



ADMINISTRATIVE RULES OF MONTANA

36.12.109 A PRESENT VALUE FORMULA FOR DETERMINING A SEVERANCE FEE IN A PETITION TO EXCLUDE A TRACT FROM FUTURE SERVICES, ASSESSMENTS, AND LIABILITIES OF AN IRRIGATION DISTRICT

- (1) The present values used in determining the severance fee pursuant to [85-7-2125](#), MCA, shall be calculated as follows:
 - (a) The present value of debt to be included in the severance fee shall be equal to the existing irrigation district debt apportioned to the petitioned tract.
 - (b) Future operation and maintenance costs are assumed to be based on the average of the operation and maintenance costs for the three most recent years before severance and are assumed to change annually over the 20-year period at a rate equal to the average annual change in the consumer price index (CPI-U) for the most recent ten years before severance.
- (2) The formula for calculating the average annual change in the CPI-U is:

$(v_0 / v_{0-10})^1 - 1$, where v_0 is the CPI-U index value for the most recent December before severance, and v_{0-10} is the December index value ten years prior to v_0 .

- (3) The present value formula for operation and maintenance costs is available through most spreadsheet programs and is specified as follows:

$\sum_{i=1}^n OM_i / (1 + r)^i$, where $n = 20$ years, OM_i is the estimated cost of operation and maintenance for each year and r is equal to the average yield for ten-year treasury notes for the most recent ten-year period before severance.

Authorizing statute(s): 85-7-2125, MCA

Implementing statute(s): 85-7-2125, MCA

History: NEW, 2004 MAR p. 649, Eff. 3/26/04.