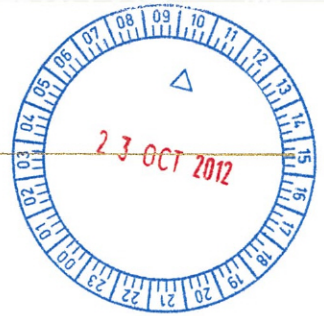




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MINISTER FOR ENVIRONMENT; WATER

Our Ref: 42-17434

Hon Giz Watson MLC
Chair
Estimates and Financial Operations Committee
Legislative Council
Parliament House
PERTH WA 6000

Attention: Ms Samantha Parsons

Dear Ms Watson

QUESTIONS ON NOTICE – 2011/12 AGENCY REPORT HEARINGS

Thank you for your letter of 8 October 2012 regarding the appearance of the Water Corporation at the Estimates and Financial Operations Committee Hearing on Thursday, 4 October 2012.

As requested, attached are the Corporation's responses to the supplementary and additional questions arising from that Hearing.

Yours sincerely

**HON BILL MARMION MLA
MINISTER FOR ENVIRONMENT; WATER**

Att

23 OCT 2012

**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION**

Thursday, 4 October 2012

Water Corporation

Question No. C1 – Hon Alison Xamon asked:

“Why has the greenhouse gas emission increased so much from 2008 to 2012? Pg. 44 of the Annual Report”.

Answer:

Greenhouse gas emission reporting methodologies changed between 2008 and 2009, so it is not valid to make direct comparison with 2008 figures.

Since 2009, the Water Corporation has used the National Greenhouse and Energy Reporting System (NGERS) for its reporting. In the last four years, reported greenhouse gas emissions have increased 18.5%, and energy use by 24%. Most of the increased energy use is attributable to greater production of desalinated water. Under the NGERS accounting methodology all electricity used is reported using a grid average greenhouse gas emissions factor and does not take into account contracts held with renewable energy generators.

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ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION

Thursday, 4 October 2012

Water Corporation

Question No. C2: Hon Alison Xamon asked -

How much did the Water Corporation spend in 2011/2012 on the shower swap program and how much did the Commonwealth pay? What was the water saved as a result of the program.

Answer:

In 2011/2012, the Water Corporation spent \$690,000 on the Showerhead Swap Program. The Corporation and the Federal Government jointly fund this program 50% each. The estimated savings in a full year from showerheads swapped in 2011/12 is about 750,000 kilolitres based on saving 17 kilolitres of water per year per showerhead.

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**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION**

Thursday, 4 October 2012

Water Corporation

Question No. C3 – Hon Phillip Gardner asked:

“Which towns are priced less than the minimum tier for Perth?”

Answer:

- | | |
|-----------------------|---------------------|
| • Allanooka Farmlands | Mid-West Region |
| • Collie Farmlands | South-West Region |
| • Narngulu | Mid-West Region |
| • Newman | North-West Region |
| • Pinjarra | Perth Region |
| • Walkaway | Mid-West Region |
| • Wundowie | Agricultural Region |

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**ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION**

Thursday, 4 October 2012

Water Corporation

Question No. C4 – Hon Ken Travers asked:

“Provide a breakdown of the Water Corporation’s debt portfolio”.

Answer:

Specific details on the Water Corporation’s debt portfolio are commercial in confidence. This has been confirmed in discussions with Western Australian Treasury Corporation (WATC).

The Water Corporation’s current debt structure is 30% rolling short-term debt and 70% rolling long-term debt.

Following an extensive review of the Water Corporation’s debt portfolio by the WATC, the Corporation is moving to align a portion of its debt to the three-year periods used by the Economic Regulation Authority (ERA) to regulate customer prices. From July 2013, 15% of the portfolio will be transferred from maturing short-term debt into a three-year debt. As the Weighted Average Cost of Capital (WACC) used by the ERA to set prices is fixed for three years, the use of aligned debt provides a hedge, which reduces profit volatility and therefore reduces risk. This reduced risk allows a higher proportion of cheaper short-term debt to be included in the portfolio, without increasing overall risk. The modelling indicates that this strategy will reduce interest costs on average over a ten-year period.

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ESTIMATES AND FINANCIAL OPERATIONS COMMITTEE
QUESTIONS ON NOTICE SUPPLEMENTARY INFORMATION

Thursday, 4 October 2012

Water Corporation

Question No. C5 – Hon Ken Travers asked:

“How was the \$20.8m efficiency dividend delivered?”

Answer:

The 2011/12 efficiency dividend of \$20.8 million was delivered through a combination of reduced recruitment of non-frontline operational personnel, reduced consumption of chemicals and other inputs at water and wastewater treatment plants across the State, reduced expenses through deferment of projects, increased returns from non-regulated activity such as reimbursable works.

The above was achieved in addition to the 2% Year on Year Efficiency commitment that the Water Corporation has successfully achieved since 2004/2005. The net impact of which has been to improve efficiency/reduce operating expenditure by an estimated \$350 million since 2004/05. Therefore, maintaining the Corporation's world leading efficiency position as a commercially focussed, regulated water utility.

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