

Your ref.

Our ref AH/lt 850/9

Contact: Andrew Hunt (03) 5434 1302

16 May 2008

Mr Sean Crees
Director Water Regulation
Essential Services Commission
2nd Floor
35 Spring Street
MELBOURNE VIC 3000

Dear Sean

Water Plan 2008 to 2013 - Response to Draft Determination

Templates

Completed templates have been emailed to Marcus Crudden, along with an electronic copy of this covering letter.

Regulatory Capital Expenditure

Regulatory capital expenditure has been agreed with the Commission and SKM at \$191.1M. The templates have been completed accordingly and have been emailed.

Regulatory Operating Expenditure

Regulatory operation expenditure has been agreed with the Commission and SKM.

Two items of note are:

- Green offsets for the Goldfields Superpipe, deducted from the draft determination, have been added back as agreed with SKM this week. Coliban has yet to receive formal notification of the adjusted regulated operations cost, so have provided the table below to indicate how the regulatory operations cost in the final template has been calculated.
- Adjustments to the environmental levy have been included as per the reconciliation table below. It is anticipated that the Department of Sustainability and Environment will make further changes to the environmental contribution prior to the final decision.
If such adjustments are required to be made, Coliban would make changes to variable water charges.

Reconciliation of regulatory operations expenditure:

	<i>\$M</i>				
	2008/09	2009/10	2010/11	2011/12	2012/13
Recommended Revised Regulatory Opex per D Lynch – 16 May 2008	\$54.70	\$50.80	\$50.72	\$50.89	\$52.07
Environmental Levy as per Original Water Plan	\$1.69	\$1.69	\$1.69	\$1.69	\$1.69
New Environmental Levy as Determined by DSE	\$2.07	\$2.00	\$1.94	\$1.88	\$1.83
Recommended Revised Regulatory Opex adjusted for DSE advised Environmental Levy	\$55.08	\$51.11	\$50.97	\$51.08	\$52.21

Payroll Tax

Coliban is aware of the Payroll Tax changes announced in the State Budget of 6 May. The new changes, applicable from 1 July 2008, reduce the payroll tax rate from 5.05% to 4.95%. The impact on Coliban Water is an annual total of \$6K. Coliban considers this amount to be immaterial and has not changed its regulatory operations expense to reflect this change.

Miscellaneous Fees and Charges

Coliban has identified the following core set of Miscellaneous Fees and Charges:

<i>Charge</i>	<i>Description</i>	<i>Charge (07/08)</i>	<i>Escalation Factor (all years)</i>	<i>Percent of Total Misc Fees</i>
Information Certificates	Provision of Information Statements on the transfer of properties	\$44.47	CPI	39%
Project Management Fee	Fees for the management of developer works	Management Fee (per project) \$293.47 + GST Plus Management Fee (per metre length) \$1.56 + GST	CPI	24%
Treated Wastewater Fees – Contract Agreements	Fees for recycled water currently managed through specific long term contracts	By contract	CPI	7%
Developer Works Administration Fee	Fee administering the lodgement and management of developer installed works	\$125.77	CPI	5%
Water and Sewer Plan Amendment Fee	Fee for the management of adjustments to on site water and sewer assets.	\$36.53	CPI	4%

All other miscellaneous fees and charges will be set using pricing principles.

Tariffs and Charges

WATER						
	2007/08 Tariff	Escalation Factor Real				
		2008/09	2009/10	2010/11	2011/12	2012/13
Water Access – All Districts						
Vacant Unconnected Land	\$0.00					
0 & 20mm Meter	\$118.71	-18.91%	-CPI	-CPI	-CPI	-CPI
25mm Meter	\$161.98	-18.91%	-CPI	-CPI	-CPI	-CPI
32mm Meter	\$276.51	-18.91%	-CPI	-CPI	-CPI	-CPI
40mm Meter	\$406.78	-18.91%	-CPI	-CPI	-CPI	-CPI
50mm Meter	\$595.77	-18.91%	-CPI	-CPI	-CPI	-CPI
80mm Meter	\$1,423.73	-18.91%	-CPI	-CPI	-CPI	-CPI
100mm Meter	\$2,224.59	-18.91%	-CPI	-CPI	-CPI	-CPI
150mm + Meter	\$4,674.74	-18.91%	-CPI	-CPI	-CPI	-CPI
Fire Services are charged at 15% of the relevant corresponding meter size charge						
Water Variable:						
Central						
Non Residential	\$0.7832	38.05%	27.50%	15.00%	15.00%	10.00%
Residential Step 1	\$0.7141	38.05%	27.50%	15.00%	15.00%	10.00%
Residential Step 2	\$0.8638	38.05%	27.50%	15.00%	15.00%	10.00%
Residential Step 3	\$1.4168	38.05%	27.50%	15.00%	15.00%	10.00%
Northern Rivers						
Non Residential	\$0.5160	32.50%	10.00%	10.00%	10.00%	5.00%
Residential Step 1	\$0.4668	32.50%	10.00%	10.00%	10.00%	5.00%
Residential Step 2	\$0.5776	32.50%	10.00%	10.00%	10.00%	5.00%
Residential Step 3	\$0.9339	32.50%	10.00%	10.00%	10.00%	5.00%
Non Potable						
Non Residential	\$0.5158	20.00%	2.50%	2.50%	2.50%	2.50%
Residential Step 1	\$0.4700	20.00%	2.50%	2.50%	2.50%	2.50%
Residential Step 2	\$0.5731	20.00%	2.50%	2.50%	2.50%	2.50%
Residential Step 3	\$0.9288	20.00%	2.50%	2.50%	2.50%	2.50%

WASTEWATER						
	2007/08 Tariff	Escalation Factor Real				
		2008/09	2009/10	2010/11	2011/12	2012/13
Sewer Access - Major						
Vacant Land	\$0.00					
Residential	\$326.22	18.10%	15.00%	10.00%	5.00%	5.00%
Non Residential						
Minimum & 0mm Meter	\$233.17	18.10%	15.00%	10.00%	5.00%	5.00%
20mm Meter	\$233.17	18.10%	15.00%	10.00%	5.00%	5.00%
25mm Meter	\$297.27	18.10%	15.00%	10.00%	5.00%	5.00%
32mm Meter	\$507.37	18.10%	15.00%	10.00%	5.00%	5.00%
40mm Meter	\$746.16	18.10%	15.00%	10.00%	5.00%	5.00%
50mm Meter	\$1,092.96	18.10%	15.00%	10.00%	5.00%	5.00%
80mm Meter	\$2,611.62	18.10%	15.00%	10.00%	5.00%	5.00%
100mm Meter	\$3,789.13	18.10%	15.00%	10.00%	5.00%	5.00%
150mm + Meter	\$7,869.79	18.10%	15.00%	10.00%	5.00%	5.00%
Sewer Access - Enviro 1						
Vacant Land	\$0.00					
Residential	\$374.09	2.99%	15.00%	10.00%	5.00%	5.00%
Non Residential						
Minimum & 0mm Meter	\$267.45	2.99%	15.00%	10.00%	5.00%	5.00%
20mm Meter	\$267.45	2.99%	15.00%	10.00%	5.00%	5.00%
25mm Meter	\$340.95	2.99%	15.00%	10.00%	5.00%	5.00%
32mm Meter	\$581.98	2.99%	15.00%	10.00%	5.00%	5.00%
40mm Meter	\$855.79	2.99%	15.00%	10.00%	5.00%	5.00%
50mm Meter	\$1,253.68	2.99%	15.00%	10.00%	5.00%	5.00%
80mm Meter	\$2,995.45	2.99%	15.00%	10.00%	5.00%	5.00%
100mm Meter	\$4,346.13	2.99%	15.00%	10.00%	5.00%	5.00%
150mm + Meter	\$9,026.64	2.99%	15.00%	10.00%	5.00%	5.00%
Sewer Access - Enviro 2						
Vacant Land						
Residential	\$295.00	15.00%	15.00%	10.00%	5.00%	5.00%
Non Residential						
Minimum & 0mm Meter	\$209.55	15.00%	15.00%	10.00%	5.00%	5.00%
20mm Meter	\$209.55	15.00%	15.00%	10.00%	5.00%	5.00%
25mm Meter	\$267.08	15.00%	15.00%	10.00%	5.00%	5.00%
32mm Meter	\$455.97	15.00%	15.00%	10.00%	5.00%	5.00%
40mm Meter	\$670.48	15.00%	15.00%	10.00%	5.00%	5.00%
50mm Meter	\$982.17	15.00%	15.00%	10.00%	5.00%	5.00%
80mm Meter	\$2,346.89	15.00%	15.00%	10.00%	5.00%	5.00%
100mm Meter	\$3,405.16	15.00%	15.00%	10.00%	5.00%	5.00%
150mm + Meter	\$7,072.23	15.00%	15.00%	10.00%	5.00%	5.00%
Sewer Volume (All)	\$0.3814	25.00%	15.00%	5.00%	5.00%	5.00%

RURAL						
	2007/08 Tariff	Escalation Factor Real				
		2008/09	2009/10	2010/11	2011/12	2012/13
Rural Channel Access	\$712.56	-4.76%	-CPI	-CPI	-CPI	-CPI
Rural Pipeline Access	\$839.92	-7.66%	-CPI	-CPI	-CPI	-CPI
Storage Access	\$109.45	-11.43%	-CPI	-CPI	-CPI	-CPI
Rural Capacity (per Megalitre)	\$108.47	10.00%	5.00%	0.00%	0.00%	0.00%
Rural Volume (per Megalitre)	\$55.73	45.00%	35.00%	30.00%	30.00%	30.00%
Rural Outlet 2-5 Outlets	\$25.88	-6.33%	-CPI	-CPI	-CPI	-CPI
Rural Outlet 6 to 10 Outlets	\$38.80	-12.55%	-CPI	-CPI	-CPI	-CPI
Rural 11+ Outlets	\$47.32	-7.82%	-CPI	-CPI	-CPI	-CPI

RECYCLED WATER						
	2007/08 Tariff	Escalation Factor Real				
		2008/09	2009/10	2010/11	2011/12	2012/13
Recycled Access – Prices as per Water Access						
Recycled Variable (Central only)	\$0.5874	38.05%	27.50%	15.00%	15.00%	10.00%

Notes:

- Water Variable

Central includes the towns of:

Axedale, Barkers Creek, Bealiba, Bendigo, Boort, Bridgewater, Campbells Creek, Castlemaine, Chewton, Dunolly, Elmore, Elphinstone, Fryerstown, Goornong, Guildford, Harcourt, Heathcote, Huntly, Inglewood, Korong Vale, Kyneton, Laanecoorie, Lockington, Maiden Gully, Maldon, Maldon-Newstead Pipeline, Malmsbury, Mandurang, Marong, Newstead, Pyramid Hill, Raywood, Serpentine, Strathfieldsaye, Taradale, Tarnagulla, Tooboorac, Trentham, Tylden, Wedderburn and Yapeen

Northern Rivers includes the towns of:

Echuca, Cohuna, Gannawarra, Gunbower, Leitchville, Mead and Rochester

Non Potable includes the towns of:

Borong, Dingee, Elmore (Untreated), Jarklin, Macorna, Mitiamo, Mysia, Sebastian and Wychitella – *Note that Sebastian will move to a Central Districts tariff on completion of the Bridgewater/Raywood/Sebastian pipeline.*

- Sewer Access

Major includes the towns of:

Bendigo, Castlemaine, Cohuna, Echuca, Elmore, Epsom, Heathcote, Kyneton, Lockington, Maiden Gully, Malmsbury, Rochester, and Strathfieldsaye

Enviro 1 includes the towns of:

Bridgewater, Epsom (Enviro Scheme only), Campbells Creek, Chewton, Echuca (Hansen St and Wharparilla Drive only), Harcourt, Huntly, Inglewood, Maldon, Marong, Pyramid Hill, Trentham, and Tylden

Enviro 2 includes the towns of:

Axedale, Boort, Dunolly, Gunbower, Leitchville, Newstead and Wedderburn

- Recycled Water

Charges only apply for Central District towns.

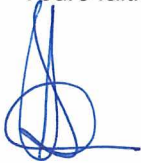
- In its submission, Coliban proposed a specific price cap within a basket of tariffs, with individual charges within the basket being capped at a maximum change of 2%. This to allow for:
 - The intention for the Water Access Fee (base charge for a 20mm meter) to be set at \$100 at the start of the regulatory period, and be held at this level for the life of the Water Plan
 - Rochester variable price (currently an individual price) to be brought into line with the Northern Rivers pricing
 - Sewer Access – Major and Sewer Access – Enviro 1 to be brought into line in 2008/09 and remain the same for the life of the Water Plan
 - Rural access fees to be set at the following levels:

▪ Channel access	\$700
▪ Pipeline access	\$800
▪ Storage access	\$100
▪ Outlets 2 – 5	\$ 25
▪ Outlets 6 – 10	\$ 35
▪ Outlets 11+	\$ 45
 - and to be held at that level for the life of the Water Plan.
 - All changes would be made within the regulatory revenue allowance for that year

Service Standards

As a result of the draft determination, and the postponement of the completion Harcourt Recycling Scheme to a later period, Coliban advises that the Key Performance Target for Recycling will decline in the final year of the plan from 82% to 73%.

Yours faithfully



Andrew Hunt
Executive Manager Business Services