Rep. Cormen, Graf. 15
April 17, 2023
2023-1397h
10/05

Amendment to SB 225

Amend section 1 of the bill by replacing the bill section heading with the following:

1 Commission to Study the Assessing of Power Generation. RSA 72:8-f is repealed and reenacted to read as follows:

SB 225 - AS AMENDED BY THE SENATE

02/22/2023 0537s
02/22/2023 0641s

2023 SESSION

23-0878
10/05

SENATE BILL ***225***

AN ACT establishing the commission to study the assessing of power generation.

SPONSORS: Sen. Lang, Dist 2; Sen. Avard, Dist 12; Sen. Pearl, Dist 17; Rep. Bordes, Belk. 5

COMMITTEE: Energy and Natural Resources

AMENDED ANALYSIS

This bill establishes the commission to study the assessing of power generation.

- -

Explanation: Matter added to current law appears in ***bold italics.***
Matter removed from current law appears [~~in brackets and struckthrough.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.

SB 225 - AS AMENDED BY THE SENATE

02/22/2023 0537s
02/22/2023 0641s

23-0878
10/05

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Twenty Three

AN ACT establishing the commission to study the assessing of power generation.

Be it Enacted by the Senate and House of Representatives in General Court convened:

1 Commission to Study the Assessing of Power Generation. RSA 78:8-f is repealed and reenacted to read as follows:

72:8-f Study Commission on the Assessing of Power Generation. There is established a commission to study the assessing of power generation.

I. The commission shall:

(a) Determine the most accurate methodology for assessing power generation assets.

(b) Compare the efficacy of the department of revenue administration approach to assessing the assets of the 59 power generation facilities with the approaches utilized by the municipalities.

(c) Understand how other states handle the assessing of power generation facilities for property tax purposes.

(d) Recommend a unified approach to be utilized by both the department of revenue administration and municipalities, which should include confidential data reporting requirements by the power generation companies for the methodology chosen.

II. The commission shall consist of the following members:

(a) Six members of the house of representatives, one of whom shall be from the science, technology and energy committee, one from the ways and means committee, and one member from the minority party who shall be from either of the committees, to be appointed by the speaker of the house of representatives.

(b) Two members of the senate, appointed by the senate president.

(c) The chairperson of the assessing standards board, or designee.

(d) The commissioner of the department of revenue administration, or designee.

(e) One member appointed by the New Hampshire Municipal Association.

(f) One member appointed by the New England Power Generators Association (NEPGA).

(g) One member appointed by the New Hampshire Association of Assessing Officials (NHAAO).

(h) One member appointed by the Granite State Hydropower Association (GSHA).

(i) One member of the public, appointed by governor.

III. The members of the study commission shall elect a chairperson from among the members. The first meeting of the commission shall be called by the first-named house member.

The first meeting of the commission shall be held within 45 days of the effective date of this section. A majority of the appointed members of the commission shall constitute a quorum.

IV. The commission shall report its findings and any recommendations for proposed legislation to the speaker of the house of representatives, the president of the senate, the house clerk, the senate clerk, the governor, and the state library on or before November 1, 2023.

2 Repeal. RSA 72:8-f, relative to the study commission on the assessing of power generation, is repealed

3 Effective Date.

I. Section 2 of this act shall take effect November 1, 2023.

II. The remainder of this act shall take effect upon its passage.

CONSENT CALENDAR

April 18, 2023

HOUSE OF REPRESENTATIVES

REPORT OF COMMITTEE

The Committee on Science, Technology and Energy to which was referred SB 225,

AN ACT (New Title) establishing the commission to study the assessing of power generation. Having considered the same, report the same with the following amendment, and the recommendation that the bill OUGHT TO PASS WITH AMENDMENT.

Rep. Troy Merner

FOR THE COMMITTEE

Original: House Clerk
Cc: Committee Bill File

COMMITTEE REPORT

Committee:	**Science, Technology and Energy**
Bill Number:	**SB 225**
Title:	**(New Title) establishing the commission to study the assessing of power generation.**
Date:	**April 18, 2023**
Consent Calendar:	**CONSENT**
Recommendation:	**OUGHT TO PASS WITH AMENDMENT 2023-1397h**

STATEMENT OF INTENT

This bill would reestablish the commission on property assessment of power generation stations, which was passed in the last session. A principal finding in that commission's November 2022 report was that the commission should continue its work to get to a final resolution. This bill allows the commission to reconvene and get their findings out by November 2023. The committee amendment corrected a bill drafting error.

Vote 20-0.

Rep. Troy Merner
FOR THE COMMITTEE

Original: House Clerk
Cc: Committee Bill File

CONSENT CALENDAR

Science, Technology and Energy

SB 225, (New Title) establishing the commission to study the assessing of power generation. **OUGHT TO PASS WITH AMENDMENT.**

Rep. Troy Merner for Science, Technology and Energy. This bill would reestablish the commission on property assessment of power generation stations, which was passed in the last session. A principal finding in that commission's November 2022 report was that the commission should continue its work to get to a final resolution. This bill allows the commission to reconvene and get their findings out by November 2023. The committee amendment corrected a bill drafting error. **Vote 20-0.**

Original: House Clerk
Cc: Committee Bill File

HOUSE COMMITTEE ON SCIENCE, TECHNOLOGY AND ENERGY

PUBLIC HEARING ON SB 225

BILL TITLE: **(New Title) establishing the commission to study the assessing of power generation.**

DATE: **April 17, 2023**

LOB ROOM: **302-304** **Time Public Hearing Called to Order:** **9:03 a.m.**

Time Adjourned: **9:22 a.m.**

Committee Members: Reps. Vose, D. Thomas, Bernardy, Notter, Harrington, Merner, Lewicke, Ploszaj, Summers, McGhee, Muns, Noel, W. Thomas, Cormen and Raynolds

Bill Sponsors:
Sen. Lang **Sen. Avard** **Sen. Pearl**
Rep. Bordes

TESTIMONY

* Use asterisk if written testimony and/or amendments are submitted.

Senator Tim Lang introduced
- Construction of work to assess how to assess public utility property

Katherine Heck - NHMA
- Complicated legal issues
- Complete the study

Dan Dolan - NEPGA
- Support continuation of commission
- Looking for consistency and greater simplicity of the process
- Currently a two step process - municipality and state
- Are non-utility assets but taxed as utility assets
- Distribution separated for generation
- Generation not covered by utility cost recovery
- Transmission is covered by utility cost recovery

Respectfully Submitted,

Rep JD Bernardy, Clerk

House Remote Testify

Science, Technology and Energy Committee Testify List for Bill SB225 on 2023-04-17

Support: 37 Oppose: 0 Neutral: 0 Total to Testify: 0

Export to Excel

Name	City, State Email Address	Title	Representing	Position	Testifying	Non-Germane	Signed Up
Kroll, Heidi	Concord, NH kroll@gcglaw.com	A Lobbyist	Granite State Hydropower Association (GSHA)	Support	No	No	4/12/2023 2:23 PM
Liebowitz, Susan	Plainfield, NH supawali@hotmail.com	A Member of the Public	Myself	Support	No	No	4/16/2023 3:00 PM
Keegan, John	BOscawen, NH peoresnada@tds.net	A Member of the Public	Myself	Support	No	No	4/16/2023 8:17 PM
Richman, Susan	Durham, NH susan7richman@gmail.com	A Member of the Public	Myself	Support	No	No	4/16/2023 9:16 PM
Perencevich, Ruth	Concord, NH rperence@comcast.net	A Member of the Public	Myself	Support	No	No	4/16/2023 9:32 PM
Spencer, Louise	Concord, NH lpskentstreet@gmail.com	A Member of the Public	Myself	Support	No	No	4/16/2023 9:39 PM
Lieberg, Gabriele	Newfields, NH w.wingate@comcast.net	A Member of the Public	Myself	Support	No	No	4/16/2023 9:44 PM
Jakubowski, Deborah	Loudon, NH dendeb146@gmail.com	A Member of the Public	Myself	Support	No	No	4/16/2023 9:59 PM
jakubowski, dennis	Loudon, NH dendeb146@gmail.com	A Member of the Public	Myself	Support	No	No	4/16/2023 10:05 PM
Bushueff, Catjherine	Sunapee, NH agawamdesigns@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 7:02 AM
Spielman, Kathy Sue	Durham, NH jspielman@comcast.net	A Member of the Public	Myself	Support	No	No	4/17/2023 7:07 AM
Cote, Lois	Manchester, NH lcote06@outlook.com	A Member of the Public	Myself	Support	No	No	4/17/2023 7:10 AM
berk, bruce	Pittsfield, NH bruce.berk.nh@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 7:43 AM

Brennan, Nancy	Weare, NH burningnan14@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 7:44 AM
Willing, Maura	Concord, NH maura.willing@comcast.net	A Member of the Public	Myself	Support	No	No	4/17/2023 7:54 AM
Blanchard, Sandra	Loudon, NH sandyblanchard3@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 8:17 AM
Beffa-Negrini, Patricia	Nelson, NH pbeffa@me.com	A Member of the Public	Myself	Support	No	No	4/17/2023 8:22 AM
kwasnik, joseph	concord, NH jkwasnik25@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 8:47 AM
Koch, Helmut	Concord, NH helmut.koch.2001@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 9:06 AM
Wessels, Susan	RINDGE, NH slwessels2010@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 9:27 AM
Koch, Laurie	Concord, NH kochlj@aol.com	A Member of the Public	Myself	Support	No	No	4/17/2023 10:02 AM
Walker, Deborah Klein	Meredith, NH deb.publichealth@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 10:19 AM
Jones, Andrew	Pembroke, NH arj11718@yahoo.com	A Member of the Public	Myself	Support	No	No	4/17/2023 10:27 AM
Devore, Gary	Pembroke, NH torin_asheron@yahoo.com	A Member of the Public	Myself	Support	No	No	4/17/2023 10:30 AM
Moore, Susan	Franconia, NH susan.moore.franconia@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 10:40 AM
Reed, Barbara	North Swanzey, NH BDReed74@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 10:49 AM
Merlone, Lynn	Rindge, NH prulone@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 3:07 PM
Thomas, A	Rindge, NH annekerosie@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 3:07 PM
Bissex, Hannah	Rindge, NH berardi.h@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 3:08 PM
Martin, Patricia	Rindge, NH pmartin2894@yahoo.com	A Member of the Public	Myself	Support	No	No	4/17/2023 3:08 PM
Hershey, Jane	Rindge, NH janelhershey@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 3:08 PM

Emus, Joanne	Hollis, NH jremus0322@aol.com	A Member of the Public	Myself	Support	No	No	4/17/2023 3:22 PM
Reardon, Donna	Concord, NH bugs42953@aol.com	A Member of the Public	Myself	Support	No	No	4/17/2023 4:37 PM
Holt, David	Somersworth, NH davholt@aol.com	A Member of the Public	Myself	Support	No	No	4/17/2023 7:17 PM
Rettew, Ann	Concord, NH abrettew@gmail.com	A Member of the Public	Myself	Support	No	No	4/17/2023 8:52 PM
Heath, Ruth	Canterbury, NH ruthmheath@comcast.net	A Member of the Public	Myself	Support	No	No	4/17/2023 9:22 PM
Greenwood, Nancy	Concord, NH nancgreenwood@yahoo.com	A Member of the Public	Myself	Support	No	No	4/17/2023 10:35 PM

SIGN UP SHEET

To Register Opinion If Not Speaking

Bill #: SB225 Date: 4/17/23

Committee: Science

**** Please Print All Information ****

Name	Address	Phone	Representing	Pro	Con
Heidi Kroll	214 N Main St. Concord		Monadnock Paper Mills	X	

HOUSE COMMITTEE ON SCIENCE, TECHNOLOGY AND ENERGY

SUBCOMMITTEE WORK SESSION on SB 225

BILL TITLE: (New Title) establishing the commission to study the assessing of power generation.

DATE: April 17, 2023

Subcommittee Members: Reps. Vose, D. Thomas, Bernardy, Notter, Harrington, Merner, Lewicke, Berezhny, Ploszaj, Summers, McGhee, McWilliams, Chretien, Parshall, Caplan, Muns, Noel, W. Thomas, Cormen and Raynolds

Comments and Recommendations: Amendment to be presented correcting an RSA reference typo

Respectfully submitted,

Rep. JD Bernardy
Subcommittee Clerk

State of New Hampshire

GENERAL COURT

CONCORD

MEMORANDUM

DATE: **October 27, 2022**

TO: **Honorable Sherman Packard, Speaker of the House**
Honorable Chuck Morse, President of the Senate
Honorable Paul C. Smith, House Clerk
Honorable Tammy L. Wright, Senate Clerk
Honorable Chris Sununu, Governor
Michael York, State Librarian

FROM: **Representative Patrick Abrami, Chairman**

SUBJECT: **Final Report of the Commission to Study the Assessing of Power Generation and Utility Transmission.**
RSA 72:8-f (HB 410, Chapter 49, Laws of 2022)

Pursuant to RSA 72:8-f (HB 410, Chapter 49, Laws of 2022), enclosed please find the Final Report of the Commission to Study the Assessing of Power Generation and Utility Transmission.

If you have any questions or comments regarding this report, please do not hesitate to contact me.

I would like to thank those members of the commission who were instrumental in this study. I would also like to acknowledge all those who testified before the commission and assisted the commission in our study.

Enclosures

cc: Members of the Commission

FINAL REPORT

Commission to Study the Assessing of Power Generation and Utility Transmission

RSA 72:8-f (HB 410, Chapter 49, Laws of 2022)

October 27, 2022

Member	Appointing Authority
Representative Patrick Abrami, Chair	Speaker of the House
Representative Troy Merner	Speaker of the House
Representative Lucius Parshall	Speaker of the House
Senator James Gray	Senate President
Betsey Patten	Assessing Standards Board
Adam Denoncour	Department of Revenue Administration
Christopher Boldt	NH Municipal Association
Dan Dolan	NE Power Generators Association
Scott Bartlett	NH Association of Assessing Officials
Madeleine Mineau	Granite State Hydropower Association

Commission Charge and Study Purpose:

RSA 72:8-f Study Commission on the Assessing of Power Generation and Utility Transmission.

I. The commission shall:

a. Determine the most accurate methodology for assessing power generation assets and utility transmission.

b. Compare the efficacy of the department of revenue administration approach to the assessing of the 59 power generation facilities with the approaches utilized by the municipalities.

c. Understand how other states handle the assessing of power generation facilities and utility transmission for property tax purposes.

d. Recommend a unified approach to be utilized by both the department of revenue administration and municipalities, which should include confidential data reporting requirements by the power generation companies for the methodology chosen.

Process and Procedures:

The commission organized on July 19, 2022 and elected Representative Patrick Abrami as Chair. The commission met seven times throughout the study period. The minutes of each meeting are attached.

The following table outlines key testimony accepted at each of the commission's seven meetings.

Date	Speaker/Title	Organization	Topic
August 9, 2022	Adam Denoncour, Assistant Director of the Municipal and Property Division	NH Department of Revenue Administration	DRA methodology for assessment of power generation assets
August 24, 2022	Jonathan Block, Partner	Pierce Atwood	How other states, counties, and municipalities for assess power generation assets
September 9, 2022	Peter Roth, Revenue Counsel	NH Department of Revenue Administration	DRA's position on confidentiality
September 28, 2022	Madeleine Mineau, President	Granite State Hydro-Power Association	NH Hydro-Power's position on NH assessing practices of hydropower plants
	George Sansoucy, Owner	George Sansoucy, P.E., LLC, d/b/a Sansoucy Associates	Assessors' position on the assessing of power generation assets
October 6, 2022	Dan Dolan, President	New England Power Generators Association	Summary of how the New England power grid works, how the wholesale markets work, and how NH policies affect the generators' tax burden and influence electricity prices
	Chris Boldt, Partner	Donahue, Tucker & Ciandella, PLLC	ME and MA assessing information sharing and confidentiality statutes and recent NH court cases
	Patrick Abrami, State Representative	NH House of Representatives	2019 HB 700, relative to valuation of utility company assets for local property taxation (utility distribution bill)
October 14, 2022	Chris Boldt	Donahue, Tucker & Ciandella	Other relevant court cases

Findings:

The commission worked hard to come to a consensus on the key issues within the calendar time available. Even though we have not reached a consensus yet, parties on differing sides of these issues have come to an initial meeting of the minds on certain points. The commission members feel a final consensus was not possible to reach before the November 1, 2022 statutory end date but agree that this effort should continue in the next legislative session. A summary of what has been learned thus far is as follows:

1. The commission decided early on to bifurcate transmission and to focus on generation issues only.

2. Assessing of a heterogeneous mix of power generation assets using a single cost approach such as was done with utility distribution is most likely not possible.

3. One possible approach is to recommend different methodologies for each category of power generation.

4. To adopt the DRA centralized methodology used for the state utility property tax as well as the Statewide Education Property Tax may be difficult to do, but needs further discussion.

5. Sharing confidential utility data with local assessors will require a statute change which needs more thought about the scope of that change.

6. Much more discussion and research are required on whether adopting a unified three-pronged approach (cost, income, and market sales) is an option.

7. We have current documents on all the power generation plants, the towns they impact, the municipal assessed values, who does the municipal assessing, the DRA assessed values, and which plants have settlement agreements or payments in lieu of taxes (PILOT) agreements.

8. More discussion is needed on potential expansion of the availability of PILOT agreements, especially if encouraging more such agreements is part of the solution.

9. We have a sense of how ISO New England impacts our discussion.

10. More discussion is needed on how the New Hampshire courts have ruled on this topic and the applicability of such rulings under the current industry structure.

11. Whatever models for assessing power generation assets that we contemplate, more time is needed to determine the impact on individual municipalities as well as on the individual power generation stations.

12. Even after gaining insights into how other states handle this issue, the commission needs time to speak to some of these states.

13. We believe that the significant difference between the DRA values/methodology and the municipal values/methodology for power generation assets is a contributing factor to the litigation in this area; and the commission wants to explore possible ways of providing certainty and avoiding the expenses and uncertainty of litigation to all parties.

Recommendations:

The Commission unanimously recommends that a bill be filed to continue this commission in the 2023 session. We recommend that this be a House Bill and that it be fast tracked in the House and then fast tracked in the Senate. We do not see any changes in the make-up of the commission. We recommend a final report date of November 1, 2023. We do see the need for bifurcation of the transmission issues into a separate commission to be activated after the power generation commission and its potential legislation is finalized.

Respectfully Submitted,

Representative Patrick Abrami, Chairman

Meeting Minutes

COMMISSION TO STUDY THE ASSESSING OF POWER GENERATION AND UTILITY TRANSMISSION

July 19, 2022 ORGANIZATIONAL MEETING MINUTES

Members Present: Rep. Pat Abrami, Rep. Troy Merner, Sen. Jim Gray, Adam Denoncour, Betsey Patten, Christopher Boldt, Dan Dolan, Madelaine Mineau, Scott Bartlett

Members Absent: Rep. Peter Somssich (resigning and will be replaced)

Meeting called to order at 830am and adjourned at 945am

Rep. Pat Abrami being the first named House member indicated by the Speaker of the House called the meeting to order. He asked that we go around the room to give each member a chance to introduce themselves. He then indicated that Rep. Somssich was appointed by the Speaker, but declined to participate. He indicated that the replacement was required to be someone from the minority party from either the Science and Tech Committee or the Ways and Means Committee. Several potential candidates are being considered and should be in place by the next meeting.

Rep. Abrami called for nominations for chair. Rep Merner nominated Rep Abrami with several seconds. No other nominations were made. The members voted unanimously that Rep. Abrami chair this Commission.

Rep. Abrami then reviewed the charge of the Commission contained within HB410. Copies of HB410 were before each member. All members agreed that the prime goal was to evaluate the process and methodologies utilized by state and by municipalities in the assessing of power generation assets with the goal of unifying the approach used by municipalities. Mr. Boldt suggested that attempting to also do the same

for FERC Regulated Transmission may be difficult with the time available for the Commission to do its work. Rep. Abrami indicated that his original amendment to HB410 only addressed power generation. However, the original unamended HB410 had to do with the information that the transmission companies must provide. The discussion concluded that the focus will be on power generation assets and that the Commission go as far as it can with transmission as time permits. Rep Abrami indicated that, if need be, a bill can be filed next year to look at transmission more closely.

Rep. Abrami then pointed to several sheets before each member. The first is a list of all power generation facilities in NH. There are a total of 59 facilities listed representing seven different electric generating types. Mr. Bartlett pointed out that there are several facilities that are not on the list. Mr. Denoncour from the DRA where this list originated indicated that there are several missing and that he would provide a more complete list at the next meeting. The second document produced a year ago by the DRA as HB410 was being contemplated shows for each town with power generation assets the DRA value, the MS1 value, and the Equalization value. For all assets the DRA value was 1.25B, MS1 value was 2.43B, and the Equalization value was 3.12B. The third document showed that the Seabrook Nuclear Plant represents in the mid to upper 30% of all assessed power generation value. Mr. Denoncour said he will provide the most recent data.

Rep. Abrami indicated that we needed to understand how the DRA assesses these power generation assets, needed to understand assessing norms for these types of assets, and needed to understand how other states and their municipalities assess these types of assets. Mr. Bartlett indicated that there are only one of three methodologies that can be considered. Mr. Denoncour indicated he was willing to make a full presentation of the DRA approach at our next meeting.

Everyone agreed this would be a good starting point. Mr. Dolan from the NE Power Generation Association said he can make a presentation on how other states and municipalities assess these assets. After some discussion it was agreed that should occur at our second meeting in August.

Sen. Gray suggested that we review the work done when we examined utility distribution assets. Rep. Abrami said a copy of that Commission report along with the bill that came from that work will be provided at the next meeting.

Rep. Abrami suggested August 9 from 900-1100am for our next meeting. Rep. Abrami then indicated that per House rule that we must meet offsite. Rep. Abrami asked Mr. Denoncour if we can utilize the DRA conference room. He said he would ask. Rep. Abrami asked if the DRA could also find someone to take our minutes. Mr. Denoncour said he would see what he could do. A tentative second date chosen was August 24. That was good for everyone but Ms. Mineau from the Granite State Hydropower Association. She asked if I would allow substitutions from her organization. Rep Abrami said that when he chairs that he does allow substitutes as long as they are from the same organization. There was no objection from the members to that being our practice moving forward. Ms. Patten who chairs the Assessing Standards Board indicated that she may need one of her more technical members to replace her at certain meetings. Rep. Abrami without objection said that would be fine.

The meeting was adjourned with the next meeting planned for August 9.

Commission to Study the Assessing of Power Generation and Utility Transmission

Approved as amended

DATE: August 9, 2022 **TIME**: 9:00 a.m.

LOCATION: Department of Revenue Administration, 109 Pleasant Street, Concord NH

COMMITTEE MEMBERS

Representative Patrick Abrami, Chairman –Ways & Means
Representative Troy Merner – Science, Technology & Energy
Representative Lucius Parshall - Science, Technology & Energy
Senator James Gray
Betsey Patten, Assessing Standards Board (ASB)
Adam Denoncour, Designee, Department of Revenue Administration (DRA)
Attorney Christopher Boldt, NH Municipal Association (NHMA)
Dan Dolan, New England Power Generators Association (NEPGA)
Scott Bartlett, NH Association of Assessing Officials (NHAAO)
Madeleine Mineau, Granite State Hydropower Association (GSHA) - *Absent*

Representative Abrami called the meeting of the Commission to Study the Assessing of Power Generation and Utility Transmission to order at 9:00 a.m.

Representative Lucius Parshall was introduced. He was appointed after the last meeting and is a member of the House Science, Technology and Energy Committee.

Minutes

Representative Merner ***motioned to accept the minutes of July 19, 2022***; Mr. Bartlett ***seconded the motion***. A minor correction was made to the title adding a space between Commission and To. Chairman Abrami called the motion to approve the minutes of July 19, 2022, as amended. ***Motion passed unanimously.***

The following handouts were briefly explained: The final committee report and statute from House Bill 700 relating to the valuation of distribution assets, an updated report including the owners of generation assets, the communities they are in, the type of generation, and the appraiser, an updated list of power generating plants which decreased by one due to one facility going to net metering and being exempt from the utility property tax, a list of PILOT (payment in lieu of tax) agreements for renewable power facilities as reported by municipalities on the MS-1, Summary Inventory Valuation, and a copy of the PA-20, Utility Property Tax Information Update, which is a required annual filing by utility companies that includes various information used by the Department to determine an assessed value.

DRA Presentation on the Assessment of Power Generation Assets

Adam Denoncour, Assistant Director of the Municipal and Property Division at the Department of Revenue Administration (DRA), presented an overview of how the Department values utilities and why.

The statewide utility property tax (UPT) is governed by RSA 83-F which requires the determination of market value for utility property at its highest and best use. The Department bills and collects the UPT at a set rate of $6.60 per $1,000 which is deposited into the Education Trust Fund. Utilities receive two separate valuations for their property tax for the different tax rate components: the DRA value is for the state education component and the municipal value is for the municipal, local school and county components.

Information updates (PA-20) are due to DRA by May 1 that include details of utility assets, financial and cost data, contact information and other information. Similar reporting is required by other states and jurisdictions who have a statutory requirement to value utility property. When the PA-20 is received, the document(s) are reviewed and analyzed to determine if additional information is needed. Once the data is complete, values are developed. Certified final values by the Commissioner are due December 1 and tax notices are mailed by December 15.

The DRA assignment differs from that of local assessors with respect to the subject of the appraisal. The DRA is required to value every piece of a utility property across political boundaries and to do this, the unitary valuation technique is applied. The authoritative text on utility valuation using the unitary valuation technique is the Western States Association of State Tax Administrators Handbook whose primary author is Brent Eyre. Mr. Eyre has provided joint training on utility valuation with the State of New Hampshire and Vermont. Unitary valuation requires the valuation of the whole of the utility rather than individual assets in a particular municipality. The DRA values the entire utility company, allocates the appropriate portion of value to New Hampshire and then apportions the applicable asset values to the individual municipalities, both based on company reported original costs.

There are generally three approaches to value: market, cost and income. Within these approaches, there are several methods that can be utilized depending on the subject of the appraisal. The DRA has the advantage of required reporting and relies heavily on the information received to produce accurate appraisals. An appraisal always involves some level of opinion, input or subjectivity; the DRA focuses on limiting subjective input to achieve the most accurate and defensible value.

Applicability of Approaches to Value with Respect to the Department's Assignment under RSA 83-F

The sales or market approach may be the most recognizable approach to value, but it is not practical for utility valuation in New Hampshire. To utilize the sales comparison approach, comparable sales are needed, and sales of this type do not typically occur frequently enough to provide reliable data. The DRA may use listing and sale prices as reference points, but values are not developed using the sales comparison.

Another market approach is stock and debt. This technique is used to develop accurate values for businesses across the globe. To utilize this approach, an analysis of publicly traded utility companies would be necessary and there are none in New Hampshire. Neither the sales comparison or stock and debt valuations would produce a particularly reliable result and as such, are not specifically relied on. The cost approach is a common and logical approach to value and is heavily utilized in mass appraisal of residential properties. To develop a value using historical costs less depreciation, submissions from utilities regarding the cost and depreciation of their assets needs to be analyzed. This information is included on the PA-20 however the techniques used by utilities to account for their cost and depreciation may vary, and because of this some utilities are not good candidates for this approach. Regulated utilities are required to utilize specific and controlled methodology when it comes to reporting the value

and depreciation of their assets. For regulated utilities, the DRA does develop a reliable value based on the historical cost less depreciation method.

Developing a value using replacement cost new less depreciation (RCNLD) is another commonly used cost approach method. It is generally best suited for developing values for smaller, homogenous, new utilities. Considering the range of ages and sizes of utility assets that are required to be valued, the DRA does not use this method as it is not a good fit for most of our assignments.

The DRA does use the income approach. It is the most applicable to our assignment and when combined with detailed reporting we receive annually, it produces appraisals which include very few assumptions. There are two basic methods DRA uses to apply the income approach. The first is direct capitalization which converts income into a value using a capitalization (cap) rate. It is the most basic and reliable of the income approach methods. The second is a discounted cash flow which converts future cash flows into a present value using a cap rate. This method is only used when we have explicit knowledge of future cash flows such as a power-purchase agreement or forward capacity payment. Both direct capitalization and discounted cash flow involves the development of a cap rate.

To review, the DRA does not rely on the sales comparison, stock and debt, or replacement cost to develop value for any utility in the State. Direct capitalization, historical cost, and discounted cash flow are utilized depending on the applicability of the method. The DRA values the entire utility corporation and allocates the applicable value to New Hampshire and then again to the individual communities, rather than valuing specific assets in each community and adding them up.

Direct Capitalization

This formula requires the calculation of a net operating income (NOI) and a cap rate. The NOI is determined from the revenue and expense filings on the PA-20; the cap rate is developed separately.

Discounted Cash Flow

When it comes to discounted cash flow, the appraiser is making explicit predictions of future income and expenses. The following example shows four years of revenue and expenses and an NOI calculated for each year. Each NOI prediction is discounted to the present value (PV). The Excel PV function is a standard calculation that simply reflects the time value of money. For example, $1,400 three years in the future is not worth $1,400 today when you factor in both inflation and risk, which are both included in the PV formula.

Value Development – Discounted Cash Flow
Income – Expense = Net Operating Income (NOI)

	Year 1	Year 2	Year 3	Year 4
Income	$1,000	$1,500	$2,000	$2,500
Expense	$500	$550	$600	$650
NOI	$500	$950	$1,400	$1,850
Present Value of NOI	PV (500,1)	PV (950,2)	PV (1,400,3)	PV (1,850,4)

Sum (NOI) / Cap Rate = Utility Value

Dividing the sum of the discounted cash flows (NOI) by the cap rate provides the final utility value.

To use the discounted cash flow or direct capitalization methods, a cap rate needs to be developed. For this, the DRA uses the Band of Investments technique.

Value Development – Capitalization Rate
Band of Investments

	Corporate Structure	Cost of Capital	%
Equity	**0.5**		
Debt	**0.5**	**.07**	
		Cap Rate =	

- **Corp Structure**: From Cap Rate Study per Industry
- **Cost of Capital Equity**: Build by adding risk to Risk Free Rate (Treasury Bond)
- **Cost of Capital Debt**: From Cap Rate Study per Industry

This calculation begins with corporate structure and builds out each row ending with a cap rate. We want to know what proportion of the company is funded by an equity such as stocks or debt such as loans. The portion of the company that is funded by equity and debt is reported on the PA-20, however DRA does not use this explicit corporate structure. Anyone interested in purchasing a utility in the open market may not know that utility's exact corporate structure therefore it is more appropriate to use one or more industry publications to derive this number to develop a market value.

The DRA uses publications such as Value Line to identify the appropriate figure for equity and debt depending on the industry segment (hydro, nuclear, etc.), which may have different corporate structures. Next, the cost of that debt is determined from the average cost of getting a loan for that industry segment and in this case, publications such as Moody's, are used to gather this input.

Developing the cost of equity is slightly more complicated. This is done by adding risk and industry modifiers to a Treasury Bond rate (risk-free rate) using the capital assets pricing model (below). The DRA relies heavily on industry publications like Duff and Phelps for both the average market return and beta. In general, utilities are not considered risky investments, and, in most cases, beta is below 1.

Value Development – Cost of Capital: Equity
Modified Capital Assets Pricing Model (CAPM)

$$Ke = Rf + (Rm - Rf)\,\beta$$

10.8 3 9 3 1.3

Where:

- **Ke** = Cost of equity capital
- **Rf** = Risk-free rate
- **Rm** = Average market return
- **β** = Beta factor (investment risk)

	Corporate Structure	Cost of Capital	%
Equity	**0.5**	**.108**	**.054**
Debt	**0.5**	**.07**	**.035**
		Cap Rate =	**.089**

- Multiply Equity row
- Multiply Debt row
- Sum Equity and Debt rows to determine the capitalization rate

This completes the DRA's development for the income approach.

The reconciliation process is rather simple. The DRA develops a value for each utility using the most applicable method(s). For a regulated utility, historical costs are used; for a utility that has known future cash flows, discounted cash flow, and in the other cases, direct capitalization.

Once the final utility value is determined, it is apportioned and allocated to applicable municipalities. First, the final utility value must be apportioned to New Hampshire. Because many utilities have assets outside of New Hampshire, original cost is used as a proxy for the investment a utility has made in a particular location. By comparing original cost by location, we can determine the relative percentage of operations occurring in those locations from information provided on the PA-20.

Apportion to New Hampshire

Original Cost in NH / Original Cost Everywhere * Final Utility Valuation

The resulting decimal is then multiplied by the final utility valuation to determine the amount of the final value that is specific to New Hampshire.

Utilities report their total income, expenses and assets as a corporation to DRA including construction work in progress (CWIP) and capitalized value of leases everywhere. Then, using the original cost information as a proxy for the physical investment they have made in New Hampshire, apportion the value from there. The original cost includes not only the cost of the original facility but the original cost of any improvements and current work in progress and it is used to determine how much money they have spent in a particular location to apportion the appropriate value.

Allocate to Towns

Original cost in Municipality / Original Cost in NH * NH Valuation

This formula is essentially the same calculation but going down one more level. We are taking the Original Cost in NH and then allocating it out to the specific towns that have assets. And again, the towns and the assets are reported to DRA on the PA-20 so that is where this information originates.

Then, by multiplying by the NH valuation you have the specific values for each individual municipality.

The allocated values are reported on an annual basis, and they can be found on the DRA website. A small number of municipalities use the DRA values. They are not required to use these values but if they do, they must equalize them as these values are always 100% of market value. Specific values for specific assets are not developed; the values provided to municipalities are specific only to the utility taxpayer.

The question was asked if transmission value is broken out. Mr. Denoncour stated not that he is aware of; all utilities are valued in the same way. It was noted that if the DRA utility values include transmission value, then it cannot be used by towns. It was also suggested that the town-by-town breakout is not a requirement under RSA 83-F. Mr. Denoncour stated that was correct, it is an extra step the Department has historically completed.

Some concerns were expressed about the use of un-trended original cost information that may put more weight on the newest asset location, the lack of specifics for the valuing of generation and the reliance, if any, on historical costs for power generation assets and why. It was suggested that being able to review some appraisals of generation facilities would be helpful to understand how they are valued. It was reiterated that the DRA relies on reporting of all entities to report their assets and depreciation in a particular way; numbers that are accurate and reliable.

A question was raised whether the unitary method favors global corporations that are apportioned versus the smaller generation assets that report as a single corporation and if the numbers of both appraisals are similar? Mr. Denoncour stated the unitary valuation begins with how the corporation files their PA-20. If they file as a subsidiary using the parent company's FEIN, the parent company is valued. Whether one or the other produces a higher or lower value depending on the size is a good question. It basically comes down the allocation formula using original cost as a proxy for value.

A discussion followed about using historical revenues and whether any forecasted information for revenues is used. Mr. Denoncour stated for direct capitalization, the prior year's NOI is used and if there is a future cash flow that can be counted on, the discounted cash flow is used. He does not believe there are any adjustments made based on futures. The PA-20 requires 3-years of information and anomalies are noted and accounted for. Book depreciation used; the same depreciation used the by utility.

Corporate downloading may impact reported income and Mr. Denoncour was asked whether the DRA analyzed such information for reasonableness. He replied that every reporting is annualized and if there were companies with similar situations, they would be compared however he was not aware of many corporations doing that.

Small hydros are very different from large hydros. What is the industry standard used, if any, and is there any nuance or adjustments for the different sizes? Mr. Denoncour stated the main issue is that most information is different from the way New Hampshire generates power, so the effort is made to look at a couple of different publications to decide what seems most appropriate given the context.

The commission's intent is to look at transmission if there is time, but generation is the focus. Mr. Denoncour reiterated that the DRA values the entire package of the entity whether transmission, distribution, generation or a combination of assets. Value is not separated out based on the type of asset.

There was concern and lack of understanding about the differences in value between the municipalities and DRA. Some possible reasons included:

- Different assignments:
    - DRA is valuing the entire entity and allocating value based on the original cost
    - Municipalities are valuing only the assets in their specific town

- Use of different approaches to value,
  - DRA uses the unitary valuation method and relies on the income approach
  - Municipalities commonly use replacement cost new less depreciation
- Availability of information
  - DRA has the information directly from the utilities
  - Municipalities do not have access to the same, detailed information

A request was made to add the rate of capacity (nameplate) to the report of generation entities. Mr. Boldt suggested a thought for future discussion, to change the PA-20 to a shared (in confidence) document with municipal assessing officials and assessors. It was suggested that the information on the PA-20 might not be confidential and that hearing from the utilities companies if and why they feel it is confidential would be helpful.

Meeting Schedule

Wednesday, August 24, 2022, at 9:00 a.m. at DRA

- Presentation by NE Power Generation about what other states are doing

Friday, September 9, 2022, at 9:00 a.m. at DRA

Wednesday, September 28, 2022, at 9:00 a.m. at DRA

Meeting adjourned 10:21 a.m.

Respectfully submitted,

Stephanie Martel
Municipal and Property Division
NH Department of Revenue Administration

HOUSE COMMITTEE ON SCIENCE, TECHNOLOGY AND ENERGY

EXECUTIVE SESSION on SB 225

BILL TITLE: (New Title) establishing the commission to study the assessing of power generation.

DATE: April 18, 2023

LOB ROOM: 302-304

MOTIONS: OUGHT TO PASS WITH AMENDMENT

Moved by Rep. Merner | Seconded by Rep. Notter | AM Vote: 20-0

Amendment # 2023-1397h

Moved by Rep. Merner | Seconded by Rep. Notter | Vote: 20-0

CONSENT CALENDAR: YES

Statement of Intent: Refer to Committee Report

Respectfully submitted,

Rep JD Bernardy, Clerk

1/31/2023 2:59:26 PM
Roll Call Committee Register Report

2023 SESSION

Science, Technology and Energy

Bill #: SB 225 Motion: OTPA AM #: 1397h Exec Session Date: 18 April 2023

Members	YEAS	Nays	NV
Vose, Michael Chairman	X		
Thomas, Douglas W. Vice Chairman	X		
Notter, Jeanine M.	X		
Harrington, Michael D.	X		
Merner, Troy E.	X		
Lewicke, John	X		
Berezhny, Lex	X		
Bernardy, JD Clerk	X		
Ploszaj, Tom	X		
Summers, James	X		
McGhee, Kat	X		
McWilliams, Rebecca J.	X		
Chretien, Jacqueline H.	X		
Parshall, Lucius	X		
Caplan, Tony	X		
Muns, Chris	X		
Noël, Henry W.	X		
Thomas, Wendy E.N.	X		
Cormen, Thomas H	X		
Raynolds, Ned	X		
TOTAL VOTE:	20	0	

1/31/2023 2:59:26 PM
Roll Call Committee Register Report

2023 SESSION

Science, Technology and Energy

Bill #: SB225 Motion: OTP AM #: 1397h Exec Session Date: 18 Apr 2023

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Vose, Michael Chairman	X		
Thomas, Douglas W. Vice Chairman	X		
Notter, Jeanine M.	X		
Harrington, Michael D.	X		
Merner, Troy E.	X		
Lewicke, John	X		
Berezhny, Lex	X		
Bernardy, JD Clerk	X		
Ploszaj, Tom	X		
Summers, James	X		
McGhee, Kat	X		
McWilliams, Rebecca J.	X		
Chretien, Jacqueline H.	X		
Parshall, Lucius	X		
Caplan, Tony	X		
Muns, Chris	X		
Noël, Henry W.	X		
Thomas, Wendy E.N.	X		
Cormen, Thomas H	X		
Raynolds, Ned	X		
TOTAL VOTE:	20	0	