

ARIZONA DEPARTMENT OF REVENUE

Property Tax Division – Centrally Valued Property Unit

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TAX YEAR 2020

ELECTRIC DISTRIBUTION COOPERATIVES

ARIZONA PROPERTY TAX FORM FILING INSTRUCTIONS

FILING DUE DATE: APRIL 1, 2019

Reporting Year End December 31, 2018

FILING INFORMATION

This report is to provide information necessary for consideration in determining the full cash value of your electric distribution cooperative property in Arizona for property tax purposes. (A.R.S. §§42-11051 through 42-11053, 42-14151 through 42-14154, 42-14159, 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.

For TAX YEAR 2020, forms will be mailed electronically via secure and encrypted email, unless the taxpayer's email address is unknown or invalid. Taxpayers are encouraged to submit their Property Tax Form via the secure and encrypted email chain initiated from the Department. If the electronic format submission is selected, all pages of the completed Property Tax Form must be returned to the Department. Due to the confidential nature of the information that is reported, please be sure to use the secure and encrypted email chain initiated from the Department. Otherwise, please submit a paper or facsimile copy. If the paper or facsimile format submission is selected, all pages of the completed Property Tax Form must be returned to the Department. 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, 2019**, 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 information or reports not available on April 1, 2018. The deadline for extension requests is March 21, 2018.

Refusal or failure to file a completed report on or before April 1, 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, 2018. (A.R.S. §42-14152)

If a completed report **is not filed by May 20, 2019, 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 to A.R.S. §42-14152, unless all information requested, including supplemental reports, is provided to the Department of Revenue. If the Department requests additional information, the information must be within the time period specified by the Department.

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ELECTRIC DISTRIBUTION COOPERATIVES
TAX YEAR 2020

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 or (602) 716-6290 .
2. As applicable to your company, copies of the following reports for year ending December 31, 2018, must be filed with this report:
 - a. Annual report to patrons.
 - b. Audited financial statements.
 - c. National Rural Utilities Cooperative Finance Corporation (CFC) Forms 7 & 7a, or Rural Utilities Service (RUS) Forms 7, 7a, & 12h.
 - d. Supporting schedule itemizing detail of non-capitalized leased and/or rented operating property.
 - e. Worksheets / schedules allocating calendar year end December 31, 2018 System cost to Arizona. If accounting year-end is other than December 31, provide documentation / schedules adjusting your fiscal year end figures to December 31, 2018.
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; the yellow highlighted cells are formula computed. Reset print area, as needed, to include all reported data. Unless otherwise set, 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 dollar amounts should be rounded to the nearest dollar.
6. The annual report to patrons, audited financial statements, National Rural Utilities Cooperative Finance Corporation (CFC) form, or Rural Utilities Service (RUS) form, and the completed Property Tax Form must be submitted to the Department on or before April 1, 2018 or the extended due date if an extension is granted.

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ORIGINAL COST AND LAND REPORT INSTRUCTIONS

**Original Cost Report
Operating Land Report**

For purposes of allocating the full cash value of your property to the taxing jurisdictions in which such property is located, a Microsoft Excel file including the words “OriginalCosts(OUT) . . .” with the taxpayer’s name in the file name is attached. Otherwise, we will send a hard copy of the “Original Cost” report. Additionally we have enclosed or attached an electronic file including the words “Operating Land . . .” with the taxpayers name in the file. **Please return the both reports to the Department with the requested corrections and/or revisions.**

On the report titled “OriginalCost . . .”, enter the total original cost of all electric distribution cooperative operating property by tax area code in columns H & I. Include “costs of plant in service, materials and supplies, non-capitalized leased property, fuel stock, railcars where applicable, and construction work in progress. Do not include contributions in aid of construction (CIAC), cost of fee land, land rights, or licensed vehicles on the original cost report. If property is located within tax area codes not listed on the report, modify the report as needed to include those codes. Please review the report and make note of any tax area code change and update your records accordingly. 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. Upon completing and updating the Original Cost Report, please rename the file replacing “(OUT)” with “(IN)” and send the newly named file to the Department when you file the Property Tax Return.

On the report titled “Operating Land . . .”, include any changes in land as of December 31, 2018. 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 8** of the property tax form. If tax area codes are not known, tax district information must include elementary school district name and number, and whether property is located inside or outside the corporate limits of a city or town. If other tax districts apply, such as fire district, hospital district, etc., they should be indicated.

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PROPERTY TAX FORM INSTRUCTIONS

PROPRIETARY INFORMATION

Property Tax Form Tab 1

Report proprietary information and CVP Tax ID number (5 digit hyphenated number), as outlined on the form. If a segment of your business is regulated by an agency of the State of Arizona, indicate the segment that is regulated and submit the reports required by the agency.

PEAK DEMAND / CAPACITY DATA

Property Tax Form Tab 2

Report the last five year peak demand / capacity monthly data and the gross capacity kilo voltage amperage (KVA) for each of the five years. On the following page, list each substation, and the corresponding KVA capacity, gross transformer KVA capacity (air only), year installed, and the total gross capacity KVA as of December 31, 2018.

BALANCE SHEET DATA

Property Tax Form Tab 3

The following are instructions for reporting Balance Sheet data as of December 31, 2018. Cost information reported herein must conform to the accounting specifications of the National Rural Utilities Cooperative Finance Corporation financial and statistical system of accounts:

- 1) Submit documentation and schedules allocating System costs to Arizona by line item in a worksheet format. Explain any significant adjustments.
- 2) Report financial data according to each property account / line item indicated on this tab.
- 3) If your accounting year is other than December 31 calendar year-end, provide schedules adjusting fiscal year-end figures to December 31, 2018.

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PROPERTY TAX FORM INSTRUCTIONS – Continued

BALANCE SHEET DATA - Property Tax Form Tab 3 -Continued

Line Items / Property Accounts

(According to the National Rural Utilities Cooperative Finance Corporation system of accounts)

- LINE 1 Report the total amount of all electric cooperative plant in service. Include all plant costs, including costs or other value of acquisition adjustments, fee land, land rights, and licensed transportation equipment (RUS Form 7, or CFC Form 7). 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 in Line 1.
- LINE 3 Report the amount of Environmental Protection Facilities (EPF) associated with plant in service included in Line 1.
- LINE 4 Report the amount of accumulated depreciation of plant in service Environmental Protection Facilities (EPF) that is included in Line 2.
- LINE 5 Report the amount of fee land 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 that is included in Line 1.
- LINE 9 Report the amount of accumulated depreciation of plant in service licensed transportation equipment that is included in Line 2.
- LINE 10 Report the amount of plant in service Renewable Energy Equipment that is included in Line 1.
- LINE 11 Report the amount of accumulated depreciation of plant in service Renewable Energy Equipment that is included in Line 2.
- LINE 12 Report the amount of fuel stock.
- LINE 13 Report the amount of materials and supplies on hand as of December 31, 2018.
- LINE 14 Report the total amount of construction work in progress (CWIP) as of December 31, 2018.
- LINE 15 Report the amount of CWIP fee land included in Line 14.
- LINE 16 Report the amount of CWIP land rights included in Line 14.
- LINE 17 Report the amount of CWIP licensed transportation equipment included in Line 14.
- LINES 18 through 25: Report as requested on the form.
- LINE 26 Report non-capitalized annual lease payments.
- LINE 27 Report contracts to purchase load of 20 megawatts or more per month as requested on lines (a) through (h).

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PROPERTY TAX FORM INSTRUCTIONS – Continued

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 or Construction Work in Progress by county and code each item with an “L” for land, “B” for building and structure, “P” for personal property. Describe each item, and indicate the lease term, original cost of the item and the associated accumulated depreciation, the net cost, and the annual lease payment. The total of the itemized detail should reflect the aggregate cost summarized on Tab 6.

NON-CAPITALIZED LEASED OR RENTED OPERATING PROPERTY SUMMARY

Property Tax Form Tab 5

Recap and summarize non-capitalized leased and/or rented operating property and indicate whether the cost is for plant in service, or construction work in progress. Categorize cost by land, buildings and structures, or personal property and report the aggregate total of: original cost, accumulated depreciation, net book value, and annual lease payments. The summarized aggregate cost must agree with the itemized detail total cost reported on Tab 5.

COST RECONCILIATION FOR ALLOCATING VALUE TO TAXING JURISDICTIONS

Property Tax Form Tab 6

Reconcile balance sheet data pertaining to plant in service, fuel stock, materials and supplies, and construction work in progress, plus non-capitalized leased operating property with the total property cost reported on the “Original Cost Report” (PS 1220-01). The sum of the balance sheet totals reported under each category plus non-capitalized leased operating property less fee land, land rights, and licensed transportation equipment must agree with the Original Cost Report total.

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PROPERTY TAX FORM INSTRUCTIONS – Continued

NON-OPERATING PROPERTY

Property Tax Form Tab 7

Report non-operating property, whether owned or leased, as of December 31, 2018. Include land, improvements, and personal property located in Arizona **not** used in the operation of the Cooperative.

NEW OPERATING LAND ADDITIONS

Property Tax Form Tab 8

Report only new operating land parcel additions since January 1 through December 31, 2018. For each parcel listed, indicate the county location, tax area code, assessor’s parcel number (book, map, parcel), legal description, and acreage. This listing should reflect operating land parcels **not** on the enclosed “Operating Land” report PS1220-12.

STANDARD FACTORS

Standard Factors Form Tab 9

Report the following data for the Electric Distribution and Transmission Property of the Distribution Cooperative as defined In Section 42-14152 necessary for valuation of Distributive Cooperatives as defined in Section 42-14159.

- LINE 1 Report the MWH Sold to Ultimate Customer.
- LINE 2 Report the Ultimate Customer Count.
- LINE 3 Report the Net Dollar Invested in Distribution Plant.
- LINE 4 Report the Operating and Maintenance Expenses
- LINE 5 Report the Distribution Operating and Maintenance Expenses.
- LINE 6 Report the Miles of Distribution Lines for Arizona Public Service.
- LINE 7 Report the MWH Sold to Ultimate Customer for Arizona Public Service.
- LINE 8 Report the Ultimate Customer Count for Arizona Public Service.
- LINE 9 Report the Net Dollar Invested in Distribution Plant for Arizona Public Service.

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PROPERTY TAX FORM INSTRUCTIONS – Continued

Standard Factors Form Tab 9 (Continued)

- LINE 10 Report the Operating and Maintenance Expenses for Arizona Public Service.
- LINE 11 Report the Distribution Operating and Maintenance Expense for Arizona Public Service.
- LINE 12 Report the Miles of Distribution Lines for Arizona Public Service.
- LINE 13 Report the MWH Sold to Ultimate Customer for UNS Energy Corporation.
- LINE 14 Report the Ultimate Customer Count for UNS Energy Corporation.
- LINE 15 Report the Net Dollar Invested in Distribution Plant for UNS Energy Corporation.
- LINE 16 Report the Operating and Maintenance Expenses for UNS Energy Corporation.
- LINE 17 Report the Distribution Operating and Maintenance Expense for UNS Energy Corporation.
- LINE 18 Report the Miles of Distribution Lines for UNS Energy Corporation.

VERIFICATION

Property Tax Form Tab 10

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

GENERAL DISCLOSURE/REPRESENTAION AUTHORIZATION FORM 285

Property Tax Form Tab 11 – Form 285

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.

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PROPERTY TAX FORM INSTRUCTIONS – Continued

Property Tax Form Tab 11 - Form 285 (Continued)

The following are considered designated signatories for the Form 285: (1) Corporate President; 2) Corporate Vice President; 3) Corporate Chief Executive Officer 4) Corporate Chief Financial Officer; 5) Corporate Principal Secretary; 6) Corporate Principal Treasurer; 7) Other Authorized Corporate Officer; 8) or LLC Manager Member.

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 or Authorized Corporate Officers or LLC Manager Members noted above, please have one of the Principal or Authorized 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. **If representation by an agent is desired, 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>

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.

DEFINITIONS

1. ARIZONA ALLOCATION FACTOR means the factor used to assign a portion of unit value to the State of Arizona.
2. BASELOAD CAPACITY is the capacity used to serve an essentially constant level of customer demand.
3. CONSTRUCTION WORK IN PROGRESS means the total of the balances of work orders for an electric, gas distribution, combination electric and gas distribution, or generation and transmission cooperative plant in process of construction on December 31 of the preceding calendar year, exclusive of land rights and licensed vehicles.
4. CONTRIBUTIONS IN AID OF CONSTRUCTION (CIAC) means the cost or other value of electric plant contributed to the company. Contributions are either in the form of money or its equivalent toward the construction of electric plant.
5. DEPARTMENT means the Arizona Department of Revenue.
6. DEPRECIATION means the loss in value due to all causes, including physical deterioration, functional obsolescence, and economic obsolescence. Depreciation is straight-line over the useful life of the property.
7. DISTRIBUTION LINE means a line that is capable of transporting voltage of 69,000 volts or less and that is employed between the primary source of power supply and delivery to a customer.
8. DISTRIBUTION PLANT means all property that is situated in this state and that is used or useful for the distribution of electric power except land rights, materials and supplies, and licensed vehicles.
9. FEE LAND means land owned and used or useful for the generation, transmission or distribution of electric power or distribution of natural gas.
10. GROSS CAPACITY means total system installed substation transformer “Only Air” (OA) capacity.
11. INVESTOR-OWNED ELECTRIC UTILITY means a business organization that provides electric power production and distribution, is regarded as a utility and is managed as a private enterprise rather than a function of a government or as a utility cooperative.
12. LAND RIGHTS means interests, rights, and privileges held in land which others own.
13. LONG-TERM DEBT means a financial obligation generally extending for one or more years.
14. MATERIALS AND SUPPLIES means all materials and supplies owned and used in the operation of the company, the cost of which is carried in an account or accounts, as prescribed by the regulatory agency or by generally accepted accounting principles, as of December 31 of the preceding calendar year.
15. NET BOOK VALUE means the original cost of property less the accumulated depreciation and amortization for the property.
16. NON-CAPITALIZED LEASED PROPERTY means an agreement that transfers use of property to the lessee during the term of the lease and is property that is not capitalized on the lessee’s balance sheet.

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DEFINITIONS – continued

17. **NON-OPERATING PROPERTY** means all property owned or leased by the rural electric cooperative, but not used in electric operations. This includes electric plant held for future use.
18. **OPERATING PROPERTY** means all property excluding contributions in aid of construction (CIAC), and railcars, whether owned or leased, which is used in rural electric cooperative operations.
19. **ORIGINAL COST** means the actual cost of acquisition or construction of property including additions, retirements, adjustments and transfers.
20. **PATRONAGE CAPITAL** is the difference between the income earned and costs incurred, and is paid out to the members of the cooperative in the form of cash or credits to energy consumption.
21. **PEAKING CAPACITY** is the capacity used to serve peak demand.
22. **PEAK DEMAND** is the highest electric requirement occurring in a given period (e.g., an hour, a day, month, season, or year). It is equal to the sum of the metered net outputs of all generators within a system and the metered line flows into the system, less the metered line flows out of the system. Monthly peak demands are reported on Rural Utilities Service (RUS) Form 7, pages 6 and 7, line 19.
23. **PLANT** means all property situated in this state, whether owned or leased, including contributions in aid of construction (CIAC) and railcars used or useful for the transmission or distribution of electric power.
24. **PLANT IN SERVICE** means the original cost of electric plant excluding CIAC, and private railcars, used by the cooperative in its electric distribution operations, and having an expectation of life in service of more than one year from the date of installation.
25. **RENEWABLE ENERGY EQUIPMENT** means electric generation facilities, electric transmission, electric distribution, gas distribution or combination gas and electric transmission and distribution and transmission and distribution cooperative property that is located in this state, that is used or useful for the generation, storage, transmission or distribution of electric power, energy or fuel derived from solar, wind or other nonpetroleum renewable sources not intended for self-consumption, including materials and supplies and construction work in progress, but excluding licensed vehicles and property valued under sections 42-14154 and 42-14156
26. **UNIT VALUE OR UNIT MARKET VALUATION** is a method of valuation that treats the entire property of a company as an integrated enterprise, without reference to the separate value of the component parts.