Assessing Standards Board
Utility Valuation Subcommittee Meeting

Approved as amended

DATE: June 27, 2018          TIME: 9:30 a.m.

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

SUBCOMMITTEE MEMBERS
*(E) Excused absence

Betsey Patten, Steve Hamilton, Joe Lessard, Jim Wheeler, Scott Bartlett, Representative Peter Schmidt (E), Bob Edwards (E)

MEMBERS of the PUBLIC

Tom Hughes, DRA, Joe Devarenne, Concord, Emalie Colburn, GES, Teresa Rosenberger, Devine Millimet, Sara Bosiak, Gallagher, Callahan & Gatrell

Ms. Patten opened the meeting at 9:30 a.m.

Minutes of June 8, 2018

Mr. Sansoucy requested the following amendment on page 1, paragraph four: “It was clarified that Eversource was the only company in NH that contained both distribution and transmission. Because of federal regulation and deregulation, a portion of Eversource’s transmissions lines are now treated as distribution and a portion are FERC tariffed.”

The amended sentence to read: “It was clarified that Eversource was the only company in NH that contained both distribution and transmission. Because of federal regulation and deregulation, a portion of Eversource’s transmission lines are now treated as distribution and a portion are FERC tariffed.”

Mr. Lessard motioned to approve the minutes of the June 8, 2018, meeting, as amended; Mr. Wheeler seconded the motion. No further discussion. Ms. Patten called the motion to approve the minutes of June 8, 2018, as amended. Motion passed unanimously.

HB 324 Update

Ms. Patten reported she contacted Representative Abrami to inquire about the status of the commission and to let him know about the presentation of the subcommittee’s recommendations and anticipated vote of the full Board on July 13. Representative Abrami made a request to the Speaker’s Office that she is one of the members on the commission, which she will be as the Chair of the ASB, and he anticipates a start to the commission in August.

Correspondence

Ms. Patten stated a letter was received from Mr. Sansoucy dated June 18, 2018, and it was read into the record:
“Based on last week’s meeting of the Utility Valuation Subcommittee, you brought back up the question of how to identify the Public Service Company of New Hampshire (PSNH) FERC tariffed electric transmission lines. Also, Scott Bartlett brought up the point of trying to identify which of the 115,000-volt lines are also FERC Tariffed. Please note that the primary substations in New Hampshire that are part of the FERC Open Access Tariff are listed on page 40 of our presentation, which is page 329 of the 2017 PSNH FERC Form 1. These substations and lines coming into them, and the lines leaving these substations without transformation down to retail voltage levels, are FERC tariffed transmission lines. They are listed in the FERC Form 1 and that list can be incorporated into your recommendation. If you would like us to provide an exhibit identifying the list of transmission lines for you to include in your recommendation, please feel free to ask.

As for the transmission lines that are FERC Tariffed, there is a definitive list of the high voltage 345,000-volt lines and 230,000-volt lines on pages 422 and 422.1 of the FERC Form 1, which is on page 43 and 44 of our presentation. This is the definitive list of transmission lines and are on the transmission map provided to you in green and blue for PSNH. The 115,000-volt lines are those going to and emanating from the transmission substations listed on page 329 et al, Transmission of Electricity for Others, of the FERC Form 1 for PSNH. Those New Hampshire substations listed will be found in our various communities. If you would like us to actually write up a list for your recommendations of these transmission lines and substations, we would be happy too.

We strongly urge you not to treat all of PSNH as distribution property for purposes of your recommendation. It does not conform with the intent of the legislation for the Study Commission and will unfairly under value interstate transmission facilities subject to Open Access FERC Tariffs on a New England wide basis. We believe that the affected communities will have a very serious problem with this type of recommendation to be treated as distribution.”

A discussion took place about the similarities and differences between transmission and distribution property and the NH Public Utilities Commission (NHPUC) and the Federal Energy Regulatory Commission (FERC). PSNH is the only distribution company in New Hampshire to own both distribution property and transmission lines and substations and to fall under the regulation of both the NHPUC and FERC. It was suggested that PSNH, when reporting, would need to identify the breakdown. There was disagreement about the impact of business value versus real estate value however this was said to be resolved using the 75/25 weighting of original cost and net book value.

A discussion followed to address the concern expressed in the letter received by Mr. Sansoucy and to clarify what type of “lines” the subcommittee was including in their task. It was clarified that not all transmission lines are FERC tariffed including most of the 115,000 lines and those have been included in the discussion from the beginning; it was the FERC tariffed lines that were meant to be left out. PSNH has both and can identify which lines are FERC tariffed and which are not. There was concern expressed that not all property will be covered by a single reconciliation of the original cost and net book value based on additional information provided by Mr. Sansoucy relating to mixed lines running tariffed electricity and distribution electricity. After further discussion, it was reiterated the subcommittee’s task and the formula was meant for the valuation of all distribution utility properties, not just PSNH; and if they had additional concern relating to FERC property that needed to be addressed, it was suggested they could bring it to the commission.

**Land**

The question was raised if the land under tariffed lines would be assessed differently than land under non-tariffed lines or if all land under any type of line would be assessed the same way. It was clarified land under distribution lines is the public right-of-way and a different formula has been suggested for that; this focus has been about the
land under non-tariffed transmission lines or “easements”. (This does not include land under FERC or mixed FERC and PUC rate tariffed lines.) The proposed formula for easements is:

\[
\text{MS-1 average price per acre} / 43,560 \times \text{Length (Number of Linear Feet)} \times \text{Width} \times \text{Factor (TBD)}
\]

**Land Owned in Fee**

A lengthy discussion took place about how to value land owned in fee. There were two suggestions: (1) value each individual parcel the same way other parcels of land in the city or town are valued, and (2) use the MS-1 average value per acre for each community.

Mr. Hamilton stated the importance of a valuation formula for land owned as part of the NHPUC regulated property. The highest and best use of the land has to be considered which makes this type of property’s potential value different. He suggested using the overall weighted average value in a community will provide a balance of both residential and commercial land values within each community and a formula that can be simply filled out. He added there is no way to appraise the highest and best use of this overall, state-wide distribution network.

Mr. Wheeler feels valuing this land the same as valuing any other land is the simplest way and makes the most sense. Mr. Hamilton described unique limitations of land owned by utility companies that make it different from other land parcels: (1) Utility companies do not own the rights to sell; it is regulated by the NHPUC and they must get permission; and (2) some land owned does not allow for legally permissible options such as a narrow strip of land. Mr. Wheeler argued all land has varying characteristics and it is an assessor’s responsibility to consider and factor in adjustments, if needed. He does not feel a one-size fits all formula is appropriate. Mr. Hamilton added it may not be ideal but it is a way to short circuit the need to closely examine each parcel; which is a limited number based on the list Unitil provided. The process of assigning a value has been completed for over 50% of the land in the State that is enrolled in the current use program.

Mr. Bartlett, first disagreed with the current use argument, as it is an identified public benefit, it is open space and has been in place for a long time. This is not open space land and is being used for utility purposes, which is most similar to industrial land. He added utility property is unique and should be treated differently however land is similar and it should be valued the same as other land with adjustments. He values each parcel of land as if vacant and makes adjustments based on its individual characteristics and location. The subcommittee decided to use the cost approach and, referencing the Institute of Appraisal Real Estate, he stated the first step is to estimate the value of the site as thought vacant and available to be developed at its highest and best use. Once that has been completed, adjustments may be made for regulation or any other applicable characteristics.

Mr. Lessard responded to the current use comment stating the first step in valuing land in current use is not the same as other land. He added the provision of electricity is a public benefit; utilities are regulated and required to provide electricity to places where it does not make economic sense. He does not have a problem valuing those properties under a current use method. He offered that all land owned in fee and part of the regulated property to be assessed at the MS-1 average price per acre, period. Mr. Hamilton offered a suggestion that it should be the primary used land because some of the land that’s owned in fee might be a 100 acre parcel of which there is a 4-acre primary use of the property because there is a substation in one corner of that lot. Mr. Lessard did not agree or disagree.

Mr. Bartlett added he values each parcel of land at its highest and best use and applies a factor to account for regulation and other applicable characteristics.
Mr. Hamilton suggested an option for the regulated utility companies to apply for and place non-primary use utility land into current use. This would resolve the challenge of where you would have the principal land use valued at a current use value for utility property based on the average value of the MS-1 and then the is excess land would be valued the way 50.1% of the excess land in the state is valued, at the current use value rather than highest and best use. The land underneath these transmission easements is allowed to be in the current use program. He suggests extending that same privilege to the utilities for the land that they are not using; there isn’t a principal use of that land and allowing it to be placed into the current use program may resolve the issue. Mr. Bartlett and Mr. Wheeler disagreed.

Mr. Hamilton raised another concern about the lack of communities who have a full-time assessor versus a contract assessor, who is knowledgeable and capable but who may only visit a community once every other week or once a month, and may not have the resources to value additional utility land parcels at their highest and best use. Mr. Bartlett disagreed; these communities are already valuing thousands of parcels and he does not believe a few more will be an issue. Discussion continued including the existing legislative efforts to balance the public benefit and the desire to preserve assessing integrity.

Ms. Patten stated she would like to be able to bring a recommendation to the commission however if a consensus cannot be made either here at the subcommittee or by the full Board, she is comfortable bringing the different ideas discussed.

Mr. Lessard stated he would like to be able to do some research with regards to allowing some land into current use. Mr. Wheeler thinks land should be valued by the assessor; he does not feel the system is broken; he acknowledged that more research for the current use idea would be needed. He has some concern that once placed in current use, it stays forever. There has been a decision, uncertain whether Supreme Court or BTLA, that states if the utility is using the land for their rate base; it is part of their regulated portion, it has a use and cannot be in current use. It was agreed more research is necessary for that.

**Private Right-of-Way**

MS-1 average value per acre / 43,560 * width * length * factor (TBD)

Suggestions for a factor
- Mr. Bartlett, Mr. Lessard – 20%
- Mr. Hamilton – 10%
- Ms. Patten, Mr. Wheeler – No opinion yet

A discussion followed about getting examples from a small, medium and large town and a city to help see if the methodology makes sense; to see what the impact of different factors would look like; and to have this information available to the subcommittee prior to the next ASB meeting. A range of 10-20% will be presented to the full Board.

**Formula for Public Right-of-Way**

MS-1 average value per acre / 43,560 * length (miles of roadway) * factor (TBD)

Suggestions for a factor
- Mr. Hamilton – .20
  - This is a public use of a public right-of-way
  - This is close to 0
Mr. Bartlett, Mr. Lessard – 1.0 (not using the width)
  o Mr. Bartlett does not believe it is a public use; it is a public utility
  o They are a business; they are making money and the courts have said very clearly that they shall pay taxes for their use of that
Ms. Patten, Mr. Wheeler – No opinion yet

A brief discussion took place about the NH DOT Utility Accommodation Manual. It was suggested to provide the ASB and the commission with this resource which shows the various kinds of Irvine sections of the placement of poles. Mr. Wheeler added he questioned whether the poles in the right-of-way cause public expense and he believes they do. The City moves and pulls snow every storm which gives access to utilities to maintain the poles.

The range to present to the ASB will be 20-100% as well as the NH DOT Utility Accommodation Manual for reference. The Subcommittee will be presenting these three formulas for the rights-of-way and the utility valuation formula of 75/25 original cost to net book value. The information requested will be distributed prior to the July 13 meeting. The three sets of communities will be based on the 25th percentile, 50th percentile, 75th percentile based on the number of improved parcels and a city. Mr. Wheeler suggested including one that has an Urban Center because that chart shows all the various kinds of installations,

Ms. Patten stated the formulas will be presented to the full Board as well as the reasoning that went into them and any concerns that were stated.

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

There will be no further meetings of this subcommittee.

Ms. Patten adjourned the meeting at 11:23 a.m.

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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