

2011-12 DRINKING WATER AND SEWERAGE PRICES

REGULATORY STATEMENT



**Government
of South Australia**

May 2011

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1 Introduction

1.1 Context of pricing decision

1.1.1 *National Water Initiative*

In June 2004, the South Australian Government signed the National Water Initiative¹ (NWI). The NWI is supported by pricing principles² including full cost recovery for water services, which were established by the Natural Resource Management Ministerial Council in 2010. Some funding agreements between the South Australian Government and the Federal Government require compliance by the South Australian Government with these NWI Pricing Principles.

In the National Water Commission's (NWC) biennial assessments of governments' progress in implementing the NWI, it recommended that South Australia implement independent economic regulation and cost recovery of water planning and management charges in line with the NWI Pricing Principles.

The NWC also made a submission to the inquiry by the Essential Services Commission of South Australia (ESCOSA) into the Government's 2008-09 pricing decision, which urged the Government to strengthen independent economic regulation in South Australia, including the recovery of water planning and management costs.

1.1.2 *Water for Good*

In 2009, in response to this national context and South Australia's severe water security concerns, the Government released the *Water for Good* Plan. Key actions included:

- The appointment of ESCOSA as independent economic regulator of the South Australian water industry.
- The introduction of a water planning and management cost recovery framework.

A key milestone for the *Water for Good* Plan was achieved by the tabling of the consultation draft of the *Water Industry Bill* in Parliament in late 2010. If passed, it will appoint ESCOSA as the independent economic regulator for the water industry.

The Government is currently considering the large number of submissions received in the public consultation in preparation of the final *Water Industry Bill*. ESCOSA has also been consulting publicly on the proposed economic regulatory framework.

1.1.3 *Transition to independent economic regulation*

In previous years, the Government has made its annual water and sewerage pricing decisions in accordance with the *Waterworks Act 1932* and *Sewerage Act 1929* and the Treasurer has forwarded a Transparency Statement to ESCOSA for independent review.

¹ Available at <http://www.nwc.gov.au/www/html/117-national-water-initiative.asp>

² Available at <http://www.environment.gov.au/water/policy-programs/urban-reform/nwi-pricing-principles.html>

As ESCOSA's first price determination under the proposed *Water Industry Act* is expected to be from 1 July 2013, the Government approved transition arrangements for setting water prices in 2011-12 and 2012-13 under existing legislation.

This Regulatory Statement replaces the Transparency Statement and the associated inquiry by ESCOSA during the period of the transition arrangements.

ESCOSA continues to prepare for its expected future role as economic regulator of the South Australian water industry.³ It also continues to provide advice to the Treasurer in relation to pricing and other regulatory matters to support this transition.

1.1.4 Compliance with NWI

In its 2010-11 pricing decision, the Government considered that it complied with the NWI Pricing Principles by fully recovering the efficient costs of supplying SA Water's drinking water⁴ and sewerage services.⁵

The Government considers that the 2011-12 pricing decision continues to fully comply with the NWI by recovering efficient regulatory costs, including water planning and management charges from SA Water and its customers, consistent with the NWC's recommendations.

These regulatory outcomes are described in the tables in section 4.

This pricing decision also continues to apply the Government's statewide pricing policy that is based on applying a similar charge to all SA Water customers in South Australia who are connected to SA Water's network, regardless of location.

³ See ESCOSA's website <http://www.escosa.sa.gov.au> for more information.

⁴ Drinking water refers to water supplied by SA Water's drinking water reticulation system.

⁵ See Transparency Statement – Part A 2010-11 Potable Water and Sewerage Prices South Australia available at http://www.treasury.sa.gov.au/df/home_page.jsp

2 Pricing Decision

2.1 Introduction

On 11 May 2011, the South Australian Government announced its 2011-12 pricing decision for SA Water's drinking water and sewerage services. For SA Water customers, on 1 July 2011:

- Drinking water charges will rise by 26.3% on average.
- Metropolitan sewerage charges will rise by 5.5% and country sewerage charges will rise by 6.0%, on average.

2.2 Basis of decision

In the national context of achieving full cost recovery for drinking water and sewerage services, the key reasons for the increases in water and sewerage charges are discussed below.

2.2.1 *Drinking water*

The significant increase in drinking water charges reflects SA Water's continued investment in securing South Australia's drinking water supply. Key water security initiatives include:

- Construction of the \$1.8 billion Adelaide Desalination Plant (ADP) at Port Stanvac, which will be fully operational in late 2012 and be capable of producing up to 100 gigalitres per annum of desalinated drinking water.
- Connection of the northern and southern water supply systems as part of the \$0.4 billion North South Interconnection System Project, enhancing security of water supply and providing further flexibility to State's water sources.
- Securing temporary water entitlements to River Murray water for critical human needs.

Consistent with the NWC's recommendations on independent economic regulation and recovery of water planning and management costs, the 2011-12 pricing decision also reflects:

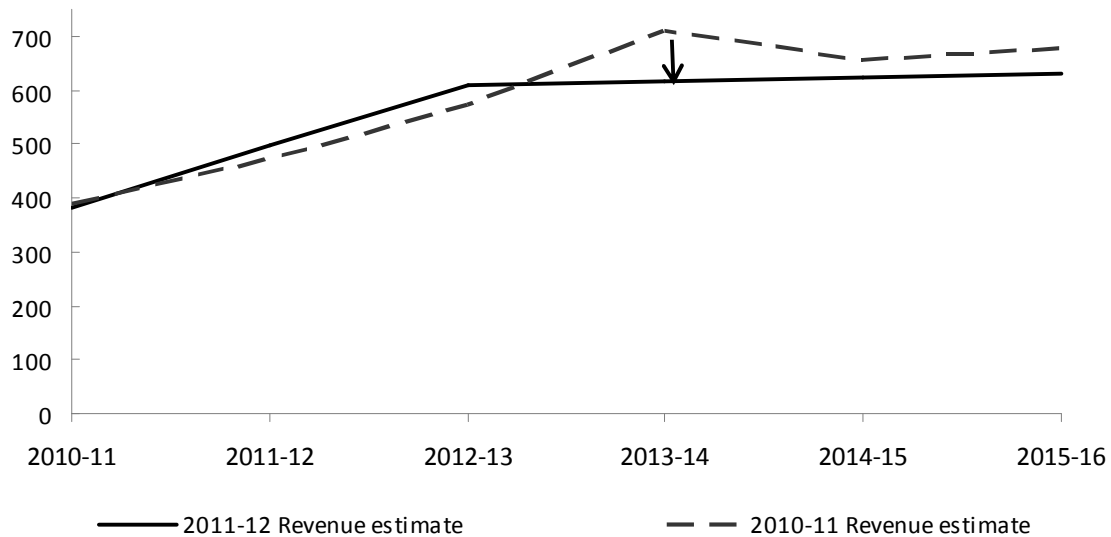
- Regulatory costs of independent economic regulation.
- The recovery of water planning and management costs incurred by the Department for Water from SA Water and its customers.

The revenue forecasts underlying the Government's 2010-11 pricing decision and reported in the 2010-11 Transparency Statement, signalled the need for significant increases in charges up to and including 2013-14 in order to fully recover costs. The Government has carefully reviewed these estimates.

Figure 1 shows the revenue required to achieve full cost recovery under the 2010-11 pricing decision compared to the 2011-12 pricing decision. It shows that the total estimated revenue requirement has decreased. This is largely a result of SA Water's savings initiatives and changes to the long term operating assumptions for the ADP.

The revised estimates for the 2010-11 pricing decision means that the previously anticipated increase in 2013-14 is no longer required. Ultimately the revenue path and associated price increases for 2013-14 will be determined by ESCOSA.

Figure 1: Metropolitan water regulatory revenue (\$ million)



2.2.2 Sewerage

The most significant influence on sewerage prices in 2011-12 is the high level of capital expenditure on sewerage treatment and recycled water projects. There are a number of significant infrastructure projects nearing completion in 2010-11 which influence future prices, including:

- An upgrade of the Christies Beach and Aldinga Wastewater Treatment Plant to meet sewerage disposal demand arising from local population growth to 2030. Other benefits include closure of the Noarlunga Downs sludge lagoons, increased recycling, reduction in the nutrient load discharged into Gulf St Vincent and landscaping improvements to adjacent coastal areas.
- The Southern Urban Reuse Project. This project is part of Water Proofing the South, a localised integrated water resource strategy based entirely in the City of Onkaparinga. It will bring dual reticulation class water to residential areas south of the Onkaparinga River.
- The Glenelg to Adelaide Parklands project bringing recycled water into Adelaide's Central Business District and parklands.

The costs of independent economic regulation also influence future sewerage costs and, consequently, charges.

2.3 Pricing structure

2.3.1 Drinking water

The price structures for residential, industrial and commercial customers to achieve the required increase in revenue are outlined below. The new charges are to apply for water consumed during the 2011-12 financial year.

Residential

Residential water charges comprise a fixed supply charge and a three tier usage charge.

Recent water pricing decisions have focussed on increasing water usage charges, rather than the fixed supply charge, in the context of immediate concerns about water scarcity. This approach included reduction in the supply charge in 2009-10 such that the current (2010-11) supply charge, at \$142.40, remains lower than in 2005-06 (\$145).

With the urgency of concerns about water scarcity easing (in the context of improved inflows to catchments, including the Murray Darling Basin, and the ADP expected to deliver first water in July 2011) it is considered appropriate that the 2011-12 pricing decision adopts a stronger focus on increasing the fixed supply charge. This assists with the recovery of the fixed costs of improvements in long term water security.

According to the NWI Pricing Principles, the usage charges should also have regard to long run marginal costs (estimated to be in the range of \$2.00/kL to \$2.75/kL). The proposed change to the first tier brings it closer to this range of long run marginal cost. The proposed second tier price has been set at \$2.75/kL, the upper limit of SA Water's estimate of long run marginal cost. The third tier usage charge is essentially a penalty for excessive residential water use and has not changed.

The new charges for residential customers are provided in Table 1 below. The third tier only applies to single dwellings (i.e. it does not apply to blocks of flats).

Table 1: 2011-12 Water charges for residential water customers

Component	2010-11	2011-12*
Annual Water Supply Charge	\$142.40	\$234.60
Water Usage		
- Tier 1 (0- 30 kL per quarter)**	\$1.28/kL	\$1.93/kL
- Tier 2 (30-130 kL per quarter)	\$2.48/kL	\$2.75/kL
- Tier 3*** (>130 kL per quarter)	\$2.98/kL	\$2.98/kL

Source: SA Water

*Charge increases expressed in nominal dollars (i.e. including inflation).

** Quarterly thresholds are indicative. Actual quarterly thresholds are adjusted on the basis of the number of days in the billing period.

*** For single residential dwellings only.

Non-residential

SA Water has two categories of non-residential customers:

- Commercial customers, including retail, wholesale, and various other service providers.
- Other non-residential customers, including industrial and rural customers, hospitals and hotels.

The water price structure for commercial customers comprises a supply charge, based on property value, and a two tier water usage charge. The first tier is marginally higher than that charged to residential customers, described above. The second tier is the same as that charged to residential customers. The slightly higher Tier 1 price is to begin the process of implementing the *Water for Good* action⁶ of a single drinking water price for non-residential customers by 2016.

⁶ Action 71 of Water for Good. For more information see <http://www.waterforgood.sa.gov.au>.

The price structure for commercial customers is outlined in Table 2, below. Note the actual property rate is not available until June 2011 when the latest property values can be used to determine the property rate.

Table 2: 2011-12 Water charges for commercial water customers

Component	2010-11	2011-12*
Water Supply Charge		
Property rate		3.5% average increase**
Minimum	\$180.80	\$273.00
Water Usage		
- Tier 1 (0- 30 kL per quarter)	\$1.28/kL	\$2.13/kL
- Tier 2 (>30 kL per quarter)	\$2.48/kL	\$2.75/kL

Source: SA Water

* Charge increases expressed in nominal dollars (i.e. including inflation).

** Rate in the dollar, consistent with the indicated increase, to be determined in June 2011 when the latest Valuer General property values for 2011-12 can be used to determine a rate consistent with the average 3.5% increase.

Other non-residential customers have a fixed supply charge and the same two tier usage charge as commercial customers. The price structure for other non-residential customers is outlined in Table 3, below.

Table 3: 2011-12 Water charges for other non-residential water customers

Component	2010-11	2011-12*
Water Supply Charge	\$180.80	\$273.00
Water Usage		
- Tier 1 (0- 30 kL per quarter)	\$1.28/kL	\$2.13/kL
- Tier 2 (>30 kL per quarter)	\$2.48/kL	\$2.75/kL

Source: SA Water

* Charge increases expressed in nominal dollars (i.e. including inflation).

2.3.2 Sewerage

Sewerage charges are based on a customer's property value, subject to a minimum charge.

The Government approved an increase in property based sewerage charges of 5.5% for metropolitan customers and 6.0% for country customers, on average, with actual rates to be fixed in June 2011. In 2010-11 the average sewerage bill for residential customers in the country was 12 per cent less than for metropolitan customers. The slightly higher increase for country sewerage charges is intended to continue a gradual increase in the average country customer's charge to bring it closer to those in the city.

The minimum charge for 2011-12 will increase from \$308 to \$325 per year.

3 Customer impacts

The increase in drinking water prices that is required to recover South Australia's water security investments continues to have a significant impact on customers. On the other hand, the impact of the increase in sewerage charges has been relatively less. This section provides information on the customer impacts of the recent water and sewerage price increases.

3.1 Total metropolitan residential and non-residential bills

3.1.1 Residential drinking water and sewerage customers

The impact on residential metropolitan water and sewerage customers in 2011-12 is outlined in Table 4 below.

Table 4: Impact on residential metropolitan water and sewerage bills

Metro water and sewerage	2010-11	2011-12*	% increase	% increase since 2007-08
Typical 1 person household (120kL per annum)	\$753.30	\$948.88	26%	48%
Average residential property (190kL per annum)	\$926.90	\$1141.38	23%	59%
Typical large household (340kL per annum)	\$1298.90	\$1553.88	20%	74%

* Bills reflect the sewerage charge for the average valued residential property.

3.1.2 Non-residential drinking water and sewerage customers

The impact on non-residential metropolitan drinking water and sewerage customers in 2011-12 is outlined in Table 5, below.

Table 5: Impact on non-residential metropolitan water and sewerage bills

	Water use (kL)	Capital value	2010-11	2011-12*	% increase
Industrial					
Small dry industry	200	\$600 000	\$1 335	\$1 595	19.5%
Small industry	800	\$1 400 000	\$3 893	\$4 374	12.4%
Food industry	50 000	\$3 000 000	\$128 048	\$141 932	10.8%
Major beverage producer	100 000	\$14 000 000	\$266 755	\$294 954	10.6%
Very large industrial	1 000 000	\$15 000 000	\$2 500 092	\$2 771 365	10.9%
Commercial					
Delicatessen	750	\$400 000	\$2 569	\$2 882	12.2%
Service station	500	\$1 500 000	\$4 294	\$4 651	8.3%
Car wash	6 000	\$850 000	\$12 828	\$14 199	10.7%
Local supermarket	3 000	\$7 000 000	\$22 220	\$23 813	7.2%
Local hotel/bottle shop	4 000	\$6 000 000	\$16 739	\$18 290	9.3%
High rise hotel	60 000	\$50 000 000	\$215 687	\$235 752	9.3%
Multi storey office building	10 000	\$50 000 000	\$131 256	\$139 119	6.0%
Major shopping mall	70 000	\$300 000 000	\$813 056	\$862 587	6.1%

*The sewerage charge reflects metropolitan sewerage rates.

3.2 Drinking water

The 2011-12 price structure for drinking water charges partially offsets the relatively lower percentage increases for low water users since 2007-08.

The impacts of the proposed drinking water charges on typical residential customers with varying water usage are outlined in Table 6 below.

Table 6: Impact on residential drinking water customers

	2010-11	2011-12*	% increase	% increase since 2007-08
Metro and country water				
Vacant property	\$142.40	\$234.60	65%	49%
Very low water user (50kL per annum)	\$206.40	\$331.10	60%	82%
Typical 1 person household (120kL per annum)	\$296.00	\$466.20	58%	114%
Average residential property (190kL per annum)	\$469.60	\$658.70	40%	123%
Typical large household (340kL per annum)	\$841.60	\$1071.20	27%	128%
High water user (say 750 kL per annum)	\$1973.40	\$2251.60	14%	138%

* Calculation of annual charges assumes water is used uniformly across the full year.

Based on an average supply of 190 kL of water per household in Adelaide, households would pay \$658.70 in 2011-12 for their total water bill (i.e. including the supply and water usage charges). This equates to an increase of about \$189.10 per year, or about \$3.64 per week.

Table 7, below, provides a comparison of annual residential water bills for households with varying water usage.

Table 7: Residential drinking water bill comparisons*

kL Annual use (single dwellings)	2010-11			2011-12			Difference per year	Difference per week
	Annual water use charges	Annual supply charge	Total annual water bill	Annual water use charges	Annual supply charge	Total annual water bill		
60	\$76.80	\$142.40	\$219.20	\$115.80	\$234.60	\$350.40	\$131.20	\$2.52
120	\$153.60	\$142.40	\$296.00	\$231.60	\$234.60	\$466.20	\$170.20	\$3.27
190	\$327.20	\$142.40	\$469.60	\$424.10	\$234.60	\$658.70	\$189.10	\$3.64
240	\$451.20	\$142.40	\$593.60	\$561.60	\$234.60	\$796.20	\$202.60	\$3.90
520	\$1145.60	\$142.40	\$1288.00	\$1,331.60	\$234.60	\$1,566.20	\$278.20	\$5.35
700	\$1682.00	\$142.40	\$1824.40	\$1,868.00	\$234.60	\$2,102.60	\$278.20	\$5.35
1000	\$2576.00	\$142.40	\$2718.40	\$2,762.00	\$234.60	\$2,996.60	\$278.20	\$5.35

Source: SA Water

* Calculation of annual charges assumes water is used uniformly across the full year.

For non-residential water customers the most significant increase in percentage terms will be experienced by small dry industry and dry farm properties, compared to high water use farms and industries that have incurred higher increases over recent years.

3.3 Sewerage

Approximately 25% of metropolitan residential customers and 49% of residential country customers pay the minimum sewerage rate. This will rise by \$17 per annum to \$325 per annum.

Residential customers occupying the average metropolitan residential property (\$390 000 based on 2010-11 values) will pay an additional \$25 per annum, or a total charge of \$483 per annum.

Residential customers occupying the average country residential property (\$252 000 based on 2010-11 values) will pay an additional \$24 per annum or a total charge of \$400 per annum.

3.4 Concessions

Currently pensioners, eligible Centrelink beneficiaries and Commonwealth Low-Income Health Care Card holders are assisted with water and sewerage bills by a Government funded concession.

In view of the significant increases in water charges required to finance South Australia's future water security, the Government announced on 11 May 2011 further enhancements to water concessions to assist specific vulnerable customers with the adjustment to higher water prices.

The water concession will increase to 25% of the recipient's total annual water bill, from 20% currently, and the maximum and minimum levels of the water concession will increase by \$25 in 2011-12 and a further \$30 in 2012-13 for owner occupiers. Lower increases in the minimum and maximum concession will apply for tenants in recognition of the fact that tenants are not generally liable for the supply charge component of water bills.

In 2011-12, an increase in the sewerage concession to \$105 is also available, which will increase to \$110 in 2012-13, as previously announced.

The revised South Australian Government concessions for water and sewerage customers are outlined in Table 8, below.

Table 8: Concessions for eligible water and sewerage customers

	Concession in 2010-11	Concession in 2011-12	Concession in 2012-13
Water (minimum for owner occupier)	\$100	\$125	\$155
Water (maximum for owner occupier)	\$210	\$235	\$265
Water (minimum for tenants)	\$58	\$72	\$90
Water (maximum for tenants)	\$168	\$182	\$200
Sewerage (up to a maximum)	\$100	\$105	\$110

Source: Treasury and Finance

4 Regulatory Model Estimates

Previous Transparency Statements have reported on SA Water's performance in a national context and outlined the regulatory model estimates upon which the decision is based.

In accordance with the NWI, South Australia has been working with other jurisdictions on a national performance reporting framework for water utilities. SA Water's performance compared to other Australian utilities of comparable size can be reviewed in the NWC's National Performance Report.⁷

For completeness and transparency, this Regulatory Statement includes the regulatory model estimates that are consistent with the information provided in recent Transparency Statements.⁸

4.1 Regulatory asset base

Table 9, below outlines the depreciation of assets and illustrates the annual increases and decreases in the regulatory asset base. The table includes information for SA Water Corporation and SA Water's water and sewerage business segments.

Table 9: Adjusted infrastructure asset base (nominal)*

SA WATER ASSETS (nominal \$M)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Opening balance	9,237	10,010	10,682	10,879	11,086
Capital expenditure	628	641	173	198	278
Inflation adjustment	317	245	261	266	270
Depreciation	(173)	(214)	(237)	(257)	(267)
Closing balance	10,010	10,682	10,879	11,086	11,368
WATER ASSETS (nominal \$M)					
Opening balance	6,444	6,993	7,505	7,614	7,714
Capital expenditure	442	490	94	98	107
Inflation adjustment	222	171	183	186	188
Depreciation	(113)	(150)	(168)	(184)	(191)
Closing balance	6,993	7,505	7,614	7,714	7,818
SEWERAGE ASSETS (nominal \$M)					
Opening balance	2,794	3,017	3,177	3,265	3,373
Capital expenditure	187	151	79	100	171
Inflation adjustment	96	74	78	80	82
Depreciation	(59)	(65)	(69)	(72)	(76)
Closing balance	3,017	3,177	3,265	3,373	3,550

Source: SA Water Table may not add due to rounding.

* excludes post-corporatisation contributed assets.

⁷ Available at <http://www.nwc.gov.au/www/html/260-water-utility-performance-introduction.asp>.

⁸ Available at http://www.treasury.sa.gov.au/df/infrasturcture_support/water.jsp.

4.2 Estimates of full cost recovery and revenue

The following tables show the regulatory model's estimates for regulated asset values, the two commonly adopted measures of full cost recovery (upper revenue bound (URB) and go forward full cost recovery (GFFCR)) and revenue for each of SA Water's four segments (metropolitan water, country water, metropolitan sewerage and country sewerage) as well as for SA Water as a whole.

Table 10: Regulatory model estimates for SA Water

SA WATER (nominal \$million)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Average regulated asset values*					
Legacy assets	7,220	7,318	7,333	7,343	7,350
New assets	2,790	3,153	3,582	3,776	4,016
Average asset values	10,010	10,471	10,914	11,119	11,366
URB					
Operating expenditure	414	541	512	535	519
Depreciation	173	214	237	257	267
Return on assets (All 6%)	601	628	655	667	682
Total URB	1,187	1,383	1,404	1,458	1,468
GFFCR					
Operating expenditure	414	541	512	535	519
Depreciation	173	214	237	257	267
Return on assets (metro water 3.1% / 6%)	525	552	578	590	605
Total GFFCR	1,112	1,306	1,327	1,381	1,391
Revenue					
Water rates	120	191	241	245	248
Water sales	416	512	624	631	638
Sewerage rates	306	326	334	345	358
Community service obligations	186	153	105	116	130
Other	49	49	54	56	57
Total revenue	1,075	1,232	1,358	1,393	1,431

Source: SA Water.

Table may not add due to rounding.

*excludes post-corporatisation contributed assets.

Table 11: Regulatory model estimates for metropolitan water

Metropolitan Water (nominal \$million)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Average regulated asset values					
Legacy assets	2,608	2,644	2,649	2,653	2,655
New assets	1,851	2,087	2,329	2,367	2,403
Average asset values	4,459	4,731	4,978	5,020	5,058
URB					
Operating expenditure	157	270	244	255	229
Depreciation	62	95	111	124	128
Return on assets (All 6%)	268	284	299	301	303
Total URB	487	649	654	681	660
GFFCR					
Operating expenditure	157	270	244	255	229
Depreciation	62	95	111	124	128
Return on Assets (3.1% / 6%)	192	207	222	224	226
Total GFFCR	411	572	577	604	583
Revenue					
Water rates	90	141	177	180	182
Water sales	271	334	407	411	416
Sewerage rates	0	0	0	0	0
Community service obligations	8	9	9	9	9
Other	15	14	14	15	16
Total revenue	384	498	608	615	623

Source: SA Water
Table may not add due to rounding.

Table 12: Regulatory model estimates for country water

Country Water (nominal \$million)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Average regulated asset values	2,534	2,606	2,676	2,739	2,804
URB					
Operating expenditure	123	133	127	133	139
Depreciation	52	55	57	60	63
Return on assets (All 6%)	152	156	161	164	168
Total URB	326	344	345	357	370
Revenue					
Water rates	30	51	64	65	66
Water sales	144	178	217	220	222
Sewerage rates	0	0	0	0	0
Community service obligations	142	106	54	63	73
Other	9	9	10	10	9
Total revenue	326	344	345	357	370

Source: SA Water
Table may not add due to rounding.

Table 13: Regulatory model estimates for metropolitan sewerage

Metropolitan Sewerage (nominal \$million)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Average regulated asset values	2,484	2,576	2,678	2,751	2,826
URB					
Operating expenditure	111	112	114	118	123
Depreciation	49	53	57	60	62
Return on assets (All 6%)	149	155	161	165	170
Total URB	309	320	331	343	355
Revenue					
Water rates	0	0	0	0	0
Water sales	0	0	0	0	0
Sewerage rates	273	291	298	308	319
Community service obligations	7	7	7	7	7
Other	21	23	27	28	29
Total revenue	300	320	331	343	355

Source: SA Water
Table may not add due to rounding.

Table 14: Regulatory model estimates for country sewerage

Country Sewerage (nominal \$million)					
	2010-11	2011-12	2012-13	2013-14	2014-15
Average regulated asset values	533	558	583	608	678
URB					
Operating expenditure	23	25	27	28	29
Depreciation	10	11	12	13	14
Return on assets (All 6%)	32	34	35	37	41
Total URB	65	70	74	77	83
Revenue					
Water rates	0	0	0	0	0
Water sales	0	0	0	0	0
Sewerage rates	33	35	36	37	39
Community service obligations	28	32	35	37	41
Other	3	4	3	3	3
Total revenue	65	70	74	77	83

Source: SA Water
Table may not add due to rounding.

4.3 Consumption estimates

The Government has based this pricing decision on estimates of 'normal' consumption of drinking water by SA Water customers. Normal consumption assumes that restrictions are not in place. This approach ensures that SA Water customers do not pay for revenue lost as a result of prevailing water restrictions.

The consumption estimates upon which this pricing decision are based are included in Table 15, below.

Table 15: Estimates of drinking water consumption

	2010-11	2011-12	2012-13	2013-14	2014-15
Normal consumption	193.7GL	206.2GL	200.9GL	202.0GL	203.1GL

Source: SA Water

4.4 Community service obligations

The Government assists customers in regional areas by providing SA Water with a community service obligation (CSO) to implement its statewide pricing policy, under which regional customers pay the same water charges and similar sewerage charges as metropolitan customers.

Estimated CSO payments to SA Water are outlined in Table 16, on the following page.

Table 16: Community Service Obligations (nominal \$million)

	2010-11	2011-12
Statewide pricing		
<i>Water business</i>	138.37	102.17
<i>Sewerage business</i>	27.56	30.82
Water Proofing Adelaide	6.19	6.34
Exemptions and concessions	12.04	12.15
Emergency functional services	0.57	0.54
Emergency services concession (SAPOL)	0.06	0.06
Administration of pensioner concessions	0.41	0.41
Government Radio Network	0.48	0.49
River Murray Levy administration	0.06	0.06
Total CSO payments	185.74	153.05

Source: SA Water