Robusto Investments Pty Ltd –delivery of drinking water to Mt. Compass

Further to my additional email dated 29/12/2020 and my submission dated 26/11/20, I now have a few further comments to make following the meeting yesterday.

Firstly, thank you for organising the meeting on 12/1/21. I found the information provided to be of great value, and the Statement of Reasons has been of great benefit to me.Here are a few comments and questions which I now have.

Rate Calculation

I see the calculation of the Revenue Cap to be ONLY a mechanism for working out a fair Price per KL for water and NOT a figure which Robusto is not permitted to exceed. If a KL price is set, it does not matter how much he earns from consumption, as if it is a wet season clients will use less water than the average generally and in a dry season more and therefore only pay for what they use. I'm sure that Robusto will go for the highest possible income ,and so would not have any room to move if there was more usage because of the dry season.

As far as calculating a cost it appears that this would be fairly simple . No doubt you already have a fair idea but us residents don't at present .All of the required figures appear to be at hand. I would suggest that the existing supply cost of $74.50 per quarter is satisfactory and for 174 properties I calculate that at $77,778 for the 18 months . It appears that a fixed cost for Depreciation is also a good way to do that , and that is $37,206 for the 18 months ,which is $143 per annum per household (from the information supplied).After deducting these 2 items from the Revenue Cap this is $168353, and this should be the figure to calculate the per KL rate to apply. Converted to 12 months this is $112,235 and water usage for 12 months as per the chart is and average of 180.2 kl per household for 12 months . I calculated the rate to be around $3.36 per KL, which seems to be a reasonable figure based on Lightsview of $3.23 per KL(with a lesser amount for supply cost). Of course the supply rate and depreciation rate could be different thus changing the delivery rate.

For the average user of $45KL per quarter I calculated an increase of about $182 p.a or 21% which matches up with the figure you previously quoted. For users of 30Kl per quarter it is $216 or 34% . Higher users such as myself using 461KL would see little difference, but on the current tiered rate system I consider that I paid around $318 more than if the rates were calculated on my Annual usage and not quarterly (eg 120KL for the first rate , 400 KL the second etc.) Percentage variances will vary significantly across the sub division and I think it is more relevant to look at the Cash Increase than the percentage.

If the Maximum Revenue Cap of $283,337 is still to be applied, as mentioned previously this is overstated as it is based on the past 2 Financial years averages, not the averages of the 6 quarters of the proposed regulatory period. If the period was changed to 1/7/2021 to 31/12/22 it would be correct as there are 3 low and 3 high quarters, but on the present dates it is 2 high and 4 low. , As an example my figures for the 6 quarters from 1/4/19 to 30/9/20 were $2,503.If based on the Financial year 1/7/19 to 30/6/20 and adjusted to 18 months it would be $2,976. Of course my example is not average, but there certainly would be quite a difference. In calculating the per KL delivery rate I estimate that usage would be in the vicinity of 240kl for 18 months and this would be used against the reduced Revenue cap to calculate the cost. I got this to be slightly less than the above calculation at $3.21 per KL.

Please contact me if you wish to discuss any of the above terminology. I hope my calculations makes sense and are accurate.

John Hague, AFin

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Yours sincerely,

John Hague

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