

15 AAC 90 is amended by adding new sections to read:

Article 2. Gas Production Tax Exemption.

Section

- 200. Qualification for tax exemption
- 210. Gas subject to tax exemption
- 220. Calculation of gas production tax obligation
- 230. Voucher for resource inducement

15 AAC 90.200. Qualification for tax exemption. (a) To qualify under AS 43.90.300 for a tax exemption under AS 43.90.320, a person must

(1) for firm transportation capacity on the Alaska mainline,

(A) enter into a pre-subscription agreement with the licensee before the commencement of the first binding open season of the project;

(B) submit a bid before the close of the first binding open season of the project; however, the person may submit a bid tendered after the close of the first binding open season, but no later than 180 days after expiration of the first binding open season of the project, if

(i) the licensee accepts the bid under 18 C.F.R. 157.34(d)(2); and

(ii) the person makes, to the satisfaction of the commissioners, a good-faith showing of the circumstances that prevented the person from submitting a timely bid, and if the commissioners, on the basis of that showing, approve the tender of the bid; or

(C) be the holder of an inducement voucher issued to a person that qualifies under (A) or (B) of this paragraph;

(2) execute, no later than 180 days after the close of the first binding open season of the project, a precedent agreement for firm transportation capacity on the Alaska mainline arising out of an action taken to qualify under (1) of this subsection, or must be the holder of an inducement voucher issued by the commissioners to a person that executed a precedent agreement as required under this paragraph;

(3) obtain rights under a transportation services agreement

(A) as a party that executes, no later than five years after the close of the first binding open season of the project or two years after the effective date of the certificate of public convenience and necessity issued for the Alaska mainline, whichever date is later, a transportation services agreement arising out of an action taken to qualify under (1) and (2) of this subsection for firm transportation capacity on the Alaska mainline; or

(B) as the holder of an inducement voucher issued to a person qualified under (A) of this paragraph for a transportation services agreement arising out of an action required to qualify under (1) and (2) of this subsection;

(4) file with the commissioners or be the holder of an inducement voucher obtained from a person that filed with the commissioners a complete copy of each of the following no later than 30 days after execution, or, under (E) of this paragraph, no later than 30 days after receipt of a request:

(A) the bid, precedent agreement, and transportation services agreement required to qualify under (1) - (3) of this subsection;

(B) an amendment to or termination of the bid, precedent agreement, or transportation services agreement required to qualify under (1) - (3) of this subsection;

(C) a bid, precedent agreement, or transportation services agreement, if any, arising out of a first binding open season for the Canada mainline;

(D) any amendment to or termination of the bid, precedent agreement, or transportation services agreement filed under (C) of this paragraph;

(E) other documents and information requested by the commissioners to determine qualification for resource inducements under AS 43.90 and this chapter; and

(5) submit, on a form provided by the commissioners, not later than 90 days after the issuance of a certificate of public convenience and necessity for the Alaska mainline, the agreement regarding rolling in expansion costs required by AS 43.90.320(c) or 43.90.330(d), as applicable.

(b) A person eligible for an inducement voucher under AS 43.90.330 must execute the agreement set out in (a)(5) of this section no later than 90 days after issuance of a certificate of public convenience and necessity for the Alaska mainline, unless the person is eligible by reason of an agreement to transfer the inducement voucher, in which case the person must execute the agreement set out in (a)(5) of this section at the time of filing an application for transfer of the inducement voucher.

(c) The commissioners may extend the deadline set out in (a)(2) of this section if they determine that an extension is in the best interest of the state. However, the commissioners will not extend the deadline later than December 5, 2011.

(d) A person that has satisfied the requirements of (a) of this section and that claims a resource inducement under AS 43.90.320 and this chapter may file an application with the

commissioners for a determination that the requirements of (a) of this section have been met. Upon receipt of the application, the commissioners will make a joint determination whether the applicant meets the requirements for qualification set out in (a) of this section. A person is not qualified for a resource inducement before application to the commissioners and approval by the commissioners under this section.

(e) In this section, "Canada mainline" has the meaning given "Yukon - BC Section" in TransCanada Alaska Company LLC's original, November 30, 2007 application for license under AS 43.90. The definition of "Yukon - BC section" at page 12 of the glossary in that application is adopted by reference. (Eff. 4/30/2010 Register 194)

Authority: AS 43.90.300 AS 43.90.330 AS 43.90.410
AS 43.90.320

15 AAC 90.210. Gas subject to tax exemption. (a) For purposes of AS 43.90.320(b), North Slope gas shipped through firm transportation capacity a producer acquired during the first binding open season or shipped in the firm transportation capacity described in a voucher received by the producer under AS 43.90.330 is North Slope gas that is transported

(1) on the Alaska mainline in the firm transportation capacity acquired through the bid, precedent agreement, and transportation services agreement required to qualify under 15 AAC 90.200(a)(1) - (3);

(2) in an amount no greater than that specified in the bid submitted under 15 AAC 90.200(a)(1); and

(3) for a term of years no longer than specified in the bid submitted under 15 AAC 90.200(a)(1), excluding any option for extension of the term of years.

(b) Regardless of the transportation capacity in which it is transported, North Slope gas produced by a producer from a lease or property and transported on the Alaska mainline, or produced by a producer from multiple leases or properties and commingled before all or part of the commingled gas is transported on the Alaska mainline, consists of the following, in the same proportions as are found in the total amount of gas produced by the producer from that lease or property or from that group of leases or properties, respectively, excluding gas taken as royalty in kind and excluding gas produced before 2022 and used in the state that is not transported on the Alaska mainline:

(1) nontaxable gas;

(2) gas taxable under AS 43.55.011(e) other than gas used in the state if produced before 2022;

(3) gas taxable under AS 43.55.011(i);

(4) gas taxable under AS 43.55.011(e) and used in the state if produced before 2022. (Eff. 4/30/2010, Register 194)

Authority: AS 43.90.300 AS 43.90.330 AS 43.90.410
AS 43.90.320

15 AAC 90.220. Calculation of gas production tax obligation. (a) For purposes of AS 43.90.320, the amount for a calendar year of a producer's gas production tax obligation that is calculated under the gas production tax in effect at the start of the first binding open season held under AS 43.90, and that applies to production taxes that are levied on North Slope gas produced during the calendar year and transported as described in 15 AAC 90.210(a)(1) - (3) equals $TE + TU + TI$, as reduced by the application of tax credits under (c) of this section, and

where

(1) TE equals the amount of tax calculated under (b)(4) or (5) of this section, as applicable;

(2) TU equals the amount of tax under AS 43.55.011(e) for North Slope gas that is

(A) taxable under AS 43.55.011(e);

(B) produced by the producer during the calendar year;

(C) produced before 2022;

(D) transported as described in 15 AAC 90.210(a)(1) - (3); and

(E) used in the state;

(3) TI equals the amount of tax under AS 43.55.011(i) for North Slope gas

(A) that is taxable under AS 43.55.011(i);

(B) that is produced by the producer during the calendar year;

(C) the ownership or right to which constitutes a landowner's royalty; and

(D) that is transported as described in 15 AAC 90.210(a)(1) - (3).

(b) The calculations required to determine TE under (a)(1) of this section are as follows:

(1) first, the tax levied by AS 43.55.011(e) is calculated for North Slope oil and North Slope gas produced by the producer during the calendar year, other than gas produced before 2022 and used in the state;

(2) second, the applicable minimum amount of tax under AS 43.55.011(f) is calculated for North Slope oil and North Slope gas produced by the producer during the calendar year;

(3) third, the amounts calculated under (1) and (2) of this subsection are compared;

(4) if the minimum amount of tax calculated under (2) of this subsection exceeds the amount calculated under (1) of this subsection, the applicable percentage under AS 43.55.011(f) is multiplied by the greater of

(A) zero; or

(B) the gross value at the point of production of the North Slope gas that

(i) is taxable under AS 43.55.011(e);

(ii) is produced by the producer during the calendar year;

(iii) is transported as described in 15 AAC 90.210(a)(1) - (3); and

(iv) is not gas produced before 2022 and used in the state;

(5) if the minimum amount of tax calculated under (2) of this subsection does not exceed the amount calculated under (1) of this subsection, the amount calculated under (1) of this subsection is multiplied by the fraction: $GCG / (GCG + GOG + GVO)$, where

(A) GCG equals the greater of

(i) zero; or

(ii) the value described in (4)(B) of this subsection;

(B) GOG equals the gross value at the point of production of North Slope

gas that

(i) is taxable under AS 43.55.011(e);

(ii) is produced by the producer during the calendar year;

(iii) is not transported as described in 15 AAC 90.210(a)(1) - (3);

and

(iv) is not gas produced before 2022 and used in the state;

(C) GVO equals the gross value at the point of production of North Slope oil that

(i) is taxable under AS 43.55.011(e); and

(ii) is produced by the producer during the calendar year.

(c) A tax credit available to be applied for a calendar year against a tax levied under AS 43.55.011 for North Slope oil and gas or for North Slope gas must be allocated, proportional to the respective gross values at the point of production of the gas or oil, between

(1) North Slope gas transported as described in 15 AAC 90.210(a)(1) - (3); and

(2) other gas or oil produced from leases or properties in the state against a tax levied under AS 43.55.011 for which the tax credit is also available to be applied.

(d) A calculation under this section is made under the provisions of AS 43.55 as those provisions were in effect at the start of the first binding open season held under AS 43.90.

(e) In this section, "North Slope oil" means oil produced from a lease or property in the state north of 68 degrees North latitude. (Eff. 4/30/2010, Register 194)

Authority: AS 43.90.300 AS 43.90.330 AS 43.90.410
AS 43.90.320

15 AAC 90.230. Voucher for resource inducement. (a) To request an inducement voucher under AS 43.90.330, a person must apply for the inducement voucher on a form provided by the commissioners. No later than 30 days after notice is received, the applicant must provide other documents and information requested by the commissioners to determine whether the applicant meets the requirements of AS 43.90 and 15 AAC 90.200. Upon receipt of the

application and other documents and information, the commissioners will make a joint determination on an application for an inducement voucher, and will issue an inducement voucher if the application is approved.

(b) To transfer an inducement voucher issued under (a) of this section, the holder of the voucher and the proposed transferee must file a joint application on a form provided by the commissioners. The joint application must include a copy of a binding contract between the holder and the proposed transferee for the sale and purchase of North Slope gas. No later than 30 days after notice is received, the applicants must provide other documents and information requested by the commissioners to determine whether to approve the transfer under AS 43.90.330 and 15 AAC 90.200. Upon receipt of the application and other documents and information, the commissioners will make a joint determination on the application, and will issue proof of transfer if the application is approved. A transfer is limited in time and quantity as set out in AS 43.90.330(c). (Eff. 4/30/2010, Register 194)

Authority: AS 43.90.300 AS 43.90.330 AS 43.90.410
AS 43.90.320

15 AAC 90.900 is amended by adding new paragraphs to read:

(8) "lease or property" has the meaning given in AS 43.55.900;

(9) "North Slope gas" means gas produced from a lease or property in the state north of 68 degrees North latitude.

15 AAC 90.900 is amended by adding a new subsection to read:

(b) In AS 43.90 and this chapter, unless the context otherwise requires,

(1) "Alaska mainline"

(A) means, with respect to the pipeline system licensed under AS 43.90, the section of the pipeline system that is within this state, that originates at a point in or near Prudhoe Bay, and that terminates at one or more of the following locations:

- (i) the Alaska/Yukon border near Beaver Creek
- (ii) Valdez; and

(B) does not include a gas pipeline between Point Thomson and Prudhoe Bay, a gas treatment plant on the North Slope, other facilities used to treat gas to meet pipeline specifications, or an LNG plant or terminal;

(2) "first binding open season" means the project's first open season

(A) in which the licensee requires binding bids for capacity from applicants; and

(B) that concludes no later than December 5, 2011. (Eff. 11/30/2007,

Register 184; am 4/30/2010, Register 194)

Authority:	AS 43.90.110	<u>AS 43.90.300</u>	AS 43.90.400
	AS 43.90.220	<u>AS 43.90.320</u>	<u>AS 43.90.410</u>
	AS 43.90.230	<u>AS 43.90.330</u>	