

## 2006 MINUTES OF THE STATE BOARD OF EQUALIZATION

Wednesday, December 13, 2006

The Board met at its offices at 450 N Street, Sacramento, at 9:05 a.m., with Mr. Chiang, Chair, Mr. Parrish, Vice Chair, Ms. Yee, Mr. Leonard, and Mr. Westly present.

### SPECIAL PRESENTATIONS

#### Superior Accomplishment Award Presentations

Ramon Hirsig, Executive Director, and Members of the Board presented the 2006-2007 Superior Accomplishment Awards to employees in recognition of their outstanding achievements.

#### Petition to Amend Regulation 2530, *Inventories*

Action: Upon motion of Mr. Westly, seconded by Ms. Yee and duly carried, Mr. Chiang, Ms. Yee and Mr. Westly voting yes, Mr. Parrish and Mr. Leonard voting no, the Board granted the petition and directed staff to initiate the rulemaking process and draft regulatory language as requested in the petition for public hearing. The Board requested that the public hearing should be held as soon as possible.

### PUBLIC COMMENT

Speakers: Mare Sorini, Attorney, Malt Beverage Coalition  
 Beverly Swanson, President, California Licensed Beverage Association  
 Claire Donnenwirth, Executive Director, California Beverage Merchants  
 John Janosko, Vice President/Gen. Manager, Mesa Beverage Company  
 Jon Holtzman, Partner-Counsel, Renne, Sloan, Holtzman & Sakai

### PROPERTY TAXES HEARINGS

Sprint PCS (2720), 359330

2006, \$1,186,100,000.00 Unitary Value, \$20,000,000.00 Penalty

For Petitioner: Michael S. Heaton, Taxpayer  
 Peter Hladek, Representative

For Property and Special Taxes Department: Dana Flanagan-McBeth, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether the Board properly imposed a 10-percent penalty on the unit value pursuant to Revenue & Taxation Code section 830, subdivision (c)(1), for Sprint PCS's failure to timely file 41 Statements of Land Changes (Form BOE-551) as part of its property statement.

Whether the Board should abate the 10-percent penalty imposed for failing to timely file a complete property statement.

Action: Mr. Leonard moved to abate the penalty. The motion was seconded by

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION**

**Wednesday, December 13, 2006**

Mr. Parrish but failed to carry, Mr. Leonard and Mr. Parrish voting yes, Mr. Chiang, Ms. Yee and Mr. Westly voting no.

Upon motion of Ms. Yee, seconded by Mr. Westly and duly carried, Mr. Chiang, Ms. Yee and Mr. Westly voting yes, Mr. Parrish and Mr. Leonard voting no, the Board ordered that the petition be denied.

**Cingular Wireless, LLC (2606), 358798**

2006, \$1,974,700,000.00 Unitary Value, \$20,000,000.00

For Petitioner: Liz Harrison, Taxpayer  
Eric J. Miethke, Attorney

For Property and Special Taxes Department: Mariam Baxley, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether the Board properly imposed a 10-percent penalty on the petitioner's entire unit value pursuant to section 830, subdivision (c)(1), for the petitioner's failure to timely file 62 Statements of Land Changes (Form BOE-551) as part of its property statement.

Whether the Board should abate the 10-percent penalty imposed for failing to timely file a complete property statement.

Petitioner's Exhibit: Excerpt of Rev. & Taxation Code 830 and a calculation page  
Exhibit 12.15)

Action: Mr. Parrish moved that the penalty be reduced to \$450,000. The motion was seconded by Mr. Leonard but failed to carry, Mr. Parrish and Mr. Leonard voting yes, Mr. Chiang and Ms. Yee voting no, Mr. Westly absent.

Upon motion of Mr. Chiang, seconded by Ms. Yee, and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, and Mr. Leonard voting yes, Mr. Westly absent, the Board submitted the appeal for decision.

**West Coast PCS (2745), 358816**

2006, \$42,800,000.00 Unitary Value

For Petitioner: Greg Chamberlain, Taxpayer  
Peter W. Michael, Representative  
James H. Kane, Representative  
Dorothy Radicevich, Representative

For Property and Special Taxes Department: Richard Moon, Senior Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether the 2006 Board-adopted unitary value, based wholly on the Replacement Cost Less Depreciation value indicator, adequately accounts for functional and economic obsolescence.

Whether the Capitalized Earning Ability value indicator includes nontaxable intangible assets.

Action: Mr. Leonard moved to grant the petition. The motion failed for lack of a second. Upon motion of Ms. Yee, seconded by Mr. Westly, and duly carried, Mr. Chiang, Ms. Yee and Mr. Westly voting yes, Mr. Leonard voting no, Mr. Parrish not participating, the Board ordered that the petition be denied.

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION**

**Wednesday, December 13, 2006**

Mr. Leonard requested that we work on an interested parties process and form a study group to take a look at the different methods of valuation to determine which method is efficient.

SureWest Televideo (7961), 358815

2006, \$144,200,000.00 Unitary Value

For Petitioner:

Greg Chamberlain, Taxpayer  
Peter W. Michaels, Representative  
James H. Kane, Representative  
Dorothy Radicevich, Representative

For Property and Special Taxes Department: Richard Moon, Senior Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether the methodology the Valuation Division used to value the taxable possessory interest in leased government property is appropriate.

Whether the 2006 Board-adopted unitary value, based entirely on the replacement cost new less depreciation value indicator, adequately accounts for functional and economic obsolescence.

Action: Mr. Westly moved that the 2006 unitary value be reduced by 15%. The motion failed for lack of a second.

Upon motion of Mr. Leonard, seconded by Ms. Yee and unanimously carried, Mr. Chiang, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, Mr. Parrish not participating, the Board ordered that the petition be submitted for decision.

Southern California Edison Company (148), 359135

2006, \$10,657,700,000.00 Unitary Value

For Petitioner:

Glenn Bridges, Taxpayer  
Peter Hladek, Representative  
Andrew Davis, Representative

For Property and Special Taxes Department: Richard Moon, Senior Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: A disqualifying contribution was disclosed to Mr. Chiang and Mr. Westly.

Issues: Whether petitioner's reporting errors with respect to "Materials and Supplies" and Construction Work in Progress resulted in overstatement of the 2006 Board-adopted unitary value.

Whether respondent properly estimated the values of taxable possessory interests in its calculation of the Capitalized Earning Ability value indicator.

Petitioner's Exhibit: Binder containing miscellaneous documents (Exhibit 12.16)

Action: Upon motion of Mr. Leonard, seconded by Mr. Parrish and duly carried, Mr. Parrish and Mr. Leonard voting yes, Ms. Yee voting no, Mr. Chiang and Mr. Westly not participating in accordance with Government Code 15626, the Board ordered that the petition be granted and reduced the 2006 unitary value to \$10,300,000,000.

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION****Wednesday, December 13, 2006**

Covad Communications Company (7706) 358128

2006, \$57,900.00 Unitary Value

For Petitioner:

Peter Hladek, Representative

Andrew Davis, Representative

For Property and Special Taxes Department: Nancy Vedera, Senior Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether the 2006 Board-adopted unitary value properly placed no weight on petitioner's net book value and 100 percent reliance on the Replacement Cost New Less Depreciation value indicator.

Whether the 2006 Board-adopted unitary value should be increased by \$9,100,000 to account for property at petitioner's closed locations.

Whether Valuation Division correctly estimated the value of petitioner's impaired assets.

Whether the 2006 Board-adopted unitary value included appropriate adjustments for economic obsolescence and the allegedly shortened economic lives of petitioner's equipment.

Action: Upon motion of Ms. Yee, seconded by Mr. Westly and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the 2006 unitary value be increased to \$67,000,000.

**PROPERTY TAXES MATTERS, ADJUDICATORY**

SFPP, L.P. (461), 359201

2006, \$408,000,000.00 Unitary Value

Considered by the Board: Presented For Separate Discussion

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Leonard, seconded by Mr. Parrish and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the 2006 unitary value be reduced to \$387,900,000.

Duke Energy Morro Bay, LLC (1104), 358662

2006, \$61,400,000.00 Unitary Value

Considered by the Board: Presented For Separate Discussion

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Leonard, seconded by Mr. Parrish and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the 2006 unitary value be reduced to \$48,800,000.

OmniPoint Communications, Inc. (2748), 357202

2006, \$1,386,100,000.00 Unitary Value

Considered by the Board: Presented For Separate Discussion

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION****Wednesday, December 13, 2006**

Action: Upon motion of Mr. Leonard, seconded by Mr. Parrish and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the 2006 unitary value be reduced to \$1,381,100,000.

**EWI Holdings, Inc. (8021), 358830**

2006, \$402,000.00 Unitary Value

Considered by the Board: Presented For Separate Discussion

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Leonard, seconded by Mr. Parrish and unanimously carried, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, Mr. Chiang not participating, the Board ordered that the 2006 unitary value be reduced to \$299,000.

**Intermetro Communications, Inc. (8044), 359091**

2006, \$1,710,000.00 Unitary Value, \$171,000.00 Penalty

Considered by the Board: Presented For Separate Discussion

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Leonard, seconded by Mr. Parrish and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the penalty be abated.

**Union Pacific Railroad Company (843), 373615**

2006, \$431,974,387.00 Nonunitary Value

Considered by the Board: Presented For Separate Discussion

Contribution Disclosures pursuant to Government Code section 15626: A disqualifying contribution was disclosed to Ms. Yee.

Action: Upon motion of Mr. Leonard, seconded by Mr. Parrish and unanimously carried, Mr. Chiang, Mr. Parrish, Mr. Leonard and Mr. Westly voting yes, Ms. Yee not participating in accordance with Government Code section 15626, the Board ordered that the 2006 nonunitary value be reduced to \$420,472,739.

**Cargill, Inc. (5834), 374377**

2006, \$8,974,995.00 Unitary Value

Considered by the Board: Presented For Separate Discussion

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Leonard, seconded by Mr. Parrish and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the petition be granted and reduced the 2006 unitary value to \$8,858,919.

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION****Wednesday, December 13, 2006****LEGAL APPEALS PROPERTY TAXES MATTERS, ADJUDICATORY****Advanced Tel, Inc. (7952), 358320**

2006, \$59,200.00 Unitary Value, \$5,920.00 Penalty

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Leonard, seconded by Ms. Yee and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the 2006 unitary value (including penalty) be reduced to \$58,630.

**Alpine PCS, Inc. (2746), 359199**

2006, \$811,000.00 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Leonard, seconded by Ms. Yee and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the 2006 unitary value be reduced to \$300,000.

**Broadwing Communications, LLC (7630), 359204**

2006, \$32,300,000.00 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Leonard, seconded by Ms. Yee and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the 2006 unitary value be reduced to \$20,000,000.

**Comcast Phone of California (7553), 359099**

2006, \$53,600,000.00 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Leonard, seconded by Ms. Yee and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the 2006 unitary value be reduced to \$40,500,000.

**Elk Hills Power, LLC (1126), 359139**

2006, \$293,800,000.00 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: Disqualifying contributions were disclosed to Mr. Chiang, Mr. Leonard and Mr. Westly. Mr. Chiang was chosen by random selection pursuant to Government Code section 15626(i)(5).

Action: Upon motion of Mr. Parrish, seconded by Ms. Yee and unanimously carried, Mr. Parrish and Ms. Yee voting yes, Mr. Chiang abstaining, Mr. Leonard and Mr. Westly not participating in accordance with Gov. Code section 15626, the Board ordered that the petition be denied.

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION****Wednesday, December 13, 2006****Level 3 Communications, LLC (7761), 359134**

2006, \$454,600,000.00 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Parrish, seconded by Mr. Leonard and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the 2006 unitary value be reduced to \$429,300,000.

**Lodi Gas Storage, LLC (198), 359133**

Lodi Gas Storage, LLC (198), 358341

2006, \$122,000,000 Unitary Value

2002-2005, \$73,615,000 Unitary Escaped Assessment

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Parrish, seconded by Mr. Leonard and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the 2002-2005 escaped unitary assessments (including penalty and interest) be reduced to \$62,513,000 and the 2006 unitary value be reduced to \$120,900,000.

**Looking Glass Networks, Inc. (7861), 359083**

2006, \$16,600,000 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Parrish, seconded by Mr. Leonard and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the petition be denied.

**MetroPCS California, LLC (2733), 359138**

2006, \$207,000,000 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Parrish, seconded by Mr. Leonard and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the petition be denied.

**Mountain Utilities (185), 359202**

2006, \$4,257,000.00 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Mr. Parrish, seconded by Mr. Leonard and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee and Mr. Leonard voting yes, Mr. Westly not participating, the Board ordered that the petition be denied.

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION****Wednesday, December 13, 2006****Pacific Gas & Electric Company (0135), 359205**

2006, \$15,785,000,000.00 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: A disqualifying contribution was disclosed to Mr. Parrish.

Action: Upon motion of Mr. Leonard, seconded by Ms. Yee and unanimously carried, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, Mr. Chiang not participating, Mr. Parrish not participating in accordance with Government Code section 15626, the Board ordered that the petition be denied.

**San Diego Gas & Electric Company (141), 358723**

2006, \$3,414,000,000.00 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: A disqualifying contribution was disclosed to Mr. Chiang and Mr. Westly.

Action: Upon motion of Mr. Parrish, seconded by Ms. Yee and unanimously carried, Mr. Parrish, Ms. Yee and Mr. Leonard voting yes, Mr. Chiang and Mr. Westly not participating in accordance with Government Code section 15626, the Board ordered that the petition be denied.

**Southern California Gas Company (149), 358725**

2006, \$2,771,700,000.00 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: A disqualifying contribution was disclosed to Mr. Chiang and Mr. Westly.

Action: Upon motion of Mr. Parrish, seconded by Ms. Yee and unanimously carried, Mr. Parrish, Ms. Yee and Mr. Leonard voting yes, Mr. Chiang and Mr. Westly not participating in accordance with Government Code section 15626, the Board ordered that the petition be denied.

**Starvox Communications, Inc. (8050), 358139**

2006, \$594,000.00 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Ms. Yee, seconded by Mr. Leonard and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the petition be denied.

**Telco Network Services, Inc. (7762), 359098**

2006, \$1,210,000.00 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION**

**Wednesday, December 13, 2006**

Action: Upon motion of Ms. Yee, seconded by Mr. Leonard and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board reduced the 2006 unitary value to \$393,000.

Vartec Telecom, Inc. (2475), 359097

2006, \$3,120,000.00 Unitary Value

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Action: Upon motion of Ms. Yee, seconded by Mr. Leonard and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board reduced the 2006 unitary value to \$1,630,000.

Southern California Gas Company (149), 342132

2006, \$54,657,982.00 Unitary Escaped Assessment

Considered by the Board: 12/13/06

Contribution Disclosures pursuant to Government Code section 15626: Disqualifying contributions were disclosed to Mr. Chiang and Mr. Westly.

Action: Upon motion of Mr. Parrish, seconded by Mr. Leonard and duly carried, Mr. Parrish and Mr. Leonard voting yes, Ms. Yee voting no, Mr. Chiang and Mr. Westly not participating in accordance with Gov. Code section 15626, the Board ordered that the petition be granted.

**FINAL ACTION ON PROPERTY TAXES HEARINGS HELD DECEMBER 13, 2006**

Advanced TelCom, Inc. (7813), 358829

2006, \$7,200,000.00 Unitary Value

For Petitioner: Appearance Waived

For Property and Special Taxes Department: Dana Flanagan-McBeth, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether the 2006 Board-adopted unitary value should be reduced for alleged additional obsolescence based upon the petitioner's inutility study.

Whether the Valuation Division's recommended adjustment be adopted by the Board.

Action: Upon motion of Ms. Yee, seconded by Mr. Leonard and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the 2006 unitary value be reduced to \$6,610,000.

Cingular Wireless, LLC (2606), 358798

Final Action: Upon motion of Mr. Westly, seconded by Mr. Parrish and duly carried, Mr. Chiang, Mr. Parrish, Mr. Leonard and Mr. Westly voting yes, Ms. Yee voting no, the Board ordered that the penalty be reduced by 15 percent.

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION****Wednesday, December 13, 2006****Sprint PCS (2720), 359330**

Final Action: Upon motion of Mr. Westly, seconded by Mr. Parrish and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board rescinded its prior vote.

Upon motion of Mr. Westly, seconded by Mr. Parrish and duly carried, Mr. Chiang, Mr. Parrish, Mr. Leonard and Mr. Westly voting yes, Ms. Yee voting no, the Board reduced the penalty by 15 percent.

**Los Esteros Critical Energy Facility (1143), 358545**

2006, \$93,200,000.00 Unitary Value

For Petitioner: Appearance Waived

For Property and Special Taxes Department: Sam Chon, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether the Replacement Cost New Less Depreciation value indicator calculated by the Valuation Division (respondent) exceeds the current fair market value of petitioner's unitary property.

Whether the Replacement Cost New factor properly includes the value of emission reduction credits.

Whether respondent properly determined the overall economic life of LECEF as 30 years.

Whether respondent's failure to disclose confidential appraisal information to petitioner violates petitioner's right to due process.

Action: Upon motion of Ms. Yee, seconded by Mr. Leonard and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the petition be denied.

**Metcalf Energy Center (1133), 358540**

2006, \$315,700,000.00 Unitary Value

**Pastoria Energy Facility (1131), 358544**

2006, \$370,800,000.00 Unitary Value

**Calpine Construction Finance Company (1132), 358542**

2006, \$253,000,000.00 Unitary Value

**Delta Energy Center, LLC (1128), 358541**

2006, \$438,200,000.00 Unitary Value

For Petitioner: Appearance Waived

For Property and Special Taxes Department: Sam Chon, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether the Replacement Cost New Less Depreciation value indicator calculated by the Valuation Division (respondent) exceeds the current fair market value of petitioner's unitary property.

Whether the Replacement Cost New factor properly includes the value of emission reduction credits.

Whether respondent properly determined the overall economic life of petitioner's plants at 25 years.

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION**

**Wednesday, December 13, 2006**

Whether respondent's failure to disclose confidential appraisal information to petitioners violates petitioner's due process.

Action: Upon motion of Mr. Westly, seconded by Ms. Yee and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the petitions be denied.

**Questar Southern Trails Pipeline Company (196), 358818**

2006, \$37,500,000.00 Unitary Value

For Petitioner: Waived Appearance

For Property and Special Taxes Department: Denise Riley, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issue: Whether the respondent should have placed greater reliance on the capitalized earning ability value indicator for the Eastern Zone of petitioner's property.

Action: Upon motion of Ms. Yee, seconded by Mr. Westly and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered that the 2006 unitary value be reduced to \$35,700,000.

**SureWest Televideo (7961), 358815**

Final Action: Upon motion of Mr. Westly, seconded by Mr. Leonard and duly carried, Mr. Chiang, Mr. Leonard and Mr. Westly voting yes, Ms. Yee voting no, Mr. Parrish not participating, the Board ordered that the 2006 unitary value be reduced to by 15 percent.

**U.S. Telepacific Corporation (7757), 358292**

2006, \$46,300,000.00 Unitary Value, \$4,630,000.00 Penalty

For Petitioner: Waived Appearance

For Property and Special Taxes Department: Nancy Vadera, Senior Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether an adjustment for additional functional obsolescence in petitioner's central office equipment digital switches and related peripheral equipment should be allowed.

Whether petitioner has met its burden of proving that the late-filed property statement was due to reasonable cause to justify abatement of the penalty.

Action: Upon motion of Mr. Westly, seconded by Ms. Yee and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board ordered the 2006 unitary value be reduced to \$45,700,000 and commensurate penalty of \$4,570,000.

**Verizon California, Inc., (201), 358738**

2006, \$3,733,600,000.00 Unitary Value

For Petitioner: Appearance Waived

For Property and Special Taxes Department: Denise Riley, Tax Counsel

Contribution Disclosures pursuant to Government Code section 15626: None were disclosed.

Issues: Whether the 2006 Board-adopted unitary value adequately considered the economic obsolescence present in Verizon California, Inc.'s property.

Whether the Board should close the oral hearing to the public when discussing petitioner's confidential or proprietary business information.

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION**

**Wednesday, December 13, 2006**

Action: Upon motion of Ms. Yee, seconded by Mr. Leonard and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee and Mr. Leonard voting yes, Mr. Westly not participating, the Board ordered that the petition be denied.

**PUBLIC COMMENT**

Speaker: Keenan Davis, General Counsel, O1 Communications, Inc.

**TAX PROGRAM NONAPPEARANCE MATTERS NOT SUBJECT TO CONTRIBUTION DISCLOSURE STATUTE**

**PROPERTY TAX MATTERS**

**Audits**

**Wild Goose Storage, Inc., (195)**

2003, \$13,500,000.00 Escaped Assessment, \$1,350,000.00 Penalties, \$4,455,000.00 In-lieu Interest

2004, \$18,900,000.00 Escaped Assessment, \$1,890,000.00 Penalties, \$4,536,000.00 In-lieu Interest

2005, \$19,700,000.00 Escaped Assessment, \$1,970,000.00 Penalties, \$2,955,000.00 In-lieu Interest

2006, \$20,200,000.00 Escaped Assessment, \$2,020,000.00 Penalties, \$1,212,000.00 In-lieu Interest

Action: Upon motion of Mr. Leonard, seconded by Ms. Yee and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board adopted the audit escaped/excessive assessment, plus penalties and in-lieu interest, as recommended by staff.

**O1 Communications, Inc., (7791)**

2003, \$3,400,000.00 Escaped Assessment, \$1,122,000.00 In-lieu Interest

2004, \$2,420,000.00 Escaped Assessment, \$580,800.00 In-lieu Interest

2005, \$273,000.00 Escaped Assessment, \$40,950.00 In-lieu Interest

Action: Upon motion of Mr. Leonard, seconded by Ms. Yee and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board adopted the audit escaped/excessive assessment, plus penalties and in-lieu interest, as recommended by staff.

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION****Wednesday, December 13, 2006****Unitary Land Escaped Assessments**

California Rural Service Area #1, Inc., (2671)

2003-2004, \$529,304

Metro PCS California/Florida, Inc., (2733)

2003-2005, \$3,610,901

Sprint Nextel Corporation (2737)

2003-2005, \$3,079,729

OmniPoint Communications, Inc., (2748)

2004-2005, \$5,781,941

Edge Wireless, LLC (2753)

2003-2005, \$912,010

Action: Upon motion of Mr. Leonard, seconded by Ms. Yee and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board adopted the unitary escaped assessment as recommended by staff.

**Board Roll Changes**

2003 State-Assessed Property Rolls

Action: Upon motion of Mr. Leonard, seconded by Ms. Yee and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board approved corrections to the 2003 Board Rolls of State-Assessed Property as recommended by staff (Exhibit 12.17).

**OTHER ADMINISTRATIVE MATTERS****Executive Director's Report**

Ramon Hirsig, Executive Director, introduced Karen Johnson, Deputy Director, Administration Department, who provided an update regarding Headquarters Windows Project.

Ramon Hirsig, Executive Director, provided an update regarding the timetable for vacant CEA Positions.

Ramon Hirsig, Executive Director, introduced Randie Henry, Deputy Director, Sales and Use Tax Department, who provided an update regarding E-Filing.

**Approval of Interagency Agreements Over \$1 Million**

Action: Upon motion of Mr. Leonard, seconded by Ms. Yee and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Ms. Mandel voting yes, the Board approved the Department of Toxic Substances Control Interagency Contract Agreement. (Exhibit 12.18)

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION****Wednesday, December 13, 2006**

Mr. Hirsig extended his sincere appreciation to Mr. Chiang, Mr. Parrish and Mr. Westly for their guidance and support that each Member provided during their terms at the Board. He presented Mr. Chiang, Mr. Parrish and Mr. Westly with three tokens of appreciation: 1) a Resolution signed by their fellow Board Members, 2) a plaque which depicts them with each of the Boards they served on while at the Board and, 3) a small gift from the executive team.

Mr. Westly thanked the executive team for their tokens of appreciation.

Mr. Parrish thanked everyone for the tokens and stated that he wished he could be at the Board another 8 years. He felt that his votes made a difference and that it was a privilege to work with his colleagues. Mr. Parrish expressed heartfelt comments for each of the Members. Mr. Parrish thanked Neil Shah, Noel Stone and Perry Kenny for everything they did for him. Mr. Parrish mentioned that he expects to be back in politics in four years.

Mr. Chiang declared that it was good fortune to know that he was coming back to the Board as a member. He thanked everybody and acknowledged that he was very moved by the thoughtfulness and kindness of the staff. Mr. Chiang commented that the last 10 years have been an extraordinary experience with great colleagues and was saddened to lose Mr. Parrish and Mr. Westly as members. Mr. Chiang provided a gesture to vacate as Chair, so that Mr. Parrish could leave as Chairman of the Board when the meeting adjourned.

Mr. Westly thanked his colleagues for their collegiality and bipartisanship which is unusual in politics.

**ORGANIZATION OF THE BOARD**

Upon motion of Mr. Westly, seconded by Mr. Chiang and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board appointed Mr. Parrish as Chair for the remainder of the meeting and Ms. Yee the interim Chair for 2007 until the first Board meeting in 2007.

Upon motion of Ms. Yee, seconded by Mr. Westly and unanimously carried, Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly voting yes, the Board appointed Mr. Leonard as the interim Vice Chair for 2007.

**ANNOUNCEMENT OF CLOSED SESSION**

The Board recessed at 12:21 p.m. and reconvened at 12:28 p.m. with Mr. Chiang, Mr. Parrish, Ms. Yee, Mr. Leonard and Mr. Westly present.

**2006 MINUTES OF THE STATE BOARD OF EQUALIZATION****Wednesday, December 13, 2006****CLOSED SESSION**

The Board met to discuss pending litigation (Gov. Code § 11126(e)), settlements (Rev. & Tax. Code §§ 6901, 7093.5, 30459.1, and 50156.11) and personnel matters (Gov. Code § 11126(a)).

The Board adjourned at 12:28 p.m.

*The foregoing minutes are adopted by the Board on March 20, 2007.*

Note: The following matters were removed from the calendar prior to the meeting: *KPMG Diagnostic Review Study and Discussion* and *Status report on Strategic Plan*.