Summary table - Cambridge Water PLC - A summary of our draft business plan submission to Ofwat - August 2008

OVERALL STRATEGY FOR 2010-2015 PERIOD AND BEYOND

Our vision for the future is documented in our Strategic Direction Statement

In preparing this Draft Business Plan we have adopted a low risk strategy, commensurate with the requirements of a regulated public service

In 2008/090 Cambridge Water has the second lowest charges in the industry.

We acknowledge that this plan proposes significant increases in charges in 2010/11 and beyond

We welcome futher discussion with all stakeholders on our plan

For further information please go to www.cambridge-water.co.uk
Please contact: Steve Morley, Regulation Manager, Cambridge Water.
email address: stevemorley@cambridge-water.co.uk

The key elements of our strategy are:-

1. To satisfy the demand for water from new and existing customers

2. Continue to deliver safe clean drinking water

3. Adapt our operations and help customers adapt their use of water in the face of climate change

4. Mitigate the effects of climate change by reducing the amount of carbon generated by our operation

5. To ensure the Company can continue to finance its functions by providing appropriate returns to lenders and shareholders

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			9.0	2.2	3.9	2.8	2.7
W	**Indicative price limit (water service)**						
1	Average measured household bill	107.09	113.04	114.93	118.77	121.60	124.49
2	Average unmeasured household bill	121.21	139.41	144.69	153.20	160.58	167.52
3	Average household bill	114.36	124.19	126.57	130.94	134.30	137.46

Vanilla cost of capital (pre tax debt post tax equity) **6.1%**
Post tax cost of capital **5.4%**

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

1. To supply an additional 2,000 new homes per annum

2. To undertake treatment to remove nitrate from our sources

3. To improve the capability to deal with emergencies to comply with Government Guidelines

4. To assess, and if necessary reduce, the impact of our abstraction on environmentally sensitive sites

5. To undertake appropriate investment to ensure that customers receive adequate pressure at point of supply

6. To continue to offer all customers the right to be charged in relation to volume

7. To undertake a trial to remove all lead service pipes from our Croydon zone

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

				Water
Average household bill in 2009-2010				**114.36**
Plus	(1)	OPA reward		0.46
Plus	(2)	maintaining base services		8.77
	of which:-			
	a) reduction in revenue for all customers due to new customers		*-5.64*	
	b) increases in operating costs		*9.68*	
	c) increases in capital maintenance		*8.78*	
	d) increases in taxation		*0.04*	
	e) reduction in returns to shareholders		*-4.09*	
	(3)	maintaining security of supplies to all customers		6.08
	(4)	the impact of improvements in drinking water quality		7.73
		the impact of environmental improvements		0.00
		improvements in service performance		0.06
Less	(5)	scope for reduction through future efficiency improvements		0.00
Average household bill in 2014-2015				**137.46**

ESTIMATE OF EXPENDITURE NEEDS (2007-08 PRICES)

		Annual average for the 2010 -15 period (£/property/annum)
1	Operating costs to maintain current services to customers	94.01
2	Operating costs to improve services to consumers and protect the environment	3.09
3	Cost of maintenance assets to deliver current services to consumers	39.02
4	Costs of improving asstes to deliver improvements to consumers and protect the environment	39.83