



Avitar Associates of New England, Inc.

A Municipal Services Company

April 15, 2016

**Town of Allentown
Board of Selectmen
16 School Street
Allentown, NH 03275**

Re: Utilities

Dear Board Members:

We started Avitar 30 years ago to provide the most advanced municipal software and assessing services unavailable at that time. Since then, we have led the way with municipal software and fair and equitable assessments across the State, including public utilities. During this entire time, we have used the RCNLD (Replacement Cost New Less Depreciation) approach to value to develop our opinion of fair market value for public utilities. This approach to value is the only valid approach to develop an opinion of market value, in my opinion and I have argued vehemently before the Courts regarding the same. The sales approach to value literally does not exist with regard to Public Utilities, as all public utility sales are heavily regulated and not open and fair market transfers. The income approach to value requires the assessor or appraiser to value the asset statewide and then allocate that value somehow to each community. They must also consider and hypothesize the effect of regulation not found in normal income producing properties. This property is essentially a regional monopoly and is guaranteed a rate of return on and of the investment, as well as protection from total failure. All of which have a major impact on the income approach to value, making this approach more of an unprovable, manipulative guess of market value of the state wide unit than any other. As the end result needs to be allocated amongst all the communities in the state, which as shown in the recent BTLA decisions regarding PSNH & NHEC, tends to allocate real estate value that exists in one community to another is therefore not fair and equitable.

The most recent BTLA decisions were fairly critical of the taxpayer's utility experts and the DRA's utility appraiser and results. Following those decisions, the Property Appraisal Division Director, Steve Hamilton has recently indicated that he does not believe utility values are part of the mass appraisal process and should be more appropriately valued under a USPAP (Uniform Standards of Professional Appraisal Practice) standard 1 & 2 report and requiring more documentation in our 2015 update manual. As a follow up to his comments on our 2015 USPAP reports, Mr. Hamilton and the Assessing Standards Board (ASB) Chair, Mr. Len Gerzon, a public utility advocate, recently attempted to rush through the ASB a change in the law that would force Assessors to be held accountable to the standards of all of USPAP procedures that are set forth for Appraisers and not Assessors. This would require a full USPAP compliant

appraisal report on all utilities, as well as any special purpose property not valued as part of a mass appraisal model. As the DRA appears to have a lot of influence over the ASB, it is highly likely that this change will soon become Law. The ASB will be taking action on this recommendation at their next scheduled meeting on Monday, May 16th. As I am not an appraiser, should this pass, I will not be "qualified" to provide that type of report and as such, will no longer be able to provide public utility assessments in the future. This will require municipalities to either use the DRA value (while frowned upon by the BTLA) or go out and hire an expert appraiser. As many of you already know, this will increase the costs significantly over what you currently pay for this work.

As a result of the issues we have faced with the DRA over the past few years regarding the reporting on Utility values and the "push" at the ASB to have the law changed, we felt it necessary to inform you that as of 2017 (with the exception of already signed contracts), Avitar will most likely no longer be able to provide Public Utility assessments and you must prepare for an alternative. We will continue to defend all prior and current value opinions thru the BTLA and Courts as need be, but it appears that it is time for me to fully retire. If however, the ASB's action fails and the legislature does not choose to adopt USPAP 1 & 2, then I will continue to provide you your utility values with a supporting assessment report as used at the recent BTLA hearings.

Despite this ongoing problem with utilities, Avitar has a great staff, all with numerous years of experience. Which include amongst them, our two hardworking and dedicated sons, along with Loren Martin, as President of Assessing Operations and Josh Arend, as President of Software Support and Development. All of which are available to assist you with all of your assessing and software needs and although after this year I may be fully retired, you are not only in great hands, but in many ways more efficient and organized hands.

I have enjoyed working with every one of you and am honored to consider you all my friends.

Sincere thanks for 30 wonderful years.

Sincerely,



Gary & Terry Roberge
Avitar Associates