

Schedule A: Revenue Requirement

This schedule sets out the service provider's revenue requirement determined by the access arrangement. The parameters that underpin the revenue requirement are also provided.

1.1.1 Initial Capital Base

The initial capital base value at 1 January 2001 is set at \$360.4 million.

1.1.2 Depreciation of Capital

Net changes to the value of the asset base from year to year over the access arrangement period are shown in table 1.

Table 1: Commission's capital base roll-forward (\$million)

<i>As at 1 January</i>	2001	2002	2003	2004	2005
Opening Asset Value	360.4	358.0	356.4	354.7	352.0
Nominal Depreciation ^(a)	3.5	3.9	3.2	3.5	3.9
Normalisation factor (extra depreciation)	1.4	1.5	1.6	1.8	2.0
Capital expenditure	2.6	3.8	3.2	2.6	2.6
Asset value carried forward	358.0	356.4	354.7	352.0	348.8
Return on capital @ 9.10 per cent ^(b)	32.8	32.6	32.4	32.3	32.0

Notes:

- (a) Nominal book depreciation combines the nominal straight-line depreciation charge and the inflation adjustment to the capital base in each year.
- (b) Nominal vanilla WACC calculated by the Commission.

1.1.3 Rate of Return

The WACC parameters are set out in Table 2.

Table 2: WACC parameters

CAPM parameter	Value
Real risk-free rate (rr_f) (per cent)	3.32
Expected inflation rate (f) (per cent)	2.21
Nominal risk-free rate (r_f) (per cent)	5.61
Cost of debt margin (DM) (per cent)	1.20
Cost of debt (r_d) (per cent)	6.81
Real cost of debt (rr_d) (per cent)	4.50
Market risk premium ($r_m - r_f$) (per cent)	6.0
Debt funding (D/V) (per cent)	60
Usage of imputation credits (γ) (per cent)	50
Corporate tax rate (T) (per cent) ^(a)	30
Asset beta (β_a)	0.50
Debt beta (β_d)	0.06
Equity beta (β_e) ^(b)	1.16

Note:

- (a) The corporate tax rate of 30 per cent is an input to the Commission's cash-flow analysis. The analysis indicates that the effective tax rate is 11.3 per cent.
- (b) The Commission uses the Monkhouse formula as follows:

$$\beta_e = \beta_a + (\beta_a - \beta_d)(1 - r_d / (1 + r_d) T_e) \cdot D/E.$$

This formula assumes an active debt policy aimed at maintaining a specific gearing ratio.

Table 3 shows the WACC figures derived from the parameters.

Table 3: WACC estimates based on parameters in Table 2.

Nominal cost of equity $r_e = r_f + \beta_e (r_m - r_f)$	12.55
Nominal pre-tax cost of debt (r_d)	6.81
Nominal vanilla WACC $W_n = r_e \cdot E/V + r_d \cdot D/V$	9.10
Post-tax nominal WACC $W = r_e [(1 - T_e)/(1 - T_e(1 - \gamma))] \cdot E/V + r_d(1 - T) \cdot D/V$	7.58
Post-tax real WACC $W_r = (1 + W)/(1 + f) - 1$	5.25
Pre-tax nominal WACC $W_t = r_e / (1 - T_e(1 - \gamma)) \cdot E/V + r_d \cdot D/V$	9.41
Pre-tax real WACC (W_{tr})	7.14 ^(a)
Pre-tax nominal WACC (W_{trci}) $W_{trci} = (1 + W_{tr}) \cdot (1 + f) - 1$	9.50 ^(a)
Implied tax wedge $= W_{trci} - W_n$	0.40

(a) Based on Commission's cash-flow analysis.

1.1.4 Non-Capital Costs

Epic's forecasted operating costs for the period 1999-2003 are provided in Table 4. For cash-flow modelling purposes, the Commission has established figures for 2004 and 2005 by CPI indexation of 2003 figures.

Table 4: Total operating costs, 1999-2003

Year ending 31 December (\$ '000)	1999	2000	2001	2002	2003
Salaries and wages	6386	6642	6908	7183	7471
Other employee costs	607	623	638	654	670
Consultants	695	712	730	748	767
Operations & maintenance	4465	4878	5158	4668	4867
Administration expenses	377	387	396	406	417
Utilities	676	693	711	728	747
Inter-company expenses	2848	2049	1981	1898	1888
Employee incentive scheme	480	499	519	540	562
<i>Less</i>					
Capitalised overhead	378	387	397	407	417
Non-jurisdictional costs	1185	1230	1277	1325	1376
Total operating costs	14,972	14,866	15,368	15,094	15,596

Source: Access arrangement information, p. 18

1.1.5 Forecast Revenues

Epic's total cost-of-service revenue requirement for the access arrangement period is set in Table 5.

Table 5: Forecast revenue, Commission *Final Approval*, 2001 to 2005

	Forecast revenue (\$m nominal)	
Year ending 31 December	COS revenue <i>ACCC Final Decision</i>	COS revenue <i>ACCC Final Approval</i>
Peak Capacity	418 TJ per day	418 TJ per day
2001	25.2 ^(a)	25.65 ^(a)
2002	51.4	52.4
2003	52.5	53.5
2004	53.6	54.6
2005	54.7	55.8

Notes:

(a) Forecast for 2001 refers to the period 1 July 2001 to 31 December 2001 only.

Schedule B: Tariff Schedule

This schedule is the 'Tariff Schedule' referred to in clause 43.1.

1. Reference Service - FT Service

Charge/Charge Rate	Amount	Payable
Capacity Charge	MDQ (in GJ/day) x 365 x Capacity Charge Rate	In 12 equal Monthly instalments.
Capacity Charge Rate	\$0.3348 per GJ	N/A.
Whyalla Lateral Surcharge	\$0.2118 per GJ	If applicable, in addition to the Capacity Charge Rate.
FT Commodity Charge Rate	\$0.0704 per GJ	Monthly for each GJ of Gas delivered to User during that Month.
FT Customer Charge	\$100 per Month	Monthly.
Excess Imbalance Charge Rate	\$0.30 per GJ	See clauses 12.3(b) and 19.3.
Zone Variation Charge Rate	\$0.30 per GJ	See clause 19.7.
Default Charge Rate	\$7.50 per GJ	See clauses 24.4 and 25.5.

2. Rebtable Service - IT Service

Charge/Charge Rate	Amount	Payable
IT Commodity Charge Rate	\$0.4660 per GJ	Monthly for each GJ of Gas delivered to User during that Month.
IT Customer Charge	\$50 per Month	Monthly.
Excess Imbalance Charge Rate	\$0.30 per GJ	See clauses 12.3(b) and 19.3.
Default Charge Rate	\$7.50 per GJ	See clauses 24.4 and 25.5

3. Other Charges

Charge	Amount	Payable
Application Fee – FT Service	\$5,000	On application for FT Service.
Application Fee – IT Service	\$5,000	On application for IT Service.
Application Fee – Non-Specified Service	\$5,000	On application for a Non-Specified Service
EBB User Charge	\$25	See clause 27.2(b)(ii).
EBB Public Data Charge	\$0.10 per A4 page	See clause 27.4(c)(i).
EBB Proprietary Data Charge	\$0.10 per A4 page	See clause 27.4(c)(ii).