

JOHN BEL EDWARDS
GOVERNOR



THOMAS F. HARRIS
SECRETARY

State of Louisiana
DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE SECRETARY

March 5, 2016

The Honorable Kimberly L. Robinson
Secretary
Department of Revenue
P.O. Box 201
Baton Rouge, Louisiana 70821

Dear Ms. Robinson:

I have determined the natural gas severance tax *base rate adjustment* for fiscal year July 1, 2016 through June 30, 2017 to be 1.3992. Use of this *base rate adjustment* on a base tax rate of \$0.07 per MCF (thousand cubic feet) produces a tax rate of \$0.098 per MCF for the fiscal year beginning July 1, 2016.

La R.S. 47:633 specifies that effective July 1, 1992, the base natural gas severance tax rate shall be \$0.07 per MCF, to be adjusted annually thereafter by a *gas base rate adjustment*. R.S. 47:633 also provides that the tax rate shall never be less than \$0.07 per MCF. R.S. 47:633(9)(d)(i) directs the secretary of the Department of Natural Resources to determine the *gas base rate adjustment* for the 12-month period beginning July 1 of each year as follows:

The gas base rate adjustment for the applicable 12-month period is a fraction, the numerator of which shall be the average of the New York Mercantile Exchange (NYMEX) Henry Hub settled price on the last trading day for the month, as reported in the Wall Street Journal for the previous 12-month period ending on March 31, and the denominator of which shall be the average of the monthly average spot market prices of gas fuels delivered into the pipelines in Louisiana as reported by the Natural Gas Clearinghouse for the 12-month period ending March 31, 1990 (1.7446 \$/MMBTU). This *gas base rate adjustment* is then to be used by the secretary of the Department of Revenue to adjust the annual gas tax rate for the next fiscal year beginning on July 1 by multiplying the base tax rate by the *gas base rate adjustment*...

The numerator for the 12-month average settle price through March 2016 is 2.4411 \$/MMBTU (dollars per million British Thermal Units), Attachment 1. The attachment also provides all of the NYMEX Henry Hub data employed to calculate the preceding values.

If you have any questions, please contact Paul Miller or Manuel Lam of our Technology Assessment Division at (225) 342-8919.

Very truly yours,

A handwritten signature in blue ink, appearing to read "TFH".

Thomas F. Harris
Secretary

TFH:ML:ml
Enclosure

Natural Gas Severance Tax Computation

As specified in R.S. 47:633(9)(d)(i)

BASE YEAR

Base year price for use in denominator is \$1.7446 \$/MMBTU as specified by Act 387 of 1990 and Act 1 of 2003, Regular Sessions of the Legislature.

PRESENT YEAR

Present year price for use in numerator is the average of the New York Mercantile Exchange (NYMEX) Henry Hub settled price on the last trading day for the month, as reported in the Wall Street Journal for the previous twelve-month period starting April 1 of the previous year and ending March 31 of the present year.

YEAR	MONTH	SETTLE
2015	April	\$2.590 \$/MMBTU
2015	May	\$2.517 \$/MMBTU
2015	June	\$2.815 \$/MMBTU
2015	July	\$2.773 \$/MMBTU
2015	August	\$2.886 \$/MMBTU
2015	September	\$2.638 \$/MMBTU
2015	October	\$2.563 \$/MMBTU
2015	November	\$2.033 \$/MMBTU
2015	December	\$2.206 \$/MMBTU
2016	January	\$2.372 \$/MMBTU
2016	February	\$2.189 \$/MMBTU
2016	March	\$1.711 \$/MMBTU
2015/16 Year		\$2.441 \$/MMBTU

Present Year (PY) Price - Year 2015/16	\$2.4411 \$/MMBTU
Base Year (BY) Price	\$1.7446 \$/MMBTU
Base natural gas severance tax rate (BST)	\$0.07 per MCF

FISCAL YEAR 2016/17

NATURAL GAS BASE RATE ADJUSTMENT (GBRA)

$$\text{GBRA} = \text{PY} \div \text{BY} = 2.4411 / 1.7446 = 1.3992$$

NEW ANNUAL GAS TAX RATE (AGTR)

$$\text{AGTR} = \text{BST} \times \text{GBRA} = 1.3992 \times \$0.07 = \quad \mathbf{\$0.0979}$$

Fiscal Year 2016/17 ANNUAL GAS TAX RATE = \$0.098 per MCF
