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

Article 2

Gas Production Tax Exemption under Alaska Gasline Inducement Act

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;

(C) submit a bid tendered after the close of the first binding open season, but not later than 180 days after expiration of the first binding open season of the project, that is

(i) accepted by the licensee, and

(ii) accepted at the discretion of the commissioners after the bidder makes a good faith showing of the circumstances that prevented the person from submitting a timely bid; or

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

(2) execute a precedent agreement for firm transportation capacity on the Alaska mainline arising out of an action taken to qualify under (1) of this subsection within 180 days

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after the close of the first binding open season of the project, or be the holder of an inducement voucher issued by the commissioners to such a person;

(3) obtain rights under a transportation services agreement

(A) as a party that executes 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 not 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, 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 within 30 days after execution, or, under (E) of this paragraph, not 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 arising out of a first binding open season for the Canada mainline, if any;

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(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 the Alaska Gasline Inducement Act (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.

(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 forth in (a)(2) of this section if they determine that an extension is in the best interest of the state. However, the deadline will not be extended beyond December 5, 2011.

(d) A person that believes the person 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

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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, and generally refers to the section of the pipeline system within Canada which runs from the Alaska border with the Yukon Territory of Canada near Beaver Creek to the border between the Canadian provinces of British Columbia and Alberta near Boundary Lake. (Eff. ___/___/____, Register ___)

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 that specified in the bid submitted under 15 AAC 90.200(a)(1), excluding any option for extension of the term of years.

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(b) Regardless of what transportation capacity transported in, 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, is deemed to consist of nontaxable gas, gas taxable under AS 43.55.011(e) other than gas used in the state if produced before 2022, gas taxable under AS 43.55.011(i), and gas taxable under AS 43.55.011(e) and used in the state if produced before 2022, 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. (Eff. ___/___/____, Register ____)

Authority: AS 43.05.080 AS 43.90.300 AS 43.90.330
AS 43.55.110 AS 43.90.320 AS 43.90.410

15 AAC 90.220. Calculation of gas production tax obligation. (a) For purposes of AS 43.90.320, the amount of a producer’s gas production tax obligation for a calendar year calculated under the gas production tax in effect at the start of the first binding open season held under AS 43.90 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,

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

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TU = the amount of tax under AS 43.55.011(e) and (o) for North Slope gas taxable under AS 43.55.011(e) produced by the producer during the calendar year, if before 2022, transported as described in 15 AAC 90.210(a)(1) – (3), and used in the state;

TI = the amount of tax under AS 43.55.011(i) for North Slope gas taxable under AS 43.55.011(i) produced by the producer during the calendar year, the ownership or right to which constitutes a landowner's royalty, and transported as described in 15 AAC 90.210(a)(1) – (3).

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

(1) first, the tax levied by AS 43.55.011(e) for North Slope oil and North Slope gas produced by the producer during the calendar year is calculated;

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

(3) next, 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 zero or the gross value at the point of production of the North Slope gas taxable under AS 43.55.011(e) produced by the producer during the calendar year and transported as described in 15 AAC 90.210(a)(1) – (3), other than 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 following fraction:

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$$\text{GCG} / (\text{GCG} + \text{GOG} + \text{GVO}),$$

where

GCG = the greater of zero or the gross value at the point of production of North Slope gas, other than gas produced before 2022 and used in the state, taxable under AS 43.55.011(e) produced by the producer during the calendar year and transported as described in 15 AAC 90.210(a)(1) – (3);

GOG = the gross value at the point of production of North Slope gas, other than gas produced before 2022 and used in the state, taxable under AS 43.55.011(e) produced by the producer during the calendar year and not transported as described in 15 AAC 90.210(a)(1) – (3);

GVO = the gross value at the point of production of North Slope oil taxable under AS 43.55.011(e) 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 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, proportional to the respective gross values at the point of production of the gas or oil.

(d) All calculations under this section are 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. ___/___/____, Register ___)

Authority: AS 43.05.080 AS 43.90.300 AS 43.90.330

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AS 43.55.100

AS 43.90.320

AS 43.90.410

15 AAC 90.230. Voucher for resource inducement. (a) A person that believes the person is qualified for an inducement voucher under AS 43.90 and 15 AAC 90.200 may apply for the inducement voucher on a form provided by the commissioners. Within 30 days after notice is received, the applicant shall 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 inducement voucher, and will issue an inducement voucher if the application is approved.

(b) To transfer a voucher issued under (a) of this section, the holder of the voucher and the proposed transferee shall 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. Within 30 days after notice is received, the applicants shall 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 an application for transfer, and will issue proof of transfer if the application is approved. A transfer is limited in time and quantity as set forth in

AS 43.90.330(c). (Eff. ___/___/____, Register ____)

Authority: AS 43.90.300

AS 43.90.330

AS 43.90.410

AS 43.90.320

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

(7) “Alaska mainline” has the meaning given “Alaska Section” in TransCanada Alaska Company LLC’s original, November 30, 2007 application for license under AS 43.90 and generally refers to the section of the pipeline system within Alaska which runs from a point near Prudhoe Bay to the Alaska/Yukon border near Beaver Creek or to Valdez, and 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;

(8) “first binding open season” means the first open season of the project in which the licensee requires binding bids for capacity from applicants, and which concludes not later than December 5, 2011;

(9) “lease or property” has the meaning given in AS 43.55.900;

(10) “North Slope gas” means gas produced from a lease or property in the state north of 68 degrees North latitude. (Eff. 11/30/2007, Register 184; am ___/___/____ , Register ____)

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