



ALASKA DEPARTMENT OF REVENUE
DECISION NO. 26-56-03

On February 26, 2026, the State of Alaska, Department of Revenue ("Department") issued a Notice of Assessment under AS 43.56 regarding property owned by Harvest Alaska, LLC, ConocoPhillips Transportation Alaska, Inc., and ExxonMobil Pipeline Company (collectively "TAPS Owners").

Alyeska Pipeline Service Company (APSC), as agent for the Owners, is the taxpayer of record on file with the Department and timely filed an appeal under the provisions of 15 AAC 56.020(a). The City of Valdez, Fairbanks North Star Borough, and North Slope Borough (collectively "Municipalities") also timely filed an appeal under the provisions of 15 AAC 56.020(a). This decision constitutes the consolidated decision of the Department on both appeals pursuant to 15 AAC 56.020(c).

PROPERTY AT ISSUE

The Trans Alaska Pipeline System, including pipeline property, pump stations, the marine terminal, and materials and supplies (collectively referred to as "TAPS").¹

ISSUE RAISED

The Department's preliminary assessed value of TAPS for 2026 was \$10,318,214,790.

The TAPS Owners claim that the Department's 2026 assessment exceeds the full and true value of TAPS and asserts the value for TAPS property is \$2,800,000,000. The Municipalities claim that the Department's 2026 assessed value of TAPS does not reflect the full and true value of TAPS and assert the value is at least \$20,083,000,000.

Both the TAPS Owners and the Municipalities assert that the Department's value is incorrect on a number of grounds. The primary basis of the TAPS Owners' opinion of value is an appraisal dated January 16, 2026, which was provided to the Department in January of 2026. The Municipalities included seven exhibits with their appeal, which also included an appraisal to support their opinion of value, dated March 17, 2026.

¹ On pages 3 & 4 of the TAPS Owners' appeal, property ID's associated with non-TAPS property, in the form of personal property also owned by Alyeska Pipeline Service Company, were included with the list of TAPS Property IDs. The stated purpose of the appeal is to appeal the TAPS property, and the Department can find no other substantive reference or discussion related to Alyeska Pipeline Service Company's personal property in the appeal. Any purported appeal by the TAPS Owners and APSC of the personal property assessed under Property ID's 012-000-9500, 011-000-9000, 006-003-6009, 003-002-3017, 002-000-2287, and 001-000-8506 is denied as it would not meet the appeal requirements in 15 AAC 56.020(a). The personal property is not under appeal. (*In the Matter of Geokinetics USA, INC.*, ORDER OF DISMISSAL OF APPEAL OF VALUATION OF ASSESSED PROPERTY, State Assessment Review Board, OAH No. 15-0453-TAX, May 5, 2015, *aff'd* Final Judgement, *Geokinetics, Inc. v. State of Alaska, et al*, 3AN-15-07516CI (Alaska Sup. Ct. March 3, 2017))

STATUTES AND REGULATORY STANDARDS

AS 43.56.010 (a) provides:

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.

AS 43.56.060 (e) provides:

The full and true value of taxable property used or committed by contract or other agreement for the pipeline transportation of gas or unrefined oil or in the operation or maintenance of facilities for the pipeline transportation of gas or unrefined oil is:

- (1) on the construction commencement date and until January 1 following the date the pipeline begins to transport gas or unrefined oil, the actual cost incurred or accrued with respect to the property as of the date of the assessment;
- (2) determined on each January 1 thereafter with due regard to the economic value of the property based on the estimated life of proven reserves of gas or unrefined oil then technically, economically and legally deliverable into the transportation facility; however, if the proven reserves of gas or unrefined oil then technically, economically and legally deliverable indicate an economic life materially shorter than the estimated physical life of the transportation facility, the full and true value is the actual cost reduced by an annual allowance for depreciation on a straight line basis over an economic life based on the elapsed life from the commencement of full operation to the date of assessment plus the estimated remaining life of the proven reserves of gas and unrefined oil then technically, economically and legally deliverable into the transportation facility as of the date of the assessment;

15 AAC 56.110(c) provides:

Except as provided in (d) of this section, the full and true value of pipeline property in operation is its economic value based upon the estimated life of proven reserves of the gas or oil then technically, economically and legally deliverable into the transportation facility. Economic value is determined by the use of standard appraisal methods such as replacement cost less depreciation, capitalization of estimated future net income, analysis of sales, or other acceptable methods. The valuation may include any item contributing to value including capitalized interest.

1. TAPS 2026 Assessed Value

RCN

Most of the law and information relied upon by the Alaska courts for the TAPS replacement cost new (“RCN”) in the 2009 tax year is still valid today. The 2009 tax year is the most recent of the 2006 – 2009 tax years fully litigated before the Alaska Superior Court, culminating in the 2014 and 2015 Alaska Supreme Court Opinions

upholding the RCN.² The law hasn't changed in 2026. Where facts and circumstances are the same or similar in 2026 relative to 2009, the same RCN data is relied on in 2026. A normal step in standardized mass appraisal processes is cost indexing. This adjusts the 2009 RCN to current 2026 cost levels. This seventeen-year cost indexing application is average compared to many of the Department's indexed RCN estimates for other AS 43.56 oil and gas properties, which also include other pipelines, and can index up to thirty years.

The 2009 TAPS RCN that emerged from the 2011 Superior Court trial de novo was the product of input from the Department, the TAPS Owners, the Municipalities, and the Court itself. In 2013, the Department discovered an additional \$1 billion error related to the vertical support member portion of the RCN. All the interested parties and the State Assessment Review Board ("SARB") agree that the error exists. There is no dispute regarding the existence of the error. The error is an incontrovertible fact and circumstance in 2026 and must be corrected as has been done in previous tax years and upheld by the SARB.³

The Department made the appropriate adjustments to the 2009 Alaska Court RCN for 2026. The final TAPS 2026 RCN is \$28.645 billion.

Depreciation

Under AS 43.56.060(e) the depreciation basis for pipeline property is proven reserves.⁴ Proven reserves-based depreciation is calculated by measuring proven reserves depletion. Proven reserves depletion is a form of external obsolescence, and as such, accounts for all depreciation. This is consistent with appraisal standards, especially when the value objective is use value.

To measure proven reserves depletion and therefore proven reserves-based depreciation, the Department relies on the Scaled Production Methodology. This standard appraisal method uses production as a proxy for proven reserves. Production is the preferred data point because it is highly correlated with proven reserve amounts, is an empirical fact, and as such is a variable that leads to accurate results. Production data is also readily publicly available, so fully transparent. Because production by definition has occurred, and is therefore an empirical fact, it is by definition technically, economically, and legally deliverable into the transportation facility.⁵ Compare this to proven reserves estimation, which is subjective, more art than science, prone to inaccuracy, and, when developed by industry, often claimed as confidential. The subjectivity and opaqueness associated with proven reserves estimation leads to disputes, appeals, litigation, and volatility in the assessment process, which are reasons why this method is not a preferred data point in calculating proven reserves-based depreciation.

The Scaled Production Methodology measures proven reserves-based depreciation by looking at the relationship, in quotient form, of peak production from the reservoirs the pipeline, in this case TAPS, serves relative to current production. Peak production is the historical calendar year peak production and is in the denominator of the quotient. Current production is the previous calendar year production and is in the numerator of the quotient. An exponent, often referred to as a "scaling factor," is applied to the quotient to account for the non-linearity between project costs and project sizes, and the influence of the non-linearity on depreciation. This ensures the proper amount of depreciation is calculated. Calculating depreciation in pipeline

² See Amended Decision Upon Reconsideration Following Trial de Novo for Tax Year 2006, *BP Pipelines, et al v. State, et al*, Case No. 3AN-06-08446 CI (Alaska Sup. Ct. Oct. 26, 2010); Decision Following Trial de Novo for Tax Years 2007-2009, *BP Pipelines, et al. v. State, et. al*, 3AN-06-08446 CI (Alaska Sup. Ct. Dec. 30, 2011); *BP Pipelines (Alaska) Inc. v. State, Dep't of Revenue*, 325 P.3d 478 (Alaska 2014); *State, Dep't of Revenue v. BP Pipelines (Alaska) Inc.*, 354 P.3d 1053 (Alaska 2015).

³ *In the Matter of: The Trans-Alaska Pipeline System*, 2015 WL 5813228, at *13.

⁴ AS 43.56.060(e)(2) – "...determined on each January 1 thereafter with due regard to the economic value of the property based on the estimated life of the proven reserves of gas or unrefined oil then technically, economically, and legally deliverable into the transportation facility;"

⁵ *Id.*

property assessments using the Scaled Production Methodology has been upheld by the State Assessment Review Board (“SARB”), where the SARB has found the Scaled Production Methodology to be a “standard appraisal method” compliant with 15 AAC 56.110.⁶ The Superior Court has also upheld the Department’s and SARB’s use of the Scaled Production Methodology for purposes of determining proven reserves based depreciation for pipeline property, stating, “The Department’s use of the scaled production methodology is a reliable way to adjust a property’s value based on the non-linear relationship between a property’s cost and production rates.”⁷ (This case is currently on appeal to the Alaska Supreme Court.)

When the Scaled Production Methodology is applied in TAPS assessment, the proven-reserves based depreciation calculation is: $[(462,847 / 2,032,928) ^ .69]$.⁸ This equates to 36.02% Good (equivalent to 63.98% depreciated) . Applied to TAPS RCN, 36.02% GOOD equates to an assessed value of TAPS in the amount of \$10.318 billion.

Assessment Generally

All interested parties to the 2026 TAPS assessment have influenced the outcome by virtue of their participation in the Alaska courts’ litigation for the 2006 through 2009 tax years, which culminated in the 2014 and 2015 Alaska Supreme Court opinions. As a result, all the interested parties are also in possession of the detailed underlying information that supports the TAPS 2026 assessment. All the interested parties have also been provided with the Department’s assessment work papers. The Department further explained aspects of the assessment as it specifically pertains to the Fairbanks North Star Borough (“FNSB”) to FNSB attorney Jill Dolan in a March 13, 2026, phone call. Suggestions in the Municipalities’ appeal that they were not provided with an understanding of the FNSB TAPS assessment this year relative to last year are not accurate.

Because the law hasn’t changed and most of the facts and circumstances in 2026 are not substantially different than those already litigated through the Alaska courts, the Department discerns no reasonable justification supporting abandonment of the Superior Court’s, and thus the Alaska Supreme Court’s findings and conclusions as to relevant aspects of TAPS assessment. This includes:⁹

- AS 43.56.060(e)(2) does not require pipeline property to be assessed at its “fair market value”
- The superior court did not err by applying a use value standard
- The use value assessment standard does not improperly tax non-TAPS property
- The superior court was not required to treat tariff regulations as a form of external obsolescence
- The superior court did not err by rejecting the capitalized rent-loss (income shortfall) method of external obsolescence
- The superior court did not err in reducing the assessed value of the pipeline to account for excess capacity

⁶ *In the Matter of: ConocoPhillips Alaska, Inc. (Alpine Oil Pipeline)*, 2021 WL 7831028, at *3.

⁷ Second Amended Findings of Fact and Conclusions of Law Re: Trial de Novo of Department of Revenue Furie Operating Alaska Property Tax Assessment Years 2021 and 2022 at ¶ 141, *Furie Operating Alaska, LLC v. State, et. al*, 3AN-21-06462CI (Alaska Sup. Ct. May 22, 2024).

⁸ There is no difference in outcome whether annual production or annual daily average production is used in the calculation. Annual daily average is easier to work with and used by the Department.

⁹ See Amended Decision Upon Reconsideration Following Trial de Novo for Tax Year 2006, *BP Pipelines, et al v. State, et al*, Case No. 3AN-06-08446 CI (Alaska Sup. Ct. Oct. 26, 2010); Decision Following Trial de Novo for Tax Years 2007-2009, *BP Pipelines, et al. v. State, et. al*, 3AN-06-08446 CI (Alaska Sup. Ct. Dec. 30, 2011); *BP Pipelines (Alaska) Inc. v. State, Dep’t of Revenue*, 325 P.3d 478 (Alaska 2014); *State, Dep’t of Revenue v. BP Pipelines (Alaska) Inc.*, 354 P.3d 1053 (Alaska 2015).

- Sufficient evidence exists to support the superior court’s decision that excess capacity is a form of external obsolescence
- The superior court did not count external obsolescence from excess capacity twice
- The matter of external obsolescence was fully litigated
- TAPS exists in a limited market
- TAPS is a special purpose property
- AS 43.56 full and true value standard requires a use value valuation premise for pipelines
- Justification for sole reliance on the cost approach
- Units of production is a reasonable method of calculating proven reserves-based depreciation that is consistent with legislative intent

As with any well run assessment program, the Department has updated the Alaska court’s TAPS assessment to reflect the current 2026 facts and circumstances, such as current cost levels, current proven reserve amounts and associated production levels, and to reflect current practices, such as use of the Scaled Production Methodology, a form of units of production, to calculate proven reserves-based depreciation. The Department, in keeping with the Alaska court decisions, supports its 2026 TAPS RCNLD assessed value.

2. Points on Appeal

Municipalities

- 1) The Department incorrectly determined TAPS RCN; and
- 2) The Department incorrectly determined TAPS proven reserves-based depreciation; and
- 3) Therefore, the Department’s 2026 preliminary assessed value of TAPS is too low.

TAPS Owners

The TAPS Owners March 18, 2026, appeal contains scattershot style objections that are devoid of substance, support, and legal analysis and fail to substantively address the issues as required by 15 AAC 56.020(a). One bullet point asserting the objection does not suffice. It is impossible for the Department to respond substantively to these deficient objections.

From the information the TAPS Owners provided the Department in November of 2025, an RCN report and an appraisal report, the TAPS owners positions appear to be identical but opposite of the Municipalities.

- 1) The Department incorrectly determined TAPS RCN; and
- 2) The Department incorrectly determined TAPS proven reserves-based depreciation; and
- 3) Therefore, the Departments 2026 preliminary assessed value of TAPS is too high.

Neither the TAPS Owners nor the Municipalities have demonstrated that the Department’s 2026 TAPS assessment is incorrect, improper, or unreasonable. Instead, the appeals simply express a preference for different assessment methods, outside of the Department’s standard mass appraisal practices, and in the case

of the TAPS Owners' appraisal, outside of what the law under AS 43.56 and appraisal standards allow. The Municipalities also failed to provide their TAPS appraisal to the Department with time to consider it during the assessment process, which is improper.¹⁰

The Department has broad discretion to choose among valuation methodologies to assess the full and true value of AS 43.56 oil and gas property.¹¹ Appealing parties bear the burden of proving that the Department erred in its assessment.¹² Appealing parties must show the assessed value is "unequal, excessive, or [an] improper valuation" or that the valuation was "not determined in accordance with the standards set out" in AS 43.56.¹³ Appealing parties must also rebut the presumption that the Department's assessments are correct.¹⁴ And must also meet this burden by a preponderance of the evidence.¹⁵ It is not enough for appealing parties to "argue that the valuation was inadequate or demand a justification from the taxing authority."¹⁶ The assessment of TAPS property is a uniform application of the law and generally accepted appraisal principles, which have been previously affirmed by the Alaska courts.¹⁷ The appealing parties have not met their burden.

3. Decision

Based on the foregoing analysis the Department's 2026 TAPS assessment of \$10,318,214,790 is upheld.

¹⁰ *In the Matter of: The Trans-Alaska Pipeline System*, 2015 WL 5813228 at *7-8.

¹¹ *Kelley v. Municipality of Anchorage*, 442 P.3d 725, 728 (Alaska 2019) (remarking on the consistency of the Court's holdings that taxing authorities have broad discretion in deciding among recognized valuation methods); *N. Star Alaska Hous. Corp. v. Fairbanks N. Star Borough Bd. of Equalization*, 778 P.2d 1140, 1143-44 (Alaska 1989) ("If there is a reasonable basis for the taxing method used by an agency, that method will be allowed so long as there [is] no fraud or clear adoption of a fundamentally wrong principle of valuation." (quoting *Hoblit v. Greater Anchorage Area Borough*, 473 P.2d 630, 632 (Alaska 1970) (internal quotation marks omitted))); see also *Twentieth Century Investment Co. v. City of Juneau*, 359 P.2d 783, 788 (Alaska 1961) (holding assessor may choose one recognized method of valuation over another); *BP Pipelines I* at 12, ¶ 22 (DOR should be given deference in choosing assessment method)).

¹² AS 43.56.130(d) ("The appellant bears the burden of proof at the hearing."); 15 AAC 56.040(g).

¹³ AS 43.56.130(f); 15 AAC 56.042(g).

¹⁴ 15 AAC 56.040(g) ("The assessed value of the property in the notice of assessment, including any adjustments determined in the informal conference, is presumed to be correct."). In previous decisions, the SARB has described this presumption and the appellants' burdens under AS 43.56 as deference to the assessor's opinion of value. See, e.g., *In the Matter of the Trans-Alaska Pipeline System*, 2013 WL 4519513 at *9-10.

¹⁵ Amended Decision Upon Reconsideration Following Trial de Novo for Tax Year 2006 at ¶ 20, *BP Pipelines, et al v. State, et al*, Case No. 3AN-06-08446 CI (Alaska Sup. Ct. Oct. 26, 2010).

¹⁶ *Cool Homes, Inc. v. Fairbanks N. Star Borough*, 860 P.2d 1248, 1263 (Alaska 1993).

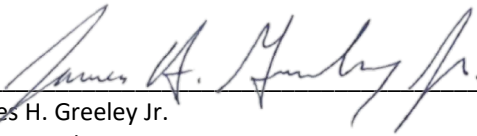
¹⁷ See Amended Decision Upon Reconsideration Following Trial de Novo for Tax Year 2006, *BP Pipelines, et al v. State, et al*, Case No. 3AN-06-08446 CI (Alaska Sup. Ct. Oct. 26, 2010); Decision Following Trial de Novo for Tax Years 2007-2009, *BP Pipelines, et al v. State, et. al*, 3AN-06-08446 CI (Alaska Sup. Ct. Dec. 30, 2011); *BP Pipelines (Alaska) Inc. v. State, Dep't of Revenue*, 325 P.3d 478 (Alaska 2014); *State, Dep't of Revenue v. BP Pipelines (Alaska) Inc.*, 354 P.3d 1053 (Alaska 2015).

APPEAL NOTICE

The foregoing decision is a decision of the Department under 15 AAC 56.020(c). The decision may be appealed to the State Assessment Review Board within 50 days of the effective date of the original Notice of Assessment by filing a written appeal pursuant to 15 AAC 56.030. Appeals to the State Assessment Review Board must be date stamped received by 4:00pm on or before the expiration of the 50-day period at the following address:

Department of Revenue, Tax Division
550 West Seventh Avenue, Suite 500
Anchorage, Alaska 99501
ATTN: Property Tax Section

DATED this 31st day of March 2026,

By: 
James H. Greeley Jr.
State Petroleum Property Assessor