

NOTICE

Inquiry on Harvey Water Bulk Water Pricing

REVISED FINAL REPORT

The Authority has published a revised final report on its inquiry into the level and structure of water storage charges to the South West Irrigation Cooperative (Harvey Water).

The revised final report incorporates a number of changes to the financial model used by the Authority for the final report. The changes arise as a result of due diligence carried out by Harvey Water and the Water Corporation in preparation for the signing of a new Bulk Water Supply Agreement. The revisions do not alter the conclusions of the final report, although they do increase the charges to Harvey Water.

A copy of the revised final report is available on the Authority's [web site](#).

The changes to the financial model and final report are as follows:

- stage one costs of upgrading Waroona Dam under Option 2 have been incorporated into the financial model. (In Option 2, the dam safety costs associated with several dams are deferred in favour of more effective options for improving safety elsewhere in Western Australia. By comparison, under Option 1, there is no such deferral.);
- the capital expenditure (and timing) for stage one of the Waroona Dam safety upgrades has been changed from \$11.5 million to \$15.0 million;
- the Corporation has modified the timing of its proposed dam safety capital works programme, which has increased the cost of the programme in present value terms as a result of bringing forward the expenditure on Stirling Dam;
- the method for converting the Corporation's nominal capital expenditure data to real data has changed following discussions with the Corporation;
- the allocation of costs to non-irrigators that are associated with the initial asset value has been changed. The allocation is now based on the future share of water taken from each dam for non-irrigation purposes. Previously the allocation was based on the share as at the commencement of the Bulk Water Supply Agreement in 1996;
- the assumption of the starting charge to Harvey Water as at 2007/08 has also been changed slightly as a result of further analysis;
- the rate of return in the financial model has been changed from 5.60 per cent to 5.63 per cent to more accurately reflect the rate that has been applied to the Corporation for general tariff-setting purposes.

The effect of the changes is to increase the fully phased-in charge for Harvey Water's irrigation water (i.e. the charge in 2016/17 for the water on-sold to irrigators rather than non-irrigators) under Option 1 from \$30.23 per ML in the final report to \$34.43 per ML. For Option 2, the fully phased-in charge for Harvey Water's irrigation water increases from \$14.86 per ML in the final report to \$21.10 per ML.

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