

UnitedNetworks Limited - Optimised Deprival Valuation

1. INTRODUCTION

This document contains material required to be disclosed by UnitedNetworks Limited under Regulation 20 of the Electricity (Information Disclosure) Regulations 1999.

The information is available on request at:-

44 Taharoto Road

Takapuna

Auckland

(A charge for copy material may be made to recover costs incurred)

UnitedNetworks comprises the following reticulation assets:

Waitemata, Valley, Kinleith Networks:

Formerly Power New Zealand. The last revaluation carried was out by independent consultants, Coopers & Lybrand in March 1997.

Wellington Network:

Purchased from TransAlta Limited in January 1999. The last revaluation was carried out by P. Hawkey of TransAlta Limited and Worley Consultants Limited and certified by Ernst & Young in March 1997.

Tauranga, Rotorua, Taupo Networks:

Purchased from TrustPower Limited in February 1999. The last revaluation was carried out by independent consultants, Worley Consultants Limited and certified by Price Waterhouse in March 1998.

The Optimised Depreciated Replacement Cost (ODRC) valuations carried out for the Waitemata, Valley, Kinleith and Wellington networks in March 1997 were in accordance with the Handbook for Optimised Deprival Valuation of Electricity Line Businesses dated 23 June 1994. These valuations were revised in March 1998 to comply with the new standard lives in the Handbook dated 28 May 1998.

The Optimised Depreciated Replacement Cost (ODRC) valuations carried out for the Tauranga, Taupo and Rotorua networks in March 1998 were in accordance with the Handbook for Optimised Deprival Valuation of Electricity Line Businesses dated 28 May 1998.

UnitedNetworks Limited has carried forward the balances of the last revaluations of each network and adjusted for additions, disposals and depreciation.

2. STANDARD REPLACEMENT COSTS

The Standard Replacement Costs stipulated in the 1999 ODV Handbook have been used in this valuation.

The costs for some assets are not quoted in the Handbook. The costs used in this valuation for these assets are the same as used in the original 1997 valuation. These correspond with the costs in Charter Consulting's database which reflect those used by a variety of electricity companies in recent valuations and which, in some cases, have been recently checked with manufacturers.

3. MULTIPLYING FACTORS

The multiplying factors used in this modified valuation are unchanged from those used in the original 1997 valuation.

It is confirmed that these comply with the provisions of the 1999 ODV Handbook.

4. OPTIMISATION

The optimisation factors used in this modified valuation are unchanged from those used in the original 1997 valuation.

5. WRITE-OFF POLICY

It is the policy of UnitedNetworks Limited that any assets that are replaced are written off and the replacement is capitalised, not expensed.

6. 1999 NETWORK RETICULATION ASSET VALUE

The revised value as at 31 March 1999 for UnitedNetworks Limited's system fixed assets, adjusting for 1998 and 1999 additions, disposals and depreciation, is \$1,018,335,000.