

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 30

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO ELECTRIC UTILITIES; AMENDING SECTION 63-205B, IDAHO CODE, TO
2 SPECIFY A MARKET DISCOUNT RATE IN DETERMINING THE VALUATION OF OPERAT-
3 ING PROPERTY OF RATE-REGULATED ELECTRIC UTILITY COMPANIES FOR ASSESS-
4 MENT PURPOSES AND TO MAKE TECHNICAL CORRECTIONS; DECLARING AN EMERGENCY
5 AND PROVIDING RETROACTIVE APPLICATION.
6

7 Be It Enacted by the Legislature of the State of Idaho:

8 SECTION 1. That Section 63-205B, Idaho Code, be, and the same is hereby
9 amended to read as follows:

10 63-205B. ASSESSMENT OF OPERATING PROPERTY OF RATE-REGULATED ELECTRIC
11 UTILITY COMPANIES. (1) In the assessment of the operating property of rate-
12 regulated electric utility companies, the market value shall be determined
13 by the state tax commission by applying applicable law, statutes, property
14 tax administrative rules and the following criteria:

15 (a) Depending on the weighting placed on the income approach, as de-
16 scribed in ~~subsection (1) paragraph~~ (d) of this subsection, no more than
17 twenty percent (20%) weight shall be placed on the cost indicator when
18 utilizing the historic cost less depreciation (HCLD) method in the sys-
19 tem value correlation.

20 (b) In the income approach, income to be capitalized will be normal-
21 ized, utilizing the gross domestic product implicit price deflator from
22 the United States department of commerce, bureau of economic analysis,
23 by using an average of at least the previous four (4) years' net oper-
24 ating incomes and by adjusting each year's net operating income for un-
25 usual nonrecurring items.

26 (c) In the income approach, a market discount rate will be determined,
27 and ~~will include to that rate~~ a flotation cost component supported
28 by nationally recognized sources of twenty hundredths of one percent
29 (0.20%) will be added.

30 (d) A weighting between eighty percent (80%) and one hundred percent
31 (100%) will be placed on the income approach in the system value corre-
32 lation.

33 (e) Within the market approach, a sales comparison approach may be used
34 if reliable data is available and appropriate comparison adjustments
35 can be made. No weight will be placed on a stock and debt approach in the
36 system value correlation.

37 (f) For rate-regulated electric utility companies, the weightings pre-
38 scribed in this section shall control the weightings used in the system
39 correlation or reconciliation.

40 (2) Subsection (1) (a) of this section shall be construed to mean that
41 the use of no more than twenty percent (20%) weight placed on the cost indica-
42 tor, when utilizing the HCLD method to calculate the cost approach, accounts

1 for any and all forms of depreciation, including any and all forms of obso-
2 lescence, and the appraiser shall not consider any further obsolescence.

3 (3) The state tax commission is hereby authorized to promulgate rules
4 to implement the provisions of this section.

5 SECTION 2. An emergency existing therefor, which emergency is hereby
6 declared to exist, this act shall be in full force and effect on and after its
7 passage and approval, and retroactively to January 1, 2017.