

Minnesota Attorney General: Administrative Rules Proceedings

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Department of Revenue

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- TaxAdVal 3 and 7

ORIGINAL

STATE OF MINNESOTA
OFFICE OF HEARINGS EXAMINERS

FOR THE DEPARTMENT OF REVENUE

In the Matter of the Proposed Adoption of Rules of the Department of Revenue Relating to Property (Ad Valorem) Tax.

REPORT OF HEARING EXAMINER

The above-entitled matter came on for hearing in Room 57, State Office Building, St. Paul, Minnesota, on June 30, 1976, at 10:00 a.m., before Hearing Examiner Myron Greenberg, duly appointed by the Acting Chief Hearing Examiner.

Dorothy McClung, Research Attorney, Department of Revenue, appeared on behalf of the Department of Revenue (hereinafter "Department"). Also appearing and constituting the Department panel were Lyle Ask, Director, Property Equalization Division; James O'Brien, Property Equalization Division; and Gerald Garski, Utilities Evaluation Examiner. Appearing on behalf of various clients or interests were Edward Fride; Peter Popovich, Jim McDonald; Vernon Kester; and Robert Dolan. The hearing continued until all representatives of associations or other interested groups or persons had an opportunity to participate and be heard concerning adoption of the proposed rules. The record in this matter was kept open for 20 days after the close of the hearing to July 20, 1976. All comments and statements, either oral or written offered during the hearing, and all written statements received by the Examiner by the close of the normal office hours on July 20, 1976 have been considered as part of the record in this matter.

Pursuant to Minn. Stat. § 15.052, subd. 3 (1975 Supp.), this report will include Findings of Fact, Conclusions and Recommendations. The Department and the Office of Hearing Examiners will make a copy of this Report available for review to any interested person upon request. Copies of the Report will be furnished at a nominal cost.

The Department shall, if it proposes to adopt the rules as originally proposed or amended, submit the complete hearing record to the Chief Hearing Examiner, pursuant to HE 108, no earlier than

ten days subsequent to the receipt of this Report. It shall include the rules as originally proposed, and the rules as proposed for adoption in final form. The submission to the Chief Hearing Examiner shall precede review by the Attorney General. The Chief Hearing Examiner shall complete his review and submit his report to the Department on the issue of substantial changes in the rule within ten calendar days. The Department will be responsible for filing the rules with the Attorney General.

The Hearing Examiner, upon all of the files, records, evidence, arguments of counsel and written comments, hereby makes and issues the following as his:

FINDINGS OF FACT

1. On May 28, 1976, the Department mailed the Notice of Hearing to all persons and associations who had registered their names with the Secretary of State for the purpose of receiving such notice.

2. On June 7, 1976, the Department filed the following documents with the Chief Hearing Examiner:

(a) The Order for Hearing;

(b) The Notice of Hearing;

(c) A certificate of the Secretary of State's mailing list for rules hearings;

(d) An affidavit of receipt of the Secretary of State's list;

(e) An affidavit of mailing of the Notice of Hearing to the Secretary of State's list;

(f) The Statement of Need;

(g) A copy of the proposed rules.

The documents were available for inspection at the office of Hearing Examiners from the date of filing to the date of the hearing.

3. The documents noted in paragraph 2, above, are in all respects proper in form, content and execution. Filing of these documents with the Office of Hearing Examiners was two days less than the 25 days required by Minn. Rule HE 103. There were no requests to examine the documents, however, during those two days, and the Department staff advised the Office of Hearing Examiners

that filing would be delayed in order to insure completeness. The delay in filing is not deemed to be material or cause for dismissing the hearing and record thereof. The Examiner finds that the filing of the documents was timely.

4. Authority to take the proposed action is vested in the Commissioner of Revenue (hereinafter "Commissioner"), pursuant to Minn. Stat. § 270.06 (1974).

5. That Minn. Rules TaxAdVal 1-7, as they currently exist, were properly proposed and promulgated.

6. That TaxAdVal 3(c), as it is proposed to be amended, would eliminate the depreciation allowance on construction work in progress (CWIP). The Department noted that the amended language makes the rules compatible with the accounting procedures used by the Federal Power Commission and the Interstate Commerce Commission for Public Utilities, neither of those agencies allowing depreciation on any item until it is put into service. The theory behind such provision is that an item cannot wear out, or depreciate, until it is used. The proposed amendment is reasonable and necessary to clarify the Department's position regarding depreciation of CWIP and to simplify the record-keeping of public utilities (by eliminating the necessity of keeping separate state and federal records for depreciation).

Otter Tail Power Company, by the testimony and written statement of Vernon L. Kester (T. 51-52; Ex. 9), considers the proposed change unreasonable because it would put utilities "in a position where we (Otter Tail Power Company) cannot earn a return on the investment of a major portion of CWIP, but according to the revised regulations, we are expected to pay property taxes on CWIP on a gréater basis than fully operational, income-producing property for which we are allowed depreciation of 17%. Because we now have an assessment formula that includes capitalized income, it is our opinion that depreciation should be allowed on CWIP at the same rate, if not a higher rate, than operational property which is producing income for the utility." (Ex. 9, p.1)

Mr. Kester did not address the fact "that in many instances, Minnesota does not include construction work in progress in a utility's taxable value." (Ex. 11, p.2) The Examiner agrees with the Department that "the whole concept of a state's valuation process must be looked at, not just one point." (Ex. 11, p. 3).

Based on the record, the Examiner has no way of determining whether the disallowance of CWIP is unreasonable when viewed as part of a total system for valuation of a utility's property. Mr. Kester pointed out that certain states allow depreciation for CWIP; he did not indicate whether those stated provided for depreciation or other credits which are allowed by the State of Minnesota and not allowed in other states.

7. That TaxAdVal 3(c) is further proposed to be amended to allow electric utility companies book depreciation or 17% of cost (instead of the current 15% of cost), whichever is less. Testimony offered by the Department at the hearing was that:

> "Holding the depreciation at a certain maximum acts as a hedge against inflation. Even though a company's property may be old, the cost of replacing the facility at today's prices would no doubt be more than the original cost at time of installation. Thus, holding the depreciation at a specified maximum recognizes the fact that a facility may be getting old while also making an allowance for the fact that to replace or reproduce the facility would produce more value. A maximum allowance of 17% depreciation appears to offer the best compromise between the wear-out factor and the forces of inflation. It appears to more adequately reflect the over-all state of depreciation within the electric utility industry, which, at this time, is approximately 25%, and provide a more accurate measure of the market value of these utilities." (T. 11-12)

This proposed change, like the change discussed in the immediately preceding paragraph, was criticized by Otter Tail Power Company as being inadequate. Otter Tail suggests that the rate of depreciation be raised to 25% in Minnesota (and that this rate be also applied to construction work in progress). (Ex. 9, pp. 1-2) Otter Tail pointed out that the depreciation rate in other states where it does business is 25% or more. (Ex. 9, p.2)

Northern Natural Gas Company recommended that the entire sentence establishing the maximum allowable depreciation rate be

stricken from the rules because government regulations require the complete depreciation of property. (Ex. 10, pp. 1-2) That fact alone, appears to the Examiner to be insufficient reason to eliminate the rate at which that depreciation is taken.

As with the proposal discussed in Paragraph 6 above, the Examiner is constrained to take note that "the unit value method or formula cannot be evaluated by examination of its unrelated parts, but must be taken as a whole. Therefore, it is unrealistic to quote depreciation rates allowed in one state without also knowing what the state's cap rate, weighting factors, allocation procedures and statutory excludables are." (Ex. 11, pp. 1-2) In the absence of such comparative material in the record, and considering the Department's affirmative presentation of facts supporting the proposed change, the Examiner concludes that such change is reasonable and necessary.

8. That TaxAdVal 3(c) is further amended to increase the study period to be used for computing the hydro-electric, steam-electric and gas turbine electric plant "average cost per kilowatt of installed capacity" factor. As proposed, the rules would provide for a ten-year study period for hydro-electric plants, and a six-year average for steam-electric and gas turbine electric plants. Consistent with the proposed change is the deletion of reference to a five-year study period for computation of an "average cost per kilowatt of installed capacity." The Department has learned through experience that the five-year average currently contained in the rules does not encompass the sale or disposal of enough plants, especially hydro-electric plants, to produce a meaningful average. The purpose of the proposed change is to provide a longer study period and, hence, a more meaningful average cost per kilowatt of installed capacity factor.

Mr. Popovich and Mr. Fride presented facts showing that a 15-year study period for computing the hydro-electric plant average would provide a more meaningful average than the ten-year study period proposed in the rule. Mr. Popovich noted that the 15-year study period would provide for an average which would

include approximately 77 plants, as opposed to the ten-year period which would encompass only 46 plants. (T. 28, 33; Ex. 11,p. 4) The ten-year study period produces an average cost per kilowatt value of $225 per kilowatt; a 15-year study period produces an average cost per kilowatt value of $222 per kilowatt. (T. 35; Ex.11, p.4) Both the taxpayer (Minnesota Power and Light Company), and the taxing district (Carlton County), most affected by this change, have agreed to and testified for a 15-year study period. (See T. 19-38; 41-43; Ex. 8, p.8, § 6.)

After hearing the facts adduced at the hearing, the Department concluded that a revision in the original proposal from ten years to 15 years for the study period to be used for hydro-electric plants would be acceptable. This conclusion and the reasons therefor were conveyed to the Examiner in written comments received after the hearing. (See Ex. 11, pp. 3-5.)

The Examiner concludes that a 15-year study period for hydro-electric plants would be more reasonable than a ten-year study period to provide a meaningful "average cost per kilowatt of installed capacity" factor.

Northern States Power Company further recommended "that the parameters for determining the average cost per kilowatt be reviewed annually" to recognize the effect of such a trending system on the market value of utilities. (T. 54-55) The Department indicated in its opening remarks that the rules are reviewed periodically (T. 10), and after the hearing reiterated the intent to continue such reviews. (Ex. 11, p. 3)

Otter Tail Power Company registered its general opposition to the "add-on market value feature based on installed costs per KW of large generating plants" based on the feeling that "it is impossible to make an assumption that generating plants (in [the case of Otter Tail Power Company], steam plants) increase in value as they get older." (Ex. 9, p. 3; T. 52, 53) The Examiner finds that the concept of replacement or reproduction costs for such valuation is a viable theory, and the average cost per kilowatt of installed capacity is a reasonble modification of this theory.

No questions, statements or comments were directed specifically to the reasonableness of the six-year period proposed for steam-electric and gas turbine electric plants.

9. That TaxAdVal 3(d), as it is proposed to be amended, provides that integrated companies will be valued using the capitalization rate which applies to the major business operation of the company. At the hearing, this section was further amended for clarification purposes by the addition of a definition of "major business operation". The Department supported this change as necessary in order to make the income approach to value a more accurate measure of the market value of an integrated utility.

In testimony offered at the hearing (T. 55-57), and in comments received after the hearing (Ex. 1w), Northern States Power Company (N.S.P.) strongly urged the rejection of the proposed amendment to TaxAdVal 3(d). In support of its position, N.S.P. noted that its "electric properties are no different from any other suppliers of electrical energy and neither is [its] gas utility different from other gas suppliers. The criteria used in analyzing the financial viability of N.S.P.'s gas utility are identical to the criteria used by other gas suppliers in their financial analysis." (T. 55) It was noted that the tax rules currently include different capitalization rates for electric companies, gas distribution companies and pipeline companies. N.S.P. asserted "the only way that different cap rates for similar properties can be justified is if each company would submit a capitalization rate based upon their individual financial structure for value determination. However, to assign different cap rates for similar utilities is discriminatory and also fails in its designated task and that is to produce market value. Market value must be based upon the same standards for all similar properties. To say that one set of rules applies to one supplier, but not to another, even though they are equal, is discriminatory and should not be permitted to be enforced." (T. 57)

N.S.P. argued convincingly and cited specific statutory support for its position in Exhibit 12.a., pp. 3-6:

"The special classification of integrated companies is the denial of equal protection of the laws under the state and federal constitutions. . . . The effect of the proposed rule is to place N.S.P.'s gas utility in a class by itself and disregard the very reasons for having three different classes of utility companies.

"The state may establish classifications for the purposes of taxation. However, any classification 'must be reasonable, not arbitrary, and must rest upon some ground of difference having a fair and substantial relation to the object of the legislation, so that all persons similarly circumstanced shall be treated alike.' National Tea Company v. State, 205 Minn. 443, 448, 286 N.W. 360 (1939), quoting Louisville G. & E. Company v. Coleman, 277 U.S. 32,37 (1928) (emphasis supplied). Once having established a classification, 'it is definite that under both the State and Federal Constitutions, taxes must be uniform upon the same class of property.' In re Petition of Dulton Realty, Inc. v. State, 270 Minn. 1, 132 N.W. 2d 394 (1964).

"The Department has previously designated a classification of gas utilities separate from electric and pipeline utilities. If this is a legitimate classification, the Department may not then treat one major gas utility differently from all the others. This clearly constitutes unlawful discrimination because it singles out NSP 'for discriminatory treatment by subjecting (it) to taxes not imposed upon others of the same class.' Township of Hillsborough v. Cromwell, 326 U.S. 620 (1946).

* * *

"The Department of Revenue has established a separate classification for gas utilities. In arriving at the rules for ad valorem taxation of utilities during 1975, the Department gave various specific reasons why the gas formula should be different from the electric and pipeline formulas. The Department has not demonstrated and cannot demonstrate any rational basis for using an electric capitalization rate for NSP's gas utility merely because NSP is an integrated company. . . .

"Implicit in the argument about the difficulty of valuing divisions of an integrated company is the supposition that it is difficult to separate an integrated company's properties for purposes of valuation. However, the operating properties of NSP's two utilities are separate and can easily be identified by the Department. The plants and distribution facilities of the gas and electric utilities are, of course, physically separate. Any property used by both utilities, such as office buildings and land, is not valued nor formula assessed under these regulations. . . . In fact, to the extent that any separation is required, the Department of Revenue need only recognize that all integrated utilities are required by the Federal Power Commission to maintain completely separate accounts for each utility. . . . In addition, separation is also necessary at the State level for the purpose of rate hearings before the Minnesota Public Service Commission. . . .".

N.S.P.'s opposition to the proposed amendment is further enhanced by the fact that the Department's attempt to classify integrated companies in previous rule-making proceedings has been rejected by the office of the Attorney General. Language very similar to that proposed in the instant matter was proposed in

the Fall of 1975 when the ad valorem tax rules were originally proposed and adopted. Such provision was rejected because there was no demonstrated need, no clear relation to statutory purpose and no basis for the distinction as required by the equal protection clause of the state and federal constitutions. (See letter from Michael B. Miller to Arthur C. Roemer, December 3, 1975, as quoted in Ex. 12.a., p. 10 and appended thereto).

The fact that "this proposed change would affect the market value of the three integrated companies in Minnesota by less than ±1%" (Ex. 11, p.5), is immaterial in view of the statutory requirements and interpretations cited above. The lack of a substantial effect of a proposed rule is insufficient to constitute an affirmative need for such rule as required by Minn. Stat. § 15.052, subd. 3.

For the reasons stated herein, the Examiner finds that the proposed amendment to TaxAdVal 3(d) to value integrated companies at the capitalization rate which applies to the major business operation of the company is discriminatory and constitutes a denial of equal protection of the laws under the state and federal constitutions and case law relating thereto.

10. That other comments were received at and after the hearing regarding provisions of the rules for which no amendments were proposed and for which no notice was given. (See T. 57-58; 44-48; Ex. 10; Ex. 9) Such matters were and are not properly before the Hearing Examiner, and the Examiner cannot, therefore, make findings, conclusions or recommendations with respect thereto. Consequently, no findings, conclusions or recommendations are made with regard to criticisms or recommendations relating to the ad valorem tax rules for which no notice was given.

11. That TaxAdVal 7 is reasonably amended to reflect an accurate exemplary calculation of taxes under the amended rules.

12. That the Department, being aware that the ad valorem tax rules are new, does now and intends to continue to periodically re-evaluate the rules for possible changes to correct any inequities which may exist as a result of their promulgation.

Based on the foregoing Findings of Fact, the Examiner amakes the following as his

CONCLUSIONS

1. Due, timely and adequate legal notice of the hearing was properly served and filed by the Department of Revenue. Although the 25-day filings (see HE 103) were filed two days late, no persons were prejudiced by the delay, as none requested an opportunity to review them, which is the purpose for the prefiling requirement. All other substantive and procedural requirements of statute or rule have been complied with.

2. The Department documented its statutory authority to take the proposed action.

3. The need for and reasonableness of all amendments to TaxAdVal 3(c) and TaxAd Val 7 have been demonstrated by the Department with an affirmative presentation of facts.

4. The amendment of TaxAdVal 3(d), as proposed, would be discriminatory and constitute a denial of equal protection of the laws under state and federal constitutions and case law relating thereto.

Based on the foregoing Conclusions, the Hearing Examiner makes the following as his

RECOMMENDATIONS

1. That the Department of Revenue adopt and promulgate the proposed amendments to TaxAdVal 3(c).

2. That the Department of Revenue not adopt or promulgate the proposed amendment to TaxAdVal 3(d).

Dated this 9th day of August, 1976.

Myron Greenberg

MYRON GREENBERG
Hearing Examiner

PROPOSED FOR ADOPTION

DEPARTMENT OF REVENUE

AD VALOREM TAX REGULATIONS

RECEIVED
AUG 26 1976
OFFICE OF HEARING EXAMINERS

TaxAdVal 3 VALUATION. (a) GENERAL. Because of the unique character of public utility companies, such as being subject to stringent government regulation over operations and earnings, the traditional approaches to valuation estimates of property (cost, capitalized income and market) must be modified when utility property is valued. Consequently, for the 1975 and subsequent assessment years, until economic and technological factors dictate a change, the value of utility company property will be estimated in the manner provided in this chapter.

(b) MARKET APPROACH. Market value implies a price for which an entire public utility enterprise might reasonably change hands between willing and informed buyers and sellers. The term presupposes a market of normal activity, no urgency to buy or sell on the part of either buyer or seller, and continued operation of the utility as a single entity. Public utility property is seldom transferred as a whole unit under these circumstances. Consequently, after consideration of this approach, it has been decided that valuation of utility properties by this approach is speculative and unreliable and will not be employed as a method of valuation for utility property at this time.

(c) COST APPROACH. The cost factor that will be considered in the utility valuation formula is the original cost less depreciation of the system plant, and improvements, plus the

original cost of construction work in progress on the assessment date. Depreciation will not be allowed on construction work in progress. Depreciation will be allowed as a deduction from cost in the amount allowed on the accounting records of the utility company, as such records are required to be maintained by the appropriate regulatory agency. Depreciation, however, shall not exceed the prescribed percentage of cost: for electric companies, ~~15~~ 17 percent; for gas distribution companies, 45 percent; pipeline companies, 45 percent.

When valuing electric company property the "average cost per kilowatt of installed capacity" will also be considered. Any excess of average cost per kilowatt of installed capacity over the actual cost of production plant (except land) multiplied by the kilowatts of installed capacity will be added to the original cost of the plant, and reduced by the same rate of depreciation applicable to the original cost. The average cost per kilowatt of installed capacity is computed by averaging the construction costs of production plant (except land) for major generating plants in the Continental U.S. ~~for the five most recent years available,~~ by type of plant, as shown in the latest issues of the Federal Power Commission publications, HYDROELECTRIC PLANT CONSTRUCTION COST AND ANNUAL PRODUCTION EXPENSES and STEAM-ELECTRIC PLANT CONSTRUCTION COST AND ANNUAL PRODUCTION EXPENSES and GAS TURBINE ELECTRIC PLANT CONSTRUCTION COST AND ANNUAL PRODUCTION EXPENSES. Average cost per kilowatt of installed capacity will be determined after excluding, (a) federally constructed, multi-purpose projects, and (b) nuclear electric generating plants.

The period to be used for computing the hydroelectric plant average will be 15 years. The period to be used for computing the steam-electric and gas turbine electric plant average will be six years.

The following examples illustrate this procedure. In both examples assume that the ~~five-year~~ study of the most recent construction data available from Federal Power Commission publications indicates that the average cost per kilowatt of installed capacity in a fossil fuel steam plant is $150 per kilowatt. Each of the two plants is of this type.

		#1	#2
1.	Plant		
2.	Installed capacity	100,000 KW	50,000 KW
3.	Year in Service	1960	1940
4.	Cost of Plant	$15,200,000	$3,500,000
5.	Cost per KW	$152	$70
6.	Average cost per KW	$150	$150
7.	Excess (line 6 - 5)	--	$80
8.	Additional value (line 7 x 2)	--	$4,000,000

The cost indicator of value computed in accordance with this regulation will be weighted for each class of utility company as follows: electric companies, 85 percent; gas distribution companies, 75 percent; pipeline companies, 75 percent.

(d) INCOME APPROACH TO VALUATION. The income indicator of value will be estimated by averaging the net operating earnings of the utility company for the most recent three years. After considering, as far as possible, all conditions that may exist in the future that may affect the present annual return, including

risk, life expectancy of the property, and cost of money, the capitalization rates used to compute value for the 1975 assessment will be: electric companies, 7.75 percent; gas distribution companies, 8 percent; pipeline companies, 8.25 percent. The income indicator of value computed in accordance with this regulation will be weighted for each class of utility company as follows: electric companies, 15 percent; gas distribution companies, 25 percent; pipeline companies, 25 percent.

(e) UNIT VALUE COMPUTATION. The unit value of the utility company will be the total of the weighted indicators of value.

The following is an example of the computation of the unit value:

Cost indicator of value	$5,000,000 x	75% =	$3,750,000
Income indicator of value	$4,800,000 x	25% =	$1,200,000
Unit Value of Pipeline Company		100%	$4,950,000

(f) VALUATION OF UTILITY PROPERTY OF COOPERATIVES. Cooperative associations shall have their utility property valued on the basis of historical cost only since they do not operate on the traditional profit-making basis. Depreciation will be allowed as a deduction from cost at increments of 2.5 percent per year but the maximum shall not exceed 25 percent for property used in the generation, transmission or distribution of electric power.

TaxAdVal 7 COMPREHENSIVE EXAMPLE. An illustration of the methods and procedures described in TaxAdVal 3, 4, 5 and 6 is as follows:

Example 1. COMPUTATION OF UNIT VALUATION OF AN ELECTRIC COMPANY

		Amount	Reference
1.	Utility Plant (Cost)	$200,000,000	F.P.C. Report
2.	Construction in Progress	5,000,000	F.P.C. Report
3.	Additional Value From Average Cost per K.W. Computation	4,000,000	Example 2, Line 8
4.	Total Plant	209,000,000	1 + 2 + 3
5.	Non-Depreciable Plant (Land, Intangibles, CWIP)	19,000,000	F.P.C. Report
6.	Depreciable Plant	190,000,000	4 - 5
7.	Depreciation (Maximum 17%)	32,300,000	6 x 17%
8.	Total Depreciated Plant Plus Non-Depreciable Plant	176,700,000	4 - 7

		Reference	1971	1972	1973
9.	Net Operating Income	F.P.C. Report	$ 8,000,000	$ 8,500,000	$ 9,000,000
10.	Capitalized Income @ 7.75%		103,225,806	109,677,419	116,129,032
11.	3 Year Total Capitalized Income			329,032,257	
12.	3 Year Average Capitalized Income (line 11 ÷ 3)			109,677,419	
13.	Total Depreciated Plant	$ 176,700,000	Weighted @ 85%		$150,195,000
14.	3 Year Average Capitalized Income	109,677,417	Weighted @ 15%		16,451,613
15.	Market		Weighted @ 0%		---
16.	Unit Value				166,646,613

Example 2. COMPUTATION OF AVERAGE COST PER KILOWATT OF INSTALLED CAPACITY.

ASSUME THAT A STUDY OF MOST RECENT CONSTRUCTION DATA AVAILABLE FROM THE F.P.C. SHOWS THAT THE AVERAGE COST PER KILOWATT OF INSTALLED CAPACITY IN A FOSSIL FUEL STEAM PLANT IS $150.00 PER KILOWATT.

1.	Plant	#1	#2
2.	Installed Capacity	100,000 K.W.	50,000 K.W.
3.	Date in Service	1960	1940
4.	Cost of Plant	$15,200,000	$3,500,000
5.	Cost Per K.W.	$152.00	$ 70.00
6.	Average Cost Per K.W.	$150.00	$150.00
7.	Difference (if any)	---	$ 80.00
8.	Additional Value	---	$4,000,000

Example 3. ALLOCATION OF UNIT VALUATION OF ELECTRIC COMPANY TO MINNESOTA.

		Amount	Reference
1.	Utility Plant System	$200,000,000	F.P.C. Report
2.	Construction Work in Progress	5,000,000	F.P.C. Report
3.	Total Utility Plant System	205,000,000	1 + 2
4.	Utility Plant Minnesota	110,000,000	UTL Report
5.	Construction Work in Progress Minnesota	5,000,000	UTL Report
6.	Total Utility Plant Minnesota	115,000,000	4 + 5
7.	Minnesota Plant to System Plant	56.10%	6 ÷ 3
8.	Weighting Factor	90%	
9.	Minnesota Weighted % Original Cost	50.49%	7 x 8
10.	Gross Revenue System	105,000,000	F.P.C. Report
11.	Gross Revenue Minnesota	40,000,000	UTL Report
12.	Minnesota Revenue to System Revenue	38.10%	11 ÷ 10
13.	Weighting Factor	10%	
14.	Minnesota Weighted % Revenue	3.81%	12 x 13
15.	Total Minnesota Percent	54.30%	9 + 14
16.	Unit Value	166,646,613	Example 1, line 16
17.	Minnesota Portion of Unit Value	$ 90,489,111	15 x 16

Example 4. COMPUTATION OF APPORTIONABLE VALUE OF UTILITY COMPANY.

			Amount	Reference
1.	Minnesota Portion of Unit Value		$90,489,111	Example 3, line 17
2.	Excludable Items:			
	a. Land Assessed Locally		3,000,000	UTL Report
	b. Land Rights		---	
	c. General Plant Items	$10,000,000		UTL Report
	d. Pollution Control Equipment	10,000,000		UTL Report
	e. Less Depreciation @ 17%	3,400,000		(c + d) x 17%
	f. Net General Plant & Pollution Control Items		16,600,000	(c + d) - e
	g. Total Excludable Items		19,600,000	a + f
3.	Minnesota Apportionable Value		70,889,111	1 - 2g

Example 5. APPORTIONMENT TO LOCAL TAXING DISTRICTS OF MINNESOTA PORTION OF UNIT VALUE AFTER ADJUSTMENTS.

ASSUME: TAX DISTRICTS 1 AND 2 HAVE POWER PLANTS AND DISTRIBUTION LINES.
TAX DISTRICTS 3 AND 4 HAVE DISTRIBUTION LINES ONLY.
MINNESOTA PORTION OF UNIT VALUE AFTER ADJUSTMENTS = $70,889,111.

TAX DISTRICT	1	2	3	4	Total
1. Last Limited Market Value:					
a. Structures	$ 5,000,000	$10,000,000			$15,000,000
b. Machinery	10,000,000	20,000,000			30,000,000
c. Personal Property	1,000,000	3,000,000	$ 6,000,000	$ 5,000,000	15,000,000
d. Total	$16,000,000	$33,000,000	$ 6,000,000	$ 5,000,000	$60,000,000
2. Additions Including Construction in Progress at Original Cost			3,000,000	3,000,000	6,000,000
3. Retirements at Last Limited Market Value (Machinery)		(1,000,000)			(1,000,000)
4. Additional Value Due to Average Cost per Kilowatt Computation ($4,000,000 Less 17% Depreciation Allowance)	3,320,000				3,320,000
5. Updated District Total	$19,320,000	$32,000,000	$ 9,000,000	$ 8,000,000	$68,320,000
6. Percent of Total (Line 5 by Tax District ÷ Line 5 Total)	28.28%	46.84%	13.17%	11.71%	100.0%
7. Portion of Minnesota Adjusted Unit Value (Line 6 x $70,889,111)	$20,047,441	$33,204,459	$ 9,336,096	$ 8,301,115	$70,889,111
8. New Market Value*					
a. Structures	$ 6,336,595	$10,376,393			$16,712,988
b. Machinery	12,673,190	19,715,148			32,388,338
c. Personal Property	1,037,656	3,112,918	9,336,096	8,301,115	21,787,785
d. Total	$20,047,441	$33,204,459	$ 9,336,096	$ 8,301,115	$70,889,111

*Computed by finding percentage of 1a, 1b, 1c plus any additions and minus any retirements in 2, 3, 4 ÷ line 5. This percentage x line 7 equals new market value by classification. Example: District 2, line 1b ($20,000,000) minus line 3 ($1,000,000) = $19,000,000 ÷ line 5 ($32,000,000)= 59.38% x line 7 ($33,204,459) = $19,715,148.

APPROVED AS TO FORM AND LEGALITY

OCT 14 1976 19

WARREN SPANNAUS, ATTORNEY GENERAL

BY /s/ Michael B. Miller

SPECIAL ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
OCT 14 1976 - 3:16 pm
Joan Anderson Growe
Secretary of State

STATE OF MINNESOTA

COUNTY OF RAMSEY

BEFORE ARTHUR C. ROEMER

COMMISSIONER OF REVENUE

In the Matter of the Proposed Adoption of Rules of the Department of Revenue Relating to Property (Ad Valorem) Tax

RECEIVED
AUG 26 1976
OFFICE OF HEARING EXAMINERS

STATEMENT OF NEED

The proposed changes in TaxAdVal 3 and TaxAdVal 7 are necessary to insure uniform and fair assessment of utility companies for property tax purposes.

Minnesota Statutes, Section 272.01, Subdivision 1, subjects all real and personal property in this state to taxation unless the property is specifically exempted. Minnesota Statutes, Section 273.11, Subdivision 1, provides that all property shall be valued at its market value.

On October 17, 1973, the Minnesota Supreme Court, in Independent School District No. 99, et al v. Commissioner of Taxation, 297 Minn. 378, ruled that in estimating the market value of utility properties for ad valorem tax purposes, the assessing authorities must consider every element affecting market value. This ruling invalidated the assessment formula initiated in 1962 and used up to that time.

In 1975, in response to the Supreme Court's ruling regarding the former formula, the Commissioner of Revenue promulgated rules reflecting the manner in which the market value of utility property will be estimated by utilizing data relating to the cost of the property and the earnings of the company owning or utilizing the property.

The Commissioner of Revenue now proposes four changes in current TaxAdVal 3. The first proposed change would eliminate the depreciation allowance on construction work in progress. This is necessary to make the regulation compatible with the accounting procedures imposed on the utilities by the Federal Power Commission and the Interstate Commerce Commission.

The second change increases the maximum depreciation allowed to electric companies to more adequately reflect the overall state of depreciation within the electric utility industry and provide a more accurate measure of the market value of the electric utilities.

The third change is to increase the study period to be used for computing the hydro-electric, steam-electric, and gas turbine electric plant "average cost per kilowatt of installed capacity" factor. The lack of new plants being constructed in the hydro-electric field necessitates the use of a ten-year study period in order to gain a meaningful number of plants. A six-year study period appears to be sufficient for steam-electric and gas turbine electric plants.

Change number four provides that integrated companies will be valued using the capitalization rate which applies to the major business operation of the company. This change is needed in order to make the income approach to value a more accurate measure of the market value of an integrated utility.

The examples in TaxAdVal 7 have been revised to reflect the proposed changes in TaxAdVal 3.

STATE OF MINNESOTA
DEPARTMENT OF REVENUE

Arthur C. Roemer

COMMISSIONER OF REVENUE

ADMIN 1000

STATE OF MINNESOTA

DEPARTMENT of Revenue

Office Memorandum

TO : J. MICHAEL MILES
Special Assistant Attorney General

DATE: 9/20/76

FROM : DOROTHY A. McCLUNG
Research Attorney Dorothy A. McClung

PHONE: 3410

SUBJECT: Adoption of Proposed Rules of the Department of Revenue Pertaining to Property (Ad Valorem) Tax

I am forwarding to you for review the complete record of the hearing pertaining to the above-captioned rules.

When you have completed your review and if you approve the adoption of these rules, I will arrange for publication in the State Register.

DAM:dek

Enclosures

STATEMENT OF COMPLIANCE WITH
MANUAL OF RULE MAKING PROCEDURES

I, Deputy Attorney General C. H. Luther, do hereby declare that I have examined the proposed rules and all related documents and that, based on them and my personal familiarity with the applicable procedures, the Manual of Rule Making Procedures has been followed. Any exceptions are noted below.

C. H. Luther

C. H. LUTHER
Deputy Attorney General

Dated: Sept. 17, 1976

STATE OF MINNESOTA

DEPARTMENT OF REVENUE

IN THE MATTER OF THE PROPOSED ADOPTION)
OF RULES OF THE DEPARTMENT OF REVENUE) ORDER ADOPTING RULES
GOVERNING PROPERTY (AD VALOREM) TAX)

The above-entitled matter came on for hearing before the Revenue Commissioner of the State of Minnesota on the 30th day of June, 1976, at 10:00 A.M. in Room 57, State Office Building, St. Paul, Minnesota, after proper notice required by M.S. 1976, Section 15.0412 was served upon all persons, associations and other interested groups registered with the Secretary of State for that purpose.

After affording interested persons an opportunity to present written and oral data, statements and arguments, having heard all of the testimony, having considered all of the evidence adduced and upon the records, files and proceedings herein, and applicable statutory standards or criteria, and having confirmed the need for the above captioned rules and the reasonableness thereof.

NOW, THEREFORE, IT IS ORDERED that these rules identified as rules of the Department of Revenue relating to property (ad valorem) tax are adopted this 14th day of September, 1976, pursuant to authority vested in me by M.S., Section 270.06.

STATE OF MINNESOTA
DEPARTMENT OF REVENUE

Arthur C. Roemer

COMMISSIONER OF REVENUE

STATE OF MINNESOTA
OFFICE OF HEARING EXAMINERS
ROOM 300 – 1745 UNIVERSITY AVENUE
ST. PAUL, MINNESOTA 55104
(612) 296-6910

September 1, 1976

Ms. Dorothy McClung, Research Attorney
Department of Revenue
Room 204 Centennial Building
658 Cedar Street
St. Paul, Minnesota 55155

Re: Proposed Adoption of Rules of the Department of Revenue
Relating to Property (Ad Valorem) Tax.
DR-76-002-MG

Dear Ms. McClung:

Enclosed please find the entire record which you submitted to us for review on the issue of substantial change together with the Report of the Acting Chief Hearing Examiner, pursuant to Minn. Stat. §15.052, Subd. 3.

The enclosures consist of the following:

1. Report of the Acting Chief Hearing Examiner
2. Rules as Proposed for Adoption
3. Report of Hearing Examiner and transmittal letter
4. Transcript and transmittal letter
5. Exhibits 1 through 12.b
6. Registration sheets (2)

Yours very truly,

Duane R. Harves

DUANE R. HARVES
Acting Chief Hearing Examiner

DRH:sh
Encs.

AN EQUAL OPPORTUNITY EMPLOYER

DR-76-002-MG

STATE OF MINNESOTA
OFFICE OF HEARING EXAMINERS

FOR THE DEPARTMENT OF REVENUE

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE DEPARTMENT OF REVENUE RELATING TO PROPERTY (AD VALOREM) TAX.	REPORT OF THE ACTING CHIEF HEARING EXAMINER

WHEREAS, a hearing was held on June 30, 1976, before Myron Greenberg, a Hearing Examiner of the State Office of Hearing Examiners, on the above-entitled matter in compliance with Minn. Stat. §15.0412, Subd. 4; and

WHEREAS, the Report of Hearing Examiner made pursuant to Minn. Stat. §15.052, Subd. 3, was issued to the Department of Revenue on August 9, 1976; and

WHEREAS, the Department of Revenue has now determined to adopt rules pursuant to Minn. Stat. §15.0412, Subd. 4; and

WHEREAS, the Department of Revenue has submitted said rules to the Acting Chief Hearing Examiner for review pursuant to Minn. Stat. §15.052, Subd. 4, and Rule HE 107; and

WHEREAS, the Acting Chief Hearing Examiner finds that there are no substantial changes in said rules as originally proposed.

NOW, THEREFORE, upon receipt of this Report, the Department of Revenue has the responsibility of submitting the complete hearing record and the rules as adopted by the Department to the Attorney General and to publish in the State Register, all pursuant to Minn. Stat. §15.0412, Subd. 4.

Dated this 1st day
of September, 1976.

Duane R. Harves

DUANE R. HARVES
Acting Chief Hearing Examiner

STATE OF MINNESOTA
OFFICE OF HEARING EXAMINERS
ROOM 300 - 1745 UNIVERSITY AVENUE
ST. PAUL, MINNESOTA 55104
(612) 296-6910

August 10, 1976

Ms. Dorothy McClung
Research Attorney
Department of Revenue
Centennial Office Building
St. Paul, Minnesota - 55145

RE: In the Matter of the Proposed Adoption of Rules of the Department of Revenue Relating to Property (Ad Valorem) Tax.

Dear Ms. McClung:

I enclose herewith the Report of the Hearing Examiner in the above-entitled matter together with your file papers, and I am closing our file in this case.

Yours very truly,

Myron Greenberg

MYRON GREENBERG
Hearing Examiner

MG/eag

Encs.

AN EQUAL OPPORTUNITY EMPLOYER

STATE OF MINNESOTA

COUNTY OF RAMSEY

BEFORE ARTHUR C. ROEMER

COMMISSIONER OF REVENUE

RECEIVED
AUG 26 1976
OFFICE OF HEARING EXAMINERS

In the Matter of the Proposed Adoption of Rules of the Department of Revenue Relating to Property (Ad Valorem) Tax

ORDER FOR HEARING

To effectively implement legislation relating to the valuation and assessment of electric, gas distribution, and pipeline companies (utility companies), the Minnesota Commissioner of Revenue deems it necessary to consider adoption of the proposed rules captioned above pursuant to the authority vested in me by Minnesota Statutes 1974, Section 270.06.

NOW, THEREFORE, IT IS ORDERED, this 28th day of May, 1976, that a public hearing on the proposed rules captioned above be held in the State Office Building, Room 57, St. Paul, Minnesota, on June 30, 1976, commencing at 10:00 a.m., and continuing until all representatives of associations or other interested groups or persons have had an opportunity to be heard.

IT IS FURTHER ORDERED, that notice of said hearing be given to all representatives of associations or other interested groups or persons who have registered their names with the Secretary of State for that purpose.

STATE OF MINNESOTA
DEPARTMENT OF REVENUE

Arthur C. Roemer

COMMISSIONER OF REVENUE

STATE OF MINNESOTA

COUNTY OF RAMSEY

BEFORE ARTHUR C. ROEMER

COMMISSIONER OF REVENUE

RECEIVED
AUG 26 1976
OFFICE OF HEARING EXAMINERS

In the Matter of the Proposed Adoption of Rules of the Department of Revenue Relating to Property (Ad Valorem) Tax

NOTICE OF HEARING

Notice is hereby given that a public hearing will be held pursuant to Minnesota Statutes 1974, Section 15.0412, Subdivision 4, as amended by Laws 1975, Chapter 380, in the above-entitled matter, in the State Office Building, Room 57, St. Paul, Minnesota, on June 30, 1976, commencing at 10:00 a.m. and continuing until all representatives or other interested groups or persons have had an opportunity to be heard concerning adoption of the proposed rules captioned above by submitting either oral or written data, statements or arguments. Persons may submit written statements or briefs without appearing at the hearing and will be accepted for a period of twenty (20) calendar days following the close of the hearing.

The Commissioner, pursuant to the authority vested in me by Minnesota Statutes 1974, Section 270.06, proposes to amend the rules to effectively implement legislation relating to the valuation and assessment of electric, gas distribution, and pipeline companies (utility companies).

A copy of the proposed amendments to Minn. Reg. TaxAdVal 3 and Minn. Reg. TaxAdVal 7 are available and may be obtained by writing to the Director of Property Equalization Division, Centennial Office Building, St. Paul, Minnesota 55145. Copies will also be available at the door on the date of the hearing.

Persons who wish to present oral comments in addition to written comments or suggestions are requested to submit to Lyle H. Ask, Director of Property Equalization Division, by June 25, 1976, an outline of the topics and the time they wish to devote to each topic.

Notice is also given that under Minn. Stat. § 10A.01, Subd. 11 (1974), any individual engaged for pay or other consideration for the purpose of representing persons or associations attempting to influence administrative action, such as the promulgation of these rules, must register with the State Ethics Commission as a lobbyist within five days of the commencement of such activity by the individual. The State Ethics Commission is located at 410 State Office Building, St. Paul, Minnesota 55155.

STATE OF MINNESOTA
DEPARTMENT OF REVENUE

Arthur C. Roemer

COMMISSIONER OF REVENUE

RECEIVED
AUG 26 1976
OFFICE OF HEARING EXAMINERS

AFFIDAVIT

Dorothy A. McClung, being duly sworn on oath deposes and says:

1) That she is an employee of the Department of Revenue of the State of Minnesota.

2) That on the twenty sixth day of May, 1976, she went to the Secretary of State's office for the State of Minnesota and requested a current list of all representatives of associations or other interested groups or persons who had registered their names with the Secretary of State for the purpose of obtaining notices of public hearings relating to the promulgation of rules pursuant to M.S. 15.0412.

3) That on the twenty sixth day of May, 1976, in response to the above request, the Secretary of State provided her with such a list, consisting of 482 mailing labels and 1 sheets of names.

Further affiant sayeth not.

Dorothy A McClung

Subscribed and sworn to before me this 28th day of May, 1976.

Patricia Zentzis
Notary Public

PATRICIA ZENTZIS
Notary Public, Ramsey Co., Minn.
My Commission Expires
May 9, 1982

RECEIVED
MAY 26 1976
OFFICE OF HEARING EXAMINERS

STATE OF MINNESOTA

COUNTY OF RAMSEY

BEFORE ARTHUR C. ROEMER

COMMISSIONER OF REVENUE

In the Matter of the Proposed Adoption of Rules of the Department of Revenue Relating to Property (Ad Valorem) Tax

CERTIFICATE

I hereby certify that the attached list consisting of 482 labels and one sheets constitute the complete list of persons, associations and other interested groups who as of 10:00 AM this twenty-sixth day of May, 1976, have requested pursuant to M.S. 1974, Section 15.0412, that their names be placed on file with the Secretary of State for the purpose of receiving notice of public hearing on proposed rules on the subject captioned above.

Joan Anderson Growe
Secretary of State
JOAN GROWE

By Neil Dion

RECEIVED
AUG 26 1976
OFFICE OF HEARING
EXAMINERS

PLEASE NOTE:

If you intend to supplement this list with other lists when mailing a hearing notice, please compare lists and eliminate duplicate notices.

Thank you.

ALSO
NOTIFY ALL INTERESTED STATE DEPARTMENTS, BOARDS AND COMMISSIONS
AND
PLEASE SORT OUT INTEROFFICE MAIL FROM LABELS

MAILING LIST FOR 6/30/76 HEARING.

ary W. Bastian
enate IRC
10 State Office Building
t. Paul, MN 55155

r. Charles J. Doidge
09 East Wyoming Street
edwood Falls, Minnesota 56283

estors Syndicate Life Ins. &
Annuity Company
estors Building
neapolis, MN 55402
: General Counsel

thwest Petroleum Association
Nicollet Mall
m 917
neapolis, Minnesota 55402

ings & Loan League of Minn.
2nd Avenue South
ite 303
neapolis, Minnesota 55402

loyd Crum
acine
innesota 55967

Robert F. Christensen
Minnesota Association -
Rehabilitation Fac.
3915 Golden Valley Road
Golden Valley, Minnesota 55422

Mr. M. C. Setterberg
First National Bank of Mpls.
Minneapolis, MN 55402

Mr. Jeffrey A. Marcus
General Television, Ste. 115
2021 East Hennepin Drive
Minneapolis, Minnesota 55413

Mr. James F. Pitt
55 East 5th Street
St. Paul, Minnesota 55101

Ron Ruud
314 Minnesota Building
St. Paul, Minnesota 55101

Mr. A. James Dickinson
1200 Northwestern Natl. Bank
Building
55 East 5th Street
St. Paul, Minnesota 55101

J. C. Higgins
Brotherhood Railway Clks.
2317 West 7th Street
Duluth, Minnesota 55802

Mr. Daniel Mundt
% Van Evera, Mundt Et Al
700 Torrey Building
Duluth, Minnesota 55802

Prudential Ins. Co. of America
Box 1143
Minneapolis, MN 55440

Attention: Law Dept.

Roy Reid, Ass't. Manager
Property Tax Section
Williams Pipe Line Company
Drawer 3448
Tulsa, Oklahoma 74101

Total 629
Less Otter Tail 1
628

Mailed out 628

James McDonald
Amoco
4940 Viking Drive
Minneapolis, Minn. 55435

bin A. Holt, Sec.-Treas.
gfork Valley Elec. Serv. Co.
gfork, Minn.

. K. Kaslow, Treasurer
andin Power Company
and Rapids, Minn. 55744

D. Keith, General Mgr.
ie Mining Company
O. Box 847
yt Lakes, Minn. 55604

nald L. Reuther
reat Lakes Gas Trans. Co.
e Woodward Ave.
troit, Mich. 48226

R. Stuart, Exec. Vice-Pres.
reat Plains Natural Gas Co.
404 Indian Hills Drive
aha, Nebraska 68114

arl W. Cochran
ss't V.P. & Ass't Treas.
reely Gas Co.
500 Grant St. - Suite 400
enver, Colo. 80203

all L. Shella, Sec.-Treas.
ome Light & Power Co.
asper, Minn. 56156

eorge Lucas, Vice-Pres.
nter-City Gas Ltd., Inc.
004 Cloquet Ave.
loquet, Minn. 55720

. Beleyowski, Accounting Mgr.
nter City Minn. Pipelines, Ltd.
500 One Lombard Place
innipeg, Manitoba, Canada

on McConochie
nterstate Power Company
000 Main St.

J. B. Rehnstrom, Vice-Pres.-Treas
Iowa Electric Light & Power Co.
P. O. Box 351
Cedar Rapids, Iowa 52406

George Marks, Tax Agent
Lakehead Pipe Line Co.
3025 Tower Ave.
Superior, Wisc. 54880

Bill H. Howell, Sr. Tax Agent
Ad Valorem Tax Dept.
Mid-America Pipe Line Co.
800 Oil Center Bldg.
Tulsa, Oklahoma 74119

George F. Bobbitt, Tax Agent
Midwestern Gas Transmission Co.
P. O. Box 2511
Tennessee Bldg.
Houston, Texas 77001

Art Carlson, Tax Accountant
Minnesota Gas Company
733 Marquette Ave.
Minneapolis, Minn. 55402

Mike Bradshaw
Minnesota Pipe Line
Box 2256
Wichita, Kansas

H. R. Alden, Land & Tax Agent
Minn. Power and Light Company
30 West Superior Street
Duluth, Minn. 55802

Bill Symington
Mobile Oil Company
P. O. Box 900
Dallas, Texas 75221

Noel Engelhorn, Tax Agent
Montana Dakota Utilities Co.
400 North Fourth Street
Bixmark, N. D. 58501

James A. Smith
North Central Public Service Co.
1080 Montreal Ave.

Robert Foster, Tax Agent
Northern Natural Gas Co.
3223 Dodge Street
Omaha, Nebraska 68102

Robert Dolan, Property Tax Mgr.
Northern States Power
414 Nicollet Mall
Minneapolis, Minn. 55402

Donald A. Johnson, Ass't. Sec.
Northwestern Wisc. Elec. Co.
Grantsburg, Wisc. 54840

Vern Kester
Property Tax Accountant
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minn. 56537

Vern Kester
Property Tax Accountant
Otter Tail Power Company
215 South Cascade Street
Fergus Falls, Minn. 56537

John Truit Phillips
Portal Pipeline Company
1401 Elm Street
Dallas, Texas 75202

A. L. Larson, C

John Truit Phillips
Portal Pipeline Company
1401 Elm Street
Dallas, Texas 75202

A. L. Larson, Controller
Rainy River Improvement Co.
International Falls, Mn. 56649

E. J. Bentley, Land Engineer
Reserve Mining Company
Silver Bay, Minn. 55614

Gene Lindsay
Superior Water, Power & Light
1230 Tower Ave.
Superior, Wisc. 54880

Western Gas Utilities
Anderson, Helgeson, Lieser &
Thorsen
3900 Washington Ave. No.

COUNTY ASSESSOR

MURRAY
COURTHOUSE
SLAYTON
56172
MINN

COUNTY ASSESSOR

OLMSTED
COURTHOUSE
ROCHESTER
55901
MINN

COUNTY ASSESSOR

PIPESTONE
COURTHOUSE
PIPESTONE
56164
MINN

COUNTY ASSESSOR

REDWOOD
COURTHOUSE
REDWOOD FALLS
56283
MINN

COUNTY ASSESSOR

ROSEAU
COURTHOUSE
ROSEAU
56751
MINN

COUNTY ASSESSOR

STEARNS
COURTHOUSE
ST. CLOUD
56302
MINN

COUNTY ASSESSOR

TODD
COURTHOUSE
LONG PRAIRIE
56347
MINN

COUNTY ASSESSOR

WASECA
COURTHOUSE
WASECA
56093
MINN

COUNTY ASSESSOR

WINONA
COURTHOUSE
WINONA
55987
MINN

COUNTY ASSESSOR

MILLE LACS
COURTHOUSE, 635 2ND S.E.
MILACA
56353
MINN

COUNTY ASSESSOR

NICOLLET
COURTHOUSE
ST. PETER
56082
MINN

COUNTY ASSESSOR

OTTER TAIL
COURTHOUSE
FERGUS FALLS
56537
MINN

COUNTY ASSESSOR

POLK
COURTHOUSE
CROOKSTON
56716
MINN

COUNTY ASSESSOR

RENVILLE
COURTHOUSE
OLIVIA
56277
MINN

COUNTY ASSESSOR

SCOTT
COURTHOUSE
SHAKOPEE
55379
MINN

COUNTY ASSESSOR

STEELE
COURTHOUSE
OWATONNA
55060
MINN

COUNTY ASSESSOR

TRAVERSE
COURTHOUSE
WHEATON
56296
MINN

COUNTY ASSESSOR

WASHINGTON
COURTHOUSE
STILLWATER
55082
MINN

COUNTY ASSESSOR

WRIGHT
COURTHOUSE
BUFFALO
55313
MINN

COUNTY ASSESSOR

MORRISON
COURTHOUSE
LITTLE FALLS
56345
MINN

COUNTY ASSESSOR

NOBLES
COURTHOUSE
WORTHINGTON
56187
MINN

COUNTY ASSESSOR

PENNINGTON
COURTHOUSE
THIEF RIVER FALLS
56701
MINN

COUNTY ASSESSOR

POPE
COURTHOUSE
GLENWOOD
56334
MINN

COUNTY ASSESSOR

RICE
COURTHOUSE
FARIBAULT
55021
MINN

COUNTY ASSESSOR

SHERBURNE
COURTHOUSE
ELK RIVER
55330
MINN

COUNTY ASSESSOR

STEVENS
COURTHOUSE
MORRIS
56267
MINN

COUNTY ASSESSOR

WABASHA
COURTHOUSE
WABASHA
55981
MINN

COUNTY ASSESSOR

WATONWAN
COURTHOUSE
ST. JAMES
56081
MINN

COUNTY ASSESSOR

YELLOW MEDICINE
COURTHOUSE
GRANITE FALLS
56241
MINN

COUNTY ASSESSOR

MOWER
COURTHOUSE
LITCHFIELD
55355
MINN

COUNTY ASSESSOR

NORMAN
COURTHOUSE
ADA
56510
MINN

COUNTY ASSESSOR

PINE
COURTHOUSE
PINE CITY
55063
MINN

COUNTY ASSESSOR

RED LAKE
COURTHOUSE
RED LAKE FALLS
56750
MINN

COUNTY ASSESSOR

ROCK
COURTHOUSE
LUVERNE
56156
MINN

COUNTY ASSESSOR

SIBLEY
COURTHOUSE
GAYLORD
55334
MINN

COUNTY ASSESSOR

SWIFT
COURTHOUSE
BENSON
56215
MINN

COUNTY ASSESSOR

WADENA
COURTHOUSE
WADENA
56482
MINN

COUNTY ASSESSOR

WILKIN
COURTHOUSE
BRECKENRIDGE
56520
MINN

COUNTY ASSESSOR

MOWER
COURTHOUSE
AUSTIN
55913
MINN

Mr. Kent Swanson
Edina Village Assessor
4801 West 50th Street
Minneapolis, Mn. 55424

Mr. Roger Olson
Crystal City Assessor
4141 Douglas Drive
Crystal, Mn. 55422

Eileen Baumgartner
Room 17
State Capitol

Mr. Jean Bopp
Fergus Falls City
Assessor
Fergus Falls, Mn. 56537

Mr. Gordon Moe
Mpls. City Assessor
City Hall
Minneapolis, Mn. 55415

Dale Busacker
House Tax Committee
Room 297
State Office Building

Mr. Vernon L. Anderson
Richfield City Assessor
6700 Portland Ave. So.
Richfield, Mn. 55423

Mr. Robert Locky
St. Louis Park Assessor
5005 Minnetonka Blvd.
St. Louis Park, Mn.
55416

Mr. John Westin
Duluth City Assessor
City Hall
Duluth, Mn. 55800

Mr. Robert N. Burns
Bloomington City Asst.
2215 W. Old Shakoppe Rd.
Bloomington, Mn. 55431

Mr. John Marka
Minnetonka Village Asr.
13231 Minnetonka Blvd.
Minnetonka, Mn. 55435

Susan Chianelli
Senate Tax Committee
Room G 29
State Capitol

Mr. John T. Nordberg
Brooklyn Center Asst.
6301 Shingle Creek Pkwy
Brooklyn Center, Mn. 55429

Mr. Marty Walsh
Plymouth City Assessor
Plymouth, Minnesota
55427

COUNTY ASSESSOR

HENNEPIN
COURTHOUSE
MINNEAPOLIS MINN
55415

COUNTY ASSESSOR

ANOKA
COURTHOUSE
ANOKA MINN
55303

COUNTY ASSESSOR

BIG STONE
COURTHOUSE
ORTONVILLE MINN
56278

COUNTY ASSESSOR

CARVER
COURTHOUSE
CHASKA MINN
55318

COUNTY ASSESSOR

CLAY
COURTHOUSE
MOORHEAD MINN
56560

COUNTY ASSESSOR

CROW WING
COURTHOUSE
BRAINERD MINN
56401

COUNTY ASSESSOR

FARIBAULT
COURTHOUSE
BLUE EARTH MINN
56013

COUNTY ASSESSOR

GRANT
COURTHOUSE
ELBOW LAKE MINN
56531

COUNTY ASSESSOR

ITASCA
COURTHOUSE
GRAND RAPIDS MINN
55744

COUNTY ASSESSOR

KITTSON
COURTHOUSE
HALLOCK MINN
56728

COUNTY ASSESSOR

LAKE OF THE WOODS
COURTHOUSE
BAUDETTE MINN
56623

COUNTY ASSESSOR

MCLEOD
COURTHOUSE
GLENCOE MINN
55336

COUNTY ASSESSOR

RAMSEY
COURTHOUSE
ST. PAUL MINN
55101

COUNTY ASSESSOR

BECKER
COURTHOUSE
DETROIT LAKES MINN
56501

COUNTY ASSESSOR

BLUE EARTH
COURTHOUSE
MANKATO MINN
56001

COUNTY ASSESSOR

CASS
COURTHOUSE
WALKER MINN
56484

COUNTY ASSESSOR

CLEARWATER
COURTHOUSE
BAGLEY MINN
56621

COUNTY ASSESSOR

DAKOTA
COURTHOUSE
HASTINGS MINN
55033

COUNTY ASSESSOR

FILLMORE
COURTHOUSE
PRESTON MINN
55965

COUNTY ASSESSOR

HOUSTON
COURTHOUSE
CALEDONIA MINN
55921

COUNTY ASSESSOR

JACKSON
COURTHOUSE
JACKSON MINN
56143

COUNTY ASSESSOR

KOOCHICHING
COURTHOUSE
INTERNATIONAL FALLS MINN
56649

COUNTY ASSESSOR

LE SUEUR
COURTHOUSE
LE CENTER MINN
56057

COUNTY ASSESSOR

MAHNOMEN
COURTHOUSE
MAHNOMEN MINN
56557

COUNTY ASSESSOR

ST LOUIS
COURTHOUSE
DULUTH MINN
55802

COUNTY ASSESSOR

BELTRAMI
COURTHOUSE
BEMIDJI MINN
56601

COUNTY ASSESSOR

BROWN
COURTHOUSE
NEW ULM MINN
56073

COUNTY ASSESSOR

CHIPPEWA
COURTHOUSE
MONTEVIDEO MINN
56265

COUNTY ASSESSOR

COOK
COURTHOUSE
GRAND MARAIS MINN
55604

COUNTY ASSESSOR

DODGE
COURTHOUSE
MANTORVILLE MINN
55955

COUNTY ASSESSOR

FREEBORN
COURTHOUSE
ALBERT LEA MINN
56007

COUNTY ASSESSOR

HUBBARD
COURTHOUSE
PARK RAPIDS MINN
56470

COUNTY ASSESSOR

KANABEC
COURTHOUSE
MORA MINN
55051

COUNTY ASSESSOR

LAC QUI PARLE
COURTHOUSE
MADISON MINN
56256

COUNTY ASSESSOR

LINCOLN
COURTHOUSE
IVANHOE MINN
56142

COUNTY ASSESSOR

MARSHALL
COURTHOUSE, 208 E. COLVI
WARREN MINN
56762

COUNTY ASSESSOR

MORRISON

COUNTY ASSESSOR

AITKIN
COURTHOUSE
AITKIN MINN
56431

COUNTY ASSESSOR

BENTON
COURTHOUSE
FOLEY MINN
56329

COUNTY ASSESSOR

CARLTON
COURTHOUSE
CARLTON MINN
55718

COUNTY ASSESSOR

CHISAGO
COURTHOUSE
CENTER CITY MINN
55012

COUNTY ASSESSOR

COTTONWOOD
COURTHOUSE
WINDOM MINN
56101

COUNTY ASSESSOR

DOUGLAS
COURTHOUSE
ALEXANDRIA MINN
56308

COUNTY ASSESSOR

GOODHUE
COURTHOUSE
RED WING MINN
55066

COUNTY ASSESSOR

ISANTI
COURTHOUSE
CAMBRIDGE MINN
55008

COUNTY ASSESSOR

KANDIYOHI
COURTHOUSE
WILLMAR MINN
56201

COUNTY ASSESSOR

LAKE
COURTHOUSE
TWO HARBORS MINN
55616

COUNTY ASSESSOR

LYON
COURTHOUSE
MARSHALL MINN
56258

COUNTY ASSESSOR

MARTIN
COURTHOUSE
FAIRMONT MINN
56031

COUNTY ASSESSOR

MOWER

REVENUE

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Higgins, J.C., Brotherhood Rwy. Clks., 2317 W. 7th St., Duluth

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VILLAGE OF WOODBURY
2100 RADIO DRIVE
WOODBURY MN
55042

VOLDNESS PERRY
IDS 8TH & MARQUETTE
MPLS MN
55402

VOSS REV GORDON O
11120 NE 7TH ST
BLAINE MN
55434

VOS LEROY
2137 BURNS AVE
ST PAUL MN
55119

WALD JEAN
5746 SANDER DR
MPLS MN
55417

WALTERS THOS H
4510 W 77TH ST STE 235
MPLS MN
55435

WANQUIST ALLEN
RM 252 FEDERAL BLDG
ST PAUL MN
55101

WATERS, DONNA M.
110536 WINDMILL COURT
CHASKA MN
55318

WELK G V NORTHERN STATES
414 NICOLLET MALL
MPLS MN
55401

WELLINGTON R R SKELLY OIL
PO BOX 1650
TULSA OK
75102

WESTIN CHAS W
220 MEDICAL ARTS BLDG
DULUTH MN
55802

WHITING RALPH
555 WABASHA SUITE 204
ST PAUL MN
55102

WHITLOCK A G
ECON LAB OSBORN BLDG
ST PAUL MN
55102

WILCOX J PATRICK
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ST PAUL MN
55102

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ST.PAUL MN
55105

WILEY ENTERPRISES
101 5TH AVE SE
CSSEO MN
55369

WILLIAMS THOS W
4915 W 35TH ST
MPLS MN
55416

WILSON R GARY PPG INDUSTR
1 GATEWAY CENTER
PITTSBURGH PA
15222

WIS FEEDER PIG MARKET CO-

FRANCIS CREEK WI

WOLKERSTORFER THEODORE
676 17TH AVE NW
NEW BRIGHTON MN
55112

WOZNIAK D D
401 FIRST FED BLDG
ST PAUL MN
55101

WYANT CLINTON W ATTY

ATKIN MN
56431

YOUNG TODD P
555 WABASHA STE 215
ST PAUL MN
55102

SHAW ROBERT M
616 MOBIL OIL BLDG
MPLS MN
55402

SMERIKA WM.
BOISE CASCADE PAPERS
INTL FALLS MN
56649

SODERBERG HAROLD J
1500 MIDWEST PLAZA BLDG
MPLS MN
55402

STATE BD VETERINARY EXAMINER
DR A C SPANNAUS DVM
[redacted]ONIA MN

STD AM LIFE & ANNUITY CO
3801 W 50TH ST
MPLS MN
55410

SULLIVAN J KIRK
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BOISE ID
83701

SWANSON DALE
P O BOX 339
FOREST LAKE MN
55025

SHELL OIL CO. W.A. ROQUET
ONE SHELL PLAZA BX 2463
HOUSTON TX
77001

SMITH MICHAEL
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55411

SODERMAN ANTHONY
152 S PLAZA BLDG
MPLS MN
55416

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205 AURORA AVE
ST PAUL MN
55103

SWANSON GERALD H
212 CITY HALL
ROCHESTER MN
55901

TATE VERN 3M CO
3M CENTER 220/6W
ST PAUL MN
55101

SITE ENGINEERS INC
900 REDWELL LANE
APPLE VALLEY MN
55124

SNELL LYN
BOX 314
EDEN VALLEY MN
55329

STANSFIELD ARLENE LAND OLKS
PO BOX 116
MPLS MN
55440

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STOLPESTAD BROWN & SMITH
1550 NW BK BLDG
ST PAUL MN
55101

SUSSEL CO.ATTN:TED SCHWENKER
1850 COMO AVE.
ST PAUL MN
55108

SWANSON MORTIMER C
5824 FRANCE AVE S
EDINA MN
55410

THOMPSON CONRAD
1107 23RD ST NW
ROCHESTER MN
55901

SLOCUM CHARLES A
1203 IDS TOWER
MPLS MN
55402

SNYDER ROBERT W
248 CO B U OF M
ST PAUL MN
55101

STATE BD.BARBER EXAMINERS
555 WABASHA
ST PAUL MN
55102

STATE REGISTER,MORROW So.
203,95 SHERBURNE
ST PAUL MN
55103

STUPKA & MOREM
MIDTOWN BLDG
AUSTIN MN
55912

SWANSON BURT E
W-2162 1ST NATL BK BLDG
ST PAUL MN
55101

SWEITZER R L HONEYWELL IN
2701 4TH AVE S
MPLS MN
55408

THOMPSON HESSIAN ET AL
1500 MIDWEST PLAZA BLDG
MPLS MN
55402

TIMESAVERS INC ATT R S VOLD
5270 HANSON COURT
MPLS MN
55422

UNION STOCK YARDS
ATTN PRES
SO ST PAUL MN
55075

VAN DRAKE STEPHEN R
BOX 353
PELICAN RAPID MN

TOUCHE ROSS & CO K H STOCKE
780 NORTHSTAR CNTR
MPLS MN
55402

VAN EVERA MUNDT ET AL
700 TORREY BLDG
DULUTH MN

TWIN CITY RETAIL DRUGGIST AS
2388 UNIV AVE
ST PAUL MN
55104

VANDERVOORT T J MET WASTE
350 METRO SQUARE BLDG
ST PAUL MN
55101

VERRILL JOHN E
DEPT SECONDARY ED UOF M
DULUTH MN

VAN CLEVE JOHN H
2101 HENN AVE
MPLS MN
55405

VIITALA, W.C. HONEYWELL
HONEYWELL PLAZA
MPLS MN

RAMSEY CO MEDICAL SOCIETY
1500 LOWRY MEDICAL BLDG
ST PAUL MN
55102

RAUENHORST CORP-C ANDERSON
7900 XERXES S. S-2200
MPLS MN
55431

REAGAN MICHAEL
% MINN LEARNING CTR
BRAINERD MN
56401

REARDON MRS HELEN
1125 S E 6TH ST
WILLMAR MN
56201

RED OWL STORES INC
215 E EXCELSIOR AVE
HOPKINS MN
55343

REID DAVID H
5633 WASHBURN AVE S
MPLS MN
55410

REINO O LAINE 3M COMPANY
3M CENTER
ST PAUL MN
55101

RENNER R.H. ST PAUL AREA
300 OSBORN BLDG.
ST PAUL MN
55102

RENQUIST ARTHUR NSP CO
414 NICOLLET MALL
MPLS MN
55401

RICHARDSON THOS
7851 METRO PKWY S 103
MPLS MN
55420

RICHARDS MONTGOMERY ET AL
1430 RAND TOWER
MPLS MN
55402

RIEKE DAVID R
P O BX 509
THIEF RIV FLS MN
56701

ROE DAVID
[illegible]75 AURORA
ST PAUL MN
55103

ROBBIE JOSEPH
904 CARGILL BLDG NO CTR
MPLS MN
55402

ROBERTS DAVID E
1260 NW NATL BK BLDG
ST PAUL MN
55101

ROSS ALFRED
6356 WARE RD
LINO LAKES MN
55014

ROSS ROY J
CLK TREAS
LITCHFIELD MN
55355

RUDY FLOYD
118 AVE C
CLOQUET MN
55720

SAN SIMEON DEVELOP CORP
OLD 1ST STATE BK BLDG
PAYNESVILLE MN

SANFORD S M
7000 PORTLAND AVE
RICHFIELD MN
55423

SATHRE, HARVEY
375 MARION STREET
ST PAUL MN
55103

SAX DOVE & STENSON
310 ENDICOTT BLDG
ST PAUL MN
55101

ST PAUL ASSN PLBG HTG MEC
614 AM NATL BK
ST PAUL MN

ST PAUL BUR HLTH DR P COX
555 CEDAR ST
ST PAUL MN
55101

ST PAUL FOOD RETAILERS ASSN
1220 ARCADE
ST PAUL MN
55106

SCARBOROUGH WILLIAM
DIV.ED. U.M.
MORRIS MN
56267

SCHLICHT REV ROBT
611 W MAIN ST
BELLE PLAINE MN
56011

SCHMIDT D R MN ASSN REALTORS
6101 WAYZATA BLVD
MPLS MN
55416

SCHMIDT H W TCHRS RETIREMENT
302 CAPITOL SQ BLDG
ST PAUL MN
55101

SCHMIDT LARRY WCCO-TV NEWS
50 S 9TH ST
MPLS MN
55402

SCHNEIDER MAHLON
GREEN GIANT
LESUEUR MN
56058

SCHUTZ LINDA
RM 328 CAPITOL BLDG
ST PAUL MN
55155

SCHWARTAU NEAL METH HOSP
201 W CENTER ST
ROCHESTER MN
55901

SCHWERMAN EARL JR
1535 8TH AVE SE
ROCHESTER MN
55901

SCHWINN ROBT.P.
1400 SOO LINE BLDG.
MPLS. MN
55402

SCHNEIDER & NEESER
706 1ST ST SO PO BX 876
WILLMAR MN
56201

SCHROEDER ALFRED H
2172 CARROLL AVE
ST PAUL MN
55104

SELECTVISION INC FR VALENTIN
245 PARK AVE
NEW YORK NY
10017

SENATE COUN OFF ROOM 24
STATE CAPITOL
ST PAUL MN
55101

SENATE FINANCE COMMITTEE
113 STATE CAPITOL
ST PAUL MN

SENATE GOV OP COMM
RM 303 STATE CAPITOL
ST PAUL MN

SHABATURA EUGENE H
2833 LAKE AVE SO
DULUTH MN

SHARP BOB
4125 HIGHWOOD RD
ST LOUIS PK MN

NATL COUNCIL JEWISH WOMEN
4330 CEDAR LK RD
MPLS MN
55416

NEDELL HAROLD - MEINEKE
6300 W LOOP S SUITE 200
BELLAIRE TX
77401

NO SUB MONTESSORI-S SADDLER
2487 HELEN COURT
NO ST PAUL MN
55109

NUTTER JULIA
743 W MONTANA
ST PAUL MN
55117

OFFICE OF THE GOVERNOR
130 STATE CAPITOL
ST PAUL MN
55101

OTTER TAIL POWER CO.
215 S. CASCADE ST.
FERGUS FALLS MN
56537

PAYNE WM B
2400 FIRST NATL BK BLDG
MPLS MN
55402

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WASHINGTON DC DC
20005

PORTER LYLE O

TRACY MN
56175

POYZER ROBT
BOX 675
FERGUS FALLS MN
56357

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2147 UNIV AVE
ST PAUL MN
55114

NEREN MADONNA
376 NEAL AVE S
AFTON MN
55001

NORTH CENTRAL ELEC ASSN
PO BOX 202
BATTLE LAKE MN
56515

NW BELL TEL CO LEGAL DEPT
224 S 5TH ST RM 2000
MPLS MN
55402

OLD COLONY GAS & OIL COMPANY
17TH AVE N AT 2ND ST
MPLS MN
55411

PETERSON JOHN W
510 NW BK BLDG
ST PAUL MN
55101

PHILLIPS LEGISLATIVE SERVICE
459 RICE ST
ST PAUL MN
55103

PORT AUTH CITY OF ST PAUL
330 MINNESOTA BLDG
ST PAUL MN
55101

PRAUSE JOS.C.
2220 105TH AVE.N.W.
COON RAPIDS MN
55433

NAT'L SOLID WASTES-R. GRASSO
1730 RHODE ISLAND AV.NW
WASHINGTON DC
20036

NEUMAN RALPH W
RT 2 BOX 125
EMBARRASS MN
55732

NW COUNTRY ELEVATOR ASSN
802 GRAIN EXCH BLDG
MPLS MN
55415

NYQUIST DEAN A
3707 53RD PL N
BROOKLYN CTR MN
55429

OLOFSON ARTHUR MBO & MAINC
927 SOO LINE BLDG
MPLS MN
55402

PATTISON ORVIS
BOX 645
WILLMAR MN
56201

PETERSON GARY
854 MIDLAND BK BLDG
MPLS MN
55401

PINNETTI NICK M HALEY & ASS.
40 CENTRAL PARK S
NEW YORK NY
10019

PORTER DAVID
3212 LONGFELLOW AVE S
MPLS MN
55407

PROCTOR&GAMBLE L THEOHAROUS
IVORYDALE TECH CENTER
CINCINNATI OH
45217

RADMAN RICHARD-LABOR TEMPLE
418 AUDITORIUM

NCEC INC C/O DR DAHLBERG
CONCORDIA COLLEGE
MOORHEAD MN
56560

NIELSEN STOCK & BLACKBURN
415 730 BLDG
MPLS MN

NURSING HOME ADMRS BD EXA
RM 340 717 DELAWARE SE
MPLS MN
55414

O'BRIEN J.DENNIS
1100 1ST NATL.BANK BLDG
MINNEAPOLIS MN
55402

OSTRUM DONALD E
PO BOX 33163
COON RAPIDS MN
55433

PAYNE COL ALVIN

DEGRAFF MN
56233

PFEIFER AND SHULTZ, INC
1433 UTICA AVE S
MPLS MN
55416

POPOVICH PETER S
314 MINN BLDG
ST PAUL MN
55101

POSS DONALD C
6301 SHINGLE CREEK PKWY
BROOKLYN CTR MN
55430

PULSCHER RBT SPRINGSTED I
813 OSBORN BLDG
ST PAUL MN
55102

RANALLO CLARENCE
800 CENTRAL AVE N E

MINN COMM FOR HANDICAPPED
METRO SQ 492 7TH & ROBT
ST PAUL MN
55101

MINN COMMUNITY DEVELOP SERV
512 ROSSMOR BLDG
ST PAUL MN
55101

MINN COUNCIL STATE EMP NO 6
475 RICE ST
ST PAUL MN
55103

MINN DEPT HEALTH J C MCKA
717 DELAWARE S E
MPLS MN
55440

MINN ENV LAW INST INC
PO BOX 15076 COMM STA
MPLS MN
55415

MINN FARMERS UNION PRES OFF
1275 UNIV AVE
ST PAUL MN
55104

MINN FOOD RETAILERS ASSN
555 WABASHA
ST PAUL MN
55101

MINN HEREFORD-LJ SCHAFER

BUFFALO LAKE MN
55314

MINN. HOTEL & MTR. ASSN
2001 UNIVERSITY AVE
ST PAUL MN

MINN HOUSING INST N T CARTER
7801 METRO PKWY
MPLS MN
55420

MINN HWYS MANAGEMENT SERV
407 HWY BLDG
ST PAUL MN
55101

MINN LAND USE COMMITTEE
4344 IDS CENTER
MPLS MN
55402

MINN LP GAS ASSN
7515 WAYZATA BLVD 106
MPLS MN
55426

MINNE MINE CREDIT UNION
3000 HUDSON PK S 100
ST PAUL MN
55119

MINN.MTR.TRANSP. .J.N.D
1821 UNIV.
ST.PAUL MN
55104

MINN PETROLEUM COUNCIL
1020 NORTHERN FED BLDG
ST PAUL MN
55102

MINN POULTRY & HATCHERY ASSN
BOX 158
MADELIA MN
56062

MN REP STATE CENTRAL COMM
555 WABASHA AVE
ST PAUL MN
55102

MINN RESTAURANT ASSN
2001 UNIVERSITY AVE.
ST PAUL MN 55
104

MINN RETAIL HARDWARE ASSN
3033 EXCELSIOR BLVD 313
MPLS MN
55416

MINN SOCIETY ARCHITECTS AIA
NW NATL BK BLDG
ST PAUL MN
55101

MINN SOC CERTIFIED PUB ACCTS
1102 WESLEY TEMPLE BLDG
MPLS MN
55403

MINN STATE BAR ASSN
100 MINN FED BLDG
MPLS MN
55402

MINN STATE BD PHARMACY
717 DELAWARE ST SE #351
MPLS MN
55414

MINN STATE CAPITOL EMP UNION
PO BOX 3215
ST PAUL MN
55165

MINN STATE MED ASSN
375 JACKSON ST
ST PAUL MN
55101

MINN STATE RETIREMENT SYS
529 JACKSON ST
ST PAUL MN
55101

MINN TEAMSTERS CREDIT UNION
2021 HENN AVE E
MPLS MN
55413

MINN TBR PRODUCERS ASSN
200 CHRISTIE BLDG
DULUTH MN
55802

MINN.TURKEY GROWERS ASSN
2383 UNIV AVE
ST PAUL MN
55114

MINN VETERANS MED ASSN
2175 W HWY 36
ROSEVILLE MN
55113

MINN WATER RESOURCES BD
RM 206 555 WABASHA ST
ST PAUL MN
55102

MINN-WISC BOUNDARY AREA COMM
600 2ND ST
HUDSON WI
54016

MN ELECTRICAL ASSN
3100 HUMBOLT SO
MPLS MN
55408

MN PUB INT RESEARCH GROUP
3036 UNIV AVE SE
MPLS MN
55414

MOFFITT R C
RM 301 M MPLS CITYHALL
MPLS MN
55415

MOOD R BLOOMINGTON HLTH DEPT
10200 PENN SO
BLOOMINGTON MN
55431

MORTON BUILDINGS INC
R #1
FOLEY MN
56329

MPIRG
BOX 45 ST MARYS COLLEGE
WINONA MN
55987

MURPHY DIANA E
4200 IDS-LINDQUIST VENN
MPLS MN
55402

NASS GEO V HENN CO GEN HOSP
5TH AND PORTLAND AVE
MPLS MN
55415

NATL CAR RENTAL ATT D MIT
5501 GREEN VALLEY DR
MPLS MN
55437

LYNCH DONALD SIBLEY CC
184 E 6TH ST
ST PAUL MN
55102

MCFADDEN G H DISPATCH-PRESS
55 E 4TH ST
ST PAUL MN
55101

MALONE F I CCPM LABOR & INDU
444 LAFAYETTE RD 5TH FL
ST PAUL MN
55101

[redacted]RINAN MARGARET M
[redacted]7 CCMMERCE BLDG
ST PAUL MN
55101

MECCA
867 GRAND AVE
ST PAUL MN
55105

METROPOLITAN COUNCIL LIBRARY
300 METRO SQUARE
ST PAUL MN
55155

MILLER TOM
2311 PILLSBURY AVE S
MPLS MN
[redacted]404

MPLS STAR PRESS RCOM
STATE CAPITOL
ST PAUL MN
55101

MINN APT ASSN
GRIGGS-MIDWAY BLDG
ST PAUL MN
55104

MN SOC SERV ASS J HOOD
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ST PAUL MN
55102

MINN ASSN ELEC COOPERATIVES
4901 W 77TH ST
[redacted] MN

MCKIBBON MRS SHIRLEY
11 EVERGREEN LN
BABBITT MN
55706

MANKATO STAT STUDENT SENATE
CENTENNIAL STUDENT UN
MANKATO MN
56001

MASTOR & MATTSON LTD
315 PEAVEY BLDG
MPLS MN
55402

MEIEROTTO, JOAN
1794 SO LEXINGTON
ST PAUL MN
55118

MEYER HERBERT
10824 ZENITH AVE S
BLOOMINGTON MN
55431

MINN RETAIL FED INS
131 METRO SP
ST PAUL MN
55101

MPLS TRIBUNE CITY DESK
425 PORTLAND AVE
MPLS MN
55415

MN. ASN.C&IND H.D.PETERSON
480 CEDAR ST.
ST.PAUL MN
55101

MN STATE SER BLIND-K NATARDY
1745 UNIVERSITY AVE
ST PAUL MN
55104

MINN. ASSN. PET RETAILERS
1115 2ND AVE. SO.
MINNEAPOLIS MN

MANSFIELD LARRY
HCARC 22 27TH AVE SE
MPLS MN
55414

MCLELLAN LARKIN
215 ADM BLDG ST CAPITOL
ST PAUL MN
55101

MANKATO STATE STUDENT ASSN
BOX 58 MANKATO COLLEGE
MANKATO MN
56001

MAUL WARREN E
320 S 4TH ST
MPLS MN
55415

MERRITT GRANT POLLUTION CONT
1935 W CO RD 32
ROSEVILLE MN
55113

MIDLAND GLASS- HD SPURLING
PO BOX 69
SHAKOPEE MN
55379

MPLS CHAMBER COMM TRANSP DPT
15 S 5TH ST
MPLS MN
55402

MIDLAND GLASS-HD SPURLING
PO BOX 69
SHAKOPEE MN
55379

MN AFL-CIO L.O. LASHOMB
175 AURORA
ST PAUL MN
55103

MINN ASPHALT PAVEMENT ASSN
555 WABASHA RM 209
ST PAUL MN
55102

MINN ASSN WATERSHED DIST'S

ADA MN

MCDONALD PHILIP M
2077 SELBY AVE
ST PAUL MN
55104

MANTHEY T J PICKANDS MATH
1100 SUPERIOR AVE
CLEVELAND OH
44114

MAYO FOUNDATION G ORWOLL
200 FIRST AVE NW
ROCHESTER MN
55901

MET TFR MEN ASSN A ROSENT
1821 UNIV AVE
ST PAUL MN
55104

MILLER RICHARD A
1020 PLYMOUTH BLDG
MPLS MN
55402

[redacted]S CITY ATTORNEY
325M CITY HALL
MPLS MN
55415

MILLER PAUL J PHARMACY SE
ST MARYS HOSP
ROCHESTER MN
55901

MN.BD OF NURSING
717 DELAWARE ST SE
MPLS MN
55414

MINN ASSN COOPERATIVES
55 SHERBURNE AVE
ST PAUL MN
55103

MINN AUTOMOBILE DEALERS A
GRIGGS MIDWAY BLDG
ST PAUL MN
55104

JOHNSON CLARENCE IBEW LU 292
3615 37TH AVE S
MPLS MN
55406

JOHNSON LEROY
9939 BLUEBIRD ST NW
COON RAPIDS MN
55433

JOHNSON M.D. FRUNDT & FRUNDT

BLUE EARTH MN
56013

JOHNSON LANCE J
265 S LAFAYETTE RD
ST PAUL MN
55107

KABLE RICHARD W

BETHEL MN
55006

KAVANEY RICHARD
1220 NORTHERN FED BLDG
ST PAUL MN
55102

KEABLE MIKE
909 6TH AVE N
ST CLOUD MN
56301

KEENAN RICHARD J
4444 IDS BLDG
MPLS MN
55402

KEILY DANILE
3549 V2 PLEASANT AVE
MPLS MN
55408

KIMBALL ROBERT
647 CAPITOL SQ BLDG
ST PAUL MN
55101

KJERVIK DIANE
4302 POWEL HALL U OF M
MPLS MN

KLOSTER MARION PEAVEY CO
[redacted] 2ND AVE S
[redacted]LS MN
55402

KLUZ STEVEN J
1910 1ST NATL BK BLDG
MPLS MN
55402

KNAPP J A
RM 3 CAPITOL
ST PAUL MN
5515

KNOPP TIMOTHY
COLLEGE FORESTRY U OF M
ST PAUL MN
55108

KNUTSON DR KEITH, BIOLOGY DPT
ST CLOUD STATE
ST CLOUD MN
56301

KNUTSON R N GRANNIS ETAL
F J SCHULT BLDG
ST ST PAUL MN
55075

KNUDSON ROBT
4375 BROWNDALE AVE
MPLS MN
55424

KOLLER MR & MRS ERWIN A
1568 DULUTH ST
ST PAUL MN
55108

KOPP MRS VERNON
2050 65TH ST E
INVER GR HGHT MN
55075

KRAMER ERNEST W
717 DELAWARE ST SE
MPLS MN
55440

KROEGER CHARLES
122 NW 7TH STREET
FARIBAULT MN
55021

KRONLOKKEN J E
10048 NORD RD
BLOOMINGTON MN
55437

KRON H CLIFTON
210 E WALNUT
MANKATO MN
56001

KUHL CARL
4421 4TH ST NE
COL HEIGHTS MN
55421

KVB ENGINEERING INC
600 S CO RD 18
MPLS MN
55426

LABELLE JUANITA MRS
5816 AQUILA AVE NO
NEW HOPE MN
55428

LAKE SUPERIOR INDUSTRIAL BUR
328 FIRST AM. BK. BLDG.
DULUTH MN
55802

LANAHAN E F - SIBLEY CO
184 E 6TH ST
ST PAUL MN
55101

LANGVIN DAVID
7500 80TH ST S
COTTAGE GROVE MN
55016

LANSING & OAKES
400 SIBLEY ST
ST PAUL MN
55101

LAPP LAZAR LAURIE ET AL
1200 BUILDERS EXCHANGE
MINNEAPOLIS MN
55402

LARSON C L
3800 MINNEHAHA AVE SO
MPLS MN
55406

LARSON HANS P DIV HOSP SE
717 DELAWARE ST SE
MPLS MN
55440

LEAGUE MN MUNIC
300 HANOVER 480 CEDAR
ST PAUL MN
55101

LEAGUE WOMEN VOTERS OF MINN
555 WABASHA
ST PAUL MN
55102

LEG.REF.LIB-Z. DEWITT
RM 111 STATE CAPITOL
ST PAUL MN
55155

LIBBEY LEONARD
BOX 17011 NOKOMIS STA
MPLS MN
55417

LINDALL & JONATHAN DEVELOP.
VILLAGE ONE CENTER
CHASKA MN

LOCKNER GARY
R R 1 BOX 23
BAUDETTE MN

LOOS CALVIN J
6809 LYNDALE AVE SO
MPLS MN

LOWE DOUG
2701 N LEXINGTON AVE
ROSEVILLE MN

HEARING EX.OFF. M GREENBERG
1745 UNIV AVE
ST PAUL MN
55104

HEIM PAUL
1320 SOO LINE BLDG
MPLS MN
55402

HEINTZ MARY ELLEN
PO BOX 599
CINCINNATI OH
45201

HEISENFELT WM
BOX 516
BEMIDJI MN
56601

HENDRICKSON A WM
100 FREEMAN DRIVE
ST PETER MN
56082

HILL JIM ASSOC.MILK PROD.
7850 METRO PARKWAY
MINNEAPOLIS MN
55420

HINRICHSEN PATRICK
MANKATO FREE PRESS
MANKATO MN
56001

HOLDAHL SCOTT
380 N BLDG GRAIN EXCH
MPLS MN
55415

HOLEY GEO AERONAUTICS
DOWNTOWN AIRPORT
ST PAUL MN
55107

HOLMES EUSTIS ET AL
4610 IDS CENTER
MPLS MN
55402

HOPKINS WM.B. DIR,HISCCA
3915 GOLDEN VALLEY ROAD
GOLDEN VALLEY MN
55422

HORNER WALDORF - KAZIUKEWICZ
PO BOX 3260
ST PAUL MN
55165

HOULE MELVIN
881 W HWY 96
SHOREVIEW MN
55112

HOUSE APPROPRIATIONS COMM
RM 109 STATE CAPITOL
ST PAUL MN
55101

HOUSE ED STANDING SUB COM
RM 109 STATE CAPITOL
ST PAUL MN
55101

HOUSE RESEARCH
RM 17 STATE CAPITOL
ST PAUL MN
55155

HULSTRAND ANDERSON & LARSON
PO BOX 130
WILLMAR MN
56201

HULTMAN WARREN R
C/O BARBAROSSA R3
OSSEO MN
55369

HUMAN RIGHTS
200 CAPITOL SQ BLDG
ST PAUL MN
55101

HUMAN SERVICES
414 LAFFAYETTE RD 5THFL
ST PAUL MN
55101

HUSEBYE, CRAIG J.
5036 FRANCE S.
EDINA MN
55410

HUNT JAMES P JR
11470 GALTIER DR
BURNSVILLE MN
55378

HUTCHISON R.M. ANOKA CO.C
COURT HOUSE
ANOKA MN
55303

HYDROLOGIST
CHIPPEWA NATL FOREST
CASS LAKE MN
56633

HYLAND DEAN
1501 W 50TH ST
MPLS MN
55419

ILLINGWORTH ROBERT C
6750 FRANCE AVE S RM290
MPLS MN

INGEBRIGTSEN DR K H
23 SE 4TH ST
MPLS MN
55414

INGVALSON VERN MN.FARM BUR.
3110 WOODDALE DR PO 337
OST PAUL MN
55165

INS FED OF MINN
902 SOO LINE BLDG
MPLS MN
55402

INTERSTATE POWER RW STEEL
1000 MAIN ST
DUBUQUE IA
52001

IUCE LOC 49 CHAS SWENSON
2580 UNIV AVE
ST PAUL MN
55101

IVERSON DR JOS DEPT ED
ST OLAF COLLEGE
NORTHFIELD MN
55057

IZAAK WALTON MN DIV
111 E FRANKLIN RM-210
MPLS MN
55404

JACKMAN DONALD G
4023 E LAKE ST
MPLS MN
55406

JAIN NIRMAL ENIV PROCESS
1220 GLENWOOD AVE
MPLS MN
55405

JENOS INC
525 LAKE AVE SO
DULUTH MN
55801

JENSEN ARTHUR,CITY CLK
2215 W OLD SHAKOPEE RD
BLOOMINGTON MN
55431

JENSEN CARL A
127 E MAIN ST
SLEEPY EYE MN

JENSEN MRS GAYNOLD
111 WEST 107TH ST
MPLS MN

JOHANSEN BUS SERV INC
19 DAYTON RD
CHAMPLIN MN

JOHNSON & SANDERSON
ST MARYS HOSPITAL
ROCHESTER MN

FLEMING FREDERICK A
1860 HIGHLAND PARKWAY
ST PAUL MN
55116

FLADLAND CLINT MN L&P BUR
795 RAYMOND AVE
ST PAUL MN
55114

FORBES GORDON MINN RRS ASSN
203 HANOVER 480 CEDAR
ST PAUL MN
55101

FORSBERG AGR SERV
518 SUMMIT AVE
NEW ULM MN
56073

FOX W.E. LINDQUIST & VENNUM
4200 IDSCTR 80 S.8TH ST
MINNEAPOLIS MN
55402

FRANKLIN ROBERT B MPLS TRIB
426 PORTLAND
MPLS MN
55415

FREDIN CONRAD M
811 FIRST NATL BK BLDG
DULUTH MN
55802

FREDRIKSON BYRON ET AL
47TH FLR IDS CENTER M
PLS MN
55402

F W WOOLWORTH CO
3316 W 66TH ST
EDINA MN
55424

GALVIN M J JR
W2162 1ST NATL BK BLDG
ST PAUL MN
55101

GARDNER HDW - R A JOHNSON
515 WASHINGTON AVE N
MPLS MN
55401

GEBERT K L
[redacted] GRAIN EXCH
[redacted]S MN
55415

GEO A HORMEL & CO LAW DEPT
PO BOX 800
AUSTIN MN
55912

GIEL DAVID
RM 8-28 STATE CAPITOL
ST PAUL MN
55155

GLEESON MICHAEL
909 SOC SC BLDG U OF M
MPLS MN
55455

GLEN. HILLS HOSP.R.VAN HAUER
3901 GOLDEN VALLEY RD.
MPLS. MN
55422

GODIN RALPH J
3824 47TH AVE SO
MPLS MN
55406

GOODMAN DF TEL CABLE TV
302 E SUPERIOR
DULUTH MN
55802

GRAHAM THOS H
854 MIDLAND BK BLDG
MPLS MN
55401

GRANATH MARVIN -HONEYWELL
2701 4TH AVE SO
MPLS MN
55408

GREATER MET AREA HOSPITALITY
5152 CEDAR AVE S
MPLS MN
55417

GREEN DEL CITY MGR
BLOOMINGTON CITY HALL
BLOOMINGTON MN
55431

GREEN GARY J
41 SHERBURNE AVE
ST PAUL MN
55102

GREEN JANET
9773 N SHORE DR
DULUTH MN
55804

GRUMMERT REV DONALD
1435 ADAMS ST
MPLS MN
55413

GUSTAFSON DAN-LABOR TEMPLE
312 CENTRAL
MPLS MN
55414

GUSTAFSON WALLACE
BOX 567
WILLMAR MN
56201

H B FULLER CO
2400 KASOTA AVE
ST PAUL MN
55108

HANFT PHILIP M
1200 ALWORTH BLDG
DULUTH MN
55802

HANSON ETHEL
2813 85TH AVE N
MPLS MN
55444

HAROLD J WESTIN CONSTRUCTORS
45 E 8TH ST
ST PAUL MN
55101

HALLBERG LEE & MCCABE
4927 34TH AVE S
MPLS MN
55417

HAUN DR J W GEN MILLS
PO BOX 1113
MPLS MN
55440

HAYES, THOMAS W
700 SELLWOOD BLG
DULUTH MN
55812

HEALTH MANPOWER C LARSON
717 DELAWARE ST SE
MPLS MN
55440

HENTHORN GARY WOODSTOCK
7365 LANDAU DR
BLOOMINGTON MN
55438

HART PATRICK V
112 E LIBERTY BOX 3271
MANKATO MN
56001

HARTFELDT WILL
434 HAMM BLDG
ST PAUL MN

HAVEN ROBT TWIN TN TREATMENT
1706 UNIV AVE
ST PAUL MN

HEAD & TRUHN
1007 SOO LINE BLDG
MPLS MN

HEANEY BILL
30 W SUPERIOR ST
DULUTH MN

DAHLKE LOIS M
118 S EAGLE ST
BELLE PLAINE MN
56011

DANIELSON RODNEY L
418 AUDITORIUM
ST PAUL MN
55102

DAYTON CHAS SIERRA CLUB
900 MIDLAND BANK BLDG
MPLS MN
55401

DIEHL JOHN
26 KENWOOD PKWY
ST PAUL MN
55105

DISPATCH PIONEER PRESS
PRESS RM STATE CAPITOL
ST PAUL MN
55101

DOW CHEMICAL
47 BLDG
MIDLAND MI
48640

DOYTON MAURICE, MET SEWER BD
350 METRO SQ BLDG
ST PAUL MN
55101

CZUGAN KEN ST PAUL PLANNING
421 WABASHA ST
ST PAUL MN
55102

ELDRED R W ARMOUR & CO
UNION STOCK YARDS
SO ST PAUL MN
55075

ELMER EDWIN W
2901 PLEASANT AVE
MPLS MN
55408

ENNIS A F BOISE CASCADE
PO BOX 713
INTL FALLS MN
56649

ENV SERV-GEN RESOURCE CORP
6340 INDUSTRIAL DR
HOPKINS MN
55343

ESSE KENNETH
4801 W 50TH ST
EDINA MN
55424

ETHICS COMM
RM 410 STATE OFF BLDG
ST PAUL MN
55155

EWALD DOUGLAS MINN HOSP ASSN
2333 UNIV AVE SE
MPLS MN
55414

EWING MRS WM
42 ASTAR RD
BABBITT MN
55706

FARMERS ELEVATOR ASSN
852 GRAIN EXCH BLDG
MPLS MN
55415

FARRELL FRANK BUR NOR
RM 1180 176 E 5TH ST
ST PAUL MN
55101

FINLEY JAMES F
920 MINN BLDG
ST PAUL MN
55101

FINNEGAN J.R.
55 E. 4TH
ST.PAUL MN
55101

DAILEY THOMAS ECONOMICS LAB
370 WABASHA ST
ST PAUL MN
55102

DANKERS, KENNETH
1200 WEST FOURTH STREET
RED WING MN
55066

DEVELOP DISABILITIES PROGRAM
STATE PLAN 101 CAP SQ
ST PAUL MN
55155

DICKINSON MRS JOANNE
BOX 1065
MARSHALL MN
56258

DORSEY MARQUART
2400 1ST NATL BANK BLDG
MPLS MN
55402

DOUGLAS BELL ET AL
2212 AM.NATL BK BLDG
ST PAUL MN
55102

DUDLEY E H
RT 7 BOX 122
EXCELSIOR MN
55331

DUNN OLIVER PLUMBERS LOC
708 SO 10TH ST
MPLS MN
55404

EBELING EDWARD H.
161 W. MAIN
PERHAM MN
56573

ELDER DR JAMES B
11140 WASHBURN AVE SO
BLOOMINGTON MN
55431

EMERICK RICHARD A
1908 IDS CENTER
MPLS MN
55402

ENGELBRECHT DOUGLAS
809 RANGE ST
NO MANKATO MN
56001

ERDMAN ROGER TENNANT CO
701 N LILAC DR
MPLS MN
55441

ERNEST K LEHMANN & ASSOC.
1409 WILLOW ST.
MPLS MN
55403

EVANS CHAS.L. PRENTICE-HALL
ENGELWOOD CLIFFS
NEW JERSEY

EVERETT JERRY NW PETRO AS
512 NICOLLET MALL RM917
MPLS MN
55402

FAEGRE & BENSON ATTN LIBR
1300 NW BANK BLDG
MPLS MN
55402

FELHABER R S
W 1ST NATL BANK BLDG
ST PAUL MN
55101

FILTER LOREN
BOX 36
BRITT MN
55701

FITZGERALD DR BOB
3007 LYNDALE AVE SO
MPLS MN

FLADLAND CLINTON MN L&P B
796 RAYMOND AVE
ST PAUL MN

BRIGGS & MORGAN - B F FRIEL
2200 W 1ST NATL BK BLDG
ST PAUL MN
55101

BRIGHAM E M III
RR4
RED WING MN
55066

BROEKER JOHN
2850METRO DR. SUITE 504
BLOOMINGTON MN
55420

BROOKS WILLIAM F JR
854 MIDLAND BK BLDG
MPLS MN
55401

BROWN D M GOODRIDGE PUB SCH
IND DIST #561
GOODRIDGE MN
56725

BROWN H D
4961 KINGSBERRY LANE
MINNETONKA MN
55343

BRUBACHER RICHARD COMM ADM
208 ADM BLDG
ST PAUL MN
55101

BRUNING C.R.DEPT.CLINIC.E
BURTON HALL
MPLS. MN
55455

BUCHHOLTZ CHARLES
5044 BRENT AVE E
INV GRV HTS MN
55075

BURGER ALBERT
600 DEGREE OF HONOR BLD
ST PAUL MN
55101

BUR.ENGR.IND.DIV. MR.KIBIGER
219 N. 2ND ST.
MPLS. MN

BUR NATL AFFAIRS INC
1231 25TH ST NW
WASHINGTON DC
20037

BUSCH NOEL
3[illegible] FERNBROOK LANE N
M[illegible] MN
55441

CABLE COMM SYST-H SARRAZIN
BOX 777
HECTOR MN
55342

CAIN RUTH
730 E 38TH ST
MPLS MN
55407

CAIRNS JOHN A
47TH FLR.IDS CENTER
MPLS MN
55402

CAPITOL NEWS SERVICE
BOX 17035
ST PAUL MN
55117

CARLSON CARL L
7516 80TH ST S
COTTAGE GROVE MN
55016

CARLSON VERNE E
BOX 755 CITY HALL
WILLMAR MN
56201

CARRISON DALE K
MANKATO STATE COLLEGE
MANKATO MN
56001

CENTRAL BUSINESS DATA
BENSON RADIO ARCADE BLD
BENSON MN
56215

CENTRAL MN REGIONAL DEV COMM
1139 FRANKLIN AVE
SAUK RAPIDS MN
56379

CHAMBER OF COMMERCE
30 SO 1ST AVE EAST
ELY MN
55731

CHAMBERLAIN JOHN L
PO BOX 241
MPLS MN
55440

CHERCHES CHRIS CITY MGR
5005 MTKA BLVD
ST LOUIS PARK MN
55416

CHRISTIAN SCI COMM ON PUB
1821 UNIV AVE SUITE 271
ST PAUL MN
55104

CHRISTIANSEN FREDRIK
RM 505 CAPITOL SQ BLDG
ST PAUL MN
55155

CHRYSALIS CENTER FOR WOMEN
2104 STEVENS AVE S
MPLS MN
55404

CITY CLERK
386 CITY HALL
ST PAUL MN
55102

CITIZENS LEAGUE
530 SYNDICATE BLDG
MPLS MN
55402

CITY OF ROBBINSDALE
C LARSON 4221 LAKE RD
ROBBINSDALE MN
55422

CLARKSON J.B.
2350 I.D.S. CENTER
MINNEAPOLIS MN
55402

CLAUSEN PHILLIP
2307 STANDISH ST
ST PAUL MN
55108

CLAWSON CONNIE
HELP CT 317-17TH AV SE
MPLS MN

COLEMAN NICHOLAS D
700 LINWOOD AVE
ST PAUL MN
55105

COLLIN LAURENCE
RT 2
ISANTI MN
55040

COMMUNITY DESIGN CENTER
118 E 26TH ST
MPLS MN
55404

CONCORDIA COLLEGE
DEAN
MOORHEAD MN
56560

CONSUMER SERVICES DEPT CO
5TH FLR METRO SQ BLDG
ST PAUL MN
55101

COUNTY ATTYS COUNCIL
95 SHERBURNE AVE S203
ST PAUL MN
55103

CRAVEN NORMAN
10637 THOMAS AVE S
BLOOMINGTON MN
55431

CROW WING CO PLANNING & ADV
COURT HOUSE
BRAINERD MN
56401

CUSHMAN J S DAYTON HUDSON
700 NICOLLET MALL
MPLS MN
55402

ALBERT,AA CALDER CORP
366 JACKSON ST
ST PAUL MN
55101

ALLENDORF MARSHALL
220 GRAIN EX 400 S 4TH
MPLS MN
55415

AMER CAMPING ASSN
3639-21/2 ST N.E.
MPLS MN
55418

AM INST PROF GEOLOGISTS
2201 PRINCETON AVE
ST PAUL MN
55105

ANCHOR BLOCK COMPANY
PO BOX 3360
ST PAUL MN
55165

ANDERSON GRAHAM
951 E HENN
MPLS MN
55414

ANDERSON HERBERT
418 8TH ST. SO.
VIRGINIA MN
55792

ANDERSON HAROLD
BOX 3047
MANKATO MN
56001

ANDERSON JAMES
7703 NORMANDALE RD
MPLS MN
55435

ANDERSON MARY
4425 RUTLEDGE AVE
EDINA MN
55436

ANDERSON STANFORD P
14600 MINNETONKA BLVD
MINNETONKA MN
55343

ANTHONY DICK WDSM RADIO
230 E SUPR ST
DULUTH MN
55102

ANTI-TRUST DIV.ATTY GEN.
160 STATE OFF BLDG
ST PAUL MN
55155

ARNOLD ROBERT MESPA
41 SHERBURNE
ST PAUL MN
55103

ARROWHEAD REGIONAL DEV CO
200 ARROWHEAD PLACE
DULUTH MN
55802

ARVER JOHN A
2467 COHANCY
ST PAUL MN
55113

ASMUSSEN,DENNIS,MPIRG
3036 UNIV AVE SE
MPLS MN
55414

ASSOCIATED GEN CONTROF MN
48 E 8TH STREET
ST PAUL MN
55101

ASSOCIATED INDUST OF MPLS
NATIONAL BLDG
MPLS MN
55402

ASSN OF MINN COUNTIES
55 SHERBURNE AVE #203
ST PAUL MN
55103

ASSN RESIDENCES FOR RETARDED
459 RICE SUITE 301
ST PAUL MN
55103

AUTOMOBILE MFRS ASSN INC
55 SHERBURNE AVE
ST PAUL MN
55103

BABCOCK LOCHER NELSON ET AL
118 E MAIN ST
ANOKA MN
55303

BADALICH JOHN P
2025 THOMPSON AVE
SO ST PAUL MN
55075

BARRETT FRED
ST LOUIS CO COURT HOUSE
DULUTH MN

BARTHOLOW HAROLD E FIRE C
2600 109 AVE N W
COON RAPIDS MN
55433

BATES DENNIS
446 STATE OFF BLDG
ST PAUL MN
55155

BECK PAT
953 HYACINTH AVE
ST PAUL MN
55106

BEECHER EVERETT
10 10 1ST ST SO
HOPKINS MN

BEGALKA D REV
212 N ELK ST
BELLE PLAINE MN
56011

BEMIDJI STATE COLLEGE
PLACEMENT BUR.J.C.BRADY
BEMIDJI MN
56601

BENSONI PETER USW OF AM.
609 PROVIDENCE BLDG.
DULUTH MN

BERGERUD ALF
300 ROANOKE BLDG
MPLS MN
55402

BERGSETH THOMAS
1011 NICOLLET MALL
MPLS MN
55403

BERGUSON & LOFGREN
MN GAS 700 LINDEN W
MPLS MN
55403

BEST FLANAGAN ET AL
4040 IDS CENTER
MPLS MN
55402

BEUTEL ROBERT
2200 SILVER LAKE RD
NEW BRIGHTON MN
55112

BLOMQUIST BARRY L

NORTH BRANCH MN
55056

BLOOMINGTON CITY CLERK
2215 W OLD SHAKOPEE RD
BLOOMINGTON MN
55431

BOLTON MALCOLM
422 ALDRICH AVE NO
MPLS MN
55405

BREHL JAMES W
332 HAMM BLDG
ST PAUL MN
55102

BRICK PHILIP D
807 SELLWOOD BLDG
DULUTH MN
55802

RECEIVED
AUG 26 1976
OFFICE OF HEARING EXAMINERS

STATE OF MINNESOTA

COUNTY OF RAMSEY

In the Matter of the Proposed Adoption of Rules of the Department of Revenue Relating to Property (Ad Valorem) Tax

AFFIDAVIT OF MAILING

Dorothy A. McClung, being first duly sworn on oath says; that she now is and at all times material hereto, was the Research Attorney of the Department of Revenue of the State of Minnesota; that on May 28, 1976, she did cause the attached notice to be mailed through the United States mails to all of the individuals or associations who are registered with the Secretary of State as desiring to be notified of hearings concerning tax matters by placing a copy of said notice in an envelope addressed to said individuals or associations at the address furnished by the Secretary of State and placing said envelope in the United States mails with adequate postage thereon.

Dorothy A McClung

Subscribed and sworn to before me this 28th day of May, 1976.

Patricia Zentzis
Notary Public

PATRICIA ZENTZIS
Notary Public, Ramsey Co., Minn.
My Commission Expires
May 9, 1982

RECEIVED
AUG 26 1976
OFFICE OF HEARING EXAMINERS

DEPARTMENT OF REVENUE

PROPOSED AD VALOREM TAX REGULATIONS

TaxAdVal 3 VALUATION. (a) GENERAL. Because of the unique character of public utility companies, such as being subject to stringent government regulation over operations and earnings, the traditional approaches to valuation estimates of property (cost, capitalized income and market) must be modified when utility property is valued. Consequently, for the 1975 and subsequent assessment years, until economic and technological factors dictate a change, the value of utility company property will be estimated in the manner provided in this chapter.

(b) MARKET APPROACH. Market value implies a price for which an entire public utility enterprise might reasonably change hands between willing and informed buyers and sellers. The term presupposes a market of normal activity, no urgency to buy or sell on the part of either buyer or seller, and continued operation of the utility as a single entity. Public utility property is seldom transferred as a whole unit under these circumstances. Consequently, after consideration of this approach, it has been decided that valuation of utility properties by this approach is speculative and unreliable and will not be employed as a method of valuation for utility property at this time.

(c) COST APPROACH. The cost factor that will be considered in the utility valuation formula is the original cost less depreciation of the system plant, and improvements, plus the

original cost of construction work in progress on the assessment date. Depreciation will not be allowed on construction work in progress. Depreciation will be allowed as a deduction from cost in the amount allowed on the accounting records of the utility company, as such records are required to be maintained by the appropriate regulatory agency. Depreciation, however, shall not exceed the prescribed percentage of cost: for electric companies, ~~15~~ 17 percent; for gas distribution companies, 45 percent; pipeline companies, 45 percent.

When valuing electric company property the "average cost per kilowatt of installed capacity" will also be considered. Any excess of average cost per kilowatt of installed capacity over the actual cost of production plant (except land) multiplied by the kilowatts of installed capacity will be added to the original cost of the plant, and reduced by the same rate of depreciation applicable to the original cost. The average cost per kilowatt of installed capacity is computed by averaging the construction costs of production plant (except land) for major generating plants in the Continental U.S. ~~for the five most recent years available,~~ by type of plant, as shown in the latest issues of the Federal Power Commission publications, HYDROELECTRIC PLANT CONSTRUCTION COST AND ANNUAL PRODUCTION EXPENSES and STEAM-ELECTRIC PLANT CONSTRUCTION COST AND ANNUAL PRODUCTION EXPENSES and GAS TURBINE ELECTRIC PLANT CONSTRUCTION COST AND ANNUAL PRODUCTION EXPENSES. Average cost per kilowatt of installed capacity will be determined after excluding, (a) federally constructed, multi-purpose projects, and (b) nuclear electric generating plants.

The period to be used for computing the hydroelectric plant average will be ten years. The period to be used for computing the steam-electric and gas turbine electric plant average will be six years.

The following examples illustrate this procedure. In both examples assume that the ~~five-year~~ study of the most recent construction data available from Federal Power Commission publications indicates that the average cost per kilowatt of installed capacity in a fossil fuel steam plant is $150 per kilowatt. Each of the two plants is of this type.

		#1	#2
1.	Plant		
2.	Installed capacity	100,000 KW	50,000 KW
3.	Year in Service	1960	1940
4.	Cost of Plant	$15,200,000	$3,500,000
5.	Cost per KW	$152	$70
6.	Average cost per KW	$150	$150
7.	Excess (line 6 - 5)	--	$80
8.	Additional value (line 7 x 2)	--	$4,000,000

The cost indicator of value computed in accordance with this regulation will be weighted for each class of utility company as follows: electric companies, 85 percent; gas distribution companies, 75 percent; pipeline companies, 75 percent.

(d) INCOME APPROACH TO VALUATION. The income indicator of value will be estimated by averaging the net operating earnings of the utility company for the most recent three years. After considering, as far as possible, all conditions that may exist in the future that may affect the present annual return, including

risk, life expectancy of the property, and cost of money, the capitalization rates used to compute value for the 1975 assessment will be: electric companies, 7.75 percent; gas distribution companies, 8 percent; pipeline companies, 8.25 percent. Integrated companies will be valued using the capitalization rate which applies to the major business operation of the company. The income indicator of value computed in accordance with this regulation will be weighted for each class of utility company as follows: electric companies, 15 percent; gas distribution companies, 25 percent; pipeline companies, 25 percent.

(e) UNIT VALUE COMPUTATION. The unit value of the utility company will be the total of the weighted indicators of value.

The following is an example of the computation of the unit value:

Cost indicator of value	$5,000,000 x 75% =	$3,750,000
Income indicator of value	$4,800,000 x 25% =	$1,200,000
Unit Value of Pipeline Company	100%	$4,950,000

(f) VALUATION OF UTILITY PROPERTY OF COOPERATIVES. Cooperative associations shall have their utility property valued on the basis of historical cost only since they do not operate on the traditional profit-making basis. Depreciation will be allowed as a deduction from cost at increments of 2.5 percent per year but the maximum shall not exceed 25 percent for property used in the generation, transmission or distribution of electric power.

TaxAdVal 7 COMPREHENSIVE EXAMPLE. An illustration of the methods and procedures described in TaxAdVal 3, 4, 5 and 6 is as follows:

Example 1. COMPUTATION OF UNIT VALUATION OF AN ELECTRIC COMPANY

		Amount	Reference
1.	Utility Plant (Cost)	$200,000,000	F.P.C. Report
2.	Construction in Progress	5,000,000	F.P.C. Report
3.	Additional Value From Average Cost per K.W. Computation	4,000,000	Example 2, Line 8
4.	Total Plant	209,000,000	1 + 2 + 3
5.	Non-Depreciable Plant (Land, Intangibles, CWIP)	19,000,000	F.P.C. Report
6.	Depreciable Plant	190,000,000	4 - 5
7.	Depreciation (Maximum 17%)	32,300,000	6 x 17%
8.	Total Depreciated Plant Plus Non-Depreciable Plant	176,700,000	4 - 7

		Reference	1971	1972	1973
9.	Net Operating Income	F.P.C. Report	$ 8,000,000	$ 8,500,000	$ 9,000,000
10.	Capitalized Income @ 7.75%		103,225,806	109,677,419	116,129,032
11.	3 Year Total Capitalized Income			329,032,257	
12.	3 Year Average Capitalized Income (line 11 ÷ 3)			109,677,419	
13.	Total Depreciated Plant	$ 176,700,000		Weighted @ 85%	$ 150,195,000
14.	3 Year Average Capitalized Income	109,677,417		Weighted @ 15%	16,451,613
15.	Market			Weighted @ 0%	---
16.	Unit Value				$ 166,646,613

Example 2. COMPUTATION OF AVERAGE COST PER KILOWATT OF INSTALLED CAPACITY.

ASSUME THAT A STUDY OF MOST RECENT CONSTRUCTION DATA AVAILABLE FROM THE F.P.C. SHOWS THAT THE AVERAGE COST PER KILOWATT OF INSTALLED CAPACITY IN A FOSSIL FUEL STEAM PLANT IS $150.00 PER KILOWATT.

1.	Plant	#1	#2
2.	Installed Capacity	100,000 K.W.	50,000 K.W.
3.	Date in Service	1960	1940
4.	Cost of Plant	$15,200,000	$3,500,000
5.	Cost Per K.W.	$152.00	$ 70.00
6.	Average Cost Per K.W.	$150.00	$150.00
7.	Difference (if any)	---	$ 80.00
8.	Additional Value	---	$4,000,000

Example 3. ALLOCATION OF UNIT VALUATION OF ELECTRIC COMPANY TO MINNESOTA.

		Amount	Reference
1.	Utility Plant System	$200,000,000	F.P.C. Report
2.	Construction Work in Progress	5,000,000	F.P.C. Report
3.	Total Utility Plant System	205,000,000	1 + 2
4.	Utility Plant Minnesota	110,000,000	UTL Report
5.	Construction Work in Progress Minnesota	5,000,000	UTL Report
6.	Total Utility Plant Minnesota	115,000,000	4 + 5
7.	Minnesota Plant to System Plant	56.10%	6 ÷ 3
8.	Weighting Factor	90%	
9.	Minnesota Weighted % Original Cost	50.49%	7 x 8
10.	Gross Revenue System	105,000,000	F.P.C. Report
11.	Gross Revenue Minnesota	40,000,000	UTL Report
12.	Minnesota Revenue to System Revenue	38.10%	11 ÷ 10
13.	Weighting Factor	10%	
14.	Minnesota Weighted % Revenue	3.81%	12 x 13
15.	Total Minnesota Percent	54.30%	9 + 14
16.	Unit Value	166,646,613	Example 1, line 16
17.	Minnesota Portion of Unit Value	$ 90,489,111	15 x 16

Example 4. COMPUTATION OF APPORTIONABLE VALUE OF UTILITY COMPANY.

			Amount	Reference
1.	Minnesota Portion of Unit Value		$90,489,111	Example 3, line 17
2.	Excludable Items:			
	a. Land Assessed Locally		3,000,000	UTL Report
	b. Land Rights		---	
	c. General Plant Items	$10,000,000		UTL Report
	d. Pollution Control Equipment	10,000,000		UTL Report
	e. Less Depreciation @ 17%	3,400,000		(c + d) x 17%
	f. Net General Plant & Pollution Control Items		16,600,000	(c + d) - e
	g. Total Excludable Items		19,600,000	a + f
3.	Minnesota Apportionable Value		70,889,111	1 - 2g

Example 5. APPORTIONMENT TO LOCAL TAXING DISTRICTS OF MINNESOTA PORTION OF UNIT VALUE AFTER ADJUSTMENTS.

ASSUME: TAX DISTRICTS 1 AND 2 HAVE POWER PLANTS AND DISTRIBUTION LINES.
TAX DISTRICTS 3 AND 4 HAVE DISTRIBUTION LINES ONLY.
MINNESOTA PORTION OF UNIT VALUE AFTER ADJUSTMENTS = $70,889,111.

TAX DISTRICT	1	2	3	4	Total
1. Last Limited Market Value:					
a. Structures	$ 5,000,000	$10,000,000			$15,000,000
b. Machinery	10,000,000	20,000,000			30,000,000
c. Personal Property	1,000,000	3,000,000	$ 6,000,000	$ 5,000,000	15,000,000
d. Total	$16,000,000	$33,000,000	$ 6,000,000	$ 5,000,000	$60,000,000
2. Additions Including Construction in Progress at Original Cost			3,000,000	3,000,000	6,000,000
3. Retirements at Last Limited Market Value (Machinery)		(1,000,000)			(1,000,000)
4. Additional Value Due to Average Cost per Kilowatt Computation ($4,000,000 Less 17% Depreciation Allowance)	3,320,000				3,320,000
5. Updated District Total	$19,320,000	$32,000,000	$ 9,000,000	$ 8,000,000	$68,320,000
6. Percent of Total (Line 5 by Tax District ÷ Line 5 Total)	28.28%	46.84%	13.17%	11.71%	100.0%
7. Portion of Minnesota Adjusted Unit Value (Line 6 x $70,889,111)	$20,047,441	$33,204,459	$ 9,336,096	$ 8,301,115	$70,889,111
8. New Market Value*					
a. Structures	$ 6,336,595	$10,376,393			$16,712,988
b. Machinery	12,673,190	19,715,148			32,388,338
c. Personal Property	1,037,656	3,112,918	9,336,096	8,301,115	21,787,785
d. Total	$20,047,441	$33,204,459	$ 9,336,096	$ 8,301,115	$70,889,111

*Computed by finding percentage of 1a, 1b, 1c plus any additions and minus any retirements in 2, 3, 4 ÷ line 5. This percentage x line 7 equals new market value by classification. Example: District 2, line 1b ($20,000,000) minus line 3 ($1,000,000) = $19,000,000 ÷ line 5 ($32,000,000)= 59.38% x line 7 ($33,204,459) = $19,715,148.

RECEIVED
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STATE OF MINNESOTA
TAX COURT

* *

INDEPENDENT SCHOOL DISTRICT NO. 99; THOMSON TOWNSHIP; VILLAGE OF SCANLON; INDEPENDENT SCHOOL DISTRICT NO. 98; INDEPENDENT SCHOOL DISTRICT NO. 93; AND CARLTON COUNTY, MINNESOTA,

Appellants,

-vs-

Docket Nos. 1409, 1415

THE COMMISSIONER OF TAXATION,

Appellee,

-and-

MINNESOTA POWER & LIGHT COMPANY,

Intervenor.

* *

STATE OF MINNESOTA

DISTRICT COURT

COUNTY OF RAMSEY

SECOND JUDICIAL DISTRICT

* *

Minnesota Power & Light Co., a corporation,

Petitioner,

-vs-

Minnesota Department of Revenue, Arthur C. Roemer, individually, and as Commissioner of the Minnesota Department of Revenue,

Respondents,

-and-

Independent School District No. 99; Independent School District No. 98; Independent School District No. 93; Thomson Township, Village of Scanlon, and Carlton County,

Intervention Applicants.

Ramsey County Court
Calendar Nos. 761-055

Ramsey County Clerk of Court No. 409-240

Minnesota Supreme Court No. 46804

* *

STATE OF MINNESOTA

COUNTY OF CARLTON

DISTRICT COURT

SIXTH JUDICIAL DISTRICT

* *

Taxes Assessed in 1966 Payable in 1967	Court File No. 17355
Taxes Assessed in 1967 Payable in 1968	Court File No. 17644
Taxes Assessed in 1968 Payable in 1969	Court File No. 17921
Taxes Assessed in 1969 Payable in 1970	Court File No. 18203
Taxes Assessed in 1970 Payable in 1971	Court File No. 18463
Taxes Assessed in 1971 Payable in 1972	Court File No. 18734
Taxes Assessed in 1972 Payable in 1973	Court File No. 18930
Taxes Assessed in 1973 Payable in 1974	Court File No. 19134
Taxes Assessed in 1974 Payable in 1975	Court File No. 19362

IN THE MATTER OF REAL ESTATE TAXES ASSESSED AND LEVIED IN THE YEARS 1966 THROUGH 1974, RESPECTIVELY, AGAINST PROPERTY OF MINNESOTA POWER & LIGHT COMPANY IN CARLTON COUNTY, FOR TAXES PAYABLE IN 1967 THROUGH 1975, RESPECTIVELY.

* *

STIPULATION OF DISMISSAL

IT IS HEREBY STIPULATED, in the aforesaid captioned matters, by the parties through their respective counsel as follows:

1. WHEREAS, Independent School District No. 99; Thomson Township, Village of Scanlon; Independent School District No. 98; Independent School District No. 93; and Carlton County, Minnesota as Appellants filed an appeal against the Minnesota Commissioner of Taxation (now Minnesota Commissioner of Revenue) as Appellee, and Minnesota Power & Light Company, Taxpayer-Intervenor in the Minnesota Tax Court from the Commissioner's Order of November 15, 1966, reducing the assessed valuation of the Thomson Hydro-electric Plant relating to its market value for ad valorem tax purposes as of December 31, 1965, the assessment date for taxes due and payable in 1967, and subsequent years of the structures and machinery of Minnesota Power & Light Company located on property legally described as:

> "Lots A & B, Auditor's Subdivision No. 14, Lots A, B, C, D, & E, Auditor's Subdivision No. 15, and Lots D, E, J & K, Auditor's Subdivision No. 16, situated in the taxing district of Thomson Township and Independent School District No. 99 in Carlton County, Minnesota",

and presently described as

"Lot J, Auditor's Subdivision No. 16".
(Tax Identification No. 78-140-140).

which appeal is presently pending before the Minnesota Tax Court, after remand from the Minnesota Supreme Court decision, Independent School District No. 99, et al v. Commissioner of Taxation, 297 Minn. 378, 211 N.W. 2d 886 (1973).

2. WHEREAS, Minnesota Power & Light Company as Petitioner filed a Petition in the District Court of Ramsey County, Minnesota seeking a declaration that certain regulations promulgated by the Minnesota Department of Revenue, specifically TaxAdVal 1-7, Ad Valorem Tax Regulation of the Minnesota Department of Revenue, 1975, are illegal and invalid and further seeking a permanent injunction prohibiting the Department and the Commissioner from implementing or enforcing said regulations. Independent School District No. 99; Independent School District No. 98; Independent School District No. 93; Thomson Township; Village of Scanlon; and Carlton County, moved to intervene in said proceeding which Motion was denied. Said Applicants for Intervention appealed to the Minnesota Supreme Court and said appeal is presently pending in the Minnesota Supreme Court, and

3. WHEREAS, Minnesota Power & Light Company pursuant to Minnesota Statute 278 et seq. has filed Petitions for Relief

contesting the determination of certain ad valorem taxes payable in the years 1967 through 1975 in the County of Carlton.

4. WHEREAS, all of the described parties through their respective counsel have agreed to a compromise and settlement of the issues involved in the above described proceedings.

5. WHEREAS, all claims, causes of action, defenses and objections thereto as set forth in all of the pleadings, records and files in the above described matters (which files, records and proceedings are hereby incorporated by reference) may be and hereby are fully compromised, settled and dismissed with prejudice and upon the merits on the following terms and conditions which shall be made a part of the record in all such proceedings and subject to the order of the Court in each instance authorizing the entry of judgment pursuant to the stipulation:

(1) Ad valorem taxes on the three parcels of property described in Paragraph (3) hereafter and all ad valorem taxes on all parcels of property covered by the actions brought by the taxpayer under the provisions of Chapter 278 Minnesota Statutes which actions are set forth in caption of this document through the tax payment year 1975 shall be the amounts previously paid by the taxpayer pursuant to the actions brought by the taxpayer under the provisions of Chapter 278 of the Minnesota Statutes. Said taxes are described in Exhibit 1 which is attached hereto

and incorporated herein.

(2) The escrow account in the Northern City National Bank of Duluth, Minnesota, which had an original deposit of $127,567.27, together with any interest owing thereon, if any, is to be paid on or before July 1, 1976, to the County Treasurer of Carlton County on behalf of the appropriate taxing districts in Carlton County to be paid to each in proportion to their respective interests in unpaid taxes due and payable in the year 1967.

(3) The Thomson Hydroelectric Project and the structures and machinery in said project are located on property legally described as:

(a) "All of Lot 5, lying North of North boundary line of State Aid Road No. 1, Section 6, Township 48, Range 16", situated in the taxing district of Carlton Village and Independent School District No. 93 in Carlton County, Minnesota. (Tax Identification No. 15-180-205).

(b) "All of Lot 4, lying North of North boundary line of State Aid Road No. 1, Section 5, Township 48, Range 16", situated in the taxing district of Thomson Village and Independent School District No. 93 in Carlton County, Minnesota. (Tax Identification No. 25-178-500).

(c) "Lot J, Auditor's Subdivision No. 16", situated in the taxing district of Thomson Township and Independent School District No. 99 in Carlton County, Minnesota. (Tax Identification No. 78-140-140).

(4) The market value as defined in Minnesota Statutes

§ 272.03, Subdivision 8, of said structures and machinery in said Thomson Hydroelectric Project, as legally described above, for tax purposes for the assessment year 1974, for taxes payable in 1975 is hereby determined to be $10,111,710.

(5) Pursuant to the Ad Valorem Tax Regulations of the Minnesota Department of Revenue, 1975, the Commissioner determined the market value of said structures and machinery in said Thomson Hydroelectric Project to be $12,987,006 for taxes due and payable in 1976. The original installed cost of structures and machinery in the Thomson Hydroelectric Project located on the property described in Paragraph (3) above as of January 2, 1974, was $7,752,000. Minnesota Statutes § 273.11, Subdivision 2, purports to be a limitation of an increase of market value in one assessment year to ten percent of the preceding year's valuation or a 25 percent increase in total amount in increase of valuation, whichever is greater, and, therefore, the market value of said structures and machinery in the Thomson Hydroelectric Project for the assessment year 1975 for taxes payable in 1976 is determined to be $11,122,881, and

(a) For assessment year 1976 for taxes payable in 1977, the market value of said structures and machinery is determined to be $12,235,169.

(b) For assessment year 1977 for taxes payable in 1978, market value of said

structures and machinery is determined to be $13,458,685.

(c) For assessment year 1978 for taxes payable in 1979, the market value of said structures and machinery is determined to be $14,804,555.

(6) Effective for the assessment year 1976 payable in 1977 and thereafter the Minnesota Commissioner of Revenue and the Minnesota Department of Revenue may effectively amend and revise the 1975 Regulations heretofore challenged (TaxAdVal 3(c)) to provide that with respect to hydroelectric plants the application of the Regulations will be based on a running 15 year average of the cost of the construction of hydroelectric plants together with the other factors in said Regulations.

(7) Except as otherwise provided by Department regulation, any new additions to the Thomson Hydroelectric Project subsequent to 1974 will not affect the market value of said plant as herein determined until such time as the original installed cost per kilowatt of the project equals or exceeds the cost per kilowatt based upon said running 15 year average of the cost of the construction of hydroelectric plants, unless any such addition adds to the existing capacity of said plant.

(8) Minnesota Power & Light Company will pay on or before July 1, 1976 to the County Treasurer of Carlton County the sum of $150,000 to reimburse Independent School District

No. 99, Independent School District No. 98, Independent School District No. 93, Thomson Township, Village of Scanlon, and Carlton County for their expenses and attorney fees in connection with the litigation relating to the valuation of the Thomson Hydroelectric Project for the period 1966 to 1976.

(9) It is further stipulated that without further notice a judgment of dismissal with prejudice and upon the merits, and without cost or disbursement to any of the parties may be appropriately entered in each of the above captioned matters.

Dated: June 22, 1976

HANFT, FRIDE, O'BRIEN & HARRIES
1200 Alworth Building
Duluth, MN 55802
(218) 722-4766
Attorneys for:
Minnesota Power & Light Company

By Edward T 2nd

Dated: _____

PETERSON, POPOVICH, KNUTSON & FLYNN, P.A.
314 Minnesota Building
St. Paul, MN 55101
(612) 222-5515
Attorneys for:
Independent School Dist. No. 99
Independent School Dist. No. 98
Independent School Dist. No. 93
Thomson Township; Village of Scanlon;
and Carlton County, Minnesota

By _____

Dated: _____

WARREN SPANNAUS
Attorney General
State of Minnesota for:
Minnesota Department of Revenue
and Arthur C. Roemer, individually and as
Commissioner of the Department of Revenue

By _____

Dated: _____

COUNTY OF CARLTON

By Donald J Diesen
Donald J. Diesen, County Attorney

MINNESOTA POWER & LIGHT COMPANY
Carlton County
Real Estate
Taxes

CVT Plat Parcel		Year	Total Levied	Tax Paid	Balance Due
81-30-200	Twin Lakes Township	1967	$ 565.50	$ 424.13	$ 141.3
		1968	602.48	451.86	150.6
		1969	729.90	547.43	182.4
		1970	700.90	525.68	175.2
	Total		$ 2,598.78	$ 1,949.10	$ 649.6
81-30-810	Twin Lakes Township	1967	$ 915.82	$ 686.87	$ 228.9
		1968	975.72	731.79	243.9
		1969	1,182.06	886.55	295.
		1970	1,066.24	799.68	266.
	Total		$ 4,139.84	$ 3,104.89	$ 1,034.
81-10-10	Twin Lakes Township	1967	$ 24,580.98	$ 18,435.74	$ 6,145.
		1968	26,188.48	19,641.36	6,547.
		1969	38,072.54	28,554.41	9,518.
		1970	34,341.28	25,755.96	8,585.
		1971	29,989.88	22,492.41	7,497.
		1972	29,326.14	21,994.61	7,331.
		1973	26,048.70	19,536.53	6,512.
		1974	26,716.10	20,037.08	6,679.
		1975	26,793.98	20,095.49	6,698.
	Total		$ 262,058.08	$ 196,543.59	$ 65,514.
81-11-20	Twin Lakes Township	1967	$ 22,026.72	$ 16,520.04	$ 5,506.
		1968	20,843.14	15,632.36	5,210.
		1969	28,534.02	21,400.52	7,133.
		1970	29,274.46	21,955.85	7,318.
		1971	35,344.14	26,508.11	8,836.
		1972	30,310.44	22,732.83	7,577.
		1973	29,586.00	22,189.50	7,396.
		1974	28,367.96	21,275.97	7,091.
		1975	28,835.16	21,626.37	7,208.
	Total		$ 253,122.04	$ 189,841.55	$ 63,280.

MINNESOTA POWER & LIGHT COMPANY
Carlton County.
Real Estate Taxes

CVT Plat Parcel		Year	Total Levied	Tax Paid	Balance Due
81-150-10	Twin Lakes Township	1967	$ 12,165.02	$ 9,123.77	$ 3,041.
		1968	15,597.22	11,697.92	3,899.
		1969	14,003.16	10,502.37	3,500
		1970	15,272.02	11,454.02	3,818.
		1971	9,905.24	7,428.93	2,476.
	Total		$ 66,942.66	$ 50,207.01	$ 16,735.
06-80-60 (190)	City of Cloquet	1967	$ 26,448.68	$ 19,836.51	$ 6,612
		1969	30,703.84	23,027.88	7,675.
		1970	35,993.28	26,994.96	8,998
		1973	26,903.78	20,177.84	6,725
		1974	29,179.84	21,884.88	7,294
	Total		$ 149,229.42	$ 111,922.07	$ 37,307
06-90-1340 (210)	City of Cloquet	1969	$ 1,359.36	$ 1,019.52	$ 339.
		1970	1,532.16	1,149.12	383
	Total		$ 2,891.52	$ 2,168.64	$ 722
06-230-40	City of Cloquet	1967	$ 39,270.68	$ 29,453.01	$ 9,817
06-230-60		1968	34,841.42	26,131.07	8,710
06-230-120		1969	39,976.16	29,982.12	9,994
(550)		1970	45,057.88	33,793.41	11,264
		1971	37,165.46	27,874.10	9,291
		1973	53,190.92	39,893.19	13,297
		1974	57,690.88	43,268.16	14,422
		1975	61,641.34	46,231.01	15,410
	Total		$ 368,834.74	$ 276,626.07	$ 92,208
06-230-1680 (550)	City of Cloquet	1969	$ 15.08	$ 11.31	$ 3.
		1970	17.00	12.75	4.
		1971	18.86	14.15	4.
	Total		$ 50.94	$ 38.21	$ 12.
06-510-4605 (54-10)	City of Cloquet	1968	$ 291.92	$ 218.94	$ 72.
		1969	318.92	239.19	79.
		1970	355.48	266.61	88.
		1971	401.38	301.04	100.
		1972	344.88	258.66	86.
	Total		$ 1,712.58	$ 1,284.44	$ 428.

MINNESOTA POWER & LIGHT COMPANY
Carlton County
Real Estate Taxes

CVT Plat Parcel		Year	Total Levied	Tax Paid	Balance Due
06-610-320 (54-100)	City of Cloquet	1967	$ 728.80	$ 546.60	$ 182.20
		1968	696.28	522.21	174.07
		1969	733.42	550.07	183.35
		1970	817.50	613.13	204.37
		1971	923.04	692.28	230.76
	Total		$ 3,899.04	$ 2,924.29	$ 974.75
25-11-3080	City of Thomson	1967	$ 691.36	$ 518.52	$ 172.84
		1968	655.10	491.32	163.78
		1969	610.52	457.89	152.63
		1970	700.92	525.69	175.23
		1971	703.40	527.55	175.85
		1972	639.98	479.99	159.99
	Total		$ 4,001.28	$ 3,000.96	$ 1,000.32
25-11-3160	City of Thomson	1967	$ 3,400.04	$ 2,550.03	$ 850.01
		1968	3,221.66	2,416.25	805.41
		1969	3,002.46	2,251.85	750.61
		1970	3,447.08	2,585.31	861.77
		1971	3,459.24	2,594.43	864.81
		1972	3,147.32	2,360.49	786.83
	Total		$ 19,677.80	$ 14,758.36	$ 4,919.44
25-11-3180	City of Thomson	1967	$ 5,472.00	$ 4,104.01	$ 1,367.99
		1968	5,184.92	3,888.69	1,296.23
		1969	4,831.84	3,623.88	1,207.96
		1970	5,547.36	4,160.52	1,386.84
		1971	5,566.92	4,175.19	1,391.73
		1972	5,064.96	3,798.72	1,266.24
	Total		$ 31,668.00	$ 23,751.01	$ 7,916.99
78-20-3980	Thomson Township	1967	$ 5,027.18	$ 3,770.38	$ 1,256.80
		1968	4,862.60	3,646.95	1,215.65
		1969	4,375.88	3,281.91	1,093.97
		1970	5,105.66	3,829.25	1,276.41
		1971	2,547.62	1,910.72	636.90
	Total		$ 21,918.94	$ 16,439.21	$ 5,479.73
78-160-120	Thomson Township	1967	$ 427.32	$ 320.49	$ 106.83
		1968	413.32	309.99	103.33
		1969	378.94	284.21	94.73
		1970	442.12	331.59	110.53
	Total		$ 1,661.70	$ 1,246.28	$ 415.42

MINNESOTA POWER & LIGHT COMPANY
Carlton County
Real Estate Taxes

CVT Plat Parcel		Year	Total Levied	Tax Paid	Balance D
25-10-2880	City of Thomson	1967	$ 3,140.80	$ 2,355.60	$ 785.20
		1968	3,282.18	2,461.64	820.54
		1969	4,026.68	3,020.01	1,006.67
		1970	3,695.72	2,771.79	923.93
		1971	3,736.36	2,802.27	934.09
		1972	3,190.54	2,392.91	797.63
	Total		$ 21,072.28	$ 15,804.22	$ 5,268.06
25-50-20	City of Thomson	1967	$ 6,145.70	$ 4,609.27	$ 1,536.43
		1968	6,422.32	4,816.74	1,605.58
		1969	7,880.04	5,910.03	1,970.01
		1970	7,232.36	5,424.27	1,808.09
		1971	7,311.92	5,483.94	1,827.98
		1972	6,243.74	4,682.81	1,560.93
	Total		$ 41,236.08	$ 30,927.06	$ 10,309.02
25-60-20	City of Thomson	1967	$ 14,323.80	$ 10,742.85	$ 3,580.95
		1968	14,968.52	11,226.39	3,742.13
		1969	18,365.60	13,774.20	4,591.40
		1970	16,856.08	12,642.06	4,214.02
		1971	17,041.48	12,781.11	4,260.37
		1972	14,551.94	10,913.96	3,637.98
	Total		$ 96,107.42	$ 72,080.57	$ 24,026.85
25-60-40	City of Thomson	1967	$ 2,191.24	$ 1,643.43	$ 547.81
		1968	2,289.88	1,717.41	572.47
		1969	2,809.62	2,107.22	702.40
		1970	2,578.70	1,934.03	644.67
		1971	2,607.06	1,955.30	651.76
		1972	2,226.20	1,669.65	556.55
	Total		$ 14,702.70	$ 11,027.04	$ 3,675.66
25-70-40	City of Thomson	1967	$ 23,374.14	$ 17,530.61	$ 5,843.53
		1968	24,426.20	18,319.65	6,106.55
		1969	29,969.98	22,477.47	7,492.51
		1970	27,506.66	20,630.00	6,876.66
		1971	27,809.22	20,856.91	6,952.31
		1972	23,746.64	17,809.98	5,936.66
	Total		$ 156,832.84	$ 117,624.62	$ 39,208.22

MINNESOTA POWER & LIGHT COMPANY
Carlton County
Real Estate Taxes

CVT Plat Parcel		Year	Total Levied	Tax Paid	Balance Due
5-70-60	City of Thomson	1967	$ 90.12	$ 67.59	$ 22.
		1968	94.16	70.62	23.
		1969	115.54	86.66	28.
		1970	106.04	79.53	26.
		1971	107.22	80.42	26.
		1972	91.56	68.67	22.
	Total		$ 604.64	$ 453.49	$ 151.
3-140-20	City of Barnum	1967	$ 1,114.48	$ 835.86	$ 278.
		1968	1,182.10	886.58	295.
		1969	1,223.80	917.85	305.
		1970	1,481.40	1,111.05	370.
	Total		$ 5,001.78	$ 3,751.34	$ 1,250.
3-16-8800	Town of Atkinson	1967	$ 3,105.32	$ 2,329.00	$ 776.
		1968	3,423.44	2,567.58	855.
		1969	3,991.98	2,993.99	997.
		1970	6,191.68	4,643.76	1,547.
	Total		$ 16,712.42	$ 12,534.33	$ 4,178.
0-26-1600	Town of Mahtowa	1967	$ 483.08	$ 362.31	$ 120.
		1968	530.68	398.01	132.
		1969	606.84	455.13	151.
		1970	928.16	696.12	232.
	Total		$ 2,548.76	$ 1,911.57	$ 637.
5-180-130	City of Carlton	1967	$ 1,252.42	$ 939.32	$ 313.
		1968	1,297.68	973.26	324.
		1969	1,560.94	1,170.71	390.
		1970	1,470.88	1,103.16	367.
	Total		$ 5,581.92	$ 4,186.45	$ 1,395.
2-34-6570	Town of Perchlake	1971	$ 604.58	$ 453.44	$ 151.
		1972	511.14	383.36	127.
	Total		$ 1,115.72	$ 836.80	$ 278.
5-16-250	Town of Blackhoof	1969	$ 604.26	$ 453.20	$ 151.
		1970	552.08	414.06	138.
	Total		$ 1,156.34	$ 867.26	$ 289.

MINNESOTA POWER & LIGHT COMPANY
Carlton County
Real Estate Taxes

CVT Plat Parcel		Year	Total Levied	Tax Paid	Balance Due
23-260-60	City of Scanlon	1967	$ 14,972.02	$ 11,229.02	$ 3,743.0
		1968	16,737.14	12,552.86	4,184.2
		1969	17,377.94	13,033.46	4,344.4
		1970	20,006.10	15,004.58	5,001.5
		1971	13,598.60	10,198.95	3,399.6
		1973	22,037.20	16,527.90	5,509.3
		1974	24,819.42	18,614.57	6,204.8
		1975	25,641.72	19,231.29	6,410.4
	Total		$ 155,190.14	$ 116,392.63	$ 38,797.5
23-260-260	City of Scanlon	1967	$ 602.60	$ 451.95	$ 150.6
		1968	754.68	566.01	188.6
		1969	699.44	524.58	174.8
		1970	805.20	603.90	201.3
	Total		$ 2,861.92	$ 2,146.44	$ 715.4
15-180-205	City of Carlton	1967	$ 84,908.42	$ 63,681.31	$ 21,227.1
		1968	87,977.04	65,982.78	21,994.2
		1969	105,826.28	79,369.71	26,456.5
		1970	95,580.44	71,685.33	23,895.1
		1971	103,210.36	77,407.77	25,802.5
		1972	92,977.78	69,733.34	23,244.4
		1973	77,277.62	57,958.22	19,319.4
		1974	70,990.64	53,242.98	17,747.6
		1975	74,868.30	56,151.23	18,717.0
	Total		$ 793,616.88	$ 595,212.67	$ 198,404.2
25-178-500	City of Thomson	1967	$ 49,115.24	$ 36,836.43	$ 12,278.8
		1968	51,325.92	38,494.44	12,831.4
		1969	62,975.86	47,231.90	15,743.9
		1970	57,799.70	43,349.78	14,449.9
		1971	58,435.44	43,826.58	14,608.8
		1972	49,898.78	37,424.09	12,474.6
		1973	95,233.24	71,424.93	23,808.3
		1974	94,252.58	70,689.44	23,563.1
		1975	96,609.78	72,457.34	24,152.4
	Total		$ 615,646.54	$ 461,734.93	$ 153,911.6

MINNESOTA POWER & LIGHT COMPANY
Carlton County
Real Estate Taxes

CVT Plat Parcel		Year	Total Levied	Tax Paid	Balance Due
78-140-140	Thomson Township	1967	$ 377,613.44	$ 188,806.72	$ 188,806.
		1968	365,250.22	273,937.67	91,312.
		1969	449,467.98	337,100.99	112,366.
		1970	535,806.82	401,855.12	133,951.
		1971	543,468.54	407,601.41	135,867.
		1972	504,661.22	378,495.92	126,165.
		1973	464,432.72	348,324.54	116,108.
		1974	471,192.14	353,394.11	117,798.
		1975	447,448.52	335,586.44	111,862.
	Total		$ 4,159,341.66	$ 3,025,102.92	$ 1,134,238.
	Sub-total of the last 3 parcels		$ 5,568,605.08	$ 4,082,050.52	$ 1,486,554.
	Sub-total of all other parcels		$ 1,715,132.32	$ 1,286,349.50	$ 428,782.
	Amount in escrow at Northern City National Bank of Duluth to be paid to Carlton County per stipulation.			$ 127,567.27	($ 127,567.
	GRAND TOTAL OF ALL PARCELS		$ 7,283,737.40	$ 5,495,967.29	$ 1,787,770.

9

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES
OF THE DEPARTMENT OF REVENUE RELATING TO PROPERTY
(AD VALOREM) TAX FOR ELECTRIC AND GAS UTILITIES

RECEIVED
AUG 26 1976
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EXAMINERS

Statement of Otter Tail Power Company
Vernon L. Kester, Tax Accountant
June 30, 1976

The proposed changes in the utility assessment regulations indicate on page 2 that depreciation will not be allowed on construction work in progress and that depreciation will be allowed on a deduction from cost in the amount allowed on the accounting records of the utility company, as such records are required to be maintained by the appropriate regulatory agency. Depreciation shall not exceed 17 percent for electric companies.

We are extremely concerned that depreciation will not be allowed on construction work in progress (hereinafter referred to as CWIP). The reason for disallowing this depreciation appears to be that we are not permitted to depreciate CWIP for book purposes according to Federal Power Commission accounting procedures so we cannot depreciate it for property tax purposes. We also are limited to a very small portion of CWIP that can be included in our rate base for rate making purposes. We, therefore, find ourselves in a position where we cannot earn a return on the investment of a major portion of CWIP but according to the revised regulations, we are expected to pay property taxes on CWIP on a greater basis than fully operational, income producing property for which we are allowed depreciation of 17%. Because we now have an assessment formula that includes capitalized income, it is our opinion that depreciation should be allowed on CWIP at the same rate, if not a higher rate, than operational property that is producing income for the utility. We do not see the relevance of associating property tax depreciation on CWIP to Federal Power Commission depreciation procedures and will show that other states in which we own property fully recognize that CWIP should be depreciated for tax purposes.

The other revision regarding depreciation in the regulations is to increase the rate from 15% to 17%. We are appreciative of this positive step

but by comparison with other states in our service area, a rate of 17% is still considerably low. In North Dakota we are allowed depreciation of 25% including construction work in progress. In South Dakota the depreciation rate is 55% on old standby generating plants, 50% on construction work in progress and 25% on other property. I wish to emphasize that depreciation is allowed on CWIP in these states and South Dakota's rate is double that of operational property. It is therefore our opinion that a depreciation rate of 25% should be allowed in Minnesota and that this should also be applied to construction work in progress.

At the hearing held on September 23, 1975, regarding the original regulations for the assessment of utilities, we indicated our opposition to the add-on factor for large generating plants where the installed cost per KW of a plant was less than a national five-year average. The proposed revision now indicates that a six year average will be used.

Each plant now being constructed throughout the country is unique in one form or another. Pollution control requirements in plant construction vary by location and terrain. Plants in mountain valleys would require extremely tall smoke stacks to get the plume out of low areas. Facilities for cooling water vary by location. Unit trains are now becoming common place and their costs are included in the total cost of the plant. For instance, our Big Stone Plant unit train is included in the total plant cost at an amount of over $8,000,000. These are just a few examples of the variable costs in plant construction today. It does not appear to us to be practical to lump the costs of plants throughout the country into one average cost for the purpose of adding value to older generating plants in Minnesota.

By using a national average cost per KW, that at the present time is quite low compared to what it will be when the construction costs of today and future years are included, we will be adding extremely unrealistic valuations to older, obsolete plants. For example, our Big Stone Plant, constructed jointly with two other companies, cost just under $400 per KW of installed capacity. We stated at the

September 23rd hearing last year that the projected cost per KW of our Coyote Plant to be constructed in North Dakota was $795 per KW. Due to delays and inflationary trends, our projected cost for this plant now exceeds $1,000 per KW. When figures such as these are included in the average used in the formula, older plants such as our Hoot Lake plant in Fergus Falls may well be taxed into retirement. This type of add-on feature could be the deciding factor as to when a plant would be retired and may also influence decisions as to the future construction of generating plants in Minnesota.

We must, at this time, reaffirm our opposition to the add-on feature because we feel that it is impossible to make an assumption that generating plants (in our case, steam plants) increase in value as they get older. Houses, lakeshore property, multi-purpose commercial buildings, etc. historically have been increasing in market value as indicated by sales of such property. There is no such evidence of increasing value in older generating plants. Generating plants would have to be classed as special purpose property. The market for such property is extremely limited. In fact, these plants, at best, would be marketable at depreciated book costs and very often, only at scrap value.

To emphasize our point, Otter Tail Power Company retired steam generating plants at five locations in 1975 because of the pure and simple matter of economy. These plants were all obsolete with high operating costs. We were faced with the choice of expending millions of dollars to meet pollution control requirements and then continue to operate obsolete, inefficient plants or to retire and dispose of these facilities. The choice was a simple one to make when all factors were considered.

Due to ever increasing technology in the field of electric power generation, plants are becoming larger with economy of scale being a major factor. Requirements for pollution control can be worked into a design of the plant and therefore, these costs are considerably less than trying to rebuild an older plant to meet today's requirements. We have about the same number of employees at our Hoot

Lake Plant as we do at Big Stone which has nearly four times the capacity. For a simple comparison, assume that a manufacturing operation has old machinery that produces four units per hour. The old machinery requires ever increasing maintenance costs along with higher payroll, taxes and other costs. You have a choice of eventually replacing this old machinery that can produce four units per hour or installing equipment that would produce 16 units per hour with the same number of employees. I believe the choice would be quite obvious. It is difficult to accept the theory that the older equipment should be given greater market value for tax purposes as time goes by because the average installed cost per unit capacity is less than the average cost per unit capacity of new machinery.

Attached is a schedule listing the retired plants. The total book cost of the structures and equipment just prior to retirement was slightly over $13,000,000. Every effort has been expended to maximize our cash return in the disposal of the various plants and the attached schedule shows the net results to date of this effort. The total amount received thus far totals $315,629. This is offset by cost of removal totaling $100,763 leaving a net of $214,866. The only remaining properties that have not been disposed of are the plant buildings at Canby and Crookston and the second building at Devils Lake. The possibility of selling these buildings now appears remote and we face the probable cost of demolition of the buildings. An old generating plant building, because of its single purpose design, is not feasible for other types of use unless a great amount of money is spent to remodel the structure. As stated earlier the market for such a building is very limited.

A plant retired at Washburn, North Dakota a few years ago cost our company about $58,000 to demolish. If the remaining buildings meet the same fate, the net return to our company would be close to nil. In fact, we are hopeful, that when all of the plant properties are finally disposed of, our net results will not end up as a negative cost to the company.

This example of our actual experience in the disposal of generating plants tends to show the true market value of older, obsolete factilities. As stated previously, due to ever increasing technology, generating plants are being constructed with economy of scale a major concern. The replacement of an old retired plant with identical structures and equipment would not be feasible so the only logical assumption that we can make is that steam generating power plants decrease in value as time passes. We cannot agree that older plants appreciate in value and therefore, are totally opposed to the use of any add-on feature that would increase the market value of a plant.

We are hopeful that every effort would be made to make the tax structure in Minnesota one that would be equitable with other states and that would encourage, rather than discourage industrial expansion in this state. For example, Otter Tail Power Company property taxes in Minnesota already exceed the taxes in other states in which we operate when expressed as a percentage of book value of the property. Property taxes being paid in 1976 by our company in Minnesota represent 2.89% of our book value. In North Dakota we are paying a tax of 1.72% of book value and in South Dakota the percentage is 1.37% of book value including Otter Tail's portion of Big Stone Plant. Adding additional assessed value to Minnesota plants by use of the add-on market value concept or by holding down depreciation rates, would place us in an even worse position in comparison with other states

We therefore urge that consideration be given to: (1) Increasing the depreciation rate to 25%, (2) restoring the depreciation on construction work in progress and (3) elimination of the add-on market value feature based on installed cost per KW of large generating plants.

OTTER TAIL POWER COMPANY

COST AND SALES INFORMATION ON PLANTS RETIRED IN 1975

Original Cost per Books at time of Retirement

Plants	Structures	Boiler Plant Equipment	Turbo-Generator Units	Other Equipment	Total Cost
Devils Lake, N. D.	$ 692,736	$1,334,645	$1,007,603	$ 302,615	$ 3,337,5
Jamestown, N.D.	406,555	936,767	660,115	364,999	2,368,4
Wahpeton, N.D.	527,615	1,645,469	555,801	94,032	2,822,9
Canby, Mn.	182,141	311,424	471,907	80,974	1,046,4
Crookston, Mn.	714,317	1,398,550	839,795	487,493	3,440,1
	$2,523,364	$5,626,855	$3,535,221	$1,330,113	$13,015,5

Selling Price of Buildings, Equipment, Etc. after Retirement

(1)	7 Boilers at Devils Lake, Crookston, Wahpeton & Canby @ $10,000 each.	$ 70,000
(2)	Canby - Kidwell boiler, coal handling equipment, piping, 2 turbo-generators, switch gear. Crookston - 2 turbo-generators, condensers, air injectors, coal handling equipment, bunkers, tanks, feedwater heaters. Devils Lake - No. 1 generator, switchgear, condenser, air injector, tanks, coal handling equipment, bunker, piping, valve and feedwater heaters. Jamestown - Switchgear, water pumps, valves, water piping, tanks. Wahpeton - Entire plant including building, except boilers and miscellaneous equipment previously sold	110,000
(3)	Devils Lake - Sale of No. 2 turbo generator	39,375
(4)	Devils Lake - Sale of old plant building to city (Plant consists of two separate buildings)	1
(5)	Jamestown - Sale of turbo generator, exciter, condensor and miscellaneous equipment	37,500
(6)	Wahpeton - Sale of coal conveyor system	18,000
(7)	Sales of miscellaneous plant equipment from all retired plants to individuals, and various companies	23,527
(8)	Jamestown - Sale of plant building to city	1
(9)	Return from public auction sale for motors, tools, and miscellaneous equipment from all retired plants	17,225
	Total receipts from sale of plant buildings and equipment	315,629
	Total removal costs to Otter Tail Power Company to date	100,763
	Net amount received to date	$214,866

2223 Dodge Street
Omaha, Nebraska 68102
Telephone 402-348-4000

Northern Natural Gas Company

June 29, 1976

Mr. Lyle Ask, Director
Property Equalization Division
Minnesota Department of Revenue
Centennial Office Building
St. Paul, Minnesota 55145

In the Matter of the Proposed Adoption
of Rules of the Department of Revenue
Relating to Property (Ad Valorem) Tax.

Attached are three copies of a statement containing comments and suggested changes in the Ad Valorem Tax Regulations. We urge consideration and adoption of these suggested changes to the Regulations.

We do not request time for an oral presentation of the statement. We will appreciate your handing a copy of the statement to the Hearing Examiner for inclusion in the record of the proceedings.

Sincerely,

PROPERTY TAX DEPARTMENT

R. M. Foster

R. M. Foster
Regional Director

RMF/lh

Attachments

COPY

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JUN 26 1976
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EXAMINERS

In the matter of the Proposed Adoption of Rules of the Department of Revenue Relating to Property (Ad Valorem) Tax.

Statement By
Northern Natural Gas Company
2223 Dodge Street
Omaha, Nebraska 68102

Northern Natural Gas Company welcomes the opportunity to comment and make suggestions to the proposed amendments to the rules in the determination of Minnesota's market value of utilities. We agree with the purpose of the regulations. We accept the principle of system-wide market value determination with a portion of such system market value being allocated to Minnesota. After careful review, we do have several suggestions to improve and/or clarify the rules. The suggestions are in conformity with accepted appraisal principles of unit valuation and the unique character of public utilities as expressed in TAX AD VAL 3 Valuation (a) General.

Referring to the Proposed Ad Valorem Regulations as printed for the purpose of this hearing, we refer to page 2, Tax Ad Val 3 Valuation (c) Cost Approach. Line 6 thru 9, the sentence beginning with the word Depreciation, we recommend be stricken from the rules. The statement in Tax Ad Val 3 Valuation (a) General refers to the unique character of public utility companies and the stringent government regulations over operations and earnings.

These very government regulations require the complete depreciation of property, and at the end of its economic life no residual remains. Therefore, it is not in accordance with accepted appraisal principles of utilities to establish a maximum allowable depreciation.

The rate of capitalization changes as conditions affecting income and cost of money change. Appraisal theory indicates the lowest a capitalization rate can be is the current cost of money and the highest rate is the return demanded by equity capital. The rates of capitalization in the rules are too low considering today's economic conditions.

For natural gas transmission companies we believe the determination of the cost of funds in the band of investment calculation of the capitalization rate should be based on current market conditions. The current cost of debt for a typical natural gas transmission company would be a minimum of 9½% and the return on equity demanded by the market for such a company would be in the range of 16%. The overall capitalization rate should then be approximately 12%, not 8.25% as stated in the present rules.

We suggest that Tax Ad Val 3 Valuation (d) Income Approach to Valuation on page 4, line 2 beginning with the phrase "for the 1975 assessment" be stricken thru lines 3 and 4. In place of the stricken material we suggest the following language be inserted - - "will be determined annually by the Commissioner of Revenue."

We agree with the proposed amendment to this section as stated on page 4, lines 5 and 6.

TAX AD VAL 4 ALLOCATION

The unit valuation theory is to determine the market value of the system as a whole without regard to the value of individual parts. Once the value of system plant is determined, that value is then allocated to each of the states in which the system plant is located. The allocation should be such so that no more than 100% is allocated to the total states. The market value of a pipeline within a state is dependent upon the value of the entire pipeline system. For natural gas transmission pipelines, no one part of the system has any greater value than another - - each part earns equally whether a state is a bridge state or a terminal state. Consequently, the best allocation factor for pipelines and the one most frequently employed in states adopting the unit value approach is the ratio of state original cost to system original cost.

Two of the three allocation factors in the present rules, gross revenue ratio and weighted pipeline miles, have no relevancy in determining a share of system value to a state for property tax purposes. Gross revenues would be zero for a pipeline bridging the state and would be 100% if all of the product were sold in a single state. However, the product to be transported is dependent upon the entire integral system.

Weighted pipeline miles or use of pipeline miles in any form is a meaningless statistic. Such a figure has no relationship to use or function of a pipeline system and should not be used in allocation of a system market value among the states.

We recommend all of Tax Ad Val 4 Allocation (d) Pipeline Companies, page 7 of the printed Rules and Regulations be stricken and the following substituted:

"The original cost of the utility property located in Minnesota divided by the total original cost of the utility property in all states of operation is weighted at 100%."

TAX AD VAL 6 APPORTIONMENT

We suggest that the apportionment of the Minnesota assessment to the local taxing districts be done on the basis of original cost. This method is prevalent in other unit value states. Continuation of the present system will become more burdensome each year. The system set out in the present rules (bottom of page 8) results in a mixture of partially depreciated costs and full costs and is less acceptable than a consistently applied method. Continuing the use of depreciated costs arrived at in prior years preserves a fiction that serves no purpose.

Referring to page 8 of the printed rules, Tax Ad Val 6 Apportionment, we suggest that all matter following the first paragraph be stricken and the following be substituted:

"The following information must be submitted for each taxing district:

1. The original cost of the company's operating property by classification.
2. In the case of pipelines the original cost will be the average cost by size based on Minnesota original cost statewide."

ADMIN 1000

STATE OF MINNESOTA

DEPARTMENT of Revenue

Office Memorandum

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TO : Myron Greenberg
Hearing Officer

DATE: July 7, 1976

FROM : Dorothy A. McClung
Research Attorney

PHONE: 3410

RECEIVED
JUG 26 1976
OFFICE OF HEARING EXAMINERS

SUBJECT: Proposed Amendments to Ad Valorem Tax Regulations
Hearing #DR 76002 MG

Attached are materials which we ask that you consider before making your report.

Please note that on page 5 we indicate that the Department of Revenue would not object to a finding that a 15 year study period for computing hydroelectric plant average would be accurate.

DAM:dw

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JUL 8 1976
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IN THE MATTER OF THE PROPOSED AD VALOREM TAX REGULATION - HEARING DR 76002 MG

The Department of Revenue, as agency in the above mentioned hearing, wishes to provide the hearings officer with some additional information on some points which were raised at the public hearing of June 30, 1976. The information given below should be used in conjunction with the agency testimony given at the time of the hearing.

Change #1 - TaxAdVal 3(c) - Depreciation will not be allowed on construction work in progress.

Change #2 - TaxAdVal 3(c) - Depreciation, however, shall not exceed the prescribed percentage of cost: for electric companies 17 percent.

Representatives of Otter Tail Power objected to these new provisions, asking for larger allowances. They cited the fact that in other states, notably North and South Dakota, depreciation allowances are larger and depreciation is allowed on construction work in progress. In reply to this we would like to offer two facts:

(1) A unit value method or formula cannot be evaluated by examination of its unrelated parts, but must be taken as a whole. Therefore, it is unrealistic to quote depreciation rates allowed in one state without also knowing what the state's cap rate,

weighting factors, allocation procedures and statutory excludables are. In South Dakota for instance, no consideration is given to the income approach to value, no capitalized earnings are used, the whole valuation is based on original cost much as our old outdated "Hatfield formula" operated. North Dakota uses an income approach to value; however, the cap rate is only 6.5%. This is fully 15% lower than our 7.75% rate for electric companies. (The lower the cap rate, the higher the value.) The major point in utility valuation is to arrive at a market value; different states may use different means to arrive at this end. Comparing only one portion of the means should be avoided. The end or market values should be compared.

(2) Minnesota proposes to allow no depreciation on construction work in progress; however, it should be noted that in many instances Minnesota does not include construction work in progress in a utility's taxable value. When a utility company decides to build a facility, it opens an account for that plant. All dollars spent on the construction of the facility are credited to this account, and called construction work in progress. Many times there are millions of dollars in this account which are not taxable until the structure is in place. For example,

Minnegasco is building a large Liquid Natural Gas plant in Minnesota; some two million dollars of the construction work in progress expenditure for this plant were not taxed last year because the money was spent on progress payments to a steel fabrication firm in Illinois where the tank was being built. Otter Tail Power cites the fact that in North or South Dakota depreciation would have been allowed on construction work in progress. No doubt this depreciation allowance is just the method these states have for not taxing construction work in progress which is not yet in place. Again, the whole concept of a states valuation process must be looked at, not just one point.

Change #3 - TaxAdVal 3(c) - The period to be used for computing the hydroelectric plant average will be ten years. The period to be used for computing the steam-electric and gas turbine electric plant average will be six years.

This proposed change produced most of the comments at the public hearing. N.S.P. asked that the parameters for determining the average cost per kilowatt, namely the study period, be reviewed annually. We fully intend to review not only this aspect of our formula, but all aspects, as we announced in our opening statement. Otter Tail Power, while not addressing itself to the specific change in study period, requested that the whole concept be abandoned. We feel this is unreasonable

as the concept of reproduction or replacement cost in utility valuation is certainly a viable theory, and our average cost per kilowatt of installed capacity is nothing more than a modification of this theory. It might also be noted that our projections indicate that this concept will have no affect on the valuation of Otter Tail Power until 1981.

The most comment was directed toward the length of the study period for hydroelectric plants. We have reviewed the facts in this instance and they are as follows:

(1) There are four major hydroelectric plants within the State of Minnesota. One is owned by N.S.P., and three by M.P.&L.

(2) Of the four plants the average cost per kilowatt factor had no effect on the plant owned by N.S.P. last year (1975) and will probably have no effect this year. Two of the plants owned by M.P.&L. are smaller hydro plants (12,000 KW) and the effect of the additional value computed using the average cost per KW factor was in the thousands of dollars. The plant most affected was the Thompson Dam plant in Carlton County which had additional value added to it of millions of dollars.

(3) A ten year study period produces an average cost per KW value of $225 per KW using a survey of 46 plants. A fifteen year study period produces an average cost per KW value of $222 per KW using a survey of 77 plants.

(4) Because of the effect of the market value/limited value law, the valuation of the Thompson Dam plant will continue to go up no matter if a 10 or 15 year study period is used.

(5) Both the taxpayer (M.P.&L.) and the taxing district (Carlton County) most affected by this change have agreed to, and testified for, a 15 year study period.

After reviewing the above facts, the Department of Revenue concludes that a revision in the original proposal from 10 years to 15 years for the study period to be used for hydroelectric plants would be acceptable, and would encourage the hearings officer to recommend this change.

Change #4 - TaxAdVal 3(d) - Integrated companies will be valued using the capitalization rate which applies to the major business operation of the company. (Major Business Operation being defined as that portion of an integrated company's business having the largest dollar investment in plant and producing the largest amount of gross revenues.)

N.S.P.'s representative objected to this change. The agency feels that our testimony presented at the hearing is valid, and would add only this fact: This proposed change would affect the market value of the three integrated companies in Minnesota by less than $\pm 1\%$. This, therefore, is not a major change in

policy nor are its effects disastrous to taxpayer or taxing districts.

Much of the other testimony and comments made at the hearing was not directly related to the proposed changes; therefore, the Department of Revenue declines to comment on those remarks at this time.

NORTHERN STATES POWER COMPANY

LAW DEPARTMENT

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ATTORNEYS

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OFFICE OF HEARING EXAMINERS

July 19, 1976

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JUL 26 1976
OFFICE OF HEARING EXAMINERS

Mr. Myron Greenberg
Office of Hearing Examiner
Room 300, 1745 University Avenue
Saint Paul, Minnesota 55104

Re: In the Matter of the Proposed Adoption
of Rules Relating to Property (Ad Valorem) Tax

Dear Mr. Greenberg:

On June 30, 1976, a hearing was held in regard to proposed changes in the rules for ad valorem taxation of utilities. Northern States Power Company is submitting this statement for inclusion in the hearing record. This statement addresses several legal issues pertaining to the Department of Revenue's attempt to place NSP in a special category as an "integrated company."

The proposed rule which is the subject of this submission can be found in TaxAdVal 3(d), Income Approach to Valuation. In that section, it states that "Integrated companies will be valued using the capitalization rate which applies to the major business operation of the company." This unique treatment of integrated companies is not new; indeed, there is a rather strong resemblance to a rule proposed by the Department of Revenue during the adoption of these rules during 1975. In the rules proposed and adopted by the Department in the Fall of 1975, the following clause was included as TaxAdVal 3(g):

> "All integrated companies operating within Minnesota will be valued by using that method of valuation and allocation which applies to the major business operation of the utility."

Upon review of this regulation, the Attorney General's Office rejected this regulation for numerous reasons which will be discussed later. It is therefore surprising and distressing to see the Department of Revenue once again propose a special classification for integrated companies in their 1975 proposed rules.

I. Background Information

Northern States Power Company is the only major integrated utility in the State of Minnesota. It provides both gas and electric service. Since the electric utility comprises the largest portion of NSP's business, the Department of Revenue proposes to value the property of NSP's gas utility under the income approach by using the capitalization rate which applies to electric utilities. Under Rule 3(d), electric companies have a capitalization rate of 7.75%, while gas companies have a capitalization rate of 8%. Thus, the income for NSP's gas utility would be capitalized at 7.75%, while all other major gas utilities would use capitalization rates of 8%. This results in a higher valuation under the income approach for NSP's gas utility than for other gas utilities. This higher evaluation will result in a larger tax burden for NSP's gas utility than for other large gas utilities in the state. Obviously, taxes are an element of a utility's cost, so NSP's gas customers will suffer a greater tax burden then will customers of other gas utilities. Most of NSP's gas customers are located in Ramsey, Washington, and Dakota counties. The result of this proposed regulation would be that gas customers in St. Paul, for example, would have a higher cost than those in Minneapolis simply because of the discriminatory tax treatment of NSP's gas properties.

In a prepared statement delivered at the hearing on June 30, Mr. Robert Dolan of NSP explained some of the financial

reasons why this unique treatment of NSP is not appropriate. The balance of this submission will address the serious legal shortcomings of the proposed special treatment of integrated companies.

II. The Special Classification of Integrated Companies is the Denial of Equal Protection of the Laws Under the State and Federal Constitutions.

The Department of Revenue's ad valorem tax regulations established three different formulas for utility valuation. These different formulas recognize the unique, financial and regulatory characteristics of the three different kinds of utilities. Logically, a gas utility should be valued under a gas formula and should be valued using the capitalization rate for gas distribution companies. The effect of the proposed rule is to place NSP's gas utility in a class by itself and disregard the very reasons for having three different classes of utility companies.

The State may establish classifications for the purposes of taxation. However, any classification "must be reasonable, not arbitrary, and must rest upon some ground of difference having a fair and substantial relation to the object of the legislation, so that all persons similarly circumstanced shall be treated alike." National Tea Company v. State, 205 Minn. 443, 448, 286 N.W. 360 (1939), quoting Louisville G. and E. Company v. Coleman, 277 U.S. 32, 37 (1928) (emphasis supplied). Once having established a classification, "it is definite that under both the State and Federal Constitutions, taxes must be uniform upon the same class of property." In Re Petition of Dulton Realty, Inc. v. State, 270 Minn. 1, 132 N.W.2d 394 (1964).

The Department has previously designated a classification of gas utilities separate from electric and pipeline

utilities. If this is a legitimate classification, the Department may not then treat one major gas utility differently from all the others. This clearly constitutes unlawful discrimination because it singles out NSP "for discriminatory treatment by subjecting (it) to taxes not imposed upon others of the same class." Township of Hillsborough v. Cromwell, 326 U.S. 620 (1946).

In the National Tea case, a graduated sales tax imposed upon chain store owners which varied solely according to the volume of sales, was held to be unconstitutional. The class of chain stores was a proper one, but the further division of this class into 11 different classes based upon sales volume was unlawful. In the Dulton case, supra, the court invalidated the practice of Duluth assessors of applying different percentages of market value to various tracts of real property in the city. The Court found no basis for the distinctions holding that "where deviation is the result of applying different ratios to market value of property of the same class, the courts have no choice other than to hold that the resulting tax would be discriminatory. ..." 270 Minn. at 16.

The Department of Revenue has established a separate classification for gas utilities. In arriving at the rules for ad valorem taxation of utilities during 1975, the Department gave various specific reasons why the gas formula should be different from the electric and pipeline formulas. The Department has not demonstrated and cannot demonstrate any rational basis for using an electric capitalization rate for NSP's gas utility merely because NSP is an integrated company. The sole purpose of the ad valorem regulations is to determine the value of the properties, the mere fact that two utilities are integrated has no effect whatsoever on the value of their respective operating properties. In the presentation of the Department

of Revenue at the hearing on June 30, the agency offered its "testimony" in favor of the special treatment of integrated companies by returning to the old stock and bond argument. This argument essentially says that an integrated company issues bonds, borrows money or sells stock on a company-wide basis rather than an operation basis. The statement of the Department is interesting in that the stock and debt method was rejected as an indicator of value for the operating properties of a utility. (See the discussion of the Department's witness at the September 23, 1975 hearing, pages 8 and 9 of the hearing transcript.) As was stated there, the stock and debt approach does not accurately achieve the purpose of the valuation process, which is to value the operating properties of the utilities.

Implicit in the argument about the difficulty of valuing divisions of an integrated company is the supposition that it is difficult to separate an integrated company's properties for purposes of valuation. However, the operating properties of NSP's two utilities are separate and can easily be identified by the Department. The plants and distribution facilities of the gas and electric utilities are, of course, physically separate. Any property used by both utilities, such as office buildings and land, is not valued nor formula assessed under these regulations and thus does not concern us here. See definition, "Non-formula assessed property" in the present Department of Revenue Ad Valorem Tax Regulations. In fact, to the extent that any separation is required, the Department of Revenue need only recognize that all integrated utilities are required by the Federal Power Commission to maintain completely separate accounts for each utility. This long established system of separate accounts is prescribed by the FPC in its Uniform System of Accounts, published in 18 CFR Part 101. In addition, separation is also necessary at the State level for the purpose of rate hearings before

the Minnesota Public Service Commission. In short, all of the income and investments of each utility is kept separate from those of each other utility and there is no difficulty in identifying which property, which investment or which income belongs to which utility.

The Department of Revenue, in its presentation on June 30, seemed to indicate there was some difficulty in assigning separate capitalization rates to an integrated company. Clearly, difficulty of assigning different capitalization rates is not an adequate basis for a different method of valuing the properties of an integrated utility. Administrative convenience is a totally inappropriate standard when it causes one major gas utility to suffer a tax burden greater than that imposed upon all other gas utilities. The attempt by the Department of Revenue to justify the former "hatfield formula" on the basis of "simplicity of administration" was specifically rejected by the Minnesota Supreme Court in Independent School District No. 99 v. Commissioner of Taxation, 297 Minn. 378, 211 N.W.2d 886 (1973). The Court insisted that "administrative consideration" could not justify adoption of a system which was not expressly authorized by the Legislature. 297 Minn. at 386.

Since there exists no rational basis for applying a common capitalization rate to integrated utilities, it would be an arbitrary and unconstitutional classification if adopted, and in violation of the Equal Protection Clause of the State and Federal Constitutions.

III. The Special Treatment of Integrated Companies is Beyond the Authority of the Commissioner.

The proposed method of evaluating integrated companies goes beyond the authority delegated to the Commissioner by statute and involves a policy-making function reserved to the Legislature. In Wallace v. Commissioner of Taxation,

289 Minn. 220, 184 N.W.2d 588 (1971), the Minnesota Supreme Court invalidated a rule which had been formally adopted by the Commissioner. In rejecting the Commissioner's arguments in support of the rule, the Court stated:

> "It is well established that the Legislature may confer discretion on the commissioner in the execution or administration of the law. It may not give him authority to determine what the law shall be or to supply a substitute provision of the law which he thinks the Legislature should have included in the first place." (citations omitted) 289 Minn. at 231.

The ad valorem tax regulations were originally adopted by the Department of Revenue in response to the Supreme Court's opinion in Independent School District No. 99 v. Commissioner of Taxation, supra. It is not inappropriate that the Department of Revenue established formulas for valuing gas, electric and pipeline properties in spite of the fact that the Legislature had not specifically required nor authorized the use of separate formulas. However, there is nothing in the statute or in the Supreme Court's opinion which could possibly authorize a separate classification containing only one major gas utility, merely because a utility is part of an integrated company. The Department of Revenue's lack of authority for such a classification is underscored by the Minnesota Supreme Court in the Dulton case, supra;

> "It has been suggested that real property might be classified by assessors as to type, i.e., farm, lakeshore, residential, commercial, etc.; and that when so classified by them, even though different percentages were applied to the market values of properties in different classifications, this would not validate taxes on properties within a classification to which the identical percentage

> had been applied. We are of the opinion that before such classifications could be undertaken by assessors some statutory enactment, delegating authority therefor to them, with standards for guidance, would be essential. At present, § 273.13 meant this Legislative attempt to reserve any authority in this field to the Legislature." 270 Minn. at 22.

Clearly, the special classification of integrated companies for the purposes of Rule 3(d) must be rejected.

IV. The Commissioner has Failed to Demonstrate a Need for the Unique Treatment of Integrated Companies as Required by the Administrative Procedure Act.

In adopting any rule, the Commissioner is subject to the statutory requirement in Minnesota Statutes Chapter 15.0412, subd. 4, that he "shall make an affirmative presentation of facts establishing the need for and reasonableness of the rule proposed for adoption. ..." The Attorney General has elaborated upon this requirement in his Rule, Attorney General 302(g). As discussed in Section I, supra, the prime rationale for the special treatment of integrated companies was based upon the "company-wide basis" argument. As discussed above, these reasons are totally insufficient to support the separate classification of integrated companies. Indeed, the only need demonstrated for this unique treatment of integrated companies appears to be one of administrative convenience. See discussion of this point in Section II, supra. NSP submits there has been no showing of any need for different treatment of integrated companies, nor has there been any showing of the reasonableness of such treatment. In view of this fact, the Attorney General will be compelled by statute to disapprove the integrated company treatment.

V. The Department of Revenue's Attempt to Classify Integrated Companies in Previous Rulemaking Proceedings has been Rejected by the Office of the Attorney General.

When the Department of Revenue originally proposed and adopted ad valorem tax regulations for the taxation of utilities in the Fall of 1975, a separate classification of integrated companies was attempted by the Department. As previously discussed in Section I, supra, the proposed changes that are the subject of this rulemaking procedure are very similar to that portion of the rules proposed and rejected in 1975. In fact, the 1976 presentation of the Department of Revenue which was to establish the need for and reasonableness of the proposed integrated company rule appears to be a slightly modified and slightly reduced version of last Fall's presentation.

In that previous rulemaking proceeding, NSP maintained that the Department of Revenue's proposal for special treatment of integrated companies had to be rejected since it was a special classification which was a denial of the equal protection clause of the State and Federal Constitutions, that it had no clear relation to statutory purpose, that there was no demonstrated factual basis in the record and that there was no demonstrated need. In addition, the Company also claimed that since the integrated company treatment did not appear in the Notice of Hearing it was a substantial change from the rules as proposed. On December 3, 1975, Mr. Michael B. Miller, Special Assistant Attorney General assigned to the Department of Administration, issued his opinion on the proposed ad valorem taxation regulations issued by the Department of Revenue. Mr. Miller concluded that the special treatment of integrated companies had to be rejected for the following reasons:

"1. Substantial change from rules as proposed;

2. No demonstrated need;

3. No demonstrated factual basis in the record;

4. No clear relation to statutory purpose;

5. No basis for this distinction as required by the Equal Protection Clause of the State and Federal Constitutions."

(See letter Michael B. Miller to Arthur C. Roemer, December 3, 1975. A copy is attached to this submission.)

There is very strong similarity between the integrated company treatment proposed and rejected in 1975 and the integrated company treatment proposed in 1976. This similarity is underscored by a statement made by the Department prior to their presentation of facts establishing the need for and the reasonableness of the rule. In both hearings, the Department emphasized the minimal effect and insignificance of the treatment of integrated companies. In the hearing held on December 23, 1975, Mr. James G. O'Brien, speaking for the Department testified to the method the Department proposed to use only for integrated companies. He stated that:

> "Within Minnesota there are three such operations, and in all cases the smaller utility operation is less than 10% of the total." (1975 Hearing Transcript, p. 13-14)

This statement is incorrect. NSP's gas utility accounts for 14 to 15 per cent of the total NSP system utility revenues. The NSP total system gas utility revenues for calendar year 1975 exceeded $91 million. Despite the fact that NSP's gas utility is smaller than its electric utility and despite

the attempts of the Department of Revenue to minimize the importance of the proposed provision, the impact of the integrated company treatment is very significant. It must be recognized that NSP's properties represent approximately 4% of all the assessed valuation in the State of Minnesota. NSP pays more property taxes per year than any other single taxpayer in the entire State. Therefore, 14-15% of the NSP total operation represents a very large tax resource in and of itself and the Department's argument that the effect of Rule 3(d) is de minimis is totally inappropriate.

In conclusion, the Department of Revenue attempted to make a special classification for integrated companies in 1975 which would have resulted in unfairly and unlawfully valuing the property of NSP's gas utility. This attempt was rejected by the Office of the Attorney General for numerous reasons. Once again, the Department of Revenue has attempted to create a special classification for integrated companies with the result that the property of NSP's gas utility would be unfairly and unlawfully valued. NSP submits that this improper and unlawful attempt should once again be rejected. The Company would submit that the sentence concerning integrated companies which is the first complete sentence on page 4 of the proposed regulations be deleted in its entirety. The Company would also propose that the definition for major business operation be removed from the proposed ad valorem tax regulations since it would now serve no legitimate purpose.

Very truly yours,

JACK F. SJOHOLM, JR.

JFS:ld

Enclosure

DEPARTMENT Administration

Office Memorandum

TO : Arthur C. Roemer
Commissioner of Revenue
201 Centennial Office Building

DATE: December 3, 1973

FROM : Michael B. Miller
Special Assistant
Attorney General

SUBJECT: Revenue Rules/Ad Valoren Taxation of Utilities

Enclosed herewith are the above-captioned rules, two of which are rejected for the following reasons:

A. Tax Ad Val 3(g):
   1. Substantial change from Rules as Proposed;
   2. No demonstrated need;
   3. No demonstrated factual basis in the record;
   4. No clear relation to statutory purpose;
   5. No basis for this distinction as required by the Equal Protection clause of the state and federal constitutions.

B. Tax Ad Val 3(h): impermissibly vague.

MBM/mb

Enclosure

NSP

from
JACK F. SJOHOLM, JR.

I have photocopied all the pages from the 1975 transcript referred to in my letter. I have crossed out my annotations.

RECEIVED
JUL 20 1976
OFFICE OF HEARING EXAMINERS

STATE OF MINNESOTA

DEPARTMENT OF REVENUE

In the Matter of the Proposed Adoption
of Rules of the Department of Revenue
Relating to Property (Ad Valorem) Tax

September 23, 1975

Diane E. DeNet

STATE OF MINNESOTA

DEPARTMENT OF REVENUE

In the Matter of the Proposed Adoption)
of Rules of the Department of Revenue) TRANSCRIPT
Relating to Property (Ad Valorem) Tax)

The above-entitled matter came duly on for hearing on September 23, 1975, at 10:00 a.m., before Arthur C. Roemer, Commissioner of Revenue, in the State Office Building, Auditorium (Room 83), St. Paul, Minnesota.

APPEARANCES:

Arthur C. Roemer, Commissioner of Revenue

Louis Plutzer, Deputy Commissioner of Revenue (Acting)

Gerald W. Pahl, Research Attorney

Lyle H. Ask, Director, Property Equalization Division

James G. O'Brien, Manager, State Assessed Properties Section

Gerald D. Garski, Public Utility Examiner

Judith M. Carling, Public Utility Examiner

Robert McSwain, Consultant for Department of Revenue

Dale Busacker, Administrative Assistant, House Tax Committee

Dennis Emmen, Otter Tail Power Company

Vernon L. Kester, Otter Tail Power Company

Raymond L. Erickson, Hanft, Fride, O'Brien & Harries, Attorney for Minnesota Power and Light Company

Edward T. Fride, Hanft, Fride, O'Brien & Harries, Attorney for Minnesota Power and Light Company

Jennings F. Johnson, Minnesota Power and Light Company

John F. McGrath, Minnesota Power and Light Company

of normal activity, no urgency to buy or sell on the part of either buyer or seller, and continued operation of the utility as a single entity. Public utility property is seldom transferred as a whole unit under these circumstances. Consequently, valuation of utility properties by this method is speculative and, we feel, unreliable.

A substitute for the Market Approach to Value which can be used is called the Stock and Debt or Band of Investment Method. It relies on the accounting principle of assets equals liabilities plus ownership. Thus, if we ascertained the market value of the common and preferred stock and the market value of the various issues of bonds and deducted therefrom the current liabilities, we have the value of the assets. After excluding non-operating assets and exempt assets (such as automobiles, trucks, as so forth), we would arrive at a unit value for the operating property of the utility. There are, of course, problems if certain property is leased, whether or not it should be included in the assessment. The criticisms of the stock and debt approach are, of course, the difficulty with reference to the method allowing for the influence of non-operating assets, of estimating the value of non-operating securities, and to the inclusion or exclusion (as the case may be) of current liabilities in the computation. Additional objections are:

1) The stock market does not deal in values; stock prices are not to be confused with values.

2) The securities traded do not reflect the value of the untraded securities in the same issue; market price ignores

value of control.

3) The value of the securities is not the same as the value of the underlying property.

Therefore, while both the Market Approach and its substitute, the Stock and Debt Method, were considered for the valuation process, they were not used.

Why we use the Cost Approach.

The Cost Approach to Value implies that the original cost of the property is a good indicator of value. Since cost is the expense incurred in the acquisition, it is assumed that the person paying this expense will not ordinarily expend more than what he thinks the property is worth. The cost data for utilities is easily gathered from various reports, and in most instances it is carefully scrutinized by regulatory agencies. We, therefore, feel that it is a reliable, accurate approach to value. For this reason we have assigned more weight to the cost indicator of value in our valuation process than the other indicators of value.

Why we apply depreciation to cost.

The original cost of any utility property must be reduced by certain amounts of depreciation to allow for obsolescence and general wearing out. We have allowed the cost to be reduced by the book depreciation or certain maximums, whichever is less. The holding of the depreciation at a certain maximum acts as a hedge against inflation. Even though a company's property may be old, the cost of replacing the facility at today's prices would, no doubt, be more than the original cost

industries. We determined that gas distribution companies were probably the most "average" utilities and so assigned a rate of 8 percent to them. Electric utilities were better than average in that they normally had slightly lower interest rates and, therefore, assigned a rate of 7 3/4 percent to them; pipelines are a bit more risky in that they are not a monopoly operation but a common carrier, hence we have given them a rate of 8 1/4 percent.

Why cooperatives are valued by use of cost only.

The reasons we have cited for not using market, or stock and debt indicators in the valuation of investor-owned utilities hold true also for cooperatives. In addition, we find that we can give no credibility to the income approach to value because cooperatives, by definition, are not profit making entities. One cooperative may have the philosophy of high rates--high dividends, while a comparable cooperative may want low rates--low patronage dividends. Net earnings do not show a true picture of worth, but are tied to policy. Therefore, in the valuation of cooperatives we use cost only and believe it to produce a satisfactory valuation.

Finally, the method we are proposing to use for integrated companies.

Integrated companies, those involved in two or more utility operations, will be valued by using the method of valuation and allocation which applies to the larger of the operations. Within Minnesota there are three such operations, and in all cases the smaller utility operation is less than 10

percent of the total. When an integrated company issues bonds, borrows money, or sells stock it does so, not on an operation basis, but on a company-wide basis. These factors of bond yield, interest rates, and stock yield affect the capitalization rate. To assign two different cap rates to an integrated company would be unrealistic; therefore, we assign only that rate which the major operation indicates. In addition, had we chosen to use a Stock and Debt indicator of value, we would have been compelled to value an integrated utility as one due to the fact that the value or price of the stock is set on the whole operation, not on one portion or the other. Similarly, such a company may well have many plant items which are common to both operations. It may be almost impossible to separate these items, therefore, we feel using that method of cost valuation which applies to the major operation is the most feasible way to proceed.

Mr. Commissioner, I will turn it back, with your permission, to Mr. Ask to finish our testimony.

MR. ASK: Thank you.

The allocation and why we use different allocation weights.

In the process of allocating the unit value we had a number of considerations in mind. These considerations included:

1) The allocation factors used must be readily available.

2) The allocation factors must be a raw statistic and not an allocated statistic, and this statistic must not have been developed by means of some formula.

NAME	ADDRESS	TELEPHONE	REPRESENTING	CHECK HERE IF YOU WISH TO BE NOTIFIED WHEN EXAMINER'S FINDINGS ARE SUBMITTED TO AGENCY
1. Edward Erickson	1200 Alworth Bldg Duluth Mn	722 4766	Minn Power & Light	✓
2. Bob Dolan	1137 W Shryer Ave. Roseville	488-7513	NSP	✓
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NAME	ADDRESS	TELEPHONE	REPRESENTING	CHECK HERE IF YOU WISH TO BE NOTIFIED WHEN EXAMINER'S FINDINGS ARE SUBMITTED TO AGENCY
1. James McDonald	3359 BEARD Ave No	B 835-2421 H 588-4947	AMOCO Oil Comp	✓
2. Vernon L. Kesten	215 S. Cascades Fergus Falls,	736-5411	Otter Tail Power Co	✓
3. Charles Anderson	Court House Jackson, Minn			
4. Patricia Popovich	514 Minn Bldg St Paul	222-5515	Conoco et al	✓
5. Ed Tiemann	Minn Assn of Elec Co-ops, 4901 W. 77th St, Mpls,	55435/835-2614		✓
6.				
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13.				
14.				

STATE OF MINNESOTA
OFFICE OF HEARING EXAMINERS
ROOM 300 – 1745 UNIVERSITY AVENUE
ST. PAUL, MINNESOTA 55104
(612) 296-6910

July 21, 1976

Ms. Dorothy McClung, Research Attorney
Centennial Building
Room 204 Department of Revenue
658 Cedar Street
St. Paul, Minnesota 55145

Dear Ms. McClung:

In accordance with Minnesota Statutes, Chapter 15, and Rules of the Attorney General, enclosed please find the original and one copy of the transcript in the matter listed below:

THE PROPOSED ADOPTION OF RULES OF
THE DEPARTMENT OF REVENUE RELATING
TO PROPERTY (AD VALOREM) TAX.

FILE NO. DR-76-002-MG

The charge for the preparation of the transcript is $1.35 per page, which amounts to $83.70 for 62 pages.

The above charge will be billed to your agency at the end of the month on the regular monthly billing statement.

If you have any questions, please do not hesitate to contact me at 296-8103.

Sincerely,

Susan K. Derus

SUSAN K. DERUS
Administrative Assistant

SKD:jc
Enclosures

ORIGINAL

BEFORE THE OFFICE OF HEARING EXAMINERS

OF THE STATE OF MINNESOTA

IN THE MATTER OF THE PROPOSED ADOPTION
OF RULES OF THE DEPARTMENT OF REVENUE
RELATING TO PROPERTY (AD VALOREM) TAX

DOCKET NO. DR-76-002-MG

PLACE: St. Paul, Minnesota

DATE: June 30, 1976

PAGES: 1 - 60

EXAMINER: Myron Greenberg

BEFORE THE OFFICE OF HEARING EXAMINERS

OF THE STATE OF MINNESOTA

IN THE MATTER OF THE PROPOSED ADOPTION OF RULES OF THE DEPARTMENT OF REVENUE RELATING TO PROPERTY (AD VALOREM) TAX	DOCKET NO. DR-76-002-MG

Room 57
State Office Building
St. Paul, Minnesota
Wednesday, June 30, 1976

Met, pursuant to notice at 10:00 in the forenoon, BEFORE:

MYRON GREENBERG, Hearing Examiner

APPEARANCES:

DOROTHY MC CLUNG, Research attorney, Department of Revenue.

LYLE ASK, Director, Property Equalization Division, Department of Revenue.

JAMES O'BRIEN, Property Equalization Division, Department of Revenue.

GERALD GARSKI, Utilities Evaluation Examiner, Department of Revenue.

EDWARD FRIDE, attorney, Hanft, Fride, O'Brien & Harries, 1200 Alworth Building, Duluth.

PETER POPOVICH, attorney, Peterson, Popovich, Knutson & Flynn, 314 Minnesota Building.

JIM MC DONALD, representing AMOCO Oil Company.

APPEARANCES: (cont.)

VERNON KESTER, representing Otter Tail Power Company, Fergus Falls Minnesota.

ROBERT DOLAN, manager, Property Tax Department, Northern States Power Company, 114 Nicollet Mall, Minneapolis, Minnesota 55401.

EXHIBITS:	MARKED	RECEIVED
State's Exhibit No. 1 through 7	7	7
Public Exhibit No. 8	30	30
Public Exhibit No. 9	49	49

EXAMINER GREENBERG: This hearing is called to order, good morning. This is a hearing in the matter of the proposed adoption of rules of the Department of Revenue relating to property tax, the ad valorem tax. This is HE File No. DR-76-002-MG. My name is Myron Greenberg, I am a Hearing Examiner employed by the Minnesota State Office of Hearing Examiners. I am not an employee of the agency proposing to adopt the rules. After the hearing I will prepare Findings of Fact, Conclusions and Recommendations which will be submitted to the agency. The agency will them makes its decision to to whether to adopt, modify or reject the proposed rules. Before making that decision they must wait at least ten days, during which time the Findings of Fact, Conclusions and Recommendations which I will submit, will be available to all persons. I don't recall whether this part of my introductory remarks, but, on the sign up sheets, the registration sheets that are provided at the witness table and at the table on my left, if anyone is interested in being notified when the findings are transmitted to the agency they should indicate so on the registration form and they will be so notified. The agenda for this hearing will be as follows: after being convened we will have the introduction of the agency panel, an explanation of

procedure by the Examiner, we'll then entertain the introduction of the State's Exhibits, after which the agency may present its affirmative presentation of facts in support of their changes, proposed changes, after which or during which we will have questions and statements from all interested person after everyone has had an opportunity to say their piece we will close the hearing. Before having the agency introduce themselves I will give a few of the guidelines that will -- that are appropriate for this hearing.

Everyone attending the hearing is required to sign the register, which I've indicated as you enter or as you testify, indicating your name, address and the interest group you represent. As I indicated if you wish to be notified when the Examiner's Findings and Recommendations are submitted to the agency please so indicate. The purpose of this hearing is to consider whether the proposed rules should be adopted and given the force of law. The agency must, 1., document its specific statutory authority to take the proposed action. 2., show that it has fullfilled all relevant, substantive and procedural requirements of law or rule, and 3., demonstrate the need for and reasonableness of its proposed action with an affirmative presentation of facts. All person wishing to express their views will

have an opportunity to do so. When you have an opportunity to testify please step to the area designated for statements, the witness stand immediately in front of me, spell you name for the benefit for the transcriber of this hearing, identify your interest or firm, and speak clearly. I'll emphasize that no one will be recognized speaking from their chair unless I can clearly hear that material and unless I'm sure the mike is picking it up. All witnesses testifying subject themselves to questioning by a representative of the agency, the Hearing Officer and other present. Non-agency interested persons may refuse to consent to questioning by other non-agency persons. If a written statement or other matter reduced to writing is desired to be introduced in evidence it should be presented to the Examiner to be marked as an Exhibit and offered at the appropriate time. Written statements may be introduced at the time the individual offers an oral statement. The right of the agency or others to examine the individual presenting this written statement extends to the content of the statement offered in the written form. I've indicated that this hearing will be transcribed by an electronic recorder, subsequently a transcript will -- of the proceedings will be available. If you wish to have a copy of the transcript for which there is a charge, kindly notify me either during, after or within 20 days of the hearing. In order to aid

the contruction of a proper record I will request that witnesses observe the following rules: only one person will be allowed to address the hearing at one time. All answers must be verbalized, the recorder does not pick up nods of the head, and all technical terms and proper names should be spelled out. It should be noted that anyone who desires to submit a written brief or other written comments bearing upon the proposed rules, may do so within 20 days of the close of this hearing. Such material should be submitted to Myron Greenberg, that's G R E E N B E R G, Office of Hearing Examiners, Room 300, 1745 University Ave., St. Paul, 55104, I'll repeat that address again at the end of the hearing. I will emphasize that the materials must be received by me, or in my office, no later than 4:30 of the 20th day following this hearing. That would be July 20th. So by July 20th at 4:30 I must have received the material which you may wish to submit in written form. You're also advised that under Minn. Stat. Sec. 10(a). 01 Subd. 11, any individual representing persons or associations attempting to influence administrative action, such as the promulgation of these rules must register with the State Ethics Commission as a lobbyist within five days of the commencement of such activity by the individual. I'll now ask that the agency panel introduce themselves and spell their names for the record. I'll also ask

5 that they speak into the mike.

MS. MC CLUNG: That's only recording here.

EXAMINER GREENBERG: For the benefit of everyone present this taping system that we have is a four track taping system. Each mike is recorded on a separate track and the mikes pick up fairly well. My secretary has been instructed already that witnesses are always on tape four, I'm always on, track four rather, I'm always on track one, and the agency personnel should identify themselves each time they speak if they are using a system of separate mikes. The mikes that are recording are the narrow mikes, the mike that have the round head are simply for the amplifying system and have no relationship at all to the recording system.

MS. MC CLUNG: My name is Dorothy Mc Clung, that's spelled M C C L U N G. I'm the research attorney for the Department of Revenue.

MR. ASK: I'm Lyle Ask, Director of the Property Equalization Division, and its spelled, the last name, A S K.

MR. O BRIEN: My name's James O'Brien, O B R I E N, Property Equalization Division, Department of Revenue.

MR. GARSKI: My name is Gerald D. Garski, that's spelled G A R S K I. I'm the Utilities Evaluation Examiner.

EXAMINER GREENBERG: How do you spell your first name Mr. Garski?

MR. GARSKI: Pardon me, Mickey?

EXAMINER GREENBERG: How do you spell your first name?

MR. GARSKI: G E R A L D.

EXAMINER GREENBERG: Are you a member of the panel also?

(No response.)

EXAMINER GREENBERG: OK. I'll ask that now that the agency introduce their jurisdictional documents.

MS. MC CLUNG: Should I give my name again?

EXAMINER GREENBERG: Yes.

MS. MC CLUNG: This is Dorothy Mc Clung. Our first Exhibit will be the Order for Hearing, signed by Arthur C. Roemer, Commissioner of Revenue. The second Exhibit will be the Notice of Hearing, signed by the Commissioner of Revenue. Our third Exhibit will be an affidavit signed by myself indicating that I went to the Office of the Secretary of State to pick up the mailing list. The fourth Exhibit will be the certificate by Ceil Dion in the Office of the Secretary of State indicating the list and sheets that she gave me on May 26th. Accompanying that Exhibit will be the mailing list from the Secretary of State's Office. The next Exhibit will be an affidavit signed by myself as to the mailing of the Notice to the interested parties. Next will be a Statement of Need signed by Arthur C. Roemer, Commissioner of Revenue. And our last Exhibit will be a copy of the proposed ad valorem tax regulations, showing the changes that we are now proposing in the regulations.

EXAMINER GREENBERG: These Exhibits have been marked 1 through 7 in the order in which they were introduced, is there any objection to their receipt? Seeing no objection they are received.

(State's Exhibits 1 through 7 marked for identification and received into evidence.)

EXAMINER GREENBERG: In my introductory remarks I outlined an agenda that would be followed for those who are not familiar with the proceeding in a rules hearing, I will ask that the agency read the rule that contains any change or amendment. I think in this case it's not necessary that the whole rule be read but only that some reference be made to the appropriate page upon which the rule is found and an indication of the approximate location on the page that everyone may be aware of where we're looking. If anyone desires that the complete rule be read we may do so. After each rule is read, after each proposed amendment is indicated we will then allow the agency to indicate its, to present its reasons for desiring that change or proposing that change and at that point we may discuss the change that has just been read. Is that acceptable to everyone? Before we begin I'd like to ask if anyone is at all inconvenienced by the schedule or in the agenda that we've set up, or the system we've set up, if anyone is so inconvenienced please let me know and we will allow whatever testimony must be given immediately, at your convenience. OK, I see no objection to the

agenda we proposed. Who will be presenting the agency's presentation of facts?

MS. MC CLUNG: Lyle Ask.

EXAMINER GREENBERG: OK, Lyle Ask will be presenting the agency's position. Mr. Ask you may proceed.

MR. ASK: Thank you Mr. Greenberg. As an introduction I'd like to say that many of you of the representatives here today were present last year at our first public hearing on public utility ad valorem tax regulations. At that time the Department of Revenue restated its announced policy of rule revision. By that we mean that these ad valorem regulations can be and must change as conditions change. This, therefore, is why we are here today. During the past year we have gained some small measure of expertise in the field of public utility evaluation. We have learned through experience conditions have changed in certain areas, we have examined a number of proposals, rejected some, refined others and now are ready to change our original rules. We are sure that this procedure will be repeated as the need for more changes becomes evident since we cannot estimate an up-to-date market value by using out-of-date methods. Our proposed change number one, this year we are proposing four changes to our orginial rules, the first change is to tax ad val. 3 C, cost approach. We have inserted the phrase "depreciation will not be allowed on construction work in progress". This

language makes our regulations compatible with the accounting procedures used by the Federal Power Commission and the Interstate Commerce Commission for public utilities. As described in the uniform systems of accounts for public utilities subject to the provisions of the Federal Power Act the uniform system of accounts for natural gas companies subject to the provisions of the Natural Gas Act, and the code of the Federal Regulations of transportation companies parts 1200 to 1299. Neither of these agencies allow depreciation on any item until it is put into service. The idea being that the item cannot wear out or depreciate until it is used. Our original regulations did not make this specific statement and some confusion arose as to whether utilities could in fact depreciate construction work in progress. We feel that the addition of this statement clarifies the Department's position and simplifies the job of the utilities in that they will not be required to keep two sets of depreciation records, one state and one federal.

EXAMINER GREENBERG: Are there any comments or questions with regard to the first change that was indicated? I see none, Mr. Ask why don't you proceed.

MR. ASK: Thank you. Our proposed change number 2. The second change was also made to Tax Ad Val. 3 C, cost approach. We are proposing to allow the electric utilities companies book depreciation or 17 percent of cost, whichever is less,

holding the depreciation to certain maximum acts as a hedge agains inflation. Even though the company's property may be old the cost of replacing the facility at today's prices would no doubt be more than the original cost at the time of installation. Thus holding the depreciation at a specified maximum recognized the fact that a facility may be getting old while also making allowance for the fact that to replace or reproduce the facility would produce more value. The maximum allowance of 17 percent depreciation appears to offer the best compromise between the wear out factor and the forces of inflation. It appears to more adequatedy reflect the overall state of depreciation within the electric utility industry which at this time is approximately 25 percent, and providing more accurate measure of the market value of these utilities.

EXAMINER GREENBERG: Are there any comments or questions or statements with regard to the proposed change? Seeing none, Mr. Ask you may proceed.

MR. ASK: Our proposed change number 3, the third proposed change is made to revision to Tax Ad Val. 3, cost approach. We've extended the study period to be used for calculating the average cost per kilowatt of installed capacity factor from five years to ten years for hydroelectric plants and six years for steam electric and gas turbine electric plants. In both instances the study period refers to the most recent years

available from the appropriate Federal Power Commission publications. This change was prompted by knowledge gained through experience. We have learned that a five year average does not encompass enough plants to produce a meaningful average. This is especially true in hydroelectric plants. There are only a limited number of building sites for hydroelectric plants. At these -- as these sites are used up the new construction of hydroplants slows down with only a small number of new plants to take the place of the older plants being phased out of the study, the average becomes only a survey of a very few plants. One extraordinary large plant could then have the effect of skewing the average cost factor, therefore, we have decided that a longer study period is a must for a meaningful average cost per kilowatt of install capacity factor.

EXAMINER GREENBERG: Are there any comments or questions? Yes sir? Mr. Popovich will be second. Please step to the microphone and identify yourself.

MR. FRIDE: Yes, Mr. Hearing Officer my name is Edward T. Fride, it's F R I D E. I'm a member of the law firm of Hanft, Fride, O'Brien & Harries, 1200 Alworth Building, Duluth. I do have some comments to address to you in connection with the subject that has just been referred to by Mr. Ask and I am a little bit uncertain as to your procedure, I just didn't want to be put in a situation whereby silence we're indicating

acquiescence in that, and I presume that more properly we could make some comments at the completion of Mr. Ask's presentation if that's appropriate. But, however the hearing Officer wishes to --

EXAMINER GREENBERG: That's fine with me.

MR. FRIDE: All right.

EXAIINER GREENBERG: Mr. Popovich did you have something you wish to say?

MR. POPOVICH: Mr. Greenberg and members of the panel, I don't know whether -- for the record my name is Peter Popovich I'm an attorney with Perterson, Popovich, Knutson & Flynn, 314 Minnesota Building. We represent Carlton County, Independent School District No. 99, Thompson Township, the Village of Scanlon, Independent School District No. 33. I am registered under the Ethics Act and I have been for some time. I don't know whether to make the general discussion now, I've supplied a letter to Mr. Ask as to some of the points I wanted to cover. Apparently under your procedure you're going through the individual rules so should we make our general presentation now or should we hold it until Mr. Ask has covered the four changes? And I'll be willing to go either way.

EXAMINER GREENBERG: If it --

MR. POPOVICH: I do want to direct it to the ten year matter, however, and I can do that in my general presentation at that time and then Mr. Fride has comments on the same

point as well.

EXAMINER GREENBERG: Sounds like it would be a little --

MR. POPOVICH: Perhaps for the purpose of the record it might be better if Mr. Ask just went through and indicated what the four changes were and then we hear from the people.

EXAMINER GREENBERG: All right, since there is only one change further, and I understand that you and Mr. Fride have similar comments, or comments to complement each other, you may hold them til later. Is there anyone who wishes to speak directly to this point? To this last change that was indicated? Mr. Ask why don't you complete your presentation, then.

MR. ASK: Thank you, Mr. Greenberg. Our proposed change No. four. The fourth and last change is to tax ad val. 3 D, income approach to value. We have added the phrase, "integrated companies will be valued using the capitalization rate which applies to the major business operation of the company." We shall define major business operation as that portion of an integrated company's business having the largest dollar investment in plant and producing the largest amount of gross revenues. The regulations as they now stand include three different cap rates. One for electric companies, one for gas distrubution companies, and one for pipeline companies. The method used for calculation of the specific cap rate for each type of industry takes into account among other things imdebted interest, bond yield, stock dividends paid, and

preferred stock yield. It becomes readily apparent that an integrated company does not borrow money, sell bonds, or pay stock dividends on an operations basis but on a company wide basis. Thus, the one interest rate applies, one bond rate is used and one stock dividend is applicable. Usually the larger business operation dictates what these rates will be. Within Minnesota there are three companies engaged in integrated utility operations. In all cases the smaller utility operation is less than 10 percent of the total. Assigning two different cap rates to such a business would definitely be unrealistic. Therefore, in order to obtain an accurate measure of the market value of integrated company the use of one capitalization rate is a requirement. The other changes listed in the Notice of Hearing, namely those made to tax ad val. 7, are merely the effects of the previously discussed changes on a numerical example used to illustrate the methods and procedures described in Tax Ad Val. 3, 4 and 5, and 6, excuse me.

EXAMINER GREENBERG: Thank you Mr. Ask, before we entertain comments I would like to indicate that changes which may be spoken to are not only those additions which are made, but also deletions which are made from the rules as they are currently enforced. Thus on page 2 of the rules as they were distributed the words "for the five most recent years available" have been struck, if there's anyone who wished to speak to the point of why or whether those words should be struck such

comments would also be appropriate. I think it may be obvious but, it case it isn't, you may raise the point. Do I understand also from the agency that there are additional changes that you wish to make, that there were questions as to whether or not further material clarifying material will be added?

MS. MC CLUNG: Do you want another definition?

MR. ASK: Do you want an added definition? The only thing we had in mind, Mr. Greenberg, was the major business definition and we have that -- in what I've read into the record.

EXAMINER GREENBERG: My question was, did you want to add that into the rules so that they would become part of the rules?

MR. ASK: Yes.

EXAMINER GREENBERG: All right, then where would that be added?

MS. MC CLUNG: Page four.

MR. ASK: Page four. Tax Ad Val. 2, definitions. Tax Ad Val. 2, definitions, Mr. Greenberg. Here he doesn't have this -- in this book.

MS. MC CLUNG: But can we change those --

MR. ASK: We can add them.

MS. MC CLUNG: Can't we -- why don't we add it right here where we already changed them.

MR. ASK: Well, it would end up there.

MS. MC CLUNG: But can we do that? We can't add it to this now, can we? No. OK. Add it right here, page four.

MR. ASK: Mr. Greenberg, it would be added on page four,

EXAMINER GRENNBERG: Where on page four and under what -- would it be under a separate numeral or would it be under a separate subsection or would it be parenthetical after the change which is proposed on page four?

MR. ASK: I think it just would be a paragraph added to --

MS. MC CLUNG: Why don't you just put it in parentheses right after that?

MR. ASK: Right after that underlined. Mr. Greenberg we think it would be added right after the underlined integrated companies.

EXAMINER GREENBERG: Just as another sentence?

MR. ASK: Yes.

EXAMINER GREENBERG: Would you again, Mr. Ask, read so that everyone here will understand what is being added.

MR. ASK: Under our proposed change No. four we would add, " we shall define major business operation as that portion of the integrated company's business having the largest dollar investment in plant and producing the largest amount of gross revenues".

EXAMINER GREENBERG: May I suggest that that language

be changed to -- to read major business operations shall be defined as --, so the change would read, "major business operations shall be defined as that portion of an integrated company's business having the largest dollar investment in plant and producing the largest amount of gross revenues." Is that correct?

MR. ASK: Yes.

EXAMINER GREENBERG: Does everyone understand that change? That's an addition to the rules that were noticed specifically and the agency had indicated to me prior that they may wish to add this type of a change. It is my opinion that it is not a substantial change and that it only goes to the clarification of the orginally proposed change, and that it defines what may be a questionable term, that being, "major business operations". Is there any objection or question with regard to that definition that has just been added. I see no specific question or comment on that definition. Is it Mr. Fride or Fride?

MR. FRIDE: Fride.

EXAMINER GREENBERG: Mr. Fride would you like to give your statement now?

MR. FRIDE: I think I'll yield to Mr. Popovich if it's appropriate.

EXAMINER GREENBERG: OK. Mr. Popovich

MR. POPOVICH: Mr. Greenberg, and members of the panel

I've already identified myself for the record, the particular portion of the changes that we wish to address ourselves to will be on the top of page three. Where the word ten years appears the discussion will indicate that Mr. Fride and his clients and I and my clients have stipulated that we would encourage the Hearing Examiner and the Department to adopt a ten -- a fifteen year period instead of the ten. That's as to the hydroelectric plant average, as to the six years for steam electric that is not a matter of contention between us, Mr. Fride will address that himself. My taxing districts at this point have no problem with the six year thing, because we don't have a steam electric or gas turbines in the area that I represent. So we have no opinion on that. Now as to the reason for the change from the ten to the fifteen years. I had addressed a letter to Mr. Ask here last week as to some of the points that I would cover cause we wanted the record to be very clear as to the reason for the suggested change from ten to fifteen. We appeared at the evaluation hearing that was held a year ago when the orginal rule that is now under consideration for amendment was adopted. As the Hearing Examiner knows and the panel members do, the regulation that was adopted in 1975 was adopted as a result of extensive litigation that has gone on since 1966 between the taxing districts that my office represents and Mr. Knutson from our office who tried some of the cases is here with me

o19 today as well, and Mr. Fride and the office that he represented -- represented M P and L. For the moment, just a background of history, as my letter indicated I would do. In 1962 the then Commissioner of Taxation adopted the formula approach on how to tax utility companies. That was an approach that the panel members are all familiar with and the previous record is also familiar with, but, largely was devoted to original cost depreciated. And so much was depreciated each year for a period to extend over ten years. In 1966 as a result of the changes that had been made from the implementing of the '62 form in the previous four years, there was a decrease in the market value in the corresponding tax base of the M P & L properties in Carlton County. In the Carlton County and the various taxing of districts then retained Judge Yetka who was then practicing in Cloquet and our firm to look into the matter as to what we could do to get a more equitable formula, because as then enacted was to the opinion of the taxing districts arbitrary and erroneous and didn't arrive at the correct market value. A hearing was held before the Commissioner in the fall of the year and that was later appealed to the Tax Court. There the Tax Court, and we were laboring under misapprehension that we had to prove he was arbitrary and capricious, the Supreme Court later said that what was to be proved was what was the market value. But at any rate there was an extensive hearing before the Tax Court where the Commissioners formula

was upheld. That subsequently went up to the Supreme Court on appeal by the taxing districts and the Tax Court was reversed and the matter remanded. And for the record that's the case of Independent School District No. 99 vs. Commissioner of Taxation, 297 Minnesota, 378, 211 Northwestern 2nd 886, which was decided in the fall of 1973. That case and the Hearing Examiner may wish to take the judicial notice of the particular case and make it a part of the record, and I have no objection to that, remanded the matter for trial back to find out what was the market value of the properties in consideration. Simultaneously the then new Commissioner of Taxation, now the Commissioner of Revenue, embarked upon a study as to what to do with the formula and the basis of that study resulted in the adoption of the formula that was imposed last year, and adopted last year. After that formula was adopted last year, but prior to the retrial of the matter before the Tax Court Mr. Fride, representing M P & L appealed the matter to the District Court of Ramsey County challenging the arbitrariness and capriciousness of tax regulation rule, whatever the number is that's now under consideration with the amendments today. We at that point moved to intervene since we have been involved in the litigation. Judge Maxwell and the District Court decision denied our motion for intervention, either on the matter of right or permissiveness on the theory that the Attorney General would be representing all of the taxpayers of the State and would defend the Commissioner's position

We then filed a stay in the matters on appeal to the Supreme Court right now. Obviously because of the peculiar nature of the properties in Carlton County and the taxing districts who've been involved in this litigation for the past ten years we felt we had a matter of interest. The Tax Court then resumed its hearing and after a two week trial that ended in March the matter was submitted to them and they have not yet rendered a decision. Well, during that intervening time then came out the proposed new suggested amendments to the current rule that was adopted last year and as a result representatives of M P & L, primarily Mr. Mc Grath, the present General Manager, Mr. Fride and their county people represented by the county assessor and Mr. Knutson and I sat down in a number of meetings to try to see if we could get rid of this ten years of litigation and the multiplicity of actions that were pending. The District Court in Ramsey County the Supreme Court appeal on intervention, the Tax Court matter not yet decided which both parties probably would have appealed it had it come out, and all intervening actions that have been filed from 1966 to date in Carlton County where M P & L has filed with Chapter 278 proceedings for each and every year as we've been awaiting to find out what is the valuation for '66. So we've got ten years of back log cases that have to be disposed of in Carlton County as well. What I suppose practicalities and good sense would indicate that a compromise

ought to be in order, and one was thrashed out. I don't think either side is completely happy with it but that's the nature of compromises, you arrive at matters that you think that you can live with in order to achieve a solution to the problem. We have as of, I think this morning, or yesterday, signed the stipulation and that stipulation which I would wish to make a record, part of the record, it has been signed by Mr. Fride, representing M P & L, Mr. Knutson representing our office and the taxing districts, Mr. Hamilton Luther representing the Department of Revenue, and the Commissioner of Revenue, and the county attorney of Carlton County because ostensively the county attorney is the one who handles Chapter 278 proceedings. Those have all been signed. Now this is not a signed copy with the exception of two signatures, because this was xeroxed prior to all the matters being signed, but for the record it all has. All of the cases have been captioned on the first two pages and the top of the third page. And in the stipulation matters are addressed to the various actions that I've just referred to. Now to highlight the stipulation for the record, all of the actions for the past ten years will be dismissed and the 3/4 tax that have been paid under Chapter 278 proceedings, which incidentally have been paid on a base higher than the formula because of another legal action and a county board action that had occurred up in Carlton County during that

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time will be settled on the taxes that have already been paid by M P & L, so that'll wipe out the three year period -- the ten year period of back up litigation. We've arrived at a valuation for the power plant and the properties for the next years beginning this year going on through 1979. Those valuations are put in the stipulation and they largely come about by virtue of the recent legislation act that required that valuation not increase at more than 10 percent a year, or 25 percent, you're familiar with that 1976 legislation, that valuation is in here as well. There's also a dismissal of the Ramsey County case and obviously the corresponding appeal to the Supreme Court and the challenging of your rule that was adopted by the Commissioner last year. Now, to get rid of all that litigation to get this matter settled then, we've agreed then as to what the valuation would be, M P & L has also paid the communities the sum of $150,000 for their expenses and the experts and the attorneys, the administration people, and handling the litigation over this year. It doesn't make them completely whole but it is a payment toward their attorney's fees and expert fees cause it has been long and expensive litigation, and has taken a lot of time of the county and the school people as well. They've also paid to the county and will pay, in fact they have because I've got the check this morning, the balance of amount that was held in the escrow account since 1966,

because of, well that's another story in itself, as to the last 1/4 taxes that due on October 31st, so that's been taken care of. We've agreed to accept the wiping out of all of the intervening years because of the approach that has been set on the dollar figures that are in the stipulation. As one further aspect we indicated in the stipulation that ad valorem regulation that's involved here, now if I can find the particular page -- yes, it's on page 8, "that effective for the assessment here in '76, payable in '77 and thereafter, the Commissioner of Revenue and the Minnesota Department of Revenue may effectively amend and revise the 1975 regulations hereandtofore challenge Tax Ad Val. 3C, to provide that with respect to hydroelectric plants the application of the regulation will be based on a running fifteen year average at the cost of the construction of the hydroelectric plants together with the other factors in said regulation." You'll notice that it says that the Commissioner may, we're here to support that change because that is part of the compromise agreement that we've made with M P & L on behalf of all of the taxing districts. We discussed for some time during the negotiation the use of the word "shall" change the regulation, but we felt that as taxing districts and as tax payers that we could not, even though the Attorney General through Mr. Luther is also signing this stipulation, he's signing it by virtue of other litigation that's involved, primarily the

Ramsey County litigation, and that we could not effectively have stopped the Hearing Examiner in conducting this hearing, because if we said he shall change it we would then have obviated the APA Act, and we could not obviate the APA Act without following the statute and having a regular hearing and Findings by the Hearing Examiner and ultimate adoption of a rule and regulation by the Commissioner himself. But, the fact that the word "may" appears instead of "shall" is to take care of any legality change by any other party that the Commissioner was already committed. The Commissioner is not committed to do anything. He's relying on this particular hearing and the Findings of the Hearing Examiner and the evidence that's here, but, the fifteen year period is one that particularly affects the kind of a power plant that M P & L have on the St. Louis River in Carlton County and the taxing districts here involved to our knowledge this is not a great factor with other power plants throughout the State and we are the primary people. And so, the matter is then left open for the decision here. We would be very disappointed if the change were not made from ten to fifteen years.

EXAMINER GREENBERG: Could I interrupt you for just a moment. Thank you Mr. Popovich, go ahead.

MR. POPOVICH: All right. As we indicated we say the Commissioner may change it, really it was the basis upon

which M P & L approached the bargining table and as we approached it, because their concern with the present five year period. Now, obviously one can argue that the shorter the period the more it will affect the kilowatt hour cost that goes into how you arrive at the valuation, but the information supplied to us and we've had our own expert who's been assisting the taxing districts and our firm as their attorneys would indicate that the number of plants in a five year period that you could use as a universe or a base upon which to get kilowatt costs is only fifteen. In a six year period they go up to 25, in a ten year period to 46, and in a fifteen year period to 77, in a twenty year period to 100. If you go out fifty years there's 227 plants that would be pulled into the so called study. Well obviously if you go back too far there could be an abnormal lowering of what the kilowatt costs may be, but, the fifteen year period is obviously a compromise for us, M P & L want it, we urge that you adopt it and with 77 hydroelectric plants in that so called study base or study universe, that should give the Department enough background material and kilowatt cost per hour that would apply to our particular situation. Now, the costs that presently are up at M P & L, and their properties up there are obviously higher than that and the rest of the next five year period takes into consideration, with the new 10 percent 1976 legislation on how we could

increase it. So that, just for the record, these are approximate figures, The market value of the M P & L property for the current year would be roughly seven million dollars on original cost. Under the Commissioner's formula as adopted last year a figure of twelve million nine comes into play. But, we are agreeing to a ten million one figure for this year which will go up ten percent each year until in the year 1979 when we reach fourteen million eight. We think that will dispose of this very lengthly litigation, the parties are all sick of it, the only people making any money are the experts and I begin to doubt whether even Mr. Fride and I are making any money in view of what's be going on over the period of time, and obviously I wanted to get the history of it to the Examiner and for the record because it is a compromise, it will take care of a festering sore for the last ten years and we move from this point forward in the valuation figures. Now, obviously while not in the stipulation the legislature can change something next year or two years or five years. We may see the figure go into effect and depending on a year or two from now what that effect may be M P & L may be in asking for a change in that fifteen year period, we may too, we may want to make it shorter or longer. But, for purposes now, so we get experience with the rule which has only been in effect for ten years we would recommend that the Hearing Examiner make that recommendation to the

Commissioner and that the Commissioner change the ten year change that he was going to make, cause they could see apparently the reason why they had to broaden the experience trend there to the fifteen year period. And, we will then live with that as time goes on. Now, that's not to say if you don't have a rule or regulation hearing two years from now or five, based on what's happened there the taxpayers may come in and object and want another change similarly the taxpayers themselves are not precluded from some change in the future. We've got a dollar figure for valuations that we have here that take care of our local situation up there which we want to put at rest. So, either side at some future date depending on how the actualities work out may take positions contrary to what I've said right here, but, for our present purposes and because of what goes into a compromise and what's been arrived at here we think that this is a fair and equitable solution to a problem that gave rise to the adoption of this new rule last year, anyhow, as a result of that Supreme Court case. And, can set a market value that depending on future experience, which at least at this time would appear to be equitable and reasonable both to the taxpayer as well as the taxing districts. And that really concludes the amount of testimony I wish to offer unless the Hearing Examiner or the panel should have any question of me or anybody in the audience, cause I under -

stand that I do stand subject to cross-examination.

EXAMINER GREENBERG: Does the agency have any questions or comments?

MR. ASK: No, sir.

MR. POPOVICH: Mr. Wittendon, our county assessor is here. Have I covered it as the county understands it, Dick? I might say that a week ago, because of the hearing getting heard today, being set for today, and because of the eminence of a possible settlement, it wasn't yet settled, but the eminence of one, I did meet and Mr. Knutson and I met with the county board and the township supervisors and the school board, in a long meeting on last Tuesday evening on the 22nd in which we discussed the various pros and cons, and obviously as you know when you get, there must have been 30 people there all told, were elected public officials you get a variety of viewpoints and some were against the compromise, some were for it because of a number of things, but I might say that each one of them has passed a resolution indicating to accept the compromise on the basis that, contained in the stipulation, and also authorizing Mr. Wittendon the county assessor and I to appear here today and make our statement for the record and encourage the Hearing Examiner to recommend that the role be changed from ten to fifteen.

EXAMINER GREENBERG: Before I ask some questions, did anyone have any questions of Mr. Popovich? Did you wish to

introduce the stipulation, Mr. Popovich?

MR. POPOVICH: All the parties have copies. I might say that the Exhibit on the back part following the signatures, and I hope the record is getting this, --

EXAMINER GREENBERG: It is.

MR. POPOVICH: -- merely covers valuation for the past ten years on existing properties and you can ignore that portion cause that's statistical data. The material up to page 10 including the signatures indicates what we've agreed to in all of the cases that are being wiped out.

EXAMINER GREENBERG: OK. The stipulation is being marked as Exhibit No. 8. Is there any objection to its being received? Seeing none it is received.

(Public Exhibit No. 8 is marked for identification and received into evidence.)

EXAMINER GREENBERG: Mr. Popovich reading in Exhibit 8, on page 8, what appears to be paragraph 5 Sub. (6), the portion that you read with regard to the fifteen year average cost the construction of hydroelectric plants, where it says the Commissioner may --

MR. POPOVICH: Effectively amend.

EXAMINER GREENBERG: -- may effectively amend and revise the 1975 regulations, referring to the third change in the rules here under consideration. Were that to be changed today, were the amendment as it's proposed here today be adopted,

what effect if any would that have on the stipulation?

MR. POPOVICH: None at all. The valuations contained in the stipulation would still be applicable. You'll notice the next paragraph No. 7 that follows that paragraph 6, relates to any new additions subsequent to 1974 because you know, if they were really to redo the plant or do a lot of rewinding or complete new addition, until that cost would get caught up to the kilowatt cost that was the saving clause there and that also contains that running fifteen year average in there as well.

EXAMINER GREENBERG: I see, you indicated you gave three figures which apparently had been compiled for you with regard to how many plants would be encompassed in the universe of consideration for the five, ten and fifteen year periods that would be given as a possible average periods, to average out the number of sales apparently. What were those figures again, could you give them to me?

MR. POPOVICH: All right, in five years there's a -- the number of plants is 15, in six years it's 25, in ten years it's 46, in fifteen it's 77, in twenty years it's 100, and if you go out to fifty years it would be 227. Now, I might say that includes all kinds of plants, including a new type of plant which is called a pump storage plant. As long as the pump storage plants are included with all other hydroelectric plants in arriving at your universe, and Mr.

Garski and the others understand this, we can live with the fifteen years so far as the taxing districts are concerned. If you ever pulled the pump storage plants out, you know, and left the other ones, because there could be some thought about declassifying or separating that would effect the kilowatt cost. And, both M P & L as well as us may have a different approach to the settlement if that classification were ever going to change, and Mr. Garski understands this because we -- I'm sure members of my staff have talked to him about it but these include both pump storage as well as the kind of plant we have up there at the St. Louis River so it broadens the base.

EXAMINER GREENBERG: All these fi --

MR. POPOVICH: And with that understanding with the record, because if there's ever a change in the separation of the two kinds because the kilowatt cost would change. I'm sure both the taxpayers as well as taxing districts may want to look at the years that are involved then, relook at the years.

EXAMINER GREENBERG: All of these figures include these pump storage plants, correct?

MR. POPOVICH: Yes, that's my understanding.

EXAMINER GREENBERG: You indicated in your statement that the fifteen years was agreed to as a compromise on the part of your clients and the taxing districts, is that correct?

MR. POPOVICH: It was a compromise so far as M P & L wanted a longer period of time, I wanted a shorter. In fact I was prepared to come up here to argue against the change from five years to ten and also to encourage taking out pump storage so, you know, the parties started at various points depending upon their approach to the problem we've now arrived at the fifteen based upon the present plants in the universe. But, if you were to separate them out I'm sure both sides might change their viewpoints.

EXAMINER GREENBERG: Would you be able to give me some indication of the effect, essentially the net effect of changing from fifteen years, as you've indicated or you're desiring to do, to ten years?

MR. POPOVICH: Well, the cost per -- I can give you some cost per kilowatt hours that work into the formula that were given to me. On a five year basis the cost per kilowatt is $331 so obviously if we had a five year rule and the cost per kilowatt is 331 the market value would be higher. That's one reason I approached maintenance of the lower figure. At six years it drops to $246 per kilowatt, in ten years it's 225, in fifteen years it's 222, in twenty years 225 and in fifty years it's 210, per kilowatt. Now, there are -- there are a lot of reasons why one may want to go for a shorter period or a longer, may I say for the record that was not our intention today to start debating five years or twenty

or thirty. We've agreed on fifteen, my testimony is offered supporting data as to why fifteen should be accepted, I've given you a number of plans for the universe, I've given you the kilowatt cost, and I've given you the fact that we want to wipe out ten years of litigation and maybe ten more if we don't get this thing settled.

EXAMINER GREENBERG: I understand, my questions are directed to finding out what the difference would be and how it would affect you, how it might affect future litigation, what the future effect of a change either ten or fifteen years would be. Is it --

MR. POPOVICH: The effect would be greater, Mr. Goldberg -- Greenberg, if it was a taking out of the pump storage type facility from the other kind, then, you would have a completely different universe and then the years would really come into play and the panel people agree with me as well as do the taxpayers. That would open up a whole new ball game. We're not at this point, making any -- we're living with the tax regulation rules as they were adopted last year with the suggested changes that we're recommending. As to the six year period for steam I have no interest in that I am not taking a position.

EXAMINER GREENBERG: This being an informal or at least we hope it's a fairly informal hearing, I'm going to direct a question to the agency. Is there any anticipation of

this separation of plants taking place? Is that something of consideration that would affect this particular set of rules?

MR. ASK: I don't think we've ever given consideration to that.

MR. GREENBERG: Thank you Mr. Ask.

MR. POPOVICH: I might say this Mr. Hearing Examiner, as you know under the rules private parties can ask for rule changes and, you see, each side wants to live with formula, the formula is only a year old and there's a few changes even the Department wants to make. Well we want to make the fifteen year. But, you know, who's to know if ten years down the path -- pike, or five years, who might apply for a rules change. There could conceivably be somebody saying well this kilowatt cost is getting too low the market value doesn't reflect market value because that kilowatt cost there is a very important factor, and then apply to change it and to put all like plants in a similar class. We can't discount that. I can't -- we can't buy into M P & L and their successes or any public official who might be elected hereafter either. That's got to be an open book and that's the way Mr. Fride and I understand it to be.

EXAMINER GREENBERG: All right, I don't have my calculator here and I'm not that familiar with the mechanics of the computation of the tax but, as I look at the figures that you

just gave me, the last set of figures that you gave me I see the difference between ten and fifteen years and fifteen and twenty years being $3 per kilowatt hour, cost of kilowatt hour, is that to be considered as a very significant effect-- factor I should say, $3 difference?

MR. POPOVICH: Well I'd have to talk to my expert who's not here today, he's out in Seattle. There may be reasons why. We've agreed for fifteen years for a number of things.

EXAMINER GREENBERG: OK.

MR. POPOVICH: A number of things.

EXAMINER GREENBERG: I won't press it further.

MR. POPOVICH: And so don't look at the 225 to the 22 -- because there are so many factors going on, I even understand that one of the plants that reported may have made an error in how it reported in what their kilowatt costs were. We've arrived at the fifteen years by bargining. We really didn't you know, different people arrive at a solution for different reasons. We did not arrive at the kilowatt cost as a basis for us going to fifteen, there were other factors as well. We started at the shorter scale obviously. But, I think in order to get this thing wound up, put it at fifteen and time will tell how these figures work out.

EXAMINER GREENBERG: All right, if you have further comment on that you obviously can --

MR. POPOVICH: No further comment.

EXAMINER GREENBERG: Does the agency wish to respond to any of the comments which Mr. Popovich gave in response to my questions?

MR. ASK: I don't think so.

MR. POPOVICH: One reason I avoided your questions, I'm not that much of an expert, I'm maybe a lawyer, but I'll tell you when it came to kilowatts and all this other stuff you have to have your experts talk about it and really the reason I avoided you questions, I couldn't answer because my expert would have to do it and he's not here.

EXAMINER GREENBERG: Well, when it comes to writing the findings on this matter I may ask for the name of your expert

MR. POPOVICH: All right.

EXAMINER GREENBERG: Mr. Fride would it be all right if we took about a five minute break?

MR. FRIDE: Certianly.

EXAMINER GREENBERG: Yes, sir?

MR. MC DONALD: May I ask a question of information? My name is Jim Mc Donald, M C D O N A L D. You've mentioned in the're original statement that 10A01 provided that anyone who's testifies here must register within five days. As I understand the law of 1976 that applies only when the individual testifying is spending $250 per year or in excess of five hours per month in this type of an endeavor, is this correct? This is my understanding.

EXAMINER GREENBERG: It's my understanding of the law also. I'm going to ask Mr. Popovich, who I am sure is more familiar with that law than I. If he can answer that.

MR. POPOVICH: I followed that particular amendment that went through because the advisory opinion indicating anybody who wrote to a legislator would have to file as a lobbyist and there is an advisory ethical opinion on it. It's $250 or five hours, and I'm not sure if the law went into effect right away, what the effective date is, but, you're -- he's essentially correct and really to play it safe you could go upstairs and file and then file your termination at the same time. There is a provision that one who may be in doubt, because there is a penalty, can file and terminate by filling in the boxes all at the same time on the form.

MR. MC DONALD: Well, the reason I ask is I did check with a Mrs. Clutter, C L U T T E R, and she advised me that if this was a one shot presentation that she would see not or he, I don't know if it was a he or she, now, I thought it was a Mrs., that there would be no reason for registering because it would be obvious that it wasn't exceeding any limitations of five hours a month that we would be before this body. So I --

EXAMINER GREENBERG: OK, if it's Mrs. Clutter I fear that Mr. Clutter is engaging in some nepotism in this Department.

MR. MC DONALD: No, I thought it was a Mrs. but my abbreviations are probably not --

EXAMINER GREENBERG: It's my understanding that the five hour part of that new legislation would probably be appropriate in this instance if that's the type of thing you're spending your time on. If it's all right with everyone we'll take a five minute recess. I'd like to limit it to five minutes, also, so that we resume right away.

(Short recess)

EXAMINER GREENBERG: We're back on the record. Mr. Mc Donald I understand you'd like to say something or ask some questions.

MR. MC DONALD: I'd like to make my remarks before you adjourn at noon but if you -- some continuity with Mr. Fride I'd be willing to let him finish his comments and then after that I'd like to make a brief statement.

EXAMINER GREENBERG: All right, fine. Mr. Fride.

MR. FRIDE: Thank you Mr. Hearing Officer, members of the panel, ladies and gentlemen. I indicated I'm Ed Fride, I'm a lawyer in Duluth. I represent Minnesota Power and Light Co. I would like to take this opportunity to request a copy of the transcript that is being prepared of this hearing. In general terms I would like to express agreement with the recitations which Mr. Popovich made insofar as the specific numbers are concerned I don't have my copy of those with me,

40 but, I believe they were in general generated by the Department staff and I believe they are of general accuracy insofar as that aspect is concerned. I would like to specifically request that the Hearing Officer recommend to the Commissioner that the period used for the computing of the hydroelectric plant average would be fifteen years rather than ten years. I might mention to you, Mr. Hearing Officer, that the plant in question in terms of the litigation which has been described by Mr. Popovich is a plant that first went into the electric service in 1907. And, when one takes the value of that plant and tries to equate it with current costs of construction, obviously, there is a very wide disparity. The value and productivity of that plant has not changed but to tax it on the basis of current costs of hydroelectric construction obviously imposes a very substantial inflationary factor which we don't feel is appropriate in terms of the tax base. We do feel that if the Hearing Officer and the Commissioner were to expand the ten year to a fifteen year base then such would be appropriate insofar as Minnesota Power and Light Co. is concerned and we would have no objection to the remainder of the regulations. We do make that one specific request for modification. I think insofar as the stipulation is concerned it obviously speaks for itself and I think Mr. Popovich has addressed himself accurately to it. We would suggest insofar as the position of Minnesota Power and Light

41 Co. is concerned that the company is not waiving any rights to challenge the legality of the regulations insofar as steam electric or gas turbine electric computations are concerned in future years beyond 1976. Insofar as what develops in terms of the validity or accuracy or propriety of such assessments we would have to take a look at those at that time. I think as far as Mr. Ask's comment is concerned with respect to the base of hydroelectric plants, they're very obviously true and accurate, they are very few of these plants being built today and therefore, this is an additional reason why we suggest the change to the fifteen years. On the basis that I've indicated we are agreeable to the regulations as they are proposed here and would like to express to you, Mr. Hearing Officer, and to members of the panel and to the Commissioner, our request and suggestion that they be adopted together with the modification that I've indicated. I have no further comments at this time expect that I'm available, of course, for any questions.

EXAMINER GREENBERG: Thank you Mr. Fride. Has anyone have any questions of Mr. Fride? Thank you Mr. Fride, I see no questions.

MR. FRIDE: Thank you.

EXAMINER GREENBERG: Mr. Mc Donald why don't you make your statement now and then we'll entertain any other comments or questions.

MR. MC DONALD: My name is Jim Mc Donald, M C D O N A L D. I'm employed by the Standard Oil Company. I'm here specifically today representing the AMOCO Oil Company which operates a pipeline through the State of Minnesota. The purposes of the presentation that I will make is not for the purpose of attacking or commenting on the specific rule changes of 1976, it's more designed toward a objection that I had last year in that the pipeline that I represent is not covered at all in the regulations of 1975 or 1976, and yet I am governed by the rules and the filings and the ultimate decisions of the value of the State Department of Revenue. The pipeline that I am representing originates between two points between refineries that are wholly owned by the American Oil Company or now changed to AMOCO Oil Company. Along this pipeline are stationed terminals which we also wholly own, so, in effect you have a, what I call, a piece of capital equipment that grows from our own wholly owned refineries and terminates at various terminals along the pipeline and ultimately is used to service our particular service stations and customers throughout the state of Minnesota. As far as the regulations going back it's a little bit historical but I would like to repeat it for the record. The proposed regulations of 1975 in draft form did have a paragraph that talked about companies like myself and spoke to them as being kind of unique in character and that they

would be assessed on a fair and equitable basis. When the hearing was had I was not in attendance I had another commitment, that paragraph was removed and the net result was that privately owned pipeline companies continued on being assessed as they were in the past under the commonly referred to as the Hatfield Formula. I guess, my biggest objection is that I don't know where I stand as far as tax representative and the rule of the Supreme Court that said that all three approaches to value must be recognized. I agree with the Department's observations that there aren't any sales of this type of pipeline commonly, so the market data approach is just almost a nullity if there is one there are probably so many factors that come into play that it's governed by so many outside influences. It's also my position that the income approach is not appropriate. Being a wholly owned company we do not transport any petroleum products for anyone else. I would assume that the reason for our capttal expenditure in this manner was to reduce our costs of operation and hopefully the net result would be increased profits for the shareholders. Because of that I think the other approach to establishing valuation, namely the income approach, is equally really not germane to the assessment of a privately owned company as it might be with a common carrier who does file rates and file various things with different regulatory

agencies and hopefully we'll come up with a rate that will give them a fair return on their investment. The net result of course would bring us down to then what are we using, in valuing this particular pipeline, and it boils down to what I think is some realization of today's trends and some type of an application of a Hatfield type of formula which would recognize some depreciation and obsolesences. The regulations adopted last year did refer to pipelines generally speaking but, when they allowed for the depreciation from a 75 percent residual value at 25 percent depreciation under the old Hatfield formula, all other pipelines, both natural gas and petroleum lines were extended additional depreciation and this was primarily because of physical depreciation and obsolesent factors. It's my feeling that a pipeline owned by a private carrier also depreciates and has the same factors of obsolesence that a common carrier would have. I guess the question really boils down to how much additional depreciation should be allowed for a privately owned line to be in the same type of valuations as the pipelines. I think it's, from the observations that I have and communications with other people, that to give 45 percent depreciation if the age is there to one pipeline and not for another pipeline would an arbitrary decision on the Department's part. And, I guess what I'm asking for is something other than a commitment that, well, we're going to study it for a year and

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come up with some recommendations, this was given to me last year at the time of my filing, and this year the proposed regulations are still silent on unique pipelines such as myself who are privately owned. I think there is evidence to warrant the Department to take a special look at these obsolesent factors, things that have changes since some of the requirements of the Hatfield formula, and I'm assuming those were taken into consideration when other pipelines were given the depreciation from the 25 percent down to the 45 percent. I don't think it's necessary to restate those at this time other than to highlight a couple of areas that there are changes in today's electric society that we have. The common changeover is from a diesel power plant into electical power plant as far as the pumping of the product through the lines there's a great deal of changeover in that area. Secondly the newer lines going in, obviously, would not be constructed on a small through-put, they would more than likely have a much larger gas main or a petroleum main than a eight or ten inch so I feel that as far as this being available on the open market to a purchaser if that ever came to pass that this would be taken into consideration that would have to be looked at by a purchaser and that the value would be looked at accordingly. I don't have a formula myself for presentation at this time I just feel that the staff should be making this observation and come up with

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a decision that they can defend or I can attack or whatever. But, the way it sits right now I have no standing in the proposed regulations of either last year or this year and that's what I'm bringing to the attention of the Hearing Officer. I would respectfully request that you look particularly to the depreciation allowance that is given to other natural gas pipelines and petroleum lines of common carrier types and that some reflection be given to the privately owned pipelines in the same manner. Thank you.

EXAMINER GREENBERG: Thank you Mr. Mc Donald. Does the agency wish to respond? Mr. Ask?

MR. ASK: Only sir, that of course we didn't propose these in our changes like he said, but, we are at the present time making a study based upon figures furnished to us by Mr. Mc Donald within the last five days or a week.

EXAMINER GREENBERG: Thank you Mr. Ask. Mr. Mc Donald are there any other companies in Minnesota who are in the same position as AMOCO?

MR. MC DONALD: I think, well, I think there's one mile or two pipeline by Mobile Oil. Mr. Garski could answer that. I'm not sure who might fall into the same unique situation, but, I understand it's maybe three.

MR. GARSKI: Yes we have three other pipelines that have no income, Mobile Oil, a pipeline owned by a person, Lloyd Crumb, and a small pipeline owned by a water company

in Duluth.

EXAMINER GREENBERG: I'm sure you're aware that there are other -- the comments which you make cannot really be considered in the terms of the report of the Examiner in this matter since as you indicated, there's no specific rule change or amendment proposed to the rules which deals with the matter which you've discussed. However, there is as I understand, as I'm sure available to you, the possibility of proposing specific amendments to the Department of Revenue for their consideration and for public hearing as well as the routes of proposing specific legislation to deal with the matter, I suppose if worse comes to worse, litigation in the same fashion that, hopefully not in the same fashion, but, along the same lines that Mr. Popovich outlined earlier. Given the fact, however, that the Department of Revenue, from what they've just said, is working on this possible amendment to the rules to encompass the matters which you've suggested or which you've discussed. I can only suggest that you work closely with them to work out some formula which is acceptable both to you and the Department.

MR. MC DONALD: Am I to understand then that you're observations will not be relayed -- I -- it's a point of question that your comments or recommendations will not be forthcoming as far as my particular situation.

EXAMINER GREENBERG: My Findings will in all likelihood

indicate that a comment was made with regard to something that was not included in the proposed amendments and for which no notice was given so that substantial or substantive comment on that matter would not be appropriate on my part.

MR. MC DONALD: Yah. I guess I really did want to bring it to the public notice that I feel that we have to attack the situation and I do know that they've asked me for the information and I have supplied it and we are working toward a resolution.

EXAMINER GREENBERG: OK.

MR. MC DONALD: Thank you very much.

EXAMINER GREENBERG: Thank you Mr. Mc Donald. Did anyone else wish to make a comment? Yes, sir. Before you begin let me just say if the tape starts beeping where ever you come to an appropriate spot I'd like to stop to change the tape.

MR. KESTER: Mr. Greenberg, members of the panel I'm Vernon L. Kester, that's V E R N O N, that's K E S T E R. I represent Otter Tail Power Co. from Fergus Falls, Minnesota. I'm a tax accountant. Now, in the interest of time I have a prepared statement that you're receiving a copy of that right now. I'd ask for fifteen minutes which is what about it would take to go over this and I think what I would like to do is submit this statement for the record and then just briefly hit a few of the high points of it. If there are --

EXAMINER GREENBERG: All right.

MR. KESTER: Any questions I'd like to proceed on that basis that --

EXAMINER GREENBERG: All right the document which I received entitled In the Matter of The Proposed Adoption of Rules of the Department of Revenue Relating to Property (Ad Valorem) Tax for Electric and Gas Utilities. Subtitle State of Otter Tail Power --

MR. KESTER: I want to correct that, that's one thing I didn't catch, that should be statement --

EXAMINER GREENBERG: Oh.

MR. KESTER: -- of Otter Tail Power Co.

EXAMINER GREENBERG: Statement of Otter Tail Power Co. This has been marked Exhibit 9 and you may proceed. Is there any objection to this being received? I see none.

(Public Exhibit No. 9 is marked for identification and received into evidence.)

MR. KESTER: Primarily what one of the items that we're objecting to would be the elimination of depreciation on construction work in progress. I go into that in some amount of detail on this prepared statement but, it's our opinion that this is property that we are not earning income on. We do have a formula based on capitalized earnings. So, I guess we don't feel that it's proper that property that's not earning income should be taxed on a higher basis than

property that is fully operational and producing income for the company. We would also, are making comparisons with other states in which we have property and that the depreciation rate, for instance, in North Dakota we're allowed 25 percent, in South Dakota the depreciation rate is 55 percent on old standby generating plants, 50 percent on construction work in progress and 25 percent on other property. And, we therefore, urge that consideration be given to increasing the depreciation rate on the assessment formula to 25 percent. We also are in oposition to the add on feature based on disposal cost for KW and my prepared statement goes into quite a bit of detail on that but, we've just gone through an experience of retiring five plants where their total cost for thirteen million dollars on our books and then that amount that we have realized through the sale of the buildings, equipment and soforth to date is netted out to about $214,866 which is considerably less than thirteen million dollars that we do have on the books. So, the point I'm trying to stress is that as far as adding value to older plants that are becoming more and more obsolete, our company fails to see the logic of this. Like I say we have had an experience with disposal of plants and we have about three remaining buildings that we haven't disposed of and we're hopeful that when they are disposed of that the net result for the company will actually end up as, hopefully, a positive figure and if

51 not a negative cost to the company. So, I would tend to stop with those remarks and then I guess they would request that my statement become a part of the record.

EXAMINER GREENBERG: OK, thank you Mr. Kester, your statement is a part of the record as Exhibit 9. Does anyone from the agency wish to comment or ask Mr. Kester any questions?

MR. ASK: No.

EXAMINER GREENBERG: Thank you very much Mr. Kester, there are no questions. Are there any further comments, questions or statements? Yes, sir?

MR. DOLAN: I have a statement that I would like to read. Mr. Greenberg my name is Robert Dolan, that's D O L A N. I'm manager of the property tax department for Northern States Power Co., 114 Nicollet Mall, Minneapolis, 55401. As you indicated the purpose of this hearing is to consider testimony pertaining to the proposed adoption of rules of the Department of Revenue relating to utility property taxes. The unit value approach to determining the value of utility property as originally conceived is basically sound because it can be made to more readily respond to the ever changing economic trends. This is not to be construed to mean that the present formula is satisfactory or acceptable. We wish to address our challenges to three areas of concern within the framework of this method, (1.) The trending of value of steam generating facilities in accordance with the national average cost of

52 installed capacity. (2.) The use of different capitalization rates for similar utilities, and (3.) The apportionment formula. Although there is no specific proposed change in the regulations relative to the apportionment formula it is a part of the regulations and does affect our operation and I would request permission to address that issue. The method adopted after last year's public hearing is the unit value concept and is one that is generally favored by many other tax administrators throughout the country. Now, as part of the cost approach to value which is an integral part of the formula is an adjustment of value for steam generating facilities. The trending of the value of the electric generating stations is based on a national average cost per kilowatt in installed capacity. According to our most current estimates which we feel are conservative, the effect of this proposal will add approximately 2.2 billion dollars in original cost to our plant over a ten year period. This is more than the present original cost of NSP's entire electric system. This would add or produce an additional market value of about 1.4 billion. We feel this does not represent market value but rather something greatly in excess of market value. Because older facilities generally have a lower cost per KW of installed capacity they are more likely to be effected by this feature. This will add a considerable sum to the value without producing any additional revenue. The resulting increase

53 in market value for older facilities could place their operating status in jeopardy. The increased costs of operation could weigh heavily in any decision as to possible early retirement Removal from service prior to any anticipated retirement date will also effect the host area's fiscal status through the premature loss of assessed value. Therefore, we would re - commend that the parameters for determining the average cost per kilowatt be reviewed annually to recognize this condition. The second area of concern is the proposal to use different capitalization rates for similar utilities. The proposed regulations call for the use of three different capitalization rates. The rate for electric utilities would be 7 3/4 percent, for gas distribution companies 8 percent and for pipeline companies 8 1/4 percent. However integrated companies will be valued using the capitalization rate which applies to the major business operation of the company. Because NSP provides both electric and gas services we are considered an integrated utility. Our electric properties are no different from any other suppliers of electrical energy and neither is our gas utility different from other gas suppliers. The criteria used in analyzing the financial viability of NSP's gas utility are identical to the criteria used by other gas suppliers in their financial analysis. However, because we also provide electricity the market value of our gas properties will be based on the cap rate used in the electric formula which is

7 3/4 percent while singular gas utilities have the benefit of an 8 percent cap rate. It is our understanding that the Department in determining last year's cap rate used a 20 year interest rate and bond yield study. Because the amount of outstanding debt of that vintage is rapidly being replaced we feel that 20 year average is not realistic. It would be far more reasonable to limit that period to ten years and the ten year period could then be adjusted through various weighting factors to recognize the changing economic conditions. There are three basic approaches used in computing capitalization rates but only the band of investment method can be depended upon to provide acceptable results for public utilities. In last year's testimony we provided data for computation of a cap rate through the band of investment method. That data is just as relevant today. As we've showed in that testimony the cap rate was determined by calculating the various capitalization ratios of short term debt, long term debt, perferred equity and common equity. The cost factors were weighted in relation to the capitalization ratios and the resulting weighted cost produced a capitalization rate of 9 percent. This year that rate has even escalated and we submit for your consideration a capitalization rate of 9.4 percent. This we feel, supports our position that the cap rate for all utilities should be a minimum of 8 percent. The added value from using a 7 3/4 percent cap rate would

not be related to any normal increases in operating expenses that fall on all utilities alike but rather would be due to an arbitrary decision that would apply only to certain gas suppliers. The only way that different cap rates for similar properties can be justified is if each company were to submit a capitalization rate based upon their individual finanical structure for value determination. However, to assign different cap rates for similar utilities is discriminatory and also fails in its designated task and that is to produce market value. Market value must be based upon the same standards for all similar properties. To say that one set of rules apply to one supplier but not to another, even though they are equal, is discriminatory and should not be permitted to be enforced. The final area of concern is how the market value of our property is apportioned back to the various taxing districts. There are built in inequities in every method of allocation and each method can be criticized for one reason or another. It is our contention that the prodedure included in the regulations produces disparities in many districts. We have proposed that original cost be considered as the vehicle for apportionment. It not only reduces the amount of desparity but also reduces the number of areas adversely affected. In addition to the advantage of maintaining fiscal security for the areas in which we provide service it is also more readily available from the

56 corporate records. Original cost is a category that must be maintained in accordance with FPC regulations. The proposed formula is not subject to FPC regulations but must be maintained and updated according to the county assessors records for the limited market value. This procedure will create a definite hardship on the part of the reporting utility which will ultimately produce a time lag for reporting. We recommend that before any method of apportionment is adopted the Department examine alternatives to the proposed method and choose the one that causes the least amount of hardship to the local districts. This concludes our testimony and we appreciate the opportunity to appear before you.

EXAMINER GREENBERG: Thank you Mr. Dolan. Does the agnecy wish to respond?

MR. ASK: No.

EXAMINER GREENBERG: The agency has no response.

MR. ASK: Wait, just one minute, Mr. Greenberg.

EXAMINER GREENBERG: The agency may have some response.

MR. ASK: No, I don't think so sir, thank you.

EXAMINER GREENBERG: Thank you Mr. Dolan I appreciate your remarks.

MR. DOLAN: You're welcome.

EXAMINER GREENBERG: Does anyone else wish to ask questions, offer a statement or comments? I see none and if no one indicates the desire to speak we will conclude this hearing.

57 I see no other comments. I will remind everyone that anyone who desires to submit a written brief or other written comments bearing on the proposed rules may do so within 20 days of the close of this hearing. Again, that's July 20th at 4:30 p.m. in my office. Such material should be submitted to Myron Greenbert, Office of Hearing Examiners, Room 300, 1745 University Ave., St. Oaul, 55104. The materials must be received within the 20 day period to be considered. I will again advise everyone that under Minn. Stat. Sec. 10A01 Subd. 11, 1974, any individual representing persons or associations attempting to influence administrative action such as the promulgation of these rules must register with the State Ethics Commission as a lobbyist within five days of the commencement of such activity by the individual. I'll ask one last time, is there anyone who wishes to make any comment, statement or has a question? There being no response this hearing is adjourned.

CERTIFICATION OF TRANSCRIPT MADE FROM TAPES

The proceedings herein were recorded by electronic device on recording tape(s). The undersigned served as Hearing Examiner and was present throughout said proceedings.

I hereby certify that I have reviewed the recording tape(s) made of the proceedings; that I have compared the tape(s) and the foregoing transcript and that said transcript is a full, true and correct copy of the tape(s).

Dated this 14th day of July, 1976.

Myron Greenberg

Myron Greenberg
Hearing Examiner