

Property Tax Appeals

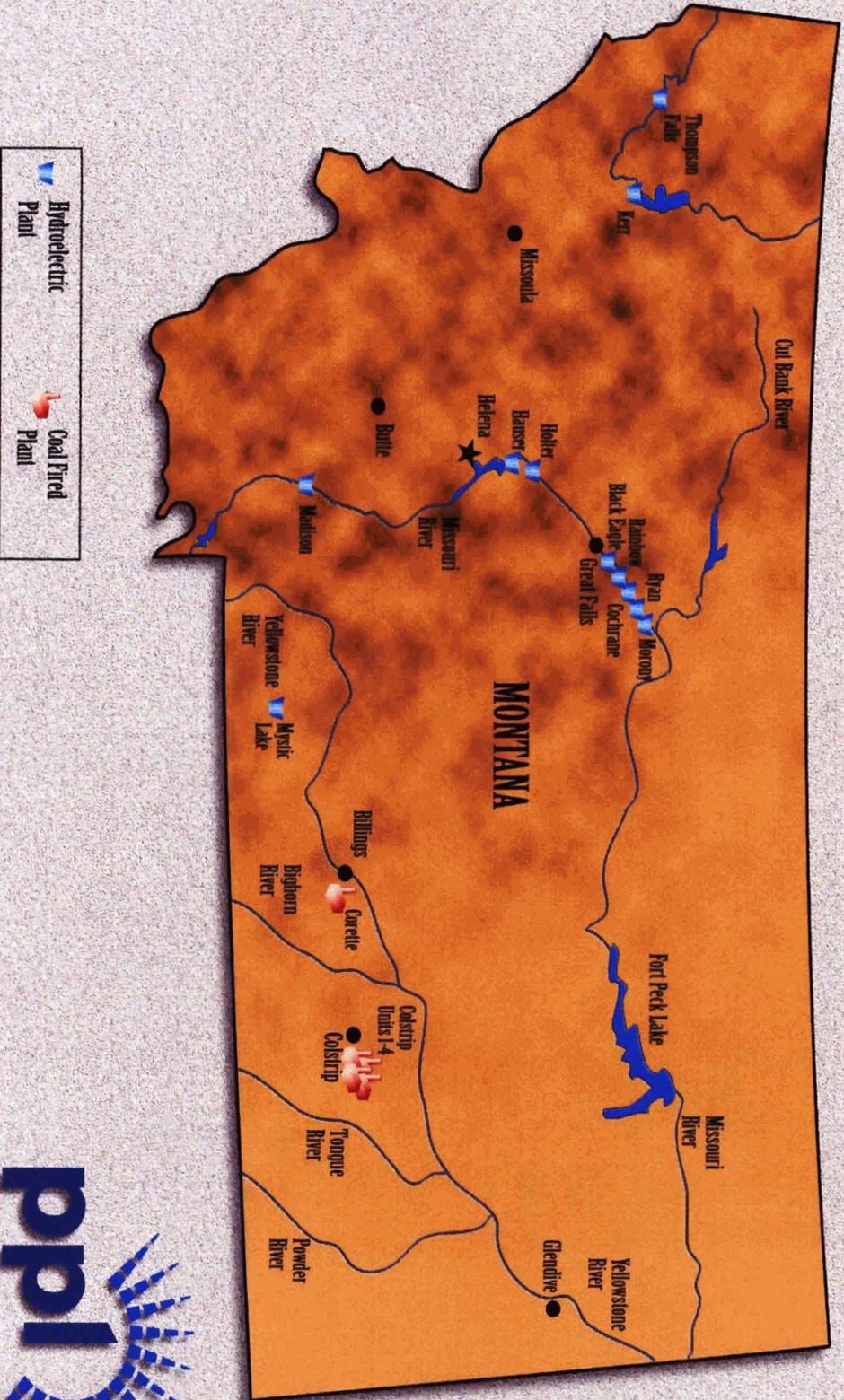
**Revenue and Transportation Interim
Committee**

September 30, 2005

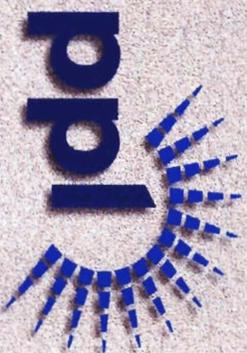
Revenue & Transportation Committee
September 30, 2005

Exhibit #4

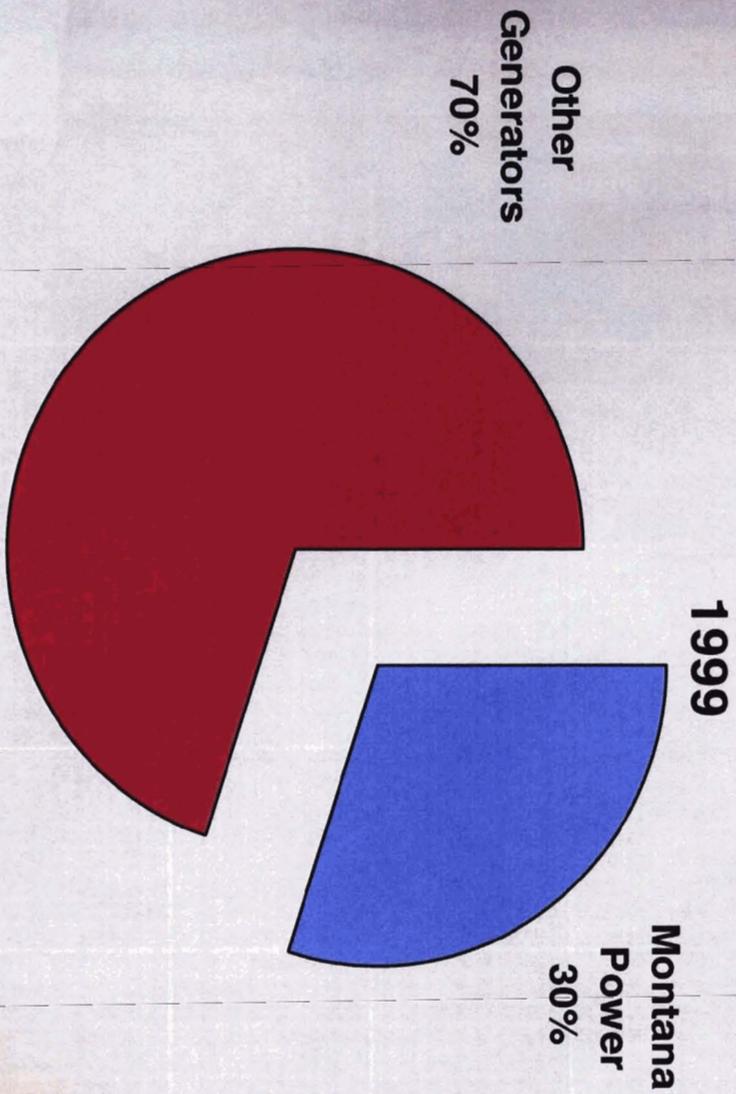
PPL Montana Plants



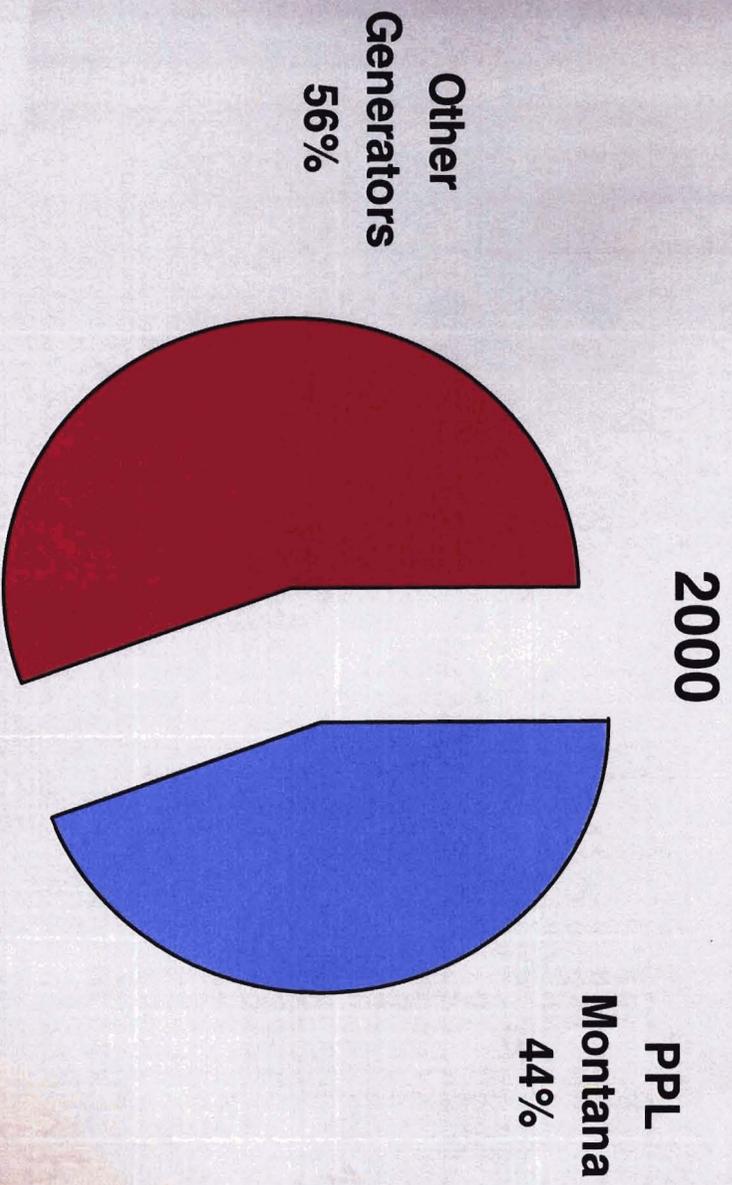
PPL MONTANA™



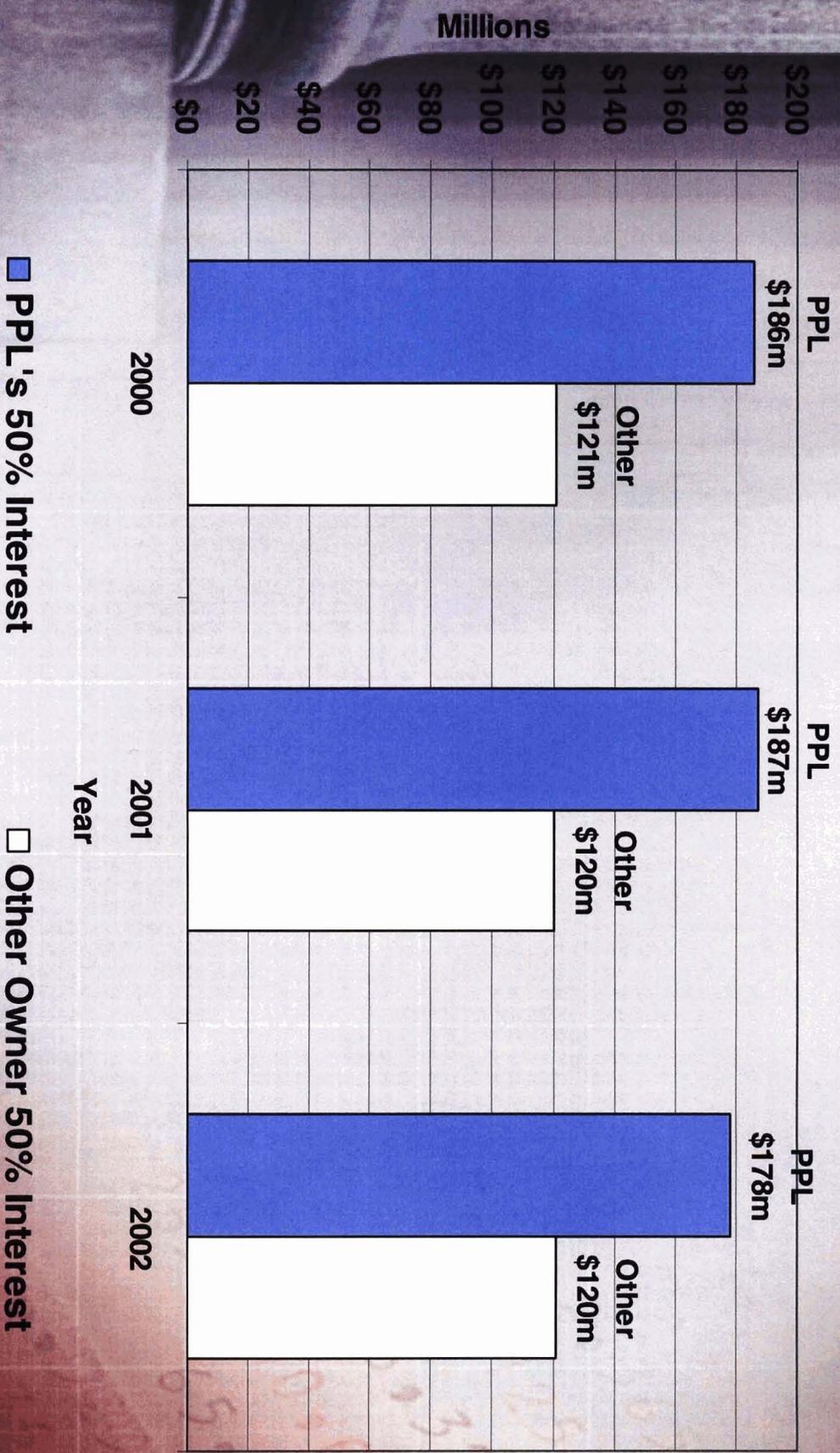
Electrical Generators Property Value Comparison



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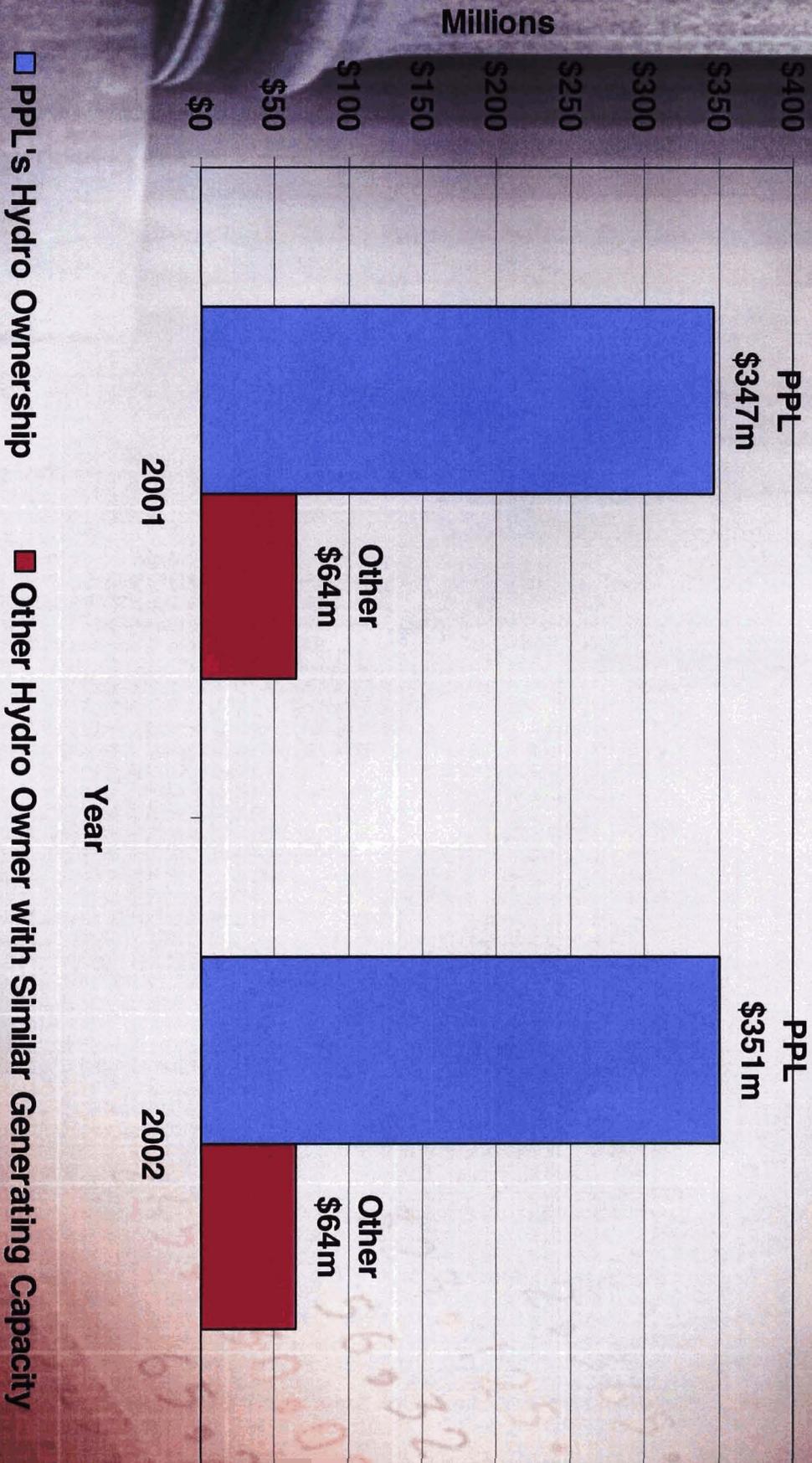


Colstrip 1 & 2 Comparison Property Value



Hydroelectric Property Value Comparison

Both Companies have Similar Hydro Capacities



Tax Appeal Issues

- ▶ Equalization – equal tax treatment with other electricity generators
- ▶ Classification – correct classification of property values
- ▶ Methodology - plants valued as individual properties not as a single operating unit
- ▶ Appraisal – technical application of appraisal methods

STAB Decision

- ▶ Equalization – left the issue for the courts to decide
- ▶ Classification – changed the DOR's classification of property
- ▶ Methodology – supported the DOR's valuation as a operating unit
- ▶ Appraisal – provided PPLM a reduction in value for the 3 years of \$287 million

PPL Montana's Efforts to Resolve the Appeals

- ▶ Requested dispute resolution;
- ▶ Hired a mediator approved by the Department to assist in finding a resolution;
- ▶ Propose meetings with Department staff and management to discuss settlement;
- ▶ Voluntarily reduce the amount of property taxes under appeal;
- ▶ Initiated settlement meetings during and after the STAB appeal;
- ▶ Made reasonable offers to resolve the appeals; and

What's Next

- Appeals of the STAB decision are filed with the District Court
- District Court will use the STAB record
- The District Court has set a hearing date for March 2006
- PPLM will continue to pay all taxes levied
- Taxing districts can use protested taxes