DIVESTITURE OF ELECTRICITY GENERATING PLANTS: PROPERTY TAX IMPLICATIONS

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New York, like other states, is proceeding with restructuring of the electric industry in order to encourage the development of competition in the production and sale of electricity. It is generally believed that competition will provide opportunities for lower energy prices and new, innovative services. In addition, the move to competition is expected to attract new businesses and enhance the state's economic growth.

Development of a competitive electricity marketplace involves the removal of the ownership and operation of electric generating facilities from electric utilities. Independent third parties will own and operate the facilities and sell electricity in a competitive market. With a few exceptions, New York's electric utilities have completed the divestiture, or sale, of their fossil fuel and hydroelectric generating facilities to unaffiliated companies. In addition, the New York State Public Service Commission instituted two proceedings to investigate the treatment of nuclear power plants in the new competitive marketplace. The purpose of one proceeding is to investigate the issues relating to nuclear power plants in a competitive, market-based environment. The other proceeding involves review of a proposal to sell the Nine Mile Point Units 1 and 2, located in Scriba, New York, for a price considerably less than the plants' book costs and well below their present assessed values.

The Public Service Commission began examining competitive electric issues in 1993. In 1996, it issued a policy statement to guide New York's progress toward a competitive marketplace (*Opinion No. 96-12, Opinion and Order Regarding Competitive Opportunities for Electric Service)*. In a series of environmental impact statements prepared in conjunction with consideration of plans to divest generation, it was concluded that, in general, assessments for power plants are likely to change as a result of the sales. In almost all cases, it was found that the assessments are likely to decrease, in some cases significantly. To mitigate these potential impacts, the Public Service Commission established a voluntary mediation program whereby it would provide its staff and resources to assist new owners and host communities in amicably resolving assessment disputes.

The Office of Real Property Services (ORPS) also studied the issue and the potential impact of divestiture on the appraisal method used for valuation of plants for assessment purposes, on the assessments, and on equalization rates. The existence of a market for electric generating facilities and the emergence of these facilities as income producing properties may change the status of these facilities for real property tax purposes. In recognition of these factors, ORPS has

begun to apply all three approaches to valuation (*e.g.*, cost, market and income) in the appraisals it prepares for market value surveys and advisory appraisals.

Seeking to understand the impact of divestiture on real property values, the State directed ORPS, in consultation with the Department of Public Service, to study these impacts and prepare a report that ". . .shall review and detail the projected real property tax implications of the divestiture of generating assets by investor-owned utilities and make recommendations on ways to address any negative fiscal implications of such divestiture on local governments."[1] The report is to also address ". . .the effect of such divestiture on the methods of evaluation of such generating facilities and assets for real property tax purposes."[2]

This report is intended to fulfill the mandate of Chapter 239. It is organized as follows. Part I contains an introduction. Part II presents a brief outline of electric restructuring and discusses New York's current approach to taxation of utility property. Part III identifies the generation plants in New York, including those that the electric utilities have not sold and evaluates their importance to local tax bases. Part IV reviews the current evidence on the values of the generating facilities, and the potential impact of divestiture-related changes in value. Part V provides an analysis of the tax bases of the municipalities that will likely be affected by plant divestiture. Part VI discusses issues relating to equalization of assessments among assessing units and Part VII presents findings and conclusions.

It is important to understand that this report can not provide "all the answers" with respect to the future property tax implications of divestiture because the process is still unfolding and will be for some time to come. The marketplace for generating facilities is new, and there is still considerable uncertainty regarding long-term values of individual plants. The auction process that the electric utilities used for sale of their generating facilities involved, in some cases, "bundling" of plants and terms and conditions of sale that affected the sale prices. The auction of several plants in one package and other complicating considerations makes the determination of the market price for the individual physical assets (*i.e.*, the property subject to real property taxation) difficult, if not impossible. The recently proposed construction of new, energy-efficient facilities in some areas of the state may affect the values of older plants in the same community or in other communities. Additionally, some generating facilities that are state-owned and tax exempt may be put back on the tax rolls if they are sold to private-sector owners. For these reasons, findings and conclusions presented in this report should be viewed as tentative in nature.

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[1] Chapter 239 of the Laws of 1999.

[2] *Id.*

The following is a summary of the specific findings and conclusions of the report.

1. Based on data from 1998 tax rolls, there are 138 generating plants that were formerly or are currently owned by monopoly electric utilities.

2. Independent owners have purchased approximately 90 of these plants, but the values of the others may be expected to be indirectly affected by divestiture through market pricing effects because of the existence of market sales of comparable properties.

3. Prior to divestiture, case law required plant valuation based on reproduction cost new, less accrued depreciation (RCNLD), the method used for what the courts have termed "specialty property."

4. Divestiture resulted in the development of a market for electric generating facilities and the emergence of these facilities as income producing properties. Accordingly, electric generating facilities may no longer be considered "specialty property" under New York law.

5. The sales data, as indicators of value, are complicated by a number of factors. These factors include the "bundling" of many plants in a single sale, inclusion of personal property, and agreements to purchase power in future years at fixed prices, and other such issues.

6. Following divestiture, and assuming a market exists for the plants, it is probable that courts would favor use of all applicable approaches to valuation — cost, income, and comparable sales.

7. ORPS is proceeding on this assumption and is using these three approaches to valuation in the determination of plant valuations for equalization and advisory appraisal purposes.

8. ORPS valuations for the next few years will involve a substantial number of assumptions and limitations. This is so because of the developing nature of the market, its inherent complexity, and lack of historical information on the income produced by generating facilities owned by independent parties for electricity sold into a competitive wholesale market. In addition, it is important to note that because the market is emerging, impacts on local tax bases will no doubt change in future years.

9. The use of the income method to value generating facilities will require the development of data on income produced by generating facilities. It would facilitate use of the income method of valuation if owners of these and other such specialized and complex properties were required to supply relevant data, including value estimates, to local assessors and ORPS.

10. In most cases, values are likely to decline as a sole result of the divestiture-related methodology change, some substantially. In some cases, values of certain properties may increase as a result of replacements, additions, rehabilitation of the property, or for other reasons.

11. The amount of divestiture-related tax base exposure of municipalities varies considerably throughout the state (see charts in report). Tax base reductions approaching 50 percent are possible in a few communities if local assessors make major value adjustments in the short term. For one municipality, where a plant was transferred to IDA ownership and exempt status, the projected schedule of payments-in-lieu-of-taxes is expected to cause substantial fiscal stress, especially in 2001 and thereafter. In the longer term, the potential tax base implications for the affected communities are less clear, but it is reasonable to assume that competitive conditions will further reduce plant values in most cases.

12. Although market values of generating facilities are likely to be lower in some communities, local tax bases will not actually be reduced until the assessors in question reduce the assessments. Such reduction may in some cases not occur until so ordered by a court, may occur on a phased-in schedule, or may reflect a settlement between the assessing unit and the plant owner rather than a market value.

13. Some communities having tax bases with large incidence of generating property may be able to absorb gradually some loss of tax base, yet continue to have above average property wealth, due to the generating property that remains on their tax rolls.

14. School districts experiencing losses in tax base will see their relative shares of formula aid increase, although this will generally occur with a three-year lag. It would be desirable to reduce or eliminate this lag for the affected districts, as has been done in the past for other such cases of substantial loss of tax base.

15. ORPS must determine, under Real Property Tax Law (RPTL) Article 12, the market value of taxable generating facilities to the best of its ability, and can not agree to accept as market values any settlement figures which are merely phase-in assessment reductions that have no real valuation basis.

16. Because ORPS values govern apportionment of school and county taxes and education aid, tax and aid shares may not be what the communities in question assumed would result from court settlements or other agreements.

17. If ORPS reduces the value of a plant in a given municipality because it believes market conditions warrant such a reduction, that municipality's share of school and county taxes will decline, other things equal. This will have the effect of raising property taxes in the other municipalities in a shared school district or county, and lowering property taxes in the municipality with the plant. Real property taxes in the municipality with the plant may be already low in some cases, due to over-assessment of the plant. The discrepancy between homeowners' tax bills in adjoining towns and those in the town with the power plant may thus increase. The increased tax disparity is very hard to explain and justify to the taxpayers in question.

18. A recommended solution to this problem of tax shifts is to remove electric generating facilities from the equalization process on a local-option basis. Their changing values would thus not distort tax and aid apportionments. This could be accomplished by assigning them exempt status for a number of years, while requiring them to make payments in lieu-of-taxes during this period. The in-lieu-

payments should be taken into account in distribution of formula-based education aid.

19. The Department of Public Service offers mediation assistance to local governments hosting generation facilities if the taxes on such facilities are subject to dispute. The host communities can avail themselves of this service as an alternative to costly litigation.

DIVESTITURE OF ELECTRICITY GENERATING PLANTS:

PROPERTY TAX IMPLICATIONS

I. Introduction

New York, like other states, is proceeding with restructuring of the electric industry in order to encourage the development of competition in the production and sale of electricity. It is generally believed that competition will provide opportunities for lower energy prices and new, innovative services. In addition, the move to competition is expected to attract new businesses and enhance the state's economic growth.

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The Public Service Commission began examining competitive electric issues in 1993. In 1996, it issued a policy statement to guide New York's progress toward a competitive marketplace (*Opinion No. 96-12, Opinion and Order Regarding Competitive Opportunities for Electric Service*). In a series of environmental impact statements prepared in conjunction with consideration of plans to divest generation, it was concluded that, in general, assessments for power plants are likely to change as a result of the sales. In almost all cases, it was found that the assessments are likely to decrease, in some cases significantly. To mitigate these potential impacts, the Public Service Commission established a voluntary mediation program whereby it would provide its staff and resources to assist new owners and host communities in amicably resolving assessment disputes.

The Office of Real Property Services (ORPS) also studied the issue and the potential impact of divestiture on the appraisal method used for valuation of plants for assessment purposes, on the assessments, and on equalization rates. The existence of a market for electric generating facilities and the emergence of these facilities as income producing properties may change the status of these facilities for real property tax purposes. In recognition of these factors, ORPS has begun to

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This report is intended to fulfill the mandate of Chapter 239. It is organized as follows. Part I contains an introduction. Part II presents a brief outline of electric restructuring and discusses New York's current approach to taxation of utility property. Part III identifies the generation plants in New York, including those that the electric utilities have not sold and evaluates their importance to local tax bases. Part IV reviews the current evidence on the values of the generating facilities, and the potential impact of divestiture-related changes in value. Part V provides an analysis of the tax bases of the municipalities that will likely be affected by plant divestiture. Part VI discusses issues relating to equalization of assessments among assessing units and Part VII presents findings and conclusions.

It is important to understand that this report can not provide "all the answers" with respect to the future property tax implications of divestiture because the process is still unfolding and will be for some time to come. The marketplace for generating facilities is new, and there is still considerable uncertainty regarding long-term values of individual plants. The auction process that the electric utilities used for sale of their generating facilities involved, in some cases, "bundling" of plants and terms and conditions of sale that affected the sale prices. The auction of several plants in one package and other complicating considerations makes the determination of the market price for the individual physical assets (*i.e.*, the property subject real property taxation) difficult, if not impossible. The recently proposed construction of new, energy-efficient facilities in some areas of the state may affect the values of older plants in the same community or in other communities. Additionally, some generating facilities that are state-owned and tax exempt may be put back on the tax rolls if they are sold to private-sector owners. For these reasons, findings and conclusions presented in this report should be viewed as tentative in nature.

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1 Chapter 239 of the Laws of 1999.

2 *Id.*

II. Divestiture and Its Implications for Property Tax Valuation

Electric Restructuring and Divestiture

Electric utilities -- one of the largest remaining regulated industries in the United States -- have traditionally been vertically integrated businesses, with the functions of generation, transmission, and distribution accomplished by the same business entity. "Divestiture" is the term used for the process of selling formerly utility-owned generating facilities to new owners who are not involved in the transmission or distribution functions. Both the federal government and state governments have taken actions to increase competition in the generation function. The Federal Energy Regulatory Commission (FERC) issued Orders 888 and 889 (dated April 24, 1996) to encourage wholesale competition. Order 888 addresses the issues of open access to the transmission network and "stranded costs" which are past capital investments in generation capacity that are no longer economically productive. Order 889 requires utilities to establish electronic systems to share information about available transmission capacity.

Some states with comparatively high electricity prices, such as California and many northeastern states, have been in the forefront of the effort to achieve lower prices through increased competition.[3] For example, New York and most of the New England states had begun implementing measures to open their retail electric power markets to competition by 1998.

On May 20, 1996, the New York State Public Service Commission (PSC) issued Opinion No. 96-12, Opinion and Order Regarding Competitive Opportunities for Electric Service, a policy statement providing a framework for restructuring the electric industry in New York. The restructuring was designed, in pertinent part, to separate generation of electricity from transmission and distribution. This separation would alleviate concerns that the electric utilities may favor their generators over those of competitors, allow the utilities to better focus their efforts on system reliability and the provision of electric services to consumers, and encourage the development of a competitive marketplace that should result in lowered prices for consumers.

Subsequent to the issuance of Opinion No. 96-12, each electric utility filed a rate and restructuring plan with the Commission that set forth how the utility would address its own restructuring. These plans were, with some modifications, approved by the Commission in 1997 and 1998. Thereafter, each utility that agreed in its restructuring plan to divest its electricity generating facilities filed a plan providing the details by which it would do so. In each case, the utility proposed to conduct a two-stage, sealed auction, either for all plants bundled together or for

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[3] See Appendix A for information on the current status of each state.

groups of similar assets. The Commission approved most of these divestiture plans in the Spring of 1998.

As of the date of this report, Consolidated Edison Company of New York, Inc., New York State Electric and Gas Corporation and Orange and Rockland Utilities, Inc. have completed their divestitures and sold their plants. Niagara Mohawk Power Corporation has mostly completed its divestiture and has its last sale transaction pending before the Commission. Central Hudson Gas & Electric Corporation recently filed its divestiture plan for the Commission's consideration. It anticipates completing its divestiture process in late 2000 to early 2001.[4]

Taxation of Utility Property

Utility companies use taxable real property -- land and/or structures permanently affixed thereto -- in their business activities, and in some cases may own property which is held for future business use. Both types of property, that actually used for utility purposes and that held for future use, are considered "utility property" for tax purposes. On the other hand, real property owned by a utility company but not used in its utility business, e.g., a warehouse rented to another company, is not considered utility property. Utility property is complex, and its valuation for tax purposes requires specialized expertise.

New York subjects utility companies to a variety of state and local taxes, including the property tax. New York's property tax on utilities is levied and collected by local governments, whereas in some states such as Vermont, Pennsylvania, and Wisconsin, it is levied by the state government and the resulting revenues are distributed in whole or in part to local governments. The property tax is the largest single revenue source of most New York local governments, including both municipalities and school districts.

In contrast to the rest of the states, New York divides responsibility for assessing utility property between the state and local governments. Two categories of property are established. The first, "special franchise" property, is that located on publicly owned property such as streets. The second consists of privately owned land and the improvements located thereon. Special franchise property is centrally assessed by the state but taxed at local tax rates. All the remaining taxable property of utilities -- including generating facilities -- is locally assessed since New York

[4] Among the other major electricity utilities, generating assets were sold by the Long Island Lighting Company to KeySpan Generation prior to initiation of divestiture in New York, and Rochester Gas and Electric Company has not been party to any divestiture orders to date.

courts have interpreted the State Constitution as granting the power of assessing to municipalities.[5] Thus, in all but two counties (Nassau and Tompkins) where municipalities voluntarily opted for county-level assessment administration, "local" assessing of utility properties means that cities, towns, and villages independently determine the taxable value of the property within their borders. In practice however, the complexity of utility property such as generating stations has created difficulties for local assessors. Statutes thus provide for both county-supplied and state-supplied advisory appraisals for complex parcels. These appraisals are made available to localities but are not binding on them. New York's approach thus contrasts markedly with that used in more than two-thirds of the states, where utility property is centrally assessed by a state government agency.

The standard approach that has been used by states, referred to as the "unitary approach," involves the following steps: (1) valuation of a given utility company's entire property base; (2) removing from this figure any non-taxable property (e.g., personal property) and "non-system" property (e.g., office buildings); (3) determining the share of the total value appropriately allocable to the taxing state; and (4) distribution of the total value in the state to individual local governments. Alternatively, a state could in theory perform the assessment function centrally but not adopt the unitary approach, choosing instead to determine an independent value for the property component in each municipality without determining the unitary value of a company's entire property complement. This latter approach, found in a few primarily northeastern states, is essentially the one used in New York for special franchise property. However, it is not applied to non-special-franchise property such as generating plants, since such property is locally assessed.

There is no detailed information available on the methods used by New York's municipalities to value locally assessed power generation facilities, except for those instances where advisory appraisals have been performed and the resulting values included on local assessment rolls. The statutes governing utility assessment are relatively lacking in language that might guide local or state assessors in their determinations of value. Section 305 of the Real Property Tax Law (RPTL) requires only that property be assessed at a ". . . uniform percentage of value . . ." and the courts have interpreted "value" in this context to mean "market value."[6] Direction as to how value should be determined is also absent from the statutes, and valuation procedures are thus left to the assessing officials and the courts. This has raised the issue of the appropriateness of various valuation methods which can be used for assessing a complex property such as a generating station.

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[5] People ex rel. Met. St. Railway v. State Board of Tax Commissioners, 174 N.Y. 417 (1903).

[6] Foss v. City of Rochester, 65 N.Y.2d 128, 480 N.E.2d 717, 491 N.Y.S.2d 128 (1985).

The available methods for determining market value are the "comparable sales," "income," and "cost" approaches.[7] Under the first approach, recent sales of similar properties are used to determine the value of the property being assessed. In the past, when generating plants were rarely sold, the standard comparable sales approach had limited relevance. The income approach is based on the idea that the value of the property reflects the net income it can earn in the future. The summation of future property income, discounted (capitalized) to its present value, determines what the property is worth at the present time. The cost approach, applicable to improvements only, focuses on the construction cost of the improvement when it was first built (original cost), what it would cost to build it today (reproduction cost), or what it would cost to replace it with the lowest cost structure having the same or better performance characteristics (replacement cost). Under any application of the cost approach, the estimated amount of depreciation must be subtracted from the estimated construction cost in determining value. This depreciation component can be large for some properties and it is often difficult to quantify as it must include not only physical deterioration but also functional and economic obsolescence. These latter factors are reflective of not only the plant's particular characteristics but also external factors such as technological change and economic conditions in the industry.

The existence of alternative methods to determine value (which, of course, may produce significantly different results), together with the lack of statutory valuation guidelines, has led to litigation. New York's courts have frequently stepped in to specify the right approach in a particular instance. For example, in Brooklyn Union Gas v. State Board of Equalization and Assessment, the tangible component of special franchise was held to be "specialty property" and thus to be assessed using the reproduction cost method.[8] Prior case law accepting assessment based on the income (net earnings) approach had only applied that approach to the intangible element, i.e, the value of the right of the utility to conduct business by placing its property in the public way. The court cited previous cases involving the valuation of railroad and utility property in reaching this determination, including Tenneco v. Town of Cazenovia.[9] The court in Tenneco had refused to extend the net earnings approach to non-franchise utility property. In Brooklyn Union, the court also approved the state practice of computing the intangible element as a percentage of the value of the

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[7] Market value, or what a willing buyer would pay a willing seller, is distinct from "book value," an accounting concept.

[8] 65 N.Y.2d 472, 482 N.E.2d 77, 492 N.Y.S.2d 598 (1985), cert. den., 475 U.S. 1082, 106 S.Ct. 1461, 89 L.Ed.2d 718 (1986)

[9] 104 A.D. 2d 511, 479 N.Y.S.2d 587 (3d Dept. 1984)

tangible. In another relevant case, National Fuel Gas Distribution Co. v. State Board of Equalization and Assessment, the rules of the State Board for implementing the reproduction cost method for the tangible component and allowing complaints against factors used in the computations were held to be non-arbitrary and non-capricious.[10] More recently (1994), in Long Island Lighting Company v. Assessor for Town of Brookhaven, the court held that a nuclear power plant was "specialty property," and was therefore to be assessed using the reproduction-cost-new-less depreciation method.[11]

Use of Cost, Income, and Comparable Sales Approaches in Post-Divestiture Era

The courts' favoring of the reproduction cost approach in the case of power plants and other utility property is clearly reflective of the fact that there was no market for such property until very recently. However, with the onset of divestiture and sales of power plants, the essential facts have changed for these facilities, and prior case law may no longer be a clear standard for their assessment. While the views of courts in future cases remain to be seen, it is likely that power plants will now be viewed as being similar to most other types of property. Appraisal methodology generally favors use of all three approaches to valuation, provided appropriate data are available for each, and it is likely that courts would accept the relevance of this basic standard of professional practice.[12]

ORPS is in the process of preparing a detailed analysis of the plant sales that have occurred to date. The sales are complex because they involve "bundled" transfers of multiple plants in the same transaction, often include some tax-exempt property, and may also include special considerations such as an agreement that the seller buy power from the purchaser at specified prices during a given time period. Some may also fail to meet the standard criteria for useable "arm's length" market transactions. The purchasers, operating in a competitive wholesale electric market, may consider information on the details of the transactions to be sensitive financial data that should be safeguarded from the eyes of potential competitors. Thus, this information may not be available to assessing officials. Furthermore, the market for generation facilities is new, and it may take a few more years to stabilize. As more sales take place in the region and the nation, the prices

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[10] 117 A.D.2d 948, 499 N.Y.S.2d 260 (3d Dept. 1986)

[11] 202 A.D.2d 32, 616 N.Y.S.2d 375 (2d Dept. 1994), leave to appeal denied, 85 N.Y.2d 809, 651 N.E.2d 920, 628 N.Y.S.2d52(1995)

[12] See Standard on the Application of the Three Approaches to Value, International Association of Assessing Officers, Chicago, August 1985 (revised).

paid are more likely to reflect realistic valuations. The sales that have occurred in New York, and their relationship to the current assessment levels of the plants, are further discussed in Part III of this report.

III. Generation Facilities and Their Assessed Values

Distribution of Facilities by Location, Type, and Ownership

Figure 1 indicates the distribution of generating facilities among New York municipalities. Excluded from the data and from this study are facilities owned by the State of New York or a municipal government, and facilities owned by non-regulated independent power producers (IPPs). Facilities owned by the New York State Power Authority are exempt from property taxes, and divestiture thus has no direct effect on their values for tax purposes or tax payments.[13] The IPPs are not public utilities, form a diverse category, and are usually smaller than the utility-owned plants. Most are tax exempt due to ownership by local industrial development agencies (IDAs), and some are integrated with manufacturing businesses and therefore not assessed separately.

The study includes the 138 utility-owned facilities, including nuclear power plants and a number of other generating facilities that the electric utilities have not sold. The rationale for including all utility-owned generating facilities in the study is that their values for property tax purposes will likely be affected by market transactions involving divested plants. This follows from the substitution concept in valuation, which holds that something is worth the amount which is realized from sales of similar property in the marketplace.

The data used in the study were primarily drawn from local assessment rolls prepared in 1998. Generating parcels were identified on the rolls through the uniform property use coding system used in New York. In some instances, there were minor ambiguities concerning the number of parcels that were part of the actual generating facility, because some parcels containing transmission equipment or other non-generating property may or may not be classified as part of the generating facilities. These questions were resolved to the extent possible by contacting the appropriate local assessor in each case, for it is the assessor who has sole authority to decide what constitutes a tax parcel. However, despite concerted efforts to ensure that the data used in this study include only generating property in the municipalities in question, some relatively minor discrepancies that are the result of misclassification of property use by local assessors may remain.

The 138 generating facilities included in the study are widely distributed throughout the state. The hydroelectric plants are primarily located in Adirondack and Catskill municipalities, with a few in Central New York and in the Capital District/Eastern Mohawk regions. Most fossil fuel plants tend

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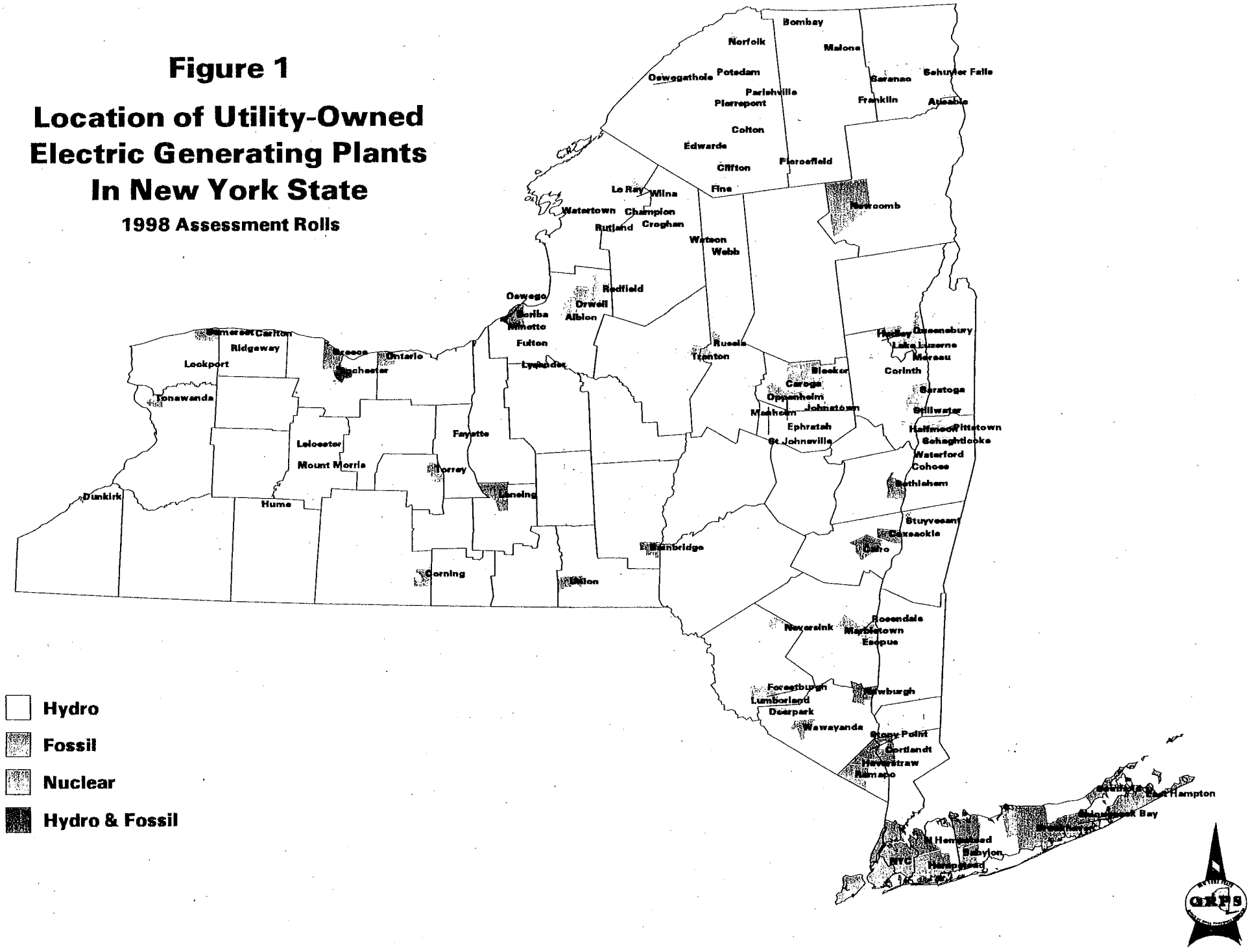
[13] The Long Island Power Authority is statutorily obliged to make payments in lieu of taxes to local governments for generating property it owns (Public Authorities Law, Section 1020-q). The New York Power Authority is allowed (but not required) to make such payments on land only (Public Authorities Law, Section 1012). At time of writing, NYPA was negotiating the sale of two nuclear plants (located in the Towns of Scriba and Cortlandt) with a private-sector buyer.

to be concentrated in the more highly populated areas of the state, although several are located in rural communities in Central New York. The nuclear generating facilities are found along Lake Ontario and in the lower Hudson Valley.

Figure 1

Location of Utility-Owned Electric Generating Plants In New York State

1998 Assessment Rolls



- Hydro
- Fossil
- Nuclear
- Hydro & Fossil

Table 1 summarizes the generating plants by owner, type, and status with respect to divestiture. More than half are hydroelectric stations. The overwhelming majority of these are owned by Niagara Mohawk Power Corporation, and a few each are owned by four other companies: Central Hudson Gas and Electric Corporation, Orange and Rockland Utilities Inc., Rochester Gas and Electric Corporation., and New York State Electric and Gas Corporation.

Table 1. Generating Plants Owned, or Formerly Owned (or Operated) by Public Utilities, 1998 Assessment Rolls

Former or Current Utility Owner/Operator	Type of Facility	Number Owned	No. Included in Divestiture as of 10/1/99
Niagara Mohawk	Hydro Fossil Nuclear	72 4 2	71 4 0
NY State Electric & Gas	Hydro Fossil	7 7	0 6*
Central Hudson Gas & Electric	Hydro Fossil	4 4	0 2
Orange & Rockland	Hydro Fossil	4 4	4 4
Consolidated Edison	Fossil Nuclear	7 2	7 0
Rochester Gas & Electric	Hydro Fossil Nuclear	7 2 1	0 0 0
Long Island Lighting Company	Fossil	11	0
TOTAL		**138**	**98**

*The 7th NYSEG plant is in Pennsylvania.

The next largest category comprises plants that burn fossil fuels, of which there are 39. All the owners except Rochester Gas and Electric own four or more fossil plants, and the plants previously owned by Long Island Lighting Co. are all fossil plants (now owned by KeySpan Generation, LLC, a subsidiary of KeySpan Energy). Nuclear plants, of which there are five, comprise the last category. Three of these are located on Lake Ontario, and two are in the lower Hudson Valley.

Relationship to Local Tax Bases

The relative importance of the generating facilities to local tax bases varies widely. At one extreme are found high-investment nuclear plants located in rural or suburban communities, and

at the other extreme are relatively small internal-combustion booster stations located in urban areas. In order to identify and focus on those communities in which generating facilities constitute a "significant portion," as required by the statutory language, a 5 percent threshold level of plant value relative to the local tax base is used in this report. The concentration of generating property is measured separately for the different types of taxing units in New York: counties, cities/ towns/villages, and school districts. Thus, the data on plant assessments in relation to local tax bases presented in the remainder of the report are limited to those taxing units where this threshold percentage is met or exceeded.

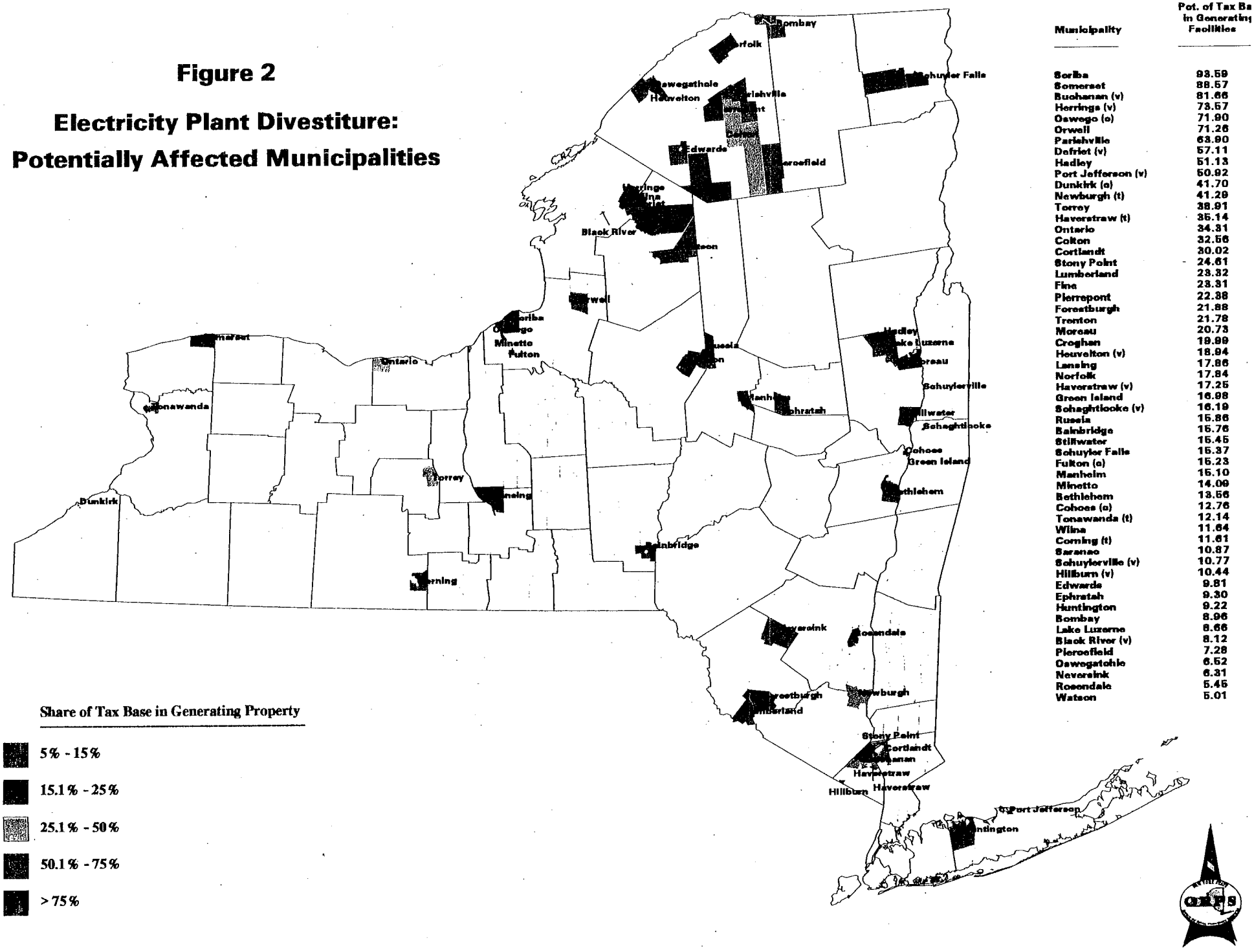
Four county taxing units meet the 5 percent criterion: Oswego, Niagara, St. Lawrence, and Wayne. The impact varies widely, however, with 46 percent of the tax base in Oswego County comprised of generating facilities and only 6 to 7 percent so comprised in the other three counties. This is explained by the predominance of large nuclear facilities in Oswego, as well as a fossil plant (the Oswego Steam Station) and several hydroelectric plants. Although the Oswego County exception is worthy of special note, it is not surprising that generating facilities would be of relatively lower fiscal importance to county taxing units than they would be to taxing units with more limited geographic areas, such as municipalities and school districts.

Figure 2 presents the same type of information for municipalities. A total of 57 had more than 5 percent of their tax bases in generating property on the 1998 rolls. Of these, four were cities, ten were villages, and the remainder were towns. The municipality with the largest tax base share represented by generating property was the Town of Scriba (Oswego County), at 94 percent. It is followed by the Town of Somerset (Niagara County) at nearly 89 percent, and Village of Buchanan (Westchester County) at nearly 82 percent. Both Scriba and Buchanan have nuclear generating facilities, and rural Somerset has the large Kintigh fossil plant. The Village of Herrings, a small community in Jefferson County with a hydroelectric plant, ranked fourth with almost 74 percent.

Among other municipalities with more than one-half of their tax bases exempt, most are rural communities with hydroelectric plants, a notable exception being the City of Oswego which on the 1998 roll had a fossil plant that comprised nearly 72 percent of the tax base. In 1999, this facility was transferred to the Oswego County Industrial Development Agency, and as such became tax exempt. The agreement between the owner and the local taxing units to transfer the facility for a period of six years included provisions that it make payments in lieu of taxes to all affected taxing units, with total payments reduced from $28.8 million in 1998 to $2.0 million in 2004 (see Part V for further discussion of this facility).

Figure 2

Electricity Plant Divestiture: Potentially Affected Municipalities



Share of Tax Base in Generating Property

- 5% - 15%
- 15.1% - 25%
- 25.1% - 50%
- 50.1% - 75%
- > 75%

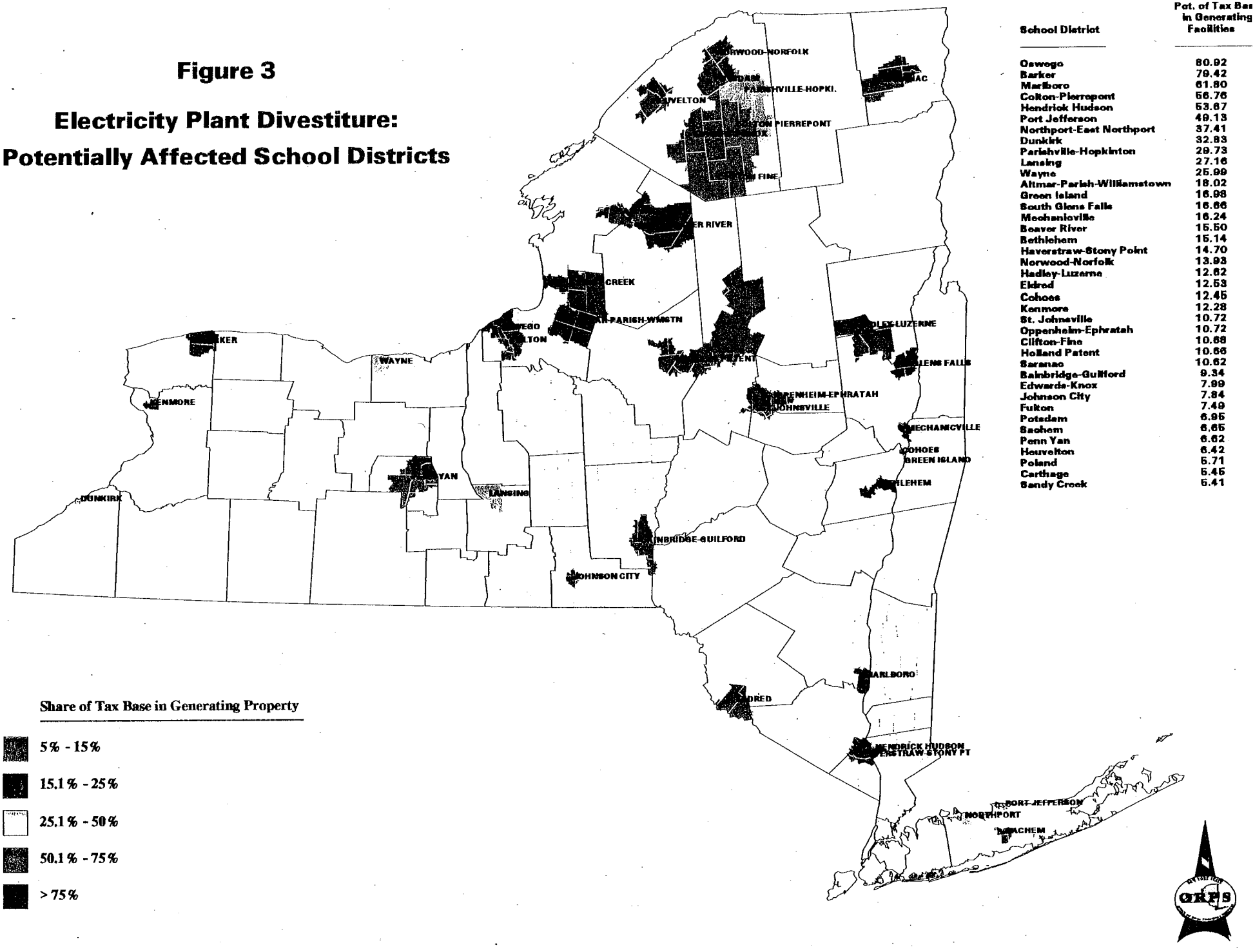
Municipality	Pct. of Tax Base in Generating Facilities
Scriba	93.59
Somerset	88.57
Buchanan (v)	81.66
Herrings (v)	73.57
Oswego (c)	71.90
Orwell	71.26
Parishville	63.90
Defriet (v)	57.11
Hadley	51.13
Port Jefferson (v)	50.92
Dunkirk (c)	41.70
Newburgh (t)	41.29
Torrey	38.91
Haverstraw (t)	35.14
Ontario	34.31
Colton	32.56
Cortlandt	30.02
Stony Point	24.61
Lumberland	23.32
Fine	23.31
Pierrepont	22.38
Forestburgh	21.88
Trenton	21.78
Moreau	20.73
Croghan	19.99
Hewelton (v)	18.94
Lansing	17.86
Norfolk	17.84
Haverstraw (v)	17.25
Green Island	16.98
Schaghticoke (v)	16.19
Russia	15.86
Bainbridge	15.76
Stillwater	15.45
Schuyler Falls	15.37
Fulton (c)	15.23
Manheim	15.10
Minetto	14.09
Bethlehem	13.56
Cohoes (c)	12.76
Tonawanda (t)	12.14
Wilna	11.64
Corning (t)	11.61
Saranac	10.87
Schuylerville (v)	10.77
Hillburn (v)	10.44
Edwards	9.81
Ephratah	9.30
Huntington	9.22
Bombay	8.96
Lake Luzerne	8.66
Black River (v)	8.12
Pierrefield	7.28
Oswegatchie	6.52
Neversink	6.31
Rosendale	5.45
Watson	5.01

Among the remaining affected municipalities, there is wide variation in impact level, municipal size and location, and type of facility. While rural municipalities with hydroelectric plants are the most numerous, the list also includes cities with fossil plants and two towns with nuclear plants.

Figure 3, showing school district impacts, indicates that some 39 of New York's approximately 700 school districts have at least 5 percent of their tax bases comprised of generating property. The largest share (81 percent) is in the Oswego Central School District. This school district's 1998 tax base included both the Nine Mile 1 and 2 nuclear plants and the now-exempt City of Oswego fossil plant. A further five school districts had approximately half or more of their tax bases in generating property, and they include such varying situations as the Colton-Pierrepont district in St. Lawrence County with five hydroelectric plants, to the Barker and Marlboro districts with fossil plants, to the Hendrik Hudson district with its Indian Point nuclear plant. Among the remaining 33 school districts, a large variety of situations exist, ranging from several that have a third or more of their value in fossil plants to many rural school districts with one or more small hydroelectric plants.

Figure 3

Electricity Plant Divestiture: Potentially Affected School Districts



School District	Pct. of Tax Base in Generating Facilities
Oswego	80.92
Barker	79.42
Marlboro	61.80
Colton-Pierrepont	56.76
Hendrick Hudson	53.67
Port Jefferson	49.13
Northport-East Northport	37.41
Dunkirk	32.83
Parishville-Hopkinton	29.73
Lansing	27.16
Wayne	25.99
Altmar-Parish-Williamstown	18.02
Green Island	16.98
South Glens Falls	16.66
Mechanicville	16.24
Beaver River	15.50
Bethlehem	15.14
Haverstraw-Stony Point	14.70
Norwood-Norfolk	13.93
Hadley-Luzerne	12.62
Eldred	12.53
Cohoes	12.45
Kenmore	12.28
St. Johnsville	10.72
Oppenheim-Ephratah	10.72
Clifton-Fine	10.68
Holland Patent	10.66
Saranac	10.62
Bainbridge-Guilford	9.34
Edwards-Knox	7.99
Johnson City	7.84
Fulton	7.49
Potsdam	6.95
Sachem	6.65
Penn Yan	6.62
Heuvelton	6.42
Poland	6.71
Carthage	6.45
Sandy Creek	6.41

Share of Tax Base in Generating Property

- 5% - 15%
- 15.1% - 25%
- 25.1% - 50%
- 50.1% - 75%
- > 75%

Taxes Paid on Generating Facilities

Table 2 presents a summary of the estimated property taxes paid by the generating plants in affected communities based on 1998 assessment rolls. The estimated taxes were computed by applying local tax rates (for county, municipal, and school purposes) representing fiscal years ending in 1999 to the taxable values listed on the 1998 rolls. Thus, only ad valorem charges are included in the data, and benefit charges, user fees, and other non ad valorem charges are excluded.

Table 2. Estimated Property Taxes Paid by Utility Plants in Affected Municipalities, by County (FY 1998-99)*

County	Plant Type and Number**	Est. Total Property Taxes	County	Plant Type and Number**	Est. Total Property Taxes
Albany	H (2), F (1)	$ 8,554,600	Oswego	H (8), F(1), N (2)	$ 81,519,700
Chautauqua	F (1)	8,128,200	Rensselaer	H (1)	94,500
Chenango	F (1)	485,000	Rockland	F (3)	36,693,800
Clinton	H (3)	785,300	St. Lawrence	H (25)	6,793,300
Erie	F (1)	15,090,600	Saratoga	H (7)	4,852,600
Franklin	F (1)	69,800	Steuben	F (1)	853,500
Fulton	H (2)	243,300	Suffolk	F (3)	59,748,000
Herkimer	H (4)	488,000	Sullivan	H (8)	2,898,600
Jefferson	H (4)	651,200	Tompkins	F (1)	3,195,500
Lewis	H (8)	801,400	Ulster	H (2)	433,300
Montgomery	H (1)	215,600	Warren	H (1)	845,700
Niagara	F (1)	12,548,600	Wayne	N (1)	5,349,500
Oneida	H (2)	1,003,700	Westchester	N (2)	24,804,100
Orange	F (2)	17,947,400	Yates	F (1)	1,283,800
			TOTAL		**$296,378,600**

* Includes municipalities where at least 5 percent of tax base consists of generating facilities and all municipal, county, and school taxes paid by such facilities.

** H = Hydro, F = Fossil, N = Nuclear

As can be seen from the data, a total of $296 million was paid in property taxes in the affected host communities. The largest single share -- approximately $82 million or 27 percent -- was paid to host local governments in Oswego County. The other areas with the largest dollar tax payments ($10 million or more) were those with fossil and nuclear plants, including local governments in Suffolk County, Rockland County, Westchester County, Orange County, Erie County, and Niagara County.

IV. Market Value Data For Generating Facilities and Implied Tax Impacts

This section of the report reviews the sales information available to date, and presents the latest available state-level appraisal data prepared by ORPS staff. It is important to remember, however, that property taxes on generating facilities are levied on the assessed values appearing on local assessment rolls, and not on sales prices or the appraisals computed by state officials. A municipality's tax base is affected only when the assessment changes. The assessments may or may not correspond with the sales prices of the plants, or with state-determined appraisal values. Litigation over the values of the plants is common, often involving large dollar differences between what the owner believes the plant is worth and the value set by the assessor. In many cases, the eventual assessment is a settlement figure representing a compromise between the parties, with a "phase-down" of the assessment over time a common element in the process. The extent and timing of any assessment change may thus depend not only on actions of the property owner and assessor in question, but also on actions by the local board of assessment review or the courts.

In addition to the assessment, the taxes paid annually on a particular parcel are a function of two other factors: (1) the total taxable assessed value on the roll; and (2) the size of the tax levy. Therefore, a change in either of these factors -- even if a particular parcel's assessment were to remain unchanged -- may result in a change in tax liability. The individual factors can also be partially or fully offsetting, as when, for example, an assessment reduction on a generating facility is offset by a reduction in the tax levy, allowing the tax rate to remain unchanged and thus avoiding a shift of taxes to other taxpayers. Of course, the magnitude of future tax levies in the affected communities and the sizes of their future tax bases are at present unknown. Likewise, the speed with which any indicated value changes of generating plants are incorporated into assessment rolls is also unknown. Given these unknowns, it is not possible to calculate accurate impacts on the effective tax rates paid by generating and non-generating property in future years.

However, a rough picture of potential impacts can be obtained from a comparison of the assessments of the generating facilities with other available evidence of value: the sales available to date and the market value changes implied by ORPS appraisals of the properties. Once again, it is important to recognize that such comparisons assume that the assessments would actually be reduced as indicated, and that tax levies would not change. These assumptions will not be valid in some or all cases, but in the absence of knowledge on what will actually happen in each community in future years, there seems to be no alternative to using a hypothetical analysis.

Plant Sales

Table 3 summarizes the sales data, by plant owner, type of facility, and number of individual plants included in the sales contract. The sales prices are compared to the level of market value indicated by the local assessment, as adjusted by the percentage of value at which utility property in the relevant assessing unit was determined to be assessed. In reviewing the data, it is important to state once again that the "raw" sales prices cited may not be adequate indicators of market value, particularly in the longer term. They may include personal property (which is not taxable under New York law) and/or exempt property, may include transmission equipment which is not part of the generating facilities themselves, and other considerations such as agreements between the buyer and seller regarding future energy purchases at specified prices. Furthermore, since most of the sales involved multiple generating plants in multiple assessing units sold for a single price, the allocation of the price among the various plants and assessing units is unknown. Thus, the comparisons presented herein of sales prices to implied market-level assessments should be considered as rough indicators at best.

As Table 3 shows, the overall weighted average ratio was 0.47, indicating that plants on average sold for about half their implied market-level assessments. The range in the ratios varies significantly, however, from a high of approximately 1.0 for the Orange and Rockland multiple-plant sale to a low of approximately .09 for the Nile Mile II nuclear plant. The sale involving the largest number of plants -- the Niagara Mohawk hydroelectric facilities -- indicated a ratio of about two-thirds of the local implied market assessment. At the low end of the range were the Oswego County nuclear and fossil plants, which sold for 9 to 26 percent of their full value assessments. One Orange and Rockland plant sold for substantially more than its assessment, and other transactions indicated anywhere from one-quarter to three-quarters of the indicated full value assessment. Typically the highest ratios were found in the lower Hudson valley area. Once again, the sales prices cited have many limitations as indicators of market value, and the other two approaches to valuation -- income and cost -- should also be considered.

Table 3. Sales of Generating Facilities

Utility Owner	Type of Facility Sold	No. of Generating Plants Included	Total Market Value* Indicated by Assessment	Sales Price (may be for bundled sales)	Ratio of Sales Price to Indicated Market Value
Con Ed/ O&R	Fossil Plant (Bowline Point)	1	$277,420,957	$199,850,000	.72
NiMo	Fossil Plant (Albany Steam)	1	$141,170,994	$47,500,000	.34
NiMo	Fossil Plants (Dunkirk, Huntley)	2	$502,005,850	$355,000,000	.71
NiMo/ RG&E	Fossil Plant (Oswego Steam)	1	$532,744,884	$91,000,000	.17
NiMo	Nuclear Plant (Nine Mile 1)	1	$271,466,985	$71,700,000	.26
NiMo/ NYSEG	Nuclear Plant (Nine Mile 2)	1	$1,675,361,280	$155,000,000	.09
NiMo	Hydro Plants	71	$629,375,510	$425,000,000	.68
NYSEG	Fossil Plants	6	$1,250,885,686	$950,000,000	.76
Orange & Rockland	Fossil Plant (Lovett)	1	$139,574,502	$243,500,000	1.74
Orange & Rockland	Fossil Plants & Hydro Plants	2 4	$75,516,820	$20,440,000	.27
Weighted Average Ratio					**.47**

* Utility class market value ratio found for 1998 assessment roll used to compute indicated market value from assessment.

ORPS Appraisal Data

The appraisals of generating plants conducted by ORPS to date in its 1999 market value survey are shown in Table 4 and compared to 1996 ORPS values for the same facilities. The 1999 appraised values incorporate a valuation date of January 1, 1999, and include the effects of divestiture on market value for both the plants that are actually included in existing divestiture orders and those that have not been included in divestiture to date. The 1999 values were determined through use of all three valuation approaches -- comparable sales, income, and cost -- although the income and cost approaches were more heavily weighted given the emerging nature of the market for generating facilities. In contrast, the January, 1996 appraisals were based on reproduction cost new, less depreciation.

As previously indicated, the cost approach has in the past been mandated by New York courts for assessment of this type of property. It involves valuation of the generating assets by a summation process, whereby the value of the land is added to the depreciated value of the improvements. The most difficult step in the process is estimation of depreciation on the improvements. It is particularly challenging in New York, where many of the generating stations are older facilities, and some contain significantly outdated generating technology. Thus, supplementing the cost approach with the other two valuation approaches increases the accuracy and reliability of the resulting appraisals. The income approach is particularly relevant in valuing generating assets, as values derived through this approach are based on the anticipated future earning capability of the property. Since owners of generating assets acquire them in order to earn income, the market value should reflect this income-earning potential.

As the quality and quantity of income and expense data increase in future years, and assuming it is available to ORPS and assessors, it is possible that many of the generating plant values will decrease further, although a few may actually increase. However, it is beyond anyone's ability at the present time to predict accurately any such future value changes, since they will be the result of as yet unknown conditions in the marketplace. The 1999 figures included in Table 4 must therefore be understood as reflective of January, 1999 conditions, and not necessarily of those prevailing in future years.

At time of writing, 1999 appraisals have not been completed for all plants in all the affected communities, and in some cases where 1999 appraisals are available, 1996 appraisals of the same properties are lacking. Table 4 thus includes only two-thirds of the affected municipalities, where complete data are available at the present time.

Of the municipalities for which appraisal data were available, the great majority experienced either value reductions or insignificant value increases (Table 4). The value reductions occurred in all types of plants, and in all areas of the state. They ranged from virtually zero to almost 80 percent, and the factors responsible for these reductions were highly site-specific to the particular generating facility. The largest reductions reflected the influence of income and comparable sales data in 1999, as well as higher obsolescence assigned under the cost approach to account for the significant handicaps that older plants will have in the competitive economic conditions of the generation industry that is emerging in New York and in the nation as a whole.

Table 4. Summary of ORPS Market Value Appraisals for Generating Plants in Affected Communities, 1996 and 1999 Market Values*							
County/ Municipality	Plant Name	Owner	Plant Type	1996 Full Value	1999 Full Value	Difference in Full Value	% Difference
Albany County							
Bethlehem	Albany Steam	NiMo	Fossil	$124,725,371	$115,056,000	($9,669,371)	(7.8)%
Cohoes	School Street	NiMo	Hydro	$18,800,210	$18,419,848	($380,362)	(2.0)%
Green Island	Green Island	NiMo	Hydro	$8,064,312	$7,744,439	($319,873)	(4.0)%
Chautauqua Co.							
Dunkirk (c)	Dunkirk Steam	NiMo	Fossil	$214,860,000	$218,372,000	$3,512,000	1.6%
Chenango County							
Bainbridge	Jennison	NYSEG	Fossil	$29,063,000	$11,000,000	($18,063,000)	(62.2)%
Erie County							
Tonawanda (t)	Huntley	NiMo	Fossil	$287,430,923	$355,000,000	$67,569,077	23.5%
Franklin County							
Bombay	Hogansburg	NiMo	Hydro	$1,229,631	$1,091,712	($137,919)	(11.2)%
Fulton County							
Ephratah	Ephratah	NiMo	Hydro	$14,432,789	$3,100,000	($11,332,789)	(78.5)%
Herkimer County							
Manheim	Beardslee, Inghams	NiMo	Hydro	$14,758,415	$10,888,344	($3,870,071)	(26.2)%
Russia	Prospect, Trenton Falls	NiMo	Hydro	$11,154,962	$14,417,100	$3,262,138	29.2%
Jefferson County							
Black River (v)	Kamargo	NiMo	Hydro	$2,572,316	$2,585,846	$13,530	0.5%
Lewis County							
Croghan	6 Hydro Plants	NiMo	Hydro	$35,795,874	$29,769,878	($6,025,996)	(16.8)%
Watson	Eagle Falls, Soft Maple	NiMo	Hydro	$5,621,674	$5,627,944	$6,270	0.1%
Niagara County							
Somerset	Kintigh	NYSEG	Fossil	$915,305,179	$600,000,000	($315,305,179)	(34.4)%

* Excludes plants where one or more of the survey valuations were not available.

Table 4. Summary of ORPS Market Value Appraisals for Generating Plants in Affected Communities, 1996 and 1999 Market Values*							
County/ Municipality	**Plant Name**	**Owner**	**Plant Type**	**1996 Full Value**	**1999 Full Value**	**Difference in Full Value**	**% Difference**
Oneida County							
Trenton	Prospect, Trenton Falls	NiMo	Hydro	$19,485,359	$20,082,900	$597,541	3.1%
Orange County							
Newburgh (t)	Danskammer, Roseton	CHG&E	Fossil	$547,104,223	$460,000,000	($87,104,223)	(15.9)%
Oswego County							
Minetto	Minetto	NiMo	Hydro	$5,450,886	$6,409,899	$959,013	17.6%
Orwell	Bennett's Bridge, Lighthouse Hill	NiMo	Hydro	$40,089,466	$26,000,000	($14,089,466)	(35.1)%
Scriba	Nine Mile 1&2	NiMo, et.al.	Nuclear	$2,052,481,387	$1,700,000,000	($352,481,387)	(17.2)%
Rockland County							
Haverstraw	Bowline Point	O & R	Fossil	$282,968,000	$180,000,000	($102,968,000)	(36.4)%
Stony Point	Lovett	O & R	Fossil	$136,242,037	$200,000,000	$63,757,963	46.8%
St. Lawrence Co.							
Colton	5 Hydro Plants	NiMo	Hydro	$60,803,000	$73,659,000	$12,856,000	21.1%
Parishville	5 Hydro Plants	NiMo	Hydro	$58,527,560	$55,798,000	($2,729,560)	(4.7)%
Pierrepont	Colton, Hannawa	NiMo	Hydro	$11,656,792	$15,064,575	$3,407,783	29.2%
Saratoga County							
Hadley	E.J. West, Stewarts Bridge	NiMo	Hydro	$19,273,302	$30,000,000	$10,726,698	55.7%
Moreau	Sherman Island, Spier Falls	NiMo	Hydro	$36,686,353	$34,941,830	($1,744,523)	(4.8)%
Schuylerville (v)	Schuylerville	NiMo	Hydro	$4,037,865	$1,600,000	($2,437,865)	(60.4)%
Stillwater	Mechanicville	NYSEG	Hydro	$45,499,316	$22,500,000	($22,999,316)	(50.5)%

* Excludes plants where one or more of the survey valuations were not available.

Table 4. Summary of ORPS Market Value Appraisals for Generating Plants in Affected Communities, 1996 and 1999 Market Values*							
County/ Municipality	**Plant Name**	**Owner**	**Plant Type**	**1996 Full Value**	**1999 Full Value**	**Difference in Full Value**	**% Difference**
Suffolk County							
Huntington	Northport	Lilco	Fossil	$488,232,189	$410,000,000	($78,232,189)	(16.0)%
Port Jefferson (v)	Port Jefferson	Lilco	Fossil	$120,240,528	$105,950,000	($14,290,528)	(11.9)%
Sullivan County							
Forestburgh	Mongaup, Swinging Bridge	O&R	Hydro	$8,946,523	$3,130,773	($5,815,750)	(65.0)%
Neversink	Grahamsville, Neversink	O&R & CHG&E	Hydro	$9,819,752	$27,000,000	$17,180,248	175.0%
Tompkins County							
Lansing	Milliken**	NYSEG	Fossil	$105,056,424	$265,000,000**	$159,943,576**	152.2%**
Warren County							
Lake Luzerne	Spier Falls	NiMo	Hydro	$3,972,019	$5,827,714	$1,855,695	46.7%
Wayne County							
Ontario	Ginna	RG&E	Nuclear	$236,940,000	$218,149,900	($18,790,100)	(7.9)%
Westchester Co.							
Buchanan (v), Cortlandt	Indian Point 1 & 2	ConEd	Nuclear	$645,645,391	$539,000,000	($106,645,391)	(16.5)%

* Excludes plants where one or more of the survey valuations were not available.

** Reflects a substantial increase in capital investment between the two valuation years.

Among the municipalities in which value increased substantially between the two surveys, the largest value increase was that determined for the Milliken plant in the Town of Lansing, Tompkins County, which experienced a substantial capital investment between the two market value surveys. The second highest value increase was in the Town of Neversink, Sullivan County, where the effect is due to consideration of the favorable influence on value of the unique location of generating facilities on the New York City water system pipeline (the hydroelectric turbines are driven by pipeline water pressure). The more moderate increases in other municipalities were due to the effect of considering all three approaches to valuation in developing the 1999 survey appraisals.

The relationship of the ORPS-determined changes in value to the tax bases of the host communities is given in Figure 4,[14] which shows the 1996 to 1999 change in appraised value of the generating facilities as a percentage of the estimated full market value of the municipality. Projected changes in value range from a more than 10 percent increase in the tax base of the Town of Hadley, Saratoga County, to a nearly 49 percent decline in the tax base of the Town of Somerset, Niagara County. For a few other host communities, the tax base is projected to expand by 5 percent or less, but most would see declines. In addition to Somerset, a few towns, including Scriba, Bainbridge, Orwell and Ephratah, would experience tax base declines in the 15 percent to 20 percent range. Overall, estimated value changes in relation to local tax bases were in the plus-ten-percent to minus-ten-percent range for the overwhelming majority of communities.

The largest percentage reductions in plant values occurred in Ephratah, Fulton County (-78.5 percent); Forestburgh, Sullivan County (-65 percent), Bainbridge, Chenango County (-62.2 percent); and Schuylerville, Saratoga County (-60.4 percent). Reductions in the range of one-third to one-half occurred in four other municipalities, including Orwell (Oswego County); Haverstraw (Rockland County); Stillwater (Saratoga County); and Somerset (Niagara County).

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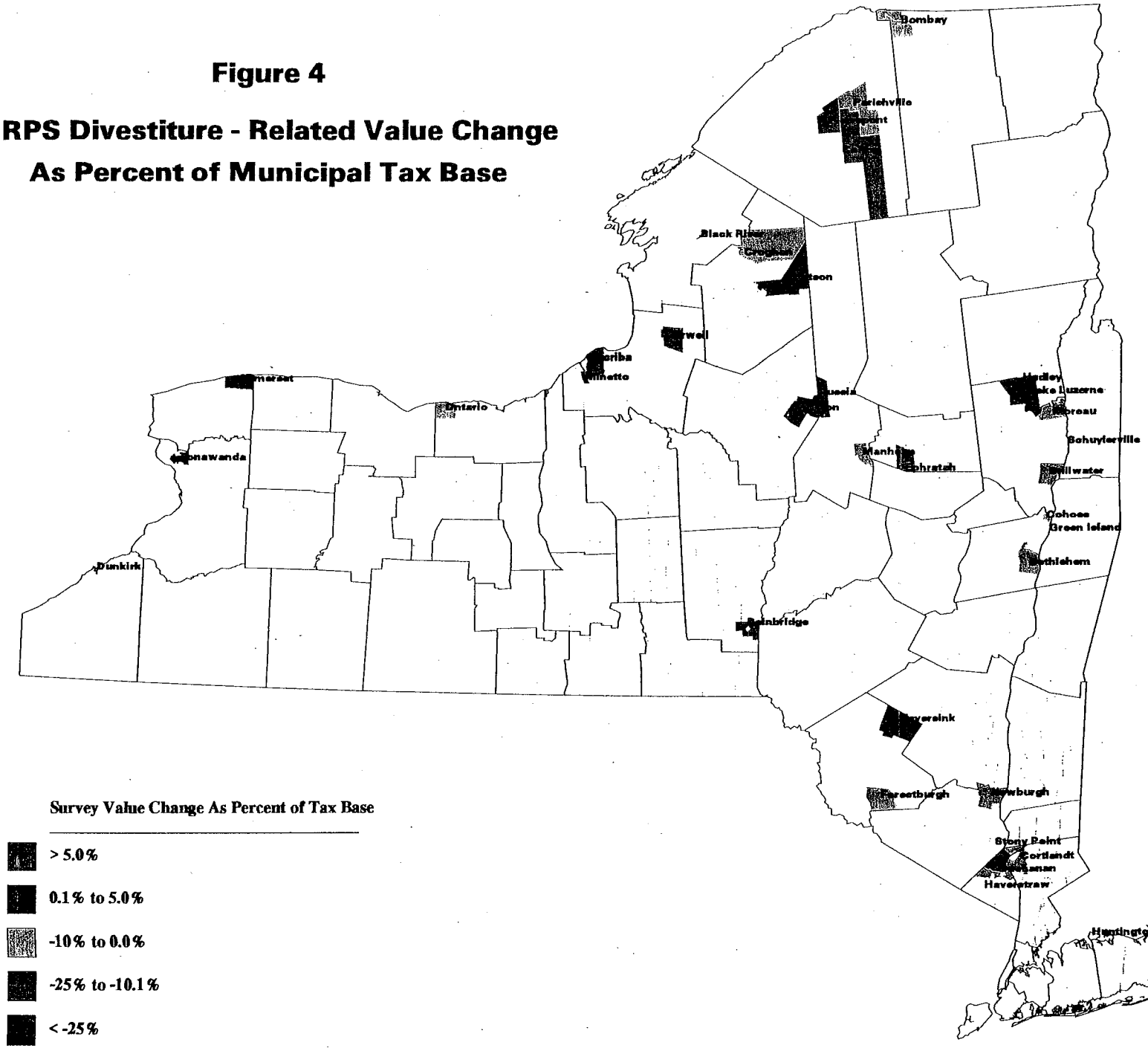
[14]The Town of Lansing and its Milliken plant has been excluded from Figures 4 and 5 because the valuation change is due to change in the physical characteristics of the property and not to market-related influences.

Figure 4

ORPS Divestiture - Related Value Change As Percent of Municipal Tax Base



Municipality	Survey Value Change As Pct. of Tax Base
Hadley	10.19
Colton	6.55
Pierrepont	5.66
Stony Point	5.28
Dunkirk (c)	5.23
Neversink	4.42
Russia	3.50
Tonawanda (t)	2.31
Minetto	1.54
Lake Luzerne	1.27
Trenton	0.36
Black River (v)	0.04
Watson	0.01
Cohoes (c)	-0.10
Moreau	-0.34
Green Island	-0.42
Bombay	-0.43
Huntington	-0.47
Bethlehem	-0.56
Port Jefferson (v)	-1.26
Perishville	-2.32
Ontario	-2.94
Cortlandt	-3.08
Manheim	-3.62
Croghan	-3.81
Newburgh (t)	-4.27
Haverstraw (t)	-5.70
Forestburgh	-5.93
Schuylerville (v)	-7.46
Stillwater	-7.94
Buchanan (v)	-8.22
Scriba	-16.66
Bainbridge	-17.93
Orwell	-17.99
Ephratah	-18.25
Somerset	-48.53

Survey Value Change As Percent of Tax Base

- > 5.0%
- 0.1% to 5.0%
- -10% to 0.0%
- -25% to -10.1%
- < -25%

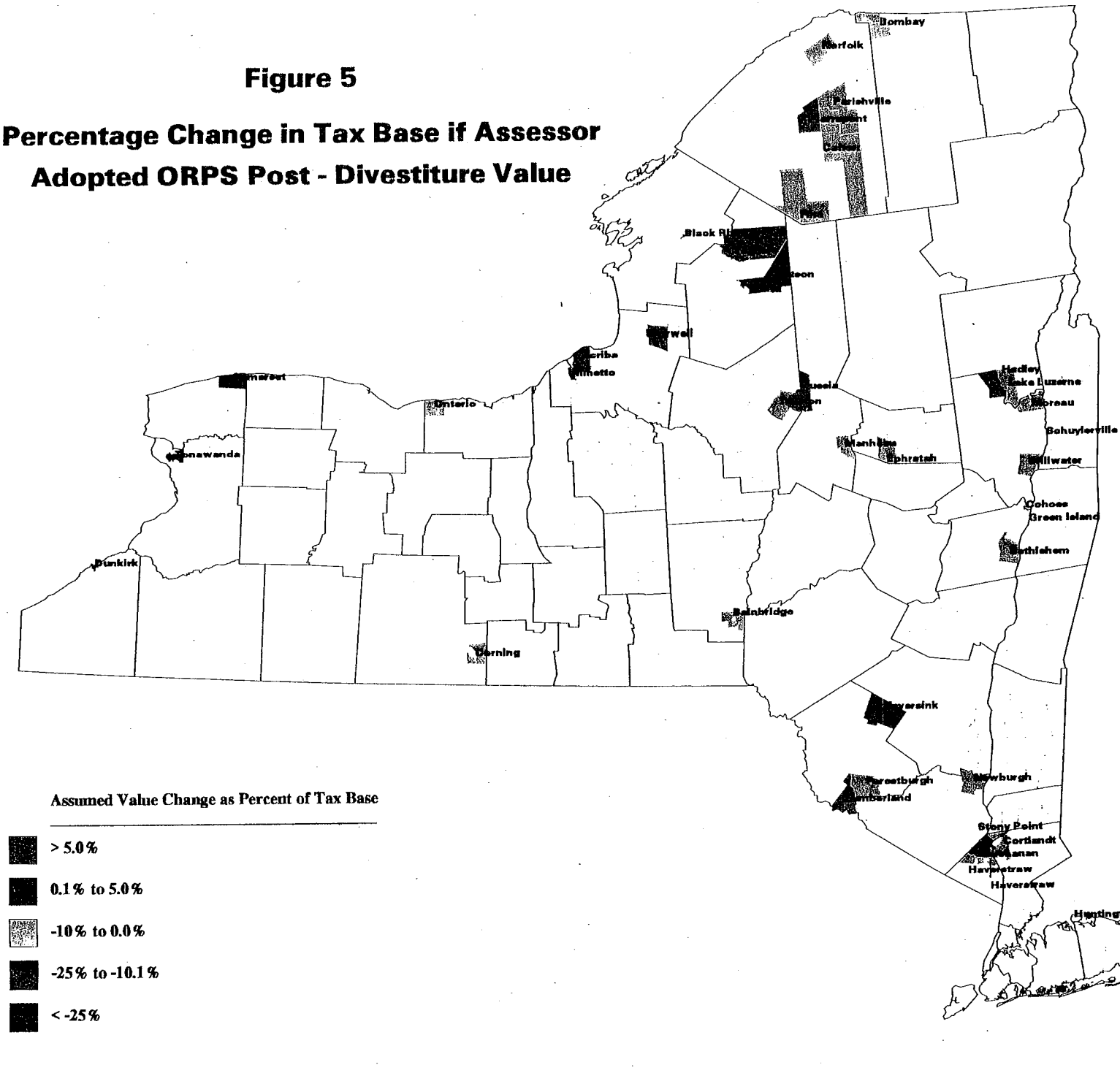
These figures are somewhat artificial, however, because they involve only state-estimated changes in market value. In reality, the value of generating facilities included on local tax rolls is locally determined. Figure 5 thus gives another view of divestiture-related changes in value, comparing ORPS 1999 survey values to local full value assessments. The comparison made in this analysis is equivalent to the assumption that local assessors adopted the 1999 ORPS survey value as correct and placed it on the tax roll.

The picture that emerges in Figure 5 is similar to the results shown in Figure 4. A minority of host communities would see an expansion in their tax bases. These cases generally involve hydroelectric plants, and the increases are less than 10 percent of the tax base. Six communities (Towns of Scriba, Lumberland, Orwell, and Somerset; Villages of Buchanan and Port Jefferson) would have estimated tax base reductions in the 11 percent to 42 percent range. The two villages are at the high end of this range, with reductions of about 40 percent, but it must be remembered once again that only village taxes are at issue here. The overwhelming majority of communities would have tax base increases or decreases in the plus-ten-percent to minus-ten-percent range.

It must be emphasized again that local assessors are not required to use the state-determined values employed in this analysis. In cases where local values are significantly higher than state estimates -- i.e., those host communities showing the greatest tax base loss in Figure 5 -- assessors may well maintain assessments at their current levels. Even in cases where the assessments are challenged in court, settlements may well be negotiated which phase out excess valuations over a number of years.

Figure 5

Percentage Change in Tax Base if Assessor Adopted ORPS Post - Divestiture Value



Municipality	Assumed Value Change as Pct. of Tax Base
Russia	9.77
Hadley	7.81
Croghan	6.76
Pierrepont	6.68
Stony Point	6.01
Dunkirk (c)	4.91
Neversink	4.86
Minetto	4.62
Watson	2.78
Tonawanda (t)	1.87
Black River (v)	1.54
Manheim	-0.40
Lake Luzerne	-0.55
Green Island	-0.58
Colton	-0.60
Huntington	-0.80
Haverstraw (v)	-1.03
Cohoes (c)	-1.07
Bethlehem	-1.50
Ephratah	-1.69
Trenton	-1.69
Moreau	-2.32
Parishville	-2.70
Norfolk	-2.73
Forestburgh	-2.90
Bainbridge	-3.71
Fine	-3.86
Cortlandt	-4.07
Ontario	-4.51
Haverstraw (t)	-5.39
Schuylerville (v)	-5.87
Corning (t)	-5.92
Newburgh (t)	-6.37
Bombay	-6.78
Stillwater	-7.82
Scriba	-11.06
Lumberland	-13.15
Orwell	-20.02
Somerset	-34.55
Buchanan (v)	-39.67
Port Jefferson (v)	-41.44

Assumed Value Change as Percent of Tax Base

- > 5.0%
- 0.1% to 5.0%
- -10% to 0.0%
- -25% to -10.1%
- < -25%

V. Tax Bases and Tax Burdens in Affected Municipalities

In addition to looking at potential tax base changes associated with divestiture, it is also important to look at the existing fiscal situations in the affected municipalities. The ability of a host community to absorb a given tax base loss will be in part related to the relative size of its existing tax base. Similarly, its ability to reduce tax levies in order to offset base reductions will be in part related to the relative size of its tax levy. Viewed on a per-capita basis, the tax bases and tax revenues of host communities can be compared to the average situation in the state as a whole, and to the average situations of the counties in which the plants are located. Table 5 presents such a comparison for municipalities with at least 25 percent of their tax bases in generating property. This group of municipalities, which obviously has the greatest potential for a divestiture-related fiscal impact, is comprised of two cities and eleven towns.[15]

The statewide average taxable property value per capita in 1998 (excluding New York City) was $50,292. All but one of the municipalities included in Table 5 exceeded this statewide figure. The City of Dunkirk, in Chautauqua County, had per-capita property value that was less than two-thirds of the state average but, as seen in Table 4 and Figures 4 and 5, the value of its generating plant in 1999 was higher than the pre-divestiture value, and higher than the 1998 assessment. Value per capita in some towns, such as Scriba and Somerset, was five or six times the state average. Municipalities with plants also typically had per-capita tax bases that were substantially higher than the average for their counties.

Overall, per-capita value that is above average is an indicator of better-than-average ability on the part of the municipality in question to sustain some level of loss in tax base without placing undue tax burdens on the remaining taxable property. In these communities with generating plants, it is no doubt a reflection of the high contribution of the generating plant to the tax base. While that contribution may well decrease in future years, these municipalities are unlikely to become fiscally worse-off than their neighboring jurisdictions that do not have generating facilities.

For example, where the local tax base was dramatically above average, such as is the case in the Towns of Scriba, Somerset, and Colton, there is an indication that even major reductions in the values of generating facilities would still leave the host communities no worse off than the average community. In other words, the fact that generating plant value currently contributes very substantially to the tax bases in these communities gives them more "headroom" to absorb value reductions than would be the case in communities without power plants. The ORPS-estimated

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[15] The four villages that fall into the greater-than-25-percent category are not included in Tables 5 and 6 because village taxes generally comprise a relatively minor portion of the total tax bill, as compared with county, city/town, and school taxes.

reductions in value for Scriba, Somerset, and Orwell (17 percent, 49 percent, and 18 percent of the tax base, respectively), as shown in Figure 4, would still leave these communities with significantly above-average property wealth. It is also clear in the data in Table 5 these few communities have extreme tax base exposure, and would experience very severe losses in the event of, for example, a plant closing down altogether. However, the likelihood of such an event can not be determined at the present time, and the short-term value impacts suggested by ORPS appraisals are not of that magnitude.

Continued monitoring of the tax base conditions of these high-exposure communities in future years is warranted, due to the difficulties local officials will likely face in developing budgets and planning their finances in the context of vast economic change in the generation industry. The exact situation in each community is likely to be different, with some seeing new capital investment and modernization of facilities, while others experience continued erosion of tax bases. Since they generally have been host communities to generating plants for a very long period, and their local finances and services have been adjusted over time to this reality, gradual transition to any substantially different tax base composition is far more desirable than any abrupt tax base losses that may occur in some instances.

Table 5. Municipalities* with More Than 25 Percent of Tax Base In Generating Property: Tax Capacity Compared to State and County Averages, 1998					
City/Town	County	Plant Type and Number	Percent of Tax Base in Generating Facilities	Taxable Full Value per Capita	
				City/Town	County
Statewide Average			n/a	**$50,292**	
Scriba	Oswego	N (2)	93.6%	$329,617	$47,829
Somerset	Niagara	F (1)	88.6%	$265,095	$32,935
Oswego (c)	Oswego	H(1), F(1)	71.9%	$55,231	$47,829
Orwell	Oswego	H (2)	71.3%	$65,279	$47,829
Parishville	St. Lawrence	H (6)	63.9%	$61,445	$27,597
Hadley	Saratoga	H (2)	51.1%	$60,689	$46,452
Dunkirk (c)	Chautauqua	F (1)	41.7%	$31,517	$30,827
Newburgh	Orange	F (2)	41.3%	$81,500	$47,258
Torrey	Yates	F (1)	38.9%	$97,019	$47,190
Cortlandt	Westchester	N (1)	38.9%	$90,914	$80,978
Haverstraw	Rockland	F (1)	35.1%	$54,273	$67,264
Ontario	Wayne	N (1)	34.3%	$ 67,046	$35,994
Colton	St. Lawrence	H (5)	32.6%	$ 150,677	$27,597
* Villages not included.					

A similar analysis can be done based on a comparison of typical residential school tax levies in host communities and the statewide (excluding NYC) norm of $2,148 and those in neighboring communities (see Appendix B). Table 6 shows that in all but two of the host communities that had 25 percent or more of their tax bases in generating property, the estimated average residential school tax bill was far below the state average. In the most extreme cases -- the Towns of Scriba, Colton, and Parishville -- it was only 11 percent,16 percent, and 18 percent, respectively, of the state figure. Referring to Appendix B, it is evident that school taxes in these host communities are generally half or less the typical tax bill in neighboring communities. Residential school taxes in most of the other host communities in Table 6 were in the $500 to $1,000 range, considerably below the statewide average. The implication that can be drawn from the analysis is that, to the extent that these communities are now collecting residential school taxes that are far below statewide and local norms, they have some ability to reduce their levies on non-residential property without suffering very

adverse fiscal consequences. While it is true that any loss of value in generating property would serve to shift school taxes to owners of residential and other non-generating parcels, even large percentage increases would still result in quite low school taxes (e.g., a 100 percent increase in residential school taxes in the Town of Scriba would only raise the typical tax bill to $482 per year, before STAR program offset).

Table 6. Municipalities* with More Than 25 Percent of Tax Base In Generating Property: Median Residential School Tax Compared to State Average.

City/Town	County	Plant Type and Number	Percent of Tax Base in Generating Facilities	Estimated Average Residential School Tax Bill (99-00)**
Statewide Average			**n/a**	**$ 2,148**
Scriba	Oswego	N (2)	93.6%	$241
Somerset	Niagara	F (1)	88.6%	$689
Oswego (c)	Oswego	H(1), F(1)	71.9%	$726
Orwell	Oswego	H (2)	71.3%	$567
Parishville	St. Lawrence	H (6)	63.9%	$393
Hadley	Saratoga	H (2)	51.1%	$865
Dunkirk (c)	Chautauqua	F (1)	41.7%	$980
Newburgh	Orange	F (2)	41.3%	$985
Torrey	Yates	F (1)	38.9%	$951
Cortlandt	Westchester	N (1)	38.9%	$3,849
Haverstraw	Rockland	F (1)	35.1%	$2,756
Ontario	Wayne	N (1)	34.3%	$ 1,222
Colton	St. Lawrence	H (5)	32.6%	$352

* Villages not included.
** Prior to STAR Program exemption.

Notwithstanding the fact that taxes tend to be significantly lower at the present time in most communities with power plants, residents and businesses could indeed experience substantial percentage tax increases were any major reductions in plant assessments to occur. One has to look no further than the City of Oswego (see discussion below) for such an instance. Abrupt fiscal changes of this type are difficult to accommodate in the local government budgeting process, where the property tax serves as the "tax of last resort," and is a cornerstone of housing affordability as well

as local government services. It is thus desirable to avoid any abrupt property tax changes, and this will require careful monitoring of the situation in each community as divestiture proceeds and New York's generating industry of the future emerges.

Only the Towns of Cortlandt ($3,849) and Haverstraw ($2,756) had school taxes above the state average. These towns are located in Rockland and Westchester Counties, areas of the state with incomes and real estate values that are significantly above the state average. As seen in Table 5, both of these communities had per-capita taxable values that exceeded the state average, with Cortlandt's tax base almost twice the state norm.

The Case of the Oswego Steam Plant

In August 1998, an agreement was signed which effectively transferred the Oswego Steam Plant, in the City of Oswego, from former owner Niagara Mohawk Power Corporation to the Oswego County Industrial Development Agency. IDA ownership made the plant exempt from property taxes. The agreement, to which the City of Oswego and the Oswego City School District were parties in addition to the County and the former owner, covers the period 1998 through 2004. During this period, the plant would be offered for sale, and at the end of the period the new owner would take possession from the IDA, returning the plant to taxable status.

Under the terms of the agreement, the now-exempt plant would make payments in lieu of taxes annually according to the following schedule:

1998 (taxes)	$28.796371 million
1999	25.5 million
2000	24.5 million
2001	16.0 million
2002	6.5 million
2003	2.0 million
2004	2.0 million

The payments are to be apportioned among the three affected taxing units according to the percentage of the total plant taxes they received in 1998. The taxing units were also to receive some additional monies if the plant were sold for a price exceeding $100 million. However, since the sale agreement concluded shortly thereafter included a price of $90.9 million, this provision became moot.

Based on the 1998 roll, the plant alone comprised over 71 percent of the $40.3 million combined property tax levies in the City of Oswego. The tax impact is apparent from the dramatic decrease in the payment schedule given above. If the total tax levy were to remain unchanged, the $26.8 million shortfall (in 2003) would have to be levied on property that would otherwise be paying

about $13.5 million if payments on the plant had not decreased. This would entail an increase in the tax rate of nearly 200 percent. Obviously, any reductions in the tax levy and additions of new property to the tax base would serve to reduce this impact, however. As evident from the tax base data in Table 5 -- data reflecting conditions prior to exemption of the generating plant -- the City of Oswego had only slightly above average taxable value per capita, and it was comparable to that in some of the other upstate counties listed.

The change in taxable status of generating plant from taxable to wholly exempt will also have consequences for apportionment of school and county taxes. Since these taxes are apportioned among constituent municipalities based on the full market value of taxable property, and a substantial change in the quantity of taxable property in one municipality has occurred, the municipal shares of school and county taxes will be affected. Issues of this kind are discussed in the next section of the report.

VI. Equalization Issues

In contrast to many other states, New York has taxing districts and assessing jurisdictions that do not have congruent boundaries. Furthermore, New York assessing units are not required to value property at the same percentage of market value for tax purposes. This creates difficulties for those taxing jurisdictions that include two or more assessing units, in whole or in part (e.g., counties, school districts). Since the assessing units may have vastly different values on similar properties, an adjustment to the assessed values must be made in order to calculate a fair tax rate for each. Similarly, other programs such as state aid to education, which use property wealth as a factor in their program administration criteria, require adjustment of disparate local assessment levels for fair treatment of all concerned.

The adjustment process, provided for in the New York State Constitution and called "equalization," involves estimating the average percentage each assessing unit's taxable property represents of current market value.[16] The resulting percentage is called the "equalization rate" and it is simply the ratio of the assessed value of taxable property on the assessment roll to the estimated market value of the same property, expressed as a percentage. Equalization rates are set annually by the state, and a given community's rate may change from year to year for a number of reasons such as changing local real estate markets, increases or reductions in assessments, or addition or removal of property from the assessment roll.

If divestiture of generating plants affects the market values of those plants, the value changes in question must be duly reflected in the state-determined market values of local assessment rolls. If the market value in one community declines, while the market value in an adjoining one does not, the first community's share of county or joint school district taxes will decline relative to the second community's, other things being equal. It is important to understand that this effect occurs even though the assessor may not have changed the assessment of the property which fell in value (or, alternatively, did not increase as much as other property). The outcome is solely the result of the changing equalization rate, which reflects state-determined market value. Thus, in the case of a generating plant for which value has fallen (the typical case), one effect of the decline in the plant's value is a shift in county and/or school taxes from the host community to neighboring communities. This result is often difficult for taxpayers or local officials to understand, as a market value decline in one community may be causing a tax increase in another which may not even have any generating facilities. However, it necessarily follows from the principle of distributing school and

[16] See New York State Constitution, Article XVI.

county taxes among municipalities according to their shares of the total full value in the school district or county.

While the shares of the overall tax levy among communities are governed by changes in market value, the sharing of taxes among properties within a given host community is determined by the assessments on the parcels of taxable property. Thus, if the assessor does not lower the assessment to reflect the reduction in the market value of a generating plant, there will be no shifting of taxes *within* the assessing unit, although there may well be a shifting of county or school taxes *between* the assessing units, because the market value of one has changed relative to the other.

Appendix B contains estimates of the typical school tax shifts on residential property that will likely be associated with changes in ORPS market values for generating facilities in those communities for which sufficient data are available at the present time.[17] It is apparent from the data that, while school taxes for similar properties should be the same in the different municipal portions of the school district, they can in fact differ substantially. In some instances, a typical home in a portion of the school district containing a generating plant pays half or less as much as a similar home in another part of the same district. This pattern is due to over-assessment of the generating plant in these instances, which favors other taxpayers in the same municipality at the expense of the plant.

The predominant pattern of the school tax shifts resulting from changes in plant market values is a reduction in the community containing the generating facility, for which value has declined, and an increase in the other communities located within the shared school district. However, there are also cases where the opposite occurs, i.e., school taxes in the community with the plant go up and in the other communities they go down. This second situation is attributable to the fact that ORPS market values for some plants have increased rather than decreased (see Part IV of this report). The magnitude of the estimated tax shifts varies from virtually zero to a high of nearly $500 for the typical home in the Barker school district. The latter figure is due to the estimated market value change on the Kintigh fossil plant in the Town of Somerset, Niagara County. The four other municipalities which are part of this school district would experience the tax increase, while in the Town of Somerset residents would experience reduction of about $36 on the typical property. Other school districts in which taxes in one or more municipalities could experience changes around $100 include Bainbridge-Guilford (Jennison fossil plant), Oppenheim-Ephratah (hydro plants), Oswego Central (nuclear, fossil, and hydro plants), Altmar-Parish-Williamstown

[17] County tax shift estimates are not included as they are expected to be less pronounced due to the lower concentration of generating facilities in counties as compared to school districts.

(hydro plants), Sandy Creek (hydro plants), Haverstraw-Stony Point (Bowline and Lovett fossil plants), Mechanicville (hydro plant), and Hendrik Hudson (Indian Point nuclear plants).

The 1999-2000 tax reduction for the typical home under the School Tax Relief (STAR) program is shown in Appendix B for each affected school district. It is equivalent to $20,000 in full value, or this amount adjusted upwards for counties where home prices exceed the state median of $120,000, for non-senior citizen homeowners. This amount would increase by 50 percent for non-seniors in the year 2000-2001, and it would have been granted to seniors at an equivalent value of $50,000 since 1998-99. The typical tax shifts given in the Appendix are calculated before the non-senior 1999-2000 STAR exemption. They would typically take the form of higher tax rates, which would have the effect of increasing the value of the STAR exemption for residents of some municipalities, and reducing it for others.

A solution to this problem of tax shifts would be to remove generating properties from the equalization process. This could be accomplished by making the property exempt -- at local option -- for a number of years until the market settles down and a smooth transition from current to future values can be worked out between the local governments and the plant owners. In the meantime, the plants could make payments-in-lieu-of-taxes equal to last year's tax bill, unless a lower amount could be negotiated or was ordered by a court. If the plants were exempt, their changing values would thus not distort tax and aid apportionments. Taxes on the non-utility property in different municipal portions of a school district would not show the distortions now found in cases where over-assessment of plants occurs. This method of gradual adjustment of plant taxes over time is similar to the way property taxes on generating property were modified in the State of Massachusetts following divestiture. Although the tax structure in Massachusetts differs from that of New York, the underlying principle of allowing a period of years to phase in generating plant tax changes is the same in both cases.

Education Aid Effects

New York State provides formula-based aid to school districts for the purpose of augmenting the revenues they raise from property taxes, especially in the case of those school districts that have low tax bases relative to their public school enrollments. Under Section 3602 of the Education Law, a formula is applied which includes income, taxable real property wealth, and other factors in determining annual aid eligibility. The taxable real property value applied in this calculation is lagged three years at the present time, making 1996 assessment rolls the basis for calculating aid for the 1999-2000 school year. Thus, any reductions in the full value of taxable property that result from

divestiture will result in a relative increase in formula aid eligibility for the affected school districts, although this increase would not begin to take effect for three years.

In 1999, two changes were made to the law that are relevant to this report.[18] These two changes are as follows: (1) the "value equivalent" of any payments-in-lieu-of-taxes on exempt property is to be added to taxable property value in the aid calculation for the City of Oswego; and (2) the effects of this value equivalent adjustment on aid will be partially offset, to the extent that calculation (1) above produced a value for aid purposes which was more than 10 percent greater than the taxable value on the City's 1999 assessment roll (which is the first roll to reflect transfer of the Oswego Steam Plant to exempt status). These amendments in combination will thus allow the City to receive in 1999-2000 some 90 percent of the additional aid payments it otherwise would not be entitled to as a result of calculation (1) above. It must be understood that, even though the Steam Plant is now exempt from taxation, its owners are making large PILOT payments to the school district and to the other taxing units (see Part V of this report for the annual schedule of payments).

[18] Chapter 405 of the Laws of 1999 (See Section 88 of Part L, pp. 124-125)

VII. Findings and Conclusions

This report has reviewed the effects of electric restructuring on the changing values of generating stations and on local tax bases. The analysis is limited to the relevant data that are currently available. The results are tentative, pending emergence of a more mature market and the availability of more data. They are also reflective of conditions in 1999, and not necessarily those prevailing in future years.

The picture that has emerged indicates a range of effects – from tax base increases in a few host communities, to substantial declines in a few others, and minor changes in the great majority. A few communities are likely to experience significant reductions in their tax bases. The issue as to who will ultimately bear the cost of any value reductions – whether it will be local governments, local property owners, plant owners, or other citizens or businesses is a matter of state and local government policy which is beyond the ken of this report.

The following is a summary of the specific findings and conclusions of the report.

1. Based on data from 1998 tax rolls, there are 138 generating plants that were formerly or are currently owned by monopoly electric utilities.

2. Independent owners have purchased approximately 90 of these plants, but the values of the others may be expected to be indirectly affected by divestiture through market pricing effects because of the existence of market sales of comparable properties.

3. Prior to divestiture, case law required plant valuation based on reproduction cost new, less accrued depreciation (RCNLD), the method used for what the courts have termed "specialty property."

4. Divestiture resulted in the development of a market for electric generating facilities and the emergence of these facilities as income producing properties. Accordingly, electric generating facilities may no longer be considered "specialty property" under New York law.

5. The sales data, as indicators of value, are complicated by a number of factors. These factors include the "bundling" of many plants in a single sale, inclusion of personal property, and agreements to purchase power in future years at fixed prices, and other such issues.

6. Following divestiture, and assuming a market exists for the plants, it is probable that courts would favor use of all applicable approaches to valuation — cost, income, and comparable sales.

7. ORPS is proceeding on this assumption and is using these three approaches to valuation in the determination of plant valuations for equalization and advisory appraisal purposes.

8. ORPS valuations for the next few years will involve a substantial number of assumptions and limitations. This is so because of the developing nature of the market, its inherent complexity, and lack of historical information on the income produced by generating facilities owned by independent parties for electricity sold into a competitive wholesale market. In addition, it is important to note that because the market is emerging, impacts on local tax bases will no doubt change in future years.

9. The use of the income method to value generating facilities will require the development of data on income produced by generating facilities. It would facilitate use of the income method of valuation if owners of these and other such specialized and complex properties were required to supply relevant data, including value estimates, to local assessors and ORPS.

10. In most cases, values are likely to decline as a sole result of the divestiture-related methodology change, some substantially. In some cases, values of certain properties may increase as a result of replacements, additions, rehabilitation of the property, or for other reasons.

11. The amount of divestiture-related tax base exposure of municipalities varies considerably throughout the state (see charts in report). Tax base reductions approaching 50 percent are possible in a few communities if local assessors make major value adjustments in the short term. For one municipality, where a plant was transferred to IDA ownership and exempt status, the projected schedule of payments-in-lieu-of-taxes is expected to cause substantial fiscal stress, especially in 2001 and thereafter. In the longer term, the potential tax base implications for the affected communities are less clear, but it is reasonable to assume that competitive conditions will further reduce plant values in most cases.

12. Although market values of generating facilities are likely to be lower in some communities, local tax bases will not actually be reduced until the assessors in question reduce the assessments. Such reduction may in some cases not occur until so ordered by a court, may occur on a phased-in schedule, or may reflect a settlement between the assessing unit and the plant owner rather than a market value.

13. Some communities having tax bases with large incidence of generating property may be able to absorb gradually some loss of tax base, yet continue to have above average property wealth, due to the generating property that remains on their tax rolls.

14. School districts experiencing losses in tax base will see their relative shares of formula aid increase, although this will generally occur with a three-year lag. It would be desirable to reduce or eliminate this lag for the affected districts, as has been done in the past for other such cases of substantial loss of tax base.

15. ORPS must determine, under Real Property Tax Law (RPTL) Article 12, the market value of taxable generating facilities to the best of its ability, and can not agree to accept as market values any settlement figures which are merely phase-in assessment reductions that have no real valuation basis.

16. Because ORPS values govern apportionment of school and county taxes and education aid, tax and aid shares may not be what the communities in question assumed would result from court settlements or other agreements.

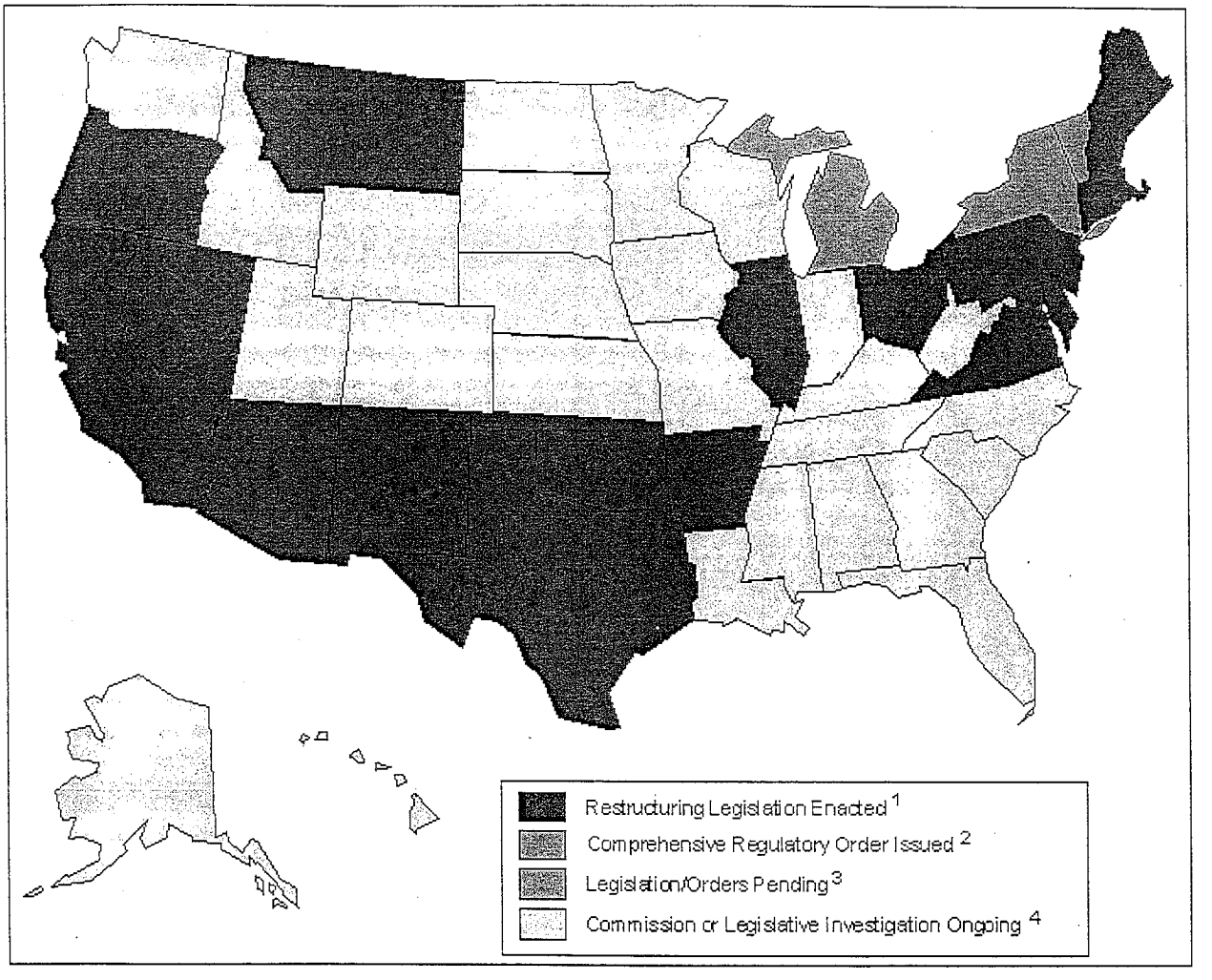
17. If ORPS reduces the value of a plant in a given municipality because it believes market conditions warrant such a reduction, that municipality's share of school and county taxes will decline, other things equal. This will have the effect of raising property taxes in the other municipalities in a shared school district or county, and lowering property taxes in the municipality with the plant. Real property taxes in the municipality with the plant may be already low in some cases, due to over-assessment of the plant. The discrepancy between homeowners' tax bills in adjoining towns and those in the town with the power plant may thus increase. The increased tax disparity is very hard to explain and justify to the taxpayers in question.

18. A recommended solution to this problem of tax shifts is to remove electric generating facilities from the equalization process on a local-option basis. Their changing values would thus not distort tax and aid apportionments. This could be accomplished by assigning them exempt status for a number of years, while requiring them to make payments in lieu-of-taxes during this period. The in-lieu-payments should be taken into account in distribution of formula-based education aid.

19. The Department of Public Service offers mediation assistance to local governments hosting generation facilities if the taxes on such facilities are subject to dispute. The host communities can avail themselves of this service as an alternative to costly litigation.

APPENDIX A

Status of State Electric Industry Restructuring Activity as of October 1, 1999



[1]Arizona, Arkansas, California, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, Montana, Nevada, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, and Virginia.

[2]Michigan, New York, and Vermont.

[3]None.

[4]Alabama, Alaska, Colorado, District of Columbia, Florida, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, North Carolina, North Dakota, South Carolina, South Dakota, Tennessee, Utah, Washington, West Virginia, Wisconsin, and Wyoming.

Source: Energy Information Administration.

APPENDIX A (continued)

Tax Changes in Other States Due to Electricity Deregulation

Iowa

Legislation was enacted in 1998 which replaced the property tax on electricity generating facilities with an excise tax on generation.

Massachusetts

Legislation was passed in 1997 which made taxable equipment of certain generating stations previously classified as manufacturing corporation, and allowed an up to 12-year phase-down in taxable value for those plants with declining market values. The phase-down is achieved through legally binding tax agreements entered into by municipalities and plant owners.

New Jersey

Generating equipment is not taxable in New Jersey, but owners paid a gross receipts tax to the state, some of which was distributed to local governments. Effective January 1, 1998, the existing gross receipts tax and franchise taxes on electric, gas, and telecommunications utilities were eliminated. These utilities will now be subject to the state's corporation business tax, with a portion of receipts distributed to localities. A transitional energy facility assessment, which will be phased out over a five-year period, is applied to electric and gas utilities to cover any short-term revenue losses.

Ohio

Under legislation enacted in July 1999, property taxes on utilities were replaced by an excise tax on consumer bills.

APPENDIX B
Simulation of School District Equalization Impacts from Changes in Generating Property Full Values in Selected Municipalities

School Name	Municipal Name	Actual 1999-2000		Simulated 2000-2001			Average County Residential Full Value	Estimated Res. 2000-2001 Tax Bill (before STAR)	Estimated Res. Tax Bill after Divestiture value change (before STAR)	School Tax Difference
		School Eq. Rate	% of Full Value	Revised Eq. Rate	% of Full Value	% change in % of Full Value				
Bethlehem	Bethlehem	109.23	91.35%	109.83	91.30%	-0.05%	$107,000	$2,069	$2,068	($1)
Bethlehem	New Scotland	100.00	8.65%	100.00	8.70%	0.50%	$107,000	$2,260	$2,271	$11
			100.00%		100.00%			20,000 Basic STAR exemption savings $422		
Dunkirk	Dunkirk (c)	100.00	80.25%	95.33	81.00%	0.93%	$54,000	$980	$989	$9
Dunkirk	Dunkirk (t)	97.06	17.09%	97.06	16.44%	-3.78%	$54,000	$978	$941	($37)
Dunkirk	Sheridan	92.31	2.66%	92.31	2.56%	-3.78%	$54,000	$979	$942	($37)
			100.00%		100.00%			20,000 Basic STAR exemption savings $363		
Bainbridge-Guilford	Sanford	105.02	1.22%	105.02	1.36%	10.86%	$46,000	$797	$884	$87
Bainbridge-Guilford	Afton	105.08	3.46%	105.08	3.84%	10.86%	$46,000	$797	$884	$87
Bainbridge-Guilford	Bainbridge	91.33	59.69%	109.27	55.31%	-7.34%	$46,000	$813	$754	($60)
Bainbridge-Guilford	Coventry	95.12	0.66%	95.12	0.73%	10.86%	$46,000	$797	$884	$87
Bainbridge-Guilford	Guilford	97.57	23.79%	97.57	26.37%	10.86%	$46,000	$797	$884	$87
Bainbridge-Guilford	Norwich	70.91	0.36%	70.91	0.40%	10.86%	$46,000	$797	$884	$87
Bainbridge-Guilford	Oxford	101.49	5.64%	101.49	6.25%	10.86%	$46,000	$797	$884	$87
Bainbridge-Guilford	Masonville	102.29	3.33%	102.29	3.69%	10.86%	$46,000	$797	$884	$87
Bainbridge-Guilford	Sidney	33.32	0.06%	33.32	0.07%	10.87%	$46,000	$797	$884	$87
Bainbridge-Guilford	Unadilla	88.48	1.80%	88.48	1.99%	10.86%	$46,000	$797	$884	$87
			100.00%		100.00%			20,000 Basic STAR exemption savings: $347		
Salmon River	Bangor	91.18	1.50%	91.18	1.50%	0.23%	$49,000	$726	$727	$2
Salmon River	Bombay	4.50	35.07%	4.53	34.92%	-0.43%	$49,000	$683	$680	($3)
Salmon River	Fort Covington	12.85	36.10%	12.85	36.19%	0.23%	$49,000	$726	$727	$2
Salmon River	Westville	100.00	23.40%	100.00	23.46%	0.23%	$49,000	$725	$727	$2
Salmon River	Brasher	100.00	3.92%	100.00	3.93%	0.23%	$49,000	$725	$727	$2
			100.00%		100.00%			20,000 Basic STAR exemption savings: $296		
Oppenheim-Ephratah	Ephratah	88.26	32.93%	108.20	28.63%	-13.06%	$50,000	$720	$626	($94)
Oppenheim-Ephratah	Johnstown	100.00	5.08%	100.00	5.42%	6.58%	$50,000	$712	$759	$47
Oppenheim-Ephratah	Oppenheim	92.22	53.13%	92.22	56.63%	6.58%	$50,000	$712	$759	$47
Oppenheim-Ephratah	Stratford	85.63	0.41%	85.63	0.43%	6.58%	$50,000	$718	$765	$47
Oppenheim-Ephratah	Manheim	7.86	8.45%	7.96	8.89%	5.24%	$50,000	$621	$653	$33
			100.00%		100.00%			20,000 Basic STAR exemption savings: $285		

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School Name	Municipal Name	Actual 1999-2000		Simulated 2000-2001			Average County Residential Full Value	Estimated Res. 2000-2001 Tax Bill (before STAR)	Estimated Res. Tax Bill after Divestiture value change (before STAR)	School Tax Difference
		School Eq. Rate	% of Full Value	Revised Eq. Rate	% of Full Value	% change in % of Full Value				
Poland	Morehouse	10.07	20.68%	10.07	20.47%	-0.99%	54,250	$819	$811	($8)
Poland	Newport	98.97	3.53%	98.97	3.49%	-0.98%	54,250	$818	$810	($8)
Poland	Norway	4.69	2.45%	4.69	2.43%	-0.98%	54,250	$818	$810	($8)
Poland	Ohio	10.14	31.17%	10.14	30.86%	-0.98%	54,250	$819	$811	($8)
Poland	Russia	3.30	31.80%	3.20	32.47%	2.11%	54,250	$700	$715	$15
Poland	Salisbury	8.95	1.74%	8.95	1.73%	-0.98%	54,250	$818	$810	($8)
Poland	Webb	99.02	2.50%	99.02	2.48%	-0.98%	54,250	$818	$810	($8)
Poland	Deerfield	25.92	6.14%	25.92	6.08%	-0.98%	54,250	$818	$810	($8)
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$302
Beaver River	Croghan	12.56	61.27%	13.07	60.32%	-1.55%	$40,000	$354	$348	($5)
Beaver River	New Bremen	16.07	28.09%	16.07	28.78%	2.45%	$40,000	$413	$423	$10
Beaver River	Watson	9.25	10.65%	9.25	10.91%	2.45%	$40,000	$405	$415	$10
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$207
St. Johnsville	Ephratah	88.26	5.37%	88.26	5.38%	0.16%	$47,250	$955	$957	$1
St. Johnsville	Danube	98.39	7.67%	98.39	7.69%	0.16%	$47,250	$954	$955	$1
St. Johnsville	Manheim	7.86	12.46%	7.96	12.33%	-1.10%	$47,250	$831	$822	($9)
St. Johnsville	Minden	89.82	5.95%	89.82	5.96%	0.16%	$47,250	$889	$890	$1
St. Johnsville	Palatine	97.00	4.02%	97.00	4.02%	0.16%	$47,250	$947	$948	$1
St. Johnsville	St Johnsville	54.27	64.52%	54.27	64.62%	0.16%	$47,250	$950	$952	$1
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$402
Barker	Hartland	83.32	8.39%	83.32	12.31%	46.68%	$76,500	$1,053	$1,545	$492
Barker	Newfane	100.28	0.93%	100.28	1.37%	46.68%	$76,500	$1,053	$1,545	$492
Barker	Somerset	104.05	89.83%	161.14	85.08%	-5.29%	$76,500	$689	$652	($36)
Barker	Ridgeway	100.00	0.39%	100.00	0.58%	46.68%	$76,500	$1,026	$1,505	$479
Barker	Yates	100.00	0.46%	100.00	0.67%	46.68%	$76,500	$1,026	$1,504	$479
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$275
Holland Patent	Russia	3.30	1.73%	3.20	1.78%	2.89%	$62,000	$1,004	$1,033	$29
Holland Patent	Deerfield	25.92	0.59%	25.92	0.58%	-0.23%	$62,000	$1,175	$1,173	($3)
Holland Patent	Floyd	100.28	25.15%	100.28	25.09%	-0.23%	$62,000	$1,175	$1,173	($3)
Holland Patent	Marcy	97.29	11.30%	97.29	11.28%	-0.23%	$62,000	$1,175	$1,173	($3)
Holland Patent	Remsen	99.05	0.17%	99.05	0.17%	-0.23%	$62,000	$1,175	$1,173	($3)
Holland Patent	Steuben	101.99	3.90%	101.99	3.89%	-0.23%	$62,000	$1,176	$1,173	($3)

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		School Eq. Rate	% of Full Value	Revised Eq. Rate	% of Full Value	% change in % of Full Value				
Holland Patent	Trenton	80.15	48.33%	79.86	48.40%	0.13%	$62,000	$1,046	$1,047	$1
Holland Patent	Western	94.10	8.82%	94.10	8.80%	-0.23%	$62,000	$1,175	$1,173	($3)
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$379
Oswego	Sterling	99.54	0.04%	99.54	0.05%	13.59%	$60,000	$726	$825	$99
Oswego	Oswego (c)	100.00	20.23%	100.00	22.98%	13.59%	$60,000	$726	$825	$99
Oswego	Minetto	109.00	2.09%	107.38	2.41%	15.30%	$60,000	$669	$771	$102
Oswego	Oswego (t)	95.92	5.58%	95.92	6.34%	13.59%	$60,000	$726	$824	$99
Oswego	Scriba	10.36	71.74%	12.44	67.87%	-5.40%	$60,000	$241	$228	($13)
Oswego	Volney	5.46	0.32%	5.46	0.36%	13.59%	$60,000	$726	$825	$99
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$242
Altmar Parish-Williamstown	Albion	99.34	17.79%	99.34	18.49%	3.96%	$60,000	$1,009	$1,049	$40
Altmar Parish-Williamstown	Amboy	100.00	16.52%	100.00	17.17%	3.96%	$60,000	$1,009	$1,049	$40
Altmar Parish-Williamstown	Hastings	98.23	0.04%	98.23	0.04%	3.96%	$60,000	$1,009	$1,049	$40
Altmar Parish-Williamstown	Mexico	10.00	2.12%	10.00	2.20%	3.96%	$60,000	$1,009	$1,049	$40
Altmar Parish-Williamstown	Orwell	7.05	20.79%	8.63	17.65%	-15.08%	$60,000	$567	$481	($85)
Altmar Parish-Williamstown	Parish	100.00	27.65%	100.00	28.75%	3.96%	$60,000	$1,009	$1,049	$40
Altmar Parish-Williamstown	Richland	100.00	0.10%	100.00	0.10%	3.96%	$60,000	$1,009	$1,049	$40
Altmar Parish-Williamstown	West Monroe	5.47	0.51%	5.47	0.53%	3.96%	$60,000	$1,009	$1,049	$40
Altmar Parish-Williamstown	Williamstown	99.78	14.48%	99.78	15.05%	3.96%	$60,000	$1,009	$1,049	$40
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$336
Sandy Creek	Ellisburg	99.06	0.54%	99.06	0.55%	2.23%	$60,000	$976	$998	$22
Sandy Creek	Osceola	41.24	0.28%	41.24	0.28%	2.23%	$60,000	$976	$998	$22
Sandy Creek	Boylston	115.02	8.70%	115.02	8.89%	2.23%	$60,000	$976	$998	$22
Sandy Creek	Orwell	7.05	11.93%	8.63	9.96%	-16.48%	$60,000	$548	$458	($90)
Sandy Creek	Redfield	100.00	16.92%	100.00	17.30%	2.23%	$60,000	$976	$998	$22
Sandy Creek	Richland	100.00	0.38%	100.00	0.39%	2.23%	$60,000	$976	$998	$22
Sandy Creek	Sandy Creek	4.28	60.63%	4.28	61.99%	2.23%	$60,000	$977	$999	$22
Sandy Creek	Williamstown	99.78	0.62%	99.78	0.64%	2.23%	$60,000	$976	$998	$22
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$325

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		School Eq. Rate	% of Full Value	Revised Eq. Rate	% of Full Value	% change in % of Full Value				
Haverstraw-Stony Point	Haverstraw-Homestead	169.73	47.88%	12.70	45.77%	-4.40%	$207,650	$2,756	$2,635	($121)
Haverstraw-Stony Point	Stony Point - Homestead	72.53	52.12%	26.43	54.23%	4.04%	$207,650	$3,292	$3,425	$133
			100.00%		100.00%			34,600 Basic STAR exemption savings: $698		
Colton-Pierrepont	Colton	7.29	73.86%	7.29	73.67%	-0.25%	$48,950	$352	$351	($1)
Colton-Pierrepont	Parishville	9.75	12.21%	9.97	11.91%	-2.45%	$48,950	$416	$406	($10)
Colton-Pierrepont	Pierrepont	4.45	13.94%	4.29	14.42%	3.47%	$48,950	$567	$587	$20
			100.00%		100.00%			20,000 Basic STAR exemption savings: $282		
Parishville-Hopkinton	Hopkinton	100.00	28.24%	100.00	28.67%	1.54%	$48,950	$613	$623	$9
Parishville-Hopkinton	Parishville	9.75	68.80%	9.97	68.32%	-0.70%	$48,950	$370	$367	($3)
Parishville-Hopkinton	Potsdam	96.90	1.01%	96.90	1.02%	1.54%	$48,950	$616	$625	$9
Parishville-Hopkinton	Stockholm	99.25	1.95%	99.25	1.98%	1.54%	$48,950	$612	$621	$9
			100.00%		100.00%			20,000 Basic STAR exemption savings: $250		
Potsdam	Canton	100.00	0.05%	100.00	0.05%	-0.50%	$48,950	$845	$841	($4)
Potsdam	Parishville	9.75	0.07%	9.97	0.07%	-2.69%	$48,950	$510	$496	($14)
Potsdam	Pierrepont	4.45	13.49%	4.29	13.92%	3.21%	$48,950	$695	$717	$22
Potsdam	Potsdam	96.90	80.11%	96.90	79.71%	-0.50%	$48,950	$845	$841	($4)
Potsdam	Stockholm	99.25	6.28%	99.25	6.25%	-0.50%	$48,950	$845	$841	($4)
			100.00%		100.00%			20,000 Basic STAR exemption savings: $345		
Mechanicville	Schaghticoke	42.89	13.05%	42.89	13.29%	1.79%	$110,650	$1,695	$1,725	$30
Mechanicville	Mechanicville	103.59	37.93%	103.59	38.61%	1.79%	$110,650	$1,695	$1,725	$30
Mechanicville	Halfmoon	97.27	26.07%	97.27	26.54%	1.79%	$110,650	$1,695	$1,725	$30
Mechanicville	Stillwater	95.77	22.95%	103.72	21.57%	-6.01%	$110,650	$1,736	$1,631	($104)
			100.00%		100.00%			20,000 Basic STAR exemption savings: $306		
Corinth	Corinth	67.81	83.66%	67.81	83.47%	-0.23%	$110,650	$2,017	$2,012	($5)
Corinth	Day	100.00	0.67%	100.00	0.67%	-0.23%	$110,650	$2,014	$2,009	($5)
Corinth	Greenfield	106.85	8.13%	106.85	8.11%	-0.23%	$110,650	$2,014	$2,009	($5)
Corinth	Hadley	67.28	1.49%	60.88	1.64%	10.26%	$110,650	$1,234	$1,360	$127
Corinth	Winton	83.55	0.01%	83.55	0.01%	-0.23%	$110,650	$2,014	$2,009	($5)
Corinth	Lake Luzerne	76.78	6.03%	75.82	6.09%	1.03%	$110,650	$1,827	$1,846	$19
			100.00%		100.00%			20,000 Basic STAR exemption savings: $364		

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		School Eq. Rate	% of Full Value	Revised Eq. Rate	% of Full Value	% change in % of Full Value				
South Glen Falls	Moreau	55.74	83.17%	55.93	83.12%	-0.06%	$110,650	$1,608	$1,608	($1)
South Glen Falls	Northumberland	94.45	6.55%	94.45	6.57%	0.28%	$110,650	$1,956	$1,961	$6
South Glen Falls	Wilton	83.55	10.28%	83.55	10.31%	0.28%	$110,650	$1,956	$1,961	$6
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$353
Tri-Valley	Fallsburgh	101.64	12.68%	101.64	12.30%	-2.94%	$72,000	$1,381	$1,341	($41)
Tri-Valley	Liberty	101.05	0.25%	101.05	0.24%	-2.94%	$72,000	$1,381	$1,340	($41)
Tri-Valley	Neversink	7.93	69.71%	7.60	70.60%	1.28%	$72,000	$724	$734	$9
Tri-Valley	Denning	32.40	16.08%	32.40	15.61%	-2.94%	$72,000	$1,381	$1,340	($41)
Tri-Valley	Rochester	92.19	0.17%	92.19	0.16%	-2.94%	$72,000	$1,381	$1,341	($41)
Tri-Valley	Wawarsing	3.43	1.12%	3.43	1.09%	-2.94%	$72,000	$1,381	$1,340	($41)
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$384
Monticello	Bethel	100.50	18.49%	100.50%	18.55%	0.32%	$72,000	$1,239	$1,243	$4
Monticello	Fallsburgh	101.64	0.53%	101.64%	0.53%	0.32%	$72,000	$1,239	$1,243	$4
Monticello	Forestburgh	22.40	5.49%	23.77	5.19%	-5.46%	$72,000	$1,007	$952	($55)
Monticello	Mamakating	97.01	13.13%	97.01	13.17%	0.32%	$72,000	$1,239	$1,243	$4
Monticello	Thompson	101.54	62.36%	101.54	62.56%	0.32%	$72,000	$1,239	$1,243	$4
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$344
Lansing	Dryden	101.69	0.58%	97.41	0.58%	0.00%	$95,000	$1,923	$1,923	$0
Lansing	Lansing	101.69	99.39%	97.41	99.39%	0.00%	$95,000	$1,923	$1,923	$0
Lansing	Groton	101.69	0.03%	97.41	0.03%	0.00%	$95,000	$1,923	$1,923	$0
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$405
Marlboro	Newburgh (T)	63.98	70.48%	66.69	69.61%	-1.23%	$96,000	$985	$973	($12)
Marlboro	Marlborough	100.00	27.86%	100.00	28.68%	2.95%	$96,000	$1,396	$1,437	$41
Marlboro	Plattekill	100.00	1.66%	100.00	1.71%	2.95%	$96,000	$1,396	$1,437	$41
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$291
Hadley-Luzerne	Day	100.00	25.57%	100.00	24.83%	-2.89%	$93,000	$1,373	$1,333	($40)
Hadley-Luzerne	Edinburg	99.94	0.14%	99.94	0.13%	-2.89%	$93,000	$1,373	$1,333	($40)
Hadley-Luzerne	Hadley	67.28	24.52%	60.88	26.32%	7.32%	$93,000	$841	$903	$62
Hadley-Luzerne	Lake Luzerne	76.78	31.37%	75.82	30.85%	-1.66%	$93,000	$1,246	$1,225	($21)
Hadley-Luzerne	Stony Creek	2.26	17.92%	2.26	17.40%	-2.89%	$93,000	$1,373	$1,333	($40)
Hadley-Luzerne	Warrensburg	95.62	0.48%	95.62	0.47%	-2.89%	$93,000	$1,373	$1,333	($40)
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$295

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		School Eq. Rate	% of Full Value	Revised Eq. Rate	% of Full Value	% change in % of Full Value				
Wayne	Penfield	103.89	0.23%	103.89	0.23%	-1.33%	$80,000	$1,114	$1,099	($15)
Wayne	Webster	97.63	0.33%	97.63	0.32%	-1.33%	$80,000	$1,114	$1,099	($15)
Wayne	Macedon	100.00	0.39%	100.00	0.39%	-1.33%	$80,000	$1,189	$1,173	($16)
Wayne	Ontario	97.26	75.14%	95.54	75.47%	0.44%	$80,000	$1,222	$1,228	$5
Wayne	Walworth	100.00	22.25%	100.00	21.95%	-1.33%	$80,000	$1,189	$1,173	($16)
Wayne	Williamson	100.00	1.66%	100.00	1.64%	-1.33%	$80,000	$1,189	$1,173	($16)
			100.00%		100.00%			20,000 Basic STAR exemption savings:		$297
Hendrick Hudson	Peekskill	7.66	4.59%	7.66	4.75%	3.33%	$290,000	$4,686	$4,842	$156
Hendrick Hudson	Cortlandt	4.01	95.41%	4.15	95.25%	-0.16%	$290,000	$3,849	$3,842	($6)
			100.00%		100.00%			46,500 Basic STAR exemption savings:		$751