

Mr Richard J Koerner

23 August 2010

Dear Mr Koerner

I refer to your email of 10 August to Mr West of this office.

Unitywater set prices for 2010/11 on the basis of not recovering greater than the Maximum Allowable Revenue (MAR) requirement under full cost pricing principles.

As you will be aware MAR consists of operating expenses (including the pass through of bulk water charges), a return of capital component (i.e. depreciation) and a return on capital component.

The latter two components of the MAR were calculated using the Regulatory Asset Base (RAB) determined by, and assigned to, Unitywater by the Queensland Government.

The Queensland Government has directed the Queensland Competition Authority to accept the RAB assigned to Unitywater for the purposes of evaluating the appropriateness of Unitywater's price setting during the Interim Price Monitoring period (including for 2010/11).

Consequently, Unitywater has adopted this assigned RAB in setting prices for its customers.

Yours sincerely

Jon Black  
**Chief Executive Officer**

CC: Peter Scott, CFO