Assessing Standards Board  
Regular Board Meeting

Approved as amended

DATE: June 1, 2018  
TIME: 11:30 a.m.

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

BOARD MEMBERS
(E) Excused absence

Senator James Gray  Paul Brown, Municipal Official, Towns >3,000
Senator Bob Guida (E)  Vacant, Municipal Official, <3,000
Representative Peter Schmidt (E)  David Marazoff, NHAAO, At-Large Member
Representative Mark Proulx  Loren Martin, NHAAO, Towns, <3,000
Betsey Patten, Public Member, Chair  Joe Lessard, NHAAO, Towns >3,000
Robert Gagne, NHAAO, City Official  Len Gerzon, Public Member
Stephan Hamilton, NHDRA  Thomas Thomson, Public Member
Jim Wheeler, Municipal Official, City

MEMBERS of the PUBLIC

Mary Pinkham-Langer, DRA  Andrea Lewy, Stratham
Susan Golden, Concord  Jim Commerford, Meredith
Natasha Latona, DMB  Norm Bernaiche, Tri-Town
Charelle Lucas, GES  Skip Sansoucy, GES
David Grant, Unitil  Tom Hughes, DRA
Kathy Temchack, Concord  Jonathan Giegerich, Unitil
Dave McMullen  Joseph Haas, VOCALS, Inc.

Chair Patten convened the meeting at 11:30 a.m. and welcomed those in attendance. Introductions followed.

Minutes

May 11, 2018 - Regular Board Meeting

Mr. Gerzon motioned to approve the minutes of the May 11, 2018, regular board meeting; Representative Proulx seconded the motion. No discussion. Chair Patten called the motion to approve the minutes of May 11, 2018, regular board meeting as written. Motion passed unanimously.

House Bill 324 - Study Commission Membership

Chair Patten reported House Bill 324 has passed both the House and Senate and will be enrolled and forwarded to the Governor’s Office. The bill provided for two members of the ASB to be on the study commission; the Chairman and another member of the Board.
Mr. Gerzon withdrew his interest to be on the commission and nominated Mr. Thomson; Mr. Lessard seconded the motion. Mr. Thomson accepted the nomination.

Mr. Brown nominated Mr. Wheeler; Mr. Lessard seconded the motion. Mr. Wheeler accepted the nomination.

No further nominations were made. Representative Proulx motioned to close nominations; Mr. Hamilton seconded the motion. Chair Patten called the motion to close nominations. Motion passed unanimously.

Chair Patten called for a hand vote on the nomination of Mr. Thomson; 7 votes were received. Chair Patten called for a hand vote on the nomination of Mr. Wheeler; 2 votes were received. Mr. Thomson abstained. Mr. Thomson was declared the second member to be on the House Bill 324 study commission with Chair Patten with a vote of 7-2.

Utility Valuation Subcommittee Update

Mr. Hamilton reviewed the subcommittee’s purpose to provide a series of recommendations to the House Bill 324 study commission pertaining to the valuation of utility property. The current focus has been related to land valuation in terms of how a formula might be constructed to value the different types of land that are owned including the occupancy of public rights-of-way, ownership of private rights-of-way and land owned in fee by the utilities. It has been determined a basic formula can be created for the valuation of the occupancy of public rights-of-way in each community that would apply local land value estimates to the scale of the occupancy of each one of the communities. The subcommittee is still considering if there are differences between the rights of private and public rights-of-way and how to value fee ownership. The next meeting of the subcommittee is scheduled for Friday, June 8, 2018.

Skip Sansoucy Presentation – FERC v. Non-FERC Regulated Transmission and Distribution Lines

Mr. Sansoucy briefly outlined the objectives of the presentation including defining the distinction between the Federal Energy Regulatory Commission (FERC) regulated property that is tariffed throughout New England versus the NH Transmission and Distribution property that is subject to NH Public Utilities Commission (NHPUC) regulation; to provide documentation to illustrate how the distinction is determined and why; explain how to make a list of these properties and where the information for the list comes from.

- The differentiation between federally and state regulated and tariffed electric transmission lines is a function of deregulation
- Existing interstate, intrastate and international transmission of electricity in and out of New England
- NH is at the center of a cluster of transmission lines that receive and deliver electricity from Canada, Maine, Vermont, New York, Massachusetts, Connecticut and Rhode Island
- FERC tariffed (regulated) systems are both substations and transmission lines

New England Power Company (NEPC)

- First true transmission company to collect and distribute power
- Entirely regulated by FERC
- Excluded from House Bill 324

Transmission lines federally tariffed and regulated entirely by FERC:

- Hydro-Quebec Phase I and II (Littleton through MA border)
- (2) 230,000 Volt Transmission Lines
• 3 Lower Hydros regulated entirely by FERC
  o Vernon Hydro-electric Plant (Hinsdale)
  o Bellows Falls, VT
  o Wilder Station, Lebanon

• Twin 230s

• Critical distinctions between the State and Federal regulation:
  o The State of NH will approve it; it will go on the books
  o The State will set the depreciation
    ▪ NE ISO can disagree with the depreciation and have it changed; FERC can disagree
  o Once it moves forward, the State has no further tariff capability on that line; NE ISO does
  o This is a region-wide tariff called the “open access tariff”
    ▪ Part of deregulation
    ▪ NE ISO calculates it; approved and regulated by FERC
    ▪ Allows all utilities to move power around New England for one price
    ▪ Charged to ratepayers

• 345,000 volt line: (3 lines that bring power from Maine to NH)
  o Through Dover and North Rochester
  o Dover from Maine
  o Newington

• All lines go to Deerfield and Scoby Pond in Londonderry
  o Two primary transmission substations

• Sub Lines
  o Littleton 230
  o Part of the Coos Loop
  o Merrimack Station
    ▪ FERC tariffed

Typical Electric Bill (Eversource)

• Two largest types of bills
  o Residential
  o General Service (Commercial)

• Rate class
  o Rate G – general service, small to medium, industrial and commercial
  o 2nd largest total bill (sometimes first) depending on use

• Distribution charge
  o Distribution system is completely separated from the transmission system at Eversource
  o A technical wall is built within the company’s divisions
    ▪ People who run distribution – that’s all they run; all costs go to distribution
    ▪ .069 distribution rate (applied to the distribution cost which is regulated by the NHPUC)

• Transmission charge
  o PSNH had to move a portion of its transmission system into distribution when they deregulated; to make them a part of distribution under federal rule
  o 115 Line around Gavin Falls Dam in Concord
    ▪ FERC / ISO watch substations to make sure nothing shuts down; they do not operate lines
    ▪ Required company to reclassify its transmission lines between transmission and distribution
    ▪ Created a critical point in deregulation
Now have a separate transmission charge that is on our bill for the federally regulated transmission system or the open access transmission rates
• Approved by FERC; to the ISO then back-billed to Eversource
• Those are the rates that serve those transmission systems that are not regulated by the State of NH

Mr. Sansoucy stated the ability to break out the distribution from transmission can be found by requesting the continuing property record card from the utility, which break out the lines and substations by name.

A brief discussion followed pertaining to the difference in rates between general service and residential properties. The major difference is in the rate design. For commercial properties, they pay a higher distribution charge due to capacity charges based on consumption and demand; however the transmission charges are similar.

The key supporting document for all of this information is called the FERC Form 1 (FF1), which is the annual report filed by utility companies to FERC, and contains all the core information including the details needed to identify lines and substations.

FERC History – Public Service of New Hampshire (PSNH) Reports

PSNH 2007 FF1 – “transmission” means “transmission substations”
• Prior to 2008, the State of NH, Public Service, listed all of its substations the way it defined it; not the way FERC wanted them to simply because FERC had not made that order and hadn’t gotten there yet
  o Substations by community are listed alphabetical
  o Some are transmission; some distribution
    ▪ The purpose is to show where the data originally came from
    ▪ 64 substation entries prior to 2008

PSNH 2008 FF1
• Moved its transmission system and substations to its open access tariff formula for ISO
• FERC asked them to reclassify its transmission and substations systems from FERC regulated open access tariffs to NH regulated tariffs
• First year that they performed this and the information was available
• Page 426 Substation list
  o Transmission substations – no distribution
    ▪ These substations are the open access FERC regulated substations
    ▪ 8 approved substations by FERC; under FERC rules
    ▪ 8 primary substations entirely dedicated to open access transmission

PSNH 2017 FF1 (P. 40) – this is Public Services’s own designation;
• These are the lines that they selected under FERC rules
• These are the lines ISO uses to calculate their tariffs

The FERC report breaks out the information:
• Transmission lines that go with the substations
• Operating list of lines tariffed by FERC through the open access tariff; not tariffed by NH PUC
• Merrimack Station’s full power at the Dunbarton tab to MA
  o List all 115,000 volt lines
  o Total miles
    ▪ No other identifying information provided
- Overwhelming majority of those are state regulated and will be part of the solution determined by the commission
- FERC tariffed lines will be excluded from those considered by the commission

- Corresponding substations found on Page 426
  - 8 substations in 2008
  - Now 22 total substations that have been added to, expanded or re-designated
  - Substations have names that can be corresponded with the individual 345 lines

There are two major companies (excluding minor border crossings) in NH that provide only transmission and are not regulated by the NHPUC. They are New England Power Company and its subsidiaries such as Hydro Quebec, and New Hampshire Transmission Company from Seabrook. These companies are completely FERC regulated and they are not applicable to House Bill 324. Public Service Company of New Hampshire is the only intrastate transmission provider and provides all transmission to New Hampshire Electric Co-op., Unitil, and Liberty (Granite State Electric), which these companies are classified solely as distribution providers. The intrastate transmission facility owned by Public Service of New Hampshire is partially FERC tariffed and partially not. Generally, the 345,000-volt, 230,000-volt, and a portion of the 115,000-volt substation and transmission lines are FERC tariffed because they supply interstate flow of electricity and are properly excluded from HB 324. The remaining 115,000-volt substation and transmission lines and lower voltages are regulated by the NHPUC and are properly included in HB 324.

Mr. Sansoucy gave a description of each the photos in the presentation of the lines located in New Hampshire. A brief discussion followed pertaining to three hybrid substations which are detailed in the FERC Form 1 and can be quantified by Public Service (Eversource).

The question was asked if the number of valuation disputes for FERC regulated properties is as significant as non-FERC properties. Mr. Sansoucy stated that to date, New England Power has settled, and he has never gone through the court, in his experience. The compromise is mostly on depreciation. He encourages the potential to isolate and value the distribution in Public Service from transmission. The criteria for understanding property that is FERC regulated versus PUC regulated is that there is no retail service on high voltage transmission; a transformer is required to break it down and provide retail service. It is a function of retail versus wholesale; federal regulation under deregulation, wholesale interstate, and local regulation. The NH PUC largely regulates the intrastate; and the feds regulate interstate.

**USPAP Reporting Due Date**

Chair Patten stated a letter was received from Mr. Bartlett opposing the change to the USPAP reporting due date change from January 1, to 30-days after submission of the MS-1 to DRA; that was approved at the previous ASB meeting. A discussion followed.

The vote to change the date was unanimous however it was suggested that the change was not permanent and may be revisited in the future. The deadline of January 1 was not always met and dozens of communities have received extensions in the past. Mr. Hamilton added the Department’s procedure will not change; an extension may still be requested and granted. A discussion point was when MS-1 is submitted, the report of how the values were determined should be complete and available to the town and taxpayers.

Mr. Bernaiche, Tri-Town Assessor for Sunapee, Newbury and New London, expressed concern this will have a significant negative impact on a town employee’s ability to perform their duties, overall job performance and personnel record. Having three towns complicates his ability to comply with the date change. He described the process in a town that not only includes the requirements and process of a revaluation; it includes preparing the
MS-1, review of sales for the annual ratio study, review of exemptions and tax credits, preparing warrants and working with the tax collector to make sure the bills go out with the correct values and other tasks. These responsibilities are multiplied by three in his case. In general, towns have fewer resources in growing communities. He added that in 13 years, including several revaluations and preparation of USPAP reports, only two taxpayers have ever requested to see this report.

Mr. Marazoff stated that while this change does not make the task impossible; it does make it more difficult and does create a hardship in the assessing field; to what degree is yet to be determined. As a contractor, he completes multiple revaluations annually and will most likely use the process of requesting an extension with a town’s permission. Time will tell if the issue will need to be revisited. He added Kris McAllister, a DRA Certified NH Assessor, contacted him by e-mail stating her opposition to the change.

Ms. Martin stated getting to this point took a lot of work and effort however through time the process has been streamlined. Representing the biggest contracting and mass appraisal firm in the state, Avitar completed 14 updates this past year and every report was turned over to the town and DRA when the MS-1 was completed. She does not feel a taxpayer should get their tax bill and not have the resources available to understand how their value was developed. Transparency is the issue. USPAP requires written documentation of how values were developed and assessors are bound by USPAP. She agreed that few taxpayers look at the report however that is not a reason for it not to be available.

Ms. Lewy, Assessor in the Town of Stratham, pointed out there are significant differences to be considered between the responsibilities of full-time assessors and contractors. Town assessors do not have a large staff and completing the required tasks of an assessing office, including performing a revaluation, is complicated by taxpayers coming in daily with questions. She has a clerk who cannot answer most questions so the responsibility falls to her. She answers to the Board of Selectmen and meets with them regularly. The most significant difference is the time it requires one person on a daily basis to do their job versus someone coming in once a week to do a specific job. In the case of a revaluation year, while the reporting process has been streamlined, it is the constant interruptions and technical assistance for the taxpayers that is the complicating factor; there is no time of year that is not busy. She requested the Board consider the date of December 1 versus 30-days after the MS-1 is submitted.

Mr. Hamilton reaffirmed the Department’s process will not change and there is no instance where an extension was not granted. It is rare for an MS-1 to be submitted by September 1 in the year of a revaluation. It is understood the work needs to be done right and in this case, an extension, and sometimes multiple extensions, are requested and granted by the Department. To date, there are still towns that have not finalized their USPAP reports for 2017. While we hope reports come in more timely and be made available for taxpayers to use; we simply want to know when that report might be completed.

Chair Patten added the people we serve are the ones that need to be confident in the values. This Board and the assessors have worked for 18 years to be sure that what we have is a value for property taxes that the taxpayer can have confidence in.

Kathy Temchack, Director of Real Estate Assessment for City of Concord, reaffirmed the difficulty of having less staff and resources and more work. The MS-1 process and ratio study compete for time at the same time of year. Once the MS-1 has been submitted, values need to be reconciled with the tax collector before bills can be sent out and due to a significant increase in sales, more time is needed to review and analyze the sales. The January 1 deadline, she feels is working and asked the Board to reconsider the due date.

A brief discussion followed considering a possible compromise, the ability for a taxpayer to have access to the report before a tax bill has to be paid, not to appeal it and keeping the change and revisiting the issue at a later
date. Mr. Hamilton motioned to direct the DRA to report back to the ASB by February 1, 2019, on the extensions for the MS-1 / USPAP Report for 2018 to provide information to go on. Mr. Gerzon seconded the motion. Chair Patten called the motion. Motion passed unanimously.

Manual Subcommittee Meeting

The meeting scheduled for 2:00 p.m. today was postponed due to the length of the regular board meeting.

The next meeting is scheduled Friday, June 15, 2018, at 2:00 p.m. at DRA.

Next Meeting

The next meeting will be at the call of the Chair.

Mr. Gagne motioned to adjourn; Mr. Lessard seconded the motion.

Chair Patten adjourned the meeting.

Respectfully submitted,

Stephanie Derosier
Municipal and Property Division
NH Department of Revenue Administration

All meetings are recorded and available upon request.

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

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