

## APPLICATION SUMMARY

### 1. CORPORATE INFORMATION

#### 1.1 Identity

<b>Legal entity name</b>	Wesfarmers Kleenheat Gas Pty. Ltd.
<b>Trading name</b>	Kleenheat Gas
<b>ABN</b>	40 008 679 543

#### 1.2 Contact

The following contact is to be used for all correspondence relating to Kleenheat Gas' Gas Trading Licence.

<b>Address</b>	Wesfarmers Chemicals, Energy & Fertilisers Campus Drive (off Murdoch Drive) Murdoch WA 6150  PO Box 4184 Myaree Business Centre WA 6960
<b>Contact</b>	Mr David Andrews (08) 9312 9444 0439 521 776 dandrews@kleenheat.com.a

#### 1.3 Legal Identity

Kleenheat Gas is a private company.

For further information see Appendix A: Articles of Association and Appendix B: Certificate of Company Registration.

#### 1.4 Directors/Principals

The following is a list of all the Directors of Kleenheat Gas:

- Terence James Bowen
- Mark Brendon Gadsby
- Thomas Joseph Patrick O'Leary
- Richard James Barr Goyder
- Graham Smith

According to section 4(f) of the Wesfarmers Kleenheat Gas Constitution directors can hold office only if they have not been or would not be disqualified under the *Corporations Act 2001 (Cwlth)* from managing corporations. For further information see Appendix A: Articles of Association.

#### 1.5 Profile

Kleenheat Gas ("KHG") is a major distributor of gaseous fuels (liquefied petroleum gas ("LPG") and liquefied natural gas ("LNG")) and a market leader in providing gas supply and services to residential, commercial, industrial, rural and automotive markets in Australia. The KHG family includes:

- Kleenheat Gas House – retail gas appliances and supplies;
- Commercial – LPG gas supply for commercial and industrial uses;
- Kwik-Gas – LPG cylinder exchange program;
- AutoGas – automotive fuel source; and
- EVOL LNG – fuel source for heavy vehicles, industrial and remote power generation.

KHG is part of Wesfarmers Chemicals, Energy & Fertilisers (“WesCEF”), a division of Wesfarmers Limited (“Wesfarmers”) which has its origins dating back to 1914.

Listed on the Australian Stock Exchange in 1984, Wesfarmers is a major diversified industrial group and is acknowledged as one of Australia's most successful companies.

Business operations include:

- Coles division – Retail supermarkets
- Home Improvement and Office Supplies
- Resources
- Insurance
- Chemicals, Energy & Fertilisers
- Industrial and Safety

KHG was established in 1956 by the then Westralian Farmers Co-operative Limited following the establishment of a petroleum refinery at Kwinana in Western Australia. With a reliable source of LPG from the refinery, KHG pioneered the distribution of both gas and gas appliances to regional areas of WA.

The company's aim during its early years was to grow a market for LPG in a country then dominated by electricity and solid fuel. To accelerate this growth, KHG was a foundation member of the Australian Liquefied Petroleum Gas Association (“ALPGA”). KHG helped to formulate codes of practice for the industry and continues to participate in the evolution of these codes.

Today, KHG is a leader in the supply, distribution and application of LPG to growing markets in all mainland states of Australia through a comprehensive network of depots, company-operated branches, dealers and franchisees. The company services more than 14,080 bulk and 230,398 domestic customer installations. Business is conducted with the highest regard for the safety of KHG staff, customers and the community at large.

Kleenheat operate several reticulation systems throughout Australia. Supplying over 3,000 customers, these range in size from a small block of flats, or small shopping centre, to large subdivisions. Within WA, the two largest systems supply homes in Margaret River and Oyster Harbour (“Albany”). Presently, there are over 400 customers connected to these networks, and they are increasing in number as more homes are built and connected to the relevant distribution system.

KHG currently employees approximately 455 employees located around Australia.

## **1.6 Associated Entities**

KHG is an entity within the WesCEF division of Wesfarmers and relies on WesCEF and Wesfarmers for a number of support services, including human resources, finance, health and safety, information and technology systems, and legal advice. All other staff and resources are provided internally by KHG.

KHG is party to the Wesfarmers Deed of Cross Guarantee ("the Deed"). All subsidiaries party to the Deed are together referred to as the "Closed Group". The effect of the Deed is that each subsidiary party to the Deed has guaranteed to pay any deficiency in the event of the winding up of any of the entities in the Closed Group.

For further information please refer to the Deed of Cross Guarantee in the Wesfarmers Annual Report 2010 (Appendix C: Wesfarmers Annual Report FY2010, Section 33, Page 137).

## **2. FINANCIAL INFORMATION**

### **2.1 Current Financial Position**

For further information see Appendix C: Wesfarmers Annual Report FY2010.

No lenders financing is required for the application proposal.

### **2.2 Financial Projections**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## **2.3 Financial Policies**

### **2.3.1 Accounting policies**

KHG, as a subsidiary of Wesfarmers Limited, complies with the Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

For a summary of significant accounting policies relating Wesfarmers Limited financial policies and statements please refer to Appendix C: Wesfarmers Annual Report FY2010, Section 2, Page 73.

### **2.3.2 Internal control procedures**

KHG, as a subsidiary of Wesfarmers Limited, adopts a number of internal control procedures including but not limited to regular financial reporting, employee performance evaluation, risk management and the adoption of policies to protect the interests of the company, its shareholders, its employees and contractors such as the Group Whistleblower Policy and the Share Trading Policy.

### **2.3.3 Auditing policies**

KHG, as a subsidiary of Wesfarmers Limited, adopts both internal and external auditing policies. Internal policies and procedures are monitored by the Audit Committee. The company's external auditor is Ernst & Young.

For further information on internal and external auditing policies, please refer to Appendix C: Wesfarmers Annual Report FY2010

### **2.3.4 Pricing policies and procedures**

KHG undertakes bi-annual reviews of its supply price in relation to the following variable factors that impact the cost of gas:

- Saudi Aramco Contract Price ("Saudi CP") the international benchmark used to determine the cost of LPG expressed in US dollars.
- Foreign exchange rate (US:AUD)
- Consumer Price Index ("CPI") for Western Australia
- Market conditions
- Freight costs
- Other costs that are incurred

In the event that KHG alters its price as an outcome of this review it undertakes all requirements to ensure compliance with any applicable legislation.

### **2.3.5 Services and markets**



[REDACTED]

**3. TECHNICAL INFORMATION**

**3.1 Physical Environment**

The application is for a Gas Trading Licence and as such does not directly affect the physical environment. See below for a description of the utility supply infrastructure and associated physical environment indirectly affected by the application.

**3.2 Utility Supply**

**3.2.1 Infrastructure**

KHG reticulates LPG under the Gas Trading Licence via reticulation networks in Margaret River and Albany. KHG transports gas from its Kwinana depot to the bulk storage vessels located on site at each of these locations.

For further information see Appendix D: Maps of the KHG Margaret River and Albany Distribution Systems.

**3.2.2 Number of customers**

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

**3.2.3 Metering arrangements**

Kleenheat owns and operates the distribution network on which it retails LPG. As the licensed distributor, Kleenheat utilises company employed staff or authorised contractors to undertake meter readings on a bi-monthly basis.

For information relating to arrangements for dealing with metering complaints and queries, please refer to section 3.2.7 of this document.

**3.2.4 Forecast peak demand**

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

### 3.2.5 Ombudsman scheme

KHG is a member of the Energy Ombudsman Scheme for WA and intends to continue to be a member and be bound by any decisions of the Ombudsman.

For evidence of KHG's membership to the Energy Ombudsman Scheme for WA please refer to Appendix E: Energy Ombudsman Western Australia – List of Scheme Members

### 3.2.6 Compliance

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

### **3.3 Construction Activities**

Not applicable.

### **3.4 Technical Ability**

KHG has held a gas trading licence since 2001 and has 53 years of experience in retailing LPG in Australia.

The gas trading licence is for the purpose of selling gas through a distribution system and as such, activities under this licence do not extend to installation, operation or maintenance of any equipment related to the supply of gas.

KHG does, however, perform these services in relation to the networks it owns and operates as a licensed distributor.

#### **3.4.1 Other licences**

[REDACTED]

[REDACTED]

[REDACTED]

#### **3.4.2 Other entity staff and resources**

KHG relies on WesCEF and Wesfarmers for staff and resources to perform business support functions encompassing information and technology systems, finance, health and safety, human resources and legal.

### **3.5 Asset Management System**

Not applicable.

### **3.6 Other Licences**

[REDACTED]

## **4. PUBLIC INTEREST INFORMATION**

There are presently more than [REDACTED] customers connected to reticulated gas networks from which KHG supplies gas to Western Australian customers. This number is expected to grow as new homes are built and connected to the relevant distribution system.

Reticulated LPG provides a convenient source of gas in homes for heating, cooking and outdoor applications such as barbeques and patio heaters.

#### **4.1 Environmental Considerations**

LPG has lower greenhouse gas emissions (“GHGs”) than petrol, diesel, and electricity, on an energy-equivalent basis<sup>1</sup>.

#### **4.2 Social Welfare and Equity Considerations**

LPG is a cost competitive energy source for homes for the purpose of cooking, heating and running some outdoor appliances.

#### **4.3 Economic and Regional Development**

KHG supports regional Western Australia through various programs including its National Regional Care Services program in partnership with The Salvation Army. The program was launched nationwide on 16 October 2009 and each month KHG presents a cheque for goods or services to a regional Salvation Army centre to support the services they provide to their local community. The centres chosen for donation are those in need of assistance – those who have depleted stocks or a strain due to environmental causes such as fires, flooding, or struggling economic areas due to drought. Across regional Western Australia, Kleenheat has donated to The Salvation Army in Northam, Albany, Toodyay, Karratha, Kalgoorlie, Narrogin, Mandurah and Busselton along with many other towns in other states of Australia.

#### **4.4 Interest of Customers**

Reticulated gas is a convenient source of LPG that supplies from a single source bulk storage tank at an offsite location avoiding the need for individual cylinders located at each property.

Customers benefit from the convenience of not being required to arrange replacement cylinders and the aesthetic advantages of not requiring LPG storage on site. In addition reticulation customers pay for gas post consumption compared to a cylinder customer that is required to pay for gas prior to consumption.

KHG’s reticulated gas tariff for Western Australian customers is \$█ per cubic metre plus a daily supply charge of \$█ per day (inclusive of GST). This compares to cylinder gas cost of \$█ per cubic metre plus an annual cylinder facility fee of \$█ (inclusive of GST).<sup>2</sup>

KHG sets itself high customer service targets and is committed to conducting business activities in a way that ensures safe and healthy environment for employees, contractors, customers and the community. A management system is in place to achieve this objective which includes addressing all relevant aspects such as hazard identification, risk assessment, accident and injury prevention and health promotion. The OHS Management System meets the principles of AS/NZS 4801:2001 – Occupational Health and Safety Management Systems.

---

<sup>1</sup> Source: LPG Australia website [lpgaustalia.com.au](http://lpgaustalia.com.au)

<sup>2</sup> Prices current as at 30 June, 2011. Prices are inclusive of GST.

#### **4.5 Interest of Licensee**

KHG is a major distributor of LPG and a market leader in providing gas services to residential, commercial, industrial, rural and automotive markets in Australia. Trading of LPG in Western Australia supports the core KHG business of supplying LPG gas to the Australian market.

#### **4.6 Importance of Competition**

KHG operates in a competitive environment Australia wide and is respectful of the ERA's role in maintaining a competitive, efficient and fair commercial environment for the benefit of the Western Australian community.

#### **4.7 Government Policy Objectives**

KHG endeavours to conduct business in compliance with and in the spirit of the law.

KHG undertakes to comply with any legislation and conditions on its licence that supports the objectives of the ERA.

