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18 November 2008

Attention: Mr Russell Dumas
Economic Regulation Authority
Level 6 Governor Stirling Tower
197 St George's Terrace
PERTH WA 6000

Dear Russell

**ALINTAGAS NETWORKS PTY LTD ACCESS ARRANGEMENT FOR THE MID-WEST
AND SOUTH-WEST GAS DISTRIBUTION SYSTEMS: VARIATION REPORT FOR
VARIATION YEAR 2009**

Attached for your information is the Variation Report detailing the new reference tariffs which will apply from 1 January 2009.

The individual tariff components have been adjusted in accordance with clauses 3 to 10 of Part B of AlintaGas Networks Pty Ltd's current Access Arrangement for the Mid-West and South-West Gas Distribution Systems. Supporting documentation is provided and the relevant calculations are detailed.

An electronic copy of the Variation Report will be forwarded to you for publication on the website of the Economic Regulation Authority. I can be contacted on 08 6213 7151 should you have any queries.

Yours sincerely

Deborah Evans
Manager Regulatory Services



**ACCESS ARRANGEMENT FOR THE MID-WEST AND SOUTH-WEST GAS
DISTRIBUTION SYSTEMS
VARIATION REPORT FOR VARIATION YEAR 2009**

This variation report details the varied tariff components of the reference tariffs for application during variation year 2009.

The determination of the varied tariff components has been undertaken in accordance with Clauses 3 to 10 of Part B of the AlintaGas Networks Pty Ltd Access Arrangement for the Mid-West and South-West Gas Distribution Systems.

The varied reference tariffs, excluding GST, are listed below and will be applicable from 1 January 2009. Details of the individual calculations are provided in the attached spreadsheet.

Varied Reference Tariff A1:

- (i) the standing charge is \$44,286.96 (ex GST) per year;
- (ii) the demand charge rate is:
 - A. \$182.86 (ex GST) per gigajoule per kilometre per year for the first 10 kilometres of the interconnection distance; and
 - B. \$91.43 (ex GST) per gigajoule per kilometre per year for any part of the interconnection distance in excess of 10 kilometres;
- (iii) the usage charge rate is:
 - A. \$0.0446 (ex GST) per gigajoule per kilometre for the first 10 kilometres of the interconnection distance; and
 - B. \$0.0223 (ex GST) per gigajoule per kilometre for any part of the interconnection distance in excess of 10 kilometres;

Varied Reference Tariff A2:

- (i) the standing charge is \$556.13 (ex GST) per year;
- (ii) the usage charge rate is:
 - A. \$4.89 (ex GST) per gigajoule for the first 5 terajoules of gas delivered to the user per year;
 - B. \$4.60 (ex GST) per gigajoule for gas delivered to the user in excess of 5 terajoules per year and up to 10 terajoules per year; and
 - C. \$1.21 (ex GST) per gigajoule for gas delivered to the user in excess of 10 terajoules per year;

**ACCESS ARRANGEMENT FOR THE MID-WEST AND SOUTH-WEST GAS
DISTRIBUTION SYSTEMS
VARIATION REPORT FOR VARIATION YEAR 2009**

Varied Reference Tariff B1:

- (iii) the standing charge is \$556.13 (ex GST) per year;
- (iv) the usage charge rate is:
 - A. \$4.89 (ex GST) per gigajoule for the first 5 terajoules of gas delivered to the user per year;
 - B. \$4.60 (ex GST) per gigajoule for gas delivered to the user in excess of 5 terajoules per year; and

Varied Reference Tariff B2:

- (i) the standing charge is \$223.02 (ex GST) per year; and
- (ii) the usage charge rate is:
 - A. \$5.66 (ex GST) per gigajoule for the first 100 gigajoules of gas delivered to the user per year; and
 - B. \$4.84 (ex GST) per gigajoule for gas delivered to the user in excess of 100 gigajoules per year;

Varied Reference Tariff B3:

- (i) the standing charge is \$28.59 (ex GST) per year; and
- (ii) the usage charge rate is:
 - A. \$9.50 (ex GST) per gigajoule for the first 15 gigajoules of gas delivered to the user per year;
 - B. \$5.69 (ex GST) per gigajoule for gas delivered to the user in excess of 15 gigajoules per year and up to 45 gigajoules per year; and
 - C. \$3.86 (ex GST) per gigajoule for gas delivered to the user in excess of 45 gigajoules per year;

Distribution Tariff Approval - AGN

Proposed Distribution Tariffs

Tariff Category	Tariff Component	P _t	Q _{t-2}	P _t * Q _{t-2}	P _t (inc GST)
Tariff A1	Fixed Charge	44,286.960000	43	1,904,339	48,715.66000
Tariff A1	Usage First 10 km's	0.044600	21,811,262	972,782	0.04906
Tariff A1	Usage > 10 km's	0.022300	2,265,979	50,531	0.02453
Tariff A1	Demand < 10kms	182.860000	6,997	1,279,403	201.15000
Tariff A1	Demand > 10km	91.430000	1,659	151,656	100.57000
Tariff A2	Fixed Charge	556.130000	86	47,827	611.74000
Tariff A2	First 5 TJ	4.890000	418,003	2,044,032	5.38000
Tariff A2	> 5 TJ's < 10 TJ's	4.600000	364,320	1,675,870	5.06000
Tariff A2	> 10 TJ's	1.210000	974,703	1,179,390	1.33000
Tariff B1	Fixed Charge	556.130000	1,106	615,080	611.74000
Tariff B1	First 5 TJ	4.890000	1,440,723	7,045,135	5.38000
Tariff B1	> 5 TJ's	4.600000	244,203	1,123,334	5.06000
Tariff B2	Fixed Charge	223.020000	6,178	1,377,818	245.32000
Tariff B2	First 100 GJ's	5.660000	357,059	2,020,955	6.23000
Tariff B2	> 100 GJ's	4.840000	779,524	3,772,894	5.32000
Tariff B3	Fixed Charge	28.590000	555,588	15,884,261	31.45000
Tariff B3	First 15 GJ's	9.500000	6,024,186	57,229,770	10.45000
Tariff B3	> 15 GJ's < 45 GJ's	5.690000	3,228,551	18,370,454	6.26000
Tariff B3	> 45 GJ's	3.860000	918,866	3,546,823	4.25000

120,292,357

Distribution Tariff Approval - AGN

Existing Distribution Tariffs

Tariff Category	Tariff Component	P _{t-1}	Q _{t-2}	P _{t-1} * Q _{t-2}	Proposed Increase/decrease
Tariff A1	Fixed Charge	44,286.9600	43	1,904,339	0.00%
Tariff A1	First 10 km's	0.04460	21,811,262	972,782	0.00%
Tariff A1	> 10 km's	0.02230	2,265,979	50,531	0.00%
Tariff A1	Demand1 (<10)	182.8600	6,997	1,279,403	0.00%
Tariff A1	Demand 2 (>10)	91.4300	1,659	151,656	0.00%
Tariff A2	Fixed Charge	526.0400	86	45,239	5.72%
Tariff A2	First 5 TJ	4.8500	418,003	2,027,312	1.00%
Tariff A2	> 5 TJ's < 10 TJ's	4.6000	364,320	1,675,870	0.00%
Tariff A2	> 10 TJ's	1.2100	974,703	1,179,390	0.00%
Tariff B1	Fixed Charge	526.04	1,106	581,800	5.72%
Tariff B1	First 5 TJ	4.85	1,440,723	6,987,506	1.00%
Tariff B1	> 5 TJ's	4.6000	244,203	1,123,334	0.00%
Tariff B2	Fixed Charge	210.96	6,178	1,303,311	5.72%
Tariff B2	First 100 GJ's	5.3600	357,059	1,913,837	5.69%
Tariff B2	> 100 GJ's	4.8400	779,524	3,772,894	0.00%
Tariff B3	Fixed Charge	27.0500	555,588	15,028,655	5.72%
Tariff B3	First 15 GJ's	8.9900	6,024,186	54,157,435	5.72%
Tariff B3	> 15 GJ's < 45 GJ's	5.6900	3,228,551	18,370,454	0.00%
Tariff B3	>45 GJ's	3.8600	918,866	3,546,823	0.00%

116,072,575

Distribution Tariff Approval - AGN

PRICE CONTROL FORMULA

$$B_t = (\text{Sumof } P_t * Q_{t-2}) / (\text{Sumof } P_{t-1} * Q_{t-2})$$

Sumof $P_t * Q_{t-2}$	120,292,357
Sumof $P_{t-1} * Q_{t-2}$	116,072,575

Bt:	103.6355%
RHS:	103.6478%
Y	2.0000%
Tariff Component	105.7207% Tariff component % price increase limit per clause 6 Part B

Bt <= RHS: **Price Control - OK**

$$RHS = (\text{SepCPI}_{t-1} / \text{SepCPI}_{t-2}) (1-X) (1+R_t)$$

SepCPI _{t-1} :	166.50	September 2008
SepCPI _{t-2} :	158.60	4.981%
X _t :	2.240%	
R _t :	0.992%	

RHS: 103.6478%

$$R_t = \{1 + [\text{Drct-1} * (1+WACC)] / \text{Rev}_t\} / \{1 + [\text{Drct-2} * (1+WACC)] / \text{Rev}_{t-1}\} - 1$$

Drct _{t-1} :	1,790,344	
Rev _t :	\$ 111,918,823	2009
WACC:	6.78%	
Drct _{t-2} :	744,669	
Rev _{t-1} :	\$ 112,162,000	\$ 2,008
R _t :	0.992%	

$$\text{Drct}_{t-1} = ((\text{SepCPI}_{2004} / \text{SepCPI}_{t-1}) * \text{Arc}_{t-1}) - \text{Frc}_{t-1}$$

SepCPI ₂₀₀₄	145.40	
SepCPI _{t-1}	166.50	
Arc _{t-1}	\$ 2,906,701	
Frc _{t-1}	\$ 748,000	1.0171

$$\text{Drct}_{t-2} = ((\text{SepCPI}_{2004} / \text{SepCPI}_{t-2}) * \text{Arc}_{t-2}) - \text{Frc}_{t-2}$$

SepCPI ₂₀₀₄	145.40		
SepCPI _{t-2}	158.60		
Arc _{t-2}	\$ 1,623,816		
Frc _{t-2}	\$ 744,000	1.007089367	0.992%