

## 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.

	<b>Association of Rural Electric Cooperatives Proposal A</b>	<b>Association of Rural Electric Cooperatives Proposal B</b>	<b>Investor-Owned Utilities Proposal</b>	<b>Notes</b>
<b>Generation</b>	The proposal would leave in place the current coal conversion and coal severance taxes. The coal conversion tax is a privilege tax imposed on the operator of a coal conversion facility, which is defined to include any coal-fired electric generating unit with a capacity of 120 megawatts or more. It is a tax in lieu of a property tax on the plant itself but not on the land which remains subject to a property tax. The tax is one-quarter mill times 60 percent of installed capacity times the number of hours in the taxable period and one-quarter mill per kilowatt-hour of electricity produced for sale. The coal severance tax is a tax on the removal of coal from the ground. The tax is applied at a rate of 75 cents per ton, with an additional two cents per ton for the lignite research fund.	The proposal would leave in place the current coal conversion and coal severance taxes. The coal conversion tax is a privilege tax imposed on the operator of a coal conversion facility, which is defined to include any coal-fired electric generating unit with a capacity of 120 megawatts or more. It is a tax in lieu of a property tax on the plant itself but not on the land which remains subject to a property tax. The tax is one-quarter mill times 60 percent of installed capacity times the number of hours in the taxable period and one-quarter mill per kilowatt-hour of electricity produced for sale. The coal severance tax is a tax on the removal of coal from the ground. The tax is applied at a rate of 75 cents per ton, with an additional two cents per ton for the lignite research fund.	The proposal would leave in place the current coal conversion and coal severance taxes. The coal conversion tax is a privilege tax imposed on the operator of a coal conversion facility, which is defined to include any coal-fired electric generating unit with a capacity of 120 megawatts or more. It is a tax in lieu of a property tax on the plant itself but not on the land which remains subject to a property tax. The tax is one-quarter mill times 60 percent of installed capacity times the number of hours in the taxable period and one-quarter mill per kilowatt-hour of electricity produced for sale. The coal severance tax is a tax on the removal of coal from the ground. The tax is applied at a rate of 75 cents per ton, with an additional two cents per ton for the lignite research fund.	
<b>Transmission</b>	The proposal would tax all transmission facilities on a line-mile basis based on the following rates: <ul style="list-style-type: none"> <li>• Transmission lines under 75 kilovolts - \$100 per mile</li> <li>• Transmission lines from 75 to 149 kilovolts - \$200 per mile</li> <li>• Transmission lines from 150 to 224 kilovolts - \$300 per mile</li> <li>• Transmission lines from 225 to 299 kilovolts - \$400 per mile</li> <li>• Transmission lines of 300 kilovolts or more - \$500 per mile</li> </ul>	The proposal would tax all transmission facilities on a line-mile basis based on the following rates: <ul style="list-style-type: none"> <li>• Transmission lines under 50 kilovolts - \$75 per mile</li> <li>• Transmission lines from 50 to 99 kilovolts - \$150 per mile</li> <li>• Transmission lines from 100 to 199 kilovolts - \$300 per mile</li> <li>• Transmission lines from 200 to 299 kilovolts - \$450 per mile</li> <li>• Transmission lines from 300 to 399 kilovolts - \$600 per mile</li> </ul>	The proposal would tax all transmission facilities on a line-mile basis based on the following rates: <ul style="list-style-type: none"> <li>• Transmission lines of 41.6 kilovolts - \$200 per mile</li> <li>• Transmission lines of 57 kilovolts - \$300 per mile</li> <li>• Transmission lines of 69 kilovolts - \$500 per mile</li> <li>• Transmission lines of 115 kilovolts - \$600 per mile</li> <li>• Transmission lines of 230 kilovolts - \$800 per mile</li> </ul>	

	<b>Association of Rural Electric Cooperatives Proposal A</b>	<b>Association of Rural Electric Cooperatives Proposal B</b>	<b>Investor-Owned Utilities Proposal</b>	<b>Notes</b>
<b>Distribution</b>	Utilities would be charged a tax on the distribution component using a two-part formula. A flat tax of 62 cents per megawatt hour of delivered power and a tax of one percent of revenue collected on the retail sale of kilowatt-hours of electricity.	<ul style="list-style-type: none"> <li>Transmission lines of 400 kilovolts or more - \$900 per mile</li> </ul> Utilities would be charged a tax on the distribution component using a two-part formula. A flat tax of 59 cents per megawatt hour of delivered power and a tax of .95 percent of revenue collected on the retail sale of kilowatt-hours of electricity.	<ul style="list-style-type: none"> <li>Transmission lines of 345 kilovolts - \$1,000 per mile</li> <li>Transmission lines of 400 kilovolts - \$1,200 per mile</li> </ul> Utilities would be charged a distribution tax of \$1.5255 per megawatt-hour for residential and other classes of customers and \$.9153 per megawatt-hour for commercial and industrial customers. This component also includes a power marketer tax of \$.4416 per megawatt-hour.	
<b>Taxes replaced</b>	Replaces gross receipts and transmission line taxes paid by rural electric cooperatives and property taxes paid by investor-owned utilities.	Replaces gross receipts and transmission line taxes paid by rural electric cooperatives and property taxes paid by investor-owned utilities.	Replaces gross receipts and transmission line taxes paid by rural electric cooperatives, property taxes paid by investor-owned utilities, and state income taxes paid by investor-owned utilities.	