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This chapter describes the process used for valuing utility properties. First, this chapter presents an overview of the valuation process. Also, this chapter provides information about distinguishing locally assessed real property from locally assessed personal property and distributable property. Finally, this chapter provides guidelines for identifying local real property for the following types of companies:

- bus companies
- light, heat, or power companies
- pipeline companies
- railroad companies
- sewage companies
- telephone, telegraph, or cable companies
- water distribution companies.

The Handy-Whitman Index is provided at the end of the chapter.

## Overview of the Assessment Process for Utility Properties

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The Department of Local Government Finance annually assesses each public utility company and railroad. The valuation made by the Department includes all real, personal, and distributable property, wherever it is located. Because locally assessed real and personal property is contained in the unit valuation, the Department removes the value of this property from the unit valuation to avoid duplication of assessment. During the 2003 legislative session, the General Assembly passed HEA 1814. This amended IC 6-1.1-8 to eliminate the requirement that the DLGF certify the assessments of fixed utility property to a county. Fixed utility property consists of the locally assessed real and/or personal property owned by a utility. Therefore, starting with the 2003 assessment year, the locally assessed real and personal property assessments will no longer be included on the Form 11A certifications sent to the county assessor and county auditor. These local assessments will be certified to the auditor by the assessor's office the same as other local assessments. The Form 11A will only certify the assessed value of distributable property as determined by this office. Accordingly, assessors will no longer be required to file Forms 34C or 34T, Utility Reports, with this office. The Department allocates the remainder, or the distributable property, to the various taxing districts

Based on the facts and circumstances, the assessing official calculates the replacement cost of structures located on properties owned by utility companies. The replacement cost is derived from the cost schedules found in Appendix G.

## Understanding Property as Real, Personal, or Distributable

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The use of a specific item or unit of property determines its classification as locally assessed real property, locally assessed personal property, or distributable property:

- If an item is personal property, but is not directly used to provide the utility services, it is locally assessed personal property.
- If the item is land, a building, or a building improvement, it is locally assessed real property.
- If the item or unit is directly used to provide utility service, it is distributable property.

Some items or units of property may have dual uses. A portion may be used to produce or provide utility service, while the remainder is specifically attributable to a building or structure. To determine whether a central system is locally assessed real property, locally assessed personal property, or distributable property, the following standards apply:

The portion of the central system that is specifically attributable to the building or structure is locally assessed real property.

The portion of the central system that was installed to specifically accommodate the utility process or activity conducted in the facility is distributable property or locally assessed personal property depending on the specific facts and circumstances of the activity.

If the central system has a dual purpose, an allocation is made based on the specific facts and circumstances surrounding the use of the system. For example, the allocation of a central system would be a plumbing system that was installed both to serve the occupants of a building and also to supply water to cool an item of distributable property. In this case, an allocation is made to account for the portion of the central system that is locally assessed real property, and the portion of the central system that is attributable to the distributable property.

The following items are examples of locally assessed real property (LRP), locally assessed personal property (LPP), or distributable property (DIST):

1. Air conditioning units are assessed as follows:
  - building air conditioning for comfort of occupants—LRP
  - package units, through-the-wall commercial type—LRP
  - special process, LPP or DIST, depending on the application, for example:
    - used to control the temperature and humidity of computer equipment—LPP
    - used to control the temperature and humidity of telephone switching equipment—DIST

- window units—LPP or DIST depending on application
- 2. Air lines for machinery and equipment, LPP or DIST, depending on the application, for example:
  - used in maintenance shops—LPP
  - used to control distributable property—DIST
- 3. Ash handling system, pit, pond and framing, or damming related to system—DIST
- 4. Ash holding pond land – LRP
- 5. Auto-call and telephone system—LPP
- 6. Bins, permanently affixed for storage—LRP
- 7. Boilers:
  - electric production steam boilers—DIST
  - building service—LRP
  - central system—Allocation is based on the facts and circumstances.
- 8. Welding booths:
  - related to production, transmission, or distribution system—DIST
  - general plant—LPP
- 9. Bucket elevators (open or enclosed, including casing)—LPP or DIST depending on circumstances
- 10. Bulkheads making additional land area—LRP, as part of the improved land
- 11. Carpeting, commercial:

Note: The local real property assessment includes a finished floor.

  - if the carpet is installed over an existing finished floor—LPP
  - if, as in the case of many newer buildings, carpeting has been specified and is the only finished floor—LRP
- 12. Coal handling system, including conveyors, hoppers, special railcar unloading systems, barge unloading systems, and other coal handling equipment—DIST
- 13. Control booth—DIST
- 14. Control rooms:
  - equipment—DIST
  - structure—LRP
- 15. Conveyors:
  - housing—DIST
  - tunnels—LRP
  - unit, including belt and drives—DIST
- 16. Cooling towers, directly used in or for production of utility service—DIST
- 17. Cranes, moving crane, LPP or DIST, depending on the application, for example:
  - used in the maintenance shops—LPP
  - used in connection with distributable property—DIST
- 18. Crane runways, including supporting columns or structure and foundation inside or outside of buildings—LPP or DIST depending on the classification of the crane used on the runway
- 19. Docks:
  - barge—DIST
  - boat docks—LRP

- coal handling—DIST
  - noncoal handling—LRP
  - truck dock—LRP
  - dock levelers—LPP
20. Drapes—LPP
  21. Electric transmission and distribution towers—DIST
  22. Fence, security—LRP
  23. Fire alarm systems and burglar alarm systems—LPP
  24. Fire walls, masonry—LRP
  25. Floors, computer room—LRP
  26. Foundations that support distributable property, including the pilings installed to support the machinery and equipment foundations, but not building foundations—DIST
  27. Foundations that support buildings—LRP. When foundations are used in a dual capacity, a reasonable allocation is made.
  28. Gas lines for equipment or processing—DIST
  29. Hoist, hoist pits—DIST
  30. Hydraulic lines, LPP or DIST, depending on the application, for example:
    - used in maintenance areas—LPP
    - lines used with or to control distributable property—DIST
  31. Lighting:
    - yard lighting—LPP
    - special purpose lighting, inside—LPP
  32. Mixers and mixing houses—DIST
  33. Ovens, processing—DIST
  34. Piping, process piping above or below ground—DIST
  35. Pits for equipment or processing—DIST
  36. Power lines and auxiliary equipment—DIST
  37. Pumps and motors—DIST
  38. Pump house, including substructure, but excluding clear well—LRP
  39. Racks and shelving (portable or removable)—LPP
  40. Radio and microwave towers—LPP
  41. Railroad siding, except belonging to railroad—LRP
  42. Refrigeration equipment—DIST
  43. Sanitary system—LRP
  44. Satellite dishes, commercial use—LPP
  45. Scale houses—LRP
  46. Scales:
    - scales, including pit—LPP
    - dormant scales—LPP
  47. Sheds or buildings:
    - permanent, affixed, or portable confinement buildings—LRP
    - open portable pull-type—LPP
    - detached storage structures—LRP
  48. Signs, including supports and foundation—LPP
  49. Silos:

- ash storage silo—LRP
  - containing a utility process—DIST
  - storage—LRP
50. Spray pond:
- masonry reservoir—LRP
  - piping and equipment—DIST
51. Sprinkler system—LRP
52. Stacks:
- supported individual stacks servicing boilers classified as locally assessed real property—LRP
  - servicing distributable property units or a process—DIST
  - central systems—Allocation is based on the facts and circumstances.
53. Steam electric generating equipment—DIST
54. Storage facilities, permanent of masonry or wood—LRP
55. Storage vaults and doors—LRP
56. Substations:
- building—LRP
  - equipment—DIST
57. Tanks:
- storage only above or below ground—LRP
  - used as a part of the utility process—DIST
58. Towers:
- radio towers—LPP
  - microwave towers—LPP
  - electric transmission and distribution towers—DIST
  - cooling towers used for distributable property—DIST
59. Transformers—DIST
60. Tunnels—LRP
61. Tunnels, waste heat, or processing—DIST
62. Unit heaters, nonportable—LRP
63. Unit heaters, portable—LPP
64. Unloader runway—DIST
65. Ventilating—LPP, LRP, or DIST depending on the facts and circumstances associated with a dual system
66. Walls, portable partitions—LPP
67. Water lines, for processing above or below ground—DIST
68. Water pumping station, building and structure—LRP
69. Water pumps and motors—DIST
70. Water treating and softening plant, building and structure—LRP
71. Water treating equipment—DIST
72. Wells, pumps, motors, and equipment:
- if used by a water distribution utility—DIST
  - wells and equipment that supply water to distributable property—DIST
73. Wells, clear wells—DIST
74. Wiring, power wiring for distributable property, machinery, and equipment depending on facts and circumstances, with the following examples:

- power wiring used to operate computer equipment—LPP
- power wiring used to operate distributable property—DIST

## **Identifying Property to Be Reassessed**

This section provides guidelines for identifying local real property for the following types of companies:

- bus companies
- light, heat, or power companies
- pipeline companies
- railroad companies
- sewage companies
- telephone, telegraph, or cable companies
- water distribution companies.

### **Identifying Property to Be Reassessed for Bus Companies**

The assessing official assesses the following property of a bus company as local real property:

- Buildings and structures, including that portion of the heating and lighting systems that provide for the comfort of the employees rather than for use with locally assessed personal property or distributable property.
- Miscellaneous yard improvements, such as the following:
  - fencing
  - parking lots
  - driveways
- Land on which the building and structures are situated.

The Department of Local Government Finance assesses the distributable property of the bus company. The distributable property of a bus company includes the bus vehicles and items directly used in providing the bus service.

### **Identifying Property to Be Reassessed for Light, Heat, or Power Companies**

The assessing official assesses the following property of a light, heat, or power company as local real property:

- Buildings and structures, including that portion of the heating and lighting systems that provide for the comfort of the employees rather than for use with locally assessed personal property or distributable property.
- Miscellaneous yard improvements, such as the following:
  - fencing
  - parking lots
  - driveways
  - substation buildings
  - bridges and trestles
  - culverts

- tunnels
- waterfront improvements
- enclosures erected on foundations used for tool or vehicle storage
- incinerators
- docks
- dams and waterways
- reservoirs.
- Land on which the building and structures are situated and any land not constituting a part of any right-of-way of the light, heat, or power company.

The Department of Local Government Finance assesses the distributable property of a light, heat, or power company. Distributable property of a light, heat, or power company includes, such items as the following:

- pole racks
- outdoor yard lighting systems
- boiler plant equipment and foundations
- engines and engine-driven generators
- turbogenerator units and foundations
- accessory electric equipment
- miscellaneous power plant equipment
- hydraulic production equipment
- water wheels
- turbines
- generators
- accessory electric equipment
- miscellaneous hydraulic power plant equipment
- substation equipment and foundations
- towers and fixtures
- switchyards
- poles and fixtures
- overhead conductors and devices
- underground conduit, conductors, and devices
- storage battery equipment
- line transformers.

Where a light, heat, or power company owns or operates a hydraulic or hydro-electric generating facility, the dam structure is assessed by the assessing official. The hydraulic production equipment is assessed by the Department as distributable property. The dam is assessed as local real property and valued as a separate improvement, but is not necessarily placed on a particular tract of land, because the dam may cover numerous parcels. The valuation basis for dams is the original cost

of the dam indexed to March 1, 2011 using the “Handy-Whitman Index”, provided in the section Using the Handy-Whitman Index in this chapter.

Reservoirs and cooling ponds owned or operated by a heat, light, or power company are assessed in the same manner as water company reservoirs, described in the section Identifying Property to Be Reassessed for Water Distribution Companies in this chapter.

The land located beneath ash and holding ponds is assessed by the assessing official. The land is valued as unusable, undeveloped industrial land. All other features of the ash and holding ponds, including riprap, linings, excavation costs, and so forth are assessed by the Department as distributable property.

### **Identifying Property to Be Reassessed for Pipeline Companies**

The assessing official assesses the following property of a pipeline company as local real property:

- Buildings and structures, including that portion of the heating and lighting systems that provide for the comfort of the employees rather than for use with locally assessed personal property or distributable property. Improvements owned by a pipeline company and located on leased land are reassessed if the improvements are real property, as distinguished from personal property.
- Miscellaneous yard improvements, such as the following:
  - fencing
  - parking lots
  - driveways.
- Land on which the building and structures are situated and any land not constituting a part of any right-of-way of the distribution system of the pipeline company.

The Department of Local Government Finance assesses the distributable property of the pipeline company. The following are distributable properties of a pipeline company:

- equipment
- piping and appurtenances directly related to pumping, compression, metering, and treatment of petroleum products and natural gas
- outdoor yard lighting systems
- communication equipment used for voice communication and for telemetering with the pipeline operation.

### **Identifying Property to Be Reassessed for Railroad Companies**

The assessing official assesses the non-operating land and improvements of a railroad company as local real property. The following are examples of non-operating property:

- right-of-way land and buildings leased to commercial tenants
- land adjoining the right-of-way devoted to industrial parks
- any abandoned right-of-way
- land held for future use
- other railroad land and buildings used for purposes other than railroad operations.

The assessing official does not assess any land or improvement used by the railroad company in its operations. Land used as right-of-way by the railroad company is operating property and is assessed by the Department of Local Government Finance.

For the purpose of determining whether land is locally assessed or is assessed by the Department, railroad right-of-way is considered abandoned when the main track is removed from the right-of-way, following approval by the Interstate Commerce Commission. Abandoned railroad right-of-way is assessed locally by the assessing official as follows:

- In an agricultural setting, the abandoned railroad right-of-way is valued as non-tillable agricultural land.
- In commercial, industrial or residential settings, the abandoned railroad right-of-way is valued as unusable undeveloped acreage.

The Department assesses all of the operating property of the railroad company. The following are examples of operating property:

- right-of-way
- track
- yard facilities
- buildings and structures that are used for railroad operations.

The assessing official consults with the Department or the railroad company to determine whether property is operating or non-operating property.

### **Identifying Property to Be Reassessed for Sewage Companies**

The assessing official assesses the following property of a sewage company as local real property:

- Buildings and structures, including that portion of the heating and lighting systems that provide for the comfort of the employees rather than for use with locally assessed personal property or distributable property.
- Miscellaneous yard improvements, such as the following:
  - fencing
  - parking lots

- driveways.
- Land on which the building and structures are situated and any land not constituting a part of any right-of-way of the collection system of the sewage company.

The Department of Local Government Finance assesses the distributable property of the sewage company. The distributable property of a sewage company includes any of the following:

- equipment
- piping and appurtenances directly related to pumping
- collection
- disposal
- treatment of sewage.

Where all improvements are directly involved in the sewage treatment process, the assessing official assesses the land only. The Department assesses the sewage plant and mains as distributable property.

### **Identifying Property to Be Reassessed for Telephone, Telegraph, or Cable Companies**

The assessing official assesses the following property of a telephone, telegraph, or cable company as local real property:

- Buildings and structures, including that portion of the heating and lighting systems that provide for the comfort of the employees rather than for use with locally assessed personal property or distributable property.
- Miscellaneous yard improvements, such as the following:
  - fencing
  - parking lots
  - driveways
  - pole yards
  - subterranean bunkers
  - structures at antenna sites.
- Land on which the building and structures are situated and any land not constituting a part of any right-of-way of the distribution system of the telephone, telegraph, or cable company.

The Department of Local Government Finance assesses the distributable property of the telephone, telegraph, or cable company. The distributable property of a telephone, telegraph, or cable company includes the following:

- pole racks
- outdoor yard lighting systems
- microwave and radio antennas (microwave and radio towers are assessed as local personal property)
- electronic and electrical communicating equipment
- telephone poles

- lines and cables
- telephone booths
- portable buildings.

### **Identifying Property to Be Reassessed for Water Distribution Companies**

The assessing official assesses the following property of a water distribution company as local real property:

- Buildings and structures, including that portion of the heating and lighting systems that provide for the comfort of the employees rather than for use with locally assessed personal property or distributable property.
- Miscellaneous yard improvements and facilities such as the following:
  - fencing
  - parking lots
  - driveways
  - impounding reservoirs.
- Land on which the building and structures are situated and any land not constituting a part of any right-of-way of the distribution system of the water distribution company.

The Department of Local Government Finance assesses that portion of a building or structure that is used as a clear well. A clear well is generally a basement or other subterranean area of a building or other structure used by the water distribution company to hold treated water. In the case of a clear well, the assessing official does not assess the basement or subterranean portion of the building used as a clear well.

If property is used for the primary purpose of treating, pumping, transmitting, or distributing treated water, water to be treated, or water in the process of treatment, it is assessed by the Department as distributable property. The following items are examples of distributable property:

- Wells
- Settling basins and filters
- Reservoirs for the storage of treated water or water in the process of treatment
- Elevated storage tanks and standpipes
- Appurtenances to any building or structure such as machinery, equipment, attendant fixtures, or piping, if such appurtenances are used for the primary purpose of treating, pumping, transmitting, or distributing treated water, water to be treated, or water in the process of treatment.

Land and buildings located outside the boundaries of the line demarcating the used and useful reservoir property are assessed by the assessing official and valued in the same manner as all similar land and buildings of like construction within the taxing district.

The assessing official assesses the land located within the used and useful reservoir boundary as commercial or industrial unusable undeveloped land. The value for this land is established by the assessing official.

Buildings located within the used and useful reservoir boundary usually have very little, if any value, and the intent of the water company usually is to sell, burn, raze, or otherwise dispose of them. In this case, the assessing official places a lower value on the buildings for assessment purposes.

The impounding reservoir and dam are assessed by the assessing official as local real property. The dam is valued as a separate improvement, but is not specifically identified with a particular tract of land, since the dam usually covers numerous tracts. The valuation basis for dams is the original cost of the dam indexed to March 1, 2011, using the Handy-Whitman Index in the section Using the Handy-Whitman Index, in this chapter. The Handy-Whitman Index used by the assessing official is the index for reservoirs, dams, and waterways for the north central region (E-3). The valuation basis for reservoirs is the original cost of construction for the reservoir, excluding the cost of the dam and the cost of the land under the used and useful reservoir property. Once this original cost is calculated, the cost is indexed to March 1, 2011, using the Handy-Whitman Index.

To calculate the multiplier to be applied against the dam and reservoir's original cost, the Handy-Whitman factor for 2011 is divided by the factor for the year of construction of the dam and reservoir. Assume you arrive at a factor of 5.0161 from this calculation. Also assume a water distribution company constructed a dam with an original cost of \$100,000 and a reservoir with an original cost of \$1,000,000. The replacement costs would be \$501,600 for the dam and \$5,016,100 for the reservoir.

The indexed original cost values for both the dam and reservoir are depreciated at a rate of 2% per year for a maximum period of 35 years. This calculation results in a maximum depreciation of 70%. The dam and reservoir is not depreciated beyond the maximum 70% depreciation as long as the dam and reservoir are used and useful. Depreciation may be accelerated above the 2% per year rate if the owner proves that the anticipated life of the dam or reservoir is substantially less than 100 years.

Land under the used and useful reservoir property is valued using the commercial or industrial unusable undeveloped category and added to the depreciated value of the reservoir. This value is then divided by the amount of used and useful acreage to arrive at a per acre rate for each acre under the reservoir or an average rate per acre under the various parcels.

The assessing official may contact the Department for assistance in valuing dams and reservoirs.

**Using the Handy-Whitman Index**

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Table 9-1 is the index values for reservoirs, dams, and waterways for the north central region (E-3). The index values were taken from “The Handy-Whitman Index of Public Utility Construction Costs”, published by Whitman, Requardt and Associates, LLP, 801 South Caroline Street, Baltimore, Maryland 21231; all rights reserved.

Table 9-1. Handy-Whitman Index

Year of Construction	Handy-Whitman Index	Year of Construction	Handy-Whitman Index	Year of Construction	Handy-Whitman Index
1912	8	1950	35	1988	240
1913	8	1951	38	1989	247
1914	9	1952	39	1990	248
1915	9	1953	42	1991	251
1916	10	1954	43	1992	250
1917	14	1955	45	1993	261
1918	16	1956	48	1994	271
1919	17	1957	51	1995	284
1920	18	1958	52	1996	291
1921	18	1959	54	1997	299
1922	17	1960	56	1998	303
1923	17	1961	56	1999	311
1924	18	1962	57	2000	
1925	18	1963	58	2001	
1926	18	1964	60	2002	
1927	18	1965	62	2003	
1928	18	1966	64	2004	
1929	18	1967	67	2005	
1930	18	1968	70	2006	
1931	17	1969	75	2007	
1932	15	1970	80	2008	
1933	15	1971	87	2009	
1934	16	1972	93	2010	
1935	16	1973	100	2011	
1936	17	1974	104		
1937	18	1975	126		
1938	18	1976	129		
1939	18	1977	133		
1940	19	1978	141		
1941	20	1979	158		
1942	21	1980	177		
1943	21	1981	191		
1944	21	1982	197		
1945	22	1983	203		
1946	25	1984	211		
1947	29	1985	222		
1948	32	1986	225		
1949	34	1987	232		