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Queensland Competition Authority  
GPO Box 2257  
BRISBANE QLD 4001

Dear Sir/Madam

### **REQUEST FOR COMMENT – RATE OF RETURN REVIEW NOVEMBER 2020**

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This submission from Logan City Council is in response to correspondence from Queensland Competition Authority regarding the investigation into the rate of return review. We are very pleased to register our interest and participate in this investigation as a key stakeholder. We look forward to being actively involved and submit the following high level comments for inclusion in your considerations:

1. That Queensland Competition Authority (QCA) take into account regulatory Weighted Average Cost of Capital (WACC) methodologies used by regulators in other states of Australia.
2. That changes be made to the WACC methodology to smooth the WACC rather than have short term changes on a year by year basis. The suggested use of the rolling ten year trailing average approach to the cost of debt would assist in this. This will ensure short term changes in WACC are smoothed over a ten year period thus reducing price shocks on customers, providing a long term view of pricing in future years and making future prices more predictable.
3. We support Queensland Treasury Corporation's position as stated in their submission on the technical aspects of the cost of debt and cost of equity in the calculation of WACC.
4. Our preference would be for the WACC to be calculated for the specific year by QCA and applied by all water utilities in their maximum allowable revenue calculations to ensure consistency across water utilities.

The contact officer for the submission on the rate of return review is Mr David Kelloway, Water Financial Management Program Leader.

Yours faithfully

Mike Basterfield  
Group Manager Logan Water