

**DRAFT ONLY
NOT APPROVED FOR
INTRODUCTION**

HOUSE BILL NO. _____

Natural gas export incentive.

Sponsored by: Joint Minerals, Business and Economic
Development Interim Committee

A BILL

for

1 AN ACT relating to taxation and revenue; providing an
2 exemption from severance taxes for the exportation of
3 natural gas; providing for definitions; providing sunset
4 dates; and providing for an effective date.

5

6 *Be It Enacted by the Legislature of the State of Wyoming:*

7

8 **Section 1.** W.S. 39-14-201 by creating new subsections
9 (b) and (c) and 39-14-205 by creating a new subsection (m)
10 are amended to read:

11

12 **39-14-201. Definitions.**

13

1 (b) Specific definitions applying to natural gas
2 exportation:

3
4 (i) "Binding expansion agreement" means an
5 irrevocable agreement executed before October 1, 2009,
6 between a shipper and an interstate pipeline company that
7 provides the shipper with not less than ten (10) years of
8 continuous firm pipeline transportation capacity in a
9 natural gas pipeline capacity expansion project;

10
11 (ii) "Cheyenne Hub" means the natural gas
12 pipeline facilities located south of Cheyenne, Wyoming in
13 section 5, township 11 north, range 66 west in Weld County,
14 Colorado;

15
16 (iii) "Eligible daily natural gas export
17 capacity" means that portion of capacity in a binding
18 expansion agreement that represents capacity to transport
19 natural gas from primary receipt locations within the state
20 of Wyoming or at the Cheyenne Hub to primary delivery
21 locations outside the states of Wyoming, Colorado or Utah;

22
23 (iv) "Eligible monthly natural gas export
24 capacity" means the eligible daily natural gas export

1 capacity multiplied by the number of days in a particular
2 calendar month during each of the first thirty-six (36)
3 full calendar months following the in-service date of a
4 natural gas pipeline capacity expansion project;

5
6 (v) "Interstate pipeline company" means an
7 enterprise engaged in the transmission of natural gas and
8 for which the terms, conditions and rates for services are
9 subject to the jurisdiction of the federal energy
10 regulatory commission;

11
12 (vi) "MMBtu" means one million (1,000,000)
13 British thermal units or one (1) decatherm;

14
15 (vii) "Monthly incentive amount" means the
16 product of forty-five thousandths (0.045) multiplied by the
17 monthly reference price, or forty cents (\$0.40) per MMBtu,
18 whichever is less;

19
20 (viii) "Monthly reference price" means for any
21 particular calendar month the price per MMBtu of natural
22 gas as reported in *Inside FERC's Gas Market Report*, a
23 publication of the Platts, a division of the McGraw-Hill
24 Companies for the location labeled "Colorado Interstate

1 Gas-Rocky Mountains" that is applicable to gas sold in that
2 same calendar month. In the event that Inside FERC's Gas
3 Market Report is no longer published or fails for any
4 reason to publish a price for a location labeled "Colorado
5 Interstate Gas-Rocky Mountains" then the monthly reference
6 price shall be forty cents (\$0.40) per MMBtu;

7
8 (ix) "Natural gas pipeline capacity expansion
9 project" means a project to create new or additional
10 permanent natural gas pipeline capacity on an interstate
11 pipeline from locations within the state of Wyoming or at
12 the Cheyenne Hub to locations outside the states of
13 Wyoming, Colorado and Utah that is the subject of an
14 application that is submitted to the federal energy
15 regulatory commission between March 14, 2008 and October 1,
16 2009 for a certificate of public convenience and necessity
17 authorizing the construction and operation of that project;

18
19 **[LSO note: This sounds like special legislation - on its**
20 **face and by application (Article 5, Section 27).]**

21
22 (x) "Primary delivery location" means a location
23 described as a primary delivery point or the equivalent
24 found in the natural gas tariff of the interstate pipeline

1 company operating a particular natural gas pipeline
2 capacity expansion project;

3
4 (xi) "Primary receipt location" means a location
5 described as a primary receipt point or the equivalent
6 found in the natural gas tariff of the interstate pipeline
7 company operating a particular natural gas pipeline
8 capacity expansion project;

9
10 (xii) "Shipper" means a natural gas export
11 capacity shipper who has entered into a binding expansion
12 agreement with an interstate pipeline company for service
13 through a natural gas pipeline capacity expansion project.

14
15 (c) Subsection (b) of this section is repealed
16 September 30, 2016.

17
18 **39-14-205. Exemptions.**

19
20 (m) Any shipper shall be entitled to a monthly credit
21 to the severance tax imposed on natural gas produced and
22 sold within a particular calendar month. The amount of the
23 credit shall be equal to the quantity of eligible monthly
24 natural gas export capacity attributable to that shipper

multiplied by the monthly incentive amount. To the extent that the credit for any shipper as determined in accordance with this subsection is greater than the severance tax otherwise due from that shipper, the shipper shall be entitled to a payment for the amount of the credit that is in excess of the severance tax due. Any payments due under this subsection shall be made by the department of revenue directly to the shipper within sixty (60) days following the end of any calendar month for which the shipper had eligible monthly natural gas export capacity. This subsection is repealed September 30, 2016.

[LSO note:

1) The tax incentive credit appears to go to the shipper, which may be a person other than the producer paying the severance tax, creating issues under Article 16, Section 6.

2) The credit appears based on the capacity in the pipeline, regardless of whether any tax has been collected, and regardless of whether any gas is actually shipped in the pipeline. See Article 16.

3) The credit or liability of the state may exceed the amount of the tax collected.

1

2 **4) There may need to be a process for the department of**
3 **revenue to verify the tax paid and to set up the credit**
4 **payment system.]**

5

6 **Section 2.** There is appropriated ??? dollars (\$???)
7 from ??? to ??? account to administer this act.

8

9 **[LSO note: It appears there would be an expense for the**
10 **incentive that would require funding beyond the amount of**
11 **severance tax paid, requiring a designation of the amount**
12 **of funds required, where the funds would come from, where**
13 **the funds should be place and who should administer the**
14 **funds.]**

15

16 **Section 3.** This act is effective immediately upon
17 completion of all acts necessary for a bill to become law
18 as provided by Article 4, Section 8 of the Wyoming
19 Constitution.

20

21

(END)