

[ERC RESOLUTION NO. 17, S. 2010, July 19, 2010]

A RESOLUTION ADOPTING THE VALUATION HANDBOOK FOR THE OPTIMIZED DEPRECIATED REPLACEMENT COST VALUATION OF SYSTEM FIXED ASSETS OF PRIVATELY OWNED DISTRIBUTION UTILITIES OPERATING UNDER PERFORMANCE-BASED REGULATION (PBR)

WHEREAS, on December 10, 2004, the Commission promulgated Resolution No. 12-02, Series of 2004, entitled "*A Resolution Adopting a Methodology for Setting Distribution Wheeling Rates*", also known as the Distribution Wheeling Rates Guidelines (DWRG), which was later renamed as the "*Rules for Setting Distribution Wheeling Rates for Privately-Owned Distribution Utilities (RDWR)*";

WHEREAS, *Clause 4.8.2 of the RDWR* requires that prior to the commencement of the Third Regulatory Period, an asset re-valuation must be undertaken in relation to each Regulated Distribution System. A Distribution Utility's (DU) asset valuation is to be undertaken by either:

- a) An independent appraisal company engaged by the DU, in which case the Commission must also retain a Regulatory Reset Expert or Experts to review the valuation results and the Valuation Report; or
- b) A Regulatory Reset Expert or Experts retained by the Commission, pursuant to Article XIV of the RDWR for purposes of undertaking the valuation (and preparing the Valuation Report).

Regardless of which of the above options applies to an entry group, the ODRC asset valuation shall be undertaken in accordance with the requirements of the Valuation Handbook.

WHEREAS, for the Second Regulatory Period, the Commission conducted the asset valuation through its appointed valuation experts, however, for the Third Regulatory Period, the asset re-valuation shall be undertaken by each Regulated Entity. The Commission shall review the valuations provided by the DU and may make adjustments to the valuation when the supporting information provided by the DU to substantiate the valuation is insufficient;

WHEREAS, *Clause 3.2.2 of the Position Paper* provides that each "Regulated Entity will conduct the valuation of its Regulatory Asset Base (RAB) in accordance with the Valuation Handbook, with the results forming part of its Revenue Application";

WHEREAS, on May 18, 2010, the Commission posted at its website the second draft of the Valuation Handbook, and on various dates, it conducted expository public consultations on the draft Valuation Handbook and discussed the comments submitted by the industry stakeholders;