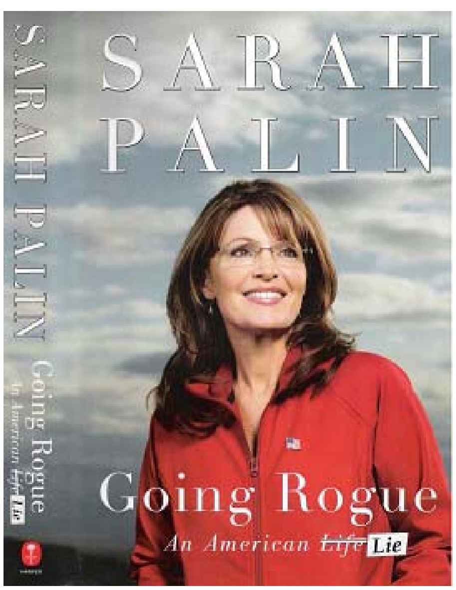
ACES in Palin World (Commentary)

Palin Mistakes on Energy Issues In *Going Rogue* Raise Questions About Her Capacity to Govern

Review of Palin's Claims on Oil and Gas Unmasks Alaska's Former Governor As a Maiden of Misinformation

By Richard A. Fineberg
December 21, 2009
(Revised Dec. 22, 2009)

As Sarah Palin's *Going Rogue* sales sail past the million mark and critics cackle over its many mistakes, two unreported misstatements about Alaska petroleum development form book-ends for her recently-published autobiography. The first occurs at the start, the other at the very end. Together, they add fuel to this question: Is Palin plagued by an astonishing inability to distinguish fact from fiction, an appalling disregard for truth and accuracy, or both? The book-ends further damage Palin's claim to energy expertise - a pretense she has frequently undermined since she ascending the national stage in 2008. The latest mistakes to surface also open the door to a new closet of energy skeletons from her tenure as governor that she failed to mention in recounting her political life.



In the opening pages of *Going Rogue: An American Life*, Palin tells readers that construction on the Trans-Alaska Pipeline project (TAPS) "began in 1975" and when oil began flowing in 1977 the "[t]he state raked in more revenue than anyone could have imagined - billions of dollars almost overnight." ***(1)*** Palin got key dates of the centerpiece of recent Alaska history wrong. In fact, TAPS construction project began in 1974. ***(2)*** Moreover, state records show that Alaska's annual revenue from petroleum operations did not exceed a billion dollars until 1980 - six years after TAPS construction began. ***(3)***

In view of her claim to be "a free-market capitalist . . . (who) understood the bottom line for the oil producers," ***(4)*** Palin's failure to recognize the time lag between investment in Alaska oil development and first pay-out is surprising. Moreover, her typically sloppy rendition of this piece of history distorts reality, providing a faulty basis for formulating public policy. For example: Palin's inaccurate claim that oil drilling produced billions of dollars for Alaska overnight lends erroneous support to her gung-ho advocacy of petroleum exploration and drilling in remote areas of northern Alaska. (Other misinformation Palin uses to support aggressive Arctic drilling is summarized in a recent post on this web site, which appears below.)

Four hundred pages after her shaky start, Palin closes *Going Rogue* with an e-mail note from a misinformed Alaska admirer that tells readers - erroneously - that she "constructed and enacted a new system of splitting the oil profits called 'ACES,' which was responsible for Alaskans elevating their economic status "from being merely wealthy to being filthy rich." ***(5)*** While there's nothing new about misinformation on the Internet, when myth and misinformation start creeping into the psyches of large groups of citizens, it's time to set the record straight: The most one might credit Palin for in this case is the act of convening a special state legislative session in late 2007 to deal with oil production tax issues. The bill she presented, which she dubbed ACES ("Alaska's Clear and Equitable Share"), was not an "entirely new way of calculating Alaska's share," as she would have readers believe. ***(6)*** Rather, Palin's ACES proposal merely fine-tuned the new, cost-based production tax system enacted by her predecessors the year before she arrived on the scene as governor. ***(7)*** Nor is the claim that Palin's work made Alaska "filthy rich" based on facts. According to a detailed analysis of the ACES legislation in the *Oil & Gas Journal*, as oil prices soared during the first year the ACES legislation was in place, the Palin modifications accounted for less than four percent of the state's total petroleum revenue. ***(8)*** In fact, a much larger share of the gains realized that year resulted from the Legislature's rejection and reversal of key elements of the Palin's ACES proposal.

Why would someone choose to end an autobiography with information that simply isn't true? Here is how Palin introduced the post-script to *Going Rogue*: "A friend forwarded to me a widely circulated e-mail that describes one ordinary citizen's view of my governorship. It is so Alaska - I had to share. I hope you get a good laugh as well." ***(9)*** While the obscure humor of the Palin post-script escapes me, the misinformation she presented prompts this troubling question: Is Palin deliberately perpetrating myths about her performance as governor?

I joined Palin's ACES team as a consultant in August 2007 with high hopes that were gradually but inexorably deflated. I had entered Palin World, a frenetic and topsy-turvy bureaucratic universe where slick phrases and inaccurate statements all too often pinch-hit for reality. In addition to providing insight into Palin's self-serving inaccuracies and distortions, I also report on a measure that I helped develop for the Palin team that would have enhanced the state's ability to deal with oil pipeline tariff overcharges, thereby stimulating competition while generating additional revenue for the state during the bill's first year. I was pleased that legislators enacted this measure as part of the ACES bill, but the Palin administration's subsequent attempts to write the necessary regulations turned out to be a dismal failure; the necessary implementing regulations have yet to be adopted - another example of a bureaucratic fiasco that Palin ignored while governing, then left behind.

(To read more on ACES in Palin World, click here.)

Endnotes

(1) Sarah Palin, *Going Rogue* (Harper Collins, 2009), pp. 3-4.

(2) Alyeska Pipeline Service Company, *The Facts* (Alyeska, 2007), p. 2 and "Pipeline Facts" (http://www.alyeska-pipe.com/Pipelinefacts/PipelineConstruction.html).

(3) State petroleum revenue totals include tax and royalties the state deposits in its general fund, as well as dedicated funds deposited in the Alaska Permanent Fund. (See: Alaska Department of Revenue, *Fall 2008 Revenue Sources Book*, pp. 31, 33 and Alaska Permanent Fund, *An Alaskan's Guide to the Permanent Fund*, September 1995, pp. 6, 9.)

(4) *Going Rogue*, pp. 125-126.

(5) Dewey Whetsell, "A View from Alaska," in *Going Rogue*, p. 406

(6) "[E]ntirely new . . . share" is Palin's phrase in *Going Rogue*, p. 163.

(7) In August 2006, after a long deliberation during the regular legislative session, followed by three special sessions, the Legislature enacted a shift from a price-based production tax (based on the price of oil, less the cost of transportation to market) to a cost-based production tax (based on the price of oil less the cost of production and the cost of transportation to market; sometimes referred to as a profits-based or net profits tax). For the 2006 statute itself, see: Alaska State Legislature, 24th Session, (Chapter 2, TSSLA 06; SCS CSHB 3001). For a summary of key provisions see: Cherie Nienhuis and Mark Edwards (Economists,

Alaska Dept. of Revenue), "Alaska Department of Revenue: A primer on the state's new petroleum production tax system," *Petroleum News*, April 22, 2007 (Acc 091208 at http://www.petroleumnews.com/pnads/777055166.shtml).

(8) Dan E. Dickinson and David A. Wood, "Alaskan tax reform: Intent met with oil," *Oil & Gas Journal*, May 25, 2009, pp. 24-25 (Table 2, "2008 Production Tax Revenues: Actual vs. Potential Under Alternative Mechanisms" [Col. 4, Item 4 - Item 3]).

(9) *Going Rogue*, p. 405.

ACES in Palin World
(Commentary Supplement)

[Home Page]

The Oil Patch

Reports and Research Memoranda

Archives

Richard A. Fineberg

Contact Information

Setting the Record Straight on Palin's *Going Rogue*

What Really Happened During that 2007 Special Session

Former Governor Claims Credit for ACES, But She Just Can't Seem To Tell It Like It Was

(Comment 11/11/09)
Nat'l Research Council Peer Review Panel: Palin Administration Runs Risk Assessment Onto the Rocks

By Richard A. Fineberg
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(Posted Dec. 21, 2009)

Although Sarah Palin would have readers believe that her 2007 state oil tax measure was a major accomplishment that demonstrates her executive prowess, the story she now tells takes a sledgehammer to facts with troubling disregard for accuracy. In Going Rogue, Palin claimed that the oil production tax proposal she christened ACES ("Alaska's Clear and Equitable Share") was entirely new because it was a hybrid system that combined (1) a minimum tax on gross receipts with (2) a net profits tax that would apply at higher oil prices but would be offset by (3) increased tax credits, and (4 and 5) implemented with (strong audit and information sharing provisions. "If that kind of explanation makes your eyes cross," she breezily concluded, "it's because we didn't yet have a catchy name for our proposal." ***(1)***

Eyes might well have crossed trying to reconcile reality with Palin's brief explanation of ACES for this simple reason: It was inaccurate and off-kilter. The first two elements of the "entirely new" system enacted during the special session were actually revisions of rates within the PPT (Petroleum Production Tax) system her predecessors created and enacted in 2006; the third also made minor changes to the existing system. The fourth and fifth items she listed dealt with intended improvements that, two years later, have yet to be implemented. They are part of the tall stack of unfulfilled promises and unfinished business that Palin left behind when she resigned from office. As discussed below, other key pieces of Palin's ACES proposal weren't adopted at all, but were rejected and reversed by the Legislature. Those reversals, increasing progressivity (instead of reducing it, as Palin proposed), had salutary results.

While the events recounted here focus on the 2007 ACES legislation, it should be noted that over the past year informed observers have reported that the Palin administration's failure to consider the consequences of ACES for natural gas production may hinder development of the long-delayed North Slope natural gas pipeline, thereby undercutting the possibility of building the pipeline she inaccurately told the nation was already underway when she accepted the vice-presidential nomination Sept. 3, 2008. ***(2)*** Two years after ACES was enacted, Palin's successor and state legislators are once again considering modifying the production tax, further dimming the luster of Palin's carefully polished image of ACES. ***(3)***

Preparing for ACES: Report from the Trenches

Palin announced her call for a special legislative session to deal with oil production tax issues August 3, 2007. According to her press release, the cost-based production tax implemented under Palin's predecessor in 2006 wasn't working properly. Due to a sudden, unanticipated increase in reported field costs, a short Revenue Department report released at the press conference explained, the new, cost-based tax was not generating as much revenue as its proponents had anticipated. The press release announcing the special session stated that the governor "has asked the [Revenue] department to have the proposal ready for release to the public by September 4, 2007. This will provide the Legislature and the public with more than 40 days to become familiar with the proposal before the special session begins." ***(4)***

Also on August 3, the Revenue Department announced the hiring of five consulting teams to help sort through the complex and controversial realities of petroleum taxation, craft legislation for the special session and then make the case for the proposal. ***(5)*** The issue, as the Revenue Department background paper released that day put it, was this: When the Legislature enacted a net profit-based tax system in 2006, did the legislators fully understand the risks inherent in the decision to add a major variable - cost deductions - to the state's former price-based production tax system? ***(6)*** The issue had been simmering for months. The executive actions of August 3 came 90 days after the Department of Revenue's *Spring 2007 Revenue Sources Book* had identified this problem. ***(7)***

I joined the Palin administration team as the leader of the only Alaska-based consulting firm selected to advise the Palin administration on this issue. My principal assignment was to help make sure, based on my experience, that the ideas of the visiting consultants, staff holdovers from previous administrations and newcomers to state officialdom could be meshed together and applied to the unusual economic and administrative realities of Alaska's oil patch. With the special session looming, I looked forward to the opportunity to serve, and to see from the inside how the state was dealing with current oil and gas issues.

In late August 2007 I arrived in Anchorage to spend four days with the Palin team participating in a set of briefings by the visiting international experts. Uncertainty and tension gripped the Palin team, whose members still didn't know exactly what course of action the governor would select. Most of the visiting specialists - and the state staff - favored keeping the new, profits-based tax because its tax bite, which reflected both costs and prices, was better calibrated to fluctuating petroleum revenue. But a coterie of legislators wanted to go back to the old (and simpler) price-based tax. But during her gubernatorial campaign, Palin had expressed support for the old tax. Nobody seemed to know which way Palin would go and many members of the team, effectively leaderless, seemed to be tightly wrapped in a state of controlled chaos. With the special session looming ever closer, Palin had yet to decide on the course of action she would recommend to the Legislature. ***(8)***

At that point, with the special session was less than two months away, I found the lack of a clearly defined proposal surprising, since the problem had been clearly identified months earlier. Nevertheless, I could sympathize with Palin's dilemma. In the absence of clear data on past and estimated North Slope oil production and transportation costs, revenue and tax collections and a practical game plan for fixing the tax collection process, I did not feel I could make a recommendation as to which tax vehicle to adopt, either. Fortunately, I didn't need to. During the ACES policy formulation period I never met with - or even saw - the governor. My consulting colleague Walter Parker (who had logged considerably more time than I with state agencies and previous governors of the 49th state) were both surprised by Governor Palin's absence from the scene.

On August 24, 2007 when word finally came down that Palin had been dragged -- "kicking and screaming," as she put it ***(9)*** -- to support the cost-based tax she had originally opposed. With Palin's self-imposed deadline for releasing the proposal 11 days away, officials were feverishly scribbling notes about how they would present materials to the public. At the time I was told in confidence that Palin wanted to maintain a gross tax element so that she could claim she had forged a political compromise. ***(10)*** Although we learned later that Palin had been quietly courting national attention, I doubt that anybody on the Palin administration team dreamed we'd be seeing the "ACES" spin in a million-book best seller two years later.

When it was finally released at a Sept. 4 press conference, the proposal that Palin promised to make available 40 days before the session began was a five-page handout that turned out to be a bust. (To review this document, click here.) The first page proclaimed three guiding principles:

- Fair Revenue to the State
- Attractive Investment Climate
  New Exploration
  Re-investment in Existing Fields (including "Heavy Oil")
- Transparency - Minimize Risk to the State

As a long-time advocate for greater clarity in oil revenue presentations to provide the public with a solid basis for evaluating oil and gas policy issues, I was delighted that transparency was prominently listed as a guiding principle. But when I looked at the final four pages of that document, I wanted to weep. The skimpy, five-page document the Palin team had prepared clearly violated that principle trumpeted in the opening page. The handout contained no discussion of policy issues, no background information and no links to more information. Moreover, on the data pages three different fiscal measuring systems (state FY 2008 total production tax revenue, total government take as a percentage of total project revenue in 2008; and industry life-of-field net present value) were smushed together without definitions. In fact, the data on the final three pages were so poorly presented that it was difficult to imagine a less transparent presentation.

Two weeks later, in another ACES-related presentation by the Palin team, an erroneous summary of state revenues provided another example of sloppy data presentation. Once again, the data were not accurate, clear or comprehensive. (To review this example, click here.) Both documents were discussed in my late 2008 posts on Palin's performance as governor. At that time, I was slow to blame the governor for the performance of her bureaucracy. In retrospect, I concluded that Palin's apparent lack of commitment to quality presentations signaled an unhealthy tolerance for subpar performance, rather than the commitment to clarity that found its way into the ACES acronym.

In light of this dismal showing, it should come as no surprise that when the special session began, the voluminous materials presented were far from clear or compelling. As the session unfolded, the Palin team had not put together a convincing case to support her proposal. I still found myself unable to answer this basic question: Should the state return to the price-based system Palin had previously advocated, or should the legislators stick with modifications to the new, profits-based tax Palin was now proposing? One problem that prevented me from supporting the ACES proposal was the failure to provide a practical plan for auditing reported field costs, whose unexpected escalation the Palin administration had identified as the root cause for the failure of the new, cost-based tax system to capture its fair share of rising oil prices. By that time I was working on a peripheral piece of the bill, discussed below, that had not been part of the initial proposal.

The special session was not without bright spots. For example, I watched with admiration as visiting consultants responded vigorously to bogus industry pleas to reduce their taxes. Though sometimes difficult to follow, the consultants did provide an interactive model that made it clear that the industry was not telling the whole story and was, in fact, masking significant North Slope profits. ***(11)*** Throughout the special session, this factor remained constant: Sarah Palin was seldom seen. As far as I could tell, she was strangely content to let her minions and the Legislature wander through the complexities of petroleum economics and sort out the problems associated with tax collection without her.

At least two major flaws were evident in Palin's proposed changes to the production tax structure. First, the proposed increase to the basic tax rate (from 22.5% to 25%) was offset in large measure by a reduction to the progressivity factor the state had adopted the preceding year as part of the new tax. The progressivity factor enables the tax bite to rise and fall with oil prices, which, as a general rule, is considered good for both the industry and the host government. But critics believed Palin's proposed progressivity reduction would fail to deliver to the state its fair share of the gains from high oil prices. The second flaw was that Palin's original ACES proposal would have calculated the tax on an annual price average, further denying both the state and the industry the benefits of a more price-sensitive monthly calculation already in place. ***(12)*** Reduced progressivity and annual rather than monthly tax computation countered Palin's increase to the basic production tax rate and severely degraded the sensitivity of the production tax to fluctuating oil prices.

In the end, the Legislature stayed with the profits-based tax, adopted the proposal to increase the basic production tax rate from 22.5% to 25% of net profits and rejected both of the flawed Palin administration proposals mentioned above. ***(13)*** According to the analysis of the ACES legislation in the *Oil & Gas Journal*, approximately $1.6 billion of the $2.0 billion increase in state production tax revenue over the measure enacted the year before Palin became governor can be attributed to the Legislature's decision to scuttle Palin's proposed progressivity rate decrease and replace it instead with a significant increase. ***(14)***

To put the ACES first-year fiscal results in perspective: The state's petroleum production tax is the largest generator of petroleum revenue for the state of Alaska, but not the only one. Other revenue sources are royalties, property and state income taxes. In the first year under the ACES production tax, total state petroleum revenues more than doubled, largely as a result of rising oil price, increasing from $5,352.9 million to $11,531.5 million. ***(15)*** While nearly three-quarters of this increase (roughly 40% of total state petroleum revenue) represents production tax gain, only a small portion can be attributed to Palin's ACES proposals. According to the *Oil & Gas Journal* analysis, almost 30% of the state's FY 2008 petroleum revenue total - a $3.3 billion gain - would have been captured under the profits-based tax implemented by Palin's predecessor in any event. As noted above, the Legislature can take credit for the $1.6 billion gained by reversing Palin's proposal to reduce progressivity; Palin's proposed increase to the production tax base, adopted by the Legislature, can take a bow for the remaining $0.4 billion gain, or 3.5% of the state's total petroleum revenue pot.

In sum, the personal impressions recounted here combine with the outline of ACES revenue effects to demonstrate that the summary of the ACES legislation Palin shared with her readers for laughs at the close of *Going Rogue* amounted to a lie and her own, self-serving description of the ACES legislation was also wildly inaccurate.

The $200 Million Sideshow

While working through documents during preparation for the special session, an obscure provision of the state production tax law caught my eye. That provision spells out general guidelines for dealing with transportation charges under both the old (price-based) and new (cost-based) production laws. ***(16)***

Because transportation charges are subtracted from the price of oil to determine the state's production tax base, overcharges reduce state revenue. According to a steady stream of court and regulatory agency opinions, throughout the life of North Slope production TAPS tariffs (shipping charges) have been excessive.

TAPS is one of the largest privately financed construction projects in history, and the three principal owners of TAPS (British Petroleum, ConocoPhillips and ExxonMobil) own more than 95% of TAPS and control a similar percentage of North Slope production. Due to this overlap, TAPS overcharges benefit North Slope producers by reducing their tax payments, while inhibiting development by their independent competitors, who must pay the excessive transportation charges out-of-pocket. After decades of dealing fitfully with pipeline overcharges, court and regulatory processes have begun nudging the tariff issue toward resolution, but excessive pipeline tariffs still reduce the state production tax and royalty base. ***(17)***

On inspection of the production tax statute governing transportation charges, I realized that minor changes to the section of the existing production tax statute dealing with transportation costs could enable the Revenue Department, in administering the production tax, to deal with the tariff overcharge issue. Although a pipeline tariff measure was not included in the Palin ACES proposal, the special session presented an opportunity to address this problem if legislators wished to do so. I brought this situation to the attention of the department and was assigned to work on the statutory changes that would enable the Revenue Department to correct this problem in its own bailiwick when sufficient evidence of tariff overcharges exists. State analysts told legislators that this provision would stimulate competition while generating an additional $160 to $200 million for the state during its first year. ***(18)***

This sideshow battle to improve the state fiscal regime was complicated by long-standing inter-agency tensions over tariff management issues. I was assigned by my handlers at the Department of Revenue to work with legislators on this issue and representatives of the administration would weigh in constructively at critical junctures, but the measure I was proposing did not represent administration policy; Governor Palin remained silent, aloof. Nevertheless, legislators realized that this measure could help speed resolution of tariff issues, assist in the recovery of hundreds of millions of dollars to the state due to past overcharges and enhance competition. The pipeline tariff fix was included in the final ACES measure that Governor Palin proudly signed it into law, but that's not the end of this story. ***(19)***

The pipeline tariff legislation required implementing regulations, which the Palin administration did not put in place. Instead of using information and substantive conclusions from tariff litigation to arrive at an appropriate tax determination, the Department of Revenue's drafted regulations that set up a cumbersome new tariff process, establishing a new venue that pipeline owners may be able to use to continue their quest for tariff overpayments while exposing shippers and pipeline operators to a new ratemaking proceeding that amounts to administrative double jeopardy. In June 2008, I felt compelled to join independent shippers in public opposition to the misguided draft regulations for the legislation I had worked to enact; by January 2009, the major oil companies had also objected. As of this date, the pipeline regulations are still wallowing in limbo. ***(20)*** In sum, the future of the pipeline tariff measure on which I worked, which was supposed to deliver an estimated $160 to $200 million for fiscal 2008 and aid open competition on the North Slope by demonstrating commitment to preventing tariff overcharges, remains uncertain.

With her characteristically insouciant disregard for facts and detail, in *Going Rogue* Palin did not mention the ACES oil pipeline tariff measure or its unfortunate fate.

Conclusion

When ACES legislation passed in November 2007, I entertained the notion that Governor Palin, to whom I had consulted, might be a skilled, apolitical maestro who managed to get things done while rising above the fray of normal politics. But events unfolding on several fronts early in 2008 convinced me that my initial judgment was wrong. Apart from the notable discrepancies between reality and the Palin World version of the ACES legislation, two other Alaska energy endeavors reported previously on this web site underscore the importance of the questions raised in this report about the numerous factual discrepancies between Palin's version of events and reality.

Example No. 1 (North Slope Natural Gas): Palin had barely set foot on the big stage when she stubbed her toe with the false claim that under her leadership construction had already begun on the long-delayed natural gas pipeline from the North Slope. ***(21)*** Contrary to the impression Palin gave when she accepted the vice-presidential nomination in September 2008, financing for this project has yet to be sanctioned. Nor have construction plans received the required approvals of the U.S. federal government or its Canadian counterpart.

After examining the mechanics of financing the proposed North Slope natural gas pipeline under Palin's Alaska Gas Line Inducement Act (AGIA) for the Alaska Public Interest Research Group, I reported on what I believe are major unanswered questions regarding the proposed natural gas pipeline tariff regime in July 2008. ***(22)*** After following up with legislators and members of the Palin team, I put together a packet of seven documents for the governor's review. In the second week of August 2008, I personally handed these documents to the governor during brief encounter in which requested a meeting with her to discuss why I found myself in respectful disagreement with her natural gas team. I offered to meet her in Anchorage, if necessary, to alert her to the facts and the questions that had led me to go rogue on her natural gas line plans. Palin was either unwilling or unable to meet with me and never responded to my concerns. Two weeks later, she ascended the national platform. (Click here for this web site's fall 2008 posts on Palin's natural gas pipeline efforts.)

In December of this year the U.S. Army Corps of Engineers quietly began convening public scoping meetings in Alaska to consider the recent petition of current Alaska Governor Sean Parnell, Sarah Palin's 2006 running mate and successor, that the federal government conduct an environmental impact statement (EIS) as a precursor to an in-state natural gas pipeline. ***(23)*** The project is known by the acronym ASAP - the Alaska Stand Alone Pipeline (ASAP). At the Fairbanks meeting Dec. 10, Michael Soptak, a consultant with ASRC Energy Services and the principal presenter for the ASAP project, commented that the state's request for an EIS for the in-state pipeline is driven by the fact that southcentral Alaska may be running out of gas. If we knew the Alaska Highway gas pipeline were going to be built, he explained, either under Palin's plan or the competing Denali project of two major North Slope producers, a spur line to the Anchorage / Cook Inlet region would be the most economic solution. But it will not be known until later this year whether financing for an Alaska Highway gas pipeline project can be found. That is why, Sotak explained, at this time it is necessary for the state to begin laying the groundwork for an in-state pipeline instead.

Palin's natural gas line claims are generally recognized to be exaggerations. Ne ertheless, I scanned her autobiography, hoping for insights into a fundamental question at the root of the long-delayed North Slope natural gas pipeline: Did Palin really move the North Slope natural gas project forward? Or did she simply distract from viable in-state development by urging the Alaska Legislature to throw a half billion dollars of state money at the industry in a mistaken effort to induce a project whose economics will be determined, in the end, by factors that include the volatile pricing of natural gas, the resulting bubble-prone oscillations of natural gas development and the effects of shale gas and other unconventional natural gas production triggered by the last decade's run-up in oil prices? In writing her autobiography, the erstwhile energy maven had a golden opportunity to speak to this important question, but she presented no new information or insights. If Palin were a male poilitician, we'd call her an empty suit or coat rack.

Example No. 2 (The Alaska Oil and Gas Infrastructure Risk Assessment Project): Even before Senator John McCain selected Sarah Palin to be his running-mate, her Alaska oil and gas infrastructure risk assessment project (ARA) seemed to be on the road to failure. How that project got stuck in the bureaucratic trenches has also been told on the pages of this web site. In this case, Palin's failure is documented in a record that includes a harsh rejection of her administration's game plan by an independent panel of national experts. (Information on this project was covered on this web site in posts of July - August 2009 and Nov. 11, 2009.)

In sum, review of Palin's record on Alaska energy issues reveals a very different picture from the superficial, self-serving story Palin tells in Going Rogue. Palin's efforts on ACES, AGIA and ARA all demonstrate this maiden of misinformation's startling inattention to the essential details of public administration. In my estimation, these shortcomings seriously undermine Sarah Palin's credibility, as well as her capacity to govern effectively.

Endnotes

(1) Here is Palin's description of the ACES bill in *Going Rogue*:

> "After my astute team of experts put their heads together, we arrived at an entirely new way of calculating Alaska's share of revenues derived from resource development: a hybrid system that included a minimum tax on gross receipts for the North Slope's oil fields, plus part of a net profits tax to encourage new development and reinvest in energy infrastructure via incentives we'd provide entrepreneurs keen on new exploration. It allowed for tax credits on future work, restricted capital expense deductions to scheduled maintenance, and implemented strong audit and information-sharing provisions.
>
> "If that kind of explanation makes your eyes cross, it's because we didn't yet have a catchy name for our proposal."

Palin then went on to describe (at considerably greater length) how the wife of her revenue commissioner dreamed up the acronym "ACES," which her partner brought to the governor the following morning. (Sarah Palin, *Going Rogue* [Harper Collins, 2009], pp. 163-164.)

(2) Dan E. Dickinson and David A. Wood, "Alaskan tax reform: Gas Raises Questions," *Oil & Gas Journal*, June 1, 2009, pp. 20-24 (second of two parts).

(3) Wesley Loy, "Seeking answers: 15 lawmakers ask Parnell if state oil tax policy helps or hurts Alaska investment," *Petroleum News*, Dec. 13, 2009.

(4) Office of the Governor, "Governor Palin Announces Special Session to Revisit Oil Taxes," August 3, 2007 (For Immediate Release 07-173).

(5) Associated Press, "State to hire consultants to review oil tax - TASK: Experts will look at other plans, consider alternatives to PPT," *Anchorage Daily News*, Aug. 4, 2007.

(6) Alaska Dept. of Revenue, "Petroleum Profits Tax (PPT) Implementation Status Report," Aug. 3, 2007, p. 5.

(7) Alaska Dept. of Revenue, *Fall 2007 Revenue Sources Book*, pp. 15-16.

(8) Nearly a month after calling the special session, in an extended interview with the *Anchorage Daily News*, Palin still expressed uncertaintywas asked whether she was going to push for the gross production tax she had talked about during the campaign. She responded:

> We are still evaluating, still creating the models ... and the recommendation to be presented on September 4. ... I think keeping it simple, keeping it transparent, not getting gamed is going to be certainly the criteria that is weighed the heaviest.

A few moments later, in response to another question, she left simplicity behind:

> ADN: And there is a lot of opportunity there for gaming the system, I think.
>
> PALIN: Well, OK, neither system, obviously, is simple and a gross ... really will evolve into more of a hybrid also to allow for the incentivizing, the credits to be provided for new investment. That's the ideal. ...
>
> It is going to be facts and figures and very, very hard data that shows what is going to be best for Alaska and . . . if it is going to be proven at the end of the day on September 3rd that a gross tax just wouldn't work for the State of Alaska because we couldn't find what those right incentives are to induce new investment, if gross wouldn't work, I would be the first one to say you know, I thought having a gross and keeping it real simple was the best thing for Alaska, but look at what the numbers tell us, so we can't go there.

The interview was published Sept. 3, 2007 -- the day before she announced the outline of her plan. ("Palin's oil agenda includes credits as well as tax," *Anchorage Daily News*, Sept. 3, 2007 [part II of 3-part series]).

(9) Adam Brinkley, "Aces and the Army," Sept. 13, 2007 [accessed Dec. 7 , 2009 at http://palinforvp.blogspot.com/2007/09/aces-and-army.html]).

(10) At that time, in-house we referred to the still-unformulated proposal that would later be known as ACES as a "netty-gross" tax.

(11) The work of consultants Robert George and Rich Ruggiero of Gaffney Cline & Associates, a Houston-based international consulting firm, was particularly insightful. In a blog report, *Anchorage Daily News* reporter Sean Cockerham told readers that anyone with an "Excel" program should be able to adjust the adjust the costs and tax rates and other factors in the examples BP presented and see the results by using the Gaffney Cline model. He noted that legislators from both sides of the aisle were impressed with the Gaffney Cline model and conclusions. ("More on Prudhoe profits," Nov. 2, 2007 [accessed Nov. 5, 2007 at http://community.adn.com/alaska/node/112776?page=2].) Cockerham also posted the interactive model the consultants created, which he accessed at http://www.gov.state.ak.us/aces/pdf/11-1-07%20Prudhoe%20Bay%20costs%20analysis.xls, [accessed Nov. 5, 2007]).

(12) See: "Palin's PPT Proposal: The bill at a glance," *Alaska Budget Report*, Oct. 22, 2007, p. 3.

(13) For inquiring minds (or restless insomniacs) who desire more substantive information, here is a summary of the essential mechanics of the net profits tax implemented in 2006, as modified by the ACES legislation in November 2007:

The progressivity feature selected by the Legislature after extended deliberations in 2006 kicked in to increase the 22.5% base production tax rate when the net profit per barrel of oil exceeded $40.00, raising the tax rate by 0.25% for every dollar increase in the net price. Thus, an increase in oil prices that raised net profits from (say) $40.00 to $60.00 per barrel would increase the tax rate by 5.0%, from 22.5% to 27.5%. The Legislature also capped the tax rate at a maximum of 47.5% (the rate that would apply to a barrel of oil with a net profit value of $140.00 per barrel).

Palin proposed to lower the progressivity trigger to $30.00 per barrel, while reducing the progressivity rate to 0.20% for every dollar increase in the net price of oil. During its month-long deliberations, the Legislature adopted the lower trigger but rejected Palin's progressivity cut. Instead, the Legislature increased the progressivity rate to 0.40% at net profit prices from $30.00 to $92.50 per barrel, at which point the increase in tax rate changes from 0.40% to 0.10% per barrel. The Legislature also raised the maximum tax rate to 75%.

(See: Alaska Dept. of Revenue, *Fall 2008 Revenue Sources Book*, pp. 32-34 and Dan E. Dickinson and David A. Wood, "Alaskan tax reform: Intent met with oil," *Oil & Gas Journal,* May 25, 2009, pp. 20-26 (first of two parts).

(14) See: Dickinson and Wood, "Alaskan tax reform: Intent met with oil," pp. 24-25 (Table 2, "2008 Production Tax Revenues: Actual vs. Potential Under Alternative Mechanisms"). Approximately half of production tax gains -- $2.0 billion -- would have been captured by the cost-based PPT statute enacted in 2006, the year before Palin took office.

(15) Total state petroleum revenues for state fiscal year 2008 (July 1, 2007 through June 30, 2008) and FY 2007 (July 1, 2006 through June 30, 2007) are calculated as follows: FY 2007 and 2008 petroleum revenues of $5,141.7 million and $11,255.0 million, respectively (Alaska Department of Revenue, *Fall 2008 Revenue Sources Book*, Dec. 08, p. 106), plus state property taxes distributed to municipalities of $211.2 million in state fiscal year 2007 (*Fall 2007 Revenue Sources Book*, p. 50) and $276.5 million in FY 2008 (*Fall 2008 Revenue Sources*, p. 57) in state fiscal year 2008.

(16) AS 43.55.150.

(17) For background on TAPS tariff issues, see posts on this web site summarized and linked to "Federal Energy Regulatory Commission (FERC) and State Supreme Court Confirm TAPS Overcharges, Hand Pipeline Owners Their Sixth Successive Defeat Since 2002," July 1, 2008.

(18) Antony Scott, "Transportation Deductions" (The Palin-Parnell Administration Presents ACES [Alaska's Clear and Equitable Share]), Oct. 30, 2007.

(19) The final version of the ACES bill (SCS CSHB 2001[FIN] am S) was signed into law as Chapter 1, SSSLA 07. Section 53 of that bill amended AS 43.55.150.

(20) Information from ADOR (personal communication).

(21) Here is what Palin said in St. Paul: "I fought to bring about the largest private-sector infrastructure project in North American history. And when that deal was struck, we began a nearly $40 billion natural gas pipeline to help lead America to energy independence" ("Text of Gov. Sarah Palin's speech," *Los Angeles Times*, Sept. 4, 2007).

(22) Richard A. Fineberg, "Unaddressed Questions: Critical Questions about the State's Findings on the TransCanada AGIA Proposal to Deliver North Slope Natural Gas to Commercial Markets" (report to the Alaska Public Interest Research Group), July 22, 2008.

(23) The Dec. 10, 2009 meeting in Fairbanks was one of a statewide series of meetings being held by the U.S. Army Corps of Engineers pursuant to notice posted in *Federal Register*, Vol. 74, No. 232 (Dec. 4, 2009), pp. 63736-63737.

The McCain-Palin campaign said that Palin was not advocating censorship.[9] Eventually, the Wasilla Library did remove the book in question, according to Kathy Martin-Albright who became library director in 2005: "The books were removed as part of ongoing collection development and not due to the subject matter presented in the books."[13].Â She defeated three-term incumbent John Stein, running on a platform of "fresh ideas and energy".[16]. For example, learners make grammatical mistakes because they apply the same grammatical patterns as in their L1. Read more in â€œLearner Englishâ€, a practical reference guide which compares the relevant features of a studentâ€™s own language with English, helping teachers to predict and understand the problems their students have. It has chapters focusing on major problems of pronunciation, grammar, vocabulary and other errors.Â We must correct all other types of mistakes, but donâ€™t try to correct all the mistakes students make, choose ones which are relevant to the lesson/topic/activity. Step 2 â€“ Choose the best time to correct (when).Â Students often use the wrong pronouns, for example â€œShe walked your dog.â€ You can point to yourself with a look of shock or surprise. In fact, the figure below shows how much faster low wages went up in states that raised their minimums. The differential for female workers is particularly large. Recent analysis Iâ€™ve done suggests that both of these factors â€” higher minimum wages and low unemployment â€” combine for a potent one-two punch to knock out wage stagnation for low-wage workers. AD. AD.Â Intrepid nerds are welcomed to go to my blog for statistical details, but rest assured, these are all common findings. Whatâ€™s far too uncommon is the willingness of policymakers to recognize that raising pay for low-wage workers is no mystery. They just have to shut their doors on the low-wage employer lobby and raise the minimum wage. AD. AD.