March 2000

## SUMMARY OF ELECTRIC UTILITY INDUSTRY TAXATION PROPOSALS SUBMITTED TO THE ELECTRIC INDUSTRY COMPETITION COMMITTEE

This memorandum briefly summarizes the electric utility industry taxation proposals that have been submitted by the Association of Rural Electric Cooperatives and the state's investor-owned utilities to the Electric Industry Competition Committee. To facilitate comparison of the proposals, the taxation of the generation function, transmission function, and distribution function are separated.

	Association of Rural Electric Cooperatives	Association of Rural Electric Cooperatives		
	Proposal A	Proposal B	Investor-Owned Utilities Proposal	Notes
Generation	The proposal would leave in place the current	The proposal would leave in place the current	The proposal would leave in place the current	
	coal conversion and coal severance taxes. The	coal conversion and coal severance taxes.	coal conversion and coal severance taxes.	
	coal conversion tax is a privilege tax imposed	The coal conversion tax is a privilege tax	The coal conversion tax is a privilege tax	
	on the operator of a coal conversion facility,	imposed on the operator of a coal conversion	imposed on the operator of a coal conversion	
	which is defined to include any coal-fired electric	facility, which is defined to include any coal-	facility, which is defined to include any coal-	
	generating unit with a capacity of 120 mega-	fired electric generating unit with a capacity of	fired electric generating unit with a capacity of	
	watts or more. It is a tax in lieu of a property tax	120 megawatts or more. It is a tax in lieu of a	120 megawatts or more. It is a tax in lieu of a	
	on the plant itself but not on the land which	property tax on the plant itself but not on the	property tax on the plant itself but not on the	
	remains subject to a property tax. The tax is	land which remains subject to a property tax.	land which remains subject to a property tax.	
	one-quarter mill times 60 percent of installed	The tax is one-quarter mill times 60 percent of	The tax is one-quarter mill times 60 percent of	
	capacity times the number of hours in the	installed capacity times the number of hours	installed capacity times the number of hours in	
	taxable period and one-quarter mill per kilowatt-	in the taxable period and one-quarter mill per	the taxable period and one-quarter mill per	
	hour of electricity produced for sale. The coal	kilowatt-hour of electricity produced for sale.	kilowatt-hour of electricity produced for sale.	
	severance tax is a tax on the removal of coal	The coal severance tax is a tax on the	The coal severance tax is a tax on the	
	from the ground. The tax is applied at a rate of	removal of coal from the ground. The tax is	removal of coal from the ground. The tax is	
	75 cents per ton, with an additional two cents	applied at a rate of 75 cents per ton, with an	applied at a rate of 75 cents per ton, with an	
	per ton for the lignite research fund.	additional two cents per ton for the lignite	additional two cents per ton for the lignite	
		research fund.	research fund.	
Transmission	The proposal would tax all transmission facilities	The proposal would tax all transmission facili-	The proposal would tax all transmission facili-	
	on a line-mile basis based on the following	ties on a line-mile basis based on the	ties on a line-mile basis based on the following	
	rates:	following rates:	rates:	
	<ul> <li>Transmission lines under 75 kilovolts - \$100 per mile</li> </ul>	<ul> <li>Transmission lines under 50 kilovolts - \$75 per mile</li> </ul>	<ul> <li>Transmission lines of 41.6 kilovolts - \$200 per mile</li> </ul>	
	Transmission lines from 75 to 149 kilo-	<ul> <li>Transmission lines from 50 to 99 kilo-</li> </ul>	Transmission lines of 57 kilovolts -	
	volts - \$200 per mile	volts - \$150 per mile	\$300 per mile	
	<ul> <li>Transmission lines from 150 to 224 kilo-</li> </ul>	<ul> <li>Transmission lines from 100 to</li> </ul>	<ul> <li>Transmission lines of 69 kilovolts -</li> </ul>	
	volts - \$300 per mile	199 kilovolts - \$300 per mile	\$500 per mile	
	Transmission lines from 225 to 299 kilo-	Transmission lines from 200 to	Transmission lines of 115 kilovolts -	
	volts - \$400 per mile	299 kilovolts - \$450 per mile	\$600 per mile	
	Transmission lines of 300 kilovolts or	Transmission lines from 300 to	Transmission lines of 230 kilovolts -	
	more - \$500 per mile	399 kilovolts - \$600 per mile	\$800 per mile	
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	Association of Rural Electric Cooperatives	Association of Rural Electric Cooperatives		
	Proposal A	Proposal B	Investor-Owned Utilities Proposal	Notes
		<ul> <li>Transmission lines of 400 kilovolts or</li> </ul>	<ul> <li>Transmission lines of 345 kilovolts -</li> </ul>	
		more - \$900 per mile	\$1,000 per mile	
			<ul> <li>Transmission lines of 400 kilovolts -</li> </ul>	
			\$1,200 per mile	
Distribution	Utilities would be charged a tax on the distribu-	Utilities would be charged a tax on the distri-	Utilities would be charged a distribution tax of	
	tion component using a two-part formula. A flat	bution component using a two-part formula. A	\$1.5255 per megawatt-hour for residential and	
	tax of 62 cents per megawatt hour of delivered	flat tax of 59 cents per megawatt hour of	other classes of customers and \$.9153 per	
	power and a tax of one percent of revenue		megawatt-hour for commercial and industrial	
	collected on the retail sale of kilowatt-hours of	revenue collected on the retail sale of	customers. This component also includes a	
	electricity.	kilowatt-hours of electricity.	power marketer tax of \$.4416 per	
			megawatt-hour.	
Taxes	Replaces gross receipts and transmission line	, , , , ,	Replaces gross receipts and transmission line	
replaced	taxes paid by rural electric cooperatives and		taxes paid by rural electric cooperatives, prop-	
	property taxes paid by investor-owned utilities.	property taxes paid by investor-owned	erty taxes paid by investor-owned utilities, and	
		utilities.	state income taxes paid by investor-owned	
			utilities.	