

SEQWATER'S 26 NOVEMBER SUBMISSION / RESPONSE TO QCA REQUEST OF 23 NOVEMBER

23 November 2012

Please respond by COB Tuesday 27 November 2012.

From: Colin Nicolson
Sent: Monday, 26 November 2012 2:47 PM
To: Angus MacDonald
Subject: RE: Minor Qstn Please

QCA Question

Re: Indec Final Report " Seqwater Water Supply Schemes Asset Restoration Reserve Balances" November 2012

We refer to Table 3.18 on p.22 of the above report.

We note that as per SKM's recommendation in the Capex and Opex Prudency and Efficiency Consultancy, Indec has taken out the actual renewals expenditure for 2008-09.

However, there is no explanation why for Central Lockyer Valley WSS and Warrill Valley WSS, a \$4,962 and \$29,990 respectively of actual renewals expenditure have been included in 2008-09.

Please provide a detailed explanation for this?

Seqwater Response

The expenditure of \$4,962 in Central Lockyer was for the installation of access stairs at Jordan Weir. The expenditure of \$29,990 was for work at Moogerah Dam.

These capex amounts were recorded separately from the opex renewals in the old financial system. Capex was recorded by project whereas opex was recorded against GL codes by cost centre only. The previous financial system was capable of recording discrete capital projects but not discrete opex projects. Consequently, both Seqwater and Indec were confident of the capex amounts included in the renewals for 2008-09. This is the reason that the Indec methodology for distributing the 2008-09 opex based on spending patterns in subsequent years was not applied to the capex expenditure since the capex spend was recorded by discrete project which identified the location and nature of the expenditure. Thus it was possible for Seqwater to identify a capex amount of \$3.8M expended on the Borumba Dam spillway upgrade which was immediately excluded from the renewals costs for the review.

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Economic Regulation
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