

ERRATA

Severe Tropical Cyclone Larry Cost Pass Through

It has come to the Authority's attention that there is an error in the calculation of the revenue requirement included in the Authority's September 2008 Final Decision on Ergon Energy's cost pass-through application in relation to Severe Tropical Cyclone Larry.

There is no change to the amounts of capital and operating expenditure approved by the Authority, only their conversion to annual revenue requirements.

The following sections are corrections to those parts of the text in the Final Decision that refer to the revenue requirement in 2009-10.

PREAMBLE

Replace the second paragraph of the Preamble with:

The Authority's Final Decision on the application is to approve the pass through of \$7.9 million of operating expenditure and \$6.7 million of capital expenditure. This will allow Ergon Energy to raise an additional \$5 million of revenue in 2008-09 (already included in current prices) and a further \$8.4 million in 2009-10. Given that the Authority has already allowed Ergon Energy to raise some additional revenue in its 2007-08 prices in anticipation of this Final Decision, there should be only a marginal impact on prices.

6. REVENUE IMPACTS

Replace all of Section 6 with the attached revision.

7. FINAL DECISION

Replace the last paragraph of Section 7 with:

Based on the same parameters used in the 2005 Final Determination, the Authority has determined the total revenue impact of the cost pass through to be \$5.0 million in 2008-09 and \$8.4 million in 2009-10.

6. REVENUE IMPACTS

Based on the views discussed above, the Authority considers that only operating expenditure of \$7,849,285 and capital expenditure of \$6,661,334 in 2005-06 is eligible for pass through to customers.

The Authority has calculated the corresponding revenue requirement consistent with the approach used in its 2005 Final Determination. In doing so, depreciation has been calculated based on a straight line basis. However, as Ergon Energy was unable to provide any detailed information on assets, the Authority has calculated depreciation on using a weighted average of Ergon Energy's standard asset lives for assets disposed of following Cyclone Larry (37.6 years).

A return on new assets has been calculated using the Weighted Average Cost of Capital (WACC) of 8.50% included the 2005 Final Determination, applied to new Cyclone Larry related capital costs.

For the purpose of calculating the revenue requirement, all figures have been converted to nominal amounts using the same inflation rate of 2.76% used in the 2005 Final Determination.

Table 3 presents the breakdown of these component parts of the total revenue requirement resulting from Ergon Energy's Cyclone Larry cost-pass-through application as determined by the Authority.

Table 3: Cyclone Larry pass-through revenue (\$'000, nominal)

	2005-06	2006-07	2007-08	2008-09	2009-10	Total	NPV
Return on Capital	277	567	566	566	565	277	
Depreciation	90	185	190	195	200	90	
Operating Costs	7,849	0	0	0	0	7,849	
Inflationary Gain ^a	92	184	184	184	183	92	
Total	8,125	567	572	577	582	10,423	9,221

Note: Totals may not add due to rounding

^a Represents the returns received from the inflation on Ergon Energy's asset base.

As previously noted, the Authority allowed Ergon Energy to raise a provisional amount of \$5.0 million in its 2008-09 prices. Raising the remaining revenue requirement over the remaining year of the current regulatory period, while maintaining the overall net present value, requires an annual revenue increase of \$8.4 million in 2009-10 as detailed in **Table 4**.

Table 4: Ergon Energy revenue pass-through accepted by the Authority (\$'000, nominal)

	2005-06	2006-07	2007-08	2008-09	2009-10	Total	NPV
Cyclone Larry Revenue	0	0	0	5,000	8,441	13,441	9,221