

5 November 2008

Mr Sean Crees  
Director Regulation (Water)  
Essential Services Commission  
Level 2  
35 Spring Street  
MELBOURNE VIC 3000

Dear Sean,

Please find enclosed South East Water's Water Plan and accompanying templates. These documents have also been provided in email form.

South East Water has developed this Water Plan in the context of guidance provided by the Commission, advice provided by the Minister for Water, the outcomes of the Victorian Competition and Efficiency Commission (VCEC) Inquiry into Reform of the Metropolitan Retail Water Sector and feedback from other key stakeholders.

South East Water's objectives in preparing this Water Plan were:

- To ensure that core customer service standards are maintained;
- To propose an efficient program of operating and capital expenditure that ensures the assets remain in good order;
- To minimise price increases; and
- To deliver on all regulatory obligations including demand management initiatives, recycling targets, green house gas abatement, the backlog program and all EPA requirements.

In order to achieve these objectives, South East Water is proposing price increases as follows:

- |   |         |              |
|---|---------|--------------|
| - | 2009/10 | 18% increase |
| - | 2010/11 | 16% increase |
| - | 2011/12 | 12% increase |
| - | 2012/13 | 11% increase |
| - |         |              |

This is equivalent to a 95% increase over the five year period (2007/08 to 2012/13).

This outcome is predicated on a number of assumptions including:

- Melbourne Water's estimated prices;
- Weighted average cost of capital (5.8%);
- \$189M increase in RAV;
- Achievement of the VCEC estimated annual shared services savings by 2012/13;

- Water restrictions (Stage 3A - 2009/10, Stage 2 – 2010/11, Stage 1 – 2011/12, Permanent Water Saving Rules – 2012/13);
- Delivery of the conservation programs required by the Central Region Sustainable Water Strategy;
- \$52M deferred depreciation; and
- No change to tariff structures.

Should these assumptions change, in particular restriction scenarios, South East Water may approach the Commission to make a revised submission prior to the Commission's Final Decision.

South East Water understands that the Commission expects to release its Draft Decision in April 2009 and its Final Decision in June 2009. South East Water would encourage the Commission to deliver these decisions as early as possible to allow time for South East Water to communicate effectively with customers and stakeholders and implement the final outcome.

Should you require any information in addition to the attached, please feel free to contact Ian Johnson, General Manager Regulation on 9552 3725 or [ian.johnson@sewl.com.au](mailto:ian.johnson@sewl.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to be 'S. Cox', written in a cursive style.

Shaun Cox  
**Managing Director**