

Public Power Pays Back

Payments and Contributions by Public Power Utilities to State and/or Local Governments in 2022



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Powering Strong Communities

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 54 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 community. Although they do not pay corporate income tax, public power utilities provide other types of payments and contributions, which support the value of local utility ownership.

Every two years, the American Public Power Association (APPA) surveys public power utilities to assess the scope of payments and contributions community-owned utilities provide to their state and/or local governments. 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, cities, and tribes. Since these contributions are not reported on a single central form, the total value of these contributions is not always recognized.

A total of 204 public power utilities responded to the 2022 Survey of Tax Payments and Contributions, conducted from January through March of 2024. Nearly all respondents, 197 utilities, made a contribution to their state and/or local governments, which includes 26 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.

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

Public Power Contributes More

In 2022, public power utility respondents making contributions to state and/or local governments contributed \$1.476 billion, or a median of **5.1% of electric operating revenues** back to the communities they serve. In comparison, investor-owned utilities paid a median of 4.7% of electric operating revenues in taxes and fees to state and/or local governments in 2022.

When all 2022 taxes, tax equivalents, and other contributions to state and/or local governments are considered, the contribution of public power utilities — as a percent of electric operating revenues — is **9% higher** than that of investor-owned utilities.

Public power utilities also support their communities through charitable giving programs for their employees (31% of respondents) and in providing volunteering options (27% of respondents). In 2022, public power employees from the surveyed utilities donated a total of \$2,708,107, with a median charitable donation of \$4,165 for utilities with less than \$50,000,000 in revenue and \$33,929 for utilities with greater than \$50,000,000 in revenue. Additionally, public power employees from the surveyed utilities volunteered a total of 22,785 hours in 2022, with a median of 98 hours for utilities with less than \$50,000,000 in revenue, and 200 hours for utilities with greater than \$50,000,000 in revenue.

PAYMENT AND CONTRIBUTION RATES BY REVENUE

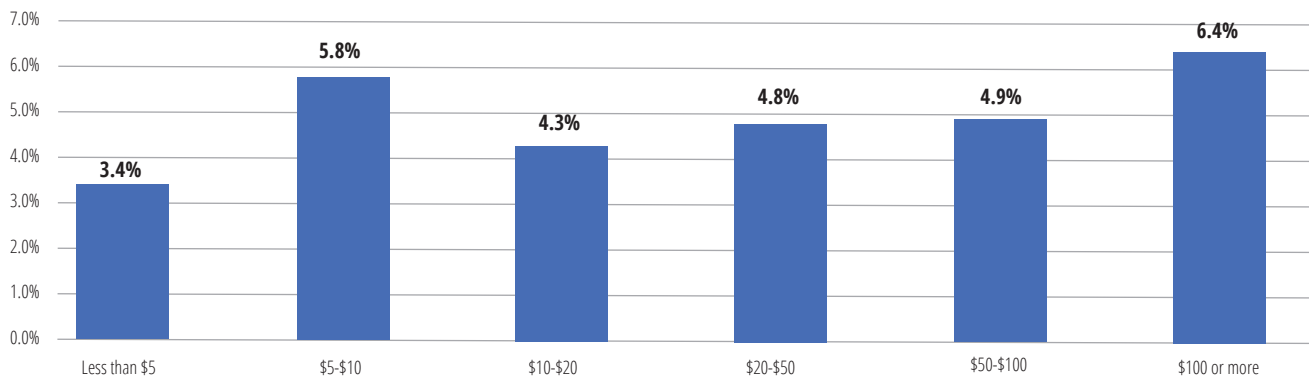
Net payments and contributions as a percent of electric operating revenue are summarized for public power utilities in six revenue classes. This analysis includes the 197 public power utility respondents that made a contribution to state and/or local governments. Medians by revenue class range from 3.4% to 6.4%, as compared to the national median of 5.1%.

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 the analysis. By definition, half of utilities fall between the first and third quartiles. For example, 50% of the 197 utilities in this report made payments and contributions between 3.3% and 7.1% of electric operating revenue.

TABLE 1. Net Payments and Contributions by Public Power Utilities as Percent of Electric Operating Revenue, 2022

Revenue (in millions)	Utilities	Median	First Quartile	Third Quartile
Less than \$5	17	3.4%	2.3%	11.9%
\$5-\$10	15	5.8%	4.2%	8.8%
\$10-\$20	34	4.3%	2.6%	5.3%
\$20-\$50	59	4.8%	2.9%	6.5%
\$50-\$100	34	4.9%	3.5%	7.0%
\$100 or more	38	6.4%	5.7%	9.6%
TOTAL	197	5.1%	3.3%	7.1%

Figure 1. Median Net Payments and Contributions by Public Power Utilities as Percent of Electric Operating Revenue, 2022



In 2022, investor-owned utilities paid a median of 4.7% of electric operating revenues in taxes and fees to state and/or local governments. IOUs in the middle 50% of contributions made payments ranging from 2.8% to 6.8%. In comparison, public power utilities paid a median of 5.1% in net payments and contributions as a percent of electric operating revenue, with a middle range of 3.3% to 7.1%.

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)	4.8%	6.4%
Small Utilities (under \$100 million)	3.0%	4.8%

In this study, most IOUs (93%) had more than \$100 million in operating revenues, while most public power systems had less than \$100 million (81%).

PAYMENT AND CONTRIBUTION RATES BY REGION

Regional variations in median net payments and contributions range from 3.3% in the Midwest to 6.3% in the Southeast. This analysis includes the 197 public power utility respondents that made a contribution to state and/or local governments. 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, 2022

Region	Number of Utilities	Median	First Quartile	Third Quartile
Northeast	22	3.5%	1.9%	5.0%
Midwest	34	3.3%	2.5%	4.8%
Southeast	58	6.3%	5.1%	8.4%
Central	68	5.0%	3.5%	7.2%
West	15	5.8%	5.1%	10.5%
TOTAL	197	5.1%	3.3%	7.1%

Figure 2. Median Net Payments and Contributions by Public Power Utilities as Percent of Electric Operating Revenue, by Region, 2022

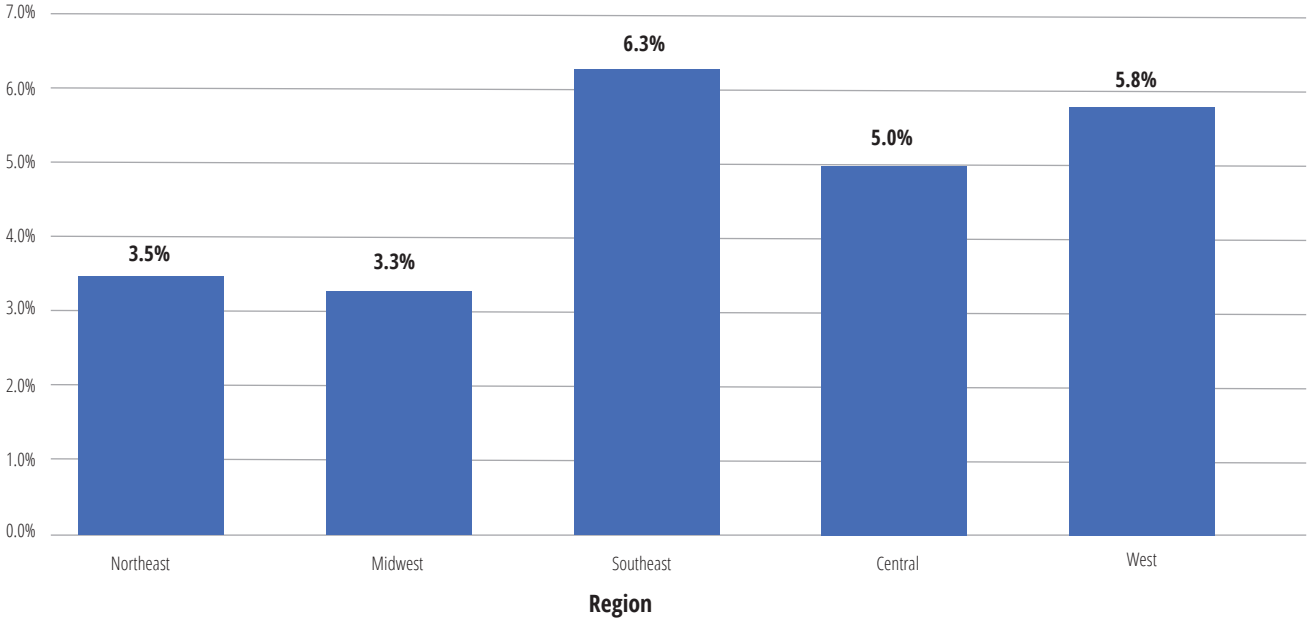
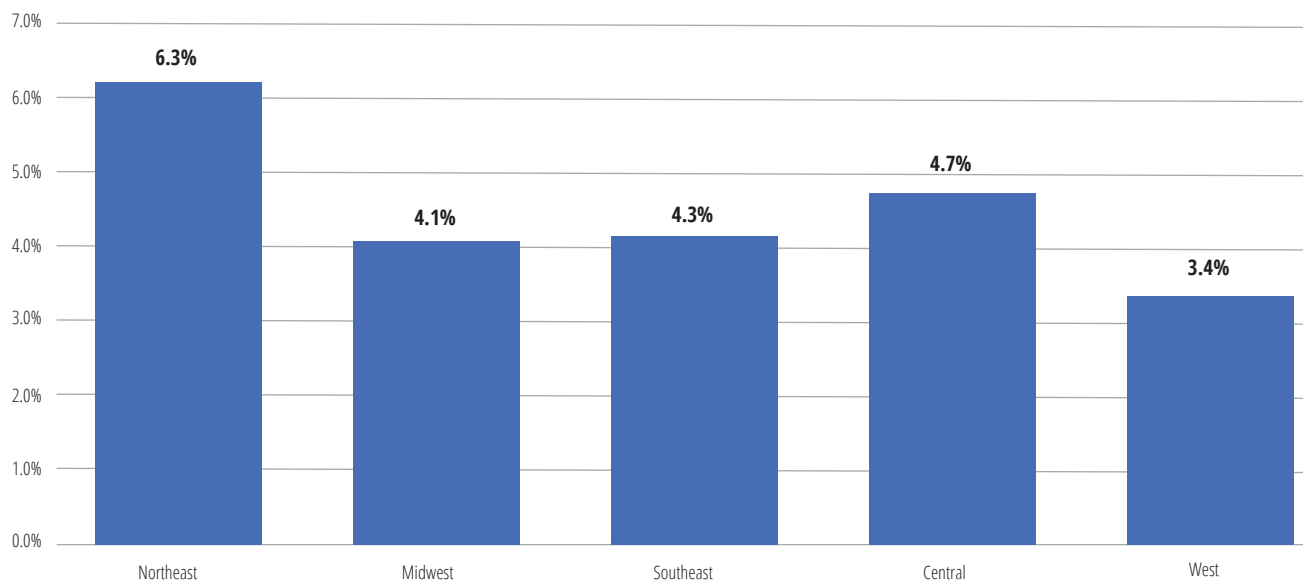


Table 3 presents data for investor-owned utilities grouped by geographic region. The median rate for investor-owned systems was the largest in the Northeast and smallest in the West.

TABLE 3. Net Taxes as Percent of Electric Operating Revenue for Investor-Owned Utilities, by Region, 2022

Region	Number of Utilities	Median	First Quartile	Third Quartile
Northeast	26	6.3%	4.0%	6.8%
Midwest	31	4.1%	3.1%	6.6%
Southeast	24	4.3%	2.6%	7.2%
Central	26	4.7%	3.1%	6.8%
West	21	3.4%	2.3%	5.0%
TOTAL	128	4.7%	2.8%	6.8%

Figure 3. Median Tax Payments by Investor-Owned Utilities, by Region, 2022



SUMMARY OF PAYMENTS AND CONTRIBUTIONS

This analysis includes the 171 public power utility respondents that made a contribution to state and/or local governments and are not served by TVA. Public power utility respondents that are served by TVA (26 utilities) are not included because they must limit payments and contributions under the terms of their wholesale power contracts.

As shown in Table 4, the 171 utilities made combined payments and contributions that exceeded \$1.48 billion to state and/or local governments in 2022. 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/or Local Governments, 2022

	Amount (in Millions)	Percent of Total
Payments in Lieu of Taxes	\$991.1	67.1%
Other Taxes and Fees	\$265.0	17.9%
Gross Receipts Tax	\$162.8	11.0%
Free or Reduced Cost Electric Services	\$46.8	3.2%
Use of Employees	\$6.9	0.5%
Use of Vehicles, Equipment, Materials & Supplies	\$5.4	0.4%
TOTAL	\$1,478.0	

TABLE 5. Types of Payments and Contributions Provided, 2022

	Percent of Utilities	Number of Utilities
Payments in Lieu of Taxes	90.6%	155
Taxes and Fees	48.0%	82
Gross Receipts Tax	28.1%	48
State Public Utility Assessments	19.3%	33
Property Taxes	18.1%	31
Franchise Fees	11.1%	19
Other	9.4%	16
Free or Reduced Cost Electric Service	35.1%	60
Streetlighting	29.8%	51
Lighting for Municipal Buildings	14.6%	25
Traffic Signals	12.9%	22
Recreational Facilities	11.7%	20
Water or Sewer Treatment Facilities	7.6%	13
Water Pumping	6.4%	11
Other	11.7%	20
Use of Employees	55.0%	94
Putting Up City Signs & Banners	33.3%	57
Installation of Temporary Lighting	28.1%	48
Tree Trimming for Other Departments	18.1%	31
Traffic Signal Maintenance	17.5%	30
Electrical Repair for Other Departments	14.6%	25
Technical Expertise	8.8%	15
Rewiring Municipal Buildings	6.4%	11
Reading Water Meters	3.5%	6
Non-Utility Locates	2.9%	5
Other Services	21.1%	36
Other Resources	28.1%	48
Use of Vehicles & Equipment	20.5%	35
Use of Materials & Supplies	8.2%	14
Other	8.2%	14

The 171 utilities received \$2.5 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 \$1.476 billion in net payments and contributions by the 171 utilities in 2022. 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/or Local Governments, 2022

	Percent of Utilities	Number of Utilities
Any Services & Contributions	15.8%	27
Use of Employees	10.5%	18
Use of Vehicles & Equipment	6.4%	11
Use of Materials & Supplies	1.8%	3
Free or Reduced Cost Service	2.9%	5

METHODS USED TO DETERMINE PAYMENTS IN LIEU OF TAXES

Approximately 91% of respondents that made a contribution to state and/or local governments and are not served by TVA (155 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 governments. However, some utilities make payments in lieu of taxes to their state governments.

As shown in Table 7, the most common method used to determine the amount of payments in lieu of taxes was the percent of gross electric operating revenue. The median percent of gross electric operating revenue that was transferred for payments in lieu of taxes was 5.1%.

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

	Percent of Utilities	Number of Utilities
Percent of Gross Electric Operating Revenue	26%	40
Flat Amount Paid Annually	19%	30
Property Tax Equivalent	16%	25
Charge per Kilowatt-hour Sold	14%	22
Assessment of Electric Utility and City Budgets	10%	15
Percent of Net Utility Plant in Service	7%	11
Percent of Income (Net, Operating, or Total)	2%	3
Other/Did Not Indicate	22%	34

Respondents could select multiple options as many payments are based on more than one criterion. The “assessment of electric utility and city budgets” category includes utilities with payments that are set by the city council, mayor, or a utility commission, and utilities that make payments on an as-needed basis.

TVA distribution utilities are not included in this assessment. State law determines payments in lieu of taxes for utilities in the state of Tennessee. The calculation is composed of two parts: 1) percent 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 public power utilities were calculated from two sources: the American Public Power Association's 2022 Survey of Public Power Tax Payments and Contributions and the Department of Energy's Energy Information Administration Form EIA-861, Annual Electric Utility Report.

A total of 204 utilities completed the 2022 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/or local taxes that the system would pay if privately owned.

Results for investor-owned systems were calculated from data submitted on the 2022 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 total kilowatt-hour sales going to retail customers. The survey respondents represent nearly 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.

In an effort to standardize regional definitions across our resources, note that this report contains different regional definitions than in prior years.

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



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