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Contact: Dean Boyer
Director of Communications
(360) 741-2676

Study shows no loss of tax revenues if PUDs acquire PSE assets

Public utility districts pay essentially the same taxes as investor-owned utilities and communities that switch from a for-profit electric utility to a nonprofit PUD should not see any loss of local tax revenues, according to a study released today by the Washington Public Utility Districts Association.

WPUWA Executive Director Steve Johnson said the association, which represents 22 PUDs that provide electric service, released the analysis to refute misinformation in communities considering new electric PUDs.

“The perception was that because PUDs are nonprofit utilities – which helps them hold down rates – that they don’t pay taxes,” Johnson said. “That simply isn’t the case. PUDs pay millions of dollars in state and local taxes, just like any other business.”

Johnson noted that voters in Jefferson and Skagit counties will go to the polls this fall to decide whether their local water-service PUDs should also become electric utilities – potentially acquiring the Puget Sound Energy distribution network in those counties.

In addition, there will be a measure on the ballot in Island County to create a new electric PUD to serve Whidbey Island, also currently served by PSE.

Grassroots efforts in those areas heated up last fall when PSE announced that it is being sold to a consortium of foreign investors led by an Australian bank. Those groups have expressed concerns about rising rates, jobs in the community, and loss of local control of their electric utility.

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The tax-comparison study, conducted by Mike Shay, former auditor/controller for the Snohomish County PUD, found that PUDs and investor-owned utilities both pay the state Public Utility Tax, Sales Tax and B&O Tax. Both also pay municipal taxes based on the gross revenues of electric sales.

While PUDs do not pay property taxes, the state imposes a “privilege tax” on public utility districts. While the two taxes are computed differently, Shay’s analysis found that “the results of the tax are generally quite similar.”

Shay, now an independent consultant, also noted that state law specifically provides that the privilege taxes a PUD pays on property it acquires from an investor-owned utility, such as PSE, will not be less than the amount of property tax paid by the for-profit utility.

In addition, state law requires PUDs that acquire assets of a for-profit utility to pay taxes directly to the local school district for any outstanding bonded indebtedness. Thirty-seven percent of the privilege taxes funds collected by the state also go for public schools.

“The short answer,” Shay wrote, “is that a transition to a PUD electricity provider should not harm or reduce the revenues to a local taxing district.”

“Voters in the three counties that are considering electric-service PUDs deserve factual information,” said WPUDA’s Johnson. “The fact is that PUDs provide electric service to nearly a third of the state’s residents, they pay taxes equivalent to what investor-owned utilities pay, and all of them have lower rates than PSE, which is currently seeking another 9.6 percent increase.”

The Washington PUD Association represents 27 public utility districts and Energy Northwest, a coalition of public power utilities that operates the Columbia Generating Station, the state’s only nuclear power plant, as well as wind, solar, hydroelectric and biomass generating facilities. For a full copy of the tax-comparison analysis, call (360) 741-2676 or go to www.wpuda.org.