This fact sheet contains summary information for ATCO Gas Australia's 2020-24 Draft Plan. We are seeking feedback from customers and stakeholders to help us finalise our September 2018 submission to the ERA.

PURPOSE OF 2020-24 DRAFT PLAN

Our 2020-24 Draft Plan forms part of our extensive engagement program with our customers and stakeholders. We believe it is important that our decisions and plans are supported and guided by effective stakeholder engagement.

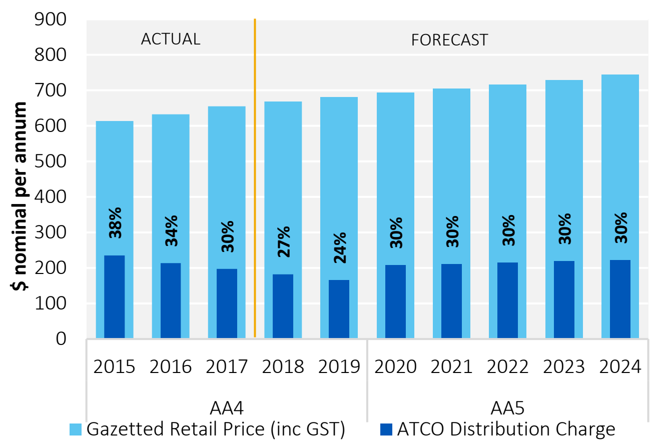
The ERA regulates the revenues of ATCO Gas Australia (ATCO) by setting the prices that ATCO can charge its customers.

Our Draft Plan provides detailed information on our costs, our investment plans, the services we intend to offer, and the proposed distribution charges for 2020-24. After considering this information, we encourage all of our customers and stakeholders to provide feedback so that we can finalise our submission to the Economic Regulation Authority (ERA) in September 2018.

OUTCOMES FOR CUSTOMERS

The prices that we charge determine the distribution component of a customer's gas bill. Distribution charges typically account for approximately 30% of the average residential customer gas bill. Other components of customer's gas bills include the cost of production and processing gas, transmission pipeline costs, and retailer costs.

ATCO's share of an indicative residential annual gas bill



We intend to recover $1,020 million (nominal) from our customers over the five-year period, which commences January 1, 2020. We applied the building block method on a post-tax basis to determine the total revenue required in 2020-24 (AA5) for the provision of reference services.

Our primary considerations when setting tariffs, is the preference of customers and retailers for stability (from our stakeholder consultation), making market price signals as economically efficient as possible, and complying with our legislative requirements.

We estimate the average annual bill for ATCO's residential customers over AA5 is $16 higher (due to the distribution charge component) than the average annual bill in AA4. The price at the end of 2024 is estimated to be less than it was at the start of AA4 in 2015.

The proposed price path was tested during our Voice of Customer program and customers were supportive of the initial price increase from AA4 to AA5. The majority of participants prefer an initial price jump, then price stability, when compared to a gradual and consistent annual price increase.

The expected annual bill change due to our draft plan, for each tariff class, is outlined in the table below. Note, these are indicative annual average changes only, and individual customers' actual bills will depend on their usage patterns, retail tariff structure, and any changes in costs for other components of their gas bills.

TARIFF CLASS FORECAST #s IN 2020	AVG **%** CHANGE OVER TOTAL 5 YEARS	AVG **$** CHANGE OVER TOTAL 5 YEARS
A1 (75 Customers)	8.2%	$8,613
A2 (108 Customers)	8.1%	$4,243
B1 (1,596 Customers)	8.1%	$485
B2 (12,543 Customers)	8.3%	$86
B3 (755,102 Customers)	8.1%	$16

KEY ELEMENTS OF OUR PROPOSAL

We provide services to our customers on the gas distribution network. Our revenue from these services is driven by three main components: the investment return to ATCO ('rate of return'), operating expenditure and capital expenditure. These are discussed in turn below.

1. RATE OF RETURN

Significant investment is required to build a gas distribution network. The return that ATCO must pay lenders and investors is referred to as the rate of return. The ERA details the rate of return in its 'Rate of Return Guideline' (guideline).

ATCO expects to adopt the ERA's updated guideline for the AA5 period, however, this has not yet been finalised. At this time, the ERA expects to publish a draft guideline in the first half of 2018 and a final guideline in the second half of 2018.

As the revised guideline is not currently available, ATCO has prepared its estimate of the rate of return for this report based on the method used to determine the rate of return for the Dampier to Bunbury Natural Gas Pipeline access arrangement in June 2016. We have updated the estimate of the rate of return to incorporate updated market data to the end of November 2017.

Our 2020-24 Draft Plan is based on a required rate of return at 5.96%. This proposed rate is based on the following assumptions:

COMPONENT	PROPOSED RATE
Nominal risk-free rate	2.26%
Real risk-free rate	0.54%
Inflation rate	1.71%
Debt proportion	60%
Debt Risk Premium (10-year average)	2.267%
5-year IRS (effective yield)	2.463%
5-year interest rate swap spread	0.20%
Debt issuing cost (0.125%) + hedging (0.114%)	0.24%
Return on debt	**4.97%**
Market Risk Premium	7.40%
Equity beta	0.7
Corporate tax rate	30%
Gamma	0.40
Nominal after tax return on equity	**7.44%**
Nominal after tax WACC	**5.96%**
Real after tax WACC	**4.18%**

2. OPERATING EXPENDITURE

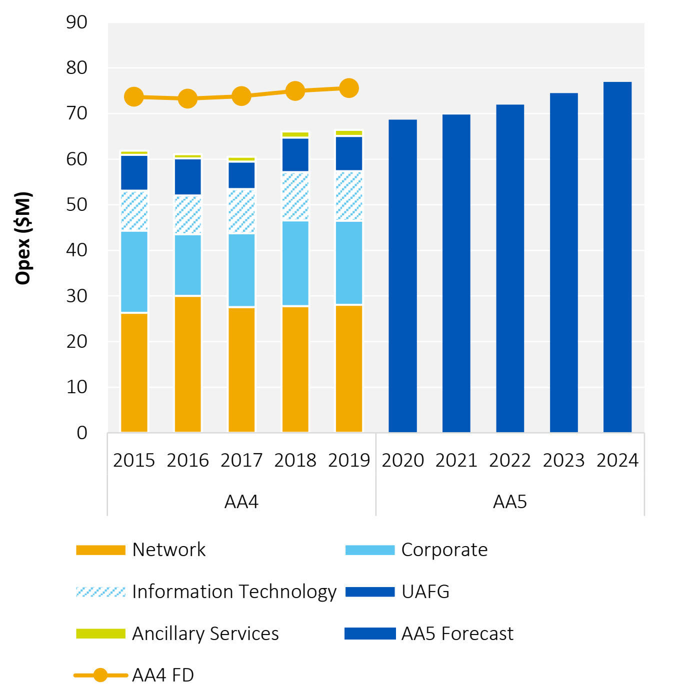
ATCO incurs operating expenditure (opex) to operate and maintain the network for our customers, respond to publicly reported gas leaks and read customer meters. Our opex is categorised into network, corporate, information technology, unaccounted for gas, and ancillary services.

We have applied the 'base-step-trend' (BST) approach to forecasting network, corporate and information technology operating expenditure for the AA5 period. This is an approach that is commonly accepted by regulators.

Using the BST approach, we have based our opex forecasts on the actual costs incurred during 2017 as this is the most recent full year. Unaccounted for gas and ancillary services have been forecast separately to account for forecast trends.

Our 2020-24 Draft Plan total forecast operating expenditure for AA5 is $362 million ($real as at 31 December 2019); $6.4 million lower than what was in the ERA AA4 Final Decision for the five-year period 2015-19. This forecast takes into consideration our network, corporate, information technology, unaccounted for gas and ancillary services expenditure.

AA4 and AA5 forecast opex ($M real as at 31 December 2019)



The National Gas Rules require us to ensure that our proposed expenditure reflects the costs of a 'prudent service provider acting efficiently, in accordance with accepted good industry practice, to achieve the lowest sustainable cost of delivering pipeline services'.

To ensure we are meeting this objective, we have conducted benchmarking of our Western Australian operations in comparison with similar measures from a range of Australian and New Zealand gas suppliers. This benchmarking analysis suggests that we are one of the most productive and efficient operators in our peer group.

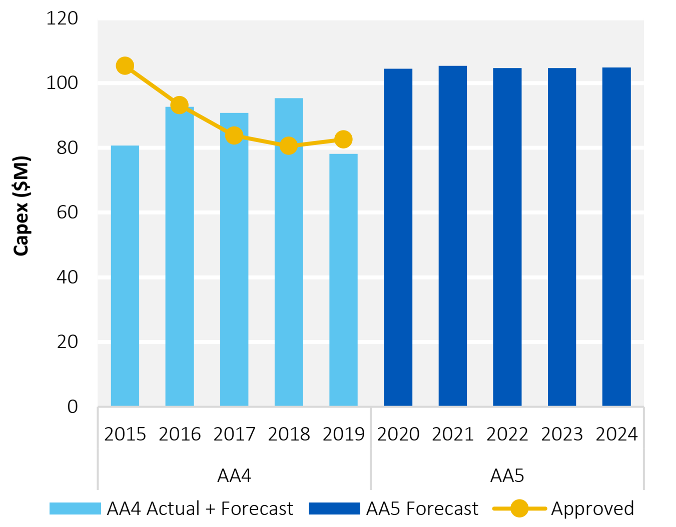
3. CAPITAL EXPENDITURE

Capital expenditure (capex) refers to the cost of building new facilities or replacing existing infrastructure to allow us to maintain service levels to new and existing customers. Factors that influence our required level of capex include the age and condition of existing assets, customer growth, and industry gas usage.

As with opex, we must be satisfied that our level of capex reflects the costs that a prudent operator, with efficient costs and a realistic expectation of demand and cost inputs, would need in order to operate its network safely and to comply with its obligations and service standards.

We have estimated in our 2020-24 Draft Plan a forecast net total capex of $524 million ($real 31 December 2019) for the AA5 period, which is $44 million (9%) above expenditure expected to be incurred during the five and a half years of AA4. The capex program incorporates network sustaining capex, network growth capex, information technology, and structures and equipment.

AA4 and AA5 forecast capex ($M real as at 31 December 2019)



NEXT STEPS

We encourage all of our customers and stakeholders to provide feedback so that we can finalise our submission to the ERA in September 2018. We ask that you please provide your feedback by 30 May 2018.

For more information on our 2020-24 Draft Plan and how to provide feedback, please visit our website: www.yourgas.com.au/draftplan.