

Estimation of Franchise Compensation				
Key	Input			
	Output			
Valuation of Land Adjacent to ROW				
Total Assessed Land Value				1
Total Square Feet				2
Value per sq. ft. of land adjacent to the ROW				3
Adjusted value per sq. ft. of land adjacent to ROW				
Adjustment for the extent to which Assessed Land Value lags behind the fair market value of real estate in KC.			4	5
Valuation of Franchise Use Area				
Franchise Use				
Width	6			
Length	7	Franchise Use Area		8
Adjustment for facility location	9	Value of Franchise Use Area		10
Franchise Compensation Calculation				
			Annual Compensation	
Rate of Return		11		12
Financial Impact Protection for Customers				
		Monthly Compensation		13
Total residential customers	14			
Total other customers	15			
Monthly cost per customer	16	Adjusted monthly cost for residential customers		17
Revised Monthly Compensation	18			
Revised Annual Compensation	19			

1. Total assessed land value of parcels adjacent to the ROW in the Franchise Area. Data is provided by KC GIS.

2. Total square feet of parcels valued in Box 1. Data is provided by KC GIS.

3. The value per sq. ft. of the land adjacent to the ROW = Assessed value of tax paying parcels (Box 1) ÷ total square feet of the parcels valued in Box 1 (Box 2) .

4. Adjustment = 1.10 but may vary depending on economic conditions.

5. Adjusted value per sq. ft. of land adjacent to ROW = Box 3 x Box 4.

6. Based on the typical width of a utility easement = 15'. This provides for reasonable working room and clearance and may be increased to account for transmission lines.

7. Number of linear feet of ROW occupied by the Utility. Data provided by either KC GIS or Utility.

8. Franchise Use Area = Width (Box 6) x Length (Box 7). Used to calculate the Value of the Franchise Use Area (Box 10) below.

9. This captures the approximate area of the available ROW a Utility occupies, based on facility location (aerial or underground). 25% is applied for aerial utilities and 10% for for underground utilities. This percentage may increase for transmission lines.

10. Value of Franchise Use Area = Franchise Use Area (Box 8) x Facility Location Adjustment (Box 9) x Adjusted Value of land adjacent to ROW (Box 5).

11. The rate of return will be set at 6.6%, which is reflective of the current rate of return on real estate typically charged by municipalities or private parties. This rate may be reassessed periodically.

12. Annual Compensation = Value of Franchise Use Area (Box 10) x the Rate of Return (Box 11).

13. Monthly Compensation = Annual Compensation (Box 12) ÷ 12.

14. Residential customers served - data provided by franchise application.

15. All customers except residential customers - data provided by franchise application.

16. Monthly cost per customer = Monthly Compensation (Box 13) ÷ total # of customers (Box 14 + Box 15).

17. If the monthly cost per customer (Box 16) is more than a reasonable amount for residential customers, then it will be reduced to lessen the impact for residential customers. The financial impact protection amount will be \$5/month.

18. If the montly cost per customer was revised for residential customers (Box 17), compensation will also be reduced to reflect lower residential costs. Revised monthly compensation = Total residential customers (Box 14) x Adjusted monthly cost/residential customer (Box 17) + Total other customers (Box 15) x monthly cost per customer (Box 16).

19. Revised annual compensation = revised monthly compensation (Box 18) x 12.