Wilson Cook & Co

Engineering and Management Consultants
Advisers and Valuers

Reply to: Auckland Office
Our ref: 1117
Email: jeffrey.wilson@wilsoncook.co.nz

25 January, 2012

Mr Sajjad Minhas
Assistant Director, Network Regulation
Australian Energy Regulator
Level 20, 175 Pitt Street
SYDNEY NSW 2000

Dear Mr Minhas,

RE: REVIEW OF EXPENDITURE FORECASTS FOR ROMA-BRISBANE GAS PIPELINE ACCESS ARRANGEMENT FOR FYS 2013-2017

In response to your instructions of 5 October 2011, we carried out a preliminary assessment of the capital and operating expenditure forecasts for the Roma-Brisbane gas pipeline access arrangement for FYs 2013-2017, submitted to the AER by the business in the period October 2011 to January 2012, and have pleasure in submitting our report.

This assessment is brief, being limited to a preliminary review to help identify possible areas for further inquiry for the AER in relation to the expenditure referred to above.

In addition, it expresses our findings solely at the date written above and does not reflect any further information that may become available to us after that date.

Our findings (as expressed in this letter) are to be read with these factors in mind, are preliminary in nature, are not necessarily complete and are qualified for these reasons.

1 Operating Expenditure

1.1 Present Period

Total operating expenditure in the present period is forecast to be 13% above the approved level. The largest variation is in corporate costs, forecast to be 113% above the approved level. We note that at the beginning of the present period, management and operation of the pipeline was moved in-house following the termination of a management agreement with Agility Management. This has meant that salary and wage costs are 276% higher in the present period but this is offset by lower contractor costs. Overall, operating expenditure excluding corporate costs is forecast to be 3% below the approved level.

1.2 Next Period

The base-year roll-forward methodology is used to develop the forecast level with 2010/11 chosen as the base year. This is the most recent year for which audited accounts are available.

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Base Year

Adjustments have been made to the base year. The most material relate to adjustments for work associated with the January 2011 floods. Actual expenditure in the base year was $14.2 m and the adjusted base year figure used for the roll-forward calculation is $10.2 m. The additional cost associated with flood repairs was $4.3 m with an offsetting allowance of $0.5 m for normal work that was not undertaken due to resources being diverted to flood repairs, resulting in a net adjustment of $3.8 m. A further $0.2 m of one-off expenditure undertaken in 2010/11 was deducted to give the final adjusted base-year amount stated above.

The adjusted base-year total is 5.3% above the actual expenditure for the previous year.

APTPPL has provided some comparative operating expenditure benchmarking with other similar pipelines. It shows that the RBP has the lowest operating cost per km and around the average cost per mm-km (that is, taking into account the diameter as well as the length of the pipeline). After considering the information presented, we are satisfied that the adjusted base-year operating expenditure level is a reasonable level of "business-as-usual" operating expenditure for use in the roll-forward calculation.

Projections

Operating expenditure for the next period has been forecast based on adding a small number of step changes and one-off items to the base year and applying real cost escalation to each year. The step-changes and one-off adjustments are outlined below.

(a) Lytton Lateral

A 6.2 km pipeline extension with associated infrastructure was constructed in 2010 at a cost of $9.0 m to provide additional capacity into the Brisbane industrial area. A step change of $60,000 (in $2010) of additional operating expenditure has been allowed for this extension from 2011/12 in the opex model provided to us. [1] We have reviewed the calculation of this additional expenditure and consider it reasonable, although we note that the extension was commissioned in July 2010 and **thus the expenditure associated with this extension should be included in the base-year figure, not as a step change in the model**. This is confirmed by APTPPL in its response to question AER.APTPPL 19 dated 1 December 2011, in which the business states that the additional operating expenditure is included in the base year.

The AER may wish to make a corresponding adjustment.

(b) RBP 8 Expansion

APTPPL expects to carry out pipeline capacity expansion work in 2012, prior to the commencement of the next period. APTPPL has forecast increased operating expenditure of $800,000 p.a. from the commencement of the next period in relation to this item. The project involves 5.5 km of additional 400 mm pipe, a new compressor and other associated infrastructure. The company provided a breakdown by input cost of the proposed expenditure (labour $350,000, contractors $125,000, overheads $75,000 and other costs of $250,000. No other details on the derivation of the operating expenditure figure are given in the business case for the project or any subsequent information provided by the business.

We note that based on the benchmarking information provided by APTPPL, the expected average operating expenditure for this length and diameter of pipeline would be in the region of $100,000 p.a. This an industry average, however, and the inclusion of a compressor in this short length of pipeline means that the marginal increase in operating costs would be expected to well above the average level. However, without any detailed information on the basis of estimation of the costs, we are unable to provide an opinion on the efficacy of this element of the forecast expenditure.

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1 "AER copy 20111012_AA OPEX FY07 to FY17 inc interface worksheet FINAL.xlsx". Labour worksheet

The AER may wish to ask APTPPLA again for a high-level breakdown of the additional expenditure involved and a brief statement on its method of estimation so that we can provide a meaningful you with an opinion on its reasonableness.

(c) STTM Gas Control Administrators

An additional $120,000 p.a. has been provided from 2011/12 for additional STTM gas control administrators. This appears to be a new obligation on the business and the expenditure appears justified.

(d) Risk Assessment

A one-off risk assessment at a cost of $80,000 is provided for in 2015/16. The business states that Australian Standard AS 2885 requires that a Safety Management Study (SMS) review is completed for each licensed pipeline at a maximum interval of 5 years. APTPPL states that it undertook the last study in 2010. The expenditure appears justified.

(e) Regulatory Review

A one-off cost of $767, 000 has been provided in 2016/17 to cover the cost of the next regulatory review. As this is not a technical matter, we have not reviewed it further.

(f) Escalation Factors

We have not reviewed the escalation factors used other than to check that their allocation to the various expenditure categories (e.g. labour, materials, etc.) is reasonable and we confirm that that appears so.

In Summary in Relation to the Next Period

The only opex matter that appears to warrant further investigation from a technical standpoint is the $800,000 discussed in (b) above.

2 Capital Expenditure

2.1 Present Period

Total Expenditure

Actual or projected capital expenditure in the present period is shown in the following table.

Capital Expenditure in Present Period – ref AAI Table 2.1 (p.3)

($m nominal)	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12F	Total
Stay in Business	2.57	32.65	2.72	4.13	2.58	3.75	48.4
Pipeline & Compressors	0	0.15	0.34	6.86	7.47	45.95	60.77
	2.57	32.8	3.06	10.99	10.05	49.7	109.17

While the AAI provides no information on the approved level of expenditure, Table 3 on page 6 of the previous AAI of 28 March 2007 sets out capital expenditure forecasts as shown below:

Capital Expenditure in Present Period as Forecast in 2007 AAI

($m 2006)	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	Total
	4.14	2.09	1.62	1.98	1.23	NI	11.06

Growth-Related Expenditure

Two growth-related capital expenditure business cases have been provided and are discussed below.

Attachment 4.4: RBP Metro – Extension to Lytton

Purpose:	Required to supply gas (4 TJ/day) to the Caltex oil refinery at Lytton, as it could not be supplied through the Allgas network.
Alternatives:	Three options evaluated, the proposed option having the lowest cost.
Justification:	Stated to comply with rule 79(2) and to have a positive NPV (note: we have not checked the cost-benefit analysis).
Final Cost:	$9.053 m. Limited information is provided and the cost appears comparatively high. However, given that the pipe is routed through a metropolitan zone, the cost is considered reasonable.
Completed:	2010/11.

Attachment 4.6: RBP8 Capacity Expansion

Purpose:	Required because no spare capacity is available in the existing pipelines and additional gas totalling 20 TJ/day requested in 2010 in addition to growth in the two networks supplied.
Alternatives:	Two were considered: "do nothing" and the expansion.
Justification:	Stated to comply with rule 79(2)(b) and to have a positive NPV (note: we have not checked the cost-benefit analysis).
Cost:	$50.6 m, mostly in the compressor at Dalby ($29.6m). Insufficient is available in the business case but justification has been provided in APTPPL's response of 13 December 2011 (ref AER.APTPPL.21).
Completed:	In or before 2011, $13.47m: remaining for 2012, $37.129m.

These projects total $60.284 m, which reconciles reasonably closely with the growth capex totals shown in AAI Table 2.1 above for years 2009/10, 2010/11 and 2011/12.

Expenditure in 2006/7 to 2008/9 of $0.49m is unaccounted for but is not material.

Stay-in-Business Expenditure

According to the AAI Table 2.1 above, stay-in-business expenditure in 2007/8 totalled $32.65 m – much higher than in the other years. Most of this expenditure is understood to relate to the acquisition of assets as part of the buy-out of the out-sourced maintenance contract. We understand from the responses of 4 January, page 4, that this issue is being reviewed by the AER and so we have not considered it further.

If the amount of $32.65 m is removed, the total stay-in-business expenditure in the period appears to be in line with the approved amount for this category.

2.2 Next Period

Stay-in-Business Expenditure

Projected capital expenditure for the next period is shown in the following table – it is entirely stay-in-business expenditure.

Capital Expenditure in Next Period – ref AAI Table 3.3 (p.8)

($m 2011/12)	2012/13	2013/14	2014/15	2015/16	2016/17	Total
	3.99	4.46	3.33	3.54	2.98	18.31

Information on some of this expenditure is provided in Attachment 4.2, SIB Business Cases. Based on that information, we considered that the justifications for the expenditure were satisfactory but found that, in most cases, insufficient information (specifically, no breakdowns of

costs or explanations) was provided on the cost estimates for any detailed comment to be made. Accordingly, a request was made to APTPPL 9through the AER) to provide sufficient cost information to substantiate the reasonableness of the planned expenditure. Further information was received from the business through the AER on 4 January 2012 and we discuss it in the final section of these notes.

(In addition to the items listed in Attachment 4.2, there are a number of other SIB capex items listed in Appendix B of the AMP (Attachment 4.1). These are summarised below, with our comments. In general, the justifications provided in Appendix B (in the form of a risk matrix) appeared reasonable. The addition of these items to the items described in Attachment 4.2 gives a total close to that shown in the AAI Table 3.3 above.)

Item	**($000)**	**Our Comments**
CP upgrade	750	Inadequate information provided on cost
Minor tooling and equipment	450	As above
DN 400 and DN 250 RTU replacement	250	As above
Fire suppression at compressor housing	600	As above
Heater modifications at Toowoomba	150	Not material but appears reasonable
Upgrade telemetry	200	Inadequate information provided on cost
Flow computer replacement programme	470	As above
Meter upgrade	110	Not material but appears reasonable
Compressor overhauls	500	Inadequate information provided on cost. In addition, unless this item achieves a material **extension** of the lives of these assets (as distinct from merely being necessary maintenance to achieve their originally anticipated lives), then from an asset valuation s\standpoint, it ought to be expensed and not capitalised.
Electrical hazard reduction	50	Not material but appears reasonable
Easement for existing anode beds	500	Inadequate information provided on cost
Update GIS and P&IDs	150	Appears reasonable
Third property damage contingency	400	This expenditure would not appear to result in the creation of a new asset. From a valuation standpoint, it ought to be expensed.
SCADA Upgrade	110	Not material but appears reasonable
	4,690	

2.3 Stay-in-Business Expenditure – Further Justifications

The following further details and justifications for stay-in-business expenditure were received on 4 January and appear satisfactory except where we have noted to the contrary.

In some instances, we have noted that insufficient information is available for us to comment on the cost estimates but we note in this regard that the projects are at a very preliminary stage and that the estimates may be accepted as reasonable in this circumstance.

Expenditure in the present period is stated in **historical costs** and future expenditure is stated in the dollars used in the AAI.

1. APTPPL ref. APPLL12-AA-01: In-line Inspections (ILI) (Pigging) Programme

We understand that the Queensland Petroleum and Gas Regulations (2004) (QPGR) require strategic pipelines to be inspected at 10-year intervals with an initial inspection after seven years. We further understand that the Peat Lateral is not considered by APTPPL to be a strategic pipeline under the regulations but that its policy is for 10-year inspections anyway.

Present Period Expenditure:

Expenditure in the present period is shown in the following table. In general, we consider that adequate justification exists and we note that the work has been tendered competitively (see (para. 2.3). We further noted that alternatives had been considered or that there were no valid options.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2008	DN250 Wallumbilla to Ellengrove (RBP Mainline)-	1,012	Built c. 1969: date of previous inspection not stated.
2010	DN400 Collingwood to Ellengrove (RBP Metropolitan section lateral)	178	Unclear as to location, length and age.
	DN250 Peat Lateral	226	Pipeline constructed 2000. ILI in accordance with APTPPL's 10-year inspection policy.
2011	DN 300 Metropolitan section	122	Built 1969: date of previous inspection not stated.
2011	DN200 Gibson Island (Metropolitan section lateral)	583	Built 1969: compliance with regulation unclear. Date of previous inspection not stated.
2011	DN400 Oakey to Gatton (RBP Looping)	255	ILI, following flood damage (ref Attachment 8.1).
2011	DN250 Oakey to Gatton (RBP Mainline)	222	ILI, following flood damage (ref Attachment 8.1).
2011	DN400 Wallumbilla to Ellengrove (RBP Looping)	1,032	In 2012, operating pressure range for DN400 Wallumbilla to Ellengrove pipeline (RBP looping) to be increased to MAOP. APTPPL consider it necessary to inspect before the increase in pressure. Defects in the form of dents found in the DN400 pipeline near Toowoomba during flood rectification work. APTPPL consider that inspection of the DN400 pipeline is necessary for the two reasons stated above and have scheduled work for Oct/Nov 2011.

Expenditure in Next Period:

Planned expenditure in the next period comprises work in 2017 on the Lytton Lateral (Metropolitan section lateral) at a forecast expenditure of $150,000. The work is stated to be justified under the QPGR with an initial ILI after 7 years.

Our Comments:

The expenditure appears justified and the costs are within a reasonable range for the work involved.

2. APTPPL Ref. APPLL12-AA-02: Compressor (Turbine) Overhaul Programme

The justification claimed is the reliability and safety of operators under NGAC 8.16 (c), (ii), (C) in the present period and under rule 79, 2, (c), (iii) in the next period.

Expenditure in the present period and the next is shown in the following table.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2007/8		397	From p. 5 of business case, two machines involved.
2008/9		250	From p. 5 of business case, one machines involved.
2012/13		250	From p. 5 of business case, one machines involved.
2013/14		250	From p. 5 of business case, one machines involved.
2014/15		0	
2015/16		275	From p. 5 of business case, one machines involved.
2016/17		275	From p. 5 of business case, one machines involved.

Our Comments:

The expenditure appears justified and the costs are within a reasonable range for the work involved. Capitalisation of the expenditure appears justified, given the level of refurbishment undertaken.

3. APTPPL Ref. APPLL12-AA-03: Unit Control Panel Upgrade

Justification is claimed under rule 79, 2, (c), (ii).

The panels are used to control operation of compressor stations on both the DN 250 Mainline and the DN 400 Looping. The panels are approximately 30 years old (ref Business Case p. 2) and the technology is no longer supported by manufacturer.

Expenditure in the next period is shown in the following table.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2013/14	DN 250	1,000	1 unit
2014/15		0	
2015/16	DN 250	1,000	1 unit

Our Comments:

The expenditure appears justified, the best option appears to have been selected and the costs are within a reasonable range for the work involved.

4. APTPPL Ref. APPLL12-AA-04: Coating Refurbishment

Justification is claimed under rule 79, 2, (c), (i) and (ii).

CP tests on the DN250 pipeline indicate that coating failure may have occurred and that there is a risk of pipe corrosion. 600 m are targeted for excavation and coating replacement.

Expenditure in the next period is shown in the following table. There is no expenditure in the present period.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2012/13	DN 250	500	We assume that this is the first 600 m section and that similar exercises will be carried on over the first 10 km section from Wallumbilla.
2013/14		500	
2014/15		500	
2015/16		500	
2016/17		500	

Our Comments:

The expenditure appears justified, the best option appears to have been selected and the costs are within a reasonable range for the work involved.

5. APTPPL Ref. APPLL12-AA-05: Redbank Station Upgrade

Justification is claimed under rule 79, 2, (c), (i) and (ii).

The station on the DN400 looping no longer meets current standards. Deficiencies include isolation valves that can be exposed to pressures in excess of "safe design", redundant equipment and "dual-cut" pressure cut situation without full redundancy.

Expenditure in the next period is shown in the following table. There is no expenditure in the present period.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2012/13	DN 400	400	See below
2013/14	DN 400	50	

Our Comments:

The expenditure appears justified, the best option appears to have been selected and the costs are within a reasonable range for the work involved.

6. APTPPL Ref. APPLL12-AA-06: Toowoomba Station Upgrade

Justification is claimed under rule 79, 2, (c), (i) and (ii).

The station on the DN400 looping no longer meets current standards. Deficiencies include isolation valves that can be exposed to pressures in excess of "safe design", redundant equipment and "dual-cut" pressure cut situation without full redundancy.

Expenditure in the next period is shown in the following table. There is no expenditure in the present period.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2016/17	DN 250 RBP Mainline	450	

Our Comments:

The expenditure appears justified, the best option appears to have been selected and the costs are within a reasonable range for the work involved.

7. APTPPL Ref. APPLL12-AA-07: Vehicle Mitigation

Justification is claimed under rule NGAC 8.16(a) (ii) (C) and under rule 79, 2, (c), (i) and (ii).

The work involves the installation of protective barriers, walls or similar means to protect above-ground pipeline equipment from damage due to vehicles leaving the road. Measures taken and proposed are based on a study carried out by ARUP Risk Consulting.

Expenditure in the present period and the next is shown in the following table.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2010/11		213	Actual cost.
2011/12		300	Estimate
2012/13		200	
2013/14		200	
2014/15		100	
2015/16		100	

Our Comments:

While the required works are detailed on p. 4, no information is given on when the work is planned year by year and so no comment on the cost estimates is possible.

8. APTPPL Ref. APPLL12-AA-08: Excavation Programme

Justification is claimed under rule NGAC 8.16(a) (ii) (C) and rule 79, 2, (c), (i) and (ii).

Routine excavation of sections of both the DN 250 mainline and DN 400 looping are carried out to check on integrity of pipe coatings. The DN 250 pipeline is over 30 years old and some deterioration of coating has occurred; cathodic protection is "struggling" to maintain protection. ILI surveys have indicated "widespread minor corrosion".

Expenditure in the present period and the next is shown in the following table.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2007/08		170	Actual cost. No information of location and extent of works
2008/09		33	As above
2009/10		79	As above

2010/11		0	
2011/12		225	Estimated
2012/13		225	15 digs forecast
2013/14		225	15 digs forecast
2014/15		225	15 digs forecast
2015/16		225	15 digs forecast
2016/17		225	15 digs forecast

Our Comments:

The expenditure appears justified. However, given the nature of the justification, the lack of expenditure in the present period is questioned: the forecast expenditure was just under $1m but under $300,000 was spent by 2011. A question therefore arises as to why customers ought to bear the cost in the next period of an item that was allowed for in the present period and not carried out fully.

Having said that, we note that 70% of the effort will be on the DN 250 Mainline and that $15,000 per "dig" appears reasonable (and, according to APTPPL, is based on historical costs – see its response of 4 January).

9. APTPPL Ref. APPLL12-AA-09: Swanbank Isolation Valve

Justification is claimed under rule 79, 2, (c), (i) and (ii).

A valve is proposed on the Swanbank lateral to enable the lateral to be decommissioned and repaired without disrupting supply to Brisbane City and vice versa.

Expenditure in the next period is shown in the following table. There is no expenditure in the present period.

Year	**Pipeline Section**	**Cost ($000)**	**Justification/Comment**
2013/14		50	
2014/15		450	

Our Comments:

The expenditure appears justified, the best option appears to have been selected and the costs are within a reasonable range for the work involved.

10. APTPPL Ref. APPLL12-AA-10: Minor Capital – Digital Data Service Replacement

Justification is claimed under rule NGAC 8.16(a) (ii) (C).

Telstra has decommissioned the DDS Low-Speed product used by the business's SCADA and a new communication platform was required.

Expenditure in the present period is shown in the following table.

Year	**Pipeline Section**	**Cost ($000)**	**Justification/Comment**
2007/08		0	Budget $300,000
2008/09	28 sites	294	Budget $100,000

There is no expenditure in the next period.

Our Comments:

The expenditure appears justified, the best option appears to have been selected and the costs are within a reasonable range for the work involved.

11. APTPPL Ref. APPLL12-AA-11: Collingwood-Ellengrove Pig Trap Installation

Justification is claimed under rule NGAC 8.16(a) (ii) (C).

Pig launchers will be installed to enable in-line inspection.

Expenditure in the present period is shown in the following table.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2009/10	DN 200 Metropolitan Collingwood-Ellengrove lateral	423	

There is no expenditure in the next period.

Our Comments:

The expenditure appears justified, the best option appears to have been selected and the costs are within a reasonable range for the work involved.

12. APTPPL Ref. APPLL12-AA-12: Geotechnical Mitigation - Toowoomba

Justification is claimed under rule 79, 2, (c), (ii) and (iii).

The DN 250 RBP Mainline crosses the Toowoomba escarpment and slippage is taking place. Repair work took place following a washout of the railway line crossed by the pipeline during floods but underlying issues remain. A geotechnical study has been commissioned to prepare a rectification and management plan.

Expenditure in the next period is shown in the following table. There is no expenditure in the present period.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2012/13		250	

Our Comments:

In principle, the expenditure appears justified and the cost estimate reasonable.

13. APTPPL Ref. APPLL12-AA-13: Geotechnical Mitigation, Redbank-Swanbank Lateral

Justification is claimed under rule 79, 2, (c), (ii) and (iii).

The DN 400 Swanbank lateral (Metropolitan Section) crosses an area where underground coal mining has taken place, with an accompanying risk of land settlement and the possibility of subsurface fires. It is proposed to commission a study to identify the risk of failure and mitigation options and to prepare a rectification and management plan.

Expenditure in the next period is shown in the following table. There is no expenditure in the present period.

Year	Pipeline Section	Cost ($000)	Justification/Comment

2012/13		50	Study only.
2013/14		300	Excavation and setting up monitoring stations plus additional excavation and temporary supports if necessary.
2014/15		300	As above

Our Comments:

In principle, the expenditure appears justified and the cost estimate reasonable.

14. APTPPL Ref. APPLL12-AA-14: Design Life Review RBP–DN250

Justification is claimed under rule NGAC 8.16(a) (ii) (C).

The work involves a review of the design life of the DN 250 Mainline (now more than 40 years old) in terms of physical condition and compliance with current codes, with the objective of establishing a new design life.

Expenditure in the present period is shown in the following table.

Year	**Pipeline section**	**Cost ($000)**	**Justification/Comment**
2007/08	DN 250 RBP Mainline	169	Forecast $339,000.

There is no expenditure in the next period.

Our Comments:

In principle, the expenditure appears justified and the cost estimate reasonable. A question arises, however (from a valuation standpoint) as to whether this expenditure ought to be capitalised or expensed.

15. APTPPL Ref. APPLL12-AA-15: Hazardous Area Rectification

Justification is claimed under rule NGAC 8.16(a) (ii) (C) and rule 79, 2, (c), (ii) and (iii).

A review has indicated that parts of the electrical installations in service do not comply with current standards and codes including those relevant to equipment in hazardous areas. A review and remedial action is proposed and was commenced in present period.

Expenditure in the present period and the next is shown in the following table.

Year	**Pipeline Section**	**Cost ($000)**	**Justification/Comment**
2007/08		0	Forecast $200,000.
2008/09		50	Forecast $140,000
2009/10		90	Forecast $235,000
2010/11		250	Forecast $225,000.
2011/12		0	Forecast $200,000.
2012/13		250	
2013/14		250	
2014/15		250	
2015/16		250	

2016/17		250	

Our Comments:

In principle, the expenditure appears justified. However, we note that the forecast of expenditure for the present period was $1m but actual expenditure was only $430,000. A question therefore arises as to why customers ought to bear the cost in the next period of an item that was allowed for in the present period and not carried out fully.

The comment, "difficult to determine exact costs because until sites are audited" is questioned, as experience from previous should provide a good guide.

16. APTPPL Ref. APPLL12-AA-16: Fuel Gas Piping Modifications

Justification is claimed under rule NGAC 8.16(a) (ii) (C).

The work concerns a failure of fuel gas heaters and the fact that the business has now determined that heating is no longer required. The heaters were therefore bypassed.

Expenditure in the present period is shown in the following table.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2008/09	Compressor stations	194	Forecast $220,000

There is no expenditure in the next period.

Our Comments:

In principle, the expenditure appears justified. Actual expenditure was close to that forecast and within a reasonable range.

17. APTPPL Ref. APPLL12-AA-17: Motor Vehicle and Mobile Plant Replacement Programme

Justification is claimed under rule NGAC 8.16(a) (ii) (C) and rule 79 (c), (ii).

The business's policy is to replace passenger vehicles after 5 years and heavy vehicles and plant after 10 years of service.

Expenditure in the present period and the next is shown in the following table.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2007/08		0	
2008/09		450	Forecast $524,000.
2009/10		434	Forecast $398,000.
2010/11		135	Forecast $150,000.
2011/12		TBA	Forecast $320,000.
2012/13		541	
2013/14		437	
2014/15		394	
2015/16		437	
2016/17		541	

Our Comments

In principle, the expenditure appears justified but we are not able to comment in detail on the expenditure in the present period, as there is insufficient information available. Based on information provided in the response of 4 January, the total expenditure projected for the next period is reasonable.

18. APTPPL Ref. APPLL12-AA-18: Mainline Valve Replacement

Justification is claimed under rule NGAC 8.16(a) (ii) (C) and rule 79 (c), (i) and (ii).

The valves on the RBP DN 250 Mainline are stated to be becoming difficult to operate. As assessment is to be made to decide whether to replace their seals or to replace complete the valves completely.

Expenditure in the next period is shown in the following table. There is no expenditure in the present period.

Year	Pipeline Section	Cost ($000)	Justification/Comment
2014/15		300	

Our Comments:

In principle, the expenditure appears justified. It is noted that the amount is a budgetary allowance pending the completion of the assessment but the proposed amount is reasonable in that context.

3 Qualifications of the Reviewers

This assessment has been formulated for and on behalf of Wilson Cook & Co Limited by Mr Peter Cole, Mr Derek Walker, and Mr Jeffrey Wilson with the assistance of Mr Pat Hyland. All are professionally qualified engineers, experienced in undertaking reviews this type.

4 Conditions Accompanying Our Opinion

Assessment Not an Assessment of Condition, Safety or Risk

Notwithstanding any other statements in this review, this review is not intended to be and does not purport to be an assessment of the condition, safety or risk of or associated with the business's assets and nothing in this report shall be taken to convey any such undertaking on our part to any party whatsoever.

All Earlier Advice Superseded

For the avoidance of doubt, we confirm that this report supersedes all previous advice from us on this matter, whether written or oral, and constitutes our sole statement on the matter.

Disclosure

Wilson Cook & Co Limited has prepared this report in accordance with the instructions of its client on the basis that all data and information that may affect its conclusions have been made available to it. No responsibility is accepted if full disclosure has not been made. No responsibility is accepted for any consequential error or defect in our conclusions resulting from any error, omission or inaccuracy in the data or information supplied directly or indirectly.

Disclaimer

This report has been prepared solely for our client, the Australian Energy Regulator (AER), for the stated purpose. Wilson Cook & Co Limited, its officers, agents, subcontractors and their staff owe no duty of care and accept no liability to any other party, make no representation or warranty

as to the accuracy or completeness of the information or opinions set out in the report to any person other than to its client including any errors or omissions howsoever caused, and do not accept any liability to any party if the report is used for other than its stated purpose.

Non-Publication

With the exception of its publication by the AER, in relation to its review of the business's expenditure proposals, neither the whole nor any part of this report may be included in any published document, circular or statement or published in any way without our prior written approval of the form and context in which it may appear.

Redaction of Confidential Material Before Report is Published

In relation to the publication this report by the AER in connection with its review of the business's expenditure proposals, we remind the AER that prior confirmation will be required by the business that publication of the report would not result in the release of their confidential information.

Yours faithfully

Wilson Cook & Co Limited