



Thursday, 2 June 2005

Our Ref: 158314-001

Scott Young  
Acting Manager, Regulatory Policy  
EnergyAustralia  
Level 16, 570 George Street  
Sydney NSW 2000

Dear Scott,

Please find below the results of the PB Associates review of EnergyAustralia's streetlighting costs and lives.

Asset lives:

- PB Associates reviewed the average asset lives that are presently adopted by distribution network businesses in Queensland, NSW and Victoria.
- The range of asset lives for Brackets and Luminaires ranged from 20 years to 30 years with an average of 25 years and a mode of 20 years. EnergyAustralia currently applies an asset life for Brackets and Luminaires of 20 years. PB Associates considers the EnergyAustralia average asset life to be within the average range of asset lives.

PB Associates has reviewed the EnergyAustralia tender specifications for luminaires and brackets and notes the effective service life is set at 20 years for luminaires and 25 years for brackets. In terms of the combined replacement of dependent assets (e.g. bracket and luminaire together), it is PB Associates' observation that this is a common practice across the electricity industry. This would tend to indicate that the effective useful life of the bracket is more commonly set at a similar age to the luminaire.

- The range of asset lives for streetlight standards ranged from 20 to 60 years with an average of 30 years. EnergyAustralia currently applies an asset life for streetlight standards of 20 years. PB Associates considers the EnergyAustralia average asset life to be at the lower end of the average range of asset lives. PB Associates notes that the average asset life is mostly theoretical at this time due to modern steel streetlight standards being typically younger than that projected asset age. PB Associates considers that a more accurate representation of average asset life for streetlighting standards will emerge as field experience provides feedback on the current group of assets.

The review of streetlight standards included only those standards (or poles) that are of steel construction. Concrete and wood structures were excluded from the study.

Asset replacement costs:

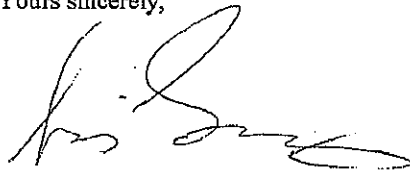
- PB Associates reviewed the average streetlight replacement costs that are presently adopted by distribution network businesses in Queensland, NSW and Victoria. The streetlight cost information was not available in a format that could be disaggregated into standards, brackets, luminaries and services. PB Associates was able to review the total replacement costs for a streetlight installation as a total cost.
- PB Associates reviewed a selection of standard streetlight configurations. The standard configuration costs were utilised to allow comparison across differing streetlight combinations and options.
- PB Associates found the EnergyAustralia streetlight configurations to be lower priced than the comparison companies.

Given the findings that the replacement cost of EnergyAustralia's public lighting equipment is reasonable relative to other service providers, and the useful life assigned to the relevant equipment is reasonable relative to our research, then the sustainable level of capital expenditure to maintain the service capability of the system in the longer term could be reasonably estimated by dividing the replacement cost of the public lighting inventory by its average useful life.

PB Associates has not reviewed the asset numbers provided by EnergyAustralia. However, based on the asset numbers provided by EnergyAustralia, the replacement cost of the public lighting inventory is in the order of \$212 million. Therefore it would be reasonable to expect a sustainable level of capital expenditure in the order of \$10 million per year.

I look forward to your feedback and the completion of this review with you.

Yours sincerely,



**Anthony Seipolt**  
Manager Australia  
Parsons Brinckerhoff Associates