

MINUTES OF THE
ASSESSING STANDARDS BOARD
Subcommittee on Former HB 547

Approved as Amended

DATE: August 13, 2015

TIME: 9:30 a.m.

LOCATION: Legislative Office Building – Room 305, 33 North State Street, Concord NH

COMMITTEE MEMBERS:

Betsey Patten, Public Member, Chairman
Joseph Lessard, NHAAO, Towns >3,000

Eric Stohl, Municipal Official, Towns <3,000
Representative Peter Schmidt

MEMBERS of the PUBLIC:

Representative Patrick Abrami
Scott Dickman, DRA
Karen Hanks, NHEC
Mark Weston, MW Associates
Chris Boldt, DTC
Gary Karp, Assessor, Moultonborough
Scott Bartlett, Assessor, Goffstown
Meg Nelson, NHEC
Kevin O’Quinn, FairPoint Communications
Bruce Berke, Unitil
George Sansoucy

Stephan Hamilton, DRA
Brenda Inman, NHEC
Andrew Kingman, AT&T
Teresa Rosenberger, Devine Millimet
Ellen Scarponi, FairPoint Communications
Jim Commerford, Assessor, Meredith
George Hildum
Andrea Curtis, George Sansoucy’s Office
Jim Michaud, Hudson
Len Gerzon

Chairman Patten convened the meeting at 9:40 a.m.

Minutes

Representative Schmidt *motioned to accept the minutes of July 23, 2015*. Mr. Lessard *seconded the motion*. Ms. Scarponi presented a copy of requested changes to the subcommittee. After a brief discussion of the changes, a request was made to have the changes made and distributed to the subcommittee for clarification. They will be reviewed and voted on at the next meeting. Representative Schmidt and Mr. Lessard *withdrew their motions to accept the minutes*. Representative Schmidt *moved to table the minutes until the August 27, 2015, meeting*.

Survey Update

Mr. Hamilton reviewed the three phases of the analysis.

Phase 1: Data Collection. Mr. Cornell distributed a draft worksheet of information to the work group of Mr. Lessard, Mr. O’Quinn and Ms. Lentz for review, which included a list of approximately 60 communities whose data has not been received. The finalization of the survey will complete phase one.

Phase 2: Analyzing Results. This task will include making sure there is an understanding of any outliers that exist in the data set and to determine what meaningful data and statistics to consider. If we have not received results from every community an analysis will have to be completed using the data received.

Phase 3: Concluding Analysis and Reporting Final Results to the Subcommittee.

A brief discussion took place to clarify an e-mail sent by Mr. O’Quinn with regards to the draft worksheet distributed to the work group. Mr. Lessard reflected on the e-mail stating that the total valuation figure reported by some of the communities in the worksheet was a combined pole and conduit value. The towns that provided

data this way would not be included in the final analysis because the numbers reported do not accurately reflect a pole value only.

Mr. Hamilton stated he was encouraged by the amount of data received and that even if we are unable to receive the remainder of data from the other communities, there should be sufficient information to provide a sample and achieve an accurate representation. Representative Abrami added the effort to get a large sample is a good first step in determining the highs and lows among the communities. He then suggested diving deeper with a smaller sample to include controlled variables such as height and age to gain a clearer view as to whether or not there is an issue.

Mr. Lessard stated he would get together with Ms. Derosier to clarify how the Avitar data was received and to make sure it is reported in the worksheet correctly.

Mr. Michaud want to make sure that an e-mail distributed by Ms. Scarponi on July 30, 2015, was received by the subcommittee; that it become part of the record and that the conclusion stated was her opinion and not the opinion of the subcommittee. The e-mail included examples of what happened in two specific towns and to accept those occurrences as further evidence that there is a tremendous variance in the state and the conclusion that it presents a problem.

Chairman Patten affirmed the opinion in the e-mail was that of Ms. Scarponi and not the opinion of the subcommittee. A determination whether or not there is a problem has not been made by the subcommittee.

DRA Presentation

Mr. Stephan Hamilton, Director of the Municipal and Property Division at the NH Department of Revenue Administration introduced himself and Mr. Scott Dickman, Utility Appraiser Supervisor, at the DRA. Mr. Hamilton stated that Mr. Dickman manages the process of determining utility property values within the department for the purpose of calculating each taxpayer's appropriate share of the state utility property tax for RSA 83-F.

Mr. Hamilton began by stating the four (4) classes of property; land, building, manufactured housing and utility and then explained some of the differences between Chapter 72, Persons and Property Liable to Taxation and Chapter 83-F, Utility Property Tax. The differences include types of personal property that would not be included as a general property tax. Elements such as wires, generators, machinery and equipment are taxed and are what establish utility as a separate class of property. This was affirmed by a case in the 1980s in which three (3) towns appealed their total equalized value. The BTLA determined those for classes of property as part of their decision and the decision was upheld by the Supreme Court of NH.

The department values utility property under RSA 83-F, by determining the market value of the entire property at its highest and best use and then sends a tax bill to the company. In the process, it is important to understand and apply the limitations of regulation for utility properties. They have to apply for permission to do almost anything that relates to their ability to recover money from the investment that they have made. These highly regulated utility properties have to be understood in the presence of that regulatory structure. As a clarification, telecommunication property is not utility property; it is assessed under the classes of land and building.

Once the determinations are made for what the unit value is; the value of the whole property within the state for the purposes of RSA 83-F, the department's analysis ends there and the utility valuation is done.

However, the department has another obligation and duty and that is to equalize the value of property within every taxing jurisdiction. When we calculate rates of taxation, we do it in a manner which is uniform to come up with single rates of taxation for each of these different communities when they share a common tax burden. The least complicated example is the county tax burden. Our equalization process takes three of the four property types; land, building and manufactured housing and converts the locally assessed value to a market value standard for every community. For utility property, we equalize the DRA's allocated value in each community so that there's no advantage or disadvantage between communities if either by design or by chance their assessed values are lower or higher than market value. Then we convert them all to a single market value standard.

In so doing, for the first three property types, land, building and manufactured housing, it is a relatively uncomplicated analysis. These are properties that regularly sell. We analyze the relationship between the local

assessed value and the selling price of all of these transactions that occur throughout the state. There are typically between 25 and 30 thousand transactions per year that occur so that we understand intimately the relationship between the local assessed value of that property and its market value.

We look at the fourth type of property a little differently in equalization because that is what the BTLA and the Supreme Court determined. We have applied the unit method of valuation to these properties that are in multiple jurisdictions and we then allocate the relative portion of that property into each of the communities that they are located in. When we calculate the shared county tax burden, we do it with a single understanding of the value of the shared property in that area and we allocate it based on the accounting original cost of the property (not the original cost when built but a recapitalized original cost as property is replaced) in order to recognize a relative weight within the communities. This process was examined by the BTLA and affirmed by the Supreme Court as an appropriate way to allocate the value for equalization.

Property taxed as a utility must be used in the operation of the utility. A regulated utility property can only make money on the money they have put into the creation and maintenance of the utility. They are limited in their ability to earn a rate of return based on their investment. With regards to the poles, the highest and best use of the property is as a utility property which is valued under regulation; the cost and depreciation of the poles is not separated out.

Mr. Lessard asked if it would be appropriate when valuing non-utility poles, to consider income that the pole can generate. Mr. Hamilton stated that it could be a valid approach but it would have to be understood in the context of what buyers and sellers are willing to pay. While it is market activity, the details needed to apply an income approach, such as terms and rental income, are not available. There may also be tenants on the pole which could impact the value. The number of occupants and term information might help to provide why there are ranges of value.

When the department values utility property under RSA 83-F, we have tools and information available to us the municipalities do not. We require the utilities to report all of their sensitive, financial information annually, however this information is confidential. This creates a conflict in our ability to communicate the details of the valuation. The department is working to develop some new tools and techniques to help understand the total equalized value for their utility property. The local assessors are up against a similar challenge for in income-producing properties in their communities because they collect sensitive financial information on rental properties and they protect that very carefully too.

Municipal Presentations

The following presentations were requested to help understand how telephone poles are being assessed in small, medium and large towns in New Hampshire. Chairman Patten pointed out that FairPoint sends individual pole information to all of the communities each year including height, class, length, cost per pole, year placed and their opinion of each individual pole value.

Town of Moultonborough, Gary Karp, Assessor

Mr. Karp stated the town of Moultonborough has a year-round population of about 4,000 and close to 25,000 in the summer. NH Electric Co-op provides electricity, Eversource (formerly known as PSNH) owns a right-of-way power line that goes through Moultonborough and does not service any customers and a small private water system that services their two largest neighborhoods. Since at least 2004, the town has used the DRA utility value and adjusted it based on the ratio for the town each year.

One of the town's concerns was that the utility values were getting to the town in late September or early October; the town is required to submit their MS-1, providing the total value of the town to the DRA by September 1, and always had to apply for an extension. Two years ago the town started negotiations with George Sansoucy and as of this year, Mr. Sansoucy provides the utility values for the town.

In addition, we have FairPoint and Time Warner Cable, which are considered non-utility property. The town contracts with Vision Government Solutions to do the assessing and together we develop the FairPoint and Time Warner Cable assessments. The town updates values annually with a 5-year contract; completing a statistical update for four years and a full revaluation in the fifth year.

In general, we looked at the report provided by FairPoint and CPTM and compared the number of poles with a report from NH Electric Co-op. The numbers were close. We use the number of poles provided by FairPoint which is 4,111 poles that have 50% ownership by both FairPoint and NHEC and a total of 2,236 poles that FairPoint solely owns. We have valued everything at \$250 per pole. We have not looked at the individual years because there are so many poles and it is not cost effective as an assessment system. We set the conduit value given to us by FairPoint at \$139,274; and using Vision's number, we set a right-of-way value at 15.4 cents per foot for the right-of-way based on the number of miles of road in the town broken down by number of feet.

The pole value was based on averages from Marshall Valuation Service and at the time, in 2011 or 2012, we decided that was a good value. We reviewed FairPoint's numbers whose average pole value was \$205.42 and had a discussion with other assessors in the area. Approximately 60% of the poles were installed prior to 1985 and then we are dealing with depreciation.

Mr. Karp was asked what would be the lowest value or percentage you would depreciate a pole down to. He responded he could not answer that without thinking about it.

The town of Moultonborough is not in litigation with FairPoint. Mr. Karp stated the \$250 value per pole has been in place for four years. For clarification, the town is valuing only the FairPoint poles. The value of poles owned by NHEC is included in the utility value received from DRA. Mr. Hamilton affirmed the DRA value incorporates everything. As an example, consider the utility property value like an individual value of single family home. A part of the value is the fireplace but there isn't a separate identification for what the fireplace is worth. It is included in the entire value; same with a utility property. There is no attribution to any pole, wire, fixture or element. No further questions or discussion.

Town of Goffstown, Scott Bartlett, Assessor

The town of Goffstown is in litigation with FairPoint. Mr. Bartlett did check with his legal people before presenting today. Mr. Bartlett is a DRA-Certified Assessor Supervisor, a NH Certified General Appraiser and a Certified NH Assessor. He has been in the industry for almost 30 years and a town assessor for 15 years. He has been appraising utility property since about 1990 and has attended a number of nationally recognized conferences across the country since being an assessor.

Mr. Bartlett values Goffstown's utilities in-house. The town's last update was in 2013 and as a part of that update re-valued PSNH, Great Falls Hydro, New England Power Company and New England Hydro Transmission, Energy North, Comcast Cable, and North New England Telephone (also known as FairPoint). Each year these properties have physical changes and therefore appropriate adjustments are made annually.

As required by law, the town of Goffstown assesses all land, all rights-of-way across other people's land for transmission lines. This would be for Public Service and two transmission line companies; all public land that is utilized by these properties. We also value all known poles and conduit and then all improvements for the electric and natural gas companies assessed.

Public Service, NE Power Company, NE Hydro Transmission and Energy north periodically provide a detailed list of their improvements by year installed. That list provides the type of property installed, the year installed, and the cost to acquire that particular year. The list provided by Public Service is extensive but does not break out pole information such as number of, type or height; only the cost.

The town of Goffstown subscribes to the Handy Whitman Cost Index. This is a trending manual and the town uses this manual to assist us in guiding these four properties just discussed. Basically we use trending factors to come up with a reproduction cost. As an example, in poles and fixtures that were constructed in 1991, we have a trending factor of 2.02, essentially meaning that poles that were constructed in 1991 would have an estimated replacement cost 2.02 times more today. If they spent \$10,000 in 1991, it would be $\$10,000 \times 2 = \$20,000$; the estimated replacement cost.

The trending factors are used to estimate a reproduction cost and then depreciated for age, functional and economic obsolescence creating a value for all the poles and wires. Each individual pole is not being valued; each type of property or improvement is being valued.

Mr. Bartlett explained for 2014, his estimated improvement value for PSNH was \$23,500,000; this does not include land or public right-of-way. The line item was assessed at \$817,000 and he estimates between 3,000 to 3,400 jointly owned (weighted) poles owned by PSNH.

FairPoint is assessed for poles and conduit only; not the lines or improvements. On a yearly basis, FairPoint provides through CPTM, Commercial Property Tax Management a detailed list of all their poles by class, height, year installed and an estimated replacement cost as of today. For 2014, the replacement cost is based on the cost of the pole plus 4-hours of labor at \$131 per hour. Based on this information, the estimated replacement cost of poles for the town of Goffstown range from \$524 to \$1,121 per pole. The average replacement cost was \$780 per pole.

Mr. Bartlett stated he has considered different sources to come up with estimates of replacement cost for poles. His original estimate, based on type and height, was between \$500 and \$1,500 and the average was \$842 per pole; a little higher than FairPoint. He chose to use FairPoint's replacement cost and then depreciated for age and obsolescence. In 2014, the total value for FairPoint poles is \$670,000.

Comparing PSNH, 3,000 to 3,400 weighted distribution poles (plus transmission lines which are another matter) and FairPoint with 2,818 weighted poles, Mr. Bartlett determined he was fairly assessing FairPoint poles, which after applying depreciation have an average of \$237.75 per pole.

The conduit value from FairPoint is based on a trended reproduction cost similar to what is use for PSNH and other electric companies. Each year FairPoint provides an average year installed and the actual original cost. I use that average date, I trend the same as I do on properties, and depreciate for age. In 2014 I had a value of \$575,000 for FairPoint conduit property.

One major difference between how I value utilities and how the state values utilities is that I assess land separately and similar to other properties in town; the state's utility value includes the land value. I use the same factors I develop for any other property in town and may adjust for encumbrances.

Transmission rights of way, if you look at the town of Goffstown on a map, you are going to see that we have these transmission lines running through the town it looks like a scope, and all of those transmission rights of way owned by PSNH and NE Power, those are valued. PSNH doesn't own those, they own the easement and that has a value. Those are valued based on a linear foot.

Valuing the public right-of-way, I consider three different approaches. First, I look at what my excess land value is. In other words if you've got a piece of land, the first acre is worth \$50,000 and the three acres is worth \$60,000; the excess land is worth \$5,000 per acre. That is the starting point for this first approach. Adjustments are made for location, assemblage because we are not dealing with small pieces of land; we are dealing with a strip of land, and site preparation. The backland and excess land has not been prepared at a level the public right-of-way has.

The second approach, I look at the cable company's franchise agreement and what they pay the town each year for the right to have a cable company in the town of Goffstown and the right to use the public right-of-way. I use this information to do an income approach, to capitalize the income to come up with a value for the cable company's use of the right-of way. I then divide that by what I consider to be their usage of the right-of-way to come up with a price per liner foot for the public right-of-way.

The third approach, I look at the MS-1, removing current use land, and look at what the average assessment per acre is in the town. I take that number and adjust it for size; the average lot is about 1.6 acres in Goffstown. For the rights-of-ways; I use the same 125,000 linear feet and anywhere from 1.75 to 4 feet of width, so that is a much larger piece of land than the average. So, I adjust for size and usage for an improved, rated piece of land.

I look at the three approaches and I come up with a value based on what I believe to be fair and reasonable. In 2013 and 2014, I estimated that a one foot strip of land had a value of .44 cents per linear foot. I then used that as my starting point, I estimated that the total width of the public right-of-way used by public utility was 11 feet. Then I estimated the usage of each company, for example PSNH I believe uses the majority of that, I used four feet of PSNH; .44 cents per linear foot, to come up with \$1.76 then multiplied by 725,000 linear feet of public right-of- way in town. FairPoint, I used 1.75 feet at .44 cents, came out to .76 cents per linear foot for their 725,000 linear feet.

Mr. Bartlett was asked if he was aware of the DRA value and whether or not he considers it. He responded he is aware of the DRA value but does not consider it when developing his value.

Mr. Bartlett restated his formula: FairPoint's range of \$524 to \$1,121 per pole as a starting point; depreciate for age of the pole; sum the values; replacement cost less normal depreciation; then adjust for obsolescence to come up with a total value. Depreciation used is 3% per year; 33.3 years to a base of 30%. He added one of the things he does is build in functional obsolescence. He believes the average age of a pole is somewhere between 40-50 years and some of that 3% per year is functional obsolescence.

With regards to using income to develop a value, the information has been requested but not supplied and until it could be reviewed, Mr. Bartlett wasn't sure how useful it would be.

A question was asked if most assessors would be aware of and employ similar criteria. Mr. Bartlett stated most assessors use similar techniques. The disagreement would be in the depreciation. What type of depreciation; what type of obsolescence. That is where it gets difficult because judgment is a factor.

Mr. Bartlett was asked if he thought the replacement costs varied between communities. He responded he did not think it would fluctuate that much but in his opinion, it would cost more to put up a pole in a city. He added that he has not considered the question in depth and only looks at Goffstown.

A brief discussion took place about the cost to replace a pole versus the variables that may or may not be included in the value. In some cases, such as valuing utilities, the wires are included, but with telecommunication, it is only the pole that is being valued.

Representative Abrami stated they are trying to solve a problem and it appears from the comments received today that some guidance is being requested. Ways and Means has discussed replacement costs, depreciation, methodology for depreciation and residual value. It sounds like those variables are being considered but there are others that haven't been. It appears that some commonality among some of the variables and guidelines on how to value poles is needed.

Mr. Bartlett agreed. He also stated concern regarding the legislature telling assessors and appraisers how to value property; the Assessing Standards Board was created as an advisory board and to provide guidelines for methodologies.

Representative Abrami stated he agreed the legislature should not be the ones to come up with the formula and he is hoping this effort with the subcommittee will determine a methodology. It is hard to get everyone to agree but you have to have some kind of parameter around this issue and some outline of the variables.

Chairman Patten added the intent is to provide some transparency on how it is done and what the parameters are. We haven't gotten there yet but we are a lot closer than we were. She indicated Mr. Sansoucy has a two-part presentation and it was decided that he will present part-one today and part-two at the September 10th meeting.

George Sansoucy

Mr. Sansoucy is a Certified Appraiser Supervisor in NH, a Certified General Appraiser and a registered professional within the state. He does work all over the United States valuing special-purpose utility properties, nuclear plants and the like.

He began by stating this is a 21st century issue and is not unique. The entire industry of property ownership is in complete transition. The FCC has been wrestling with the issue since 1996 and significant decisions have been issued regarding how to deal with property, economic obsolescence, depreciation, rates and lives, etc.

Mr. Sansoucy stated his company was the appraisers/consultants who built the telecommunication valuation system throughout the state of Massachusetts for 350 communities. It is an automated valuation system that is used to value the property in each community. His company was retained by the Department of Revenue in the state of Massachusetts on contract. They are in the third phase of what were two five-year contracts. The State is required to value property on a community-by-community basis; not to assess it. Just like New Hampshire, Massachusetts taxes property within the borders of its community, not as an aggregate.

In comparison, RSA83-F charges the DRA to value public service in the state of New Hampshire and issue a tax bill for the state-wide school tax. This is a very different application of value from what the local assessor's

responsibility is, which is to value property within the municipal borders; similar to Massachusetts. The physical property automated system employed by Massachusetts uses the original cost of taxable property, excluding non-taxable property, and uses trending to value it. Replacement cost new less depreciation and that value is distributed to the communities.

The key exception to the process, built into the module is a market value analysis of market sales of telephone companies and the analysis of an income statement from each of the telecommunication companies. Additional depreciation is applied to that telephone company, the same which is applied to every piece of property in each community for market sales and income. Therefore, there are systems that may be considered that do look at all forms of depreciation. Other states have been using these automated systems for more than 10 years. Their process getting started had the same issues being discussed today.

Representative Abrami asked for clarification that with this model, the values are generated so that the individual towns don't have to worry about assessing the utility or telecommunication properties? It's done through this model and here are the values? Is that what you are saying?

Mr. Sansoucy responded that Massachusetts law requires the state to value the property and deliver it to the towns; they are required to use that value. If the utility appeals the value, the state itself defends that value before the court. Town by town, the individual assessors are responsible to value land and ordinary buildings.

Mr. Sansoucy's company is essentially doing a similar function. As an example, they have met with TDS Telephone Company whose records are in very good condition, and because of this, they are able to do a complete cost less depreciation on a system-wide basis. We have worked with them to develop an economic depreciation based on what we all know to be the erosion of copper lines.

The conventional telephone property is going down in utilization creating functional and economic depreciation in the physical property and in the income approach which are loaded into the values as an aggregate. Once the cost inventory is completed in each town, the value is applied as economic obsolescence. I will provide some detail in the next presentation.

Since 1998, the telephone company has been dealing with the erosion of revenue and business due to less and less copper lines being used and competition from all forms of telecommunication. The exemption passed by the legislature created an unintended consequence by exempting only half the property. This creates an awkward situation for both assessors and the DRA; we are told to value pieces of an entire system rather than the whole while exempting other pieces that make it work. What part has depreciation? The pole is an essential component to get the wires down the street yet the digital oriented central office, which is rapidly being replaced due to new technology may have far more depreciation. It should either all be taxable or all exempt so that if taxable, depreciation could be applied to all the property rather than only some of it.

This exemption is resulting in a tremendous amount of unregulated, profitable telecommunication property in New Hampshire to not be taxed. Some communication companies are paying tax while others who may be attached to a pole are escaping taxation in comparison to its peers.

The copper issues of FairPoint have been brought into and applied to non-regulated, competitive companies that own property in New Hampshire that are not being taxed because of that exemption and I don't think that is clearly understood.

While FairPoint is not necessarily regulated, they pay the telecommunication services tax and the distinction is the exemption relates to those companies who pay the tax. That went directly to the regulated companies such as AT&T and SegTel who do not pay the telecommunication services tax because they are wholesale based, and they move large blocks of data but are also under the exemption.

Mr. Sansoucy explained the reason for this preface is because the information provided affects how this property is being valued and to provide guidance. A large part of this issue is the copper-based companies, such as FairPoint. More than half of our telecommunication is non-copper-based moving large blocks of data through cable, high-capacity and wireless. The exemption relates to more than just FairPoint or copper wires. Half of the wireless property is receiving the exemption by default yet there is nothing economically impaired about wireless companies in the US. I don't think any of us believe that a wireless company is economically impaired

in any fashion, yet we are not valuing in these towns and cities all of the wireless property. Much of the values are moving over to wireless.

To get back to FairPoint and telecommunication property, as a comparison, a pole versus a 2x4 that goes to a lumber yard. A contractor buys the 2x4 to put in a home. When that 2x4 is nailed to a house in one community, it is going to have a different value than a 2x4 nailed to a house in another community. If I nail a 2x4 to a house in Lancaster, the day I put it in, it probably has 40% depreciation that day because we cannot sell a home in Lancaster for the cost new to build it and that may well be true in Berlin, Gorham, Columbia, Colebrook etc. That very same 2x4 in a home in Portsmouth, that as built home, may have twice the value of the original construction by virtue of its location.

The entire installation cost varies in different parts of the state. Once it is installed, the depreciation applied to that pole varies depending on its utilization and its ownership. There is a different value because of the utilization based on market and income and that is done on an aggregate basis. By comparison, on an income basis, a very low utilization in one area does not necessarily mean that same type of pole has a very low utilization in another area. That is why it has become so important to look at the application of the economic depreciation.

You are faced with this dilemma because of the one company with the most problems. FairPoint is a copper-based, conventional telephone company that is driving the debate whereas you have a number of other telecommunication users both on and off the pole in conduit, which we are trying to value and on the pole such as SegTel attaching to a pole. They believe they are not taxable; they refuse to provide any information to the towns and cities. Companies such as AT&T are profitable companies yet those companies as an example do not have economic obsolescence like the copper-based companies do.

One of the questions is, are we dealing with the copper-based pole values as the owner or are we dealing with all of the telecommunication property? The goal is clearly to try to isolate a problem so as we look for guidance, we are looking for guidance as it relates to the problem, not more unintended consequence. The copper problem is really where this is all being started by where FairPoint is a copper-based company, it is a DSL based company, it is not necessarily a 21st century telecommunication company the way it is currently being operated in the state of New Hampshire. Verizon chose to sell it because they were not going to upgrade it.

Mr. Sansoucy indicated he would be talking in more detail about the costs new less depreciation and the economic influence between phone companies versus public service. Another issue that plays into this is the jointly owned poles and determining where the value goes; there needs to be clear distinction as to what we are talking about in that regard.

Mr. Sansoucy restated that he assesses all utilities in 90 communities within New Hampshire. His methodology is almost identical to Mr. Bartlett's with the exception that within his model, he adds additional economic depreciation as necessary. The costs new are higher because they are more than just by pole. The total average cost of installing a pole begins with the installation, which consists of 4-hours as mentioned earlier, and depreciation then the economics of the company, the industry and the community, are considered then additional economic depreciation is applied as necessary. For those companies that do report revenues in each community, we have a good sense of their metrics.

Reporting is another problem. The historic costs prior to 1981 are unknown to FairPoint. Verizon did not have nor could they provide the records for each community for any period of time and therefore, one of the reasons for the variability in costs per pole. Company reporting is getting better. FairPoint has worked hard to locate their poles and assign an age to them however many of the costs are not actually the cost to reproduce a pole on a street. A true installed cost can be much more than what we have heard and the average is much higher.

In addition to that, you have a wide differential on the type of property, the size of the poles, the location to put it into the ground, whether or not they have wetland areas and do they have additional environmental litigation. There is always an overhead component that is not being considered so there really are additional costs.

Representative Abrami asked what percent of the value is the economic part in the model. Mr. Sansoucy stated in their agreement with TDS, it is 21% which means 21% off the value as economic obsolescence after cost new less depreciation. In this case, the economic obsolescence represents the erosion and lack of utility of the copper lines.

In the Verizon package in Massachusetts, it is 35% off the cost. Economic obsolescence for the regulated; the original what we call an incumbent telephone company and it is 10% off to zero for the non-incumbents which is the competitive phone companies in New Hampshire that are getting part of this because we are valuing everyone else.

Herein lays the problem, this level of economic obsolescence that is directly attributable to the pole but only because you are valuing and applying economic obsolescence to only a piece of the property rather than the whole. The pole is not the problem, it is the wires and it is not being utilized. People are shutting off their home phones and using cell phones.

The whole purpose of this discussion is the level of economic obsolescence applied to only two pieces of property, the poles and conduits and they are the primary carriers of the property. They are the fixtures to the real estate and the rest of it is exempt. Is that where the economic obsolescence is? That question has not been discussed or answered. We are applying it to the poles because we need to come up with a good rational process.

The statute used to be everything or nothing; now it is just a piece. Because of this piece, there is a tremendous amount of unregulated, other telecommunication property which in many other states has grown to over 50% of the total communication usage that rides on that exemption. Yet, they are fully profitable or out of business. They are not necessarily the incumbent original franchise in the community. It is the incumbent that has the copper wires where the economic obsolescence is.

To close, the competitive companies today are enhancing the value of the pole by building for high-speed systems. The question is whether or not the copper-based companies in New Hampshire will survive the telecommunication industry and keep the value? There are various pieces of telecommunication value and we are focused and looking for guidance on one area while there is a significant amount of other property that is escaping taxation, the biggest beneficiary being wireless. This is not necessarily a problem, we know how to value it; it's just not taxable

Other Business

Chairman Patten thanked those who presented today. She reported that she received a letter from the NHAAO stating they did not object to Mr. Lessard remaining on the subcommittee until the task is complete. She thanked the NHAAO for their consideration.

Another letter was received from Granite State Hydro Association requesting a discussion pertaining to HB 192 and whether or not they will be able to use the DRA value in an appeal. An e-mail was received from Robert Dunn stating he thought more than one meeting would be needed on this issue. Chairman Patten requested that the industry get together in order to provide one or two speakers and coordinate a presentation.

Chairman Patten also suggested if the municipalities would like to present, they would be welcome.

House Bill 192 will be discussed at the next meeting scheduled for Thursday, August 27, 2015, at 9:20 a.m. at the Legislative Office Building (LOB), Room 305.

The meeting schedule going forward will be Thursdays, 9:30 a.m., at the LOB, Room 305:

- August 27, 2015
- September 10, 2015
- September 24, 2015
- October 15, 2015
- October 29, 2015

The subcommittee will be getting their recommendations ready for October to bring to the full Assessing Standards Board. The next full Assessing Standards Board meeting is scheduled for Friday, September 11, 2015.

Meeting Schedule

The next meeting will be held on Thursday, August 27, 2015, at 9:30 a.m. at the Legislative Office Building (LOB), Room 305.

Representative Schmidt *motioned to adjourn*. Mr. Lessard *seconded the motion*.

Chairman Patten adjourned the meeting at 12:35 p.m.

Respectfully submitted, Stephanie Derosier
NH Department of Revenue Administration – Municipal and Property Division

Documentation relative to the Assessing Standards Board may be submitted, requested or reviewed by:

Telephone: (603) 230-5096

Facsimile: (603) 230-5947

Web: www.revenue.nh.gov

E-mail: asb@dra.nh.gov

In person at: 109 Pleasant Street, Concord

In writing to:

NH Department of Revenue

Assessing Standards Board

PO Box 487

Concord, NH 03302-0487