

Department of Revenue's Response to Fairbanks Natural Gas & Interior Gas Utility's Question Regarding the Department's Public Notice dated October 4, 2019 for Depreciation and the Weighted Average Cost of Capital for Transportation of Oil by a Vessel and for LNG Transportation Facilities.

Question:

I understand the law provides the Department some flexibility in responding to questions relevant to the Department's proposed changes under 15 AAC 55 regarding depreciation and the weighted average cost of capital for LNG transportation facilities. Fairbanks Natural Gas and Interior Gas Utility are regulated as natural gas public utilities by the Regulatory Commission of Alaska under AS 42.05. FNG is wholly owned by IGU, which is a public corporation of the Fairbanks North Star Borough. Given our utilities' tax-exempt status and the past inapplicability of 15 AAC 55 to our utilities' operations, I do not believe FNG and IGU are subject to the Department's proposed changes under 15 AAC 55. I would, however, request that the Department please advise on whether or not it believes FNG and IGU could, in their current structures, be subject to the Department's proposed changes under 15 AAC 55.

Department's response:

The department's public notice related to depreciation and the weighted average cost of capital for transportation of oil by a vessel and for LNG transportation facilities, dated October 4, 2019, is in regards to transportation costs used to determine a producer's production tax value under AS 43.55.160. Accordingly, the public notice dated October 4, 2019 applies only to producers of oil and gas that are subject to the payment of production tax as levied by AS 43.55.011(e).