



20/8

23 September 2004

Mr Paul Melville
Chief Advisor
Network Performance Group
Commerce Commission
P O Box 2351
WELLINGTON

PUBLIC VERSION

Dear Paul

EMAIL OF 8 SEPTEMBER 2004 RELATING TO TREATMENT OF TAX IN THE COST BENEFIT ANALYSIS

Thank you for your emails of 8 September 2004 and 14 September 2004 providing various documents associated with the analysis of tax in the Commerce Commission's (Commission) cost benefit model used as part of the Commission's Gas Inquiry.

WGL acknowledges receipt of:

- i) a document entitled "Tax Treatment in the Commerce Commission's Cost Benefit Analysis - Wanganui Gas Version - 8 September 2004. This is referred to by the Commission at paragraph 4 as a note
- ii) a paper entitled "The Treatment of Gains on the Sale of Assets" - 2 September 2004
- iii) a paper entitled "The Interest Tax Deduction and the Calculation of Excess Earnings" - 6 September 2004
- iv) a single sheet spreadsheet headed with "WGL"

1. General Comment

As stated previously, WGL in an accounting sense operates as one entity, thus production of information pertaining to the network function within the business is neither straight forward, without assumption nor costless. Essentially network information required by regulation is created solely for this purpose and is thus an extraction of data from the total entity's information systems.

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For Assistance

WGL is pleased to be able to assist the Commerce Commission's Gas Pipeline Inquiry through provision of this information. If there is a need to provide further clarification or any general queries please contact Mr Geoff Evans, Network Manager - *GasNet*, the independent trading division of WGL on 06 349 0131 or by email at Geoff.Evans@gasnet.co.nz.

Yours sincerely

A handwritten signature in black ink, appearing to read 'T. Goodwin', with a stylized flourish at the end.

Trevor J Goodwin
Chief Executive