

# 2020 Webinar Series



## The *New* Art of Utility Valuations



**Scott Bartlett**, Assessor, Town of Goffstown



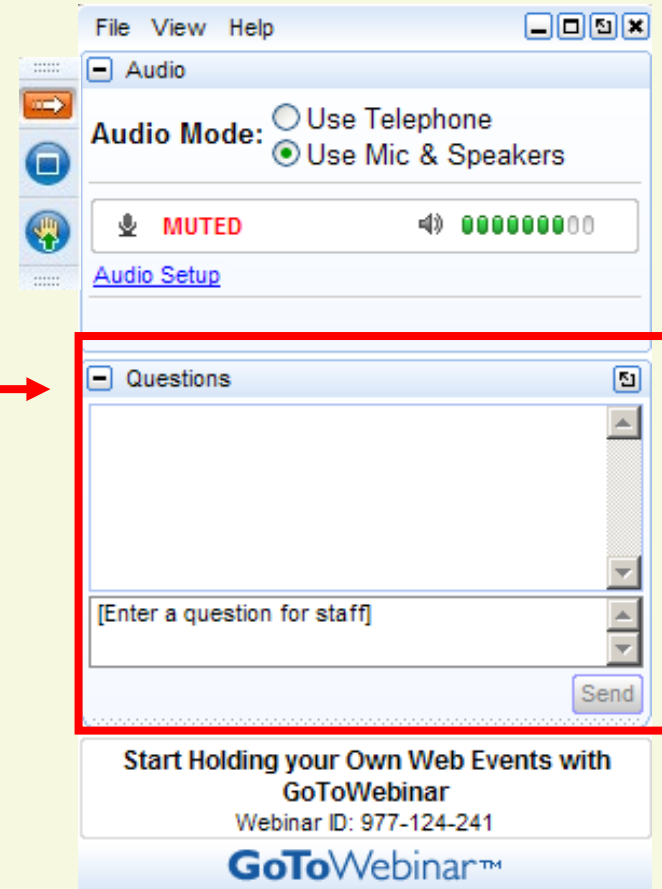
**Catherine Capron**, Utility Tax Appraiser  
New Hampshire Department of Revenue Administration

July 22, 2020

[legalinquiries@nhmunicipal.org](mailto:legalinquiries@nhmunicipal.org) / 603.224.7447 / [www.nhmunicipal.org](http://www.nhmunicipal.org)

# How to Participate Today

- Open and close your panel
- Submit text questions
- Q&A addressed during the webinar session



# **72:8-d Valuation of Electric, Gas, and Water Utility Company Distribution Assets.**

**1 (b) "Utility company assets"**  
(UCA) means the following  
property not exempt under RSA  
72:23:

# 72:8-d - Continued

I. (b) (1) For an electric company providing electricity service to retail customers: the **distribution** poles, wires, conductors, attachments, meters, transformers, and substations accounted for by the utility in accordance with FERC Form 1, buildings, contributions in aid of construction (CIAC), construction works in progress (CWIP), and land rights, including use of the public rights of way, easements on private land owned by third parties, and land owned in fee by the electric company, so long as such easements and fee land are associated solely with distribution power lines classified as distribution according to FERC standards.

# 72:8-d - Continued

I. (b) (2) For a gas company providing gas service to retail customers: **distribution** pipes, fittings, meters, pressure reducing stations, buildings, contributions in aid of construction (CIAC), construction works in progress (CWIP), and land rights including use of the public rights of way, easements on private land owned by third parties, and land owned in fee by the gas company.

# 72:8-d - Continued

I. (b) (3) For a water company providing water service to retail customers: pipes, fittings, meters, wells, pressure/pump stations, buildings, contributions in aid of construction (CIAC), construction works in progress (CWIP), and land rights including use of the public rights of way, easements on private land owned by third parties, and land owned in fee by the water company. No electric power fixtures employed solely as an emergency source of electric power in a public water distribution system shall be taxable.

# RSA 72:8-d

RSA 72:8-d (c) “Utility company assets” shall **not** include:

- (1) **Electric company transmission** poles, wires, conductors, attachments, meters, transformers, and substations, classified as transmission according to FERC standards, buildings associated with transmission, and land rights, including easements on private land owned by third parties, and land owned in fee by the electric company, so long as such easements and fee land are associated with transmission power lines classified as transmission according to FERC standards.
- (2) Electric **generation** facilities and associated land rights, whether in fee or by easement.
- (3) **Gas transmission pipeline** facilities **regulated by FERC** and associated land rights, whether in fee or easement.
- (4) Wholly owned telephone, cable, or Internet service providers, and large scale natural gas and propane gas liquid storage and processing facility assets.
- (5) **Fee-owned land, office buildings, garages, and warehouses.**

# 72:8-d - Formula

For electric and gas utility company assets:

a weighted average of **70 percent** of each asset's original cost and **30 percent** of each asset's net book cost as reported in compliance with paragraphs IV and V.

For water utility company assets:

a weighted average of **25 percent** of each asset's original cost and **75 percent** of each asset's net book cost as reported in compliance with paragraphs IV and V.



## **72:8-d - Right of Way**

...the selectmen or assessors shall add **3 percent** of the valuation determined under subparagraph (a).

# 72:8-d - Five Year Phase In

VI. (a) The assessed value of all utility company assets existing and assessed as of April 1, 2018 determined in subparagraph II(c) shall be implemented over a 5-year period as follows:

(1) The value for assessment of property taxes for the tax year effective April 1, 2020 shall be a weighted average of **80 percent** of the final locally assessed value effective April 1, 2018 and **20 percent** of the apportioned value determined under subparagraph II(c) effective April 1, 2020.

(2) The value for assessment of property taxes for the tax year effective April 1, 2021 shall be a weighted average of 60 percent of the final locally assessed value effective April 1, 2018 and 40 percent of the apportioned value determined under subparagraph II(c) effective April 1, 2021.

(3) The value for assessment of property taxes for the tax year effective April 1, 2022 shall be a weighted average of 40 percent of the final locally assessed value effective April 1, 2018 and 60 percent of the apportioned value determined under subparagraph II(c) effective April 1, 2022.

(4) The value for assessment of property taxes for the tax year effective April 1, 2023 shall be a weighted average of 20 percent of the final locally assessed value effective April 1, 2018 and 80 percent of the apportioned value determined under subparagraph II(c) effective April 1, 2023.

# Task for Assessors

Breakdown: 1) the 2018 utility assessment,  
2) the 2020 original cost and net book value, and  
3) the 2018 original cost and net book value  
into its components parts, I.E.,

**Distribution (UCA) Value**

**Transmission Value (PSNH only)**

**Public ROW Value**

**Land owned in fee Value**

**Building Value (office buildings, garages, and warehouses)**

# Task for Assessors (Gas)

	2018 Asssmnt	2020 Original Cost	2020 Net Book Value	2018 Original Cost	2018 Net Book Value
Total Gross	2,868,400	5,288,432	4,134,681	4,110,998	3,033,160
Total Land	0	0	0	0	0
Total Offices/Wareh ouses	0	0	0	0	0
ROW	244,700	0	0	0	0
"Utility Company Assets"	2,623,700	5,288,432	4,134,681	4,110,998	3,033,160

## Summary of Parcels Owned by PSNH

						2018 Assessment
Map	Block	Lot	Unit	Use Code	Property Type	
3	64A			2010 Land		\$433,400
3	64B			2010 Land		\$500
<b>5</b>	<b>15</b>			<b>2010 Distribution</b>		<b>\$30,600,000</b>
5	15			2010 Transmission		\$21,300,000
5	15			2010 Land		\$251,300
5	15			2010 Transmission ROW		\$1,957,500
15	86			2010 Land		\$9,300
15	89			2010 Land		\$2,800
15	151			2010 Land		\$95,600
17	185			2010 Land		\$356,300
19	47	4	1	2010 Land		\$10,000
19	47	5	1	2010 Land		\$6,000
19	49			2010 Land		\$6,900
24	67A			2010 Land		\$12,000
27	4			2010 Land		\$6,400
31	20C			2010 Land		\$1,600
31	20D			2010 Land		\$21,700
36	12A			2010 Land		\$8,600
<b>99</b>	<b>1</b>	<b>2</b>		<b>2010 Public ROW</b>		<b>\$1,631,300</b>
						<b>\$56,711,200</b>

# Task for Assessors (PSNH)

	2018 Asssmnt	2020 Original Cost	2020 Net Book Value	2018 Original Cost	2018 Net Book Value
Total Gross	56,711,200	75,729,450	64,125,601	59,048,539	48,631,985
Total Land	3,179,900	105,104	105,104	38,319	38,319
Total Offices/Warehouse	0	0	0	0	0
Total Trans/Prod Plant/Rg Trans /GP	21,300,000	35,777,743	31,309,673	25,490,224	21,863,948
ROW	1,631,300	0	0	0	0
"Utility Company Assets"	30,600,000	39,846,603	32,710,824	33,519,996	26,729,718

# Task for Assessors (Cont'd)

Determine Three Values:

- 1) 2018 “Equalized” Assessment of UCA plus 2018 ROW assessment;
- 2) Weighted Average of difference between 2020 OC and NBV and 2018 OC and NBV plus 3% (ROW).
- 3) Weighted Average of 2020 original cost (OC) and net book value (NBV) plus 3% (ROW);

# Three Values

## Assessed Value – All except PSNH

	2018 Assessment	2018 Median Ratio	2018 Full Value
Assessment of Assets	2,623,700	0.96	2,733,021
ROW	244,700	0.96	254,896
Land	\$0		
Office/warehouse	\$0		
Total Assessment	\$2,868,400	0.96	\$2,987,917



# Three Values

## Assessed Value –PSNH

	2018 Assessment	2018 Median Ratio	2018 Full Value
Distribution	<b>\$31,622,000</b>	<b>96.0%</b>	<b>\$32,939,583</b>
Transmission	\$20,278,000		
ROW	<b>\$1,631,300</b>	<b>96.0%</b>	<b>\$1,699,271</b>
Land	\$3,179,900		
Office/warehouse	\$0		
Total Assessment	\$56,711,200		
Total of UCA + ROW	<b>\$33,253,300</b>	<b>96.0%</b>	<b>\$34,638,854</b>

# Three Values

Weighted Average of difference between 2020 OC and NBV and 2018 OC and NBV plus 3% (ROW)

\*\*RSA 72:8-d, VI(a)(5) Adjustment for Additions/Retirements Since Tax Year 2018

	TY 2018	TY 2020	Change	RSA 72:8-d, II Formula	Adjustment
Original Cost	4,110,998	5,288,432	1,177,434	70%	824,204
Net Book Value	3,033,160	4,134,681	1,101,521	30%	330,456
				Weighted Average	1,154,660
			Public Rights of Way	3%	34,640
				TOTAL	1,189,300

# Three Values

Weighted Average of 2020 original cost (OC) and net book value (NBV) plus 3% (ROW)

*Tax Year 2020 RSA 72:8-d, II Formula - 20%			
	Utility Company Assets	Formula	Value
Original Cost	5,288,432	70%	3,701,902
Net Book Value	4,134,681	30%	1,240,404
		Weighted Average	4,942,307
	Public Rights of Way	3%	148,269
		TOTAL	5,090,576

# Final Valuation

SUMMARY			
	Utility Company Assets	Formula	
Final Locally Assessed Value	2,987,917		
Adjustment**	1,189,300		
TAX YEAR 2018	4,177,217	80%	3,341,773
TAX YEAR 2020*	5,090,576	20%	1,018,115
		Tax Year 2020 Value of Utility Company Assets	4,359,888

# Final Assessment

Value of UCA =  $\$4,359,888 \div 1.03 = \$4,232,901$

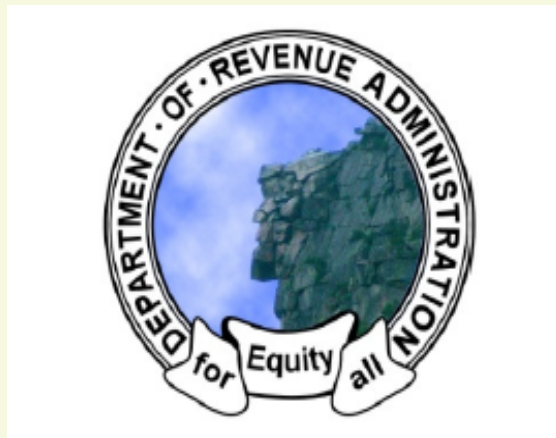
Value of ROW =  $\$4,359,888 - 4,232,901 = \$126,987$

	2020 Full Value	2019 Median Ratio	2020 Assessed Value
Assessment of Assets	4,232,901	89.40%	\$3,784,214
ROW	126,987	89.40%	\$113,526
Total Assessment	4,359,888	89.40%	\$3,897,740

# RSA 72:8-d Valuation Issues For Municipalities That Use Department Allocated Utility Property Values

July 22, 2020

Catherine Capron, Public Utility Appraiser Supervisor  
Municipal and Property Division



Lindsey M. Stepp, Commissioner  
Carollynn Lear, Assistant Commissioner  
109 Pleasant Street, Concord, NH 03301  
603-230-5950

This presentation is intended for informational purposes only, and is not a substitute for seeking professional advice or for reviewing the applicable laws and rules. This presentation represents some positions of the Department on the limited issues discussed herein, based on the law in effect at the time of the presentation and Department interpretation thereof, as well as the opinions and conclusions of its presenter.

For the current status of any tax law, practitioners and taxpayers should consult the source documents (i.e., Revised Statutes Annotated, Rules, Case Law, Session Laws, etc.) for independent verification.

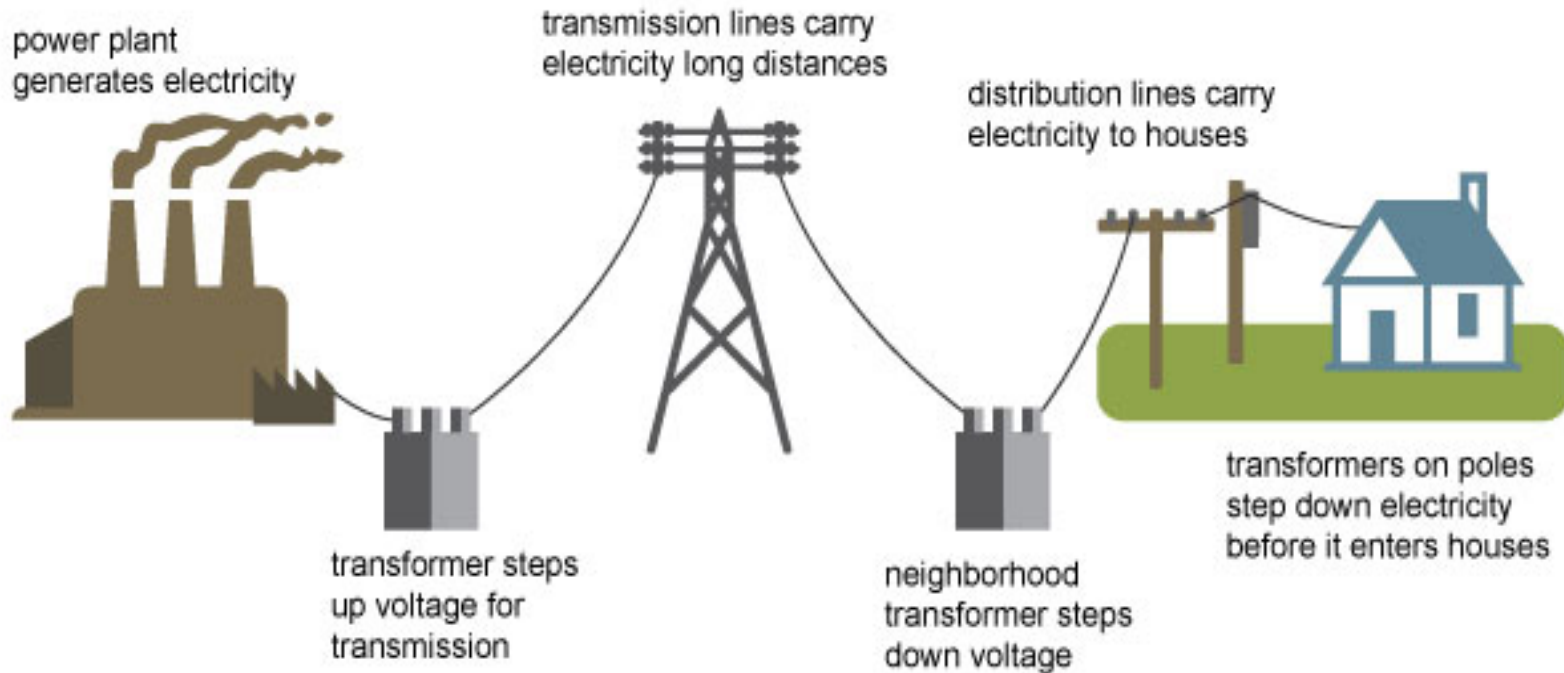
# Overview

- NH HB 700 created a new law governing local assessment of distribution utility company assets (RSA 72:8-d).
- The bill was approved on June 21, 2019 and became effective on August 20, 2019. It will be implemented for the first time in tax year 2020.
- The statute currently applies to the valuation of distribution utility company assets owned by four electric utilities, two gas utilities and eleven water companies.



# What is an Electric Utility System

## Electricity generation, transmission, and distribution



Source: Adapted from National Energy Education Development Project (public domain)

SOURCE: EPA.gov

# Definitions

- **Utility Company Assets:** The definition varies depending on the type of utility property (electric, gas or water). It includes distribution utility company assets for all three property types but excludes fee-owned land, office buildings, garages and warehouses as well as some other utility-type-specific assets (refer to statute).
- **Utility Property:** means all property of a utility company subject to tax under RSA 72:6, 72:7 or 72:8, but not exempt under RSA 72:23. The term includes utility company assets.

# Methodology

- A key point to remember is that the statute provides a method to value “utility company assets,” NOT “utility property.”
- The statute employs a cost-based formula to value the utility company assets.
- The formula is phased in over five years. During those five years the 2018 final locally assessed value as of April 1, 2018 is factored into the formula.
- For municipalities that used the department-allocated utility property values in 2018, the proposed rules (Rev 1907.03(d)) offer a method to calculate the locally assessed value for 2018.

# Methodology

- Rev 1907.03

(d) In the case of a municipality which used the department's allocated market value as of April 1, 2018 pursuant to RSA 83-F as the value of a utility company's utility property for the tax year effective April 1, 2018, the municipality shall calculate the utility company's final locally assessed value effective April 1, 2018 in the following manner:

(1) Divide the original cost of the utility company assets by the original cost of all its utility property, using Form PA-84-E, Form PA-84-G, or Form PA-84-W; and

(2) Multiply the resulting percentage by the department's allocated market value as of April 1, 2018.

• PA-84-E Sample (for illustration purposes only)

Line No.	Account (a)	Original Cost (b)	Accumulated Depreciation (c)	Net Book Value (d)
1	TOTAL DISTRIBUTION PLANT (total of FERC Form 1 accounts 360-374)	30,000,000	10,000,000	20,000,000
2	(Less) (360) Fee-Owned Land	200,000		200,000
3	(Less) (361) Office Buildings, Garages, and Warehouses	2,500,000	750,000	1,750,000
4	NET DISTRIBUTION PLANT (subtract lines 2 and 3 from line 1)	27,300,000	9,250,000	18,050,000
5	CIAC (distribution) (if not included in line 4)			
6	CWIP (distribution) (if not included in line 4)			
7	Undistributed Plant (distribution) (if not included in line 4)			
8	<b>UTILITY COMPANY ASSETS (RSA 72:8-d, I) (add lines 4-7)</b>	27,300,000	9,250,000	18,050,000
9	TOTAL DISTRIBUTION PLANT (line 1)	30,000,000	10,000,000	20,000,000
10	TOTAL TRANSMISSION PLANT (total of FERC Form 1 accounts 350-359.1)	8,000,000	2,000,000	6,000,000
11	TOTAL PRODUCTION PLANT (total of FERC Form 1 accounts 310-317, 320-326, 330-337, and 340-348)			
12	TOTAL REGIONAL TRANSMISSION AND MARKET OPERATION PLANT (total of FERC Form 1 accounts 380-387)			
13	TOTAL GENERAL PLANT (total of FERC Form 1 Accounts 389-399.1)	200,000	50,000	150,000
14	TOTAL CIAC (if not included in lines 9-13)			
15	TOTAL CWIP (if not included in lines 9-13)			
16	TOTAL UNDISTRIBUTED PLANT (if not included in lines 9-13)			
17	<b>TOTAL UTILITY PROPERTY (add lines 9-16)</b>	38,200,000	12,050,000	26,150,000

- In the prior slide example, the allocation formula would be:  
Line 8(b) / Line 17(b) or  
 $\$27,300,000 / \$38,200,000 =$   
71.47% of assets are distribution utility company assets
- The resulting ratio is then multiplied by the Department's 2018 utility property allocated municipal value:  
 $\$21,500,000 \times 71.47\% = \$15,366,050$
- This allocated value would then need to be equalized by the 2018 median equalization ratio. The result is the “final locally assessed value effective April 1, 2018” and it is entered in the form in the Summary tab, Section B, line 1 (a).

# Valuation of Non-Distribution Assets

- For utility distribution companies that own non-distribution assets (such as the transmission assets owned by PSNH dba Eversource), a separate valuation will need to be prepared by the municipality for those assets as they are not included in the new formula. Those valuations can be developed by the staff assessor, contract assessor or a utility appraiser.
- In the case of municipalities which use the department's allocated market value pursuant to RSA 83-F as the value of a utility company's utility property, the current year non-distribution assets could be allocated using the same method as outlined previously for tax year 2018.

- PA-81 Sample

	TRANSMISSION PLANT			
25	(350) Land and Land Rights			
26	(352) Structures and Improvements			
27	(353) Station Equipment			
28	(354) Towers and Fixtures			
29	(355) Poles and Fixtures			
30	(356) Overhead Conductors and Devices			
31	(357) Underground Conduit			
32	(358) Underground Conductors and Devices			
33	(359) Roads and Trails			
34	(359.1) Asset Retirement Costs for Transmission Plant			
35	TOTAL TRANSMISSION PLANT (add lines 25-34)			

- In the TY 2020 tab, the total original cost of the transmission plant in line 35 would be divided by the total cost of the entire plant. The resulting ratio would be multiplied by the Department's 2020 utility property allocated municipal value to arrive at an allocated value for just the transmission assets.



- **EXAMPLE** (for illustration purposes only)

<u>PLANT DESCRIPTION</u>	<u>ORIGINAL COST</u>
DISTRIBUTION PLANT	\$5,364,500
TRANSMISSION PLANT	\$1,235,750
PRODUCTION PLANT	\$0
GENERAL PLANT	\$50,000
CWIP	\$5,000
CIAC	\$15,000
UNDISTRIBUTED PLANT	\$25,000
<u>TOTAL UTILITY PLANT</u>	<u>\$6,695,250</u>

$$\text{Transmission Plant} / \text{Total Utility Plant} =$$

$$\$1,235,750 / \$6,695,250 = 18.46\% \text{ Ratio}$$

$$\text{Department Utility Property Allocated Value} \times \text{Ratio} =$$

$$\$4,500,000 \times 18.46\% = \$830,700$$

- The resulting transmission plant allocated value would then need to be equalized.

# Valuation of Formula-Exempted Assets

- **REMINDER:** In addition to preparing a valuation of the distribution utility company assets using the new statutory formula, the municipality will also need to prepare separate valuations of any fee-owned land, office buildings, garages and warehouses owned by the distribution company in their municipality. Those types of assets are NOT included in the new formula.
- The municipality will value the fee-owned land, office buildings, garages and warehouses using the same procedures they use for other types of properties in their municipality.

# Conclusion & Questions

Do not hesitate to call, or email, if we can assist you in any way.

**Contact: Catherine Capron**

**Email: [Catherine.Capron@dra.nh.gov](mailto:Catherine.Capron@dra.nh.gov)**

**Phone: (603) 230-5094**

## Complimentary Webinar



[nhmainfo@nhmunicipal.org](mailto:nhmainfo@nhmunicipal.org) / 800.852.3358 / [www.nhmunicipal.org](http://www.nhmunicipal.org)

**[REGISTER NOW!](#)**

# SAVE THESE DATES

for the following **VIRTUAL**  
**RIGHT-TO-KNOW LAW WORKSHOPS**



## PUBLIC MEETINGS

6:00 pm—8:00 pm  
Thursday September 10, 2020  
\$40.00



## GOVERNMENT RECORDS

1:30 pm - 3:30 pm  
Tuesday, October 6, 2020  
\$40.00



## LAW ENFORCEMENT

9:00 am - 12:00 pm  
Thursday, October 15, 2020  
\$65.00

Ashley Methot, Events Coordinator  
25 Triangle Park Drive  
Concord, NH 03301  
603.230.3340

[amethot@nhmunicipal.org](mailto:amethot@nhmunicipal.org)  
[www.nhmunicipal.org](http://www.nhmunicipal.org)





# **SAVE THE DATE**

## **THURSDAY, SEPTEMBER 24**

### **2020 Budget & Finance Virtual Workshop**

NHMA will be holding its annual Budget & Finance Workshop on Thursday, September 24th as a virtual workshop to ensure the safety of attendees as COVID-19 remains a serious public health threat.

We have restructured this annual event in order to deliver professional training and education to our members on timely and relevant financial issues.

Please visit [www.nhmunicipal.org](http://www.nhmunicipal.org) for the latest event information and registration details.



# SAVE THE DATE

# 2020

## **VIRTUAL LAND USE LAW CONFERENCE**

(formerly known as the Municipal Law Lecture Series)

### WHEN

**Tentative**

**October 31, 2020  
9:00 am—3:00 pm**

### WHAT

Full day **virtual conference** for municipal land use officials including members of planning and zoning boards, planners, land use administrators, select boards, town and city councilors, building inspectors, code enforcement officers and public works personnel. Presentations will focus on the legal authority and procedures these land use boards must understand with content structured to be beneficial to both novice and experienced municipal officials.

### CONTACT INFO

**Ashley Methot  
Events Coordinator  
25 Triangle Park Drive  
Concord, NH 03301  
603.230.3340  
amethot@nhmunicipal.org**

### FOR ADDITIONAL DETAILS VISIT

**[www.nhmunicipal.org](http://www.nhmunicipal.org)**

### REGISTRATION OPENS IN SEPTEMBER

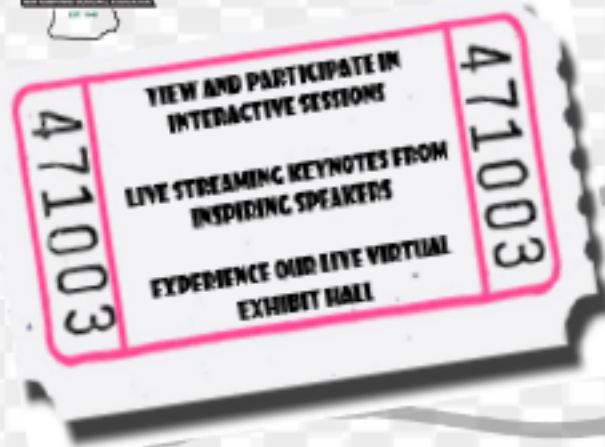


# 79<sup>th</sup> Annual Conference and Exposition

*NHMA is Going Virtual in 2020!*

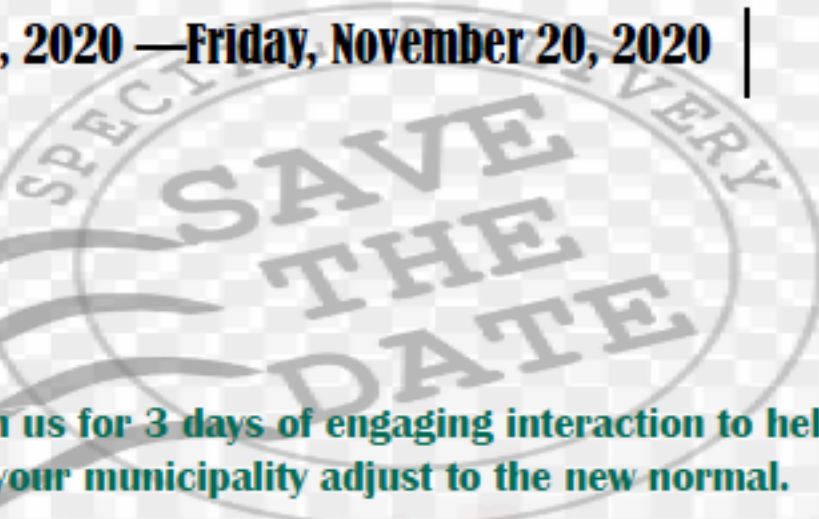


**Wednesday, November 18, 2020 — Friday, November 20, 2020**



**Join us for 3 days of engaging interaction to help your municipality adjust to the new normal.**

**Registration to open soon.**







*for attending  
our webinar  
today!*

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