

**LOWER MURRAY WATER**  
**CUSTOMER SERVICES ADVISORY COMMITTEE**  
**MILDURA**  
**MINUTES**

**Monday 12<sup>th</sup> April 2010**  
**Meeting Commenced at 4.15pm**  
**“Training Room”, Lower Murray Water**

**PRESENT**

**CSAC Members**

Robert Bate, Domenico Caia

**LMW Officers**

Owen Russell (General Manager Customer Services), Kevin Murphy (General Manager Technical Services), Loris Davis (General Manager Business Services) John Bergin (Manager Financial Services), Pam Fitzpatrick (Minute Taker)

**1.0 WELCOME**

General Manager Customer Services advised that the focus of the meeting was to review the Draft 2010/11 Corporate Plan and examine tariffs for the coming season.

Additional matters included on the agenda were Finalised Winter Watering Schedule, Blue Green Algae, Winter Maintenance, Usage Information, Sunraysia Modernisation Project Update and Carry Over Rules 2010/11.

**2.0 APOLOGIES**

Ron Leamon (Managing Director), Warren Lloyd (Chair), Ashley Johnstone (Deputy Chair), Joe Ietto, Rodney Trigg

**3.0 BUSINESS**

**3.1 Corporate Plan including tariffs for 2010/11**

General Manager Business Services advised that LMW was currently undertaking a round of consultation with its urban and rural Customer Committees to examine pricing for 2010/11. The Committee was requested to provide feedback as soon as possible so that the Board could again consider the Corporate Plan at its meeting on 21<sup>st</sup> April. The CSAC was advised that the Sunraysia Modernisation Project had not been incorporated in the Corporate Plan as tabled.

It was noted that LMW prepares a Corporate Plan on an annual basis for submission to the Minister for Water and Treasurer. The Plan which was due to be submitted by 30<sup>th</sup> April incorporated data for five years being the last three years of the current ESC regulatory period and for two years into the next regulatory period.

Manager Financial Services reported that the Plan was prepared in accordance with the requirements of the Water Act 1989 and must include:

- (a) business objectives;
- (b) main business undertakings;
- (c) nature and scope of the activities to be undertaken
- (d) performance targets and other measures in relation to LMW’s business objectives;
- (e) the kind of information to be provided to the Minister by LMW during the course of those financial years; and
- (f) any other matters that may be agreed on by the Minister and LMW from time to time.

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LMW was also required to include data and narrative regarding:

- Financial information that meet the requirements of the Department of Treasury and Finance (DTF) Corporate Planning and Performance Reporting;
- Key assumptions such as assumed allocations, water restrictions and customer growth;
- Major initiatives and capital projects;
- Material changes from the previous Corporate Plan and 2008-2013 Water Plan;
- Major operational, social and environmental risks and strategies required to mitigate these risks; and
- Sensitivity analysis of key planning assumptions.

The meeting was advised that 'Rural' prices were set under a revenue cap approach whereby the maximum revenue that could be earned was set at the outset of the regulatory period for the whole 'rural' business. This provided LMW with guaranteed revenue for each year of the regulatory period regardless of volume. Under this scenario, any income derived over the revenue requirement was adjusted in the later years within the regulatory period or in the next regulatory period. That is, where income received exceeded the revenue cap it was returned to the customers as a price reduction but where income was less than the cap, it could be recovered from customers through price increases over the remaining years in the regulatory period.

The total revenue cap for the rural business was \$15.5M per year. LMW however calculated this on a district basis and there was no cross subsidising of districts.

It was noted that that the Corporate Plan did not include works for the Sunraysia Modernisation Project (SMP) nor works if the Project did not proceed. 2010/11 was seen as a 'holding' year for the Mildura District.

In terms of Water Share it was noted that this had decreased from 67,287 actual in 2006/7 and the forecast actual Water Share for 2009/10 was 63,068.

Actual Water Usage had been 43,068 in 2005/06, decreasing to 29,078 in 2007/08 and then increasing to a forecast 31,500 for 2009/10. 29,487 had been utilised for purposes of preparing the Corporate Plan.

The tariff proposed for 2010/11 was \$439. This level of increase was due to the revenue cap and the requirement not to exceed that cap. The delivery fee charge would be \$42.

In terms of Capital Expenditure it was noted that major capital works during the Corporate Plan period included Central Pumps rising main and suction at (\$12.1M) and (\$6.1M) for Central pumps replacement of motors and switchboards. It was noted that moving into the next Regulatory Period the asset base would be a lot higher than forecast. It was reiterated that there would be a complete review of capital expenditure if the Sunraysia Modernisation Project did not proceed.

In reviewing the Financial Statements it was noted that usage had decreased due to the decrease in forecast usage in 2010/11. Operations and Maintenance had decreased due to more technical service expenditure being allocated directly to capital works projects and less specific maintenance works required in 2011.

It was also noted that the proceeds from the sale of assets – being the sale of subdivision land had been had been apportioned as income across all rural and urban districts of the business.

The Statement of Financial Performance also included Termination Fees of \$538,000. LMW was required to recognise this income in the year it was received.

It was noted that cash at end would be in the negative due to the capital works planned. LMW would be required to take out significant loans to finance the works which would further impact on the District. It

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was therefore vital to receive the funding from the Sunraysia Modernisation Project rather than have to finance this via income and from borrowings.

The CSAC members were requested to contact the General Manager Business Services or Manager Financial Services no later than Thursday 15<sup>th</sup> April with any questions or further comments. The meeting noted that the Corporate Plan information would also be circulated to members who had been unable to attend the meeting.

### **3.2 Finalised Winter Watering Schedule**

The meeting was advised that the Irrigation Districts' Winter Pumping Guide for 2010' had been published. It was noted that commencement of irrigation was dependent on issues such as orders and frost protection. Feedback was sought from Committee members and it was noted that weekend pumping (Friday to Monday inclusive) to the end of April would be sufficient for irrigators. It was suggested that LMW consider commencing pumping at 8pm on a Thursday evening.

### **3.4 Winter Maintenance**

General Manager Customer Services advised that LMW would undertake a review of channels across all districts to prioritise channel patching works and in preparation for Sunraysia Modernisation Project works. A total shut down of the system was also required for electrical works at Psyche Pumps.

### **3.3 Blue Green Algae**

It was noted that blue green algae had been a big issue for Sunraysia and particularly from Robinvale to Mildura for the past month. The bloom had however dissipated over the last few days with monitoring showing no algae downstream of the Mildura Weir.

Whilst it was expected that the alert was over for this year it was anticipated that next year could see a similar season. The alert had highlighted the need for LMW to be able to contact customers urgently and arrangements were being made to provide alerts via text messages. Customers would be requested to provide up to date contact information as soon as possible.

### **3.5 Carry Over Rules**

An extract from the Northern Region Sustainable Water Strategy document and a media release from the Minister for Water relating to the new carry over rules were tabled. CSAC members were advised that the spillable water account would be managed via the Water Register and would also be available at 'Waternow' on the LMW web page. Provided that storages did not spill customers would be able to use water in the spillable water accounts.

The meeting was advised that allocations were at 100% and discussed the amount of carry over water in the region Nyah to the SA Border and the dollar value. It was noted that 82,000ML including that held by Private Diverters had been carried over whilst GMW customers had carried over 72,000ML with 5,000ML being against low security water and hence not being forfeited.

The key issue for Sunraysia Irrigators was the dollar value of the carry over water lost to the region.

The General Manager Customer Services outlined the new rules to apply from 1<sup>st</sup> July. The CSAC was advised that at 100% allocation, carry over water would be stored in a 'spillable water account' and as long as the storage did not spill irrigators would receive that water plus their annual allocation.

It was noted that at 15<sup>th</sup> May 2010 an indication would be provided regarding next season's allocation. It seemed that provided there were average inflows there could be an opening allocation and potential for 100% allocation later in the season. South Australia would be supplied from the Darling River waters.

### **3.6 Usage Information**

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The meeting discussed whether with improved water allocation irrigators may increase water usage in the Mildura District.

Committee members were of the view that with improved allocations water usage would increase however it was not envisaged that property where water had been sold off would be brought back into production. In terms of seasonal crops CSAC members were of the view that with fickle markets and low commodity prices it was unlikely irrigators would take up this option.

### **3.7 Sunraysia Modernisation Project**

The meeting was advised that LMW had following a request from the Department, reviewed certain components of its Sunraysia Modernisation Project business case and provided up dates. It was noted this matter would be considered at the COAG meeting to be held on 19<sup>th</sup> April.

It was noted that recent comments from the Productivity Commission did not appear to support the project.

General Manager Business Services advised that in the event funding was not forthcoming for Sunraysia Modernisation Project that LMW would undertake an engineering assessment coupled with a customer affordability exercise. The assessment would include a risk analysis to prioritise works in the District. LMW would then have to seek loans to fund the works.

<p><b>ACTION:</b></p>
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<p><b>LMW Officers undertook to provide feedback to the CSACs on the Corporate Plan following the April Board meeting.</b></p>
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**The meeting closed at 5.07pm**