

Memo

To: Mayor & Council
From: Jim Wheeler, City Manager
Date: April 20, 2020
Re: Utility Update Contract

Attached please find a Utility Update Contract from George E. Sansoucy, PE LLC. After publishing a Request for Proposals for update services for 2020 through 2022, GES was the single respondent.

This contract includes the new modeling required to implement the 5 year phase-in of "HB700" relative to distribution facilities. The contract fee is \$36,500 per year for three years.

I recommend that the contract be approved conditional on the approval of the standard NHDRA review.

AGREEMENT

SUBJECT: A Contract to provide revaluation and engineering consulting services to the City of Berlin, New Hampshire to value, as of April 1, 2020 – April 1, 2022, for *ad valorem* taxation purposes, the taxable real and personal property of the four (4) hydroelectric plants, the public utilities, the telephone companies, and other miscellaneous property located in the City.

CONTRACT SCOPE ATTENTION AND DELINATION: The New Hampshire Legislature has created new laws mandating certain methods of valuation of certain utility property. They also have mandated a defined reporting form for these certain utilities starting April 1, 2020. This contract is for the establishment of the new method of valuation and reporting based on this new law commonly called House Bill 700 (HB 700). As part of the new law, the legislature allowed for a 5-year phase-in of the impacts of the law on the present utility values both up and down as measured against the 2018 value issued by the City on its MS-1 form. This phase-in is 20% per year up or down for 5 years. This contract scope intends to establish the value for the certain utility's and computerize the phase-in methodology and formulas and produce the first year, April 1, 2020 value, based on a 20% phase-in. This work scope will create the basis for the next 5 years for valuation methodology under the new law. The scope of work in this contract also separates the HB700 utilities from the non-HB 700 utilities for the City.

The City of Berlin, hereinafter called the City, and George E. Sansoucy, P.E., LLC, a Certified General Appraiser and Professional Engineer having a principal place of business at 7 Greenleaf Woods Drive, Unit 102, Portsmouth, New Hampshire 03801 in the County of Rockingham, State of New Hampshire, hereinafter called Sansoucy, hereby mutually agree as follows:

GENERAL PROVISIONS

1. IDENTIFICATION

1.1 Client: City of Berlin

1.1.1 Name: City of Berlin
Mr. James Wheeler, City Manager
168 Main Street
Berlin, NH 03570

1.1.2 Contracting Official: City Council

1.1.3 Authorized Contact: James Wheeler, City Manager

1.2 Consultant: George E. Sansoucy, P.E., LLC

1.2.1 Name: George E. Sansoucy, P.E., LLC
Address: 148 Main Street, Lancaster, NH 03584
Tel: (603) 788-4000
E-mail: gsansoucy@sansoucy.com

Remittance address: 86 Reed Road, Lancaster, NH 03584

2. GENERAL SERVICES TO BE PERFORMED BY SANSOUCY

2.1 Scope of Work:

The scope of this work is for the revaluation of all taxable utility property in the City of Berlin not currently subject to any settlement agreements or PILOTs. Values will be provided by September 1, 2020 or thereafter as soon as the revaluation land schedules are completed by the revaluation contractor. A USPAP 2020/2021-compliant appraisal report for the City and Department of Revenue will be prepared for all of the utilities and provided no later than 30 days after the City files its MS-1. The public utility property to be valued will include utility land and land rights based on the City-wide mass appraisal land value schedules provided by the City to us from the revaluation contractor, and all special purpose improvements. Valuations will be prepared considering all three approaches to value, including the cost, income, and sales comparison approaches. Recommended easement values will also be provided. The utilities to be included are:

HB 700 UTILITIES
PSNH d/b/a Eversource Energy – Distribution Property – 71% (Estimated)
Energy North Natural Gas – Gas Distribution Property
Use of Public Rights-of-Way (On Street)
NON-HB 700 UTILITIES
PSNH d/b/a Eversource Energy – Transmission Property – 29% (Estimated)
Portland Natural Gas Transmission System – Transmission Property
Brookfield Renewable Power – Great Lakes Hydro America, LLC – UNDER SETTLEMENT THROUGH 2020
Central Rivers Power, LLC – Smith Hydro
Gorham Paper & Tissue, LLC
Consolidated Communications – Poles and Conduit – Telephone
Charter Communications d/b/a Spectrum – Cable Television
MetroCast – Cable TV
New Hampshire Optical Systems, LLC
Teleport Communications America, LLC
SegTel, Inc. – Telephone
Electric and/or Gas Transmission Easements/Rights-of-Way (Off Street)
Use of Public Rights-of-Way (On Street)

Sansoucy will defend its appraisals before all local judicial review bodies designated by the City. Should a taxpayer challenge any valuation developed by Sansoucy, Sansoucy will defend the values from the beginning of the valuation process through the local abatement process as part of this contract, which will end on August 30, 2021 for 2020 values, August 30, 2022 for the 2021 values, and

August 30, 2023 for the 2022 values. Should a defense be required beyond the local abatement process or should any settlement work be required, additional charges on a time and material basis in accordance with the attached rate sheet will apply.

The 2021 distribution valuations, will be developed based on the new House Bill 700 legally required methodology for valuation of the distribution utilities (71% of electric value) and the conventional valuation for the non-distribution FERC regulated high voltage transmission (29% of electric value) utilities comprising that portion of Eversource Energy which is excluded from House Bill 700. About 29% of Berlin's public electric utilities are FERC regulated and do not come under House Bill 700. Approximately 71% do. For those utilities which are not under House Bill 700 and are FERC regulated high voltage transmission utilities, these will be valued based on the normal mass revaluation cost new less depreciation approach with consideration for market sales and income, where applicable, if any, in accordance with USPAP.

The first section of this scope will be to build the valuation model and convert the regulated distribution utilities, namely Eversource Energy and Energy North Natural Gas / Liberty Utilities into their House Bill 700 components of valuations (shown in pink in the table). This will include modeling and developing the 2018 base year glide path for 2020, under the law, for any reductions over the mandated five-year glide path period. This will also include construction work in progress (CWIP), and the separation and valuation of contributions in aid of construction (CIAC). This scope also will seek to sort out and make certain that undistributed plant constructed by the utilities but not yet distributed to their books and CWIP, is sought after, added to, and valued for each of the utilities. This model will be the future House Bill 700 model, including the glide path, and is part of this scope of work. The goal is to have the entire system remodeled including the reporting forms for the utilities in the City, by the completion of the 2020 revaluation.

The next section of the scope is intended to address the non-House Bill 700 properties (in blue in the table) and the non-regulated telecommunication properties, namely that portion of Eversource Energy that is non-HB 700, Portland Natural Gas Transmission System, Brookfield Renewable Power, (2021-2022), Central Rivers Power, LLC, Gorham Paper & Tissue, LLC, Consolidated Communication poles and conduits, Charter Communications d/b/a Spectrum, MetroCast Cable TV, New Hampshire Optical Systems, LLC, Teleport Communications America, LLC, SegTel, Inc., and use of the public rights-of-way.

Also, as part of the House Bill 700 phase-down, a portion of the land and land rights, namely the use of the public right-of-way for the distribution utilities will be valued based on House Bill 700 and phased-down while the remaining transmission utilities will continue to have their easements and fee land valued at full and true fair market value. Buildings, office buildings, warehouses, service centers, etc. are excluded from House Bill 700 and are to be valued separately, either as part of the utility property herein or utilizing the CAMA system. We will guide that breakup

as part of the modeling and value the buildings in their appropriate categories of property, either House Bill 700, non-House Bill 700, or non-utility buildings.

Sansoucy will provide a 2020 stand-alone restricted use, USPAP 2020/2021-compliant annual valuation report with separate appendices for each utility for the City to close out the revaluation, that includes improvement values, any estimated economic depreciation, final improvement values, land/site values, use of public rights-of-way values, easements, and the total overall recommended assessment, including for the non-House Bill 700 properties. We will provide the final report no more than 30 days after the MS-1 is filed. This report will be available for the City to provide to the Department of Revenue Administration, if requested.

The land and land rights will be valued, including the easements and use of any public rights-of-way, based on the new 2020 revaluation land schedules. The City's revaluation contractor will provide Sansoucy with the updated land schedules in 2020. Property records, additions, and deletions will be sought and valued for all of the FERC regulated utilities as part of this revaluation. The City will also provide Sansoucy with the fee parcel values based on the CAMA system and the updated fee parcel values in the 2020 revaluation.

Sansoucy will provide a USPAP 2020/2021-compliant annual valuation summary sheet and transmittal letter in update years (2021 and 2022) that includes improvement values, including all additions, any estimated economic depreciation, equalized improvement values, land/site values, use of public rights-of-way values, and the total overall recommended assessment, including equalization for the non-House Bill 700 properties. Sansoucy will provide USPAP 2020/2021-compliant appraisals for the three (3) Brookfield hydroelectric plants in Berlin for 2021 and 2022 as these plants are off settlement at the end of 2020. Work papers for all years will be retained in our files but made available to the City upon request due to the confidential nature of some of the information derived from the utilities.

2.1.1 Scope of the Work Products:

A USPAP 2020/2021-compliant appraisal report with separate appendices for each utility that contains facts, figures, and calculations necessary for the reader to understand the report, will be prepared and will include all of the utilities listed in section 2.1 as of April 1, 2020. A copy of the report will be mailed directly to the New Hampshire Department of Revenue Administration (DRA), if requested. Annual valuation summary sheets and transmittal letters will be provided as of April 1, 2021, and April 1, 2022 as defined above.

A USPAP 2020/2021-compliant appraisal report will be provided for the three (3) Brookfield hydroelectric plants in 2021 and 2022. The report will be a full narrative appraisal with all three hydroelectric plants in one report. Each plant will have its own appendix and will be included in the main body of the report.

2.1.2 Services to be Provided by the City:

Sansoucy will provide the City with a detailed request for information and site tours to be sent by the City to the utilities. The City will provide access to City records, tax maps, and information provided by the utilities, and will request that the utilities provide information directly to Sansoucy.

The City will provide for this City-wide revaluation, where applicable, the following information to the best of its ability:

- Each company's 2010-2021 tax cards, including cell tower host sites, and tax bills;
- Any company's 2020-2022 Inventory of Taxable Property Form PA-28;
- The 2019-2021 MS-1, and the 2018 MS-1;
- Copy of, or authorized access to, the most recent tax maps;
- Any recent building permits;
- Any current settlement agreements;
- Any PILOTs for the companies;
- Any leases for cell towers or cellular carriers (if applicable);
- Any cell tower current use / land use change tax forms (if applicable);
- Any municipal GIS mapping indicating utility location and data;
- Pole license / franchise agreements (cable/telephone/fiber optic/attachers); and
- Most recent land valuation schedules.

2.1.3 Services to be Provided by Sansoucy:

Sansoucy will provide a USPAP 2020/2021-compliant appraisal report of the listed utility properties to the City and a copy of the report will be mailed directly to the DRA, if requested.

2.2 Completion of Work:

All values will be provided to the City by October 1, 2020, 2021, and 2022. The final appraisal report for the 2020 revaluation will follow no later than 30 days after the City files its MS-1, per DRA requirements. The subsequent annual valuations for April 1, 2021 and April 1, 2022 will be completed by September 1st of each year.

Sansoucy will not be responsible for consequential or compensatory damages arising from the late performance or non-performance of the agreement caused by circumstances which are either outside Sansoucy's scope of services, beyond

Sansoucy's control, or as a result of non-performance of any other party, person, or entity affecting this contract.

2.3 Personnel:

All work will be overseen and reviewed by a DRA-certified Assessor or Assessor Supervisor. All personnel and necessary field assistants employed by Sansoucy will be competent to perform the work they are called upon to do in a good and workmanlike manner and in accordance with all applicable laws and rules in effect at the time of the agreement.

All personnel performing *ad valorem* valuation tasks will be approved by the State of New Hampshire Department of Revenue Administration at an approval level commensurate with their level of appraisal involvement. The Assessor Supervisor will be George Sansoucy and the manager of field listings and assessor assistant is Charelle Lucas.

2.4 Public Relations:

The City and Sansoucy, during the progress of the work, will use their best efforts and that of their agents and employees to promote full cooperation and amiable relations with the utilities. All publicity and news releases, if any, will be sent out only by the City, or its authorized representative(s), and not Sansoucy.

2.5 Confidentiality:

Sansoucy agrees to not disclose to anyone except to the City or its authorized representative(s) or a court of law or tribunal, any information discovered for any purpose, or to permit anyone to use or peruse any of the data on file in connection with the report, unless specifically authorized by the City or under the New Hampshire freedom of information statutes.

2.6 Compensation and Terms:

The City of Berlin, in consideration of the services hereunder to be performed by Sansoucy, agrees to pay Sansoucy a fixed fee of \$36,500 each year for three years, 2020, 2021 and 2022. Invoices are due and payable upon receipt.

Should a taxpayer file for an abatement of taxes, Sansoucy will defend its values through the local abatement process as part of this agreement.

Any settlement work or assistance, depositions or testimony at the BTLA or Superior Court hearings, or trial preparation, as well as any litigation support in the future related to these valuations, will be charged on a time and material basis per the attached rate sheet.

3. INSURANCE

3.1 Sansoucy will maintain general liability insurance with an endorsement for hired and non-owned automobile liability.

3.1.1 The liability insurance will be in the form of commercial general liability with limits of \$2,000,000 per occurrence/person for bodily injury, and \$4,000,000 general aggregate for the life of the policy.

3.1.2 The hired and non-owned automobile liability endorsement will have a limit of \$2,000,000 each accident.

3.2 Sansoucy will provide a certificate of insurance confirming the above insurance coverages. All insurance will be valid in the State of New Hampshire.

4. ASSIGNMENT

This Contract and the duties of Sansoucy hereunder will not be assigned.

5. AMENDMENTS

This Agreement will not be amended, waived or discharged, unless by mutual written consent of both parties.

Date: _____

In witness thereof, the City of Berlin has caused these presents to be signed by its City Manager, thereunto lawfully authorized and caused its corporate (if appropriate) seal to be affixed and George E. Sansoucy, P.E., LLC has caused the same to be signed by his lawfully authorized representative on the date and year first above written.

In the presence of:

City of Berlin, New Hampshire


Witness

by: _____
James Wheeler, City Manager

In the presence of:

George E. Sansoucy, P.E., LLC

Linda Thomas
Witness


by: _____
George E. Sansoucy, P.E.
NH Certified General Appraiser No. NHCG-774



2020

ENGINEERING AND APPRAISAL RATE SCHEDULE*

Principal engineers, senior appraisers, MBAs,
including court testimony and deposition attendance \$290.00/hour

Research engineers, associates, appraisers..... \$225.00/hour

Technical personnel \$175.00/hour

Clerical personnel \$125.00/hour

- * All rates are portal to portal from Lancaster, N.H. or Portsmouth, N.H. Rates include general office expenses, such as: non-specific in-house copies, meals, non-specific mileage, office supplies, non-specific postage, telecommunications charges, and tolls.

Job-specific and identifiable expenses are billed at cost in addition to the rates shown, including but not limited to: transportation (air fare, car rental, taxi fare, specific parking, specific mileage, etc.), lodging, document printing and reproduction, research materials such as publications, subscriptions, and database purchases.

Rev. 9/10/2019



George E. Sansoucy, PE, LLC
Engineers & Appraisers

April 13, 2020

Lindsey M. Stepp, Commissioner
NH Department of Revenue Administration
Governor Hugh Gallen State Office Park
109 Pleasant Street
P. O. Box 487
Concord, NH 03302-0487

RE: City of Berlin, NH

Dear Commissioner, Stepp:

In accordance with RSA 21-J:11 "Appraisal of Property for Ad Valorem Tax Purposes", please be advised that George E. Sansoucy, P.E., LLC proposes to provide appraisal services for tax assessment purposes to the City of Berlin. I am a Certified General Appraiser (NHCG-774) and will be responsible for the services rendered under this Agreement.

Our proposed Agreement is enclosed herein and has this day been forwarded to the City of Berlin for signatures.

Please feel free to contact me if you have any questions.

Very truly yours,

GEORGE E. SANSOUCY, P.E., LLC

A handwritten signature in black ink that reads 'George Sansoucy'. The signature is fluid and cursive, with the first name 'George' and last name 'Sansoucy' clearly legible.

George E. Sansoucy, P.E.
NH Certified General Appraiser #NHCG-774

GES/lt

Enclosure

cc: City of Berlin

George E. Sansoucy, PE, LLC

148 Main Street, Lancaster, NH 03584 Tel 603.788.4000 gsansoucy@sansoucy.com

7 Greenleaf Woods Drive, Unit 102, Portsmouth, NH 03801 Tel 603.431.7636 Fax 603.431.7115 mail@sansoucy.com

419 SE Main Street, Suite 201, Simpsonville, SC 29681 Tel 864.757.9575 msansoucy@sansoucy.com

Remittance Address 86 Reed Rd., Lancaster, NH 03584