

1 Department of Revenue Property Equalization Division

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3 Adopted Rules Governing the Valuation and Assessment of  
4 Electric, Gas Distribution and Pipeline Companies (Utility  
5 Companies)

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7 Rule as Adopted

8 13 MCAR S 1.0003 Valuation.

9 A.-C. [Unchanged.]

10 D. Income approach to valuation. The income indicator of  
11 value will be estimated by weighting the net operating earnings  
12 of the utility company for the most recent three years as  
13 follows: most recent year, 40 percent; previous year, 35  
14 percent; and final year, 25 percent. After considering, as far  
15 as possible, all conditions that may exist in the future that  
16 may affect the present annual return, including risk, life  
17 expectancy of the property, and cost of money, the  
18 capitalization rates used to compute value for the assessment  
19 will be: electric companies, 9.75 percent; gas distribution  
20 companies, 10.0 percent; and pipeline companies, 10.25 percent.  
21 The income indicator of value computed in accordance with D.  
22 will be weighted for each class of utility company as follows:  
23 electric companies, 15 percent; gas distribution companies, 25  
24 percent; and pipeline companies, 25 percent.

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

|                     | 1980       | 1981       | 1982       |
|---------------------|------------|------------|------------|
| 28                  |            |            |            |
| 29 1. Net Operating |            |            |            |
| 30 Income           | \$ 468,000 | \$ 385,700 | \$ 450,000 |
| 31                  |            |            |            |
| 32 2. Capitalized   |            |            |            |
| 33 Income @ 10%     | 4,680,000  | 3,857,000  | 4,500,000  |
| 34                  |            |            |            |
| 35 3. Weighting     |            |            |            |
| 36 Factor           | 25 percent | 35 percent | 40 percent |

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2 4. Weighted

3 Capitalized

4 Income 1,170,000 1,349,950 1,800,000

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6 5. Total Income Indicator

7 of Value 4,319,950

8 E. Unit value computation. The unit value of the utility  
9 company will be the total of the weighted indicators of value.

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

12 1. Cost Indicator of Value:

13 \$5,000,000 x 75% = \$3,750,000

14 2. Income Indicator of Value:

15 \$4,319,950 x 25% = \$1,079,987

16 3. Unit Value of Pipeline Gas Distribution Company:

17 100% \$4,829,987

18 Any company whose cost indicator was modified under 13 MCAR  
19 S 1.0003 C. to reflect the average cost per kilowatt adjustment  
20 of a plant or plants located in Minnesota shall have an  
21 alternative unit value computation made without giving effect to  
22 the modification in respect of such plant or plants.

23 F.-H. [Unchanged.]