

<b>Date</b>	04/07/2017
<b>Title</b>	Questions taken on notice by the NSW Independent Pricing and Regulatory Tribunal ('IPART' or 'The Tribunal') - Inquiry into the augmentation of water supply for rural and regional NSW (hearing in Sydney - 5 June 2017)

## Questions taken on notice

We provide below our responses to the questions taken on notice at the hearing that took place in Sydney on 5 June 2017.

### Question

What is the asset life for the Hume weir and Burrinjuck Dam? Where do they currently sit on that depreciation schedule?

### Response

We do not have a specific asset life for either the Hume Dam or the Burrinjuck Dam. Hence, we also do not have information on where they sit on an actual depreciation schedule. For the purposes of determining maximum prices for WaterNSW's rural bulk water services, the more relevant items are prudent and efficient capital expenditure, and hence the asset lives for those expenditures, undertaken post-1997. This is because a previous Tribunal has set the regulatory value of all pre-1997 assets to zero - ie, assets pre-1997 have been treated as legacy assets and thus rates of return and depreciation on these assets (or on pre-1997 capital expenditure) have not been included in prices.<sup>1</sup>

If new capital expenditure relating to dams is deemed prudent and efficient (eg, expenditure to efficiently comply with dam safety requirements), then it is incorporated into WaterNSW's regulated asset base (RAB)<sup>2</sup> and an asset life of 100 years is applied, as this expenditure relates to dams, which are long-lived assets. Through prices, allowances for a rate of return and depreciation for this particular expenditure is then shared between the NSW Government and customers according

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<sup>1</sup> IPART, Department of land and water conservation - bulk water prices from 1 October 2001 - Determination and Final Report, pp 23-24.  
<sup>2</sup> WaterNSW's (then StateWater) RAB was established in the 2006 price review, with the opening value commencing at 1 July 2004.

to IPART's current cost shares methodology, which is based on the impactor pays principle.

We note that the:

- ▼ Hume Dam is in the Murray valley, and the weighted average remaining asset life for existing assets in WaterNSW's RAB for the Murray valley is currently about 45 years, and
- ▼ Burrinjuck Dam is in the Murrumbidgee valley, and the weighted average remaining asset life for existing assets in WaterNSW's RAB for the Murrumbidgee valley is currently about 40 years.

The above asset life figures do not represent the actual asset life of all assets used by WaterNSW to deliver rural bulk water services in the Murray and Murrumbidgee valleys respectively, but what is relevant for determining prices.

### **Question**

What is the life expectancy of Burrinjuck Dam or Hume Dam?

### **Response**

As discussed above, we use weighted asset lives for all the assets in a given valley. As such, we do not maintain specific information on the lives of discrete assets such as Burrinjuck Dam or Hume Dam. We note that as WaterNSW undertakes capital expenditure on these dams (eg, renewals expenditure) their life expectancy increases. So while an original asset has a finite life span, its life can be, and typically is, continually extended through renewals expenditure.

### **Question**

What does IPART regard in its current workings as legacy assets? Does IPART have a list that it applies?

### **Response**

As discussed above, assets that have been put in place pre-1997 have been treated as legacy assets for WaterNSW. As such, allowances for a rate of return and depreciation on pre-1997 capital expenditure have not been included in customers' entitlement or water usage charges. Therefore, we do not maintain a detailed register of such assets, as they are not relevant to determining maximum prices.