

ORIGINAL

OPEN MEETING AGENDA ITEM



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November 24, 2008

Chairman Mike Gleason
Commissioner William Mundell
Commissioner Jeff Hatch-Miller
Commissioner Kristin K. Mayes
Commissioner Gary Pierce
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission

RECEIVED	DOCKETED
NOV 25 2008	NOV 26 2008
By _____	DOCKETED BY <i>MN</i>

Re: Docket No. L-00000HH-08-0422-00141, Case No. 141 – Coolidge Power Corporation's Application for a Certificate of Environmental Compatibility

Dear Commissioners:

At a recent hearing of the Arizona Power Plant and Transmission Line Siting Committee on the above-referenced matter, Committee members raised some questions regarding voluntary contributions to be made in lieu of property taxes by the Salt River Project Agricultural Improvement and Power District (SRP) with respect to the Coolidge Generating Station (CGS). To respond to those questions, SRP would like to explain why SRP, and not Coolidge Power, is required to pay a voluntary contribution for CGS and provide a brief overview of our voluntary contribution methodology.

Per accounting standards SFAS No. 13, the purchase power agreement between SRP and Coolidge Power constitutes a capital lease. As a capital lease, CGS will be recorded on SRP's books as electric plant in service. As part of SRP's electric plant, CGS will be treated the same as other SRP plants subject to a voluntary contribution. In accordance with A.R.S. 48-242 and 42-14156(6), SRP will make voluntary contributions to local taxing authorities for CGS.

As a political subdivision of the State of Arizona, SRP is exempt from property taxes in accordance with Article 9, Section 2 of the Arizona Constitution. However, in 1963, Arizona enacted A.R.S. 48-242 which grants SRP additional authority to make voluntary contributions to the State of Arizona and to any county, city, town, school district or other political subdivision for which property taxes are levied, and in which SRP properties or facilities related to the generation, transmission or distribution of electricity are located. SRP has made such voluntary contributions every year since 1964, totaling in excess of \$1.8 billion.

As is the case with other electric utilities, the Department of Revenue centrally assesses SRP. Under central assessment the Department of Revenue, rather than the County Assessor, determines the full cash value of SRP's properties related to the generation, transmission and distribution of electric energy. The Department of Revenue utilizes, as nearly as possible, the same procedures and methods applied to properties of like character and devoted to the same use.

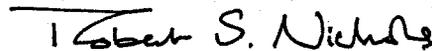
The Department of Revenue provides the full cash value to SRP and SRP calculates the voluntary contributions for various taxing jurisdictions. The only difference between SRP's calculation and what would otherwise be the County Treasurer's calculation is the statutory deduction allowed for SRP's governmental function of water operations in accordance with A.R.S. 48-242.

Unfortunately, SRP is not able to estimate its voluntary contributions at this stage of the CGS project's development. Every tax year, in accordance with Arizona statute, SRP provides counties an advance estimate of SRP's net assessed value for the counties to provide to their various taxing jurisdictions for budgeting purposes. The taxing authorities then use that information when establishing their tax rates. Once the taxing authorities set their tax rates, SRP applies those rates to its actual net assessed value to calculate the amount of its voluntary contributions.

As with other centrally assessed utilities, SRP's voluntary contributions offer taxing jurisdictions the benefit of having a constant revenue stream throughout the property life cycle.

We trust that this letter fully responds to the questions raised by the Committee members at the hearing. Please let us know if you need any additional information.

Sincerely,



Robert S. Nichols
Manager, Corporate Taxes

cc: Members of the Line Siting Committee
ACC Staff
Intervenors