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## PRICING SUBMISSION TO IPART 2012

Gosford City Council's submission to IPART's *Review of prices for water sewerage and stormwater services for Gosford City Council and Wyong Shire Council*

14 September 2012

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## Executive summary

Gosford City Council (Council) is a Water Supply Authority under the Water Management Act 2000 and the provider of declared monopoly services. As such, Council's prices are regulated by the Independent Pricing and Regulatory Tribunal (IPART).

Council's current pricing Determination extends to 30 June 2013. A new pricing Determination is required for the period from 1 July 2013. To facilitate preparation of a new Determination, IPART is undertaking a price review.

This submission presents Council's response to IPART's Issues Paper *Review of prices for water, sewerage and stormwater devices to Gosford City and Wyong Shire Council*.

During the current price period, Council, with Wyong Council, established the Central Coast Water Corporation. Both Councils currently remain as the Water Supply Authorities in their local government areas and will be transitioning to the CCWC during the next Determination period.

Council is experiencing upward costs pressures across the water, sewerage and stormwater drainage businesses. Key drivers of increasing operating costs include electricity prices and usage, new regulatory requirements, and maintenance of aging infrastructure. Council is also incurring costs associated with the establishment and transition to the Central Coast Water Corporation. Forecast operating expenditure is presented in Table 1.

**Table 1 Forecast operating expenditure (\$million 12/13)**

	2013/14	2014/15	2015/16	2016/17
Corporate	14.6	14.5	14.4	14.0
Water	18.4	18.6	19.9	19.9
Sewerage	20.4	21.2	22.3	22.8
Stormwater drainage	5.9	6.1	6.5	6.7

Council has completed a number of major capital projects during the period. Key projects include Mardi- Mangrove Link, Mardi Suite of Works and Mooney Mooney Cheero Point Sewerage scheme.

Council is proposing to undertake major infrastructure renewals and other capital projects in the next period. Key projects include Mangrove Creek Dam Spillway upgrade, Somersby Water Treatment Plant capital works plan, extensive sewage pump station renewal program, major sewage treatment plant upgrade, and Cockle Bay Towns Sewerage Project. Forecast capital expenditure is presented in Table 2.

**Table 2 Forecast capital expenditure (\$million 12/13)**

	2013/14	2014/15	2015/16	2016/17
Water	9.2	13.0	9.2	10.3
Sewerage	31.4	28.6	17.0	15.4
Stormwater drainage	3.4	3.5	3.1	3.2

Council has used IPART's building block methodology (including its new tax building block) to calculate revenue needs based on forecast costs.

The proposed revenue needs are presented in Table 3.

**Table 3 Proposed revenue needs (\$million 12/13)**

	2013/14	2014/15	2015/16	2016/17
Water	41.8	47.4	52.9	58.5
Sewerage	46.1	52.9	59.7	66.5
Stormwater drainage	7.1	8.5	9.8	11.2

Council has proposed prices based on the same price structure that is currently in place. The proposed prices are presented in Table 4.

**Table 4 Proposed prices summary (\$12/13)**

	2012/13	2013/14	2014/15	2015/16	2016/17	Overall change
Water service charge	99.28	157.95	176.90	203.52	238.04	
% change		59%	12%	15%	17%	140%
Water usage charge	2.12	2.35	2.50	2.60	2.70	
% change		11%	6%	4%	4%	27%
Sewerage service charge	534.82	609.89	681.11	751.44	819.39	
% change		14%	12%	10%	9%	53%
Sewerage usage charge	1.13	1.13	1.13	1.13	1.13	
% change		0%	0%	0%	0%	0%
Stormwater service charge	82.52	106.56	122.60	137.93	152.74	
% change		29%	15%	13%	11%	85%

The resulting bill for a typical residential property is presented in Table 5.

**Table 5 Typical residential bill assuming 200kL per annum (\$12/13)**

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
Water service charge	99.28	157.95	176.90	203.52	238.04	
Water usage charge	424.0	470.0	500.0	520.0	540.0	
Sewerage service charge	534.82	609.89	681.11	751.44	819.39	
Stormwater service charge	82.52	106.56	122.60	137.93	152.74	
Total	1,140.62	1,344.39	1,480.60	1,612.88	1,750.17	
Increase		18%	10%	9%	9%	53%

Council is conscious of the impact that the proposed prices may have on customers. To mitigate these impacts Council has proposed prices based on smoothed revenue needs, to transition the price change through the period. Additionally Council provides rebates to eligible pensioners for part of their bills. Council also implements payment process and has a hardship committee to assist customers experiencing difficulty paying their bills.

Council is also responding to IPART's Issues Paper - *Review of developer charges for Gosford City Council and Wyong Shire Council* in this submission. Council proposes that IPART retain most of the current calculation parameters, with the exception of the water consumption parameter. Council also proposes that IPART remove the 85% cap currently applied to Wyong Council's developer charges.

## **1 This document**

This submission presents Council's response to IPART's Issues Paper *Review of prices for water, sewerage and stormwater drainage devices to Gosford City and Wyong Shire Council*.

This submission also includes Council's response to IPART's Issues Paper - *Review of developer charges for Gosford City Council and Wyong Shire Council*.

All monetary values for the current Determination period are presented in nominal dollars. All monetary values for the next Determination period are presented in real 12/13 dollars, unless otherwise specified.

Totals in tables may not add due to rounding.

## 2 Council's role and functions

Gosford City Council (Council) is listed as a Water Supply Authority under the Water Management Act 2000. As such, Council is required to perform the functions of a water supply authority as specified in the Act.

As a water supply authority, Council:

- harvests, treats and delivers water fit for purpose, in compliance with the appropriate guidelines, to residences, business and public places
- transports, treats and disposes of sewage in accordance with legislative requirements and community expectations
- collects, transports and disposes of stormwater in a safe and environmentally sound manner to reduce risk to life and damage to property
- collects revenue from customers to recover the costs of providing the above services.

The term Council's water business in this submission refers to the provision of its water, sewerage and stormwater drainage functions.

The declared monopoly services provided by Council, as per the *Independent Pricing and Regulatory Tribunal (Water, Sewerage and Stormwater drainage Services) Order 1997*, are:

- 1) Water supply services
- 2) Sewerage services
- 3) Stormwater drainage services
- 4) Trade waste services
- 5) Services supplied in connection with the provision or upgrading of water supply and sewerage facilities for new developments and if required stormwater drainage facilities for such developments
- 6) Ancillary and miscellaneous customer services for which no alternative supply exists and which relate to the supply of services of a kind referred to in paragraphs (1) to (5)
- 7) Other water supply, sewerage and stormwater drainage services for which no alternative supply exists.

Council also provides recycled water services to a small number of customers.

### 2.1 Water supply

Council provides water supply services from 'catchment to tap', i.e. it sources, transfers, stores and treats bulk water for distribution to customers.

Gosford Council has an agreement with Wyong Council to share the headworks components of the Central Coast water supply. These components have been historically referred to as the joint water supply (JWS) and include the major bulk water storages, treatment facilities and transfer systems in both Councils' local government areas (LGAs). Each Council operates, maintains and constructs JWS assets in their LGA and costs are allocated between the Councils under a formal agreement. The JWS agreement has been in place and operating successfully since 1977, governed through the Gosford-Wyong Councils'



Water Authority (GWCWA). The JWS arrangement has recently been formalised by the formation of the Central Coast Water Corporation (CCWC) (discussed in section 3.2.2).

Bulk water is drawn from Wyong River, Ourimbah Creek, Mooney Mooney Creek, Mangrove Creek and a number of groundwater aquifers. Mangrove Creek Dam is the major water storage on the Central Coast, followed by Mardi Dam and Mooney Mooney Dam.

The Central Coast water supply system comprises three water treatment plants; Somersby, Mardi and Woy Woy Bore Water.

Each Council is responsible for managing the water reticulation network within its area of operations. Gosford Council operates 34 service reservoirs, 20 pumping stations and 1,031 km of water mains.

Potable water can be transferred between Gosford and Wyong's reticulation systems (in either direction) through the Coastal Connection (between Bateau Bay and Forrester's Beach) Western Connection (Lisarow and Ourimbah). Water is transferred between the systems as required to best utilise available water and manage operational requirements.

Under an agreement with Hunter Water Corporation, potable water can be transferred in either direction between the Wyong reticulation system and the Hunter Water reticulation system. The inter-system connection (known as the Hunter Link) has the capacity to transfer an average of 33ML/d. Actual transfer rates are dependent on relative storage levels in each system and operational needs.

The key components of the Central Coast water supply system are presented in Figure 1.

Water storages on the Central Coast are recovering from a prolonged period of below average rainfall and streamflows. Drought restrictions have recently been lifted after a period of 10 years. The Central Coast now operates under permanent Water Wise Rules. Demand management measures combined with the restriction regime have been highly effective in reducing customer demand.

## **2.2 Sewerage**

Each Council is responsible for managing the sewerage system within its area of operations. Unlike water, no shared arrangements exist for the management of sewerage services on the Central Coast. However this will change in the future through a transition to the CCWC (see section 3.2.2).

Council's sewerage system is primarily gravity based, with sewage pump stations (SPS) utilised to transfer flows between catchments towards the sewage treatment plants (STPs). Council is required to operate a relatively large number of SPS (185) due to the topography of the area. Council operates approximately 1,314 km of sewerage mains.

The majority of flows in the Gosford LGA are transferred to Kincumber STP for treatment prior to disposal at the Winney Bay ocean outfall between Copacabana and Avoca Beach.

The remainder of flows are transferred to Woy Woy STP for treatment. Treated effluent from Woy Woy is also disposed of via Winney Bay. A small volume of tertiary treated sewage (recycled water) is utilised within the STPs and is also provided offsite for beneficial non potable reuse e.g. sports field irrigation.

A low pressure sewerage system services the more isolated suburbs of Mooney Mooney and Cheero Point. Flows from these suburbs are transferred across the Hawkesbury River for treatment by Sydney Water Corporation.

The key components of the Central Coast sewerage system are presented in Figure 1.

## **2.3 Stormwater drainage**

Gosford Council is responsible for the management of stormwater drainage across an area of 1,020 square kilometres. The Gosford LGA includes 21 urban catchments and also some large rural catchments. Much of the area does not have a formalised stormwater drainage system.

## **2.4 Customer numbers**

Council provides water, sewerage and stormwater drainage services to approximately 165,000 people in the Gosford LGA.

Council provides water services to approximately 68,000 properties, sewerage services to approximately 66,000 properties and stormwater drainage services to 71,000 properties.



Figure 1 Water and sewerage supply system overview (also showing Wyong Council assets)

## 2.5 Legislative framework

Council's water business is regulated through a range of legislative and other regulatory controls. The majority of applicable legislation and regulatory controls are specific to the water industry.

A brief description of the key regulatory instruments (e.g. Acts, Regulations) and the agency responsible for their administration is presented in Table 6.

**Table 6 Current regulatory framework for Gosford and Wyong Councils' water businesses**

Category	Description
Water Planning & Management	<p><u>Water Management Act 2000 (NSW)</u></p> <p>Gosford City Council is listed in Schedule 3 of the Water Management Act as water supply authority.</p> <p>As water supply authority, Council is responsible for performing the functions prescribed by the Act; primarily the construction, maintenance and operation of water management works.</p> <p>As a local water utility (without an Operating Licence), Council must comply with the Best Practice Guidelines for Water &amp; Sewerage and annually report performance to the NSW Office of Water (NOW).</p> <p><i>Administered by: NSW Office of Water under the Minister for Primary Industries</i></p>
	<p><u>Water Act 1912 (NSW)</u></p> <p><u>Water Management Act 2000 (NSW)</u></p> <p>These Acts regulate the extraction of water from the environment.</p> <p>It is an offence to take water from a water source without an access licence.</p> <p>Council holds a number of water licences (surface water, groundwater) to extract source waters.</p> <p><i>Administered by: NSW Office of Water under the Minister for Primary Industries</i></p>
	<p><u>Water Act 2007 (Commonwealth)</u></p> <p>The Water Act facilitates collation of water data (including sewerage and stormwater data) from across Australia.</p> <p>Council is required to provide water data to the Bureau of Meteorology (BOM) in accordance with the prescribed timeframes and formats.</p> <p><i>Administered by: Bureau of Meteorology</i></p>
Environment	<p><u>Protection of the Environment Operations Act 1997 (NSW)</u></p> <p>This Act regulates potentially polluting activities and operations. It provides significant financial and custodial penalties for offences causing harm to the environment.</p> <p>The Act requires Council (among others) to take all practicable measures to prevent harm to the environment and notify any possible harm appropriately.</p> <p>An Environment Protection Licence (EPL) is required to undertake any</p>

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activities listed in this Act. Councils hold EPLs to operate its sewerage systems.

*Administered by: Office of Environment and Heritage (OEH) under the Minister for the Environment*

Environmental Planning and Assessment Act 1979 (NSW)

Council is required to assess the environmental impacts of their activities and mitigate these appropriately (under Part 5).

Development consent is not required for most water, sewerage or stormwater system works (State Environmental Planning Policy (Infrastructure) 2007). Approvals may be required for some works depending on their nature and location.

*Administered by: Department of Planning and Infrastructure (DPI) under the Minister for Planning and Infrastructure*

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Pricing & Finance

Independent Pricing and Regulatory Tribunal Act 1992 (NSW)

This Act requires IPART to set the maximum prices that the Council can charge for water, sewerage and stormwater drainage services.

In setting prices, IPART is required to give consideration to the potential impact of the price increase on customers, the environment and future financial viability of Council.

Council cannot charge any more than the price determined by IPART. Council cannot change a price less than that determined by IPART without the approval of the Treasurer.

*Administered by: Independent Pricing and Regulatory Tribunal (IPART) under the Premier*

Public Finance and Audit Act 1993 (NSW)

Local Government Act 1993 (NSW)

Council is required to prepare and maintain accounting records in accordance with Australian Standards and other requirements as presented in the Acts.

*Administered by: NSW Audit Office under the Treasurer*

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Public Health & Safety

Public Health Act 1991 (NSW)

The Public Health Act seeks (in addition to other objectives) to reduce the risks to public health.

It is an offence to supply any other person with drinking water that is not fit for human consumption.

Council is obliged to follow any advice issued from the Chief of Health regarding drinking water safety to the public.

*Administered by: NSW Health under the Minister for Health*

Fluoridation of Public Water Supplies Act 1957 (NSW)

Council has approval to add fluoride to the reticulated water supply.

Council adds fluoride to the water supply in accordance with the Act, Regulation and the Fluoridation Code of Practice.

*Administered by: NSW Health under the Minister for Health*

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Food Act 2003 (NSW)

Council must not sell food (water) known (or ought to reasonably be known) to be unsafe.

*Administered by: NSW Food Authority under the Minister for Primary Industries*

Dam Safety Act 1978 (NSW)

Council are required to ensure the safety of their dams in accordance with the Dam Safety Commission's (DSC) direction.

*Administered by: Dam Safety Commission under the Minister for Primary Industries*

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Occupational  
Health & Safety

Work Health and Safety Act 2011

This Act aims to secure and promote the health, safety and welfare of people at work. Councils as employers must abide by the provision of the Act.

The Act provides significant financial and custodial penalties for offences causing harm to the health, safety and well being of staff.

*Administered by: WorkCover NSW under Minister for Finance and Services*

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Trade Practices

Trade Practices Act 1974

The Councils must not engage in any misleading or deceptive conduct

*Administered by: National Consumer Commission (Commonwealth)*

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This is an overview of key legislation relating to Council's water business. It is not a comprehensive list of all relevant legislation.

Council also operates in accordance with a range of other regulatory guidelines. Key documents include:

- *Best Practice Guidelines for Water and Sewerage 2007* (produced and administered by the NSW Office of Water from within the Department of Primary Industries)
- *Australian Drinking Water Guidelines 2011* (produced by the National Health and Medical Research Council and utilised by NSW Health and NSW Office of Water)
- *Liquid Trade Waste Management Guidelines 2009* (produced and administered by the NSW Office of Water)
- *Australian Guidelines for Water Recycling: Managing Health and Environmental Risks (Phase 1) 2006* (produced by the National Environment Protection and Heritage Council, the Natural Resource Management Ministerial Council and the Australian Health Ministers Conference, and utilised by the NSW Office of Water and NSW Health)
- *Management of Private Recycled Water Schemes 2008* (produced and used by the NSW Office of Water).

Where performance standards are not mandated by legislation or guidelines, they are set with reference to benchmarking provided through the National Water Commission's *National Performance Report* and the NSW Office of Water's *Performance Reports*.

### **3 Performance over the current Determination period**

#### **3.1 Highlights**

Council has had a number of significant achievements during the current Determination period. Some of the key highlights are:

- completion of the Mardi-Mangrove Link, a key component of WaterPlan 2050
- progressive easing and subsequent removal of water usage restrictions which had been in place since 2002. The Central Coast is now guided by Water Wise Rules
- establishment of the Central Coast Water Corporation
- significant reduction in water quality complaints through implementation of the Water Quality 2010 program and ongoing maintenance works
- significant progress towards implementation of the Framework for the Management of Drinking Water Quality as contained within the Australian Drinking Water Guidelines
- provision of sewerage services to the previously un-sewered Hawkesbury River suburbs of Mooney Mooney and Cheero Point
- completion of substantial upgrade and renewal of inlet works at Kincumber and Woy Woy sewage treatment plants, including a new odour control system
- completion of new biosolids dewatering facilities at Kincumber sewage treatment plant
- refurbishment of a number of sewage pump stations, to minimise risk of overflows and improve environmental and public health protection
- completion of a range of stormwater drainage improvement projects
- preparation of the stormwater drainage Asset Management Plan
- becoming a member of the Energy and Water Ombudsman NSW (EWON).

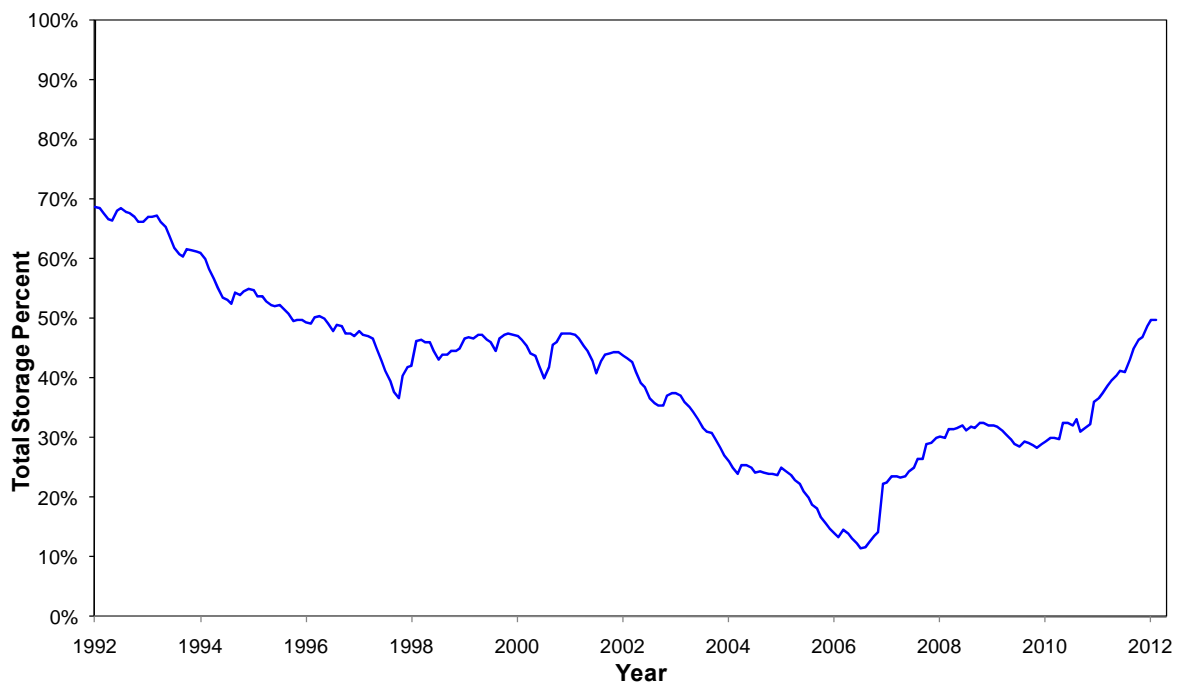
#### **3.2 Service levels and strategic matters**

##### **3.2.1 Water supply security**

During the Determination period water storage levels on the Central Coast continued to rise. This was associated with increased rainfall and stream flows, plus the additional pumping and storage capacity provided by the Mardi - Mangrove Link.

Figure 2 presents the total system storage level over the last ten years.

Increases in total system storage have enabled the Councils to progressively ease water usage restrictions during the Determination period. After more than a decade, Central Coast Water Restrictions were lifted in May 2012 and the region is now guided by permanent Water Wise Rules. The Rules encourage continued efficient water use through common sense actions that build upon customer behaviours established during the drought.



**Figure 2 Total system storage level over the last ten years**

### **3.2.2 Central Coast Water Corporation**

The Central Coast Water Corporation (CCWC) has been created, under the Central Coast Water Corporation Act 2006, to manage the Central Coast's water and sewerage services, replacing the former Gosford-Wyong Councils' Water Authority (GWCWA).

The CCWC was created under legislation by the NSW Government and came into existence on 1 July 2011. Under the legislation the Councils are equal shareholders in the CCWC. The CCWC is governed by an independent Board of Directors according to a set of principal objectives outlined in the legislation. The Board of Directors was appointed in December 2011.

Gosford and Wyong Councils jointly engaged PricewaterhouseCoopers (PwC) to conduct a cost benefit analysis of transferring the Councils' water businesses into the CCWC.

The report prepared by PwC in May 2012 concluded that there were several models for the CCWC that would meet the objectives of the Councils.

On 31 May 2012, at a joint meeting, the two Councils considered the PwC report and endorsed a new business model for the structure and operations of the Central Coast water businesses to take effect 1 July 2014.

The operating model for the CCWC includes the following key features;

- all water and sewerage staff and functions will be transferred to the CCWC in phases beginning 1 July 2014 and completed by 1 July 2017



- a Joint Services Business (JSB) will be established by 1 July 2017 to provide support services to the CCWC and both Councils. The JSB will provide IT, HR, Finance and Plant/Fleet services although the detail will require further investigation by the Councils
- the Councils will retain ownership of the water and sewerage assets and the CCWC will lease these assets through a long term commercial arrangement
- stormwater drainage functions will remain with each Council.

The benefits accruing from the approach outlined above include the following:

- a coordinated regional approach to water and sewerage and decision making
- combined staff resources will allow more flexibility and specialisation
- development of common asset management approach
- standardising of policies and practices.

The Councils have agreed to retain stormwater drainage within their respective General Fund operations. The Councils examined the advantages and disadvantages of including stormwater drainage functions in the CCWC and considered that due to the physical relationship that the management of stormwater drainage systems has with roads, planning and open space management, there were far greater planning and operational interaction opportunities with Council activities than with a water and sewerage business. In addition, it was considered that opportunities for integrated water resource solutions incorporating stormwater could still be accommodated in the future through commercial agreements between the Corporation and the Councils. Therefore at the present time it is considered that stormwater drainage functions should remain within each Council subject to the availability of mechanisms for the stormwater drainage business to be financially sustainable as a standalone business. The Councils intend to retain Water Supply Authority status for the purpose of providing stormwater drainage functions.

During the current Determination period, Council has incurred costs of \$2.3M for the establishment of and transition to the CCWC. Further costs will be incurred in the next Determination period and these are presented in section 4.2.1. For the purposes of transparency, CCWC costs have been separated and “ring fenced” from the other costs.

### **3.2.3 Asset management improvements**

Council has undertaken significant work over the current Determination period to improve its asset management capabilities, systems and tools. Key asset management improvements are described below.

#### **Master planning**

Council has developed a long-term strategic plan for water and sewerage service needs to 2050 - the Water and Sewerage Master Plan. The Master Plan is wide-ranging and provides direction and guidance for the future development, expansion and operation of water and sewerage systems (including impacts of climate change) and asset management systems. The project has been undertaken in collaboration with Wyong Council's water business to ensure regional and coordinated planning for service delivery into the future. The risk

management and criticality framework developed as part of the Master Plan has been utilised in the preparation of the capital expenditure program presented in this submission.

#### **Asset management maturity audit and development program**

In August 2010, Council performed an asset management maturity assessment audit against 35 key asset management practice areas, benchmarked against the International Infrastructure Management Manual 2006 (IIMM). This Maturity Assessment identified the current strengths in the water and sewerage asset management practices, and also highlighted areas for improvement, in order to demonstrate a core level of asset management competence.

Council has subsequently implemented a four-year asset management development program. The primary goal and outcome from the first year of this program has been to successfully establish and validate a materially-correct asset register for each asset class at component level, to establish materially-correct estimated useful lives for each component, and to update or establish reliable unit rates, to enable a robust and comprehensive fair value assessment of water and sewerage assets. This has been successfully achieved, providing a robust assessment of gross replacement cost, annual depreciation, fair value (current written down value), and long term capital renewal profiles for water and sewerage assets.

Improvements have also been made to capital works governance and approval processes. Further enhancements will continue into the next Determination.

Council has commenced condition assessment programs for various asset classes. The work to date has demonstrated a high correlation between age and condition, indicating that, in the absence of more sophisticated models, asset renewal strategies based on age are materially correct.

#### **Asset management information system - Hansen**

Council has populated its asset management information system, Hansen, with a significant proportion of its asset data enabling increased application of the system's capabilities.

Council has also established a link between Hansen and its corporate record system, ECM Dataworks, which allows the linking of investigation reports, photographs, operations manuals and other documents to individual assets in the asset register.

Work orders are now issued from Hansen for a number of operational processes, allowing Council to better record the costs and resource requirements of different assets.

### **3.2.4 Climate Change Fund**

The Central Coast Water Savings Fund was established in 2006 in partnership with the NSW Department of Environment and Climate Change (now the NSW Office of Environment and Heritage) to encourage investment in water saving initiatives on the Central Coast. The Fund was amended to the Climate Change Fund in 2008.

During the current Determination period Council has contributed \$2.1 million to the Fund. These costs have been recovered from customers through a specific levy.

Since the Fund's establishment, \$9.7 million has been allocated to 82 Central Coast community, business and Council projects, saving more than 1 billion litres of water per year. During the Determination period Council obtained grants from the Fund to contribute towards the Terrigal CBD and Hylton Moore Park Stormwater Harvesting Project, the Central Coast Stadium Groundwater Project, and the Gosford Council Administration Building Water Efficiency Project.

### **3.2.5 Performance measures**

Council actively monitors its performance against key asset and service delivery measures.

During the current Determination period, Council continued to maintain and improve its performance against a number of key measures.

The National Water Commission's *National Performance Report* and the NSW Office of Water's *Performance Reports* provide an invaluable benchmarking tool which Council uses to monitor its performance.

The reports display Council's significant improvement in the number of water quality complaints. Council's forecast operating and capital programs include costs to further reduce water quality complaints to levels commensurate with the State and National averages.

The reports also highlight Gosford as one of the most water efficient communities in Australia with residential properties consuming significantly less water than the national average.

Areas for further improvement include water main breaks, odour complaints and sewage overflows. Council's forecast operating and capital programs include costs to improve performance in these areas.

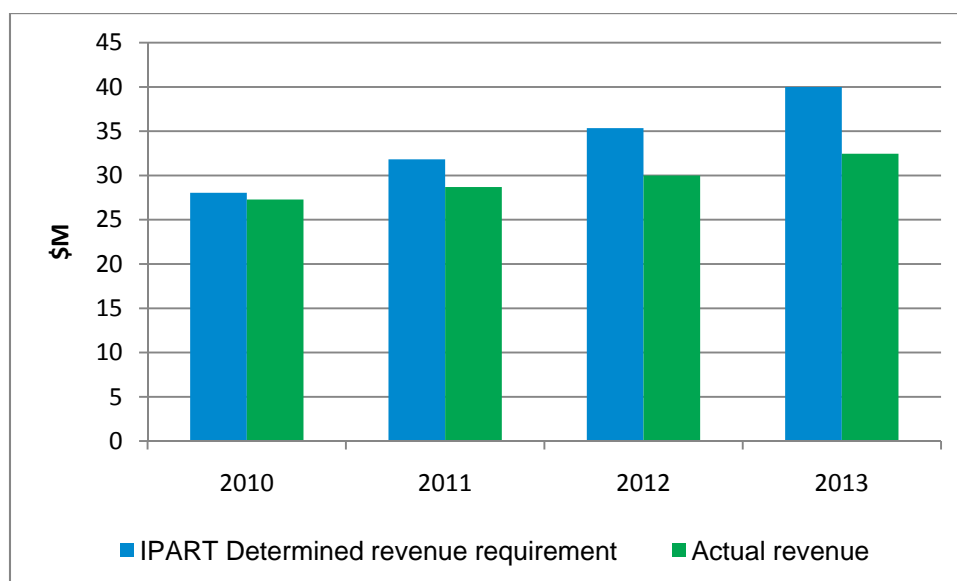
Appendix A presents a comparison between actual performance and the performance output measures contained within the 2009 Determination.

## **3.3 Revenue**

### **3.3.1 Water**

Water revenue has been below the IPART determined revenue requirement in each year of the current Determination. The under-recovery of revenue has been most pronounced in the later years of the Determination period.

Figure 3 presents a comparison between the IPART determined water revenue requirement and the actual water revenue received.



**Figure 3 IPART determined net water revenue requirement and the actual net water revenue (\$million, nominal)**

The under-recovery of water revenue is almost entirely attributable to reduced water sales and the associated loss of usage charge income.

Table 7 presents the difference between IPART's determined water usage revenue and the actual water usage revenue received. The difference is considerable and has had a significant detrimental impact on financial sustainability.

**Table 7 Difference between IPART's determined water usage revenue and the actual water usage revenue received (\$million, nominal)**

	2009/10	2010/11	2011/12	2012/13	Total
IPART Determined Water usage revenue	21.5	24.9	28.1	32.4	106.9
Actual water usage revenue	20.6	21.8	23.0	25.4	90.8
Difference	-1.0	-3.1	-5.1	-7.0	-16.1
Difference	-5%	-12%	-18%	-21%	-15%

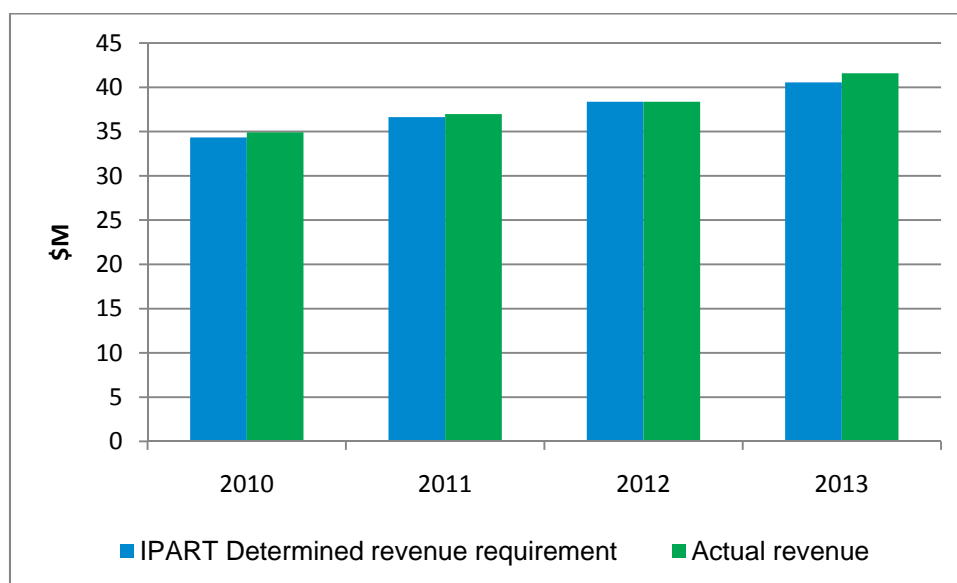
Volumetric water usage data is presented in section 3.4.1.

Council also received income from customers to fund its \$1.05M annual contribution to the Central Coast Climate Change Fund, in years where the contribution was required. This income is not included in Figure 3.

### 3.3.2 Sewerage

Sewerage revenue was generally in line with the IPART determined sewerage revenue requirements.

Figure 4 presents a comparison between the IPART determined sewerage revenue requirement and the actual sewerage revenue received



**Figure 4 Comparison of the IPART determined net sewerage revenue requirement and actual net sewerage revenue (\$million, nominal)**

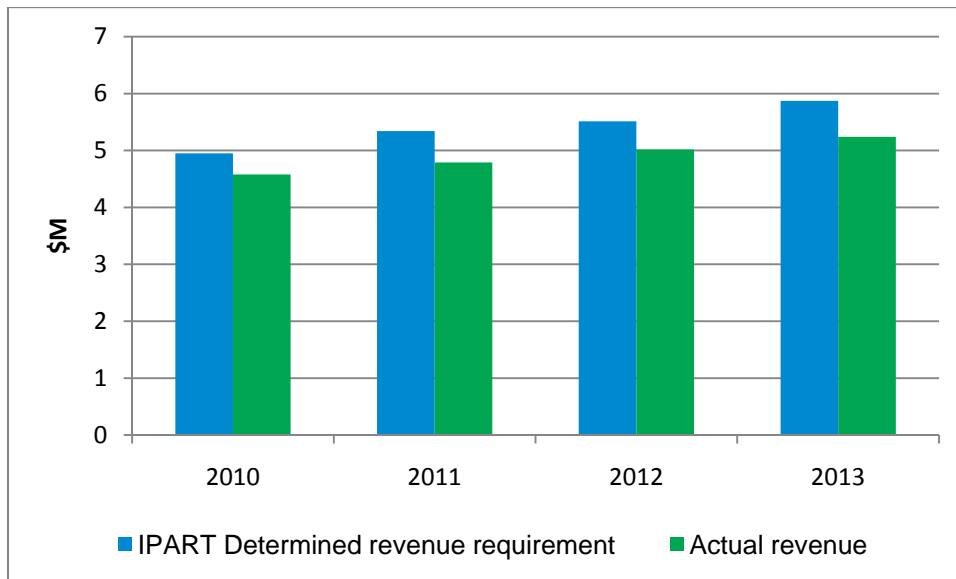
There was some under recovery in sewerage usage revenue associated with reduced water sales (which influence sewage usage volumes) and reduced miscellaneous charges revenue, however this was offset by increases in trade waste revenue.

### 3.3.3 Stormwater drainage

Stormwater drainage revenue has been below the IPART determined revenue requirement in each year of the current Determination.

Figure 5 presents a comparison between the IPART determined stormwater drainage revenue requirement and the actual stormwater drainage revenue received.

The under-recovery of stormwater revenue is primarily associated with IPART's use of incorrect property number forecast from a draft Council working file, rather than the more appropriate forecasts contained in the formal AIR submitted by Council in 2008. A small amount of the under-recovery is associated with increased pensioner rebates.

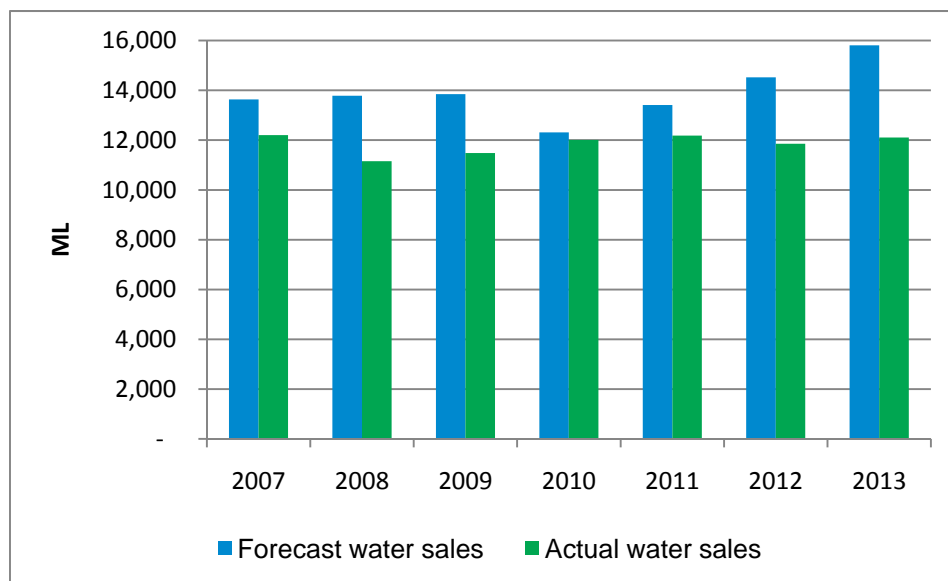


**Figure 5 Comparison between the IPART determined net stormwater drainage revenue requirement and actual net stormwater drainage revenue (\$million, nominal)**

### 3.4 Sales and customer connections

#### 3.4.1 Water sales

Water sales have been below IPART's adopted forecasts in each year of the current Determination. This continues the trend of the previous Determination (2007-2009). Figure 6 and Table 8 present comparisons between the IPART adopted water sales and the actual water sales during the current and previous Determination periods.



**Figure 6 Comparison between forecast and actual water sales**

**Table 8 Comparison between forecast and actual water sales**

		Previous period			Current Period			
		2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Forecast water sales	ML	13,637	13,782	13,847	12,311	13,409	14,522	15,809
Actual water sales	ML	12,201	11,151	11,483	12,007	12,183	11,855	12,102
Difference	ML	-1,436	-2,631	-2,364	-303	-1,226	-2,667	-3,707
Difference	%	-11%	-19%	-17%	-2%	-9%	-18%	-23%

The difference between IPART adopted and actual water sales has had a significant impact on water revenue as discussed in section 3.3.1.

Volumetric water sales have remained relatively stable over the period, despite the progressive easing of water restrictions.

Due to the significant variation between projected and actual water sales volumes, the Councils have revised their forecasting approach for the next Determination period. The revised approach is presented in section 4.10.

### 3.4.2 Customer connections

The total number of customer connections was generally in line with IPART adopted forecasts for the Determination period.

Table 9 presents a comparison between the IPART adopted number of customer connections and the actual number of customer connections during the current period.

**Table 9 Forecast water connections compared to actual water connections**

		2009/10	2010/11	2011/12	2012/13
Forecast customer connections <sup>1</sup>	no.	67,790	68,196	68,605	69,017
Actual customer connections	no.	67,418	67,746	67,379	67,783
Difference	no.	- 371	- 450	- 1,226	- 1,233

<sup>1</sup>Source Table 10.6 IPART Determination 2009, Represents water connections only.

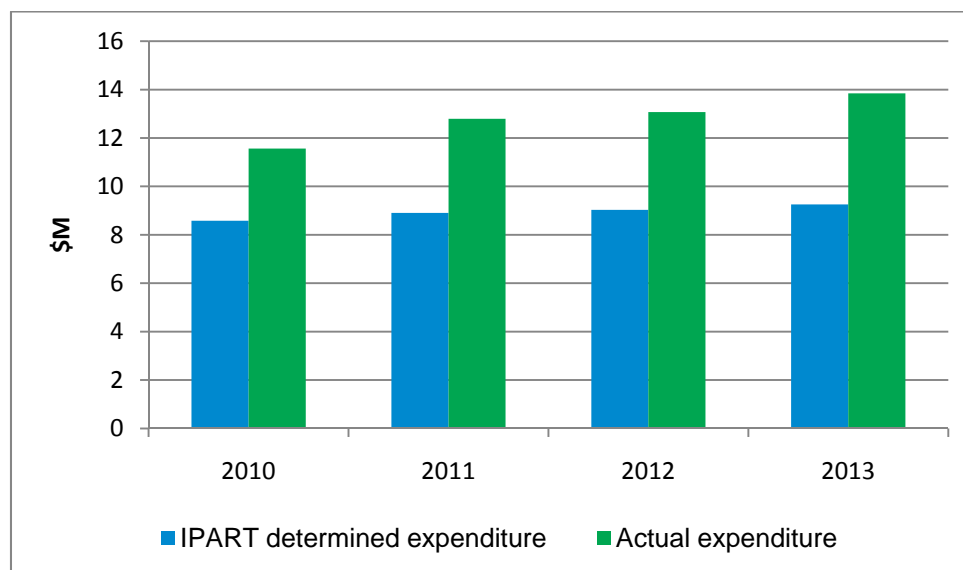
The over-estimation of customer connections is associated with slower than expected growth.

## 3.5 Operating expenditure

### 3.5.1 Corporate

Corporate overhead expenditure was above that provided for by IPART's Determination.

Figure 7 presents a comparison between IPART's determined corporate overhead expenditure and actual corporate overhead expenditure.



**Figure 7 Comparison of IPART's determined corporate overhead expenditure and actual corporate overhead expenditure (\$million, nominal)**

The corporate overhead allocation process has been reviewed since the 2009 IPART Determination. The corporate overhead costs presented at the last price review did not include some corporate costs such as: organisational development, risk management, internal auditing, legal services and corporate events. The inclusion of these costs in the actual corporate overheads charged accounts for a significant proportion of the increase presented in Figure 7.

Additionally, cost increases associated with Information Technology (IT), building improvements and Council's WorkCover Self Insurer's Licence have also been attributed across Council's funds, increasing costs to water, sewerage and stormwater drainage. The corporate overhead charges are allocated to the water, sewerage and stormwater drainage business based on various cost drivers which represent each business's use of each corporate service.

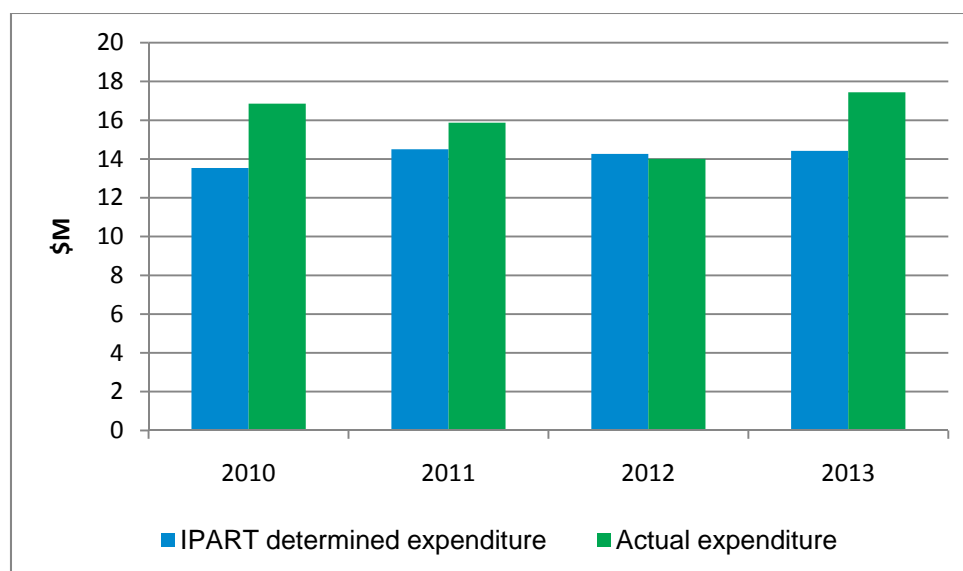
Council has also incurred corporate costs associated with the establishment of the Central Coast Water Corporation (CCWC). No CCWC costs were included in the 2009 Determination due to the uncertainty of forecasts. Approximately \$2.3M will be spent by Gosford Council on the CCWC by the end of the current period. The CCWC costs have been allocated to the water and sewerage businesses.



### 3.5.2 Water

Water operating expenditure was above that provided for by the IPART Determination.

Figure 8 presents a comparison between IPART's determined water operating expenditure and actual water operating expenditure (excludes allocated proportion of corporate costs which are discussed in section 3.5.1).



**Figure 8 Comparison between IPART's determined water operating expenditure and actual water operating expenditure (\$million, nominal)**

Factors contributing to increased water operating expenditure include:

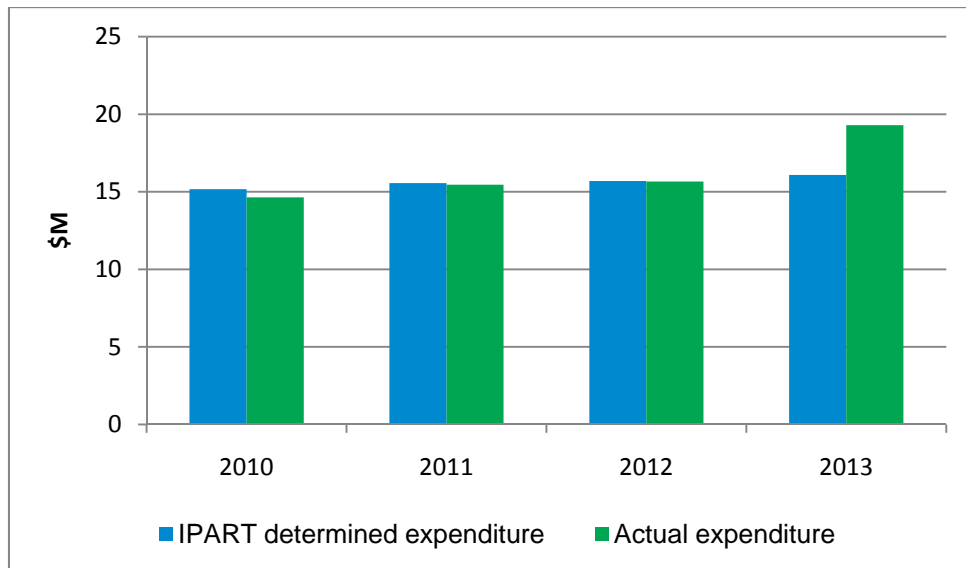
- increased electricity costs over and above costs forecasts due to increased electricity consumption and prices
- Joint Water Authority management and administration costs omitted in error from the Determination
- increased purchases of water from Hunter Water Corporation in 2010.

Council also made contributions to the Climate Change Fund of \$1.05M per annum in years where a contribution was required by the NSW State Government. These costs are not included in Figure 8.

### 3.5.3 Sewerage

Sewerage operating expenditure was generally in line with that provided for by the IPART Determination, with some increased expenditure in the later years of the Determination period.

Figure 9 presents a comparison between IPART's determined sewerage operating expenditure and actual sewerage operating expenditure (excludes allocated proportion of corporate costs which are discussed in section 3.5.1).



**Figure 9 Comparison between IPART's determined sewerage operating expenditure and actual sewerage operating expenditure (\$million, nominal)**

Factors contributing to the increased sewerage operating expenditure include:

- increased electricity costs over and above costs forecasts due to increased electricity consumption and prices
- increased sludge management costs following renewal of the biosolids removal contract through a competitive tender process
- liquid trade waste management costs omitted in error from the Determination.

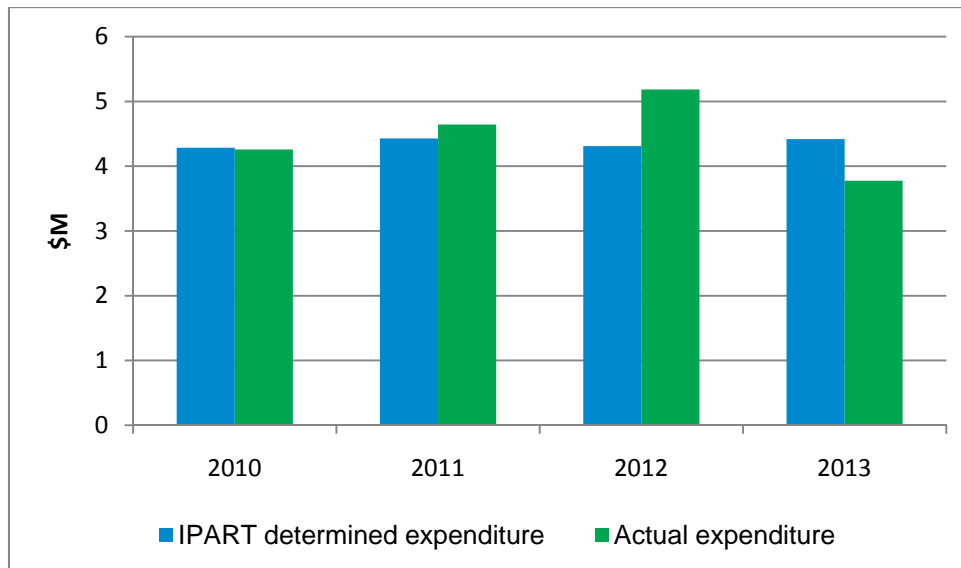
### 3.5.4 Stormwater drainage

Stormwater drainage operating expenditure was above that provided for by the IPART Determination.

Figure 10 presents a comparison between IPART's determined stormwater drainage operating expenditure and actual stormwater drainage operating expenditure (excludes allocated proportion of corporate overheads which are discussed in section 3.5.1).

Factors contributing to the increased stormwater drainage operating expenditure include:

- increased landfill disposal costs associated with increased debris volumes and increased disposal prices
- increased reactive maintenance costs associated with wet weather.



**Figure 10 Comparison between IPART's determined stormwater drainage operating expenditure and actual stormwater drainage operating expenditure (\$million, nominal)**

## 3.6 Capital expenditure

### 3.6.1 Water

Council has made significant investments in water infrastructure during the current Determination, particularly in the area of water security.

Major projects undertaken in the current Determination period include:

#### **Mardi- Mangrove Link**

The Mardi-Mangrove Link is a key element of *WaterPlan 2050*, the long term water supply strategy for the Central Coast. The project involved building a 2.1km pipeline from Wyong River to Mardi Dam, a 19km pipeline from Mardi Dam to Mangrove Creek Dam, and two new pump stations at Wyong River and Mardi Dam. The project was slightly delayed by extensive consultation associated with the pipeline route and impacts on private property. Construction and commissioning of the project is now complete. Water is now being transferred on a regular basis to Mangrove Creek Dam, which is helping to increase total storage levels. The Councils, in collaboration with engineering partner GHD, received industry recognition for the design of the Mardi-Mangrove Link in the Engineers Australia Excellence Awards, Newcastle Division for 2012. The project is a joint initiative of the Gosford City and Wyong Shire Councils with Australian Government funding of \$80.3 million from the Water Smart Australia Program and an additional \$40 million combined from the two Councils.

#### **Mardi Suite of works**

This JWS project includes the Mardi Dam Transfer System, Mardi High Lift Pump Station, Mardi Spillway and Bridge and the high voltage electrical ring main for Mardi infrastructure. The project will increase pumping capacity, enable greater water transfers between Gosford

and Wyong supply systems, meet NSW Dam Safety Committee requirements and provide sufficient electricity for the operation of the upgraded pumps. The project has been completed.

### Porter's Creek Stormwater Harvesting

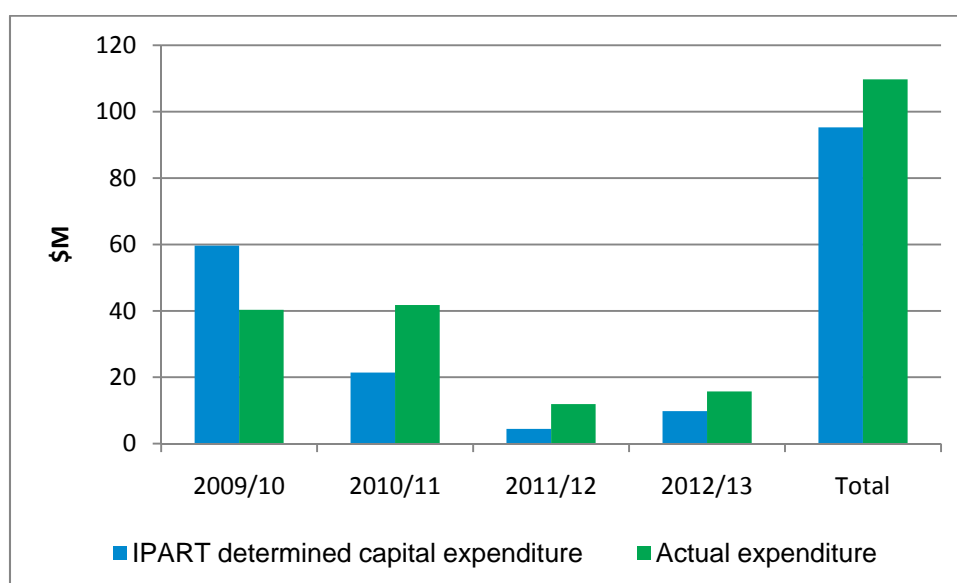
This scheme still remains in the investigation phase and is required to manage stormwater impacts resulting from development associated with the Warnervale Town Centre site. No construction activities have been undertaken as the development of the Warnervale Town Centre site has not progressed at the pace originally forecast.

### Water main renewal program

Over 8 km of water mains have been replaced or renewed during the period. Replacement of aging and poor condition water mains assists to improve to improve system reliability, reduce leakage and prevent asset failure.

Water capital expenditure over the period was above that provided for by the IPART Determination.

Figure 11 presents a comparison between IPART's determined water capital expenditure and actual water capital expenditure.



**Figure 11 Comparison between IPART's determined water capital expenditure and actual water capital expenditure (\$million, nominal)**

Factors contributing to the variations in water operating expenditure include:

- variations in project timing of the Mardi Mangrove Link
- variations of project timing and costs savings for the Mardi High Lift Pump Station Associated Works
- deferment of the Porters Creek Stormwater Harvesting project to better align with actual growth rates

- deferment of the Mardi Dam pre-treatment project until after commissioning of the Mardi-Mangrove Link in order to validate the design based on the actual change in water quality.

### **3.6.2 Sewerage**

Council has made significant investments in sewerage infrastructure during the current period, particularly associated with renewal requirements and regulatory compliance.

Major projects undertaken in the current Determination period include:

#### **Sewage treatment plant upgrades**

Major refurbishment of Kincumber and Woy Woy sewage treatment facilities have been undertaken to maintain process efficiency, mitigate odours and ensure regulatory compliance. The upgrades are a component of the Pollution Reduction Program (PRP) contained in Council's Environment Protection Licence issued by the EPA.

Key components of the upgrade undertaken in the current Determination period are:

##### ***Biosolids handling and storage***

Renewed biosolids handling and storage facilities completed at Kincumber and Woy Woy sewage treatment plants. The facilities provide for improved dewatering, storage and loading of biosolids.

##### ***Inlet works***

Renewed inlet works at Kincumber and Woy Woy sewage treatment plants. Includes improved screening, refurbishment of concrete tanks, and new odour control facilities at Kincumber.

##### ***Aeration renewal***

Renewal of the aeration system at Kincumber sewage treatment plant has commenced. Includes conversion from surface aeration to fine bubble aeration and refurbishment of aeration tanks. The project was delayed during the period due to condition assessment of the existing high voltage supply controls servicing the existing aeration system, additional blower capacity requirements to accommodate future capacity of the sewage treatment plant and detailed risk assessment and options analysis undertaken for the anaerobic digesters. Tenders have been let for the first stage of the digester refurbishment which will be completed in the next Determination period.

#### **Mooney Mooney Cheero Point Sewerage scheme**

New low pressure sewerage system to provide sewerage services to properties in the previously un-sewered suburbs of Mooney Mooney and Cheero Point. The scheme was commissioned in September 2009 and has over 65 per cent of properties currently connected. The project was undertaken as part of the Priority Sewerage Program and received funding from this program and the NSW Country Towns Water Supply and Sewerage Program.

### **Coastal Carrier System upgrade**

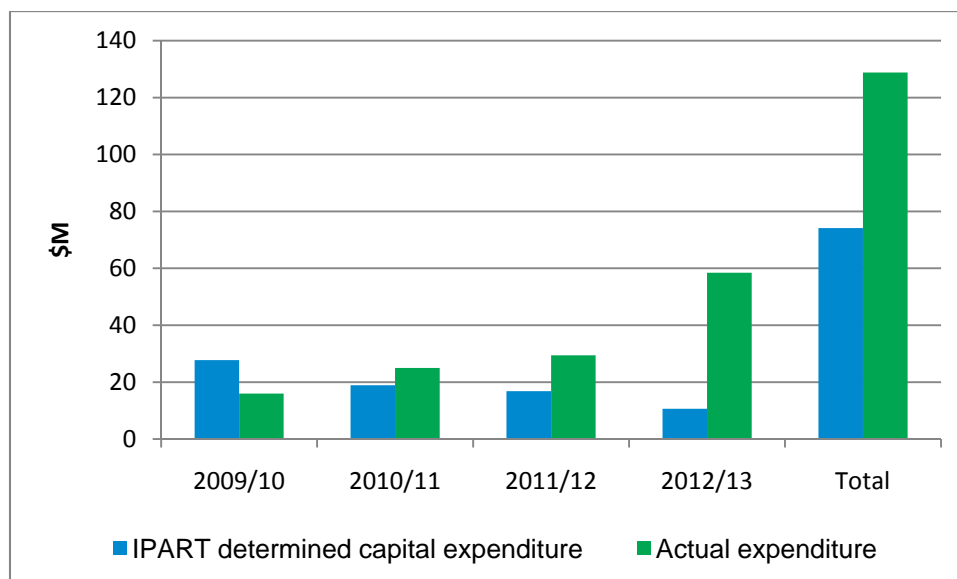
Upgrade to improve the performance and capacity of the major sewerage transfer system servicing Forresters Beach, Wamberal, Terrigal, North Avoca, Avoca and Kincumber. It involves building 6.5km of sewerage pipelines at North Avoca, Avoca and Kincumber, upgrading North Avoca and Kincumber major sewage pump stations and upgrading two minor pump stations in Avoca. Construction of the new pipeline from the Kincumber Major Pump Station is complete. Upgrade works at the Kincumber Major Pump Station are underway. Contract has been awarded and construction works have commenced for the first stage of pipeline construction around Avoca Lagoon. Design of the new pipelines in Avoca and Kincumber and pump station upgrades are underway. The project has been unavoidably delayed due to a review of the options analysis and strategy redevelopment following IPART's 2009 change to the 'allowed' expenditure for this project, extended environmental approval processes, establishment of an Engineering Procurement and Construction Management contract and adjustment of the construction program to accommodate environmental constraints. Construction is now progressing well. Expenditure on this project will continue into the next Determination period.

### **Sewage pump station upgrade program**

Upgrade and refurbishment of a number of sewage pump stations to minimise risk to the environment and public health. The program aims to reduce overflow risk by provision of increased storage, reduced odours through better ventilation and treatment, improve reliability of electricity supply, telemetry, and mechanical components, and create safer workplace conditions. Civil, mechanical and electrical upgrades have been completed at a number of pump stations situated at Avoca, Bensville, Terrigal, Wamberal, Daley's Point, Ettalong, Booker Bay, Gosford, Pretty Beach, Kincumber, Kariong, Copacabana, Narara, East Gosford, Saratoga, Somersby, Umina, West Gosford, North Gosford, and Woy Woy.

Total sewerage capital expenditure over the period was above that provided for by the IPART Determination.

Figure 12 presents a comparison between IPART's determined sewerage capital expenditure and actual sewerage capital expenditure.



**Figure 12 Comparison between IPART's determined sewerage capital expenditure and actual sewerage capital expenditure (\$million, nominal)**

Factors contributing to the variation between the determined and actual sewerage capital expenditure include:

- increased expenditure on the Mooney Mooney Cheero Point Sewerage Scheme associated with major re-design and associated changes to the scope of works for the Hawkesbury River bridge crossing
- variations in project timing, scope of work and expenditure projections for the Coastal Carrier system upgrade due to
  - re-analysis of options,
  - environmental approvals,
  - establishment of an Engineering Procurement and Construction Management contract.
- variations in project timing, scope of work and expenditure projections for the Kincumber and Woy Woy sewage treatment plants upgrades, including
  - establishment of an Engineering Procurement and Construction management contract requiring additional set up time
  - detailed risk assessment and options analysis for the refurbishment of the anaerobic digesters requiring a change to the refurbishment strategy
  - detailed condition assessment of the existing high voltage supply controls servicing the aeration system requiring additional work and postponement of aeration upgrades.
  - major electrical upgrades required to a standard greater than allowed for in original cost forecasts
  - poorer than expected condition of inlet works requiring greater cost to bring to an appropriate standard

### **3.6.3 Stormwater drainage**

Council has undertaken a range of stormwater drainage projects during the current Determination period. Major projects undertaken in the current Determination period include:

### **Kincumber Catchment**

Installation of trunk stormwater drainage culverts, pipes and gross pollutant traps in the Davies Street, Gunya Road and Joalah Road sub catchments to improve stormwater drainage collection and discharge of flows to protect properties previously impacted by flood waters.

### **Pretty Beach Stormwater drainage**

Installation of trunk stormwater drainage culverts, pipes and rock lining of open channel to improve stormwater drainage collection and discharge of flows to protect downstream properties previously impacted by flood waters.

### **Surfrider Avenue North Avoca**

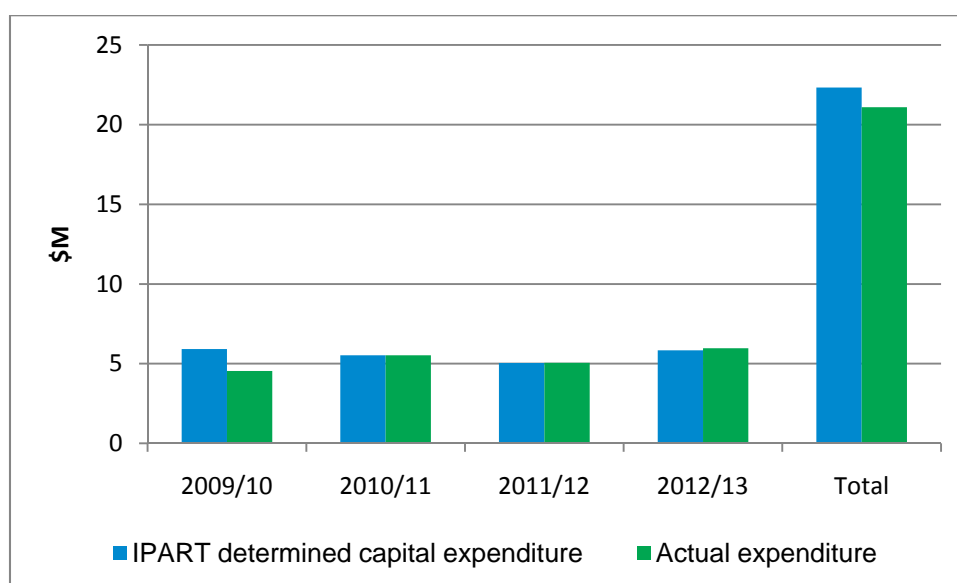
Reconstruction of a stormwater pipeline that had failed and destabilised adjacent property embankments.

### **Newell Road Macmasters Beach**

Installation of trunk stormwater drainage culverts, earth levee and rock lining of stormwater drainage collection area to collect and discharge flows around properties previously impacted by flood waters.

The total value of stormwater drainage capital expenditure was generally in line with that provided for by the IPART Determination. There was some variation between the individual projects originally proposed and those projects undertaken. The changes were driven by delayed timing of associated external projects (e.g. State Government road works), or to make use of grant funding opportunities.

Figure 13 presents a comparison between IPART's determined stormwater drainage capital expenditure and actual stormwater drainage capital expenditure.



**Figure 13 Comparison between IPART's determined stormwater drainage capital expenditure and actual stormwater drainage capital expenditure (\$million, nominal)**



### **3.7 Implementation of current Determination**

Council has implemented the 2009 Determination by charging the maximum prices prescribed by the Determination.

## **4 Forecasts for the next Determination period**

### **4.1 Proposed Determination period**

Council proposes a Determination period of four years, from 1 July 2013 to 30 June 2017.

Council believes this is an appropriate length of time for the Determination as it provides a suitable balance between certainty for customers and provision of reasonable cost forecasts.

A four year Determination period is expected to maintain alignment with Hunter Water Corporation, allowing joint consideration of pricing interdependencies between the regions.

A four year time frame also aligns with the CCWC establishment, specifically the expected transfer of Water Supply Authority status to the CCWC on 1 July 2017.

### **4.2 Service levels and strategic matters**

#### **4.2.1 Central Coast Water Corporation (CCWC)**

Council, with Wyong Council, will continue the transition to the CCWC during the next Determination period.

The Councils have adopted an implementation work plan which maps out the transition from the current arrangements to the selected model (as described in section 3.2.2).

During the next Determination period the Councils will progressively transfer staff and functions to the CCWC with the intention of the CCWC being the Water Supply Authority for water and sewerage services from 1 July 2017.

This pricing submission has been prepared considering the transition process and costs. In preparation for the CCWC, the Councils have, and are continuing to, align assumptions, methodologies and outcomes where it is currently possible to do so.

#### **4.2.2 Asset management improvements**

Over the next Determination period Council will continue to build upon the asset management improvements that have been completed to date. This next stage of the asset management improvement program will involve:

- condition assessment programs for each asset class
- development and refinement of a risk/criticality assessment program for each asset class
- improved capital project delivery management, including - governance processes, gateway reviews and capital works approval process
- development and implementation of a framework for consistent business cases, project tracking and project reporting
- continued Asset Management Information Systems (AMIS) integration.

### **4.2.3 Climate Change Fund**

The NSW Government has indicated that it is undertaking a review of water demand management programs across the state, and that this includes the Climate Change Fund. There is uncertainty regarding the continuation of the Fund into the next Determination period. Consequently, Council requests IPART to include a provision in the next Determination for Council to recover the cost of contributions to the Fund as a specific line item on the customer's bill, if a contribution to the Fund is required in that year. The cost forecasts in this submission do not include any contributions to the Climate Change Fund.

### **4.2.4 Operating licence**

Council, along with Wyong Council has commenced discussions with IPART regarding an Operating Licence for the Central Coast Water Corporation. The CCWC is anticipated to become a Water Supply Authority, and thus require an Operating Licence, from 1 July 2017. Based on Council's proposed length of the next Determination period, no costs associated with achieving or monitoring compliance with an Operating Licence are included in this submission.

Additionally, although Council expects to be involved in the development of the Operating Licence with IPART, no additional costs (including staff resources) for review and/or development of the licence have been provided for in this submission. Should IPART require more input from the Council than part time staff resources can provide, the approximate value of the additional costs should be included in the allowed operating costs.

Whilst Council looks forward to the benefits the rigour of an Operating Licence will bring to water and sewerage services on the Central Coast, it is keen to ensure that the costs of the Operating Licence do not outweigh the benefits. Council notes that the *NSW Commission of Audit - Final Report - Government Expenditure* (May 2012) found, in relation to Operating Licences, that "Over time the Operating Licences of the government owned utilities have grown to be complex and cumbersome. Items have been added and very few subtracted. Some requirements in the licence are not based on solid evidence or analysis."

Council considers that the development of the CCWC operating licence provides a unique opportunity to create an Operating Licence of minimal complexity and maximum benefit.

### **4.2.5 Performance measures**

Council's operating and cost forecasts have been developed to maintain current performance standards and improve performance standards in key areas where current performance levels are below that of other commensurate water utilities.

Key areas for further improvement include water quality complaints, water main breaks, odour complaints and sewage overflows. Council's forecast operating and capital programs include costs to improve performance in these areas.

The Master Plan (discussed in section 3.2.3) includes a specific review of asset related performance standards and the development of long term strategies to improve performance.

Appendix A presents Council's proposed output measures for the next Determination period. The proposed output measures have been guided by the Master Plan and set with reference to the National and State Performance Reports.

### **4.3 Forecast operating costs**

Council has forecast its operating expenditure by critically reviewing expenditure during the current Determination period, considering changes in the operating environment and forecasting key input costs.

Salary and plant costs have been forecast through the summation of individual budgets for each employee position and vehicle.

Council has reduced expenditure in areas where its operating environment has changed. For example, following the breaking of the drought and easing of water restrictions, water communications/education and demand management budgets have been reduced and redirected to tailored programs suitable for the current environment.

Increasing regulatory requirements, system extensions and an aging asset base are counteracting other potential operating efficiency savings. These additional costs are associated with many small changes (e.g. laboratory analysis costs associated with the change of standard faecal contamination indicator in recreation waters from E.coli to Enterococci), moderate changes (e.g. becoming an EWON member), and larger changes (e.g. operating additional sewerage schemes such as the Mooney Mooney Cheero Point Sewerage Scheme). These changes collectively add up to values commensurate to the levels of efficiency savings that would have been otherwise achieved.

Council continues to explore opportunities to increase the efficiency of its operations, through trials of new technology and its improved asset management capabilities. However, Council expects that ongoing increases in regulatory requirements, further system expansions, and its aging asset base will continue to impact its ability to realise efficiency gains.

Council expects that the transition to the CCWC will lead to long term efficiency gains through economies of scale, however, these gains are not expected in the next Determination period.

#### **4.3.1 Corporate**

##### **Corporate overheads**

Corporate overheads charged to water, sewerage and stormwater funds represent the internal support costs associated with providing these services to the community. The support services include governance and executive services, asset and facilities

management, financial management, human resources management, records and information management, information technology and communications, procurement and legal services.

Council's corporate overheads are based on the total cost (direct and indirect) of the internal support resources. There is a fully developed corporate overhead model which allocates, using cost drivers, all internal net service expenses across all areas of Council. These drivers are reviewed and adjusted annually.

Table 10 presents Council's forecast corporate overhead operating expenditure for the next Determination period.

**Table 10 Corporate overhead operating expenditure (\$million, 12/13)**

	2013/14	2014/15	2015/16	2016/17
Water	6.4	6.4	6.3	6.5
Sewerage	5.1	5.0	5.0	5.1
Stormwater Drainage	1.1	1.1	1.1	1.1
Total	12.6	12.5	12.4	12.7

### **Central Coast Water Corporation**

The forecast cost to transition to the CCWC and JSB is expected to be \$24.7M (12/13) over the next Determination period. The Councils are developing a detailed implementation plan for the establishment of the CCWC and JSB. As part of that, the Councils are undertaking detailed analysis to validate implementation costs.

The Councils will equally share the costs and seek to recover 50% of the total costs (\$12.3M, 12/13) from water and sewerage customers (over two Determination periods, discussed further in section 5.1). The remainder of the costs will be funded from Council's general fund operations, in recognition that some of the benefits of the JSB will flow back to the Councils' general funds. The cost forecasts in this submission include CCWC costs of \$7.4M (12/13), comprising transition costs of \$6.2M (12/13) (Gosford Council's 50% share of the CCWC transition costs to be recovered from water and sewerage customers) and CCWC Board operating costs of \$1.2M (12/13). No CCWC transition costs have been attributed to the stormwater drainage business, as stormwater drainage is to be retained by each Council,

**Table 11 Central Coast Water Corporation operating expenditure (\$million, 12/13)**

	2013/14	2014/15	2015/16	2016/17
Water	1.0	1.0	1.0	0.7
Sewerage	1.0	1.0	1.0	0.7
Total	2.0	2.0	2.0	1.3

Table does not sum to \$7.4M due to rounding

### **4.3.2 Water**

Water operational expenditure over the next Determination period is being driven by upward cost pressure from a range of areas. Key areas driving water operational expenditure include:

#### **Operation of the Hunter Link and the Mardi-Mangrove Link**

Operation of the Hunter Link and the Mardi-Mangrove Link are discussed jointly here as the approach used to estimate these costs is similar and linked. Operation of the Hunter Link (water purchases from Hunter Water Corporation) and the Mardi -Mangrove Link are both highly dependent on climatic conditions.

The Hunter Link will typically be operated during dry periods to conserve water stored in Mangrove Creek Dam in the event that drought conditions eventuate. The Central Coast system is currently configured to transfer water from the Hunter in the event that Mangrove Creek Dam (MCD) falls below 40 % and that water is required to be released from MCD to satisfy water demands. Given MCD is still recovering from the drought and is currently at 49.4% (10 September 2012) there is potential that transfers from the Hunter will be required during a four year price path from 2013/14.

The Mardi-Mangrove Link will typically operate during wet periods when water availability from the streams exceeds demand and MCD is below its top operating level (currently 80% of capacity due to spillway capacity constraints). Given that MCD storage is currently significantly below 80% of capacity, the Mardi-Mangrove Link will be operated when water availability permits. Significant transfers are anticipated during the next Determination period.

As operation of the Hunter Link and Mardi-Mangrove Link are both strongly determined by climatic conditions, a statistical analysis has been undertaken to estimate transfer requirements over the next Determination period. The statistical analysis undertaken utilised the stochastic module of the Central Coast headworks model.

The stochastic analysis indicates that in any one year over the next Determination period transfers from the Hunter could be within a range of 0 ML to 9,000 ML. The higher transfers would be required under extended dry climatic conditions. Conversely, the analysis indicates that transfers to MCD in any one year could be in the range of 0 ML up to 11,000 ML. The higher transfers would occur under wet climatic conditions. As high Hunter Link transfers will typically be associated with low Mardi-Mangrove Link transfers and vice versa, it is considered appropriate that the operational cost forecasts for the Hunter Link and Mardi-Mangrove Link be based on the weighted average transfers for each.

The annual price of water purchases from Hunter Water is in line with the price to be proposed by Hunter Water Corporation in its 2012 submission to IPART.

#### **Water quality**

The maintenance of water quality is of paramount importance to Council. Council is continuing its proactive water mains cleaning program that was established during the current period, in an effort to further reduce water quality complaints.

Council has commenced the implementation of an enhanced chlorination strategy to provide improved chlorine residuals throughout the water reticulation system, in accordance with NSW Health expectations and to maintain compliance with the Australian Drinking Water Guidelines.

Additionally, revisions to the Public Health Act and Regulation require Council to develop and implement a water quality assurance program by 1 July 2014. Although Council has progressed establishment of its water quality management system, further work is required to finalise and maintain the system.

### **Energy**

Council's energy costs will continue to increase over the next Determination period, primarily associated with increased network and usage tariffs charged by electricity suppliers. Council is seeking to reduce the impact of rising electricity costs through detailed consideration of energy usage when undertaking options analysis for capital projects.

### **Carbon tax**

Council does not expect to be liable for direct payment of the carbon tax during the next Determination period for its water and sewerage facilities. Council has not included any costs associated with direct payment of a carbon price in this submission. Any change to the liable entity threshold (currently 25,000 tonnes CO<sub>2</sub>-e per annum) may require Council to directly pay a carbon price of approximately \$25 per tonne. Should Council become liable for direct payment of the carbon price, Council would seek to recover these costs from customers. Council requests IPART give consideration to appropriate mechanisms for inclusion in the Determination to facilitate any required adjustment.

Increased electricity prices (discussed above) are associated, in part with the carbon tax. Council also expects the costs of other inputs to increase as suppliers pass on the embedded costs of carbon. Council is in the process of finalising detailed estimates of the likely impacts of this cost pass through.

Council has forecast costs associated with the carbon tax at 0.4% of operational and capital expenditure. This percentage is in line with the allowance included in the 2011/12 Local Government Cost Increase (IPART, 2011, *Effects of the carbon price on local Councils – Local Government Information Paper*) and supply chain carbon costs forecast by Sydney Water (Sydney Water, 2011, *Sydney Water Submission to IPART*) and subsequently allowed in IPART's Determination for Sydney Water (IPART, 2012, *Prices for Sydney Water Corporation's water, sewerage, stormwater drainage and other services – from 1 July 2012 to 30 June 2016*).

### **Asset management improvement program**

Council has a targeted rolling capital renewal program for each asset class, with particular emphasis on mechanical and electrical asset components. In the short term, these capital renewals are not anticipated to have a material impact on reducing operating expenditure, due to the large number of assets that currently require renewal due to age, condition and performance.

### **Water extraction licences**

The costs of water licences issued by the NSW Office of Water have increased significantly over the current Determination period. These increased licensing costs will continue to be incurred by Council in the next Determination period.

### **Work, health and safety**

Council continues to be committed to ensuring the health and safety of its staff. Recent changes to work, health and safety legislation and further detailed risk assessments require Council to change some operational processes and consequently incur additional costs.

Table 12 presents Council's forecast water operating expenditure for the next Determination period.

**Table 12 Water operating expenditure for the next Determination period (\$million, 12/13)**

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Water operating expenditure	18.4	18.6	19.9	19.9

Excludes allocated proportion of corporate overhead and CCWC costs

### **4.3.3 Sewerage**

Sewerage operational expenditure over the next Determination period is being driven by upward cost pressure from a range of areas. Key areas driving sewerage operational expenditure include:

#### **Environmental protection legislative change**

Amendments to the Protection of the Environment Operations 1997 introduced in 2012 have significantly increased the regulatory burden of complying with the provisions of the Act. The notable amendments include:

- a requirement to immediately notify an expanded list of authorities of a pollution incident
- a requirement to continuously disclose new information about a pollution incident immediately to each authority as it becomes known
- monthly and annual publishing of pollution monitoring data obtained as part of a condition of an Environment Protection Licence
- a requirement to prepare a pollution incident response management plan (PIRMP) and to review and test the PIRMP annually and within one month of a pollution incident occurring.

Due to the region's topography, including the vast array of waterways throughout the Gosford LGA (including recreational use and shellfish harvesting areas), a large proportion of sewage overflows have the potential to cause material harm (even with prioritised responses and appropriate clean up). As such, a far greater number of 'incidents' are reported to the EPA by Council in comparison to reports from 'industry'. This has significant impacts on reporting resource requirements and costs.



The more onerous requirements have significantly increased the amount of time spent by Council staff ensuring that all authorities and relevant stakeholders are notified and that reports are prepared and documented. The requirements to review and test the PIRMP also have significant impacts as the PIRMP will be required to be reviewed frequently (numerous times per month) with associated update training provided to a large number of staff following each review.

The changes have increased the number of overtime hours worked as a result of the time spent reporting to the expanded number of regulatory authorities and the necessity to have appropriately skilled staff available 24 hours per day to provide appropriate advice and oversight for staff responding to an incident.

### **Sludge management**

Services for the removal and beneficial reuse of biosolids from Council's two sewage treatment plants have been sourced from the market through a competitive tender process. The costs of biosolids disposal increased significantly due to the location of suitable disposal sites and haulage distances. The new contract is managed to ensure Council complies with the requirements of its sewerage system licence issued by the EPA.

### **Central Coast Water Corporation**

Costs of \$3.7M are included in the sewerage operating costs. Further information about CCWC cost forecasts is presented in section 4.2.1.

### **Energy**

Sewerage operational costs will increase increased energy costs as per the information provided for water.

### **Carbon tax**

Sewerage operational costs will increase due to costs associated carbon tax as per the information provided for water.

### **Asset management improvement program**

Sewerage operational costs will not materially change due to asset management improvements in the next Determination period, as per the information provided for water.

### **Work, health and safety**

Sewerage operational costs will increase increased due to costs associated with work, health and safety requirements as per the information provided for water.

Table 13 presents Council's forecast sewerage operating expenditure for the next Determination period.

**Table 13 Sewerage operating expenditure for the next Determination period (\$million, 12/13)**

	2013/14	2014/15	2015/16	2016/17
Sewerage operating expenditure	20.4	21.2	22.3	22.8

Excludes allocated proportion of corporate overhead and CCWC costs

### 4.3.4 Stormwater drainage

Stormwater drainage costs continue to be driven by increasing reactive maintenance and increased landfill disposal fees.

Table 14 presents Council's forecast stormwater drainage operating expenditure for the next Determination period.

**Table 14 stormwater drainage operating expenditure for the next Determination period (\$million, 12/13)**

	2013/14	2014/15	2015/16	2016/17
Stormwater drainage operating expenditure	5.9	6.1	6.5	6.7

Excludes allocated proportion of corporate overhead

## 4.4 Forecast capital costs

### 4.4.1 Water

Water capital expenditure is being increasingly driven by renewal of aging assets, and regulatory requirements.

Major water capital projects to be undertaken in the next Determination period are described below (all values in \$12/13):

#### **Mangrove Creek Dam Spillway upgrade (\$8.0M)**

Investigation, design and some construction to address the latest requirements of the Dam Safety Committee, which include Probable Maximum Flow estimates based on higher Maximum Probable Precipitation estimates than used for the original spillway design. Changes will be made to the spillway and/or spillway chute and/or dam wall to contain the revised Probable Maximum Flood (PMF) within the overflow structures. An options study is being undertaken to identify the most appropriate solution to achieve regulatory compliance. The study will also include options for future upsizing of the dam, for a more complete consideration of all possible options. The cost of this project will be shared equally between Gosford and Wyong Councils.

#### **Somersby Water Treatment Plant capital works plan (\$7.9M)**

Capital works plan including more than 70 projects over 5 years. It involves, replacement of assets near or beyond the end of their service life, refurbishment of assets to ensure structural integrity, renewals and augmentations to improve reliability, efficiency, safety and performance of assets and processes and improvements to the treatment process to ensure drinking water quality continues to meet the Australian Drinking Water Guidelines. The works form part of a 20 year capital works program which was developed following a strategic review of the water treatment plant in 2011. The cost of this project will be shared equally between Gosford and Wyong Councils.

**Major Water Pump Station renewals (\$3.9M)**

Refurbishment of high voltage components at major source water pumping stations – Mangrove Creek and Mooney Mooney. The project will replace critical water supply infrastructure currently at the end of its useful life. The cost of this project will be shared equally between Gosford and Wyong Councils.

**Work from Water Quality Strategy (\$3.0M)**

Range of water treatment plant water quality improvement works identified in water quality strategy. This project is in the Wyong local government area. The cost of this project will be shared equally between Gosford and Wyong Councils.

**Mardi Dam curtain (\$2.0M)**

Construction of a curtain in Mardi Dam to increase detention time and encourage settlement of sediment. Required to manage impacts (e.g. increased turbidity) associated with the changed river extraction regime associated with the Mardi-Mangrove Link Project. This project is in the Wyong local government area. The cost of this project will be shared equally between Gosford and Wyong Councils.

**Mardi Pre Treatment Works (\$1.4M)**

Detailed design for a Dissolved Air Flotation (DAF) plant to treat water from Mardi Dam. The additional treatment process is required to appropriately treat the changed water quality (e.g. increased turbidity and organic carbon) associated with the new river extraction regime associated with the Mardi-Mangrove Link Project. Construction is scheduled during the following Determination period. This project is in the Wyong local government area. The cost of this project will be shared equally between Gosford and Wyong Councils.

**Mardi Water Treatment Plant sludge disposal system (\$1.0M)**

Installation of a pipeline from Mardi water treatment plant to dispose of water treatment plant sludge to the sewerage system. The cost of this project will be shared equally between Gosford and Wyong Councils.

**Water main renewal program (\$5.1M)**

Replacement of water mains using a risk based triple bottom line approach that considers asset performance, customer impact, operational impact and environmental impact

**Davistown trunk main renewal (\$1.0M)**

Renewal of major trunk main which has experienced numerous failures to improve supply continuity.

**Woy Woy PRV facility upgrade (\$2.1M)**

Upgrade and renewal of pressure reduction valve (PRV) facility to address aging infrastructure and work health and safety risks.

**Information communications technology renewal (\$1.8M)**

Renewal of critical information communication technology (ICT) equipment to maintain reliability of remote system monitoring, alarms and control.

**Water meter replacement program (\$1.2M)**

Replacement of customer water meters based on water meter age to maintain measurement accuracy in accordance with legislative requirements and industry codes of practice.

Table 15 presents Council's forecast water capital expenditure for the next Determination period.

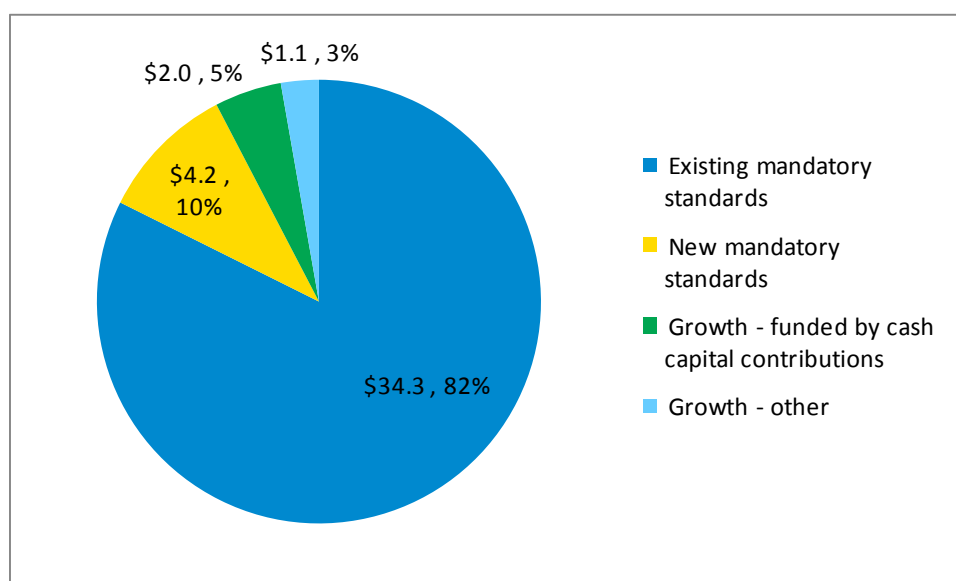
**Table 15 Water capital expenditure for the next Determination period (\$million, 12/13)**

2013/14	2014/15	2015/16	2016/17	Total
9.2	13.0	9.2	10.3	41.7

The values presented in Table 15 include Gosford Council's share of JWS capital works undertaken in the Wyong area.

Appendix B presents a summary of major capital projects (greater than \$1M) proposed for the next Determination period.

Figure 14 presents the forecast water capital expenditure for the next Determination period by purpose.



**Figure 14 Total water capital expenditure by purpose driver (\$million, 12/13)**

Table 16 provides indicative values of water capital expenditure following the next Determination period. These numbers represent renewal requirements only (no upgrades or system extensions) and have not been subject to the same level of review and refinement that the 2013/14 to 2016/17 values have been. They are provided only to give an indication of the magnitude of capital investments required over the next ten years and should not be used in the calculation of any revenue needs.

**Table 16 Indicative water capital expenditure after the next Determination period (\$million, 12/13)**

2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
9.2	6.1	23.3	22.2	39.7	4.1

#### **4.4.2 Sewerage**

Sewerage capital expenditure is being increasingly driven by renewal of aging assets. To a lesser extent, sewerage capital expenditure is also being driven by expansion of services to currently un-sewered areas.

Major sewerage capital projects to be undertaken in the next Determination period are described below (all values in \$12/13):

##### **Major SPS renewal program (\$2.1M)**

Mechanical and electrical refurbishments at major sewage pump stations. Involves renewal of critical components at the end of their useful lives.

##### **Non major SPS renewal program (\$24.7)**

Civil, mechanical and electrical refurbishments at other (non major) sewage pump stations. The program prioritises works on aging infrastructure across Council's 175 non major sewerage pump stations based on the risk and criticality of each pump station and potential receiving environment.

##### **Septicity control optimisation (\$4.9M)**

Development and implementation of improved odour and septicity management throughout the sewerage system.

##### **Kincumber sewage treatment plant digesters (\$4.7M)**

Major refurbishment of digesters and associated pipe gallery. Works include refurbishment of the primary digester gas bells and replacement/repair of corroded pipe sections and valves which will allow effective isolation of each digester and improve sludge recirculation. Requirement of the Pollution Reduction Program within Council's Environment Protection Licence, as issued by the Environment Protection Authority (EPA).

##### **Sewer gravity mains renewal program (\$8.3M)**

Relining and/or replacement of 'avoid fail' sewerage gravity mains based on risk and criticality. The program includes mains that have had multiple previous failures or are beyond their useful life. Closed circuit television (CCTV) investigations including condition assessments are being undertaken to verify main condition to prioritise renewal requirements.

##### **Sewer rising mains renewal program (\$2.1M)**

Renewal and rehabilitation of major sewage pump station rising main valves based on age and criticality, to minimise asset failure.

**North Avoca Major rising main valve replacement (\$1.0M)**

New major rising main valves required to replace existing inoperable valves. Replacement required to provide operational capability and enable bypass during emergency. Part of EPCM Coastal Carrier.

**Avoca sewage pump station upgrade (\$1.1M)**

Upgrade of Avoca sewage pump station A1 to accommodate increased flows from North Avoca. Involves replacement of mechanical and electrical equipment, including two new transformers, along with civil and building works. Part of EPCM Coastal Carrier.

**Developer servicing works – redevelopment (\$1.3M)**

Completion of works in accordance with the Development Servicing Plan for redevelopment throughout the local government area (excluding the Gosford CBD).

**Developer servicing works - Gosford CBD (\$2.8M)**

Completion of works in accordance with Development Servicing Plans for the Gosford CBD.

**High voltage switchboard renewals (\$8.4M)**

Replacement of high voltage switchboards at Kincumber and Woy Woy sewage treatment plants. These assets, which supply electricity all numerous sub-boards throughout the sewage treatment plants, have reached the end of their useful life and replacement is essential to avoid extreme consequence asset failure.

**Dissolved Air Flotation (DAF) system improvement at Kincumber sewage treatment plant (\$1.2M)**

Involves duplication of DAF pipework to provide required operational flexibility and redundancy to avoid failure based on risk assessment.

**Digester cogeneration unit (\$1.9M)**

Project to enable use of biogas from digesters at the Kincumber sewage treatment plant for cogeneration of electricity. Currently some of the gas is used to heat digesters, but the remainder is flared. Alignment with other major projects at the Kincumber STP, including digester refurbishment and high voltage electricity upgrades provides an opportune time to undertake this project. Reduces risk of reaching carbon tax liability threshold and has potential for electricity cost savings

**Cockle Bay Towns Sewerage Project (\$13.0M)**

This project will provide sewerage services to identified properties in the currently un-sewered suburbs of Empire Bay, Bensville and Kincumber South – collectively the ‘Cockle Bay Towns’. Grant funding is expected from the State Government under the Priority Sewerage Program and the Country Towns Water & Sewerage program.

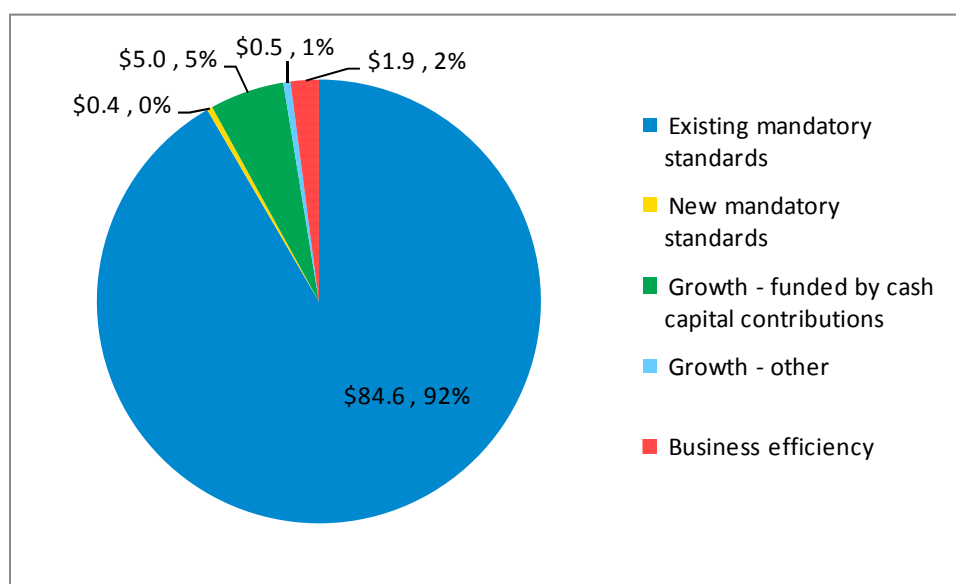
Table 17 presents Council’s forecast sewerage capital expenditure for the next Determination period.

**Table 17 Sewerage capital expenditure for the next Determination period. (\$million, 12/13)**

2013/14	2014/15	2015/16	2016/17	Total
31.4	28.6	17.0	15.4	92.4

Appendix B presents a summary of major capital projects (greater than \$1M) proposed for the next Determination period.

Figure 15 presents the forecast sewerage capital expenditure for the next determination period by purpose.



**Figure 15 Total sewerage capital expenditure by purpose driver (\$million, 12/13)**

Table 18 provides indicative values of sewerage capital expenditure following the next Determination period. These numbers represent renewal requirements only (no upgrades or system extensions) and have not been subject to the same level of review and refinement that the 2013/14 to 2016/17 values have been. They are provided only to give an indication of the magnitude of capital investments required over the next ten years and should not be used in the calculation of any revenue needs.

**Table 18 Indicative sewerage capital expenditure after the next Determination period (\$million, 12/13)**

2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
12.7	10.1	10.3	8.5	7.9	4.6

#### 4.4.3 Stormwater drainage

Stormwater drainage capital expenditure is being driven by the renewal and upgrade of existing stormwater drainage systems and provision of stormwater drainage systems where formalised systems do not currently exist in order to dispose of stormwater in a safe and environmentally sound manner, reduce risk to life and damage to property.

The stormwater drainage capital works program is informed by a range of flooding and stormwater drainage studies and risk management plans. Capital improvements from these plans are implemented on a priority basis.

Areas for which flood studies will be prepared and/or revised include Broken Bay & Hawkesbury River Foreshore, Kahibah Creek and Pearl Beach. Floodplain risk management strategies will be prepared and/or reviewed for Erina Creek, Narara Creek, the coastal lagoons, individual foreshore areas of Brisbane Water, and the Woy Woy Peninsula.

Major stormwater drainage capital projects to be undertaken in the next Determination period are described below (all values are in \$12/13):

##### **Riviera catchment trunk stormwater drainage (\$1.0M)**

Delivery of improved trunk stormwater drainage in the Riviera catchment through the replacement of the existing stormwater drainage system with increased pipe size and pit collection. To reduce the risk of damage to property and road inundation.

##### **Minor stormwater drainage improvements program (\$1.5M)**

Program to undertake prioritised minor stormwater drainage improvements across a range of catchments. Projects are prioritised through a risk assessment process including consideration of public safety, damage to private property and Council infrastructure assets, environmental sustainability, and level of customer complaints.

##### **Kincumber urban flood mitigation (\$1.4M)**

Delivery of improved trunk stormwater drainage in the Kincumber catchment through the replacement of the existing stormwater drainage system with increased pipe size, pit collection and retarding basin. To reduce the risk of damage to property and road inundation.

Table 19 presents Council's forecast stormwater drainage capital expenditure for the next Determination period.

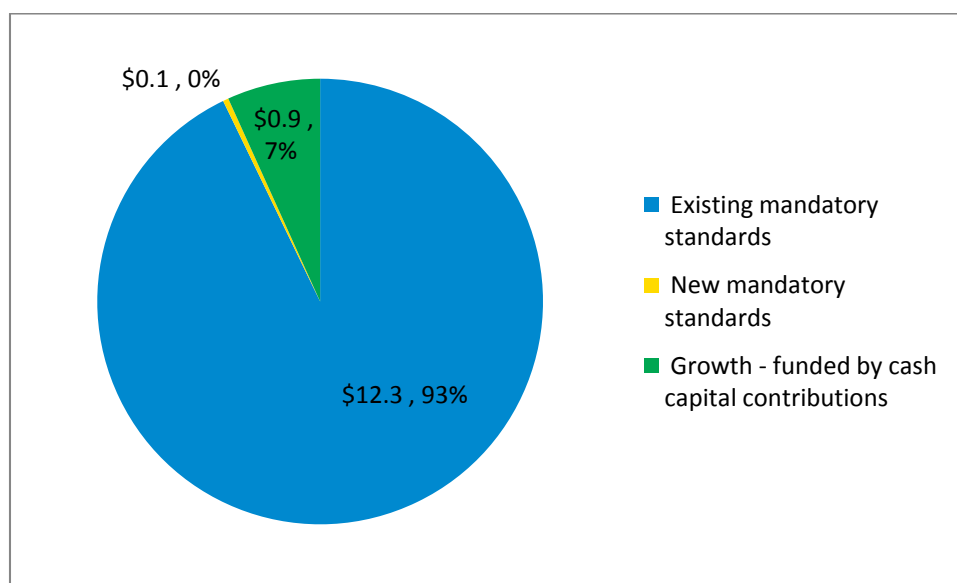
**Table 19 Stormwater drainage capital expenditure for the next Determination period (\$million, 12/13)**

2013/14	2014/15	2015/16	2016/17	Total
3.4	3.5	3.1	3.2	13.3

Appendix B presents a summary of major stormwater drainage capital projects (greater than \$1M) proposed for the next Determination period.



Figure 16 presents forecast stormwater drainage capital expenditure for the next Determination period by purpose.



**Figure 16 Total stormwater drainage capital expenditure by purpose driver (\$million, 12/13)**

Table 20 provides indicative values of stormwater drainage capital expenditure following the next Determination period. These numbers represent preliminary estimates for renewals and new assets and have not been subject to the same level of review and refinement that the 2013/14 to 2016/17 values have been. They are provided only to give an indication of the magnitude of capital investments required over the next ten years and should not be used in the calculation of any revenue needs.

**Table 20 Indicative stormwater drainage capital expenditure after the next Determination period (\$million, 12/13)**

2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
3.3	5.3	4.7	5.1	4.9	5.6

## 4.5 Recycled water avoided costs

Council is not seeking to recover any avoided costs associated with recycled water schemes.

## 4.6 Review of developer charges

IPART has requested Council to respond to matters' raised in its *Review of developer charges for Gosford City Council and Wyong Shire Council – Water – Issues Paper* (June 2012). Council's response to the Issues Paper is presented in Appendix C.

## 4.7 Regulated Asset Base (RAB)

Council has adjusted the value of its asset base to reflect capital works completed, contributions to capital works, and regulatory depreciation in the current Determination period.

Table 21 presents proposed capital expenditure to be incorporated when rolling forward the RAB.

**Table 21 Capital expenditure to be incorporated when rolling forward the RAB (\$million, 12/13)**

	2013/14	2014/15	2015/16	2016/17
Water	9.2	13.0	9.2	10.3
Sewerage	31.4	28.6	17.0	15.4
Stormwater drainage	3.4	3.5	3.1	3.2

Table 22 presents forecast capital contributions from developers to be deducted from the RAB.

**Table 22 Capital contributions from developers to be deducted from the RAB (\$million, 12/13)**

	2013/14	2014/15	2015/16	2016/17
Water	0.2	0.2	0.2	0.3
Sewerage	0.5	0.5	0.5	0.6
Stormwater drainage	0.2	0.2	0.2	0.3

Table 23 presents forecast capital contributions from other sources to be deducted from the RAB.

**Table 23 Capital contributions from other sources to be deducted from the RAB (\$12/13)**

	2013/14	2014/15	2015/16	2016/17
Water	0.0	0.0	0.0	0.0
Sewerage	0.0	1.1	0.5	0.5
Stormwater drainage	0.0	0.0	0.0	0.0

Table 24 presents regulatory depreciation to be deducted from the RAB.

**Table 24 Regulatory depreciation to be deducted from the RAB (\$million, 12/13)**

	2013/14	2014/15	2015/16	2016/17
Water	3.4	3.5	3.6	3.7
Sewerage	4.2	4.5	4.7	4.9
Stormwater drainage	0.2	0.2	0.3	0.3

Council is not forecasting any asset disposals over the next Determination period. As such, no adjustment has been made to the RAB for asset disposals.

Table 25 presents the resulting value of the opening RAB.

**Table 25 Resulting value of the opening RAB (\$million, 12/13)**

	2013/14	2014/15	2015/16	2016/17
Water	291.1	296.5	305.5	310.6
Sewerage	331.3	357.1	379.0	389.8
Stormwater drainage	17.8	20.8	23.7	26.2

Council notes that the *NSW Commission of Audit - Final Report - Government Expenditure* (May 2012) includes the following statement "Each of the utilities, except SDP, has a value impaired asset base. Profits are overstated by low depreciation estimates. Insufficient cash flow is being clearly recognized for asset renewals. The regulator should address this matter."

Council is experiencing the asset renewal cash flow issues raised in by the NSW Commission of Audit. The value of Council's RAB is significantly below the book value of its assets. The stormwater drainage business is particularly impacted by a RAB far less than the book value of assets. The stormwater drainage business is not financially sustainable, as the RAB related building blocks do not provide sufficient revenue to finance the stormwater drainage capital expenditure program. This poses particular issues as Council intends to retain stormwater drainage functions when water and sewerage functions are transferred to the CCWC.

Council recognises that IPART has historically considered the financial sustainability of the combined business, rather than financial sustainability for each of the water, sewerage and stormwater drainage businesses. This approach will need to be altered to enable the stormwater drainage business to be a financially sustainable stand alone business.

Council requests IPART to review the value of Council's regulated asset base, particularly for stormwater drainage.

## **4.8 Weighted Average Cost of Capital (WACC)**

Council has specifically considered recent IPART Determinations to select an appropriate WACC for this pricing submission. The revenue needs presented in this submission have been calculated using a post-tax WACC of 5.6%. This WACC is in line with that used for Sydney Water Corporation and Sydney Catchment Authority.

However, Council also proposes that IPART revise some inputs to the WACC to better align with long term investments. Inputs such as the nominal risk free rate and the debt margin should be calculated over a long term period to more consistently align to the market risk premium long term measure. Given the ongoing nature of Council's water, sewerage and stormwater drainage investments it is more appropriate to use long term parameters for calculating the WACC to reduce the impacts of market volatility. Council request IPART to give consideration to this during the price review.

Council has calculated the tax allowance with reference to IPART's example revenue and pricing model published on the IPART website.

Council has modelled the impact of the change from a pre-tax to a post-tax WACC. The analysis indicates that Council's calculated revenue needs using a post-tax WACC are lower than those using a pre-tax WACC. This decreases the financial sustainability of the combined water, sewerage and stormwater drainage business.

## **4.9 Depreciation and asset lives**

Council supports the continued use of straight line depreciation to calculate the allowance for regulatory depreciation.

Council proposes that regulatory depreciation for new assets be calculated on the basis of the lives of each asset class, rather than a single asset life for all classes. Depreciation based on the life of each asset class better reflects the wide variability of lives in the asset base.

The detailed work Council has recently undertaken for the fair valuation of assets (as required by the Department of Local Government) means that Council is now in a position to provide the required information to allow componentised depreciation.

Council notes that this method of componentised depreciation is already applied to Sydney Water and better reflects the likely economic lives of the various asset classes.

Council has undertaken significant analysis during the current Determination period to determine the estimated useful lives of its assets. To establish the remaining useful lives of existing assets, Council has adopted an age-based approach to assessing remaining useful life, using straight line depreciation to reflect the consumption of the asset. Until a robust condition assessment program has been completed (commenced and will continue in the next Determination period), age, material type and environmental conditions have been

determined to be the most appropriate indicators to use for estimating useful life, remaining useful life and depreciation.

Council's adopted estimated useful lives have been supported in the following ways:

- benchmarking against industry recommendations including the NSW Reference Rates for Valuation of Water Supply, Sewerage and Stormwater Assets and the International Infrastructure Management Manual
- benchmarking against other water utilities
- adoption of expert advice from external valuations conducted by Evans and Peck, and NSW Public Works, who have considerable experience in conducting fair value estimates within the water industry
- initial statistical analysis of sample data to determine average useful life estimates
- remaining useful life estimates undertaken with Council's Operations and Asset Management staff, and other relevant Council staff.

Details of asset values and associated lives are presented in Council's Annual Information Return (AIR) provided to IPART.

#### **4.10 Sales volumes**

Council's forecast water sales volumes over the next Determination period are presented in Table 26.

**Table 26 Water sales volumes over the next Determination period (ML)**

	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
Residential	10,358	10,676	10,994	10,974
Non Residential	1,991	1,919	1,847	1,857
Total	12,349	12,595	12,841	12,830

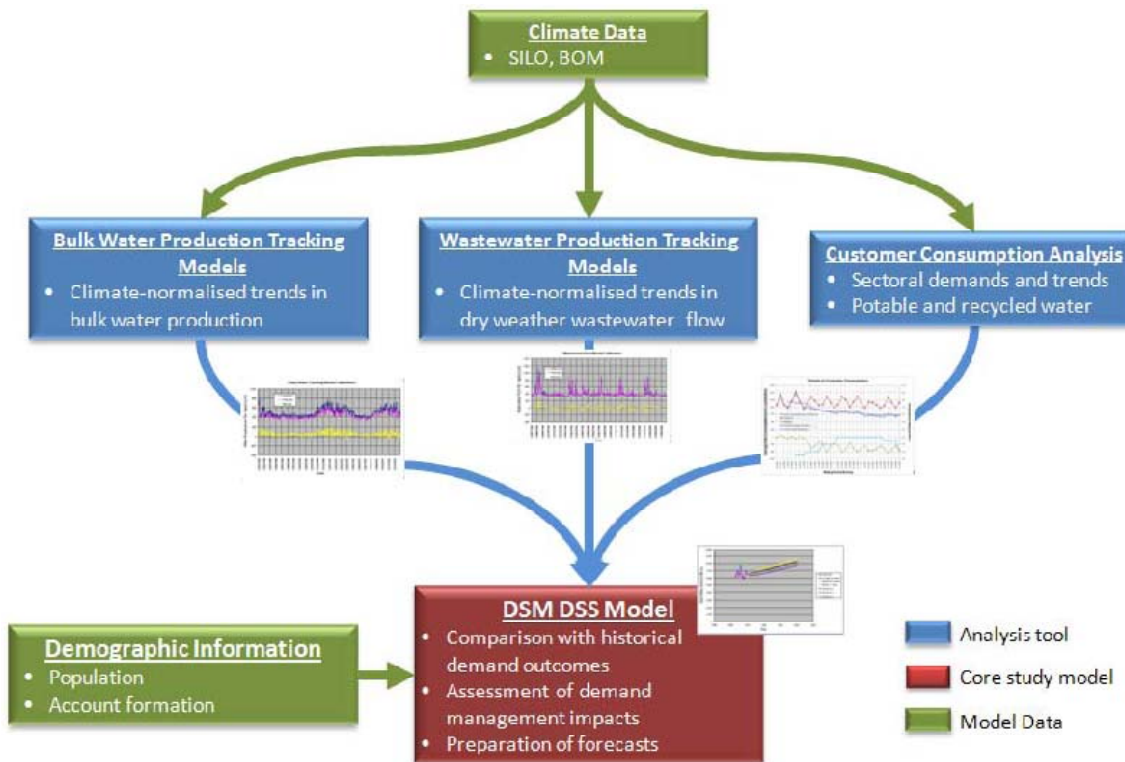
#### **Methodology**

Gosford and Wyong Councils have jointly engaged Sinclair Knight Mertz (SKM) to undertake an analysis of historical forecast sales and actual sales and to prepare water sales estimates for the next price path.

The analysis undertaken by SKM utilised a suite of tools to examine trends in water demands and sewage flows which were then used in conjunction with demographic information as inputs to the Demand Side Management Decision Support System (DSM DSS) model. The DSM DSS model is an "end" urban water decision support model designed for preparing forecasts of water demand and assessing the impact of demand management options. The model utilised for this analysis was initially developed for the NSW Office of Water and has since been further developed and refined by SKM.

The modelling approach reflects the methodology used by the Councils to forecast sales for the current price period. IPART and its consultants supported the methodology used by the Councils for the current price period and adopted the associated sales forecasts proposed by the Councils.

An overview and framework of the modelling process is provided below.



The modelling incorporates latest available demographic information and includes an assessment of historical consumption and sewage flow trends.

The DSM DSS has been used to prepare baseline forecasts of unrestricted water demands taking into account, demand management programmes, historical water restrictions, propagation of water efficient fixtures, BASIX, the National Water Efficiency Labelling Scheme (WELS) and historic water sales.

Analysis of the variance of actual water sales from the previous forecasts included a range of issues i.e. population growth, climate, demand management and water restrictions.

The model provides estimates for each of Gosford and Wyong Councils. Only the Gosford projections are included within this submission.

### Risks and uncertainties

There are a number of risks associated with the water sales forecasts which are summarised below.

a) Population Growth

Whilst the best available population growth information has been utilised in the preparation of the water sales forecasts, variations in the growth rates will affect water sales.

b) Climate

The water sales figures have been based on neutral climatic conditions and have not been adjusted for conditions skewed to either wet or dry conditions. It is noted that given Mangrove Creek Dam is currently at 49.4% (10 September 2012) and close to the trigger point for the introduction of water restrictions (Mangrove Creek Dam level of 42%), a return of dry conditions could see water restrictions reintroduced. This would reduce water sales relative to the forecasts.

A movement to wet conditions is also likely to reduce demands relative to the forecasts as customer external water consumption would be reduced.

c) User behaviour

The Central Coast community has been on water restrictions for over 10 years. During this time significant work has been undertaken to educate the community about efficient water use and instil permanent behaviour changes.

The progressive easing and subsequent removal of water usage restrictions has not been accompanied by commensurate increases in demand. It is possible that continued customer water conservation behaviours will result in usage below that forecast.

### **Demand volatility adjustment mechanism**

In its 2012 Determination for Sydney Water, IPART adopted a mechanism to address the risk of under/over recovery of revenue due to variation between forecast and actual water sales. The mechanism provides that, where consumption varies more than ten percent over the period, IPART may consider adjusting the revenue requirement for the subsequent Determination to account for the effect of the difference. Council requests that a similar demand volatility adjustment mechanism be incorporated into Council's Determination.

## **4.11 Customer numbers**

Council has forecast customer numbers based on a similar level of growth to that observed during the current Determination.

Table 27 presents forecast customer numbers for each of water, sewerage and stormwater drainage.

**Table 27 Customers for each of water, sewerage and stormwater drainage**

	2013/14	2014/15	2015/16	2016/17
<b>Water</b>				
Residential	64,878	65,267	65,658	66,052
Non Residential	3,312	3,332	3,352	3,372
Total	68,190	68,599	69,011	69,425
<b>Sewerage</b>				
Residential	63,575	63,957	64,340	64,726
Non Residential	3,182	3,201	3,220	3,239
Total	66,757	67,157	67,560	67,966
<b>Stormwater drainage</b>				
Residential	67,764	68,170	68,580	68,991
Non Residential	3,713	3,735	3,758	3,780
Total	71,477	71,906	72,337	72,771



## 5 Revenue needs

Council has used IPART's building block methodology to calculate the required revenue needs for each of the water, sewerage and stormwater drainage businesses.

Table 28 presents the forecast notional revenue needs over the next Determination period.

**Table 28 Notional revenue needs over next period (\$million, 12/13)**

	2013/14	2014/15	2015/16	2016/17
Water	49.0	49.7	51.6	51.9
Sewerage	53.4	55.8	58.2	59.3
Stormwater drainage	7.9	9.0	9.6	10.1

To transition the revenue needs through the Determination period, they have been smoothed on a Net present Value (NPV) basis.

Table 29 presents the forecast smoothed revenue needs over the period.

**Table 29 Smoothed revenue needs over next period (\$million, 12/13)**

	2013/14	2014/15	2015/16	2016/17
Water	41.8	47.4	52.9	58.5
Sewerage	46.1	52.9	59.7	66.5
Stormwater drainage	7.1	8.5	9.8	11.2

### 5.1 Central Coast Water Corporation

Council expects to incur considerable costs over the next Determination period associated with the transition to the CCWC (discussed in section 5.1). Council is conscious of the impact the recovery of these costs will have on prices.

To mitigate these impacts, Council (with Wyong Council) is proposing to recover the CCWC transition costs over two Determination periods, rather than one. This smooths the price increases associated with the CCWC. Although Council recognises that the decision of the current Tribunal cannot bind the decision of any future tribunal, Council expects that the costs incurred but not recovered during the next Determination period, will be recovered in the following period.

## **6 Proposed prices**

### **6.1 Price structure**

The price structure proposed in this submission is based on the price structure of the 2009 Determination.

Council notes that following IPART's *Review of price structures for metropolitan water utilities - Final Report* (March 2012), IPART may wish to vary Council's price structure. The outcome of the IPART review resulted in a set of price structure principles which IPART has given regard to for the recent Sydney Water price review.

As Council highlighted in its submission to the review, aspects of IPART's adopted principles will increase billing complexities, current billing systems cannot accommodate some of these complexities and additional costs will be incurred to modify and maintain the billing system and data to accommodate the proposed changes. Additionally, Council does not currently possess the required information in a format to allow billing of dwelling based service charges as outlined in the Final Report.

Council supports the concept of setting the sewerage usage charge with reference to short run marginal costs, but requests that this be phased in over an extended period of time due to the significant impact this will have on sewerage service charges.

Council recognises the need for price structures to provide an appropriate balance between cost reflectivity, equity between customers and customer impacts, simplicity and ease of customer understanding and administrative efficiency and transaction costs. Council is willing to work further with IPART on price structures, provided that IPART recognises and accommodates Council's associated cost, time and resource implications.

### **6.2 Customer consultation**

Council has undertaken consultation with specific customers potentially impacted by proposed expansions to Council's service areas, for example the provision of sewerage services to priority sewerage areas. Indicators of whether customers were willing to pay to scheme contribution charges was a significant factor considered by Council when deciding whether or not to progress the schemes.

Council (with Wyong Council) is currently undertaking an annual survey regarding water and sewerage and service usage and satisfaction. In consideration of IPART's review of *Customer engagement on prices for monopoly services* the Councils have included questions in the survey about how our customers would like to receive information about and have input to pricing. The results of the survey will influence future consultation with customers regarding prices.

## 6.3 Price levels

The following sections present the proposed prices for Council's monopoly services.

### 6.3.1 Water

Water prices have been calculated by dividing the smoothed water revenue requirements (less adjustments for pensioner rebates and miscellaneous and ancillary charges) by the forecast water sales volumes and forecast number of water system connections (by water meter size) over the period. Revenue smoothing has been applied to mitigate the impact of price changes.

The resulting water charges are presented in Table 30, Table 31 and Table 32.

**Table 30 Water usage charge (\$12/13)**

	2013/14	2014/15	2015/16	2016/17
Water usage per kilo litre	2.35	2.50	2.60	2.70

**Table 31 Water service charge (\$12/13)**

	2013/14	2014/15	2015/16	2016/17
20mm	157.95	176.90	203.52	238.04
25mm	246.79	278.06	321.82	378.67
30mm	355.38	398.02	457.91	535.58
32mm	404.35	455.57	527.27	620.41
40mm	631.79	711.83	823.86	969.39
50mm	987.17	1,112.24	1,287.29	1,514.67
65mm	1,668.32	1,879.68	2,175.51	2,559.79
80mm	2,527.16	2,847.33	3,295.45	3,877.55
100mm	3,948.69	4,448.95	5,149.15	6,058.67
150mm	8,884.55	10,010.13	11,585.58	13,632.00
Other	Meter size <sup>2</sup> x 20mm charge /400	Meter size <sup>2</sup> x 20mm charge /400	Meter size <sup>2</sup> x 20mm charge /400	Meter size <sup>2</sup> x 20mm charge /400

**Table 32 Water service charge for vacant land (\$12/13)**

	2013/14	2014/15	2015/16	2016/17
Water service per annum	157.95	176.90	203.52	238.04

### **Hunter Water/Central Coast water transfer price**

Council supports continuation of the methodology used in the 2009 Determination for calculation of the price of water transferred between the Central Coast and Hunter Water area. Council is aware that that Hunter Water Corporation, in its submission to IPART, will be revising the calculation to modify previous depreciation estimates.

Gosford and Wyong Councils are currently in discussions with Hunter Water regarding water banking arrangements. These arrangements may enable Hunter Water to transfer additional flows to the Central Coast for a storage credit during normal operations and then draw on this credit during drought conditions. The aim of a banking arrangement would be to maximise regional water storage in non-drought conditions to minimise the risk of triggering drought response actions by either the Councils or Hunter Water.

The IPART determined interchange price would not be appropriate for a banking arrangement because the transfers are not intended as outright sales but as credits for later consumption. Requiring the receiving utility (i.e. utility providing the storage capacity) to pay the determined interchange price would be a major disincentive to a banking arrangement.

Council requests IPART to ensure that when setting the price for Hunter Water/Central Coast water transfer price the Determination is very clear that this price only applies to water transferred for immediate operational needs and that any water transferred under a future water banking arrangement would not be charged at the IPART determined price, if implemented.

### **Application of determined prices**

Schedule 1 of the 2009 Determination specifies which determined prices are to be applied to the various customer categories. Council understands that IPART intends to reword the text in this schedule to improve its clarity. Council supports this and also requests that the following specific changes also be made:

#### *5 Charges for water supply services to unmetered properties*

Part (b) currently states that the water usage charge be levied “as if the water consumption used by that Unmetered Property was equal to the average water consumption of all the Properties located on the same street as the Unmetered Properties”. Council’s billing system does not have the capability to estimate water usage in this manner and the appropriateness of the methodology is questionable. The wording should be changed to allow usage to be estimated based on that property’s measured usage during the most recent 12 month period for which data is available (if the property is unmetered for a temporary period of time). Council does not permit any properties to be permanently unmetered. If any unmetered property is discovered a meter is installed and from that point, the property will be charged for water usage in the same manner as any other metered property.

#### *All tables which include charges by meter size*

The tables with prices by meter sizes currently do not present prices for 32mm services. There are a number of properties that do have 32mm services. The calculation of the price for this meter size (using the formula provided) adds unnecessary administrative complexity. Inclusion of the 32mm service prices in these tables would aid business efficiency.

### 6.3.2 Sewerage

Sewerage prices have been calculated by dividing the smoothed sewerage revenue requirements (less adjustments for pensioner rebates, miscellaneous and ancillary charges and liquid trade waste charges) by the forecast sewerage usage volumes and forecast number of sewerage system connections (by water meter size for non residential) over the period. Revenue smoothing has been applied to mitigate the impact of price changes.

The resulting sewerage charges are presented in Table 33 to Table 37.

**Table 33 Sewerage service charges for residential properties (\$12/13)**

	2013/14	2014/15	2015/16	2016/17
Sewerage service per annum	609.89	681.11	751.44	819.39

**Table 34 Minimum sewerage service charge for non residential properties (\$12/13)**

	2013/14	2014/15	2015/16	2016/17
Sewerage service per annum	609.89	681.11	751.44	819.39

**Table 35 Sewerage service charges for non residential properties (\$12/13)**

	2013/14	2014/15	2015/16	2016/17
20mm	606.05	676.82	746.71	814.23
25mm	707.96	790.63	872.27	951.14
30mm	1,363.61	1,522.85	1,680.10	1,832.02
32mm	1,159.91	1,295.37	1,429.13	1,558.35
40mm	1,812.37	2,024.01	2,233.01	2,434.93
50mm	2,831.82	3,162.52	3,489.08	3,804.58
65mm	4,785.78	5,344.65	5,896.54	6,429.73
80mm	7,249.47	8,096.04	8,932.04	9,739.72
100mm	15,151.22	16,920.54	18,667.76	20,355.78
150mm	34,090.24	38,071.21	42,002.45	45,800.50
Other	Meter size <sup>2</sup> x 20mm charge /400	Meter size <sup>2</sup> x 20mm charge /400	Meter size <sup>2</sup> x 20mm charge /400	Meter size <sup>2</sup> x 20mm charge /400

**Table 36 Sewerage usage charge (\$12/13)**

	2013/14	2014/15	2015/16	2016/17
Sewerage usage per kilolitre	1.13	1.13	1.13	1.13

**Table 37 Sewerage service charge for vacant land (\$12/13)**

	2013/14	2014/15	2015/16	2016/17
Sewerage service per annum	609.89	681.11	751.44	819.39

### 6.3.3 Stormwater drainage

Stormwater drainage prices have been calculated by dividing the smoothed stormwater drainage revenue requirements (less adjustments for pensioner rebates) by the forecast number of properties within the declared stormwater drainage area over the period. Revenue smoothing has been applied to mitigate the impact of price changes.

The resulting stormwater drainage charges are presented in Table 38.

**Table 38 Stormwater drainage service charge for residential and non residential properties (\$12/13)**

	2013/14	2014/15	2015/16	2016/17
Stormwater drainage service pa	106.56	122.60	137.93	152.74

### Area based stormwater drainage charging

Council does not support the introduction of area based stormwater charging.

Council does not currently have data in an appropriate format to enable calculation of an area based charge or the billing system capability to enable levying of an area based charge. Council is not aware of any driver for change to stormwater drainage price structures at this stage.

### 6.3.4 Trade waste

Council has undertaken a review of its liquid trade waste charges. The review involved alignment with Wyong Council for some charges and also revised prices to reflect the costs of trade waste management.

The complete list of proposed trade waste prices are presented in Appendix D.

### **6.3.5 Miscellaneous and ancillary fees and charges**

Council has undertaken a review of all of its miscellaneous fees and charges.

Council used the methodology previously applied by IPART for the calculation of each miscellaneous charge, specifically the formula below:

$$\text{Miscellaneous charge} = \text{base cost} + \text{direct material cost}$$

Where:

Base cost = [direct cost of labour (including on costs) + transport + equipment] x [business unit overheads]

Direct material cost = cost of materials used in the service

Council is proposing decreased charges where process efficiencies have reduced costs, and increased charges where costs are not being recovered.

Additionally Council has rationalised and revised the scope and description number of charges to better reflect the service being provided. This has included removal of some previous charges and addition of new charges.

Proposed prices for miscellaneous changes are presented in Appendix E.

## 7 Impacts of proposed prices

### 7.1 Impacts on customers

Council is conscious of the impact that the proposed prices may have on customers. To mitigate these impacts Council has proposed prices based on smoothed revenue needs, to transition the price change through the period.

#### 7.1.1 Typical bill

Table 39 and Table 40 present a typical residential bills based on the proposed prices.

**Table 39 Typical residential bill assuming 200kL per annum (\$12/13)**

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
Water service charge	99.28	157.95	176.90	203.52	238.04	
Water usage charge	424.0	470.0	500.0	520.0	540.0	
Sewerage service charge	534.82	609.89	681.11	751.44	819.39	
Stormwater service charge	82.52	106.56	122.60	137.93	152.74	
Total	1,140.62	1,344.39	1,480.60	1,612.88	1,750.17	
Increase		18%	10%	9%	9%	53%

**Table 40 Typical residential bill based on varying water consumption (\$12/13)**

	2012/13	2013/14	2014/15	2015/16	2016/17	Total
100kL pa	928.62	1,109.39	1,230.60	1,352.88	1,480.17	
% increase		19%	11%	10%	9%	59%
200kL pa	1,140.62	1,344.39	1,480.60	1,612.88	1,750.17	
% increase		18%	10%	9%	9%	53%
750kL pa	2,306.62	2,636.89	2,855.60	3,042.88	3,235.17	
% increase		14%	8%	7%	6%	40%

#### 7.1.2 Pensioner rebates

Council provides a rebate to eligible pensioners for their water and sewerage bills under the Local Government Act. The Local Government Act prescribes the value of pensioner rebate that Council is able to provide – a maximum of \$87.50 for each of water and sewerage. Any



changes to the value of water and sewerage pensioner rebates provided by Council would require modification of the Local Government Act.

Additionally, Council provides a rebate to pensioner's of 50% of their stormwater drainage service charge.

Council again expresses its support for a complete review by the NSW Government of the sufficiency and methodology for calculating water and sewerage pensioner rebates.

Council's revenue and price forecasts do not provide for any increase in the level of pensioner rebates to be funded by Council. Should any changes be made to the value of pensioner rebates during the next price period, Council is likely to under recover its revenue needs. To address this, Council proposes that: any increases be funded by the State Government, or any increases come into effect at the beginning of the next price period, or an appropriate adjustment mechanism be included in the Determination to allow Council to recover the costs of increased rebates in the following period.

### **7.1.3 Council's payment plans and hardship processes**

Council recognises that some of its customers experience difficulties paying their bills due to financial hardship. As such, Council works closely with relevant customers to develop appropriate payment plans where it is appropriate to do so.

Additionally, Council operates a hardship committee who consider applications for the waiving of interest and/or charges. The committee includes debt recovery specialist staff, senior staff (managers and director) and a representative from a local community organisation (Gosford City Community & Information Service). Council's hardship committee receives a very small number of applications (less than 10 per year).

Council's debt recovery unit and hardship committee work closely with customers to manage payments as appropriate to each customer's individual situation.

Council's policy statement regarding payment plans and hardship processes is contained within policy A3.15 Payment of Rates, Charges & Sundry Debts (available on Council's website).

### **7.1.4 EWON membership**

During the current Determination period, Council has become a member of the Energy and Water Ombudsman of NSW (EWON). EWON membership provides Council customers with the benefit of having available independent and arms length assistance in resolving customer complaints and disputes. Council intends to continue its membership into the future.

## 7.2 Impacts on Council

The proposed prices are required to recover Council's revenue needs as calculated using IPART's building block methodology.

Variations from the proposed prices will have implications for Council's financial sustainability.

The proposed prices generate investment ratings for the combined water, sewerage and stormwater drainage business as presented in Table 41.

**Table 41 Financial performance indicators (\$nominal)**

	2012/13	2013/14	2014/15	2015/16	2016/17
EBIT	-2,759	2,416	18,614	30,260	46,161
Total Debt	156,081	129,917	198,529	191,453	183,874
Total Capitalisation	2,478,102	2,507,099	2,645,977	2,723,297	2,818,177
Funds from Operation	24,636	20,613	36,775	49,312	68,278
Financing Charge	9,562	13,159	16,414	15,662	15,252
Interest Income	-713	-810	-881	-1,059	-1,537
Net cash flow	22,478	17,013	33,074	45,507	64,367
Total Capital Expenditures	83,877	45,202	47,774	31,829	32,372
Rating	BBB	BBB	BBB	A	AA

## 7.3 Other impacts (environment, other section 15 considerations)

Council's pricing proposal supports continued protection of the environment and public health.

Environmental protection is increasing through:

- changes to the Protection of the Environment Operations Act and Council's associated response
- expansion of sewerage services to previously un-sewered areas
- continued improvements in overflow prevention and management.

The NSW Climate Change Fund, which Council may or may not be required to contribute to during the next Determination period, aims to encourage investment in water savings on the Central Coast.

Council is not introducing any new specifically environmental related levies.

## 8 Quality Assurance requirements

This year, for the first time, IPART has required that Council's pricing submissions be subject to an external quality assurance (QA) check prior to lodgement. IPART seeks to provide a level of assurance that the information submitted by Council is 'complete, accurate and consistent'.

To meet this requirement Council has engaged a consultant who has verified that:

- the information in the submission is consistent with that in the information return, the agency's financial accounts, and reports against output measures, as relevant, and that any variances are explained
- figures in the submission are accurate and correctly sourced. The figures sum correctly and are in the same terms (i.e. all figures are in nominal or real dollars).
- all the issues IPART has requested information on (such as in the Issues paper or in correspondence) are addressed in the submission
- the submission includes proposed prices for all monopoly services of Council along with justification for the price movement.

## 9 Response to IPART's Issues Paper

IPART's Issues Paper requests Gosford Council to comment on a range of issues. Table 42 presents these issues and a reference to where they are addressed in this report submission.

**Table 42 Matters raised in Issues Paper**

Issue for response	Section where addressed in submission
<b><i>Length of the Determination Period</i></b>	
1 <i>The appropriate length of the price path for the 2013 Determination period and the reasons for this view.</i>	4.1
<b><i>Capital Expenditure over the 2009 and 2013 Determination Periods</i></b>	
2 <i>Gosford and Wyong Councils' individual capital expenditures over the current Determination period, drivers of this expenditure and service outcomes achieved.</i>	3.6
3 <i>Gosford and Wyong Councils' individual capital expenditures over the current Determination period compared to expenditure we allowed for in the 2009 Determination, and an explanation of variances.</i>	3.6
4 <i>Gosford and Wyong Councils' projected capital expenditures for 10 years into the future to the extent possible and level of accuracy obtainable; drivers of this expenditure; expected service outcomes; the robustness of the business case for these expenditures; the practicality of the projects being delivered within the proposed timeframe; the reasonableness of cost estimates; and stakeholder willingness to pay for service levels.</i>	4.4
5 <i>The value, timing and description of any contributions (including contributed assets) to the Councils from government and/or other sources by year.</i>	4.7
6 <i>The extent to which the Councils have carried out options analysis for proposed expenditures (e.g., conducting cost benefit analysis and business case analysis). We will be reviewing a selection of projects costing \$1,000,000 or more for this purpose.</i>	Appendix B
7 <i>The Councils' approach to the allocation of shared or common costs to activities and customers and the rationale for this allocation.</i>	3.5.1
<b><i>Operating Expenditure over the 2009 and 2013 Determination Periods</i></b>	
8 <i>Gosford and Wyong Councils' individual operating expenditures over the current Determination period, drivers of this operating expenditure and service outcomes achieved.</i>	3.5
9 <i>Gosford and Wyong Councils' individual operating expenditures over the current Determination period compared to expenditure we allowed for in the 2009 Determination and an explanation of variances.</i>	3.5
10 <i>Gosford and Wyong Councils' individual projected operating expenditures over the upcoming Determination period, drivers of this expenditure, service outcomes to be achieved, specific efficiency programs, the potential for</i>	4.3

Issue for response	Section where addressed in submission
<i>efficiency gains, and stakeholders' willingness to pay for service levels.</i>	
11 <i>The methodology and major assumptions used by Gosford and Wyong Councils to develop their forecast operating expenditures.</i>	4.3
12 <i>The Councils' assessment of the proposed trend in forecast operating expenditure over the 2013 Determination period and the relationship between this trend and the Councils' obligations and service standards, having regard to expected productivity improvements, historical expenditures, trends in input prices, relevant benchmarks and any other relevant factors.</i>	4.3
<b><i>Determining the weighted average cost of capital</i></b>	
13 <i>The post-tax rate of return that each Council is seeking, and the justification for this rate of return.</i>	4.8
14 <i>The inputs needed for the tax calculation.</i>	4.8
15 <i>Any disadvantages arising from the use of a post-tax WACC in the calculation of each Council's WACC.</i>	4.8
<b><i>Determining the return of capital</i></b>	
16 <i>The Councils' proposed approach to the treatment of depreciation of assets for the 2013 Determination.</i>	4.9
<b><i>Forecasting metered water sales</i></b>	
17 <i>The Councils' assessment of the level of forecast water sales for the upcoming Determination period.</i>	4.10
18 <i>The Councils' methodologies and assumptions used in developing these forecasts.</i>	4.10
<b><i>Customer Numbers for the 2009 and 2013 Determinations</i></b>	
19 <i>The number of the Councils' actual customers over the 2009 Determination period and the forecast numbers of customers for the proposed 2013 Determination period.</i>	3.4.2, 4.11
<b><i>Price Structures and Price Levels</i></b>	
20 <i>The Councils' proposed price levels and structures for the 2013 Determination for each tariff included in the 2009 Determination. If the Councils propose that a tariff is no longer required, the Councils should give reasons.</i>	6
21 <i>The reasoning or justification for each of the Councils proposed tariffs that addresses the following factors:</i>	
– <i>The relationship between the proposed tariff and the forecast costs of service provision.</i>	6
– <i>The relationship between the proposed tariff structure and the tariff structure included in the 2009 Determination. If the Councils propose a new or revised tariff structure, the submission should clearly describe the</i>	

Issue for response	Section where addressed in submission
<i>rationale for the proposed variation, the proposed price levels, cost of the services involved and sufficient detail to allow IPART to replicate the analysis.</i>	
<ul style="list-style-type: none"> <li>– Analysis of any customer ‘willingness to pay’ information available to the Councils, and/or a discussion of any customer consultation engaged in their pricing proposals.</li> </ul>	
<ul style="list-style-type: none"> <li>– The methodology for calculating the tariff, including major assumptions.</li> </ul>	
<b>22</b> <i>The Councils’ methodologies used to determine water and sewerage service charges.</i>	6
<b>23</b> <i>The Councils’ consideration to the transfer of functions to the Corporation in regards to impacts on customers.</i>	7.1
<b>Service quality standards and output measures</b>	
<b>24</b> <i>The uncertainties/risks in the Councils’ operating environments over the upcoming Determination period and beyond, including the nature of these uncertainties/risks and the likelihood that they will impact on specific costs (for example, electricity charges).</i>	4.3
<b>25</b> <i>How the Councils have ascertained the appropriate service levels to be provided over the upcoming Determination period, and how these service levels relate to forecast costs.</i>	4.2.5
<b>19</b> <i>The number of the Councils’ actual customers over the 2009 Determination period and the forecast numbers of customers for the proposed 2013 Determination period.</i>	3.4.2, 4.11
<b>Price Structures and Price Levels</b>	
<b>20</b> <i>The Councils’ proposed price levels and structures for the 2013 Determination for each tariff included in the 2009 Determination. If the Councils propose that a tariff is no longer required, the Councils should give reasons.</i>	6
<b>21</b> <i>The reasoning or justification for each of the Councils proposed tariffs that addresses the following factors:</i>	
<ul style="list-style-type: none"> <li>– The relationship between the proposed tariff and the forecast costs of service provision.</li> </ul>	
<ul style="list-style-type: none"> <li>– The relationship between the proposed tariff structure and the tariff structure included in the 2009 Determination. If the Councils propose a new or revised tariff structure, the submission should clearly describe the rationale for the proposed variation, the proposed price levels, cost of the services involved and sufficient detail to allow IPART to replicate the analysis.</li> </ul>	6
<ul style="list-style-type: none"> <li>– Analysis of any customer ‘willingness to pay’ information available to the Councils, and/or a discussion of any customer consultation engaged in their pricing proposals.</li> </ul>	
<ul style="list-style-type: none"> <li>– The methodology for calculating the tariff, including major assumptions.</li> </ul>	

Issue for response	Section where addressed in submission
22 <i>The Councils' methodologies used to determine water and sewerage service charges.</i>	6
23 <i>The Councils' consideration to the transfer of functions to the Corporation in regards to impacts on customers.</i>	7.1
<b>Service quality standards and output measures</b>	
24 <i>The uncertainties/risks in the Councils' operating environments over the upcoming Determination period and beyond, including the nature of these uncertainties/risks and the likelihood that they will impact on specific costs (for example, electricity charges).</i>	4.3
25 <i>How the Councils have ascertained the appropriate service levels to be provided over the upcoming Determination period, and how these service levels relate to forecast costs.</i>	4.2.5
19 <i>The number of the Councils' actual customers over the 2009 Determination period and the forecast numbers of customers for the proposed 2013 Determination period.</i>	3.4.2, 4.11
<b>Price Structures and Price Levels</b>	
20 <i>The Councils' proposed price levels and structures for the 2013 Determination for each tariff included in the 2009 Determination. If the Councils propose that a tariff is no longer required, the Councils should give reasons.</i>	6
21 <i>The reasoning or justification for each of the Councils proposed tariffs that addresses the following factors:</i> <ul style="list-style-type: none"> <li data-bbox="252 1276 1110 1335">– <i>The relationship between the proposed tariff and the forecast costs of service provision.</i></li> <li data-bbox="252 1368 1158 1547">– <i>The relationship between the proposed tariff structure and the tariff structure included in the 2009 Determination. If the Councils propose a new or revised tariff structure, the submission should clearly describe the rationale for the proposed variation, the proposed price levels, cost of the services involved and sufficient detail to allow IPART to replicate the analysis.</i></li> <li data-bbox="252 1581 1142 1666">– <i>Analysis of any customer 'willingness to pay' information available to the Councils, and/or a discussion of any customer consultation engaged in their pricing proposals.</i></li> <li data-bbox="252 1700 1126 1733">– <i>The methodology for calculating the tariff, including major assumptions.</i></li> </ul>	6
22 <i>The Councils' methodologies used to determine water and sewerage service charges.</i>	6
23 <i>The Councils' consideration to the transfer of functions to the Corporation in regards to impacts on customers.</i>	7.1
<b>Service quality standards and output measures</b>	
24 <i>The uncertainties/risks in the Councils' operating environments over the</i>	4.3

Issue for response	Section where addressed in submission
<i>upcoming Determination period and beyond, including the nature of these uncertainties/risks and the likelihood that they will impact on specific costs (for example, electricity charges).</i>	
<b>25</b> <i>How the Councils have ascertained the appropriate service levels to be provided over the upcoming Determination period, and how these service levels relate to forecast costs.</i>	4.2.5
<b>26</b> <i>The Councils' assessment of their performance against the requirements of the 2009 Determination, including their current results against the output measures listed in Appendix B of the 2009 Determination.</i>	Appendix A
<b>27</b> <i>Appropriate output measures for each Council for the upcoming Determination period.</i>	Appendix A
<b>Bulk water transfers</b>	
<b>28</b> <i>The appropriate methodology for establishing a charge for transfers of bulk water to the Hunter Water area.</i>	6.3.1
<b>Incentives for efficiency gains in operating expenditure</b>	
<b>29</b> <i>How Gosford Council's current methodology for budgeting for operating expenditure provides an incentive for savings in the operating budget.</i>	4.3
<b>Customer impacts of Gosford Council's proposed prices</b>	
<b>30</b> <i>The impacts on Gosford Council's customers of its pricing proposals and an analysis of these impacts on customer bills by customer group, consumption level or other relevant category.</i>	7.1
<b>31</b> <i>The options that Gosford Council has explored for mitigating or minimising customer impacts, as well as its proposals for the appropriate mechanisms that should be introduced to mitigate customer impacts.</i>	7.1
<b>Allocation of Wyong Council's overhead costs</b>	
<b>32</b> <i>How it has allocated forecast operating expenditure, and how it has determined corporate overheads.</i>	NA
<b>Customer impacts of Wyong Council's proposed prices</b>	
<b>33</b> <i>The impacts on customers of its pricing proposals and an analysis of these impacts on customer bills by customer group, consumption level or other relevant category.</i>	NA
<b>34</b> <i>Any new options that were explored for mitigating or minimising customer impacts, as well as Wyong Council's proposals on any new mechanisms that should be introduced to mitigate customer impacts.</i>	NA
<b>The costs of transitioning to the Corporation</b>	
<b>35</b> <i>The anticipated costs of transferring their functions to the Central Coast Water Corporation, and how the financial impacts on the Councils will be managed. The Councils should provide a breakdown of these costs as appropriate.</i>	4.3, 5.1



Issue for response	Section where addressed in submission
<b>36</b> <i>Whether the Councils intend to retain any of their water, sewerage, stormwater drainage or other water related functions and the reasoning behind their decisions.</i>	3.2.2
<b>37</b> <i>The progress of the transfer of operations to the Corporation.</i>	3.2.2
<b>Customer consultation undertaken for discretionary expenditure</b>	
<b>38</b> <i>The level of customer consultation that was undertaken in developing the Councils' expenditure programs and pricing proposals. The Councils should outline the mechanisms that they use for undertaking customer consultation and how this feedback is taking into account in developing their pricing proposals.</i>	6.2
<b>39</b> <i>In their pricing submissions, the Councils should include a short plain English, non-technical summary of their price proposal that contains a clear statement of the impact on customers.</i>	Attached
<b>40</b> <i>Whether they are proposing to undertake any discretionary expenditure for the 2013 Determination. If so, this should be supported by evidence of customer engagement i.e., evidence of customer willingness to pay where new charges are introduced or large discretionary expenditures are being undertaken.</i>	Nil
<b>Area based stormwater drainage charging</b>	
<b>41</b> <i>The potential introduction of area-based stormwater drainage charging.</i>	6.1

## Appendix A Output measures

This appendix sets out Council's performance against the requirements of the 2009 Determination, including current results against the output measures listed in Appendix B of the 2009 Determination.

Output measures for the next Determination period are also proposed.

### Performance in the current period

**Table A1 Activity against output measures 2011/12**

Output or activity measure	Indicator of activity by 2011/12	Activity 2009/10	Activity 2010/11	Activity 2011/12
<b>Water</b>				
1. Water quality complaints	No more than 10 per 1000 properties	38.9	9.3	13.8
2. Water main breaks	No more than 10 per 100 km of main	34.0	27.8	26.7
3. Average leakage	ML/d	3.1	3.6	1.1
4. Renewal of water mains	Km.	2.4	2.3	3.6
<b>Wastewater</b>				
5. Wastewater odour complaints	No more than 2 per 1000 properties	1.6	1.9	2.6
6. Wastewater main breaks and chokes	No more than 12 per 100 km of main	39.9	41.5	36.0
7. Wastewater overflows	No more than 9.5 per 100 km of main	35.5	38.6	34.8
8. Kincumber and Woy Woy STP upgrade	Complete	Progressing in accordance with revised Pollution Reduction Program as agreed with the EPA. Completion will be in the next Determination period.		
9. Coastal Carrier wastewater system upgrade	Complete	Completion will be in the next Determination period.		
10. Comply with DECC effluent standards	All STPs	No	No	No

#### Comments:

##### 2. Water main breaks

High pressures in the water distribution system (due to the topography of the area) increase the likelihood of main breaks. Gosford is implementing an enhanced pressure reduction program to reduce the incidence of main breaks. Gosford also has expanded its water main replacement program in an effort to reduce water main breaks.

##### 5. Wastewater odour complaints

New odour control facilities installed at the KSTP inlet works, as part of the KSTP upgrade and renewal program will reduce complaints for the STP area. Council is developing an enhanced septicity and odour management program to reduce odour complaints across the sewerage system.

#### 6. Wastewater main breaks and chokes

Gosford Council believes that recording a high number of chokes is not necessarily a reflection of poor performance (as increasing proactive maintenance is likely to increase the number of chokes identified).

#### 7. Wastewater overflows

Proactive inspection, maintenance and refurbishment program is being implemented. This includes the use of a jetter/vacuum truck to provide enhanced maintenance capability and Closed Circuit Television (CCTV) to provide asset data. This will ensure capital works refurbishment programs return the optimal cost/benefit outcomes.

#### 10. Comply with DECC (EPA) effluent standards

A concentration limit prescribed for total suspended solids was exceeded on one occasion. This was the result of a storm causing power outages and a temporary failure of the treatment plant control systems.

The load of nitrogen (total) discharged in effluent was greater than permitted by the licence. The programmed capital improvements at Kincumber STP are expected to reduce the nitrogen load discharged.

The load of oil and grease discharged in effluent was greater than permitted by the licence. The elevated load is associated with an increase of oil and grease entering Kincumber STP. An audit is being undertaken to identify and rectify possible sources (liquid trade waste customers). Additionally, tanker receival area upgrades at Kincumber STP are expected to reduce the oil and grease load entering the plant.

**Table A2 Capital expenditure program Gosford City Council and Wyong Shire Council  
JWS projects (\$2011/12)**

<b>Description</b>	<b>Actual cumulative 2009-2012 (\$M)</b>	<b>Allowed 2009-2012 (\$M)</b>
1. Mardi to Mangrove Transfer System	54.982	55.993
2. JWS Lower Mooney Dam Remedial/Removal Works	0.052	1.393
3. Mardi Transfer System	15.301	17.362
4. Mardi Dam Pre-treatment Facilities Associated with Mangrove to Mardi Transfer System	0.124	10.809
5. Mardi High Lift	7.598	7.384
6. JWA Minor Capital Works	*	*
7. Mardi Power Supply Upgrade	2.068	2.575
8. General Mardi Infrastructure Refurbishment	*	*
9. Porters Creek Stormwater Harvesting JWS (Warnervale)	-	2.162
10. Mooney Mooney Dam Remedial	*	*
11. Balickera Pre Treatment Facility	-	1.189
	<b>80.125</b>	<b>98.869</b>

**Note:** All figures provided in real \$2011/12 as per IPART's request and inflated by year-on-year CPI June to June

**Comments:**

1. Project complete. Water being transferred to Mangrove Creek Dam. Some contractor payment claims are yet to be finalised.

2. Further advice from the Dam Safety Committee indicates major remedial/removal works are no longer required. Scope of minor works required is being developed. Funds reallocated to Somersby Water Treatment Plant following risk assessment.

4. Project deferred until after commissioning of the Mardi-Mangrove Link in order to validate the design based on the actual change in water quality. Consultancy now underway to assess options for works within Mardi Dam.

7. Project completed under budget.

9. Project deferred as growth has not eventuated at the rate forecast.

11. Costs of this project have been paid by Wyong Shire Council and will be passed onto Gosford City Council.

\* These projects have been incorrectly included in the Table B.1 of the Final Determination. In accordance with email advice from IPART on 5 October 2011 these projects will not be reported on here.

**Table A3 Capital expenditure program Gosford City Council projects (\$11/12)**

Description	Actual cumulative 2009-2012	Allowed 2009-2012
	(\$M)	(\$M)
1. Water Main Renewals – Unallocated Budget	7.689	11.120
2. Meter Replacement Program	1.575	2.401
3. Water Quality 2010	7.278	7.626
4. JWS Gosford CBD	0.560	1.211
5. Contract Management	0.435	1.211
6. JWS Mardi Highlift PS Assoc Works	0.925	2.383
7. JWS Wtp Mech/Elect Renewal/Refurbish Unallocated	0.574	1.169
8. Minor SPS Replacement – Mech/Elec	10.823	16.807
9. Sewer Gravity Mains	3.985	6.049
10. SPS and Reticulation Upgrade	2.763	2.833
11. Major SPS Replacement – Mech/Elec	0.942	1.664
12. KSTP – Biosolids Treatment Area	10.754	12.032
13. KSTP – Secondary Treatment Area	2.095	6.201
14. WWSTP – Biosolids Treatment Area	0.486	2.760
15. KSTP – General Works	2.512	2.135
16. SWC – Works Contract	0.965	1.946
17. KSTP – Preliminary Treatment Area	7.482	1.642
18. WWSTP – General Works	0.927	1.098
19. Hawkesbury Villages PSP – Stage 1	9.515	6.924
20. Gosford CBD Sewer DSP	2.092	2.791
21. Hawkesbury Villages PSP – Stage 2	0.550	2.281
22. Salaries Re Developers Dedicated Assets	0.771	1.377
23. Terrigal To Kincumber Augmentation	6.109	24.862
24. CBD Upgrade – Gosford	1.233	1.452
25. Kincumber STP – Gosford Council Costs	9.984	3.422
26. Woy Woy Drainage	-	3.459
27. Copacabana Urban Flood Mit. – Oceano To Segura CWP369	1.738	2.454
28. East Gosford Finley Ave U/S Lushington Street	0.664	2.400
29. Terrigal CBD Urban Flood Mit.Cwp 368	1.201	1.281
30. Riviera Catchment Trunk Drain	0.980	1.612
31. Narara Valley Drive Bridge Invest	-	1.327
32. Gosford CBD Trunk Drain Kibble Park	-	1.254
33. Garnet Rd/Diamond Rd. Pearl Beach Cwp381	-	1.101
	<b>97.607</b>	<b>140.285</b>

**Note:** All figures provided in real \$2011/12 as per IPART's request and inflated by year-on-year CPI June to June

**Comments:**

3. Value prescribed by IPART for this output measure was only one component of the Water Quality 2010 program. For a more meaningful comparison, total costs forecast in Council's 2008 SIR are compared to total actual costs spent on the Water Quality 2010 program.

4. Project did not progress as early as anticipated due to slower development activity.
5. Salary costs attributed to the specific capital projects they related to.
6. Works scheduled for completed prior to end of Determination period.
7. Expenditure in line with original projections with balance to be spent during 2012/13.
- 8,10,11. These projects have been grouped together for delivery of the SPS Replacement/Upgrade program that is being delivered for Minor and Major SPSs. Total expenditure in line with forecasts by end of Determination period.
- 12,13,14,15,17,18,25. These projects have been groups together for delivery under a Engineering Procurement & Construction Management contract. Combined expenditure in line with forecasts.
16. Salary costs attributed to the specific capital projects they related to.
19. Over expenditure due to greater than first estimated costs for the scheme. Design issues and costs incurred due to a bridge crossing increased the overall costs of the scheme.
21. Delays associated with extensive investigation and customer consultation works. Consequently, two of the four proposed schemes will not be provided.
22. Lower costs associated with slower than forecast development activity.
23. Correction made to allowed value to reflect the reduced value IPART allowed for this project. Under expenditure due to delays associated with establishment of an Engineering Procurement & Construction Management contract, finalisation of environmental approvals and timing of construction around endangered species breeding periods.
24. Over expenditure in two of the upgrade lines due to encountering poor ground conditions.
26. Postponed - pending water sensitive urban design (WSUD) analysis.
27. Construction well advanced. Completion in 2012/13.
28. Deferred pending update of Erina Creek Flood Study
30. Construction well advanced. Completion in 2012/13.
31. Postponed - pending RTA strategy for Narara Valley Drive.
32. Complete.
33. Further design works required.

## Proposed output measures for the next period

Council as part of developing the Master Plan has reviewed its asset related levels of service. This has informed the output measures for the next Determination period below.

The proposed measures are a subset of the total number of indicators presented in the National Performance Report (NPR) and can be benchmarked against similar sized utilities. The measures chosen are a combination of customer service, asset performance and environmental performance indicators.

The basis for each proposed measures, is included in the comments.

**Table A4 Proposed output measures for next Determination period**

NWI ref	Output or activity measure	Indicator of activity by 2015/16	Comments
<b>Water</b>			
C9	1. Water quality complaints per 1000 properties	9.9	Target extrapolated from current levels of service and 2021 target in Master Plan. Level of service by 2021 is within 50 percentile band of the peer data set
C17	2. Average frequency of unplanned interruptions per 1000 properties	151.8	Target extrapolated from current levels of service and 2021 target in Master Plan
A8	3. Water main breaks per 100km main	23.7	Target extrapolated from current levels of service and 2021 target in Master Plan
	4. Compliance with Australian Drinking Water Guidelines – microbial guideline values	Yes	Nationally recognised indicator of safe water quality
	5. Compliance with Australian Drinking Water Guidelines – chemical guideline values	Yes	Nationally recognised indicator of safe and aesthetically appropriate water quality
<b>Sewerage</b>			
	6. Wastewater overflows per 100 km main	32.6	Target extrapolated from current levels of service and 2021 target in Master Plan
E13	7. Wastewater overflows reported to the environmental regulator per 100km main	1.6	Target extrapolated from current levels of service and 2021 target in Master Plan
C11	8. Wastewater odour complaints per 1000 properties	1.9	Target extrapolated from current levels of service and 2021 target in Master Plan
A14	9. Wastewater main breaks and chokes per 100km main	35.6	Target extrapolated from current levels of service and 2021 target in Master Plan
E7 (Part of)	10. Compliance with EPL 1802 concentration & load limits	Yes	Indicator of regulatory compliance, specifically effluent quality

## Appendix B Major Capital Projects

Table B1 presents details on all proposed capital projects with forecast cost of equal to or greater than \$1 million over the period.

**Table B1 Capital projects greater than \$1 million over the period**

Project	Cost (\$12/13M)	Justification	Cost Split	Options Considered	Cost Estimate Certainty	Delivery Certainty
<b>Water – JWS</b>						
Mangrove Creek Dam Spillway upgrade (30706.962)	\$4.0*	Regulatory requirement of the Dam Safety Committee. Modifications required to manage revised Probable Maximum Flood (PMF).	100%	Options study currently in progress to identify most cost effective solutions and synergies with other dam works.	Low. Costs are currently high level estimate.	Medium Dependent upon refinement of scope
Major Water Pump Station renewals (31706.901)	\$1.9*	Major high voltage refurbishment at Mangrove and Mooney Mooney water pump stations – The WPS transfer water from source supplies to the water treatment plant. Assets beyond estimated useful life. Must not fail assets.	100%	Major renewal / Complete asset replacement	Medium; dependent upon final design & pre-tender estimates	High
Somersby Water Treatment Plant capital works plan (33704.924)	\$3.9*	Major mechanical, electrical and civil renewal program for Somersby WTP. Assets beyond estimated useful life. Many must not fail assets.	100%	Detailed strategic review report provides a 20 year strategic renewal program, based on risk and criticality	High	High
Gosford Council's share of Wyong JWS Program Budget (35702.998)	\$5.8*	Major renewal program for JWS assets controlled by WSC.	100%	Refer to Wyong Shire Council submission	Refer to Wyong Shire Council submission	Refer to Wyong Shire Council submission
<b>Water – non JWS</b>						



<b>Project</b>	<b>Cost (\$12/13M)</b>	<b>Justification</b>	<b>Cost Split</b>	<b>Options Considered</b>	<b>Cost Estimate Certainty</b>	<b>Delivery Certainty</b>
Water main renewal program (32304.900)	\$5.1	Renewal of mains to maintain levels of service and avoid greater operating costs. Mains included in program have had repeated failures, multiple repairs, and are beyond their economic life.	100%	Renewals program based on risk and criticality of water mains, incorporates failure history (>0.8 breaks /year for 3 years)	High. Based on fair value estimates. Similar to length and type of renewals in current Determination period	High
Woy Woy PRV facility upgrade (32306.902)	\$2.1	Existing facility poses serious OHS risk, and requires augmentation/renewal.	100%	Several options considered. Current option minimises OHS risk and optimises PRV functionality.	Medium; dependent upon final design & pre-tender estimates	Medium
Water meter replacement program (34300.912)	\$1.2	Renewals program based on water meter age, and 12 yearly renewal. Required to maintain and improve volume measurement accuracy and meet regulatory requirements / industry standards.	100%	Consideration given to deferring renewal profile; however 12 yearly renewals are industry best practice. Deferring program would reduce meter accuracy and associated income as meters age. Proposed program supported by sample testing and peer review.	High. Based on fair value estimates. Similar to renewals in current IPART period	High
Davistown trunk main renewal (35304.901)	\$1.0	Davistown Trunk Main has suffered regular failures in recent years; renewal required to deliver level of service required for a major main servicing numerous properties.	100%	Repeated reactive response and repair no longer sustainable. Option to align with programmed Council road works in area has been considered and accepted.	High. Based on fair value estimates. Similar to renewals in current IPART period	High
Information communications technology renewal (38200.900)	\$1.8	Maintenance of critical Information, Communication Technology (ICT) equipment (servers, routers, microwave links, PLC's, code etc) which provides the core infrastructure for remote monitoring, alarms and remote communications.	100%	These are 'must not fail' ICT assets that must be renewed within the 2014-2017 period to maintain integrity in asset performance monitoring, and minimise risk of sewer overflows and other asset failures.	High. Based on known market rates and fair value estimates.	High

Project	Cost (\$12/13M)	Justification	Cost Split	Options Considered	Cost Estimate Certainty	Delivery Certainty
<b>Sewerage</b>						
Major SPS renewal program (41303.897)	\$2.1	Renewal of critical and aging mechanical and electrical components of major pump stations to prevent asset failure and associated environmental and public health impacts.	100%	Asset renewals have been deferred previously. These works have been identified for completion in the Master Plan.	Medium; dependent upon final design & pre-tender estimates	High
Non major SPS renewal program (41303.900)	\$24.7	Renewals program based on risk and criticality of various minor pump stations, predominately where mechanical and electrical components have exceeded useful life. To prevent asset failure and associated environmental and public health impacts.	100%	Detailed risk assessment of components undertaken. Only assets assessed as having a 'high risk of deferral' are included in this program.	High. Based on fair value estimates. Similar to extensions in current Determination period	High
Septicity control optimisation (41308.900)	\$4.9	Allows Council to retain direct control of odour and septicity management systems, rather than through contract provision of services. Will allow more effective management of septicity and odour within sewerage system.	100%	Detailed study and options assessment undertaken.	High. Based on known market rates from Stage 1	High
Kincumber sewage treatment plant digesters (42305.902)	\$4.7	Renewal of critical assets beyond useful life and assessed as high risk. Requirement of EPA licence.	100%	Detailed study and options assessment undertaken as part of whole STP renewal strategy	Medium; dependent upon final design & pre-tender estimates	High

<b>Project</b>	<b>Cost (\$12/13M)</b>	<b>Justification</b>	<b>Cost Split</b>	<b>Options Considered</b>	<b>Cost Estimate Certainty</b>	<b>Delivery Certainty</b>
Cockle Bay Towns Sewerage Project (45300.920)	\$13.0	Provision of sewerage service to an area identified under the Priority Sewerage Program (PSP).	100%	Detailed study and options assessment undertaken as part of whole PSP	Medium; dependent upon final design & pre-tender estimates	Low. Dependent upon scope, grant funding & timeframe
Sewer gravity mains renewal program 45301.900	\$8.3	Renewals program to replace mains that are failing, have had multiple repairs, and are beyond their economic life and must be replaced to maintain levels of service. To avoid failure and associated impacts on the environment and public health.	100%	Program based on risk and criticality of sewer mains - only high risk assets included in program. Current CCTV program results confirm extent of renewal requirements. Mains to be relined where structural integrity of host material intact.	High. Based on fair value estimates, and recent relining programs	High
Sewer rising mains renewal program (45301.901)	\$2.1	Renewal of critical should not fail assets to avoid impacts to the environment and public health.	100%	Valve refurbishment / valve renewal / cut in new valves. Program budget allocated based on estimated rehab cost of the value of these major valves. Plan to rehab/renew 200 valves over 4 years based on age and criticality	High. Based on fair value estimates, and recent renewals	High
North Avoca Major rising main valve replacement (45308.919)	\$1.0	Part of EPCM Coastal Carrier. Must not fail asset. To avoid impacts on environment and public health.	100%	Detailed study and options assessment undertaken as part of Coastal Carrier program	Medium; dependent upon final design & pre-tender estimates	High
Avoca sewage pump station upgrade (45308.921)	\$1.1	Part of EPCM Coastal Carrier. Must not fail asset. To avoid impacts on environment and public health.	100%	Detailed study and options assessment undertaken as part of Coastal Carrier program	Medium; dependent upon final design & pre-tender estimates	High
Developer servicing works – redevelopment (45323.900)	\$1.3	Required to service development needs as contained with the Development Servicing Plan	100%	As per DSP Plans	Medium; Dependent upon development occurring	Medium

Project	Cost (\$12/13M)	Justification	Cost Split	Options Considered	Cost Estimate Certainty	Delivery Certainty
Developer servicing works - Gosford CBD (45323.901)	\$2.8	Required to service development needs as contained with the Development Servicing Plan	100%	As per DSP Plans	Medium; Dependent upon development occurring	Medium
High voltage switchboard renewal - KSTP C1 (42304.960 )	\$6.0	Must not fail assets that are beyond estimated useful life. Supplies power to numerous sub-boards throughout sewage treatment plant. Failure would be catastrophic.	100%	Detailed study and options assessment undertaken as part of whole STP renewal strategy. Major renewal / Complete asset replacement	Medium; dependent upon final design & pre-tender estimates	High
High voltage switchboard renewal - WWSTP (42304.993)	\$2.4	Must not fail assets that are beyond estimated useful life. Supplies power to numerous sub-boards throughout sewage treatment plant. Failure would be catastrophic.	100%	Detailed study and options assessment undertaken as part of whole STP renewal strategy. Major renewal / Complete asset replacement	Medium; dependent upon final design & pre-tender estimates	High
Digester cogeneration unit (42304.964)	\$1.9	Carbon offset and business efficiency. Enable use of biogas from digesters at the Kincumber Sewage Treatment Plant (KSTP) for cogeneration of electricity at a lower levelised cost than electricity purchased from the grid. Alignment with other major projects at the KSTP, including digester refurbishment and high voltage electricity upgrades provides an opportune time to undertake this project. The opportunity was assessed as reducing emissions by 1,650 tonnes CO2-e per annum reducing the risk of the Kincumber STP facility reaching carbon tax liability threshold.	100%	Kincumber Cogen Feasibility Report. Detailed study and options assessment undertaken as part of whole STP renewal strategy.  Climate Change Mitigation Strategy included this opportunity in the adopted strategy.	Medium; dependent upon final design & pre-tender estimates	Low. Dependent upon scope, & timeframe

Project	Cost (\$12/13M)	Justification	Cost Split	Options Considered	Cost Estimate Certainty	Delivery Certainty
Dissolved Air Flotation (DAF) system improvement at Kincumber sewage treatment plant (42304.968)	\$1.2	Provide redundancy and operational capacity - currently high risk operational exposure. Identified in several consultant reports.	100%	Detailed study and options assessment undertaken as part of whole STP renewal strategy.	Medium; dependent upon final design & pre-tender estimates	Medium
<b>Stormwater Drainage</b>						
Riviera catchment trunk stormwater drainage (67193.399)	\$1.0	Delivery of improved trunk drainage in the Riviera catchment through replacement of existing drainage system with increased pipe size and pit collection. To reduce the risk of damage to property and road inundation.	100%	Detailed study and options assessment undertaken as part Drainage Strategy Management Plan.	High. Based on fair value estimates, and recent drainage works	High
Minor stormwater drainage improvements program (67200.399)	\$1.5	Delivery of drainage improvement projects that are of minor capital costs, in order to reduce the safety risk to people, and damage to property and Council's assets. Projects involve upgrading the existing infrastructure with conventional drainage system or application of Water Sensitive Urban Design Principles.	100%	Options are considered as part of the investigations into each specific issue. Risk Assessments are undertaken to determine the likelihood of an occurrence and the consequence of failure should no action be taken to rectify the situation.	Medium: based on fair value estimates and recent drainage works. Will depend on detailed design and quotations for the work.	High

<b>Project</b>	<b>Cost (\$12/13M)</b>	<b>Justification</b>	<b>Cost Split</b>	<b>Options Considered</b>	<b>Cost Estimate Certainty</b>	<b>Delivery Certainty</b>
Kincumber urban flood mitigation (67292.399 )	\$1.4	Delivery of improved trunk drainage in the Kincumber catchment through the replacement of existing drainage system with increased pipe size, pit collection and retarding basin. To reduce the risk of damage to property and road inundation	100%	Detailed study and options assessment undertaken as part Drainage Strategy Management Plan.	High. Based on fair value estimates, and recent drainage works.	High

\*All JWS projects presented at 50% of costs over period i.e. Gosford Council's share.

## **Appendix C Developer charges review**

This appendix presents Gosford Council's response to the IPART's Issues Paper – *Review of developer charges for Gosford City Council and Wyong Shire Council*.

### ***Discount rates***

#### **1. The discount rates or the method to be used to determine the discount rates for pre-1996 assets.**

Council believes that the discount rate of 0% real for pre-1996 assets used in the current Determination is appropriate and recommends that it be retained in this Determination.

#### **2. The discount rates or the method to be used to determine the discount rates for post-1996 assets.**

Council believes that the discount rate of 7% real for post-1996 assets used in the current Determination is appropriate and recommends that it be retained in this Determination.

#### **3. The discount rates or the method to be used to determine the discount rates for the revenue portion and operations expenditure portion in the calculation of the reduction amount.**

Council believes that the discount rate of 7% real for the revenue and operations expenditure portions is appropriate and recommends that it be retained in this Determination.

### ***Consumption Parameter***

#### **4. The appropriate value or method to calculate the average residential consumption figure for a single detached dwelling (expressed as the consumption per ET) to be used in the calculation of developer charges.**

Section 4.10 in the body of this pricing submission sets out the methodology used to forecast water sales for the next price period. The analysis of water sales over the four years 2014 to 2017 produced the outcomes included in Table C1.

For the calculation of developer charges it is proposed to use the average residential consumption per property over the four years of the next price path. This yields an average residential consumption of 168 kL.

**Table C1 Forecast water sales and connections**

	2013/14	2014/15	2015/16	2016/17
<b>Water sales forecasts (ML)</b>				
Residential	10,358	10,676	10,994	10,974
Non-residential	1,991	1,919	1,847	1,857
Total	12,349	12,595	12,841	12,830
<b>Number of water connections</b>				
Residential	62,850	63,564	64,227	64,827
Non-residential	4,180	4,212	4,241	4,267
Total	67,030	67,776	68,468	69,094
<b>Average residential consumption</b>				
Residential consumption per property (kL)	165	168	171	169

***Wyong Council 85% cap*****5. Wyong Council only – What are the impacts that the 85% cap on developer charges has on Wyong Council's business?**

Council notes that this question is specifically directed to Wyong Council; however Gosford Council also has an interest in this matter.

From a regional perspective, the inclusion of the 85% cap on Wyong Developer Charges creates a barrier in the alignment of developer charges between Wyong and Gosford Councils. Gosford Council has recently rationalised its developer servicing areas. Wyong is proposing to similarly reduce its number of individual developer servicing areas, and will do so following this Determination. The establishment of the Central Coast Water Corporation will further allow and promote the amalgamation of developer charges across the Central Coast, but only if the charges can be calculated on a consistent basis.

**6. Wyong Council only – What are the possible impacts of removing the 85% cap on Wyong Council's charges?**

Council notes that this question is specifically directed to Wyong Council; however Gosford Council also has an interest in this matter.

The removal of the 85% cap will allow developer charges to be rationalised and prepared on a Central Coast regional basis moving into the Central Coast Water Corporation.

***General Information Requirements*****7. The Council's developer charges if its proposals for discount rates are adopted.**

Council is not proposing to amend the discount rates from the existing Determination. As such the resulting charges are the 2012/13 developer charges for each of Council's developer servicing areas, presented in Table 27.

These charges have been calculated in accordance with the current Determination (*Developer Charges Determination No 9, 2000*).



**Table C2 Gosford Council 2012/13 developer charges (\$12/13)**

Developer servicing area		Water	Sewerage	Total
Redevelopment	per ET	1,133	2,367	3,500
Gosford CBD	per ET	1,841	4,330	6,171

**8. The Council's developer charges if its proposals for the average residential consumption figure are adopted.**

Council is proposing an average residential consumption figure of 168kL.

The resulting developer charges for each of Council's developer servicing areas are presented in Table 28.

**Table C3 Gosford Council 2012/13 developer charges using consumption of 168kL (\$12/13)**

Developer servicing area		Water	Sewerage	Total
Redevelopment	per ET	2,032	2,367	4,399
Gosford CBD	per ET	2,697	4,330	7,027

**9. Wyong Council only – Its developer charges if its proposal for the removal of the 85% cap is adopted.**

NA

**10. The Council's developer charges if all of its proposals are adopted.**

Table above presents Council's developer charges if all proposals are adopted.

## **Appendix D Trade waste charges**

Liquid trade waste discharged to the sewerage system from industrial commercial or other non-residential customers can impose significant costs on sewage transport and treatment facilities.

Council seeks to recover the costs of liquid trade waste management, transport and treatment through the application of trade waste charges. Trade waste charges apply to customers discharging waste of a non-domestic nature into the sewerage system.

Council manages trade waste in accordance with the *Liquid Trade Waste Management Guidelines 2009* (produced and administered by the NSW Officer of Water). The guidelines include recommended trade waste charges, and Council's proposed charges have been set with reference to the guidelines. The proposed charges also include changes to align, where possible charging categories and prices with Wyong Council.

The proposed charge structure is similar to the current charge structure.

A short description of the key charges is presented below:

### **Application charge**

The Approval charge covers the cost of administration and technical services provided by Council in processing applications for approval to discharge liquid trade waste to the sewerage system. The fee is allocated on the basis of 3 categories of trade waste, reflecting the complexity of the application process. Category 1 is low risk, category 2 is medium risk, and category 3 is high risk.

### **Annual charge**

The Annual Trade Waste Fee covers the cost of administration and scheduled inspections each year to ensure a discharger's ongoing compliance with the conditions of their approval.

### **Re-inspection charge**

Where non-compliance with the conditions of a Trade Waste Approval is detected by Council, the discharger is required to address the issues. Council will re-inspect the property to ensure that remedial action has been satisfactorily implemented. Each re-inspection will incur a fee.

### **Usage charge**

A fee for every kilolitre of compliant trade waste discharged. Where trade waste/sewage is not directly measured, the volume discharged is determined by the property's water consumption multiplied by a trade waste discharge factor.

### **Usage charge – nil pre-treatment**

A fee for every kilolitre of non-compliant (where no pre-treatment has occurred) trade waste discharged. Where trade waste/sewage is not directly measured, the volume discharged is

determined by the property's water consumption multiplied by a trade waste discharge factor.

**Excess mass charges**

Charges applied when pollutants exceed limits specified in Council's Liquid Trade Waste Policy.

The proposed trade waste charges from 1 July 2013 are presented in Tables D1 and D2. Council proposes that the prices remain constant in real terms throughout the Determination period.

**Table D1 Trade waste charges (\$12/13)**

<b>Current Description</b>	<b>Current charge</b>	<b>Proposed Description / Additional Information</b>	<b>Reasons for Change</b>	<b>Proposed charge from 1 July 2013</b>
31 Trade Waste Approvals <i>A fee for Council inspection of a commercial or industrial development prior to approval for discharging into Council's sewers being granted.</i>	*\$369.10	<b>Trade Waste Application - Category 1</b> <i>A fee for Council inspection of a low risk commercial or industrial customer prior to approval for discharging into Council's sewers being granted.</i>	Removed from Table 12 Charges for Ancillary and Miscellaneous Services and moved to Table 10 Trade Waste Charges so that approvals and inspections are in the same place. More accurately reflects the approval process for category 1 (low risk) trade waste dischargers.	*\$116.93
31 Trade Waste Approvals <i>A fee for Council inspection of a commercial or industrial development prior to approval for discharging into Council's sewers being granted.</i>	*\$369.10	<b>Trade Waste Application - Category 2</b> <i>A fee for Council inspection of a medium risk commercial or industrial customer prior to approval for discharging into Council's sewers being granted.</i>	Removed from Table 12 Charges for Ancillary and Miscellaneous Services and moved to Table 10 Trade Waste Charges so that approvals and inspections are in the same place. More accurately reflects the approval process for category 2 (medium risk) trade waste dischargers.	*\$195.07
31 Trade Waste Approvals <i>A fee for Council inspection of a commercial or industrial development prior to approval for discharging into Council's sewers being granted.</i>	*\$369.10	<b>Trade Waste Application - Category 3</b> <i>A fee for Council inspection of a high risk commercial or industrial customer prior to approval for discharging into Council's sewers being granted.</i>	Removed from Table 12 Charges for Ancillary and Miscellaneous Services and moved to Table 10 Trade Waste Charges so that approvals and inspections are in the same place. More accurately reflects the approval process for category 3 (high risk) trade waste dischargers.	*\$457.13

<b>Current Description</b>	<b>Current charge</b>	<b>Proposed Description / Additional Information</b>	<b>Reasons for Change</b>	<b>Proposed charge from 1 July 2013</b>
Category 1 Annual Trade Waste Agreement Fee (per year)	*\$185.15	<b>Annual Trade Waste Fee – Category 1</b>	Changed title to align with Wyong Council. Process efficiencies for Category 1.	*\$67.88
Category 2 Annual Trade Waste Agreement Fee (per year)	*\$349.67	<b>Annual Trade Waste Fee – Category 2</b>	Changed title to align with Wyong Council. Process efficiencies for Category 2.	*\$216.48
Category 3 Annual Trade Waste Agreement Fee (per year)	*\$448.85	<b>Annual Trade Waste Fee – Category 3</b>	Changed title to align with Wyong Council. 4 inspections and samples per year and increased complexity of compliance process. Use of external laboratory for analyses.	*\$1,817.88
Liquid Trade Waste re-inspection fee (\$/inspection)	*\$138.66	<b>Reinspection Fee</b>	Changed title to align with Wyong Council Process efficiencies.	*\$109.24
Trade Waste Usage Charge (\$/kL)	\$1.58	No change	NA	\$1.58
Charge for lack of pre-treatment facility (\$/kL)	\$13.46	<b>Trade Waste Usage Charge – nil pre-treatment</b>	Title change to more closely align with Wyong	\$13.46

\* GST applicable and to be added

**Table D2 Trade waste excess mass charges per kilogram (\$12/13)**

<b>Pollutant</b>	<b>Current charge</b>	<b>Proposed charge from 1 July 2013</b>
Aluminium (Al)	\$0.65	\$0.65
Ammonia (as N)*	\$1.95	\$0.70
Arsenic (As)	\$66.02	\$66.02
Barium (Ba)	\$33.02	\$33.02
Biological Oxygen Demand (BOD5)*	\$1.58	\$0.70
Boron (B)	\$0.65	\$0.65
Bromine (Br <sup>2</sup> )	\$13.46	\$13.46
Cadmium (Cd)	\$305.65	\$305.65
Chlorinated Hydrocarbons	\$33.02	\$33.02
Chlorinated Phenolics	\$1,344.89	\$1,344.89
Chloride	No charge	No charge
Chlorine (Cl <sup>2</sup> )	\$1.35	\$1.35
Chromium (Cr) (Total)	\$22.00	\$22.00
Cobalt (Co)	\$13.46	\$13.46
Copper (Cu)	\$13.46	\$13.46
Cyanide	\$66.02	\$66.02
Fluoride (F)	\$3.29	\$3.29
Formaldehyde	\$1.35	\$1.35
Grease*	\$8.16	\$1.26
Herbicides/Weedicides/Fungicides	\$660.23	\$660.23
Iron (Fe)	\$1.35	\$1.35
Lead (Pb)	\$33.02	\$33.02
Lithium (Li)	\$6.61	\$6.61
Methylene Blue Active Substances (MBAS)	\$0.65	\$0.65
Manganese (Mn)	\$6.61	\$6.61
Mercury (Hg)	\$2,200.75	\$2,200.75
Molybdenum (Mo)	\$0.65	\$0.65
Nickel (Ni)	\$22.00	\$22.00
Nitrogen (N) (Total Kjeldahl Nitrogen)	\$0.17	\$0.17
Pentachlorophenol	\$1,344.89	\$1,344.89
Pesticides – General	\$660.23	\$660.23
Pesticides – Organochlorine	\$660.23	\$660.23
Pesticides – Organophosphate	\$660.23	\$660.23

<b>Pollutant</b>	<b>Current charge</b>	<b>Proposed charge from 1 July 2013</b>
PCB	\$660.23	\$660.23
Petroleum Hydrocarbons (non-flammable)	\$2.21	\$2.21
pH>10, or pH<7*	\$0.65	\$0.39
Phenolic Compounds (excluding chlorinated)	\$6.61	\$6.61
Phosphorus (Total)	\$1.35	\$1.35
Polynuclear Aromatic Hydrocarbons (PAH)	\$13.46	\$13.46
Selenium (Se)	\$46.45	\$46.45
Silver (Ag)*	\$13.46	\$1.31
Sulphate (SO <sub>4</sub> )	\$0.13	\$0.13
Sulphide (S)	\$1.35	\$1.35
Sulphite (SO <sub>3</sub> )	\$1.35	\$1.35
Suspended Solids (SS or NFR)*	\$1.58	\$0.90
Temperature	No charge	No charge
Tin (Sn)	\$6.61	\$6.61
Total Dissolved Solids	\$0.04	\$0.04
Zinc (Zn)	\$13.46	\$13.46

\* Indicates proposed charge selected to align with Wyong Shire Council

## Appendix E Miscellaneous and ancillary charges

Table E1 Charges for Ancillary and Miscellaneous Services (\$12/13)

	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
1	<b>Conveyancing Certificate</b> <i>Statement of Outstanding Charges</i> a) Over the Counter b) Electronic	\$33.39 NA	No change	NA	\$31.22 NA
2	<b>Property Sewerage Diagram – Up to and Including A4 size (where available)</b> <i>Diagram showing the location of the house-service line, building and sewer for a property.</i> a) Certified b) Uncertified 1. Over the Counter 2. Electronic	\$46.53 \$35.78 NA	<b>Property Sewerage Diagram – Up to and Including A4 size (where available)</b> <i>Diagram showing the location of the house-service line, building and sewer for a property.</i> a) Certified <i>Suitable for a contract of sale</i> b) Uncertified <i>Not suitable for a contract of sale</i>	Reduced charge due to process efficiency gains. New categories reflect increasing provision of electronic diagrams and minor variation in cost between provision of electronic and hard copy diagrams.	\$17.34 \$10.84
3	<b>Service Location Diagram</b> <i>Location of Sewer and/or Water Mains in relation to a property's boundaries.</i> a) Over the Counter b) Electronic	\$17.90 NA	<b>Service Location Diagram</b> <i>Location of Sewer and/or Water Mains in relation to a property's boundaries.</i> a) Certified <i>Suitable for a contract of sale</i> b) Uncertified <i>Not suitable for a contract of sale</i>	New categories reflect increasing provision of electronic diagrams and minor variation in cost between provision of electronic and hard copy diagrams. Uncertified diagram process efficiency through utilisation of GIS system	\$17.34 \$0
4	<b>Special Meter Reading Statement</b>	\$65.61	No Change	NA	\$65.61
5	<b>Billing Record Search Statement - Up to and including 5 years</b>	*\$21.12	No Change	Charge aligned with other similar Council charges.	\$28/ half hour



	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
6	<b>Building Over or Adjacent to Sewer Advice</b> <i>Statement of approval status for existing building over or adjacent to a sewer.</i>	\$0.00	<b>Building Over or Adjacent to Asset Advice</b> <i>Issue of letter regarding a building's compliance with required standards for building near or over a water or sewer pipes or structures.</i>	Name change to include water and align with Sydney Water This fee is limited to advice and does not include approval/certification. Cost based fee structure. See charge #38 for certification fee.	\$56.18
7	<b>Water Reconnection</b> a) During business hours b) Outside business hours	\$ 66.80 \$155.07	No change	Remove the outside business hours reconnection price, as this service is not offered by Council. Increased fee is actual cost of 2 man crews and increased vehicle costs.	\$204.65 N/A
8	<b>Workshop Test of Water Meter</b> <i>Removal of the meter by an accredited organisation at the customer's request to determine the accuracy of the water meter. A separate charge relating to transportation costs and the full mechanical test which involves dismantling and inspection of meter components will also be payable</i>	\$159.84 \$159.84 \$159.84 \$159.84 \$159.84 \$159.84 20mm 25mm 32mm 40mm 50mm 80mm 100mm 150mm	Remove list of individual meter sizes	Increased charge associated with actual cost of two person crews and increased vehicle costs.	\$210 for all meter sizes plus transportation and testing costs

	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
9	<b>Application for Disconnection</b> a) Application for disconnection (all sizes) b) Physical disconnection	\$48.90 \$195.62	No Change	Increased charge for physical disconnection is associated with actual cost of two man crews and increased vehicle costs.	\$50.77 \$268.27
10	<b>Application for Water Service Connection (up to and including 25mm)</b> <i>This covers the administration fee only. There will be a separate charge payable to the utility if they also perform the physical connection.</i>	\$48.90	<b>Application for Water Service Connection</b> <i>This covers administration and system capacity analysis as required. There will be a separate charge payable to the utility if they also perform the physical connection.</i>	Removed "(up to and including 25mm)" to reflect the common application fee for all water service connections	\$50.77
11	<b>Application for Water Service Connection (32 – 65mm)</b> <i>This covers administration and system capacity analysis as required. There will be a separate charge payable to the utility if they also perform the physical connection.</i>	\$48.90	N/A	Remove charge as covered by charge 10	N/A
12	<b>Application for Water Service Connection (80mm or greater)</b> <i>This covers administration and system capacity analysis as required. There will be a separate charge payable to the utility if they also perform the physical connection.</i>	\$48.90	N/A	Remove charge as covered by charge 10	N/A

	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
13	<b>Application to Assess a Water Main Adjustment</b> <i>(Moving a fitting and/or adjusting a section of water main up to and including 25 metres in length)</i> <i>This covers preliminary advice as to the feasibility of the project and will result in either:</i> (a) A rejection of the project in which case the fee covers the associated investigation costs. OR (b) Conditional approval in which case the fee covers the administrative costs associated with the investigation and record amendment.	 \$335.18 \$335.18	N/A	Remove charge as replaced by charge #38, Water & Sewer Building Plan Assessment	NA
14	<b>Standpipe Hire</b> <i>Security Bond (all meter sizes)</i>	\$715.68	No change	NA	\$715.68
15	<b>Standpipe Hire</b> < 50mm  >= 50mm	20mm size water service charge 50mm size water service charge	<b>Standpipe Hire</b> <i>Annual hire charge of standpipe issued</i>	All standpipes issued are greater than 50mm. No need for < 50mm category. Same as 50 mm Water Service Charge.	50mm water service charge in Table 1 (Table 31 in this submission)

	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
16	<b>Standpipe Water Usage Fee (\$/kL)</b>	water usage charge	No change	NA	As per water usage charge in Table 2 (Table 30 in this submission)
17	<b>Backflow Prevention Device Application and Registration Fee</b> <i>This fee is for the initial registration of the backflow device.</i>	*\$71.57	No change	NA	*\$74.83
18	<b>Backflow Prevention Application Device Annual Administration Fee</b> <i>This fee is for the maintenance of records including logging of inspection reports.</i>	*\$32.81	This fee is for the audit by inspectors of plumbers' annual compliance tests and the maintenance of records of results.	The prevention of backflow from properties into the water supply system is in the interests of all customers. Council proposes to waive this charge in order to remove a disincentive for customers to regularly test devices and provide result to Council. Council will continue to receive and store data, and send reminder notifications regarding the testing of backflow prevision devices. Alignment with Wyong Council "Nil" charge.	\$0

	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
19	<b>Major Works Inspection Fee</b> <i>This fee is for the inspection, for the purpose of approval, of water and sewer mains, constructed by others that are longer than 25 metres and/or greater than 2 metres in depth.</i> Water Mains (\$ per metre) Sewer Mains (\$ per metre) Re-inspection	 \$11.92 \$11.92 \$140.75	N/A	Remove charge as covered by charge #39 Inspections	
20	<b>Statement of Available Pressure and Flow</b> <i>This fee covers all levels whether modelling is required or not.</i>	\$139.56	No change	NA	\$140.27
21	<b>Cancellation Fee – Water and Sewerage Applications</b> <i>A fee charged to cancel an application for services and process a refund of water and sewer application fees.</i>	\$61.13	No change	Charge reduced due to process efficiencies	\$21.67
22	<b>Sales of Building Over Sewer and Water Guidelines</b> <i>A fee for undertaking a technical review of guidelines to ensure that current standards are applied when a proposal to build over or near council sewer and water mains is lodged.</i>	* \$13.26	Remove charge	Documents are available online	N/A

23	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
	<b>Section 307 Certificate</b> <i>A fee for preparation of a Section 307 Certificate which states whether a development complies with the Water Management Act 2000.</i>		No Change	Process complexity introduced by systems upgrades and enhanced records capture, requiring more administration steps.	
	Dual Occupancies	\$108.54			\$162.97
	Commercial Buildings, Factories, Torrens Subdivision of Dual Occupancy etc	\$162.23			\$199.56
	Boundary Realign with Conditions	\$262.42			\$363.95
	Subdivisions, developments involving mains extensions	\$780.09		Plan approvals removed from "Subdivisions, developments involving mains extensions", and moved to Development Assessment (charges # 41, 42), thereby reducing the fee.	\$394.93
	Development without Requirement Fee	\$ 64.41			\$104.44
24	<b>Inspection of Concrete Encasement and Additional Junction Cut-ins</b> <i>A fee charged by Council to inspect a developer's works to determine whether works are in accordance with Council standards</i>		N/A	Remove charge as covered by charge #39 Inspections	N/A
	Inspection of concrete encasement	\$180.11			
	Additional Inspection (due to non-compliance)	\$63.22			
	Inspection of concrete encasement greater than 10m	\$180.11 plus \$18.01 per m for each m > 10m			

	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
25	<b>Sale of Specification for Construction of Water and Sewerage Works by Private Contractors</b> <i>Contractors carrying out private works are required to purchase Council's "Specifications for Construction of Water and Sewerage Works by Private Contractors"</i>	\$96.14	Remove charge	Available electronically	N/A
26	<b>Private Developers Plan Resubmission</b> <i>A fee for Council review and approval of a developer's request for changes to a previously approved water or sewer plan.</i>	\$72.76 for the first hour \$46.53 each hour after	N/A	Remove charge as covered by new developer plan assessment charges #40-43.	N/A
27	<b>Approval of Developers Sewer Pump Station Rising Main Design</b> <i>A fee for Council review and approval of a private developer's proposal for provision of sewer; pump stations/rising mains. This fee covers assessment of:</i> <i>(a) suitability for integration within the existing sewerage system.</i> <i>(b) proposed works conform to both industry and Council standards.</i>	\$273.15	N/A	Remove charge as covered by new developer plan assessment charges #40-43	N/A

	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
28	<b>Approval of Private Internal Residential Sewer Pump Station Rising Main Design</b> <i>A fee for Council review of a property owner's proposal for provision of minor internal sewer; pump stations/rising mains. This fee covers assessment of:</i> <i>(a) suitability for integration within the existing sewerage system.</i> <i>(b) proposed works conform to both industry and Council standards.</i>	\$106.16	N/A	Remove charge as covered by new developer plan assessment charges #40-43	N/A
29	<b>Approval of Extension of Sewer/Water Mains to Properties Outside Service Areas</b> <i>A fee for Council review and approval of a property owner's application for extension of sewer/water mains to properties outside service areas.</i>	\$147.91	N/A	Remove charge as covered by new developer plan assessment charges #40-43	N/A
30	<b>Sale of Sewer Plan Books</b> <i>A fee for purchase of Council hardcopy set of sewer reticulation plans.</i> A3 Sheet in Cardboard Folder A3 Sheet in Plastic Pockets (3 folders) Annual Charge for Monthly Updating Service CD copy	NA NA NA *\$78.74	N/A	Remove charge as Sale of Sewer Plan Books replaced by other methods.	N/A



	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
31	<b>Trade Waste Approvals</b> <i>A fee for Council inspection of a commercial or industrial development prior to approval for discharging into Council's sewers being granted.</i>	*\$369.09	Remove charge from miscellaneous charges and group with trade waste charges	This charge is more appropriately grouped with the other trade waste charges	N/A
32	<b>Plumbing and drainage inspection fee</b> <i>A fee for Council inspection of developments requiring connection to, or alteration to existing connection to Council's sewer to ensure protection of Council's sewerage system.</i> New Sewer Connection Plus Each Additional WC Alterations Units/Villas (1 WC each flat or unit) Plus for each additional WC Caravan Connection Fee Sewer Re-Inspection Fee	\$229.02 \$88.27 \$158.64 \$176.54 \$88.27 \$106.16 \$114.51	<b>Plumbing and drainage inspection fee.</b> <i>Inspection of plumbing and drainage work to ensure compliance with prescribed standards.</i> New sewer connection <i>Inspection of new sewerage connections, and other connections where inspection of the junction connection is required (e.g. demolition and rebuild of previously connected property). Charge per property. Includes allowance for 1 WC.</i> Alterations <i>Inspection of alternations and extensions to internal plumbing, where no inspection of junction is required. Charge per property. Includes allowance for 1 WC.</i> Each additional WC Re-inspection <i>Each additional inspection following identification of non-compliant plumbing and drainage work.</i> Rainwater tank connection <i>Inspection of rainwater tank(s) and associated plumbing where there is a connection from the tank to internal plumbing. Charge per property</i>	Simplification of inspection fees to better reflect cost variability and improve ease of customer understanding/payment of correct fee. The number of water closets (WC) continues to be used to represent the extent of work to be inspected. Process efficiencies for extra WC charge. Re-inspection fee to be applied for each additional inspection required due to non-compliance. Rainwater Tank Inspection is a new category to recover costs of inspecting a rainwater tank installation where there is a connection to internal property plumbing.	\$236.44  \$215.56  \$20.39 \$43.75  \$43.75

33	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
	<b>Location of Water and Sewer Mains</b> <i>Private developers/contractors request the on-site indication of the alignment, and often depth, of water and sewer mains and services. This service will be charged on the basis of actual costs incurred by Council. Applicants should contact Council for an estimate of actual cost. A minimum charge of \$209.30 will apply.</i>	Actual cost with minimum of \$209.30	<b>Location of Water and Sewer Mains</b> <i>Onsite investigation works to identify the location (alignment and/or depth) of underground water and sewerage assets. This service will be charged on the basis of actual costs incurred. Applicants should seek quote.</i>	Increased fee is actual cost of two man crews and increased vehicle costs. Minimum four hours on site.	Actual cost with minimum of \$725.89
	<b>Water Service Connection Fee for a 20 – 25 mm Meter</b> <i>For meters greater than 25mm charges will be levied on the actual cost of the work involved plus an administration fee (see charge 10).</i>	\$370.96 \$48.90	<b>Water Service connection for a 20 mm single dwelling</b> <i>Provision of a 20mm water service connection to single dwellings. An administration fee (see charge 10) also applies. For connections other than 20mm single dwellings, charges will be levied on the actual cost incurred.</i>	25 mm connections are for commercial, multi-dwelling, dual occupancy premises or areas with low water pressure. Significant and variable additional costs are incurred for 25 mm meters. No need to duplicate value of charge 10.	\$385.62

	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
35	<b>Septic/Portaloo/Mobile Cleaning Charge</b> <i>A fee for accepting septic, portaloo and mobile cleaning effluent at Council sewage disposal sites (per kilolitre)</i>	\$13.46	<b>Septage &amp; Septic Effluent Discharge Charge</b> <i>Licensed contractors dispose of septage and effluent wastewater from domestic onsite sewerage systems and sewer pumping stations at Council Sewage Treatment sites. Volume charges are levied on a per kL basis to recover the cost of accepting and treating the waste. The charge reflects the lack of pre-treatment. Does not include complex muddy water waste, food waste or other waste classifications determined by Council, which are subject to a case by case fully recoverable charge.</i>	Name and description amended to include SPS septic waste as well as domestic onsite systems and exclude other medium to high risk waste classifications.	\$13.46
36	<b>Other liquid wastes transported by disposal contractors</b> <i>A fee for accepting other liquid wastes at Council sewage disposal sites (per kilolitre)</i>	\$1.47	<b>Other liquid wastes transported by disposal contractors</b> <i>Approved Category 4 (non septic waste), composed primarily of water and which has no impact on the treatment process, discharged at sewage disposal sites by Licensed Contractors. Does not include complex muddy water waste, food waste or other waste classifications determined by Council, which are subject to a case by case fully recoverable charge.</i>	Amended to more clearly state the low risk nature of the waste to be included in the charge.	\$1.47

	Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
37	<b>Recoverable Works</b> <i>This service will be charged on the basis of actual costs incurred by the Council plus internal overheads charged in accordance with the rates published annually by the Council. Applicants should contact Council for an estimate of the cost.</i>	Actual cost	No change	NA	Actual cost
38			<b>Water &amp; Sewer Building Plan Assessment</b> <i>Review building plans with respect to the impact on assets and system capacity. Includes building over sewer, building adjacent to sewer, system load demand</i>	New service charge to include function currently undertaken by Council and includes building over sewer.	\$124.61

Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
39		<p><b>Inspections</b></p> <p><i>Council inspect water and sewer works carried out by private developers for compliance with Council's standards. Should the works not comply with Council standards, a re-inspection is required. Council does not differentiate in price for major or minor works inspections. Private developers may be required to concrete encase sewer mains and provide additional sewer junctions.</i></p>	<p>New service charge. Replaces charge 19, and charge 24, plus allows recovery of CCTV inspection costs.</p> <p>All inspections now included in 1 charge, which is a per linear metre charge, with a minimum charge of 90 minutes administration and travel costs, The minimum charge reflects actual costs.</p>	<p>\$128.96 minimum charge \$11.92 per metre + Lab charges as resolved by Council</p>
		<p><i>Private developers may be required to pile drive or operate substantial equipment in the vicinity of sewer mains. Council use CCTV to inspect the works to determine that works are in accordance with Council standards and damage has not occurred to sewer assets. Security Bonds taken, necessitating administration procedures</i></p>	<p>CCTV costs have not been recovered in the past. Cost includes fixed cost to Council of \$302/hr for CCTV use</p>	<p>\$185.92 + hourly rate of \$302 for CCTV inspection</p>

Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
40		<p><b>Development Assessment Small Projects - Private SPS and/or development ≤ 4 lots or extension to properties outside area</b></p> <p><i>Council reviews and approves private developers' proposals for provision of minor sewer adjustment, private internal sewer pump stations/rising mains.</i></p> <p><i>Water/sewer main extensions can result from requests by property owners for connection of unserviced properties. The process is the same as that for subdivisions and redevelopments, being the requirement to pay a developer charge and construct works, generally being for one property only with one residence connecting to either the water or sewer system</i></p> <p><i>Connection to mains by private developer contractors incur an additional shutdown and audit fee, which will be charged on the basis of actual costs incurred by Council</i></p> <p><i>Developers may be required to obtain and pay for a Section 307 Certificate, for an additional fee, which states that the development complies with the Water Management Act 2000.</i></p> <p><i>An additional hourly charge may apply for reviewing previously reviewed plans</i></p>	<p>New Service Charge replacing charge 26, charge 27, charge 28 and charge 29.</p> <p>All development plan approvals now included in new categories for Small, Medium, Large and Special developments.</p>	<p>\$271.75 + quote for connection to mains if by private contractor (charge #30) + 307 (charge #23) fee, if required.</p> <p>\$102 per hour for re-review of plans.</p>

Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
41		<p><b>Development Assessment Medium Projects &gt; 4 and &lt; 15 lots, and mains relocation</b></p> <p><i>Council reviews and approves private developers' proposals for provision or adjustment of water and sewer infrastructure services for new developments. Includes extensions servicing subdivisions and/or sewer diversions caused by development.</i></p> <p><i>Generally, new development is contained within a DSP, requiring the developer to service all lots or redevelopment involving adjustment of existing sewer/water mains.</i></p> <p><i>Connection to mains by private developer contractors incur an additional shutdown and audit fee, which will be charged on the basis of actual costs incurred by Council</i></p> <p><i>Developers may be required to obtain and pay for a Section 307 Certificate, for an additional fee, which states that the development complies with the Water Management Act 2000.</i></p> <p><i>An additional hourly charge may apply for reviewing previously reviewed plans.</i></p>	<p>New Service Charge replacing charge 26, charge 27, charge 28 and charge 29.</p> <p>All development plan approvals now included in new categories for Small, Medium, Large and Special developments.</p>	<p>\$654.83 + quote for connection to mains if by private contractor (charge #30), + 307 (charge #23) if Required.</p> <p>\$102 per hour for re-review of plans.</p>

Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
42		<p><b>Development Assessment Large Projects - &gt;15 and &lt; 50 lots or large or medium density developments involving sewer diversions &gt; 30 metres</b></p> <p><i>Council reviews and approves private developers' proposals for provision or adjustment of water and sewer infrastructure services for new developments. Includes extensions servicing subdivisions and/or sewer diversions caused by development.</i></p> <p><i>Generally, new development is contained within a DSP, requiring the developer to service all lots or redevelopment involving adjustment of existing sewer/water mains.</i></p> <p><i>Connection to mains by private developer contractors incur an additional shutdown and audit fee, which will be charged on the basis of actual costs incurred by Council</i></p> <p><i>Developers may be required to obtain a Section 307 Certificate, for an additional fee, which states that the development complies with the Water Management Act 2000.</i></p> <p><i>An additional hourly charge may apply for reviewing previously reviewed plans.</i></p>	<p>New Service Charge replacing charge 26, charge 27, charge 28 and charge 29.</p> <p>All development plan approvals now included in new categories for Small, Medium, Large and Special developments.</p> <p>Large projects require substantially more analysis and administration by skilled personnel.</p>	<p>\$832.62</p> <p>+ quote for connection to mains if by private contractor (charge 30) + 307 (charge 23) fee, if required.</p> <p>\$102 per hour for re-review of plans</p>



Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
43		<p><b>Development Assessment Special Projects (roads &amp; rail or SPS adjustments, relocations, development in water catchment areas)</b></p> <p><i>Council assesses, provides technical advice, and support to other service authorities and private developers for provision and/or adjustment of water and sewer assets.</i></p> <p><i>Connection to mains by private developer contractors incur an additional shutdown and audit fee, which will be charged on the basis of actual costs incurred by Council</i></p> <p><i>Developers may be required to obtain a Section 307 Certificate, for an additional fee, which states that the development complies with the Water Management Act 2000.</i></p> <p><i>Inspection of alternations and extensions to internal plumbing, where no inspection of junction is required. Charge per property. Includes allowance for 1 WC.</i></p>	<p>New Service Charge replacing charge 26, charge 27, charge 28 and charge 29.</p> <p>All development plan approvals now included in new categories for Small, Medium, Large and Special developments.</p> <p>May also include assessment of specialist information/submissions, design reviews, design approvals involving trunk main assets or components of the supply systems requiring special consideration, e.g. road widening, infrastructure augmentations or the impact of developments within water catchment areas.</p> <p>Generally, development is not contained within a DSP, requiring extra water and sewer systems and capacity investigation and analysis.</p> <p>The increased size of the project requires substantially more analysis and administration by skilled personnel.</p>	<p>\$3,376.96</p> <p>+ quote for connection to mains if by private contractor (charge #30) + 307 (charge #23) fee, if required.</p> <p>\$102 per hour for re-review of plans</p>

Current Description	Current charge	Proposed Description	Reasons for change to price / description	Proposed charge from 1 July 2013
44		<p><b>Water Supply Shutdown &amp; Audit for Developer Contracted Connections</b>  <i>Council assesses, provides technical advice, and support to other service authorities and private developers for provision of new water and sewer assets.</i>  <i>Council shuts down water mains prior to connection by developers' contractors of new mains to the water system. Council will audit the connection by third parties to ensure the integrity of the system is maintained.</i>  <i>Fees for each audit will be charged on the basis of actual costs incurred by Council</i></p>	<p>Charged if new mains connections are undertaken by developer contractors rather than by Council, as part of Development Assessments.</p>	By quotation