



22 October 2010

Mr John Hall
Chief Executive
Queensland Competition Authority

Dear John,

**Re: Dalrymple Bay Coal Terminal – Draft Access Undertaking
WACC Rate Determination**

In its final decision on DBCT's 2010 DAU approved on 23 September 2010, the Authority noted that:

Tariffs and revenues included in the 2010 DAU were developed on the basis of an indicative weighted average cost of capital (WACC) that was estimated on the basis of market data known at the time the submission was prepared. The Authority has agreed with DBCT Management that the time-variant elements of its WACC calculation can be re-estimated based on market data for the second half of 2010.

In accordance with this agreement, and after further consultation with the Authority, DBCTM has re-estimated the WACC on the basis of an agreed averaging period comprising the first 20 business days of September 2010. In comparison to the WACC of 10.31% indicated in the 2010 DAU, DBCTM has calculated a WACC of 9.86% over the sampling period. This reflects a risk-free rate of 5.08% and debt margin of 3.96% to apply from 1 January 2011.

This results in a TIC of \$2.77 from 1 January 2011 and ARR/Revenue Cap of \$117.4M for the second half of financial year 2010-11, including all approved additions to the RAB to date. Note that DBCTM intends to submit further DAAUs relating to capital expenditure in the current regulatory period, which will change the revenue and TIC applying from 1 January 2011.

DBCTM hereby requests the Authority's acceptance of a risk-free rate of 5.08% and debt margin of 3.96% to apply from 1 January 2011 be approved, leading to the WACC rate of 9.86% to apply to terminal assets for the term of the 2010 undertaking.

Full details of the basis of the WACC calculations, as well as a revised revenue model, have been previously supplied to the Authority in support of this request.

Please contact me if any queries on this matter.

Yours sincerely
DBCT Management



Anthony Timbrell
Chief Executive Officer