

Municipal Advisory Group Meeting
Anchorage, Atwood Building
July 9, 2004

Steve Thompson, Chair and Ron Woolf, City of Fairbanks; Jeff Jacobson, North Pole;
Paul Mayo, TCC; Rick Ross, City of Kenai; Lamar Cotten, Delta Junction; Dave Dengel,
Valdez; Todd Sherwood, NSB.

Randy Hoffbeck, SOA

Brian Rogers, Nadine Hargesheimer, and Sherry Modrow: Information Insights
Telephone: Craig Chapman and Bill Popp, KPB; Robert Venables, Haines

Draft Resolution 2004-02

Discussion

Added clauses for sales taxes, current taxed property, and municipal severance taxes

Adopted revised Resolution 2004-02 for distribution to the municipalities (sent out 7/10)

RCA presentation

RCA Chair Dave Harbour and Administrative Law Judge Jan Wilson

Handouts:

- AS 42.06
- Memorandum of Understanding
- Morrison & Foerster letter from Robert Loeffler
- Gas Pipeline Ratemaking Introduction by Robert Loeffler

Handouts will be mailed to those not present

PILT Allocation and Inflation Risk

Municipal Advisory Group needs some scenarios for looking at PILT options:

Randy will provide a model to look at shape of revenue stream

Considerations:

- Flat PILT – equal payments over time
- Indexed PILT: To inflation with a ceiling and floor (e.g. assume 3% and only adjust if it's lower than 1% or higher than 5%)
- Indexed PILT: Every 5 years readjust

How to establish the base number for valuation of the pipeline? [Information Insights assumes replacement cost, unless MAG advises otherwise]

Tentative MAG favored concept

- Total size of PILT pool based on cents per mcf indexed to inflation (periodically). (Does not speak to allocation between municipalities or between state and municipalities.)
- Three year moving average of production

Option: Divide the pool, (AS 43.56) by annual calculation for each municipality—what would it have received on its tax basis for that year; divide PILT based on each municipality's percentage of the whole. State reserves unorganized borough; state may reserve a portion of the pie for itself. Take value rather than throughput.

Update: Questions asked of the Attorney General

The Municipal Advisory Group asked for an AG ruling on whether the value of gas property exempt from taxation under a Stranded Gas Development Act contract would be included in the calculation of:

- Full and true value
- 4 mill municipal contribution
- Per capita limits to municipal taxation

Wilson Condon (in charge of oil and gas in the AG's office) will look at legislative intent for the issue of PILT and exempting taxes, and expects to have a response back by the July 22 meeting.

Future Meetings

July 22 Thursday
9 AM to 3 PM: Anchorage, Atwood Building Room 240
9 a.m. Shape of PILT (Randy Hoffbeck)
10 a.m. Producers' presentation
1 p.m. Impact study – progress report (Brian Rogers)
2 p.m. Discussion – open issues

No special meeting for Enbridge in July

Aug 6 Friday
10 AM to 12 Noon
Teleconference only
Reports back to the group on acceptance of Resolution 2004-02

Aug 27 Friday
9 AM to 3 PM: Anchorage, Atwood Building Room 240
Impact Study report

Sep 8 Wednesday
10 AM to 12 Noon
Teleconference only

Sep 24 Friday
9 AM to 3 PM: Anchorage, location TBA