

Upstream Services Methodology Statement

This statement explains the way in which the Company completes the Upstream Services pro-forma table.

Please refer to the Accounting Separation Methodology Statement for an explanation of how Operating Costs are allocated into the Water Services and Retail tables. The Water Services table forms the starting point for the Upstream Services pro-forma table.

For direct costs, a further code of “Trunk”, “Local” or “Split” is added to each combination of cost centre and category code in the accounting separation data. “Split” costs are then allocated based on the lengths of the Trunk and Local mains.

Indirect and general and support costs are then allocated between Trunk and Local as follows:

Cost	Driver
Indirect costs	
Operations administration department	MEA asset values
Health and Safety Officer	Direct employment costs
Senior Staff bonuses	Direct employment costs
Water efficiency costs	Direct employment costs
Network Services administration department	Direct employment costs
Rechargeable works	All Local
General and support costs	
Executive Directors	Direct costs
Non-Executive Directors	Direct costs
Finance Department	Direct costs
Amenities (Sailing, fishing, etc)	Direct costs
Human Resources	Direct costs
Water Resources Management Plan	Direct costs
Executive PA	Direct costs
Pension fees, benefit changes, FRS17	Direct employment costs
Health insurance	Direct costs
Ratings Agencies	MEA asset values
Cumulo Rates	CCA asset values
Insurance	CCA asset values
Scientific Services	All local
Other Business Activities	CCA asset values

The drivers used are considered appropriate because they are the same drivers as those used for Accounting Separation.