

## APPENDIX 7

*SKM, Advice regarding the calculation of the regulatory asset base, January 2009*



**Sinclair Knight Merz**  
32 Cordelia Street  
South Brisbane QLD 4101 Australia  
PO Box 3848  
South Brisbane QLD 4101 Australia

Tel: +61 7 3026 7100  
Fax: +61 7 3026 7444  
Web: [www.skmconsulting.com](http://www.skmconsulting.com)



Michael Sward  
Transend Networks Pty Ltd  
PO Box 606,  
MOONAH TASMANIA 7009

5 January 2009

*Transend asset value clarification.docx*

Dear Michael

**Basis of SKM Asset Valuation**

I refer to your query regarding the valuation of Transend's regulatory asset base as at 30 June 2001, as undertaken by SKM, and specifically the issue of equity raising costs associated with that valuation.

SKM's valuation at that time was based on reference building blocks for each category of asset which were based on actual construction costs and internal/procurement costs, plus a nominal allocation for project management costs. Where appropriate an interest during construction component was applied for assets which typically have long project design and construction times. No allowance was made for other financing costs.

Specifically, no allowance was provided in the 30 June 2001 asset valuation for costs associated with raising equity in relation to the assets at that time.

Regards

A handwritten signature in blue ink, appearing to read 'Ben Kearney', is written over a large, thin blue checkmark.

**Ben Kearney**  
*Manager Strategic Consulting*  
Phone: 07 3026 7523  
E-mail: [bkearney@skm.com.au](mailto:bkearney@skm.com.au)