



Goulburn Valley Region Water Corporation

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Marcus Crudden
Essential Services Commission
Level 37, 2 Lonsdale Street
MELBOURNE 3000

Dear Marcus

2013-18 WATER PRICE REVIEW – GVW RESPONSE TO DRAFT DECISION

I refer to the 2013-18 Water Price Review Draft Decision and thank you for the opportunity to respond and provide further information.

Responses to items requested in the Draft Decision Volume I and II Reports are attached to this letter.

In addition to the responses requested in the Draft Decision Reports, Goulburn Valley Water has also provided further information to address a number of aspects of the draft decision.

GVW requests that the Essential Services Commission consider the further information provided in this response prior to making the final decision.

If you require further information or clarification relating to any of the responses please contact Daniel Hughes on 5832 0466.

Yours sincerely

A handwritten signature in black ink, appearing to be "Peter Quinn", written over a horizontal line.

Peter Quinn
MANAGING DIRECTOR

Encl.

2013-18 WATER PRICE REVIEW DRAFT DECISION – GVW RESPONSE

RESPONSES TO ITEMS REQUESTED IN THE DRAFT DECISION VOLUME I & II REPORTS

Tariffs

A schedule of tariffs for each year of the regulatory period commencing 1 July 2013 that reflects the revised revenue requirement is attached.

Please note as part of revising tariffs to reflect the revised revenue requirement, trade waste tariffs have been revised which impacts revenue item Trade Waste Contract Revenue. Trade waste tariff movements are consistent with tariff movements for sewerage charges (service fees and volumetric). Sewerage and trade waste tariffs in the original water plan submission were forecast to increase by 3.4% (category 4 trade waste 5.4%). The revised price movement for sewerage and trade waste tariffs is 0.0% (category 4 trade waste 2.0%).

The above reduction in trade waste tariffs means that Trade Waste Contract Revenue in the Revenue Forecast (price cap) template requires amendment as follows:

Revenue Item	Water Plan 3 (\$m)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Current Trade Waste Contract revenue per template	4.765	5.047	5.345	5.662	5.998
Revised Revenue	4.612	4.728	4.847	4.969	5.095

The schedule of tariffs includes trade waste charges and a note defining category 4 trade waste customers (there are only 3 category 4 trade waste customers).

Miscellaneous Charges

The schedule of tariffs has been updated to include definitions for core miscellaneous fees and charges, and charges that relate to developers.

Service Standards

The draft decision has identified seven service standard targets that have not been approved. The draft decision has requested GVW to provide further information to support the proposed targets. A review of targets for the seven identified service standards has been undertaken. The outcomes of this review are detailed as follows:

(a) Average time taken to attend bursts and leaks (priority one) (minutes)

Recent performance for this service standard is shown in the following table.

Actual						Water Plan 2 Target	Proposed Water Plan 3 Target	Average 07/08 – 11/12
06/07	07/08	08/09	09/10	10/11	11/12			
20	1	0	13	0	0	30	30	2.8

GVW recorded very few Priority 1 bursts during the Water Plan 2 period. A target based on the 5 year average of 2.8 minutes is not practical to achieve as it would be exceeded by a single Priority 1 burst event.

Predicted performance for 2012/2013 is 34 minutes. This is similar to the target proposed for Water Plan 3 of 30 minutes.

The proposed Water Plan 3 target of 30 minutes should be retained.

(b) Average time taken to attend bursts and leaks (priority two) (minutes)

Recent performance for this service standard is shown in the following table:

Actual						Water Plan 2 Target	Proposed Water Plan 3 Target	Average 07/08 – 11/12
06/07	07/08	08/09	09/10	10/11	11/12			
19	11	0	59	59	48	60	60	35.4

The classification of Priority 2 bursts has been improved over the Water Plan 2 period. At the time of preparation of Water Plan 3, data for 09/10 and 10/11 was considered the most representative of current performance and the target of 60 minutes was adopted.

The target of 35.4 minutes proposed in the draft decision has not been achieved in any of the last 3 years since classification of Priority 2 bursts has been improved. Predicted performance for 2012/2013 is 38 minutes. Average performance from 09/10 to 12/13 is 51 minutes (including predicted performance for 12/13) and is considered representative of the current approach for classifying Priority 2 bursts.

A revised target of 51 minutes should be adopted for this service standard.

(c) Average time taken to attend bursts and leaks (priority three) (minutes)

Recent performance for this service standard is shown in the following table:

Actual						Water Plan 2 Target	Proposed Water Plan 3 Target	Average 07/08 – 11/12
06/07	07/08	08/09	09/10	10/11	11/12			
214	107	201	314	280	140	300	300	189.2

The classification of Priority 3 bursts has been improved over the Water Plan 2 period. At the time of preparation of Water Plan 3, data for 09/10 and 10/11 was considered the most representative of current performance and the target of 300 minutes was adopted.

The target of 189.2 minutes proposed in the draft decision has only been achieved in two out of the last five years. A revised target of 200 minutes is proposed by GVW.

A target of 200 minutes would have been achieved or equalled (similar to 201 minutes in 08/09) in 3 of the last 5 years.

A revised target of 200 minutes should be adopted for this service standard.

(d) Average planned customer minutes off water supply (minutes)

Recent performance for this service standard is shown in the following tables:

Actual							
04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12
8.3	12.5	5.8	5.3	5.3	1.7	6.3	3.5

Water Plan 2 Target	Proposed Water Plan 3 Target	Average 07/08 – 11/12	Average 04/05 – 12/13
6.0	6.0	4.4	5.8

The number of planned interruptions is highly influenced by the level of property development. High levels of property development occurred leading up to Water Plan 2, with average conditions occurring in the early years of Water Plan 2 and declining conditions occurring in the later years of Water Plan 2.

A longer term view is required to set an average target which takes into account periods of average, high and declining property development. Predicted performance for 12/13 is 3.8 minutes. The long term average performance (including predicted performance for 12/13) for this target is 6.1 minutes.

An increase in water main renewal expenditure for the Water Plan 3 period is included in the draft decision which will increase the number of planned interruptions.

Given that the long term average is 5.8 minutes and an increase in planned interruptions associated with water main renewals is forecast for Water Plan 3, the existing target of 6.0 minutes should be retained.

The proposed Water Plan 3 target of 6.0 minutes should be retained.

(e) Average duration of planned water supply interruptions (minutes)

Recent performance for this service standard is shown in the following table:

Actual						Water Plan 2 Target	Proposed Water Plan 3 Target	Average 07/08 – 11/12
06/07	07/08	08/09	09/10	10/11	11/12			
106	101	119	73	104	80	113	110	95.5

The target of 95.5 minutes proposed in the draft decision is accepted by GWV.

A revised target of 95 minutes should be adopted for this service standard.

(f) Average time to attend sewer spills and blockages (minutes)

Recent performance for this service standard is shown in the following table:

Actual						Water Plan 2 Target	Proposed Water Plan 3 Target	Average 07/08 – 11/12
06/07	07/08	08/09	09/10	10/11	11/12			
37	32	43	53	58	43	60	60	45.6

The average time to attend sewer spills and blockages should be similar to the time to attend priority two bursts and leaks. Both event types are given similar priority for response.

A revised target of 51 minutes is proposed for attending priority two bursts and leaks in this response. The same target should be adopted for attending sewer spills and blockages.

A target of 51 minutes represents an improvement in performance from the Water Plan 2 target of 60 minutes.

A revised target of 51 minutes should be adopted for this service standard.

(g) Average time to rectify a sewer blockage (minutes)

Recent performance for this service standard is shown in the following table:

Actual						Water Plan 2 Target	Proposed Water Plan 3 Target	Average 07/08 – 11/12
06/07	07/08	08/09	09/10	10/11	11/12			
117	100	121	152	138	85	150	150	119.1

The target proposed in the draft decision (119.1 minutes rounded up to 120 minutes) is accepted by GVW.

A target of 120 minutes represents an improvement in performance from the Water Plan 2 target of 150 minutes.

A revised target of 120 minutes should be adopted for this service standard.

Based on the revised targets proposed by GVW in this response, the service standard targets to apply for the 2013-18 period are as shown in the following table:

<i>Service Standard</i>	<i>5yr Avg 2008-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>	<i>2017-18</i>
Water						
Unplanned water supply interruptions (per 100km)	17.54	18.7	18.7	18.7	18.7	18.7
Average time taken to attend bursts and leaks (priority 1) (minutes)	2.8	30	30	30	30	30
Average time taken to attend bursts and leaks (priority 2) (minutes)	35.36	51	51	51	51	51
Average time taken to attend bursts and leaks (priority 3) (minutes)	189.21	200	200	200	200	200
Unplanned water supply interruptions restored within 5 hours (per cent)	99.02	98	98	98	98	98
Planned water supply interruptions restored within 5 hours (per cent)	99.22	99	99	99	99	99
Average unplanned customer minutes off water supply (minutes)	11.99	13.6	13.6	13.6	13.6	13.6
Average planned customer minutes off water supply (minutes)	4.43	6.0	6.0	6.0	6.0	6.0
Average frequency of unplanned water supply interruptions (number)	0.12	0.15	0.15	0.15	0.15	0.15
Average frequency of planned water supply interruptions (number)	0.04	0.05	0.05	0.05	0.05	0.05
Average duration of unplanned water supply interruptions (minutes)	100.1	100	100	100	100	100
Average duration of planned water supply interruptions (minutes)	95.52	95	95	95	95	95
Number of customers experiencing 5 unplanned water supply interruptions in the year (number)	0	85	85	85	85	85
Unaccounted for water (per cent)	8.92	9.1	9.1	9.1	9.1	9.1
Sewerage						
Sewerage blockages (per 100km)	21.79	23.6	23.6	23.6	23.6	23.6

Service Standard	5yr Avg 2008-13	2013-14	2014-15	2015-16	2016-17	2017-18
Average time to attend sewer spills and blockages (minutes)	45.61	51	51	51	51	51
Average time to rectify a sewer blockage (minutes)	119.13	120	120	120	120	120
Spills contained within 5 hours (per cent)	99	100	100	100	100	100
Customers receiving 3 sewer blockages in the year (number)	0.2	0	0	0	0	0
Customer Service						
Complaints to EWOV (per 1000 customers)	0.68	0.68	0.68	0.68	0.68	0.68
Telephone calls answered within 30 seconds (per cent)	98	97	97	97	97	97

New Customer Contributions

Section 16 of the Draft Decision Volume II report requests GVW to respond to the following actions in relation to New Customer Contributions:

- (a) **Assess how they can improve the cost reflectivity of its NCC proposal and to present options on offering more location specific NCC. If the option is a uniform or combined NCC then the water business must demonstrate that there is little material difference between NCC calculated for specific locations or services.**

GVW Response – A standard NCC is to apply for all towns that are serviced by GVW. For comparison purposes modelling of NCC charges for a selection of individual towns was undertaken as part of the preparation of the NCC framework.

The modelling indicated that inequity would exist between NCC charges for individual towns primarily due to the timing of construction of growth assets. This inequity is particularly apparent when comparing towns which received growth projects prior to Water Plan 2 to towns that require growth projects in the Water Plan 2 and 3 periods.

The modelling for individual towns confirmed that the standard charge approach remains the most appropriate NCC calculation methodology for Goulburn Valley Water to avoid inequity in charges between towns.

The methodology used to generate the standard charge is consistent with the pricing principles from the Guidance Paper and is consistent with GVW's approach for setting uniform water and wastewater tariffs across all towns.

- (b) Confirm that all NCC charges have been calculated in accordance with the core pricing principles.

GVW Response – NCC charges have been calculated in accordance with the core pricing principles.

- (c) Improve the transparency of its NCC proposal by providing maps to show the boundaries around the areas (or towns) within which standard NCC apply. Or define any threshold that must be met in order for an NCC to be levied.

GVW Response – A standard NCC is to apply for all towns that are serviced by GVW. A map of the towns within which standard NCC apply would be equivalent to a plan of the overall GVW service area and has not been included. A standard NCC will apply for any new water connection in any serviced town within the GVW service area.

- (d) Clearly describe the circumstances (i.e. eligibility criteria) under which NCC will be negotiated and confirm that it will apply the core pricing principles when such NCC are negotiated.

GVW Response - The standard NCC for water is calculated based on water usage per standard connection. Where water usage for a new customer will vary significantly from the standard amount, a non-standard NCC charge will be negotiated with the customer. The non-standard charge will be based on the equivalent number of standard connections that the new customer represents on a water usage basis. The number of standard connections may be determined based on a yearly volume, peak day volume, winter volume or instantaneous flow rate depending on which is the most critical to servicing the customer

A non-standard NCC for sewer may be negotiated with non-residential, commercial or industrial properties with sewer discharge volumes or loadings that are above standard residential amounts. The non-standard charge will be based on the equivalent number of standard connections that the new customer represents on a discharge volume or loading basis. The number of standard connections may be determined based on a yearly volume, peak day volume, instantaneous flow rate or a range of loading parameters depending on which is the most critical to servicing the customer

Exceptional Circumstances

Goulburn Valley Water reserves the right to apply a different charge should unforeseen exceptional circumstances arise requiring high growth capital expenditure to be incurred by Goulburn Valley Water for an unforeseen new development or event. The charge will be calculated in accordance with the principles based methodology and could apply to water or sewer.

- (e) Consult with other water businesses to develop a best practice negotiating framework.

GVW Response – A VicWater working group has developed a draft model negotiating framework.

The GVW negotiating framework is consistent with the draft model negotiating framework.

- (f) **Consult with other regional water businesses to propose a common water industry timeframe to estimate capital costs.**

GVW Response – A VicWater working group has nominated a minimum period of 15 years with the provision that individual water businesses may elect to increase the number of years from 15 to suit their own business processes.

Goulburn Valley Water has a detailed capital works program of greater than 15 years and has adopted a timeframe that is greater than the minimum of 15 years.

- (g) **Consult with stakeholders following the draft decision**

GVW Response – Consultation was undertaken with stakeholders for the preparation of the Water Plan. The NCC revenue included in the draft decision is consistent with the amounts discussed in the consultation previously undertaken. Given the limited timeframe for preparing a response to the draft decision, further consultation with stakeholders has not been undertaken.

Further consultation will be undertaken with stakeholders after the final decision.

- (h) **Make other modelling adjustments:**

- i. **Update calculations of standard NCC with any expenditure adjustments arising from draft decision**

GVW Response - The NCC calculation has been updated with changes to the timing of expenditure for the Marysville Water Treatment Plant from the draft decision. There are no other expenditure adjustments in the draft decision that impact on the NCC calculation.

- ii. **Update calculations of standard NCC with any demand adjustments arising from the draft decision**

GVW Response – The GVW demand forecast has been accepted in the draft decision and no changes are required to the NCC calculation.

- iii. **Review NCC calculations and only include tax rates in the model only for the years the business expects to pay tax**

GVW Response – Tax rates have been removed from the updated NCC calculation.

- iv. **Update calculations of standard NCC with the Commission's draft decision on the Weighted Average Cost of Capital (WACC).**

GVW Response – The NCC calculation has been updated with a WACC of 4.7% as detailed in the draft decision.

- v. Resubmit a forecast of NCC revenue for each service for each year of the third regulatory period, following changes made in accordance with the above.

GVW Response – The NCC revenue included in the draft decision is consistent with forecast revenue based on the updated NCC calculation. GVW does not seek any change from the NCC revenue included in the draft decision.

- vi. Gifted assets values in the calculation model are constant across the planning period. Confirm that this is correct.

GVW Response – Gifted asset values have been correctly entered into the model and are consistent across the planning period.

- vii. Confirm whether that bring forward capital expenditure value of \$1.3 million in the calculation model is correct.

GVW Response – A default value of \$1.3 million was incorrectly used in the wastewater NCC calculation model. This value has been removed from the model. This action does not have any impact on the NCC charge as the model does not generate a charge for wastewater.

Productivity

Section 6.5.8 of Draft Decision Volume I requests GVW to provide further information to demonstrate that the productivity hurdle has been met.

Goulburn Valley Water has explained to Deloitte that the 2011/12 base year used in the productivity assessment is a low cost base year. 2011/12 was a wet year and hence water and wastewater volumes and treatment costs were low. Deloitte has recognised this and adjusted the base year for chemical costs, and made allowance for other costs (for example electricity) per table 4-23 of Deloitte assessment of expenditure forecasts – Final Report.

A further BAU expense that was impacted by wet conditions in 2011/12 is Biosolids Management (pumping biosolids from wastewater lagoons, drying the biosolids and then reusing the dried solids as soil conditioner on agricultural land). Only a minimal amount of works could be carried out in 2011/12.

The table below identifies the actual expenditure incurred for biosolids management in the 2011/12 base year, the forecast expenditure for each of the Water Plan 3 years and the increase above the 2011/12 base year:

	Actual (\$,000)	Water Plan 3 (\$,000)				
	2011-12	2013-14	2014-15	2015-16	2016-17	2017-18
Expenditure	138	291	397	575	575	600
Increase Above 11/12 BAU		153	259	437	437	462

If allowance is made for biosolids management forecast expenditure increase above the 2011/12 base year in the productivity hurdle assessment, then the assessment for Goulburn Valley Water becomes marginal. There will be other expenditure items impacted by the wetter than normal conditions experienced in the 2011/12 base year. I hope the above information is sufficient for the Commission to be satisfied that operating expenditure is efficient and prudent.

Regulatory Depreciation

Section 8.7 of the draft decision Volume I report requests GVW to provide a breakdown of expenditure and completion dates for significant capital expenditure projects. The information is provided in the table below:

Project / Program	Water Plan 3 Expenditure	Water Plan 3 Expenditure Period	Completion Date
Shepparton Water Treatment Plant Capacity Upgrade	\$17.19M	2014/2015 – 2017/2018	30/06/2018
Corporate Asset Acquisitions	\$16.15M	2013/2014 – 2017/2018	Individual components of this project are being completed continually throughout each year of the 5 year plan
Water Main Replacement Program	\$11.89M	2013/2014 – 2017/2018	Individual components of this project are being completed continually throughout each year of the 5 year plan
Numurkah Water Treatment Plant Upgrade	\$8.88M	2013/2014 – 2015/2016	30/06/2016
Shared Assets – Water & Sewer	\$6.00M	2013/2014 – 2017/2018	Individual components of this project are being completed continually throughout each year of the 5 year plan
Mansfield Wastewater Management Facility Additional Winter Storage	\$5.71M	2013/2014 – 2015/2016	30/06/2016
Above Ground Asset Replacement Program	\$5.31M	2013/2014 – 2017/2018	Individual components of this project are being completed continually throughout each year of the 5 year plan
Marysville Water Treatment Plant	\$5.20M	2013/2014 – 2015/2016	30/06/2016
Kilmore Wastewater Management Facility Additional Winter Storage	\$4.31M	2013/2014 – 2015/2016	30/06/2016
Shepparton Wastewater Management Facility High Rate Anaerobic Lagoon Cover Replacement	\$4.09M	2015/2016 – 2016/2017	30/06/2017
Nathalia Water Treatment Plant Upgrade	\$3.99M	2013/2014 – 2015/2016	30/06/ 2016
SCADA Infrastructure Upgrade	\$3.86M	2013/2014	30/06/2014

Project / Program	Water Plan 3 Expenditure	Water Plan 3 Expenditure Period	Completion Date
Seymour Sewer Pump Station No.1 Rising Main Replacement	\$3.71M	2014/2015 – 2017/2018	30/06/2018
Sewer Main Relining or Replacement Program	\$3.00M	2013/2014 – 2017/2018	Individual components of this project are being completed continually throughout each year of the 5 year plan
Cobram Unfluoridated Water Pipeline	\$2.42M	2013/2014 – 2014/2015	30/06/2015
Nagambie Sewer Pump Station No.4 Rising Main Replacement	\$2.42M	2013/2014 – 2014/2015	30/06/2015

Note: Water Plan 3 expenditure includes adjustments from the draft decision.

FURTHER INFORMATION TO ADDRESS ASPECTS OF THE DRAFT DECISION

Demand Forecasts

In Table 15 on page 11 of the Draft Decision Volume II Report for GVW an adjustment has been made to non-residential sewage volumes. There is no information provided in the Volume II report outlining the reasons for the adjustment.

The Water Price Review 2013 Demand Forecast Review Report (dated 14 March 2013) completed by Frontier Economics states in Section 5.7 on page 80 that no revisions have been made to GVW forecasts.

The original forecast submitted by Goulburn Valley Water for non-residential sewage volumes should be retained.

Operating Costs

Labour

GVW accepts the WP3 Labour assumptions and recommendations as provided by the ESC in the draft decision. We acknowledge the abolition of the proposed trainee positions and one further FTE position.

In the ESC Expenditure Review ~ Water Plan 3 Final Overview document; Table 2-2 page 15 states that GVW's current EBA expires December 2013. The current agreement (that is now operational) expires December 2014.

Electricity

Goulburn Valley Water accepts the forecast operating expenditure amounts for electricity provided by the ESC in the draft decision volume II. However, energy usage values within the summary document, tables 2-3 and 2-4 require amendment.

The energy usage values (kWh) originally submitted by GVW within the supplementary data template require amendment. The estimated energy usage for the 2012/13 financial year has proven to be an underestimate with actual usage figures now available. The amended kWh figures are shown in the tables below:

Description	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Large Sites	14,901,795	14,946,818	12,618,611	13,625,661	15,320,725	15,443,290
Small Sites	5,255,691	4,755,088	4,304,405	5,003,112	5,050,206	5,090,608
New projects	-	-	-	-	429,600	429,600

Description	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Large Sites	15,566,837	15,691,371	15,816,902	15,943,438	16,070,986	16,199,553
Small Sites	5,131,333	5,172,383	5,213,762	5,255,472	5,297,516	5,339,896
New projects	457,393	684,598	726,598	966,270	1,774,690	1,774,690

Both 2010/11 and 2011/12 have proven to be abnormal (wet) years with low energy usage, predominately for large sites, being approximately 11% below other recent typical years. These lower than average energy usage figures are commensurate with raw water consumption figures. Actual raw water diversions for 2011/12 were 25,453 ML or 8.5% below that forecast for 2012/13, actual volumes for 2012/13 are approximately 5% higher than forecast. Based on this, GVW wants to ensure that the ESC recognises that the 2011/12 baseline year was abnormal in terms of energy usage, approximately 11% below a typical year.

Unfunded Defined Benefits Superannuation Call

Goulburn Valley Water is concerned that this operating cost incurred as a result of past events is to be recovered over three regulatory periods (15 years) rather than fully recovered in Water Plan 3, given that there have been four calls from the fund in the past 15 years. By deferring recovery of this cost over the next three regulatory periods, there is a risk that recovery will be compounded by future calls from the fund.

Goulburn Valley Water's preference remains that this cost be fully recovered in Water Plan 3.

Chemicals

Goulburn Valley Water accepts the forecast operating expenditure amounts for chemicals provided by the ESC in the Draft Decision Volume II Report.

Licence Fees

Goulburn Valley Water accepts adjustments made to licence fees per Table 8 of the Draft Decision Volume II Report.

Site Restoration Costs

The ESC is proposing to reduce site restoration costs per Draft Decision Volume II Report table 8 item (g). Goulburn Valley Water do not believe the adjustments are valid and believe site restoration costs of \$1.0m in 2013/14 and \$1.3m in 2014/15 should remain in operating expenditure.

Level of Remediation Works

The statement in Deloitte's Assessment of expenditure forecasts report "Goulburn Valley Water has budgeted for clean-up of all 35 sites" on page 19 is incorrect. As per the submission 'GVW Hard Waste Management Program' dated 17 January, attachment 5 details the cost estimate and shows the following breakdown of works that have been allowed within the estimate:

- Seven complete sites will have surface ACM removal and an ongoing management plan. A further ten areas within other sites will also have surface removal and an ongoing management plan.
- All medium risk sites will be cleaned up in accordance with the environmental consultants, Senversa, recommendation. It should be noted that the original submission was based on a draft report from Senversa. Final risk assessments have slightly modified the original submission increasing the amount of medium risk sites. However, GVW is satisfied this can be accommodated within the original budget amount.

- Remaining sites will be investigated as per the Senversa recommendations. However, removal is deemed necessary at some sites for the reasons detailed below.
 - ◆ Although some sites have been classified as low risk, this is based on the nature of the ACM and the potential exposure to the public. However, in order to ensure the safety of GVW staff several areas that have been identified as a low risk to the public have been considered to be a higher risk to GVW staff, making removal required. Examples of this include highly trafficked areas on the various GVW sites.
 - ◆ Several areas are small above ground soil stockpiles. The impractical nature of leaving these in-situ and creating ongoing management requires GVW to remove these stockpiles as this is the most efficient means of remediation.

Therefore based on that above, full clean-up of sites has only been allowed if; (1) The site is a medium risk and it was recommended by Senversa, (2) the site poses a safety risk to GVW staff or (3) the site cannot be practically managed in its current state.

Legal and Contractor Costs

The statement in Deloitte’s Assessment of expenditure forecasts report that “consultants, legal fees and public relations should be managed within existing budgets” is not considered reasonable in this case.

GVW operates with a modest ‘business as usual’ legal budget with relevant internal budgets including allocation for only common legal issues such as contract disputes and small planning type issues.

The nature of the site restoration works requires adherence to the requirements of a formalised EPA notice, enforceable by law that requires extensive expert input during works formulation, attendance on site, reports and liaison with the EPA legal team. Considering this, a project specific allowance for legal fees is required as an integral part of the overall project and needs to be included in site restoration costs.

In this case Senversa are not acting as consultants, but instead are engaged as specialist contractors required to provide independent documentation to the EPA at specific occasions being; (1) the development of site rehabilitation plans for EPA approval and (2) the collation and submission of reports to the EPA detailing the adequacy of the remediation works. These documents are a requirement of EPA under the enforcement proposal and require input independent of GVW. Considering this, a project specific allowance for this is required as an integral part of the overall project and needs to be included in site restoration costs.

Similar to the above, the Occupational Hygienist is a contractor acting in a similar independent manner to the environmental contractor and is required to be on-site for the duration of the works.

Cost Estimate

A number of other costs associated with the Enforceable Undertaking likely to be entered into with the EPA will also be incurred. These will include several internal projects that will amount to approximately \$300,000. These additional costs have not been included in the water plan submission and will be absorbed by the business.

Contingency amounts included in the estimates are considered reasonable due to their preliminary nature, the risk associated with the unknown volumes of earthworks and waste materials and the final extent of works required by the EPA. Estimates have been based on earthwork volume estimates from site inspection and are most likely to be underestimated as the full extent of underground volumes are not able to be known until after works commence. For example, the volume of material requiring clean-up at the Shepparton Operations Centre has increased by approximately 300% due to underground waste issues. The contingency amounts relate solely to the uncertainty of costs caused by the variable volume of materials and wastes that are likely to be encountered.

It should be noted that with this highly variable type of works, it is most likely that actual costs over WP3 will be in excess of that currently being sought by the Corporation.

Summary

In summary:

- The extent of the clean-up allowed is the minimum required. Additional clean-up scope may be required, depending on the EPA's approval of the proposed methodology and the extent and nature of the material discovered during works.
- GVW has only included costs within the estimate that are considered to be a requirement of the EPA (i.e. contractors and legal documentation).
- The contingency amounts included are considered reasonable due to the highly variable nature of the project (waste extraction from existing stockpiles and filled ground), and the high risk associated with clean up methodology, volumes and disposal locations. The contingency amounts relate totally to this rather than general price estimate cost rate uncertainty.
- Any additional cost allowed by the ESC will need to be reflected in the productivity hurdle assessment as new obligations.

It should be noted that costs of around \$1.6M will be expended over 2012/2013 and it is the intention of GVW to not pass these costs on to customers. However, this approach is unsustainable for WP3.

The proposed site restoration costs of \$1.0m in 2013/14 and \$1.3m in 2014/15 should remain in operating expenditure.

Capital Costs

Sewer Main Relining or Replacement Program

Goulburn Valley Water does not accept the draft decision to reduce capital expenditure for the sewer main relining or replacement program by \$4.50m. Further clarification/ information is provided below to support the proposed sewer main replacement expenditure for Water Plan 3.

General

The draft decision will result in a shortfall in funding to address an existing backlog of sewer mains that require relining or replacement. Goulburn Valley Water previously provided additional information to Deloitte to support funding to address the existing sewer replacement backlog. This included:

1. The description of the decision process for the development of the replacement program;
2. An itemised list of assets within the sewer replacement backlog list, including the structural integrity ratings; and
3. Photos of the assets within the sewer replacement backlog list showing their condition.

Report Clarifications

It is stated in Section 5.8.2 of Deloitte's Assessment of expenditure - Final Report that all of the sewer mains in the backlog list are identified as "*either low or medium risk*". This is incorrect.

A spread sheet provided to Deloitte containing the backlog list included a column (column H in the Details worksheet) with a heading titled 'Risk'. This column represents consequence of failure (criticality) rather than risk. The Deloitte recommendation is based on an incorrect interpretation of column H.

The consequence of failure defined in column H is the impact on the community and the environment. This rating in most cases is "*low or medium*" as a potential sewer collapse would only impact a small number of customers.

Replacement Decisions

Replacement decisions are based on consideration of criticality and condition.

The spread sheet provided to Deloitte lists the condition rating (1 to 5) for each asset in the backlog list as per WSAA's Conduit Inspection Reporting Code - WSA05 (WSAA Code). The rating has been shown in column S (Structural Score) of the Details worksheet. The table below shows the total backlog length for assets with a condition rating of 3 to 5 and the recommended action listed in the WSAA Code.

Condition Rating	Length of Backlog	Percentage of Backlog	Appropriate response as per WSAA Code ¹
5	10.4 km	59%	Immediately undertake risk assessment and further investigation, and, as [required] ² , take appropriate action which may include immediate rehabilitation and/or renewal.
4	6.5 km	37%	Take immediate action as appropriate to the defects e.g. temporary supports. Immediately undertake risk assessment and further investigate as required. As appropriate to outcomes of above, schedule appropriate action which may include rehabilitation and/or renewal in the short term.
3	0.7km	4%	Monitor with programmed condition assessment for rehabilitation and/or renewal in medium term

In accordance with Goulburn Valley Water’s Asset Priority & Decision Manual a condition rating of “4” or higher combined with a “low” criticality/consequence of failure requires the inclusion of this asset in the 5 year rehabilitation program.

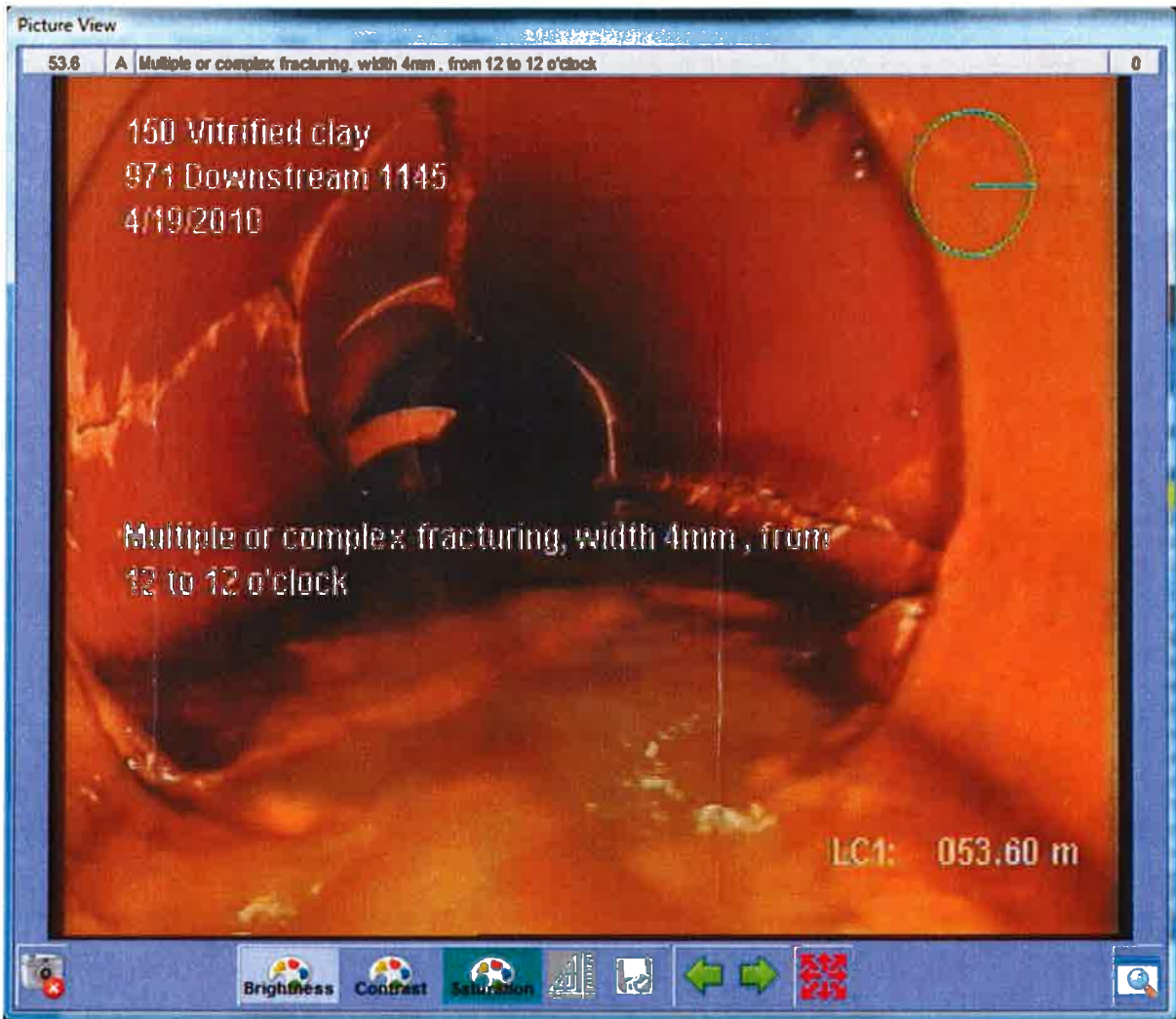
For the assets with a condition rating of “3”, individual assessments were carried out, with 0.7km identified for inclusion in the rehabilitation program. The estimated value for these works is \$100,000.

A ground collapse due to a sewer failure is identified as Goulburn Valley Water’s fourth highest Corporate Risk with a potential financial liability of up to \$3 million and the potential loss of 1 life. To mitigate this risk the CCTV program and rehabilitation of assets with a condition rating of “5” or “4” are key components of the Corporate Risk Treatment Plan. Sewer mains within the backlog list typically have failures as depicted in the following figure. Extensive photographic records of sewers within the backlog list were previously provided to Deloitte.

¹ The actual action to be taken for any sewer system will depend on the asset management policies and procedures of the asset owner or utility service provider. GVW has fully adopted WSA05 into the Asset Priority & Decision Manual.

² added

Figure 1 – Example of Backlog Sewer Main Existing Condition



It is important to appreciate that the required outcome is to preserve the “hole in the ground” being the sewer. Should this be lost as a result of even an isolated collapse along the length of a sewer main the outcome is usually a costly reconstruction given the substantial depth of the majority of GVW's sewer networks. This is why it is important to address deterioration of the pipes and failures which will lead to such collapses.

Conclusion

The draft decision to reduce proposed sewer main relining or replacement expenditure in the Water Plan 3 period by \$4.50m is not accepted by GVW for the following reasons:

- The GVW approach for establishing the Water Plan 3 budget is based on rigorous analysis, best practice within the industry and accurate recorded failure and condition data using CCTV inspections;
- The expenditure of \$0.60M per annum (\$3.0M over the Water Plan 3 period) approved in the draft decision is not adequate to address an increasing backlog of sewer mains that have been identified for relining or replacement. Note that the expenditure of \$3.0m approved in the draft decision includes CCTV inspections, which are partially funded (\$1.0m) from the major maintenance operating budget;

- There is currently a backlog of sewer mains for replacement with an estimated rehabilitation cost of \$3M that meet GWV's replacement criteria and requires immediate action;
- The estimated increase in the backlog during the Water Plan 3 period will be 15km or \$2.5M, based on 25km of CCTV inspections annually;
- The recommendation in the final report from Deloitte to reduce proposed expenditure is based on an incorrect interpretation of data;
- Allowing the amount of sewers with known poor condition ratings to increase is not responsible management of the assets given the consequence of failure/sewer collapse in terms of potential loss of life, cost (including litigation) and reputation is so high; and
- The Water Plan 3 sewer main relining or replacement budget of \$7.5M proposed by GWV will enable the existing backlog to be addressed along with a significant portion of additional sewer mains identified for replacement during Water Plan 3.

The proposed budget of \$7.5M for sewer main replacements over the Water Plan 3 period should be retained.

GOULBURN VALLEY WATER

2013/14 Tariffs and Charges

Variable water, wastewater and tradewaste charges are rounded down to 4 decimal places
All other charges are rounded down to 2 decimal places

\$'s 1/1/13

Tariff and Price Component	PPM each year	Price (1 July 2013)	Price (1 July 2014)	Price (1 July 2015)	Price (1 July 2016)	Price (1 July 2017)
1.1 Water Tariff — Service Charge (per annum)						
Meter size						
20mm	0.0%	155.47	155.47	155.47	155.47	155.47
25mm	0.0%	242.94	242.94	242.94	242.94	242.94
32mm	0.0%	398.06	398.06	398.06	398.06	398.06
40mm	0.0%	621.97	621.97	621.97	621.97	621.97
50mm	0.0%	971.82	971.82	971.82	971.82	971.82
80mm	0.0%	2,487.91	2,487.91	2,487.91	2,487.91	2,487.91
100mm	0.0%	3,887.38	3,887.38	3,887.38	3,887.38	3,887.38
150mm	0.0%	8,746.64	8,746.64	8,746.64	8,746.64	8,746.64
200mm	0.0%	15,549.61	15,549.61	15,549.61	15,549.61	15,549.61
250mm	0.0%	24,296.26	24,296.26	24,296.26	24,296.26	24,296.26
Vacant Lots	0.0%	77.73	77.73	77.73	77.73	77.73
1.2 Water Tariff — Usage Charge (per KL)						
All districts	0.2%	1.0651	1.0673	1.0694	1.0715	1.0737
Raw Water – for Districts with Raw Water services	0.2%	0.5325	0.5336	0.5346	0.5357	0.5368
1.3 Sewerage Tariff — Service Charge (per annum)						
Residential	0.0%	414.91	414.91	414.91	414.91	414.91
Vacant Land	0.0%	207.44	207.44	207.44	207.44	207.44
Non-Residential	0.0%	414.91	414.91	414.91	414.91	414.91
1.4 Sewerage Tariff – Volumetric Charge for non-residential customers (per KL)						
Usage charge	0.0%	1.4500	1.4500	1.4500	1.4500	1.4500
1.5 Trade Waste Charges						
Trade Waste Application Fee	0.0%	87.00	87.00	87.00	87.00	87.00
Category 1 & 2 Service Charge – all districts	0.0%	207.44	207.44	207.44	207.44	207.44
Shepparton – Category 3						
Flow – per KI	0.0%	0.5983	0.5983	0.5983	0.5983	0.5983
BOD – per kg	0.0%	0.3695	0.3695	0.3695	0.3695	0.3695
Sodium – per kg	0.0%	0.8379	0.8379	0.8379	0.8379	0.8379
Nitrogen – per kg	0.0%	0.7184	0.7184	0.7184	0.7184	0.7184
Phosphorus – per kg	0.0%	1.9157	1.9157	1.9157	1.9157	1.9157
Shepparton – Category 4						
Flow – per KI	2.0%	0.4661	0.4755	0.4850	0.4947	0.5046
BOD – per kg	2.0%	0.2327	0.2373	0.2421	0.2469	0.2518
Sodium – per kg	2.0%	0.5883	0.6001	0.6121	0.6243	0.6368
Nitrogen – per kg	2.0%	0.8213	0.8377	0.8545	0.8716	0.8890
Phosphorus – per kg	2.0%	1.8656	1.9029	1.9409	1.9798	2.0194
Mooroopna – Category 4						
Flow – per KI	2.0%	0.4661	0.4755	0.4850	0.4947	0.5046
BOD – per kg	2.0%	0.2327	0.2373	0.2421	0.2469	0.2518
Sodium – per kg	2.0%	0.5883	0.6001	0.6121	0.6243	0.6368
Nitrogen – per kg	2.0%	0.8213	0.8377	0.8545	0.8716	0.8890
Phosphorus – per kg	2.0%	1.8656	1.9029	1.9409	1.9798	2.0194
Tatura – Category 3						
Flow – per KI	0.0%	0.7620	0.7620	0.7620	0.7620	0.7620
BOD – per kg	0.0%	0.4786	0.4786	0.4786	0.4786	0.4786
Sodium – per kg	0.0%	1.0664	1.0664	1.0664	1.0664	1.0664
Nitrogen – per kg	0.0%	0.8486	0.8486	0.8486	0.8486	0.8486
Phosphorus – per kg	0.0%	1.9157	1.9157	1.9157	1.9157	1.9157
Tatura – Category 4						
Flow – per KI	2.0%	0.7548	0.7699	0.7853	0.8010	0.8170
BOD – per kg	2.0%	0.1661	0.1694	0.1728	0.1762	0.1797
Sodium – per kg	2.0%	1.0435	1.0643	1.0856	1.1073	1.1295
Nitrogen – per kg	2.0%	0.8213	0.8377	0.8545	0.8716	0.8890
Phosphorus – per kg	2.0%	1.8656	1.9029	1.9409	1.9798	2.0194
All Other Districts – Category 3						
Flow – per KI	0.0%	0.7184	0.7184	0.7184	0.7184	0.7184
BOD – per kg	0.0%	0.4786	0.4786	0.4786	0.4786	0.4786
Sodium – per kg	0.0%	0.8486	0.8486	0.8486	0.8486	0.8486
Nitrogen – per kg	0.0%	0.7184	0.7184	0.7184	0.7184	0.7184
Phosphorus – per kg	0.0%	1.9157	1.9157	1.9157	1.9157	1.9157
Trade Waste Sample Testing Fees – Category 3 and 4 all districts *	NA	At Cost	At Cost	At Cost	At Cost	At Cost

Tariff and Price Component	PPM each year	Price (1 July 2013)	Price (1 July 2014)	Price (1 July 2015)	Price (1 July 2016)	Price (1 July 2017)
1.6 Developer Charges - New Customer Contributions (per lot)						
Water (per lot)	0.0%	2,600.00	2,600.00	2,600.00	2,600.00	2,600.00
Sewer (per lot)	0.0%	0.00	0.00	0.00	0.00	0.00
1.7 Miscellaneous Fees and Charges						
Water sales via standpipes – per KL	0.0%	2.2800	2.2800	2.2800	2.2800	2.2800
Information Statements – per item	0.0%	45.30	45.30	45.30	45.30	45.30
Special meter read fee – per read	0.0%	24.70	24.70	24.70	24.70	24.70
Meter Fee - per 20mm meter	0.0%	148.00	148.00	148.00	148.00	148.00
Sewer connection fee - per connection	0.0%	139.00	139.00	139.00	139.00	139.00
Septic tank waste receival fee (per litre)	0.0%	0.0586	0.0586	0.0586	0.0586	0.0586
Grease trap waste receival fee (per litre)	0.0%	0.1570	0.1570	0.1570	0.1570	0.1570
1.8 Non-Core Miscellaneous Fees and Charges						
Access to personal information	0.0%	24.50	24.50	24.50	24.50	24.50
Meter Accuracy Test – per test	0.0%	174.00	174.00	174.00	174.00	174.00
Fire Service Tests – per test	0.0%	174.00	174.00	174.00	174.00	174.00
Water Quality test – per test	0.0%	148.80	148.80	148.80	148.80	148.80
Replacement of galvanised iron property service pipe*	NA	At cost	At cost	At cost	At cost	At cost
Maximum charge*	NOM	500.00	500.00	500.00	500.00	500.00
Emergency Standpipe Charge	NA	At cost	At cost	At cost	At cost	At cost
Water Tapping Fee:						
20mm service – per tapping	0.0%	52.00	52.00	52.00	52.00	52.00
25mm service – per tapping	0.0%	60.80	60.80	60.80	60.80	60.80
32mm service – per tapping	0.0%	69.40	69.40	69.40	69.40	69.40
40mm service – per tapping	0.0%	78.10	78.10	78.10	78.10	78.10
50mm service – per tapping	0.0%	86.90	86.90	86.90	86.90	86.90
80mm, 100mm, 150mm, 225mm services – per tapping	0.0%	435.50	435.50	435.50	435.50	435.50
Water consent to connect:						
20mm service – per connection	0.0%	86.90	86.90	86.90	86.90	86.90
25mm, 32mm, 40mm, or 50mm service – per connection	0.0%	130.60	130.60	130.60	130.60	130.60
80mm, 100mm, 150mm or 225mm service – per connection	0.0%	261.30	261.30	261.30	261.30	261.30
Water shutdown fee to enable connection (if required)	0.0%	86.90	86.90	86.90	86.90	86.90
Fire Service Charges:						
50mm service – per annum	0.0%	97.18	97.18	97.18	97.18	97.18
80mm service – per annum	0.0%	248.77	248.77	248.77	248.77	248.77
100mm service – per annum	0.0%	388.71	388.71	388.71	388.71	388.71
150mm – per annum	0.0%	874.62	874.62	874.62	874.62	874.62
Water Meter Fee – new connection or damaged meter – per meter:						
25mm service	0.0%	261.30	261.30	261.30	261.30	261.30
32mm service	0.0%	522.70	522.70	522.70	522.70	522.70
40mm service	0.0%	740.60	740.60	740.60	740.60	740.60
50mm service	0.0%	1,742.70	1,742.70	1,742.70	1,742.70	1,742.70
80mm service	0.0%	2,265.50	2,265.50	2,265.50	2,265.50	2,265.50
100mm service	0.0%	2,919.00	2,919.00	2,919.00	2,919.00	2,919.00
150mm service	0.0%	3,137.00	3,137.00	3,137.00	3,137.00	3,137.00
225mm service	0.0%	5,010.00	5,010.00	5,010.00	5,010.00	5,010.00
Meter box to protect meter if required (per meter box)	0.0%	55.70	55.70	55.70	55.70	55.70
Sewer Connection Fees – per connection:						
Residential connection other than standard (e.g. unit development)	0.0%	182.60	182.60	182.60	182.60	182.60
Small commercial/industrial connection	0.0%	182.60	182.60	182.60	182.60	182.60
Alterations to existing connections	0.0%	113.00	113.00	113.00	113.00	113.00
Sewer plan and build-over fee (application fee for building over Authority works) – per plan	0.0%	86.90	86.90	86.90	86.90	86.90
Cut in sewer point/manhole fee – per cut in	0.0%	435.50	435.50	435.50	435.50	435.50
Water backflow prevention application fee – per application	0.0%	121.70	121.70	121.70	121.70	121.70
Water backflow prevention annual test fee – per annum	0.0%	51.80	51.80	51.80	51.80	51.80
Recoverable works and fire plug maintenance *	NA	At cost	At cost	At cost	At cost	At cost
Legal cost recovery – debt recovery charges and legal costs incurred *	NA	Recovery / Legal costs	Recovery / Legal costs	Recovery / Legal costs	Recovery / Legal costs	Recovery / Legal costs
Water reconnection fee (following disconnection as part of debt collection procedures) – per reconnection	0.0%	30.40	30.40	30.40	30.40	30.40
Water reconnection fee After Hours in addition to the Water reconnection fee (following disconnection as part of debt collection procedures) – per reconnection	NOM	85.00	85.00	85.00	85.00	85.00
Damage to restrictor cap and/or lock (following restriction as part of the debt collection procedures) - per damaged item	NA	At cost	At cost	At cost	At cost	At cost
Dishonour cheque fee *	NA	Bank charge	Bank charge	Bank charge	Bank charge	Bank charge
Dishonour electronic fund transfer fee *	NA	Bank charge	Bank charge	Bank charge	Bank charge	Bank charge
EasyWay Payment Card (to assist customers with periodic payments) – per card	0.0%	6.00	6.00	6.00	6.00	6.00
Freedom of Information – provision of documents via Freedom of Information request	0.0%	24.50	24.50	24.50	24.50	24.50
1.9 Developer and Landowner Works Fees and Charges						
District Extension Fee						
Application fee	0.0%	933.50	933.50	933.50	933.50	933.50
Further costs to extend districts*	NA	At Cost	At Cost	At Cost	At Cost	At Cost
Landowner or Developer works charges *						
Feasibility report fee *	0.0%	61.80	61.80	61.80	61.80	61.80
Design, supervision, review and administration charge *	NA	At Cost	At Cost	At Cost	At Cost	At Cost

* GST applies to these fees and charges

Application of Prices

Item 1.4 – Volumetric Sewerage Charge

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.

Discharge Factor (per cent)	Activity
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.

Item 1.5 – Trade Waste Charges

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. Charges are based on the volume of waste and the waste loads discharged to the respective wastewater management facilities. Category 4 charges apply to customers where facility augmentation charges have applied in the past. The scheduled prices apply to all trade waste customers. Sewerage service charges and volumetric charges apply in conjunction with trade waste charges.

Item 1.7 – Miscellaneous fees and charges - Definitions

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.

Item 1.9 – Developer and Landowner Works fees and charges - Definitions

District extension fee - application fee - applied to a developer where an extension of a water or sewerage district is required to service the development.

District extension fee - further costs to extend district - applied where the application fee does not cover the actual cost incurred to extend the district due to complexity of the district extension.

Landowner or developer works charges - Feasibility report fee - fee applied to assess costs and conditions for providing water or sewer services to an existing property.

Landowner or developer works charges - design, supervision, review and administration charge - fee applied to recover costs incurred associated with developer works including design, supervision, review and administration.

These charges are incidental to Developer Charges - New Customer Contributions (per Item 1.6).

Pricing principles where scheduled prices do not apply

Where the prices are set out in the Tariffs and Charges Schedule do not apply because the nature of the service provided to a particular customers (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.