

LOWER MURRAY WATER
CUSTOMER SERVICES ADVISORY COMMITTEE
ROBINVALE
MINUTES

Tuesday 6th April 2010
Meeting Commenced at 6.10pm
“Training Room”, Lower Murray Water

PRESENT

CSAC Members

Frank Costantino (Chair), Don Albanese (Deputy Chair), Ian Boyd, Ken Stringer

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 the Winter Watering Schedule, CSAC Elections, Blue Green Algae, Carry Over Rules and an update on the new system.

The meeting noted that Jeanette Cattanach had resigned from Robinvale CSAC as she had sold her property and was therefore no longer eligible to sit on the Committee.

2.0 APOLOGIES

Ron Leamon (Managing Director), Lindsay Camera

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 21st 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 30th 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.

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 Robinvale was reviewed and it was noted that the Actual *Water Share* data showed a reduction from 21,418ML in 2005/06 to 20,745ML in 2008/09 with 2009/10 forecast to be 20,774ML. This was close to the 21,274ML predicted in the Water Plan. In terms of Delivery Share it was noted that 2009/10 was expected to be similar to 2008/09 when the actual delivery share had been 2,552ML.

It was noted that actual usage had dropped significantly from 18,071 in 2005/06 to 14,928 in 2007/08. Usage increased to 18,991 in 2008/09 and it was forecast to be 18,000 in 2009/10.

In reviewing the water delivery history and the rolling 3 year average data it was agreed that additional narrative would be required to be submitted with the Corporate Plan as the data did not support the average.

The meeting reviewed the proposed pricing noting that the prices were in accordance with those forecast in the Water Plan. Prices forecast for 2011/12 and 2012/13 included projected CPI.

CSAC members expressed concern that the price was above that expected when the new Robinvale system was being mooted. It was noted that CPI had a cumulative impact on pricing and that LMW officers would ensure this was properly explained to the Robinvale community.

The meeting discussed costs to irrigators in other areas including the new Seventeenth Street pressurised system. It was agreed that this data would support the Robinvale prices.

ACTION:

LMW officers to source financial data provided to Robinvale irrigators relative to the new system.

ACTION:

General Manager Customer Services to advise Robinvale CSAC of pricing relative to the Mildura District Seventeenth Street pressurised system.

ACTION:

F Costantino advised that he would provide charges for two family properties within the Mildura District – one pressurised and one not.

The meeting reviewed capital expenditure for Robinvale noting that there were no major capital projects during the Corporate Plan period due to the completion of the Robinvale High Pressure System. It was noted that there had been a lag in expenditure compared to that forecast in the Water Plan.

The meeting reviewed the Statement of Financial Performance noting that this forecast was based on usage of 18,000ML and a constant delivery share. Operations and Maintenance had decreased due to reduced maintenance for the new high pressure system and more technical expenditure had been allocated directly to capital works projects.

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.

The Statement of Financial Performance showed a net result before tax of \$1M in 2009/10 and \$1.5M for 2010/11. It was also noted that interest expenses in 2010/11 would be \$1.6M.

The Balance Sheet illustrated a cash deficit for 2009/10 and 2010/11, infrastructure assets of \$61M and borrowings of \$22M.

The Statement of Cash Flows identified net cash from operations of \$311,000 in 2009/10 reducing to a small loss of \$24,000 in 2010/11.

A Bill Comparison Summary was tabled. The example was based on a customer having a 100ML water share and 100ML usage. And included all charges such as drainage, environmental etc. The summary showed a 6% increase in the 2010/11 year compared to 2009/10.

The CSAC members reiterated their concern to the meeting that the proposed charges were different to the charges advised to customers during the briefings on the new system. CSAC Members were of the view that indicative charges provided at that time were in the vicinity of \$148 to \$160.

It was agreed that LMW officers must provide a very clear explanation of the reason for the variation and that it related to CPI and usage issues. It was noted that the data provided at the briefings had been provided in 'real \$' terms as CPI into the future was unknown.

3.4 New System Update

The meeting was advised that the Pump Station was at practical completion. Two 11 hour tests had been conducted however these had not been at full capacity. The majority of the irrigation system was in place with the clean up to be completed. LMW held \$1.8M in bank guarantees to cover reinstatement issues and defects. It was noted that tenders closed today (6th April) for the remaining D&S work in and that there had been quite a deal of interest.

LMW would be contacting individual irrigators during April to ascertain the most suitable change over time.

LMW would also be examining issues associated with too many irrigators coming on at once and resulting in the pump station shutting down. It was noted that whilst there was capacity to supply all irrigators there were issues associated with all irrigators turning on at once time. Discussions would be held with the water order programmer to refine the model.

The General Manager Technical Services advised that he expected all irrigators to be connected before full irrigation commenced next season. Any old infrastructure that interfered with the day to day operations of irrigators would be removed as soon as possible and it was anticipated all would be removed over the next three years.

The meeting noted that the Board had examined a separate tariff for stand alone domestic and stock customers however this was not in the Corporate Plan.

3.2 Finalised Winter Watering Schedule

The meeting was advised that the Irrigation Districts Winter Pumping Guide for 2010 had been published.

3.3 2010 CSAC Member Elections – Frank Costantino, Don Albanese, 1 casual vacancy

The General Manager Customer Services advised that terms of appointment for Frank Costantino and Don Albanese were due to expire and that following the resignation of Jeanette Cattnach there was 1 casual vacancy to be filled. The meeting was advised that LMW would call for nominations towards the end of April. Should more than three nominations be received then an election would be held with the process to be completed in June.

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. It was noted that carry over water governed by spill rules would reduce the risk of entitlement holders losing carry over water in full allocation years. 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.

A copy of the River Murray Weekly Report for week ending 31 March 2010 was tabled. It was noted that South Australia would be supplied from the Darling River.

Goulburn Murray Water would release their indicative advice on 15th May and it was anticipated that with average rains, allocation may be at 100% although this may not be until February or later.

3.6 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 two days. Monitoring showed no algae downstream of the Mildura Weir and none at Lake Cullulleraine. It was noted that blue green algae flourished in times of low flows, high nutrient levels and warm temperatures however dissipated with increased turbidity of water and cooler overnight temperatures. Monitoring would continue in Lock 9 and at Lake Cullulleraine.

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.

4.0 ANY OTHER BUSINESS

In response to a query regarding compulsory acquisition of water from irrigators via the MDBA's Water Plan to meet sustainable diversion limits, the meeting was advised that LMW had not seen the final document and this was speculative at the moment.

The General Manager Customer Services advised that a public meeting would be held in 6-8 weeks time to update irrigators in respect to the new irrigation system.

The meeting closed at 7.25pm