

# Submission to the Essential Services Commission

## Re: Electricity Distribution Price Review 2006 – 2010 Draft Decision

### Revenue Requirement

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**UNITED ENERGY  
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August 2005



**Revenue Requirement**

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### 1 Introduction

This chapter summarises the relevant financial data in response to the Essential Service Commission's (Commission) draft decision. Further details can be found in United Energy Distribution's (UED) response to individual aspects of the draft decision and therefore should be read in conjunction with those submissions and the Company's original Price Service Offering (PSO).

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### 2 Building Block Summary

**Table 2.1 – UED’s Building Block Revenue as per Draft Decision**

	2006	2007	2008	2009	2010
<b>Duos</b>					
Return on Capital	70.6	70.6	70.4	70.9	72.6
Regulatory Depreciation	82.6	83.4	86.6	73.4	64.6
Operating & Maintenance Expenditure	85.4	85.4	85.4	85.4	85.4
Efficiency Carryover	14.5	-1.8	-4.3	-0.8	0.0
Tax Liability	5.0	5.6	6.1	3.0	0.5
<b>Total building blocks – DuoS</b>	<b>258.1</b>	<b>243.2</b>	<b>244.2</b>	<b>231.8</b>	<b>223.2</b>
<b>Total building blocks – Metering</b>	<b>7.9</b>	<b>10.1</b>	<b>13.8</b>	<b>16.3</b>	<b>18.2</b>
<b>Total prescribed services revenue requirement</b>	<b>266.0</b>	<b>253.3</b>	<b>257.9</b>	<b>248.1</b>	<b>241.4</b>

**Table 2.2 – UED’s Building Blocks Revenue updated 19 August 2005**

	2006	2007	2008	2009	2010
<b>Duos</b>					
Return on Capital	80.1	81.9	83.2	85.1	88.0
Regulatory Depreciation	88.7	89.5	92.8	79.5	70.7
Operating & Maintenance Expenditure	92.8	92.8	92.8	92.8	92.8
Efficiency Carryover	14.5	0.0	0.0	0.0	0.0
Tax Liability	8.9	8.7	8.8	3.9	0.0
<b>Total building blocks – DuoS</b>	<b>285.0</b>	<b>272.9</b>	<b>277.6</b>	<b>261.3</b>	<b>251.5</b>
<b>Total building blocks – Metering</b>	<b>9.9</b>	<b>11.6</b>	<b>21.0</b>	<b>23.5</b>	<b>27.1</b>
<b>Total prescribed services revenue requirement</b>	<b>294.9</b>	<b>284.5</b>	<b>298.6</b>	<b>284.8</b>	<b>278.6</b>



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**Table 2.3 – Summary of Revised Price Adjustment**

	2006	2007	2008	2009	2010
Original PSO	9.5%	1.0%	1.0%	1.0%	1.0%
Draft Decision	22.7%	2.5%	2.5%	2.5%	2.5%
Updated forecast	6.4%	2.5%	2.5%	2.5%	2.5%
Alternative Scenario	9.0%	1.0%	1.0%	1.0%	1.0%

For comparative purposes UED has presented the revised price adjustments against the company's original submission and the Commission's draft decision.

The increase in UED's current price compared to the company's original submission is attributable to the inclusion of IT capital expenditure originally included in the metering price controls.