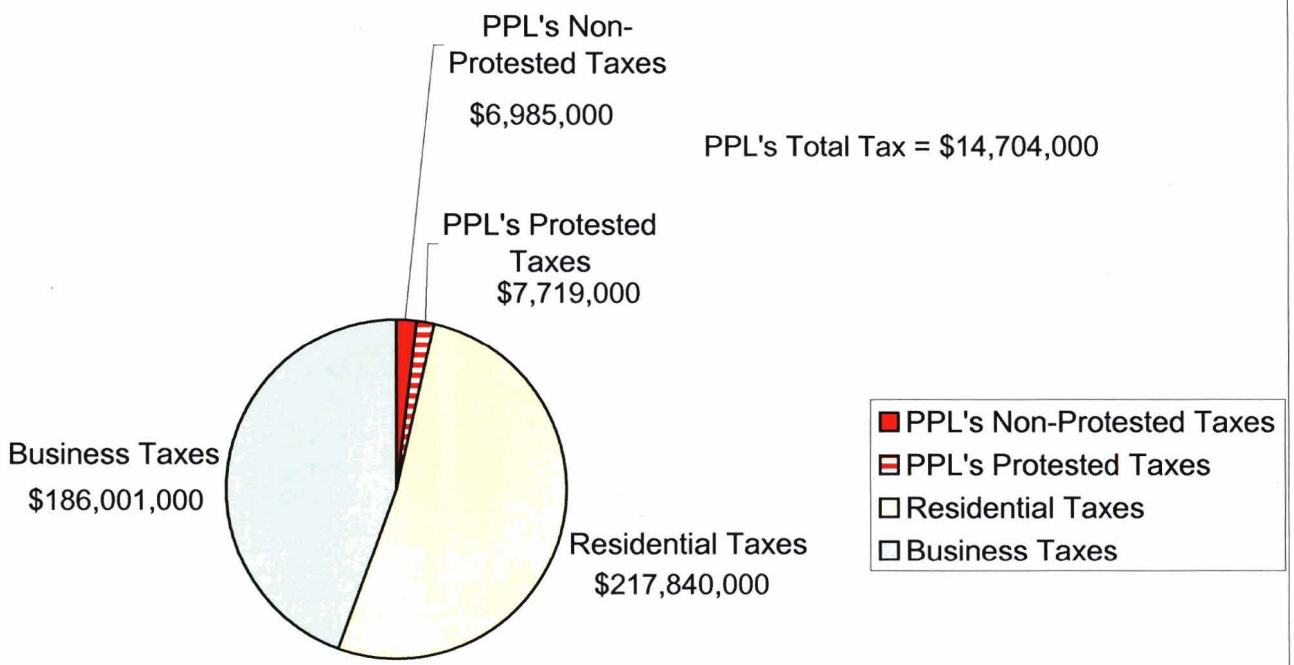
Montana Department of
REVENUE

Property Tax Protests: PPL Montana

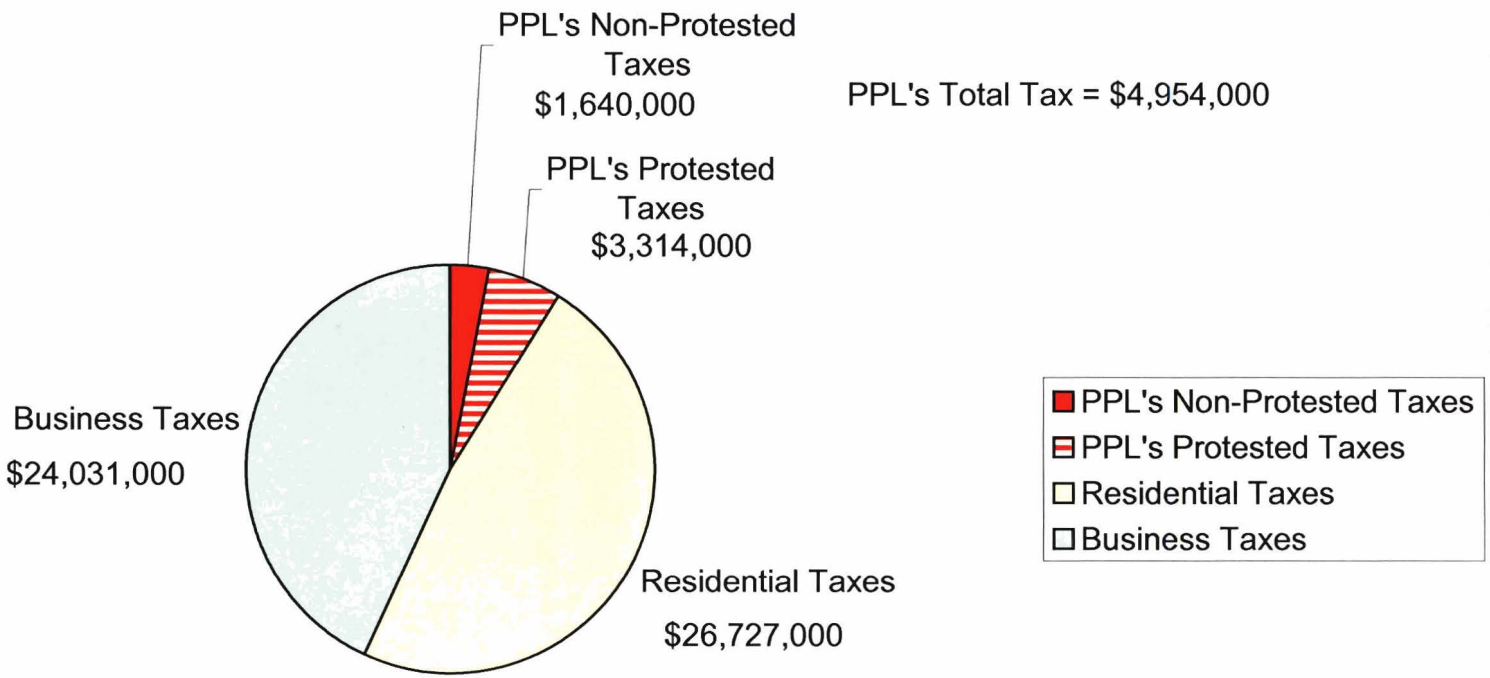
REVENUE & TRANSPORTATION INTERIM COMMITTEE
JUNE 17, 2005 MEETING
EXHIBIT 2

Prepared for Revenue and Transportation Legislative Interim Committee on June 17, 2005

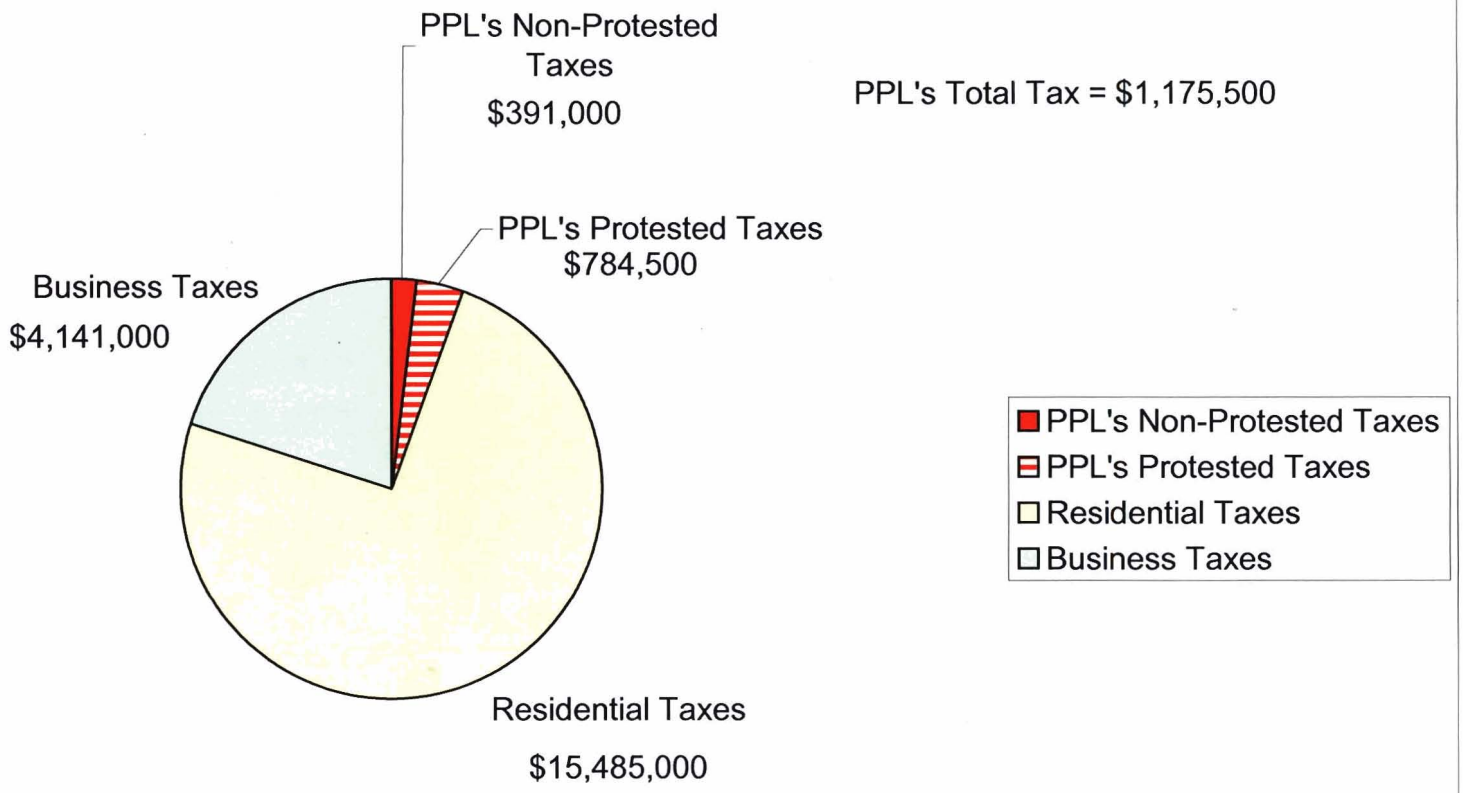
PPL Montana's Protested Taxes in Cascade, Flathead, Gallatin, Lake, Lewis & Clark, Madison, Rosebud, Sanders, Stillwater and Yellowstone Counties



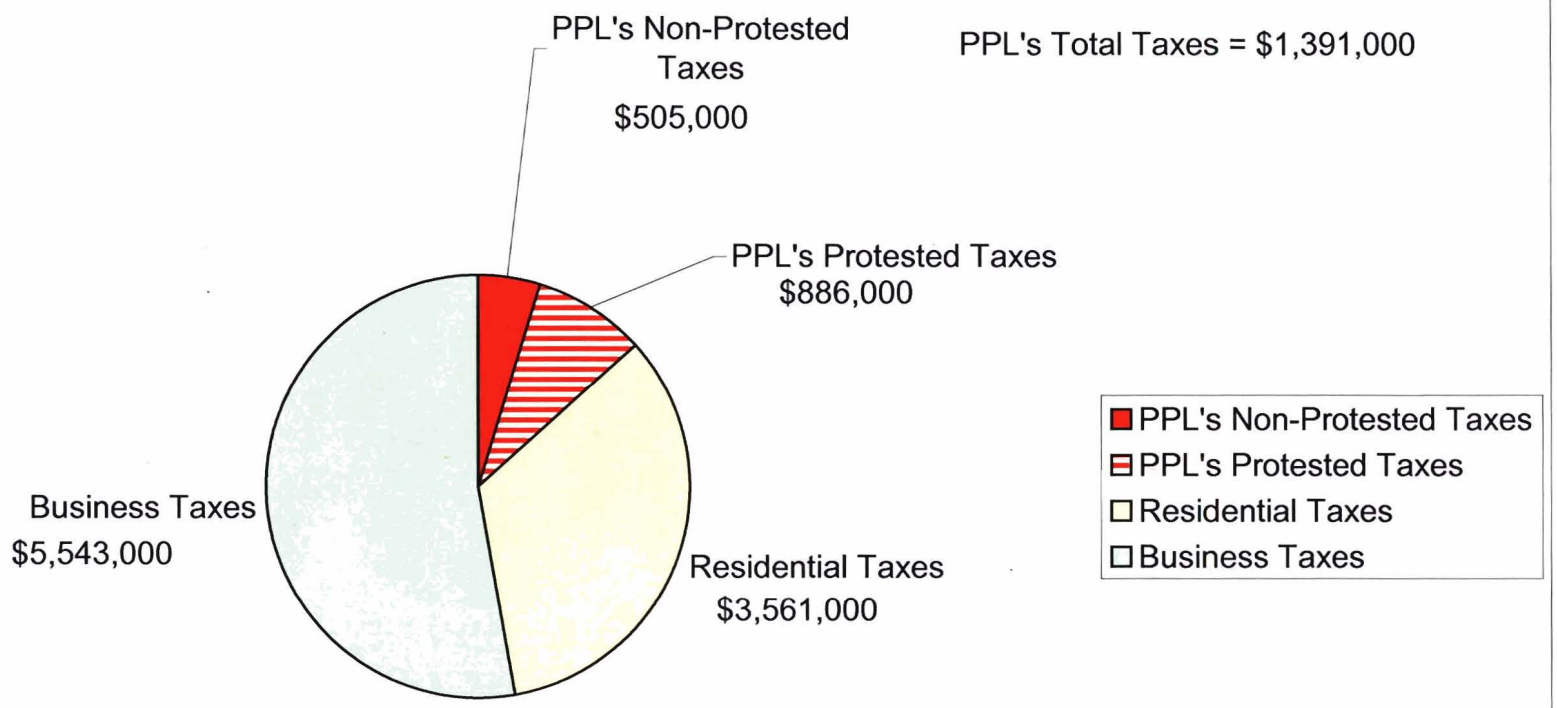
PPL Montana's Protested Taxes in Cascade County



PPL Montana's Protested Property Taxes in Lake County



PPL Montana's Protested Property Taxes in Sanders County



Montana Department of Revenue

Dan Bucks
Director

Brian Schweitzer
Governor

Status of Large Property Tax Protests

Pennsylvania Power & Light (PPL) - Montana

Type of Property	PPL Montana purchased all of the electric generation facilities of the former Montana Power Company (MPC). The purchase included all of the hydro-generators as well as MPC's interest in the coal-fired generators in Colstrip, Montana.
Counties Affected	Cascade, Flathead, Gallatin, Lake, Lewis & Clark, Madison, Rosebud, Sanders, Stillwater and Yellowstone Counties
Litigation Issues	PPL Montana contested valuation as well as classification issues. In addition, they raised an equalization issue regarding their valuation as an electric wholesale generator in relation to regulated companies.
Litigation Status	**2000-2002:** PPL Montana initially appealed to the State Tax Appeal Board (STAB). The STAB ruled in favor of the department on the classification issue. It adjusted the valuation for the tax years under appeal. The STAB did not decide the equalization issue because it is a constitutional question that is beyond their authority. The department has appealed the STAB value reduction to district court in Cascade County. PPL Montana also appealed in Lewis & Clark County the remaining equalization issue. The department filed a Motion to Dismiss PPL Montana's efforts to change venue from Cascade County to Lewis & Clark County. District Judge Sherlock granted the department's request and the issues appealed by both parties will be heard in Cascade County. Concurrently, the department and PPL Montana are engaged in settlement discussions that do not delay the continuing litigation. **2003-2004:** Appeal pending before STAB

	2005: The department and PPL Montana are currently engaged in the informal review process regarding the 2005 valuation of PPL Montana.
Years Under Appeal	2000 through 2002
	2003-2004
Total Market Value of PPL Montana Property	$677,947,500 for 2000 $745,075,000 for 2001 $729,462,800 for 2002
Total Tax Dollars Assessed (2000-2002)	$29.34 million in local taxes $13.11 million in state taxes $42.45 million total taxes
Protested Tax Dollars (2000-2002)	$12.99 million in local taxes $1.46 million in state taxes $14.45 million total taxes
Total Tax Dollars Assessed Per STAB Decision (2000-2002)	$26.68 million in local taxes $11.95 million in state taxes $38.63 million total taxes
Total Tax Dollars Assessed (2003-2004)	$8.97 million in local taxes $20.20 million in state taxes $29.17 million total taxes
Protested Tax Dollars (2003-2004)	$9.29 million in local taxes $4.12 million in state taxes $13.41 million total taxes

Summary of STAB's PPL Decision

1. Central Assessment – STAB concluded that DOR acted properly by centrally assessing PPL's property.

2. Value of PPL's Property – STAB concluded that the DOR properly utilized the 1999 sales price for establishing the market value of PPL's property for the 2000 tax year. For subsequent year, STAB concluded that although DOR properly considered the income approach, the value of the property as determined by the use of the income approach was not reliable because of the fluctuations in energy prices during those years. STAB developed its own approach to valuation which does not appear to conform to accepted appraisal theory and revised the department's appraisals downward.

Year	DOR Market Value	STAB Market Value	Tax Differential
2000	$732,432,584	$762,191,850	+276,550
2001	$838,475,507	$722,082,459	-1,884,858
2002	$822,863,574	$695,073,918	-2,260,542

3. Intangible Personal Property – STAB concluded that DOR properly valued PPL's intangible personal property.

4. Pollution Control Equipment – STAB concluded that DOR properly valued PPL's pollution control equipment.

5. Equalization – STAB did not decide this issue because it is a constitutional question that is beyond their authority.

PPL Litigation Timeline	2001							2002												2003												2004												2005		
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Protest 10/28/00																																														
Mediation Period																																														
Mediation Session	5																																													
Deadline set								1																																						
Deadline Extended									15																																					
Deadline Extended											15																																			
Deadline Extended													15																																	
Initiative 145 Vote																																														
Motion to Compel																																														
DOR's Motion to Produce																							25																							
Order to Compel																							25																							
PPL's Response to Motion and Order																							28																							
DOR's Reply Brief to Motion																							29																							
Order to Compel Vacated																							29																							
Stab Appeal																																														
Complaint to STAB for 2000 and 2001															23																															
Complaint to STAB for 2002																				9																										
Motion to Hold Proceedings in Abeyance																																														
PPL Filed Request in STAB																																														
Order to Hold Proceedings in Abeyance																																														
DOR's Motion to Vacate Order																																														
Order Granting Motion to Vacate																																														
Discovery Process																																														
First Set of Discovery																																														
PPL's 1st Request/DOR's Response																						14	9																							
DOR's First Request/PPL's Response																																														
Second Set of Discovery																																														
DOR's 2nd Request/PPL's Response																																														
PPL's 2nd Request/DOR's Response																														3	1															
Third Set of Discovery																																														
PPL's 3rd Request/ DOR's Response																																28			5											
Depositions																																														
First Deposition taken																																														
Last Deposition taken																																														
PPL took 12 Depositions																																														
DOR took 21 Depositions																																														
Stab Hearings																																														
SPT 2002-4 scheduled																																26														
SPT 2002-4																																			26-29											
SPT 2002-6 scheduled																																			26											
SPT 2002-6																																					3-10										
Briefing Period																																														
Findings of Fact due																																							31							
Amended due date																																								8						
Simultaneous Replies due																																								30						
Amended due date																																									4					
STAB Decision																																														
Other Delays																																														
DOR issued Subpoena to Hoffman and Morrison																																														
PPL objects to subpoena																																														