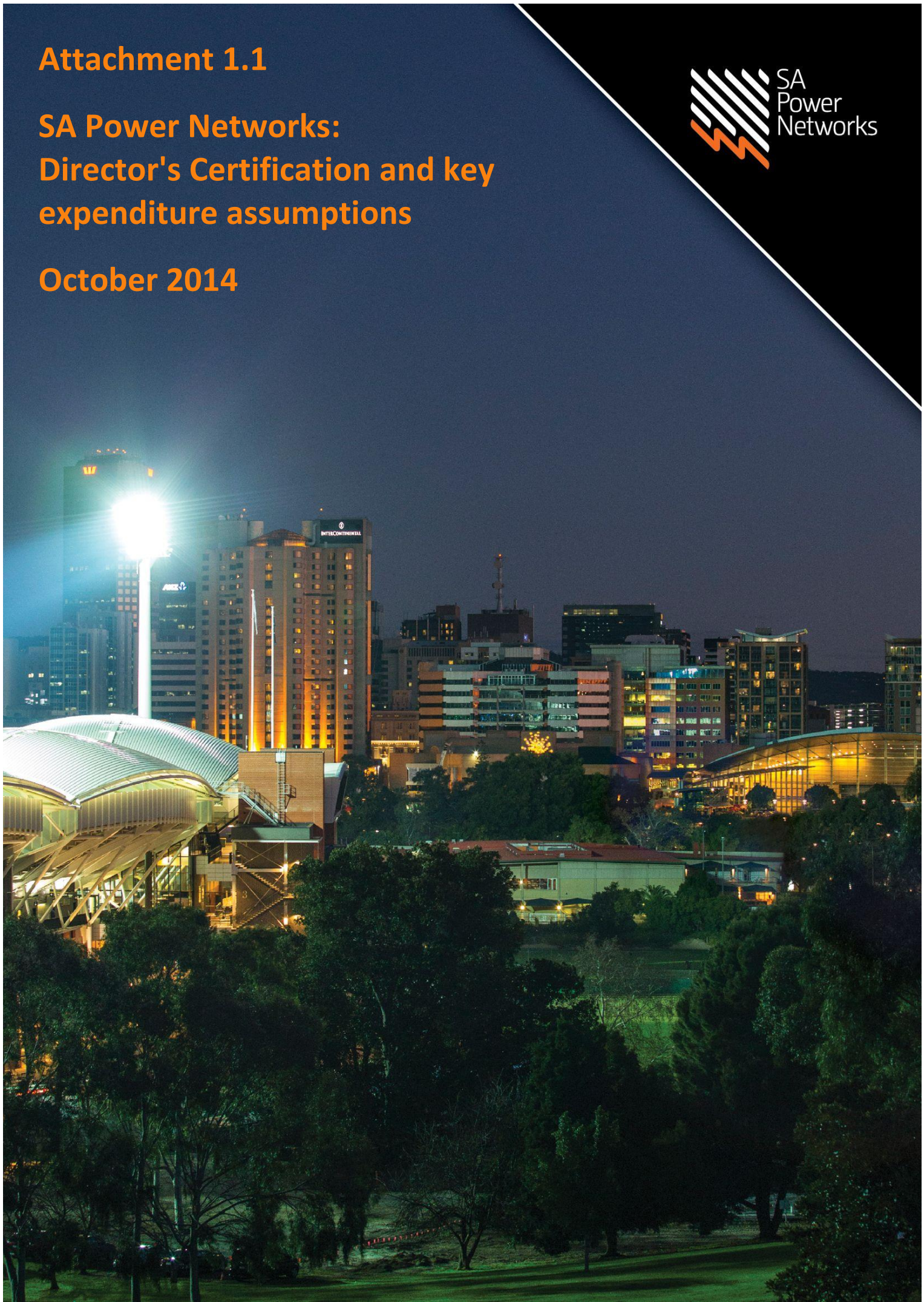


Attachment 1.1

SA Power Networks: Director's Certification and key expenditure assumptions

October 2014

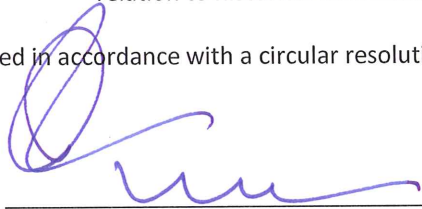


Directors' Certifications

The *Directors* certify that:

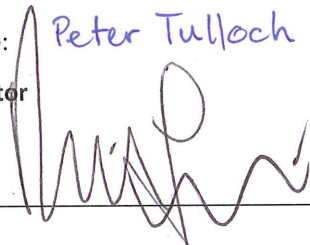
- In accordance with clause S6.1.1(5) of the *Rules*, the key assumptions that underlie the capital expenditure forecast, set out below, are reasonable.
- In accordance with clause S6.1.2(6) of the *Rules*, the key assumptions that underlie the operating expenditure forecast, set out below, are reasonable.
- For the purposes of paragraph 33.1 of Schedule 1 of the *regulatory information notice* issued by the AER to SA Power Networks dated 25 August 2014 (as amended by the AER), to the best of the Board's information, knowledge and belief, the information provided in the Microsoft Excel workbooks issued as Appendix A to that *regulatory information notice* is:
 - for *Actual information*, true and accurate; and
 - where SA Power Networks cannot provide *Actual information*, SA Power Networks' best estimate in relation to historical information, or best forecast in relation to *Forecast information*.

Signed in accordance with a circular resolution of *Directors*:



Name: Peter Tulloch

Director



Name: Rick Francis

Director

Dated: 28/10/2014

Dated: 28/10/2014

Assumptions applicable to both capital expenditure forecast and operating expenditure forecast

- Expenditure forecasts consistent with strategic review undertaken
- Legal review of compliance with the requirements of the Rules and the AER's regulatory information notice dated 25 August 2014 has been completed
- Forecast expenditure incorporates stakeholder engagement feedback
- Past expenditures provide a reasonable indication of likely future expenditures, except where otherwise noted in the Proposal
- Benchmarking confirms that we are acting as an efficient distributor
- Labour escalation as forecast (includes internal and supplementary labour resources)
- Contracted construction and labour services as forecast
- Materials escalation as forecast
- Land escalation as forecast
- Superannuation liabilities as forecast
- Proposed pass-throughs are accepted by the AER
- Expenditure and revenue models are accurate

Assumptions applicable to capital expenditure forecast only

- Unit costs of work will remain consistent with historical costs, with the exception of labour, materials and services cost escalation
- Equity raising costs as forecast
- Replacement asset management strategies and the scope of works selected for each asset category are appropriate to meet the capital expenditure objectives of the Rules
- Spatial peak demand growth as forecast
- Capacity asset management strategies and the scope of works selected for each asset category are appropriate to meet the capital expenditure objectives of the Rules
- Customer connect expenditure as forecast
- Increased IT capital expenditure as forecast
- Fleet capital expenditure as forecast
- Property capital expenditure as forecast

Assumptions applicable to operating expenditure forecast only

- Debt raising costs as forecast
- Nominated 2013/14 as efficient revealed cost year
- Changes in scope (Step changes) are appropriate to meet the operating expenditure objectives of the Rules
- Derivation of scale cost drivers and their relationship to expenditure is as modelled, including the application of economies of scale

STATUTORY DECLARATION

State of South Australia - *Oaths Act 1936*

I, Robert Stobbe,
[full name]
of 21 Eynesbury Avenue, Kingswood, 5062
[address]

do solemnly and sincerely declare that

I have never been sentenced to a term of imprisonment of 30 months or more, and have not been convicted, as an adult, in the last ten years, of an offence, one element of which involves dishonesty, such as theft or fraud.

1. I am an officer, for the purposes of the *National Electricity (South Australia) Act 1996 (NEL)*, of SA Power Networks (ABN 13 332 330 749) (**SA Power Networks**). I am authorised by SA Power Networks to make this statutory declaration as part of the response of SA Power Networks to the Regulatory Information Notice dated 25 August 2014 (**Notice**) served on SA Power Networks by the Australian Energy Regulator (**AER**).
2. I say that the actual information provided in SA Power Networks' response to the Notice is, to the best of my information, knowledge and belief:
 - (a) in accordance with the requirements of the Notice; and
 - (b) true and accurate.
3. Where it is not possible to provide actual information to comply with the Notice, SA Power Networks has, to the best of my information, knowledge and belief:
 - (a) provided SA Power Networks' best estimate of the information in accordance with the requirements of the Notice; and
 - (b) provided the basis for each estimate, including assumptions made and reasons why the estimate is the best estimate, given the information sought in the Notice.

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the *Oaths Act 1936* (SA).

Declared at 1 Anzac Highway, Keswick

in the State of South Australia, this 28th day of

October 2014



signature of person making this declaration
[to be signed in front of an authorised witness]

Before me,

Signature of authorised witness

Qualification of authorised witness

Name of authorised witness

Damien George Harby
A Commissioner for taking affidavits
in the Supreme Court of South Australia