

THE SUPERIOR COURT OF THE STATE OF ARIZONA
IN THE ARIZONA TAX COURT

TX 2020-001124

01/30/2026

HONORABLE ERIK THORSON

CLERK OF THE COURT
G. Duran
Deputy

MESQUITE POWER L L C

PAUL J MOONEY

v.

ARIZONA DEPARTMENT OF REVENUE

JAMES M SUSA

KIMBERLY J CYGAN

MINUTE ENTRY

The Court held oral argument on December 3, 2025, regarding Defendants Arizona Department of Revenue (“ADOR”) and Maricopa County’s Amended Motion for Partial Summary Judgment (Tax Years 2021-2025), filed July 11, 2025 (“Defendants’ Motion”), and Plaintiff Mesquite Power, LLC’s Response to Defendants’ Amended Motion for Partial Summary Judgment; and Plaintiff’s Cross-Motion for Partial Summary Judgment, filed August 20, 2025 (“Cross-Motion”), as well as subsequent filings related thereto. The Motion and Cross-Motion were fully briefed as of November 3, 2025.

The Court has considered the filings and arguments of the Parties, the relevant authorities and applicable law, as well as the entire record of the case, and—considering all facts and reasonable inferences therefrom in the light most favorable to the non-movants, respectively—hereby finds as follows regarding the Motion and Cross-Motion.

Mesquite Power, LLC (“Mesquite”) owns an electric power generation facility known as Mesquite Block 2 in Maricopa County (the “Facility” or “Subject Property”) that was put into service in 2003. (*See* Defendants’ Amended Statement of Facts, filed July 11, 2025 (“DSOF”), at ¶1; Plaintiff’s Separate Statement of Facts, filed August 20, 2025 (“PSOF”), at ¶¶1, 4.) In 2015, ArcLight Capital Partners (“ArcLight”) “purchased all ownership, membership, and other interests in Mesquite . . .,” including the Facility known as Block 2 (the “2015 Acquisition”). (DSOF ¶6; PSOF ¶5.)

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Tax year 2017 was the first year ArcLight filed the annual report pursuant to A.R.S. § 42-14152 with ADOR, on behalf of Mesquite. (PSOF ¶¶9.) ArcLight reported as if the personal property had been acquired in 2015, based on the 2015 Acquisition. (PSOF ¶¶9.) For tax year 2017, ADOR set the statutory value of the Facility pursuant to A.R.S. § 42-14156(A)(6)(d). (PSOF ¶¶11.)

On or about July 11, 2018, AL Mesquite Seller, LLC, a wholly owned subsidiary of ArcLight, sold “all right, title, and interest in Mesquite’s business, including ownership of the [Facility]” to SWG Arizona Holdings, LLC, a wholly owned subsidiary of Southwest Generation Operating Company, LLC (collectively, “SWG”) (the “2018 Acquisition”). (PSOF ¶¶30; DSOF ¶¶23.) SWG retained Duff & Phelps to prepare an allocation of the purchase price for the tangible real and personal property and the intangible assets acquired as of the 2018 Acquisition date. (PSOF ¶¶37; DSOF ¶¶26.) Duff & Phelps determined the fair value of the tangible assets of the Facility to be \$73,000,000, with an additional \$1 million for the land. (PSOF ¶¶38; DSOF ¶¶27–28.)

The first year SWG filed an annual report on behalf of Mesquite was in 2019 for tax year 2020—however that report was filed late and Mesquite’s right to appeal therefore forfeited under A.R.S. § 14152(D). (PSOF ¶¶41–42.) For tax year 2021, SWG filed Mesquite’s annual report based on SWG’s 2018 Acquisition. (PSOF ¶¶43; DSOF ¶¶29.) SWG did not have the cost information or cost of construction, relevant to A.R.S. § 42-14156(A)(6)(d). (PSOF ¶¶35.) ADOR set the value pursuant to A.R.S. § 42-14156. (PSOF ¶¶44.)

For tax year 2022, SWG filed its annual report based on the 2018 Acquisition. (PSOF ¶¶53.) ADOR determined Mesquite did not provide enough information to be valued under A.R.S. § 42-14156 for tax year 2022. (PSOF ¶¶57.) For tax years 2022–2025, ADOR set the full cash values of the Facility at 105% of the prior year’s values, rather than using A.R.S. § 42-14156. (PSOF ¶¶61; DSOF ¶¶32.) This case concerns the ADOR’s valuation of the Subject Property for tax years 2022–2025. (*See* Cross-Mot., at 3.)

Defendants seek summary judgment finding that ADOR properly valued the personal property by using 105% of the prior year’s full cash value and that ADOR had discretion to reject Mesquite’s reported personal property cost. (Mot., at 2.) Defendants contend that Mesquite’s arguments fail because (1) the 2015 Acquisition and 2018 Acquisition are not sales; (2) the electric generating property’s cost and the date placed in service have been improperly and inconsistently reported by Mesquite since at least tax year 2017; and (3) Mesquite did not accurately report the cost on its report for tax year 2022 so ADOR treated the declaration as invalid and determined the full cash value of the property at 105% of the prior year’s full cash value and continued to do so for tax years 2022–2025. (Mot., at 2–3; Reply, filed October 14, 2025, at 16 n.2.)

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Mesquite seeks summary judgment that ADOR improperly valued the Subject Property for tax years 2022–2025 rendering the values void as a matter of law and asks the Tax Court to find there is no statutory presumption that the values are correct. (Cross-Mot., at 3.) Mesquite contends the 2015 Acquisition and 2018 Acquisition of the Facility fall under A.R.S. § 42-14156(A)(6)(d) based on (1) the undisputed facts; (2) ADOR’s arguments in other cases; (3) ADOR’s past actions with respect to valuations of this Facility; and (4) the Court’s previous rulings. (Cross-Mot., at 22.)

Summary judgment is appropriate if “there is no genuine dispute as to any material fact and the moving party is entitled to judgment as a matter of law.” Ariz. R. Civ. P. 56(a); *General Motors Corp. v. Maricopa Cty.*, 237 Ariz. 337, 339 ¶7 (App. 2015).

Valuation of electric generation facilities in Arizona is governed by the formulas set out in A.R.S. § 42-14156(A), which defines “cost” for purposes of those formulas in A.R.S. § 42-14156(A)(6). There, “Cost” is defined as “the cost of constructing the property or acquiring the property in an arm’s length transaction.” A.R.S. § 42-14156(A)(6)(a).

A.R.S. § 42-14156(A)(6)(d) provides:

In the case of a facility that is acquired from another taxpayer:

- (i) If, after the acquisition, the buyer has possession of the cost information, the valuation of the facility shall continue based on the seller’s cost as if there were no change in ownership, except for land as provided in subsection A, paragraph 1.
- (ii) If, after the acquisition, the buyer does not possess the cost information, the acquisition cost in an arm’s length transaction shall be used.

The Department contends that no facility was acquired from another taxpayer because the 2015 Acquisition and 2018 Acquisition were membership interest sales. (Mot., at 10.) The Department contends that Mesquite established the “cost” when it purchased the personal property in 2003 for \$289 million. (Mot., at 13.) The Department contends that there has been no acquisition of the facility by a new taxpayer to change the “cost” as defined in A.R.S. § 42-14156(A)(6)(a) or (d). (Mot., at 13.) Mesquite contends that ADOR has argued the opposite regarding previous tax years for this Facility and others. (Cross-Mot., at 11–13.)

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“In construing a statute, [the Court] look[s] to the plain language of the statute, giving effect to every word and phrase, and assigning to each word its plain and common meaning.” *See Ponderosa Fire Dist. v. Coconino Cty.*, 235 Ariz. 597, 602 ¶24 (App. 2014) (citations omitted). Here, the plain language states that cost is “the cost of constructing the property or *acquiring the property in an arm’s length transaction.*” A.R.S. § 42-14156(A)(6)(a) (emphasis added).

Previous cases involving the valuation of the Subject Property support Mesquite’s position. In *Arizona Dep’t of Revenue v. Mesquite* (TX2015-000095) (Ariz. Tax Ct. Jan. 12, 2018), involving tax years 2016 and 2017, the Tax Court observed that ArcLight had “purchased all ownership, membership, and other interests in Mesquite in 2015.” (PSOF, Exh. A, at 1.)

There, the Court ultimately found “that ADOR correctly utilized A.R.S. § 42-14156(A)(6)(d)(i) for calculating the cost factors subject to the statutory valuation formula.” (PSOF, Exh. A, at 3.) That clause of the statute—like its counterpart, A.R.S. § 42-14156(A)(6)(d)(ii)—applies only when a facility is acquired from another taxpayer. In fact, clause (i) applies “if, after the acquisition, the buyer has possession of the cost information,” and clause (ii) applies in the opposite scenario, when “the buyer does not possess the cost information.” A.R.S. § 42-14156(A)(6)(d)(i), (ii).

In *Mesquite Power, LLC v. Arizona Dep’t of Revenue*, TX2021-000516, 2022 WL 21808338 (Ariz. Tax Ct. Sept. 14, 2022), involving tax year 2022, the Court found that Mesquite did not forfeit the right to appeal valuation when, in its annual report, Mesquite provided cost information based on the purchase price allocation of a membership interest sale rather than the cost information by vintage year to determine valuation of electric generation facility under A.R.S. § 42-14156. (PSOF, Exh. U.) *See also Griffith Energy LLC v. Ariz. Dep’t of Revenue*, 257 Ariz. 319 (Ariz. Tax Ct. 2022).

Here, Mesquite has used the purchase price allocation from the 2018 Acquisition for the tax years at issue. (PSOF ¶¶54, 57.) Mesquite recognizes that it will bear the burden to prove what the actual full cash values should be and only seeks partial summary judgment now. (Cross-Mot., at 22, n.8.)

THE COURT FINDS that Mesquite may use the purchase price from a membership interest sale for purposes of calculating full cash value of an electric generation facility to the extent the purchase price is allocated to the Subject Property.

IT IS ORDERED denying Defendants’ Amended Motion for Partial Summary Judgment (Tax Years 2021-2025), filed July 11, 2025.

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IT IS FURTHER ORDERED granting Plaintiff's Cross-Motion for Partial Summary Judgment, filed August 20, 2025.

Because the Court finds the statutory interpretation issues addressed in this ruling to be of general public interest and likely to recur absent clear, binding legal precedent, the Court designates this ruling for publication pursuant to A.R.S. § 12-171 and Rule 16 of the Arizona Tax Court Rules of Practice. The published decision that results is not intended to operate as an appealable judgment absent further order of the Court.