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Dr Ron Ben David
Chairman
Essential Services Commission
Level 2
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Dear Dr Ben-David

Final Water Plan Submission

I am pleased to submit Lower Murray Water's Rural Water Plan 2013-18 and accompanying template for assessment by the Essential Services Commission.

Water Plan 3 has been developed not seeking to recover revenue losses suffered in the second regulatory period due to the significantly lower demand than predicted as a result of prevailing drought conditions for much of the second regulatory period and then the subsequent floods.

Should you have any questions I, or Manager Financial Services (John Bergin), can be contacted on (03) 5051 3400.

Yours faithfully

A handwritten signature in black ink, appearing to read "Ron Leamon".

RON LEAMON
MANAGING DIRECTOR

Encl



Lower Murray Water

Part B
Rural Water Plan

2013/14 to 2017/18

September 2012

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- A Service Standards and other Outcomes
- B Proposed Service Standards
- C Miscellaneous Charges
- D Capital Expenditure

LMW's 2013-14 to 2017-18 Rural Water Plan in Brief

This third Water Plan (WP3) is prepared by Lower Murray Urban and Rural Water Corporation (LMW) for the Australian Competition and Consumer Commission (ACCC) as the regulator for rural water services in the Murray-Darling Basin, and the Essential Services Commission (ESC) as its agent. This is the first Water Plan to include the former First Mildura Irrigation Trust. The document is our final Plan and details the needs of the business for the regulatory period of 1 July 2013 to 30 June 2018. LMW is pleased to still receive public feedback.

The Water Plan details outcomes to be delivered by LMW to meet its legislative and regulatory obligations, and customer demand for services. It summarises LMW's strategic responses and operating and capital costs, and the associated revenue and tariff requirements to meet those obligations and demands.

As a result of the commitments and outcomes presented in this Water Plan, bills to customers will increase on average by 4.2% per annum in nominal terms. The revenue requirement for the third regulatory period is very similar to the requirement for the previous regulatory period. However, LMW has been under-recovering revenue during the second regulatory period (leaving aside the pass through items such as spillable water and water entitlement fees). This means that an increase in tariffs is required to restore achieved tariff revenue to the level of the revenue requirement for the period 2013-14 to 2017-18. LMW has not asked, nor included any under-recovered revenue in determining its revenue requirement for the third regulatory period.

LMW's operating costs (comprising operations, maintenance and corporate recurring expenditure) for irrigation, drainage and rural water supply services, are expected to remain relatively static in real terms over the regulatory period. Drought, flood and economic challenges posed over the recent past reduced demand and placed financial hardship on customers. In response LMW drove a "survival" approach to budgeting whereby all non-critical expenditure was eliminated. This has placed LMW in a strong position to sustain those efficiency gains in the next regulatory period. However, ageing irrigation systems are reaching the end of their service life and investment is becoming necessary to maintain service levels. Without the benefit of external funding for asset replacement and to meet customer expectations of improved service levels, major investment is unaffordable and would pose an unacceptable financial burden on rural customers. Nevertheless, critical maintenance and essential replacement of existing infrastructure will be carried out.

As part of the development of this Water Plan, LMW sought information on the likely increases in electricity as a result of the implementation of the Federal Government's carbon tax. There are many conflicting reports on the impact and LMW has adopted the findings from the Australian Energy Market Commission final report "Possible Future Retail Electricity Price Movements: 1 July 2011 to 30 June 2014". LMW has allowed for an 11.41% increase in energy costs for 2012/13, followed by a 6.0% increase in 2013/14 and only increases in line with inflation beyond that. No above inflation adjustments have been made for the ongoing electricity distribution costs.

Capital investment planned for the next regulatory period is estimated at \$34.1 million, comprising:

- ▶ Critical asset replacement for pumps and electrical systems to maintain service reliability and compliance with health and safety requirements
- ▶ Minor replacement of irrigation pipelines, drainage pipelines and pit lids in Mildura, Merbein and Red Cliffs
- ▶ Irrigation meter replacements for Mildura, Merbein and Red Cliffs and diverters

LMW has used the information in its draft document as a basis for consultation with its Customer Service Advisory Committees, its wider community, regulatory agencies and key stakeholders. This final Plan has considered and included feedback received from the various sources.

The Water Plan has made no allowance for further progression of Sunraysia irrigation modernisation works, as Federal funding has not been approved.

In the event that Federal funding is received and Sunraysia modernisation works proceed during the Water Plan period it is anticipated that, subject to the direction of the regulatory agencies, a price adjustment will be made.

1. Executive Summary

1.1 Water Plan Structure

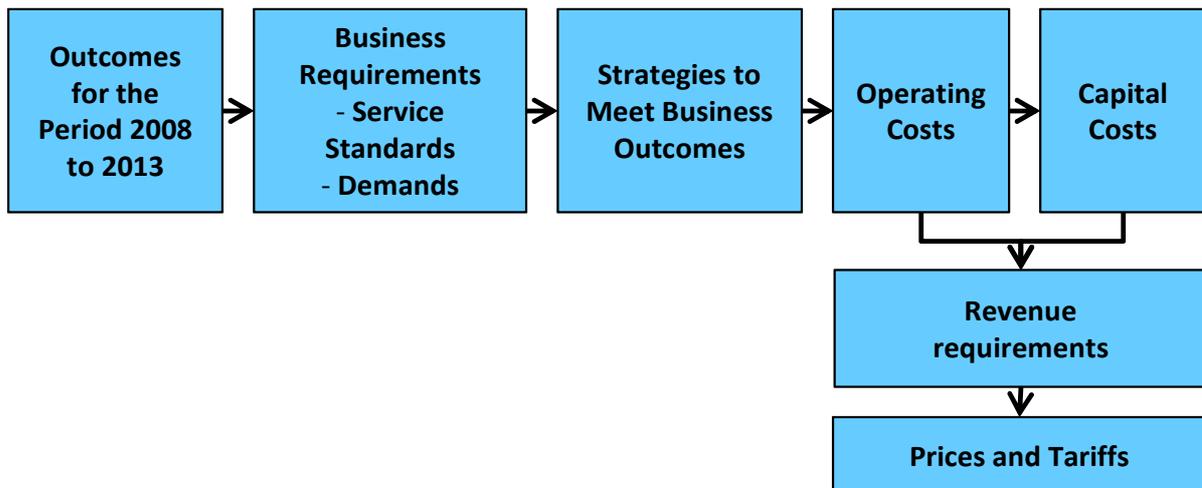
While LMW operates as a single business entity, it reports to different regulators – the ESC for urban services and the ACCC for rural services operated within the Murray-Darling Basin. Consequently, the Water Plan is presented in two parts:

- ▶ Part A - Urban Services
- ▶ Part B - Rural Services

This **Water Plan Part B** is for **Rural Services** – irrigation and subsurface drainage. Costs for common services, such as corporate, are allocated between the urban and rural parts of the business. This Water Plan incorporates the former First Mildura Irrigation Trust (FMIT) in with LMW’s rural services. All actual and forecast numbers have both FMIT and LMW’s rural services together.

This Water Plan follows the decision making process of LMW, as illustrated in Figure 1.

Figure 1 Water Plan Process Structure



The process detailed in Figure 1 has been replicated for Urban and Rural Services.

1.2 Recent Major Achievements

The region has weathered a number of major challenges since 2008:

- ▶ Serious impacts from the drought for the region in terms of the community, economy and environment
- ▶ Major flooding in early 2011, along with longer term recovery
- ▶ Local economic impacts as a result of commodity prices and local seasonal effects on primary production, as well as the global financial crisis
- ▶ Uncertainty relating to the Murray Darling Basin Plan.

LMW has responded to these challenges and remained focused on its core service objectives. Major achievements of LMW with respect to rural services during the period 2008 to date are:

- ▶ Implementation and commissioning of the Robinvale High Pressure Irrigation System
- ▶ Water quality improvements for the Millewa rural water supply system
- ▶ Meter replacements for the Merbein, Mildura and Red Cliffs districts
- ▶ Meter replacements and remote meter reading for private diverters
- ▶ Replacement of irrigation district pumpsets and switchboards
- ▶ Implementation of LMW's Emergency Management Plan in response to the February 2011 flood event, including completion of remedial works to assets impacted by the flood
- ▶ Managing under circumstances of a significant shortfall in revenues while maintaining service levels
- ▶ Implementation of Victorian Water Register and integration into LMW business systems.

1.3 Overview of Customer Consultation Processes

LMW has well-established rural customer consultation arrangements which are a combination of:

- ▶ Direct consultation through Customer Service Advisory Committees (CSACs) in each of the four Irrigation Districts, the Millewa Rural District and Private Diverters
- ▶ Various media communications including public notices and newsletters, website, Twitter and media releases
- ▶ Structured consultation processes such as customer surveys, direct email, complaint tracking and response

Many key State and local government, industry and community stakeholders are briefed and issues discussed individually.

LMW's Customer Service Advisory Committees typically meet 3 to 4 times a year and have been briefed on relevant matters such as the Water Plan process, service standards, operating expenditure, capital works, master plans for the irrigation districts, irrigation start/stop schedules, water entitlements and water availability. Feedback from the committees is provided to the Board and discussion about the price paths has been undertaken.

In particular, LMW is mindful of its role in the community and the economic issues affecting the region, and actively considers these issues when considering the balance between service needs and their affordability.

LMW welcomes feedback on its policies and strategies, and engagement in the Essential Services Commission's (as agent for the ACCC) process of determining prices for LMW services.

1.4 Overview of Key Outcomes for the Period

LMW proposes to meet its corporate values and goals, which recognise that our overall well-being and livelihood is directly linked to the agricultural, tourism and support industries which form our economic backbone.

LMW's core business objectives are to meet the present and future needs of our customers and community by providing reliable and secure water services, and to manage water resources, use water responsibly, and communicate the value of water to the community.

LMW proposes to meet all current and expected regulatory obligations during the forthcoming regulatory period arising from:

- ▶ A currently draft revision to the Statement of Obligations, expected to come into effect later in 2012
- ▶ LMW's current Customer Charter (Rural), which was revised in December 2012 and is not proposed for change into the next regulatory period
- ▶ Additional regulatory obligations from the Murray Darling Basin Plan, under preparation by the Murray Darling Basin Authority (MDBA). If adopted by the Federal Government, the Plan will commence immediately with various components being progressively enacted through the WP3 period.

The LMW Board has approved a range of service performance standards and targets that it intends to meet relating to:

- ▶ **Irrigation services standards** for: water orders delivered on time; channel bursts and leaks; and unaccounted for water
- ▶ **Licensing and administration standards** for: determining applications for surface diversion, groundwater or supply by agreement; processing transfer of water use licences or water shares; and metered percentages of use limit volumes
- ▶ **Customer services standards** for: complaints to the Energy and Water Ombudsman of Victoria; and response to telephone calls.

In general, the service standard targets are based on the average performance outcomes delivered over the past 5 years.

LMW, through this Water Plan, outlines the strategies, processes and expenditures required to meet the above obligations and commitments to its customers.

Note that this Water Plan is prepared without any allowance for Sunraysia irrigation modernisation, as Federal funding has not been approved.

1.5 Overview of Revenue Requirement

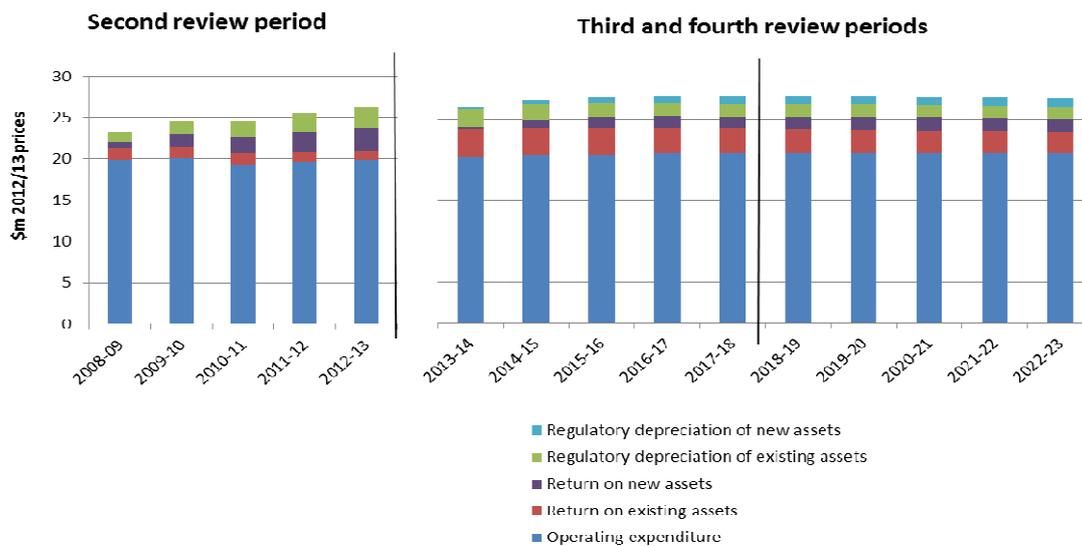
Under the ESC's approach to regulation, prices are set by reference to a "revenue requirement" which covers operating costs, a return on assets, depreciation of assets and taxation.

Table 1 and Figure 2 below show the movement in the different elements of the revenue requirement over time. The figure shows that LMW's operating costs are expected to remain stable over the third and fourth regulatory periods.

Table 1 Total Revenue Requirement (\$M 1/1/13)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Operating expenditure	19.79	20.30	20.51	20.65	20.79	20.81
Return on existing assets	1.23	3.43	3.31	3.20	3.10	3.00
Return on new assets	2.65	0.46	1.13	1.40	1.48	1.55
Regulatory depreciation of existing assets	2.49	1.98	1.87	1.72	1.58	1.49
Regulatory depreciation of new assets	-	0.24	0.60	0.79	0.92	1.05
Adjustments from last period	-	-	-	-	-	-
Benchmark tax liability	-	-	-	-	-	-
Total revenue requirement	26.16	26.41	27.42	27.76	27.87	27.90

Figure 2 Revenue Requirement (\$M 1/1/13)



1.6 Overview of Demand

The main charges to LMW's customers are levied on the basis of customers':

- ▶ ML of delivery share (being the maximum volume of water able to be delivered in a 14 day period)
- ▶ Usage, measured in terms of ML of actual water delivered
- ▶ Entitlement storage volumes, measured in terms of ML of water shares held in the Victorian Water Register, with charges differentiated according to the source of the water
- ▶ Annual usage limits (AULs) for diverters
- ▶ A service charge levied on each assessment

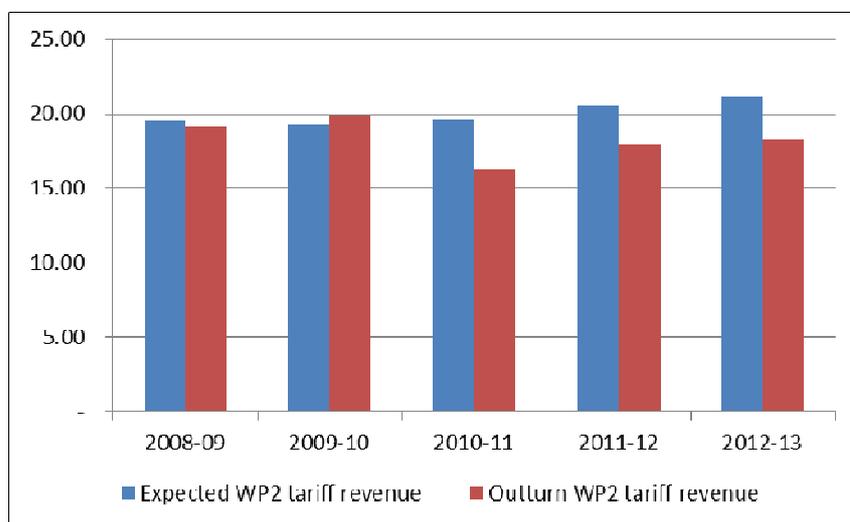
In the previous review period, charges to irrigation customers in the Mildura district were structured differently, consistent with the district's origins as a separate water authority (FMIT). However for the third regulatory period, LMW plans to standardise Mildura's charges so that the charging structure is consistent with those of the other irrigation districts.

Forecasts for the key elements of the charging base for the rural business are as follows:

- ▶ Delivery shares are projected to remain stable throughout the regulatory period.
- ▶ Water shares in the irrigation districts are also predicted to remain broadly stable, with recent growth in the water shares of non water users expected to flatten out after 2011-12.
- ▶ Water deliveries (usage) in the irrigation districts more than halved from previous levels in 2010-11 as a result of the floods. Deliveries are expected to recover to the level experienced in 2011-12, the most recent year. Even so, the volumes expected to be taken are well down compared to pre-drought usage and this is creating an issue for the remaining growers in terms of the level of tariffs needed to recover costs in each district.
- ▶ For diverters, usage is expected to continue its decline in 2012-13 before levelling out. However the majority of charges to diverters are based on Annual Usage Limits (AULs), which means that the demand base and the level of revenue recovered remains reasonably stable.

Figure 3 compares tariff revenue (in 1/1/13 prices) with outturn revenue. Tariff revenues exclude pass through revenues and revenue from miscellaneous services. It includes revenue from termination fees, amortised over 10 years. The figure shows the under-recovery of tariff revenues since 2010-11.

Figure 3 Comparison of Expected WP2 with Actual Revenue (\$M 1/1/13)



1.7 Overview of Rural Expenditure Forecasts

LMW's planned operating expenditure (opex) totals \$103.06 million (in real \$ 2012-13) over the regulatory period. The planned operating expenditure reflects LMW's recent and proposed initiatives to deliver efficient costs over the regulatory period.

Table 2 sets out actual and planned operating expenditures for the rural business. Licence fees and the environment contribution are shown separately in the table. There are no new obligations anticipated to give rise to additional operating expenditures in the forthcoming review period.

As part of the development of this Water Plan, LMW sought information on the likely increases in electricity as a result of the implementation of the Federal Government's carbon tax. There are many conflicting reports on the impact and LMW has adopted the findings from the Australian Energy Market Commission final report "*Possible Future Retail Electricity Price Movements: 1 July 2011 to 30 June 2014*". LMW has allowed for an 11.41% increase in energy costs for 2012/13, followed by a 6.0% increase in 2013/14 and only increases in line with inflation beyond that. No above inflation adjustments have been made for the ongoing electricity distribution costs.

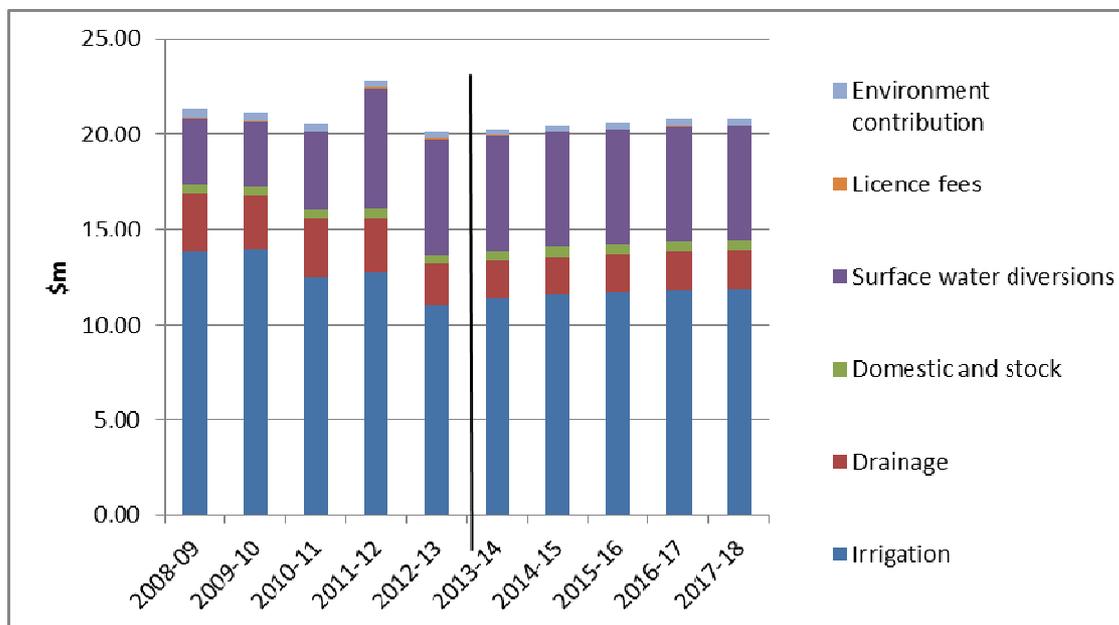
In addition, the allowances for ESC licence fees, for the environment contribution and for pass through tariffs (spillable water, storage entitlement fees, salinity fees and water share (DSE) fees) are LMW estimates and are assumed to be static over the period, in real or nominal terms according to the previous price path of each fee item. These allowances will be updated when these costs are known, and will be passed-through to customers at cost. These pass through costs are included in LMW's operating expenditure.

Table 2 Actual and Planned Operating Expenditure (\$M 1/1/13)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Irrigation	12.76	11.00	11.42	11.58	11.64	11.80	11.87
Drainage	2.84	2.19	1.94	1.99	2.08	2.04	2.02
Domestic and stock	0.51	0.44	0.48	0.48	0.49	0.50	0.49
Surface water diversions	6.30	6.09	6.08	6.09	6.08	6.10	6.09
Licence fees	0.03	0.03	0.02	0.02	0.02	0.02	0.02
Environment contribution	0.40	0.40	0.36	0.35	0.34	0.33	0.32
Total prescribed opex	22.84	20.15	20.30	20.51	20.65	20.79	20.81

Figure 4 shows actual and forecast operating expenditure by service over the second regulatory period, and forecast expenditure over the third regulatory period. The figure highlights the reduction in operating costs achieved by LMW in response to the drought, with its consequent reduced water availability and hardship for growers. Operating costs incurred for the irrigation districts are expected to continue to show savings, but these are offset by an expected increase in storage entitlement charges.

Figure 4 Actual and Planned Operating Expenditure 2008-09 – 2017/18 (\$M 1/1/13)



LMW’s planned capital expenditure is \$34.12 million over the regulatory period. Table 3 shows capital expenditure forecast for the last two years of the current regulatory period and for the forthcoming regulatory period.

Table 3 BAU Capital Expenditure (\$M 1/1/13)

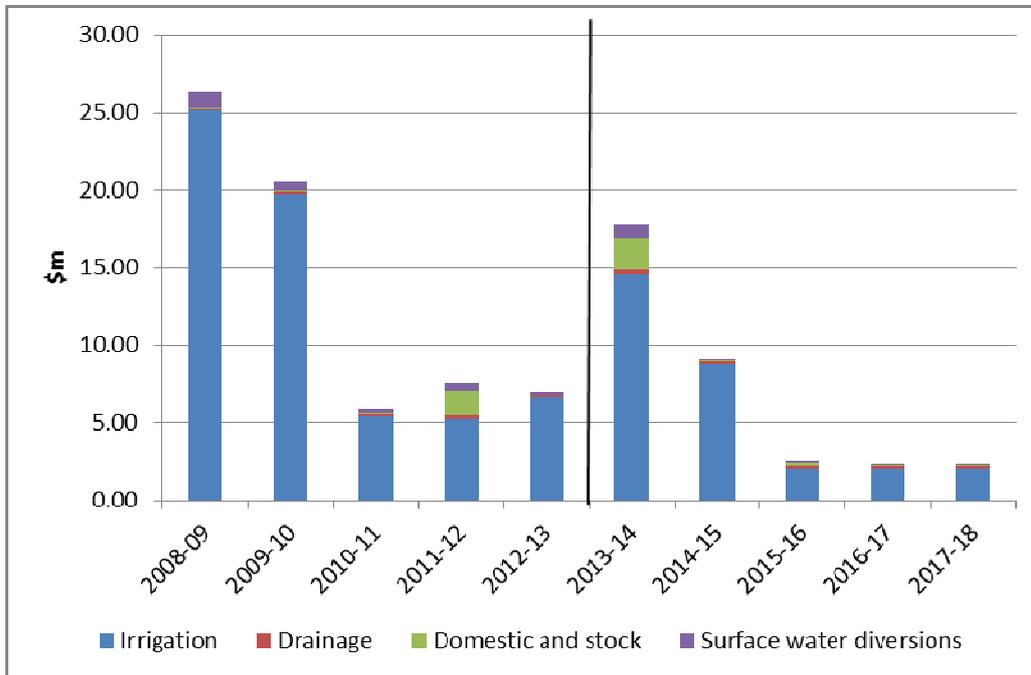
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Irrigation	5.23	6.68	14.53	8.75	2.01	2.02	2.03
Drainage	0.21	0.15	0.33	0.21	0.19	0.19	0.19
Domestic and stock	1.63	0.03	2.02	0.09	0.25	0.05	0.05
Surface water diversions	0.50	0.12	0.89	0.08	0.08	0.08	0.08
Total prescribed BAU capex	7.57	6.98	17.77	9.13	2.53	2.34	2.35

This level of capital expenditure is significantly reduced from the previous period, and is based on funding of high risk replacement works. The proposed works includes the following major items:

- ▶ Irrigation pump station pump overhauls
- ▶ Replacement and contingency allowances for irrigation pipelines
- ▶ Replacement and contingency allowances for drainage pipelines and pit lids
- ▶ Meter replacements in all irrigation districts and for diverters

Figure 5 shows actual and planned capital expenditure between the current and next regulatory periods.

Figure 5 Actual and Planned Capital Expenditure 2008-09 to 2017-18 (\$M 1/1/13)



1.8 Overview of Proposed Rural Tariff Structures

During the second regulatory period there were a number of changes to tariff structure to implement the requirements of water entitlement unbundling. These tariff structures are expected to continue for the third regulatory period. However tariffs for the Mildura irrigation district will be restructured to bring them into line with the structure applying in the other irrigation districts.

Table 4 shows the movement in the cost per ML expected for reference customers in each district. The reference customer is assumed to have 100 ML of storage entitlement and 100 ML pa usage (400 kL in the case of Millewa Urban, 4300 kL Rural customers and 1000ML for Diversions customers). The calculation of bills excludes “pass through” charges such as water entitlement storage fees, spillable water, salinity fees and DSE water share fees. (The amount of revenue expected to be recovered from customers and passed through to G-MW and other agencies is reported separately, in Section 7.3).

The final column of the table reports the annual average increase in the bills for a reference customer in each district.

Table 4 Cost per ML for Reference Customers (Money of the Day)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	Average Annual Bill Increase
Mildura irrigation and drainage	107.21	114.33	118.95	127.11	135.74	144.50	153.79	5.8%
Merbein irrigation and drainage	93.59	98.19	101.80	105.59	110.73	115.88	122.07	4.1%
Red Cliffs irrigation and drainage	109.98	111.60	112.62	115.29	119.30	121.34	125.11	2.2%
Robinvale irrigation and drainage	175.13	182.54	190.27	201.73	215.06	227.73	242.54	5.6%
Mildura HPS	153.39	161.21	170.46	183.85	198.36	213.77	230.56	7.2%
Diversions (Irrigation)	1.83	1.88	2.10	2.60	3.10	3.60	4.00	5.1%
Bills Movement per Reference Customer								
Millewa Urban (Irrigation)	27	12	19	24	24	24	24	2.7%
Millewa Rural (Irrigation)	166	406	221	237	208	208	194	2.8%
Other stock and domestic (Irrigation)	N/A	40	35	38	38	38	38	2.4%

2. Lower Murray Water Rural Business Summary

2.1 LMW Rural Services

LMW operates across the municipalities of Mildura, Swan Hill and Gannawarra in North-Western Victoria.

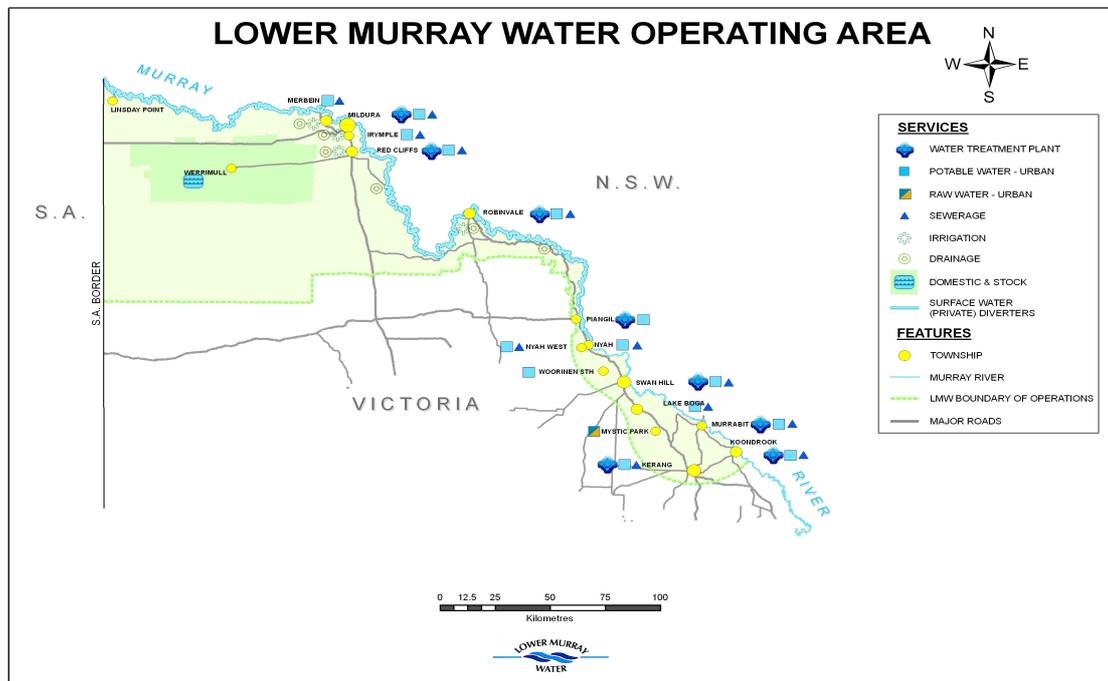
LMW delivers rural services including:

- ▶ Irrigation - districts of Mildura, Merbein, Red Cliffs and Robinvale
- ▶ Domestic and stock – Mildura, Merbein, Red Cliffs and Robinvale and Millewa rural district
- ▶ Surface water diversion licences of along the Murray River in Victoria between Nyah West and the South Australian border
- ▶ Subsurface Drainage – systems of Mildura, Merbein, Red Cliffs, Robinvale, Nangiloc, Tol Tol, Bumbang and Boundary Bend diverters.

LMW recognises the importance of security of supply, public health, water quality and environmental responsibilities as well as the crucial economic role of water in the regional and state context.

Figure 6 provides details of the LMW’s operating area in Victoria and key services.

Figure 6 LMW Operating Area



2.2 Customers and Assets

LMW provides untreated river water to customers through four pumped irrigation districts, domestic and stock supply and surface water diverters. LMW provides services to the following districts:

- ▶ Mildura – pumped irrigation
- ▶ Red Cliffs – pumped irrigation
- ▶ Robinvale – pumped irrigation (High Pressure)
- ▶ Merbein – pumped irrigation
- ▶ Millewa – domestic and stock
- ▶ Nyah to SA border – private diverters

LMW collects and disposes of subsurface drainage water from the four pumped irrigation districts and Nangiloc, Robinvale and Boundary Bend diverters.

Table 5 summarises irrigation customer and water volume data.

Table 5 Rural Water Supply Customers and Volumes (2011-12)

Irrigation Customers	2,486
Domestic and Stock Customers	2,229
Private Diverters	1,102
Total Customers	5,817
Irrigation	407,554 ML
Domestic and Stock Customers	709 ML

Table 6 summarises LMW's rural water supply assets.

Table 6 Rural Water Supply Assets

Asset	
Pump Stations	12
Irrigation Channels	57 km
Irrigation Pipelines	612 km
Domestic and Stock	466 km

2.3 Business Context

Lower Murray Urban and Rural Water Corporation was created under the provisions of the Water Act 1989 via Order in Council effective 1st July 2004. It assumed the water and wastewater responsibilities of the Lower Murray Region Water Authority (LMW - managing urban water supply and wastewater services) and the Sunraysia Rural Water Authority (SRW - managing irrigation and rural (domestic and stock) water supplies).

LMW is a State-owned Government Business Enterprise. The Water Governance Act 2006 varied the form and title of LMW and established new governance arrangements that took effect from 1 July 2007. Lower Murray Urban and Rural Water Authority became Lower Murray Urban & Rural Water Corporation.

On 19th August 2008, the Minister for Water issued a determination for LMW to take over the whole of the functions, powers and duties of the First Mildura Irrigation Trust (FMIT).

LMW continues to operate under the Water Act 1989 and is responsible to the Minister for Water and the Treasurer for the governance and performance of the Corporation.

The primary focus of the Board is to meet the Victorian Government's objectives for water, sewerage, irrigation water and drainage services whilst operating as a commercially oriented body with a high degree of autonomy. LMW provides financial and logistical support to Directors to maintain or update their skills and knowledge base on an annual basis.

2.3.1 Our Vision

Vital Resource: Vital Service

Managing our water resources responsibly to promote the economic and social advancement of our region, whilst protecting our environment.

2.3.2 Our Core Business

In the LMW region, our overall well-being and livelihood is directly linked to the agricultural, tourism and support industries which form our economic backbone.

How we manage our water resources must recognise the intrinsic interrelation between this resource and the social and economic fabric of our region.

We have to manage and use water responsibly to ensure that the health and prosperity of our community and environs are protected.

We need to communicate with our community to ensure they appreciate the value of the water resource encouraging them to conserve it.

Our core business is to meet the present and future needs of our customers and community by providing reliable and secure water services.

2.3.3 Our Corporate Goals and Objectives

LMW has developed strategies and programs to meet its goals and objectives described in Table 7.

Table 7 Rural Goals and Objectives

Goals	Objectives
Quality Service Delivery	<ul style="list-style-type: none"> ▶ Promote uptake of irrigation services ▶ Upgrade irrigation systems in line with Master Plan ▶ Ensure Drainage Systems are fit for purpose ▶ Promote reuse of drainage water
Positive Customer, Staff and Stakeholder Relationships	<ul style="list-style-type: none"> ▶ Keep all customers, staff and the community informed about water issues generally and issues which directly affect them ▶ Maintain open and constructive relationships with customers and staff and listen to and respect their ideas and input ▶ Maintain customer-representative and advisory structures and processes through which customers can have meaningful input to the corporation's planning processes ▶ Maintain multi-level communication strategies with our shareholder, regulators, staff and other key stakeholders to ensure the Corporation's interests and views are effectively communicated
Building a Prosperous Region	<ul style="list-style-type: none"> ▶ Actively promote the economic growth of our region and provide the necessary infrastructure to cater for growth ▶ Manage the business of Lower Murray Water in a manner which recognises our interrelationship with the economic, social and cultural well-being of our region ▶ Promote the security of the bulk water entitlement of our region and ensure that it continues to reflect the economic importance of the region in a National context ▶ Seek opportunities to on-sell the services and expertise of Lower Murray Water ▶ Expand the geographic and economic activity of Lower Murray Water where feasible
Sustainability of Our Environment	<ul style="list-style-type: none"> ▶ Minimise the environmental impact of water usage by all customer groups ▶ Implement State Environmental Sustainability Objectives
Motivated and Empowered People	<ul style="list-style-type: none"> ▶ To develop and maintain a workplace culture focused on efficiency and customer satisfaction ▶ To have staff retention rates better than industry and regional averages ▶ To be innovative in recruitment
Efficient Financial and Asset Management	<ul style="list-style-type: none"> ▶ To align the business objectives with Pricing Regulator's Principles ▶ Continue to plan, maintain and improve the Corporation's asset base to meet the projected long-term needs of the community and customers ▶ Develop pricing structures/tariffs for urban and rural services that are equitable and reflect the funding needs for long-term infrastructure
Responsible Corporate Governance	<ul style="list-style-type: none"> ▶ Provide strong leadership for the Corporation and within the Victorian water sector generally ▶ Maintain positive Board and staff relationships to underpin a performance-based organisational culture where people strive to improve and innovate in the ways things are done ▶ Undertake risk management and audit processes, which balance mitigation with contingency planning designed to protect the interests of the Corporation and its customers ▶ To have effective planning and decision making processes

3. Outcomes for Second Regulatory Period

3.1 Service Standards and Other Outcomes

LMW has met outcomes or made progress in line with expectations in the Statement of Obligations, Customer Charter, services standards, and other obligations and initiatives outlined in the Water Plan (WP2) for the second regulatory period 2008-09 to 2012-13.

LMW's progress in the second regulatory period for the following obligations are summarised in Appendix A.

- ▶ Statement of Obligations
- ▶ Service Standards
- ▶ Other Obligations & Initiatives

3.2 Delivery of Key Capital Projects

Table 8 summarises progress on key capital projects planned for the second regulatory period.

Table 8 Delivery of Key Capital Projects

Project	WP2 Budget (\$M 2007)	Progress	Comment
Robinvale High Pressure System	21.6	Completed	System commissioned in 2010
Water Wheel/Meter Replacements	6.05	Ongoing	Surface water diverters meter replacement and telemetry completed Irrigation district meter replacement programs are expected to take a further 10 years
Red Cliffs Pump Station Overhauls	6.0	In progress	Partially completed, with further works to be completed in WP3
Millewa Rural Water Quality Improvements	1.00	In progress	Partially completed in 2011. Further work under way
Irrigation Pump Station Overhauls and Upgrades	Not included	In progress	Risk assessment completed and all high risk projects planned for 2012-13 and WP3

The major project for the period was the Robinvale High Pressure Irrigation System, which was successfully delivered and commissioned by 2010, involving a total expenditure of \$51.3 million (\$33.1 million for the WP2 period compared to approved budget of \$24.8m). The additional cost related to rescoping of the project and higher tendered costs for the work.

Regarding the Millewa domestic and stock water quality improvement project, DSE have partially funded \$1.24M of the improvements under the Small Towns Water Quality Fund. Water treatment facilities are currently being installed to the Millewa Rural area, and the requirement has been extended to the Lake Cullulleraine township to improve water quality to residents and visitors.

3.3 Actual Capital Expenditure Associated With the Delivery of Outcomes

Table 9 shows the capital expenditure forecast for the second regulatory period compared with updated actual and forecast capital expenditure.

The most significant variations in capital expenditure over the period are caused by the additional costs of the Robinvale High Pressure System, and the amount planned to be spent on critical irrigation system overhauls and replacements across all districts except Robinvale in 2012-13. Total current forecast capital spend of \$6.98M is per the ESC determined expenditure from WP2 period.

Table 9 Capital Expenditure Associated with Outcomes (\$M nominal)

	Approved WP2	08-09 to 10-11 Actual	11-12 Actual	12-13 Forecast	Expected Total WP2
Irrigation		46.18	5.14	6.68	58.00
Drainage		0.36	0.21	0.15	0.72
Domestic & Stock		0.30	1.61	0.03	1.94
Surface Water Diversions		1.59	0.49	0.12	2.20
Total	57.19	48.43	7.45	6.98	62.86

3.4 Changes in Legislative Obligations

There were minimal changes to regulatory obligations over the current period. The most significant was the metering for rural customers, which was commenced under the National Framework for Non-urban Metering, being managed under the Victorian State Implementation Plan. The costs have been included in Business-As-Usual capital and operating expenditure.

3.5 Drought and Flood Related Impacts

The regulatory period 2008/09 to 2012/13 has so far been characterised by two extreme events that have impacted on the performance and costs of Lower Murray Water – drought and floods.

Drought

Goulburn-Murray Water (G-MW) determines an annual allocation for bulk entitlement. Allocations for 2008-09 and 2009-10 were severely reduced requiring irrigators to either purchase allocations (temporary water) or reduce their water usage. Because of the high cost to purchase allocations during this time, many irrigators dried off sections of their irrigated land, which restricted irrigation to any carryover allocations from the previous year by individual irrigators plus any water share, or if water was acquired through limited term transfer.

For WP2, LMW's demand forecast and the ESC's revised forecast took into account the continuation and eventual removal of reduced water allocations, and the demand outcome was significantly lower than expected.

Floods

Increased rainfall in 2010/11 culminated in a significant flood event in the region in February 2011. The result of the flood was inundation of the drainage systems, and subsequent damage to underground infrastructure.

Costs were incurred for emergency response and service restoration, drainage pumping, cleanup, and repair of infrastructure. Much of this cost was reimbursed from government.

The significantly higher rainfall in 2010/11 (924mm in Mildura) compared to an annual average of 289mm, much of this during the typically dry summer period, also significantly reduced irrigation demands throughout the region.

3.6 Actual Operating Expenditure

Table 10 sets out the comparison between approved and outturn operating expenditures for the WP2 regulatory period.

Table 10 Opex Associated with Delivering Outcomes (\$M nominal)

	Approved WP2 (indexed)	08-09 to 10-11 Actual	11-12 Actual	12-13 Forecast	Expected Total WP2
Irrigation		37.38	12.57	11.01	60.96
Drainage		8.26	2.79	2.19	13.24
Domestic & Stock		1.37	0.50	0.44	2.31
Surface Water Diversions		10.19	6.20	6.09	22.48
Licence fees		0.08	0.03	0.03	0.14
Environment contribution		1.17	0.40	0.40	1.97
Total	93.98	58.45	22.49	20.16	101.10

Given the highly constrained demands and reduced revenues for the rural part of the LMW business, operating costs were kept to a minimum. Key variances in operating expenditure are:

- ▶ Reduced costs for electricity for irrigation pumping (except Robinvale)
- ▶ Efficiencies through staff redundancies and 'survival' budgeting (reducing all non-critical expenditure and minimising fixed controllable costs wherever possible) through the latter part of the drought period and the reduced demand continuing through the balance of WP2
- ▶ Additional costs for flood recovery, as outlined above, of \$1.571million, reimbursed by government.

Productivity improvements implemented during the period also included:

- ▶ Group insurance tendering
- ▶ Applying more advanced crack repair/filler agents for future channel patching programs after initial trialling of new technologies on a recent channel lining contract

- ▶ LMW recently completed the rollout of remote meter reading technology in its Robinvale Irrigation District and is currently extending this network to cover the remote reading of private diverters' irrigation meters along the Murray River from Nyah, near Swan Hill to the South Australia border. The use of these technologies will lead not only to efficiencies in regard to staffing levels, but also increased customer service levels with these customers able to access the LMW web site to view consumption and irrigation trends
- ▶ Replacement of some irrigation pumps with low maintenance pumps with high efficiency motors, and switchboards including automated operating controls and variable speed drives to optimise energy use and reduce stresses on pumping equipment.

3.7 Revenues

Figure 7 to Figure 9 show the comparison between outturn revenues and allowed revenues based on the second price review determination. Ideally the comparison would be made on the basis of the revenues retained by LMW, i.e. excluding pass through revenues. However there was insufficient information to separate out pass through revenues for FMIT for the second regulatory period. Therefore the revenue comparison has been made on total tariff revenues, including those from pass tariffs, but with the assumption that pass through tariffs are held constant throughout to neutralise their impact on bills.

Outturn usage was significantly lower than expected, resulting in lower revenues than expected for the entire second regulatory period. As can be seen from Figure 9, the reduction in revenue was particularly pronounced for diverters. LMW did not follow Price paths set in Water Plan 2 as the LMW Board took into account the hardships facing irrigators due the combination of flood, drought and commodity prices.

Figure 7 Outturn Versus Predicted Revenue – Irrigation (\$M 1/1/13)

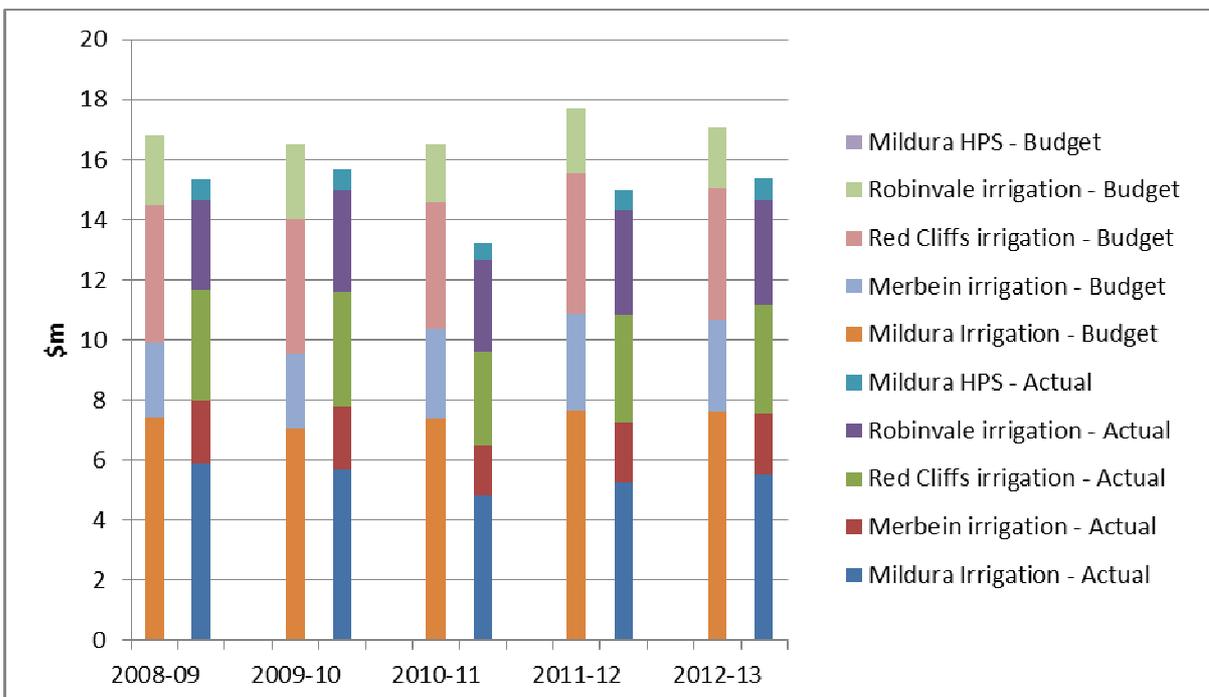


Figure 8 Outturn Versus Predicted Revenue – Drainage (\$M 1/1/13)

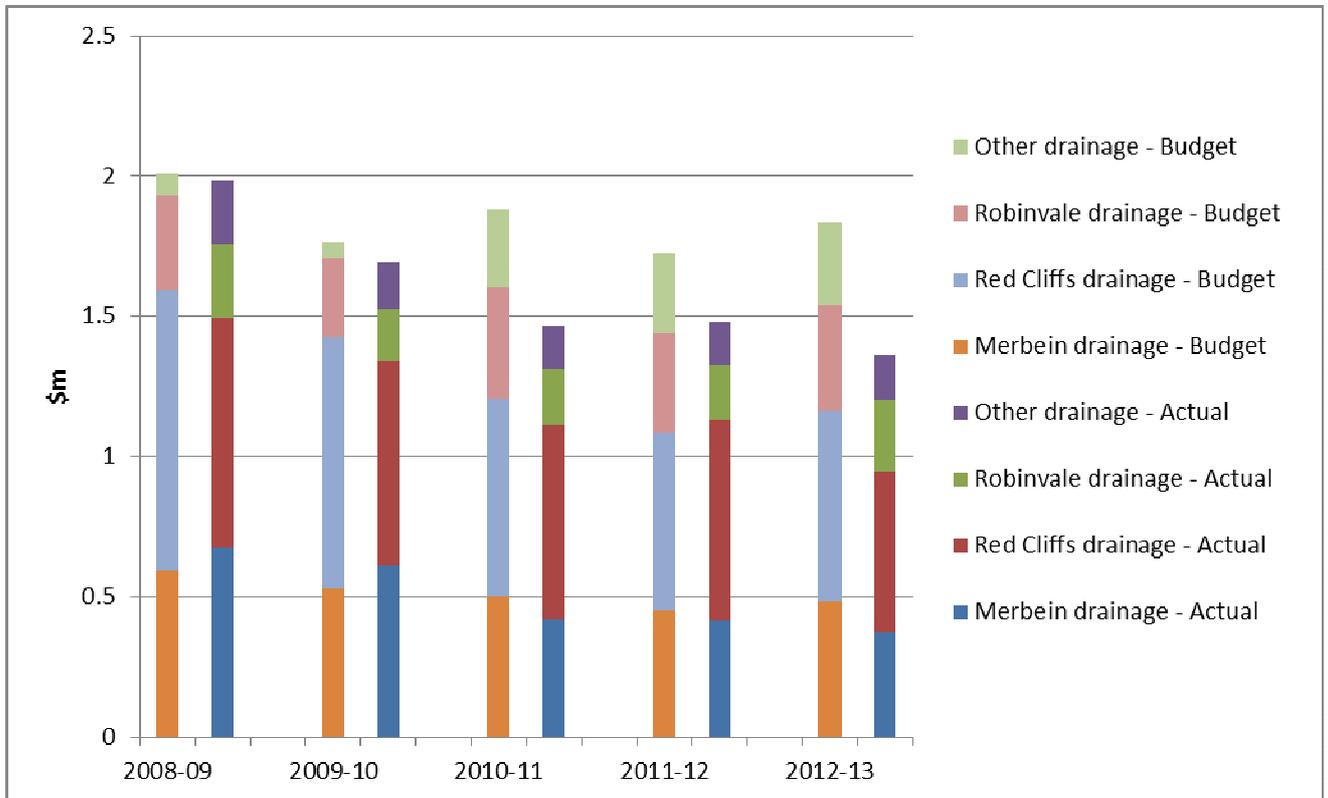
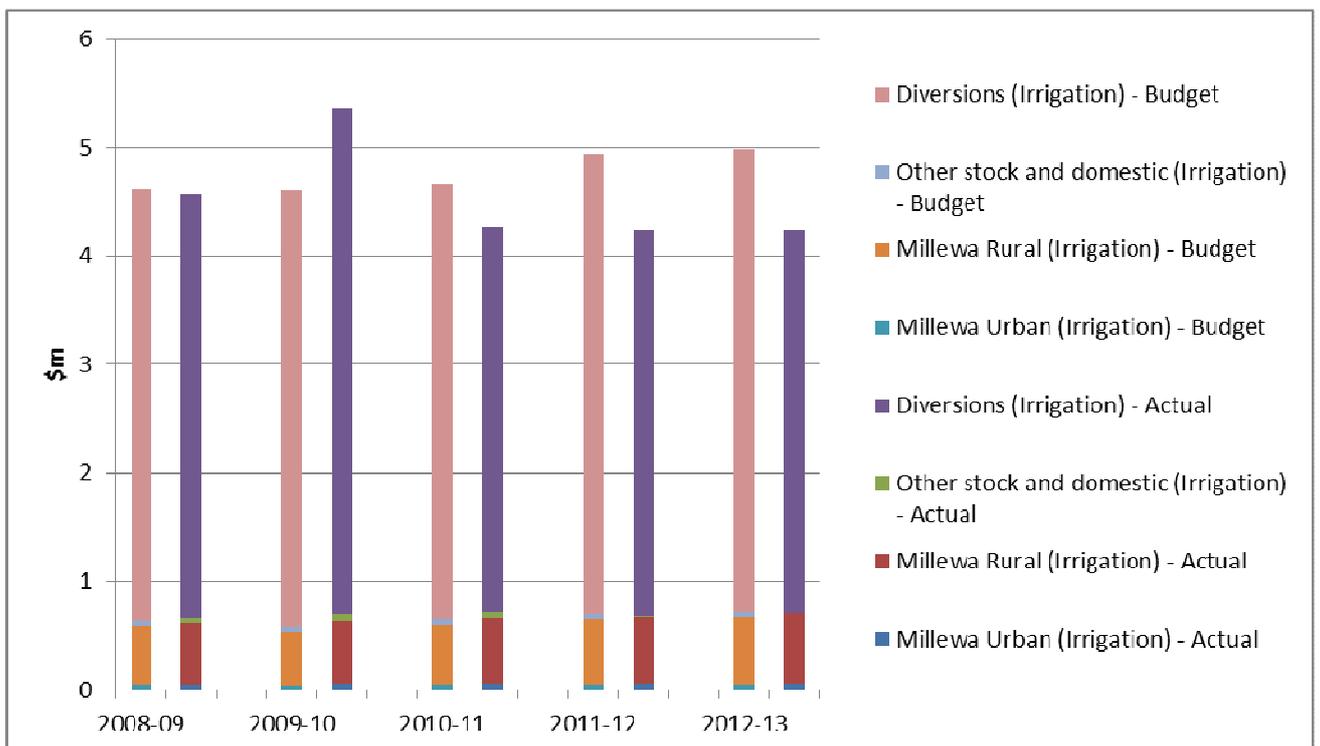


Figure 9 Outturn Versus Predicted Revenue – Other (\$M 1/1/13)



4. Service Outcomes

LMW has had changes made to obligations in some service outcomes for the third regulatory period, as detailed in:

- ▶ Statement of Obligations (draft)
- ▶ Other Obligations.

Existing service outcomes are retained for:

- ▶ Customer Charter (Rural)

The following section overviews customer consultation on service outcomes and summarises LMW's key service outcomes for the regulatory period.

4.1 Overview of Customer Consultation

LMW rural customer consultation arrangements include:

- ▶ District-based Customer Service Advisory Committees (CSACs)
 - Mildura, Merbein, Red Cliffs and Robinvale Irrigation Districts
 - Millewa Rural District
 - Private Diversion.
- ▶ Customer Satisfaction Survey
- ▶ Public notices and newsletters
- ▶ Customer complaint tracking
- ▶ Stakeholder engagement
- ▶ Website / Twitter
- ▶ Direct Emailing to Customers
- ▶ Media releases on new Water Plan to regional media
- ▶ Public Meetings in Sunraysia and Robinvale

LMW's Customer Service Advisory Committees typically meet 3 to 4 times a year and cover topical issues including master plans for the irrigation districts, irrigation start/stop schedules, water entitlements, water availability and service standards.

To date, briefings have been provided to each of the CSACs since late 2011 relating to the Water Plan process and on service standards, demands, operating expenditure and capital works. Discussion has also been on pricing proposals for the future water plan period.

Key stakeholders are briefed and issues discussed individually, and include:

- ▶ Victorian Farmers Federation
- ▶ Department of Sustainability and Environment
- ▶ Department of Treasury and Finance
- ▶ Mildura Rural City & Swan Hill Rural City Councils

A letter seeking feedback on proposals for the new WP3 from local agencies was provided to:

- ▶ Mildura Development Corporation
- ▶ Mallee Family Care
- ▶ Department of Primary Industries
- ▶ Mallee Catchment Management Authority
- ▶ Parks Victoria
- ▶ Regional Development Victoria

LMW conducts an annual customer satisfaction survey. The survey seeks views on satisfaction and value for money associated with a range of services offered by LMW.

LMW continues to provide formal tracking and reporting on key customer interactions. The emphasis is on tracking customer complaints through to resolution, but all significant customer interactions are tracked to assist in improving corporate performance and reporting. Workflow improvements have been introduced to formalise and support key customer related processes.

4.2 Regulatory and Government Obligations – Business as Usual

The following section deals with outcomes that LMW will deliver, which are due to obligations placed on the business from government and regulatory agencies.

4.2.1 Customer Charter

LMW had its Customer Charter (Rural) approved by the ESC in December 2010 and its provisions will apply for the next regulatory period. This document provides an explanation of the rights and obligations of LMW and our rural customers.

4.2.2 Statement of Obligations

- The Statement of Obligations for the 2008-09 – 2012-13 regulatory period will not apply for the forthcoming regulatory period, and will be replaced with a new Statement of Obligations which is expected to come into effect later in 2012. At this stage the Water Plan is based on a draft (issued in August 2011) Statement of Obligations, the main sections of which are summarised in Table 11 along with LMW's intended response and associated financial implications for the next regulatory period.

Table 11 Draft Statement of Obligations

Obligation Topic and Drivers	Target and Outcomes
Sustainable Management Principles	Refer Section 4.2.3 below
Preparation & Delivery of Water Plan	LMW will deliver a Water Plan to the ESC for the regulatory period. Two separate Water Plans are required – one for urban services and one for rural services
Corporate Governance	The Board has an Audit Committee and a Governance Committee to assist with various aspects of its governance role. LMW annually reviews and reports its performance to the Minister
Customer and Community Engagement	LMW engages its customers and community in planning processes through the Customer Charter and consultation through the Water Plan process, so that the services it provides reflect the needs and expectations of customers. Refer below.
Managing Risks	Refer Section 4.2.4 below
Managing Incidents and Emergencies	Refer Section 4.2.5 below
Managing Assets	Refer Section 4.2.6 below
Licensing Administration Functions	LMW has processes in place for licencing and administration functions for rural services
Compliance with Obligations	LMW monitors compliance with this Statement of Obligations and has processes for reporting a material failure
Compliance Audits	LMW, through the ESC, arranges an audit of compliance annually and as required
Other Audits and Reviews	LMW will comply with any requirement of the Minister for a review or audit of any matter relevant to its functions and powers

4.2.3 Sustainable Management Principles

LMW is committed to planning and managing all its functions in a socially and environmentally responsible and sustainable manner.

In relation to the environment, LMW has been and continues to be involved in the following areas:

- ▶ Efficiency of Irrigation Systems
- ▶ Environmental Water Allocation
- ▶ Regional Catchment Management Strategy
- ▶ Victorian Biodiversity Strategy
- ▶ Greenhouse Gas Emissions
- ▶ Waste Reduction

In relation to social responsibility and sustainability, LMW has supported a wide range of community initiatives, as part of its role as environmental custodian and corporate citizen. Some of these include:

- ▶ LMW has continued its sponsorship to local schools, sporting clubs, service clubs and community groups, such as the Country Fire Authority, garden and swimming clubs, Senior Citizens and the Rotary clubs
- ▶ LMW works collaborately with local agencies such as Mallee Catchment Management Authority
- ▶ LMW provides funding assistance to Mallee Waterwatch, providing a valuable forum for community education on the importance of water quality
- ▶ LMW participates in the Sunraysia Regional Algal Coordination Committee providing advice to the community and local Tourist bodies on water quality threats from Blue Green Algae Blooms
- ▶ LMW provides teaching guidance through study and curriculum guides to local schools promoting the water cycle message
- ▶ LMW actively participates in visits to schools across the region.

Assessments of the capacity of customers to pay are made through evaluation of a range of inputs from customer consultation, reference to pricing of comparable services provided elsewhere in Australia and discussions with various commodity organisations or peak body groups. Our customer consultative committees are used as reference points for proposed changes to tariffs.

A hardship process exists within Lower Murray Water which assists in the identification of customers who find themselves in difficulty in being able to pay their account. LMW gives consideration where customers in difficult circumstances can be granted certain interest free periods for payment such as after 2011 floods.

As a part of this process LMW requests customers discuss their financial situation with the organisations such as Sunraysia Rural Financial Counselling Service/Mallee Family Care which are jointly funded by local partner agencies and the state and federal governments.

4.2.4 Managing Risk

LMW continues to integrate risk management into its business activities. The enterprise risks are recorded, monitored and mitigated through a number of systems based on ISO31000:2009 Risk Management. These include SafetyMap to manage occupational health and safety exposures and environmental management systems for environmental and cultural hazards. Five risk registers are maintained within the framework.

All high and extreme rated risks are reported to the Audit Committee and the Board, with the highest rated risks being:

- ▶ (Corporate) Failure of LMW, or a contractor, to fulfil contractual obligation's
- ▶ (OH & S) Contractor Management – poor contractor safety attitudes
- ▶ (Corporate) Failure of irrigation or drainage system
- ▶ (Asset) Water Treatment Plant failure – unable to supply potable water
- ▶ (Asset) Water Reticulation system – unable to provide customers with water

Most critically, LMW has worked to establish a risk management culture that recognises risks in daily activities, so that they are appropriately addressed and managed.

4.2.5 Managing Incidents and Emergencies

LMW is involved in a number of emergency management planning actions, which it is obligated to complete under the Statement of Obligations.

LMW also has its own internal Emergency Management Plan consisting of numerous contingency plans, databases, standard operating procedures and are participants in a number of Municipal Emergency Exercises.

LMW's Risk Management Policy provides a corporate framework with more specific Contingency Plans developed for critical assets such as pump stations. LMW has improved the availability and management of risks through coordinated file management on the intranet and document management system.

LMW's Emergency Management Plan processes were well tested during the floods of 2011, with the outcomes being reviewed and a number of important changes made to response and management arrangements. In particular, LMW has moved towards a more business-oriented approach, and is incorporating the emergency Management Plan into a wider Business Continuity Plan.

4.2.6 Managing Assets

LMW has mature and systematic processes in place for managing its asset base. LMW is building its asset management strategy for the forthcoming regulatory period, and key activities identified for this strategy include:

- ▶ Establishing improved governance arrangements to support strategic asset decision-making and data management
- ▶ Alignment of asset management framework with PAS 55 / ISO 55000
- ▶ Review data standards and update data hierarchy, valuations, performance, condition and risk data
- ▶ Develop an asset management systems strategy to derive maximum value from the (current) implementation of Hansen 8, LMW's asset management information system, and integrate this with an updated Technology One Projects system
- ▶ Develop a management strategy for all assets, including a consistent approach to asset maintenance
- ▶ Improve the robustness of asset renewal forecast using improved asset performance and condition data, the understanding of management strategies, and asset valuation information.

Further information on LMW's asset management processes for developing this Water Plan's expenditure forecasts are discussed under Section 5.4 Prudent and Efficient Expenditure Levels.

4.3 New Obligations

Specific new obligations proposed for the third regulatory period for the rural business of LMW have not been identified, however, the Murray Darling Basin Authority (MDBA) is preparing the Murray-Darling Basin Plan as required by the Water Act 2007 (Cwth). If adopted the Plan will commence immediately with various components being progressively enacted through to 2019 when the States take operational

control. LMW will be required to comply with this Plan and will incur some, as yet unspecified, costs to meet compliance. No allowance has been provided for MDBP compliance in this Water Plan.

4.4 Service Standards

Service standards were discussed with Customer Service Advisory Committees. Very robust discussion was held on the levels of service and also irrigation demand for the coming water plan period.

Recommendations were forwarded to the Board for their review. The Board approved the various standards as are set out in Appendix B.

4.4.1 Guaranteed Service Levels

Although the concept of guaranteed service levels was reviewed, no guaranteed service levels are proposed for the rural business of LMW.

5. Revenue Requirement

5.1 Overview of Revenue Requirement

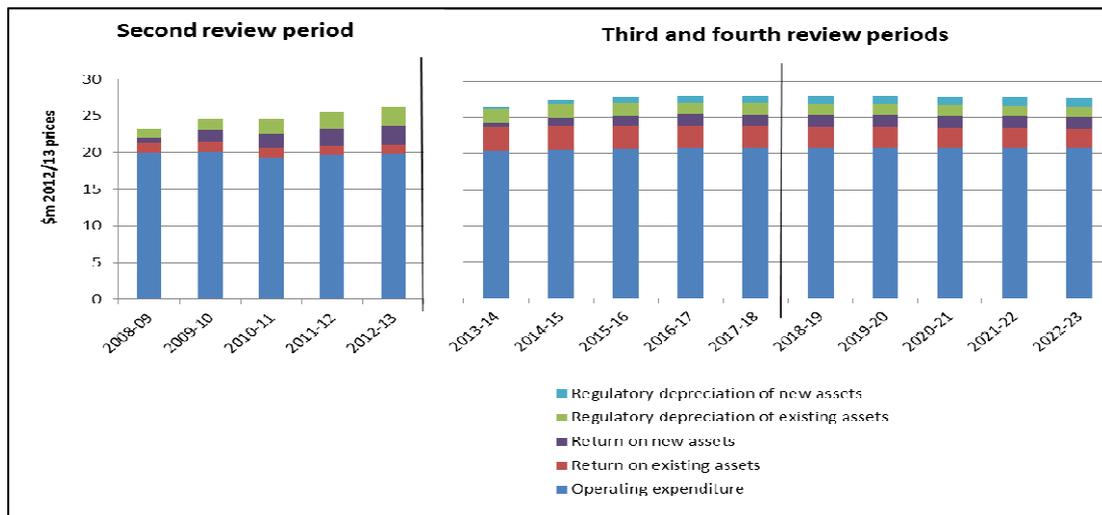
Under the ESC's approach to regulation, prices are set by reference to a "revenue requirement" which covers operating costs, a return on assets, depreciation of assets and taxation.

Table 12 and Figure 10 below show the movement in the different elements of the revenue requirement over time. The figure shows that all elements of the revenue requirement remain reasonably stable over the third review period.

Table 12 Revenue Requirement (\$M 1/1/13)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Operating expenditure	19.79	20.30	20.51	20.65	20.79	20.81
Return on assets to 30/6/13	1.23	3.43	3.31	3.20	3.10	3.00
Regulatory depreciation of assets to 30/6/13	2.65	0.46	1.13	1.40	1.48	1.55
Return on new assets	2.49	1.98	1.87	1.72	1.58	1.49
Regulatory depreciation of new assets	-	0.24	0.60	0.79	0.92	1.05
Adjustments from last period	-	-	-	-	-	-
Benchmark tax liability	-	-	-	-	-	-
Total Revenue Requirement	26.16	26.41	27.42	27.76	27.87	27.90

Figure 10 Revenue Requirement (\$M 1/1/13)



The following sections detail the key factors underlying each component of the revenue requirement.

5.2 Operating Expenditure

5.2.1 Overview of Operating Expenditure

LMW's planned operating expenditure (opex) totals \$103.06 million over the regulatory period. The planned operating expenditure reflects LMW's recent and proposed initiatives to deliver efficient costs over the regulatory period. All expenditure is expressed in real 2012-13 dollars unless otherwise specified.

Table 13 sets out actual and planned operating expenditures for the rural business. Licence fees and the environment contribution are shown separately in the table. There are no new obligations anticipated to give rise to additional operating expenditures in the forthcoming review period. The table (and subsequent tables) includes the cost of pass through tariffs which are collected by LMW on behalf of GM Water and other agencies. Most of the costs for Surface Water diversions are pass through costs. As discussed below, the revenue collected (and reported separately) exactly offsets these costs.

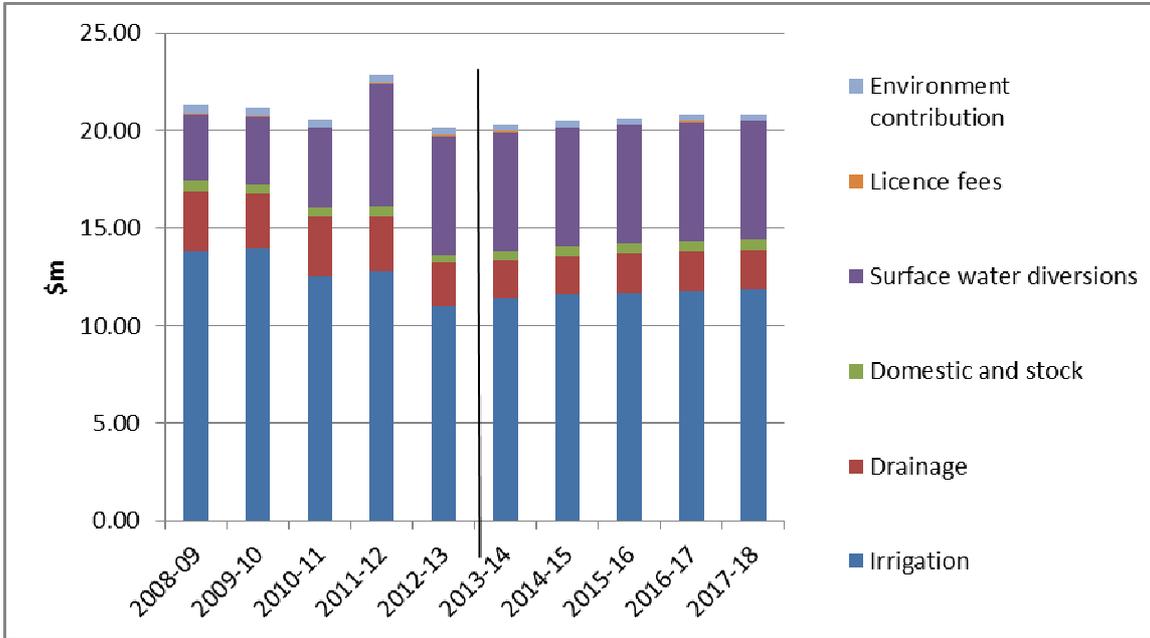
Table 13 Actual and Planned Operating Expenditure (\$M 1/1/13)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Irrigation	12.76	11.00	11.42	11.58	11.64	11.80	11.87
Drainage	2.84	2.19	1.94	1.99	2.08	2.04	2.02
Domestic and stock	0.51	0.44	0.48	0.48	0.49	0.50	0.49
Surface water diversions	6.30	6.09	6.08	6.09	6.08	6.10	6.09
Licence fees	0.03	0.03	0.02	0.02	0.02	0.02	0.02
Environment contribution	0.40	0.40	0.36	0.35	0.34	0.33	0.32
Total prescribed opex	22.84	20.15	20.30	20.51	20.65	20.79	20.81

Figure 11 shows actual and forecast operating expenditure by service over the second regulatory period, and forecast expenditure over the third regulatory period. The figure highlights the reduction in operating costs achieved by LMW in response to the drought, with its consequent reduced water availability and hardship for growers. Operating costs incurred for the irrigation districts are expected to continue to show savings over 2008-09 and 2009-10 levels. However these are offset by an expected increase in operating costs for diversions, which are discussed further below.

As part of the development of this Water Plan LMW sought information on the likely increases in electricity as a result of the implementation of the Federal Government's carbon tax. There are many conflicting reports on the impact and LMW has adopted the findings from the Australian Energy Market Commission final report '*Possible Future Retail Electricity Price Movements : 1 July 2011 to 30 June 2014*'. LMW has allowed for a 11.41% increase in energy costs for 2012/13, followed by a 6.0% increase in 2013/14 and only increases in line with inflation beyond that. No above inflation adjustments have been made for the ongoing electricity distribution costs

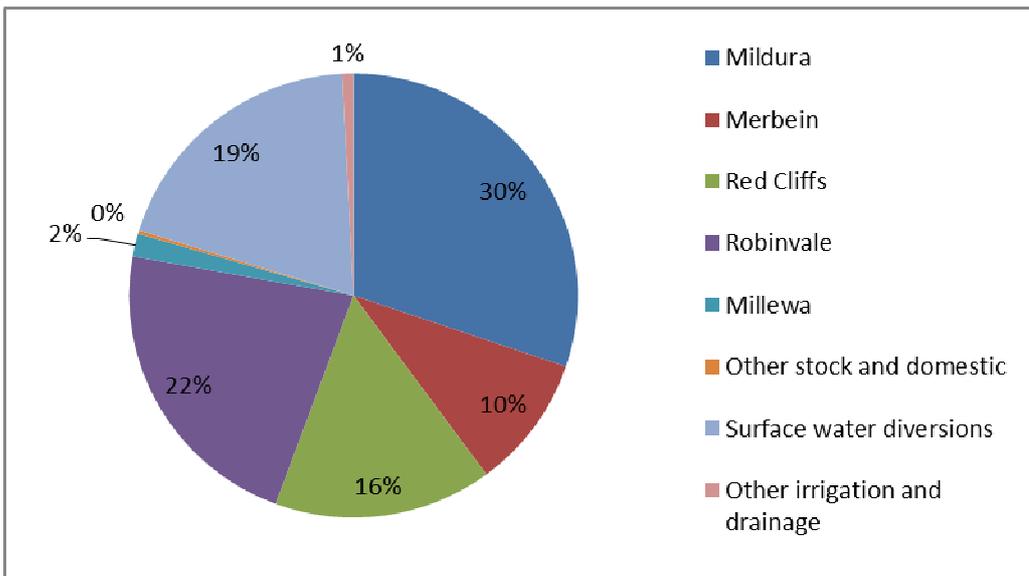
Figure 11 Actual and Planned Operating Expenditure 2008-09 to 2017-18 (\$M 1/1/13)



The Environment Contribution goes towards funding initiatives that support the sustainable use of water. LMW’s environment contribution is currently \$370,000 (\$1/7/12) per annum as has been determined and advised by DSE.

Figure 12 shows the breakdown of average annual expenditure by district for 2010-11.

Figure 12 Average Annual Operating Expenditure by District 2010-11



The four irrigation districts of Mildura, Red Cliffs, Merbein and Robinvale account for 79% of operating expenditure for irrigation and drainage services. Surface water diversions account for 18% of costs with the remaining 3% predominantly representing domestic and stock services in the Millewa.

5.2.2 Justification of Forecast Expenditure Levels

Drivers of operational expenditure and changes to capital expenditure are best related at a product and system level. A more detailed analysis of BAU costs and drivers for each product and system follows.

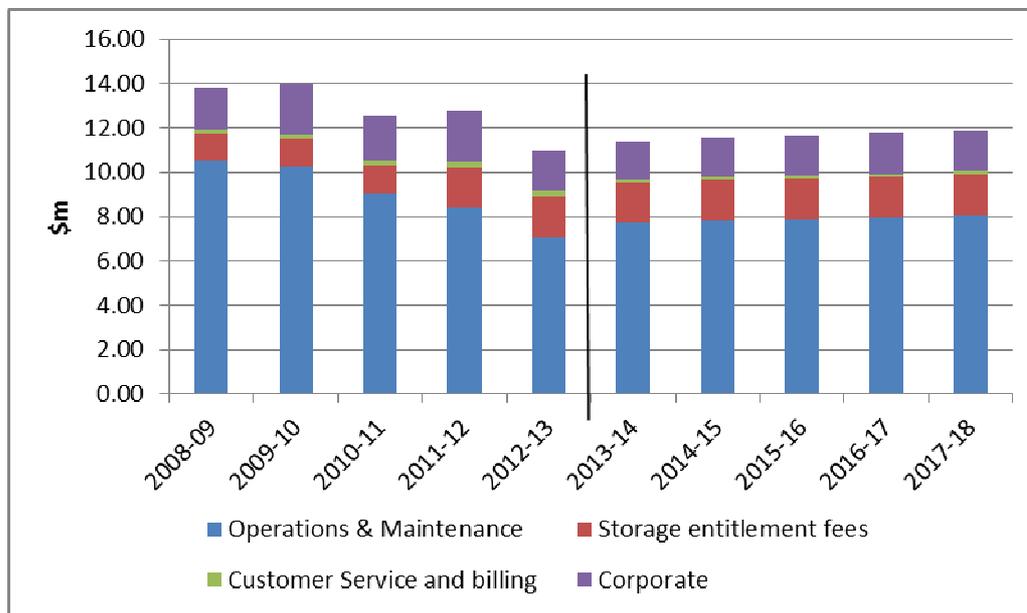
5.2.3 BAU Operating Expenditure by Service - Irrigation

For the third regulatory period, irrigation operating expenditure accounts for \$58.31 million or some 56% of total prescribed operating expenditure. Table 14 and Figure 13 show the composition of irrigation expenditure for the forthcoming regulatory period.

Table 14 Irrigation BAU Opex (\$M 1/1/13)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Operations & maintenance	8.41	7.10	7.72	7.83	7.88	7.94	8.06
Storage entitlement fees	1.81	1.83	1.83	1.83	1.83	1.83	1.83
Customer service and billing	0.24	0.19	0.14	0.15	0.15	0.15	0.15
Corporate	2.30	1.88	1.73	1.77	1.78	1.88	1.83
Total	12.76	11.00	11.42	11.58	11.64	11.81	11.87

Figure 13 Irrigation BAU Opex 2008-09 to 2017-18 (\$M 1/1/13)



The figure clearly shows the reduction in irrigation operations and maintenance costs over the 2009-10 to 2011-12 period and the proposed retention of these efficiencies into the WP3 regulatory period. Some of these efficiencies are permanent reductions caused by replacement of some irrigation pumps with low maintenance pumps with high efficiency motors, switchboards with automated operating controls and variable speed drives to optimise energy use and reduce stresses on pumping equipment.

5.2.4 BAU Operating Expenditure by Service - Drainage

Drainage operating expenditure accounts for \$10.07 million or 9.8% of BAU operating expenditure over the third regulatory period.

LMW is proposing to develop a drainage strategy as the role of the drainage system is changing with improved irrigation practices. The sub surface drainage system was designed to collect excess water from furrow/flood irrigation practices. Drainage water is captured and transferred to evaporation basins, floodplains or waterways.

Drainage maintenance involves the removal of blockages caused by calcification and tree roots and repair of pipes. LMW is proposing to analyse the history of blockages and age of infrastructure.

Analysis of drainage asset condition and service level requirements will help to direct the future strategy as the majority of assets will be nearing the end of their expected life in 20 years time.

Opportunities to recycle drainage water are also being investigated by some irrigators. Irrigation using drainage water already occurs at Boundary Bend and in the Red Cliffs irrigation district.

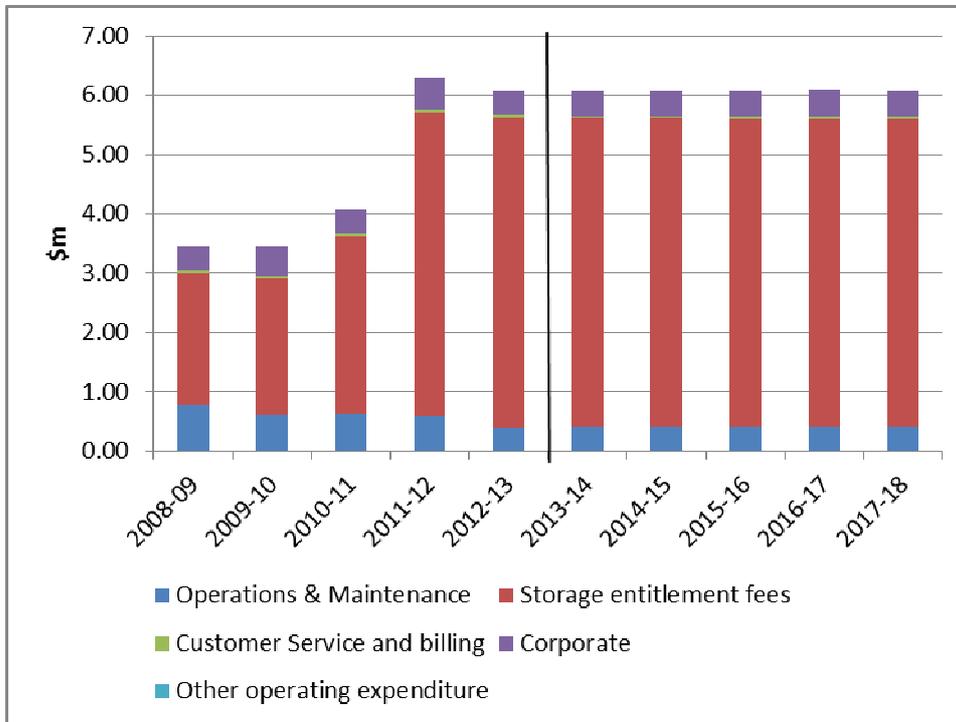
5.2.5 BAU Operating Expenditure by Service - Surface Water Diversions

Surface water diversion operating expenditure accounts for \$30.4 million or 29.5% of total operating expenditure for the third regulatory period. Table and Figure 14 show composition of surface water diversion expenditure for the period 2011-12 to 2017-18.

Table 15 Diversions BAU Opex (\$M 1/1/13)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Operations & maintenance	0.58	0.41	0.42	0.41	0.41	0.40	0.42
Storage entitlement fees	5.12	5.22	5.21	5.21	5.20	5.20	5.19
Customer service & billing	0.06	0.04	0.03	0.04	0.04	0.04	0.04
Corporate	0.54	0.42	0.42	0.43	0.43	0.46	0.44
Other operating expenditure	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	6.30	6.09	6.08	6.09	6.08	6.10	6.09

Figure 14 Surface Water Diversions BAU Opex 2008-09 to 2017-18 (\$M 1/1/13)



Surface water diversions occur between Nyah and the South Australian border, where there is increasing development of relatively high value crops, such as olives and almonds. LMW's role is to set development requirements based on water capacity and crop type.

LMW approves water use licences for water extracted directly from the Murray River in accord with development requirements. LMW has installed electro-magnetic flow meters with remote meter reading capability, making flow monitoring and meter reading a relatively automated process. Operations and maintenance costs represent less than 7% of proposed overall operational expenditure.

Some \$26.0 million or 85% of operational expenditure relates directly to external storage entitlement fees from Goulburn-Murray Water. The increase in entitlement fee costs reflects an increase in the fee that LMW passes through to GMW.

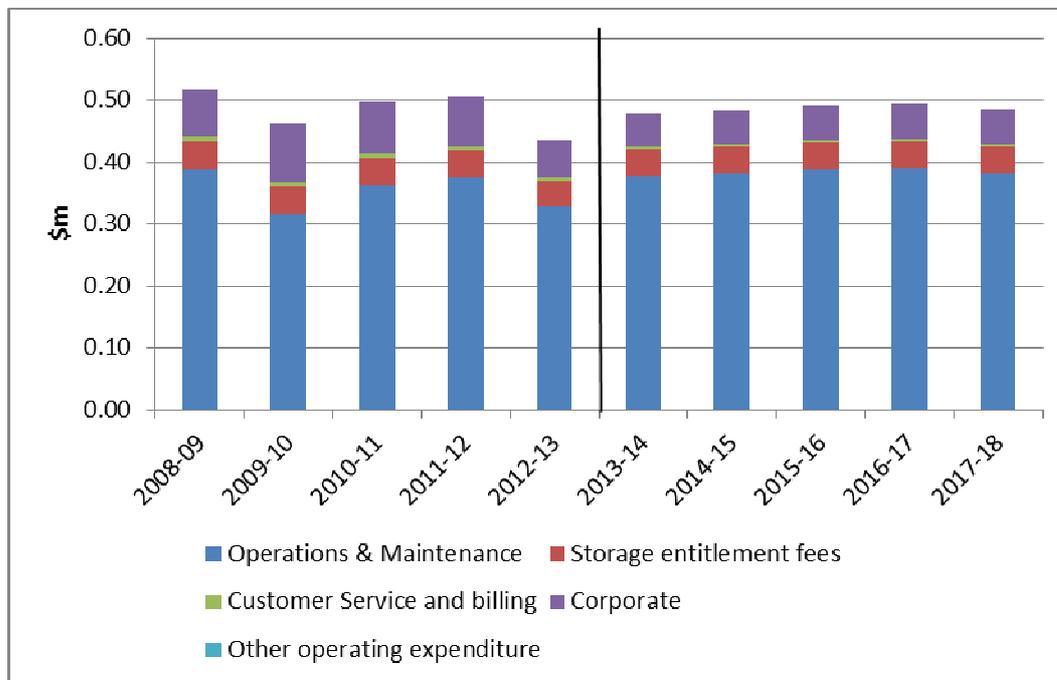
5.2.6 BAU Operating Expenditure by Service - Domestic & Stock

Domestic and stock operating expenditure accounts for \$2.4 million or 2.4% of total operating expenditure over the third regulatory period. Table 15 and Figure 14 show the composition of domestic and stock expenditure for the period 2011-12 to 2017-18.

Table 15 Domestic and Stock BAU Opex (\$M 1/1/13)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Operations & Maintenance	0.38	0.33	0.38	0.38	0.39	0.39	0.39
Storage entitlement fees	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Customer Service and billing	0.01	0.01	0.00	0.00	0.00	0.00	0.00
Corporate	0.08	0.06	0.06	0.06	0.06	0.07	0.06
Other operating expenditure	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.51	0.44	0.48	0.48	0.49	0.50	0.49

Figure 14 Millewa and Water Works District BAU Opex 2008-09 to 2017-18 (\$M 1/1/13)



The Domestic and Stock service provides non-potable water supply via a 466km of pipe, predominantly in the Millewa. The water supplies dry land farms with stock (mostly sheep) and non-potable domestic uses such as gardens in three small towns.

Storage entitlement charges are paid to Goulburn-Murray Water. Operations and maintenance costs are linked to pumping and air scouring of pipes, as raw water is turbid and contains organics.

LMW has implemented basic water treatment facility to reduce turbidity and organics in the Millewa system, and is extending this to the Lake Cullulleraine township. These improvements are associated with the increase in overall operational expenditure for this system. Although the water produced from this new facility won't be classified as potable it will be of a very high standard that will lower maintenance costs such as decreasing the frequency of air scouring of pipelines and improve the general amenity of this service.

5.2.7 Corporate

Corporate related costs such as general administration, billing, finance and human resources, are allocated between the urban and rural businesses. During the second regulatory period corporate costs were allocated 60:40 to the urban and rural businesses respectively, while IT and billing costs were allocated 90:10 to the urban and rural businesses. Following the merger of LMW with FMIT, the proportion of corporate costs allocated to the rural business for the second regulatory period increased to 48.4%. For the forthcoming regulatory period, LMW is allocating 47.5% of corporate costs to the rural business, based on the direct labour and contractor spend.

Corporate operating expenditure accounts for \$17.2 million or 17.0% of total rural operating expenditure over the entire regulatory period. Corporate costs are allocated to each district based on the number of assessments.

5.2.8 Productivity Improvements Over the Period

Operating expenditure is proposed to be fairly stable in aggregate over the regulatory period, which indicates the recent efforts in improving efficiency. Efficiencies and improvements in service achieved include:

- ▶ The merger of urban and rural water businesses in 2005 and 2008 continue to yield operational and management efficiencies and improved service levels through the integration of systems and processes
- ▶ Further efficiencies due to technology changes, such as automated channel control and remote meter reading, monitoring and water reporting.

LMW passes the ESC's 1% productivity hurdle in all years of the third regulatory period and in total

5.3 Capital Expenditure

5.3.1 Overview of Capital Expenditure

LMW is planning to invest \$34.12 million over the regulatory period. Details are provided in the information templates in Appendix AD. Note that the Corporate capital expenditure detailed in Appendix D relates to the whole LMW business (urban and rural) and only a portion is included in the rural WP3 estimates below.

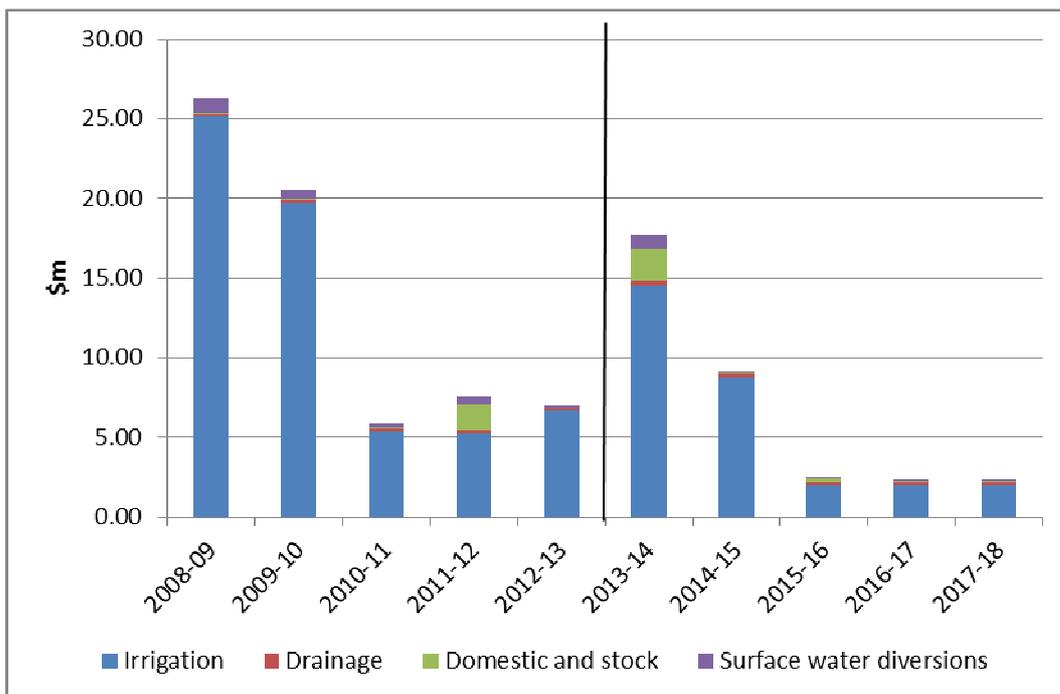
Table 16 shows capital expenditure actual and forecast for the last two years of the current regulatory period and forecast for the forthcoming regulatory period. The ESC's methodology mandates the use of capital expenditure in 2012-13 which reflects the expenditures forecast at the previous price review rather than the currently expected forecast.

Table 16 BAU Capital Expenditure (\$M 1/1/13)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Irrigation	5.23	6.68	14.53	8.75	2.01	2.02	2.03
Drainage	0.21	0.15	0.33	0.21	0.19	0.19	0.19
Domestic and stock	1.63	0.03	2.02	0.09	0.25	0.05	0.05
Surface water diversions	0.50	0.12	0.89	0.08	0.08	0.08	0.08
Total prescribed BAU capex	7.57	6.98	17.77	9.13	2.53	2.34	2.35

Figure 15 shows actual and planned capital expenditure between the current and next regulatory periods.

Figure 15 Actual and Planned Capital Expenditure 2008-09 to 2017-18 (\$M 1/1/13)



The following section discusses the key drivers and major investments.

5.3.2 Key Drivers of Capital Expenditure

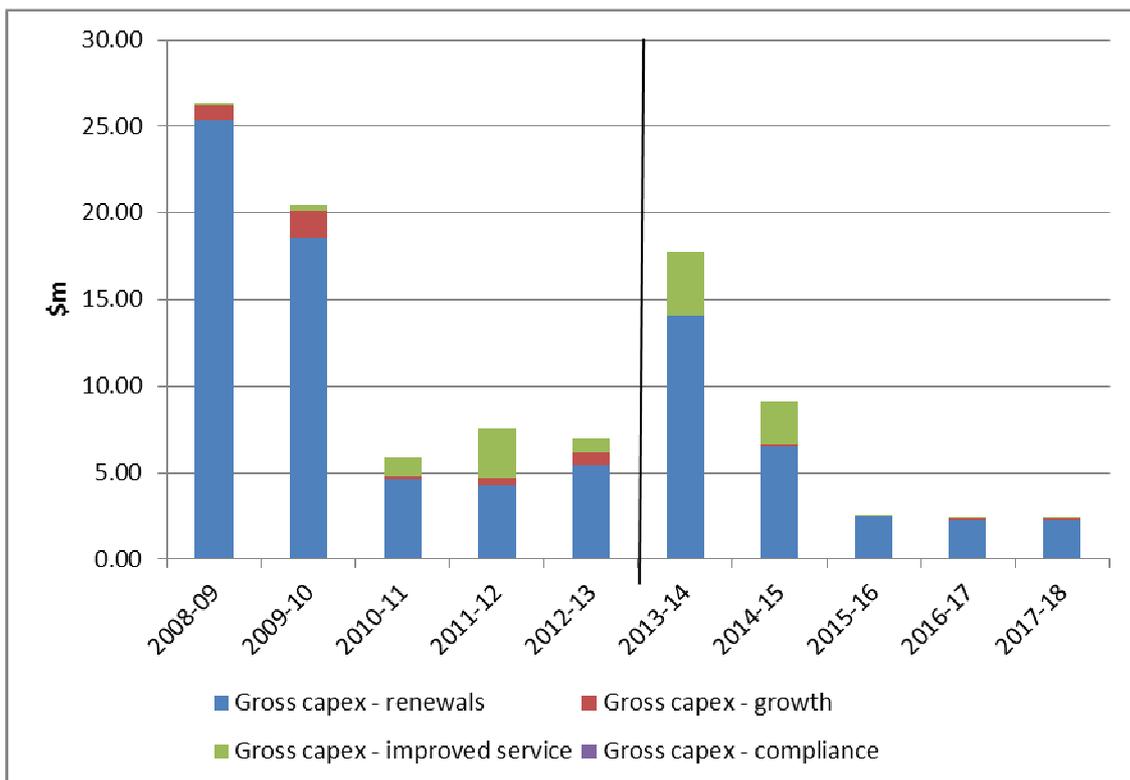
Table 17 summarises capital expenditure by cost driver. Essential replacements and metering account for the majority of investment. There is no capital expenditure relating to new obligations during the regulatory period.

Table 17 ESC Cost Driver Summary (\$M 1/1/13)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Gross capex - renewals	4.28	5.43	14.05	6.54	2.48	2.29	2.30
Gross capex - growth	0.44	0.73	0.05	0.05	0.05	0.05	0.05
Gross capex - improved service	2.85	0.82	3.67	2.54	0.00	0.00	0.00
Gross capex - compliance	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	7.57	6.98	17.77	9.13	2.53	2.34	2.35

Figure 16 shows capex by drivers for the second and third regulatory periods. Both the table above and figure clearly shows that virtually all expenditure relates to renewal of existing infrastructure. Most of the irrigation and drainage systems were installed post World War II and are reaching the end of their service lives.

Figure 16 BAU Capex by Driver 2008-09 to 2017-18 (\$M 1/1/13)



5.3.3 Major Capital Expenditure

There are no major capital projects per se for the WP3 period. Most like projects are bundled together to provide standardisation of design and capital delivery efficiencies.

Irrigation

Significant projects for the period are shown in Table 18.

Table 18 Significant Capital Projects

Project	Estimated Cost (\$M 1/1/13)	ESC Cost Driver
Irrigation Pipeline and Minor Replacement	1.44	Replacement
Mildura Irrigation System Essential Replacements and Overhauls	6.79	Replacement
Merbein Switchboard Replacement and Pump Overhauls	4.61	Replacement
Red Cliffs Switchboard Replacement and Pump Overhauls	2.45	Replacement
Automatic Channel Control Red Cliffs and Merbein	2.98	Service Improvement
Irrigation Meter Replacement Program	1.82	Replacement

The remaining capital expenditure includes minor renewals and replacements which are expected to be required due to failure of assets or deterioration of condition and/or service performance to the point where replacement is necessary or economic. LMW's condition monitoring program is ongoing and may result in renewal requirements which have not been specified in the capital expenditure. LMW has made a contingency allocation of \$500k per annum for unspecified reactive works.

There are indicators that the economic prospects for horticultural commodities grown in the Sunraysia region are improving.

- The wine industry has shown evidence of a turn around with most varieties coming back into demand and which is beginning to show in positive price movements
- The dried fruit sector foresee stronger long term demand for product and are encouraging new plantings
- The table grape sector are gaining expanded export markets and foresee a strong future on the back of several good seasons.

This Water Plan has been developed without allowance for Sunraysia irrigation modernisation as Federal funding has not been approved at this time. Given that much of the existing infrastructure is nearing the end of its service life, LMW has completed a risk profile of its irrigation infrastructure and scoped critical projects which were ranked on priority risk order, in the event that modernisation funding is not forthcoming. These projects would become part of the modernisation program if the funding becomes available.

Drainage

Drainage capital investment is very small and is primarily renewal of drainage pipes, pit lids and pumps.

Domestic and Stock

Similarly small investment requirements, predominantly minor replacement works, as well as installation of a second pump at the River Pump Station for the Millewa.

Diverters

Continuation of metering and telemetry program for new diverters.

Long Term Renewals Considerations

LMW has modelled long term renewals for its irrigation and drainage pipelines, based on the 2011 valuation of its infrastructure. The 20-year average renewal/replacement cost for pipeline assets that reach the end of their nominated asset life, is around \$8 million per annum for irrigation, and \$1.8 million per annum for drainage pipelines as shown in Figure 17 and Figure 18 respectively. Further analysis of the irrigation pipelines considered failure history and maintenance cost to determine an economic level of replacement. This analysis revealed that few irrigation pipelines reach a point of economic replacement, as in many cases repairs or replacement of a single pipe length are low cost, and there is minimal, if any, customer service disruption.

Consequently, LMW has only allowed nominal amounts for replacement of pipelines and pipeline appurtenances, and general contingencies, with the expectation that within the next decade or so, these irrigation systems will be replaced.

Figure 17 Irrigation Pipeline Renewal – Long Term Forecast

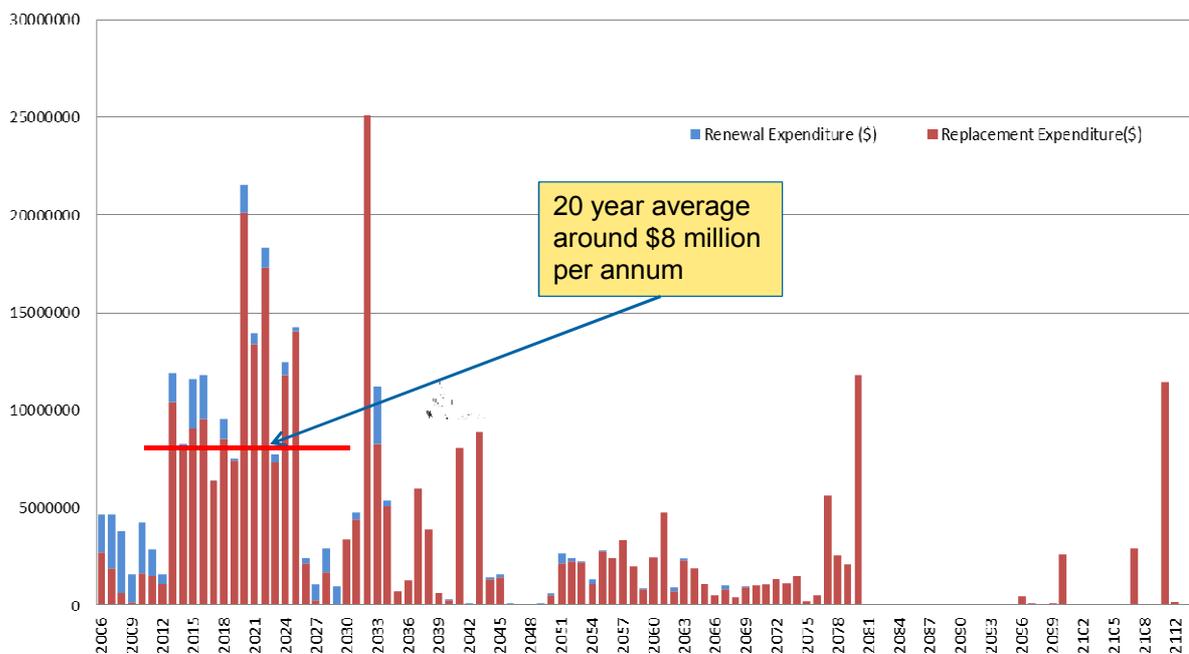
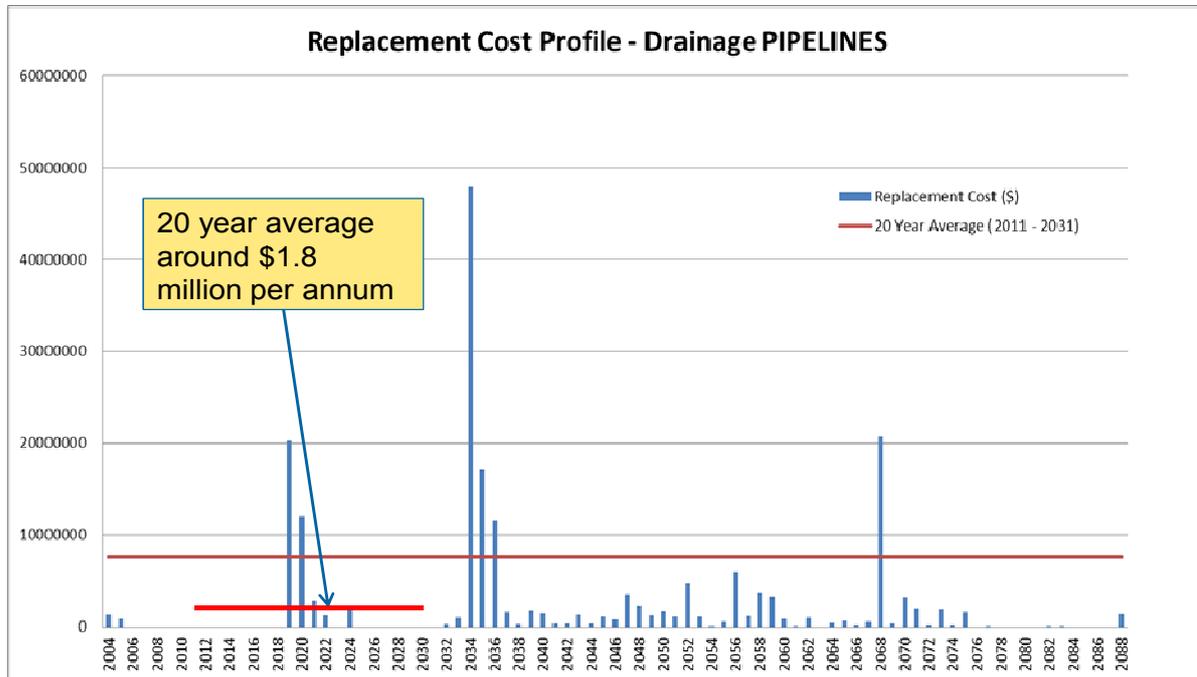


Figure 18 Drainage Pipeline Renewal – Long Term Forecast



5.4 Prudent and Efficient Capital Expenditure Levels

LMW ensures that proposed investments are prudent by using good asset information and planning tools to evaluate investment needs and opportunities. The capital expenditure plan has been developed from a combination of ongoing processes and specific investigations, including:

- ▶ **Master Plans** developed for each major irrigation area, as part of the preparation for Sunraysia irrigation modernisation for replacement of ageing infrastructure and improved service levels. Master Plans consider and evaluate feasible options to meet service requirements, including staging of works.
- ▶ **Site Management Plans (SMPs)** for each rural 'site-based' or facility asset, including pump stations, storages, major meter installations and other facilities. The SMPs were developed by LMW as stand-alone assessments for smaller facilities, or to support and complement other higher-level assessments, to itemise and identify specific works associated with maintaining or improving service levels, ensuring replacements/refurbishments are timely, and identifying periodic maintenance requirements. The SMPs cover both maintenance and capital cost items, and propose an optimum timing of works to reduce contingency requirements and the possibly of duplication. Each facility was inspected by experienced staff for condition and performance, and identified activities to meet service requirements which were then categorised as operating or capital cost and allocated a risk rating. The completed SMPs were integrated into District-based expenditure programs, and aggregated up to a functional level (irrigation, drainage, rural water or diverters) for the Water Plan.

- ▶ **Renewal Forecasts** for network assets (irrigation and drainage pipelines and pits), where an assessment of future expenditure requirements was made based on asset age predominantly. At this stage, only limited pipeline renewals are able to be funded. Consequently, a nominal allowance only has been made for essential replacements that are economically justified, i.e. where replacement cost is outweighed by the costs of continued failure and maintenance.
- ▶ **Business Cases** for major programs and projects incorporating options, life-cycle cost and triple bottom line analysis. Investments are recommended to the Board for approval. LMW also reviews prioritisation and timing of projects each year, which is reviewed and approved by the Board as part of each annual Corporate Plan.

5.4.1 Capital Efficiency

The majority of opportunities to capital efficiency gains are captured through the planning process by focussing on strategies to achieve cost-effective solutions for capital and operating expenditure, as explored above.

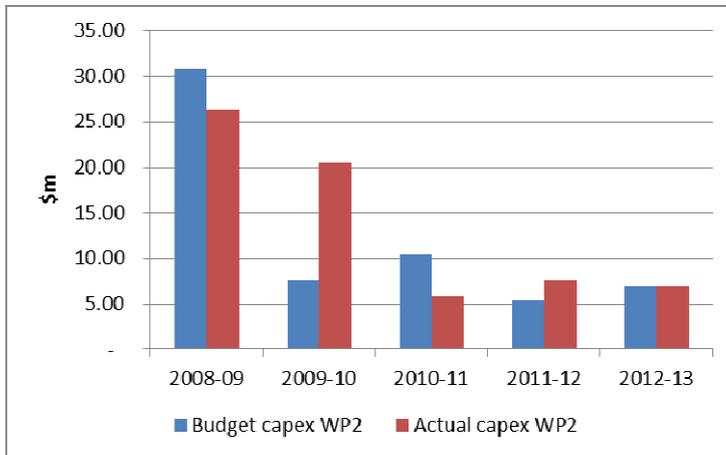
LMW seeks to achieve capital efficiencies during each stage of the capital process:

- ▶ The **planning stage** identifies needs, potential solutions, scope, relative priority and timing of projects. Innovative solutions and prioritisation have the most significant impact on costs.
- ▶ The **design stage** includes the detailed definition and design for projects. Project design for major projects is contracted out to up to four engineering consultants. Efficiencies applied by LMW include bundling like projects for engineering consultancy work, to reduce project management costs and ensure consistency of equipment/materials standards and efficient design.
- ▶ The **delivery stage** includes materials purchase and construction of assets. Effective project management, contract management and strategic purchasing arrangements improve capital efficiency at the delivery stage. For example, LMW analyses forward pipe requirements over a 12 month period and issues a tender to the market place, which can result in savings of up to 20%.

5.4.2 Capability to Deliver Capital Program

Figure 19 shows LMW's track record in delivering its capital expenditure over the second regulatory period. Expenditure has shifted between years, with an overall over-spend in capital expenditure over the second regulatory period.

Figure 19 Planned vs Actual Capital Expenditure (\$M 1/1/13)



The proposed program is significantly reduced from historic levels and can be readily delivered by LMW using a combination of internal and external resources:

- ▶ Internal capital planning teams to build the project scopes, supported by consultants for specialist advice, investigations and strategy development
- ▶ Appointment of consultants for concept and detailed design for larger projects
- ▶ Internal management of procurement and delivery of renewals programs and projects, supported by consultants and contracted supervisors to supplement internal resources
- ▶ Construction using internal construction resources
- ▶ Contracting specialists for major works

The process is flexible and can be adjusted as required to suit LMW's capability and resources.

All projects are managed against budgets approved by the Board, and project progress against budget and program is reported to the Board on a monthly basis.

5.5 Financing Capital Investments

Within the ESC's revenue requirement, the financing of capital expenditure is provided for by the inclusion of a return on the Regulatory Asset Base (RAB) and depreciation of the RAB. The RAB is built up from an initial value which was set by the Minister of Water as at 1 July 2004. The RAB is rolled forward from that date by adding the new capital expenditure and deducting the government and customer contributions and disposal of assets expected for each price review period, and depreciation.

At the start of a new review period, the RAB is updated for actual outcomes with respect to capital expenditure, contributions and disposals. However it is important to note that while the rolled forward RAB is updated by expected capital expenditure (and contributions and disposals) for 2011-12, the roll forward is not updated for forecast capital expenditure in 2012-13. Instead the expenditures incorporated in the previous price determination are used to roll forward the RAB in that year.

5.5.1 Updating the Regulatory Asset Base for Past Actuals

Table 19 shows the update of the RAB across the second regulatory period and at 1 July 2013, based on actual outcomes, except the last year of the regulatory period which is necessarily based on the forecast made at the previous price review. It is important to recognise the rural RAB started at zero.

Table 19 Updating the Regulatory Asset Base Over the Second Regulatory Period (\$M 1/1/13)

	Second Regulatory Period					
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Rolled forward asset base						
Opening asset base	9.17	21.77	35.57	52.58	56.44	61.76
plus capital expenditure	25.45	26.35	20.52	5.90	7.57	6.98
less customer contributions	0.12	7.08	0.86	0.30	-	-
less government contributions	12.01	4.21	1.08	-	0.24	-
less regulatory depreciation	0.35	0.77	1.14	1.32	1.50	1.69
less disposals	0.37	0.49	0.43	0.42	0.51	-
Closing asset base	21.77	35.57	52.58	56.44	61.76	67.05

The ESC's rules for rolling forward the RAB mean that capital expenditure for 2012-13 is included not at forecast actual levels, but at the level predicted at the previous regulatory review.

5.5.2 Rolling Forward the RAB

The roll forward into the RAB of new capital expenditure for the third regulatory period is shown in Table 20. Thus the table shows the accumulation of new capital expenditure net of regulatory depreciation, customer contributions and disposals, based on the expenditure projections contained in the Water Plan.

Table 20 Rolling Forward the Regulatory Asset Base (\$M 1/1/13)

	THIRD REGULATORY PERIOD					
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Rolled forward asset base						
Opening asset base	61.76	67.05	82.28	88.62	88.32	87.84
plus capital expenditure	6.98	17.77	9.13	2.53	2.34	2.35
less customer contributions	-	-	-	-	-	-
less government contributions	-	-	-	-	-	-
less regulatory depreciation	1.69	2.22	2.47	2.51	2.50	2.54
less disposals	-	0.32	0.32	0.32	0.32	0.32
Closing asset base	67.05	82.28	88.62	88.32	87.84	87.33

5.5.3 Government and Customer Contributions

Contributions from government or customers are used to offset the prices paid by customers. Customer contributions tend to be much less significant for the rural business compared with the urban side which is where the main property development takes place. With the completion of metering and renewals programs in the irrigation districts, no customer contributions are forecast for the third regulatory period.

In the past, LMW has received a number of contributions from government. These grants are mainly contributions to capital works in the form of either revenue or equity contributions. During the second regulatory period, LMW received \$20m in the form of capital grants towards the \$40.5m budget cost of installing a high-pressure network system for Robinvale. A \$1.0m equity grant was provided in 2010 to assist LMW with the Millewa water quality improvement facility provided by the Small Town Water Quality Fund. Recently a further \$0.24m was received to allow the installation of water reticulation network for the Lake Cullulleraine residents.

No further government contributions have been anticipated in the third regulatory period. However, the Sunraysia Modernisation Project (SMP) was a Victorian State Priority Project that was listed by the Victorian Government at the July 2008 COAG meeting. Funding of \$103M was earmarked subject to the appropriate due diligence requirements.

The project proposed to modernise key elements of the main irrigation supply infrastructure to provide a 365 day irrigation service.

The Business Case for this project did not meet the Commonwealth due diligence requirements, in particular water savings.

The current Water Minister, the Hon Peter Walsh has arranged for an amended concept Business Case to be prepared by the Mildura Development Corporation which will be a bundle of projects for upgrading and modernisation of Mildura, Red Cliffs and Merbein irrigation districts.

5.5.4 Weighted Average Cost of Capital

The Weighted Average Cost of Capital (WACC) is the return that LMW seeks to earn on its RAB. LMW has used the ESC indicative WACC of 5.2% advised by the ESC in its template for rural water businesses in the Murray-Darling Basin.

5.6 Taxation

The ESC requires information on actual tax payments forecast as payable for NTER purposes under the Corporate Plan. Tax depreciation allowances have been calculated using the opening allowances and the amount of capital expenditure for each tax category. Carried forward losses mean that there will be no tax forecast as being payable in the regulatory review period.

6. Demand

6.1 Summary of Demand Forecasts

Charges to LMW's irrigation customers are levied on the basis of customers':

- ▶ Delivery share, measured as ML of delivery share (being the maximum volume of water able to be delivered in a 14 day period)
- ▶ Usage, measured in terms of ML of actual water delivered
- ▶ entitlement storage fees, measured in terms of ML of water shares held in the Victorian Water Register, with charges differentiated according to the source of the water
- ▶ Annual Use Limit
- ▶ A service charge levied on each assessment

Drainage fees to irrigation customers are levied on the basis of delivery shares. Previously drainage charges included an amount levied on water shares.

In the previous review period, charges to irrigation customers in the Mildura district were structured differently, consistent with the district's origins as a separate water authority (FMIT). However for the third regulatory period, LMW plans to standardise Mildura's charges so that the charges and charging bases are consistent with those of the other irrigation districts.

Charges for the Water Works District are based on a per connection and per ML usage.

Charges for the Millewa district are based on the number of connections, per kL usage, number of scrub or stocked hectares which is levied on each assessment.

Fees to private diverters are largely based on per ML water shares held in the Victorian Water Register, and ML per annual use limit.

The following sections build up forecasts for the key elements of the charging base for the rural business. These forecasts form the basis of future revenue and the water volume forecasts that underpin LMW's capital expenditure requirements. In broad terms:

- ▶ Delivery shares are projected to be stable throughout the regulatory period
- ▶ Water share in the irrigation districts are also predicted to be constant, likewise with the annual use limits for surface water diverters expected to flatten out after 2012-13
- ▶ Water deliveries to the irrigation districts declined by half in 2010-11 with the floods. The experience of the past season saw an increase on the previous season but significantly lower than pre-drought levels. In consultation with the respective districts' CSAC members moderate increases have been predicted for WP3. The key factors in determining demand usage is the amount of allocation provided, and the weather.

6.2 LMW Context and Demand Drivers

LMW revenue is dependent on demand from several relatively discrete markets:

- ▶ Pumped districts irrigation
- ▶ Private Diversion

► Other services

Demand changes the impact on capital and operating costs but not to the extent they do for urban businesses. The pumped irrigation districts have all been built decades ago and have not been expanded as new capacity for irrigation has been built on greenfield sites that are serviced by private diversion. Other services, which include drainage and water transferring, are not major revenue items so even in periods of change, the impact on revenue can be relatively minor.

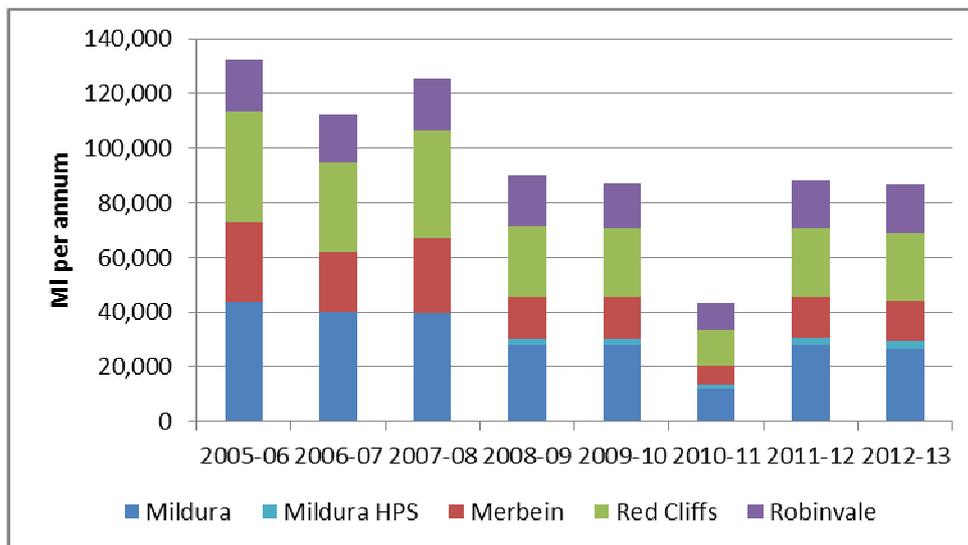
Diverters use much larger volumes of water than customers in the pumped irrigation districts. Nonetheless the work and costs associated with diverters tends to be similar regardless of the volume of water being managed as all of the assets used to divert water are owned by the customers.

6.3 Demand Forecasts

6.3.1 Pumped Irrigation

Figure 20 shows the actual volumes delivered to the irrigation districts since 2005-06, and charged for via water usage tariffs. The chart also shows the volumes forecast for the remainder of the second regulatory period, namely 2012-13. Following the flood year of 2010-11, the level of water usage has rebounded to a level consistent with usage during the drought. However this remains well down on historical usage levels. Although 2011-12 weather conditions were a little milder, influencing factors are thought to have stabilised and this year's usage has been the basis to forecast the future periods.

Figure 20 Water Usage Irrigation Districts (ML pa)



With Rural demand declining it is difficult to forecast using historical methods. In the previous Water Plan demand was predicted over a 10 year average. As stated above demand forecasts have been based on 2011/12 actuals. Mildura and Merbein show small amounts of growth due to replanting of dried off land. Red Cliffs is steady, while Robinvale increases to be flat as this area's plantings have remained consistent.

Table 21 and Figure 21 show LMW's demand forecast for usage.

Figure 211 Water Usage Forecast Irrigation Districts (ML pa)

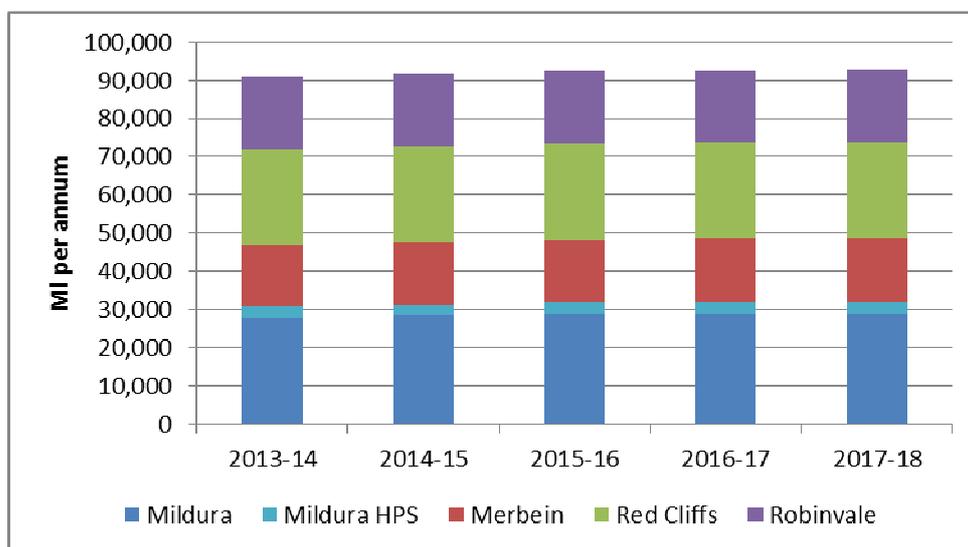


Table 21 Water Usage Forecast Irrigation Districts (ML pa)

	Third regulatory period				
	2014	2015	2016	2017	2018
Mildura	28,000	28,500	29,000	29,000	29,000
Mildura HPS	2,904	2,904	2,904	2,904	2,904
Merbein	16,000	16,200	16,400	16,600	16,800
Red Cliffs	25,000	25,000	25,000	25,000	25,000
Robinvale	19,000	19,000	19,000	19,000	19,000

6.3.2 Stock and Domestic Supplies

No significant changes are anticipated in net stock and domestic supplies. Table 22 indicates the volumes charged as usage for the Millewa stock and domestic regions.

Table 22 Stock and Domestic Volumes (kL pa)

	Actual ML			Forecast ML		Third regulatory period				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Millewa Urban	41	41	41	36	40	40	40	40	40	40
Millewa Rural	714	624	530	674	594	594	594	594	594	594

6.4 Forecast of Delivery Share

Delivery share forms an important element of the charging base for water and drainage services.

6.4.1 Delivery Share Charged for Water

Delivery shares for Merbein, Red Cliffs and Robinvale were calculated on the 1 July 2006 Water Right. Mildura delivery shares are based on the irrigable size of the land (in hectares).

Table 23 shows past and expected future delivery shares for the irrigation districts. Recent declines in delivery share in Mildura, Merbein, Red Cliffs and Robinvale are expected to stabilise from 2011-12. The decline in 2010-2011 for Mildura, Merbein and Red Cliffs was largely due to the Small Block exit grant which provided compensation to growers wanting to stop farming.

Table 23 Delivery Share – Irrigation Districts (ML pa)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Mildura	7577	7516	7405	7533	7533	7533	7533	7533	7533	7533
Merbein	3835	3812	3639	3663	3663	3663	3663	3663	3663	3663
Red Cliffs	5392	5331	5224	5206	5206	5206	5206	5206	5206	5206
Robinvale	2553	2552	2518	2535	2535	2535	2535	2535	2535	2535
Mildura HPS	833	816	813	712	712	712	712	712	712	712

6.4.2 Delivery Share Charged for Drainage

Drainage charges are based on delivery share also, but with four divisional charges.

Table 24 sets out the past, current and forecast delivery shares used as the basis for the drainage charges. As drainage services are dependent on the irrigation demand in the pumped districts, forecast delivery share is closely related to the pattern of irrigation delivery share, and are assumed to remain constant through the regulatory period following a period of decline in most regions up to and including 2011-12.

Table 24 Water Rights and AULs (For drainage) (ML pa)

	Actual WRs					Current and forecast Delivery shares				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Mildura & Mildura HPS										
Division 1 AULs to 2013, water rights thereafter	54,245	54,245	54,245	54,245	54,245	7,533	7,533	7,533	7,533	7,533
Division 2	-	-	-	-	-	-	-	-	-	-
Division 3	-	-	-	-	-	-	-	-	-	-
Division 4	-	-	-	-	-	-	-	-	-	-

	Actual WRs			Current and forecast Delivery shares						
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Merbein										
Division 1	3,104	3,057	2,889	2,883	2,883	2,883	2,883	2,883	2,883	2,883
Division 2	-	-	-	-	-	-	-	-	-	-
Division 3	-	-	-	-	-	-	-	-	-	-
Division 4	79	74	74	71	71	71	71	71	71	71
Red Cliffs										
Division 1	4,381	4,302	4,169	4,147	4,147	4,147	4,147	4,147	4,147	4,147
Division 2	10	31	31	31	31	31	31	31	31	31
Division 3	-	-	-	-	-	-	-	-	-	-
Division 4	438	417	409	408	408	408	408	408	408	408
Robinvale										
Division 1	2,520	2,519	2,484	2,484	2,484	2,484	2,484	2,484	2,484	2,484
Division 2	-	-	-	-	-	-	-	-	-	-
Division 3	-	-	-	-	-	-	-	-	-	-
Division 4	-	-	-	-	-	-	-	-	-	-

6.5 Diversions

Charges to diverters are based on per ML of water shares held in Victorian Water Register and ML per annual use limit.

Water Shares held by diverters are expected to remain constant. Charges on water shares are passed through by LMW, the annual use limit associated with diversion licences are also expected to remain constant.

Table 25 shows the quantity of previous water shares and future annual use limits of diverters, on which the operational fee is levied.

Table 25 Water Shares & Annual Use Limits

Actual ML				Forecast ML	Third regulatory period				
2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Water Share	Water Share	Water Share	Annual Use Limit	Annual Use Limit	Annual Use Limit	Annual Use Limit	Annual Use Limit	Annual Use Limit	Annual Use Limit
330,564	350,564	370,564	484,831	484,831	484,831	484,831	484,831	484,831	484,831

Table 26 shows the number of Annual Stock and Domestic Permits. Again these are expected to remain constant for the third regulatory period.

Table 26 Annual Permits (Diverters) ML pa

	Actual ML				Forecast ML	Third regulatory period				
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Licensed No.	230	231	229	251	251	251	251	251	251	251

6.6 Other Elements of the Charging Base

Table 27 sets out past actuals and forecasts of the other elements of the charging base.

The number of unmetered properties in the irrigation districts is reduced to low levels with the near completion of the domestic and stock metering program. The number of diverters and the number of off takes in Millewa are assumed to remain the same over the review period.

Table 27 Properties and Hectares

	Historic			Current and Forecast						
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Mildura - total properties	1715	1706	1701	1704	1704	1704	1704	1704	1704	1704
Mildura HPS - total properties	121	121	121	121	121	121	121	121	121	121
Merbein - unmetered	187	35	27	27	27	27	27	27	27	27
Merbein - total properties	776	779	776	777	777	777	777	777	777	777
Red Cliffs - unmetered	312	295	25	16	16	16	16	16	16	16
Red Cliffs - total properties	1214	1217	1221	1233	1233	1233	1233	1233	1233	1233
Robinvale - unmetered	103	104	99	1	1	1	1	1	1	1
Robinvale - total properties	325	324	328	336	336	336	336	336	336	336
Diverters	826	824	829	831	831	831	831	831	831	831
Diverters – annual permit	230	231	229	251	251	251	251	251	251	251
D&S customers	39	39	39	12	12	12	12	12	12	12
Millewa - no of rural connections	257	257	257	257	257	257	257	257	257	257
Millewa - no of houses	105	104	103	103	103	103	103	103	103	103
Millewa - no of urban – offtake	66	66	67	66	66	66	66	66	66	66
Millewa - no of urban - no offtake	13	13	14	15	15	15	15	15	15	15
Hectares										
Millewa - hectares scrub	8637	8637	8637	8775	8775	8775	8775	8775	8775	8775
Millewa - hectares stock	221340	221340	221340	221202	221202	221202	221202	221202	221202	221202
WWD hectares - div 1	4817	4817	4817	0	0	0	0	0	0	0
WWD hectares - div 2	193	193	193	0	0	0	0	0	0	0
WWD hectares - div 3	166	166	166	0	0	0	0	0	0	0

6.7 Other Services

6.7.1 Trading

Water Trading is now a key feature of the sector. We anticipate continued trading in both permanent water shares and in annual allocation as irrigators reposition their businesses to manage risk and to maximise commodity price opportunities.

6.7.2 Drainage

Drainage services are expected to be maintained at existing levels for the duration of the regulatory period.

7. Prices

7.1 Tariff Structures

During the second regulatory period there were a number of changes to tariff structure to implement the requirements of tariff unbundling. These new tariff structures are expected to continue for the third regulatory period. However tariffs for the Mildura irrigation district will be restructured to bring them into line with those applying in the other irrigation districts.

Prices are calculated for each district based on planned operating and capital expenditure. Direct costs are attributed to each service area, while overheads are allocated in proportion to the number of assessments. The existing structure is based on the unbundling principles.

7.2 Pricing Structure and Level for Standard Tariffs

Table 28 sets out LMW's tariff structure for the irrigation districts other than Mildura irrigation and stock and domestic services and the charges to private diverters. The table includes the tariffs which are approved by the ESC. It does not include the tariffs that are a cost pass through on behalf of other agencies.

There are four irrigation districts: Mildura, Merbein, Red Cliffs and Robinvale, the waterworks districts (WWD), and the Millewa Urban and Millewa Rural areas.

The Corporation is undertaking a review of the demand pattern in the Robinvale Irrigation District with a view to determine whether a time of day tariff may be appropriate. If instituted this time of day tariff would be reflective of the variation in energy cost between day and night energy tariffs.

Such tariff would send signals to customers about the actual cost of the service as well as help mitigate peak demand periods which can be triggered more by convenience rather than by commercial drivers. There is potential scope to reduce costs by limiting peak demands and thus lowering the contract demand component of the power tariff.

The tariff structure for the Mildura district is shown separately in

Table 29, since there will be a substantial re-structuring of tariffs in that district to bring them into line with the tariff structure applied in the other three irrigation districts.

The tables show tariffs in for 2008-09 to 2012-13, and proposed prices for the third regulatory period.

Table 28 Tariffs for Irrigation, Stock and Domestic and Diverter Services (\$ 1/1/13)

Region	Units	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Merbein - Irrigation											
Service Charge	\$ per Account	110.67	108.00	104.97	101.58	100.00	97.32	94.72	92.18	89.72	87.32
Delivery Share	\$ per delivery share	277.98	285.49	277.48	277.45	310.00	356.01	364.67	376.11	393.86	412.13
Usage Charge	\$ per ML Usage	41.36	44.82	43.56	43.56	44.50	44.77	44.42	44.25	44.77	45.32
Garden - unmetered	\$ per customer	433.21	433.33	433.32	433.32	421.64	421.89	422.13	422.38	422.62	422.87
Merbein - Drainage											
Region	\$ per ML Water Share total	0.28	0.25	0.23	0.23	0.26	-	-	-	-	-
District	\$ per ML Water Share total	2.16	2.06	2.07	2.07	1.79	-	-	-	-	-
Drainage div 1	\$ per delivery share	192.80	178.25	124.15	124.14	112.00	88.48	90.67	98.08	92.00	91.15
Drainage div 2	\$ per delivery share	144.60	133.69	93.12	93.09	84.00	66.36	68.00	73.56	69.00	68.36
Drainage div 3	\$ per delivery share	96.40	89.12	62.08	62.05	56.00	44.24	45.33	49.04	46.00	45.58
Drainage div 4	\$ per delivery share	48.19	44.56	31.04	31.04	28.00	22.12	22.67	24.52	23.00	22.79
Red Cliffs - Irrigation											
Service Charge	\$ per Account	110.67	108.00	104.97	101.58	100.00	97.32	94.72	92.18	89.72	87.32
Delivery Share	\$ per delivery share	372.51	393.50	382.45	382.45	420.00	436.01	424.34	413.54	402.83	388.55
Usage	\$ per ML usage	43.96	45.93	45.26	44.65	44.00	45.74	46.41	47.94	48.45	50.64
Garden - unmetered	\$ per customer	433.21	433.33	433.32	433.32	421.64	425.22	428.83	432.47	436.15	439.85
Red Cliffs - Drainage											
Region	\$ per ML Water Share total	0.28	0.25	0.22	0.23	0.26	-	-	-	-	-
District	\$ per ML Water Share total	3.29	3.25	2.41	3.23	2.74	-	-	-	-	-
Drainage div 1	\$ per delivery share	147.26	133.12	139.24	139.21	110.00	88.09	91.01	95.79	93.17	92.49
Drainage div 2	\$ per delivery share	110.44	99.84	104.44	104.43	82.50	66.07	68.26	71.85	69.87	69.36
Drainage div 3	\$ per delivery share	73.63	66.56	69.63	69.61	55.00	44.05	45.50	47.90	46.58	46.24
Drainage div 4	\$ per delivery	36.82	33.28	34.81	34.78	27.50	22.02	22.75	23.95	23.29	23.12

Region	Units share	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Robinvale - Irrigation											
Service Charge	\$ per Account	110.67	108.00	104.97	101.58	100.00	97.32	94.72	92.18	89.72	87.32
Delivery Share	\$ per delivery share	703.39	893.81	895.88	895.85	900.00	899.20	898.40	897.60	896.81	896.01
Usage	\$ per ML usage	49.33	54.67	59.69	59.69	61.00	66.47	72.44	78.94	86.03	93.75
Garden - unmetered	\$ per customer	421.64	433.33	433.32	433.32	421.64	426.02	430.45	434.92	439.44	444.01
Robinvale - Drainage											
Region	\$ per ML water share total	0.28	0.25	0.23	0.23	0.26	-	-	-	-	-
District	\$ per ML water share total	2.35	1.89	2.05	2.05	1.43	-	-	-	-	-
Drainage div 1	\$ per delivery share	83.51	55.39	61.73	61.72	90.40	81.89	82.31	88.91	81.43	80.26
Drainage div 2	\$ per WR/DS	62.64	41.55	46.30	46.28	67.80	61.42	61.73	66.68	61.07	60.19
Drainage div 3	\$ per WR/DS	41.75	27.70	30.86	30.84	45.20	40.94	41.15	44.45	40.71	40.13
Drainage div 4	\$ per WR/DS	20.88	13.85	15.43	15.40	22.60	20.47	20.58	22.23	20.36	20.06
WWD											
1st div	\$/Ha	8.22	9.53	8.78	-	-	-	-	-	-	-
2nd div	\$/Ha	4.11	4.76	4.39	-	-	-	-	-	-	-
3rd div	\$/Ha	2.06	2.38	2.19	-	-	-	-	-	-	-
Service Charge	\$ per Account	110.67	108.00	104.97	101.58	100.00	97.32	94.72	92.18	89.72	87.32
Connection charge	\$ per connection	-	-	-	268.03	275.40	282.97	290.76	298.75	306.97	315.41
Delivery	\$ per ML usage	-	-	-	371.80	376.98	375.67	375.09	374.27	373.22	371.96
Millewa											
Rural access – house	\$ per connection	388.39	443.54	464.65	509.14	501.20	506.08	511.48	516.23	520.36	523.89
Rural access - scrub	\$/Ha	0.42	0.45	0.49	0.51	0.52	0.52	0.51	0.51	0.50	0.50
Rural access - stocked	\$/Ha	1.67	1.81	1.98	1.97	2.05	2.03	2.04	2.03	2.02	2.02
Delivery - rural	\$ per kl	0.15	0.16	0.16	0.15	0.17	0.18	0.19	0.19	0.20	0.19
Urban access – offtake	\$ per connection	388.39	443.54	464.65	509.14	501.20	506.08	511.48	516.23	520.36	523.89
Urban access - no offtake	\$ per connection	138.86	167.77	211.34	244.41	240.60	253.04	255.74	258.11	260.18	261.95
Delivery - urban	\$ per kl	0.45	0.49	0.48	0.49	0.51	0.50	0.49	0.49	0.48	0.48
Service Charge - rural	\$ per Account	110.67	108.00	104.97	101.58	100.00	97.32	94.72	92.18	89.72	87.32
Service Charge - urban	\$ per Account	110.67	108.00	104.97	101.58	100.00	97.32	94.72	92.18	89.72	87.32
Diverters											
Operational fee	\$ per ML AUL	4.00	5.77	2.62	1.52	1.52	1.95	2.37	2.77	3.14	3.41
Regional drainage	\$ per ML water share	0.28	0.25	0.23	0.23	0.26	-	-	-	-	-
Annual Permit – Domestic and Stock	\$ per Licence	128.07	128.11	128.11	128.08	129.55	125.70	121.97	118.35	114.83	111.42
Service Charge	\$ per Account	110.67	108.00	104.97	101.58	100.00	97.32	94.72	92.18	89.72	87.32

Table 29 Tariffs for Mildura Irrigation and Stock and Domestic Services (\$ 1/1/13)

Region	Units	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Mildura - Irrigation Second Review Period											
Customer charge	Per Account	184.81	180.36	175.30	169.65	167.00					
Service point charge	\$ per connected Assessment	161.57	157.68	153.26	148.31	146.00					
Auxilliary supply	\$ per auxilliary connection	121.73	118.80	-	-	-					
Water share fee	\$ per ML water share	9.33	9.10	8.85	11.89	12.05					
Delivery Capacity Share Mildura South	per max ML/14 days period	577.68	557.29	541.65	541.65	547.30					
Delivery Capacity Share Other Areas	per max ML/14 days period	482.50	464.41	460.82	460.82	483.33					
Metered use charge	per ML supplied	47.09	45.24	44.09	44.09	46.00					
High pressure levy/Mildura south	per ML supplied from Mildura South	39.24	38.30	37.22	37.22	37.74					
Drainage fee	\$ per ML of Drainage AUL	6.68	6.52	6.34	6.34	6.40					
Mildura – Domestic and Stock Second Review Period											
Customer charge	Per account	184.81	180.36	175.30	169.65	167.00					
Service point charge - Benetook and Mid Area and Mildura South	\$ per connected service	240.14	234.37	227.79	220.44	217.00					
Service point charge - Other Areas	\$ per connected service	161.57	157.68	153.26	148.31	146.00					
Water share fee	\$ per ML water share	9.33	9.10	8.85	11.89	12.05					
Delivery Capacity Charge Mildura south	per Assessment	138.33	135.00	131.21	131.21	133.03					
Delivery Capacity Charge Other Areas	per Assessment	115.09	112.32	109.17	109.14	110.66					

Metered use charge	per ML supplied	94.18	91.91	89.33	89.33	90.58
High pressure levy	per ML supplied from Mildura South	39.24	38.30	37.22	36.02	37.74

Mildura - Irrigation and Stock and Domestic Third Review Period											
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Service Charge	\$ per Account					97.32	94.72	92.18	89.72	87.32
Delivery Share	\$ per delivery share					510.97	532.84	555.65	579.44	604.24
Delivery	\$ per ML usage					47.46	48.97	50.52	52.13	53.78
Drainage div 1	\$ per delivery share					50.12	54.54	58.37	59.03	59.33

Mildura HPS - Irrigation and Stock and Domestic Third Review Period											
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Service Charge	\$ per Account					97.32	94.72	92.18	89.72	87.32
Delivery Share	\$ per delivery share					593.76	644.17	698.86	758.18	822.55
Delivery	\$ per ML usage					87.66	89.35	91.07	92.82	94.61
Drainage div 1	\$ per delivery share					50.12	54.54	58.37	59.03	59.33

7.2.1 Customer Impact Issues

LMW is concerned about the impact of price increases on customers, as proposed prices are increasing in real terms for most districts. Table 30 sets out the movement in bills for a representative customer taking 100 ML of water per annum (100 kL in the case of the stock and domestic districts).

Table 30 Cost per ML for Reference Customers (Money of the Day)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	X factor
Mildura irrigation and drainage	107.21	114.33	118.95	127.11	135.74	144.50	153.79	5.8%
Merbein irrigation and drainage	93.59	98.19	101.80	105.59	110.73	115.88	122.07	4.1%
Red Cliffs irrigation and drainage	109.98	111.60	112.62	115.29	119.30	121.34	125.11	2.2%
Robinvale irrigation and drainage	175.13	182.54	190.27	201.73	215.06	227.73	242.54	5.6%
Mildura HPS	153.39	161.21	170.46	183.85	198.36	213.77	230.56	7.2%
Diversions (Irrigation)	1.83	1.88	2.10	2.60	3.10	3.60	4.00	5.1%
Bill Movement per Reference Customer								
Millewa Urban (Irrigation)	27	12	19	24	24	24	24	2.7%
Millewa Rural (Irrigation)	166	406	221	237	208	208	194	2.8%
Other stock and domestic (Irrigation)	N/A	40	35	38	38	38	38	2.4%

LMW has phased in the price increases over the regulatory period and also smoothed out the impacts as much as possible.

7.3 Other Revenue

7.3.1 Pass Through Fees

The charges which are levied by LMW on behalf of other agencies are the spillable water fee, the water storage entitlement fees, MCMA Salinity Levy and the DSE water share fees. The revenue expected to be raised from these charges are included as other revenue. The amount of the fees is also included in LMW's cost base, ensuring that the pass through of these fees has no effect on the tariffs levied by LMW on its customers.

Table 31 Revenue From Pass Through Fees (\$M1/1/13 prices)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Spillable water	1.05	1.04	1.04	1.04	1.04	1.04	1.04
Storage entitlement fees	5.47	5.60	5.60	5.60	5.60	5.60	5.60
Water share (DSE) charge	0.05	0.08	0.08	0.08	0.08	0.08	0.08
Salinity fees	0.20	0.20	0.20	0.19	0.19	0.18	0.18
Total revenue passed through	6.78	6.92	6.91	6.91	6.90	6.90	6.89

Table 32 Costs Attributed to Pass Through Items (\$M 1/1/13 prices)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Spillable water	1.05	1.04	1.04	1.04	1.04	1.04	1.04
Storage entitlement fees - total cost	5.71	5.85	5.85	5.85	5.85	5.85	5.85
Storage entitlement - losses charge to delivery share	0.24	0.25	0.25	0.25	0.25	0.25	0.25
Storage entitlement fees - net cost passed on	5.47	5.60	5.60	5.60	5.60	5.60	5.60
Water share (DSE) charge	0.05	0.08	0.08	0.08	0.08	0.08	0.08
Salinity fees	0.20	0.20	0.20	0.19	0.19	0.18	0.18
Total costs passed through	6.78	6.92	6.91	6.91	6.90	6.90	6.89

7.3.2 Other Revenues

There are two additional types of revenue that serve to reduce the prescribed revenues that are recovered through published tariffs. These comprise miscellaneous charge revenue and termination fees.

Many of the rural miscellaneous charges made by the rural business are charged on the same basis as the urban side of the business. Miscellaneous charges have been set to recover the costs involved, including an allowance for overheads.

Appendix C lists all of the miscellaneous charges levied by LMW and the charges levied for the last three years. The Appendix also sets out the indicative increases in charges proposed for the five years of the regulatory period. Miscellaneous charges represents about 1.8% of total revenue.

Termination fees are payable by properties that relinquish their delivery shares. The termination fees are determined by multiplying by 10 the respective irrigation pumped districts' delivery share fee. Termination fee revenue is amortised over 10 years for the purpose of identifying the appropriate addition to other revenue.

Table 33 sets out the revenue forecast from miscellaneous charges and termination fees.

Table 33 Revenue from Miscellaneous Charges (\$M 1/1/13)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Misc charge revenue	0.38	0.41	0.52	0.52	0.52	0.52	0.52
Termination fees	0.28	0.29	0.29	0.30	0.30	0.30	0.31

7.4 Customer Contributions

The rural business of LMW does not levy any form of customer contribution.

7.5 Vulnerable Customers

LMW does have a formal hardship policy that outlines numerous options which lend themselves to residential customers inclusive of stock and domestic rather than commercial customers. LMW encourages customers who have difficulty in paying to contact LMW and in some circumstances LMW will arrange for payments to be made by instalments. It is important to recognise that the rural nature of the customer base is such that customers having difficulty in paying often have fundamental financial viability problems, which cannot be addressed by the water authority in isolation. Consequently, LMW will refer the customer to the Sunraysia Rural Financial Counselling Service for advice. LMW annually provides a financial contribution towards the operation of this service.

7.6 Form of Price Control

LMW proposes to continue a revenue cap control to set prices for all of the years of the review period.

7.7 No Adjustment to Prices for Revenue Losses

The drought and subsequent floods have meant that outturn demand is much lower than predicted for much of the second regulatory price review. While it would be open to LMW to request a compensatory adjustment to prices, LMW does not wish to add to the burden facing customers more than is necessary to allow the business to finance its functions. The price rises proposed by LMW allow the business to achieve its revenue requirement throughout the third regulatory period. The revenue losses suffered in the second regulatory period have been met from LMW's funds, and provided demand follows the expected path, LMW should be able to maintain a sustainable financial position going forward.

8. Non-Prescribed Services

8.1 Classification of services as non-prescribed

Investment income is the only unregulated revenue for the rural business. LMW does not anticipate having any investments for the WP3, however will receive small amounts of credit interest on their operating account.

Table 34 Non Prescribed Revenues – (\$M 1/1/13)

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2011-12
Investment income	.27	.04	.04	.04	.04	.04	.04	.04



Appendix A

Service Standards and other Outcomes

Progress in Second Regulatory Period

Statement of Obligations

Outcome	Progress	Comment
Corporate Governance	Meeting obligation	<p>LMW has a Governance Committee that assists the Board to discharge its duty with respect to good corporate governance, namely in the areas of policies, performance reviews, remuneration and training for Directors.</p> <p>Our Audit Committee assists the Board to fulfil its governance responsibilities in relation to financial management, risk management, systems and compliance with relevant legislation and regulations.</p>
Customer / Community Engagement	Meeting obligation	LMW has well-established communication and consultation programs with its community, customers and other relevant stakeholders
Risk	Meeting obligation	An annual risk calendar ensures that our risk registers are reviewed by relevant staff, Management, Audit Committee and Board. Risk awareness training is provided to all staff annually.
Incident and Emergency Response	Meeting obligation	LMW's systems were well-tested during the floods of February 2011. LMW is implementing asset improvements to manage future events.
Managing Assets	Meeting obligation	<p>LMW has developed replacement profiles for major rural asset groups, and has assessed the economics of replacement or renewal of irrigation and drainage pipelines. At this stage, LMW is not able to allocate significant funds for replacement of infrastructure.</p> <p>LMW is implementing a major upgrade to its asset management information systems to enhance decision making and build an improved understanding of the condition and performance of the asset base.</p>
Regional and Local Government Planning	Meeting obligation	LMW continues to comply with planning and coordination requirements and joint programs with the regional catchment management and local government agencies.
Environmental Management System	Meeting obligation	LMW's Environmental Management System is aligned with ISO 14000 applies sustainable management principles in all its operations
River and Aquifer Health	Meeting obligation	No rural obligations
Affordability, Financial Hardship and Vulnerable Customers	Meeting obligation	LMW continues to work with community agencies such as Sunraysia Rural Financial Counselling Service in providing assistance to necessitous cases identified whether by LMW or the agency.
Compliance and	Meeting obligation	LMW monitors compliance with its obligations and undertakes an annual Operational Audit for



Outcome	Progress	Comment
Audits		compliance.

Service Standards for the Second Regulatory Period

RURAL SERVICE STANDARDS	APPROVED					ACTUAL			
	2008-09	2009-10	2010-11	2011-12	2012-13	2008-09	2009-10	2010-11	2011-12
Irrigation									
Irrigation water orders delivered on day requested % (whole of business)	95.0	95.0	95.0	95.0	95.0	99	99	99.5	99.8
Number channel bursts and leaks (per 100km) - whole business	72.8	65.1	58.4	58.8	59.4	80.84	89.56	55.6	116.7
Number channel bursts and leaks (per 100km) - Merbein	126.9	129.6	132.3	135.0	137.7	118.0	102.7	76.1	150.0
Number channel bursts and leaks (per 100km) - Red Cliffs	57.5	59.3	61.2	63.0	64.8	47.09	50.15	47.1	47.7
Number channel bursts and leaks (per 100km) – Robinvale*	256.9	127.8	13.9	13.9	16.9	401.3	306.8	73.1	41.8
Number channel bursts and leaks (per 100km) - Millewa	5.6	6.0	6.4	6.9	7.3	3.14	3.78	5.8	7.8
Number channel bursts and leaks (per 100km) - FMID Gravity & Pumped	120.0	119.0	118.0	117.0	116.0	113.9	158.0	137.5	162.2
Unaccounted for water (per cent) - Merbein	15.5	15.5	15.5	15.5	15.5	15.37	12.86	16.95	11.99
Unaccounted for water (per cent) - Red Cliffs	11.0	11.0	11.0	11.0	11.0	11.44	8.73	16.14	11.92
Unaccounted for water (per cent) - Robinvale	13.0	5.0	5.0	5.0	5.0	6.4	4.91	6.77	0.90
Unaccounted for water (per cent) – Millewa**	17.5	17.5	17.5	17.5	17.5	92.41	83.21	78.26	81.29
Unaccounted for water (per cent) - FMID Gravity & Pumped	20.0	20.0	20.0	20.0	20.0	17.75	19.77	18.97	17.63
Licensing/ Administration									
Applications for surface diversion, groundwater or supply-by-agreement water use licences determined within 30 days (per cent)	80	80	80	80	80	97	98	99	99
Processing transfer of water use licences between LMW customers within 10 days (per cent)	80	80	80	80	80	99	98	95	97
Processing permanent transfer of water shares between LMW customers within 10 days (per cent)	80	80	80	80	80	97	99	87	99
Number of works licences metered or assessed for metering at 30 June (per cent)	70	75	80	85	90	69	72	68	68
Volume of total annual use limit metered at 30 June (per cent)	70	75	80	85	90	102	99	94	94
Customer Service									
Complaints to EWOV (per 1000 customers)	3.0	3.0	1.3	1.3	1.3	0.44	0.55	0.69	0.75
Telephone calls answered within 30 seconds (per cent)	91	92	93	94	95	62%	15%	9%	1%
Telephone calls answered within 60 seconds (per cent) - Operations Room						77%	80%	83%	88%

Notes:

*Robinvale bursts and leaks includes service pipe leaks as assets owned by LMW.

** Unaccounted for water in Millewa rural water district includes water supplied to Lake Cullulleraine, where there are significant losses due to seepage and evaporation, reported in accordance with NWC rules.



Appendix B
Proposed Service Standards

Third Regulatory Period

RURAL SERVICE STANDARDS	PROPOSED				
	2013-14	2014-15	2015-16	2016-17	2017-18
Irrigation					
Irrigation water orders delivered on day requested % (whole of business)	95.0	95.0	95.0	95.0	95.0
Number channel bursts and leaks (per 100km) - whole business	70.0	70.0	70.0	70.0	70.0
Number channel bursts and leaks (per 100km) - Merbein	135.0	135.0	135.0	135.0	135.0
Number channel bursts and leaks (per 100km) - Red Cliffs	65.0	65.0	65.0	65.0	65.0
Number channel bursts and leaks (per 100km) - Robinvale	30.0	30.0	30.0	30.0	30.0
Number channel bursts and leaks (per 100km) - Millewa	5.0	5.0	5.0	5.0	5.0
Number channel bursts and leaks (per 100km) - FMID Gravity & Pumped	120.0	120.0	120.0	120.0	120.0
Unaccounted for water (per cent) - Merbein	15.5	15.5	15.5	15.5	15.5
Unaccounted for water (per cent) - Red Cliffs	12.0	12.0	12.0	12.0	12.0
Unaccounted for water (per cent) - Robinvale	5.0	5.0	5.0	5.0	5.0
Unaccounted for water (per cent) - Millewa	88.0	88.0	88.0	88.0	88.0
Unaccounted for water (per cent) - FMID Gravity & Pumped	20.0	20.0	20.0	20.0	20.0
Licensing/ Administration					
Applications for surface diversion, groundwater or supply-by-agreement water use licences determined within 30 days (per cent)	90.0	90.0	90.0	90.0	90.0
Processing transfer of water use licences between LMW customers within 10 days (per cent)	90.0	90.0	90.0	90.0	90.0
Processing permanent transfer of water shares between LMW customers within 10 days (per cent)	85.0	85.0	85.0	85.0	85.0
Number of works licences metered or assessed for metering at 30 June (per cent)	95.0	95.0	95.0	95.0	95.0
Volume of total annual use limit metered at 30 June (per cent)	95.0	95.0	95.0	95.0	95.0
Customer Service					
Complaints to EWOV (per 1000 customers)	1.3	1.3	1.3	1.3	1.3
Telephone calls answered within 30 seconds (per cent)					
Telephone calls answered within 60 seconds (per cent) - Operations Room	80%	80%	80%	80%	80%



Appendix C

Miscellaneous Charges

MISCELLANEOUS CHARGES (Indicative Only)

<i>Tariff and Price Component 1/1/13</i>	<i>Unit</i>	2013/14	2014/15	2015/16	2016/17	2017/18
Groundwater Licence Fees						
Application for groundwater licence	App	330.50	330.50	330.50	330.50	330.50
Application for renewal of groundwater licence	App	79.50	79.50	79.50	79.50	79.50
Application for transfer of groundwater licence	App	79.50	79.50	79.50	79.50	79.50
Ground Water Licence - Volume	ML	1.70	1.70	1.70	1.70	1.70
Ground Water Licence - Volume	ML	1.70	1.70	1.70	1.70	1.70
Minimum Charge		81.25	81.25	81.25	81.25	81.25
Information Statements						
Application for information statement under Sect. 158 of the Act (Includes one (1) meter read) - Fee Listed under other Charges "Special meter Reading Fee"	App	81.00	81.00	81.00	81.00	81.00
Drainage Diversion Licence Fees						
Application for drainage diversion licenses	App	83.00	83.00	83.00	83.00	83.00
Subdivision Fee						
Irrigation, 2 lot	App	851.00	851.00	851.00	851.00	851.00
Irrigation, 3 lot	App	1,065.00	1,065.00	1,065.00	1,065.00	1,065.00
Irrigation, 4 lot	App	1,263.00	1,263.00	1,263.00	1,263.00	1,263.00
Irrigation, 5 lot	App	1,488.00	1,488.00	1,488.00	1,488.00	1,488.00
Irrigation, 6 lot and over	App	1,770.00	1,770.00	1,770.00	1,770.00	1,770.00
*If a Staged Subdivision then 1st Stage is charged as above then remaining Stages charged at 2 lot fee unless other wise determined						
Subdivision of Holdings (halve of a 2 lot subdivision of title)	App	425.00	425.00	425.00	425.00	425.00
Waterworks	App	425.00	425.00	425.00	425.00	425.00
Rural	App	425.00	425.00	425.00	425.00	425.00
Diversion	App	425.00	425.00	425.00	425.00	425.00
Excision Fee	App	850.00	850.00	850.00	850.00	850.00
Amalgamation of Holdings (Other than via subdivision process)	App	425.00	425.00	425.00	425.00	425.00

MISCELLANEOUS CHARGES

<i>Tariff and Price Component 1/1/13</i>	<i>Unit</i>	2013/14	2014/15	2015/16	2016/17	2017/18
Photocopying						
A0 Plan	Copy	11.75	11.75	11.75	11.75	11.75
A1 Plan	Copy	7.70	7.70	7.70	7.70	7.70
A2 Plan	Copy	4.25	4.25	4.25	4.25	4.25
A3 Copy	Copy	2.30	2.30	2.30	2.30	2.30
A4 Copy	Copy	0.50	0.50	0.50	0.50	0.50
Other Charges						
Application Fee - Meter Investigation	App	322.00	322.00	322.00	322.00	322.00
Special Meter Reading Fee	Read	40.60	40.60	40.60	40.60	40.60
Application for Reconnection Fee	App	75.00	75.00	75.00	75.00	75.00
Lockdown and Unlock Fee	Connection	121.50	121.50	121.50	121.50	121.50
Meter Testing Fee	Test	67.00	67.00	67.00	67.00	67.00
Application Fee - District (Outside District) Garden Supply	App	121.50	121.50	121.50	121.50	121.50
Application Fee - Millewa WWD Stock and Domestic	App	121.50	121.50	121.50	121.50	121.50
Title Search Fee	Search	60.50	60.50	60.50	60.50	60.50
Consolidation (Of Titles) Investigation Fee	App	426.50	426.50	426.50	426.50	426.50
Water Analysis	Test	60.50	60.50	60.50	60.50	60.50
Merchant Fee (for payments over \$1,000)	Cust	Actual Cost				
Direct Connection Fee (\$400 Security-Refundable, \$80 Supervision)	Connection	564.50	564.50	564.50	564.50	564.50
Tender Document Charge	Tender	119.50	119.50	119.50	119.50	119.50
Drainage Diversions						
Merbein	ML	4.33	4.42	4.57	4.72	4.89
Red Cliffs	ML	4.89	4.67	4.59	4.57	4.53
Robinvale	ML	8.70	8.96	9.25	9.58	9.93
Drainage Only						
Merbein - Property Drainage	DS	112.00	112.00	112.00	112.00	112.00
Red Cliffs - Property Drainage	DS	110.00	110.00	110.00	110.00	110.00
Robinvale - Property Drainage	DS	90.40	90.40	90.40	90.40	90.40
Debt collection fees passed on to customers	Cust	Actual Cost				
Dishonoured Cheque Fees	Cust	Actual Cost				
Excess Water	ML	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00

MISCELLANEOUS CHARGES

<i>Tariff and Price Component 1/1/13</i>	<i>Unit</i>	2013/14	2014/15	2015/16	2016/17	2017/18
Occupational & Grazing Licences	Licence	Actual Cost				
Outside District Winter Garden Supply Valve Opening Fee	Opening	34.50	34.50	34.50	34.50	34.50
Cardross Lakes	ML	74.00	74.00	74.00	74.00	74.00
Amalgamation of Holdings (Other than via subdivision process)	ML	74.00	74.00	74.00	74.00	74.00
Private Works Agreement (Licence)						
	per					
Application Fee (Initial)	Agreement	74.00	74.00	74.00	74.00	74.00
Annual Fee	Licence	32.00	32.00	32.00	32.00	32.00
Meter and Connection Fee						
Irrigation District						
D & S Supply 40mm meter installation	Meter	1,973.00	1,973.00	1,973.00	1,973.00	1,973.00
D & S Supply 40mm meter installation & tapping band	Meter	2,140.00	2,140.00	2,140.00	2,140.00	2,140.00
Millewa WWD						
Tapping 20mm	Tapping	190.00	190.00	190.00	190.00	190.00
Tapping 25mm	Tapping	214.00	214.00	214.00	214.00	214.00
Meter Installation (20mm)	Meter	178.00	178.00	178.00	178.00	178.00
Meter Installation (25mm)	Meter	368.00	368.00	368.00	368.00	368.00
	Meter per					
D & S Meter Payment (5 Year)	year	458.24	458.24	458.24	458.24	458.24
Disconnection Fee	App	554.00	554.00	554.00	554.00	554.00
Drainage Schemes						
Nangiloc-Colignan - Operating Rate	AUL	3.01	3.02	3.03	3.04	3.02
Boundary Bend - O&M	AUL	3.01	3.02	3.03	3.04	3.02
Bumbang - O&M	AUL	3.01	3.02	3.03	3.04	3.02
Tol Tol - O&M	AUL	3.01	3.02	3.03	3.04	3.02
Licences						
Lake Cullulleraine - 12 Months	ML	18.90	18.90	18.90	18.90	18.90

MISCELLANEOUS CHARGES

<i>Tariff and Price Component 1/1/13</i>	<i>Unit</i>	2013/14	2014/15	2015/16	2016/17	2017/18
Water Register Fees						
Application for a Water Use Licence	App	170.00*	170.00*	170.00*	170.00*	170.00*
Application for a Water Use Registration	App	170.00*	170.00*	170.00*	170.00*	170.00*
Application for a Works Licence	App	170.00*	170.00*	170.00*	170.00*	170.00*
Applications to vary, cancel or issue a delivery share	App	75.70*	75.70*	75.70*	75.70*	75.70*
Applications to vary a water use licence/registration	App	170.00*	170.00*	170.00*	170.00*	170.00*
Applications to amend or renew a work licence	App	170.00*	170.00*	170.00*	170.00*	170.00*
Applications to establish a tagged interstate entitlement	App	143.20*	143.20*	143.20*	143.20*	143.20*
Applications to place an order against a tagged interstate entitlement	App	75.70*	75.70*	75.70*	75.70*	75.70*
Applications to issue amend or transfer a bundled entitlement	App	170.00*	170.00*	170.00*	170.00*	170.00*
* Set inline with the Non Prescribed Water Register Fees set by Victorian Water Registrar						
Water Register Fees (Non Prescribed - Set by Victorian Water Registrar)						
Transfer a water share including divide and transfer (Forms 1 & 3)	App	170.00	170.00	170.00	170.00	170.00
Divide a water share (Application Form 5)	App	143.20	143.20	143.20	143.20	143.20
Consolidate water shares (Application Form 6)	App	143.20	143.20	143.20	143.20	143.20
Issue a water share (Application Form 7)	App	170.00	170.00	170.00	170.00	170.00
Cancel a water share (Application Form 8)	App	170.00	170.00	170.00	170.00	170.00
Surrender a water share	App	170.00	170.00	170.00	170.00	170.00
Vary and/or associate, or revoke a water share association (Application Form 9)	App	143.20	143.20	143.20	143.20	143.20
Give a limited term transfer (Application Form 10)	App	170.00	170.00	170.00	170.00	170.00
Trade water allocation (Form 39)	App	75.70	75.70	75.70	75.70	75.70
Use of water on land which a water share is not associated with (Form 39)	App	75.70	75.70	75.70	75.70	75.70
Search Fee by applicant using online facilities	App	12.50	12.50	12.50	12.50	12.50
Search Fee by LMW on behalf of applicant	App	23.90	23.90	23.90	23.90	23.90
Instrument Search	App	12.50	12.50	12.50	12.50	12.50

MISCELLANEOUS CHARGES

<i>Tariff and Price Component 1/1/13</i>	<i>Unit</i>	2013/14	2014/15	2015/16	2016/17	2017/18
Salinity Disposal Fees (Non Prescribed)						
SDE Levy Pre 14th April 2002	ML	22.11	22.11	22.11	22.11	22.11
SDE Levy Post 14th April 2002 LIZ 1 Lump Sum	ML/AUL	34.02	34.02	34.02	34.02	34.02
SDE Levy Post 14th April 2002 LIZ 2 Lump Sum	ML/AUL	85.11	85.11	85.11	85.11	85.11
SDE Levy Post 14th April 2002 LIZ 3 Lump Sum	ML/AUL	170.24	170.24	170.24	170.24	170.24
SDE Levy Post 14th April 2002 LIZ 4 Lump Sum	ML/AUL	340.49	340.49	340.49	340.49	340.49
O&M Charge	ML	4.20	4.20	4.20	4.20	4.20
SDE Levy Post 14th April 2002 LIZ 1 Over 10 Years	ML/AUL	4.19	4.19	4.19	4.19	4.19
SDE Levy Post 14th April 2002 LIZ 2 Over 10 Years	ML/AUL	10.50	10.50	10.50	10.50	10.50
SDE Levy Post 14th April 2002 LIZ 3 Over 10 Years	ML/AUL	20.96	20.96	20.96	20.96	20.96
SDE Levy Post 14th April 2002 LIZ 4 Over 10 Years	ML/AUL	41.96	41.96	41.96	41.96	41.96
MCMA Salinity Levy (Non Prescribed)						
MCMA Salinity Levy - Irrigation District	ML	1.15	1.15	1.15	1.15	1.15
MCMA Salinity Levy - Private Diverters	ML	0.50	0.50	0.50	0.50	0.50
Non Water Users						
Service Fee		97.32	94.72	92.18	89.72	87.32
Entitlement Storage Fee Murray Basin HR	ML/Ent	10.60*	10.60*	10.60*	10.60*	10.60*
Entitlement Storage Fee Murray Basin LR	ML/Ent	4.80*	4.80*	4.80*	4.80*	4.80*
Entitlement Storage Fee Goulburn Basin HR	ML/Ent	7.30*	7.30*	7.30*	7.30*	7.30*
Entitlement Storage Fee Goulburn Basin LR	ML/Ent	3.70*	3.70*	3.70*	3.70*	3.70*
Spillable Water Charge		4.80*	4.80*	4.80*	4.80*	4.80*

* based on CPI increases only. Goulburn Murray Water set these prices through ESC approval process



Appendix D

Capital Expenditure

IRRIGATION & DRAINAGE CAPITAL EXPENDITURE		2014	2015	2016	2017	2018
Town	Project	Total Capex				
Millewa	MILL Minor Capital - Replacement	145	15	40	30	30
Millewa	MILL Minor Capital - New	50	10	10	10	10
Millewa	MILL Irrigation Pipeline Replacements Misc	25	5	5	5	5
Millewa	MILL Replace Air Valves	25	5	5	5	5
Millewa	MILL Meter Replacement Program (20/25mm)	15	3	3	3	3
Millewa	MILL Lake PS Lake Pump Filter	23	-	23	-	-
Millewa	MILL River PS Install 2nd pump	200	-	-	200	-
Mildura	MDA Minor Capital - Replacement	600	120	120	120	120
Mildura	MDA Minor Drainage Pipeline Replacements	175	45	40	30	30
Mildura	MDA Air Release Valves	65	25	10	10	10
Mildura	MDA Irrigation Meter Replacement	600	120	120	120	120
Mildura	MDA D & S Metering Program	125	25	25	25	25
Mildura	MDA Fill Bank Repairs/Lining	300	300	-	-	-
Mildura	MDA Drainage Pit Lids	135	35	25	25	25
Mildura	MDA Drainage Pumps	195	95	25	25	25
Mildura	MDA Irr Central PS Modernisation	3,530	3,530	-	-	-
Mildura	MDA Automate Channel Control	2,660	1,660	1,000	-	-
Mildura	MDA Contingency	800	-	200	200	200
Mildura	MDA Pumping Pump Set Overhauls	600	-	150	150	150
Mildura	MDA Pumping Central PS Replace Bulk Meters	250	250	-	-	-
Mildura	MDA Pumping Benetook Pump Station O/H	447	447	-	-	-
Mildura	MDA Irr Upgrade Regulators/Bridges	1,100	100	1,000	-	-
Merbein	MER Minor Capital - Replacement	165	45	45	45	15
Merbein	MER Minor Capital - New	125	25	25	25	25
Merbein	MER Minor IRR Pipeline Replacements	25	5	5	5	5
Merbein	MER Minor Drainage Pipeline Replacements	140	40	25	25	25
Merbein	MER Air Release Valves	25	5	5	5	5
Merbein	MER Install Isolation Valves	25	5	5	5	5
Merbein	MER Install Scour Valves	25	5	5	5	5
Merbein	MER Irrigation Meter Replacement	720	400	80	80	80
Merbein	MER D&S Metering Program	50	10	10	10	10
Merbein	MER Drainage Pit Lids	145	45	25	25	25
Merbein	MER Contingency	600	-	150	150	150
Merbein	MER Automate Channel Control	850	-	850	-	-
Merbein	MER Pumping Main PS Replace Switchboards	2,100	-	2,100	-	-
Merbein	MER Pumping Main PS Replace Pump Sets	2,150	2,150	-	-	-
Merbein	MER Pumping Main PS Pump Set Overhauls	360	-	-	120	120
Merbein	MER Pumping Main PS High Voltage Upgrade	750	750	-	-	-
Red Cliffs	RC Minor Capital - Replacement	250	50	50	50	50
Red Cliffs	RC Minor IRR Pipeline Replacements	25	5	5	5	5
Red Cliffs	RC Minor Drainage Pipeline Replacements	50	10	10	10	10
Red Cliffs	RC Air Release Valves	20	10	10	-	-
Red Cliffs	RC Install Isolation Valves	25	5	5	5	5
Red Cliffs	RC Scour Valves	10	5	5	-	-
Red Cliffs	RC Irrigation Meter Replacement	500	100	100	100	100
Red Cliffs	RC Water Wheel Replacement	10	10	-	-	-
Red Cliffs	RC D&S Metering Program	15	15	-	-	-
Red Cliffs	RC Drainage Pumps	50	10	10	10	10
Red Cliffs	RC Drainage Pit Lids	158	58	25	25	25
Red Cliffs	RC Automate Channel Control	2,132	1,100	1,032	-	-
Red Cliffs	RC Contingency	600	-	150	150	150
Red Cliffs	RC Channel Lining	1,000	500	500	-	-
Red Cliffs	RC Irr - Upgrade Regulators & Bridges	600	100	500	-	-
Red Cliffs	RC Replace Main PS Modernisation	2,000	2,000	-	-	-
Red Cliffs	RC Pump Set Overhauls	450	-	-	150	150
Robinvale	ROB Minor Capital - Replacement	200	40	40	40	40
Robinvale	ROB Minor Capital - New	50	10	10	10	10
Robinvale	ROB Minor Drainage Pipeline Replacements	50	10	10	10	10
Robinvale	ROB Drainage Pump Replacement	25	5	5	5	5
Robinvale	ROB Drainage Pit Lids	50	10	10	10	10
Private Diverters	PD Minor Capital - Replacement	20	4	4	4	4
Private Diverters	PD Metering Program	375	75	75	75	75
Private Diverters	PD D&S Metering Program	25	5	5	5	5
Subtotal		29,010	14,412	8,692	2,122	1,892

Town		Project	2014	2015	2016	2017	2018
CORPORATE CAPITAL EXPENDITURE							
Town	Project	Capex for WP3	2014	2015	2016	2017	2018
Various	Motor Vehicles	2,395	530	490	455	470	450
Various	Computer Hardware	2,625	657	546	464	442	517
Various	Computer Software	1,215	480	233	323	83	97
Various	General Equipment	450	90	90	90	90	90
Various	Communications	265	145	30	30	30	30
Various	Workshop Tools	885	225	100	100	210	250
Various	Safety Equipment	50	10	10	10	10	10
Various	Lab Equipment	63	13	13	13	13	13
Subtotal		7,947	2,149	1,511	1,484	1,347	1,457

Note: Corporate capital expenditure includes both urban and rural components

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