

Attachment 9-5: Credit Ratings Implied by Previous Regulatory Decisions

The credit metrics calculations have been verified by Ernst & Young. To the extent that any of the regulatory decisions below include efficiency carryover in the total revenue then the credit metrics will overstate the underlying long-term credit profile of the business.

JEMENA - FINAL DECISION (JUNE 2010)		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Revenue (\$m real 09-10)	Table 10.3		375.2	397.6	420.1	431.0	447.7
O&M (\$m real 09-10)			133.6	134.2	145.9	144.5	147.6
Corporate Taxation Allowance (\$m real 09-10)			5.0	6.7	7.8	9.0	10.2
Value of Imputation Credits (□)			0.65	0.65	0.65	0.65	0.65
Tax Payable (\$m real 09-10)			14.3	19.1	22.3	25.7	29.1
Inflation forecasts	Table 5.11		3.00%	3.00%	2.50%	2.50%	2.50%
Inflation Index (\$real 09-10 to nominal)		1.00	1.0300	1.0600	1.0850	1.1100	1.1350
Return to Equity	Table 5.13		11.05%	11.05%	11.05%	11.05%	11.05%
Nominal Vanilla WACC			9.69%	9.69%	9.69%	9.69%	9.69%
Equity Beta			0.80	0.80	0.80	0.80	0.80
Market Risk Premium			6.50%	6.50%	6.50%	6.50%	6.50%
Gearing			60%	60%	60%	60%	60%
Risk Free Rate			5.85%	5.85%	5.85%	5.85%	5.85%
Debt Margin			2.93%	2.93%	2.93%	2.93%	2.93%
Cost of Debt (nominal)			8.78%	8.78%	8.78%	8.78%	8.78%
Closing RAB (\$m nominal)	Table 3.19	2,307.4	2,444.2	2,563.4	2,669.8	2,797.9	2,936.9
AVERAGE RAB (\$m nominal)			2,375.8	2,503.8	2,616.6	2,733.9	2,867.4
Debt component of RAB (\$m nominal)	Table 5.13		1,425.5	1,502.3	1,570.0	1,640.3	1,720.4
Interest Costs (\$m nominal)			125.2	131.9	137.8	144.0	151.1
FFO (\$m nominal)			109.0	127.0	135.5	145.5	156.5
FFO + Interest (\$m nominal)			234.1	258.9	273.3	289.5	307.5
FFO/Interest			1.9	2.0	2.0	2.0	2.0
FFO/Debt			8%	8%	9%	9%	9%

Source data: AER, Final Decision, Jemena Gas Networks Access Arrangement proposal for the NSW gas networks, June 2010.

ACTEWAGL - FINAL DECISION (MARCH 2010)		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Revenue (smoothed \$m nominal)	Table 10.3		51.4	55.2	59.8	65.0	70.7
O&M (\$m nominal)			21.2	23.8	24.9	25.3	26.2
Corporate Taxation Allowance (\$m nominal)			0.8	1.0	1.1	1.2	1.2
Value of Imputation Credits (□)			0.65	0.65	0.65	0.65	0.65
Tax Payable (\$m nominal)			2.3	2.9	3.1	3.4	3.4
Inflation forecasts	Table 5.10		2.50%	2.75%	2.50%	2.50%	2.50%
Inflation Index (\$real 09-10 to nominal)		1.00	1.0250	1.0525	1.0775	1.1025	1.1275
Return to Equity	Table 5.9		10.83%	10.83%	10.83%	10.83%	10.83%
Nominal Vanilla WACC			9.72%	9.72%	9.72%	9.72%	9.72%
Equity Beta			0.80	0.80	0.80	0.80	0.80
Market Risk Premium			6.50%	6.50%	6.50%	6.50%	6.50%
Gearing			60%	60%	60%	60%	60%
Risk Free Rate			5.63%	5.63%	5.63%	5.63%	5.63%
Debt Margin			3.35%	3.35%	3.35%	3.35%	3.35%
Cost of Debt (nominal)			8.98%	8.98%	8.98%	8.98%	8.98%
Closing RAB (\$m real 09-10)	Table 3.12	278.1	295.7	311.0	311.7	310.6	310.1
Closing RAB (\$m nominal)		278.1	303.1	327.3	335.9	342.4	349.6
AVERAGE RAB (\$m nominal)			290.6	315.2	331.6	339.1	346.0
Debt component of RAB (\$m nominal)			174.4	189.1	199.0	203.5	207.6
Interest Costs (\$m nominal)			15.7	17.0	17.9	18.3	18.6
FFO (\$m nominal)			12.3	11.6	13.9	18.0	22.4
FFO + Interest (\$m nominal)			27.9	28.5	31.8	36.3	41.1
FFO/Interest			1.8	1.7	1.8	2.0	2.2
FFO/Debt			7%	6%	7%	9%	11%

Source data: AER, Final decision, Access arrangement proposal, ACT, Queanbeyan and Palerang gas distribution Network, 1 July 2010–30 June 2015, March 2010.

WAGGA WAGGA - FINAL DECISION (MARCH 2010)		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Revenue (smoothed \$m nominal)	Table 8.2		9.3	9.9	10.5	11.2	11.9
O&M (\$m nominal)			2.9	3.0	3.1	3.2	3.3
Corporate Taxation Allowance (\$m nominal)			0.2	0.2	0.2	0.2	0.2
Value of Imputation Credits ()			0.65	0.65	0.65	0.65	0.65
Tax Payable (\$m nominal)			0.5	0.5	0.5	0.5	0.6
Inflation forecasts			2.50%	2.75%	2.50%	2.50%	2.50%
Inflation Index (\$real 09-10 to nominal)		1.00	1.0250	1.0525	1.0775	1.1025	1.1275
Return to Equity	Table 3		10.82%	10.82%	10.82%	10.82%	10.82%
Nominal Vanilla WACC			9.72%	9.72%	9.72%	9.72%	9.72%
Equity Beta			0.80	0.80	0.80	0.80	0.80
Market Risk Premium			6.50%	6.50%	6.50%	6.50%	6.50%
Gearing			60%	60%	60%	60%	60%
Risk Free Rate			5.62%	5.62%	5.62%	5.62%	5.62%
Debt Margin			3.36%	3.36%	3.36%	3.36%	3.36%
Cost of Debt (nominal)			8.98%	8.98%	8.98%	8.98%	8.98%
Closing RAB (\$m nominal)	Table 3.17	59.6	63.2	67.2	71.2	74.8	78.2
AVERAGE RAB (\$m nominal)			61.4	65.2	69.2	73.0	76.5
Debt component of RAB (\$m nominal)			36.8	39.1	41.5	43.8	45.9
Interest Costs (\$m nominal)			3.3	3.5	3.7	3.9	4.1
FFO (\$m nominal)			2.6	3.0	3.2	3.5	3.9
FFO + Interest (\$m nominal)			5.9	6.5	7.0	7.5	8.0
FFO/Interest			1.8	1.8	1.9	1.9	1.9
FFO/Debt			7%	8%	8%	8%	8%

Source data: AER, Final decision, Access arrangement proposal, Wagga Wagga natural gas distribution network, 1 July 2010–30 June 2015, March 2010.