

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

**Tuesday 6<sup>th</sup> April 2010**  
**Meeting Commenced at 4.10pm**  
**“Training Room”, Lower Murray Water**

**PRESENT**

**CSAC Members**

Kevin Coogan (Chair), Ron Hards (Deputy Chair), Ian Arney, Neil Boord, Allen Harmer, Stuart Thomson

**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, CSAC Elections, Blue Green Algae and an update on the Millewa Water Quality Project.

**2.0 APOLOGIES**

Ron Leamon (Managing Director)

**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.

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 history of water usage in the Millewa was reviewed and it was noted that whilst there had been a significant drop from between 2005/06 and 2006/07 that usage had been relatively stable between 2008/09 and 2009/10.

The meeting queried where income from Private Diverters was recorded in the financial statements and the associated costs. It was noted that income from Private Diverter Pumping from Lake Cullulleraine was not identified in the Millewa data as the costs were allocated to the Private Diverters and the water loss was taken out of the LMW account as a whole.

**ACTION**

**Manager Financial Services to clarify where the income and expenditure associated with private diverter pumping from Lake Cullulleraine for the Millewa CSAC was being recorded and specifically identify where the income was being recorded in the financial statements.**

The meeting reviewed the proposed pricing and noted that the Corporate Plan prices for 2010/11 had been set as per the Water Plan. The prices included projected CPI for 2011-2013.

The Committee requested advice as to the percentage increase in tariffs.

**ACTION**

**Manager Financial Services to provide the Committee with the Percentage increase in tariffs.**

The meeting reviewed capital expenditure for the Millewa District from 2005/06 through to 2012/13. It was noted that the major project during the Corporate Plan period related to Water Quality Improvement at \$2m.

In respect to the forecast tariff income for 2010/11 in the Water Plan it was noted that the service charge had increased due to the completion of the Water Quality Improvement Project occurring in 2010. Expenditure for operations and maintenance had increased due to air scouring being programmed for 2011.

It was noted the proceeds from the sale of assets (land at Fourteenth Street) had been apportioned across all rural and urban districts of the business.

In response to a query regarding depreciation it was noted that this was a 'book entry' only. Depreciation was calculated on the value of assets which was established at a revaluation carried out five years previously.

The meeting reviewed the Statement of Financial Performance noting that there was a forecast net result before tax of (\$549,271.84) in 2009/10 and (\$561,781.89) in 2010/11.

The Balance Sheet illustrated a forecast of \$911,000 in 2009/10, reducing to \$160,000 in 2010/11. This reduction in cash was due to the construction of the Water Quality Improvement as the new infrastructure was not being funded totally from a government grant.

The Statement of Cash Flows identified Capital Expenditure at \$361,000 in 2009/10 and \$1.97m in 2010/11. Government contributions had been identified at \$992,000 in 2010/11 being for the Water Quality Improvement Project.

It was noted that tariffs were not generating a large surplus with projected net cash from operations of \$68,000 in 2009/10 and \$156,000 for 2010/11.

The Committee asked if it was possible to 'run down the cash' and what the impact would be on tariffs without impacting on the viability of the business. It was noted that it may be prudent to await the outcome of the application from the Small Town Improvement Fund for the treatment plant infrastructure funding.

#### **ACTION**

**Millewa Committee to be advised what the impact would be on tariffs if the 'cash' was run down.**

General Manager Technical Services advised that DSE had a preference for a plant of potable standard however at this point it had not been discussed with either the CSAC or the community.

The CSAC was advised that once a response to the funding application had been received, LMW would arrange a meeting with the Committee and the community. The Committee advised that it would not be appropriate to hold a meeting in early May due to the dryland farming 'sowing season'.

The Committee queried why DSE would require a potable plant and was advised that it was the Government's policy to provide a potable water to small towns. It was noted that individual plants in the two small towns was a more expensive option.

It was noted that it was expected that there would be a decline in water quality due to inflows from the Darling to the Murray system.

The General Manager Customer Services advised that Lower Murray Water did not have to provide for 'doubtful debts' as the Water Corporation was able to recover any debt at the sale of the property. The Committee requested to be advised of the debt level in the Millewa District.

**ACTION: Millewa CSAC to be advised of the debt level in the Millewa District**

It was noted that forecast water usage figures in the Corporate Plan had remained static and the meeting discussed whether there may be a change to water usage with increased availability. It was generally agreed however that the Committee did not expect to see livestock levels rise.

### **3.2 2010 CSAC Member Elections – Neil Boord, Ian Arney**

The General Manager Customer Services advised that term of appointment for Neil Boord and Ian Arney were due to expire and that LMW would call for nominations towards the end of April. Should more than two nominations be received then an election would be held with the process to be completed in June.

### **3.3 Blue GreenAlgae**

It was noted tht 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 two days. Monitoring showed no algae downstream of the Mildura Weir and none at Lake Cullulleraine. It was noted that blue green algae dissipated

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with increased turbidity of water and cooler overnight temperatures. Monitoring would continue in Lock 9 and at Lake Cullulleraine.

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.

### **3.4 New Water Quality Project Update**

It was agreed this matter had been generally covered under Agenda Item 3.1.

In terms of arranging a meeting it was noted that June/July would be a suitable time and that the meeting be held at Lake Cullulleraine.

The Committee asked Lower Murray Water officers if the community would be forced to accept a potable treatment plant. The meeting was advised that following advice regarding the outcome of the funding application a community meeting would be held and feedback from that meeting would be taken back to the LMW Board. The Board would take into account community sentiment when making its decision.

The meeting briefly discussed the location of the treatment plant noting that there were issues associated with development on the lake frontage. LMW Officers advised that the location would depend on costings and this would be discussed at the public meeting. Millewa Committee members noted that extending the water supply around Lake Cullulleraine would enhance the Lake.

## **4.0 ANY OTHER BUSINESS**

- **River Murray Weekly Report**

The River Murray Weekly Report for week ending 31 March 2010 was tabled. It was noted that water from the Darling was expected to arrive in the Menindee Lakes around 10<sup>th</sup> April.

It was noted that Allocations had increased to 100% which had caused issues with carry over for irrigators. There was an expectation that with normal in-flows that there would be a 100% allocation for next season.

### **3.1 Corporate Plan including tariffs for 2010/11 (Cont'd)**

In response to an earlier request from the Committee the Manager Financial Services tabled a Bill Comparison Summary which illustrated an 11% increase for 2010/11 for Millewa Rural charges based on 2893 hectares of stock and 83 hectares of scrub and a 2% increase in Millewa Urban charges. It was noted that the increase was related to the proposed Water Quality Improvement infrastructure. There would be a small decrease in 2011/12 (\$1.87) with a small increase (\$1.98) in the following year for channel dredging.

In respect to the level of debt for the District the meeting was advised that debtors had increased to \$167,000. The previous year it had been at \$127,000.

The Committee was requested to provide feedback to the General Manager Business Services and Manager Financial Services by Tuesday 13<sup>th</sup> April 2010.

**The meeting closed at 5.27pm**