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than actively regulate utility service."

Brammer noted several consumer issues related to the restructuring of the natural gas industry:

- Consumers should have service choices, but should be willing to assume any associated costs, risks, and/or benefits.

- All consumers, especially small-load consumers, should have the opportunity to aggregate.

- Possible impacts of consumer choice, e.g. higher/lower rates, changing quality of service, change in number of service options.

ONG described among the primary objectives of restructuring the need to allow utilities the "opportunity to compete on a "level playing field" with alternate energy sources or service providers in those areas where competition exists or can be developed. As competition develops, the need for regulatory oversight diminishes. The product or service then becomes deregulated and is driven entirely by market forces rather than being constrained by regulation which, while appropriate in certain areas, is often too slow to be fully responsive to customer demands or utility needs. Restructuring will better enable the utility to meet those demands and needs."

Brammer explained one concern of restructuring is providing universal service and establishing an obligation to serve. In other words, methods must be defined to meet social needs.

"Who is going to be the service provider of last resort when the local gate might not be appealing in the pure marketplace analysis," Brammer said. "The Corporation Commission wants to move towards the restructuring of the natural gas industry. The Commission wants a competitive market — we just don't want Granny to freeze in it."

GROSS PRODUCTION TAX REPORTING

Mike Boyd of Boyd, Rosene and Associates, began the discussion of gross production tax reporting issues. "The reporting of gross production taxes and the filing of amended tax reports is difficult if not impossible given the relatively recent changes in the natural gas industry and the rules, regulations, practices, and procedures of the Oklahoma Tax Commission (OTC)," Boyd said.

Boyd explained the first purchasers now rely on others for data necessary to prepare and file gross production tax reports. The first purchaser is now dependent on the pro-

ducer, operator and pipeline for the necessary information with regard to purchases. Therefore, the first purchasers are forced to prepare the initial tax return using the best available information and to prepare an amended return when more complete and final information becomes available. Under the OTC's current procedures, a hand-prepared amended report is required for each instance where the originally reported information regarding volume, price, exempt interest production, tax exempt code, produce code, county, production unit number, production month operator reporting number is erroneous.

In order to meet these reporting requirements, an analysis of each possible adjustment must first be done to determine whether it has to be submitted. Once it is determined that an adjustment must be submitted to the OTC, the original entry must be reversed. Each amended entry must be manually researched to determine what information was originally reported and compared to all current information for accuracy. The amended returns are then handwritten, manually totaled, and appropriate documentation attached.

"Our firm, just one of the many gas purchasers in Oklahoma, has nearly 750 correcting adjustments every month," Boyd said. "An undue burden on both the remitter of taxes and the OTC benefits no one and changes must be considered in light of changes in the purchasing practices in the natural gas industry."

Bob Wilkinson, Amoco Production, said, "Due to current Oklahoma Regulations (OTC Section 227b) industry must manually prepare a report for each property that we adjust the taxable value downward. In addition to having to prepare this manual report, industry must also write a cover letter requesting the refund, and attach supporting documentation for the refund." Then the OTC reviews the report and issues a refund check for each property where the taxable value was adjusted downward.

"Other oil and gas states allow for the severance taxpayer to report the claim for refund on the same tax return as their current month tax report," Wilkinson said. "The refund is then deducted against the current month's tax payment. This streamlines the processing and payments for these adjustments as they can be handled automatically by our computer systems." Further, the OTC would dramatically reduce the number of

refund checks it must process and issue.

Wilkinson, on behalf of Amoco Production, made the following recommendations to the Commission:

1. That the state review reporting requirements and make the appropriate legislative and regulatory change. This would reduce the number of payments/reports from 36 per year to 13. This would also simplify/streamline the interest/penalty calculations by reducing the number of transactions and causing the report and payment dates to be the same.

2. The state should also consider allowing prior period adjustments to be made on a net basis.

Wilkinson said none of these recommendations would result in a reduction of tax dollars paid to the State of Oklahoma, nor would they have any negative cash flow impacts. They would simply require legislative/regulatory changes and some changes to the internal practices of the Oklahoma Tax Commission. "Industry recognizes that some changes could be implemented fairly quickly (no requirement for support documentation for claims for refunds) while others will probably require a little more time to address programming changes needed at the OTC," Wilkinson said.

One attendee noted, "When reporting to the IRS as individuals, we report our earnings for the previous year and then the IRS can audit us if they want to. In Oklahoma, in terms of natural gas producers, the state assumes we are lying to begin with and then we must prove through redundant reporting procedures that we have accurately reported our sales."

Tony Maston, Oklahoma Tax Commission, said the OTC is fully aware and understands that the industry has changed significantly while reporting procedures for the OTC have remained fairly static over the years. "We recognize this is causing an unnecessary burden for the industry," Maston said. "However, we are bound by our own system capabilities and limitations. We are looking at system enhancements throughout the OTC and are hopeful that our infrastructure can be updated to facilitate a more modern and efficient approach to document handling."

Maston further explained that many of the records that are required by the OTC are dictated by statute. Legislation will be needed to change these policies and requirements.

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