing value;**

[OR]

(3) the prevailing value for the producer's oil under 15 AAC 55.171, plus the **actual or reasonable costs of transportation, as applicable,** incurred to transport the oil from the point where prevailing value is calculated to the sales delivery point, exceeds the sales price under 15 AAC 55.161 by more than \$.15 per barrel; **or**

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(4) the department determines under 15 AAC 55.161(e) that the cash value of the full consideration being given in receipt for gas transferred from a producer in an arm's-length, third party transaction cannot practicably be ascertained.

(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 43.55.110 AS 43.55.900
AS 43.55.020 AS 43.5.150

15 AAC 55.161(a) is amended to read:

(a) For purposes of this chapter, the sales price for oil or gas is the cash value of the full consideration being given in receipt for oil or gas transferred from a producer in an arm's-length, third party transaction. **For gas that has been processed in a downstream gas plant, the sales price is the total of the cash value of the full consideration being given in receipt for the residue gas and gas plant products transferred from a producer in an arm's-length, third party transaction.**

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2003, Register 164; **am** / / , Register)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.150
AS 43.55.020

15 AAC 55.161 is amended by adding a new subsection to read:

(e) For gas delivered by pipeline to a market in Canada or the Lower 48 or by an LNG transportation facility to a market outside the state, the department may determine that the

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cash value of the full consideration being given in receipt for the gas produced in the state and transferred from the producer in an arm's-length, third party transaction cannot practicably be ascertained if a producer's gas produced from leases or properties in the state is commingled with substantial quantities of other gas owned by the producer in, or downstream of, a first destination market with reasonable liquidity as determined by the department under 15AAC 55.173 (n), if the gas has been processed in a downstream gas plant before being transferred in an arm's-length, third party transaction, and if the producer makes numerous sales of the commingled gas downstream of where the processing occurs. (Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2003, Register 164; am / / , Register)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.150
AS 43.55.020

15 AAC 55.171(k) is amended to read:

(k) The prevailing value for oil produced in the state and delivered to a location other than those specified in (a), or (f)-(j) of this section is the value of comparable crudes delivered to the same **regional** market, as adjusted for quality and location and measured by indices of current market value.

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 11/1/2000, Register 156; am 1/1/2002, Register 160; am 1/1/2003, Register 164; am 1/1/2004, Register 168; am 5/3/2007, Register 182; am / / , Register)

Authority: AS 43.05.080 AS 43.55.020 AS 43.55.110

15 AAC 55.173(a) is amended to read:

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(a) For gas delivered in the Alaska North Slope area, the prevailing value [PER MCF] is,

(1) for **each Mcf of** gas produced before October 1, 2008, 10 percent of the prevailing value per barrel that would be determined under 15 AAC 55.171(g) for oil that is produced from the lease or property from which the gas is produced and that is sold at the entrance to the publicly regulated oil pipeline serving that lease or property; if during the month that the gas is delivered oil is not produced from that lease or property and delivered into a publicly regulated oil pipeline serving that lease or property, the prevailing value calculation must be made with respect to the nearest lease or property from which oil is produced and delivered that month into a publicly regulated oil pipeline;

(2) for gas produced on or after October 1, 2008 **and before the commencement of operation of a pipeline facility that delivers gas outside of the Alaska North Slope area,** the weighted average sales price of sales from producers of gas to publicly regulated utilities in the North Slope area for the three-month period ending one month before the end of the previous calendar quarter; in the absence of sales from producers to publicly regulated utilities in the North Slope area, the department will determine the prevailing value on another reasonable basis under AS 43.55.020 (f); the department will publish on the 15th day of each calendar quarter the prevailing value for that quarter;

(3) for gas produced after the commencement of operation of a pipeline facility that delivers gas outside of the Alaska North Slope area, the prevailing value determined under (j) of this section, adjusted for any quality differentials determined to be appropriate by the department.

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2003, Register 164; am 5/3/2007, Register 182; am 10/1/2008, Register 187; **am / / , Register)**

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

15 AAC 55.173 (c) is repealed and readopted to read:

(c) For gas delivered by pipeline to a market in Canada or the Lower 48, the prevailing value for the month of production of that gas is determined as follows:

(1) except as provided in (3) or (4) of this subsection, for unprocessed gas delivered in, or downstream of, a first destination market with reasonable liquidity determined under (n) of this section, the prevailing value is the total value of the component residue gas and gas plant products, based on published prices for residue gas and gas plant products determined by the department under (n) of this section, as adjusted for quality or location, for the first destination market with reasonable liquidity, after deduction for a gas processing allowance under (o) of this section;

(2) except as provided in (3) or (4) of this subsection, if gas has been processed in a downstream gas plant and delivered in, or downstream of, a first destination market with reasonable liquidity determined by the department under (n) of this section, the prevailing value is the total value of the residue gas and the gas plant products based on published prices for residue gas and gas plant products, determined by the department under (n) of this section, for the first destination market with reasonable liquidity, after deduction for a gas processing cost allowance under (o) of this section;

(3) except as provided in (4) of this subsection, if a published price for residue gas, determined by the department under (n) of this section, for any given month for any first destination market with reasonable liquidity identified by the department under (n) of this

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section, is less than 95 per cent of the market center basket price, determined by the department under (p) of this section, the prevailing value for the residue gas or for the residue gas component of unprocessed gas is the market center basket price for residue gas for that month;

(4) if unprocessed gas, residue gas or gas plant products are not delivered in, or downstream of, a first destination market with reasonable liquidity and are not otherwise subject to (k) of this section, or if the department determines that the methodology set out in (1), (2), and (3) of this subsection cannot practicably be applied, the department may determine the prevailing value using any of the following methods:

(A) the weighted average sales price of all gas from the state sold in arm's-length, third party transactions in the month of delivery in the same destination market;

(B) the weighted average sales price of all gas from the state sold in arm's-length, third party transactions in the month of delivery in the same regional market;

(C) the value of comparable gas delivered to the same regional market, as adjusted for quality and location and based on applicable reference prices published by government entities in Canada or the United States, or any other source of market price information identified by the department as reasonably reliable for purposes of determining the value of the gas.

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2003, Register 164; am 5/3/2007, Register 182; am 10/1/2008, Register 187; am / / , Register)

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

15 AAC 55.173(d) is repealed and readopted to read:

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(d) For gas delivered in the United States outside the state or in a foreign market by means of an LNG transportation facility, the prevailing value for the month of production of that gas is

(1) except as provided in (2) of this subsection, for LNG delivered in or downstream of a first market with reasonable liquidity determined by the department under (n) of this section, the higher of

(A) the total value of the LNG based on the published price for LNG of like kind, quality and condition for that market determined by the department under (n) of this section; or

(B) the total value of the LNG based on the published price for either regasified LNG or for residue gas and gas plant products, if applicable, determined by the department under (n) of this section, after deduction for a regasification and, if applicable, processing cost allowance under (o) of this section, and after applying any location or quality differentials determined by the department;

(2) if the LNG or regasified LNG is not delivered in, or downstream of, a first destination market with reasonable liquidity, or if the department determines that the methodology set out in (1) of this subsection cannot practicably be applied, the department may determine the prevailing value using any of the following methods:

(A) the weighted average sales price of all gas from the state sold in arm's-length, third party transactions in the month of delivery in the same destination market;

(B) the weighted average sales price of all gas from the state sold in arm's-length, third party transactions in the month of delivery in the same regional market; or

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(C) the value of comparable gas delivered to the same regional market, as adjusted for quality and location, based on applicable reference prices published by government entities in the foreign market or the United States, or any other source of market price information identified by the department as reasonably reliable for purposes of determining a value of LNG, regasified LNG, residue gas or gas plant products for that regional market.

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2003, Register 164; am 5/3/2007, Register 182; am 10/1/2008, Register 187; am / / , Register)

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

15 AAC 55.173 is amended by adding new subsections to read:

(j) For gas sold at the inlet to a gas treatment plant as defined in AS 43.55.900 or at the inlet to a publicly regulated gas pipeline facility capable of transporting gas to areas of the state outside of the Alaska North Slope area, the prevailing value for the month of production of that gas is the volume weighted prevailing value determined in (c) of this section for the first destination market with reasonable liquidity for residue gas and gas plant products, minus the volume weighted average of all applicable publicly filed pipeline tariffs for gas produced from the lease or property and transported to that destination market and, if applicable, the volume weighted average of all applicable publicly filed tariffs for the gas treatment plant. If a carrier has more than one applicable publicly filed pipeline tariff, or if there is more than one gas treatment plant tariff, or if the carrier or the owners of the gas treatment plant have negotiated rates, the lowest tariff filed by, or negotiated by, that carrier or the owners of the gas treatment

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plant must be used in calculating the weighted average. If the gas treatment plant is not publicly regulated, the department will determine a method for establishing a reasonable gas treatment cost allowance.

(k) For North Slope gas delivered at off-take locations or other points downstream from the inlet to a publicly regulated gas pipeline facility for delivery to either an area of the state outside of the Alaska North Slope area or to Canada or the Lower 48, the prevailing value for the month of production of that gas is the volume weighted prevailing value determined in (c) of this section for the first markets with reasonable liquidity for residue gas and gas plant products, minus the volume weighted average of all applicable publicly filed pipeline tariffs for gas transported from that off-take or other point to that destination market. If a carrier has more than one applicable publicly filed pipeline tariff, or if the carrier has negotiated rates applicable to transportation of gas to that destination market, the lowest tariff filed by, or negotiated by, that carrier must be used in calculating the weighted average.

(l) For North Slope gas delivered to and sold at the inlet to the liquefaction plant of an LNG transportation facility located in or near Valdez, Alaska, by use of a pipeline facility that does not also deliver gas to Canada or the Lower 48, the prevailing value is the volume weighted prevailing value determined by the department in (d) of this section for LNG deliveries to destination markets, minus the volume weighted average costs of transportation, determined under 15 AAC 55.150 and 15 AAC 55.193, between the inlet of the liquefaction facility and the destination markets.

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(m) For gas delivered by pipeline to any location outside of the Alaska North Slope area other than those locations provided for in (c), (d), (k), and (l) of this section, the prevailing value of the gas is the higher of

(1) the prevailing value, determined under (k) of this section, at the applicable off-take point from the pipeline facility originating in the Alaska North Slope area, plus the volume weighted average of all applicable publicly filed pipeline tariffs, if any, between the off-take point and the sales delivery point; or

(2) the weighted average sales price of all gas from the state sold in arm's-length, third party transactions in the month of delivery in the same regional market.

(n) For purposes of determining prevailing value under this section, a first destination market with reasonable liquidity is a destination market that the department determines satisfies the following criteria:

(1) for residue gas,

(A) the average daily volume of residue gas sold in arm's-length transactions must exceed 100,000 MMBtu; and

(B) the department must determine that there is sufficient market price information reasonably available in that market such that the department can establish a published price under (4) of this subsection and, if applicable, an allocation under (5) of this subsection for residue gas for that market;

(2) for LNG,

(A) the average daily volume of LNG or regasified LNG sold in arm's-length transactions must be substantial; and

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(B) the department must determine that there is sufficient market price information reasonably available in that market such that the department can establish a published price under (4) of this subsection and, if applicable, an allocation under (5) of this subsection for LNG for that market;

(3) for gas plant products,

(A) gas plant products must be either extracted or fractionated in the market for purposes of sale;

(B) the market must also be designated as a first destination market for residue gas under (1) of this subsection; and

(C) the department must determine that there is sufficient market price information reasonably available either in that market or in any other market for gas plant products connected by pipeline to that market such that the department can establish a published price under (4) of this subsection and, if applicable, an allocation under (5) of this subsection for gas plant products for that market;

(4) for residue gas, LNG or gas plant products, the department will determine a published price, as adjusted for quality and location differentials, if appropriate, based on information published on a regular basis in reliable and widely available industry trade publications, applicable reference prices published by government entities in Canada or the United States, or any other source of market price information identified by the department as reasonably reliable for purposes of determining an estimated value of residue gas, LNG or gas plant products for that location or area;

(5) for residue gas, LNG, or gas plant products, the department may determine an appropriate volumetric allocation between residue gas and gas plant products, and among actual

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or component gas plant products, based on Btu content, NGL content, or any other characteristic of the producer's gas that is required to determine a prevailing value under this section.

(o) The department will determine a reasonable gas processing cost allowance, or in the case of LNG, a reasonable regasification cost allowance to be used in the calculation of prevailing value under this section, using any of the following methods as applicable:

(1) processing or regasification costs published by a governmental entity, adjusted for quality, location and any service charges embedded in the published cost (including marketing allowances) not directly related to processing or regasification;

(2) for a gas processing cost allowance, a weighted average of processing cost deductions determined by the department under 15 AAC 55.197, adjusted for quality, location and any difference in the processing services included in the published cost;

(3) for a regasification cost allowance, a weighted average of actual transportation costs for regasification facilities determined under 15 AAC 55.193(b)(4)(B) and 15 AAC 55.196, adjusted for quality, location and any difference in the regasification services included in the costs;

(4) a weighted average of arm's length processing or regasification costs, adjusted for quality, location and any difference in the processing or regasification services included in the costs; or

(5) any other reasonable method determined by the department.

(p) For purposes of determining the prevailing value of gas delivered outside of the state by pipeline to Canada or the Lower 48 under (c) of this section, the department, on or before February 1 of each year, may publish on its website the following information relating to the calculation of the market center basket prices for the preceding calendar year:

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- (1) the identity of two or more market centers for residue gas that
 - (A) are connected by pipeline to any first destination market of reasonable liquidity for residue gas identified by the department under (n) of this section; and
 - (B) have been identified by the department as appropriate for evaluating published prices for that specific first destination market with reasonable liquidity;
 - (2) the identity of the publication or other source of information which is the source of market center price for residue gas for each market center;
 - (3) a weighted average netback price based on the basket of market center prices identified by the department under (1) and (2) of this subsection after first reducing each market center price by the volume weighted average pipeline tariff negotiated between the terminus of the pipeline facility delivering North Slope gas to Canada or the Lower 48 and the market center, and then weighting each market center price based on the relative quantities of residue gas entering each market center included in the basket in the prior calendar year or any other volumetric weighting basis determined by the department to be reasonable; and
 - (4) a market center basket price at a first destination market with reasonable liquidity by adding the producer's actual or reasonable costs of transportation, as applicable, under AS 43.55.150, 15 AAC 55.181, and 15 AAC 55.193 from the terminus to that destination market, to the weighted average netback price determined under (3) of this subsection.
- (q) For purposes of determining the prevailing value for gas delivered outside of the state by pipeline or by an LNG transportation facility under this section, the department, on or before February 1 of each year, may publish on its website the following information pertaining to the preceding calendar year:

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- (1) the location of all markets that it has determined to be first destination markets of reasonable liquidity for residue gas, for gas plant products or for LNG;
 - (2) the name of the publication or source of the published price for residue gas, for gas plant products or for LNG and any location or quality differential that the department determines to be appropriate to adjust the published price in a given market;
 - (3) if applicable, the method that the department has selected to determine a gas treatment cost allowance, a processing cost allowance or a regasification cost allowance under (o) of this section; and
 - (4) if applicable, the method the department will apply to destination markets under (c)(4) and (d)(2) of this section, if any;
 - (5) any other information relating to the determination of prevailing value under this section.
- (r) For purposes of this section,
- (1) “Alaska North Slope area” means that part of the state that lies north of 68 degrees North latitude;
 - (2) “destination market” means a location or area where gas produced from leases or properties in the state, or any one of its components, is or can be physically bought, sold, transported, processed, or, in the case of LNG, regasified in the market;
 - (3) “market center” means a destination market
 - (A) where the average daily volume of residue gas sold in arm’s-length, third party transactions exceeds 25,000 MMBtu for at least nine of the 12 months of the preceding calendar year; and

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(B) reliable and widely available industry trade publication publishes a reliable price for residue gas for that destination market area,

(4) “NGLs” means natural gas liquids;

(5) “North Slope gas” means gas produced from leases or properties in the state that lie in whole or in part in the Alaska North Slope area;

(6) “off-take point” means a point of delivery along the length of a long distance pipeline which is capable of providing connections either to other lateral pipelines for delivery to markets separate from the mainline or to local gas distribution lines for residential or commercial use, or to both;

(7) “published price” is the price determined under (n) of this section for purposes of establishing a prevailing value for unprocessed gas, residue gas or gas plant products for a first destination market with reasonable liquidity for residue gas or for a gas plant product, as adjusted by the department for quality or location differentials, if applicable;

(8) “terminus” means either the last delivery point in Canada or the Lower 48 of an integrated pipeline facility that is built to deliver North Slope gas to those markets or the last point of interconnection between that integrated pipeline facility and a market center, as appropriate;

(9) “unprocessed gas” means gas that has not been subject to downstream gas processing. (Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2003, Register 164; am 5/3/2007, Register 182; am 10/1/2008, Register 187; am ___ / ___ / ___ , Register ___)

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

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The section heading of 15 AAC 55.180 is changed:

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

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

(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 43.55.110 AS 43.55.150
AS 43.55.020

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) Except as otherwise provided under (b) 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), if the department finds under AS 43.55.150(b) that a condition in

(1) AS 43.55.150(a)(1) or (2) is present, the actual costs of transporting the producer's oil or gas from the point where the oil or gas is tendered into the transportation facility to the point where the oil or gas is delivered from the facility are compared to the reasonable costs of transporting the producer's oil or gas from the point where the oil or gas is tendered into the transportation facility to the point where the oil or gas is delivered from the facility;

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(2) AS 43.55.150(a)(3) is present, the actual costs of transporting the producer's oil or gas by the method or under the terms the department finds to be not reasonable are compared to the reasonable costs of transporting the producer's oil or gas for that portion of the transportation of the oil or gas as to which the department finds the method or terms of the actual transportation used are not reasonable.

(b) If different filed tariff rates 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 a regulated transportation facility to a given point where it is delivered from the facility, 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.

(c) For transportation for which actual costs of transportation are determined under 15 AAC 55.193(b)(1) or (5), if the tariff rate has a materially different rate structure or capital recovery profile than the reasonable costs of transportation determined under 15 AAC 55.193(c)(4), the department may allow or require the comparison of actual costs and reasonable costs to be made using comparable rate structures and capital recovery profiles.

(d) For purposes of AS 43.55.150 and this section, a physical pipeline is a single transportation facility regardless of whether multiple carriers own interests in the pipeline, file separate tariffs for transporting oil or gas in the pipeline, or enter into separate contracts with shippers to transport oil or gas in the pipeline.

(e) For purposes of AS 43.55.150(a)(2), a contract for transportation is not an arm's length transaction unless it is an arm's length transaction both at the time the contract is entered into and at the time the transportation in question is provided under the contract.

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

___/___/_____, Register _____)

Authority: AS 43.05.080 AS 43.55.110 AS 43.55.150
AS 43.55.020

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 **produced before April 1, 2006,** 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 43.55.040 AS 43.55.150
AS 43.55.020 AS 43.55.110 AS 43.55.900
AS 43.55.030

15 AAC 55.192 is amended to read:

15 AAC 55.192. Monthly share of annual transportation costs. (a) For purposes of AS 43.55.160(c), a producer shall determine the appropriate monthly share of the producer's

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costs of transportation for a calendar year using an acceptable method under this section that the producer chooses for this purpose and applying that method consistently for all months of the calendar year. An acceptable method is

(1) a method that the producer used consistently in calculating its tax under AS 43.55 during calendar year 2005;

(2) any of the following methods as applicable:

(A) for [COSTS OF] transportation **described in** [SUBJECT TO] 15 AAC 55.191(b)(1), (2), (4)(A), or (5) **or 15 AAC 55.193(b)(1), (2), (4)(A), or (5)**

(i) use of the actual **or reasonable** costs of transportation, **as applicable**, [THAT ARE INCURRED] for the oil and gas produced or shipped during the month in question and that are allowable under the applicable provision of **15 AAC 55.191** [15 AAC 55.191(b)] **or 15 AAC 55.193**; or

(ii) use of the per barrel, [OR] per Mcf, **or per million BTUs** annual average of the actual **or reasonable** costs of transportation, **as applicable**, [THAT ARE INCURRED] for the oil or gas [, RESPECTIVELY,] produced or shipped during the calendar year and that are allowable under the applicable provision of **15 AAC 55.191** [15 AAC 55.191(b)] **or 15 AAC 55.193**;

(B) for [COSTS OF] transportation **described in** [SUBJECT TO] 15 AAC 55.191(b)(3), (4)(B), or (8) **or 15 AAC 55.193(b)(3), (4)(B), or (6)**, use of the per barrel, [OR] per Mcf, **or per million BTUs** annual average of the actual **or reasonable** costs of transportation, **as applicable**, [THAT ARE INCURRED] for the oil or gas [, RESPECTIVELY,] produced or shipped during the calendar year and that are

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allowable under the applicable provision of **15 AAC 55.191** [15 AAC 55.191(b)] **or**
15 AAC 55.193; or

(3) another method that is approved by the department as fairly representing the appropriate monthly share of the producer's transportation costs for a calendar year.

(b) A producer may not shift transportation costs between months for the purpose of reducing a tax levied by AS 43.55.011(g), **as that provision read on June 30, 2007, or a tax levied by AS 43.55.011(e)**. (Eff. 5/3/2007, Register 182; am ___/___/____, Register ___)

Authority: AS 43.05.080 AS 43.55.150 AS 43.55.160
AS 43.55.110

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 rate that is on file with the Federal Energy Regulatory Commission or other regulatory agency having jurisdiction, and that is applicable to and paid for that transportation of the oil or gas, 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; for purposes of this paragraph, "carrier" includes a person providing gas treatment in a regulated gas treatment plant;

(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

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(A) for a single voyage charter, the total costs under the charter for that vessel, plus any voyage and port costs as provided in (d) 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 (d) 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 (d) 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 sum of

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

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(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), or (c) 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 after-tax 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) or (c) or 15 AAC 55.196, as applicable;

(4) in the case of transportation of gas as liquefied natural gas (LNG) by an LNG transportation facility not subject to tariff regulation of the Federal Energy Regulatory Commission or another federal agency, a state, territory, or possession of the United States, or a foreign nation,

(A) 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 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

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costs consist of the tanker's voyage and port costs as provided in (d) 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) or 15 AAC 55.196, as applicable;

(iv) an amount that, when added to the amount of depreciation allowed under (iii) of this subparagraph, will provide a reasonable after-tax 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 or invested capital as provided in 15 AAC 55.195(a), (b), (c), or (d), or 15 AAC 55.196, as applicable;

(5) if transportation of oil or gas is by a nonregulated pipeline facility or gas treatment plant 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;

(6) if transportation of oil or gas is by a nonregulated pipeline facility or gas treatment plant that is owned or effectively owned, in whole or in part, by the producer of that oil or gas, the costs determined using the methodology under 15 AAC 55.197.

(c) Reasonable costs of transportation under AS 43.55.150(b) are determined as follows:

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(1) for transportation whose actual costs are determined under (b)(2) or (b)(4)(A) of this section, reasonable costs of transportation are fair market value; the department will determine the fair market value of the transportation

(A) 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 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

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

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

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

(iv) CDS and ODS vessels; or

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

(B) 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 for like LNG transportation facilities;

(2) for transportation whose actual costs are determined under (b)(3) of this section, the department will determine reasonable costs using the applicable methodology provided under (b)(3) of this section for determining actual costs, but excluding from the

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calculation any portion of voyage and port costs, positioning cost, acquisition cost, adjusted shipyard cost, or cost of invested capital that the department determines was imprudently incurred;

(3) for transportation whose actual costs are determined under (b)(4)(B) of this section or for transportation of gas as LNG by a regulated LNG transportation facility whose actual costs of transportation are determined under (b)(1) of this section, the department will determine reasonable costs using the applicable methodology under (b)(4)(B) of this section for determining actual costs, but excluding from the calculation any portion of direct operating costs, positioning cost, acquisition cost, adjusted shipyard cost, or cost of invested capital that the department determines was imprudently incurred;

(4) for transportation by a pipeline facility or gas treatment plant, except as otherwise provided under (e), (f), and (h) of this section, the department will determine reasonable costs using the methodology under 15 AAC 55.197, but excluding from the calculation any portion of operating and maintenance expenses that the department determines were imprudently incurred and any portion of investment in the pipeline facility that the department determines was imprudently made.

(d) 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

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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;

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(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.

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(e) Except as otherwise provided in this subsection and in (h) of this section, if a tariff rate for pipeline transportation of oil or gas or gas treatment 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 costs of the pipeline transportation or gas treatment to which the tariff rate applies, for periods for which the tariff rate is in effect, including periods for which the tariff rate is given retroactive effect, but ending five years after the end of the test period on which the tariff rate is based. If a complaint challenging the tariff rate has been filed with and accepted for investigation by the regulatory agency, the reasonable costs of the pipeline transportation or gas treatment are determined under 15 AAC 55.197 for the period

(1) that begins on the date the complaint is accepted for investigation and ends the day before the date, if any, that the complaint proceeding is resolved by

(A) the adjudication of an applicable tariff rate as just and reasonable; or

(B) the regulatory agency's acceptance of a settlement to which the state is a party and that provides for a tariff rate that the department determines uses a cost-based tariff methodology; and

(2) for which no rate referred to in (1)(A) or (B) of this subsection is given retroactive effect.

(f) Except as otherwise provided in this subsection and in (h) of this section, if a tariff rate for pipeline transportation of gas or gas treatment has been approved by the Federal Energy Regulatory Commission in connection with issuance of a certificate of public convenience and necessity for the pipeline facility or gas treatment plant, respectively, the tariff rate establishes the reasonable costs of the pipeline transportation or gas treatment to which the tariff rate

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applies, for periods for which the tariff rate is in effect, but ending three years after the later of the date the tariff rate is approved or the date commercial operation commences. For purposes of this subsection, the date a tariff rate is approved is the date the Federal Energy Regulatory Commission's final order issuing the certificate of public convenience and necessity becomes effective, regardless of whether the order is subject to judicial review, unless the order is stayed. If a complaint challenging the tariff rate has been filed with and accepted for investigation by the Federal Energy Regulatory Commission, the reasonable costs of the pipeline transportation or gas treatment are determined under 15 AAC 55.197 for the period

(1) that begins on the date the complaint is accepted for investigation and ends the day before the date, if any, that the complaint proceeding is resolved by

(A) the adjudication of an applicable tariff rate as just and reasonable; or

(B) the Federal Energy Regulatory Commission's acceptance of a settlement to which the state is a party and that provides for a tariff rate that the department determines uses a cost-based tariff methodology; and

(2) for which no rate referred to in (1)(A) or (B) of this subsection is given retroactive effect.

(g) Except as otherwise provided in this subsection and in (h) of this section, if the department determines that a tariff rate for pipeline transportation of oil or gas or gas treatment on file with the Regulatory Commission of Alaska or another regulatory agency having jurisdiction uses a cost-based tariff methodology, and if the tariff rate is the result of a settlement that is accepted by the regulatory agency and to which the state is a party, the tariff rate establishes the reasonable costs of the pipeline transportation or gas treatment to which the tariff rate applies, for periods for which the tariff rate is in effect, including periods for which the tariff

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rate is given retroactive effect, but ending not later than the latest of the following dates:

December 31, 2013; five years after the date the settlement is accepted by the regulatory agency; or three years after the last date that under the settlement the state has the right, beginning no later than five years after the date the settlement is accepted by the regulatory agency and recurring at least once every three years, to require renegotiation or arbitration of material terms of the settlement in response to a material change in rate determination methodologies approved by the regulatory agency, in the economic life of the pipeline facility or gas treatment plant, in capital structure, or in the cost of capital. If a protest or complaint challenging the tariff rate has been filed with and accepted for investigation by the regulatory agency, the reasonable costs of the pipeline transportation or gas treatment are determined under 15 AAC 55.197 for the period

(1) that begins on the date the protest or complaint is accepted for investigation and ends the day before the date, if any, that the protest or complaint proceeding is resolved by

(A) the adjudication of an applicable tariff rate as just and reasonable; or

(B) the regulatory agency's acceptance of a settlement to which the state is a party and that provides for a tariff rate that the department determines uses a cost-based tariff methodology; and

(2) for which no tariff rate referred to in (1)(A) or (B) of this subsection, is given retroactive effect.

(h) If two or more tariff rates for the same category of service for pipeline transportation of oil or gas from a given point of receipt to a given point of delivery are in effect for a calendar year or portion of a calendar year for which each would otherwise establish the reasonable costs of the pipeline transportation under (e), (f), or (g) of this section, the reasonable costs of the pipeline transportation for that category of service are equal to the average of all such tariff rates,

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weighted according to the respective amounts of throughput or, in the case of tariff rates for firm transportation on a gas pipeline facility, the respective amount of contracted pipeline capacity subject to each such tariff rate during the calendar year or portion of the calendar year, as applicable.

(i) In the case of a short-haul oil or gas pipeline as to which the difference between the tariff rate and the reasonable costs of transportation if determined under (d) of this section would not be expected to have a material effect on the production tax liability of producers shipping oil or gas in the pipeline, the department may determine that the reasonable costs of transportation equal the tariff rate.

(j) A payment for unused pipeline capacity under a contractual obligation to pay for pipeline capacity whether or not used does not constitute a cost of transportation of oil or gas.

(k) 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.

(l) For the purposes of this section, but not for the purposes of AS 43.55.150, 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

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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.

(m) The producer's actual or reasonable marine transportation cost, as otherwise determined under this section, for a producer that transports oil or gas produced in the state through a charter, contract of affreightment, sublease, or other arrangement on behalf of a person not affiliated with the producer, in addition to the producer's own oil or gas produced in the state, includes the cost of transporting that non-affiliated person's oil or gas produced in the state and is reduced by the revenue received for providing that transportation.

(n) Costs that are reimbursed or otherwise offset by payments or credits are not allowable as actual or reasonable costs of transportation. All gas pipeline facility revenues for interruptible transportation, authorized overrun service, or park-and loan service are considered as credited to shippers that are affiliated with a person that owns an interest in the facility if the shippers have made firm transportation commitments for the facility. A producer shall report to the department any reimbursements or other payments or credits that offset transportation costs.

(o) Notwithstanding any other provision of this chapter, the following are not allowable costs of transportation:

(1) fees or other costs incurred for storage, except for storage for not more than 30 days if the storage is required under the applicable transportation services agreement with a pipeline facility and is necessary for pipeline operations;

(2) intra-hub transfer fees paid to a gas pipeline hub operator for administrative services, including accounting for the sale of gas within a hub and title transfer tracking;

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(3) fees paid to a scheduling service provider, including fees paid to a party that provides scheduling services;

(4) a producer's internal costs, including salaries and related costs, rent and space costs, office equipment costs, legal fees, and other costs, to schedule, nominate, and account for the sale or movement of oil or gas or a component of gas;

(5) aggregator or marketer fees, including fees a producer pays its affiliate or another person to market, purchase, or resell oil or gas or a component of the gas, or find or maintain a market for the oil or gas or a component of the gas;

(6) fees paid to a broker, including fees paid to a party that arrange marketing or transportation;

(7) penalties incurred as a shipper, including

(A) over-delivery cash-out penalties, including the difference between the price a pipeline pays for over-delivered volumes outside the tolerances and the price received for over-delivered volumes within the tolerances;

(B) scheduling penalties, including penalties incurred for differences between daily volumes delivered into a pipeline and volumes scheduled or nominated at a receipt or delivery point;

(C) imbalance penalties, including penalties incurred for differences between volumes delivered into a pipeline and volumes scheduled or nominated at a receipt or delivery point;

(D) operational penalties, including fees incurred for violation of a pipeline's curtailment or operational orders issued to protect the operational integrity of the pipeline;

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(8) a transportation factor listed as reducing the sales price or posted price for a component of gas;

(9) if the producer is affiliated with the carrier or owner of the transportation facility or if the transportation contract otherwise is not at arm's-length,

(A) payments, either volumetric or in value, for actual or theoretical losses;

(B) costs of an unaffiliated surety that a carrier or transportation facility requires the producer as a shipper to maintain.

(p) Only costs incurred in the transportation of taxable 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.

(q) A producer for which the gross value at the point of production of oil or gas is calculated using the lower of actual costs of transportation or reasonable costs of transportation under AS 43.55.150, shall provide to the department, upon request, information available to the producer that the department considers as necessary to determine the reasonable costs of transportation under this section.

(r) For purposes of

(1) AS 43.55.150(b) and this section, 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;

(2) this section,

(A) a settlement has been accepted by a regulatory agency when the regulatory agency has issued its final order accepting the settlement and that order has

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become effective, regardless of whether the order is subject to judicial review, unless the order is stayed;

(B) a tariff rate is given retroactive effect for a period beginning on a past date if the regulatory agency having jurisdiction provides that the tariff rate is effective beginning on that date, regardless of the extent, if any, to which the agency orders refunds with respect to transportation charges paid by shippers during the period;

(C) “cost-based tariff methodology” means a methodology for determining the charge for pipeline transportation of oil or gas or for gas treatment that

(i) is substantially similar to an adjudicatory methodology used by the Regulatory Commission of Alaska or another regulatory agency having jurisdiction over one or more pipeline tariffs for an oil or gas pipeline in the state;

(ii) provides for periodic true-up of forecast costs with known costs actually incurred; and

(iii) provides for a charge per unit of oil or gas transported or gas treated based solely on recovery of the sum of no more than the following elements of cost: a return on capital investment calculated by multiplying a specified percentage rate times the amount of capital investment in the transportation facility net of prior accumulated depreciation; depreciation of the capital investment in the transportation facility; identified elements of operating and maintenance costs and ad valorem taxes incurred, or identified elements of operating and maintenance costs and ad valorem taxes forecast to be incurred; income taxes, and a specified allowance for the cost of dismantlement, removal, and restoration of the pipeline facility, if provided for in the applicable recourse

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tariff, in the case of a gas pipeline, or in the applicable tariff, in the case of an oil pipeline;

(D) a producer "effectively owns" a vessel, LNG transportation facility, nonregulated gas treatment plant, or nonregulated pipeline facility if the vessel, LNG transportation facility, nonregulated gas treatment plant, or nonregulated pipeline facility

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

(ii) 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;

(iii) 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

(iv) in the case of a vessel or LNG transportation facility 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

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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.

(E) "expected useful life" means the period of time used to calculate depreciation under (b)(3)(C) or (b)(4)(B)(iii) of this section;

(F) "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;

(G) "transportation" of gas includes gas treatment as defined in AS 43.55.900.

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

Register _____)

Authority: AS 43.05.080 AS 43.55.040 AS 43.55.150
AS 43.55.020 A S 43.55.110 AS 43.55.900
AS 43.55.030

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 LNG or vessel transportation costs for oil or gas produced on or after January 1, 2003.

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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

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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,

...

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, **and before January 1, 2011,** or **a** 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 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(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

(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

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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 55.196(a) is amended to read:

15 AAC 55.196. Cost of capital allowance to be used in calculation of [REASONABLE] costs of vessel transportation for oil or gas produced on or after January 1, 2003, other than certain costs pertaining to vessels placed in service before January 1, 1995, and in calculation of transportation costs for gas by an LNG transportation facility placed in service after December 31, 2010. (a) Except if 15 AAC 55.195(a) applies, for oil or gas produced on or after January 1, 2003, a cost of capital allowance that consists of depreciation and a return on invested capital will be allowed under this section, **as provided in 15 AAC 55.191 or 15 AAC 55.193, as applicable,** for a **(1)** vessel, or an improvement completed on or after January 1, 2002 to a vessel, owned or effectively owned by the producer, **or (2) LNG transportation facility owned or effectively owned by the producer and placed in service after December 31, 2010, or an improvement to that facility** [AS PROVIDED IN

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15 AAC 55.191]. However, a producer may elect to expense the first \$1,000,000 in costs incurred with respect to improvements during a calendar year.

15 AAC 55.196(b) is amended to read:

(b) A cost of capital allowance under this section **for a vessel** will be allowed only for days when the vessel is in allowable service, in allowable lay up, or in allowable dry dock.

15 AAC 55.196(d) is amended to read:

(d) **With the exceptions set out in this subsection for an LNG transportation facility,** a [A] cost of capital allowance under this section must be calculated using the methodology set out in the department's publication Computation of a Cost-of-Capital Allowance under 15 AAC 55.196, Incorporating Depreciation and Return on Invested Capital for Marine Vessels and Improvements, Second Edition, dated September 19, 2003 and adopted by reference. **In the case of an LNG transportation facility,**

(1) the methodology is applied as if the term “vessel” read “LNG transportation facility”;

(2) the useful life for purposes of the methodology is 30 years;

(3) the Weighted Average Cost of Capital is 0.2 percentage point greater than that otherwise calculated under the methodology.

15 AAC 55.196 is amended by adding a new subsection to read:

(f) In this section, “vessel” includes LNG tanker. (Eff. 1/1/2003, Register 164; am 1/1/2004, Register 168; am ___/___/____, Register ____)

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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

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

15 AAC 55.197. Cost of service methodology. (a) For transportation of oil or gas or for gas processing for which costs are determined under this section, the applicable costs of transportation or of gas processing are determined for a calendar year by calculating the following total amount for the year and allocating that total, as provided under this section, to the specific quantity of oil or gas transported or of gas processed:

- (1) an allowance for operating and maintenance expenses of the facility;
- (2) annual depreciation on capital investment in the facility at original cost; except as otherwise provided under (i) of this section, depreciation is calculated using straight-line depreciation over the allowed economic life of the facility;
- (3) ad valorem taxes on the facility;
- (4) in the case of a pipeline facility or regulated gas treatment plant, income taxes on the equity portion of the return under (6) of this subsection;
- (5) if specifically identified in an applicable recourse tariff, in the case of a regulated gas pipeline facility, or in an applicable tariff, in the case of a regulated oil pipeline facility, the allowance for the cost of dismantlement, removal, and restoration of the pipeline facility; and

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(6) a return on capital investment in the facility at original cost net of prior accumulated depreciation; the capital investment is adjusted to account for allowance for funds used during construction (“AFUDC”) and accumulated deferred income taxes (“ADIT”).

(b) For purposes of (a)(1) of this section, the allowance for operating and maintenance expenses is the amount of expenses actually incurred that are direct costs of operating and maintaining the facility or are overhead costs directly related to operation and maintenance of the facility. Costs allowed under this subsection do not include items described in AS 43.55.165(e)(3), (4), (6), (7), (9), (10), (12), (13), (16), (19), or (21), or costs of arbitration, litigation, or other dispute resolution activities that involve the state or concern the rights or obligations among carriers or owners of the facility or between a carrier or owner and a shipper or customer.

(c) For purposes of annual depreciation under (a) of this section,

(1) the allowed economic life is

(A) in the case of a regulated gas pipeline facility or gas treatment plant, the greatest of

(i) the estimated useful life used in calculating the recourse rate in the filed tariff;

ii) the estimated useful life used for financial accounting purposes;

or

(iii) 25 years;

(B) in the case of a regulated oil pipeline facility, the greatest of

(i) the estimated useful life used in calculating the rate in the filed tariff;

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(ii) the estimated useful life used for financial accounting

purposes; or

(iii) 25 years;

(C) in the case of a nonregulated pipeline facility or gas treatment plant,

the greater of

(i) the estimated useful life used for financial accounting purposes;

or

(ii) 25 years;

(D) in the case of a downstream gas plant, the greater of

(i) the estimated useful life used for financial accounting purposes;

or

(ii) 25 years;

(E) extended beyond the period otherwise determined under this

subsection to the extent that additional capital investment is made in the facility that extends the useful life of the facility, as estimated for financial accounting purposes;

(2) a change in ownership of an asset does not alter the depreciation schedule established by the original owner;

(3) capital investment may be depreciated only once, and may not be depreciated below a reasonable, positive salvage value.

(d) For purposes of the return on capital investment under (a)(6) of this section, the percentage of the capital investment treated as financed with long-term debt is the greater of (1) the percentage actually used by the facility owner to finance the facility, or (2) the following percentage: 70 percent for a gas pipeline facility or regulated gas treatment plant, or 55 percent

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for an oil pipeline facility. The remainder is treated as financed with equity. The return on the portion of the capital investment treated as financed with long-term debt is the actual cost, if any, of the debt or, in the absence of actual cost, the return computed by the department using the weighted average of the cost of long-term debt for the applicable proxy group designated by the department under (e) of this section.

(e) For purposes of the return on capital investment under (a)(6) of this section for a pipeline facility or regulated gas treatment plant, an after-tax rate of return on the percentage of the capital investment treated as financed with equity will be determined by the department for a calendar year using the two-stage discounted cash flow model described in the Federal Energy Regulatory Commission's Proposed Policy Statement in *Composition of Proxy Groups for Determining Gas and Oil Pipeline Return on Equity*, Docket No. PL07-2-000 (July 19, 2007), and the sources cited therein, subject to the following:

(1) the department will designate the group of proxy companies from companies that meet the following criteria:

(A) the company must be publicly traded;

(B) the company must be recognized as a

(i) natural gas pipeline company for purposes of determining the rate of return for a gas pipeline facility or regulated gas treatment plant;

(ii) an oil pipeline company for purposes of determining the rate of return for an oil pipeline facility;

(C) the company and its shares must be recognized and tracked by an investment information service such as Value Line;

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(D) pipeline operations must constitute a high proportion of the company's business;

(E) the company must have been in operation for at least five years;

(F) there must be I/B/E/S estimates of five-year earnings growth for the company;

(G) the company must have a history of paying dividends or distributions and be currently paying a dividend or distribution;

(H) the company must not have eliminated or announced an intention to cut or eliminate its dividend or distribution;

(I) the company must not be an owner of the pipeline facility or gas treatment plant for which the rate of return is being determined;

(2) in determining whether a company meeting the criteria under (1) of this subsection should be included in the group of proxy companies, the department may give weight to the following, in addition to the Federal Energy Regulatory Commission's Proposed Policy Statement in *Composition of Proxy Groups for Determining Gas and Oil Pipeline Return on Equity*:

(A) the size of the company's market capitalization;

(B) the company's credit rating;

(C) a goal of including not less than four companies in the proxy group of companies;

(3) the department will calculate the rate of return for each calendar year based on information about the group of proxy companies for a recent 12 month period selected by the department.

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(f) For purposes of the return on capital investment under (a)(6) of this section for a downstream gas plant or nonregulated gas treatment plant, the rate of return for a calendar year is the monthly rate for Moody's Yield on Seasoned Corporate Bonds – All Industries, Baa, published for January of the year in United States Federal Reserve System, *Federal Reserve Statistical Release H. 15, "Selected Interest Rates."*

(g) The amounts described in (a)(1), (3), (4), and (5) of this section must be consistently calculated for a calendar year as either the amounts incurred during that calendar year or

(1) the amounts incurred during the previous calendar year if the facility was in operation for at least nine months during the previous calendar year; the amounts are annualized or prorated if necessary to account, respectively, for the facility's being in operation for less than the entire previous calendar year or less than the entire current calendar year;

(2) good-faith estimates of the amounts to be incurred during the current calendar year if the facility was not in operation for at least nine months during the previous calendar year; an overestimate or underestimate is deducted from or added to, respectively, the amounts used for the next calendar year.

(h) Reasonable costs calculated under this section do not include working capital or a management fee.

(i) In the allocation of the total amount calculated under (a) of this section,

(1) for a regulated gas pipeline facility or regulated gas treatment plant, per-unit transportation costs are based on 100 percent load factor of certificated capacity;

(2) for an oil pipeline facility or nonregulated gas treatment plant, per-unit transportation costs are based on throughput;

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(3) for a nonregulated gas pipeline facility, per-unit transportation costs are based on

(A) 100 percent load factor of contracted capacity, if the pipeline provides firm service or firm and interruptible service;

(B) throughput, if the pipeline does not provide firm service or firm and interruptible service;

(4) for a downstream gas plant, per-unit processing costs are based on throughput;

(5) the costs of different categories of pipeline transportation services or regulated gas treatment plant services bear the same relationship to one another as under the recourse rates in the applicable tariff, in the case of a regulated gas pipeline facility or regulated gas treatment plan, or as under the rates in the applicable tariff in the case of a regulated oil pipeline facility, unless the department determines that relationship is unreasonable; otherwise, the department will reasonably allocate costs among different categories of pipeline transportation services or gas treatment plant services;

(6) the costs of pipeline transportation between different pairs of receipt and delivery points bear the same relationship to one another as under the recourse rates in the applicable tariff, in the case of a regulated gas pipeline facility or regulated gas treatment plan, or as under the rates in the applicable tariff in the case of a regulated oil pipeline facility, unless the department determines that relationship is unreasonable; otherwise, the department will reasonably allocate costs to pipeline transportation between different pairs of receipt and delivery points.

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(j) If the tariff rates of a regulated pipeline facility or gas treatment plant have a levelized rate structure, the reasonable costs otherwise calculated under this section will also be calculated using a comparable levelized rate structure.

(k) In this section, “facility” means pipeline facility, gas treatment plant, or downstream gas plant, as applicable. (Eff. ____/____/____, Register _____)

Authority: AS 43.05.080 AS 43.55.040 AS 43.55.150
AS 43.55.020 AS 43.55.110 AS 43.55.900
AS 43.55.030

Editor's note: United States Federal Reserve System, *Federal Reserve Statistical Release H. 15*, “*Selected Interest Rates*” is published by the Board of Governors of the Federal Reserve System, Publications Fulfillment, Mail Stop N-127, Washington, DC 20551, and is available on the Federal Reserve System website at

<http://www.federalreserve.gov/econresdata/releases/statisticsdata.htm>

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

15 AAC 55.450. Tax for oil and gas the ownership or right to which constitutes a landowner’s royalty interest. (a) The tax levied by AS 43.55.011(i) for oil is calculated separately for oil produced from each lease or property and may not be less than zero.

(b) The tax levied by AS 43.55.011(i) for gas is calculated separately for gas produced from each lease or property and may not be less than zero. (Eff. ____/____/____, Register _____)

Authority: AS 43.05.080 AS 43.55.011 AS 43.55.110

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15 AAC 55.511 is amended by adding a new subsection to read:

(e) For purposes of calculating the installment payment required under AS 43.55.020(a)(3), the amount under

(1) AS 43.55.020(a)(3)(A) is calculated separately for each lease or property and may not be less than zero;

(2) AS 43.55.020(a)(3)(B) is calculated separately for each lease or property and may not be less than zero. (Eff. 10/21/2009, Register 192; am ____/____/_____, Register ____)

Authority: AS 43.05.080 AS 43.55.020 AS 43.55.110
AS 43.55.011

15 AAC 55.800(f) is amended 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 55.197;**

(4) 15 AAC 55.206;

(5) [(2)] 15 AAC 55.224;

(6) [(3)] 15 AAC 55.341;

(7) [(4)] 15 AAC 55.381;

(8) [(5)] 15 AAC 55.421;

(9) [(6)] 15 AAC 55.431;

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- (10)** [(7)] **15 AAC 55.511(a) – (d)** [15 AAC 55.511];
(11) 15 AAC 55.900(b)(26) and (27).

15 AAC 55.800 is amended by adding a new subsection to read:

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

- (1) 15 AAC 55.151(b)
- (2) 15 AAC 55.151(c)(1) – (3);
- (3) 15 AAC 55.192;
- (4) 15 AAC 55.195(a);
- (5) 15 AAC 55.195(c)(1).

(Eff. 5/3/2007, Register 182; am 10/21/2009, Register 192; am ___/___/_____, Register _____)

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

15 AAC 55.900(a)(4) is amended to read:

(4) "LNG transportation facility" means any or all of the following: the LNG liquefaction plant, gathering lines to that plant, **the LNG regasification plant**, loading and unloading facilities for LNG tankers, or LNG tankers;

15 AAC 55.900(a)(8) is amended to read:

(8) "same **regional** market" means

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(A) with respect to an oil that a producer refines or ultimately disposes of in the state, the Alaskan market;

(B) with respect to a producer's oil delivered to the United States West Coast (including Hawaii), the West Coast market or, if appropriate, the submarkets on the West Coast (i.e., Puget Sound, San Francisco Bay, the Long Beach and Los Angeles area, and Hawaii);

(C) with respect to a producer's oil delivered to the United States Gulf Coast, the Gulf Coast market;

(D) with respect to a producer's oil delivered to the United States East Coast, the East Coast market;

(E) with respect to a producer's oil delivered to Puerto Rico or the United States Virgin Islands, the Puerto Rico and United States Virgin Islands market;

(F) with respect to a producer's oil delivered to the United States Midcontinent region, the Midcontinent market;

(G) with respect to a producer's gas marketed in the state, the Alaskan market or portion of it served by gas from the same field or area as the producer's gas;

(H) with respect to a producer's gas **delivered by pipeline and** marketed in **Canada or** the Lower 48, **the Canadian market** or the Lower 48 market, **as appropriate, or any submarkets in either Canada or the Lower 48, determined to be applicable by the department;**

(I) with respect to a producer's oil [OR GAS] marketed in a foreign country, the market in that foreign country;

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(J) with respect to a producer's gas delivered by an LNG transportation facility and marketed in a foreign country, the market in that foreign country;

(K) with respect to a producer's gas delivered by LNG transportation facility and marketed in the United States outside of the state, the West Coast market for LNG or the Hawaii market for LNG, as appropriate;

15 AAC 55.900(a) is amended by adding new paragraphs to read:

(27) “downstream gas plant” means a facility that extracts and recovers liquid hydrocarbons from gas by gas processing, as defined in AS 43.55.900, downstream of the point of production of the gas;

(28) “downstream gas processing” means gas processing, as defined in AS 43.55.900, that occurs in a downstream gas plant;

(29) “gas plant products” means separate marketable elements, compounds, or mixtures, whether in liquid, gaseous, or solid form, that can be derived from downstream gas processing of gas, including propane, butane, isobutane, pentane, ethane, any NGL mix (containing two or more liquid hydrocarbon gas plant products), condensate, carbon dioxide, or other non-hydrocarbon gases, but does not include residue gas;

(30) “gas treatment plant” means a facility that performs gas treatment, as defined in AS 43.55.900;

(31) “MMBtu” means one million British thermal units as defined in AS 43.55.900;

(32) “NGLs” means natural gas liquids;

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(33) “producer” has the meaning given in AS 43.55.900;

(34) “residue gas” means that hydrocarbon gas that consists principally of methane after extraction of liquid hydrocarbons in a downstream gas plant.

15 AAC 55.900(b)(3) is amended to read:

(3) **“owner,”** [“PRODUCER” MEANS AN OWNER OF AN OPERATING RIGHT, OPERATING INTEREST, OR WORKING INTEREST IN A MINERAL INTEREST IN OIL OR GAS;] for purposes of **the definition of “producer” in AS 43.55.900 and (a) of this section.** [THIS PARAGRAPH, AN OWNER] includes a proprietorship, a partnership, a joint venture, a limited liability company, a corporation, **and all entities that are affiliated with the owner** [OR ALL MEMBERS OF A GROUP OF ANY SUCH ENTITIES IN WHICH ONE EXERCISES SIGNIFICANT INFLUENCE OVER THE OTHERS WITHIN THE MEANING OF ACCOUNTING PRINCIPLES BOARD OPINION NO. 18, “THE EQUITY METHOD OF ACCOUNTING FOR INVESTMENTS IN COMMON STOCK,” PARAGRAPH 17 (MARCH 1971)];

15 AAC 55.900(b) is amended by adding new paragraphs to read:

(26) “affiliated” means, with respect to two or more persons, occupying a relationship in which one person controls another, is controlled by another, or is under common control with another, and includes the relationship between a person and a division of the person that operates as a functional unit;

(27) “control” has the meaning given in AS 43.90.900.

(Eff. 1/1/95, Register 132; am 1/1/2000, Register 152; am 1/1/2002, Register 160; am 1/1/2003,

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Register 164; am 1/1/2004, Register 168; am 5/3/2007, Register 182; am 10/21/2009, Register 192; am ___/___/_____, Register _____)

Authority:	AS 43.05.080	AS 43.55.024	AS 43.55.160
	AS 43.55.011	AS 43.55.025	AS 43.55.165
	AS 43.55.020	AS 43.55.110	AS 43.55.170
	AS 43.55.023	AS 43.55.150	AS 43.55.900