

Public Power Pays Back

Payments and Contributions by Public Power Utilities to State and Local Governments in 2020



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Public Power Pays Back

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The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. We represent public power before the federal government to protect the interests of the more than 49 million people that public power utilities serve, and the 96,000 people they employ.

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Executive Summary

Public power utilities provide affordable, reliable, and environmentally responsible electricity to the customers they serve. These not-for-profit, community-owned utilities are not beholden to any shareholders and are driven only by the mission to serve their customers and their community.

Although they do not pay corporate income tax, public power utilities provide other types of payments and contributions to their state and local government. These contributions come in many forms — property-like taxes, payments in lieu of taxes, transfers to the general fund, and free or reduced cost services provided to states and cities. Since these contributions are not reported on a single central form, the total value of these contributions is not always recognized.

Every two years, the American Public Power Association surveys public power utilities to assess the latest scope of these payments and contributions and help convey the value of local utility ownership. This report presents the results of this survey for 2020, including:

- Median and total contributions by revenue, class, and region for public power and investor-owned utilities
- Common types of payments and contributions
- Typical methods utilities used to calculate the amount of payments in lieu of taxes or transfers to the city general fund

Use caution in making direct comparisons with our previous reports, as the utilities included in each report can change from year to year.

A total of 192 public power utilities responded to the 2020 Survey of Tax Payments and Contributions, conducted in January 2022. Nearly all respondents, 185 utilities, made a contribution to their local or state government, which includes 21 public power utilities served by the Tennessee Valley Authority (TVA). Data from TVA-served public power utilities is limited in this analysis because these public power utilities must limit payments and contributions under the terms of their wholesale power contract.

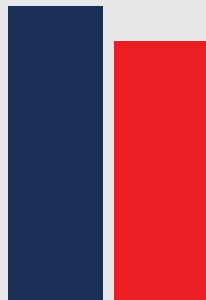
Public Power Contributes More

In 2020, of public power utilities making a contribution to local or state government, public power utilities contributed a median of **6.1% of electric operating revenues** back to the communities they serve. In comparison, investor-owned utilities paid a median of 5.1% of electric operating revenues in taxes and fees to state and local governments in 2020.

When all 2020 taxes, tax equivalents, and other contributions to state and local government are considered, the contribution of public power utilities — as a percentage of electric operating revenues — is 20% higher than that of investor-owned utilities.

Public power utilities also support their communities through charitable giving programs for their employees (26% of respondents) and providing volunteering options (18% of respondents). In 2020, public power employees from the surveyed utilities donated a total of \$3,047,393, with a median charitable donation of \$5,100 for utilities with less than \$50,000,000 in revenue and \$11,083 for utilities with greater than \$50,000,000 in revenue. Additionally, public power employees from the surveyed utilities volunteered a total of 27,416 hours in 2020, with a median of 85 hours for utilities with less than \$50,000,000 in revenue, and 210 hours for utilities with greater than \$50,000,000 in revenue.

Public power utilities' contributions to local and state government are **20% higher** than investor-owned utilities



Payment and Contribution Rates by Revenue

Net payments and contributions as a percent of electric operating revenue are summarized for public power utilities in seven revenue classes. This analysis includes the 185 public power utility respondents that made a contribution to local or state government. Medians by revenue class range from 3.7% to 8.9%, as compared to the national median of 6.1%.

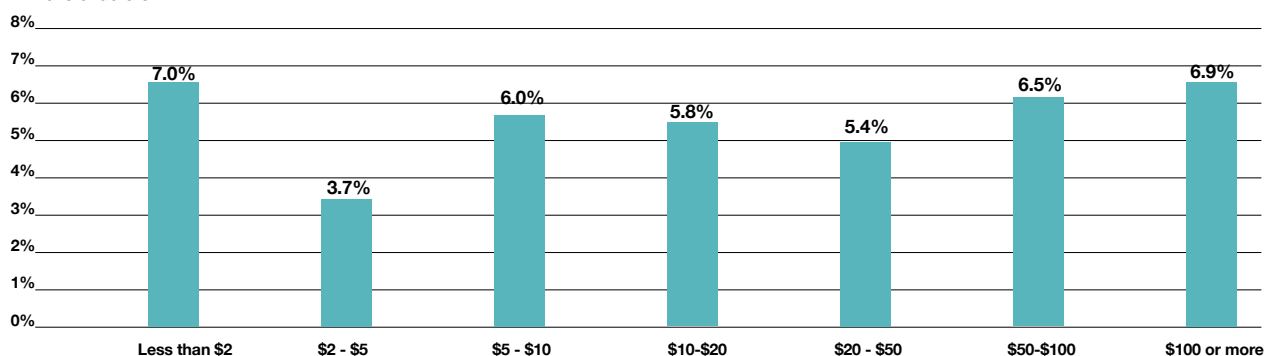
The median is defined as the value where half of the utilities had greater payment and contribution rates and half contributed less. Quartiles are another common tool used in analysis. By definition, half of utilities fall between the first and third quartiles. For example, 50% of the 185 utilities in this report made payments and contributions between 3.7% and 8.5% of electric operating revenue.

TABLE 1. Net Payments and Contributions by Public Power Utilities as Percent of Electric Operating Revenue, 2020

Revenue (in millions)	Utilities	Median	First Quartile	Third Quartile
Less than \$2	11	7.0%	4.6%	15.2%
\$2-\$5	15	3.7%	1.6%	7.4%
\$5-\$10	25	6.0%	2.8%	7.8%
\$10-\$20	24	5.8%	3.9%	8.6%
\$20-\$50	52	5.4%	3.7%	6.8%
\$50-\$100	27	6.5%	5.3%	8.6%
\$100 or more	31	6.9%	5.6%	10.1%
Total	185	6.1%	3.7%	8.5%

Figure 1. Median Net Payments and Contributions by Public Power Utilities as Percent of Electric Operating Revenue, 2020

In millions of dollars



In 2020, investor-owned utilities paid a median of 5.1% of electric operating revenues in taxes and fees to state and local governments. IOUs in the middle 50% of contributions made payments ranging from 3.6% to 7.5%. In comparison, public power utilities paid a median of 6.1% in net payments and contributions as a percent of electric operating revenue, with a middle range of 3.7% to 8.5%.

The median percent of taxes paid by IOUs and tax payments and contributions by public power systems as a percentage of electric operating revenue varies by utility size.

	Investor-Owned	Public Power
Large Utilities (over \$100 million)	5.2%	6.9%
Small Utilities (under \$100 million)	4.2%	5.9%

In this study, most IOUs (92%) had more than \$100 million in operating revenues, while most public power systems had less than \$100 million (83%).

Payment and Contribution Rates by Region

Regional variations in median net payments and contributions range from 4.6% in the Northeast to 9.1% in the Atlantic. This analysis includes the 185 public power utility respondents that made a contribution to local or state government. Appendix 2 details the states included in each region.

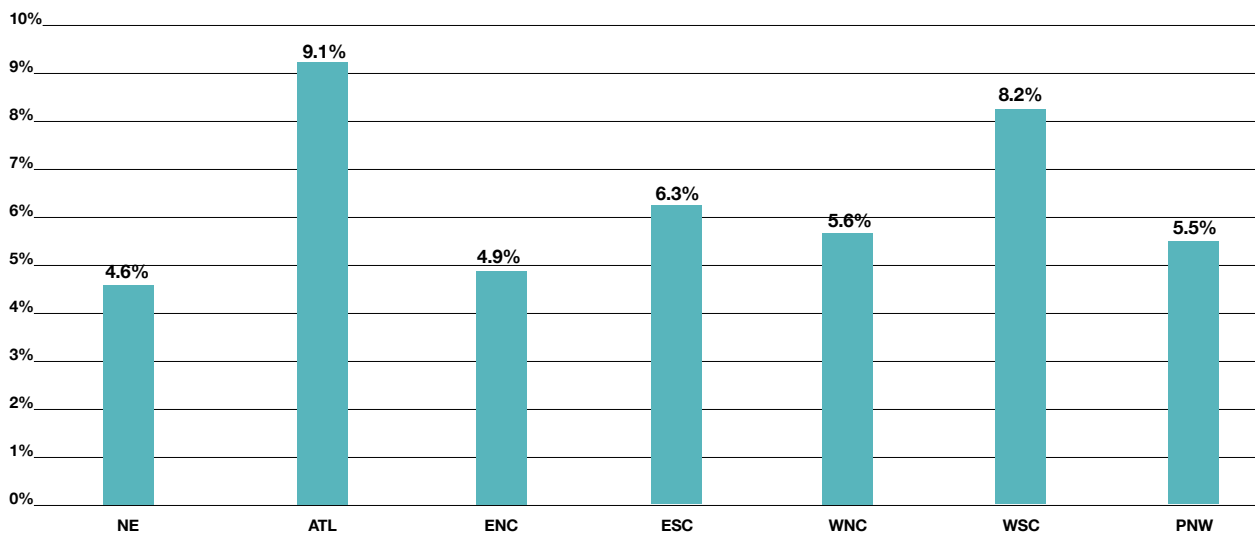
TABLE 2. Net Payments and Contributions by Public Power Utilities as Percent of Electric Operating Revenue, by Region, 2020

Region	Number of Utilities	Median	First Quartile	Third Quartile
Northeast	21	4.6%	2.3%	11.2%
Atlantic	19	9.1%	1.3%	17.7%
East North Central	30	4.9%	3.8%	6.7%
East South Central	25	6.3%	6.0%	6.8%
West North Central	58	5.6%	3.7%	8.5%
West South Central	10	8.2%	6.5%	10.0%
Mountain	7	7.9%	a	a
Pacific Northwest	11	5.5%	3.6%	6.1%
Pacific Southwest	4	b	a	a
Total	185	6.1%	3.7%	8.5%

a Quartiles not provided for fewer than 9 responses

b Medians not provided for fewer than 5 responses

Figure 2. Median Net Payments and Contributions by Public Power Utilities as Percent of Electric Operating Revenue, by Region, 2020



Note: The Pacific Southwest is not included because there are fewer than 5 responses.

Table 3 presents data for investor-owned utilities grouped by geographic region. The median rate for investor-owned systems was the largest in the East South Central and Pacific Northwest, and smallest in the Pacific Southwest and East North Central.

TABLE 3. Net Taxes as Percent of Electric Operating Revenue for Investor-Owned Systems, by Region, 2020

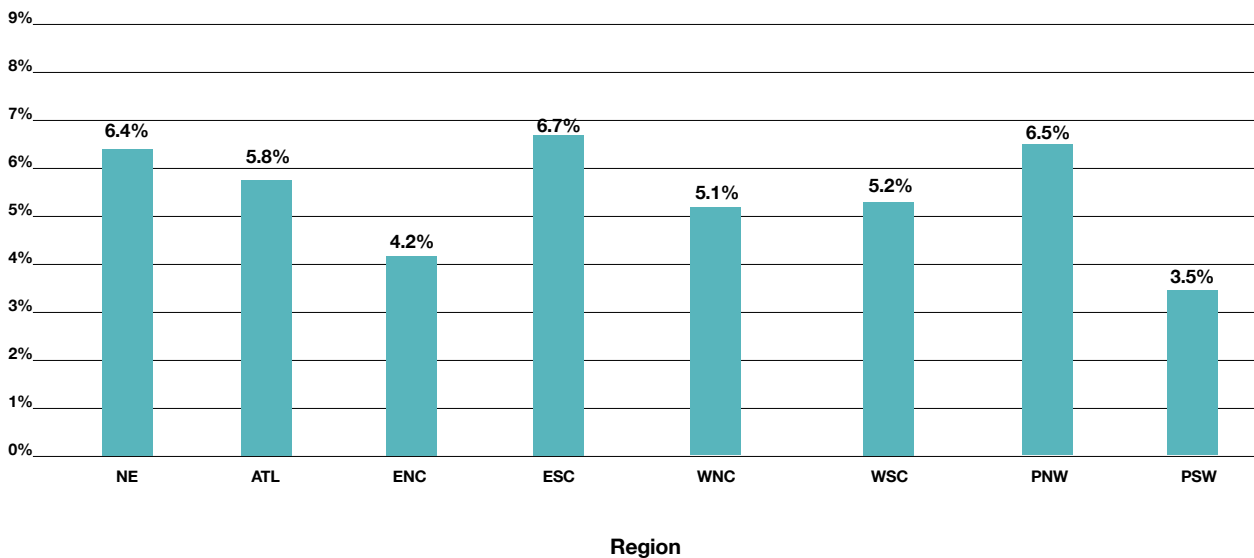
Region	Number of Utilities	Median	First Quartile	Third Quartile
Northeast	25	6.4%	4.4%	8.3%
Atlantic	18	5.8%	4.6%	7.7%
East North Central	27	4.2%	3.3%	6.6%
East South Central	7	6.7%	a	a
West North Central	16	5.1%	3.2%	7.5%
West South Central	12	5.2%	4.7%	7.8%
Mountain	3	b	a	a
Pacific Northwest	6	6.5%	a	a
Pacific Southwest	10	3.5%	2.4%	3.8%
Total	124	5.1%	3.6%	7.5%

a Quartiles not provided for fewer than 9 responses.

b Medians not provided for fewer than 5 responses

Note: Mountain region included in totals, but not enough utilities to be included in chart

Figure 3. Median Tax Payments by Investor-Owned Systems by Region, 2020



Summary of Payments and Contributions

This analysis includes the 164 public power utility respondents that made a contribution to local or state government and are not served by TVA. Public power utility respondents that are served by TVA (21 utilities) are not included because they must limit payments and contributions under the terms of their wholesale power contract.

As shown in Table 4, the 164 utilities made combined payments and contributions that exceeded \$1.15 billion to state and local government in 2020. Payments in lieu of taxes were the largest share of payments and contributions, followed by other taxes and fees. Table 5 shows the number of utilities making each type of payment or contribution.

TABLE 4. Net Payments and Contributions to State and Local Government

	Amount (\$ Millions)	Percent of Total
Payments in Lieu of Taxes	\$704.7	60.8%
Other Taxes and Fees	\$273.8	23.6%
Gross Receipts Tax	\$123.1	10.6%
Free or Reduced Cost Electric Services	\$44.0	3.8%
Use of Employees	\$6.6	0.6%
Use of Vehicles, Equipment, Materials & Supplies	\$6.9	0.6%
Total	\$1,159.1	

TABLE 5. Types of Payments and Contributions Provided, 2020

	Percentage of Utilities	Number of Utilities
Payments in Lieu of Taxes	79.9%	131
Taxes and Fees	41.5%	68
Gross Receipts Tax	29.9%	49
State Public Utility Assessments	20.7%	34
Property Taxes	16.5%	27
Franchise Fees	3.7%	6
Other	16.5%	27
Free or Reduced Cost Electric Service	42.1%	69
Streetlighting	33.5%	55
Lighting for Municipal Buildings	22.0%	36
Recreational Facilities	15.2%	25
Traffic Signals	13.4%	22
Water Pumping	8.5%	14
Water or Sewer Treatment Facilities	7.9%	13
Other	15.2%	25
Use of Employees	53.7%	88
Putting Up City Signs & Banners	30.5%	50
Installation of Temporary Lighting	26.2%	43
Traffic Signal Maintenance	25.6%	42
Electrical Repair for Other Departments	18.3%	30
Tree Trimming for Other Departments	14.6%	24
Non-Utility Locates	8.5%	14
Technical Expertise	8.5%	14
Reading Water Meters	7.3%	12
Rewiring Municipal Buildings	6.1%	10
Other Services	14.6%	24
Other Resources	34.8%	57
Use of Vehicles & Equipment	23.2%	38
Use of Materials & Supplies	9.8%	16
Other	14.0%	23

The 164 utilities received \$2.8 million in contributions and services from the municipality. This amount does not include any contributions or services for which the city has been reimbursed, either through direct billing or a transfer of funds. Subtracting these free or reduced cost contributions and services results in \$1.156 billion in net payments and contributions by the 164 utilities in 2020. Table 6 shows the number of utilities receiving services and contributions from the municipality

TABLE 6. Types of Services and Contributions Received from State and Local Government, 2020

	Percentage of Utilities	Number of Utilities
Any Services & Contributions	20.7%	34
Use of Employees	14.0%	23
Use of Vehicles & Equipment	7.9%	13
Free or Reduced Cost Service	7.9%	13
Use of Materials & Supplies	4.9%	8

Methods Used to Determine Payments in Lieu of Taxes

Approximately 82% of respondents that made a contribution to local or state government and are not served by TVA (134 utilities) made payments in lieu of taxes, also called transfers to the general fund. Payments in lieu of taxes are generally thought of as payments to local government. However, some utilities make payments in lieu of taxes to the state government.

As shown in Table 7, the most common method used to determine the amount of payments in lieu of taxes was percent of gross electric operating revenue. The median transfer as a percent of electric operating revenue was 6.2%

TABLE 7. Methods Used to Calculate Payments in Lieu of Taxes

	Percentage of Utilities	Number of Utilities
Percent of Gross Electric Operating Revenue	28%	37
Property Tax Equivalent	14%	19
Flat Amount Paid Annually	14%	19
Charge per Kilowatt-hour Sold	13%	17
Assessment of Electric Utility and City Budgets	6%	8
Percent of Net Utility Plant in Service	4%	5
Percent of Income (Net, Operating or Total)	3%	4
Other/Did not Indicate	19%	25

The “assessment of electric utility and city budgets” category includes utilities with payments that are set by the city council, the mayor, or a utility commission, and utilities that make payments on an as-needed basis. The most common responses in the “other” category are utilities which make payments are based on more than one criterion.

TVA distribution utilities are not included in this assessment. State law determines the payments in lieu of taxes for utilities in the state of Tennessee. The calculation is composed of two parts: 1) percentage of three-year average operating revenue less power cost and 2) property tax rate applied to net utility plant.

APPENDIX 1

Methodology and Data Sources

Results for publicly owned utilities were calculated from two sources: the American Public Power Association's 2020 Survey of Local Publicly Owned Electric Utilities Tax Payments and Contributions to State and Local Government and the Department of Energy's Energy Information Administration Form EIA-861, Annual Electric Utility Report.

A total of 192 utilities completed the 2020 survey. Form EIA-861 provided information on electric operating revenue. Payments and contributions for TVA distributors include an amount equal to 5% of the estimated cost of power purchased from TVA (TVA makes this payment) plus any payments in lieu of taxes or contributions made by the distribution utility. TVA's wholesale power contracts with municipalities limit payments in lieu of taxes to an amount not exceeding the state and local taxes that the system would pay if privately owned.

Study results for investor-owned systems were calculated from data submitted on the 2020 Federal Energy Regulatory Commission Form 1, "Annual Report of Major Electric Utilities, Licensees and Others."

This report only includes distribution utilities with approximately 50% or more of their total kilowatt-hour sales going to retail customers. The survey respondents represent about 30% of all kilowatt-hour sales to customers of public power utilities. This report includes nearly all investor-owned systems.

Public power's payments and contributions to state and local governments include taxes and fees such as gross receipts taxes, property taxes (generally on property outside the city limits), franchise fees, payments to state public utility commissions, environmental fees, and licenses. Payments in lieu of taxes or transfers to the general fund and the value of services such as free or reduced cost electricity, the use of electric department employees, and the use of electric department materials and equipment are also included. Federal taxes, social security taxes, similar contributions to state unemployment insurance, and other payroll taxes are excluded.

The value of free or reduced cost services contributed by the local government to the utility is deducted from total payments and contributions to arrive at net contributions. The net amount is then divided by electric utility revenue.

Net taxes for investor-owned utilities include state and local taxes and fees as reported on pages 262-263 of FERC Form 1. Federal taxes, social security taxes, similar contributions to state unemployment insurance, and other payroll taxes are excluded.

APPENDIX 2

Regions

The regions specified in Table 2 and Table 3 comprise the following states. Hawaii is not included in any of the nine regions but is included in national totals and in summaries by revenue class. Utilities serving the U.S. territories did not complete the survey and are not included in this report.

Northeast	Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont	West South Central	Arkansas, Louisiana, Oklahoma, and Texas
Atlantic	The District of Columbia, Delaware, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, and West Virginia	Mountain	Colorado, Montana, New Mexico, Utah, and Wyoming
East North Central	Illinois, Indiana, Michigan, Ohio, and Wisconsin	Pacific Northwest	Alaska, Idaho, Oregon, and Washington
East South Central	Alabama, Kentucky, Mississippi, and Tennessee	Pacific Southwest	Arizona, California, and Nevada
West North Central	Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota		



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