

# Development plan of water and wastewater network in Tallinn, Estonia

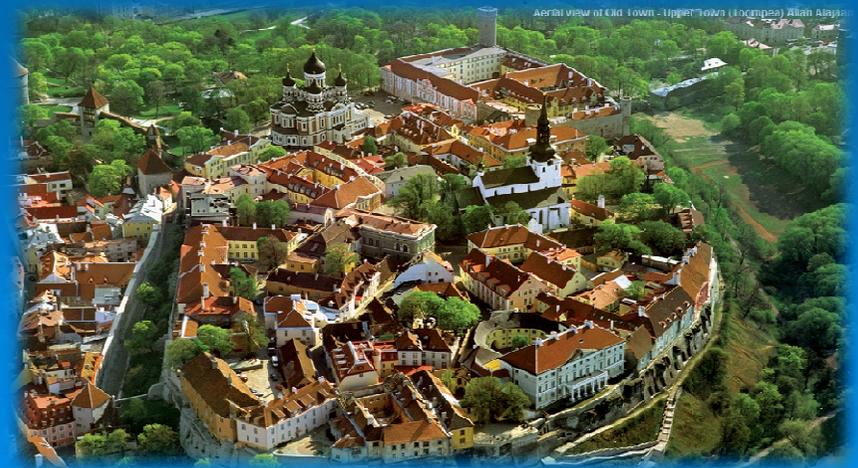


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# AS Tallinna Vesi

- Supplier of water and wastewater services in Tallinn
- History:
- 2001: privatised
- 2005: 30% floated on Nasdaq OMX Tallinn stock exchange



# Map of Tallinn City

Water and wastewater  
80km new pipelines  
52km upgrading old pipelines



# Field analysis

Municipality  
of Tallinn

Minority  
shareholders

Nordic  
Investment  
Bank

United Utilities BV

AS Tallinna  
Vesi

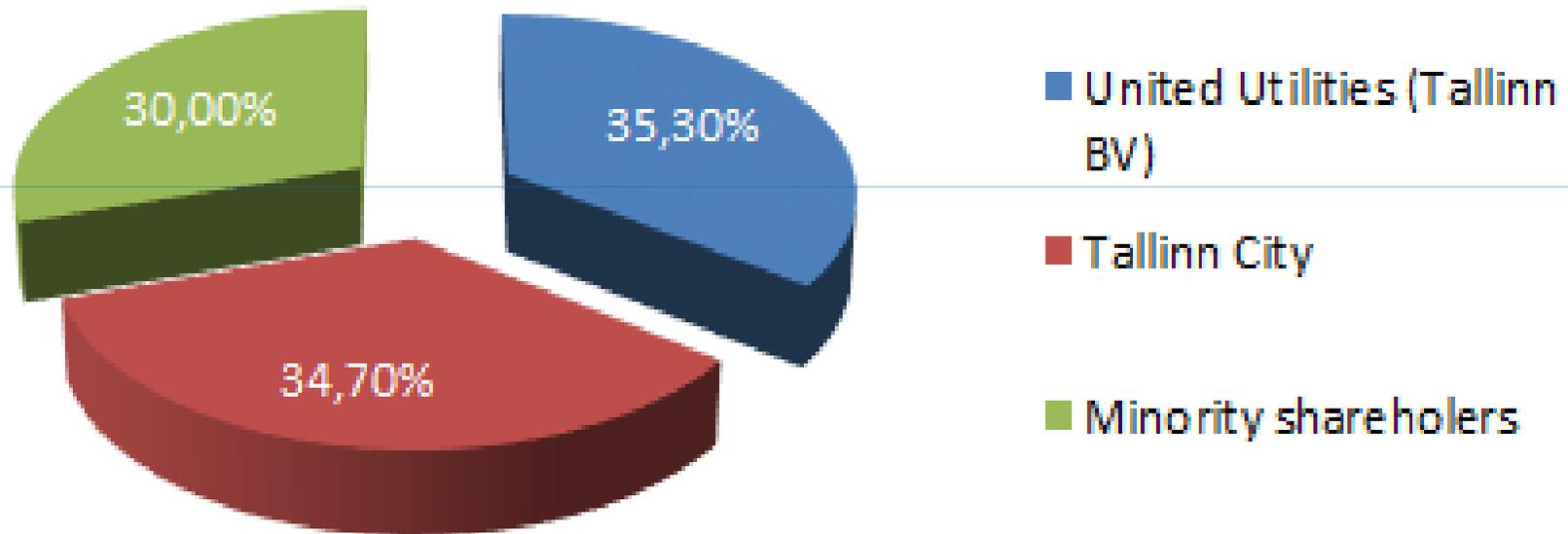
Customers

Administrative  
courts

Environmental  
regulator

Estonian  
Competition  
Authority

# Shareholders of AS Tallinna Vesi



# Investment details

Amount - €37.4 mln invested of which:

- €19.5 mln in the water sector
- €17.9 mln in the wastewater sector

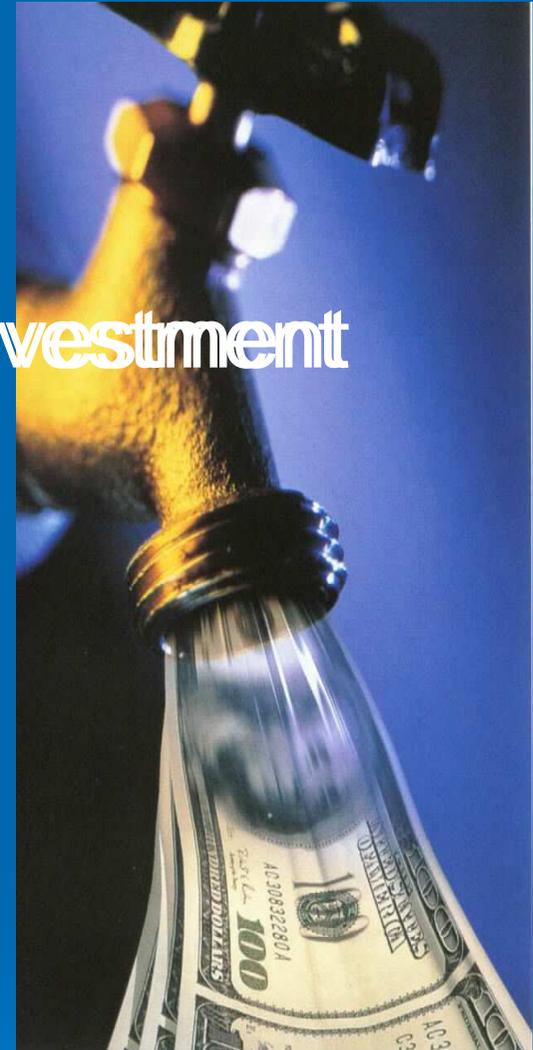
Construction period - 8 years 2013-2020

Useful life – 41 years



# Financing

- Loan – €20 mln from Nordic Investment Bank
- Repayment period – 10 years
- Fixed interest rate – 5,39%
- Current equity/debt ratio 52% to 48%

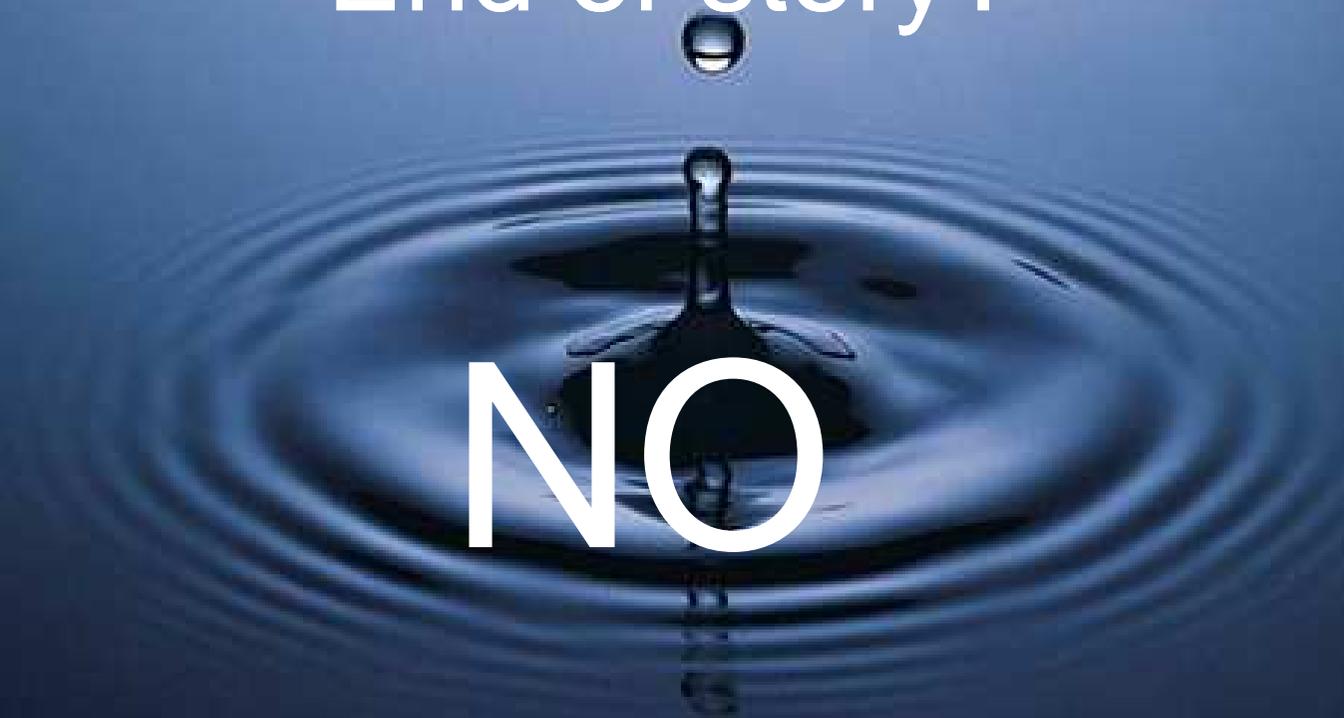


# Evaluation of investment

- Carried out on incremental values only as expansion of network will increase demand for water and wastewater services by 0.67% approx.
- To obtain a slightly positive NPV, current average water and wastewater tariffs would have to increase x **8,2 times**.

Evaluation of investment

End of story?

A high-speed photograph of a single water droplet falling into a pool of water. The droplet is captured mid-fall, just above the point of impact, creating a series of concentric ripples that spread outwards. The water is a deep blue color, and the lighting highlights the droplet's surface and the ripples.

**NO**

# Evaluation of investment

- Spreading the increase in tariff over the entire population served by the company leads to an increase in tariffs of

0,07 x m<sup>3</sup> for water

0,06 x m<sup>3</sup> for wastewater

# Key Field Players

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of Tallinn

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# Negotiations

- Until 31 October 2010 local municipality approved prices for water services
  - Service agreement between AS Tallinna Vesi and Municipality of Tallinn
- 

# Regulator methodology

- Estonian Competition Authority – methodology for the calculation of tariffs

$$R_{allowed} = OPEX + A + JP$$

Where:

R<sub>allowed</sub> - Revenue allowed

OPEX – Operating expenditure

A - Amortisation

JP – Justified profitability

# Court Case

- Based on new methodology ECA deems AS Tallinna Vesi tariffs are 29% too high
- Ongoing dispute between ECA and AS Tallinna Vesi on tariffs:
- AS Tallinna Vesi believes the current contract it holds with the Municipality until 2020 is still valid
- ECA believes the new regulatory methodology should apply

# Conclusions

- No need to increase tariffs for new investment as the current tariffs are already higher than they would be under the regulatory methodology

A bronze sculpture of a man in a hard hat and work clothes, kneeling on a cobblestone street with his hands on a manhole cover. The words "Thank you!" are overlaid in large yellow text.

**Thank you!**