

2007 Construction Cost Change Consultation

Our consultants have reported that cost increases have slowed down in nearly all categories of regulated Industrial property. The reported cost increases between July 2006 and July 2007 are as follows:

- pipeline properties: 5.38%
- well properties: 0.16%
- cable distribution undertakings: 0%
- telecommunications carriers: - 0.1%
- railway properties: 2.7%
- electric power systems: 9.62%
- machinery and equipment: 9.62%

Since the annual cost increases have fallen to below 10% for all categories of linear properties, we are proposing to end the use of two year cost change averaging to mitigate the changes in AYM values. The end of this mitigation will affect the calculation of the AYM levels for 2007 and we want to hear your views on this matter. The proposed 2007 AYMs are shown in column B in the following table:

Proposed 2007 Assessment Year Modifiers (AYM)			
	Column A	Column B	Column C
Property	Approved 2006 AYMs (Mitigated)	Proposed 2007 AYMs (No Mitigation)	Percent Change 2006 to 2007 AYMs
Pipeline Properties	1.131	1.161	2.65%
Well Properties	1.164	1.177	1.12%
Cable Dist. Undertakings	1.002	0.992	-1.00%
Telecom Carriers	1.042	1.058	1.50%
Railway Properties	1.040	1.060	1.90%
Electric Power Systems	1.122	1.273	13.40%
Machinery & Equipment	1.120	1.270	13.40%

The impact of the end of this mitigation is shown in column III of the following table:

Percent Changes			
	Column I	Column II	Column III
Property	Percent Change in Costs July 2006 to June 2007	Percent change Between 2006 and 2007 AYMs	Difference
Pipeline Properties	5.38%	2.65%	-2.73%
Well Properties	0.16%	1.12%	+0.96%
Cable Dist. Undertakings	0.0%	-1.00%	-1.0%
Telecom Carriers	-0.1%	1.50%	+1.6%
Railway Properties	2.7%	1.90%	-0.8%
Electric Power Systems	9.62%	13.40%	+3.78%
Machinery and Equipment	9.62%	13.40%	+3.78%

The difference between the 2006 AYMs and our proposed 2007 AYMs ranges from 2.73 percent below the July 2006 to July 2007 reported cost increases to 3.78 percent above the July 2006 to July 2007 cost increases.

Please provide us with your comments on these proposed 2007 AYMs by October 25, 2007.