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REGULATORY ACCOUNTS **FOR THE YEAR ENDED 30 JUNE 2006**

Under clause 4(a) of the Northern Territory Electricity Ring Fencing Code (“the Code”), the Power and Water Corporation (“Power and Water”) is obliged to establish and maintain a separate set of financial accounts and reports in respect of each of its prescribed businesses and its electricity business as a whole (“Regulatory Accounts”). In establishing these Regulatory Accounts, Power and Water must observe the requirements of Schedule 2 of the Code, and in particular the approved Accounting and Cost Allocation Procedures.

The Procedures establish the annual reporting of Regulatory Accounts to the Commission and provide for the public disclosure of a selection of these accounts, namely pro formas A1, A2, A3, and A4 referred to in those Procedures. These publicly available extracts relate to Power and Water’s prescribed businesses that benefit from an ongoing statutory monopoly. Those parts of the Regulatory Accounts that are not to be published involve commercially sensitive information which the Commission examines but does not disclose.

In extending its approval of the Accounting and Cost Allocation Procedures in April 2006, the Commission added the requirement that the Regulatory Accounts to be prepared for the Commission for the 2005-06 year and beyond must include, for comparative purposes, the equivalent financial data for all years commencing with the 2004-05 year along with supporting explanations of any significant year-on-year changes at the item level.

The Regulatory Accounts for the 2005-06 year have been submitted by Power and Water and the publicly available extracts are attached. The Commission confirms that the accounts provided satisfy the requirements of the Code and Accounting and Cost Allocation Procedures in so far as they relate to the preparation and disclosure of financial accounts for ring-fencing purposes.

The Commission’s acceptance of these accounts does not imply that they are suitable for direct application for price regulation purposes.

The explanatory notes added by the Commission under the “Commission’s Notes” heading do not form part of the Regulatory Accounts, and are provided to assist in the interpretation of the published accounts.

Alan Tregilgas
Utilities Commissioner
(for the Utilities Commission)
28 March 2007

Power Networks – Statement of Financial Performance
For the period ended 30 June 2006

<i>Item</i>	2005-06 <i>(\$000s)</i>	2004-05 <i>(\$000s)</i>	<i>Commission's notes</i>
Income			
Sales of goods and services ¹	90,555	97,977	(a)
Community service obligations	-	-	
Customer contributions	8,939	9,741	
Net gain on disposal of plant, property and equipment	65	65	
Interest and investment income	-	-	
Other	587	275	
Total	100,146	108,058	
Expenses			
Operating costs ²	35,055	29,550	(b)
Maintenance costs	5,375	6,206	
Depreciation ³	17,991	21,575	
Other	8,142	9,639	
Total	66,563	66,970	
Earnings before interest and tax	33,583	41,088	

Power and Water's Notes

¹ Sales of goods and services for Regulated Networks decreased primarily due to a decrease in regulated network tariffs following the Networks Off-ramp Decision by the Utilities Commission which took effect from 1 July 2005.

² Operating costs for Regulated Networks increased due to a range of factors including increased headcount and associated costs, rising fuel costs combined with higher vehicle utilization arising from a larger workforce and property and maintenance costs associated with the relocation to and management of temporary demountable facilities at the Ben Hammond Complex.

³ The period's depreciation charge is the result of setting the initial regulatory asset value at \$350million excluding gifted assets as at 1 July 2002 (Off-ramp Decision, March 2005).

Commission's Notes

(a) Sales of goods and services are comprised of regulated network revenue under the price cap of \$80.11m and an 'other' amount of \$10.45m reflecting an accounting entry associated with works in progress.

(b) The "other" item comprises common operating costs allocated to Networks. The separate "operating cost" component incorporates only those operating costs directly attributable to Networks.

Power System Control – Statement of Financial Performance
For the period ended 30 June 2006

<i>Item</i>	<i>2005-06 (\$000s)</i>	<i>2004-05 (\$000s)</i>	<i>Commission's notes</i>
Income			
Sales of goods and services	1,823	1,740	
Community service obligations	-	-	
Customer contributions	-	-	
Net gain on disposal of plant, property and equipment	-	2	
Interest and investment income	-	-	
Other	-	2	
Total	1,823	1,411	
Expenses			
Operating costs	2,378	1,840	
Maintenance costs	-	4	
Depreciation ¹	1	45	
Other	31	336	
Total	2,410	2,225	
Earnings before interest and tax	(587)	(481)	

Power and Water's Notes

¹ The period's depreciation charge on a book basis as a DORC basis is not available.

Power Networks – Statement of Capital Employed
For the period ended 30 June 2006

<i>Item</i>	<i>2005-06 (\$000s)</i>	<i>2004-05 (\$000s)</i>	<i>Commission's notes</i>
Plant, property and equipment ¹	376,200	430,598	(a)
Working capital ²	4,326	3,826	
<i>Total capital employed</i>	<i>380,526</i>	<i>434,424</i>	

Power and Water's Notes

¹ Plant, Property and Equipment for 2005-06 is the result of setting the initial regulatory asset value at \$350million excluding gifted assets as at 1 July 2002 (Off-ramp Decision, March 2005). The figure reported for 2004-05 was valued according to a rollforward of the December 2004 desktop exercise. (The Off-ramp Decision equivalent is 360,963)

² Working capital has been calculated using the following formula:

$$WC = (C - D) / 365 * O + M$$

Where:

C= number of days revenue is received with a lag; and

D= number of days opex is incurred after an activity has been performed (a lead).

Commission's Notes

(a) *The Commission developed a modified methodology for measuring working capital as part of its 2004 Reset Determination. This change took effect in the 2003-04 regulatory accounts.*

Power System Control – Statement of Capital Employed
For the period ended 30 June 2006

<i>Item</i>	<i>2005-06 (\$000s)</i>	<i>2004-05 (\$000s)</i>	<i>Commission's notes</i>
Plant, property and equipment ¹	852	660	(a)
Working capital ²	254	197	
<i>Total capital employed</i>	<i>1,106</i>	<i>857</i>	

Power and Water's Notes

¹ The period's balance is carried forward on a book value basis.

² Working capital has been calculated using the following formula:

$$WC = (C - D) / 365 * O + M$$

Where:

C= number of days revenue is received with a lag; and

D= number of days opex is incurred after an activity has been performed (a lead).

Commission's Notes

(a) *The Commission developed a modified methodology for measuring working capital as part of its 2004 Reset Determination. This change took effect in the 2003-04 regulatory accounts.*