

FINAL WATER PLAN 3 PROPOSAL

Overview of proposed tariff increases

During the draft Water Plan 3 consultation process, Gippsland Water sought public feedback on two different tariff options.

Option one, known as the 'upfront' option, required a small 'CPI plus' increase in 2013-14, followed by 'CPI only' increases in the next four years of the third regulatory period. Option two, based on an annual increase, required a smaller 'CPI plus' increase which would occur every year for all five years of the third regulatory period.

Gippsland Water developed a Proposed Tariffs fact sheet that outlined the different approaches to allow customers to consider which option they preferred. The fact sheet detailed expected tariffs and included examples of how each option would impact typical households during the third regulatory period.

Table 1: Tariff options

Tariff option	Draft Water Plan 3 proposal	Final Water Plan 3 proposal
Up-front	'3.92% + CPI'	Not applicable
Annual increase	'1.32% + CPI'	'0.98% +CPI'

Gippsland Water's main residential water and wastewater tariffs are outlined below, given the proposed '0.98% plus CPI' annual tariff increase.

Table 2: Water Service Availability Charge (\$ Jan 13 excluding CPI)

Size of service	Current	Third regulatory period				
	12-13	13-14	14-15	15-16	16-17	17-18
20mm	165.42	167.05	168.68	170.34	172.00	173.69

Table 3: Water Usage Charge (\$ Jan 13 excluding CPI)

Type	Current	Third regulatory period				
	12-13	13-14	14-15	15-16	16-17	17-18
Treated water per kL	1.9130	1.9317	1.9507	1.9698	1.9891	2.0086

Table 4: Wastewater Service Availability Charge (\$ Jan 13 excluding CPI)

Type	Current	Third regulatory period				
	12-13	13-14	14-15	15-16	16-17	17-18
Connected property	758.75	766.19	773.70	781.28	788.93	796.67

Customers were encouraged to provide feedback on which option they would prefer via Gippsland Water's Share Your View website.

Given the results of the feedback on proposed tariffs, Gippsland Water has determined that it will proceed with tariff increases based on option two, an annual average increase plus CPI for the third regulatory period. Gippsland Water will continue to monitor this position in the lead up to the ESC's final decision in May 2013.

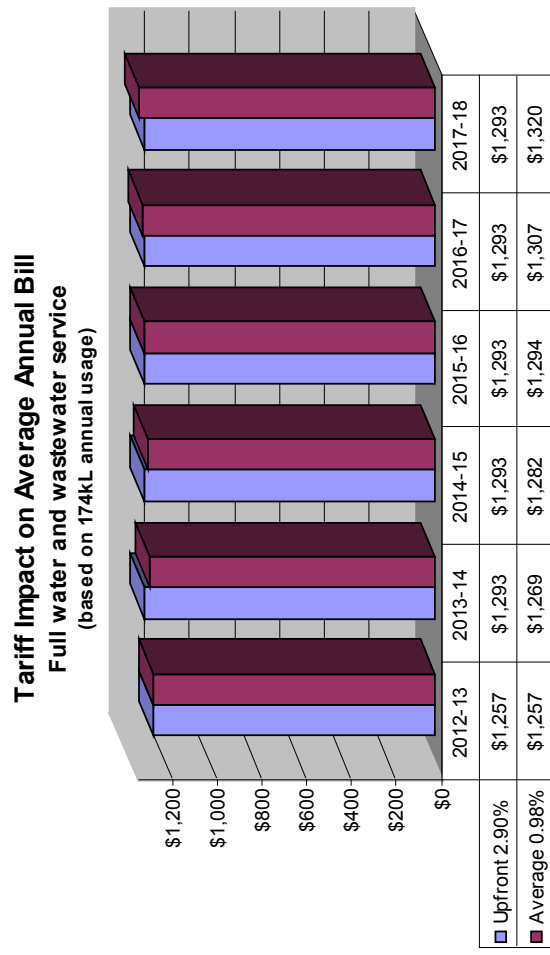
This final Water Plan 3 proposal proposes an annual tariff increase of '**0.98% + CPI**' for each of the five years of the third regulatory period. This represents a small reduction from the '1.32% + CPI' position outlined during the consultation period, and results mainly from reductions in operating expenditure that have been identified since the draft Water Plan 3 proposal was released in May 2012.

Customer impacts - average household bill (excluding CPI)

Full service customer – average water consumption

Assuming average water consumption of 174kL per annum, Figure 1 below outlines a typical household bill for a customer who receives both water and wastewater services. The proposed average '0.98% per annum' increase is shown for comparative purposes alongside an 'upfront 2.90%' increase. By 2017-18, an average household bill is \$27 more per annum under the '0.98% per annum' increase.

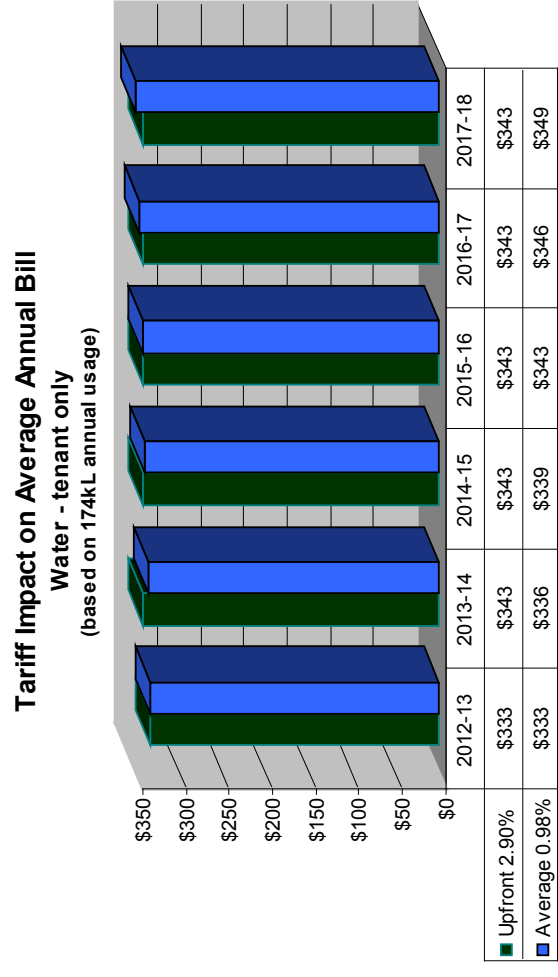
Figure 1: Average household bill – full service customer (\$ Jan 13 excluding CPI)



Tenant customer – average water consumption

Assuming an average annual water consumption of 174kL per annum, Figure 2 below outlines a typical household bill for a customer who is a tenant, and would normally pay water volumetric charges only. The proposed average '0.98% per annum' increase is shown for comparative purposes alongside an 'upfront 2.90%' increase. By 2017-18, an average household bill is \$6 more per annum under the '0.98% per annum' increase.

Figure 2: Average household bill – tenant customer (\$ Jan 13 excluding CPI)



Customers who do not fit the 'average water consumption' profile

The use of averages in water consumption discussions allows for ease of presentation of data. However, for many customers, actual usage may vary significantly from this average. The tables below provide information on average household bills for a range of water consumption levels by customer type.

Table 5: Average household bill – full service customer (\$ Jan 13 excluding CPI)

Kilolitres (kL) used	12-13	13-14	14-15	15-16	16-17	17-18
40	1,000.70	1,010.50	1,020.40	1,030.40	1,040.50	1,050.70
80	1,077.22	1,087.77	1,098.43	1,109.20	1,120.07	1,131.04
120	1,153.74	1,165.04	1,176.46	1,187.99	1,199.63	1,211.39
240	1,383.30	1,396.85	1,410.54	1,424.36	1,438.32	1,452.42
280	1,459.82	1,474.12	1,488.57	1,503.16	1,517.89	1,532.76
320	1,536.34	1,551.39	1,566.59	1,581.95	1,597.45	1,613.11

Table 6: Average household bill - water only customer (\$ Jan 13 excluding CPI)

Kilolitres (kL) used	12-13	13-14	14-15	15-16	16-17	17-18
40	241.94	244.32	246.71	249.13	251.57	254.03
80	318.46	321.58	324.74	327.92	331.13	334.38
120	394.98	398.85	402.76	406.71	410.70	414.72
240	624.54	630.66	636.85	643.09	649.39	655.75
280	701.06	707.93	714.87	721.88	728.95	736.10
320	777.58	785.20	792.90	800.67	808.52	816.44

Table 7: Average household bill - tenant customer (\$ Jan excluding CPI)

Kilolitres (kL) used	12-13	13-14	14-15	15-16	16-17	17-18
40	76.52	77.27	78.03	78.79	79.56	80.34
80	153.04	154.54	156.05	157.58	159.13	160.69
120	229.56	231.81	234.08	236.38	238.69	241.03
240	459.12	463.62	468.16	472.75	477.38	482.06
280	535.64	540.89	546.19	551.54	556.95	562.41
320	612.16	618.16	624.22	630.33	636.51	642.75

Residential customer impacts - variable component of water charge

The variable component of a customers' total 'water bill' will depend on the services provided by Gippsland Water.

Figure 7.3 outlines the variable component of the combined 'water bill' for each type of service provided.

The figure utilises average annual consumption of 174kL water for comparative purposes. The figure illustrates that using average annual consumption of 174kL, the total 'water only' cost is 67% variable.

Figure 7.3

