

Public Utility Personal Property Tax Basic Overview

Keven Kuhns, Division Counsel

Jason Mumma, Tax Manager

Excise & Energy Tax Division



Department of
Taxation

Agenda

- Basic Concepts
- History/Legislative Changes
- Who is Subject and Who is Not
- Taxable Property/Exemptions
- Determining True Value
- Determining Taxable Value
- Apportionment of Value
- Assessments
- Appeals
- Annual Report Filing & Processing
- Annual Report Audit
- Assessment - Example
- Other State Taxes Paid by Public Utilities



Basic Concepts

- The Ohio public utility personal property tax is a tax on the value of tangible personal property of a public utility that is used in business in Ohio
- Public utilities files an annual report with the Tax Commissioner by March 1st (May 1st with extension) and reports the value of its taxable property
- The Tax Commissioner is required to assess the property of all utilities by the first Monday in October
- All revenue derived from this tax is local money, with about 70% going to schools. Personal property is taxed at the same millage rate as real property

History



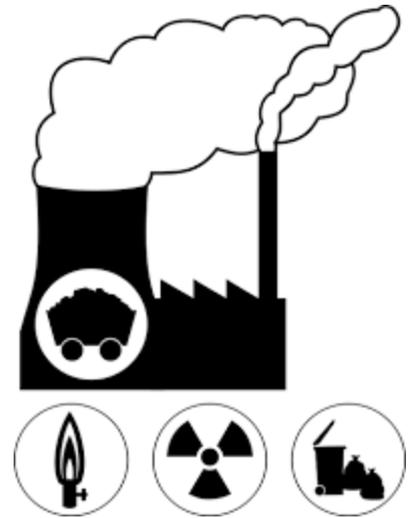
- Ohio has taxed personal property of public utilities for more than 100 years, but it wasn't until 1939 that the Department of Taxation became responsible for valuing and assessing the tax

History

- 1989, the General Assembly enacts S.B 156:
 - Established the current method to calculate true value of taxable personal property - cost as capitalized on the utility's books and records less composite annual allowances
 - Reduces the assessment percentage for most public utilities from 100% to 88%

History

- 1999 electric deregulation (S.B. 3):



- Beginning in 2001 the assessment percentage for all electric and rural electric non-T&D property is reduced to 25%
- Electric company production equipment is to be situated to where it is located.
- Enacted the KWH tax

History

- In 2000 - natural gas deregulation (S.B. 287):
 - Assessment percentage for natural gas companies is lowered from 88% to 25%
 - Enacted the Mcf tax



History

- H.B. 66 effective January 1, 2006:
 - Reduced the assessment % on electric T&D from 88% to 85%
 - Reduced the assessment % on electric production equipment from 25% to 24%
 - Began the phase-out of the taxability of railroad personal property - similar to the general personal property tax phase-out

History

- H.B. 66 effective January 1, 2006 (Cont.)
 - Telephone companies and interexchange telecommunications companies classified as general business taxpayers subject to the phase-out of the general TPP tax
 - Enacted a definition of “public utility property lessor” - required returns for property leased to public utilities
 - Required “incidental” electric generators to report property used to generate the electricity beginning in 2009

History

- 2010, S.B. 232 Renewable Electric Generation
 - Introduced the definition of “energy company” to encompass a company that generates electricity from renewable resources -- wind, solar, etc.
 - Provides for an exemption from real and personal property taxes for projects that are certified as qualified energy projects (“QEP”).
 - Companies with QEPs make payment in-lieu of taxes to counties in the amount of \$6,000 to \$9,000 per megawatt per year.



Enabling Statute



- **R. C. 5705.03(A)**

“The taxing authority of each subdivision may levy taxes annually . . . on the real and personal property within the subdivision for the purpose of paying the current operating expenses of the subdivision and acquiring or constructing permanent improvements.”

- Tax provisions are in R.C. Chapter 5727

Who is subject to tax?

- R.C. 5727.01 defines “Public utility” to mean:
 - Electric company
 - Natural gas company
 - Pipeline company
 - Water-works company
 - Water transportation company
 - Heating company
 - Rural electric company
 - Railroad company
 - Combined company
 - Energy company

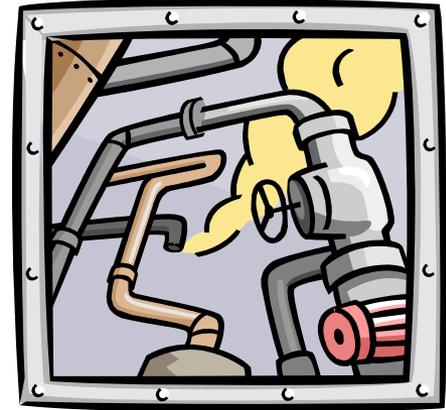


Specific Definitions - Electric Company

- Any person is an **Electric Company** when engaged in the business of generating, transmitting, or distributing electricity within this state for use by others, but excludes a rural electric company or energy company. R.C. 5727.01(D)(3)
- Electric companies file Form U-EL

Heating Company

- Any person is a **Heating Company** when engaged in the business of supplying water, steam, or air through pipes or tubing to consumers within this state for heating purposes. R.C. 5727.01(D)(8)
- Heating companies file Form U-HE



Energy Company



- A person is an **Energy Company** when engaged in the business of generating, transmitting, or distributing electricity within this state for use by others solely from an energy facility with an aggregate nameplate capacity in excess of two hundred fifty kilowatts. R.C. 5727.01(D)(10)
- An **Energy Facility** means one or more interconnected wind turbines, solar panels, or other tangible personal property used to generate electricity from an energy resource owned by the same person R.C. 5727.01(P)
- Energy companies file form U-EN

Rural Electric Company

- **Rural Electric Company** means any nonprofit corporation, organization, association or cooperative engaged in the business of supplying electricity to its members or persons owning an interest therein in an area the major portion of which is rural. R.C. 5727.01(C)
- Rural Electric companies file Form U-RE

Water-works Company

- Any person is a **Water-works Company** when engaged in the business of supplying water through pipes or tubing, or in a similar manner, to consumers within the state. R.C. 5727.01(D)(6)
- Water-works companies file Form U-WW



Railroad Companies

- Any person is a **Railroad Company** when engaged in the business of owning or operating a railroad either wholly or partially within this state on rights-of-way acquired and held exclusively by such company, or otherwise, and includes a passenger, street, suburban, or interurban railroad company.
R.C. 5727.01(D)(9)
- Large Railroad companies file Form U-R1 (Class I)
- Small Railroad companies file Form U-R2 (Class II)

Pipeline Company

- Any person is a **Pipeline Company** when engaged in the business of transporting natural gas, oil, or coal or its derivatives through pipes or tubing either wholly or partially within this state. R.C. 5727.01(D)(5)
- Natural Gas Pipeline companies file Form U-PL
- Oil Pipeline companies file Form U-OP



Pipeline Company - Discussion

- Question: What pipelines are taxable? What about gasoline or natural gas liquids pipelines?
- R.C. 5727.01(D)(5) defines “pipeline company” as a person transporting “oil,” “natural gas,” “coal or its derivatives”
- This definition would exclude gasoline and NGL pipelines
- Previously taxable under general personal property tax until tax year 2008

Water Transportation Company



- Any person is a **Water Transportation Company** when engaged in the transportation of passengers or property, by boat or other watercraft, over any waterway, whether natural or artificial, from one point within this state to another point within this state, or between points within this state and points without this state.
- Water Transportation companies file Form U-WT

Columbia Gas Transmission Case (2008)- Primary Purpose Test

- Question: What if a company meets the definitions of two public utilities?
- Columbia Gas Transmission was a pipeline company but argued it met the definition of a natural gas company, because they were supplying natural gas to some customers along their pipeline route.



Columbia Gas Transmission Case (Cont.)

- BTA - Col. Gas Trans. met the definition of a natural gas company; it could report its personal property as a natural gas company
- Supreme Court reversed – holding that there is a primary business test to determine whether an entity is a public utility and what type of public utility. In applying the primary business test, the Court considered the *volume of gas* and the *revenue* generated by each “business” and concluded Col. Gas Trans., was primarily a pipeline company

Public Utility Property Lessors

- Non-public utilities required to file
- Generally means: Any person that leases person property to a public utility other than a railroad or water transportation company if the property would be taxable property if owned by the public utility
R.C. 5727.01(M)

Incidental Electric Generators

- Beginning in 2009, a person “engaged in some other primary business to which the supplying of electricity to others is incidental” is treated as electric company
- Example: A manufacturer constructs a wind farm and provides excess electricity to someone else
- Report the property used to generate the electricity as taxable under the formula in R.C. 5727.031



Incidental Electric Generators (Cont.)

- Exception:
 - Political subdivision that owns an energy facility is not supplying electricity to others regardless of nameplate capacity if the primary purpose is to supply electricity for the political subdivision's own use R.C. 5727.02(A)(3)(d)
 - "Political Subdivision" defined – county, township, municipal corporation, or "any other body corporate or politic responsible for government activities"



Excluded Entities

- Exclusions to the definition of “public utility:”
 - A person who supplies electricity, natural gas, water, water transportation, steam, or air to its tenants. (Landlords) R.C. 5727.02
 - A person whose primary business is producing, refining, or marketing petroleum products. R.C. 5727.02
 - A person whose primary business in the state consists of producing or gathering natural gas. R.C. 5727.02
 - Non-profit corporations engaged in the treatment, distribution and sale of water to consumers. R.C. 5727.05
 - Municipal corporations – cities and villages R.C. 5727.05

Taxable PUPP Taxpayers and Values

2015 Public Utility Personal Property Overview

Number	Public Utility Class
21	Pipeline Companies
34	Electric Companies
6	Energy Companies
2	Heating Companies
12	Public Utility Property Lessors
30	Natural Gas Companies
27	Rural Electric Companies
4	Water Transportation Companies
10	Water Works Companies
146	Total
33	Railroad Companies



Tax Commissioner's Goal: Determine Taxable Value

- Formula for the prescribed method of valuation:

Cost of taxable property x “percent good” from annual allowance schedules = true value; true value x assessment percentage = **taxable value**

$$x = \frac{-b \pm \sqrt{b^2 - 4ac}}{2a}$$

What Property is Taxable?

- General rule: all tangible personal property that on December 31st of the preceding year is:
 - Located in Ohio, and
 - Either owned or leased under a sale and leaseback transaction and not otherwise exempt. R.C. 5727.06(A)(3)(a)



Personal Property Defined

- “Personal property” is defined in R.C. 5701.03 to mean “every tangible thing that is the subject of ownership, whether animate or inanimate, including a business fixture, and that does not constitute real property.”

Personal Property Defined (Cont.)

- R.C. 5701.03(B) defines “business fixture” as “an item of tangible personal property that has become permanently attached or affixed to the land or to a building, structure, or improvement, and that primarily benefits the occupant on the premises and not the realty.” (See also Ohio Admin. Code 5703-3-01)
- To be taxable, the personal property must be used in business. *United Tel. Co. of Ohio v. Limbach* (1994), 71 Ohio St.3d 369

Taxability Provisions - Exception

- **Railroads**
 - All real property used in railroad operations in Ohio on December 31st of the preceding year



Property Excluded from Taxation

- Excluded property (R.C. 5727.01):
 - Property which is the subject to a pollution control certificate/pending application
 - Tangible personal property held for use in a plant or facility that is under construction (CWIP)

Property Exempt from Taxation

- Motor Vehicles
- Property financed with bonds issued under the authority of the Ohio Water Development Authority
- Property financed with bonds issued under authority of the Ohio Air Quality Development Authority
- Energy company property certified as a Qualified Energy Project
- AFUDC/capitalized interest, in certain situations
- Property exempt under an enterprise zone agreement



Determining True Value – Prescribed Method

- Cost capitalized on the utility's books and records for taxable property less composite annual allowances prescribed by the Tax Commissioner See, R.C. 5727.11
- Annual allowances relate to the useful life for each type of utility property
- Useful life schedules are prescribed by the Tax Commissioner for each type of utility and classification of personal property

Determining True Value (useful life example)



- **Electric Companies:**
 - Production plant – placed in service pre 10/4/1999 @ 50% of cost
 - Production plant – placed in service after 10/4/1999 @ 30 year class life
 - Transmission plant – 30 year class life
 - Distribution plant – 25 year class life
 - General plant – 15 year class life
 - Other taxable property – Net cost or net book value

Determining True Value (Cont.)

- The Tax Commissioner can use an alternative valuation method if the Tax Commissioner determines the prescribed method does not accurately reflect true value. *Texas Eastern Trans. Corp. v. Tracy (1997), 78 Ohio St. 3d 83*
- The public utility has the burden of establishing that the Tax Commissioner's valuation methods does not reflect true value

Determining True Value (Additional Research)

- Final determinations discussing proposed alternative methods of valuation:
- ***Duke Energy Ohio, Inc.*** – Final Determination, Case No. 10-11109, issued December 27, 2010 – appraisal
- ***Vectren Energy Delivery of Ohio, Inc.***- Final Determination, Case No. 15-01660, issued March 14, 2016 – appraisal

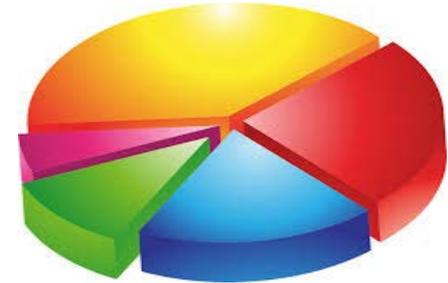
Determining Taxable Value

- After determining true value, we must then calculate taxable value.
- Taxable value = true value multiplied by the assessment percentage for each public utility and personal property classification
- Assessment percentages vary by type of public utility and type of property

Determining Taxable Value (Assessment Percentage Examples)

- **Natural gas company** – 25% for all taxable property
- **Pipeline, waterworks, heating companies** – 88%
- **Energy company** – 24% for production property;
– 85% for all other property
- **Water transportation company** – 25% for all property
- **Electric company** – 85% for T&D; 24% for all other property

Apportionment of Value



General rules from R.C. 5727.15:

- If all the property is located in one taxing district, all value is apportioned to that taxing district
- If the property is located in more than one taxing district, the value is apportioned to each taxing district in proportion to the entire cost of property in Ohio
- *Exception* – production equipment of an electric company and an energy company is situated to the taxing district where it is actually located

Assessments

- Issued by the Tax Commissioner
- Preliminary assessments - issued by the first Monday in October
- Assessment certificate is mailed to taxpayer and county auditor
- Assessment certificate reflects the taxable value of the personal property in each county by taxing district
- Amended preliminary assessment certificates can be issued

Appeals

- Public utilities can appeal the assessments by filing a petition for reassessment
- 60-day appeal period
- Utility must list specific objections - *Ohio Bell Tel. Co. v. Levin* (2009), 124 Ohio St.3d 211 - Failure to specify error will result in dismissal of appeal



Appeals – Petition for Reassessment

- A petition seeking reduction in value must state the reduction in taxable value sought
- A petition seeking a change in true value percentage must state the taxable value both with and without regard to the objection
- A petition seeking a change in apportionment in taxable value must:
 - File within 45 days the proposed apportionment
 - Failure to do so will result in dismissal

Appeals – Payments



- Generally, if the petitioner objects to the assessed value, petitioner is only required to pay the tax calculated on the **uncontested value**
- If the petitioner objects to the assessment percentage (88% v. 25%), the petitioner must pay the tax on the **assessed value**
- Any tax not paid but ultimately owed bears interest

Appeals – Notice of Appeal

- Sent to by Department to county auditors and public utility
- Issued within 30 days after receiving the petition
- The notice indicates the amount of the reduction in taxable value sought and the effect on apportionment

Appeals – Tax Appeals Division

- Timely petitions assigned to hearing officers in the Tax Appeals Division
- Hearing officers hold hearing / issue final determination
- The final determination is appealable to the Board of Tax Appeals by the petitioner and the county auditor
Hatchadorian v. Lindley 3 Ohio St.3d 19 (1983)



Post Appeal Procedure - 5727.471

- After an appeal is final, the Tax Commissioner notifies the county auditor – copy of final determination
- County auditor determines whether there has been an overpayment or underpayment
 - Underpayments – auditor notifies treasurer who bills and collects the tax
 - Overpayments – auditor discretion: 1.) auditor can refund the entire overpayment; 2.) refund a portion and prorate the balance as a credit against future taxes; or 3.) prorate the entire amount as a credit against future taxes

Miscellaneous Provisions

- Omitted Property:
- R.C. 5727.50 provides a five-year statute of limitations to assess if a public utility fails to file or files erroneously any information essential in determining the tax
- If there are questions about whether an entity is a public utility contact the Excise & Energy Tax Division



Miscellaneous Provisions

- Penalties:
- Failure to File Penalty: R.C. 5727.60 provides a failure to file penalty:
 - a. \$50 per month not to exceed \$500
 - b. Applicable to personal property tax and excise tax

Miscellaneous Provisions

- Tax Commissioner Opinion Requests:
 - R.C. 5703.50 provides authority for the Tax Commissioner to issue formal Tax Commissioner opinions for taxes listed in R.C. 5703.50
 - Neither public utility personal property tax or public utility excise tax are listed in R.C. 5703.50
 - Department will issue informal opinions

Additional Resources



- R.C. 5705.03(A) – Enabling Statute
- R.C. Chapter 5727 – Public Utility Personal Property Tax
- R.C. Chapter 5701 - Definitions
- R.C. Title 49 – Public Utility Regulatory Law
- R.C. Chapter 319 – County Auditor
- R.C. Chapter 323 – Collection of the Tax
- R.C. Chapter 5705 – Tax Levy Law
- R.C. 5727.75 – Qualified Energy Project program

Public Utility Annual Report Forms

- Each class of public utility has its own unique public utility property annual report
- There are 12 total reports for Ohio's roughly 180 public utility property taxpayers
- Many reports are necessary due to the varying types of property and accounts for each class of public utility
 1. Form U-EL, Electric Company
 2. Form U-EN, Energy Company
 3. Form U-NG, Natural Gas Company
 4. Form U-HE, Heating Company

Public Utility Annual Report Forms

5. Form U-OP, Oil Pipeline Company
6. Form U-PL, Natural Gas Company
7. Form U-R1, Railroad (Class 1) Company
8. Form U-R2, Railroad (Other than Class 1) Company
9. Form U-WT, Water Transportation Company
10. Form U-WW, Waterworks Company
11. Form U-RE, Rural Electric Company
12. Form U-PUL, Public Utility Lessor



Public Utility Annual Report Forms

- Annual Reports are excel spreadsheets published on the Ohio Department of Taxation website (www.tax.ohio.gov)
- Annual Reports consist of a cover page and sequentially tabbed Schedules: A through H
- Annual Report (or extension request) is due March 1st
- Annual Reports and extensions are filed via – FTP drop-box – US Mail – Delivery service (e.g. FedEx, etc.) – hand-delivery

Public Utility Property Extension Request

- Due by March 1st
- Extends due date
60 days
- 85% (150 of 180) of
public utilities file
on extension

	Department of Taxation	<small>Excise and Energy Tax Division 4485 Northland Ridge Blvd. Columbus, Ohio 43229 855-466-3921 Fax 206-350-6722 www.ohio.gov</small>
Application for Extension Request Ohio 2016 Public Utility Personal Property Tax Report* Telephone Number (855) 466-3921, option 5 Fax Number (206) 350-6722		
Company Name: <u>Hair Raising Electric Company Inc</u>		FEIN: <u>00-0000001</u>
Person Req. Ext: <u>Jason Hanlon</u>	E-mail Address: <u>jasonhanlon@aol.com</u>	
Telephone Number: <u>614-728-4381</u>	Fax Number: <u>614-555-6666</u>	Date: <u>03/01/16</u>
The above referenced public utility desires an extension of filing it's annual public utility personal property per R C 5727.48 for a period of:		
<input checked="" type="checkbox"/> 60 Days		
An extension can only be granted if our office receives the request by March 1, 2016. Confirmation of the extension will be sent via the fax/e-mail/mail provided above within five business days of receipt. Fax the extension request to the Public Utility Tax Section at the number listed above or mail your extension to:		
Ohio Department of Taxation Excise & Energy Tax Division Public Utility Tax Section - PUPPEXT 4485 Northland Ridge Blvd Columbus, OH 43229		
Confirmation of Extension - For use by the Public Utility Tax Section Only		
<input type="checkbox"/> Your extension request has been approved _____ Days **Due by _____		
<input type="checkbox"/> Your extension request was denied because _____		
Tax Agent/Supervisor Signature		Date
<small>*As used for this extension request, "Public Utility Personal Property" includes railroad companies. ** "Due by" or "receives" means actual receipt of the document by the Department of Taxation on or before that date (not a mailing date).</small>		

Public Utility Annual Report

Cover and Taxpayer Identification Pages:

- Contains demographic & other important information such as incorporation data, ownership and corporate officer information
- Contains Yes/No questions regarding other regulatory filings the utility is required to make, significant transactions, and accounting adjustments effecting property accounts that occurred during the year

Annual Report – Cover Page

Form U - EL 
 Prescribed By Tax Commissioner

 **ELECTRIC COMPANY**

2016

ANNUAL REPORT

(Due March 1, 2016)

OF



Department of
Taxation

*Excise and Energy Tax Division
 4485 Northland Ridge Blvd.
 Columbus, OH 43229
 855-466-3921, option 5
 Fax 206-350-6722
 www.tax.ohio.gov*

 **NAME** Hair Raising Electric Company Inc
 **FEIN:** 00-0000001

For Use By The Department of Taxation - Do Not Write Below

	Received	PDF	Excel	Late	Days	Penalty
Form U - EL						
County and Tax District Recap						
PUCO Return						
FERC Return						
Other						

Total Penalty _____

If you would like email confirmation of files that were provided in the
 dropbox, please check here and provide an email address below.

Yes No

Annual Report – Audit

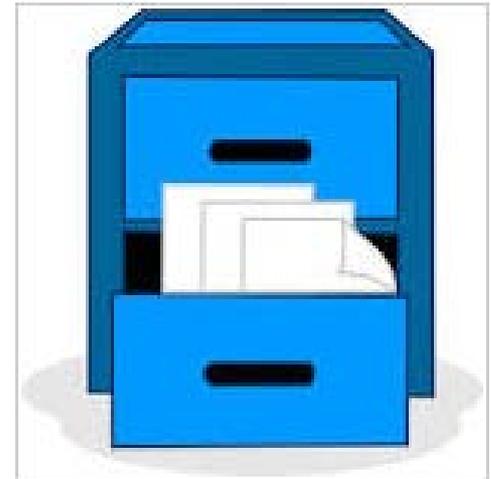
“Audit” for purposes of the public utility annual report generally means:

- To review the property accounts
- Starting with capitalized costs as recorded on the utilities accounting books and records as kept in the ordinary course of business
- As to proper classification (real vs. personal, exempt vs. taxable, production vs. transmission, etc.)
- In order to assess the taxable value of public utility personal property



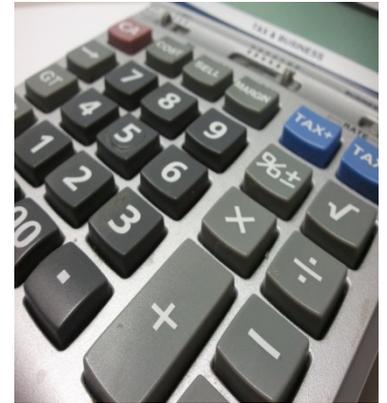
Annual Report – Audit

- The annual report is initially reviewed by the tax examiner assigned to audit the annual report for errors (typos, transposition, transfer, math, etc.)
- The prior year annual report is “pulled” for comparison to the current year annual report



Annual Report – Audit

- Each schedule of the annual report is compared and analyzed with the same schedule from the prior year's annual report (as audited)
- Current year beginning balances (as of 1/1) are reconciled to prior year ending balances (as of 12/31)
- Balance Sheet and financial information from the annual reports filed with the Securities and Exchange Commission, Federal Energy Regulatory Commission (FERC), and/or Public Utility Commission of Ohio (PUCO) are also reviewed



Annual Report – Schedules

- Schedule A – Balance Sheet
 - Company-wide balance sheet presented in FERC uniform system of accounts format
 - Closely resembles the balance sheet filed with the FERC annual report
- Schedule B – Ohio Property Listing
 - detailed listing of property in Ohio by plant
- Schedule C – True Value Computation
 - calculation of true value using prescribed annual class lives and annual allowances
 - there are several Schedule C's, one for each plant account grouping on Schedule B (e.g., Production Plant, Transmission, Distribution, General)
- Schedule D – Exempt Facilities
 - listing of exempt facility applications and certificates



Annual Report – Schedules

- Schedule E – Other Exempt Property
 - provides detailed description of property reported in Schedule B as exempt-other
- Schedule F – Property Leased From Others
 - listing of lessors, annual lease amount, and description of property
- Schedule G – True Value As Reported By Taxpayer
 - gathering sheet for true value amounts from various Schedule C's (True Value Schedules) and Schedule B accounts for which true value equals cost, rather than depreciated true value computation (e.g., fuel stock or coal, nuclear fuel, plant materials & supplies, etc.)
 - Taxable value is computed; true value is multiplied by the applicable assessment percentage (e.g., 85% for Transmission and Distribution property of an electric company, 24% for all other property)

Annual Report – Schedules

- Schedule H – County and Taxing District Recap Reconciliation
 - Reconciles Schedule B costs to the County and Taxing District Recap
 - Compares total audited and reported cost to be apportioned and sitused
- County And Taxing District Recap
 - Listing of the Net Cost of Taxable Property by Taxing District by County
 - Cost of Property is listed in the taxing district in which it resides
 - Costs listed by taxing district are used to determine the apportionment ratio (taxing district cost divided by total cost for all taxing districts)
 - Electric Production Equipment is listed in separate column because the related taxable value is sitused that taxing district

Uniform System of Accounts

Uniform Systems of Accounts are the prescribed accounts used for public utility regulatory and tax reporting purposes

- Maintained by the Federal Energy Regulatory Commission (FERC) for electric, natural gas, and oil pipeline companies (<http://www.ferc.gov/enforcement/acct-matts/usofa.asp>)
 - FERC property accounts are numbered from 100 to 199
 - The Utility Plant accounts with which we are concerned are numbered 101-106, 114, 118 and summed for Balance Sheet presentation at the Schedule A

Account	Beginning Balance	Ending Balance
UTILITY PLANT		
Utility Plant (101-106, 114, 118)	31,000,000	36,500,000

- Utility Plant accounts are further broken down into more detailed account categories numbered 300-399
 - Accounts 300-399 are listed on Schedule B – Listing of Ohio Property
- Maintained by the Surface Transportation Board for railroad companies (https://www.stb.dot.gov/stb/elibrary/ref_statutes.html)

Schedule B – Listing of Ohio Property

- Example of Transmission Plant accounts at Schedule B
- All amounts are at historical acquisition cost
- Beginning Balance shown in Column (b) – Amount is cost as of 1/1/15
- Property Additions, Retirements and Transfers are entered in Columns (c),(d) and (e) which yields Ending Balance in Column (f) or cost as of 12/31/15

2016 SCHEDULE B - LISTING OF OHIO PROPERTY

Account (a)	Beginning Balance (b)	Additions (c)	Retirements (d)	Net Transfers & Adjustments In/Out (e)	Ending Balance (f)	Exemptions and Exclusions					Net Cost of Taxable Property (l)
						Exempt Facilities (g)	Real Property (h)	Licensed Motor Vehicles (i)	Capitalized Interest (j)	Other (k)	
TRANSMISSION PLANT ←											
350 Land and Land Rights	2,000,000				2,000,000		2,000,000				
351 Energy Storage Equipment-Trans											
352 Structures and Improvements	1,500,000				1,500,000						1,500,000
353 Station Equipment	1,500,000	500,000	200,000	200,000	2,000,000						2,000,000
354 Towers and Fixtures	2,000,000	1,500,000			3,500,000				100,000		3,400,000
355 Poles and Fixtures	1,000,000	1,250,000	50,000		2,200,000						2,200,000
356 Overhead Conductors & Devices	1,000,000	500,000			1,500,000						1,500,000
TOTAL TRANSMISSION PLANT →	9,000,000	3,750,000	250,000	200,000	12,700,000		2,000,000		100,000		10,600,000

Schedule C – 30 Year Class Life (Transmission Plant)

- Transmission Plant property transmits electricity across long distances and includes poles, towers, transformers, switches, substations, and power lines
- Schedule C begins with the Ending Balance in Column (b) by Vintage Year Column (a) – See Total in Line 32 which ties to Schedule B Total Ending Balance for Transmission Plant
- Exemptions and Exclusions are subtracted in Columns (c) through (h) to arrive at Net Cost of Taxable Property
- True Value is computed by multiplying Percent Good by Net Cost of Taxable Property

2016 SCHEDULE C - 30 YEAR CLASS LIFE (TRANSMISSION PLANT)

Line	Vintage Year (a)	Ending Balance (b)	Exemptions and Exclusions					Total Exemptions and Exclusions (h)	Net Cost of Taxable Property (i)	Percent Good (j)	True Value of Taxable Property (k)
			Exempt Facilities (c)	Real Property (d)	Licensed Motor Vehicles (e)	Capitalized Interest (f)	Other (g)				
1	2015	3,750,000						3,750,000	98.3%	3,686,250	
2	2014	100,000						100,000	95.0%	95,000	
3	2013	2,500,000		500,000			500,000	2,000,000	91.7%	1,834,000	
4	2012								88.3%		
5	2011								85.0%		
6	2010	6,350,000		1,500,000		100,000	1,600,000	4,750,000	81.7%	3,880,750	
7	2009								78.3%		
8	2008								75.0%		
29	1987								16.9%		
30	1986								15.0%		
31	Prior								15.0%		
32	Totals	12,700,000		2,000,000		100,000	2,100,000	10,600,000		9,496,000	

Schedule G – True Value as Reported by Taxpayer

- Gathering sheet for the annual report
- True Values are summed from Schedule C's and Schedule B and multiplied by applicable assessment percentages to arrive at Taxable Value

2016 SCHEDULE G- TRUE VALUE AS REPORTED BY TAXPAYER	
Schedule C and Schedule C Supplement	True Value
Production Plant- Placed in Service on or before 10/4/99	2,000,000
Production Plant- Placed in Service after 10/4/99	6,979,050
Transmission Plant	9,496,000
Distribution Plant	3,036,000
General Plant (Includes SAC)	325,785
Schedule B	
Account 118- Other Utility Plant	
Account 120.6- Nuclear Fuel	
Account 151- Fuel Stock	45,000
Account 154- Plant Materials and Supplies	35,000
Account 155- Merchandise	
Account 156- Other Materials and Supplies	
Total : Transmission & Distribution Plant	12,532,000
Listed @ 85%	10,652,200
Total : All Other Property Excluding Transmission & Distribution	9,384,835
Listed @ 24%	2,252,360
Total Taxable Value	12,904,560

Schedule H – County and Tax District Recap Reconciliation

- Reconciles information contained in the annual report to the County & Taxing District Recap

FEIN: 00-0000001			PAGE 18
2016 SCHEDULE H- COUNTY AND TAX DISTRICT RECAP RECONCILIATION			
 BASE 1			
Schedule	Account	Account Description	Taxable Cost
B	352-356	Transmission Plant accounts	10,600,000
B	362	Station Equipment	800,000
B	364	Poles, Towers, and Fixtures	2,000,000
B	370	Meters	1,000,000
B	various	General Plant (F&F, Transp Equipment, Store, Communication Equipment, etc...)	1,000,000
B	151	Fuel Stock	45,000
B	154	Plt Material & Operating Supplies	35,000
Total Audited			15,480,000
Total Reported			15,480,000
Difference			
 BASE 2			
Schedule	Account	Account Description	Taxable Cost
B	312	Boiler Plant Equipment	4,000,000
B	313	Engines & Eng Driven Generator	5,000,000
B	316	Mis. Power Plant Equipment	3,000,000
 Total Audited			12,000,000
 Total Reported			12,000,000
Difference			

County and Taxing District Recap

- Taxable cost by taxing district for apportionment or situsing of taxable value

 2016 COUNTY AND TAXING DISTRICT RECAP

NAME: Hair Raising Electric Company Inc

FEIN: 00-0000001

CLASS: ELECTRIC COMPANY

County Name: Franklin

 Taxing District Name	Taxing District Number	Net Cost of Taxable Personal Property Other Than Production Equipment (Base 1)		Net Cost of Taxable Production Equipment (Base 2)		Value of Taxable Production Equipment (Base 3)	
		2015	2016	2015	2016	2015	2016
		City of Columbus	25-0010	5,000,000	5,000,000	4,000,000	4,000,000
City of Bexley	25-0140	1,000,000	2,000,000				
City of Hilliard	25-0180	2,000,000	2,000,000				
City of Westerville	25-0220	3,000,000	3,000,000				
City of Whitehall	25-0230	980,000	3,480,000				
County Total:		11,980,000	15,480,000	4,000,000	4,000,000	2,000,000	2,000,000

Please provide notes on significant change in the base(s) that occurred during the year including any base(s) that was reduced to -0-

Valuation Notice-Proposed Taxable Value

2016 VALUATION NOTICE		
NAME: <u>Hair Raising Electric Company Inc</u>		
FEIN: <u>00-0000001</u>		
CLASS: <u>ELECTRIC COMPANY</u>		
Taxable Property		True Value
Production Plant (Placed in Service on or before 10/4/99)		2,000,000
Production Plant (Placed in Service after 10/4/99)		6,979,050
Transmission Plant		9,496,000
Distribution Plant		3,036,000
General Plant		325,785
Account 104 - Electric Plant Leased to Others		_____
Account 105 - Electric Plant Held for Future Use		_____
Account 114 - Plant Acquisition Adjustment		_____
Account 116 - Other Electric Plant Adjustments		_____
Account 118 - Other Utility Plant		_____
Account 120.6 - Nuclear Fuel		_____
Account 121 - Nonutility Property		_____
Account 151 - Fuel Stock		45,000
Account 154 - Plant Materials and Operating Supplies:		35,000
Account 155 - Merchandise		_____
Account 156 - Other Materials and Supplies		_____
Total True Value:		21,916,835
	True Value	Taxable Value
True Value of all Production Plant Property	8,979,050	24% 2,154,970
True Value of General Plant & Account 104 - 156 Property	405,785	24% 97,390
True Value of Transmission & Distribution Plant	12,532,000	85% 10,652,200
Total General, T & D and all Other Property:	12,937,785	10,749,590
Total Taxable Value of Property		12,904,560
(Penalty if applicable)	Percent: _____	_____
Total Taxable Value / with Penalty		12,904,560
Agent: Jason Mumma		Date: 4/20/2016

Valuation Notice-Cover Letter



April 20, 2016

HAIR RAISING ELECTRIC COMPANY INC
4485 NORTHLAND RIDGE BLVD
COLUMBUS, OH 43229

Re: 2016 Valuation Notice of Taxable Personal Property

Dear Taxpayer:

I have completed my review of your company's 2016 Annual Report filed with the Ohio Department of Taxation. The enclosed valuation notice reflects the proposed taxable value of your company's personal property. Please review the notice and compare with your own calculations.

In addition, a copy of the Annual Report required to be filed with a Federal Regulatory Agency or Commission for the year ending December, 31 2015 is required to be filed with this department's annual report. Our records indicate that a copy of this report has not been received. Therefore, please forward copy of this report as soon as possible or upon their completion.

If you desire a conference concerning the proposed value, please contact the undersigned within three weeks from the date of this letter.

Sincerely,

Tax Agent
Phone:

Public Utility Property Tax Preliminary Assessment



STATE OF OHIO
DEPARTMENT OF TAXATION
TAXPAYER COPY

PUBLIC UTILITY PROPERTY TAX PRELIMINARY ASSESSMENT

The Tax Commissioner hereby certifies the apportioned personal property tax values for the taxpayer named herein to the county and taxing districts shown below.

HAIR RAISING ELECTRIC COMPANY INC

4485 NORTHLAND RIDGE BLVD

COLUMBUS, OH 43229

FEIN: 00-000003

CLASS: ELECTRIC COMPANY

YEAR: 2016

COUNTY: FRANKLIN 25

DATE: October 03 , 2016

TAXING DISTRICT		PERSONAL PROPERTY Assessed Value
0010	CITY OF COLUMBUS	3,952,090
0140	CITY OF BEXLEY	1,388,840
0180	CITY OF HILLIARD	1,388,840
0220	CITY OF WESTERVILLE	2,083,250
0230	CITY OF WHITEHALL	2,416,570
FRANKLIN COUNTY TOTAL:		11,229,590

NOTICE TO TAXPAYER: This is not a tax bill. Send remittance to the County Treasurer upon receipt of tax bill. In the event you object to this assessment, see attached instructions.

Public Utility Property Tax Preliminary Assessment-County's role

- Verify Taxing Districts & notify Department of Taxation of any discrepancies
- Compare current year assessed value with prior year assessed value
- Inquire as to any large swings or changes in assessed value
- Record the value, and work with County Treasurer who bills and collects the tax
- Disburse the collected tax according to statutory dates



Public Utility Property Tax Preliminary Assessment-Taxpayer's Role

- Review the taxing districts and assessed value
- Compare the assessed values with the Valuation Notice
- Report any areas of concern to the Excise & Energy Tax Division
- If contesting the assessed value, prepare a petition for reassessment

Amended Public Utility Property Tax Assessments

Amended assessment shows preliminarily assessed value and the amended value by taxing district

Reasons an amended assessment is issued:

- To correct taxing district errors
- To amend assessed value due to incorrect reporting in the return or on the County and Taxing District Recap



Other State Taxes of public utilities

Public Utility Excise Tax (PUET, or PU gross receipts tax)

- Utilities subject to the PUET are natural gas, pipeline, heating, water works, and water transportation companies
 - Electric companies, rural electric companies and railroads are exempt from the PUET
 - Other exemptions from the PUET include the first \$25,000 in gross receipts, interstate gross receipts, sales to other public utilities, receipts from federal government business, and amounts billed on behalf of others for natural gas companies
- Natural Gas companies file and pay on actual receipts quarterly (due May, August, November & February)
- If annual tax liability is less than \$325,000, then may elect to file annually

Other Taxes - PUET continued

- Pipeline, water works, heating, and water transportation companies PUET return is based on gross receipts realized from May 1 – April 30
 - Return is due August 1, but a 60 extension may be requested
 - Estimated payments due October, March and June
 - Tax liability is assessed in November
 - If amount due, balance of tax is due within 20 days of assessment date
 - If refund due (i.e., estimated payments submitted exceed tax liability), then a refund is issued to the public utility

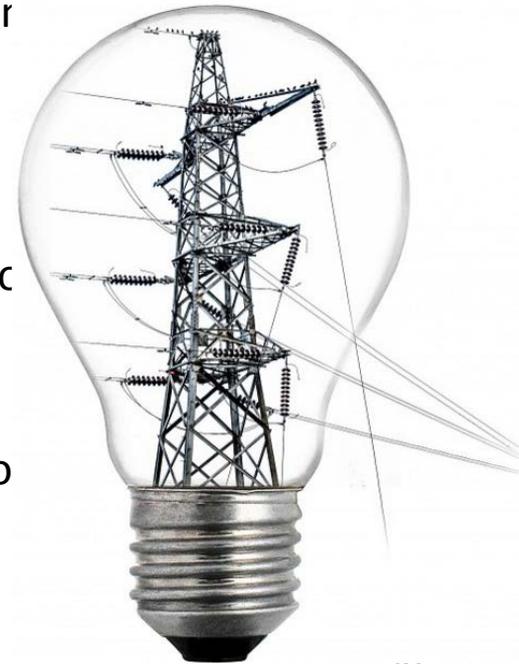


Other Taxes - Commercial Activity Tax

- Electric and Railroad Companies file/pay the commercial activity tax
- Utilities subject to the PUET are exempt from the CAT
- Prior to the Commercial Activity Tax, these companies were not subject to any gross receipts tax but were subject to the corporation franchise tax
- However, prior to deregulation of the electric industry in 2000, the electric and rural electric companies were subject to the PUET

Other Taxes - Kilowatt-hour Tax

- The kilowatt-hour (kWh) tax is an excise tax on electric distribution companies with end users in Ohio are subject to the kilowatt-hour tax
- The kWh tax replaced the PUET on electric and rural electric companies, as well as the reduction in the assessment rate on personal property for these utility classes
- The tax is also self-assessed by certain large commercial and industrial (self-assessing purchasers) that consume more than 45 million kilowatt-hours of electricity during a calendar year
 - Self-assessing purchaser must submit an annual application fee by May 1 to be registered as such
 - If approved, a self-assessing purchaser reports and pays tax at the facility at a reduced rate of .00257



Other Taxes - Kilowatt-hour Tax continued

- KWh tax filings and payments are due monthly on the 20th on the electricity distributed during the preceding month
- The tax is based on the number of kilowatt hours (kWh) distributed to end users in Ohio at the following tiered rates:

Monthly Distribution	Rate per kWh
The first 0 – 2,000 kWh	0.465 cents
The next 2,001 – 15,000 kWh	0.419 cents
For 15,001 kWh and above	0.363 cents

- The kWh tax does not apply to:
 - the federal government;
 - end users located at a federal facility that uses electricity for the enrichment of uranium;
 - qualified use of electricity by qualified end users in qualified manufacturing processes; and
 - qualified regeneration meters.

Other Taxes-Natural Gas Distribution Tax (MCF)

- The natural gas distribution (MCF) Tax is paid by companies that distribute natural gas in Ohio
- The tax was enacted to replace the revenue lost by school districts and local governments from the reduction in the assessment rate on the personal property of natural gas distribution companies
- In most cases, a three-bracket rate schedule applies to the amount of natural gas distributed to each end user as measure in 1,000 cubic feet (Mcf):

Distribution to end user	Rate per Mcf
First 100 Mcf per month	15.93 cents
Next 101 to 2,000 Mcf per month	8.77 cents
2,001 or more Mcf per month	4.11 cents

Other Taxes-Natural Gas Distribution Tax (MCF) continued

- Natural gas distributors with 70,000 or fewer customers may elect to apply the standard rate schedule outlined above to the total amount of natural gas distributed to all its Ohio customers. This results in a lower tax rate for the distribution company
 - A flex customer is generally an industrial or commercial facility that consumed more than one billion cubic feet of natural gas a year at a single location during any of the previous five years
 - The rate on natural gas distributed to flex customers is 2 cents per Mcf
- The MCF tax does not apply to:
 - the distribution of natural gas to the federal government;
 - natural gas produced by an end user, consumed by that end user or its affiliates, and not distributed through the facilities of a natural gas company



Questions?



Public Utility Personal Property Tax -Contacts

Keven Kuhns

keven.kuhns@tax.state.oh.us

614-752-8084

Jason Mumma

jason.mumma@tax.state.oh.us

614-428-4381