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## **REGULATORY ACCOUNTS** **FOR THE YEAR ENDED 30 JUNE 2008**

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 Those parts of the Regulatory Accounts that are not to be published involve commercially sensitive information which the Commission examines but does not disclose.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 2007-08 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 January 2009

**Power Networks – Statement of Financial Performance**  
**For the period ended 30 June 2008**

<i>Item</i>	<b>2007-08</b> <i>(\$000s)</i>	<b>2006-07</b> <i>(\$000s)</i>	<i>Commission's notes</i>
<b>Income</b>			
Sales of goods and services	87,335	84,360	<b>(a)</b>
Community service obligations	-	-	
Customer contributions <sup>1</sup>	13,150	15,025	
Net gain on disposal of plant, property and equipment	(70)	(118)	
Interest and investment income	747	-	
Other	2,285	561	
<b>Total</b>	<b>103,447</b>	<b>99,828</b>	
<b>Expenses</b>			
Operating costs <sup>2</sup>	38,430	39,176	<b>(b)</b>
Maintenance costs	10,462	7,894	
Depreciation <sup>3</sup>	14,168	19,520	
Other	10,396	8,335	
<b>Total</b>	<b>73,456</b>	<b>74,925</b>	
<b>Earnings before interest and tax</b>	<b>29,991</b>	<b>24,903</b>	

**Power and Water's Notes**

<sup>1</sup> Customer contributions collected by Regulated Networks decreased by 12.5% in 2007-08 largely due to a reclassification of Recoverable Works revenue (\$1.3million) to 'Other' income.

<sup>2</sup> Maintenance costs for Regulated Networks increased by 32.5% in 2007-08 largely due to an increase in the works program and higher contractor and material costs. The strong NT economy has caused pressure on contractor rates, while the boom in commodity prices has impacted on material costs. The restoration of services in the wake of Cyclone Helen also contributed to the increase in costs over the previous year.

<sup>3</sup> Depreciation for Regulated Networks decreased by 27.4% due to the adoption of new asset lives following the asset valuation and verification exercise undertaken by SKM.

**Commission's Notes**

**(a)** Sales of goods and services are comprised of regulated network revenue under the price cap of \$77.46m and an 'other' amount of \$9.88m 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 2008**

<i>Item</i>	<i>2007-08 (\$000s)</i>	<i>2006-07 (\$000s)</i>	<i>Commission's notes</i>
<b>Income</b>			
Sales of goods and services	1,580	1,831	
Community service obligations	-	-	
Customer contributions	-	-	
Net gain on disposal of plant, property and equipment	-	-	
Interest and investment income	64	-	
Other	-	-	
<b>Total</b>	<b>1,644</b>	<b>1,831</b>	
<b>Expenses</b>			
Operating costs	2,220	2,482	
Maintenance costs	-	-	
Depreciation <sup>1</sup>	-	-	
Other	2	62	
<b>Total</b>	<b>2,222</b>	<b>2,544</b>	
<b>Earnings before interest and tax</b>	<b>(578)</b>	<b>(713)</b>	

**Power and Water's Notes**

<sup>1</sup> 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 2008**

<i>Item</i>	<i>2006-07 (\$000s)</i>	<i>2006-07 (\$000s)</i>	<i>Commission's notes</i>
Plant, property and equipment <sup>1</sup>	405,183	389,162	<b>(a)</b>
Working capital <sup>2</sup>	5,231	5,036	
<b><i>Total capital employed</i></b>	<b><i>410,414</i></b>	<b><i>394,198</i></b>	

**Power and Water's Notes**

<sup>1</sup> Plant, Property and Equipment for 2007-08 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.

<sup>2</sup> 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).

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**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 2008**

<i>Item</i>	<i>2006-07 (\$000s)</i>	<i>2006-07 (\$000s)</i>	<i>Commission's notes</i>
Plant, property and equipment <sup>1,3</sup>	756	479	<b>(a)</b>
Working capital <sup>2</sup>	238	266	
<b><i>Total capital employed</i></b>	<b>994</b>	<b>745</b>	

**Power and Water's Notes**

<sup>1</sup> The period's balance is carried forward on a book value basis.

<sup>2</sup> 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).

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

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**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.*