

Municipal Advisory Group Meeting  
 May 21, 2004  
 Anchorage, Department of Revenue

**In Attendance**

Steve Thompson, Chair, Fairbanks Lori Backes, FNSB Pete Hallgren, City of Delta Junction Lamar Cotten, City of Delta Junction Bill Popp, Kenai Peninsula Borough Willard Dunham, City of Seward Rick Ross, City of Kenai Jason Bergerson, North Slope Borough Harold "Buddy" Brown, Tanana Chiefs Conference Mike Abbot, Municipality of Anchorage by audioconference: Mike Catsi, City of Skagway Robert Venables, Haines Borough	State of Alaska, Department of Revenue Bill Corbus Steve Porter Randy Hoffbeck  Information Insights Brian Rogers Nadine Hargesheimer Sherry Modrow
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**Action Items**

Election of Vice Chair	Bill Popp elected by unanimous action
Resolution 2004-1	Amended and adopted Members take to councils for approval

**Future issues/resolutions**

Tradeoffs	State vs. local taxes Ratio: State royalties, severance O&G Corp Income
PILT – early task	Which taxes subject to PILT What period: construction, O&M, entire period What exemptions? Intent of State to anticipate burdens on communities and cover those costs
PILT – later task	Impacts over time: socio-economic impacts decline/will impact revenue reduce? Some communities may have benefits with no negative impacts Determine PILT structure over time Straight line Annual escalation Variable Allocation method Unorganized borough issue – PILT collected at 20 mills and reserved?
Contract term	Termination issues Premature shut-down DR&R

<b>Briefing: Applications</b>	
Applications	<p>Mid-American withdrew            Producers' application accepted            Enbridge close to acceptance            Trans-Canada working on application            Port Authority withdrew; separate agreement</p>
Size/location of line	<p>One proposed 36", another starts at 52", then varies            Revenue impacts are different if the value of the line is different:                Pick one – state factor to adjust for changes in size; coordinate with Randy Hoffbeck            Talk to Enbridge about 36" pipe – where it will come from, transport-related questions            ANGDA can review both a FAI-ANC direct line and a spur— responsibility of authority to look at all aspects</p>
Confidentiality	<p>Applications are public – no confidential information in them</p> <ul style="list-style-type: none"> <li>• Includes some job prospects, staging assumptions</li> <li>• PR &amp; marketing may not comport with facts</li> </ul> <p>Producers: \$125 M in studies for supporting information, much is not publicly available. State will soon have access. Do not know what documentation other applicants may have.</p> <p>Impact study access: need to know substantive differences between applications that would result in significant impact, for example:</p> <ul style="list-style-type: none"> <li>• Differences in pipe size between applications; no project to compare 56" pipe</li> <li>• Questions about construction, industry standards, resident hire</li> <li>• Weight of pipe = impact on number of loads, railroad, roads, docks</li> <li>• Point of entry: ship from Asia, highway from U.S.</li> <li>• Coating plant location and number of plants</li> </ul>
Municipal access to confidential information	<p>Provisions in SGDA            Information Insights should be the Municipal Advisory Group designee for most purposes            Municipal representatives may need to hear some confidential information to be able to make decisions this summer</p> <ul style="list-style-type: none"> <li>• When both munis and state believe it is in all of our best interests</li> <li>• Sign confidentiality statements provided by State</li> <li>• State may ask for advice of representatives who are present, not a position. Would ask to keep it in the confidential realm</li> </ul>

<b>Briefing: In-state access, use, and development</b>	
Spur lines and in-state use	<p>Spur lines – effect on other development projects in the state;</p> <ul style="list-style-type: none"> <li>• Various negotiations need to be aware of cross-effects</li> <li>• May make some projects more feasible to develop</li> <li>• Can't factor unproven reserves of gas into this study</li> <li>• Consider impacts on process of diversification of supply</li> <li>• Availability of gas may make mining projects in Interior more feasible</li> </ul>
Open access period	<p>Lockout until next expansion...could be 3 years, could be 20  Not totally at the mercy of the owners  FERC has sway; primarily focused on bringing gas into the pipe...want reasonable number up front of open seasons  Fundamental effect on Nenana Basin project</p>
Access to gas	<p>Quantity – State needs a range for quantity the munis may want  Need to be sure Alaska's royalty gas isn't being overcommitted  Cook Inlet not a trading hub issue  Question of fair tariff; MAG doesn't have to look at structure</p> <ul style="list-style-type: none"> <li>• State's goal = maximum value for the state for the gas</li> <li>• Netback price in Prudhoe is the critical element (If Chicago price is \$5 and it costs \$2.50 to get there, netback = \$2.50)</li> <li>• If munis ask for a discount it equates to general fund dollars</li> <li>• If tariff is the pricing mechanism, state won't lose money; sales in-state should earn as much as if the gas sells Outside</li> </ul>
MAG to consider access decision	<p>When is it better to take less, divert some gas to Alaska projects?</p> <ul style="list-style-type: none"> <li>• MAG may need to recommend the lowest price ...put municipal interests in line with State interests</li> </ul> <p>Possible consensus point</p> <ul style="list-style-type: none"> <li>• Since state may have to trade away all or part of its royalty gas, it may end up reducing royalties</li> <li>• Access to gas becomes the most important thing</li> <li>• MAG could recommend a percentage of gas be available to develop in-state</li> </ul>
Gas take-off	<p>Want ability to take off: how to allow varying amount  Economics of take-off, as well as put-in – useful to understand in forming MAG recommendations  Tough decisions – how much we can commit to taking?  What is required to condition gas going in?  What are engineering requirements for downstream compression?</p>
Liquids	<p>Economic rules apply for development of the liquids</p> <ul style="list-style-type: none"> <li>• Don't want to be shut out for 20 years</li> <li>• Sit down with the producers and talk</li> </ul>
Access into the pipe	<p>Who is putting gas in the pipe?  May not be to owners' advantage to have other input</p> <ul style="list-style-type: none"> <li>• With 4.5 b in the pipe, to bring in more means displacing State's role in negotiating</li> <li>• Protect opportunities as much as we can</li> </ul> <p>Common carrier for in-state use – ROW statutes</p> <ul style="list-style-type: none"> <li>• Theory of pipe within a pipe</li> </ul> <p>Coal bed methane in Delta area  Reauthorization of SGDA opened the definition of stranded gas beyond Alaska North Slope, such as Foothills gas</p>

<b>Issues to schedule later – need data first</b>	
Employment and training	<p>Link to structure            Where will training occur?            Enbridge: planning prior to construction phase – training needed far enough in advance to impact hiring on construction...turnaround @ 4 or 5 years            Resolution might include timing of notification            Federal energy legislation requires two-year notice as part of regulatory process: front end requires time to begin training</p>
Local vs. out-of-state hire	<p>Likely resident vs. nonresident numbers projected for construction drives modeling            What are impacts? Work with organized labor, other state, federal and private projects: skill sets and people may already be employed, forcing nonresident hire.            Different proposals have different timelines. Do we trade off PILT concessions based on local hire?</p>
Federal and State	<p>Infrastructure spending            Appropriate infrastructure development</p>

<b>Municipal Advisory Group Process</b>	
Decision making	<p>Turnaround time for decisions: how long to get concurrence and come back to the state with instructions to move forward?            Resolution 1: Must go to council to approve up or down:                City of Kenai                Seward                Haines                Skagway                Kenai Peninsula Borough                North Pole            Communities that can vote yes now:                MOA                City Fai                FNSB                NSB            For some future resolutions, FNSB can take draft to assembly for input, get their sense; then can act without returning to assembly</p>
Website: <a href="http://magalaska.com">http://magalaska.com</a>	<p>Get people using the discussion board            Post topics related to upcoming agenda ideas, proposals for additional resolutions, etc.</p>

### **Information Insights Update**

Modeling started; collecting CAFR data

Collecting estimates of impacts on availability, access to and competition for subsistence resources

Developing projections of school impacts

Researching what others have said about pipeline projects

Looking at purchase of IMPLAN

Waiting for access to confidential data on work camps, workforce size, transport of pipe, size of pipe, number of pipe coating plants

### **Presentations being requested**

RCA	Producers
Port Authority	Enbridge
ANGDA	TransCanada

### **Future MAG Meetings**

Date	City	Briefings/ <u>Decisions</u>
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June 11	Anchorage	Municipal Sales Taxes
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June 24	Fairbanks	AS 43.56 and Property Taxes Fees vs. Taxes: Wharfage/Planning and Zoning/ Permits (Meeting Location: Doyon Limited Board Room, 1 Doyon Place, Fairbanks)
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July 9	Anchorage	Other taxes (incl. Unusual impacts of tax structure in individual munis, e.g. N. Pole reliance on sales tax) Employment and Training In-state use of gas Unorganized borough
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July 22	Anchorage	State justification of limits on municipal taxation PILT structure Contract term and termination Should the PILT agreement stay in place as long as pipeline is in place, with an agreement that would be easy to extend at year 25?
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August 6 Teleconference

August 27 Anchorage Final report