

# ARIZONA DEPARTMENT OF REVENUE

## Property Tax Division – Centrally Valued Property Unit

1600 West Monroe, Division Code 13, Phoenix, Arizona 85007

Phone (602) 716-6179 Fax (602) 542-4425

Email address: [fdudley@AZDOR.gov](mailto:fdudley@AZDOR.gov)



### TAX YEAR 2018

## ELECTRIC TRANSMISSION & DISTRIBUTION COMPANIES AND GAS DISTRIBUTION COMPANIES

### PROPERTY TAX FORM FILING INSTRUCTIONS

**FILING DUE DATE: APRIL 1, 2017**

Reporting Year End December 31, 2016

#### FILING INFORMATION

This report is to provide information necessary for consideration in determining the full cash value of your distribution and transmission property in Arizona for property tax purposes. (A.R.S. §§ 42-11051 through 42-11053, 42-14151 through 42-14154, 42-14157, and 42-14001 through 42-14005). Additional information on the referenced statutes can be obtained on the internet at [www.azleg.state.az.us/arizonarevisedstatutes.asp](http://www.azleg.state.az.us/arizonarevisedstatutes.asp).

Taxpayer may elect to provide the required information in paper or electronic format. To obtain the electronic format, email your request to the address in the heading above. If the electronic format is selected, a paper copy of all pages of the completed Property Tax Form must also be returned to the Department. Do not email your completed forms due to the confidential nature of the information that is reported. The paper copy of the verification page must be signed, dated, and notarized for the report to be accepted by the Department. DO NOT DETACH ANY PAGES.–

This report and supporting schedules must be filed by April 1, 2017, or the extended due date if an extension is granted. Extension requests must be in writing and will be granted only for good cause. Extension requests should be only for reports, information, or documentation that is not available on April 1, 2017. The deadline for extension requests is March 21, 2017.

Refusal or failure to file a completed report on or before April 1, 2017, or on the extended due date if an extension is granted, will result in a valuation of one hundred five percent of the prior year's full cash value or a value based upon other information available to the Department. In addition, a penalty will be assessed in the amount of the lesser of one-half of one percent of the value estimated by the Department or one hundred dollars per day for each day the company fails to file the report calculated from the original due date, April 1, 2017. (A.R.S. §42-14152)

If a completed report is not filed by May 20, 2017, the company forfeits its right to appeal the valuation and classification of the property pursuant to A.R.S. § 42-14005. This report, even if submitted on or before the due date, will be considered incomplete, and therefore, delinquent and subject to a penalty pursuant A.R.S. § 42-14152, unless all information requested, including supplemental reports, are provided to the Department of Revenue. If additional information is requested by the Department, that information must be provided within the time period specified by the Department.

ARIZONA PROPERTY TAX FORM FILING INSTRUCTIONS  
ELECTRIC TRANSMISSION & DISTRIBUTION COMPANIES  
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TAX YEAR 2018

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FILING INSTRUCTIONS

1. Refer all questions concerning this report to the Department of Revenue, Property Tax Division, Centrally Valued Property Unit, at (602) 716-6179.
2. Copies of the following reports as applicable to your company, as of December 31, 2016, must be filed with this report:
  - a. Annual report to stockholders.
  - b. Audited financial statements.
  - c. Energy Information Administration (E.I.A.) Report. If your accounting year-end is other than December 31, submit a report adjusted to December 31, 2016.
  - d. Federal Energy Regulatory Commission (FERC) Report Form 1 or Report Form 2, whichever is applicable.
  - e. Parent company's annual report to stockholders.
  - f. Rural Utilities Service (RUS) Forms 12a, 12b, 12c, 12d, 12h, and 12i.
  - g. Schedules summarizing and itemizing non-capitalized leased or rented operating property. For reporting instructions, see pages 4 through 6.
  - h. Securities and Exchange Commission Form 10K. (If your company does not file this report, provide your parent company's Form 10K.)
  - i. Worksheets/schedules allocating System costs to Arizona for calendar year ending December 31, 2016. If accounting year-end is other than December 31, 2016, provide documentation/schedules adjusting your fiscal year end figures to December 31, 2016.
3. All schedules must be typewritten, or legibly printed in ink, or completed electronically using Microsoft Excel 2010 or earlier software. If more space is required to complete any schedule, additional pages may be printed as needed and attached
4. If filing electronically, input data in the blue highlighted cells only; yellow highlighted cells are formula computed. Reset print area on Tabs 4, 7 or 8 as needed to include all reported data. Unless otherwise set, the print area for each tab is preset to print one page of information. When all schedules are complete and you are ready to print, **“Ctrl + Shift +P”** will print all tabs and the additional pages that may have been included in the print range.
5. All amounts are to be rounded to the nearest dollar.

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COMPUTER PRINTOUT INSTRUCTIONS

**Statement of Original Cost (PS 1220-01)  
Operating Land by Taxpayer (PS 1220-12)**

For purposes of allocating full cash value of your operating property to the taxing jurisdictions in which such property is located, a computer generated report titled “Statement of Original Cost” (PS 1220-12) and a report titled “Operating Land by Taxpayer” (PS 1220-12) is enclosed. The reports you receive reflect original cost data and operating land parcels for each respective property class previously reported to the Department, (Transmission and Distribution - T&D class 54; Environmental Protection Facilities - EPF class 64; and Construction Work in Progress - CWIP class 65). Please exclude “Renewable Energy Equipment” cost from these reports. Please return the reports to the Department with the requested corrections and/or revisions.

On the report titled “Statement of Original Cost” (PS 1220-01), for T&D property, enter the original cost of all transmission and/or distribution operating property and generation property if applicable, by county, and tax area codes, as of December 31, 2016. Include costs of plant in service, generation plant(s), generation plant real property construction work in progress, materials and supplies, leased property, and railcars when pertinent. Do not include costs of fee land, land rights, or licensed vehicles on the original cost report. Please review the report and make note of any tax area code changes, and update your records accordingly. If property is located within tax area codes not listed on the report, modify the report as needed.

On the report titled “Statement of Original Cost” (PS 1220-01), for EPF property, enter the environmental protection facilities’ original cost of all transmission and/or distribution operating property by county and tax area codes, as of December 31, 2016.

On the report titled “Statement of Original Cost” (PS 1220-01), for CWIP property, enter the original cost of construction work in progress for transmission and distribution property by county and tax area codes, as of December 31, 2016.

On the report titled “Operating Land by Taxpayer” (PS 1220-12), include any changes in land as of December 31, 2016, except for additions which should be reported in the Operating Land Additions form Tab 7. Indicate parcel splits and deletions resulting from sale or transfer to non-utility use. For parcel additions only, provide the county where the land is located, tax area code, assessor’s parcel number, legal description, and acreage in Tab 7.

If tax area codes are not known, they can be obtained from the county assessor’s office in the county where the property is located.

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VALUATION METHODOLOGY

The full cash value of all electric transmission and distribution and gas distribution companies, excluding renewable energy equipment, is determined as follows:

1. The Department will determine the original plant in service cost.
2. The original cost of plant in service will be reduced by the related accumulated provision for depreciation.
3. The Department shall not value contributions in aid of constructions.
4. The value of construction work in progress is fifty percent of the amount spent and recorded on the taxpayer's accounting records as of December 31, 2016 as construction work in progress.
5. The value of materials and supplies is the total cost of such property as of December 31, 2016.
6. The value of environmental protection facilities that are required by law is fifty percent of the depreciated cost of the facilities.
7. All terms and applications of terms will be interpreted according to A.R.S. § 42-14152 et seq. and the Federal Energy Regulatory Commission (FERC) uniform system of accounts for electric and gas utilities in effect on January 1, 1989. For companies that do not report to the FERC, information reported herein should conform to the accounting specifications of the FERC and be consistent with the application of Generally Accepted Accounting Principles.

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**PROPERTY TAX FORM INSTRUCTIONS**

**PROPRIETARY INFORMATION**

**Property Tax Form Tab 1**

Report proprietary information as outlined on the form. If a segment of your business is regulated by an agency of the State of Arizona or the Federal Energy Regulatory Commission, indicate the segment that is regulated.

**BALANCE SHEET DATA**

**Property Tax Form Tab 2**

Report Balance Sheet data as of December 31, 2016, **excluding generation and renewable energy equipment assets**. Cost information reported herein must conform to the accounting specifications of the FERC Uniform System of Accounts:

- 1) Submit documentation and schedules allocating the System costs to Arizona by line item in a worksheet format. Explain unusual or infrequent adjustments.
- 2) Submit documentation and supporting schedules where cost information being reported is derived from a system of accounts other than the FERC Uniform System of Accounts.
- 3) If your accounting year-end is other than December 31, provide schedules adjusting fiscal year-end figures to December 31, 2016.
- 4) Report data according to each line item / property account indicated.

**Balance Sheet Line Items / Property Accounts:**

- LINE 1 Report the total amount of all electric and/or gas transmission and distribution plant in service, excluding renewable energy equipment assets. Total electric and/or gas plant costs includes plant classified as environmental protection facilities, acquisition adjustments, fee land, land rights, and licensed transportation equipment. The cost of railcars included in plant in service must not be reported separately to the Department as private railcars.
- LINE 2 Report the total amount of accumulated depreciation/amortization of property identified on line 1.
- LINE 3 Report the cost of environmental protection facilities (EPF) included in line 1. Submit a reconciliation worksheet showing adjustments to the FERC Form #1 amount to arrive at the Arizona amount. The sole function of the facilities must be for environmental protection, in accordance with the definition on page 7.

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PROPERTY TAX FORM INSTRUCTIONS – Continued

- LINE 4 Report the accumulated depreciation amount for environmental protection facilities included in line 2.
- LINE 5 Report the amount of fee land associated with plant in service included in line 1.
- LINE 6 Report the amount of land rights associated with plant in service included in line 1.
- LINE 7 Report the amount of plant in service amortization for land rights included in line 2.
- LINE 8 Report the amount of plant in service licensed transportation equipment included in line 1.
- LINE 9 Report the amount of accumulated depreciation of plant in service licensed transportation equipment included in line 2.
- LINE 10 Report the amount of materials and supplies on hand as of December 31, 2016.
- LINE 11 Report the total amount of construction work in progress (CWIP).
- LINE 12 Report the amount of CWIP fee land included in line 11.
- LINE 13 Report the amount of CWIP land rights included in line 11.
- LINE 14 Report the amount of CWIP licensed transportation equipment included in line 11.
- LINE 15 Report non-capitalized operating property located in Arizona.

**ARIZONA PROPERTY COST & ACCUMULATED DEPRECIATION DETAIL**

**Property Tax Form Tab 3**

Report the original cost of property by FERC accounts and list separately the cost of the respective sub-accounts for calendar year ending December 31, 2016. On the following page, report the associated accumulated depreciation. The original cost totals in column (d) and the accumulated depreciation total in column (d) must agree with the balance sheet plant in service and accumulated depreciation amount reported on Tab 2, lines 1, and 2. Companies that do not report to FERC must complete the worksheet utilizing financial data consistent with the property accounts maintained in its accounting system. In a separate page, explain substantial property acquisitions/retirements or adjustments during the calendar year, including substantial changes in the related accumulated depreciation.

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**NON-CAPITALIZED LEASED OR RENTED OPERATING PROPERTY DETAIL**

**Property Tax Form Tab 4**

Report in worksheet format itemized detail of non-capitalized leased or rented operating property. Categorize property as Plant in Service (PIS), Environmental Protection Facilities (EPF), or Construction Work In Progress (CWIP). Indicate the Lessor's name, the county code where the property is located. Describe each item, list the original cost of the item, the beginning and ending date of the lease, and annual lease payment of each item listed. The total of the itemized detail should reflect the aggregate cost summarized on Tab 5.

**NON-CAPITALIZED LEASED OR RENTED OPERATING PROPERTY SUMMARY**

**Property Tax Form Tab 5**

Recap and summarize non-capitalized leased or rented transmission and distribution operating property, excluding renewable energy equipment property, as plant in service, environmental protection facilities, and construction work in progress. Report the aggregate total original cost, accumulated depreciation, cost less depreciation, and annual lease payments, as outlined on the schedule. The summarized aggregate cost must agree with the itemized detail total cost on Tab 4.

**COST RECONCILIATION FOR ALLOCATING VALUE TO TAXING JURISDICTIONS**

**Property Tax Form Tab 6**

Reconcile balance sheet data pertaining to plant in service, material and supplies, non-capitalized leased or rented operating property, environmental protection facilities, and construction work in progress with the total property cost reported on the respective "Statement of Original Cost" (PS 1220-01). If applicable, add the total generation plant(s) cost reported in DOR Form 82050, Tab 11, line 7, to the plant in service transmission and distribution original cost. "Combined Groups", as defined in A.R.S. § 42-14157, should complete a single reconciliation of all related company original costs in the Property Tax Form submitted for the predominant T&D company. Do not include cost associated with Renewable Energy Equipment valued under A.R.S. section 42-14155 in this report. The sum of the balance sheet totals reported under each category plus the related material and supplies, and non-capitalized leased operating property, less fee land, land rights, and licensed transportation equipment must agree with the respective PS 1220-01 report total.

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PROPERTY TAX FORM INSTRUCTIONS – Continued

**OPERATING LAND ADDITIONS**

**Property Tax Form Tab 7**

Report only new operating land parcels added between January 1, 2016 and December 31, 2016. For each parcel listed, indicate the county location, tax area code, assessor's parcel number (book, map, and parcel), legal description and current use, and acreage. This listing should reflect operating land parcels **not** reported in the enclosed "Operating Land" report PS 1220-12.

**NON-OPERATING PROPERTY**

**Property Tax Form Tab 8**

Report non-operating, owned or leased, property as of December 31, 2016. Include non-operating property in FERC account #105 – Plant Held for Future Use.

**VERIFICATION**

**Property Tax Form Tab 9**

A paper copy of this page must be signed, dated, and notarized for the report to be accepted by the Department.

**GENERAL DISCLOSURE/REPRESENTATION AUTHORIZATION FORM**

**Property Tax Form Tab 10**

A completed and signed **Form 285** must be on file with the Department to authorize the Department the right to release and discuss confidential information to the taxpayer's Appointee, which is often an employee of the company. The disclosure of such confidential information by the Department to an employee may be necessary to fully interact with, or respond to questions by, such Appointee. **The Form 285 may be used to appoint such Appointee for multiple years.** Additionally, the **Form 285** may be used to grant an Appointee a Power of Attorney, if the appointed individual intends to represent the taxpayer before the Department in administrative matters.

The following are considered designated signatories for the Form 285: (1) Corporate President; 2) Corporate Vice President; 3) Corporate Chief Executive Officer (CFO alone does not qualify); 4) Corporate Principal Secretary; 5) Corporate Principal Treasurer; 6) or LLC Manager Member.

PROPERTY TAX FORM INSTRUCTIONS – Continued

If an employee, or anyone to whom all future correspondence is referred to, is completing the Property Tax Form on behalf of the company and is not one of Principal Corporate Officers or LLC Manager Members noted above, please have one of the Principal Corporate Officers or LLC Manager Members complete and sign a Arizona Form 285 (General Disclosure/ Representation Authorization Form) on behalf of the employee(s) if it is expected that the employee(s) may have to receive any future confidential information from the Department or field any future questions or clarify any information reported on the Property Tax Form submitted to the Department.

Finally, a **Form 285P** enables the taxpayer to designate a person or agent (“Appointee”) to whom the Arizona Department of Revenue can release confidential information concerning the taxpayer’s Centrally Valued Property, if the release of such information is not otherwise authorized by A.R.S. § 42-2003. **A separate Form 285P must be completed for each appointed agent and must be filled out on a yearly basis.**

For a link to the website containing these authorization forms and instructions, go to:

<https://www.azdor.gov/Forms/PowerofAttorneyDisclosure.aspx>

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**Please Note: If you have previously filed a Form 285 General Disclosure/Representation Authorization Form with the Department, please review it and make sure it is current and up to date. If any revisions or changes need to be made, please make the appropriate changes and submit a new and updated Form 285 when you file this year’s Property Tax Form.**

**Otherwise, please submit a copy of the valid Form 285 with this year’s Property Tax Form.**

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DEFINITIONS

1. CONSTRUCTION WORK IN PROGRESS means the total of the balances of work orders for an electric transmission, electric distribution, gas distribution, combination gas and electric transmission and distribution or transmission cooperative plant in process of construction on December 31 of the preceding calendar year, exclusive of land rights and licensed vehicles.
2. DEPRECIATION means straight-line depreciation over the useful life of the item of property.
3. ELECTRIC TRANSMISSION, ELECTRIC DISTRIBUTION, GAS DISTRIBUTION, COMBINATION GAS AND ELECTRIC TRANSMISSION AND DISTRIBUTION AND TRANSMISSION COOPERATIVE PROPERTY means plant, construction work in progress, materials and supplies and environmental protection facilities.
4. ENVIRONMENTAL PROTECTION FACILITIES means the acquisition or construction cost of any building, structure, equipment, facility, or improvement that is designed and constructed solely to control, reduce, prevent or abate: (a) Discharges or releases into the environment of gaseous, liquid or solid substances, heat or noise. (b) Any other adverse impact of an activity on the environment.
5. FEE LAND means land owned and used or useful for the transmission or distribution of electric power or distribution of natural gas.
6. LAND RIGHTS means interests, rights, and privileges held in land which is owned by others.
7. MATERIALS AND SUPPLIES means the cost, including sales, use and excise taxes and transportation costs to point of delivery in Arizona, less purchases and trade discounts, of all unapplied materials and supplies on hand in Arizona as of December 31 of the preceding calendar year.
8. NET BOOK VALUE means the original cost of property less accumulated provision for depreciation and amortization.
9. NON-CAPITALIZED LEASED OPERATING PROPERTY means an agreement which transfers use of property to the lessee during the term of the lease and is property which is not capitalized on the lessee's balance sheet.
10. ORIGINAL PLANT IN SERVICE COST means the actual cost of acquiring or constructing property including additions, retirements, adjustments and transfers.
11. PLANT means all property, situated in this state that is used or useful for the transmission or distribution of electric power or distribution of natural gas. Plant does not include land rights, materials and supplies, and licensed vehicles.