

26 February, 2013

Office of the Chairman

Lyndon Rowe
Chairman
Economic Regulation Authority
Level 4
Albert Facey House
469 Wellington Street
PERTH WA 6000

Dear Lyndon,

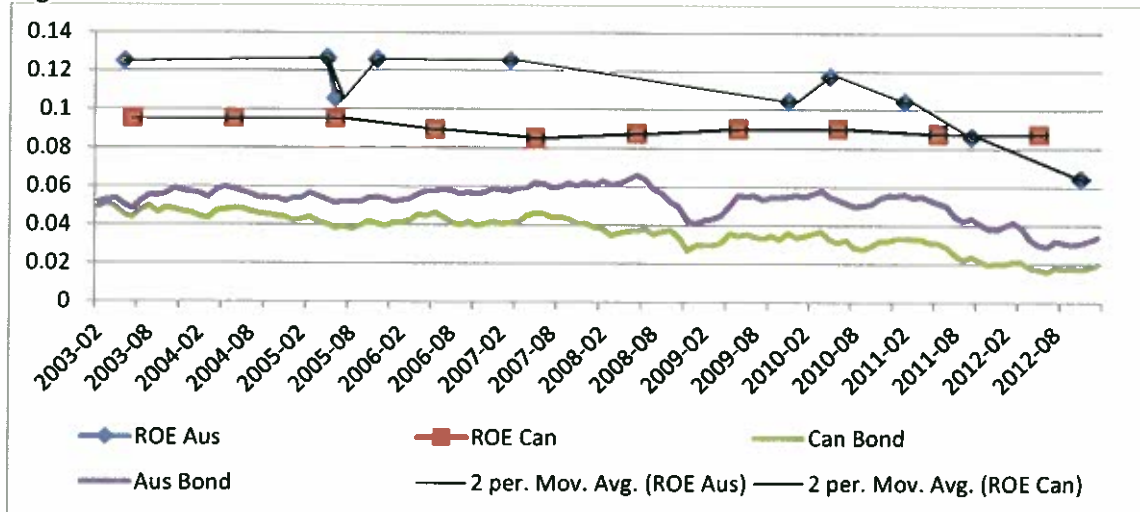
Guidelines for Rate of Return for Gas Transmission and Distribution Networks

On 21 December, 2013 the Economic Regulation Authority (ERA) issued its Consultation Paper for Guidelines for the Rate of Return for Gas Transmission and Distribution Networks. As an owner of a Gas Distribution Network in Western Australia, ATCO Ltd is very much interested in the outcome of this process.

In 2011 ATCO purchased the natural gas utility currently named ATCO Gas Australia. This purchase was made after considerable review of the company. This review included the regulatory environment in Australia in general and in Western Australia in particular. The acquisition was made with the full understanding that any regulatory regime will evolve. ATCO has a long experience with ownership of regulated assets, and therefore was able to appreciate the strengths and weaknesses of the regulatory regime in Western Australia. ATCO owns and operates major natural gas and electric distribution and transmission utilities in the Alberta, Canada.

To put some context around the assessment made by ATCO, Figure 1 shows the awarded ROE's within Alberta and within Western Australia since 2000, as well as the 10 year bond rates.

Figure 1



As is shown there has been a marked change in the relationship of the returns, even though the relationship in bond rates has essentially remained unchanged. This information appears to show that in the last year there has been a significant deterioration in the awarded return on equity in WA. Within this context ATCO notes that ATCO Gas Australia is providing its comments regarding the Guidelines that the ERA is preparing. ATCO notes that at the time of the acquisition there were no indications that significant changes in the Rules or in the process impacting the regulation of natural gas utilities in Western Australia were being contemplated.

ATCO has operations in Canada, the United States, the United Kingdom, Chile, Australia, and other countries. The opportunities to invest in new projects around the world generally exceed the available financial capacity. Decisions to make specific investments depend upon a variety of factors, not the least of which is, the stability of the investment climate in the particular country where the opportunity arises. It goes without saying that in 2011 ATCO considered that the regulatory climate in Western Australia was stable, and that ATCO would be fairly compensated for investing in the infrastructure of the State.

ATCO welcomes the ERA's Guideline Process as an opportunity to receive confirmation that the ERA will continue to provide the regulatory environment ATCO saw in 2011, where there was support of the notion that owners of critical state infrastructure will be fairly compensated for the public use of owners' assets.

Yours sincerely,

A handwritten signature in black ink that reads "B.R. Bale". The signature is written in a cursive, slightly slanted style.

Brian Bale
Senior Vice President &
Chief Financial Officer