

Tax impact would be huge

Millions in power plant ad valorem taxes could go to school districts

BY MONICA KEEN
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Two county school districts could be the big winners in the ad valorem tax equation if Tenaska Inc. moves forward with plans to build a \$1 billion coal-fired power plant adjacent to the Sallisaw Landfill.

Sallisaw Mayor Shannon Vann said part of the 950 acres of city-owned property that Tenaska is thinking about purchasing for the proposed power plant is in the Sallisaw School District, while the other part is in the Central School District. Where the actual plant site itself will be located is not guaranteed, but Vann said it looks like the plant will be located in the Central School District.

"It would be a great boost for whatever school district it's in and for the county," Kenny Chuculate, deputy director of the ad valorem tax division for the Oklahoma Tax Commission (OTC), said about the proposed Sallisaw plant.

Chuculate said at this point since there are no numbers for the value of the plant, no tax projections can be calculated. But he said the finished value on power plants is typically several hundred million dollars. That value is then used to calculate the actual ad valorem taxes paid on the property.

Jana Martin, Tenaska's director of public and government affairs, said it's hard to speculate in terms of what the value will be for the Sallisaw plant.

"We typically pay millions of dollars in property tax over the lifetime of a plant," she said.

In Sequoyah County, county schools receive 52.7 percent of ad valorem tax levies, which is the largest portion of the taxes collected, according to a 2004-5 ad valorem tax study presented by Tony Yates, OSU Extension Educator Ag/4-H youth and chief executive director, in August. In addition, the school sinking funds get 7.4 percent and the school building funds receive 6.8 percent. See graph at right.

The county government general fund; vocational-technology education; the career technology building fund; the county health department; and the county libraries also get a cut of the total ad valorem taxes paid in the county.

Sequoyah County's 2006 projected property tax income, including real, personal and public

service property, is \$9.76 million, according to the county assessor abstract of the tax rolls.

Trica Yates, Sequoyah County Treasurer, pointed out that her office may not collect as much money as projected because of corrections, or adjustments, made on property assessments.

HOW IT WORKS

The school district, or districts, where the plant is located will determine where the majority of the ad valorem taxes paid on the power plant will go.

The AES Power Plant in Shady Point in LeFlore County is an example of taxes paid by a plant being split among two school districts. Chuculate said about half of the AES plant is located in the Panama School District, while the other half is located in the Spiro School District.

"That's a rare situation," he said.

Chuculate speculated that the process to determine the value of the plant will be similar to that of the AES power plant.

He said while the plant was being constructed, property tax would be due and payable during the construction period on the land value. After the plant is finished, it would have a finished value.

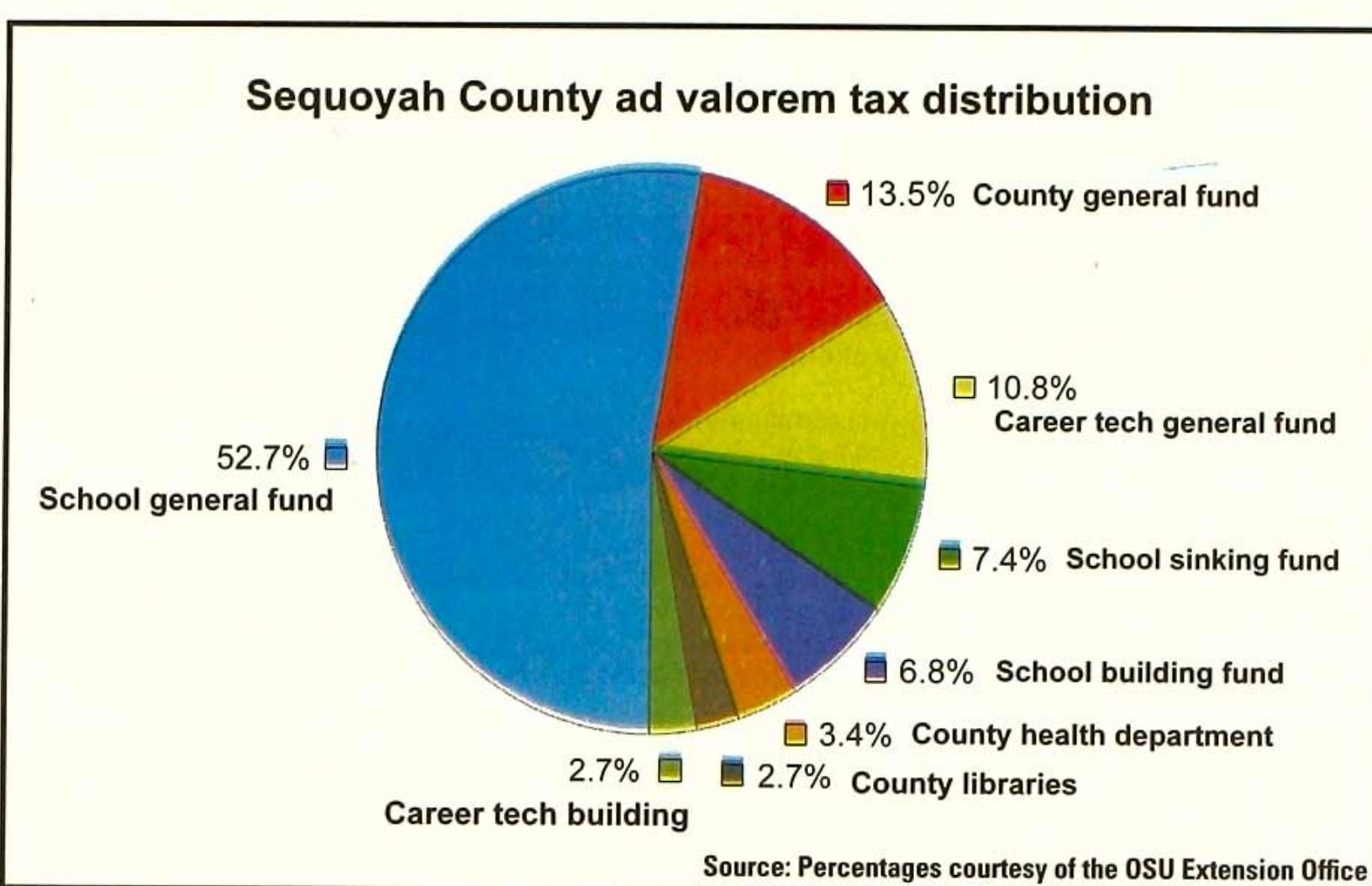
Chuculate said since the plant is privately-owned and not a public power plant, it will be assessed at the local level and would not be centrally assessed, meaning it would not be a publicly regulated property, such as Oklahoma Gas & Electric. Publicly regulated utilities have a different assessment process and are assessed at a higher rate.

For Tenaska, it would be assessed at the local rate, most likely in some way tied to the cost of construction, he explained. "That would be a ballpark figure," Chuculate said.

Tenaska has estimated that the Sallisaw plant is expected to cost more than \$1 billion.

The process to determine the plant value starts after construction. Chuculate said there is an application that the facility submits to the county assessor after the facility is completed. Ultimately the application is sent to the OTC, who works with the county to set the value on the plant.

Non-public industries, like Tenaska, are also eligible for a five-year property tax exemption,



The chart above indicates how Sequoyah County residents' ad valorem taxes are apportioned in the county.

which may be a major incentive for locating in Oklahoma.

"Oklahoma is the only state in the union that provides a property tax exemption for qualifying industries," Chuculate said.

He explained that the state reimburses the taxing jurisdiction 100 percent of the ad valorem taxes that the company would have had to pay to the county during its first five years in operation.

The exemption is basically for manufacturing type facilities, and power generation is included in that, he said. It is like other tax incentives in other states, except Oklahoma is the only state that reimburses the taxing jurisdiction for the full amount. There are currently 200 companies in the exemption program, Chuculate said. In total, the state pays over \$50 million a year to various counties in the state on behalf of industries.

After five years — in the sixth year — it comes back at a depreciated value to the local level and the facility pays taxes to the local taxing jurisdiction, Chuculate explained.

"Everybody wins," Chuculate said. "The school district is obviously the big winner. They would see a substantial increase in their school district evaluation."

Others in the county will also see an increase, including the

county government, libraries, the technology programs, and the county health department.

In Pittsburg County, Tenaska's Kiamichi Generating Station in Kiowa received a five-year exemption, as did the AES plant in Shady Point, but the AES plant's exemption has since expired because it began operations in 1991.

Chuculate said in Pittsburg County, the actual value of the Kiamichi facility was assessed at \$500 million. The Kiamichi plant is a half to a third larger than the plant proposed in Sallisaw, generating 1,220 megawatts of electricity from natural gas, but the Sallisaw plant may cost more because it is coal-fired and prices have inflated in the years since the Kiamichi plant was constructed.

"We actually paid, on behalf of that plant, \$4.7 million (to the county)," Chuculate said of the ad valorem taxes for the Kiamichi plant. "That money was allocated exactly as other ad valorem tax dollars."

OTHER COUNTIES

Jim Kelley, Pittsburg County assessor, said Tenaska's total \$4.7 million tax bill for 2005 included real and personal property.

Kelley said the Kiamichi power plant is located within one school district in Pittsburg County, the Kiowa School District, with 58 to

59 percent of all the ad valorem taxes from the Kiamichi plant going to them. Kiowa also now has a base millage rate.

The amount of ad valorem taxes paid varies from school district to school district because it depends on the school district's bonded indebtedness, Kelley explained.

"If you're talking a billion-dollar facility, you're talking about a major impact on the school districts and the county," Kelley said.

In the Kiowa School District, the impact from the Kiamichi plant caused them to stop receiving state aid. The Kiowa School district lost \$1.2 million in state aid, but gained more than that from the ad valorem taxes from the plant, according

to the school district. Kiowa School has 300 students in pre-kindergarten through 12th grade.

The biggest boost to their district was the additional money in the school's building fund, according to the school. That extra money in the school's building fund has enabled them to do more things without taxing residents. The school district currently has no outstanding bond issues. For the last year, the school has been saving the money in their building fund in order to build an auditorium, which they plan to break ground on in the spring.

Kelley said their Tenaska power plant has done a lot for the community, and not just tax-wise. He said when Tenaska first began operations in 2003 they made a cash contribution to all the schools in the county.

"They're community-minded. They're clean," Kelley said. "They take care of business. It's been good for us."

"We saw a 34 percent increase in revenue for the county when they came into place."

Fifteen years after the 320-megawatt AES coal-fired plant in Panama began operations, they are still paying nearly a million dollars in ad valorem taxes. According to the LeFlore County treasurer's office, AES had \$903,000 in real and personal property taxes in 2006.

"It's a great tax base, that's what it is," Todd Peters, first deputy with the LeFlore County treasurer's office, said.

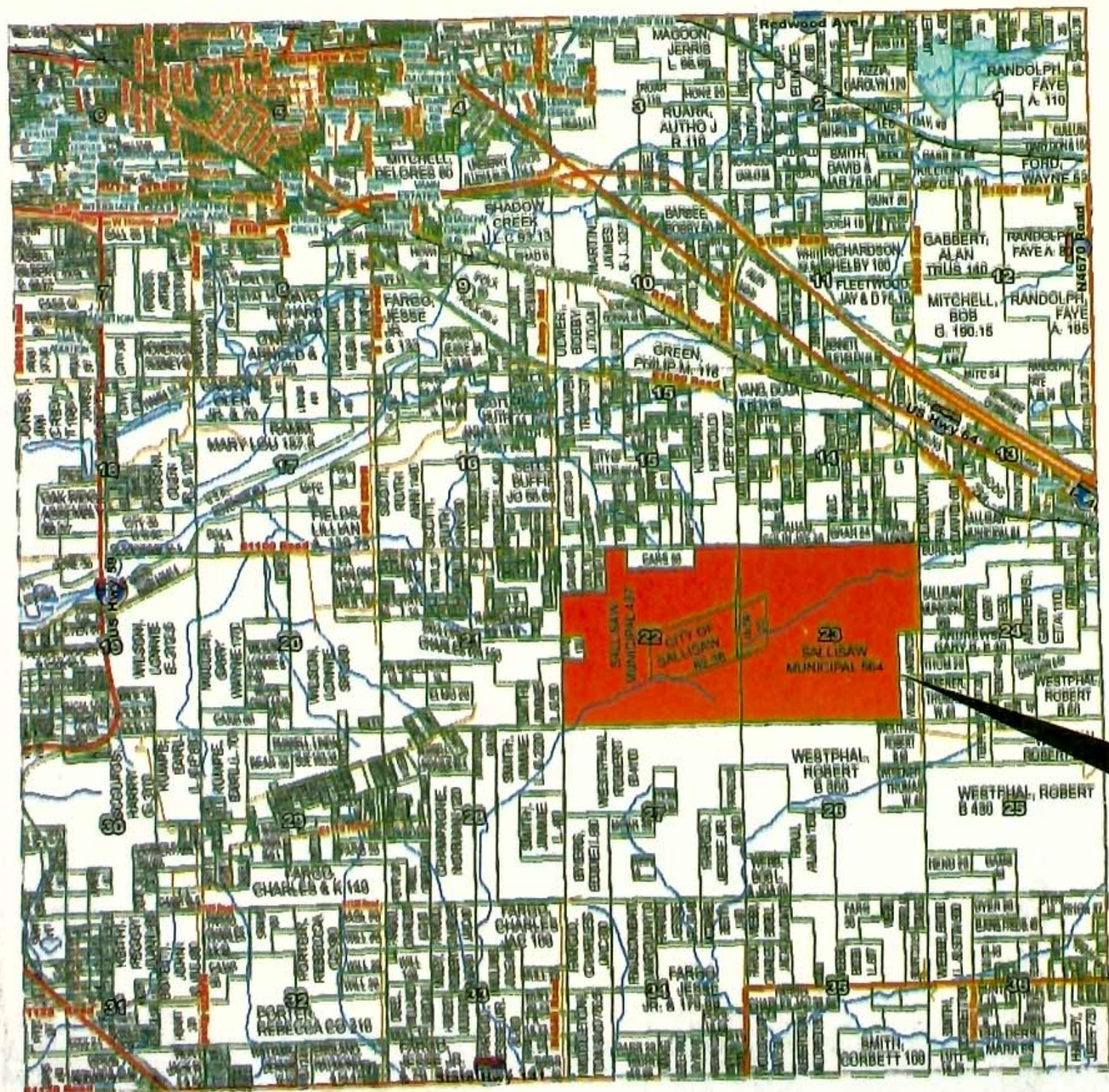
Peters said he has read about the opposition in Sallisaw toward the Tenaska plant, and said, "If they realized the economic impact, they'd be foolish not to have it."

WHAT OTHER POWER PLANTS PAY

Power plant	2006 ad valorem tax bill
OG&E Muskogee	\$7,174,842
AES Shady Point	\$903,000

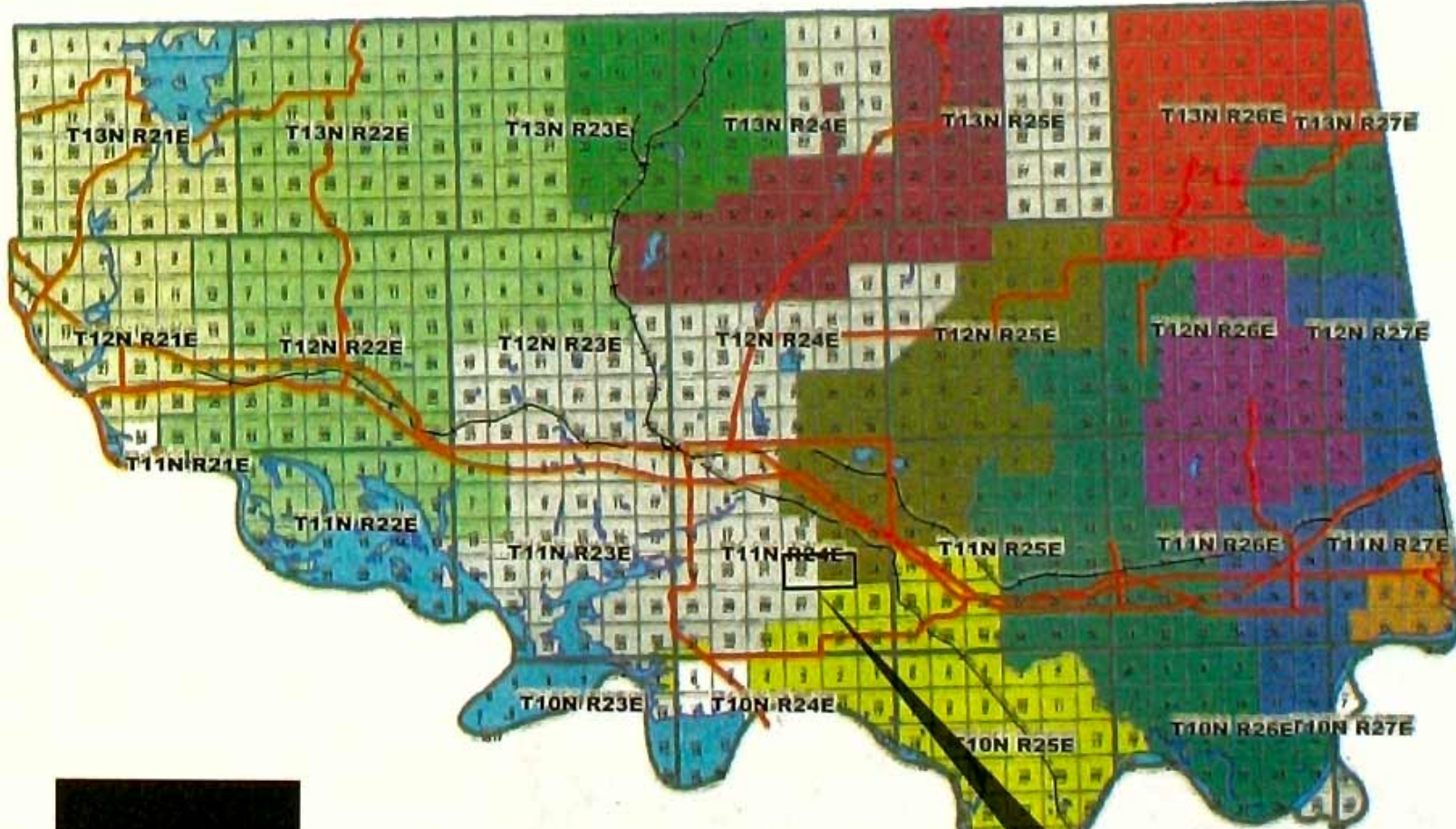
Note: The above amounts, provided by county government offices, include both personal and real property, which vary by millage rates and the assessed and appraised values for each plant. Public service companies like Oklahoma Gas & Electric (OG&E) pay on a higher assessed value, unlike private companies like Tenaska, which are locally assessed, according to the Muskogee County assessor's office.

Sequoyah County
T11N R24E



Proposed plant site

Sequoyah County
School Districts



School districts

- Legend
- Belfonte
 - Brushy
 - General
 - Gans
 - Gore
 - Liberty
 - Marble City
 - Moffett
 - Muldrow
 - Roland
 - Sallisaw
 - Vian

Source: For reference purposes only, courtesy of www.countyassessor.info

The map on the left shows the 950 acres of land that Tenaska Inc. of Omaha, Neb., is thinking about purchasing for a proposed coal-fired power plant adjacent to the Sallisaw Landfill. The property is city-owned. The map on the right indicates

how the school districts in the county are divided, with the land for the proposed power plant being located in the Central and Sallisaw School Districts.