

REGULATORY ACCOUNTS **FOR THE YEAR ENDED 30 JUNE 2007**

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 Those parts of the Regulatory Accounts that are not to be published involve commercially sensitive information which the Commission examines but does not disclose.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 2006-07 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)
30 January 2008

Power Networks – Statement of Financial Performance

For the period ended 30 June 2007

<i>Item</i>	<i>2006-07 (\$000s)</i>	<i>2005-06 (\$000s)</i>	<i>Commission's notes</i>
Income			(a)
Sales of goods and services ¹	84,360	89,458	
Community service obligations	-	-	
Customer contributions ²	15,025	8,939	
Net gain on disposal of plant, property and equipment	(118)	65	
Interest and investment income	-	-	
Other	561	587	
Total	99,828	99,049	(b)
Expenses			
Operating costs ³	39,176	35,055	
Maintenance costs ⁴	7,894	5,375	
Depreciation ⁵	19,520	17,991	
Other	8,335	7,813	
Total	74,925	66,234	
Earnings before interest and tax	24,903	32,815	

Power and Water's Notes

¹ The 'Sales of Goods and Services' income as at 30 June 2006 has been restated as the Regulated Network Revenue for 2005-06 was overstated by \$1.097 million.

² Customer contributions increased by 68% in 2006-07 reflective of the building boom in Darwin driving many new electricity connections.

³ Operating costs for Regulated Networks increased by 12% in 2006-07 primarily due to costs being properly allocated to Power networks for redundancies, NT Build portable superannuation and professional fees associated with asset valuation and verification project, Statement of Corporate Intent, strategic planning and financial and regulatory advice. Costs associated with apprentices also increased. While the number of apprentices remained constant, costs have increased due to an increase in actual hours worked.

⁴ Maintenance costs for Regulated Networks increased by 47% in 2006-07 due to an increase in vegetation maintenance in Darwin, Katherine and Alice Springs. Future benefits are expected from this expenditure such as improved reliability due to less power outages arising from trees falling on power lines and hence less callouts. Cyclic maintenance to distribution equipment in Katherine was also a major contributor due to damage caused during the last wet season.

⁵ 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 \$72.12m and an 'other' amount of \$12.24m 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 2007

<i>Item</i>	<i>2006-07 (\$000s)</i>	<i>2005-06 (\$000s)</i>	<i>Commission's notes</i>
Income			
Sales of goods and services ¹	1,831	1,702	
Community service obligations	-	-	
Customer contributions	-	-	
Net gain on disposal of plant, property and equipment	-	-	
Interest and investment income	-	-	
Other	-	-	
Total	1,831	1,702	
Expenses			
Operating costs	2,482	2,378	
Maintenance costs	-	-	
Depreciation ²	-	1	
Other	62	31	
Total	2,544	2,410	
Earnings before interest and tax	(713)	(708)	

Power and Water's Notes

¹ The 'Sales of Goods and Services' income as at 30 June 2006 has been restated as the Regulated System Control Revenue for 2005-06 was overstated by \$121,000.

² 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 2007

<i>Item</i>	<i>2006-07 (\$000s)</i>	<i>2005-06 (\$000s)</i>	<i>Commission's notes</i>
Plant, property and equipment ¹ Working capital ²	389,162 5,036	376,200 4,326	(a)
Total capital employed	394,198	380,526	

Power and Water's Notes

¹ Plant, Property and Equipment for 2005-06 is valued according to a roll-forward of the initial regulatory asset value of Power and Water's regulated network assets, as decided by the Utilities Commission in its 2004 Regulatory Reset Asset Valuation Off-ramp Review ie. \$350million excluding gifted assets as at 1 July 2002.

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 2007

<i>Item</i>	<i>2006-07 (\$000s)</i>	<i>2005-06 (\$000s)</i>	<i>Commission's notes</i>
Plant, property and equipment ^{1,3}	479	427	(a)
Working capital ²	266	254	
<i>Total capital employed</i>	<i>745</i>	<i>681</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).

³ Property, Plant and Equipment has changes as at 30 June 2006 as the basis for allocating shared assets has been changed to align with the corporate overhead allocations.

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.*