

Southern California Edison
WODUP A.13-10-020

DATA REQUEST SET A.13-10-020 WODUP ED-SCE-04

To: ENERGY DIVISION
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Question SOC-1 a & b:

Socioeconomic impacts can include changes in tax or fee revenues in jurisdictions as a result of implementing a project. The proposed WOD Upgrade Project would alter various transmission lines and facilities by removing certain structures, lines, and equipment and installing new structures, lines, and equipment. To better understand the effect of these changes on public revenues generated from taxes and fees applicable to the project, please provide the following:

- a. Describe the tax regime currently applicable to the existing assets included in the WOD project area, including the annual taxes or fees paid to various public entities. Identify those entities and the annual revenues each receives.
- b. Describe the anticipated tax regime under the proposed WOD Upgrade, including the taxes and fees anticipated to be paid to various individual public entities.

Response to Question SOC-1 a & b:

a. There are three primary taxes/fees, Sales (or Use) tax, Property tax, and franchise fees that are further described below. SCE also pays other local fees (such as business license) to the various cities and counties within the WOD Project area, however these fees are not expected to change much as a result of the WOD Upgrade Project.

- Property Taxes - In general, the Board of Equalization assesses SCE's existing property/assets to determine the allocable assessed value to the various counties in which SCE currently has property/assets. The counties, in turn, determine SCE's property tax liability based on the allocated assessed value and the applicable property tax rate. Currently, the properties/assets within the existing WOD corridor (e.g., existing single-circuit transmission lines) that will be replaced as a result of the WOD Upgrade Project are located in Riverside County and San Bernardino County. Based on the net book value of the aforementioned assets (as of 12/31/2013), SCE's property tax liability related to the WOD existing assets is approximately \$172K. Riverside County receives approximately \$125K and San Bernardino County receives approximately \$47K.
- Sales (or Use) Taxes - A sales or use tax is imposed by the State of California for the sale, or storage, use or consumption of tangible personal property in the state. The current sales or use tax rate for the Project area (Riverside and San Bernardino Counties) is 8%. This rate consists of a statewide sales tax base rate of 7.5%, which is comprised of

6.25% state, 0.25% county, and 1% local. The additional 0.5% rate, which makes up the 8% total tax rate, is a district tax charged by Riverside and San Bernardino Counties. The current statutory allocations for the State and County portions go to the State's General Fund, Fiscal Recovery Fund, Local Public Safety Fund, State's Education Protection, and health and social services programs. The Local portion goes to county transportation funds and city/county operations. The District portion would go to either the San Bernardino County Transportation Authority or the Riverside County Transportation Commission. Because the majority of the existing WOD facilities have been in place since they were constructed between 1945 and 1975, there have been minimal sales or use tax contribution toward the state, county and local economies in the Project area over recent years related to the existing WOD facilities.

- Franchise Fees - SCE obtains grants of franchise from local governments that generally grant SCE the ability to install, construct, use, alter, maintain and operate its electrical distribution and transmission system for the purpose of conducting, transforming and distributing electricity under, along, across or upon the public streets, ways, alleys, and places within a local government's franchise area. SCE pays a franchise fee to these local governments for its franchise grants that is based on two percent (2%) of gross annual receipts arising from use, operation, or possession of franchise, but not less than one percent (1%) of gross annual receipts derived from the sale of electricity within the limits of the City, plus Direct Access Municipal Surcharge. Based on a high-level estimate, SCE estimated a collective, approximate \$12M in franchise fees were paid to local governments within the WOD Project area in 2013.

b. The WOD Upgrade Project is estimated to replace and install over 48 miles of existing single-circuit transmission lines with double-circuit transmission lines. SCE anticipates increases in both Sales (or Use) tax and Property tax and slight increases in its franchise fee payments as a result of the Project. These are provided below:

- Property Taxes - The annual property tax liability related to the WOD Upgrade Project assets is anticipated to increase to approximately \$13M by the estimated completion of the Project (2019/2020). Riverside County's allocable portion may yield additional annual property tax revenues of approximately \$9.4M. San Bernardino County's annual property tax revenues from the WOD Upgrade Project assets may increase to approximately \$3.6M.

- Sales (or Use) Taxes - The anticipated one-time sales or use tax contribution to the state and local economies is estimated to be approximately \$11.2M, broken down by the various components as follows:

| | | |
|----------|-------|----------------|
| State | 6.25% | \$8.7M |
| County | 0.25% | \$ 0.4M |
| Local | 1.00% | \$1.4M |
| District | 0.50% | <u>\$ 0.7M</u> |
| Total | | \$11.2M |

- Franchise Fees - SCE estimates an approximate 1-2% annual increase in franchise fees as a result of the WOD Upgrade Project. This equates to an annual increase of approximately \$100K to \$250K in franchise fee payments to local governments once the Project is in service.