

OVERALL STRATEGY FOR 2010-2015 PERIOD AND BEYOND

As set out in our Strategic Direction Statement published in December 2007, our key objective is to maintain a consistent supply of wholesome water that gives customers good value for money. Our investment strategy is therefore based on a continuation of our programme of prudent maintenance of the water mains, treatment works, pumping stations, reservoirs and other assets that are needed to maintain the supply of water to customers' taps.

The main project will be the major refurbishment of the water treatment works at Llwyn Onn which supplies Wrexham and the surrounding area. This work cannot be delayed any longer due to its poor structural condition. The outcome of this project will be a reliable treatment works operating to the exacting modern standards that will match the modern treatment works recently completed for the Chester area.

The other large investment will be a continuation of the programme of renewing water mains. We have to increase the rate of renewing mains to ensure that the number of bursts and leakage remains stable. This work will be at various locations around our supply area depending on where the worst problems are and in order to minimise the disruption to the public.

Our assessment is that we will have a sufficient supply of water to satisfy the expected future demands of existing and new customers without any major investment.

Bills will have to increase as a result of our plan. By deferring some expenditure we have managed to limit the increase to a total of 9.7% above inflation over the five years.

QUALITY AND SERVICE IMPROVEMENTS IN 2010-2015 PERIOD AND IN THE LONGER TERM

No headline improvements in water quality or levels of service to customers are proposed. This is in accordance with the findings of our customer research that customers are not prepared to pay higher bills for any improvements to the service that they already receive. We will continue to strive to improve our service to customers when we can through operational improvements and the benefits that other investments might bring.

Improving security is one area where significant investment is required in 2010 - 2015 and beyond. We will comply with the Government's specified requirements at a pace that we can integrate with our other planned works to keep the impact on customers' bills to a minimum.

In the light of the catastrophic flooding in other parts of the country in 2007, we have reviewed the vulnerability of our own sites to flooding and will be improving the flood defences at two of our intakes on the River Dee.

WHAT IS DRIVING THE CHANGES IN BILLS? (2007-08 PRICES)

		Water
Average household bill in 2009-10		119.66
Less	(1) past efficiency savings and outperformance	0
	(2) maintaining base services	9.28
	of which	
	a) changes in revenue	5.26
	b) changes in operating costs to maintain current services to consumers	4.31
Plus	c) changes in costs of maintaining assets	0.36
	d) changes in impact of taxation	0.00
	e) the change in the cost of capital	-0.65
	(3) maintaining and enhancing security of supplies to all customers	1.01
	(4) the impact of improvements in services	0.32
	of which	
	a) security improvements	0.21
	b) environmental improvements	0.00
	c) Improvements in service levels	0.11
Less	(5) scope for reduction through future efficiency improvements	0
Average household bill in 2014-15		130.27

PRICE LIMITS AND EFFECT ON AVERAGE BILLS (2007-08 PRICES)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Proposed price limit	1.3	7.9	0.5	0.8	0.4	0.0
1 Average measured household bill	101.02	105.74	106.07	106.84	107.23	107.45
2 Average unmeasured household bill	136.45	152.24	153.37	154.6	155.26	154.80
3 Average household bill	119.66	129.61	130.01	130.45	130.65	130.27

ESTIMATE OF EXPENDITURE NEEDS (2007-08 PRICES)

	Annual average for the 2010-2015 period (£/property/annum)	
1 Operating costs to maintain current services to consumers	94.33	
2 Operating costs to improve services to consumers and protect the environment	1.09	
3 Cost of maintaining assets to deliver current services to consumers	50.02	
4 Cost of improving assets to deliver improvements for the environment and consumers	5.95	
	Pre tax cost of debt and post tax cost of equity basis (Vanilla)	Fully post-tax basis
5 Assumed cost of capital (%)	6.7	5.97