

HOUSE RESEARCH

Bill Summary

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Subject: Exempting certain utility generation personal property

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Overview

Exempts electric utility generation personal property that meets certain criteria. (Exemption is for a proposed 150-megawatt generation facility in the City of Faribault, Rice County) Effective for assessment year 2005, payable 2006 and thereafter.

Section

1 Electric generation facility personal property. (a) Exempts attached machinery and other personal property which is part of an electric generation facility that exceeds 150 megawatts of installed capacity, that meets the following criteria at the time of construction:

- ▶ be designed to utilize natural gas as a primary fuel;
- ▶ be owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;
- ▶ have received the certificate of need under section 216B.243;
- ▶ be located outside the seven county metropolitan area; and
- ▶ be designed to be a combined-cycle facility, although initially the facility will be operated as a simple-cycle combustion turbine.

(b) Provides that to qualify under this subdivision, an agreement must be negotiated between the municipal power agency and the host city for a payment in lieu of property taxes to the

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host city.

Note: The "notwithstanding section 453.54, subdivision 20" in paragraph (a) of this bill (page 1, lines 11 and 12) is a provision in current law that provides that municipal power agencies (i.e., MPAs) are required to pay in lieu payments to each taxing authority within whose taxing jurisdiction its property is situated. These in lieu payments equal the amount of taxes that would have been payable if its property were owned by a private person. Only one MPA is currently making in lieu payments under this statute. This bill exempts Minnesota MPA from these in lieu payments to all taxing jurisdictions, and instead, requires that the MPA negotiate an in lieu payment with the host city (paragraph b).

(c) Provides that construction of facility must be commenced after January 1, 2004, and before January 1, 2006. The exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Effective for assessment year 2005, taxes payable in 2006, and thereafter.