HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-FOURTH LEGISLATURE - FOURTH SPECIAL SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced:
Referred:

A BILL

FOR AN ACT ENTITLED

"An Act relating to the taxation of certain natural gas project property and related facilities; relating to local contributions for public school funding; relating to municipal property taxes; relating to the Alaska Gasline Development Corporation and funds of the Alaska Gasline Development Corporation; relating to reporting requirements for natural gas pipeline projects; creating the Alaska affordable heating fuel fund; relating to approval of contracts by the Regulatory Commission of Alaska and inflation adjustment of the maximum price of natural gas; establishing an income tax on certain entities producing or transporting oil or gas in the state; relating to an alternative volumetric tax on natural gas throughput; relating to a municipal impact grant program and fund; relating to agreements and a payment related to a natural gas project; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*** Section 1.** The uncodified law of the State of Alaska is amended by adding a new section to read:

LEGISLATIVE FINDINGS AND INTENT. (a) The legislature finds that the tax treatment in sec. 28 of this Act is necessary to advance a major natural gas project and to ensure that

(1) the project maximizes the benefit to the state by ensuring direct and affordable access to natural gas to the residents of the state; and

(2) communities affected by the natural gas project are protected from the negative effects of the project.

(b) The legislature finds that, given that the state is part owner of the natural gas project, the project labor agreement and apprenticeship utilization requirements in this Act are necessary to advance the project, avoid unnecessary interruptions, and ensure efficient completion, predictable labor costs, a steady supply of skilled labor, high quality training, coordination among multiple employers, and certainty about terms and conditions of employment.

(c) Nothing in this Act is intended to establish, modify, impair, waive, or otherwise affect the tax treatment, assessment methodology, valuation, taxing authority, or applicability of taxes imposed under AS 29.45 or AS 43.56 with respect to any other property, project, facility, infrastructure, or taxpayer. It is the intent of the legislature that this Act be narrowly construed and not serve as precedent, guidance, or interpretive authority for the taxation of any other property subject to taxation under AS 29.45 or AS 43.56.

*** Sec. 2.** AS 14.17.510 is amended by adding a new subsection to read:

(d) In this section, the full and true value of the taxable real and personal property does not include property subject to tax abatement under AS 43.59.010 or the alternative volumetric tax levied under AS 43.59.020.

*** Sec. 3.** AS 29.45.030 is amended by adding a new subsection to read:

(o) Property of a natural gas project subject to tax abatement under AS 43.59.010 or to the alternative volumetric tax under AS 43.59.020 is exempt from taxation under AS 29.45. In this subsection, "natural gas project" has the meaning given in AS 43.59.100.

*** Sec. 4.** AS 29.45.080(c) is amended to read:

(c) A municipality may levy and collect a tax on the full and true value of that portion of taxable property taxable under AS 43.56 as assessed by the Department of Revenue which value, when combined with the value of property otherwise taxable by the municipality, does not exceed the product of the percentage determined in (f) of this section of the average per capita assessed full and true value of property in the state multiplied by the number of residents of the taxing municipality. **Property subject to tax abatement under AS 43.59.010 or to the alternative volumetric tax levied under AS 43.59.020 is not included in the value of property for the purpose of making the calculation under this subsection.**

* **Sec. 5.** AS 31.25.010 is amended to read:

Sec. 31.25.010. Structure. The Alaska Gasline Development Corporation is a public corporation and government instrumentality acting in the best interest **and as a fiduciary** of the state for the purposes required by AS 31.25.005, located for administrative purposes in the Department of Commerce, Community, and Economic Development, but having a legal existence independent of and separate from the state. The corporation may not be terminated as long as it has bonds, notes, or other obligations outstanding. The corporation may dissolve when no bonds, notes, or other obligations of the corporation or a subsidiary of the corporation are outstanding and the corporation or a subsidiary of the corporation is no longer engaged in the development, financing, construction, or operation of an in-state natural gas pipeline or an Alaska liquefied natural gas project. Upon termination of the corporation, its rights and property pass to the state.

* **Sec. 6.** AS 31.25.040(b) is amended to read:

(b) The board shall **by regulation adopted under AS 44.62 (Administrative Procedure Act)** adopt and publish procedures to govern the procurement by the corporation of supplies, services, professional services, and construction. The procurement procedures must

(1) reflect competitive bidding principles and provide vendors reasonable and equitable opportunities to participate in the procurement process;

(2) include procurement methods to meet emergency and

<u>extraordinary circumstances;</u>

<u>(3) comply with the five percent preference under AS 36.30.321(a); and</u>

<u>(4)</u> provide for an Alaska veterans' preference that is consistent with the Alaska veterans' preference in AS 36.30.175.

* **Sec. 7.** AS 31.25.080(a) is amended to read:

(a) In addition to other powers granted in this chapter, the corporation may

(1) determine the form of ownership and the operating structure of an in-state natural gas pipeline developed by the corporation and may**<u>, subject to AS 31.25.120(b),</u>** enter into agreements with other persons for joint ownership, joint operation, or both of an in-state natural gas pipeline or an Alaska liquefied natural gas project;

(2) plan, finance, construct, develop, acquire, maintain, and operate a pipeline system and other transportation mechanism, including pipelines, compressors, storage facilities, and other related facilities, equipment, and works of public improvement, in the state to facilitate production, transportation, and delivery of natural gas or other related natural resources to the point of consumption or to the point of distribution for consumption;

(3) lease or rent facilities, structures, and properties;

(4) exercise the power of eminent domain and file a declaration of taking under AS 09.55.240 - 09.55.460 to acquire land or an interest in land that is necessary for an in-state natural gas pipeline or an Alaska liquefied natural gas project; the exercise of powers by the corporation under this paragraph may not exceed the permissible exercise of the powers by the state;

(5) acquire, by purchase, lease, or gift, land, structures, real or personal property, an interest in property, a right-of-way, a franchise, an easement, or other interest in land, or an interest in or right to capacity in a pipeline system determined to be necessary or convenient for the development, financing, construction, or operation of an in-state natural gas pipeline project or an Alaska liquefied natural gas project or part of an in-state natural gas pipeline project or an Alaska liquefied natural gas project;

(6) **<u>subject to AS 31.25.120(b),</u>** transfer or otherwise dispose of all or part of an in-state natural gas pipeline project, an Alaska liquefied natural gas project, or an interest in an asset of the corporation;

(7) elect to provide transportation of natural gas as a contract carrier, common carrier, or otherwise;

(8) provide light, water, security, and other services for property of the corporation;

(9) conduct hearings to gather and develop data consistent with the purpose and powers of the corporation;

(10) advocate for new pipeline capacity before the Federal Energy Regulatory Commission;

(11) make and execute agreements, contracts, and other instruments necessary or convenient in the exercise of the powers and functions of the corporation under this chapter, including a contract with a person, firm, corporation, governmental agency, or other entity;

(12) sue and be sued in its own name;

(13) adopt an official seal;

(14) adopt bylaws for the regulation of its affairs and the conduct of its business and adopt regulations and policies in connection with the performance of its functions and duties;

(15) employ fiscal consultants, engineers, attorneys, appraisers, and other consultants and employees that may, in the judgment of the corporation, be required and fix and pay their compensation from funds available to the corporation;

(16) procure insurance against a loss in connection with its operation;

(17) borrow money as provided in this chapter to carry out its corporate purposes and issue its obligations as evidence of borrowing;

(18) include in a borrowing the amounts necessary to pay financing charges, to pay interest on the obligations, and to pay the interest, consultant, advisory, and legal fees, and other expenses that are necessary or incident to the borrowing;

(19) receive, administer, and comply with the conditions and requirements of an appropriation, gift, grant, or donation of property or money;

(20) do all acts and things necessary, convenient, or desirable to carry out the powers expressly granted or necessarily implied in this chapter;

(21) invest or reinvest, subject to its contracts with noteholders and bondholders, money or funds held by the corporation, including funds in the [IN-STATE NATURAL GAS PIPELINE FUND (AS 31.25.100) AND THE] Alaska liquefied natural gas project **<u>bond</u>** fund (**<u>AS 31.25.150</u>** [AS 31.25.110]), in obligations or other securities or investments in which banks or trust companies in the state may legally invest funds held in reserves or sinking funds or funds not required for immediate disbursement, and in certificates of deposit or time deposits secured by obligations of, or guaranteed by, the state or the United States;

(22) enter into, as it determines to be necessary or appropriate, any swap or hedge, cap, or other contract providing for payments based on levels of or changes in interest rates or indices or in the cost or price of any commodity, supply, or expense expected to be used or incurred in connection with the acquisition, construction, or operation of any facility or property owned, leased, or operated by the corporation, or an option with respect to any of the foregoing;

(23) except as provided in (g) of this section, acquire an ownership or participation interest in an Alaska liquefied natural gas project, natural gas treatment facilities, natural gas pipeline facilities, liquefaction facilities, marine terminal facilities related to the infrastructure of an Alaska liquefied natural gas project, or an entity or joint venture that has an ownership interest in or is engaged in the planning, financing, acquisition, maintenance, construction, and operation of an Alaska liquefied natural gas project;

(24) after consultation with the commissioner of revenue and the commissioner of natural resources, enter into contracts relating to an Alaska liquefied natural gas project, including contracts for services related to operation, marketing, transportation, gas treatment, marine terminal operation, or liquefaction.

*** Sec. 8.** AS 31.25.080 is amended by adding a new subsection to read:

(h) The corporation shall, to the maximum extent possible, use contractors and suppliers in the state in order to benefit from the experience of workers and businesses in the state in arctic engineering and construction.

* **Sec. 9.** AS 31.25.090(f) is amended to read:

(f) **Subject to the restrictions in this section, the** [THE] corporation may enter into confidentiality agreements necessary to acquire or provide information to carry out its functions. If a state agency determines that a law or provision of a contract to which the state agency is a party requires the state agency to preserve the confidentiality of the information and that delivering the information to the corporation would violate the confidentiality provision of that law or contract, the state agency shall

(1) identify the applicable law or contract provision to the corporation; and

(2) obtain the consent of the person who has the right to waive the confidentiality of the information under the applicable law or contract provision before the state agency transfers the information to the corporation.

* **Sec. 10.** AS 31.25.090 is amended by adding new subsections to read:

(j) A confidentiality agreement entered into under (f) of this section may not

(1) prevent compliance with an administrative or court order mandating disclosure;

(2) make confidential contract terms, or prospective contract terms, that could extend to or encumber the state with fiscal or performance liability, obligation, or risk, either directly or indirectly;

(3) except as provided in (k) of this section, make confidential information that may lead to

(A) a significant fiscal liability, obligation, or risk to the state; or

(B) appropriations or other state funding or in-kind payments or services from the state;

(4) make confidential the ownership or management structure of a subsidiary of the corporation;

(5) make confidential information related to the existence of a state interest option under AS 31.25.125;

(6) on and after the date the corporation delivers notification of an

exercisable option under AS 31.25.125(d), make confidential information related to a revenue-generating project that a prudent investor would expect to have access to before making an investment decision; however, a confidentiality agreement may make confidential the information described in this paragraph after the expiration of the option, if the option expires without exercise; or

(7) make confidential nonconfidential filings with the Federal Energy Regulatory Commission, the United States Department of Energy, the Committee on Foreign Investment in the United States, or another public agency with regulatory authority over the Alaska liquefied natural gas project.

(k) A confidentiality agreement entered into under (f) of this section may make confidential specific known or reasonably anticipated project economics or costs related to the Alaska liquefied natural gas project only if

(1) one or more parties to the agreement reasonably assert that release of the project economics or costs would cause commercial or competitive harm to an entity involved in the Alaska liquefied natural gas project; and

(2) the parties to the contract agree to release reasonable estimated ranges or a summarization of project economics and costs sufficient for a legislator or a public agent to assess the fiscal liability, obligation, or risk to the state, to the extent that the ranges or summarization does not cause commercial or competitive harm to an entity involved in the Alaska liquefied natural gas project.

(*l*) In this section,

(1) "public agent" means

(A) a public agency, as defined in AS 40.25.220, or an agent or contractor of a public agency;

(B) an agent or contractor of a member of the legislature or of a legislative committee;

(2) "revenue-generating project" has the meaning given in AS 31.25.125(i).

*** Sec. 11.** AS 31.25.120 is amended to read:

Sec. 31.25.120. Creation of subsidiaries. The corporation may create subsidiary corporations for the purpose of developing, constructing, operating, and financing in-state natural gas pipeline projects or other transportation mechanisms; for the purpose of aiding in the development, construction, operation, and financing of in-state natural gas pipeline projects; or for the purpose of acquiring natural gas from the North Slope, and natural gas from other regions of the state, including the state's outer continental shelf, and making that natural gas available to markets in the state, including the delivery of natural gas, including propane and other hydrocarbons associated with natural gas other than oil, to coastal communities in the state, or for export. Subject to the limitations for the use of money appropriated to [THE IN-STATE NATURAL GAS PIPELINE FUND (AS 31.25.100) AND] the Alaska liquefied natural gas project **bond** fund (**AS 31.25.150** [AS 31.25.110]), the corporation may transfer assets of the corporation to a subsidiary created under this section. A subsidiary created under this section may borrow money and issue bonds as evidence of that borrowing and has all the powers of the corporation that the corporation grants to it. Unless otherwise provided by the corporation, the debts, liabilities, and obligations of a subsidiary corporation created under this section are not the debts, liabilities, or obligations of the corporation.

*** Sec. 12.** AS 31.25.120 is amended by adding a new subsection to read:

(b) The corporation may transfer, sell, or otherwise dispose of an ownership or management interest in a subsidiary of the corporation only after the legislature has had the opportunity to disapprove the issuance of the transfer, sale, or disposition. Legislative disapproval under this subsection must be by law. The corporation shall notify the presiding officer of each house if the corporation intends to transfer, sell, or otherwise dispose of an ownership or management interest in a subsidiary of the corporation. The legislature shall have 90 days to consider the transfer, sale, or disposition. If the legislature does not disapprove the transfer, sale, or disposition of an ownership interest within 90 days, the corporation may move forward with the transfer, sale, or disposition.

*** Sec. 13.** AS 31.25 is amended by adding a new section to read:

Sec. 31.25.125. Involvement in revenue-generating projects. (a) If the corporation negotiates with another entity for participation by the corporation in a revenue-generating project, the corporation shall negotiate an option for the state or, subject to (h) of this section, a municipality to acquire an interest in the project. The corporation shall immediately notify the president of the senate, the speaker of the house of representatives, and the chairs of the finance committee of each house of the legislature on each occasion that an option for the state is available for consideration by the legislature under (b)(1) of this section.

(b) An option exercisable under this section

(1) by the state must, before being exercised, be approved by the legislature by law; and

(2) must allow the state or a municipality at least 180 days to exercise the option after notification of the legislature under (d) of this section.

(c) At the request of the legislature, a state agency shall cooperate with and assist the legislature in determining whether to approve under (b)(1) of this section the terms of an option for the state negotiated under (a) of this section.

(d) The corporation shall immediately notify the president of the senate, the speaker of the house of representatives, and the chairs of the finance committee of each house of the legislature on each occasion that the state may exercise an option negotiated under (a) of this section.

(e) The state may not acquire an interest in a revenue-generating project under this section unless the interest is approved by the legislature by law. When making an investment decision under this section, the legislature shall act as a prudent investor.

(f) The Department of Revenue shall cooperate with and assist the legislature in determining whether to acquire an interest in a revenue-generating project under (e) of this section by exercising an option negotiated under (a) of this section, including by identifying potential funding sources for exercising the option and potential fiscal effects on the state. If requested by the legislature, another state agency shall cooperate with and assist the legislature with making a determination under (e) of this section.

(g) The corporation and the project developer of the revenue-generating project shall

(1) cooperate with and assist the legislature in determining whether to approve the terms of an option negotiated under (a) of this section or to acquire an interest in the project by exercising an option negotiated under this section;

(2) if requested by the legislature, provide to the commissioner of revenue information related to the project that is necessary for the state to act as a prudent investor in the project, including confidential or financially or commercially sensitive information; the project developer of the revenue-generating project shall cooperate with the corporation and provide all information described in this paragraph; information related to a revenue-generating project and provided to the commissioner of revenue under this paragraph is not a public record under AS 40.25.100 - 40.25.220;

(3) at the request of the president of the senate, the speaker of the house of representatives, or a chair of a finance committee of either house of the legislature, provide to the president of the senate, the speaker of the house of representatives, or a chair of a finance committee of either house of the legislature, the information described in (2) of this subsection, except that the corporation may redact information that the corporation determines is financially or commercially sensitive; and

(4) ensure that at least one representative of the corporation and the project developer of the revenue-generating project are available to testify during public hearings of legislative committees requesting testimony.

(h) If the corporation negotiates with another entity for participation by the corporation in a revenue-generating project under (a) of this section, the corporation shall provide an opportunity for municipalities in the state to purchase a portion of the corporation's right to acquire additional equity interest in the natural gas project not exercised by the corporation, through an entity managed by the corporation. A municipality may not acquire a direct interest in a revenue-generating project under this subsection.

(i) In this section,

(1) "corporation" includes a subsidiary of the corporation;

(2) "revenue-generating project" means a project, entity ownership, legal business arrangement, partnership, joint venture, or other commercial endeavor expected to generate revenue.

* **Sec. 14.** AS 31.25.130(a) is amended to read:

(a) Except **as otherwise provided in this chapter and except** for AS 44.62.310 - 44.62.319 (Open Meetings Act), AS 44.62 (Administrative Procedure Act) does not apply to this chapter. The corporation shall make available to members of the public copies of the regulations adopted under (b) - (e) of this section.

* **Sec. 15.** AS 31.25.140(c) is amended to read:

(c) To further ensure effective budgetary decision making by the legislature, the board shall

(1) annually review the corporation's assets, including the assets of [THE IN-STATE NATURAL GAS PIPELINE FUND UNDER AS 31.25.100 AND] the Alaska liquefied natural gas project **bond** fund under **AS 31.25.150** [AS 31.25.110], to determine whether assets of the corporation exceed an amount required to fulfill the purposes of the corporation as defined in this chapter; in making its review, the board shall determine whether, and to what extent, assets in excess of the amount required to fulfill the purposes of the corporation during the next fiscal year are available without

(A) breaching an agreement entered into by the corporation;

(B) materially impairing the operations or financial integrity of the corporation; or

(C) materially affecting the ability of the corporation to fulfill the purposes of the corporation as defined in this chapter;

(2) specifically identify in the corporation's assets the amounts that the board believes are necessary to meet the requirements of (1)(C) of this subsection; and

(3) present to the legislature by January 10 of each year a complete accounting of all assets of the corporation, including assets of [THE IN-STATE NATURAL GAS PIPELINE FUND UNDER AS 31.25.100 AND] the Alaska liquefied natural gas project **bond** fund under **AS 31.25.150** [AS 31.25.110], and a report of the review and determination made under (1) and (2) of this subsection; the accounting shall be audited by an independent outside auditor.

* **Sec. 16.** AS 31.25 is amended by adding new sections to article 1 to read:

Sec. 31.25.145. Accounting. (a) The corporation shall deposit into separate accounts in the general fund revenue

(1) generated by a subsidiary of the corporation; and

(2) resulting from an option negotiated under AS 31.25.125.

(b) The legislature may appropriate the annual estimated amount necessary for the payment of obligations associated with bonds issued by the corporation to the Alaska liquefied natural gas project bond fund (AS 31.25.150).

Sec. 31.25.150. **Alaska liquefied natural gas project bond fund.** The Alaska liquefied natural gas project bond fund is established in the corporation and consists of money appropriated to the fund. The corporation shall determine fund management and may contract with the Department of Revenue for fund management. The corporation may use money in the fund without further appropriation for the purpose of paying obligations associated with bonds issued by the corporation.

Sec. 31.25.155. Limitation on claims related to an Alaska liquefied natural gas project. A project developer in a legal relationship with the corporation related to development of an Alaska liquefied natural gas project may not seek financial recourse or claim monetary reimbursement from the corporation for any value added to the Alaska liquefied natural gas project because of the enactment of an alternative tax structure applicable to the project.

* **Sec. 17.** AS 31.25.160 is amended by adding a new subsection to read:

(g) The corporation shall immediately notify the president of the senate, the speaker of the house of representatives, and the chairs of the finance committee of each house of the legislature on each occasion on which the corporation intends to issue bonds. The corporation, or a subsidiary of the corporation, may issue bonds only after the legislature approves the issuance of the bonds by law. The legislature shall have 90 days after the notification under this subsection to approve the issuance of the bonds. If the legislature does not approve the issuance of the bonds within 90 days, the corporation may not issue the bonds. The limitation in this subsection does not apply to refunding bonds. Refunding bonds may be issued without further approval by the legislature in a principal amount sufficient to provide funds for the payment of all bonds to be refunded by the refunding bonds and, in addition, for the payment of all other amounts that the corporation considers appropriate in connection with the refunding, including expenses incident to the redeeming, calling, retiring, or paying of the outstanding bonds, the funding of reserves, and the issuance of the refunding bonds.

* **Sec. 18.** AS 31.25.270 is amended by adding new subsections to read:

(d) By February 15 and August 15 of each year, the board shall deliver a report on natural gas pipeline projects in the state to the commissioner of revenue, notify the governor and the legislature that the report is available, and publish notice to the public on the Alaska Online Public Notice System under AS 44.62.175 that the report is available on the corporation's Internet website. The board shall prepare the report regardless of whether the corporation owns or operates the projects. The report must

(1) provide a current status of natural gas projects in the state, including construction status, projected timeline for completion, and a description of any remaining phases of construction;

(2) provide a qualitative assessment and update of the project timeline and progress since the last report;

(3) provide an assessment of the effect of the projects on the state labor market, including

(A) the number of jobs created or affected, listed by region of the state; and

(B) the proportion of resident and nonresident employees or contractors working on the projects;

(4) set out secured intake and offtake contracts and include an aggregate annual volume from those contracts;

(5) to the extent that the state is an equity investor in a revenue-generating project, provide total capital expenditures for each major component of the project; an entity invested in a project with the corporation shall provide to the corporation the information necessary to meet the requirements of this paragraph; in this paragraph, "capital expenditure" means a cost that is properly chargeable to a capital account under federal income tax principals, as determined at the time the property is paid for; and

(6) include as an appendix nonconfidential documents filed and

approvals received in connection with the natural gas pipeline project since the last report, including

(A) documents filed with and approvals received from the Federal Energy Regulatory Commission related to maintaining authorization under 15 U.S.C. 717b (sec. 3, Natural Gas Act);

(B) documents filed with and approvals received from the United States Department of Energy related to free trade agreement and non-free trade agreement export authorizations;

(C) notices and declarations filed with the United States Department of Energy for review by the Committee on Foreign Investments in the United States related to changes in ownership or control of the project.

(e) The corporation shall maintain on the corporation's Internet website a publicly accessible dashboard for project accountability for each natural gas pipeline project. The dashboard must

(1) show the status of each major phase of a project, including front-end and preliminary front-end engineering designs; permits required, applied for, and received; final investment decisions made; notices to proceed required or received; risk mitigation actions undertaken; statuses of procurements; construction progress; startup and commercial operations statuses; statuses of final investment decisions for later phases of the project; statuses of any expansion plans for the project; and any decommissioning planning related to the project;

(2) if the state exercises an option to invest in the natural gas pipeline project, include the public cost estimate range, estimate class if available, schedule baseline, current forecast, and summary explanation of material changes or variances;

(3) provide the status of permitting and rights-of-way;

(4) include information on

(A) gas supply and offtake status by aggregate annual volume; and

(B) in-state gas delivery and ratepayer protection status;

(5) include the status of the spur line, as defined in AS 42.05.438;

(6) include the status of community impact grants and mitigation;

(7) provide information regarding the number and proportion of state resident hires and resident contractor or supplier participation;

(8) be updated at least monthly before commencement of commercial operations of the natural gas pipeline project and at least quarterly thereafter; and

(9) be updated within 10 business days after the corporation becomes aware of a material change affecting schedule, permitting, in-state gas delivery, ratepayer protection, community impacts, state fiscal exposure, or other public-interest issue affecting the natural gas pipeline project.

(f) The corporation shall preserve dashboard updates made under (e) of this section in a public archive on the corporation's Internet website, with date-stamped changes and version history.

(g) A project developer shall provide to the corporation the information required for the dashboard under (e) of this section.

(h) The corporation shall notify the president of the senate, the speaker of the house of representatives, and the chairs of the finance committee of each house of the legislature upon the commencement of construction of a gas pipeline associated with a natural gas pipeline project. In this subsection, "commencement of construction" means the

(1) laying and welding together in an excavated trench multiple sections of steel pipe that are intended for use as part of the gas pipeline; and

(2) establishment of at least one work camp along the gas pipeline route that is intended to provide crew quarters and services during construction of the gas pipeline.

(i) The corporation may use reasonable redactions, estimated ranges, summaries, or status indicators to protect confidential or financially or commercially sensitive information required to be published or provided under (d) - (g) of this section.

(j) In this section,

(1) "major component of the project" means a natural gas treatment facility, carbon capture or underground storage facility, liquefaction facility, import or export facility, or any other major facility associated with a natural gas pipeline

project;

(2) "natural gas pipeline project" includes the Alaska liquefied natural gas project or a similar project.

* **Sec. 19.** AS 31.25 is amended by adding new sections to read:

Sec. 31.25.280. Foreign investment transactions. (a) The corporation shall promptly provide written notice to the governor, the president of the senate, the speaker of the house of representatives, and the chairs of the finance committee of each house of the legislature if the corporation, an entity in a legal relationship with the corporation, or a subsidiary of the corporation enters into a transaction resulting in a party to that transaction filing a notice or declaration of the transaction with the United States Department of the Treasury for review by the Committee on Foreign Investment in the United States. The written notice provided by the corporation under this subsection must include the full legal name of each party to the transaction and a copy of the notice or declaration filed with the United States Department of the Treasury. The corporation may redact confidential or commercially or financially sensitive information in the copy of a notice or declaration provided under this section.

(b) In this section,

(1) "legal relationship" means a partnership, joint venture, joint ownership agreement, merger, or other legal agreement made for the purpose of investing in, obtaining monetary returns from, or obtaining an ownership interest in

(A) a project developed by the corporation or a subsidiary of the corporation;

(B) a project in which the corporation or a subsidiary of the corporation has an ownership or management interest; or

(C) an entity engaged in a project described in (A) or (B) of this paragraph;

(2) "subsidiary of the corporation" includes, notwithstanding the definition given in AS 31.25.390, a subsidiary that is partially owned, directly or indirectly, by the corporation, even if the subsidiary is not controlled by the corporation.

Sec. 31.25.285. Legislative notification of ownership change. (a) The corporation shall promptly notify the president of the senate, the speaker of the house of representatives, and the chairs of the finance committee of each house of the legislature if

(1) the corporation becomes aware that an entity in a legal relationship with the corporation, or a subsidiary of the corporation, plans to make a significant change in ownership structure; or

(2) an entity in a legal relationship with the corporation, or a subsidiary of the corporation, has a significant change in ownership structure.

(b) The notification under this section must include the name of the new owner or otherwise describe the change in ownership structure.

(c) In this section,

(1) "legal relationship" means a partnership, joint venture, joint ownership agreement, or other legally binding business arrangement

(A) of which the corporation, or a subsidiary of the corporation, has at least a 10 percent interest; or

(B) that has an interest in a third entity in which the corporation, or a subsidiary of the corporation, also has at least a 10 percent interest; and

(C) that formed for the purpose of shared ownership or shared management of, or pooling of resources for, an entity in which the corporation, or a subsidiary of the corporation, has an ownership or management interest;

(2) "significant change in ownership structure" means, where applicable to an Alaska liquefied natural gas project, a change in ownership that results in an entity having more than a

(A) five percent ownership interest in a natural gas pipeline;

(B) 10 percent ownership interest in a gas treatment plant, liquefied natural gas plant, or marine terminal.

*** Sec. 20.** AS 31.25.390 is amended by adding new paragraphs to read:

(8) "project developer" means, unless context requires otherwise, an entity responsible for coordinating the financing and construction of a natural gas pipeline project;

(9) "subsidiary of the corporation" means a subsidiary controlled by the corporation.

* **Sec. 21.** AS 37.05 is amended by adding a new section to article 6 to read:

Sec. 37.05.615. Alaska affordable heating fuel fund. (a) The Alaska affordable heating fuel fund is created as a separate fund in the state treasury. The fund consists of the amount determined and deposited in the fund under (b) of this section and interest earned on the fund balance.

(b) The amount to be deposited in (a) of this section is 20 percent of the revenue received from the state's royalty gas transported in an Alaska liquefied natural gas project that remains after the payment to the Alaska permanent fund under AS 37.13.010. The deposit made under this section may not interfere with the deposit to the Alaska affordable energy fund (AS 37.05.610) or the contribution to the public school trust fund (AS 37.14.150).

(c) The legislature may make appropriations from the Alaska affordable heating fuel fund to fund programs that will reduce the cost of heating fuel in areas of the state that are not expected to have or do not have direct access to a North Slope natural gas pipeline.

(d) Nothing in this section creates a dedicated fund.

(e) In this section,

(1) "Alaska liquefied natural gas project" has the meaning given in AS 31.25.390;

(2) "North Slope natural gas pipeline" has the meaning given in AS 42.06.630.

* **Sec. 22.** AS 42.05 is amended by adding new sections to read:

Sec. 42.05.435. Alaska liquefied natural gas project gas supply contracts. (a) The commission may not approve a gas supply contract between a public utility and an owner or operator of a gas pipeline advanced, operated, or owned, in whole or in part, by the Alaska Gasline Development Corporation, or a subsidiary of the corporation, that obligates the utility to pay more than $16 for each 1,000,000 British thermal units of natural gas.

(b) The dollar amount in (a) of this section shall be adjusted each year for inflation under the agreed-on escalation factor in the terms of the gas supply contract. However, the inflation adjustment may not exceed the lesser of three percent or the average of the annual percent change in the United States Consumer Price Index for all urban consumers, as determined by the United States Department of Labor, Bureau of Labor Statistics, for the first five of the previous six calendar years.

(c) In this section, "gas pipeline" has the meaning given in AS 31.25.390.

Sec. 42.05.438. Alaska liquefied natural gas project utility contract requirements. (a) In addition to other approval requirements under this chapter, a public utility must obtain the approval of the commission to recover costs related to a contract with a duration of more than one year that reserves capacity in a gas pipeline or liquefied natural gas plant. In this subsection, "contract" includes any agreement that contains conditions that must be satisfied before the agreement becomes effective.

(b) The commission may not approve a gas supply contract for natural gas transported by a gas pipeline, or a contract that requires approval under (a) of this section, that

(1) recovers costs from customers of a utility resulting from cost overruns from construction of an Alaska liquefied natural gas project; or

(2) increases a commission-approved rate if throughput decreases.

(c) In this section,

(1) "Alaska liquefied natural gas project" has the meaning given in AS 31.25.390;

(2) "cost overrun" means a cost in excess of the construction budget agreed to at the initial closing of the construction funding by the project developer of an Alaska liquefied natural gas project and provided to potential owners of or investors in the project, for the purpose of acquiring an interest in one or more components of phase one of the project or provided to a potential lending entity for the purpose of extending a loan to the project developer to own or construct phase one of the project; when a cost estimate under this paragraph is determined separately for each component of phase one of an Alaska liquefied natural gas project, the relevant cost for review by the commission shall be the sum of the respective two lowest firm dollar amounts demonstrated for each component;

(3) "final investment decision" means a final affirmative decision of an Alaska liquefied natural gas project developer or a subsidiary of the primary project owner to proceed from the planning phase to the implementation and construction phase of the applicable phase of the project; a final investment decision has not been made until the project developer or a subsidiary of the primary project owner has

(A) obtained firm commitments for all debt and financing required to construct the applicable phase of the project;

(B) entered into binding engineering, procurement, and construction agreements for construction of the applicable phase of the project;

(C) entered into offtake agreements sufficient to underwrite construction and operation of the applicable phase of the project;

(D) completed a cost estimate for the applicable phase of the project;

(E) completed a final resource report of the applicable phase of the project;

(4) "gas pipeline" and "liquefied natural gas plant" mean a gas pipeline or liquefied natural gas plant associated with an Alaska liquefied natural gas project; "gas pipeline" does not include a spur line;

(5) "phase one" means a phase of a natural gas project that includes a gas pipeline and other related infrastructure required for the transportation of natural gas from the North Slope to the Southcentral region of the state;

(6) "project developer" has the meaning given in AS 31.25.390;

(7) "spur line"

(A) means

(i) a natural gas transmission or lateral line that branches from the main gas pipeline for the primary purpose of delivering natural gas to a local community or utility distribution system; and

(ii) compressing and metering equipment and interconnection facilities related to the transmission or lateral line described in (i) of this subparagraph;

(B) does not include infrastructure used for the export of natural gas or lateral lines not necessary for delivering natural gas to a local community or utility distribution system.

*** Sec. 23.** AS 43.20 is amended by adding a new section to read:

Sec. 43.20.019. Tax on income of certain oil and gas pass-through entities. (a) Each taxable year, a tax is imposed on the entire taxable income derived from sources in the state of every qualified entity. The tax is computed as follows:

If the taxable income is:	Then the tax is:
Less than $5,000,000	zero
$5,000,000 or more	2 percent of the taxable income over $5,000,000.

(b) For purposes of calculating taxable income under this section,

(1) taxable income of a qualified entity shall be determined as if the qualified entity were taxable as a C corporation under AS 43.20.011;

(2) taxable income of a qualified entity shall be apportioned to this state in accordance with AS 43.19 (Multistate Tax Compact), as modified by AS 43.20.141 - 43.20.146, as if the qualified entity were taxable as a C corporation under AS 43.20.011;

(3) a qualified entity may apply as a credit or deduction against tax liability a credit or deduction allowed for a C corporation taxable under AS 43.20.011.

(c) The tax imposed under this section does not apply to

(1) a corporation subject to tax under AS 43.20.011;

(2) an entity that is part of a unitary business with a corporation subject to tax under AS 43.20.011;

(3) income of an Alaska liquefied natural gas project, as defined in AS 31.25.390; or

(4) an entity exempt from federal income taxes.

(d) A public corporation is exempt from the tax under this section. If a qualified entity is held in part by a public corporation, income in proportion to the ownership interest held by the public corporation is exempt from the tax under this section. The department may direct each owner of a qualified entity that is owned in part by the Alaska Gasline Development Corporation (AS 31.25) to file a return with the department. Notwithstanding AS 40.25.100(a) and AS 43.05.230(a), a return filed by the Alaska Gasline Development Corporation under this subsection is a public record and is not confidential.

(e) For the purpose of determining the tax due under this section, the department shall

(1) aggregate the taxable income of two or more entities if the department determines that, without the provisions of this section, the taxable income would reasonably be expected to be attributed to a single entity;

(2) except as provided in (c) of this section, include in the calculation of taxable income of the qualified entity income that is attributable to an entity that is part of a unitary business with the qualified entity paying tax under this section; and

(3) adopt regulations to prevent evasion of taxes imposed under this section.

(f) For purposes of calculating income under this section, a qualified entity may deduct from income a payment to the shareholder, owner, member, or partner of the qualified entity, if

(1) the shareholder, owner, member, or partner is a taxpayer under this chapter;

(2) the payment does not include a transfer of property;

(3) the payment is included in the shareholder's, owner's, member's, or partner's income for purposes of this chapter; and

(4) the payment was not made with the specific intent to reduce or evade the payment of tax under this chapter.

(g) In this section,

(1) "carbon capture" and "carbon storage" have the meanings given in AS 43.55.165(e)(23);

(2) "pipeline" means a pipeline that transports oil or gas from north of 68 degrees North latitude to a location outside of the lease or property where the oil or gas is produced for the direct purpose of sale and delivery of the oil or gas to a commercial market;

(3) "qualified entity"

(A) means a sole proprietorship, partnership, limited liability company, or entity that has elected to file federal returns under 26 U.S.C. 1361 - 1379 (Internal Revenue Code) that

(i) has taxable income;

(ii) owns, operates, manages, or controls an entity that has taxable income;

(iii) holds an ownership, investment, or similar interest in an entity that has taxable income; or

(iv) owns an operating right, operating interest, or working interest in a mineral interest of an entity with taxable income;

(B) does not include a natural person;

(4) "taxable income" means income

(A) from the production of oil or gas from a lease or property in the state;

(B) from the transportation of oil or gas by pipeline in the state;

(C) from the supply of oil or gas for transportation by pipeline in the state, whether directly, to an intermediary, or as an intermediary;

(D) from gas treatment, carbon capture, or carbon storage activities in the state;

(E) from liquefied natural gas processing in the state;

(F) from the marine transportation of liquefied natural gas produced in the state; and

(G) of an entity that is part of a unitary business with a carrier or producer paying tax under this section as provided under (e)(2) of this section.

*** Sec. 24.** AS 43.20.030(a) is amended to read:

(a) If a **<u>taxpayer</u>** [CORPORATION], or a partnership that has a **<u>taxpayer</u>** [CORPORATION] as a partner, is required to make a return under the provisions of the Internal Revenue Code, **<u>the taxpayer</u>** [IT] shall file with the department, within 30 days after the federal return is required to be filed, a return setting out

(1) the amount of tax due under this chapter, less credits claimed against the tax; and

(2) other information for the purpose of carrying out the provisions of this chapter that the department requires.

*** Sec. 25.** AS 43.20.031(i) is amended to read:

(i) A **<u>taxpayer that</u>** [CORPORATION WHICH] is a member of a group of unitary corporations **<u>or entities that</u>** [WHICH] collectively has income from business activity taxable both inside and outside the state, or income from other sources both inside and outside the state, shall determine its income from sources in this state by use of the combined method of accounting.

*** Sec. 26.** AS 43.56.010(a) is amended to read:

(a) **<u>Except as provided in AS 43.59.010 and 43.59.020, an</u>** [AN] annual tax of 20 mills is levied each tax year beginning January 1, 1974, on the full and true value of taxable property taxable under this chapter.

*** Sec. 27.** AS 43.56.020(d) is amended to read:

(d) Taxable property **<u>subject to tax abatement under AS 43.59.010 or the volumetric tax imposed under AS 43.59.020</u>** [OF A NATURAL GAS PIPELINE PROJECT OWNED OR FINANCED BY THE ALASKA GASLINE DEVELOPMENT CORPORATION OR A JOINT VENTURE, PARTNERSHIP, OR OTHER ENTITY THAT INCLUDES THE ALASKA GASLINE DEVELOPMENT CORPORATION] is exempt from state taxes levied or authorized under AS 43.56.010(a) and municipal taxes levied or authorized under AS 43.56.010(b) [BEFORE THE COMMENCEMENT OF COMMERCIAL OPERATIONS OF THAT NATURAL GAS PIPELINE PROJECT. IN THIS SUBSECTION, "COMMENCEMENT OF COMMERCIAL OPERATIONS" MEANS THE FIRST FLOW OF NATURAL GAS IN THE PROJECT THAT GENERATES REVENUE TO THE OWNERS OF THE NATURAL GAS PIPELINE PROJECT].

*** Sec. 28.** AS 43 is amended by adding a new chapter to read:

Chapter 59. Natural Gas Project Temporary Tax Abatement and Volumetric Tax.

Sec. 43.59.010. Temporary tax abatement. Property of a natural gas project is not subject to the taxes levied under AS 29.45.080, AS 43.56.010, or AS 43.59.020

during the temporary tax abatement period. The abatement period begins on the effective date of this section and ends on the earlier of

(1) the first day of a consecutive 30-day period in which the natural gas project achieves a throughput of 500,000,000 cubic feet of natural gas a day, calculated as a rolling average over the 30-day period; or

(2) five years after the date of commencement of commercial operations of phase one of the natural gas project.

Sec. 43.59.020. Imposition of alternative volumetric tax. (a) The owner of property subject to tax under this section shall pay an alternative volumetric tax on the throughput of the property. The alternative volumetric tax applies beginning on the day after the expiration of the abatement period under AS 43.59.010.

(b) The volumetric tax is

(1) $0.062 for each 1,000 cubic feet of natural gas before commencement of commercial operations of a liquefied natural gas plant related to the natural gas project;

(2) $0.106 for each 1,000 cubic feet of natural gas on and after commencement of commercial operations of a liquefied natural gas plant related to the natural gas project;

(3) beginning 10 years after commencement of commercial operations of a liquefied natural gas plant related to the natural gas project, in addition to the amount collected under (2) of this subsection, an additional $0.106 for each 1,000 cubic feet of natural gas;

(4) beginning January 1, 2060, in addition to the amounts collected under (2) and (3) of this subsection, an additional $0.212 for each 1,000 cubic feet of natural gas.

(c) Beginning after the first year the tax applies to throughput of a natural gas project under (b) of this section, the tax rates under (b) of this section shall be adjusted on January 1 of each year for inflation, using the average of percent change in the annual United States Consumer Price Index for all urban consumers, as determined by the United States Department of Labor, Bureau of Labor Statistics, for the first five of the previous six calendar years. However, the annual adjustment under this subsection must increase the tax rates by at least one percent and not more than three percent. Each tax rate under (b) of this section shall be adjusted for inflation under this subsection even if the tax rate does not yet apply.

(d) An owner of property subject to tax under this section shall, on or before the last day of each month, file a return with the department and with each municipality collecting tax under this section. The return must state the throughput, in cubic feet of natural gas for each day, of property subject to tax for the month preceding the month in which the return is due and include an installment payment for the month of the return. An installment payment is considered delinquent if the payment is not received by the department on or before the last day of each month.

(e) The tax levied under this section is due annually, on the calendar year. The owner of the property shall, on or before April 30 each year, pay any remaining tax due under this section for tax accruing from throughput in the previous calendar year. A tax payment under this subsection is considered delinquent if the payment is not received by the department on or before April 30 each year.

(f) Notwithstanding AS 43.05.220, if a tax payment or installment payment required under this section is delinquent, the department or a municipality shall assess a penalty of 15 percent of the amount of delinquent taxes and interest on the delinquent taxes, exclusive of penalty, at the rate specified in AS 43.05.225.

Sec. 43.59.030. Collection and allocation of alternative tax. (a) The department shall levy and collect the alternative volumetric tax imposed by this chapter that is allocated to the state. Unless otherwise elected by the municipality under (h) of this section, a municipality that is not in the unorganized borough may levy and collect the portion of the alternative volumetric tax imposed by this chapter that is allocated to the municipality. The amount of tax allocated to each municipality and to the state is determined under (b) - (f) of this section.

(b) Before commencement of commercial operations of a liquefied natural gas plant related to a natural gas project,

(1) six percent of the tax under AS 43.59.020(b)(1) is allocated to the North Slope Borough;

(2) 47 percent of the tax under AS 43.59.020(b)(1) is allocated to the

areas of the state through which a gas pipeline runs; and

(3) 47 percent of the tax under AS 43.59.020(b)(1) is allocated to the state for community assistance payments.

(c) On and after the commencement of commercial operations of a liquefied natural gas plant related to a natural gas project,

(1) 48.4 percent of the tax under AS 43.59.020(b)(2) is allocated to the Kenai Peninsula Borough;

(2) 27 percent of the tax under AS 43.59.020(b)(2) is allocated to the North Slope Borough;

(3) 5.6 percent of the tax under AS 43.59.020(b)(2) is allocated to the state;

(4) 9.5 percent of the tax under AS 43.59.020(b)(2) is allocated to the areas of the state through which a gas pipeline runs;

(5) 9.5 percent of the tax under AS 43.59.020(b)(2) is allocated to the state for community assistance payments;

(6) 100 percent of the tax under AS 43.59.020(b)(3) is allocated to the state for community assistance payments; and

(7) 100 percent of the tax under AS 43.59.020(b)(4) is allocated to the state.

(d) For purposes of (b)(2) and (c)(4) of this section, the portion allocated to the state is equal to the proportion of the gas pipeline in the unorganized borough, and the portion allocated to each municipality that is not in the unorganized borough is equal to the proportion of the gas pipeline in the municipality. To determine the proportional distribution under this subsection, the length of pipeline in the unorganized borough or a municipality that is not in the unorganized borough is divided by the total length of the pipeline.

(e) Each year, the legislature may appropriate the amount allocated to the state under (b)(3), (c)(5), and (c)(6) of this section to the municipalities, communities, and reserves in the unorganized borough, distributed as community assistance payments in accordance with AS 29.60.855 and 29.60.860.

(f) The amount of tax allocated to the state under (c)(3) and (7) of this section shall be deposited into the general fund.

(g) Each month, the department shall report to a municipality collecting tax under this section the amount of tax allocated to the municipality for the preceding month.

(h) A municipality may by ordinance elect for the department to collect, on behalf of the municipality, the portion of the tax levied under this chapter that is allocated to the municipality.

Sec. 43.59.040. Administrative appeals; distraint of property. (a) A decision by the department regarding the imposition or calculation of the tax levied under AS 43.59.020 may be appealed to the department for an informal conference under AS 43.05.240, and a final decision may be appealed to the office of administrative hearings under AS 43.05.405.

(b) The remedy of distraint of property set out in AS 43.20.270 applies to the tax levied in this chapter. However, only the property subject to tax under AS 43.59.020 may be distrained.

Sec. 43.59.050. Termination of status; application. (a) The tax abatement under AS 43.59.010 and the alternative volumetric tax under AS 43.59.020 do not apply to a natural gas project if, by

(1) January 1, 2028, a final investment decision has not been made on phase one of the natural gas project;

(2) December 31, 2034, construction of a gas pipeline associated with phase one of the natural gas project has not been completed;

(3) January 1, 2037, commencement of commercial operations of at least one major component of the natural gas project has not occurred.

(b) The commissioner may reasonably extend a date set out in (a) of this section in the event of war, a riot, an act of God, unusually severe weather, or another cause beyond the project owner's or developer's reasonable ability to foresee or control, including operational failure of existing production or transportation facilities or delays caused by a judicial decision or the lack of a judicial decision, but not including changes in commercial or financial markets affecting the price of natural gas or liquefied natural gas.

(c) If, under (a) of this section, neither the tax abatement under AS 43.59.010 nor the alternative volumetric tax under AS 43.59.020 applies to property of a natural gas project, the property is subject to all other state and municipal taxes on taxable property, including taxes levied under AS 29.45.080 and AS 43.56.010.

(d) In this section,

(1) "final investment decision" means a final affirmative decision of a natural gas project developer or a subsidiary of the primary project owner to proceed from the planning phase to the implementation and construction phase of phase one of the natural gas project; a final investment decision has not been made until the project developer or a subsidiary of the primary project owner has

(A) obtained firm commitments for all debt and financing required to construct phase one of the project;

(B) entered into binding engineering, procurement, and construction agreements for construction of phase one of the project;

(C) entered into offtake agreements sufficient to underwrite construction and operation of phase one of the project;

(D) completed a cost estimate for phase one of the project;

(E) completed a final resource report of phase one of the project;

(2) "project developer" has the meaning given in AS 31.25.390.

Sec. 43.59.060. Reporting; regulations. (a) The owner of property subject to tax under this chapter shall, at the request of the department, provide to the department the information necessary to calculate the tax under this chapter. Notwithstanding AS 40.25.100(a) and AS 43.05.230, the department shall hold confidential proprietary information provided to the department under this subsection at the request of the owner. In this subsection, "proprietary information" means information that, if publicly disclosed, would adversely affect the competitive position of the owner or materially diminish the commercial value of the information to the owner.

(b) The department shall adopt regulations under AS 44.62 (Administrative Procedure Act) to implement this chapter, including procedures for

(1) measuring throughput;

(2) throughput reporting;

(3) calculating the rolling average of throughput; and

(4) allocating the tax levied under this chapter to the state and municipalities under AS 43.59.030.

Sec. 43.59.100. Definitions. In this chapter,

(1) "commencement of commercial operations" means the first flow of natural gas through a natural gas project or a component of a natural gas project, as applicable, that treats, transports, or processes a commercial amount of natural gas;

(2) "gas pipeline"

(A) means a main natural gas pipeline from the outlet flange of the gas treatment plant on the North Slope to

(i) for purposes of phase one of the project, the inlet flange of infrastructure providing natural gas to the Southcentral region of the state;

(ii) for purposes of phase two of the project, the inlet flange of the liquefied natural gas plant located in the Kenai Peninsula region of the state;

(B) does not include any gas lines downstream of any offtake point between a gas treatment plant and a liquefied natural gas plant;

(3) "gas treatment plant" means a facility and the related activities required to receive natural gas from a Prudhoe Bay unit gas transmission line, a Point Thomson unit gas transmission line, or other facilities, to treat the natural gas to pipeline specifications, to dispose of or deliver byproducts, to deliver liquid products for further transportation, and to deliver treated natural gas for transportation through a gas pipeline;

(4) "liquefied natural gas plant" means a facility for liquefying natural gas and includes structures, equipment, underlying land rights, and other associated systems, storage, and facilities for off-loading liquefied natural gas;

(5) "natural gas project" and "project" means a natural gas project that includes, collectively, a Prudhoe Bay unit gas transmission line, a Point Thomson unit gas transmission line, a gas pipeline, a gas treatment plant, a liquefied natural gas

plant, and a marine terminal; in this paragraph,

(A) "marine terminal" means a terminal and those facilities required to receive liquefied natural gas from the boundary of the liquefied natural gas plant for marine transportation, including auxiliary vessels used in the operation of the terminal;

(B) "Point Thomson unit gas transmission line" means a natural gas transmission line from the outlet flange of the Point Thomson unit production facility to the inlet flange of the gas treatment plant; and

(C) "Prudhoe Bay unit gas transmission line" means a natural gas transmission line from the outlet flange of the Prudhoe Bay unit central gas facility to the inlet flange of the gas treatment plant;

(6) "phase one" means a phase of a natural gas project that includes a gas pipeline and other related infrastructure required for the transportation of natural gas from the North Slope to the Southcentral region of the state;

(7) "phase two" means a phase of a natural gas project that includes a gas treatment plant, a marine terminal, a liquefied natural gas plant, and other related infrastructure required for the export of natural gas;

(8) "throughput"

(A) means

(i) the volume of natural gas measured by summing all volumes sold or otherwise delivered at each outlet or offtake point along the gas pipeline; and

(ii) natural gas consumed as fuel for the operation of a liquefaction facility;

(B) does not include natural gas consumed as fuel for pipeline compression.

*** Sec. 29.** AS 44.33 is amended by adding a new section to read:

Article 13A. Natural Gas Project Municipal Impact Grant Fund.

Sec. 44.33.850. Natural gas project municipal impact grant fund. (a) The natural gas project municipal impact grant fund is established in the department. The fund consists of money received by the state from a project developer of an Alaska liquefied natural gas project and appropriated to the fund by the legislature.

(b) The department shall use the money appropriated to the fund to timely distribute grants to impacted municipalities for activities, services, or facilities that offset verified actual or reasonably expected effects of construction of a gas pipeline. When administering grants under this subsection, the department shall prioritize grant awards based on the needs of the impacted municipality, the severity of the effects caused by construction of the pipeline, and the correlation of the effect to the construction of the pipeline. The department shall adopt regulations governing the distribution of grants under this subsection.

(c) In this section,

(1) "department" means the Department of Commerce, Community, and Economic Development;

(2) "fund" means the natural gas project municipal impact grant fund established in (a) of this section;

(3) "gas pipeline" has the meaning given in AS 31.25.390;

(4) "impacted municipality" means the North Slope Borough, Fairbanks North Star Borough, Denali Borough, Municipality of Anchorage, Matanuska-Susitna Borough, and Kenai Peninsula Borough;

(5) "project developer" has the meaning given in AS 31.25.390.

* **Sec. 30.** AS 31.25.100 and 31.25.110 are repealed.

* **Sec. 31.** The uncodified law of the State of Alaska is amended by adding a new section to read:

REQUIRED REPORT: PHASE TWO OF THE ALASKA LIQUEFIED NATURAL GAS PROJECT. (a) Before a final investment decision is made on phase two of the Alaska liquefied natural gas project, the Alaska Gasline Development Corporation shall deliver a report to the senate secretary and the chief clerk of the house of representatives and shall notify the legislature that the report is available. The report must include

(1) a discussion and review of the effects and effectiveness of this Act on the Alaska liquefied natural gas project;

(2) if applicable, suggestions for additional changes to law related to the Alaska liquefied natural gas project, before implementation of phase two.

(b) In this section,

(1) "Alaska liquefied natural gas project" has the meaning given in AS 31.25.390;

(2) "final investment decision" means a final affirmative decision of a natural gas project developer or a subsidiary of the primary project owner to proceed from the planning phase to the implementation and construction phase of phase two of the Alaska liquefied natural gas project; a final investment decision has not been made until the project developer or a subsidiary of the primary project owner has

(A) obtained firm commitments for all debt and financing required to construct phase two of the project;

(B) entered into binding engineering, procurement, and construction agreements for construction of phase two of the project;

(C) entered into offtake agreements sufficient to underwrite construction and operation of phase two of the project;

(D) completed a cost estimate for phase two of the project;

(E) completed a final resource report of phase two of the project;

(3) "phase two" means a phase of the Alaska liquefied natural gas project that includes a gas treatment plant, a marine terminal, a liquefied natural gas plant, as defined in AS 31.25.390, and other related infrastructure required for the export of liquefied natural gas;

(4) "project developer" has the meaning given in AS 31.25.390.

*** Sec. 32.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY: ALASKA GASLINE DEVELOPMENT CORPORATION CONFIDENTIALITY AGREEMENTS, SUBSIDIARIES, NOTIFICATIONS, LEGAL RELATIONSHIPS. (a) AS 31.25.080(a)(1) and (6), as amended by sec. 7 of this Act, apply to a transfer or disposition occurring on or after the effective date of sec. 7 of this Act.

(b) AS 31.25.090(j) and (k), added by sec. 10 of this Act, apply to a confidentiality agreement entered into on or after the effective date of sec. 10 of this Act.

(c) AS 31.25.145(a), added by sec. 16 of this Act, applies to revenue generated on and after the effective date of sec. 16 of this Act.

(d) Within 30 days after the effective date of sec. 19 of this Act, the corporation shall notify the governor, the president of the senate, the speaker of the house of representatives, and the chairs of the finance committee of each house of the legislature of any transactions occurring before the effective date of sec. 19 of this Act that require notification under AS 31.25.280, added by sec. 19 of this Act.

(e) AS 31.25.285, added by sec. 19 of this Act, applies to a legal relationship entered into on or after the effective date of sec. 19 of this Act. In this subsection, "legal relationship" has the meaning given in AS 31.25.285(c), added by sec. 19 of this Act.

* **Sec. 33.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY: OIL AND GAS ENTITY TAX. (a) The tax established under AS 43.20.019, added by sec. 23(a) of this Act, applies to taxable income accrued or earned by a qualified entity on or after January 1, 2030, or the day after the date of commencement of commercial operations of phase one of the natural gas project, as defined in AS 43.59.100, added by sec. 28 of this Act, whichever is earlier. In this subsection, "taxable income" has the meaning given in AS 43.20.019(g), added by sec. 23 of this Act.

(b) Although the tax established under AS 43.20.019 does not apply under (a) of this section until January 1, 2030, or the day after the date of commencement of commercial operations of phase one of the natural gas project, as defined in AS 43.59.100, added by sec. 28 of this Act, whichever is earlier, the remainder of AS 43.20.019, added by sec. 23 of this Act, applies to require a qualified entity to, on or before March 16, 2029, file a one-time informational tax return with the department for the most recent completed tax year ending before January 1, 2029. The return shall set out all information required for a tax return under AS 43.20, any related regulations, and any additional information directed by the department as necessary to estimate tax revenue. No tax is due under an informational return filed under this section. The penalty for violating this section is the same as the penalty for filing a late return, or failing to file a return, as applicable, for tax due under AS 43.20, including penalties applicable under AS 43.05 and 43.10. In this subsection, "department" means the Department of Revenue.

(c) In this section, "qualified entity" has the meaning given in AS 43.20.019(g), added by sec. 23 of this Act.

* **Sec. 34.** The uncodified law of the State of Alaska is amended by adding a new section to

read:

TRANSITION: EXISTING OPTIONS. (a) Within 30 days after the effective date of sec. 13 of this Act, the Alaska Gasline Development Corporation shall notify the president of the senate, the speaker of the house of representatives, and the chairs of the finance committee of each house of the legislature of any existing options to invest in a revenue-generating project, as required under AS 31.25.125, added by sec. 13 of this Act.

(b) An option for state participation in a revenue-generating project negotiated by the Alaska Gasline Development Corporation agreed to before the effective date of sec. 13 of this Act must allow the state to exercise the option for at least 180 days after the corporation notifies the legislature under AS 31.25.125, added by sec. 13 of this Act.

*** Sec. 35.** The uncodified law of the State of Alaska is amended by adding a new section to read:

CONDITIONAL EFFECT: BILL; NOTIFICATION TO THE REVISOR OF STATUTES. (a) Sections 1 - 4 and 26 - 28 of this Act take effect only if, before January 1, 2032, the commissioner of revenue determines that

(1) the project developer of a natural gas project has paid the state $50,000,000 within 60 days after a final investment decision is made on phase one of the natural gas project and contractually agrees to pay an additional $40,000,000 to the state within 60 days after a final investment decision is made on phase two of the natural gas project; the legislature may appropriate amounts required to be paid under this section to the natural gas project municipal impact grant fund, established in AS 44.33.850, added by sec. 29 of this Act; it is the intent of the legislature that $10,000,000 paid by the project developer after a final investment decision is made on phase one of the natural gas project be appropriated for the Alaska Teamster training center for construction drivers and commercial driver's licenses, Fairbanks Pipeline Training Center for modernizing and expanding pipeline training equipment, instructional service center in Kenai, and Alaska Vocational Technical Center for program expansion, equipment modernization, and facility upgrades, and other Alaska liquefied natural gas project workforce development projects; neither the state nor a corporation of the state may be responsible for the payment or a portion of the payment required by this paragraph;

(2) the project developer of a natural gas project has committed to require

contractors to enter into the following project labor agreements for work performed in the state to provide for expedited construction of the natural gas project with labor stability through the employment of qualified residents of the state and the support of in-state apprenticeship programs:

(A) a comprehensive collective bargaining agreement that includes contractors for the project developer and the appropriate labor representatives for construction of phase one of the natural gas project; and

(B) a binding commitment to require project labor agreements between contractors and the appropriate labor representatives for construction of phase two of the natural gas project;

(3) the project developer of a natural gas project who would be responsible for constructing a spur line has committed to construct the spur line that serves the City of Fairbanks and the Fairbanks North Star Borough; to meet the requirement of this paragraph,

(A) the project developer shall commit to, on or before completion of phase one of the project, timely and in good faith begin all necessary permit applications and take action on any other regulatory requirements necessary for the construction of the spur line, including, if the Regulatory Commission of Alaska has jurisdiction over the tariffs,

(i) initiating a tariff proceeding; and

(ii) filing with the commission for systemwide tariff treatment for the spur line with an economically viable gas sales contract;

(B) the project developer shall commit to begin construction on a spur line within one year after receiving all permits and meeting the necessary regulatory requirements described in (A) of this paragraph; and

(C) the spur line must

(i) have sufficient capacity to serve reasonably projected residential, commercial, and industrial demand in the Interior area of the state;

(ii) be scheduled to begin operations within two years after the commencement of commercial operations of a major component of the natural gas project;

(iii) be designed to connect with local distribution infrastructure capable of delivering natural gas to the City of Fairbanks and the surrounding urban area;

(iv) be designed and operated to deliver gas at the lowest reasonable cost consistent with safe and reliable service; and

(v) allocate costs, including capital, financing, and construction costs, justly, reasonably, and not unduly discriminatorily, across all consumers systemwide, including consumers in the area from the North Slope to the Southcentral regions of the state and, to the extent allowed under federal law, export consumers; costs related to financing or construction of the spur line may not be allocated solely to the Interior area of the state; and

(4) beginning the day after a final investment decision is made on phase one of a natural gas project, the state and municipalities, if applicable, will be given at least 180 days to determine whether to, through the Alaska Gasline Development Corporation, exercise an equity option in the natural gas project.

(b) If the commissioner of revenue determines that the conditions in (a) of this section have been met, the commissioner of revenue shall notify the revisor of statutes in writing within 30 days after making the determination.

(c) In this section,

(1) "economically viable gas sales contract" means a contract, precedent agreement, memorandum of understanding, tariff-supported sales arrangement, or other commercially reasonable arrangement for the sale, delivery, transportation, or distribution of natural gas to serve current or reasonably projected residential, commercial, institutional, utility, or industrial demand in the City of Fairbanks, the Fairbanks North Star Borough, or the surrounding Interior area of the state, including demand aggregated by a public utility, gas distribution utility, local government, state agency, or other entity serving customers in the Interior area of the state; the gas sales contract need not demonstrate that the spur line alone will recover all capital, financing, construction, operation, or maintenance costs solely from customers in the Interior area of the state;

(2) "final investment decision" has the meaning given in AS 42.05.438, added by sec. 22 of this Act;

(3) "gas pipeline" means a gas pipeline, as defined in AS 31.25.390, that is

expected to be subject to the alternative volumetric tax under AS 43.59.020, added by sec. 28 of this Act;

(4) "phase one" means a phase of a natural gas project that includes a gas pipeline and other related infrastructure required for the transportation of natural gas from the North Slope to the Southcentral region of the state;

(5) "phase two" means a phase of a natural gas project that includes a gas treatment plant, a marine terminal, a liquefied natural gas plant, and other related infrastructure required for the export of natural gas;

(6) "project developer" has the meaning given in AS 31.25.390, as amended by sec. 20 of this Act;

(7) "spur line"

(A) means

(i) a natural gas transmission or lateral line that branches from the main gas pipeline for the primary purpose of delivering natural gas to the City of Fairbanks and the Fairbanks North Star Borough; and

(ii) compressing and metering equipment and interconnection facilities related to the transmission or lateral line described in (i) of this subparagraph;

(B) does not include infrastructure used for the export of natural gas or lateral lines not necessary for delivering natural gas to a local community or utility distribution system;

(8) "systemwide" means the area from the North Slope to the Southcentral regions of the state.

* **Sec. 36.** If, under sec. 35(a) of this Act, secs. 1 - 4 and 26 - 28 of this Act take effect, they take effect on the day after the date the commissioner of revenue determines that the conditions in sec. 35(a) of this Act have been met.

* **Sec. 37.** Sections 23 - 25 of this Act take effect January 1, 2029.

* **Sec. 38.** Except as provided in secs. 36 and 37 of this Act, this Act takes effect immediately under AS 01.10.070(c).