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21 May 2008



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Dear Greg

ESC 2008 Water Price Review Draft Decision

Thank you for the opportunity to provide a response to the Essential Services Commission (ESC) 2008 Water Price Review Draft Decision.

Generally we have accepted the Commission's adjustments and where we haven't, a detailed explanation has been provided as part of our response. A few adjustments have also been made to our final Water Plan submitted in October 2007. These changes are described in our response.

If you have any questions/queries, please contact John Bergin on ☎ (03) 5051 3411 in relation to our response which is enclosed.

Yours sincerely



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Lower Murray Water
2008 Water Price Review
Response to ESC Draft Decision

May 2008

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1. Introduction

Lower Murray Water has reviewed the Essential Services Commission's (ESC) Draft Decision for Lower Murray Water (LMW), dated March 2008. This report summarises:

- Recommendations accepted
- Justification of further acceptable expenditure not recognised in the draft decision
- Justification of other recommendations not accepted by LMW
- Changes since the draft decision

This report will provide acceptance of ESC recommendations and provide a reconciliation of expenditure not included in the draft decision, and will justify the adjustment of the expenditure. The additional operating and capital expenditure has arisen since LMW's submission in October and from LMW's review of the Cardno-Atkins (Cardno) Draft Report - Assessment of Expenditure Forecasts for Lower Murray Water. The remaining adjustments have occurred since that report.

This report also reviews other recommendations made by the ESC and discusses those accepted and not accepted by LMW.

LMW's response will include:

- Key Outcomes and Service Levels
- Revenue Requirement
- Operating Expenditure
- Capital Expenditure
- Demand Forecasts
- Retail Water and Sewerage Tariffs
- Rural Tariffs
- Miscellaneous Charges

2. Key Outcomes and Service Standards

2.1 Urban Service Standards

The ESC approved each of the urban service standards proposed in LMW's Water Plan, with the exception of "Average time to rectify a sewer blockage (minutes)".

The proposed standard deviated from the actual three year average performance, and the ESC sought further information. In LMW's Water Plan it states the reason for change was implementation of the Road Management Act, to which the ESC stated no other business had cited this. LMW provided further information stating that this was not the sole driver of the increased target. Other drivers include employees with less experience, as some of the more experienced staff decided not to work overtime, resulting in nominally less expertise at certain times. Tree roots have also had an affect with heavier root intrusion to pipelines due to the drought. The average time to rectify for root intrusion has gone up due to the deeper penetration of roots. Root penetration represents over 75% of the reasons for blockages.

LMW proposes to leave the "Average time to rectify a sewer blockage (minutes)" as proposed in its Water plan as shown below.

Table 1

	2008-09	2009-10	2010-11	2011-12	2012-13
Sewerage Service Standards					
Average time to rectify a sewer blockage (minutes)	105.00	105.00	105.00	105.00	105.00

2.2 Rural Service Standards

The ESC approved each of the rural service standards proposed in LMW's Water Plan. However not all core service standards were proposed by LMW as its customer charter was still not complete.

LMW has worked through the remaining standards and have listed below its proposed targets, however not all have a degree of certainty. It must be appreciated that some targets have been set without the ability to refer to historical data.

Table 2

	2008-09	2009-10	2010-11	2011-12	2012-13
Rural Service Standards					
Number channels/pipes bursts and leaks (per 100km) - (pumped supply) - Merbein	126.91	129.61	132.31	135.01	137.71
Number channels/pipes bursts and leaks (per 100km) - (pumped supply) - Red Cliffs	57.49	59.33	61.16	63.00	64.83
Number channels/pipes bursts and leaks (per 100km) - (pumped supply) - Robinvale	256.94	127.78	13.89	13.89	16.67

	2008-09	2009-10	2010-11	2011-12	2012-13
Rural Service Standards					
Number channels/pipes bursts and leaks (per 100km) - (pumped supply) - Millewa	5.59	6.02	6.45	6.88	7.31
Number channels/pipes bursts and leaks (per 100km) - (pumped supply) - Whole of Rural Business	54.93	44.46	35.34	36.33	37.56
Irrigation water orders delivered on day ordered (pumped supply) (%)	95.00	95.00	95.00	95.00	95.00
Unaccounted for water (%) - Merbein	15.50	15.50	15.50	15.50	13.00
Unaccounted for water (%) - Red Cliffs	11.00	11.00	11.00	11.00	11.00
Unaccounted for water (%) - Robinvale	13.00	5.00	5.00	5.00	5.00
Applications for surface diversion, groundwater or supply-by-agreement Water Use Licences determined within 30 days	80.00	80.00	80.00	80.00	80.00
Processing transfer of water use licences between LMW Customers within 10 days.	80.00	80.00	80.00	80.00	80.00
Processing temporary transfer of water allocations between LMW customers within 10 days (per cent)	80.00	80.00	80.00	80.00	80.00
Processing permanent transfer of water shares between LMW customers within 10 days	80.00	80.00	80.00	80.00	80.00
Number of works licences metered or assessed for metering at 30 June - part of national reporting	70.00	70.00	70.00	70.00	70.00
Volume of total annual use limit metered at 30 June - part of national reporting	70.00	70.00	70.00	70.00	70.00
Complaints to EWOV per 1000 customers	3.00	3.00	1.30	1.30	1.30
Telephone calls answered within 30 seconds (%)	99.00	99.00	99.00	99.00	99.00

The number of channel/pipes burst and leaks (per 100km) are for pumped supplied districts only. There are no gravity supplied systems in LMW's irrigation districts. LMW staff has spent considerable time reviewing the last three years of data to set the standard for the number of channel/pipes burst and leaks (per 100km).

Data has been gathered from Hansen Work Orders and Interruption Report sheets for the years 2005-06, 2006-07, and part of year 2007-08. Some history data was also available from statistics kept by the former Sunraysia Rural Water Authority (SRWA). The SRWA data was used as a reference only as definitions of each set of data were not the same. The prediction of leaks for the Rural Business for the next five years is based on the following definition of a rural leak:

Leakage of water from a LMW irrigation asset.

This includes leaks from:

- Pipe cracks and joints
- Channel cracks and overflows

- Outlet faults including:
 - SMO cracks
 - SMO riser plates
 - Channel Slide Valves
 - Service Line Offtakes

It includes damage caused by third parties that results in leakage of water. It does not include leaks from privately owned service lines after the ferrule or equivalent. It does not include leaks from meters.

After discussion with the ESC, LMW's definition of a leak conforms to the ESC's definition of a leak.

The ESC also sought information in relation to the targets proposed for EWOV complaints. LMW presumes this is because the proposed target submitted in the Water Plan showed 10 complaints per year, when the standard should be EWOV complaints per thousand customers. This has been adjusted as above in table 2.

2.3 Guaranteed Service Levels

In LMW's Water Plan there is no provision for the introduction of a GSL scheme.

The ESC states in the draft decision that it proposes to allow for the implementation of GSL schemes by all other urban regional water businesses during the next 12 to 24 months. The ESC discusses at length the use of GSL schemes.

LMW and its customers believe that an effective approach for LMW to identify their worst served customers and an incentive to deliver acceptable service standards to all customers is through monitoring its proposed service standards against actual results and through customer complaints. The ESC state GSLs aids businesses in identifying the worst served customers when in fact this is already achieved through the performance reporting done by businesses for the ESC. GSL schemes do not necessarily provide an incentive to deliver acceptable service standards as it could be cheaper in the short term to continue paying a GSL rather than fix the problem.

3. Revenue Requirement

3.1 Urban Revenue Requirement

LMW has adopted the following assumptions in relation to the revenue required for the urban business over the regulatory period. The assumptions include in part those from the ESC's draft decision and LMW's responses to the draft decision.

Table 3

Revenue requirement - Urban

\$m, 1/1/07

	2008-09	2009-10	2010-11	2011-12	2012-13
Operating expenditure	17.53	16.98	16.76	17.06	17.45
Return on assets to 30/6/08	3.08	2.94	2.80	2.67	2.54
Return on new assets	0.59	1.56	2.09	2.34	2.60
Regulatory depreciation	2.83	3.27	3.33	3.59	3.80
Adjustments from last period	0.18	0.18	0.18	0.18	0.18
Benchmark tax liability	-	-	-	-	-
Total revenue requirement	24.21	24.93	25.16	25.84	26.57

3.2 Rural Revenue Requirement

LMW has adopted the following assumptions in relation to the revenue required for the rural business over the regulatory period. The assumptions include in part those from the ESC's draft decision and LMW's responses to the draft decision.

Table 4

Revenue requirement - Rural

\$m, 1/1/07

	2008-09	2009-10	2010-11	2011-12	2012-13
Operating expenditure	11.74	11.97	11.32	11.52	11.70
Return on assets to 30/6/08	0.81	0.77	0.72	0.68	0.64
Return on new assets	0.70	1.45	1.70	2.23	2.64
Regulatory depreciation	0.69	1.02	1.15	1.38	1.57
Renewals annuity	0.59	0.59	-	-	-
Adjustments from last period	-	-	-	-	-
Benchmark tax liability	-	-	-	-	-
Total revenue requirement	14.52	15.80	14.89	15.81	16.55

3.3 Urban Regulatory Asset Base

LMW has updated its regulatory asset base to 30 June 2008 for the urban business as shown in Table 5 below reflecting capital expenditure net of customer contributions and disposals for the period less regulatory depreciation.

LMW has included in the RAB, its previous years of gross capital expenditure on water purchases. These water purchases have been treated as operating expenditure in the past,

however LMW was instructed by the Victorian Auditor General to include as capital items when finalising its 2007 financial statements. LMW has therefore retrospectively (2005/06 to 2007/08) included those water purchases in updating its regulatory asset base. This is in line with the ESC's policy of treatment of water purchases.

Table 5

Updated Regulatory Asset Base

\$m, 1/1/07

	2005-06	2006-07	2007-08
Opening asset base	49.41	52.78	58.93
plus Gross capex	11.03	10.62	9.70
less Government contributions	0.21	-	-
less Customer contributions	4.85	1.67	0.87
less Proceeds from disposals	0.48	0.48	2.99
less Regulatory depreciation	2.11	2.32	2.79
Closing asset base	52.78	58.93	61.98

LMW has adopted the following assumptions in relation to the urban regulatory asset base over the regulatory period. These assumptions are described more fully in Section 5.

Table 6

Rolled Forward Regulatory Asset Base

\$m, 1/1/07

	2008-09	2009-10	2010-11	2011-12	2012-13
Opening asset base	61.98	82.19	94.11	97.54	99.03
plus Gross capex	25.91	18.03	8.61	6.92	9.23
less Government contributions	1.00	1.00	-	-	-
less Customer contributions	1.39	1.36	1.36	1.36	1.36
less Proceeds from disposals	0.48	0.48	0.48	0.48	0.48
less Regulatory depreciation	2.83	3.27	3.33	3.59	3.80
Closing asset base	82.19	94.11	97.54	99.03	102.62

3.4 Rural Regulatory Asset Base

LMW has updated its regulatory asset base to 30 June 2008 for the rural business as shown in Table 7 below reflecting capital expenditure net of customer contributions and disposals for the period less regulatory depreciation.

Table 7**Updated Regulatory Asset Base**

\$m, 1/1/07

	2005-06	2006-07	2007-08
Opening asset base	1.88	3.06	1.93
plus Gross capex	3.26	3.89	27.09
less Government contributions	0.61	4.63	14.78
less Customer contributions	-	-	-
less Proceeds from disposals	1.34	0.18	0.32
less Regulatory depreciation	0.12	0.21	0.30
Closing asset base	3.06	1.93	13.63

LMW has adopted the following assumptions in relation to the rural regulatory asset base over the regulatory period. These assumptions are described more fully in Section 5.

Table 8**Rolled Forward Regulatory Asset Base**

\$m, 1/1/07

	2008-09	2009-10	2010-11	2011-12	2012-13
Opening asset base	13.62	35.77	37.06	42.38	53.13
plus Gross capex	28.64	2.63	10.37	12.45	3.27
less Government contributions	0.50	-	-	-	-
less Customer contributions	4.99	-	3.57	-	-
less Proceeds from disposals	0.32	0.32	0.32	0.32	0.32
less Regulatory depreciation	0.69	1.02	1.15	1.38	1.57
Closing asset base	35.77	37.06	42.38	53.13	54.51

3.5 Weighted Average Cost of Capital (WACC)

LMW has adopted the ESC's weighted average cost of capital (WACC) of 6.1 per cent for the business.

3.6 Renewals - Rural

LMW intends to transition from a renewals annuity approach to financing infrastructure renewals to the RAB approach in this next regulatory period. The ESC required more information regarding how LMW will provide renewals balances back to the individual districts.

Since LMW's submission it has decided in consultation with its Merbein customers to continue with renewals for two years of the regulatory period, then transition to RAB approach in the third year. This is due to the Merbein Pipelining of the Channel project being moved out until later in the regulatory period, thus causing prices to be smooth during the regulatory period but having a price shock into the next regulatory period.

LMW intends to return renewals balances in the first year of the regulatory period for districts with positive balances as a lump sum contribution, except Merbein which will be returned in year three

of the regulatory period as a lump sum contribution. This return was based on verbal advice from the ESC provided last year. The balances to be returned are as follows:

Table 9

Timing of the return of positive renewals balances

\$m, 1/1/07

	2008-09	2009-10	2010-11	2011-12	2012-13
Merbein Irrigation	-	-	1.97	-	-
Merbein Drainage	-	-	1.08	-	-
Red Cliffs Drainage	0.26	-	-	-	-
Robinvale Irrigation	2.82	-	-	-	-
Robinvale Drainage	0.52	-	-	-	-

The Merbein Irrigation district shown twice in Table 12, page 31 of LMW's submission should only have been in there once.

3.7 Foregone Revenue - Urban

LMW requested to recover estimated foregone revenue of \$2.2M in its Water Plan, to which the ESC rejected. The ESC stated in its Draft Decision that LMW capital expenditure was underspent, mainly due to the Koorlong project. LMW agrees it was able to benefit from this deferral by receiving a return on and of capital expenditure for the project during the time it was delayed.

In LMW's Water Plan it is stated that the estimated lost revenue was \$2.2M, and it proposed to alter this amount closer the end of the financial year to incorporate into the ESC's final decision. This amount has since been revised and stands at \$3M. LMW proposes to recover the difference between the return on and of capital expenditure (\$14M) deferred which is approximately \$2.1M and the revised foregone revenue of \$3M. LMW requests the ESC to consider the recovery of the difference of \$0.9M, which in terms of prices means an increase of 0.31%.

4. Operating Expenditure

4.1 Urban Operating Expenditure

Lower Murray Water has made the following adjustments to urban operating expenditure over the regulatory period.

Table 10

Operating Expenditure Summary	2008-09	2009-10	2010-11	2011-12	2012-13
Proposed operating expenditure	17.26	16.82	16.60	16.89	17.29
ESC Adjustments (LMW Accept)					
Water Purchases	-0.55	-0.55	-0.55	-0.55	-0.55
Koorlong Reuse	0.00	0.10	0.10	0.10	0.10
Environmental Contribution	0.37	0.37	0.37	0.37	0.37
LMW Adjustments					
Compliance officers	0.15	0.00	0.00	0.00	0.00
IT additional staff	0.04	0.04	0.05	0.05	0.05
IT communications	0.00	0.00	0.06	0.06	0.06
Increase in power	0.05	0.05	0.05	0.05	0.05
Total Adjustments	0.05	0.00	0.07	0.07	0.07
Revised BAU opex	17.31	16.82	16.66	16.96	17.35

Table 11

Operating Expenditure Summary - New Obligations	2008-09	2009-10	2010-11	2011-12	2012-13
Proposed operating expenditure - new obligations	0.22	0.12	0.02	0.02	0.02
LMW Adjustments					
Fluoridation operating expenditure	0.00	0.04	0.08	0.08	0.08
Total Adjustments	0.00	0.04	0.08	0.08	0.08
Revised new obligation operating expenditure	0.22	0.16	0.10	0.10	0.10

4.1.1 ESC Adjustments

Permanent Water Right Purchase

LMW's Water Plan included permanent water rights as operating expenditure. The ESC has subsequently advised that permanent water rights are to be treated as assets and therefore a capital expense for regulatory purposes. LMW accepts the transfer of permanent water rights to capital expenditure, which includes an ongoing return on this asset. The amount the ESC has transferred out of operating expenditure is incorrect, and should be \$553,000 per year not \$530,000. This is per LMW's budget.

Koorlong WWTP Recycled Water Related Expenditure

The upgrade of the Koorlong WWTP is driven by growth and improvement to supply recycled water. The capital and operating costs associated with growth were treated as a regulatory expense, however the incremental costs and income associated with supplying recycled water were treated as a non-prescribed expense and income as this investment was discretionary and related to a commercially negotiated recycled water agreement with customers.

The ESC has advised that the recycled water component is to be treated as a prescribed service, requiring the revenue and expenditure to be included in the Water Plan. This will require an additional \$400,000 to be added to the Water Plan expenditure. LMW accepts this recommendation.

ESC Related Expenditure

The ESC has recommended that a reduction in proposed expenditure for preparation of the next Water Plan in the final two years of the regulatory period.

The Cardno report recommends that the ESC related expenditure for the next Water Plan should be reduced by 20%. The 20% reduction includes the ESC regulatory licence fees, which translates to \$23,400 in savings. Whilst LMW is pleased to accept the reduction in ESC licence fees, we would maintain that the budget for internal costs and consulting fees is realistic based on experience to date and the likelihood of having to manage the impact of future changes to regulation.

Whilst many water corporations choose to employ full time pricing and regulation personnel, LMW maintains the most cost effective solution for LMW and its customers is to use specialist consulting advice when it is required. The internal Water Plan management team consists of two General Managers and the Manager Financial Services, supported by input from other people as needed. This is supplemented on an as required basis with experienced consultants during the intensive period of preparing the Water Plan. The costs are managed through the consultants working as a member of the management team with every effort applied to using these services prudently. The overall value of this advice to the long term profitability of LMW is considerably more than the cost of time invested.

The budgeted cost of \$387,000 (urban) for the next Water Plan period includes an allocation for internal labour and consulting fees. This translates to an annual cost of \$77,400 which is considered to be an efficient cost compared with the alternative of employing a specialist full time Regulatory Manager, which is estimated to cost at least \$600,000 over five years or \$120,000 per annum (inclusive of oncosts). LMW also recognises the difficulty in attracting a sufficiently experienced Regulatory Manager to a regional location and does not believe this is justified, given the cyclic nature of the work.

The costs allocated for the next Water Plan are slightly higher than the second regulatory period due to increases in wages and based on experience with consulting fees rising higher than the rate of inflation.

LMW has excluded this adjustment in its response to the draft decision.

Environmental Contribution

The Department of Sustainability and Environment (DSE) advised the ESC that the environmental contribution for the regulatory period has been adjusted. The contribution was based on LMW's 2006/07 corporate plan forecast. The total environmental contribution for LMW was given as \$1.45M per annum, to which the ESC apportioned 60% to urban and 40% to rural for the purposes of its draft decision. LMW has adjusted the ESC's apportionment to match how the calculation of the contribution was determined. The urban component has increased by \$365,000 to \$1.165M. Advice has since been received that DSE may calculate the contribution on actual 2006/07 figures, however no decision has occurred as yet, and in turn could adjust the contribution for the final decision.

4.1.2 LMW Adjustments

Compliance Officers

LMW's Board approved an increase in the labour budget to enforce restriction guidelines as LMW is on severe restrictions and predicts that this will continue into 2008/09. This equates to \$152,777 in additional labour costs for the 2008/09 year only.

IT Additional Staff

Since the submission of the final Water Plan, LMW has had to advertise for an additional staff member in the IT department. This position is to assist with the billing database, and has arisen due to the increased workload associated with the new state based Water Register. The position will also support the current Business Systems Administrator in the administration of the property database, as a heavy reliance is currently borne by this one person. This position has recently been filled. The additional cost to urban equates to \$225,000 over the regulatory period.

IT Communications

The Water Plan proposed savings of \$210,000 over the Water Plan period associated with an investment in a microwave link. The microwave link was deleted from the Water Plan just prior to submission as a more detailed evaluation of the options and costs associated with the microwave link found that this option is not cost effective using today's technology, although there may be opportunities in the future. The savings were associated with costs including communication charges, ISDN lines to remote offices and SCADA operation. As the investment in the microwave is not likely to proceed, the Water Plan operating expenditure will need to add back planned savings of \$210,000. The urban component is \$189,000. This expenditure would have been included if there was no microwave link. By excluding this expenditure LMW's communications could be compromised.

Electricity Costs

The ESC has recognised the anticipated general change in electricity base prices of 30%. LMW was aware of general electricity pricing trends through regulatory submissions to the Australian Electricity Regulator and the ESC, prompting a review of forecast electricity costs with local electricity providers. This advice confirmed a likely increase of 30%. Since the final submission and Cardno's final report to the ESC, tenders have come in for electricity prices, and show an additional \$45,000 a year is required for the urban business. This additional amount has been included in adjustments.

Fluoridation operating expenditure

The Department of Human Services (DHS) has indicated that fluoridation of LMW Water Treatment Plants is to occur during the next regulatory period. A draft letter from DHS is being drawn up at the moment to finalise this. The expected operating expenditure of fluoridation for Mildura West, Mildura 7th Street, Red Cliffs, Swan Hill and Kerang Water Treatment Plants is \$265,000 over the regulatory period. The project has been planned for completion during 2008/09 and 2009/10, with part operating expenditure of \$40,000 occurring in 2009/10, and all plants operating introduced at \$75,000 per year from 2010/11 onwards.

4.2 Rural Operating Expenditure

Lower Murray Water has made the following adjustments to rural operating expenditure over the regulatory period.

Table 12

Operating Expenditure Summary	2008-09	2009-10	2010-11	2011-12	2012-13
Proposed operating expenditure	11.76	11.98	11.21	11.41	11.57
ESC Adjustments (LMW Accept)					
Environmental Contribution	0.10	0.10	0.10	0.10	0.10
LMW Adjustments					
IT additional staff	0.03	0.03	0.03	0.03	0.03
IT Communications	0.00	0.00	0.01	0.01	0.01
Decrease in Control Room	-0.10	-0.10	0.00	0.00	0.00
Total Adjustments	0.03	0.03	0.14	0.14	0.14
Revised BAU operating expenditure	11.78	12.01	11.35	11.55	11.71

4.2.1 ESC Adjustments

Environmental Contribution

The Department of Sustainability and Environment (DSE) advised the ESC that the environmental contribution for the regulatory period has been adjusted. The contribution was based on LMW's 2006/07 corporate plan forecast. The total environmental contribution for LMW

was given as \$1.45M per annum, to which the ESC apportioned 60% to urban and 40% to rural for the purposes of the draft decision. LMW has adjusted the ESC's apportionment to match how the calculation of the contribution was determined. The rural component has increased by \$102,000 to \$282,000. Advice has since been received that DSE may calculate the contribution on actual 2006/07 figures, however no decision has occurred as yet, and in turn could adjust the contribution for the final decision.

4.2.2 LMW Adjustments

IT Additional Staff

Since the submission of the final Water Plan, LMW has had to advertise for an additional staff member in the IT department. This position is to assist with the billing database, and has arisen due to the increased workload associated with the new state based Water Register. The position will also support the current Business Systems Administrator in the administration of the property database, as a heavy reliance is currently borne by this one person. This position has recently been filled. The additional cost to urban equates to \$149,000 over the regulatory period.

IT Communications

The Water Plan proposed savings of \$210,000 over the Water Plan period associated with an investment in a microwave link. The microwave link was deleted from the Water Plan just prior to submission as a more detailed evaluation of the options and costs associated with the microwave link has found that this option is not cost effective using today's technology, although there may be opportunities in the future. The savings were associated with costs including communication charges, ISDN lines to remote offices and SCADA operation. As the investment in the microwave is not likely to proceed, the Water Plan operating expenditure will need to add back planned savings of \$210,000. The rural component is \$21,000. This expenditure would have been included no matter if there was no microwave link. By excluding this expenditure LMW's communications could be compromised.

Operations Room

Page 28, paragraph 4 of LMW's Water Plan notes savings in the operations room associated with staff redundancies. A recent efficiency review has identified further opportunity to reduce labour costs in the control room with a total saving of \$200,000 in the first two years of the Water Plan period. Staff from the operations room have left the organisation, and have not been replaced.

5. Capital Expenditure

5.1 Urban Capital Expenditure

Lower Murray Water has made the following adjustments to urban capital expenditure forecasts over the regulatory period.

Table 13

Capital Expenditure BAU Summary	2008-09	2009-10	2010-11	2011-12	2012-13
Proposed capital expenditure	27.14	7.47	8.05	6.36	8.38
ESC Adjustments (LMW Accept)					
Water Purchases	0.55	0.55	0.55	0.55	0.55
Koorlong WWTP Augmentation	-3.90	3.90	0.00	0.00	0.00
Koorlong WWTP Recycling	3.50	1.50	0.00	0.00	0.00
LMW Adjustments					
Mildura 2 x 600mm Isolation Valves (11th&Benetook)	0.10	0.00	0.00	0.00	0.00
Red Cliffs WTP Automation/Upgrade	0.06	0.00	0.00	0.00	0.00
Robinvale WTP Automation/Upgrade	0.04	0.00	0.00	0.00	0.00
Finance1 Upgrade to Ci	0.11	0.00	0.00	0.00	0.00
Rehabilitation of Sewers	0.10	0.10	0.00	0.00	0.00
Kerang Wastewater Treatment Plant	-2.80	3.50	0.00	0.00	0.00
Swan Hill Sewerage Catchment Development	0.00	0.00	0.00	0.00	0.30
Total Adjustments	-2.23	9.55	0.55	0.55	0.85
Revised BAU capital expenditure	24.91	17.02	8.60	6.92	9.23

Table 14

Capital Expenditure Summary Non Prescribed	2008-09	2009-10	2010-11	2011-12	2012-13
Proposed non prescribed capital expenditure	5.01	-	-	-	-
ESC Adjustments (LMW Accept)					
Koorlong WWTP Recycling	-5.01	0.00	0.00	0.00	0.00
LMW Adjustments					
14th Street Subdivision - Water Component	0.45	0.30	0.00	0.00	0.00
14th Street Subdivision - Sewerage Component	0.45	0.30	0.00	0.00	0.00
Total Adjustments	-4.11	0.60	0.00	0.00	0.00
Revised non prescribed capital expenditure	0.90	0.60	0.00	0.00	0.00

Table 15

Capital Expenditure Summary New Obligations	2008-09	2009-10	2010-11	2011-12	2012-13
Proposed capital expenditure new obligations	-	-	-	-	-
LMW Adjustments					
Fluoridation of Water Treatment Plants	1.00	1.00	0.00	0.00	0.00
Total Adjustments	1.00	1.00	0.00	0.00	0.00
Revised capital expenditure new obligations	1.00	1.00	0.00	0.00	0.00

5.1.1 ESC Adjustments

Permanent Water Right Purchase

LMW has accepted the ESC's advice to transfer Permanent Water Rights from operating expenditure to capital expenditure. As stated previously, the amount transferred of \$530,000 by the ESC is incorrect, and should be \$553,000 per year.

Koorlong Wastewater Treatment Plant Augmentation

The Cardno report recommended a change in the phasing of the Koorlong WWTP augmentation, assuming an 18 month implementation period from commencement of construction.

The detailed design has been approved with tenders expected in June 2008. LMW is confident that the augmentation can be completed within 2009/10 and is willing to accept the revised profile recommended in the Cardno report.

Koorlong Wastewater Treatment Plant Recycled Water

The ESC advises that the expenditure and revenue associated with the Koorlong Recycled Water upgrade be treated as a prescribed service. The rationale for this advice has been fully explained to LMW, and LMW is willing to accept this recommendation.

Nichols Point Sewerage Scheme

The Cardno Draft Report (page 21, paragraph 2) recommended a split in the capital expenditure for the Nichols Point Sewerage Scheme due to potential delays in approval and award of construction in its draft report to the ESC. LMW has since received formal approval from the Minister for Water to proceed with the sewerage scheme. LMW intends to commence the tender for construction in November, and expects the project to be complete in 2008/09. On this basis, LMW did not agree with the split funding over two years proposed in Cardno's draft. In Cardno's final report submitted to the ESC, Cardno (page 21, paragraph 3) recommends including the forecast expenditure in 2008/09 instead of splitting it over the two years.

The ESC in its draft decision has included the splitting of the project over two years referring to the draft Cardno report instead of the final report. This appears to be an error and LMW does not accept the splitting of the project.

LMW has excluded this adjustment in its response to the draft decision.

IT capital expenditure for new and replacement laptops and PCs

The Cardno Draft Report (page 16, paragraph 6) summarises LMW's proposed replacement program for laptops and PCs, which are depreciated and replaced every four years. Page 24, paragraph 2 suggests the LMW's forecasts 'make no assumption for the computers being able to be used after their replacement life has expired or for them being sold off.'

LMW was able to confirm that the PCs and laptops are sold and included in the proceeds from the sale of assets. Some items are retained within the business as spares or sold to staff if there is remaining useful life. The Cardno Final Report (page 24, paragraph 7) acknowledges this, yet still makes the same adjustment as it made in its draft report. In addition LMW does reuse desktop PCs and laptops if they have been replaced within its useful life. It is difficult to reuse computers after 3-4 years because as software updates occur, the performance of computers diminishes quickly due to system resources not being able to cope with the updated software. The planned capital forecast for new and replacement laptops and PCs are consistent with LMW policy and will be retained by LMW.

LMW has excluded this adjustment in its response to the draft decision.

5.1.2 LMW Adjustments

Capital Expenditure carry over from 2007/08

Since the submission of the final Water Plan, LMW has reviewed its capital expenditure program for 2007/08, and submitted a report to the ESC's request stating actual expenditure to December 2007, and forecast expenditure for the six months January to June 2008. The following projects have been carried over from 2007/08:

- Mildura 2 x 600mm Isolation Valves (11th&Benetook)
The isolation valves will not arrive until 2008/09 due to lead times (12-14 weeks) by the suppliers.
- Red Cliffs WTP Automation/Upgrade
The design for the upgrade came in under budget. The savings of \$60,000 has been transferred to the construction budget due to escalation of construction costs. The construction is programmed for late 2008/09.
- Robinvale WTP Automation/Upgrade
The design for the upgrade came in under budget. The savings \$44,000 has been transferred to the construction budget due to escalation of construction costs. The construction is programmed for late 2008/09.

- Finance 1 Upgrade

Finance 1 upgrade is a major software upgrade of the Corporation's accounting software, and was due to be completed in 2007/08. However the software suppliers TechnologyOne had failed to diarise LMW's request, and as such cannot be performed until 2008/09. Total cost of the project is estimated at \$125,000, with the urban component being \$112,500.

Additional Expenditure for existing capital projects

Since the submission of the final Water Plan and LMW's response to the Cardno-Atkins (Cardno) Draft Report Assessment of Expenditure Forecasts for Lower Murray Water, LMW has reviewed its capital expenditure program for the regulatory period.

The following two projects have had an increase in forecast expenditure due to escalation of costs:

- Rehabilitation of Sewers \$0.20M
- Kerang Wastewater Treatment Plant \$0.70M

Additional Expenditure for new capital projects

Since the submission of the final Water Plan and LMW's response to the Cardno-Atkins (Cardno) Draft Report Assessment of Expenditure Forecasts for Lower Murray Water, two additional projects have arisen which are out of LMW control. The two projects and costs are:

- Fluoridation of Water Treatment Plants \$2.0M
- Swan Hill Sewerage Catchment Development \$0.30M

The Department of Human Services (DHS) has indicated that fluoridation of LMW Water Treatment Plants is to occur during the next regulatory period. A draft letter from DHS is being drawn up at the moment to finalise this. The expected cost to fluoridate Mildura West, Mildura 7th Street, Red Cliffs, Swan Hill and Kerang Water Treatment Plants is \$2M of which DHS will match the cost of the project with a contribution of \$2M. This project has been planned for completion during 2008/09 and 2009/10. This is treated as a new obligation and was unknown before this time.

LMW has also included \$300,000 in the final year of the regulatory period for catchment development in the Swan Hill region. At its May Board meeting presentations from GHD outlining the drivers for the Swan Hill Sewerage Strategy, and Swan Hill Rural City Council outlining its South-West Development Precinct Plan were received. GHD were engaged by LMW to evaluate the current system, and look at different strategies associated with the sewerage system in Swan Hill. The main drivers for the strategy was that all flows in Swan Hill come out through one outfall main which is due for replacement and development. The Swan Hill Rural City Council (SHRCC) advised that their study was in response to continued and increasing demand for new housing in Swan Hill.

5.2 Rural Capital Expenditure

Lower Murray Water has made the following adjustments to rural capital expenditure forecasts over the regulatory period. Due to the continuation of renewals pricing in the Merbein district in the first two years of the regulatory period, renewals expenditure has been transferred from capital expenditure as shown in Table 16 and included as shown in Table 17.

Table 16

Capital Expenditure Summary	2008-09	2009-10	2010-11	2011-12	2012-13
Proposed capital expenditure	22.76	2.97	13.73	20.00	1.81
LMW Adjustments					
Millewa Treatment Plant	-0.50	0.50	0.00	0.00	0.00
Bambill Storage Stabilise Embankments	0.00	-0.05	0.00	0.00	0.00
Merbein Pipeline Main Channel	0.00	0.00	-3.00	-4.50	0.00
Merbein Main Pump Station	0.00	0.00	-0.50	-3.00	0.00
Merbein D&S Metering Program	0.55	-0.05	-0.05	-0.05	-0.04
Red Cliffs D&S Metering Program	0.83	-0.01	-0.01	0.00	0.00
Red Cliffs Install Concrete Section in Channel at Highway	0.15	0.00	0.00	0.00	0.00
Robinvale High Pressure System	5.00	0.00	0.00	0.00	0.00
Private Diverters Telemetry	0.00	0.00	0.20	0.00	0.00
Private Diverters Lake Cullulleraine Channel Widening	0.00	0.00	0.00	0.00	1.00
Private Diverters River PS Upgrade	0.00	0.00	0.00	0.00	0.50
Private Diverters D&S Metering	0.14	0.00	0.00	0.00	0.00
Transfer to Renewals	-0.30	-0.74	0.00	0.00	0.00
Finance1 Upgrade to Ci	0.01	0.00	0.00	0.00	0.00
Total Adjustments	5.88	-0.34	-3.35	-7.55	1.46
Revised capital expenditure	28.64	2.63	10.38	12.45	3.27

Table 17

Renewals Expenditure Summary	2008-09	2009-10	2010-11	2011-12	2012-13
Proposed renewals expenditure	0.00	0.00	0.00	0.00	0.00
LMW Adjustments					
Transfer to Renewals	0.30	0.74	0.00	0.00	0.00
Merbein Install Air Valves	-0.03	0.00	0.00	0.00	0.00
Total Adjustments	0.28	0.74	0.00	0.00	0.00
Revised renewals expenditure	0.28	0.74	0.00	0.00	0.00

5.2.1 ESC Adjustments

Merbein Pipeline of Channel & Pump Station Upgrade

The ESC has omitted this project due to the uncertainty around the receipt of Federal Government funding. As stated in its draft decision, the ESC will consider reopening the determination to include this project if Federal funding is granted.

LMW does not accept this adjustment. As it has stated to Cardno, if funding does not occur, a project of \$11M will be constructed instead of the larger project which will meet some of the benefits of the \$22M project. In Cardno's final report (page 36, paragraph 9) it states that Cardno recommend the \$11M construction instead due to the uncertainty of the \$22M project. Meetings with LMW's Merbein Customer Service Advisory Committee (CSAC) have shown that customers are willing for LMW to construct the \$11M project if the larger project does not receive funding. This was also reiterated by a Merbein customer at the ESC's public meeting on 1 May 2008.

Smoothing of Capital Program

Cardno recommended that based on actual historical expenditure, that expenditure be smoothed over the period to make it more achievable. Cardno admit this is a simplistic adjustment and ignores LMW's program being derived from a risk based prioritisation approach which LMW believes puts LMW's assets and services at risk. LMW's capital program is well developed, with time, effort and care put into the planning process of its capital expenditure plan. Cardno's approach ignores strategic planning and at best relies on guess work. Although recent years have had similar levels of spending it does not indicate that this will continue into the future without planning. LMW's customer groups (CSACs) were bemused by this approach.

LMW rejects this adjustment as a crude way of planning a capital works program and ignores the needs and services of customers, and proposes for expenditure to remain as submitted in its Water Plan.

5.2.2 LMW Adjustments

Transfer to renewal expenditure

Since the submission of the final Water Plan, LMW in consultation with its Merbein customers will continue with a renewals approach to pricing for the first two years of the regulatory period. Therefore renewals expenditure will continue as expenditure against the renewals annuity balance for the Merbein district. These amounts have been transferred from BAU capital expenditure to the renewal annuity sheet in the template.

The first year has \$300,000, while the second year has \$740,000 transferred. There are further adjustments to renewals expenditure per discussion below.

Capital Expenditure carry over from 2007/08

Since the submission of the final Water Plan, LMW has reviewed its capital expenditure program for 2007/08, and submitted a report to the ESC's request stating actual expenditure to December

2007, and forecast expenditure for the six months January to June 2008. The following projects have been carried over from 2007/08:

- Red Cliffs Install Concrete Section in Channel at Highway
LMW is waiting on a report for concept design of the Red Cliffs district which will have an effect on what is done in relation to this project.
- Finance1 Upgrade to Ci Version
Finance 1 upgrade is a major software upgrade of the Corporation's accounting software, and was due to be completed in 2007/08. However the software suppliers TechnologyOne had failed to diarise LMW's request, and as such cannot be performed until 2008/09. Total cost of the project is estimated at \$125,000, with the rural component being \$12,500.
- Bambill Storage Stabilise Embankments
The project has been completed in 2007/08.
- Merbein Install Air Valve
Part of the budget brought forward into 2007/08, as more work has been done in 2007/08 than expected.

Domestic and Stock Metering Program

LMW has accelerated its installation of domestic and stock meters. Due to unbundling, customers who have domestic and stock (D&S) use (including garden use) need their properties to be metered for D&S use. This means their usage is more accountable, and enables customers to temporary trade their D&S water right. The program has increased over the regulatory period by:

- Merbein \$0.08M
- Red Cliffs \$0.16M
- Private Diverters \$0.14M

This program also includes customer contributions for the cost of the meters and installation.

Millewa Treatment Plant

The Millewa Treatment Plant project has not progressed as quickly as expected, and therefore \$0.5M has been pushed out from 2008/09 to 2009/10.

Private Diverters Lake Cullulleraine Channel Widening

There is a need to widen the channel at Lake Cullulleraine to allow for further development by Private Diverters off the Lake. This is forecast to occur in 2012/13 and will cost \$1M.

Private Diverters River Pump Station Upgrade

There is a need to upgrade the river pump station at Lake Cullulleraine to allow for further development by Private Diverters off the Lake. This is forecast to occur in 2012/13 and will cost \$0.5M.

Robinvale High Pressure System

The Robinvale High Pressure System projected cost has increased by \$5M in the first year of the regulatory period. LMW has sought budget estimations from contractors to gauge the price in the market place. These estimations have come in higher than the original business case due to escalation in construction costs.

Other projects

There are two major projects up for consideration in the irrigation districts of Merbein and Red Cliffs during the regulatory period. At this stage the full details of the projects are unclear, but the projects will occur if LMW receives funding. LMW seeks assurances from the ESC that if the projects eventuate during the regulatory period, the ESC will allow a pass through mechanism for the projects.

6. Demand Forecasts

6.1 Urban Demand Forecasts

The ESC has accepted all but one of LMW's demand forecasting for its urban business over the regulatory period. The ESC adjusted residential water consumption per advice from PriceWaterhouseCoopers (PWC) to reduce LMW's forecast for 2008/09 from 372 kL per connection to 246 kL per connection.

The ESC also removed price elasticity for the early years of the regulatory period due to high level of restrictions in place. PWC considered customers on the high levels of restrictions have reduced discretionary consumption to such a point that price increases will have little impact on usage.

LMW agrees with the ESC and accepts the adjustment to residential usage in the first year of the regulatory period, and the change in elasticity.

6.2 Rural Demand Forecasts

The ESC has made the following changes to LMW's demand forecasting for its rural business over the regulatory period:

- Increased forecast irrigation volumes using a ten year average, rather than using a seven year average as LMW uses because it was considered the seven year forecast was based on low rainfall scenarios.
- Adjust forecast domestic and stock usage in the Millewa based on the average of the three previous years per advice from LMW.
- Increasing diversion forecasts (Water Right – ML) based on increase of between 20,000 ML and 23,000ML per annum over the past three years. The increased forecast by the ESC is 21,500 ML per year.
- Adjusting the number of connections in relation to metered and unmetered garden supplies, delivery share for drainage, and revised estimates of hectares per LMW's advice.

LMW accepts the adjustments by the ESC.

7. Urban Tariffs

7.1 Urban Water Tariffs

In its draft determination, the ESC indicated that it would not approve LMW's proposed tariff structure on the grounds that it is not consistent with the WIRO.

LMW has an inclining block tariff with thresholds that vary seasonally, ie the thresholds are higher in summer months.

The ESC is concerned that such a structure does not accurately reflect the cost of providing services, or provides appropriate signals to customers about using water resources in a sustainable manner.

LMW's response covers three issues: first the seasonality in the thresholds has little adverse impact on pricing signals and conservation, second LMW considers its continuation to be justified on equity/affordability concerns and third climate conditions in the LMW region.

Price signals and conservation

The first point to note is that the "seasonal" tariff structure does not involve any variation in the volumetric rates facing customers during the year. Each of the tiered volumetric rates is constant all year. This means that consistent signals are being provided to the vast majority of customers for their marginal consumption – which is what is important from the conservation point of view.

The second tier rate reflects LMW's view of a reasonable estimate of LRMC – as such it provides appropriate pricing signals to customers. The third tier rate includes an additional "penalty" intended to encourage conservation. The fact that the amount of the penalty is mitigated slightly by a higher threshold has little efficiency impact as customer continue to face consistent marginal rates.

In most cases, customers' season consumption patterns mirror the seasonal change in thresholds. There are very few households that move from one tariff block category to another with the change in seasons. Again, therefore, the season threshold has little impact on marginal pricing signals and conservation. This is because what is important from the cost of supply point of view is the annual consumption of water; its distribution across the year is not relevant for pricing signals as evidenced by the lack of seasonal pricing structures within Victoria.

This is shown by average consumption per quarter for 2007/08 per table 18 below. 2007/08 has LMW on level 4 restrictions from July to 16th January, and level 3 restrictions from 17th January 2008 onwards. The change in usage from the winter quarter to the summer quarter shows an increase while on stage 4 restrictions, which is household use only, and even in stage 3 restrictions there is a small increase due to garden drippers being in use.

Table 18

	1st Quarter Jul-Sep	2nd Quarter Oct-Dec	3rd Quarter Jan-Mar
Average Residential Consumption per Quarter	52 kL	76 kL	113 kL

Affordability considerations

Importantly, the tiered tariff structure assists with affordability concerns as it enables higher charges to be focused on large water users. The main effect of eliminating the seasonality effect would be to increase the total bill facing each customer – necessitating a reduction in the overall price level and/or fixed charges. However there would of course be incidence effects involved in making such a change which LMW is keen to avoid.

It is already the case that customers will be facing price increases which are higher than the “headline” X factor as a result of the reduction in threshold levels. This impact would be compounded by also eliminating the seasonality of the thresholds.

Climate considerations

LMW customers live in a climate where the temperatures are higher on average and rainfall is lower on average compared to other areas as stated in its Water Plan submission. There is a distinct difference between winter and summer conditions. In the summer quarters there is a much greater influence on consumption through the use of evaporative air conditioners, pools and additional showers.

During the summer quarters it is not uncommon for air conditioners to run non stop for days on end, as the heat during the day can remain throughout the night which can be unbearable. Not only is relief sort in the house but also outside from pools. It is also common for customers to have multiple showers during the day, not out of luxury but for a need. Those who are employed outdoors could easily have a shower in the morning, and one after work, and even in the middle of the day purely due to the conditions. Conditions include not only the heat, but also dust (which has increased dramatically as the drought takes hold and the community is on heavy restriction levels).

This usage pattern is supported by Table 18 as shown above.

Temporary Water Market

The ESC was seeking information from LMW on the relationship between LMW’s seasonal inclining block tariff to price patterns on the temporary market.

Price patterns in the temporary water market do not bear any relativity to, or show any correlation with LMW’s seasonal block tariffs or season demand. Price patterns for temporary water are driven by irrigation demand across the entire Murray Darling Basin and the prevailing level of allocations. Historically they have shown extreme volatility within a given season. LMW do not

see this as a reliable tool for planning demand management or pricing proposals. It is possible on the Murray system, and has occurred in other Victorian catchments, that the temporary market has not operated due to very low allocations in a season.

Overall therefore, LMW believes that its seasonal tariff does not contravene the WIRO requirement to provide appropriate pricing signals to customers, while assisting LMW to take account of the interests of customers regarding affordability concerns and incidence effects.

7.2 Urban Sewerage Tariffs

Sewerage Tariffs

The ESC is concerned that LMW's proposed sewerage charges are not likely to be understood by customers. LMW introduced this tariff structure in 1995 after extensive research and development with its customers, and has not changed it for 13 years.

At the time of the tariff restructure in 1995, LMW held extensive meetings with its customers over the proposed structure, particularly with the accommodation and hospital sector which had extensive input into loading factors and occupancy rates, and the setting of these factors. At the time of finalising the tariff structure the Victorian Caravans Association said it was the fairest structure in the state.

Environmental Contribution

The ESC has not approved LMW's environmental contribution charge. This was required to be separated out by the ESC for the last Water Plan, and now should be incorporated in general tariffs. LMW recognises the environmental levy is a fixed nominal amount and it does vary with changes in customers as it recalculates each year of the regulatory period, contrary to what is stated by the ESC in its draft decision.

LMW will incorporate the environmental contribution into its general tariffs.

7.3 Other

LMW has taken on board the ESC's comments regarding trade waste charges, recycled water, and new customer contributions.

8. Rural Tariffs

8.1 Rural Tariffs

The ESC proposes to approve LMW's proposed tariff structure for rural services; however the ESC does not approve the price paths proposed by LMW. The ESC states in its draft decision LMW is required to resubmit its proposed tariffs in response to the draft decision.

LMW has altered its proposed price paths to not contain unnecessary volatility as shown in the resubmitted templates.

Termination Fees

LMW proposes to continue charging termination fees in the next regulatory period. However LMW forecasts no customer will opt for termination fees over the regulatory period.

The purpose of the termination fee is to recoup the cost of maintaining and renewing the water delivery infrastructure from a customer who wishes to terminate their obligation of infrastructure charges payable to the Corporation. Thus customers who are left are not disadvantaged by rising infrastructure charges due to the shrinking rating base.

The Australian Competition and Consumer Commission (ACCC) regime and the Minister's order allow LMW to set a maximum termination fee. If LMW wished to lower that fee for some reason then LMW has the option to choose a lower multiplication factor. Once the multiplication factor has been set, this, by the delivery share fee is the termination fee.

At its September 2007 Board meeting LMW decided to implement termination fees across the three irrigation districts Merbein, Red Cliffs, and Robinvale. It was moved and resolved that the Corporation adopt the following termination fees, based on the 8 times multiplier of the shadow delivery fee:

- \$2,715.37 per Delivery Share or \$325.84 per ML for Merbein Irrigation District
- \$3,254.89 per Delivery Share or \$390.59 per ML for Red Cliffs Irrigation District
- \$4,328.88 per Delivery Share or \$519.47 per ML for Robinvale Irrigation District

These fees were approved by the ESC after the September board meeting.

The "shadow delivery fee" is based on the ACCC definition of what type of expenses is included in the delivery share charge. LMW's delivery share cost structure almost mirrors that of the ACCC regime. The difference between LMW's structure and the ACCC structure is listed below in Table 19.

Table 19

Type of Expense	ACCC Regime	LMW's Financial Model
Operations - total excluding water	No	No
Water	No	No
Maintenance - total	Yes	Yes - but only 76% (which included Tech Services)
Administration	Yes	No (which includes IT)
Buildings (Corporate)	Yes	Yes
Depreciation - Non distribution assets	Yes	Yes
Depreciation - Distribution assets	Yes	Yes
Renewals	Yes	Yes
Income Tax	No	No
Finance	Yes	Yes - but LMW does not have any loans for rural service
WDV Asset Sales	No	No
Return on assets	Yes	Yes
Return of assets	Yes	Yes
Dividend	No	No

As previously stated, LMW will continue to offer termination fees based on the charge previously determined by the board during the regulatory period.

9. Miscellaneous Charges

9.1 Miscellaneous Charges

The ESC requires LMW to list a core set of miscellaneous services, rather than proposing the schedule submitted in the Water Plan. LMW has determined its core set of miscellaneous services that generate 75% of miscellaneous revenue which is shown in Appendix A.

Appendix A

Miscellaneous Fees								
Urban			2008/09	2009/10	2010/11	2011/12	2012/13	
Subdivision Processing Fee - Water/Sewerage		Lot	14.28	14.85	15.39	15.89	16.35	Processing subdivision referralsthat are within LMW district
Subdivision Processing Fee – Overall		Lot	30.00	30.00	30.00	30.00	30.00	Processing subdivision referralsthat are within LMW district
Day Labour Construction - Water								
Design & Supervision Lodgement Fee		ha	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	
Design & Supervision Fee		Cust	10% of Cost	10% of Cost	10% of Cost	10% of Cost	10% of Cost	Design of plans and supervision by LMW staff
Security Amount (Refundable if criteria meet)		Cust	10% of Estimated Cost	10% of Estimated Cost	10% of Estimated Cost	10% of Estimated Cost	10% of Estimated Cost	
Day Labour Construction - Wastewater								
Design & Supervision Lodgement Fee (adjusted to 10% of final cost of works - non refundable if works do not proceed)		ha	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	
Design & Supervision Lodgement Fee (adjusted to 10% of final cost of works - non refundable if works do not proceed)		ha	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	
Design & Supervision Fee		Cust	10% of actual cost	10% of actual cost	10% of actual cost	10% of actual cost	10% of actual cost	Design of plans and supervision by LMW staff
Security Amount (Refundable if criteria meet)		Cust	10% of Estimated actual cost	10% of Estimated actual cost	10% of Estimated actual cost	10% of Estimated actual cost	10% of Estimated actual cost	
Works by Contract Construction - Water								
Design & Supervision Lodgement Fee		ha	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	
Design & Supervision Fee		Cust	10% of actual cost	10% of actual cost	10% of actual cost	10% of actual cost	10% of actual cost	Design of plans and supervision by LMW staff
Contract Administration Lodgement Fee		ha	500.00	500.00	500.00	500.00	500.00	
Contract Administration Fee		Cust	3.5% of actual cost	3.5% of actual cost	3.5% of actual cost	3.5% of actual cost	3.5% of actual cost	
Detailed Supervision Lodgement Fee		ha	400.00	400.00	400.00	400.00	400.00	
Detailed Supervision Fee		Cust	2.5% of	2.5% of	2.5% of	2.5% of	2.5% of	

			actual cost	actual cost	actual cost	actual cost	actual cost	
Works by Contract Construction - Wastewater								
Design & Supervision Lodgement Fee		ha	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	
Design & Supervision Lodgement Fee		ha	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	
Design & Supervision Fee		Cust	10% of actual cost	10% of actual cost	10% of actual cost	10% of actual cost	10% of actual cost	Design of plans and supervision by LMW staff
Contract Administration Lodgement Fee		ha	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	
Contract Administration Fee		Cust	3.5% of actual cost	3.5% of actual cost	3.5% of actual cost	3.5% of actual cost	3.5% of actual cost	
Detailed Supervision Lodgement Fee		ha	750.00	750.00	750.00	750.00	750.00	
Detailed Supervision Fee		Cust	2.5% of actual cost	2.5% of actual cost	2.5% of actual cost	2.5% of actual cost	2.5% of actual cost	
Developer Design & Construct - Water								
Initial Fee		Cust	2% of Estimated actual cost	2% of Estimated actual cost	2% of Estimated actual cost	2% of Estimated actual cost	2% of Estimated actual cost	
Administrative/Review Charge		Cust	4% of Estimated actual cost	4% of Estimated actual cost	4% of Estimated actual cost	4% of Estimated actual cost	4% of Estimated actual cost	
Maintenance Security (Refundable if criteria meet)		Cust	5% of Estimated actual cost	5% of Estimated actual cost	5% of Estimated actual cost	5% of Estimated actual cost	5% of Estimated actual cost	
Developer Design & Construct - Wastewater								
Initial Fee		Cust	2% of Estimated actual cost	2% of Estimated actual cost	2% of Estimated actual cost	2% of Estimated actual cost	2% of Estimated actual cost	
Administrative/Review Charge		Cust	4% of Estimated actual cost	4% of Estimated actual cost	4% of Estimated actual cost	4% of Estimated actual cost	4% of Estimated actual cost	

Maintenance Security (Refundable if criteria meet)	Cust	5% of Estimated actual cost	5% of Estimated actual cost	5% of Estimated actual cost	5% of Estimated actual cost	5% of Estimated actual cost	
By Law Base Charge	Unit	10.20	10.21	10.86	11.47	12.05	
Tappings 20 mm Meter	Tapping	307.00	307.00	307.00	307.00	307.00	Tapping to LMW main
Tappings 25 mm Meter	Tapping	448.00	448.00	448.00	448.00	448.00	Tapping to LMW main
Tappings 32 mm Meter	Tapping	819.00	819.00	819.00	819.00	819.00	Tapping to LMW main
Tappings 40 mm Meter	Tapping	921.00	921.00	921.00	921.00	921.00	Tapping to LMW main
Tappings 50 mm Meter	Tapping	1,178.00	1,178.00	1,178.00	1,178.00	1,178.00	Tapping to LMW main
Inspection Fee (additional to tapping fee)	Inspection	51.00	51.00	51.00	51.00	51.00	
Test Fee	Test	20.40	20.42	21.72	22.95	24.10	Bench test meter
Special Meter Read	Read	30.60	30.63	32.59	34.42	36.15	For any meter read in addition to normal four scheduled readings
New Connection Standard Residential	Connection	112.20	112.31	119.49	126.22	132.55	Paid in conjunction with tapping fee
New Connection Non Standard Residential	Connection	153.00	153.15	162.93	172.12	180.75	Paid in conjunction with tapping fee
New Connection Small Industrial/Commercial	Connection	153.00	153.15	162.93	172.12	180.75	Paid in conjunction with tapping fee
New Connection Large Industrial/Commercial	Connection	306.00	306.30	325.87	344.25	361.51	Paid in conjunction with tapping fee
Fire Service Tapping 25 mm 100 Dia AC Pipe	Cust	240.00	240.00	240.00	240.00	240.00	Tapping to LMW main
Fire Service Tapping 32 mm 100 Dia AC Pipe	Cust	314.00	314.00	314.00	314.00	314.00	Tapping to LMW main
Fire Service Tapping 40 mm 100 Dia AC Pipe	Cust	361.00	361.00	361.00	361.00	361.00	Tapping to LMW main
Fire Service Tapping 50 mm 100 Dia AC Pipe	Cust	440.00	440.00	440.00	440.00	440.00	Tapping to LMW main
Fire Service Tapping 80 mm 100 Dia AC Pipe	Cust	1102.00	1102.00	1102.00	1102.00	1102.00	Tapping to LMW main
Fire Service Tapping 100 mm 100 Dia AC Pipe	Cust	1149.00	1149.00	1149.00	1149.00	1149.00	Tapping to LMW main
Fire Service Tapping 25 mm 150 Dia AC Pipe	Cust	245.00	245.00	245.00	245.00	245.00	Tapping to LMW main
Fire Service Tapping 32 mm 150 Dia AC Pipe	Cust	324.00	324.00	324.00	324.00	324.00	Tapping to LMW main
Fire Service Tapping 40 mm 150 Dia AC Pipe	Cust	365.00	365.00	365.00	365.00	365.00	Tapping to LMW main
Fire Service Tapping 50 mm 150 Dia AC Pipe	Cust	450.00	450.00	450.00	450.00	450.00	Tapping to LMW main
Fire Service Tapping 80 mm 150 Dia AC Pipe	Cust	1206.00	1206.00	1206.00	1206.00	1206.00	Tapping to LMW main
Fire Service Tapping 100 mm 150 Dia AC Pipe	Cust	1248.00	1248.00	1248.00	1248.00	1248.00	Tapping to LMW main
Fire Service Tapping 25 mm 100 Dia UPVC Pipe	Cust	240.00	240.00	240.00	240.00	240.00	Tapping to LMW main
Fire Service Tapping 32 mm 100 Dia UPVC Pipe	Cust	314.00	314.00	314.00	314.00	314.00	Tapping to LMW main
Fire Service Tapping 40 mm 100 Dia UPVC Pipe	Cust	361.00	361.00	361.00	361.00	361.00	Tapping to LMW main

Fire Service Tapping 50 mm 100 Dia UPVC Pipe		Cust	440.00	440.00	440.00	440.00	440.00	Tapping to LMW main
Fire Service Tapping 80 mm 100 Dia UPVC Pipe		Cust	1201.00	1201.00	1201.00	1201.00	1201.00	Tapping to LMW main
Fire Service Tapping 100 mm 100 Dia UPVC Pipe		Cust	1248.00	1248.00	1248.00	1248.00	1248.00	Tapping to LMW main
Fire Service Tapping 25 mm 150 Dia UPVC Pipe		Cust	245.00	245.00	245.00	245.00	245.00	Tapping to LMW main
Fire Service Tapping 32 mm 150 Dia UPVC Pipe		Cust	324.00	324.00	324.00	324.00	324.00	Tapping to LMW main
Fire Service Tapping 40 mm 150 Dia UPVC Pipe		Cust	366.00	366.00	366.00	366.00	366.00	Tapping to LMW main
Fire Service Tapping 50 mm 150 Dia UPVC Pipe		Cust	455.00	455.00	455.00	455.00	455.00	Tapping to LMW main
Fire Service Tapping 80 mm 150 Dia UPVC Pipe		Cust	1248.00	1248.00	1248.00	1248.00	1248.00	Tapping to LMW main
Fire Service Tapping 100 mm 150 Dia UPVC Pipe		Cust	1295.00	1295.00	1295.00	1295.00	1295.00	Tapping to LMW main
Fire Service Tapping Inspection Fee		Cust	51.00	51.00	51.00	51.00	51.00	Inspecting fire service
Fire Service Information Fee		Cust	204.00	204.00	204.00	204.00	204.00	Supply information regarding the fire service
Casual Use 25 mm Hydrant Administration Charge		Cust	50.00	50.00	50.00	50.00	50.00	Customer requires water using portable hydrant
Casual Use 25 mm Hydrant Deposit		Cust	50.00	50.00	50.00	50.00	50.00	Customer requires water using portable hydrant
Casual Use 25 mm Hydrant Daily Charge		Per day	5.00	5.00	5.00	5.00	5.00	Customer requires water using portable hydrant
Casual Use 25 mm Hydrant Volume Charge		kl	0.5153	0.5418	0.5697	0.5990	0.6299	Customer requires water using portable hydrant
Casual Use 50 mm Hydrant Administration Charge		Cust	50.00	50.00	50.00	50.00	50.00	Customer requires water using portable hydrant
Casual Use 50 mm Hydrant Deposit		Cust	100.00	100.00	100.00	100.00	100.00	Customer requires water using portable hydrant
Casual Use 50 mm Hydrant Daily Charge		Per day	6.00	6.00	6.00	6.00	6.00	Customer requires water using portable hydrant
Casual Use 50 mm Hydrant Volume Charge		kl	0.5153	0.5418	0.5697	0.5990	0.6299	Customer requires water using portable hydrant
Permanent Use 25 mm Hydrant Establishment Charge		Cust	454.00	454.00	454.00	454.00	454.00	Customer requires water using portable hydrant
Permanent Use 25 mm Hydrant Yearly Charge		Per year	171.88	171.88	171.88	171.88	171.88	Customer requires water using portable hydrant
Permanent Use 25 mm Hydrant Volume Charge		kl	0.5153	0.5418	0.5697	0.5990	0.6299	Customer requires water using portable hydrant
Permanent Use 50 mm Hydrant Establishment Charge		Cust	1,200.00	1,200.00	1,200.00	1,200.00	1,200.00	Customer requires water using portable hydrant
Permanent Use 50 mm Hydrant Yearly Charge		Per year	687.52	687.52	687.52	687.52	687.52	Customer requires water using portable hydrant
Permanent Use 50 mm Hydrant Volume Charge		kl	0.5153	0.5418	0.5697	0.5990	0.6299	Customer requires water using portable hydrant
Unmetered Property Charge		Property	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	Charge for unmetered properties
Fire Service Availability Charge		Cust	160.00	160.00	160.00	160.00	160.00	Service fee for Fire service
Information Statement Fee		Statement	66.50	66.50	66.50	66.50	66.50	Per section 158(i) of the Water Act 1989
Final Notice Fee		Notice	5.00	5.00	5.00	5.00	5.00	

Rural			2008/09	2009/10	2010/11	2011/12	2012/13	
Application for a Water Use Licence	*	App	258.00	258.00	258.00	258.00	258.00	
Application for a water use registration	*	App	65.00	65.00	65.00	65.00	65.00	
Application for trade of allocation where the entitlement will be used in relation to a different property	*	App	60.00	60.00	60.00	60.00	60.00	
Application for approval of permanent transfer of Water Share	*	App	126.00	126.00	126.00	126.00	126.00	
Application for Water Share Division	*	App	126.00	126.00	126.00	126.00	126.00	
Application for Water Share Cancel/Surrender	*	App	126.00	126.00	126.00	126.00	126.00	
Application for Water Share Associate/Vary	*	App	126.00	126.00	126.00	126.00	126.00	
Application for Water Share Limited Term Transfer	*	App	126.00	126.00	126.00	126.00	126.00	
Application for Works Licence		App	126.00	126.00	126.00	126.00	126.00	
Subdivision Fee								
Irrigation, 2 lot		App	738.00	738.00	738.00	738.00	738.00	
Irrigation, 3 lot		App	924.00	924.00	924.00	924.00	924.00	
Irrigation, 4 lot		App	1,105.00	1,105.00	1,105.00	1,105.00	1,105.00	
Irrigation, 5 lot		App	1,290.00	1,290.00	1,290.00	1,290.00	1,290.00	
Irrigation, 6 lot and over		App	1,536.00	1,536.00	1,536.00	1,536.00	1,536.00	
Waterworks		App	304.00	304.00	304.00	304.00	304.00	
Rural		App	304.00	304.00	304.00	304.00	304.00	
Diversion		App	304.00	304.00	304.00	304.00	304.00	
Application Fee - Meter Investigation		App	280.00	280.00	280.00	280.00	280.00	
Special Meter Reading Fee		Read	53.00	53.00	53.00	53.00	53.00	For any meter read in addition to normal scheduled readings
Meter Testing Fee		Test	58.00	58.00	58.00	58.00	58.00	Bench test meter
Excess Water		ML	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	Water usage above customers water entitlement
Lake Cullulleraine - 12 Months		ML	16.46	16.46	16.46	16.46	16.46	
Minimum Charge - Diversions			70.00	70.00	70.00	70.00	70.00	
Special from Lake Cullulleraine								
Surcharge - Fixed		ML	5.52	5.52	5.52	5.52	5.52	
Surcharge - Variable		ML	5.38	5.38	5.38	5.38	5.38	
Syndicates		ML	15.05	15.05	15.05	15.05	15.05	
* Set by the Water Registrar								

