

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

(B) for 1997 or a later calendar year,

(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 the "*Cost of Capital Navigator*" by Duff & Phelps, LLC at <https://costofcapital.duffandphelps.com>, as published on the date closest to March 31 of the previous calendar year [DUFF & PHELPS, VALUATION HANDBOOK, INDUSTRY COST OF CAPITAL, PUBLISHED DURING THE PREVIOUS CALENDAR YEAR,] plus, for LNG transportation facilities, 0.2 percent after December 31, 2001; and

15 AC 55.195(f)(17)(A) is amended to read:

(A) except as provided in (B) of this paragraph, 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 paragraph, 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 **the "Cost of Capital Navigator" by Duff & Phelps, LLC at <https://costofcapital.duffandphelps.com>, as published on the date closest to March 31 of the previous calendar year** [DUFF & PHELPS, VALUATION HANDBOOK, INDUSTRY COST OF CAPITAL PUBLISHED DURING THE PREVIOUS CALENDAR YEAR,] plus 0.4 percent; and

15 AAC 55.195(h)(16)(A) is amended to read:

(A) except as provided in (B) of this paragraph, 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 paragraph, 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

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composite for SIC code number 4924, as reported in the "Cost of Capital Navigator" by Duff & Phelps, LLC at <https://costofcapital.duffandphelps.com>, as published on the

date closest to March 31 of the previous calendar year [DUFF & PHELPS

VALUATION HANDBOOK, INDUSTRY COST OF CAPITAL PUBLISHED

DURING THE PREVIOUS CALENDAR YEAR,] plus 0.4 percent; 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 4/30/2010, Register 194; am 3/1/2017, Register 221;

am ____/____/____)

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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 |

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-**3566**. The *Valuation Handbook, Industry Cost of Capital*, is published by Duff & Phelps, LLC, 311 South Wacker Drive, Suite 4200, Chicago, IL 60606, or www.duffandphelps.com. Before Register 221 (April 2017) the regulation referenced *The Cost of Capital Yearbook*, published by Morningstar, Inc. Effective March 1, 2017, Register 221 the reference was changed to the *Valuation Handbook, Industry Cost of Capital*, published by Duff & Phelps, LLC. **Effective**

____/____/____, Register _____ the reference was changed to the *Cost of Capital*

Navigator as published for the previous calendar year by Duff & Phelps, LLC at

<https://costofcapital.duffandphelps.com>.

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(d) is amended to read:

(d) With the exceptions set out in this subsection for an LNG transportation facility, 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*, **Third** [SECOND] Edition, dated _____, **2018** [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.

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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 |

Editor's Note: Copies of *Computation of a Cost-of-Capital Allowance under 15 AAC 55.196, Incorporating Depreciation and Return on Invested Capital for Marine Vessels and*

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Improvements, adopted by reference in 15 AAC 55.196(d), may be obtained from the [TAX DIVISION,] Department of Revenue, **Tax Division**, 550 W. 7th [SEVENTH] Ave., Suite 500, Anchorage, Alaska 99501-3566.