

Replacement Cost Studies & Forecasts issues raised by Assessors and Department of Revenue staff

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Cost Approach

- Cost New
 - Plant Utilization
 - Replacement Cost
- Depreciation
 - Service Life
- External Obsolescence
 - Revenue Forecast

Income Approach

- Revenues
 - Forecasts
- Operating Expenses

Plant Utilization & Replacement Cost Studies

- Utilization Adjustment
 - Cost of Capacity for cost adjustment addresses only functional obsolescence associated with super-adequacy
 - Not external obsolescence
- Replacement Cost Studies
 - Replacement Cost Studies address both utilization and changing costs
 - Replacement Cost studies do not address external obsolescence

Technology Forecast and Life Studies

- Technology Forecast provide a study method to establish:
 - Existing Plant Remaining Lives
 - Potential Revenue pattern
- Depreciation
 - Plant remaining establish normal depreciation but not:
 - Functional obsolescence
 - External obsolescence