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1 Department of Revenue

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3 Adopted Rule Relating to Property; Utility Valuation 4

5 Rule as Adopted

6 8100.0300 VALUATION.

Subpart 1. General. Because of the unique character of 7 public utility companies, such as being subject to stringent 8 9 government regulations over operations and earnings, the traditional approaches to valuation estimates of property (cost, 10 11 capitalized income, and market) must be modified when utility property is valued. Consequently, for the 1985 and subsequent 12 13 assessment years, until economic and technological factors dictate a change, the value of utility company property will be 14 15 estimated in the manner provided in this chapter.

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Subp. 2. [Unchanged.]

Subp. 3. Cost approach. The cost factor to be considered 17 in the utility valuation formula is the original cost less 18 19 depreciation of the system plant, plus improvements to the 20 system plant, plus the original cost of construction work in progress on the assessment date. The original cost of any 21 leased operating property used by the utility must be reported 22 23 to the commissioner in conjunction with the annual utility 24 report. If the original cost of the leased operating property is not available, the commissioner shall make an estimate of the 25 cost by capitalizing the lease payments. Depreciation will not 26 be allowed on construction work in progress. Depreciation will 27 be allowed as a deduction from cost in the amount allowed on the 28 accounting records of the utility company, as such records are 29 required to be maintained by the appropriate regulatory agency. 30

31 Depreciation, however, shall not exceed the prescribed 32 percentage of cost: for electric companies, 20 percent; for gas 33 distribution companies, 50 percent; and for pipeline companies, 34 50 percent.

35 A modification to the cost approach to value will be
36 considered by the commissioner when valuing electric utility

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1 The original cost of an electric utility's major property. 2 generating plants will be increased if the cost of the plant 3 falls below a certain standard. The standard to be used will be 4 a national average of the cost per kilowatt of installed 5 capacity. The cost per kilowatt of installed capacity is the 6 total construction cost of the generating plant divided by the 7 number of kilowatts the plant is capable of producing. The 8 national average to be used will be computed by totaling the 9 construction costs, excluding the cost of land, for major generating plants within the 48 contiguous United States. 10 The 11 total cost of the plants will be divided by the total generating 12 capacity of the same plants to arrive at an average cost per kilowatt of installed capacity. A separate average will be 13 14 computed for each type of plant: gas turbine, hydroelectric, 15 and steam-electric. The plants used in the calculation will 16 exclude nuclear electric generating plants.

17 The information used to compute the average will be drawn 18 from the latest issue of the United States Department of Energy 19 publication, Historical Plant Cost and Annual Production 20 Expenses for Selected Electric Plants. All plants included in 21 this publication will be used in the computation of the national 22 average by type of plant.

An example of this computation of the national average costper kilowatt of installed capacity is as follows:

Steam-Electric Generating Plants

26 Plant Cost 27 Plant Excluding Land Plant Capacity 28 \$ 14,000,000 100,000 A kw 29 90,000 kw В 13,000,000 110,000 30 17,000,000 kw C 31 D 14,500,000 80,000 kw 120,000 32 18,000,000 E kw 70,000 33 F 10,000,000 kw 34 G 130,000 19,000,000 kw 9,000,000 35 Η 60,000 kw 20,000,000 140,000 36 Ι kw 50,000 8,000,000 37 J kw 950,000 \$142,500,000 kw 38 39

40 Total plant cost (\$142,500,000) divided by total plant 41 capacity (950,000 kw) equals \$150 average cost per kilowatt of 42 installed capacity.

43 The national average cost per kilowatt of installed

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capacity will be compared to the specific cost per kilowatt of 1 2 installed capacity for each of the major generating plants owned 3 by the utility being valued. If the national average cost per 4 kilowatt is greater than the subject plant cost, the subject plant will have additional dollars incorporated into its cost in 5 order to raise its cost per kilowatt to the national average. 6 If the subject plant's cost per kilowatt equals or exceeds the 7 8 national average, no cost will be added.

9 The following example illustrates this procedure:

#### XYZ Utility

Steam-Electric Generating Plants

12	1. Plant	<b>#1</b>	#2
13	2. Installed Capacity	100,000 kw	50,000 kw
14	3. Year in Service	1970	1950
15	4. Cost of Plant		
16	(Exclusive of Land)	\$15,200,000	\$5,000,000
17	5. Specific Plant		
18	Cost per kw	\$152	\$100
19	6. National Average		an a
20	Cost per kw	\$150	\$150
21	7. Deficiency	none	Ş 50
22	8. Additional Cost		e (na serie de la construcción de La construcción de la construcción d La construcción de la construcción d
23	(Line 7 x Line 2)	none	\$2,500,000
24			and a second second Second second

This additional cost to be added to the original cost of the specific plant will be reduced by an allowance for pollution control equipment and an allowance for obsplescence.

The allowance for pollution control equipment will be 28 computed annually by totaling the construction costs, exclusive 29 of land, of all major generating plants within Minnesota by type 30 31 of plant. A total will also be made of the cost of the equipment in these plants which has been approved for tax exempt 32 status in accordance with Minnesota Statutes, section 272.02, 33 subdivision 1, clause (9). This total will also be computed by 34 type of plant. The total of the approved pollution control 35 equipment will be divided by the total construction cost, 36 exclusive of land, of the plants in order to calculate a 37 percentage. This percentage will be the ratio of dollars spent 38 for pollution control equipment to total dollars spent to 39 construct a specific type of power plant. This percentage will 40 then be used to reduce the gross additional cost to be added to 41 the cost of the specific generating plant. An example of this 42

- 4/22/85 [REVISOR ] JCR/SA AR0743 1 process is as follows: 2 Steam-Electric Plants Within Minnesota 3 Cost of Approved 4 Plant Cost Pollution 5 Control Equipment Plant Excluding Land 6 7. \$15,200,000 A \$1,500,000 8 1,000,000 В 10,000,000 9 700,000 C 5,000,000 10 D 20,000,000 2,000,000 16,500,000 \$66,700,000 11 Ε 1,470,000 12 \$6,670,000 13 14 Total cost of approved pollution control equipment 15 (\$6,670,000) divided by total plant cost (\$66,700,000) equals 16 ten percent ratio of pollution control equipment expenditures to total expenditures for generating plant construction. 17 18 XYZ Utility 19 Steam-Electric Plant #2 20 Additional Cost Due to Computation of 1. Average Cost per kw of Installed 21 22 Capacity \$2,500,000 23 2. 10% Allowance for Pollution Control 24 Equipment 250,000 25 3. Additional Cost to be Added after Adjustment for Pollution Control 26 27 Equipment 2,250,000

29 The allowance for obsolescence which will be applied to the 30 additional plant construction cost will be computed annually for 31 hydroelectric and steam-electric generating plants. The 32 information needed to compute the obsolescence factors will be 33 drawn from the same publication that is used to compute the 34 national average cost per kilowatt of installed capacity 35 figure. Gas turbine plants will not have any obsolescence allowance applied to the additional cost added to the plants. 36 The obsolescence allowance for hydroelectric plants will be 37 calculated through the use of a "plant factor." The plant 38 39 factor is computed by dividing the number of kilowatt hours a 40 generating plant actually produced in a year by the number of kilowatt hours the plant was capable of producing. 41 The plant factor is normally expressed as a percentage. The mathematical 42 43 expression of this factor is: net generation (kwh) divided by 44 annual installed capacity (hours in a year X installed capacity (kw)). A standard plant factor will be computed for 45

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1	hydroelectric	plants by averagi	ng the plant factor:	s of the ten
2	plants with th	e highest plant f	actors in the average	je cost per
3	kilowatt of in	stalled capacity	study. This standa	rd will then
4	be compared to	an average of th	e most recent three	years' plant
5	factor of the subject plant. The amount the subject plant			
6	deviates from	the standard is t	he amount of obsole:	scence which
7	will be applied to the added cost.			
8	An exampl	e of this obsoles.	cence allowance comp	putation is
9	shown below.			
10		Hydroelec	tric Plants	
11		Net Generation	Plant Capability	Plant
12 13	Plant	kwh (000)	kwh (000)	Factor
14 15	A B	400,150 300,040	755,000 577,000	53 % 52 %
16 17	C D	250,000 600,000	480,000 1,250,000	52 % 48 %
18	Е	896,000	1,600,000	56 %
19 20	F G	700,000 507,000	1,400,000 975,000	50 % 52 %
21	Ħ	450,000	1,000,000	45 %
22 23	I	376,000 810,000	800,000 1,800,000	47 % 45 %
24 25				ge 50 %
25			ic Plant #4	
27		Net Generation	Plant Capability	Plant
	Year	kwh (000)	kwh (000)	Factor
28	iear			
29 30.	. 19XX	400,000	1,000,000	40 %
29 30. 31	. 19XX 19XX	500,000	1,000,000	50 %
29 30. 31 32 33	. 19XX		1,000,000 1,000,000	
29 30 31 32 33 34	. 19XX 19XX 19XX 19XX	500,000 450,000	1,000,000 1,000,000 Averaç	50 % 45 % . je 45 %
29 30. 31 32 33 34 35	19XX 19XX 19XX Hydroeled	500,000 450,000 tric plant #4 pla	1,000,000 1,000,000 Averag nt factor (45 percen	50 % 45 % ge 45 % nt) divided by
29 30. 31 32 33 34 35 36	19XX 19XX 19XX Hydroeled standard plant	500,000 450,000 tric plant #4 pla factor (50 perce	l,000,000 l,000,000 Averag nt factor (45 percen nt) equals 90 percen	50 % 45 % ge 45 % nt) divided by nt.
29 30. 31 32 33 34 35 36 37	19XX 19XX 19XX Hydroeled standard plant Therefore, hyd	500,000 450,000 tric plant #4 pla factor (50 perce roelectric plant	1,000,000 1,000,000 Averag nt factor (45 percen nt) equals 90 percen #4 deviates from the	50 % 45 % ge 45 % nt) divided by nt.
29 30. 31 32 33 34 35 36 37 38	19XX 19XX 19XX Hydroeled standard plant Therefore, hyd ten percent, c	500,000 450,000 tric plant #4 pla factor (50 perce froelectric plant or is ten percent	1,000,000 1,000,000 Averag nt factor (45 percen nt) equals 90 percen #4 deviates from the obsolete.	50 % 45 % ge 45 % nt) divided by nt. e standard by
29 30. 31 32 33 34 35 36 37 38 39	19XX 19XX 19XX Hydroeled standard plant Therefore, hyd ten percent, c The obsol	500,000 450,000 tric plant #4 pla factor (50 perce droelectric plant or is ten percent escence allowance	1,000,000 1,000,000 Average nt factor (45 percent nt) equals 90 percent #4 deviates from the obsolete. for steam-electric	50 % 45 % ge 45 % nt) divided by nt. e standard by generating
29 30. 31 32 33 34 35 36 37 38 39 40	19XX 19XX 19XX Hydroeled standard plant Therefore, hyd ten percent, o The obsol plants will be	500,000 450,000 tric plant #4 pla factor (50 perce lroelectric plant or is ten percent escence allowance computed annuall	1,000,000 1,000,000 Average Int factor (45 percent int) equals 90 percent #4 deviates from the obsolete. for steam-electric y using two indicate	50 % 45 % ge 45 % nt) divided by nt. e standard by generating prs. The
29 30. 31 32 33 34 35 36 37 38 39 40 41	19XX 19XX 19XX Hydroeled standard plant Therefore, hyd ten percent, d The obsol plants will be first indicato	500,000 450,000 tric plant #4 pla factor (50 perce roelectric plant or is ten percent escence allowance computed annuall or will be the pla	<pre>1,000,000 1,000,000 Average nt factor (45 percent int) equals 90 percent #4 deviates from the obsolete. for steam-electric y using two indicated nt factor. The plant</pre>	50 % 45 % ge 45 % nt) divided by nt. e standard by generating prs. The nt factor for
29 30. 31 32 33 34 35 36 37 38 39 40	19XX 19XX 19XX 19XX Hydroeled standard plant Therefore, hyd ten percent, c The obsol plants will be first indicato steam-electric	500,000 450,000 tric plant #4 pla factor (50 perce froelectric plant or is ten percent escence allowance computed annuall or will be the pla plants will be c	<pre>1,000,000 1,000,000 Average nt factor (45 percent nt) equals 90 percent #4 deviates from the obsolete. for steam-electric y using two indicated nt factor. The plant omputed and applied</pre>	50 % 45 % ge 45 % nt) divided by nt. e standard by generating ors. The nt factor for in the same
29 30. 31 32 33 34 35 36 37 38 39 40 41	19XX 19XX 19XX 19XX Hydroeled standard plant Therefore, hyd ten percent, d The obsol plants will be first indicato steam-electric manner as the	500,000 450,000 tric plant #4 pla factor (50 perce locelectric plant or is ten percent escence allowance computed annuall or will be the pla plants will be c computation speci	<pre>1,000,000 1,000,000 Average nt factor (45 percent nt) equals 90 percent #4 deviates from the obsolete. for steam-electric y using two indicate nt factor. The plan omputed and applied fied for hydroelectric</pre>	50 % 45 % ge 45 % nt) divided by nt. e standard by generating ors. The nt factor for in the same ric plants.
29 30. 31 32 33 34 35 36 37 38 39 40 41 42 43 44	19XX 19XX 19XX 19XX Hydroeled standard plant Therefore, hyd ten percent, d The obsol plants will be first indicato steam-electric manner as the The only diffe	500,000 450,000 tric plant #4 pla factor (50 perce droelectric plant or is ten percent escence allowance e computed annuall or will be the pla plants will be c computation speci erence will be tha	<pre>1,000,000 1,000,000 Average nt factor (45 percent nt) equals 90 percent #4 deviates from the obsolete. for steam-electric y using two indicates nt factor. The plan omputed and applied fied for hydroelects t the information us</pre>	50 % 45 % ge 45 % nt) divided by nt. e standard by generating ors. The nt factor for in the same ric plants. sed for the
29 30. 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45	19XX 19XX 19XX 19XX Hydroeled standard plant Therefore, hyd ten percent, d The obsol plants will be first indicato steam-electric manner as the The only diffe computation wi	500,000 450,000 tric plant #4 pla factor (50 perce hoelectric plant or is ten percent escence allowance computed annuall or will be the pla plants will be c computation speci erence will be tha all be drawn from	<pre>1,000,000 1,000,000 Average int factor (45 percent int) equals 90 percent #4 deviates from the obsolete. for steam-electric y using two indicates int factor. The plan omputed and applied fied for hydroelectric t the information us the latest Fossil-Function us the latest fossil for hydron us for for for hydron us for for hydron us for for hydron us for for hydron us for for hydron us for for hydron us for hydron us for for hydron us for hydron u</pre>	50 % 45 % ge 45 % nt) divided by nt. e standard by generating ors. The nt factor for in the same ric plants. sed for the ueled
29 30. 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45	19XX 19XX 19XX 19XX Hydroeled standard plant Therefore, hyd ten percent, d The obsol plants will be first indicato steam-electric manner as the The only diffe computation wi Steam-Electric	500,000 450,000 etric plant #4 pla factor (50 perce droelectric plant or is ten percent escence allowance e computed annuall or will be the pla e plants will be c computation speci erence will be tha all be drawn from e Plant Section of	<pre>1,000,000 1,000,000 Average nt factor (45 percent nt) equals 90 percent #4 deviates from the obsolete. for steam-electric y using two indicates nt factor. The plan omputed and applied fied for hydroelects t the information us</pre>	50 % 45 % ge 45 % nt) divided by nt. e standard by generating ors. The nt factor for in the same ric plants. sed for the ueled cal Plant Cost

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1 publication rather than the Hydro-Electric Plant section. Plant 2 factors of the ten best steam-electric generating plants within 3 the study period will be averaged. This average will be 4 compared to the most recent three-year average plant factor for 5 the subject plant. The subject plant's deviation from the 6 standard plant factor is the amount of indicated obsolescence.

7 The second indicator which will be used to compute an obsolescence allowance for steam-electric generating plants will 8 9 be a thermal efficiency factor. The source of information for this computation will also be the latest issue of the United 10 States Department of Energy's publication, Historical Plant Cost 11 12 and Annual Production Expenses for Selected Electric Plants, 13 Fossil-Fueled Steam Electric Plant Section. Thermal efficiency 14 for a generating plant is measured by the number of British thermal units (Btu's) required to produce one kilowatt hour. 15 This efficiency rating can be obtained by dividing the number of 16 kilowatt hours produced by a generating plant by the number of 17 Btu's needed to produce this power. The number of Btu's used 18 can be obtained by multiplying the units of fuel burned by the 19 20 generating plant - tons of coal, gallons of oil, or cubic feet 21 of gas - by the average Btu content of the fuel unit. The 22 standard thermal efficiency factor will be computed by averaging 23 the thermal efficiency factor of the ten most efficient 24 steam-electric generating plants within the study period used to compute the average cost per kilowatt of installed capacity. 25 This standard thermal efficiency factor will then be compared to 26 the thermal efficiency factor of the subject plant. The amount 27 the subject plant deviates from the standard is the amount of 28 obsolescence indicated by this factor. 29

30 The two obsolescence figures for the subject plant as 31 indicated by both the plant and thermal efficiency factors will 32 then be averaged. This resulting average is the obsolescence 33 allowance which will be applied to the cost added to the subject 34 plant as a result of the average cost per kilowatt of installed 35 capacity computation. In no instance shall the original cost of 36 a generating plant be reduced by an allowance for obsolescence

unless its cost is increased through the use of the average cost per kilowatt of installed capacity computation. The following examples illustrate computation of the standard thermal efficiency factor; obsolescence indicated by the application of this factor to the subject plant; average obsolescence for steam-electric generating plants; and obsolescence allowance adjustment of the added cost due to the use of the average cost per kilowatt of installed capacity for the subject plant. Steam-Electric Generating Plants Net Generation Btu's Used Btu's Plant kwh (Millions) (Millions) per kwh 2,000 18,400,000 9,200 A В 6,000 53,400,000 8,900 8,000 C 72,000,000 9,000 5,000 D 45,500,000 9,100 Ε 3,000 26,400,000 8,800 F 1,000 9,000,000 9,000 4,000 9,150 8,950 G 36,600,000 9,000 80,550,000 H 61,950,000 7,000 8,850 1 45,250,000 J 5,000 9,050 Average 9,000 XYZ Utility Company Steam-Electric Plant #2 Net Generation kwh Btu's Used Btu's (Millions) (Millions) per kwh 2,000 21,600,000 10,800 Steam-electric plant #2 thermal efficiency factor (10,800 Btu's per kwh) divided by standard thermal efficiency factor (9,000 Btu's per kwh) equals 120 percent. Therefore, steam-electric plant #2 deviates from the standard by 20 percent or is 20 percent obsolete. XYZ Utility Company Steam-Electric Plant #2 Obsolescence Indicated by Plant Factor 10% 1. REELONON

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40	<b>. .</b>	Obsolescence indicated by inermal Ellicience	
41		Factor	20%
42	3.	Obsolescence Allowance (Average of 1 and 2)	15%
43	4.	Additional Cost due to Computation of	
44		Average Cost per kw of Installed Capacity	\$2,500,000
45	5.	15% Obsolescence Allowance	375,000
46	6.	Additional Cost to be Added after	
47		Adjustment for Obsolescence	2,125,000
48		이는 그는 것은 것은 것을 가지 않는 것을 하는 것을 가지 않는 것을 수 있는 것을 수 있다.	

49 The cost indicator of value computed in accordance with 50 this subpart will be weighted for each type of utility company

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1 as follows: electric companies, 85 percent; gas distribution 2 companies, 75 percent; and pipeline companies, 75 percent. 3 The following example illustrates how the cost indicator of 4 value would be computed for an electric company: 5 1. Utility Plant (Cost) \$200,000,000 Construction in Progress 6 2. 5,500,000 7

8	3.	per kw Computation	2,000,000
9	4.	Total Plant	207,500,000
10	5.	Nondepreciable Plant (Land,	
11		Intangibles, C.W.I.P.) 17,500,000	
12	6.	Depreciable Plant 190,000,000	
13	7.	Book Depreciation or Maximum 20%	36,100,000
14	8.	Total Cost Indicator of Value	171,400,000
15			

Any company for which a modification is made under this subpart due to the average cost per kilowatt adjustment being made to original cost of a plant or plants located in Minnesota shall have an alternative cost indicator computation made without giving effect to the average cost per kilowatt adjustment of such plant or plants.

22 Subp. 4. Income approach to valuation. The income 23 indicator of value will be estimated by weighting the net 24 operating earnings of the utility company for the most recent 25 three years as follows: most recent year, 40 percent; previous 26 year, 35 percent; and final year, 25 percent. After 27 considering, as far as possible, all conditions that may exist 28 in the future that may affect the present annual return, 29 including risk, life expectancy of the property, and cost of money, the capitalization rates used to compute value for the 30 assessment will be: electric companies, 11.25 percent; gas 31 distribution companies, 11.50 percent; and pipeline companies, 32 33 11.75 percent. The income indicator of value computed in accordance with this subpart will be weighted for each class of 34 utility company as follows: electric companies, 15 percent; gas 35 36 distribution companies, 25 percent; and pipeline companies, 25 37 percent.

The following example illustrates how the income indicator 38 of value would be computed for a gas distribution company: 39 1984 40 1982 1983 41 Net Operating Income \$ 596,160 \$ 488,911 \$ 579,600 42 1. 43 2. Capitalized Income

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@ 11.5% 1 5,184,000 4,251,400 5,040,000 3 25 percent 35 percent 40 percent 3. Weighting Factor 4 4. Weighted Capitalized 1,296,000 1,488,000 2,016,000 Income 6 5. Total Income Indicator of Value 4,800,000

Subp. 5. and 6. [Unchanged.]

10 Subp. 7. Obsolescence allowances. The commissioner shall 11 adjust the value calculated under this part through the use of an obsolescence allowance. This allowance is intended to be 12 used in order to recognize the effect the curtailment or 13 termination of a pipeline's source of supply may have on its 14 value. This allowance must be applied for each year at the time 15 16 the utility files its Minnesota Department of Revenue Annual Utility Report. The utility's eligibility for this allowance 17 will be based on the relevant facts for the specific valuation 18 year. The application of an obsolescence allowance in any 19 20 previous year shall have no bearing on the use of the allowance 21 for a subsequent year. In order for a pipeline or a gas distribution company to be eligible for this allowance it must 22 meet certain criteria or standards listed below. It is 23 24 mandatory that standards in items A, B, and C be met by the utility. It is highly desirable that standards in items D and E 25 26 also be met.

27 Α. The utility shall demonstrate that its source of 28 supply for gas or oil will be terminated within the next ten 29 years.

30 Β. The utility shall be at, or above, the maximum depreciation allowance specified by subpart 3. 31

The utility shall have made application to the 32 C. appropriate regulatory agency for increased depreciation 33 allowances, and the application shall not have been denied or 34 35 rejected.

The utility must not have made any major capital 36 D. expenditures within the last three years. 37

The utility must not have sold any long-term bonds Ε. 38 or signed any long-term notes within the last three years. 39 40 If the utility has made major capital expenditures or

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1 entered into long-term debt obligations within the last three years, a satisfactory explanation of the rationale for these 2 3 actions shall be made to the commissioner before an allowance 4 for obsolescence will be granted.

5 The obsolescence allowances which may be applied to the utility's value will be calculated in the following manner: 6

7 (1) Method 1. A five-year average of the utility's annual throughput will be calculated. The throughput 8 9 for the assessment year will be compared to this average and a percentage calculated. This percentage will be applied to the 10 11 cost indicator of value calculated under subpart 3 in order to adjust the indicator for obsolescence. The adjusted cost 12 indicator of value will be used in the calculation of the unit 13 value under subpart 5. The following is an example of this 14 procedure: 15

Throughput Year in Barrels 1979 1,200,000 1980 1,300,000 1981 1,150,000 1,100,000 1982 1983 1,050,000 5,800,000 Total 1,160,000 Average Throughput 26 1. 1984 Throughput 1,000,000 Barrels 27 Percent of 1984 Throughput to 2. Five-Year Average Throughput Cost Indicator of Value Cost Indicator Adjusted 86% \$6,300,000 29 3. 30 4. for Obsolescence 5,418,000

33 (2) Method 2. The book depreciation shown on the 34 books and accounts of the utility will be compared to the depreciation allowed by subpart 3. If the book depreciation 35 exceeds the maximum depreciation allowance, 50 percent of the 36 excess depreciation will be used in the calculation of the cost 37 indicator of value. An example of this calculation is as 38 39 follows:

40	1. Book Depreciation	\$ 6,000,000
41	2. Maximum Allowable Depreciation	5,000,000
42	3. Excess Depreciation	1,000,000
43	4. 50% of Excess Depreciation	500,000
44	5. Utility Plant	11,000,000
45	6. Construction Work in Progress	50,000
46	7. Total Plant	11,050,000
47	8. Nondepreciable Plant (Land, CWIP)	1,050,000
48	9. Depreciable Plant	10,000,000
49	10. Depreciation (Maximum 50%)	5,000,000

	전 비행 방법 이 문화 전 방법 가장 같은 것이 있는 것이 이 가장 방법에 가장 전 것이 없는 것이다. 것이 같은 것이 있는 것이 하는 것이 같은 것이 있는 것이 있는 것이 있는 것이 있는 것이 있는
1 2 3	11. Obsolescence Allowance500,00012. Cost Indicator of Value5,550,000
4	(3) Method 3. The income indicator of value
5	computed in accordance with subpart 4 will be calculated by
6	Capitalizing the utility's three-year weighted net operating
7	earnings for a specific term of years rather than into
8	perpetuity. The term of years to be used will be the number of
9	years remaining until the expected expiration of the utility's
10	source of supply for product (oil, gas), or the number of years
11	remaining until the utility's major assets (pipeline, pump
12	stations, storage tanks, and similar assets) are fully
13	depreciated, whichever is greater. An example of this
14	capitalization process is as follows:
15	1982 1983 1984
16 17 18	1. Net Operating Earnings\$1,320,000\$1,000,000\$800,0002. Weighting25%35%40%
19 20	3. Weighted Net Operating Earnings \$330,000 \$350,000 \$320,000
21 22 23	<ul> <li>4. Total Weighted Net Operating Earnings \$1,000,000</li> <li>5. Terms of years until</li> </ul>
24 25 26	major assets are fully depreciated 8 6. Capitalization rate pursuant
27 28	to subpart 4 11.75% 7. Capitalization rate
29	converted to term of 8 years 19.9548%
30 31 32	8. Capitalized Income/Income Indicator of Value \$5,011,325
33	The commissioner shall apply to the valuation process
34	whichever of the three obsolescence methods is most appropriate
35	in order to equitably recognize the effect of obsolescence on

- 36 the utility's value.
- 37 Subp. 8. [Unchanged.]