Assessing Standards Board
Utility Valuation Subcommittee Meeting

Approved as amended

DATE: December 15, 2017

LOCATION: NH Department of Revenue Administration – Training Room, 109 Pleasant Street Concord

SUBCOMMITTEE MEMBERS in ATTENDANCE:
Bob Edwards, Betsey Patten, Steve Hamilton, Representative Peter Schmidt, Jim Wheeler, Joe Lessard, Scott Bartlett

MEMBERS of the PUBLIC:
David Grant, Charelle Lucas, Teresa Rosenberger

Ms. Patten welcomed those in attendance.

Minutes

Ms. Patten stated corrections were made to the minutes of October 19, 2017 to reflect Mr. Gagne as a member of the public not a member of the subcommittee and to reflect Mr. Gerzon was in attendance as a public member. Mr. Lessard motioned to approve the minutes of October 19, 2017 as amended. Mr. Bartlett seconded the motion. Ms. Patten called the motion. All approved.

Mr. Bartlett motioned to approve the minutes of November 2, 2017, as written. Mr. Edwards seconded the motion. No discussion. Ms. Patten called the motion. Representative Schmidt abstained. All others approved.

Ms. Patten began by confirming the idea to begin with a cost basis method. Mr. Lessard stated the DRA considers the other methods in their valuation and that the adjustments made for those considerations could also be used for this method. Mr. Bartlett expressed concern the unit method puts too much emphasis on net book value and does not consider all available information, in particular market factors, and suggested considering stock and debt information. A discussion followed about stock and debt information and how it could be considered and used to make adjustments.

A discussion ensued about a formula. The cost approach method has been suggested as the starting point; using replacement cost new or a trended original cost rather than net book value; then integrating local land values. The best case scenario would be to create a formula that could calculate both the valuation, using replacement cost new, and the allocation of the whole property at the same time. This would be similar to the process used by assessors for other types of property. One of the difficulties of using replacement costs for utility valuations is the way towns are currently getting information. Utility companies provide information they same way they report it for rate setting and FERC, by account. For this type of formula to work, an inventory of property would be needed for each municipality. Mr. Bartlett suggested before going forward, it would make sense to ask the utility companies if they could provide that kind of detailed inventory for each town. In addition to requesting whether detailed inventory information could be provided, Mr. Wheeler suggested the request also include actual cost information. A brief discussion followed to explain how the utilities report to FERC and how trending factors are applied. The committee agreed finding a way to assess utility property in a similar way other properties are assessed would be the best way to bridge the disparity in values.
Discussion followed pertaining to a BTLA formula that recognized the trended replacement cost with reasonable depreciation and a 15% economic obsolescence adjustment. The BTLA essentially used the information they received and determined an appropriate adjustment. The concern however is if the inventory information cannot be submitted by the utilities, this approach would not be practical. If the information cannot be attained, the use of the trended replacement cost method would continue, recognizing the shortcomings and coming up with recommended adjustments to take into account. If the information can be provided and a replacement cost formula created to include cost tables for this type of equipment and depreciation tables and a way to estimate land value, it would provide a straightforward process that would alleviate the need for adjustments at the local level.

Discussion followed about the legislative process and the proposed study commission. Whether or not the commission is established, the ASB has a statutory duty to provide information they find applicable. Ms. Patten explained the committee needs to move forward, attempt to see if the inventory information can be provided by the utilities and ultimately be able to provide solid, logical and objective input to the commission or legislature. If the information cannot be provided, the committee will continue working towards another resolution. Ms. Patten stated she and Mr. Hamilton would draft a letter to the utility companies to see if they would be able to provide detailed inventory information for their company and if yes, if they would be willing to provide a sample by January 5, 2018, for the committee to examine.

Ms. Rosenberg asked if the information being requested was only from the electric companies. Ms. Patten stated the information would be requested from three utilities who have property in multiple jurisdictions.

Ms. Rosenberg asked if the committee would reviewing the tax bills coming out for the telephone companies based on the legislation that passed two years ago are in accordance with the law. She added it would be good to know if that process working as this task moves forward. Ms. Patten stated that would be something the full ASB would review and it could be added to the agenda of the next meeting.

**Next Meeting**

Friday, January 5, 2018, at 1:00 p.m. at DRA

Ms. Patten adjourned the meeting at 11:15 a.m.

Respectfully submitted,
Stephanie Derosier

Municipal and Property Division
NH Department of Revenue Administration

All meetings are recorded and are available upon request.

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

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