

Resolution Adopting a Guide For The Equitable Resolution of Stranded Investment Issues in a Competitive Environment

WHEREAS, The telecommunications, electric, and gas industries are transitioning from a monopoly to a competitive market; and

WHEREAS, The most contentious issues to be addressed by utilities, customers, shareholders, and many federal, state, and local governmental bodies during the transition period are how to define, quantify, and treat stranded investment; and

WHEREAS, There is no one broadly accepted definition of or methodology for measuring stranded investment; and

WHEREAS, The estimates of stranded investment can vary greatly depending on how they are defined and calculated; and

WHEREAS, There are no standards whereby stranded investments are to be mitigated; and

WHEREAS, Factors that can affect the recovery period of stranded investment include, but are not limited to, the net unmitigated amount of stranded investment, the impact on prices and customer rates and charges, the effects on different customer classes, the promotion of competition, and the length of the transition period; and

WHEREAS, The Staff Subcommittee on Depreciation conducted an extensive study of stranded cost issues through a survey of all the states and a review of numerous articles and publications; and

WHEREAS, The Committee of Finance and Technology, through the Staff Subcommittee on Depreciation, prepared a white paper on stranded cost issues; and

WHEREAS, The white paper provides an overview of the basic facts concerning stranded investment, definitions, and a discussion of methodologies to measure stranded costs and provide for their recovery; and

WHEREAS, It is in the public interest that stranded cost investment issues be properly defined and addressed to attain a fair and equitable resolution that balances the interests of customers and shareholders; *now therefore be it*

RESOLVED, That public policy considerations warrant the development of standards for review and mitigation of stranded costs; *and be it further*

RESOLVED, That accelerated depreciation merely shifts costs between customers as opposed to revenue enhancement, cost reductions, and other indirect mitigation techniques; *and be it further*

RESOLVED, That measurement and recovery mechanisms be designed to promote a proper allocation of risks and rewards between utilities and customers; *and be it further*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners, convened at its July 2000 Summer Meeting in Los Angeles, California, hereby adopts the Stranded Investment White Paper as a tool and resource for states to use in determining an equitable

resolution to stranded investment issues.

Sponsored by the Committee on Finance and Technology
Adopted by the NARUC Board of Directors, July 26, 2000.