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24 June 2010

Mr Russell Smith  
Chief Executive  
DBCT Management  
Level 15, 1 Eagle Street  
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Dear Mr Smith

**Final Approval**  
**DBCT: 2008-09 Non-Expansion Capital Expenditure DAAU**

The Authority today approved DBCT Management's proposal to amend its 2006 approved access undertaking. The Authority has accepted as prudent DBCT Management's \$11.1 million expenditure on non-expansion capital (NECAP) projects completed in the 2008-09 financial year. The amendments to the undertaking increase the regulated revenues and tariffs by around \$1.3 million per annum and \$0.016/tonne respectively.

**Background**

The DBCT 2006 access undertaking provides for the regulatory asset base to be increased on the basis of prudently incurred capital expenditure on works required to satisfy statutory requirements (e.g. environmental or occupational, health and safety regulations) or that are beyond the scope of the terminal operator's (DBCT Pty Ltd's) obligations.

On 20 May 2010, DBCT Management submitted a draft amending access undertaking (DAAU) seeking to adjust the Annual Revenue Requirement (ARR), revenue cap and reference tariff for the Dalrymple Bay Coal Terminal, based on expenditure of \$11.1 million on non-expansion capital (NECAP) projects completed in the 2008-09 financial year.

The Authority published the DAAU and requested stakeholders to lodge submissions by 16 June 2010. The Authority did not receive any submissions in response to that request.

The Authority has considered the DAAU on the basis of its assessment of DBCT Management's submission and a report prepared by the Authority's technical adviser, Flagstaff Consulting.

On the basis of this review, the Authority accepts that DBCT Management's 2008-09 NECAP expenditure was prudently incurred and is appropriate for inclusion in the regulatory asset base. Factors relevant to this conclusion are that:

- (a) DBCT Pty Ltd requested the NECAP projects be undertaken and this request was supported by the terminal users;
- (b) the works were necessary to ensure the terminal's efficient operation;

- (c) DBCT Management established, and complied with, robust procedures for managing NECAP projects which clearly outlined the approvals required for implementing the relevant works – in particular, to ensure that NECAP expenditure is not double counted as either maintenance works or as 7x expansion expenditure;
- (d) DBCT Pty Ltd approved the standard of the works to ensure they were consistent with the terminal's regulations and the Port Services Agreement and design and operability studies were jointly undertaken between DBCT Pty Ltd and DBCT Management; and
- (e) the costs of the NECAP works were appropriate. In this regard, the Authority notes that the budgets for the various NECAP projects were appropriate, given the identified risks and nature of the works, and there were no budget over-runs. Also, the tendered rates achieved for the NECAP projects were consistent with similar rates achieved for the stage 7x expansion works.

The Authority also reviewed DBCT Management's modelling for this expenditure and accepts that it has been correctly translated into an adjustment to the ARR, revenue cap and reference tariff. Given these factors, the Authority approved an increase in the:

- (a) ARR and Revenue Cap by \$1.343 million, from \$210.219 million to \$211.562 million, for the 2009-10 financial year;
- (b) Reference Tariff by \$0.016/tonne, from \$2.4931/tonne to \$2.5090/tonne, for the 2009-10 financial year;
- (c) ARR and Revenue Cap by \$1.343 million, from \$212.582 million to \$213.925 million, for the 2010-11 financial year; and
- (d) Reference Tariff by \$0.016/tonne, from \$2.5063/tonne to \$2.5221/tonne, for the 2010-11 financial year.

As DBCT Management's DAAU proposes to include the NECAP expenditure into the regulatory asset base as at 1 July 2009, the Authority accepts that there will also be a one-off adjustment to the invoicing of terminal users. It is noted that DBCT Management will finalise the one-off adjustment in consultation with the Authority.

The Authority has moved directly to a final decision on this matter, without first publishing a draft decision, on the basis that DBCT Management's claimed expenditure was prudent and was accurately translated into increases in the regulated revenues and tariffs and that stakeholders did not object to the DAAU.

Please contact Paul Bilyk (07 3222 0506) if you would like to discuss any of the above matters.

Yours sincerely



EJ Hall  
Chief Executive