

5-31-84

1 Department of Revenue
 2 Property Equalization Division
 3
 4 Adopted Rules Relating to the Valuation and Assessment of
 5 Electric, Gas Distribution, and Pipeline Companies (Utility
 6 Companies)

7
8 Rule as Adopted

9 8100.0300 VALUATION.

10 Subpart 1. to 3. [Unchanged.]

11 Subp. 4. Income approach to valuation. The income
 12 indicator of value will be estimated by weighting the net
 13 operating earnings of the utility company for the most recent
 14 three years as follows: most recent year, 40 percent; previous
 15 year, 35 percent; and final year, 25 percent. After
 16 considering, as far as possible, all conditions that may exist
 17 in the future that may affect the present annual return,
 18 including risk, life expectancy of the property, and cost of
 19 money, the capitalization rates used to compute value for the
 20 assessment will be: electric companies, 10.75 percent; gas
 21 distribution companies, 11.0 percent; and pipeline companies,
 22 11.25 percent. The income indicator of value computed in
 23 accordance with this subpart will be weighted for each class of
 24 utility company as follows: electric companies, 15 percent; gas
 25 distribution companies, 25 percent; and pipeline companies, 25
 26 percent.

27 The following example illustrates how the income indicator
 28 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

41 Subp. 5. Unit value computation. The unit value of the

1 utility company will be the total of the weighted indicators of
2 value.

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

5 1. Cost Indicator of Value:

6 $\$5,000,000 \times 75\% = \$3,750,000$

7 2. Income Indicator of Value:

8 $\$4,800,000 \times 25\% = \$1,200,000$

9 3. Unit Value of Gas Distribution Company:

10 $100\% \quad \$4,950,000$

11 Any company whose cost indicator was modified under subpart
12 3 to reflect the average cost per kilowatt adjustment of a plant
13 or plants located in Minnesota shall have an alternative unit
14 value computation made without giving effect to the modification
15 in respect of such plant or plants.

16 Subp. 6. to 8. [Unchanged.]