

# Excise Tax Advisory

Excise Tax Advisories are interpretive statements authorized by RCW 34.05.230.

ETA 3043.2023

Issue Date: June 27, 2023

## Low Density Light and Power Utility Deduction

### Purpose

This Excise Tax Advisory (ETA) provides the calculations and rates that are required in determining a public utility tax deduction available to certain light and power businesses.

### Background

RCW 82.16.053 provides a public utility tax deduction for light and power businesses having 17 or fewer customers per mile of distribution power lines. It applies only to those light and power businesses with retail power rates that exceed the state average power rate.

### Calculations

The allowable deduction is equal to the lesser of the result obtained from two calculations and is limited to \$400,000 a month. The first calculation is based on wholesale power costs paid by the utility, and the second calculation is based on the percentage by which the average retail electric power rates for the light and power business exceed the statewide average electric power rate. The required calculations under the two methods are as follows.

The first calculation:

- a) Calculate 50 percent of the wholesale power cost paid during the reporting period, if the business has fewer than five and one-half customers per mile of distribution line; or
- b) Calculate 40 percent of the wholesale power cost paid during the reporting period, if the business has more than five and one-half but less than 11 customers per mile of distribution line; or

To request this document in an alternate format, visit <http://dor.wa.gov> and click on "contact us" or call 360-705-6705. Teletype (TTY) users may use the Washington Relay Service by calling 711.

General tax information is available on our website at [dor.wa.gov](http://dor.wa.gov).

Questions? Complete the online form at <https://dor.wa.gov/contact/contact-form> or call 360-705-6705. If you want a binding ruling from the Department, complete the form at <https://dor.wa.gov/contact/request-tax-ruling>.

c) Calculate 30 percent of the wholesale power cost paid during the reporting period, if the business has more than 11 but less than 17 customers per mile of distribution line.

The second calculation:

d) Calculate the percentage by which the average retail electric power rate for the light and power business exceeds the state average electric power rate. Multiply this percentage by the wholesale power cost to the business. If more than 50 percent of the kilowatt-hours are sold to irrigators, then only sales to non-irrigators are to be used to calculate the average electric power rate.

If the utility business has more than 17 customers per mile of distribution line, no deduction may be taken. If the utility business has 17 or fewer customers per mile of distribution line, the deduction will be the lesser of the amounts calculated under method one and method two, but not to exceed \$400,000 in any month.

---

**State average electric power rate**

The state average electric power rate to be used in the second calculation is as follows:

Period	Rate per kW
7/1/23-6/30/24	8.82 cents
7/1/22-6/30/23	8.47 cents
7/1/21-6/30/22	8.16 cents
7/1/20-6/30/21	8.11 cents
7/1/19-6/30/20	8.06 cents
7/1/18-6/30/19	7.78 cents
7/1/17-6/30/18	7.48 cents
7/1/16-6/30/17	7.19 cents
7/1/15-6/30/16	7.33 cents
7/1/14-6/30/15	7.01 cents
7/1/13-6/30/14	6.83 cents
7/1/12-6/30/13	6.70 cents

The law requires the Department of Revenue to determine the state average electric power rate each year based on the most recent available data and to make this rate available to these businesses. The Department will revise this ETA annually and the rate will be applied on a fiscal year ending on June 30. The rate is based on the most recent data for the previous calendar year obtained from the Federal Energy Information Administration, Office of Coal, Nuclear, Electric and Alternate Fuels, U.S. Department of Energy.