

CHAPTER 8100
DEPARTMENT OF REVENUE
PROPERTY EQUALIZATION DIVISION
AD VALOREM TAXES; UTILITIES

8100 0300 VALUATION

8100.0300 VALUATION.

[For text of subps 1 to 3, see M.R. 1983]

Subp. 4. **Income approach to valuation.** The income indicator of value will be estimated by weighting the net operating earnings of the utility company for the most recent three years as follows: most recent year, 40 percent; previous year, 35 percent; and final year, 25 percent. After considering, as far as possible, all conditions that may exist in the future that may affect the present annual return, including risk, life expectancy of the property, and cost of money, the capitalization rates used to compute value for the assessment will be: electric companies, 10.75 percent; gas distribution companies, 11.0 percent; and pipeline companies, 11.25 percent. The income indicator of value computed in accordance with this subpart will be weighted for each class of utility company as follows: electric companies, 15 percent; gas distribution companies, 25 percent; and pipeline companies, 25 percent.

The following example illustrates how the income indicator of value would be computed for a gas distribution company:

	1980	1981	1982
1. Net Operating Income	\$ 570,240	\$ 467,650	\$ 554,400
2. Capitalized Income @ 11%	5,184,000	4,251,400	5,040,000
3. Weighting Factor	25 percent	35 percent	40 percent
4. Weighted Capitalized Income	1,296,000	1,488,000	2,016,000
5. Total Income Indicator of Value			4,800,000

Subp. 5. **Unit value computation.** The unit value of the utility company will be the total of the weighted indicators of value.

The following is an example of the computation of the unit value for a gas distribution company:

1. Cost Indicator of Value:

$$\$5,000,000 \times 75\% = \$3,750,000$$
2. Income Indicator of Value:

$$\$4,800,000 \times 25\% = \$1,200,000$$
3. Unit Value of Gas Distribution Company:

$$100\% \quad \$4,950,000$$

Any company whose cost indicator was modified under subpart 3 to reflect the average cost per kilowatt adjustment of a plant or plants located in Minnesota shall have an alternative unit value computation made without giving effect to the modification in respect of such plant or plants.

[For text of subps 6 to 8, see M.R. 1983]

Statutory Authority: *MS s 270.06; 270.11 subds 1,6; 273.33 subd 2; 237.37*

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subd 2; 273.38

History: 7 SR 1797; 8 SR 2723