

Electric Power in Rural Areas

JLARC Staff 2017 Tax Preference Performance Evaluation

Public Utility Tax Preference

Objective (inferred)

Provide tax relief to utilities and their customers in rural areas.

Results

Met. Preference provides tax relief to 17 rural utilities serving 156,000 customers.

Preference limited to electric utilities with few customers per mile and high power rates

Must serve fewer than **17 customers** per mile of power line

Must have retail power rates **above the statewide average**

Preference provides tax relief to 17 rural utilities & their customers

Utilities can claim a deduction based on their density of customers and retail power rates

FY 16 average savings per utility:

\$49,420

FY 16 average customer savings:

\$5.39

Rural public utility customers tend to use more electricity than urban customers



Rural customers

tend to use more electricity for heat and hot water and have higher monthly electric bills on average.



Urban customers

tend to use more natural gas, which is less expensive.

Source: Northwest Power and Conservation Council

Legislative Auditor recommendation: **Continue**

The preference has no expiration date and is providing tax relief to rural utilities and their customers. The Legislature should consider stating the public policy objective in statute.

The complete report is on the JLARC web site.

For more information, contact: Keenan Konopaski, Washington State Legislative Auditor
(360) 786-5187 • keenan.konopaski@leg.wa.gov

July 2017