

# Applying Forecasts & Cost Studies in Times of Big Change”

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THE VIEWS EXPRESSED IN THIS PRESENTATION ARE OURS AND FOR THE PURPOSE OF DISCUSSION ONLY

## ➤ **Information Asymmetry and Forecasting**

Efficient sharing of information

Timing of information

Relative information

## ➤ **Jurisdictional Variance in Regards to Forecasting**

Every jurisdiction is different

## ➤ **Lien Date, Historic & Future TY's vs Forecasts**

The time horizon is important

## ➤ **Forecasting vs Change Mechanisms**

Are forecasts better or interim change mechanisms or both?

Can change mechanisms be a surrogate for forecasts?

## ➤ **Budget Constraints with Forecasting**

Assessors and Regulators typically have tight budgets

## ➤ **Peer & Jurisdictional Review of Forecasts**

Change is difficult – internally and within the community

Historical trends of decisions and rules

## ➤ **What is the replacement technology? Is it a reality or just a hypothetical? Can it be built, will it be built, when will it be built and at what cost?**

Where legacy networks are imbedded into a system, can a system be replaced without something like a Sandy happening?

Most large scale replacements are not greenfield.

Competitive forces make certain systems subject to declining value especially in rural areas where the cost to upgrade is prohibitive.

## ➤ **Does modeling accurately reflect what is going on in any industry, not just from a hypothetical prospective but also from a realistic prospective?**

Assuming a property won't be replaced in the near term, how does the model consider the economic impact to a company that owns the property?

➤ **How is government regulation impacting the value of a company's property?**

Moving from rate regulation to competitive landscape. What is happening with cost recovery including insurance, USF and COLR?

➤ **From an assessor's prospective education is likely the best approach, however can the models be too complex for presentation and comprehension?**

➤ **Mass Appraisal**

➤ **Budgetary and Political Concerns**

➤ **Studies that are Heavy on Philosophy and Short on Numbers Risk Rejection**

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- A. Assessors are Overworked and Overwhelmed
- B. The Fear of Me-Too in a Changing Environment
- C. 215 Years to Accept Copernicus wasn't Bad, was it?

➤ **Speaking of Forecasts, What's the Weather Going to be for the Super Bowl?**

- A. The Nehru Suit will be a Fashion Fixture
- B. Radiant Orange will be the Color for Spring