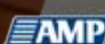


DUET Group

Multinet Gas Access Arrangement Review

Final ESC Decision

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7 March 2008

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AGENDA

- ❖ **GAAR Final Decision**
- ❖ **Key Elements**
- ❖ **Overview**
- ❖ **Appendix**



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GAAR Final Decision

- ❖ DUET welcomes the substantial improvement in the Final Decision over the Draft Decision in the 2008 Gas Access Arrangement Review (GAAR) for MGH
- ❖ The Final Decision relative to the Draft Decision Provides:
 - ❖ P_0 has improved from 15.5% to 2.5%;
 - ❖ X-factor has improved from 3.0% to 0.0%; and
 - ❖ WACC has improved from 5.6% to 6.5% (after allowing for a transitional Beta adjustment)
- ❖ Tariffs will be amended for Multinet on 1 July 2008
- ❖ Multinet's submissions on a number of key issues, particularly projected volumes and capital expenditure, have been largely accepted by the ESC
- ❖ DUET's distribution guidance for FY08 is unchanged at 27¢ per stapled security.

MGH Final Decision

Key Elements

❖ Summary WACC Parameters

WACC Parameters	Draft Decision	Final Decision
Risk Free Rate	3.12%	3.26%
Beta	0.7	0.7
Gamma	0.5	0.5
Market Risk Premium (MRP)	6.0%	6.0%
Gearing (assumed)	60%	60%
Debt Margin	1.38%	2.15%
Cost of Debt	4.5%	5.4%
Real WACC	5.6%	6.2%
Transitional Beta Adjustment	n.a.	0.3%
Modified Real Return on Assets	n.a.	6.5%

MGH Final Decision

Key Elements

- ❖ Price Adjustment
 - ❖ P_0 adjustment - Final Decision is 2.5% compared with Draft Decision of 15.5%
 - ❖ X-factor - Final Decision is 0.0% compared to the Draft Decision of 3.0%
- ❖ Building Block Revenue

2006 A\$ real m	Draft Decision	Final Decision	% Change
Operating Costs	154.7	196.5	27.0%
Return on Assets	247.2	297.8	20.5%
Regulatory Depreciation	211.6	220.3	4.1%
Cost of Tax	17.7	22.0	24.3%
Efficiency	22.5	35.3	56.9%
Total	653.8	771.9	18.1%

MGH Final Decision

Key Elements

- ❖ Gross Capital Expenditure¹
- ❖ Significant improvement from draft

2006 A\$ real m	2008	2009	2010	2011	2012	Total
Draft Decision	41.6	43.7	45.4	40.2	38.5	209.4
Final Decision	47.0	67.5	47.8	42.6	41.3	246.2
% Change	13.0%	54.5%	5.3%	6.0%	7.3%	17.6%

1. Includes customer contributions

MGH Final Decision

Key Elements

- ❖ Volume Forecasts¹
 - ❖ ESC accepted Multinet's submission based on CSIRO volume forecasts
 - ❖ Lower growth compared to draft decision, more reflective of recent historical volumes

Volume Forecasts (TJ's)	5yr Average
Draft Decision	46,423
Final Decision	44,794
% Change	-3.5%

1. Tariff V residential and non-residential volume, including Yarra Valley and South Gippsland



GAAR Final Decision Overview



- ❖ A substantial improvement from the Draft Decision, P_0 of 2.5%, X-factor of 0.0%, Modified Real Return on Assets of approximately 6.5%
- ❖ MGH is still considering its position in relation to the possible future appeal of components of the Final Decision
- ❖ The Operating Services Agreement (OSA) fee adjustment mechanism follows the Final GAAR Decision
- ❖ DUET's distribution guidance for FY08 is unchanged at 27¢ per stapled security.

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Multinet Gas Access Arrangement Review Final ESC Decision – Questions

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APPENDIX

GAAR Building Block Revenue

❖ Draft Decision – Revenue building block requirement 2008 – 2012

2006 A\$ real m	2008	2009	2010	2011	2012	Total
Operating Costs	31.9	31.6	30.8	30.4	30.1	154.7
Return on Assets	49.8	49.5	49.4	49.4	49.1	247.2
Regulatory Depreciation	41.9	42.1	42.4	42.7	42.4	211.6
Cost of Tax	4.1	3.8	3.2	3.3	3.4	17.7
Efficiency	9.3	8.4	3.2	1.6	0.0	22.5
Total	137.0	135.5	129.0	127.3	125.0	653.8

APPENDIX

GAAR Building Block Revenue

❖ Final Decision – Revenue building block requirement 2008 – 2012

2006 A\$ real m	2008	2009	2010	2011	2012	Total
Operating Costs	39.7	39.7	39.2	39.0	38.9	196.5
Return on Assets	58.8	59.4	60.0	60.0	59.6	297.8
Regulatory Depreciation	41.0	43.3	44.8	45.3	45.9	220.3
Cost of Tax	4.8	4.6	3.9	4.2	4.5	22.0
Efficiency	15.9	15.0	1.8	2.5	0.0	35.3
Total	160.3	162.0	149.8	151.0	148.9	771.9