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## 2008 WATER PRICE REVIEW

GOULBURN VALLEY WATER DETERMINATION

1 JULY 2008 – 30 JUNE 2013

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## 1. General

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### 1.1 Introduction

- (a) Clause 8 of the *WIRO* requires the Commission to either:
  - (i) approve the prices which a **regulated entity** may charge for **prescribed services** or the manner in which such prices are to be calculated or otherwise determined, as set out in the **regulated entity's Water Plan**; or
  - (ii) specify the prices which a **regulated entity** may charge for **prescribed services** or the manner in which such prices are to be calculated or otherwise determined.
- (b) On 20 June 2008, the Commission made its decision under the *WIRO* in respect of:
  - (i) the prices which Goulburn Valley Region Water Corporation (trading as Goulburn Valley Water) (ABN 84 578 076 056) (**Goulburn Valley Water**) may charge for **prescribed services** during the **regulatory period**; and
  - (ii) the standards and conditions of service and supply which **Goulburn Valley Water** has included in its **Water Plan**.
- (c) This Determination is made by the Commission under section 33 of the *ESC Act*, pursuant to clause 8 of the *WIRO*.
- (d) The purpose and reasons for the making of this Determination are to:
  - (i) give effect to the decision of the Commission referred to in clause 1.1(b)(i);
  - (ii) specify the prices which **Goulburn Valley Water** may charge for **prescribed services** during the **regulatory period** or the manner in which such prices are to be calculated or otherwise determined;

- (iii) facilitate the achievement of the Commission's objectives in the **ESC Act** and the **WI Act**; and
- (iv) reflect the requirements in the **WIRO**.

## 1.2 Application

This Determination applies to **Goulburn Valley Water** and its successors and assigns in respect of the business carried on by **Goulburn Valley Water** at the date of this Determination.

## 1.3 Effective period

### (a) Term

This Determination takes effect on the later of the date on which notice of its making is published in the Government Gazette and 1 July 2008 and, subject to clause 1.3(b), has effect until the earlier of the date on which it is amended or revoked by a later determination or 30 June 2013.

### (b) Next regulatory period

Subject to clause 2.3(b)(ii), if the Commission has not made a determination in respect of the prices to apply in the **next regulatory period** on or before 30 June 2013, the prices or the manner in which such prices are to be calculated or otherwise determined as set out in this Determination will continue to apply in respect of **prescribed services** provided by **Goulburn Valley Water** between 1 July 2013 and the date on which the determination for the **next regulatory period** comes into effect.

## 1.4 Modification of time periods

The Commission may, by notice to **Goulburn Valley Water**, extend or reduce the time by which, or the period within which, **Goulburn Valley Water** or the Commission must comply with an obligation under this Determination.

## 1.5 Summary and structure

Clause 2 of this Determination specifies the prices which will apply to **prescribed services** during the **regulatory period** and sets out the procedure and formula according to which prices may be adjusted during the **regulatory period** on an annual basis. Clauses 3, 4 and 5 provide for

the circumstances in which prices may be adjusted during the **regulatory period** otherwise than in accordance with clause 2.

## 1.6 Definitions and interpretation

In this Determination, unless the contrary intention appears:

- (a) words and phrases in bold italics have the meanings given to them in part A of Schedule 1; and
- (b) the rules of interpretation in part B of Schedule 1 will apply.

## 1.7 Annexure

- (a) For convenience, annexure A to this Determination summarises:
  - (i) the assumptions underpinning the prices to apply to **Goulburn Valley Water** during the **regulatory period** or the manner in which such prices are to be calculated or otherwise determined; and
  - (ii) the standards and conditions of services and supply additional to those specified in the **Code** which will be provided by **Goulburn Valley Water** pursuant to the decision referred to in clause 1.1(b)(ii).
- (b) For the avoidance of doubt, annexure A does not form part of this Determination.

## 2. Price control

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### 2.1 General principles

Subject to this Determination:

#### (a) Scheduled prices

**Goulburn Valley Water** must not charge more than:

- (i) the scheduled prices in Schedule 2, during the first **regulatory year**, and
- (ii) the amount determined in accordance with clause 2.3, during each subsequent **regulatory year**,

in respect of those **prescribed services** to which the scheduled prices in Schedule 2 relate.

**(b) Application principles**

The application principles in Schedule 3 will apply to the prices charged by **Goulburn Valley Water** in respect of **prescribed services** during the **regulatory period**.

**(c) Pricing principles**

During the **regulatory period**, **Goulburn Valley Water** must apply the pricing principles in Schedule 4 when determining the prices to apply to the **prescribed services** to which the pricing principles in Schedule 4 relate.

## **2.2 Ancillary matters**

**(a) Contracts**

Where **Goulburn Valley Water** has entered into a contract (a **relevant contract**) which relates to the provision of **prescribed services** prior to 1 July 2008, **Goulburn Valley Water** may charge the prices for **prescribed services** which are set out in that **relevant contract** until its expiration, termination or a periodic review of the prices set out in the contract. Once a **relevant contract** has expired or been terminated or the prices in a **relevant contract** have been subject to a periodic review, the scheduled prices in Schedule 2 (as adjusted in accordance with this Determination) or the prices determined in accordance with the pricing principles in Schedule 4 will apply for the remainder of the **regulatory period**.

**(b) Dispute Resolution**

Any question as to whether a price has been set in accordance with this Determination will be determined by the Commission on the basis of the Commission's interpretation of this Determination.

**(c) Publication**

**Goulburn Valley Water** must publish a schedule of its current prices and pricing principles for **prescribed services**, and all relevant supporting information that is relied upon to apply the prices or pricing principles, on its website at all times during the **regulatory period** and must provide a written copy of the schedule to its customers on request. To the extent permissible under the *Trade Practices Act 1974* (Cth), the schedule must clearly indicate in respect of each price, the amount determined in accordance



with this Determination, the amount of GST payable and the total price.

**(d) GST**

**Goulburn Valley Water** will not be considered to be in contravention of this Determination if a price charged by it for a **prescribed service** exceeds the amount determined in accordance with clause 2 only by reason of the levying of a charge on account of **GST**.

## 2.3 Annual adjustment of prices

**(a) Adjustment**

(i) Subject to Schedule 2, the scheduled prices in Schedule 2 will be adjusted in each subsequent **regulatory year** in the **regulatory period** in accordance with the formula in clause 2.3(b)(i) and the procedure in clause 2.3(c), and will apply to the **prescribed services** to which the scheduled prices in Schedule 2 relate in that **regulatory year**.

**(b) Formula**

(i) Subject to Schedule 2, each price for the **prescribed services** referred to in clause 2.3(a) will be adjusted in accordance with the following formula with effect from the beginning of each subsequent **regulatory year** in the **regulatory period**:

$$P_t = P_{t-1} * CPI_t * (1 + PPM_t)$$

where:

$P_t$  is the price component for **regulatory year t**

$P_{t-1}$  is the price component for **regulatory year t-1**

$CPI_t$  for the particular **regulatory year** is:

the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the Australian Bureau of Statistics for the March quarter immediately preceding the start of the relevant **regulatory year**

**divided by**

the Consumer Price Index: All Groups Index for the Eight Capital Cities as published by the

Australian Bureau of Statistics for the March quarter immediately preceding the March quarter referred to above

$PPM_t$  is the prescribed price movement for the price component for **regulatory year**  $t$  determined in accordance with Schedule 2.

- (ii) If the Commission has not made a determination in respect of the prices to apply in the **next regulatory period** on or before 30 June 2013,  $PPM_t$  will be set equal to zero for the purpose of adjusting prices in accordance with the formula in clause 2.3(b)(i) for **regulatory years** commencing on or after 1 July 2013 until the date on which this determination is amended or revoked by a later determination.

**(c) Adjustment procedure**

- (i) At least 30 **business days** prior to the commencement of each subsequent **regulatory year** in the **regulatory period, Goulburn Valley Water** must submit its proposed prices for the **prescribed services** referred to in clause 2.3(a) to apply in that subsequent **regulatory year** (the **revised prices**) to the Commission for approval, together with sufficient information to enable the Commission to assess whether the proposed prices comply with this Determination.
- (ii) The Commission will approve the **revised prices** if it considers that they have been calculated in accordance with the formula set out in clause 2.3(b)(i).
- (iii) The Commission will be deemed to have approved the **revised prices** if it has not provided notice under clause 2.3(c)(iv) to **Goulburn Valley Water** within 20 **business days** from the date of its receipt of the **revised prices**.
- (iv) If the Commission does not approve the **revised prices**, the Commission:
  - (A) will provide notice to **Goulburn Valley Water** (including a statement of its reasons);

- (B) may request **Goulburn Valley Water** to provide any additional information specified by the Commission;
- (C) will take any additional information provided by **Goulburn Valley Water** into account; and
- (D) will determine the **revised prices**.

## 2.4 Price changes during a billing period

### (a) Application of this clause

This clause 2.4 applies where **Goulburn Valley Water** issues an invoice in respect of a billing period during which a change to any price for a **prescribed service** comes into effect in accordance with this Determination.

### (b) Method of charging

**Goulburn Valley Water** must not charge the prices determined in accordance with this Determination in respect of any part of a billing period prior to the effective date of the change, but may charge for **prescribed services** in respect of the periods before and after the effective date of the change at the prices applicable for each of those periods on a pro-rata basis.

## 2.5 Reporting requirements

- (a) **Goulburn Valley Water** must make available to the Commission all information reasonably requested by the Commission from time to time for the purpose of enabling it to confirm that **Goulburn Valley Water** is complying with this Determination.
- (b) Without limiting clause 2.5(a), if, during the **regulatory period**, **Goulburn Valley Water** enters into a **new contract** which relates to the provision of a **prescribed service** to which the pricing principles in Schedule 4 relate, **Goulburn Valley Water** must, within 30 **business days** of the date of the **new contract**, provide the Commission with a notice specifying:
  - (i) details of the **new contract**, and
  - (ii) information which demonstrates the way in which the prices in the **new contract** reflect the relevant pricing principles.

- (c) Without limiting clause 2.5(a), if **Goulburn Valley Water** proposes to stop providing a **prescribed service** or refuses to provide a **prescribed service** to a customer, or potential customer, during the **regulatory period**, it must:
- (i) in the case of a proposal to stop providing a **prescribed service**, provide a notice to the Commission stating the nature of the **prescribed service** which it proposes to stop providing and the reason why it proposes to stop providing the **prescribed service**. This notice must be provided at least 30 **business days** prior to the date upon which **Goulburn Valley Water** proposes to stop providing the **prescribed service**; and
  - (ii) in the case of a refusal to provide a **prescribed service** to a customer, or potential customer, **Goulburn Valley Water** must provide a notice to the Commission within 5 **business days** of the refusal, stating the nature of the **prescribed service** and the reason for the refusal.

### 3. Amendment of Schedule 2

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- (a) **Amendment**
- (i) **Goulburn Valley Water** may apply to the Commission in accordance with this clause 3 for the amendment of the prescribed price movements and/or price components included in Schedule 2 for the following **regulatory year** (the **relevant regulatory year**) and all subsequent **regulatory years** remaining in the **regulatory period** (the **revised tariff schedule**).
  - (ii) The average price movement for the **relevant regulatory year** and for each subsequent **regulatory year** in the **regulatory period** determined in accordance with the **revised tariff schedule** must not exceed the average price movement that would otherwise have applied under this Determination as calculated in accordance with the following formula.

$$\frac{\sum_{i=1}^n \sum_{j=1}^m p_t^{ij} q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}} \geq \frac{\sum_{i=1}^n \sum_{j=1}^m ap_t^{ij} q_{t-2}^{ij}}{\sum_{i=1}^n \sum_{j=1}^m p_{t-1}^{ij} q_{t-2}^{ij}}, i = 1, \dots, n; j = 1 \dots m$$

where **Goulburn Valley Water** has  $n$  tariff categories, which each have up to  $m$  tariff components, and where, for each **regulatory year**  $t$  for which the calculation is undertaken:

$p_{t-1}^{ij}$  is the tariff charged in **regulatory year**  $t-1$  for component  $j$  of tariff  $i$

$p_t^{ij}$  is the proposed tariff for component  $j$  of tariff  $i$  determined in accordance with Schedule 2 where the **revised tariff schedule** is not applied

$ap_t^{ij}$  is the proposed tariff for component  $j$  of tariff  $i$  determined in accordance with Schedule 2 where the **revised tariff schedule** is applied

$q_{t-2}^{ij}$  is the quantity of component  $j$  of tariff  $i$  that was sold in **regulatory year**  $t-2$ , or, if an actual quantity is not available, either an estimate of the quantity of component  $j$  of tariff  $i$  that would have been sold in **regulatory year**  $t-2$  or a forecast of the quantity of component  $j$  of tariff  $i$  that is expected to be sold in **regulatory year**  $t-2$

**(b) Amendment procedure**

(i) An application by **Goulburn Valley Water** under this clause 3 must be received by the Commission at least 80 **business days** prior to the commencement of the **relevant regulatory year** and must be accompanied by the following information:

(A) (1) a clearly articulated new tariff strategy that is consistent with the regulatory

principles in clause 14(i)(a) of the *WIRO* (the **revised tariff strategy**); or

- (2) an explanation of how the **revised tariff schedule** is consistent with the tariff strategy for **Goulburn Valley Water** approved by the Commission in connection with this Determination,

(**the relevant tariff strategy**);

- (B) a **revised tariff schedule** that specifies proposed prices for the **relevant regulatory year** and prescribed price movements for each subsequent **regulatory year** in the **regulatory period** that is consistent with the **relevant tariff strategy**;
  - (C) a statement setting out evidence demonstrating that **Goulburn Valley Water** has provided information to its customers explaining the **revised tariff schedule** and how it relates to the **relevant tariff strategy** and has consulted effectively with its customers on the **revised tariff strategy** (if clause 3(b)(i)(A)(1) applies) and the **revised tariff schedule**;
  - (D) a statement setting out the customer impacts resulting from the **revised tariff schedule** and actions proposed by **Goulburn Valley Water** to address these customer impacts; and
  - (E) an explanation of the calculation of the relevant quantities “ $q_{t-2}^{ij}$ ”.
- (ii) The Commission may approve the **revised tariff schedule** submitted by **Goulburn Valley Water** under this clause 3 if it is satisfied that:
- (A) **Goulburn Valley Water** has complied with clause 3(b)(i)(A);
  - (B) the average price movements calculated in accordance with the **revised tariff schedule** comply with the formula in clause 3(a)(ii);

- (C) the **revised tariff schedule** is consistent with the **relevant tariff strategy**;
  - (D) **Goulburn Valley Water** has consulted effectively with its customers on the **revised tariff strategy** (if clause 3(b)(i)(A)(1) applies) and the **revised tariff schedule**;
  - (E) **Goulburn Valley Water** has effectively addressed customer impacts resulting from the **revised tariff schedule**; and
  - (F) the basis for calculating the relevant quantities “ $q_{t-2}^{ij}$ ” is reasonable.
- (iii) In determining whether it will approve the **revised tariff schedule**, the Commission may request **Goulburn Valley Water** to provide any additional information specified by the Commission and/or to resubmit any of the matters in clause 3(b)(i)(A)-(E).
  - (iv) The Commission will be deemed to have not approved a **revised tariff schedule** if it has not provided notice to **Goulburn Valley Water** within 40 **business days** from the date of its receipt of **Goulburn Valley Water’s** application under this clause 3.

## 4. Uncertain or unforeseen events

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### 4.1 General principle

- (a) **Goulburn Valley Water** may apply to the Commission for the amendment of this Determination and/or the adjustment of the scheduled prices in Schedule 2 to reflect increased or decreased costs incurred by **Goulburn Valley Water** and/or increased or decreased revenue received by **Goulburn Valley Water** as a result of events which were uncertain or unforeseen at the time this Determination was made (an **uncertain events application**).
- (b) The Commission may take action under clause 4.3(b) in respect of an **uncertain events application** where the Commission is satisfied that such action is necessary or desirable to take account of events that were uncertain or unforeseen at the time of making

this Determination provided that the Commission is satisfied that such action takes into account the interests of customers.

## 4.2 Consideration by the Commission

### (a) Examples of uncertain and unforeseen events

The matters that may, at the discretion of the Commission, be taken into account by the Commission under this clause 4 include:

- (i) actual licence fees or contributions payable by **Goulburn Valley Water** during a particular **regulatory year** during the **regulatory period** under section 51 of the *Safe Drinking Water Act 2003* (Vic), section 24 of the *Environment Protection Act 1970* (Vic) and section 4H(2) of the **WI Act** which differ from the forecast licence fees or contributions set out in annexure A for that **regulatory year**;
- (ii) changes in the timing or scope of expenditure by **Goulburn Valley Water** on major capital projects;
- (iii) instances where the Commission is satisfied that there is a material difference between the forecast demand levels set out in annexure A and actual demand levels for **Goulburn Valley Water** in one or more **regulatory years** during the **regulatory period**;
- (iv) amounts payable by **Goulburn Valley Water** for purchases of bulk water during a particular **regulatory year** during the **regulatory period** which differ from the forecast bulk water payments set out in annexure A for that **regulatory year**; and
- (v) a change in or to any of the following:
  - (A) the **WI Act**, the *Water Act 1989* (Vic), the *Safe Drinking Water Act 2003* (Vic), the *State Owned Enterprises Act 1992* (Vic) and the *Environment Protection Act 1970* (Vic);
  - (B) any licence issued pursuant to any of the Acts referred to in clause 4.2(a)(v)(A);
  - (C) a **relevant tax**; or
  - (D) the Statement of Obligations,



or the introduction of a national emissions trading scheme or other scheme relating to the reduction of greenhouse gas emissions.

**(b) Exclusions**

In considering an *uncertain events application*, the Commission will not take into account matters that:

- (i) are or should be within **Goulburn Valley Water's** control;
- (ii) were or should have been known by **Goulburn Valley Water** at the time the Determination was made;
- (iii) could reasonably have been foreseen by **Goulburn Valley Water**;
- (iv) should be or should have been planned for or managed by **Goulburn Valley Water**, and/or
- (v) reflect inefficient expenditure by **Goulburn Valley Water**.

**(c) Dispute resolution**

Any question as to whether a matter should be taken into account by the Commission under this clause 4 will be determined by the Commission in its absolute discretion.

## 4.3 Procedure

**(a) Application process**

- (i) An *uncertain events application* must be accompanied by a statement setting out:
  - (A) the details of the relevant uncertain or unforeseen event;
  - (B) the amount and timing of any increase or decrease in operating and/or capital expenditure associated with the relevant event during the **regulatory period** and/or the amount and timing of any increase or decrease in revenue associated with the relevant event during the **regulatory period**;
  - (C) the basis for calculating the increase or decrease in operating and/or capital expenditure and/or revenue referred to in clause 4.3(a)(i)(B); and

- (D) details of the proposed action to be taken by the Commission under clause 4.3(b).
- (ii) The Commission may identify an event or events which it considers has had or may have a material impact on **Goulburn Valley Water's** operating and/or capital expenditure and/or revenue and may decide to take action under clause 4.3(b) in the absence of an **uncertain events application** by **Goulburn Valley Water**.
- (iii) The Commission may request **Goulburn Valley Water** to provide any additional information specified by the Commission in connection with an **uncertain events application**.

**(b) Action by the Commission**

If the Commission is satisfied of the matters set out in clause 4.1(b) in respect of an **uncertain events application**, the Commission may, in its absolute discretion:

- (i) amend this Determination or adjust the scheduled prices in Schedule 2 with effect from **regulatory year** t at the same time as prices are adjusted pursuant to clause 2.3; or
- (ii) take the **uncertain events application** into account in making its determination in respect of the prices which **Goulburn Valley Water** may charge for **prescribed services** in the **next regulatory period**.

## 5. Other adjustments during regulatory period

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Where the Commission is satisfied that:

- (a) there is a manifest and material error in this Determination;
- (b) any information on which this Determination was based was false or misleading in a material respect; or
- (c) such amendment or adjustment is necessary or desirable to avoid an unintended consequence of this Determination,

the Commission may decide to amend this Determination and/or specify a price adjustment, provided that it is satisfied that such amendment and/or price adjustment takes into account the interests of customers.

## Schedule 1

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### Definitions and Interpretation

#### A. Definitions

**business day** means a day on which banks are open for general banking business in Melbourne, not being a Saturday or a Sunday.

**Code** means the *Customer Service Code Metropolitan Retail and Regional Water Businesses* made under the **WI Act**.

**developer charges** has the meaning given in the **WIRO**.

**ESC Act** means the *Essential Services Commission Act 2001* (Vic).

**GST** has the meaning given in section 195-1 of the *A New Tax System (Goods and Services) Tax Act 1999* (Cth).

**miscellaneous services** means services that are provided in direct connection with **prescribed services**, prices in respect of which are either included in Schedule 2 or determined in accordance with the relevant pricing principles in Schedule 4.

**new contract** means any contract for **prescribed services** which is renewed, renegotiated or entered into during the **regulatory period**.

**next regulatory period** means the period commencing on 1 July 2013 and ending on a date specified by the Commission.

**prescribed services** has the meaning given in the **WIRO** and includes **miscellaneous services**.

**regulated entity** has the meaning given in the **WIRO**.

**regulatory period** means the period commencing on 1 July 2008 and ending on 30 June 2013.

**regulatory year** means each period of twelve months commencing on 1 July and ending on 30 June.

**relevant contract** means a contract which relates to the provision of **prescribed services**.

**relevant tax** means any tax imposed by or payable directly or indirectly to any authority of the Commonwealth of Australia (including **GST**) but excluding:

- (a) the licence fees referred to in clause 4.2 of this Determination;
- (b) penalties and interest for late payment of any tax; or
- (c) any tax that replaces any of the taxes referred to in (a) and (b), where tax includes any rate, duty, charge or other like or analogous impost.

**Water Plan** has the meaning given in the **WIRO**.

**WI Act** means the *Water Industry Act 1994* (Vic).

**WIRO** means the Water Industry Regulatory Order 2003 as at 30 June 2008.

## **B. Interpretation**

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural, and the converse also applies.
- (b) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (c) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.
- (d) A reference to a clause or schedule is a reference to a clause of or schedule to, this document.
- (e) A reference to a determination, agreement or document (including a reference to this document) is to the agreement or document as amended, supplemented, novated or replaced, except to the extent prohibited by this document or that other agreement or document.
- (f) A reference to an Act, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (g) If a period of time is specified and commences on a given day or on a day of an act or event, the period of time is to be calculated inclusive of that day.
- (h) Any “notice” to be given or matter to be “notified” must be in writing.

- (i) The symbol ' $\Sigma$ ' requires a summation to be performed over the range of variables specified in respect of the algebraic terms specified.
- (j) All data which is utilised in calculations made under this Determination will be utilised to the accuracy, in terms of the number of decimal places, to which it is given.
- (k) A fixed price, charge or fee determined in accordance with this Determination is to be rounded down and specified to two decimal places.
- (l) A volumetric price, charge or fee determined in accordance with this Determination is to be rounded down and specified to four decimal places.
- (m) When a calculation is required under this document:
  - (i) **regulatory year 't'** is the **regulatory year** in respect of which the calculation is being made;
  - (ii) **regulatory year 't-1'** is the **regulatory year** immediately preceding **regulatory year 't'**;
  - (iii) **regulatory year 't-2'** is the **regulatory year** immediately preceding **regulatory year 't-1'**.

## Schedule 2

### PRICES

This schedule should be read in conjunction with Schedule 3 and Schedule 4. Variable water, wastewater and tradewaste charges are rounded down to 4 decimal places. All other charges are rounded down to 2 decimal places. Prices for services marked with an asterisk are not subject to the adjustments pursuant to clause 2.3 of this Determination.

<i>Tariff and Price Component</i>	<i>Price (1 July 2008)</i>	<i>PPM Year 1</i>	<i>PPM Year 2</i>	<i>PPM Year 3</i>	<i>PPM Year 4</i>
<b>1.1 Water Tariff — Service Charge (per annum)</b>					
Meter size					
20mm	123.41	4.8%	2.8%	2.8%	2.8%
25mm	192.83	4.8%	2.8%	2.8%	2.8%
32mm	315.94	4.8%	2.8%	2.8%	2.8%
40mm	493.66	4.8%	2.8%	2.8%	2.8%
50mm	771.34	4.8%	2.8%	2.8%	2.8%
80mm	1,974.63	4.8%	2.8%	2.8%	2.8%
100mm	3,085.36	4.8%	2.8%	2.8%	2.8%
150mm	6,942.06	4.8%	2.8%	2.8%	2.8%
200mm	12,341.43	4.8%	2.8%	2.8%	2.8%
250mm	19,283.49	4.8%	2.8%	2.8%	2.8%
Vacant Lots	61.71	4.8%	2.8%	2.8%	2.8%
<b>1.2 Water Tariff — Usage Charge (per kL)</b>					
All districts	0.6687	9.5%	9.5%	9.5%	9.5%
Raw Water – Mooroopna	0.3343	9.5%	9.5%	9.5%	9.5%
Raw Water – Euroa	0.3343	9.5%	9.5%	9.5%	9.5%
Raw Water – Nagambie	0.3343	9.5%	9.5%	9.5%	9.5%
Raw Water – Tongala	0.3343	9.5%	9.5%	9.5%	9.5%
Raw Water – Seymour	0.3343	9.5%	9.5%	9.5%	9.5%
Raw Water - Mansfield	0.3343	9.5%	9.5%	9.5%	9.5%
<b>1.3 Sewerage Tariff — Service Charge (per annum)</b>					
Residential	291.81	8.8%	5.7%	5.7%	5.7%
Vacant Land	145.91	8.8%	5.7%	5.7%	5.7%
Non-Residential	291.81	8.8%	5.7%	5.7%	5.7%
<b>1.4 Sewerage Tariff – Volumetric Charge for non-residential customers (per kL)</b>					
Usage charge	1.0219	8.8%	5.7%	5.7%	5.7%
<b>1.5 Trade Waste Charges</b>					
Trade Waste Application Fee	78.73	0.0%	0.0%	0.0%	0.0%
Category 1 & 2 Service Charge – all districts	145.91	8.8%	5.7%	5.7%	5.7%
Shepparton – Category 3					
Flow – per Kl	0.3860	8.8%	8.8%	8.8%	8.8%
BOD – per kg	0.2385	8.8%	8.8%	8.8%	8.8%
Sodium – per kg	0.5405	8.8%	8.8%	8.8%	8.8%
Nitrogen – per kg	0.4634	8.8%	8.8%	8.8%	8.8%
Phosphorus – per kg	1.2356	8.8%	8.8%	8.8%	8.8%
Shepparton — Category 4					
Flow – per Kl	0.2948	8.8%	8.8%	8.8%	8.8%
BOD – per kg	0.1472	8.8%	8.8%	8.8%	8.8%
Sodium – per kg	0.3721	8.8%	8.8%	8.8%	8.8%
Nitrogen – per kg	0.5194	8.8%	8.8%	8.8%	8.8%

<i>Tariff and Price Component</i>	<i>Price (1 July 2008)</i>	<i>PPM Year 1</i>	<i>PPM Year 2</i>	<i>PPM Year 3</i>	<i>PPM Year 4</i>
Phosphorus – per kg	1.1796	8.8%	8.8%	8.8%	8.8%
<b>Mooroopna — Category 4</b>					
Flow – per KI	0.2948	8.8%	8.8%	8.8%	8.8%
BOD – per kg	0.1472	8.8%	8.8%	8.8%	8.8%
Sodium – per kg	0.3721	8.8%	8.8%	8.8%	8.8%
Nitrogen – per kg	0.5194	8.8%	8.8%	8.8%	8.8%
Phosphorus – per kg	1.1796	8.8%	8.8%	8.8%	8.8%
<b>Tatura — Category 3</b>					
Flow – per KI	0.4915	8.8%	8.8%	8.8%	8.8%
BOD – per kg	0.3088	8.8%	8.8%	8.8%	8.8%
Sodium – per kg	0.6879	8.8%	8.8%	8.8%	8.8%
Nitrogen – per kg	0.5474	8.8%	8.8%	8.8%	8.8%
Phosphorus – per kg	1.2356	8.8%	8.8%	8.8%	8.8%
<b>Tatura — Category 4</b>					
Flow – per KI	0.4773	8.8%	8.8%	8.8%	8.8%
BOD – per kg	0.1052	8.8%	8.8%	8.8%	8.8%
Sodium – per kg	0.6598	8.8%	8.8%	8.8%	8.8%
Nitrogen – per kg	0.5194	8.8%	8.8%	8.8%	8.8%
Phosphorus – per kg	1.1796	8.8%	8.8%	8.8%	8.8%
<b>All Other Districts — Category 3</b>					
Flow – per KI	0.4634	8.8%	8.8%	8.8%	8.8%
BOD – per kg	0.3088	8.8%	8.8%	8.8%	8.8%
Sodium – per kg	0.5474	8.8%	8.8%	8.8%	8.8%
Nitrogen – per kg	0.4634	8.8%	8.8%	8.8%	8.8%
Phosphorus – per kg	1.2356	8.8%	8.8%	8.8%	8.8%
Trade Waste Sample Testing Fees – Category 3 and 4 all districts *	At Cost	NA	NA	NA	NA

## 1.6 Developer Charges (per lot)

### Water (per lot)

Category one charge - Lot size < 450 sq m	550.00	0.0%	0.0%	0.0%	0.0%
Category two charge - Lot size 450 - 1350 sq m	1,100.00	0.0%	0.0%	0.0%	0.0%
Category three charge - Lot size > 1350 sq m	2,200.00	0.0%	0.0%	0.0%	0.0%

### Sewer (per lot)

Category one charge - Lot size < 450 sq m	550.00	0.0%	0.0%	0.0%	0.0%
Category two charge - Lot size 450 - 1350 sq m	1,100.00	0.0%	0.0%	0.0%	0.0%
Category three charge - Lot size > 1350 sq m	2,200.00	0.0%	0.0%	0.0%	0.0%

### Developer charges for dual pipe recycled water developments or subdivisions

#### Recycled water (per lot)

Category one charge - Lot size < 450 sq m	550.00	0.0%	0.0%	0.0%	0.0%
Category two charge - Lot size 450 - 1350 sq m	1,100.00	0.0%	0.0%	0.0%	0.0%
Category three charge - Lot size > 1350 sq m	2,200.00	0.0%	0.0%	0.0%	0.0%

#### Water (per lot)

Category one charge - Lot size < 450 sq m	275.00	0.0%	0.0%	0.0%	0.0%
Category two charge - Lot size 450 - 1350 sq m	550.00	0.0%	0.0%	0.0%	0.0%
Category three charge - Lot size > 1350 sq m	1,100.00	0.0%	0.0%	0.0%	0.0%

#### Sewer (per lot)

Category one charge - Lot size < 450 sq m	550.00	0.0%	0.0%	0.0%	0.0%
Category two charge - Lot size 450 - 1350 sq m	1,100.00	0.0%	0.0%	0.0%	0.0%
Category three charge - Lot size > 1350 sq m	2,200.00	0.0%	0.0%	0.0%	0.0%

## 1.7 Miscellaneous Fees and Charges

<i>Tariff and Price Component</i>	<i>Price (1 July 2008)</i>	<i>PPM Year 1</i>	<i>PPM Year 2</i>	<i>PPM Year 3</i>	<i>PPM Year 4</i>
Water sales via standpipes – per kL.	1.438	9.5%	9.5%	9.5%	9.5%
Information Statements – per item	41.000	0.0%	0.0%	0.0%	0.0%
Special meter read fee – per read	22.400	0.0%	0.0%	0.0%	0.0%
Meter Fee - per 20mm meter	133.900	0.0%	0.0%	0.0%	0.0%
Sewer connection fee - per connection	125.900	0.0%	0.0%	0.0%	0.0%
Septic tank waste receival fee (per litre)	0.038	8.8%	8.8%	8.8%	8.8%
Grease trap waste receival fee (per litre)	0.101	8.8%	8.8%	8.8%	8.8%
Non-core miscellaneous services	Actual cost NA	NA	NA	NA	NA



## Schedule 3

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### Application of prices

#### 3.1 Volumetric sewerage charges

The volume of water attracting the volumetric sewerage charge is based on water measured through the water meter and allowance for a discharge factor as per the following table. There is no charge for the first 180kL of calculated discharge. Should a customer disagree with the discharge factor applied to a property this will be reviewed by **Goulburn Valley Water** and particular circumstances considered in order to agree on an appropriate discharge factor for the property.

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*Discharge factor Activity  
(per cent)*

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0	Farm Land (stock trough), Fire Service, Median Strip, Pumping Station, Quarry, Tip, Vacant Land, Water Reserve, Water Storage, Water Treatment Plant
10	Concreting Plant
25	Bowling Club, Car Park, Cemetery, Croquet Club, Golf Course, Ovals, Plant Nursery/Garden Supplies, Public Gardens/Parks, Race Course, Recreation Reserve, Reserve - Other, Tennis Courts, Tennis Courts (lawn)
40	Retirement Village,
50	Ambulance Service, Caravan Park/Camping Ground, Foundry, Pre-school/Kindergarten, School, School - Secondary, Swimming Pool
75	Rest Area (Vic Roads)
80	Trotting Track, Animal Pound, Bed and Breakfast, Boarding House/Guest House, Church, Church Hall, Community Centre, Child Minding Centre, Car Yard, Disability Centre, Fire Station, Hall, Hostel, Hotel/Motel, Infant Welfare Centre, Motel, Nursing Home, Stables, School-Primary, Shed
95	Abattoir, Aerodrome, Art Gallery, Bank, Boat Shed/Storage, Building(s), Business Premises, Cafe/Take-a-Way/Coffee Shop, Cattle Yards/Saleyards, Club/Clubrooms, Dairy, Dentist Surgery, Depot, Doctors Surgery/Rooms, Drive-in Theatre, Factory, Funeral Parlour, Garage-Auto Repairs, Gymnasium, Hairdresser/Barber, Health Centre, Hospital, Hotel, Laboratory, Laundry, Library, Mill - other, Motor & Engineering Works, Motor Race Track, Museum, Museum/Historical Buildings/Tourist Att., Office, Paper Mill, Police Station, Post Office, Railway Station, Recreation Camp, Restaurant, Rooms - Consulting, Rooms - Professional, Service Station, Shire Offices, Shop, Shop & Dwelling, Show Room, Sporting Complex, Squash Courts, Store/Warehouse, Sub-station (elect.), Supermarket, Telephone Exchange, Television Station, Theatre, Timber Yard/Mill, Toilet Block, Tourist/Reception Complex, Veterinary Clinic, Weighbridge, Workshop, Wrecking yard.

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#### 3.2 Trade waste categorisation

Trade Waste Customers are assigned to various trade waste categories in accordance with flow and load specifications contained in Schedule 2 of By-Law

No. 507 Trade Waste. Flow and load data is obtained from customers' trade waste application forms and sampling results. Sewerage service charges and volumetric charges apply in conjunction with trade waste charges.

### **3.3 Miscellaneous fees and charges**

*Water sales via standpipes* – water available to cartage contractors who deliver to rural properties and others including road making.

*Information statements* – the provision of property information to solicitors and others to assist with property conveyancing in accordance with section 158 of the Water Act 1989.

*Special meter read fee* – meter read requested by property owner to facilitate property conveyancing or tenancy changes.

*Meter fee* – the supply of a meter for the connection of a new property or to replace a damaged meter.

*Sewer connection fee* – application fee to connect a property to sewer reticulation

*Septic tank waste receival fee* – fee raised on septic tank waste carters for the receival of septic tank waste.

*Grease trap waste receival fee* – fee raised on grease trap waste carters for the receival of grease trap waste.

## Schedule 4

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### Pricing principles

#### 4.1 Recycled water pricing principles

Recycled water prices should be set so as to:

- have regard to the price of any substitutes and customers' willingness to pay;
- cover the full cost of providing the service (with the exception of services related to specified obligations or maintaining balance of supply and demand); and
- include a variable component.

Where **Goulburn Valley Water** does not propose to fully recover the costs associated with recycled water, it must demonstrate to the Commission that:

- it has assessed the costs and benefits of pursuing the recycled water project;
- it has clearly identified the basis on which any revenue shortfall is to be recovered; and
- if the revenue shortfall is to be recovered from non-recycled water customers, either the project is required under the Statement of Obligations which applies to **Goulburn Valley Water** or pursuant to other Government policies that apply to **Goulburn Valley Water** or there has been consultation with the affected customers about their willingness to pay for the benefits of increased recycling.

#### 4.2 Pricing principles where scheduled prices do not apply

Where the prices set out in Schedule 2 do not apply because the nature of the service provided to a particular customer (including, in the case of trade waste customers, the volume or load of waste treated) is unique, prices must be set as follows:

- variable prices (including, in the case of trade waste customers, load-based charges) should reflect the long run marginal cost (LRMC) of providing services (including, in the case of trade waste customers, trade waste transfer, treatment and disposal);
- the total revenue received from each customer should be greater than the cost that would be avoided from ceasing to serve that customer, and (subject to meeting avoidable cost) less than the stand alone cost of providing the service to the customer in the most efficient manner;
- the methodology used to allocate common and fixed costs to that customer should be clearly articulated and be consistent with any guidance provided by the Commission;

- prices should reflect reasonable assumptions regarding the customer's demand for services (including, in the case of trade waste customers, the volume and strength of trade waste anticipated to be produced by that customer);
- depreciation rates and rates of return used to determine prices should be consistent with those adopted by the Commission for the purposes of making this Determination;
- customers should be provided with full details of the manner in which prices have been calculated and any new, renewed or renegotiated contractual agreements with customers should indicate that the prices to apply are subject to any Determination made by the Commission;
- where applying these principles results in significant changes to prices or tariff structures, arrangements for phasing in the changes may be considered and any transitional arrangements should be clearly articulated.

### 4.3 Pricing principles for developer charges for new customers

Schedule 2 sets out developer charges for new customers.

The scheduled charge applies on a per lot basis, and may be levied on any connection of a new customer that is, or can be, individually metered.

When connecting to **Goulburn Valley Water's** water and sewerage network, the developer must provide the reticulation assets that are required to service their development and connect to **Goulburn Valley Water's** network.

Reticulation assets are infrastructure assets that are explicitly provided in relation to prescribed services for one development and are not required to be upsized to support other future developments. A water main that is 150mm or less in diameter and a sewerage main that is 225mm or less in diameter, and all associated assets that relate to these sized assets are generally considered to be reticulation assets although there may be some situations where these sizes are inappropriate.

Shared distribution assets are infrastructure assets that are generally provided in relation to prescribed services for more than one development and do not include:

- reticulation assets; or
- headworks and tailworks.

If a developer is required to provide reticulation assets that exceed the requirements of their development in a material respect, the developer can only be required to contribute to the costs of the reticulation assets an amount that reflects the requirements of their development.

The balance of the costs of the reticulation assets in such a case is to be recovered from future developers.

At any time during the regulatory period, **Goulburn Valley Water** may levy a charge greater than the scheduled charge that will cover the costs associated with bringing forward the provision of shared distribution assets. In doing so, **Goulburn Valley Water** must set out the pricing principles for determining **developer**

**charges** as contained in this Determination, and also notify the developer of their right to appeal any non-scheduled charge to the Commission. The proposed charge is to be calculated on the basis of:

- the development-specific capital costs associated with connecting a customer or group of customers. For the avoidance of doubt, development-specific capital costs do not include any costs associated with:
  - assets in place prior to the development;
  - shared network assets; or
  - headworks, tailworks and treatment plants.
- where relevant, the financing costs that may be attributable to bringing forward the timing of the provision of shared assets required to connect to the existing network.

The brought forward financing costs associated with developments requiring the construction of shared network assets are to be calculated on the basis of the extent to which the assets being constructed form part of a logical extension to **Goulburn Valley Water's** existing water and sewerage networks:

- Where the shared assets could be reasonably considered to form part of a logically sequenced network expansion and could reasonably be expected to be required by **Goulburn Valley Water** within a short to medium term planning horizon, no bring forward developer charge is to apply (scheduled charge applies).
- Where the shared assets do not form part of a logically sequenced network expansion, but could reasonably be expected to have been required by **Goulburn Valley Water** in respect of a long term planning horizon, then a non-scheduled developer charge equivalent to 40 per cent of the as constructed cost of the shared assets will apply.
- Where the shared assets do not form part of a logically sequenced network expansion, and could not reasonably be expected to have been required by **Goulburn Valley Water** in respect of a long term planning horizon, then a non-scheduled developer charge equivalent to 70 per cent of the as constructed cost of the shared assets will apply.

#### **4.4 Pricing principles for developer charges for existing property owners**

At any time during the regulatory period, **Goulburn Valley Water** must seek the Commission's approval where it proposes to levy a **developer charge** to apply to existing property owners connecting to water and/or sewerage services. This charge must not be greater than:

- the full efficient cost of installing the local reticulation mains; and
- any cap as specified by the Minister for Water in accordance with the requirements of the Statement of Obligations.

#### 4.5 Pricing principles for miscellaneous services not included in Schedule 2

Prices for miscellaneous services must be set according to actual cost calculated on the basis of the aggregate of:

- direct third party or contractor invoice cost;
- direct marginal internal costs, including labour, materials and transport costs; and
- a fair contribution to overheads.

For bank dishonour, debt collection and legal fees, the third party costs must be charged directly to the customer with no contribution for internal costs or a contribution to overheads.

#### 4.6 Guidelines

**Goulburn Valley Water** must comply with any guidelines issued by the Commission from time to time which relate to the setting of prices for **prescribed services** to which Schedule 4 relates.

The Common Seal of the  
Essential Services Commission  
was affixed to this Determination  
with the authority of the  
Commission.



Date: 25<sup>th</sup> June, 2008

A handwritten signature in black ink, appearing to read 'G. Wilson'.

Greg Wilson  
Chairperson

## Annexure A

Table 1 **Additional service standards**

<i>Service standard</i>	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Drinking water quality total complaints (per 1000 connections)	5.8	5.7	5.5	5.3	5.2
Drinking water quality turbidity/colour complaints (per 1000 connections)	4.0	3.9	3.8	3.7	3.6
Drinking water quality taste/odour complaints (per 1000 connections)	0.9	0.9	0.8	0.8	0.8
Drinking water quality localities meeting E.coli Standard (per cent)	100.0	100.0	100.0	100.0	100.0
Drinking water quality localities meeting Turbidity Standard (per cent)	98.0	98.0	100.0	100.0	100.0
Drinking water quality localities meeting Disinfection Byproducts Standards (per cent)	94.0	98.0	100.0	100.0	100.0
Water pressure complaints (per 1000 connections)	3.6	3.6	3.5	3.5	3.4
Wastewater system odour complaints (per 1000 water connections)	1.2	1.2	1.1	1.1	1.0
Wastewater Management Facilities complying with EPA Licence (per cent)	100.0	100.0	100.0	100.0	100.0
Recycled water target (per cent)	73.0	73.0	72.0	76.0	76.0
Biosolids reuse (per cent)	100.0	100.0	100.0	100.0	100.0
Small town scheme developed properties not connected to sewer (per cent)	87.0	88.0	89.0	90.0	91.0
Total CO2 equivalent Emissions (tonne)	33 700.0	33 500.0	33 630.0	33 700.0	33 700.0
Sewer backlog connections and Small Town Sewerage Scheme (number)	0.0	0.0	0.0	0.0	0.0

Table 2 **Weighted average cost of capital**  
(per cent)

	<i>Post tax WACC</i>	<i>Implied pre-tax WACC</i>
	5.8	5.8

Table 3 **Benchmark revenue requirement**  
\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-2012</i>	<i>2012-13</i>
Operating expenditure	31.80	31.93	32.50	32.73	33.06
Return on existing assts	8.44	8.12	7.80	7.48	7.16
Return on new investments	1.06	2.76	3.82	4.60	5.20
Regulatory depreciation	5.51	6.43	7.04	7.51	7.91
<b>Total</b>	<b>46.81</b>	<b>49.24</b>	<b>51.16</b>	<b>52.33</b>	<b>53.33</b>

Table 4 **Updated regulatory asset base**  
\$ million in January 2007 prices

	<i>2004-05</i>	<i>2005-06</i>	<i>2006-07</i>	<i>2007-08</i>
Opening RAB	91.38	113.90	115.68	131.81
<i>Plus</i> Gross capital expenditure	31.80	14.94	23.41	23.22
<i>Less</i> Government contributions	0.27	0.00	0.00	0.00
<i>Less</i> Customer contributions	5.05	1.65	2.00	1.17
<i>Less</i> Proceeds from disposals	0.86	7.70	0.83	0.56
<i>Less</i> Regulatory depreciation	3.09	3.81	4.44	4.95
<b>Closing RAB</b>	<b>113.90</b>	<b>115.68</b>	<b>131.81</b>	<b>148.35</b>

Table 5 **Rolled forward regulated asset base**  
\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Opening RAB	148.35	179.26	196.15	204.79	211.78
<i>Plus</i> Gross capital expenditure	38.90	25.84	18.25	17.07	13.06
<i>Less</i> Government contributions	0.00	0.00	0.00	0.00	0.00
<i>Less</i> Customer contributions	1.91	1.94	1.97	1.95	1.92
<i>Less</i> Proceeds from disposals	0.57	0.59	0.60	0.62	0.64
<i>Less</i> Regulatory depreciation	5.51	6.43	7.04	7.51	7.91
<b>Closing RAB</b>	<b>179.26</b>	<b>196.15</b>	<b>204.79</b>	<b>211.78</b>	<b>214.37</b>



Table 6 **Approved licence fee and environmental contribution assumptions**

\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Essential Services Commission licence fee	0.049	0.049	0.049	0.049	0.049
Department of Human Services licence fee	0.022	0.022	0.022	0.022	0.022
Environment Protection Authority licence fee	0.123	0.123	0.123	0.123	0.123
Environmental contribution	1.793	1.743	1.694	1.646	1.600

Table 7 **Bulk water purchases**

\$ million in January 2007 prices

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
Bulk water purchases	0.864	0.913	0.961	1.019	1.078

Table 8 **Demand forecasts**

	<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>	<i>2012-13</i>
<b>Water assessments (no.)</b>	54 126	54 938	55 761	56 597	57 445
<b>Sewerage assessments (no.)</b>					
Residential	40 184	40 907	41 643	42 392	43 155
Non-residential	5 409	5 506	5 605	5 706	5 809
<b>Total</b>	<b>45 593</b>	<b>46 413</b>	<b>47 248</b>	<b>48 098</b>	<b>48 964</b>
<b>Billable water consumption (ML)</b>	<b>25 209</b>	<b>25 492</b>	<b>25 629</b>	<b>25 713</b>	<b>25 835</b>

Table 9 **Key capital projects**

	<i>Expected completion date</i>
Bonnie Doon WTP	2009-10
Broadford Pipeline	2008-09
Above ground Asset Replacement	2012-13
Alexandra Eildon pipeline	2009-10
Unlined Cast Iron Asset Replacement	2012-13