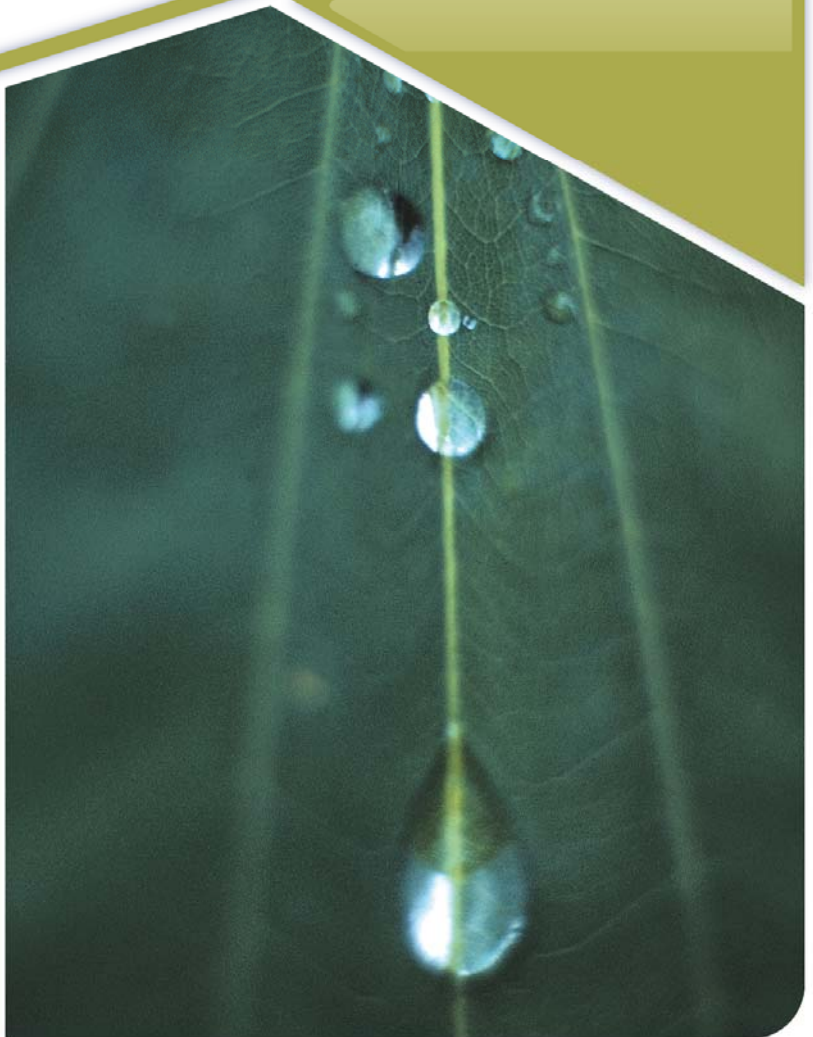




# Pricing Review 2010:

Proposed changes to  
customer pricing



# Background

## What influences pricing?

Every five years we develop a *Water Plan* that details the service standards to be achieved during the timeframe.

All pricing in our *Water Plan* is regulated by the Essential Services Commission (ESC).

The plan is based on:

- ← the cost of maintaining service standards
- ← capital works needed to maintain and improve service standards
- ← inflows to our storages, water availability, and likely water restriction levels

Customer pricing is based on these assumptions and in turn determines what our revenue is likely to be. These factors determine how much revenue is likely to be needed.

## We have two pricing areas

We are responsible for delivering water supplies and sewerage services to 140,000 people across 49 towns in central and northern Victoria.

We currently have two different pricing districts: Central and Northern.

**Central** includes the major centres of Bendigo, Castlemaine and Kyneton.

**Northern** includes the major centre of Echuca.



## Why review prices?

When our existing *Water Plan* was written, our region had experienced five years of low rainfall.

The plan included assumptions that the drought would ease and our storages would start to recover.

This has not happened. Our climate has remained dry. We have not been able to ease restrictions to the levels predicted.

Not being able to ease restrictions has meant revenue is down. Purchasing water to secure supply has meant expenditure is up. These two factors have resulted in significant financial losses.

We have also had to make substantial investments in infrastructure to offset the major risks of drought. We are committed to ensuring water security for towns across our region. This has increased debt and associated interest charges.

To ensure that we are financially viable into the future, we need to review our assumptions and pricing.

## Our principles for reviewing prices

### Being conservative

In all our assumptions and modeling we have been conservative. That means we are being cautious rather than being overly optimistic with regard to water usage patterns and inflow assumptions.

### Equitable

We have aimed to distribute the cost of drought equitably across the region.

### Sustainability

Our pricing model should encourage and reward the wise use of water.

### Paying our way

Pricing should enable us to cover our costs but not allow us to make "super profits".

### Fairness

Pricing should reflect that the essential use of water is a social necessity regardless of income.

### Flexibility

To have flexible pricing so we never again get in a situation where prices are raised unexpectedly.

## Our process of reviewing prices

### These are the steps:

- ← Gain a better understanding of our customers, their attitudes to water and willingness to pay to ease water restrictions
- ← Review our assumptions about drought and water availability into the future
- ← Review our operations to ensure we are operating our systems efficiently and to look where savings can be made
- ← Developing pricing options
- ← Seeking feedback on the options from our community

## An overview of our proposal

### The proposal is to:

- ← Bring forward prices increase for water use by 12 months
- ← Have all customers paying the same percentage price increase
- ← No change to sewer charges
- ← No change to rural charges

Our rural customers have not had a general rural allocation during the current *Water Plan* pricing period.

- ← No change to non-residential charges

Non-residential customers are already paying their way with higher water prices

# More about the proposed water price change

We have approval from the Essential Services Commission to increase our prices on 1 July each year from 2008/09 to 2012/13 for our existing *Water Plan*.

This proposal would mean: On 1 July 2010 we would bring forward the price increase for 1 July 2011

On 1 July 2011 we would bring forward the price increase for 1 July 2012

On 1 July 2012 no additional price increase (except for Consumer Price Index or CPI)

We are also proposing to have the same percentage water price increase for customers in our Central and Northern areas to fairly share the cost of drought.

## How our water prices work

The average residential water bill includes a fixed charge to cover infrastructure costs and a variable charge based on how much water you use.

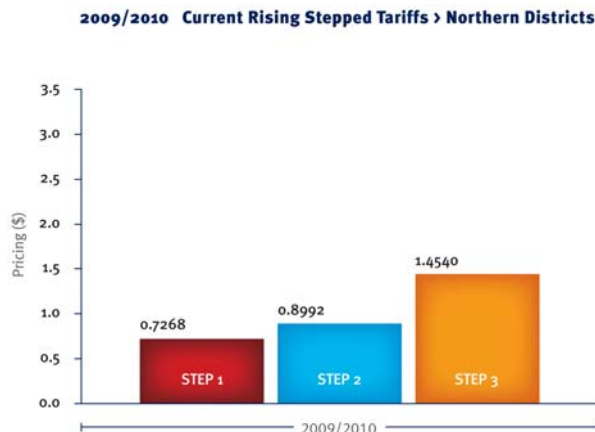
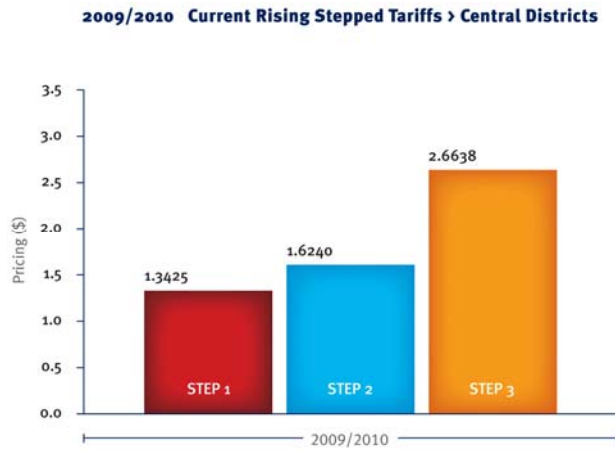
The variable charge is based on a rising stepped tariff.. The maximum consumption in each Step per property is:

**Step 1:** 0 to 200 kilolitres per year (0-548 litres per day)

**Step 2:** 201 to 400 kilolitres per year (549-1096 litres per day) costs more than Step 1

**Step 3:** 401+ kilolitres per year (1097 litres plus per day) and costs more than Steps 1 and 2.

### Current stepped tariff levels and prices



## The proposed change to step levels

We are proposing to change the volume levels in our stepped tariff structure.

This will place a higher value on non-essential water use.

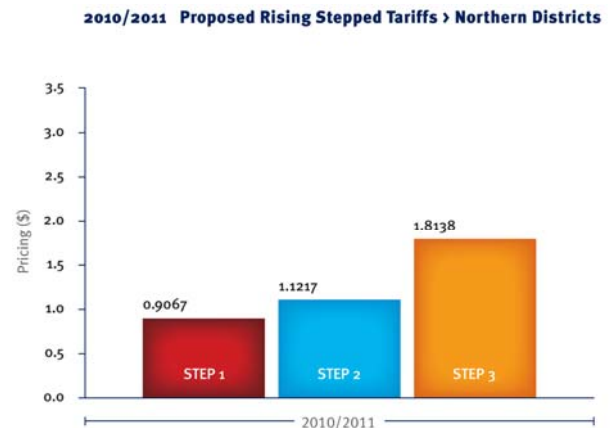
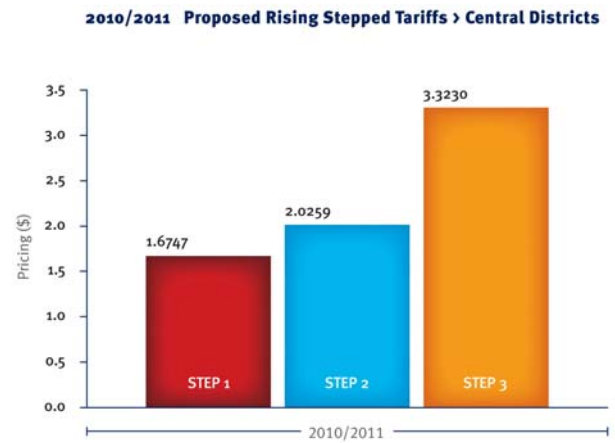
It will also make our step levels the same as other Victorian Water corporations that have a three-step pricing structure.

**Step 1:** 0 to 150 kilolitres per year (0-411 litres per day)

**Step 2:** 151 to 300 kilolitres per year (412-822 litres per day) costs more than Step 1

**Step 3:** 301+ kilolitres per year (823 litres plus per day) and costs more than Steps 1 and 2.

### Proposed stepped tariff levels and prices



# What does this mean for your Water Bill?

Below are some examples of typical bills if our proposed pricing changes are approved. The Bendigo prices apply to customers in the Central pricing area and the Echuca prices will apply to customers in the Northern pricing area.

We have created an on-line pricing estimator. Customers with internet access can get a bill estimate by selecting their town, whether they have sewer, and putting in information about their quarterly water use.

## Bendigo and other central towns

### Small Residential Water User

This property consumes 60 Kilolitres per year.

Approximately 25% of Bendigo households used up to 60 Kilolitres of water last financial year.

If price changes are approved the overall water and sewerage bill will be:

	2009/10 (\$)	2010/11 (\$)	2011/12 (\$)	2012/13 (\$)
<b>Water usage</b>	81	101	108	108
<b>Water fixed</b>	100	92	92	92
<b>Sewerage fixed</b>	459	495	515	535
<b>Total</b>	<b>640</b>	<b>688</b>	<b>715</b>	<b>735</b>

Prices do not include Consumer Price Index (CPI). Prices are subject to customer consultation and final Essential Services Commission (ESC) determination.

### Medium Residential Water User

This property consumes 170 Kilolitres per year.

Approximately 45% of Bendigo households used between 60 and 170 Kilolitres of water last financial year.

If price changes are approved the overall water and sewerage bill will be:

	2009/10 (\$)	2010/11 (\$)	2011/12 (\$)	2012/13 (\$)
<b>Water usage</b>	229	292	314	314
<b>Water fixed</b>	100	92	92	92
<b>Sewerage fixed</b>	459	495	515	535
<b>Total</b>	<b>788</b>	<b>879</b>	<b>921</b>	<b>941</b>

Prices do not include Consumer Price Index (CPI). Prices are subject to customer consultation and final Essential Services Commission (ESC) determination.

## Echuca and other northern towns

### Small Residential Water User

This property consumes 60 Kilolitres per year.

Approximately 20% of Echuca households used up to this amount of water last financial year.

If price changes are approved the overall water and sewerage bill will be:

	2009/10 (\$)	2010/11 (\$)	2011/12 (\$)	2012/13 (\$)
<b>Water usage</b>	44	55	58	58
<b>Water fixed</b>	100	92	92	92
<b>Sewerage fixed</b>	459	495	515	535
<b>Total</b>	<b>603</b>	<b>642</b>	<b>665</b>	<b>685</b>

Prices do not include Consumer Price Index (CPI). Prices are subject to customer consultation and final Essential Services Commission (ESC) determination.

### Medium Residential Water User

This property consumes 170 Kilolitres per year.

Approximately 30% of Echuca households used between 60 and 170 Kilolitres last financial year.

If price changes are approved the overall water and sewerage bill will be:

	2009/10 (\$)	2010/11 (\$)	2011/12 (\$)	2012/13 (\$)
<b>Water usage</b>	124	159	170	170
<b>Water fixed</b>	100	92	92	92
<b>Sewerage fixed</b>	459	495	515	535
<b>Total</b>	<b>683</b>	<b>746</b>	<b>777</b>	<b>797</b>

Prices do not include Consumer Price Index (CPI). Prices are subject to customer consultation and final Essential Services Commission (ESC) determination.

# What happens next?

This is what's next:

- ← Community Information Sessions – see the timetable below.
- ← Consider feedback received so far and include in our preliminary proposal to the ESC on 10 March.
- ← Continue to receive and consider community feedback up 31 March.
- ← Forward additional community feedback to ESC early April.
- ← ESC decides on our proposal in June
- ← Pricing change from 1 July 2010 will be either what has already been approved or the revised prices proposed.

## Community Information Sessions

A series of community information sessions will be held across the region during March to explain the pricing proposal to customers. Sessions will be held:



- ← **Bendigo** 2pm and 6.30pm, 1 March at Coliban Water 37-45 Bridge Street, Bendigo
- ← **Boort** 2pm, 11 March at the Rural Transaction Centre, Godfrey Street, Boort.
- ← **Castlemaine** 7pm, 3 March at Ray Bradfield Room behind Maxi IGA Supermarket, Castlemaine
- ← **Echuca** 6.30pm, 10 March at Quality Inn Port of Echuca 465 High Street Echuca
- ← **Kyneton** 2pm, 2 March at Richardson Room Town Hall Mollison Street Kyneton
- ← **Rochester** 6.30pm, 11 March at Four R's Function Room Echuca Highway Rochester

## Further information

If you cannot make the information session in your area then please refer to our website for further information [www.coliban.com.au](http://www.coliban.com.au) click on the link to *Pricing Review 2010*.

If you do not have internet access then please call our Customer Contact Centre for further information on 1300 363 200.

Coliban Water reserves the right to alter or change information contained in this Proposed Pricing 2010 information brochure. Information was correct at 18/02/10.

## On-line pricing estimator

We have created an on-line pricing estimator.

Customers with internet access can get bill estimates by selecting their town, and putting in their anticipated water usage.

Go to [www.coliban.com.au](http://www.coliban.com.au) and click on the link to *Pricing Review 2010*.

### Proposed Pricing – Estimator

Select your town:	<input type="text" value="Axedale"/>
Are you renting this property?	<input type="text" value="No"/>
Do you have a sewer connection?	<input type="text" value="No"/>
Anticipated water usage:	Usage per annum: <input type="text"/> kilolitres (kl)
	OR
	Usage for Quarter 1: <input type="text"/> kilolitres (kl)
	Usage for Quarter 2: <input type="text"/> kilolitres (kl)
	Usage for Quarter 3: <input type="text"/> kilolitres (kl)
	Usage for Quarter 4: <input type="text"/> kilolitres (kl)
<input type="button" value="Estimate"/>	

## How you can provide feedback

Send your comments in writing to the postal or e-mail address on this brochure. We will record and respond to all comments received. We also have an on-line forum.

Please send us your comments by 31 March so we can make can sure they are considered.

### E-mail us:

[coliban@coliban.com.au](mailto:coliban@coliban.com.au)

### Discussion Forum:

Contribute to our blog (discussion forum) <http://blog.coliban.com.au/>

### Write to us:

Coliban Water – Proposed Pricing Feedback  
PO Box 2770  
Bendigo DC  
Victoria 3554