

**BEFORE THE IDAHO STATE BOARD OF EQUALIZATION**

In the Matter of the 2025	)	
Operating Property Ad Valorem	)	
Valuation of	)	DOCKET NO. 0-847-746-048
	)	
PACIFICORP,	)	DECISION
	)	
Petitioner.	)	
	)	
	)	
	)	

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PacifiCorp (“Petitioner”) filed a timely protest of the value of its operating property (“the Property”) asserting that the Property Tax Division of the Idaho State Tax Commission (“Staff”) improperly and incorrectly appraised Petitioner’s property. David Crapo, Crapo Deeds PLLC, represented Petitioner. Matt Shriver, Deputy Attorney General, represented Staff.

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

Annually, the Board assesses operating property pursuant to Chapter 4, Title 63, Idaho Code. As is relevant to this case, the term “[o]perating property’ means real and personal property operated in connection with any public utility[.]” Idaho Code § 201(16). The Board annually assesses the value of operating property “at market value for assessment purposes as of 12:01 a.m. of the first day of January in the year in which such property taxes are levied[.]” Idaho Code § 63-205, 207, & 405. Petitioner is a rate-regulated electric utility company that produces and sells electricity. As a rate-regulated electric utility, the Board annually assesses Petitioner’s Property. *See* Idaho Code § 63-201(16) & 205.

To “assist [the Board] in fixing the value of” operating property, the Board may hold hearings to obtain “evidence, facts or information” from “any officer, manager or agent of such person, whose property is to be assessed[.]” Idaho Code §63-406. Likewise, “[e]very person whose property is to be assessed” is entitled to such a hearing before the Board “in relation to the

assessment on his property or the assessment of other property in the state[.]” Idaho Code § 63-407.

Petitioner requested a hearing before the Board in relation to its 2025 assessment of the Property. Petitioner presented the following four issues related to Staff’s appraisal: (1) that Staff used an excessive estimate of Net Operating Income (“NOI”) in its income approach to value; (2) that Staff used an inappropriately low estimate of the cost of capital in its income approach to value, (3) that Staff failed to remove all forms of obsolescence from its cost approach, and (4) that Staff’s reconciliation of the income approaches to value was incorrect as it placed too much weight on the cost approach.

Staff’s appraisal was performed by Shyanne Massie, a Certified Property Tax Appraiser. Jerott Rudd, Tax Property Bureau Chief and a Certified Property Tax Appraiser advised on and reviewed Ms. Massie’s appraisal. Staff considered the three (3) approaches to value: the cost approach, income approach and market approach. Appraisal of Pacificorp, p. 3-5 (hereinafter “Appraisal”) and *see* Property Tax Administrative Rule 405.03. In this appraisal, Staff “reconcile[d]” or weighted the considered approaches to value to derive a single estimate of value. Appraisal, p. 8. Staff placed 20% weight on its cost approach to value and 80% weight on its income approach to value. After reconciling these approaches to value, Staff appraised the Idaho value of the Property to be \$622,117,762.<sup>1</sup> Appraisal, p. 2.

### **1. Staff’s Appraisal Did Not Overstate Net Operating Income.**

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<sup>1</sup> This appraisal figure reflects Staff’s amended appraised value of the Property as stated in its July 11, 2025, amended appraisal. Mr. Rudd entered preliminary discussion with Petitioner over his Staff’s appraisal of the Property to resolve differences between the Staff and Petitioner. As a result of these discussions, Mr. Rudd recommended revising staff’s appraised value downward. The value stated in the amended appraisal was calculated by reducing the forecasted net operating income used in Staff’s original appraisal. Mr. Rudd reduced the forecasted net operating income by reference to the 2024 assessment value—a value that was reached through a negotiated settlement with Petitioner. Mr. Rudd used the forecasted net operating income used to compute the 2024 settled value and adjusted for the year-over-year increase in normalized operating income. He then used this new value as the forecasted net operating income figure used in Staff’s 2025 income approach to value.

Petitioner asserted that Staff's appraised amount did not appropriately reflect market value. During the hearing, Petitioner argued that Staff failed to properly account for wildfire expenses in its income approach to value. Petitioner's arguments centered around the proper method for normalizing profits and losses to arrive at an estimate of net operating income. It presented that the Staff did not properly follow the requirements of Idaho Code §63-205B(1)(b) in appraising its property. That subsection states:

(b) In the income approach, income to be capitalized will be normalized, utilizing the gross domestic product implicit price deflator from the United States department of commerce, bureau of economic analysis, by using an average of at least the previous four (4) years' net operating incomes and by adjusting each year's net operating income for unusual nonrecurring items.

It argued that the phrase "using an average of at least the previous four (4) years" was a sufficient method for normalizing its net operating income. Petitioner claimed that Staff's approach for normalizing profits and losses was incorrect and exceeded Idaho Code §63-205B(1)(b) as it normalized Petitioner's net operating income before averaging the previous four years.

It specifically asserted that Staff erred by removing certain wildfire expenses as unusual nonrecurring items. Petitioner presented that in 2023 and 2024, Petitioner had increased expenses due to wildfires. These increased expenses were primarily because of fires that occurred in 2020 and 2022. Petitioner's wildfire expenses for 2023 and 2024 were many times higher than fire-related expenses from previous years. Petitioner argued that Staff should have taken a four-year average of net operating incomes without removing any wildfire expenses.<sup>2</sup> It noted that while its wildfire expenses were significantly higher in 2023 and 2024, that it expected that significant wildfire expenses was now a normal expense for Petitioner.

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<sup>2</sup> Petitioner also suggested that a longer period could be appropriate, including up to a 10 year average of net operating incomes; so long as no wildfire expenses were removed as unusual nonrecurring items.

Staff defended its appraisal with explanation that the methods it used were generally accepted and standard practice in the appraisal industry. Staff argued that its appraisal complied with Idaho Code § 63-205B because the statute sets forth that the income approach requires that income be “normalized” and that each year’s net operating income must be adjusted for “unusual nonrecurring items.” Staff argued that the wildfire expenses Petitioner reported in 2023 and 2024 were “unusual nonrecurring items.” Finally, staff argued that it had not fully ignored wildfire expenses as Petitioner had suggested. It noted that Petitioner had historically reported wildfire expenses in its injuries and damages account. Staff stated that its process of normalizing values was to remove the unusual wildfire expenses but to reflect a normal level of expenses based on Petitioner’s reported injuries and damages account.

Upon review of these arguments and the record and materials submitted to it, the Board finds that Staff’s appraisal does not exceed Idaho Code §63-205B(1)(b). The statute specifically allows for the Property to be appraised using a method that adjusts net operating income for unusual nonrecurring expenses. The Board finds that Petitioner’s wildfire expenses in 2024 are an unusual nonrecurring expense as its wildfire expenses were many times higher than its historical fire-related expenses. There is no evidence in the record to suggest that the method Staff used for appraising was improper. As such, the Board finds that Staff did not overstate Petitioner’s net operating income.<sup>3</sup>

**2. Staff Did Not Use an Inappropriately Low Estimate of the Cost of Capital in its Income Approach.**

While Petitioner raised this issue in its petition for an assessment hearing, it did not present substantial evidence or argument related to this claim. The only material in the record related to

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<sup>3</sup> For reasons of equity, the Board accepts the net operating income as calculated in the July 11, 2025, appraisal for the purpose of assessing the Property.

the cost of capital is found in the Staff's materials. Upon reviewing the record and materials submitted by the parties, the Board finds no evidence to support the Petitioner's claim. Therefore, the Board finds that Staff did not use an inappropriately low estimate of the cost of capital in its income approach.

### **3. Staff's Cost Approach Appropriately Accounted for Obsolescence.**

Petitioner argued that the cost method that the Commission used, the historic cost less depreciation method ("HCLD"), did not adequately account for all forms of obsolescence. Petitioner argued that the HCLD approach relies exclusively on book obsolescence and does not fully account for all forms of obsolescence. Petitioner did not put forward an alternate cost approach method for consideration. Petitioner likewise did not submit any evidence that Staff's application of the HCLD method was flawed.

Staff defended its approach by noting that statute authorizes the Commission to use the HCLD method. Idaho Code § 63-205B states in relevant part:

(1) In the assessment of the operating property of rate-regulated electric utility companies, the market value shall be determined by the state tax commission by applying applicable law, statutes, property tax administrative rules and the following criteria:

(a) Depending on the weighting placed on the income approach, as described in paragraph (d) of this subsection, no more than twenty percent (20%) weight shall be placed on the cost indicator when utilizing the historic cost less depreciation (HCLD) method in the system value correlation.

...

(2) Subsection (1)(a) of this section shall be construed to mean that the use of no more than twenty percent (20%) weight placed on the cost indicator, when utilizing the HCLD method to calculate the cost approach, accounts for any and all forms of depreciation, including any and all forms of obsolescence, and the appraiser shall not consider any further obsolescence.

In summary, Idaho Code § 63-305B permits the use of the HCLD method for calculating the cost approach and explicitly states that placing "no more than the 20% weight" on the HCLD method

“accounts for any and all forms of depreciation, including any and all forms of obsolescence[.]”

*Id.*

Upon reviewing the record and materials submitted by the parties, the Board finds no evidence to indicate that Staff erred by using the HCLD method. Furthermore, the Board finds that by operation of statute, and by placing no more than 20% weight on the Cost indicator value, using the HCLD method to calculate the cost approach “account[ed] for any and all forms of depreciation, including any and all forms of obsolescence, and the appraiser shall not consider any further obsolescence.” Idaho Code § 63-205B(2).

#### **4. Staff's Reconciliation of Its Approaches to Value Were Appropriate.**

Petitioner argued that the Staff placed too much weight on the Cost approach to value. It argued that 100% weight should be placed on the income approach and no weight should be placed on the cost approach. Petitioner supported its argument by demonstrating that the values of the income approach and cost approach have been diverging for years and suggested that this divergence indicated that the cost approach was flawed. It argued that the Commission's use of the HCLD method for determining the cost approach made the approach unreliable as it did not account for all forms of obsolescence.

In response, the Staff again relied upon Idaho Code § 63-205B. It further argued that the cost approach is a valid and accepted method for appraising property.

The Board has heard similar arguments from Petitioner in previous years. Upon reviewing the record and materials submitted by the parties, the Board finds no evidence to indicate that Staff erred by placing 20% on the cost approach. Furthermore, the Board finds that the Cost approach is a valid method for appraising the Property.

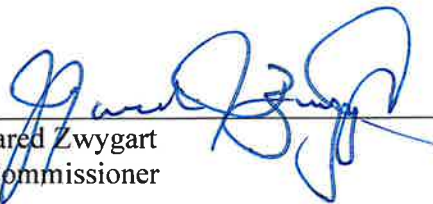
## CONCLUSION AND DECISION


We, the Idaho State Tax Commission, sitting as the State Board of Equalization, uphold Staff's recommended value of \$622,117,762.00, as contained in the Staff's appraisal report, as amended on July 11, 2025. Therefore, the Board hereby assesses \$622,117,762.00 to be the taxable value of Petitioner's operating property.

DATED this 25<sup>th</sup> day of August 2025.

### IDAHO STATE TAX COMMISSION

  
\_\_\_\_\_  
Jeff McCray  
Commissioner

  
\_\_\_\_\_  
Jared Zwygart  
Commissioner

  
\_\_\_\_\_  
Janet Moyle  
Commissioner

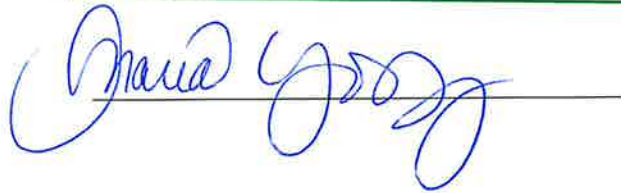
CERTIFICATE OF SERVICE

I hereby certify that on this \_\_\_\_ day of August 2025, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

DAVID CRAPO  
CRAPO DEEDS PLLC  
106 WEST 500 SOUTH, SUITE 100  
BOUNTIFUL, UT 84010

Receipt No.

7019 2970 0000 3044 1591

A handwritten signature in blue ink, appearing to read "David Crapo", is written over a horizontal line.

MATT PAZ, CPA  
ASSISTANT TAX DIRECTOR  
PROPERTY/REVENUE TAX  
925 NE MULTNOMAH, SUITE 1900  
PORTLAND, OR 97232