

House Engrossed

FILED
KEN BENNETT
SECRETARY OF STATE

State of Arizona
House of Representatives
Fifty-first Legislature
First Regular Session
2013

CHAPTER 226

HOUSE BILL 2346

AN ACT

AMENDING SECTIONS 42-14154 AND 42-14157, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 14, ARTICLE 4, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-14159; RELATING TO VALUATION OF CENTRALLY ASSESSED PROPERTY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 42-14154, Arizona Revised Statutes, is amended to
3 read:

4 42-14154. Computing valuation of electric transmission,
5 electric distribution, gas distribution,
6 combination gas and electric transmission and
7 distribution, and transmission and distribution
8 cooperative property; definitions

9 A. The valuation of all electric transmission, electric distribution,
10 gas distribution, combination gas and electric transmission and distribution,
11 and transmission and distribution cooperative property that is subject to
12 valuation for tax purposes shall be determined in the manner prescribed by
13 this section except for:

14 1. The property of member-owned nonprofit electric distribution
15 cooperatives.

16 2. Renewable energy equipment that is valued pursuant to section
17 42-14155.

18 B. Electric transmission, electric distribution, gas distribution,
19 combination gas and electric transmission and distribution, and transmission
20 and distribution cooperative property shall be valued as follows:

21 1. The department shall determine the original plant in service cost.

22 2. The original plant in service cost shall then be reduced by:

23 (a) The related accumulated provision for depreciation.

24 (b) The reduction in value caused by a state or federal governmental
25 order prohibiting total or partial physical use of electric transmission,
26 electric distribution, gas distribution, combination gas and electric
27 transmission and distribution, and transmission and distribution cooperative
28 property for periods of more than six months. Any reductions in value caused
29 by a total or partial prohibition of the physical use of the property shall
30 not exceed the cost of the restricted property less accumulated depreciation.

31 3. The department shall not value contributions in aid of
32 construction.

33 C. The value of construction work in progress is fifty per cent of the
34 amount spent and entered on the taxpayer's accounting records as of December
35 31 of the preceding calendar year as construction work in progress.

36 D. The value of materials and supplies is the total cost of such
37 property as of December 31 of the preceding calendar year.

38 E. The value of environmental protection facilities that are required
39 by law is fifty per cent of the depreciated cost of the facilities.

40 F. All terms and applications of terms shall be interpreted according
41 to the federal energy regulatory commission uniform system of accounts for
42 electric and gas utilities in effect on January 1, 1989.

1 G. For the purposes of this section, unless the context otherwise
2 requires:

3 1. "Construction work in progress" means the total of the balances of
4 work orders for an electric transmission, electric distribution, gas
5 distribution, combination gas and electric transmission and distribution, and
6 transmission and distribution cooperative plant in process of construction on
7 December 31 of the preceding calendar year, exclusive of land rights and
8 licensed vehicles.

9 2. "Depreciation" means straight line depreciation over the useful
10 life of the item of property.

11 3. "Distribution cooperative" means a member-owned nonprofit electric
12 distribution cooperative corporation that is organized under or becomes
13 subject to title 10, chapter 19, article 2 OR TITLE 10, CHAPTERS 24 THROUGH
14 40.

15 4. "Electric transmission, electric distribution, gas distribution,
16 combination gas and electric transmission and distribution, and transmission
17 and distribution cooperative property" means plant, construction work in
18 progress, materials and supplies and environmental protection facilities.

19 5. "Environmental protection facilities" means the acquisition or
20 construction cost of any building, structure, equipment, facility or
21 improvement that is designed and constructed solely to control, reduce,
22 prevent or abate:

23 (a) Discharges or releases into the environment of gaseous, liquid or
24 solid substances, heat or noise.

25 (b) Any other adverse impact of an activity on the environment.

26 6. "Materials and supplies" means the cost, including sales, use and
27 excise taxes, and transportation costs to point of delivery in this state,
28 less purchases and trade discounts, of all unapplied material and supplies on
29 hand in this state as of December 31 of the preceding calendar year.

30 7. "Original plant in service cost" means the actual cost of acquiring
31 or constructing property including additions, retirements, adjustments and
32 transfers, but without deducting related accumulated provision for
33 depreciation, amortization or other purposes.

34 8. "Plant" means all property that is situated in this state and that
35 is used or useful for the transmission or distribution of electric power or
36 distribution of natural gas. Plant does not include land rights, materials
37 and supplies and licensed vehicles.

38 9. "Transmission cooperative" means a member-owned nonprofit electric
39 transmission cooperative corporation that is organized under or becomes
40 subject to title 10, chapter 19, article 4.

1 Sec. 2. Section 42-14157, Arizona Revised Statutes, is amended to
2 read:

3 42-14157. Allocation of electric transmission, distribution and
4 generation values among taxing jurisdictions;
5 definition

6 A. The value of property computed under sections 42-14154 and,
7 42-14156 AND 42-14159 shall be allocated among the various taxing
8 jurisdictions as follows:

9 1. Combine the values for plant in service and materials and supplies
10 pursuant to section 42-14154 OR 42-14159 with the value of electric
11 generation facilities pursuant to section 42-14156 for the owner or the
12 combined group.

13 2. Combine the original plant in service costs and materials and
14 supplies pursuant to section 42-14154 OR 42-14159 with the original cost of
15 generation plant facilities pursuant to section 42-14156 for the owner or the
16 combined group.

17 3. Allocate the value determined under paragraph 1 OF THIS SUBSECTION
18 among the respective taxing jurisdictions in proportion to the original cost
19 determined under paragraph 2 OF THIS SUBSECTION.

20 B. The unit value of environmental protection facilities under section
21 42-14154 OR 42-14159 shall be allocated among the various taxing
22 jurisdictions in proportion to the original cost of the environmental
23 protection facilities of the owner or THE combined group in the respective
24 taxing jurisdiction.

25 C. Construction work in progress determined under sections 42-14154
26 and, 42-14156 AND 42-14159 shall be allocated among the various taxing
27 jurisdictions on a situs basis separately from the unit value of
28 environmental protection facilities.

29 D. The unit value of renewable energy equipment determined under
30 section 42-14155 shall be allocated among the various taxing jurisdictions in
31 proportion to the original cost of the renewable energy equipment of the
32 owner OR THE COMBINED GROUP in the respective taxing jurisdiction.

33 E. For the purposes of this section, "combined group" means all
34 corporations and other entities that are at least eighty per cent owned or
35 controlled by a common parent entity, determined by reference to voting
36 shares.

37 Sec. 3. Title 42, chapter 14, article 4, Arizona Revised Statutes, is
38 amended by adding section 42-14159, to read:

39 42-14159. Computing valuation of distribution cooperatives;
40 standard market value factor; definition

41 A. THE DEPARTMENT SHALL DETERMINE THE VALUATION OF THE ELECTRIC
42 DISTRIBUTION AND TRANSMISSION PROPERTY OF A DISTRIBUTION COOPERATIVE AS
43 DEFINED IN SECTION 42-14154 THAT IS OPERATING IN THIS STATE AS FOLLOWS:

44 1. COMPUTE THE VALUE OF THE PROPERTY PURSUANT TO SECTION 42-14154,
45 SUBSECTION B.

1 2. MULTIPLY THE VALUE COMPUTED UNDER PARAGRAPH 1 OF THIS SUBSECTION BY
2 THE STANDARD MARKET VALUE FACTOR DETERMINED UNDER SUBSECTION E OF THIS
3 SECTION.

4 B. THE VALUE OF CONSTRUCTION WORK IN PROGRESS IS FIFTY PER CENT OF THE
5 AMOUNT SPENT AND ENTERED ON THE TAXPAYER'S ACCOUNTING RECORDS AS OF DECEMBER
6 31 OF THE PRECEDING CALENDAR YEAR AS CONSTRUCTION WORK IN PROGRESS.

7 C. THE VALUE OF MATERIALS AND SUPPLIES IS THE TOTAL COST OF THIS
8 PROPERTY AS OF DECEMBER 31 OF THE PRECEDING CALENDAR YEAR.

9 D. THE VALUE OF ENVIRONMENTAL PROTECTION FACILITIES THAT ARE REQUIRED
10 BY LAW IS FIFTY PER CENT OF THE DEPRECIATED COST OF THE FACILITIES.

11 E. THE STANDARD MARKET VALUE FACTOR SHALL BE DETERMINED AS FOLLOWS:

12 1. USING THE MOST RECENT PUBLICLY AVAILABLE DATA OBTAINED FROM ANNUAL
13 REPORTS PRODUCED BY THE FEDERAL ENERGY REGULATORY COMMISSION FOR EACH
14 INVESTOR-OWNED ELECTRIC UTILITY OPERATING IN THIS STATE, CALCULATE THE
15 FOLLOWING STANDARD FACTORS FOR EACH INVESTOR-OWNED ELECTRIC UTILITY:

16 (a) MEGAWATT HOURS SOLD TO ULTIMATE CUSTOMERS PER ULTIMATE CUSTOMER.

17 (b) MEGAWATT HOURS SOLD TO ULTIMATE CUSTOMERS PER NET DOLLAR INVESTED
18 IN DISTRIBUTION PLANT.

19 (c) MEGAWATT HOURS SOLD TO ULTIMATE CUSTOMERS PER DOLLAR OF OPERATING
20 AND MAINTENANCE EXPENSE.

21 (d) MEGAWATT HOURS SOLD TO ULTIMATE CUSTOMERS PER DOLLAR OF
22 DISTRIBUTION OPERATING AND MAINTENANCE EXPENSE.

23 (e) THE NUMBER OF ULTIMATE CUSTOMERS PER NET DOLLAR INVESTED IN
24 DISTRIBUTION PLANT.

25 (f) THE NUMBER OF ULTIMATE CUSTOMERS PER MILE OF DISTRIBUTION LINE.

26 2. DETERMINE THE AVERAGE OF EACH OF THE SIX STANDARD FACTORS UNDER
27 PARAGRAPH 1 OF THIS SUBSECTION FOR THE INVESTOR-OWNED ELECTRIC UTILITIES
28 OPERATING IN THIS STATE AS FOLLOWS:

29 (a) FOR EACH FACTOR, ADD THE VALUES OBTAINED FOR THAT FACTOR FOR ALL
30 INVESTOR-OWNED ELECTRIC UTILITIES OPERATING IN THIS STATE.

31 (b) DIVIDE THE SUM OBTAINED UNDER SUBDIVISION (a) OF THIS PARAGRAPH
32 FOR EACH FACTOR BY THE NUMBER OF INVESTOR-OWNED ELECTRIC UTILITIES OPERATING
33 IN THIS STATE THAT WERE INCLUDED IN THE CALCULATION UNDER SUBDIVISION (a) OF
34 THIS PARAGRAPH FOR THAT FACTOR.

35 3. USING INFORMATION OBTAINED FROM THE MOST RECENT REPORT FILED WITH
36 THE DEPARTMENT UNDER SECTION 42-14152, CALCULATE EACH OF THE STANDARD FACTORS
37 UNDER PARAGRAPH 1 OF THIS SUBSECTION FOR THE DISTRIBUTION COOPERATIVE.

38 4. DIVIDE EACH OF THE SIX STANDARD FACTORS FOR THE DISTRIBUTION
39 COOPERATIVE CALCULATED UNDER PARAGRAPH 3 OF THIS SUBSECTION BY THE
40 CORRESPONDING AVERAGE STANDARD FACTORS CALCULATED UNDER PARAGRAPH 2 OF THIS
41 SUBSECTION.

42 5. ADD THE SIX RATIOS CALCULATED PURSUANT TO PARAGRAPH 4 OF THIS
43 SUBSECTION, AND DIVIDE THAT SUM BY SIX. THE QUOTIENT IS THE STANDARD MARKET
44 VALUE FACTOR.

1 F. FOR THE PURPOSES OF THIS SECTION:

2 1. "DISTRIBUTION LINE" MEANS A LINE THAT IS CAPABLE OF TRANSPORTING
3 VOLTAGE OF 69,000 VOLTS OR LESS AND THAT IS EMPLOYED BETWEEN THE PRIMARY
4 SOURCE OF POWER SUPPLY AND DELIVERY TO A CUSTOMER.

5 2. "DISTRIBUTION PLANT" MEANS ALL PROPERTY THAT IS SITUATED IN THIS
6 STATE AND THAT IS USED OR USEFUL FOR THE DISTRIBUTION OF ELECTRIC POWER
7 EXCEPT LAND RIGHTS, MATERIALS AND SUPPLIES, AND LICENSED VEHICLES.

8 3. "INVESTOR-OWNED ELECTRIC UTILITY" MEANS A BUSINESS ORGANIZATION
9 THAT PROVIDES ELECTRIC POWER PRODUCTION AND DISTRIBUTION, IS REGARDED AS A
10 UTILITY AND IS MANAGED AS A PRIVATE ENTERPRISE RATHER THAN A FUNCTION OF A
11 GOVERNMENT OR AS A UTILITY COOPERATIVE.

12 Sec. 4. Applicability

13 Sections 42-14154 and 42-14157, Arizona Revised Statutes, as amended by
14 this act and section 42-14159, Arizona Revised Statutes, as added by this
15 act, apply to valuation years beginning from and after December 31, 2013.

APPROVED BY THE GOVERNOR JUNE 19, 2013.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 19, 2013.

Passed the House February 28, 2013

Passed the Senate May 7, 2013

by the following vote: 56 Ayes,

by the following vote: 24 Ayes,

0 Nays, 4 Not Voting

0 Nays, 6 Not Voting



Speaker of the House



President of the Senate



Chief Clerk of the House



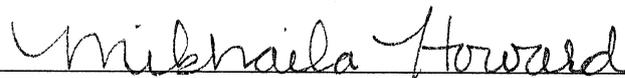
~~Assistant~~ Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

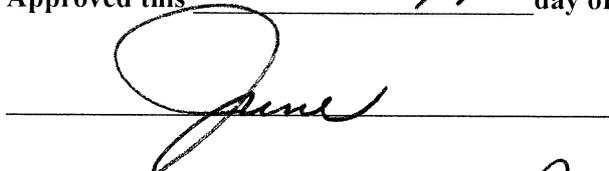
13 day of June, 2013

at 4:45 o'clock P M.

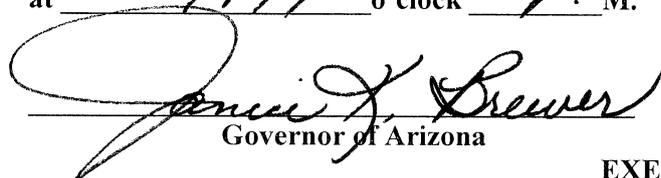


Secretary to the Governor

Approved this 19th day of



at 1:49 o'clock P M.



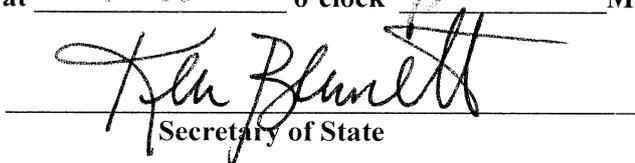
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this 19th day of June, 2013

at 4:53 o'clock P M.



Secretary of State