

Table 1 - United Utilities - A summary of our monitoring plan for 2005-10

OVERALL STRATEGY FOR 2005-10 PERIOD AND TOP 5 STRATEGIC OBJECTIVES

United Utilities' strategy for the period 2005 to 2010 and beyond reflects our customers' priorities and the desire of Government and regulators to see a water industry characterised by sustainable, efficient and securely financed companies.

Over the five years from 2005/6 our key strategic objectives will be to:

- a) continue to deliver a value for money package of services to our customers, retaining the current high level of customer satisfaction;
- b) maintain, and in some cases improve, the current performance of our assets to deliver existing service levels;
- c) maintain the balance between supply and demand for water and security of supplies to all our customers;
- d) deliver the enhancements to environmental and drinking water quality required of us by Government and regulators;
- e) continue to make significant inroads into the problem of sewer flooding at customer premises, and begin a programme of work to tackle the most serious instances of external flooding as a priority;
- f) address the problem of odour at wastewater treatment works where this has given rise to the most significant customer and community concern;
- g) continue to deliver innovation and efficiency in our operations; and
- h) ensure that we maintain investor confidence by delivering acceptable returns to investors through an efficient and sustainable capital structure.

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Price limit	8.9	5.0	6.4	4.4	3.5	3.0
W Indicative price limit (water service)	10.6	-0.3	6.1	3.6	2.5	1.9
1 Typical measured household bill	120.0	122.9	131.8	135.6	138.0	139.8
2 Typical unmeasured household bill	137.0	135.5	143.0	148.6	153.5	157.8
3 Average household bill	133.0	130.6	136.9	141.3	144.4	146.7
S Indicative price limit (sewerage service)	7.5	9.4	6.8	5.0	4.2	3.7
1 Typical measured household bill	124.0	139.0	150.4	156.6	160.8	165.5
2 Typical unmeasured household bill	141.0	153.2	166.8	175.2	183.4	191.6
3 Average household bill	136.0	148.0	158.3	164.6	169.9	175.2

TOP 5 QUALITY AND SERVICE IMPROVEMENTS IN 2005-10 PERIOD

1. To improve the quality of drinking water we supply to our customers we propose to renew or reline over 2,500km of water distribution mains. We also plan major cleaning work on 153km of our large diameter trunk mains.
2. We will tackle problems of sewer flooding at people's homes. We expect this to require us to address internal flooding by solving internal hydraulic capacity flooding problems at 1113 properties. We will also begin a programme of work to tackle the most serious cases of external flooding, addressing problems affecting around 384 locations.
3. We propose to improve the quality of drinking water at tap by carrying out quality improvements at over 50 of our water treatment works across the region.
4. New wastewater treatment requirements will increase the volume of sewage sludge as a result of the Nitrates Directive and reductions in the land bank will require a significant expansion of alternative disposal routes.
5. We expect to have to carry out work at at least 64 of our wastewater treatment works and at 143 sewer overflows to help improve the quality of the water environment in the North West. These works treat the wastewater from the equivalent of over 5 million people. This work will improve the ability to support fish life of some 1900km of rivers in the north west, including such important watercourses as the Douglas, Irwell, Croal, Bollin and Mersey.

WHAT IS DRIVING THE CHANGES IN BILLS? (2004/05 prices)		Water	Sewerage
Average household bill in 2004-05		133	136
Less	(1) past efficiency savings and outperformance		-1
	(2) scope for reduction through future efficiency improvements	-7	-8
Plus	(3) maintaining base services	1	8
	of which		
	a) changes in revenue		-12
	b) changes in operating costs	-2	10
	c) changes in capital maintenance	-3	1
	d) impact of taxation	5	7
	e) financing	1	2
	(4) maintaining security of supplies to all customers	2	3
	(5) the impact of improvements in drinking water quality	18	
	(6) the impact of environmental improvements		34
(7) improvements in service performance		3	
Average household bill in 2009-10		147	175

ESTIMATE OF EXPENDITURE NEEDS (2002-03 prices)

		Annual average for the 2005-2010 period (£/property/annum)
1	Total operating expenditure	135.0
2	Total capital maintenance expenditure	86.5
3	Total capital enhancement expenditure	83.5
4	Average annual number of properties used as the denominator in the above calculation	2.95 Million

For further information go to www.unitedutilities.com/investingforthefuture or contact our Economic Regulation team on 01925 237000