



CORPORATE PLAN

2019/20 to 2023/24

Contents

1	Introduction	4
2	South Gippsland Water	6
2.1	Demographics of the region	8
2.2	Services provided	9
2.3	Infrastructure	9
3	Purpose, vision and objectives	11
4	Areas of focus	12
4.1	Water for Victoria/Letter of Expectations	13
4.2	Vision, objectives, strategies and actions	14
4.3	Customer and community outcomes	21
5	Corporate Plan Assumptions	22
5.1	Climate conditions and / or yields	22
5.2	Customer growth and water demand	23
5.3	Environmental contribution	26
5.4	Government contributions	26
5.5	Forecast inflation rates	26
5.6	Cost of debt – tariff adjustment	26
5.7	Wage increases	26
5.8	Melbourne Water bulk entitlements	26
5.9	Interest revenue on investments	27
5.10	Interest expense on borrowings	27
5.11	Dividend calculation	27
5.12	Taxation equivalent payments	27
6	Outcomes for 2018/19	28
6.1	Introduction	28
6.2	Core service standards	28
6.3	Drinking water quality	29
6.4	Environmental performance	30
6.5	Urban water consumption	30
6.6	Revenue and operating expenditure	31
6.7	Forecast capital expenditure	31
7	Material changes from previous corporate plan	32
8	Significant deviations from Regulatory Period 4	33
9	Major risks	34
9.1	Uncertainty about climate and developing an appropriate response	34

9.2	Balancing customer affordability, the services we provide and the financial viability of the business (intergenerational impacts)	34
9.3	Uncertainty of demand for water from major customers	35
9.4	Asset renewals funding	36
9.5	Attracting, retaining and resourcing the organisation in the long term	36
10	Financial Details	37
10.1	Sensitivity of key planning variables	37
10.2	Operating Statement	38
10.3	Statement of Cash Flows	38
10.4	Balance Sheet	39
10.5	Financial Performance Indicators	39
10.6	Capital Expenditure Forecasts	40
10.7	Service Standards and Key Performance Indicators	41
10.8	Customer tariffs	45

1 Introduction

South Gippsland Water has prepared this five-year Corporate Plan for 2018/19 to 2022/23 in compliance with Section 247 and 248 of the Water Act 1989. This Corporate Plan has been prepared with customer affordability front of mind and addresses the challenges of climate change, varying rainfall patterns, economic development and population growth. It represents a balanced approach of managing environmental, social and economic factors to provide quality water and wastewater services to the communities of South Gippsland.

In 2017 the Victorian Government released its water plan, “*Water for Victoria*” that sets the strategic direction for water management in Victoria for decades to come. *Water for Victoria* will create a water system that is modern and efficient, innovative, future focused and affordable. In addition, the Minister for Water has set out performance expectations for 2019/20 and beyond via a Letter of Expectations (LOE) for water corporations. The Corporation is committed to delivering upon the seven policy areas set out in the Minister’s Letter of Expectations:

- Climate Change
- Customer and community outcomes
- Water for Aboriginal cultural, spiritual and economic values
- Resilient and liveable cities and towns
- Recognising recreational values
- Leadership and culture
- Financial sustainability

In 2017 South Gippsland Water submitted a five-year plan (2018/19 – 2022/23) to the Essential Services Commission which outlined service standards, the required capital and operating expenditure and the required revenue to achieve customer outcomes.

In developing the Pricing Submission, South Gippsland Water undertook extensive customer consultation to identify what really matters to customers. This resulted in a Price Submission with key investment to deliver water security, reliability and quality to customers across the South Gippsland Water region. The Corporation is committed to making our region more secure and prosperous in the long term.

The Final Determination released by the Essential Services Commission (the Commission) in 2018, was broadly in line with South Gippsland Water’s proposed pricing path for the first two years of its Price Submission providing for a 9% uplift in the average household bill. The Commission, however, required a further submission to be prepared for the period 2021 to 2024. South Gippsland Water further considered affordability to customers, in the context of the two year pricing period and the Minister’s Letter of Expectations. As a result, South Gippsland Water committed to a CPI pricing path for a two-year period (2018/19 and 2019/20), however, flagged that price increases could not be limited to CPI beyond 2020.

A key issue for the Corporation in the forthcoming 2020 Price Submission will be finding the right balance between delivering on customer expectations, the prices we charge and being sustainable into the future. In this Corporate Plan, it is assumed that real prices increases averaging 3% per annum will apply for the year 2020/21, 2021/22 and 2022/23.

A significant financial viability risk exists for South Gippsland Water. Over the next decade, various financial ratios will experience stress as the business continues to borrow to meet existing service levels through infrastructure renewal.

South Gippsland Water has delivered affordable prices to customers over an extended period with the Commission recognising that South Gippsland Water levies one of the lowest tariffs in the state which is further evidenced by the National Performance Report for urban water utilities throughout Australia. South Gippsland Water is committed to working with the community, stakeholders and its shareholder to develop a longer-term pricing path that will ensure sustainability for the region.

Recent initiatives have been undertaken by the Corporation, with support from the State Government, to secure the water supply in Korumburra, Poowong, Loch and Nyora. The State Government provided \$30M of funding to support the Lance Creek Water Connection project (a \$43M project). The project makes use of the 82km pipeline constructed by the State Government between the Victorian Desalination Plant and Cardinia Reservoir. It links the Melbourne supply system to Korumburra, Poowong, Loch and Nyora and represents another step in the development of Victoria's "Water Grid".

Construction of the Lance Creek Water Connection Project commenced in 2017 and is now substantially complete. Customers in Korumburra were connected to the Lance Creek system in October 2018 and customers in the towns of Poowong, Loch and Nyora were connected to the network in December 2018.

The project has already delivered significant benefits to the region:

- Customers in the newly connected towns have not been subject to water restrictions this year despite the continuing pressures of low rainfall through a dry summer and autumn and increased demand from Burra Foods, a major customer in Korumburra
- Customers in Wonthaggi, Inverloch and Cape Paterson have been connected to the Melbourne supply system since June 2018. The Melbourne supply was used during late 2018 as an alternative to the local Lance Creek Reservoir supply during an algal bloom. Use of the newly connected alternative supply meant that customers were supplied water with the best possible taste and odour during the algae event
- In previous years water has been extracted from the Tarwin River to supplement the Korumburra supply. This hasn't occurred in 2018/19, helping to maintain environmental flows in the Tarwin

The networking initiative provides a cost-effective long-term supply solution that will underpin major customers such as dairy producer, Burra Foods, and support continued development in the region for decades to come.

South Gippsland Water has continued to identify and implement efficiencies and increase capability across the organisation through the Gippsland Region Strategic Alliance, a joint initiative of Gippsland Water businesses. These initiatives will continue throughout the Corporate Plan period with a focus on higher levels of collaboration between water corporations and other parties such as local government.

2 South Gippsland Water

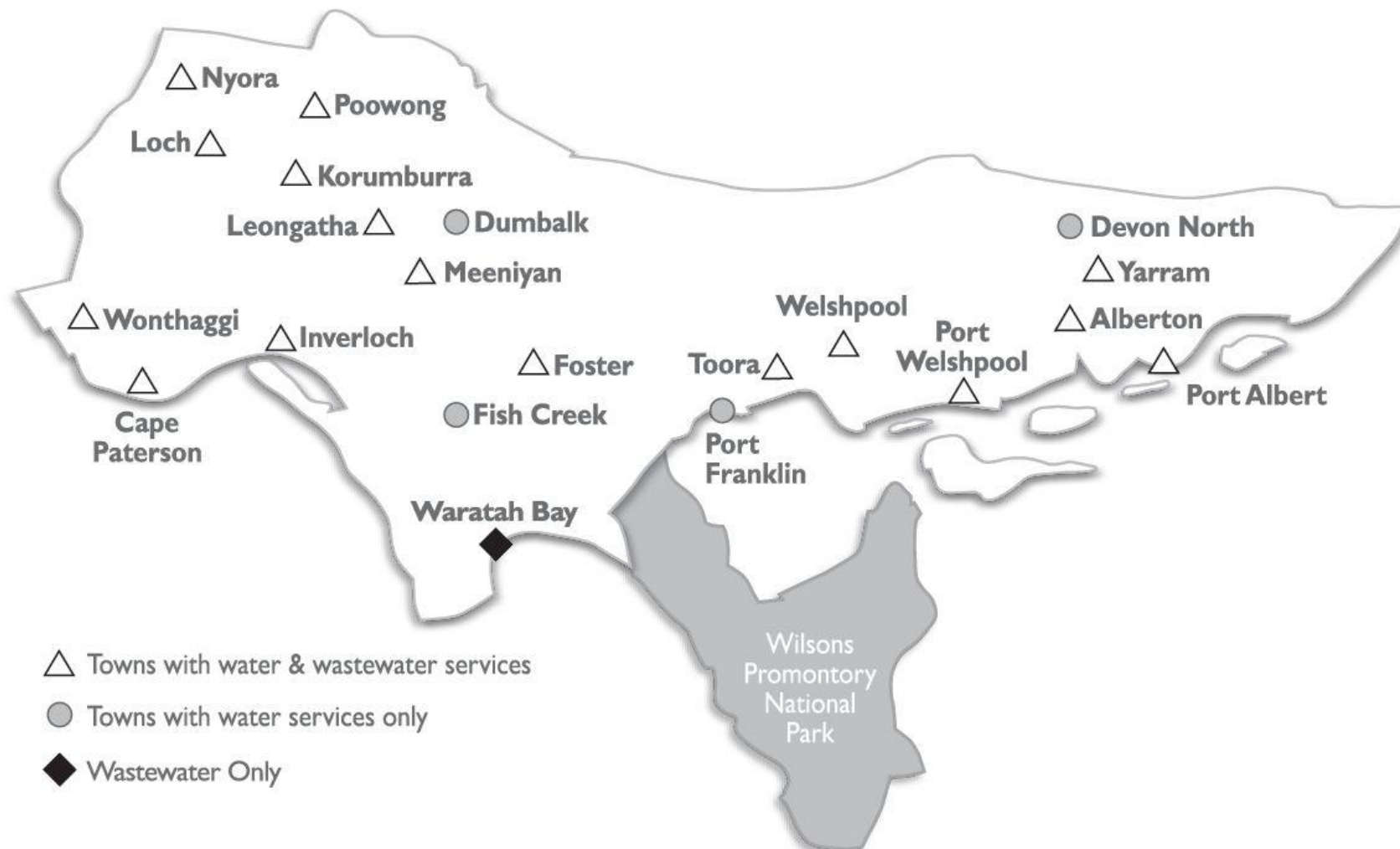
South Gippsland is located around one hours' drive from the south eastern suburbs of Melbourne, and is well known for its coastal resorts and National Parks such as Wilson's Promontory and Tarra Bulga. South Gippsland is predominantly an agricultural area including beef, sheep and dairy farming. The region seeks to maximise its strength as a leading Victorian dairy farming and dairy products producer with two major dairy companies located in the area (Burra Foods and Murray Goulburn/Saputo). The Corporation is acutely aware that the region's national parks have a high public profile. Tourism is also an industry of significant importance.

The Corporation demonstrates its commitment to the stewardship of the region's "natural capital" through initiatives based on continuous improvement at all operational facilities, together with programs aimed at engaging and connecting with the community on matters important to them. South Gippsland Water supports and participates in local activities with a wide range of community groups involved in broader environmental programs that address the interconnection of all the elements of the region's ecosystems.

The services that South Gippsland Water provides are essential to the economic survival, development and well-being of the region. Accordingly, South Gippsland Water collaborates with the programs and activities of other regional agencies in developing its strategies and plans, in so doing, contributing to an integrated regional approach to natural resource management.

South Gippsland Water's service area (shown in Map 2.2 below) extends from Wonthaggi and Nyora in the west to Yarram in the east, and from the coastal towns fronting Bass Strait in the south through to the Strzelecki Ranges in the north. The western boundary adjoins Westernport Water, the northern boundaries adjoin South East Water and Gippsland Water.

Map 2.2: South Gippsland Water Service Area



2.1 Demographics of the region

The demographics of the region continue to undergo change due to the demand for coastal residential real estate. Wonthaggi, Inverloch, Cape Paterson and Waratah Bay are examples with strong residential real estate prices and the influx of a new socio-economic segment of customers to the region. Parts of the region are now considered peri-urban areas of greater Melbourne.

South Gippsland Water's core functions are to provide secure water and wastewater services to over 21,283 households and businesses across approximately 4,000 square kilometres. South Gippsland Water's service area includes 21 towns, the base population of serviced towns is some 31,142 a figure that may increase in peak holiday periods by as much as 100%. Major centres include Wonthaggi, Inverloch, Leongatha, Korumburra and Yarram, as illustrated in Map 2.2.

The towns supplied and the services the Corporation provides are summarised in the following table.

Table 2.1: South Gippsland Water & Sewerage Service Localities

Centre	Population Served (Permanent) ^{1,2}	Water		Sewerage
		Customers billed ³	Supplied from	Customers billed ³
Port Franklin	134	107	Agnes River	N/A
Port Welshpool	209	287	Agnes River	266
Toora	436*	522	Agnes River	285
Welshpool, Hedley	331	208	Agnes River	121
Fish Creek	199*	210	Battery Creek	N/A
Korumburra	3,649*	2,311	Lance Creek	1,971
Foster	1,167*	883	Deep Creek	785
Inverloch,	5,168*	4,742	Lance Creek	4,651
Cape Paterson	857*	1,169	Lance Creek	1,140
Wonthaggi	8,075*	4,739	Lance Creek	4,451
Loch	639*	156	Little Bass	117
Nyora	700*	360	Little Bass	137
Poowong	361*	208	Little Bass	194
Koonwarra	405	83	Ruby Creek	N/A
Leongatha	5,134*	3,229	Ruby Creek	3,011
Alberton	262	150	Tarra River	104
Devon North	344	125	Tarra River	N/A
Port Albert	245*	402	Tarra River	334
Yarram	1,735*	1,205	Tarra River	1,078
Dumbalk	414	107	Tarwin River – East	N/A
Meeniyan	462*	278	Tarwin River – West	243
Waratah Bay	216	N/A	N/A	115
Totals	31,142	21,481		19,003

Notes:

1. Population Served based on ABS 2017 Census data. The ABS methods of calculation utilise State Suburbs (SSC) locations and where available, townships marked as * utilise the Urban Centre Locality (UCL). These areas may not always reflect the exact sewer/water district.
2. Updated with Victoria in Future 2016 population and household projections growth factor of Bass Coast Shire Council 2.0%, South Gippsland Shire Council 0.3% and Wellington Shire Council 0.1%.
3. Customers billed refers to water and sewerage assessments as at January 2019 (number of rated properties)

2.2 Services provided

South Gippsland Water manages catchment to customer and disposal functions and provides the full range of water supply functions, including water harvesting and storage, water treatment, urban water supply, as well as wastewater collection, treatment, disposal and reuse, and major trade waste services.

During 2018/19, it is estimated that a total of 130ML of recycled water was used, mainly for pasture irrigation. A small percentage of this total was provided for watering sporting grounds (11ML). Strategic emphasis on environmentally beneficial re-use is expected to result in an increase in the re-use of treated wastewater over the medium to long term.

South Gippsland Water produces potable drinking water from its water treatment plants. It also produces treated waste streams from its sewerage treatment plants. These processes are undertaken while meeting stringent environmental demands and satisfying customer expectations. All this is achieved with a team that is small by industry standards and at an average bill to customers that is amongst the lowest in the nation.

Diversity is a key focus of the Corporation and South Gippsland Water employs a multi skilled workforce that covers the disciplines of planning, administration, finance, customer services, engineering, operations, maintenance, and construction management. Most engineering design is outsourced.

The Corporation has a skills-based, eight-member Board, appointed by the Minister for Water. The Corporation is managed by an executive team, led by the Managing Director, who also is a Board member.

2.3 Infrastructure

South Gippsland Water has significant headworks assets with 13 reservoirs and 18 service storages that have been created over time, to service the 21 townships within the region. The quality of raw water varies seasonally across the region, because catchments are generally open and diverse and the storages are small. This creates water treatment challenges and is a driver of operating costs.

South Gippsland Water's total headworks and water service operation comprises:

- Water catchments with a total area of 1,234 square kilometres
- 9 reservoirs and 18 service storages
- 4 reservoirs that are no longer used for urban water supply
- 8 separate water supply systems
- 8 water treatment plants (and two recently decommissioned plants)
- 755km of water mains
- 13 water pump stations (and four recently decommissioned pump stations)
- servicing over some 21,500 assessments over 21 towns with around 4,600ML annual volume of metered water

South Gippsland Water's sewerage service operation comprises:

- 10 conventional wastewater collection systems
- 1 vacuum wastewater system
- 2 pressure wastewater systems
- 11 sewerage treatment plants

-
- 1 dedicated saline trade waste system
 - 500km of wastewater mains
 - 65 wastewater pump stations
 - marine environment outfalls
 - 2 inland water discharge points
 - servicing over 19,500 wastewater assessments (including trade waste) over 13 towns collecting and treating around 3,700ML of wastewater

3 Purpose, vision and objectives

The strategic issues facing South Gippsland Water, on which this Corporate Plan is based, are articulated through corporate Purpose and Vision statements and through identification of Key Strategic Objectives summarised below.

Purpose:

We provide sustainable water services that are essential to the prosperity and wellbeing of our communities and natural environments

Vision:

Our customers value the services and outstanding experiences proudly delivered by our capable and committed teams

To fulfil our 2023 Vision

Our **Achievement Culture** and **Productive Practices** deliver **Outstanding Customer Experiences** and **Valued Services**, that contribute to **Thriving Communities** and a **Healthy Environment**.

Outstanding customer experiences:

- Our customers say we are fair and reasonable, professional and friendly, and easy to deal with.
- Our customers say we provide consistent, reliable, high quality services

Delivering valued services:

- We make sound decisions that benefit the region
- Our business and infrastructure planning ensures service reliability and sustainability
- We work collaboratively with partners and stakeholders

Thriving communities:

- We contribute to prosperous and healthy communities
- We provide effective support programs for our customers
- We listen to and respond effectively to community concerns about our services and activities

Healthy environment:

- We progressively reduce our environmental impact
- We effectively plan and adapt for climate variability
- We contribute towards improving the region's waterways, coastal habitat and the land we manage
- We accept responsibility as a regional leader and work in partnership with communities and other organisations to implement sustainability measures more broadly

High performance culture:

- We invest in developing people to achieve their potential
- We foster inclusion, trust and constructive behaviours
- Our workplace practices empower achievement
- Our behaviours, systems and processes ensure we do not compromise on safety and wellbeing

Productive practices:

- We increase effectiveness by leveraging technology and streamlining processes
- We enable innovation and strive to find new ways to improve our business
- We invest in business infrastructure and support services that enable performance

4 Areas of focus

South Gippsland Water, in dealing with ongoing challenges and emerging issues, has set out short, medium and long term plans. The short and medium term initiatives that will be implemented over this Corporate Plan period are detailed in Section 4.2 below.

A key issue for the Corporation in the forthcoming 2020 Price Submission will be finding the right balance between delivering on customer expectations, the prices we charge and being sustainable into the future. In this Corporate Plan, it is assumed that real price increases averaging 3% per annum will apply for the year 2020/21, 2021/22 and 2022/23.

As part of the 2018 Price Determination process, South Gippsland Water committed to a CPI only tariff increase, but noted that price increases could not be limited to CPI beyond 2020 and detailed impacts and risks for customers and the business (refer Section 9 – Major Risks).

The variability of raw water inflow into reservoirs, together with forecast population increase has resulted in South Gippsland Water considering a number of actions in implementing a cost effective sustainable Urban Water Strategy. The Strategy will ensure future demand will be met taking into consideration regional growth and the impacts of climate change/variability on the local environment:

- Considering all sources of water, interconnecting existing water systems and a connection to the Melbourne Supply System
- Increasing the amount of water that can be accessed by the urban supply system to promote economic growth and assist with local community amenity including consideration for recreational water use
- Providing education and incentives for Integrated Water Management including, demand reduction and water reuse for improved local community liveability

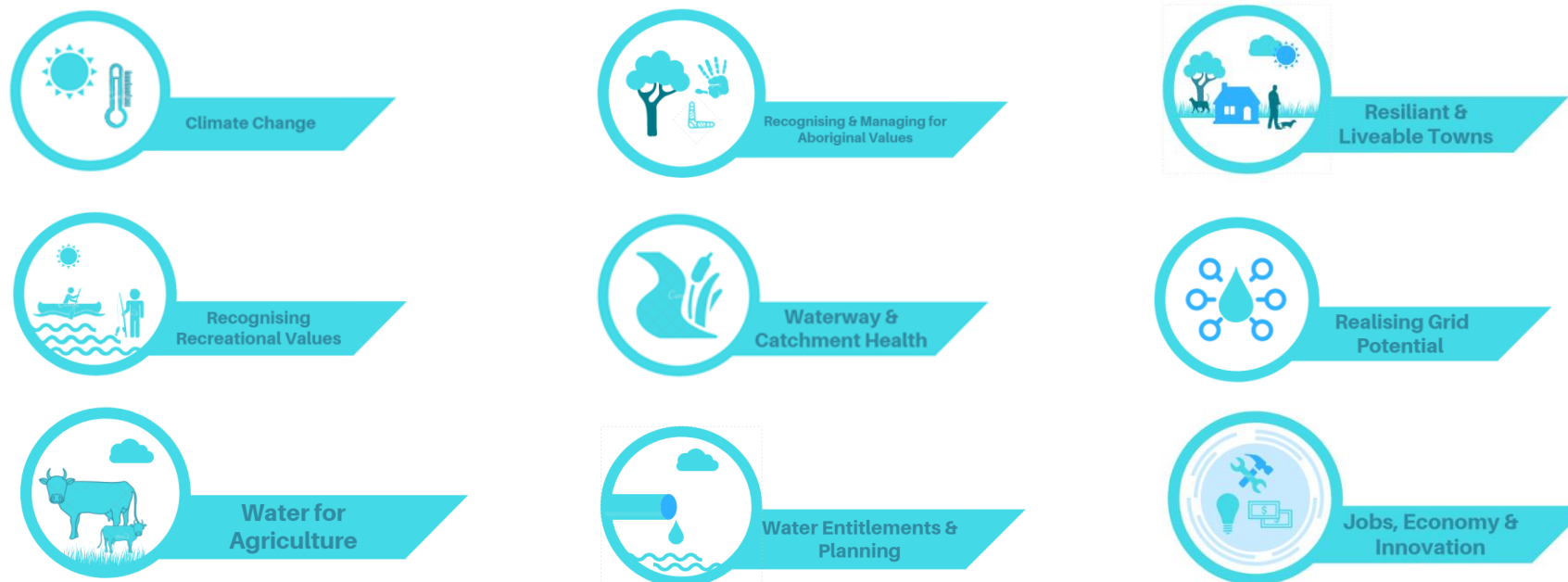
The prime objective is to deliver on the sustainable water strategy to provide liveable, resilient towns and systems while ensuring a timely balance between supply and future short and long term demand.

Major capital expenditure over the planning period focuses on:

- Finalising completion of the Lance Creek Water Connection Project, which has networked water from Lance Creek to Korumburra, Poowong, Loch and Nyora in order to provide water security
- Meeting the Corporation's greenhouse gas emissions reduction pledge of 15% by 1 July 2025
- Feasibility, consultation and design work to allow repurposing of four dams
- Disinfection upgrades at water treatment plants to improve drinking water risk management
- Detailed design work to underpin future filter renewal and upgrade of old pressure filters at three water treatment plants (Leongatha, Toora and Foster)
- Further renewal at water treatment plants, water mains replacement and renewals to increase water supply quality and resilience through all systems
- Sewer system renewals and upgrades throughout the regions' townships, including Foster, Wonthaggi, Inverloch and Korumburra (to accommodate growth and maintain service standards)
- Providing outcomes for the environment via improved water and wastewater service network reliability through prioritised renewal works
- Planned renewal of business facilities, plant and equipment to improve business efficiency
- Investment in appropriate new technologies to improve service performance outcomes and operational efficiency

4.1 Water for Victoria/Letter of Expectations

The Corporation has sought to develop initiatives within the policy areas of the government's *Water for Victoria* strategy. This strategy outlines 9 key areas of focus:



The Minister for Water has provided further guidance around the governments priorities by issuing a Letter of Expectations (LoE), setting out performance expectations under seven policy areas for the 2019/20 business planning year. The LoE aligns with the *Water for Victoria* strategy setting out guidance on the key areas of focus; Climate Change, Customer and Community Outcomes Water for Aboriginal Values, Recognising Recreational Values, Resilient and Liveable Towns, Leadership and Culture and Financial Sustainability.











4.2 Vision, objectives, strategies and actions

The key initiatives that South Gippsland Water will deliver over the Corporate Plan period are detailed below.


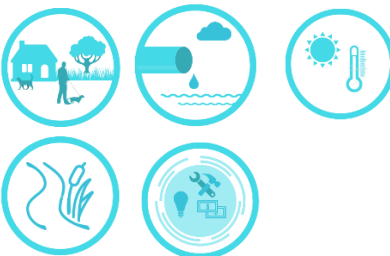


Outstanding customer experiences:

- Our customers say we are fair and reasonable, professional and friendly, and easy to deal with.
- Our customers say we provide consistent, reliable, high quality services

Objective	Response: Strategies & Actions	Output Measure
Customer Service Delivery 	<ul style="list-style-type: none"> • Meet Customer Charter Service Standards • ESC Regulatory Audits 	<ul style="list-style-type: none"> • 100% compliance with Service Standards achieved • ESC Regulatory audit finds no major compliance issues • Customer satisfaction will be maintained or improved at 80% or more • We will communicate planned interruptions in advance of works
	<ul style="list-style-type: none"> • Strengthened programs to support vulnerable customers 	<ul style="list-style-type: none"> • Customer Support Program developed and implemented
Secure Future Sustainable Water Resources      	<ul style="list-style-type: none"> • Efficient use of the State Water Grid Planning supply augmentation for Leongatha • Integrated Water Management (IWM) – Identify alternative water sources potable replacement or demand management projects • Participate in forums to collaborate with key stakeholders on local opportunities and projects with liveability benefits 	<ul style="list-style-type: none"> • Finalise optimum timing for purchase of additional Bulk Entitlement from the Melbourne Supply System, including utilisation of current and other potential water sources • Participation as a key stakeholder at regional IWM forums













Delivering valued services:

- We make sound decisions that benefit the region
- Our business and infrastructure planning ensures service reliability and sustainability
- We work collaboratively with partners and stakeholders

Objective	Response: Strategies & Actions	Output Measure
<p>Compliance with Safe Drinking Water Act</p> 	<ul style="list-style-type: none"> • Improving disinfection at water treatment plants • WTP filter renewals • Focussed water treatment plant renewals 	<ul style="list-style-type: none"> • 100% water quality compliance to be achieved • Meet target for number of water quality complaints per 100 customers
<p>Long Term Wastewater Strategy</p> 	<ul style="list-style-type: none"> • Implement wastewater network and treatment capacity augmentation projects to support regional growth • Implement improved Wastewater Service Network reliability as per capital program • Liaise with Saputo and Burra Foods with a view to optimising wastewater management facilities within the region 	<ul style="list-style-type: none"> • 100% EPA Licence Compliance • Meet target for number of sewerage service complaints per 100 customers • Meet target for number of sewerage odour complaints per 100 customers • Deliver capital program within controllable parameters on time and within budget • Finalise recommendations from a joint Saputo/Burra Foods/South Gippsland Water working group
<p>Asset Maintenance & Replacement</p> 	<ul style="list-style-type: none"> • Move toward best practice asset renewal planning aligned to customer service expectations • Develop and implement fit for purpose Preventative Maintenance programme for South Gippsland Water Assets • Improved asset information and systems in order to quantify and prioritise renewal works 	<ul style="list-style-type: none"> • Update asset renewal plans, Strategic Asset Management Plan and comply with the Asset Management Accountability Framework • Develop and implement a targeted preventative maintenance program for critical South Gippsland Water assets • Optimise asset renewal based on asset criticality and condition
<p>Capital Program</p> 	<ul style="list-style-type: none"> • Capital works program 	<ul style="list-style-type: none"> • 95% delivery of the capital program within controllable parameters on time and within budget






Thriving communities:

- We contribute to prosperous and healthy communities
- We provide effective support programs for our customers
- We listen to and respond effectively to community interests about our services and activities

Objective	Response: Strategies & Actions	Output Measure
Customer & Community Engagement       	<ul style="list-style-type: none"> • South Gippsland Water will continue to develop its Pricing Submission in line with Government and Regulatory requirements which will see a continued focus on effective and transparent engagement • Reservoir re-purposing for shared benefit which may include agriculture, recreation, environmental, cultural outcomes • South Gippsland Water will set up a framework for continuing communication and engagement with customers and local community • Implement Gunikurnai Land and Waters Aboriginal Corporation (GLaWAC) partnership agreement and action plan • Take learnings from GLaWAC and apply to Bunurong Land Council Aboriginal Corporation (BLCAC) 	<ul style="list-style-type: none"> • Implement a communication strategy and delivery plan regarding the Pricing Submission 2020 • Finalise and communicate plans for re-purposing the four storages at Korumburra and Poowong • Develop strategy and commence implementation • Partner satisfaction with progress of action plan activities • Partnership model agreed with BLCAC
Planning for Growth and Economic Development    	<ul style="list-style-type: none"> • Raise Council, Regional Development Victoria, and Regional bodies community awareness of regional enhancement related to the Lance Creek Water Connection Project • Monitor actual growth against local government forecasts/South Gippsland Water forecasts • Enhance connections with local Shire Councils, Regional Development Agencies, WGCMA etc. • Develop system plans to identify where regional, industrial and commercial growth can be best accommodated at the lowest overall cost 	<ul style="list-style-type: none"> • Communicate with Councils, regional bodies and communities regarding water security and associated regional benefits • Variances identified & factored into long term strategies • Continued high level of activity and regular engagement with stakeholders • Communicate servicing strategy to Councils, regional bodies and communities
Regional Opportunities 	<ul style="list-style-type: none"> • Venus Bay Saline Outfall asset 	<ul style="list-style-type: none"> • Raise stakeholder awareness of Venus Bay Saline Outfall with relevant stakeholders • Investigate reuse opportunities for regional development



Healthy environment:

- We progressively reduce our environmental impact
- We effectively plan and adapt for climate variability
- We contribute towards improving the region's waterways and the land we manage

Objective	Response: Strategies & Actions	Output Measure
Advocacy for Catchment Management 	<ul style="list-style-type: none"> • Liaise with Local Government and Catchment Management Authorities, to focus on water quality in catchments 	<ul style="list-style-type: none"> • Attend GRWMP & Landcare meetings • Proactively evaluate monitoring data
Servicing small towns 	<ul style="list-style-type: none"> • Managing expectations of Councils and Communities for small town sewerage • Complete capital connection process for Alberton Sewerage Scheme 	<ul style="list-style-type: none"> • Community Consultation with stakeholders and communities as required. • Work with local communities to investigate potential for low cost wastewater systems where required • Finalise connection of hardship and resistant customers
Climate Change/Variability 	<ul style="list-style-type: none"> • Continue to enhance understanding of climate change/variability and the impacts on the regions catchments and water supply systems. • Actively involved in assessing developments via CSIRO, DELWP, VicWater, BoM, etc. • Pro-active/conservative management of water systems to recognise variability of rainfall patterns 	<ul style="list-style-type: none"> • Regular updates to Board • Storage optimisation to ensure best case capacity heading into drawdown
Wastewater Quality 	<ul style="list-style-type: none"> • Meet EPA licence compliance – endeavour to minimise wastewater generation, maximise re-use opportunities and implement further EPA licence compliance improvements. 	<ul style="list-style-type: none"> • 100% licence compliance to be achieved • Implement Foster reuse and Foster WWTP upgrade actions to meet reuse needs of Foster community • Maximise opportunistic reuse possibility
Greenhouse Gas Emissions 	<ul style="list-style-type: none"> • Implement greenhouse gas emissions reduction pledge of 15% by 1 July 2025. • Continue planning to achieve net zero carbon emissions by 2050. 	<ul style="list-style-type: none"> • Continue implementation of pledge actions • Update 2050 net zero carbon emission plan










Healthy environment:

- We progressively reduce our environmental impact
- We effectively plan and adapt for climate variability
- We contribute towards improving the region's waterways and the land we manage

Objective	Response: Strategies & Actions	Output Measure
Environmental Management 	<ul style="list-style-type: none"> • Maintain an accredited Environmental Management System (EMS) • Improve staff EMS behavioural aspects 	<ul style="list-style-type: none"> • EMS accreditation maintained • Continued focus on cultural behaviour to be demonstrated by improved bi annual survey results • Complete Ecological Risk Assessments
Biosolids Management 	<ul style="list-style-type: none"> • Address the long term stockpile of bio solids 	<ul style="list-style-type: none"> • Review bio solids strategy



High performance culture:

- We invest in developing people to achieve their potential
- We foster inclusion, trust and constructive behaviours
- Our workplace practices empower achievement
- Our behaviours, systems and processes ensure we do not compromise on safety and wellbeing

Objective	Response: Strategies & Actions	Output Measure
Organisational Strategy   	<ul style="list-style-type: none"> • Facilities Strategy • Leadership Development 	<ul style="list-style-type: none"> • Commence implementation of Facilities Strategy • Complete and evaluate organisational leadership program
Resourcing – quantity & quality  	<ul style="list-style-type: none"> • Resourcing for service delivery • Investigate further options for resource sharing & partnerships 	<ul style="list-style-type: none"> • Suitable internal staff and external contract resources engaged on listed projects • Utilise Gippsland Alliance MoU as vehicle to help deliver productivity/efficiencies. Involvement in at least two partnership initiatives • Extend the Local Government regional alliance. Involvement in at least two partnership activities
Diversity and Inclusion	<ul style="list-style-type: none"> • Implementation of Diversity & Inclusion Plan in line with Government expectations regarding leadership and culture. 	<ul style="list-style-type: none"> • Participate in policy development an industry level • Demonstrate progress towards achieving the actions within the organisation's diversity plan
Occupational Health & Safety  	<ul style="list-style-type: none"> • Maintain an accredited OH&S Management System • Improve OH&S behavioural aspects 	<ul style="list-style-type: none"> • OH&S accreditation maintained • Implement the roadmap for safety culture improvement in line with program
Board governance  	<ul style="list-style-type: none"> • Train and inform Board, Senior Managers and Employees on appropriate & effective governance information • Regulatory obligations • Regulatory legislation and guidelines 	<ul style="list-style-type: none"> • Directors to utilise at least 75% of development allowance • Senior Management Team to undertake personal development/training opportunities in line with established program • Employee training in line with established program • Establish regular Board information briefings with DELWP, EPA, DTF, DoH, etc. • Understand, contribute & respond to the implications of Water Policy formulation of Government





High performance culture:

- We invest in developing people to achieve their potential
- We foster inclusion, trust and constructive behaviours
- Our workplace practices empower achievement
- Our safety culture ensures we do not compromise on safety and wellbeing

Objective	Response: Strategies & Actions	Output Measure
Major compliance issues  	<ul style="list-style-type: none"> • Achieve a high level of compliance performance 	<ul style="list-style-type: none"> • Meet Statement of Obligations requirements • Meet Letter of Expectations requirements • Meet Corporate Plan targets and timelines • Meet Annual Report timelines

Productive practices:

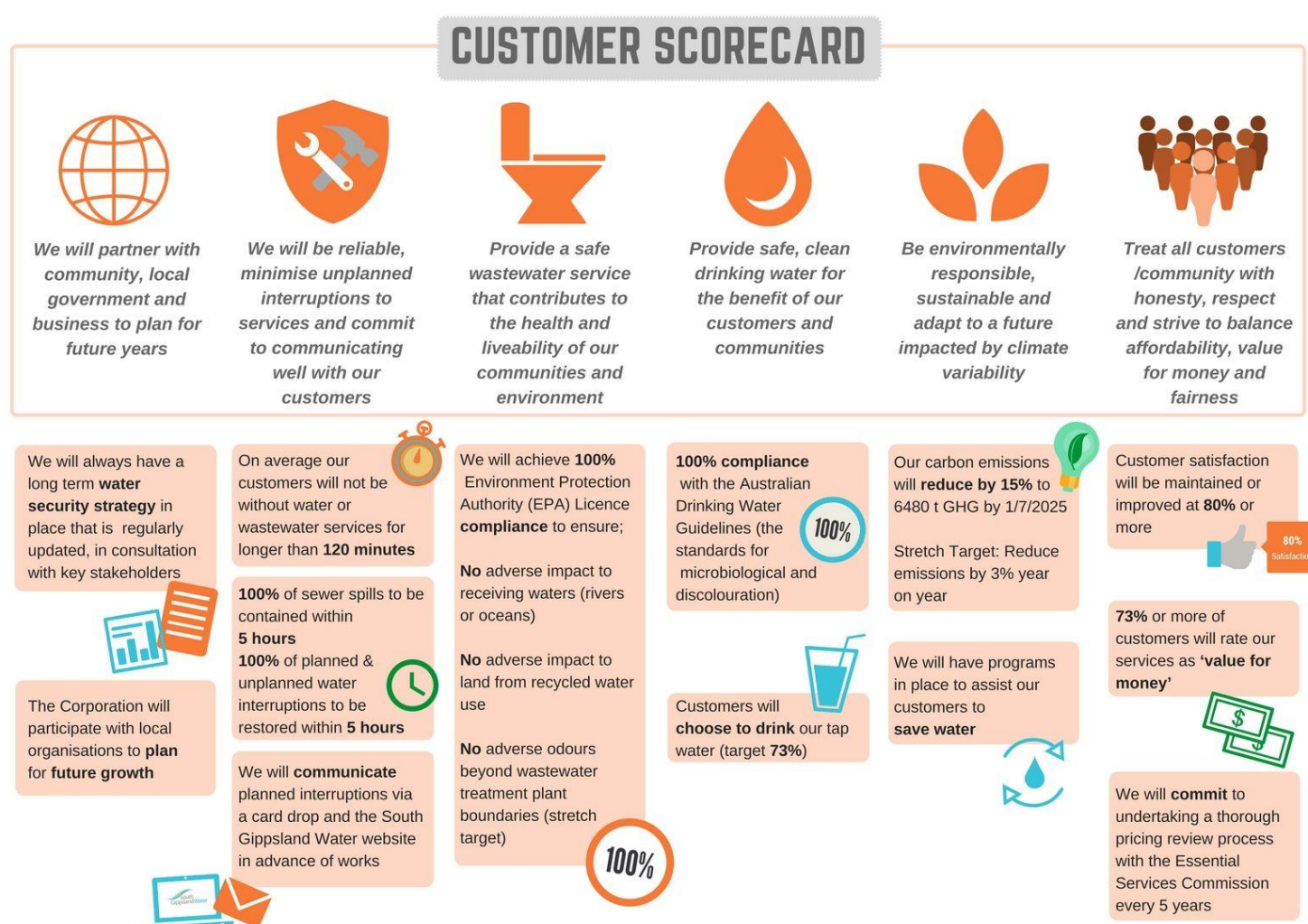
- We increase effectiveness by leveraging technology and streamlining processes
- We enable innovation and seek new ways (or strive) to improve our business
- We invest in business infrastructure and support services that enable performance

Objective	Response: Strategies & Actions	Output Measure
Strategic asset management  	<ul style="list-style-type: none"> • Renew key plant and equipment to reduce ongoing maintenance costs 	<ul style="list-style-type: none"> • Reduce maintenance costs
Consolidation of fleet and facilities 	<ul style="list-style-type: none"> • Commence implementation of Facilities Strategy • Finalise fleet review 	<ul style="list-style-type: none"> • Reduction in the number of workplaces/facilities • Reduction in business travel (e.g. kilometres)
Leverage technology 	<ul style="list-style-type: none"> • Review technology status and opportunities 	<ul style="list-style-type: none"> • Review IT Strategy • Review SCADA Strategy

4.3 Customer and community outcomes

Through engagement for the Pricing Review 2018, South Gippsland Water undertook extensive customer and community engagement. One of the key changes for the current regulatory period will be the move to outcome-based reporting. In conjunction with customers, South Gippsland Water developed outcome statements and aligned measures which will be reported on annually via the Customer Scorecard.

Table 4.3: Customer Scorecard



5 Corporate Plan Assumptions

Details regarding material assumptions for the Corporate Plan are provided in the following section. An overview of these assumptions is as follows:



- Planning is based on medium climate change conditions
- 1.80% per annum residential customer growth (increased from 1.63%)
- 0.75% per annum non-residential growth (no change)
- Average household water consumption 121kL (no change - 10 year average)
- Reduction in major customer water consumption (18-month trend)
- 9% increase in tariffs spread equally over 2021/22, 2022/23 and 2023/24
- Inflation rate of 1.3% for 2019/20 and 2.3% for remaining years
- 2019/20 tariffs stay constant in real terms and increase by only 0.4% nominally (Inflation offset by a reduced cost of debt)
- Borrowing forecast rates include 1.28% weighted average for Financial Accommodation Levy (FAL), plus average interest rate of 3.36%
- Wage increase of 3% per annum in accordance with the Corporation's Enterprise Agreement
- 0.5% incremental increase in the superannuation levy in 2021/22, 2022/23 and 2023/24
- Higher developer income and gifted assets revenue due to customer growth and asset valuations

5.1 Climate conditions and / or yields

South Gippsland, similar to many other parts of south-east Australia, has over two decades experienced significant variations in climate conditions, including one of the worst prolonged droughts on record with multiple extreme dry conditions recorded. Recent years have been varied, with the current year, 2018/19 showing average rainfall during spring and a lower than average summer and autumn.

In its Urban Water Strategy, South Gippsland Water has planned for demand reduction and supply enhancement measures on the assumption of medium climate change conditions over the next 50 years, based on CSIRO's climate change projections. This Corporate Plan has been predicated on the assumption that the variability of rainfall and flows in South Gippsland catchments over recent years will continue. As such it uses a balanced forecast for future inflows, in line with the Urban Water Strategy, as the basis for water supply availability and includes a variety of measures to develop and access a diversity of water sources.

Small fill and spill reservoirs have served South Gippsland communities well for over 100 years, however, diminished stream flows have proved to be a challenge to the regions water needs. The Lance Creek Water Connection Project was commissioned in late 2018 and will be pivotal in providing continuing reliable water supplies to Korumburra, Poowong, Loch and Nyora.

The project saw the networking of Wonthaggi, Inverloch, Cape Paterson, Korumburra, Poowong, Loch and Nyora. As a result of the project these towns have been free from water restrictions for the first time for a number of years despite a very dry summer and autumn.

Victoria can expect more extreme weather events including droughts, floods, threats to water quality and water/waste water infrastructure. South Gippsland will collaborate with other sectors, including agricultural, local government and land use planning.

5.2 Customer growth and water demand

The method for forecasting customer growth (rateable properties) and water consumption demand involves reviewing a range of sources available including:

- Victoria in Future Small Areas (VIFSA) statistical information
- Forecast land development data
- actual historical growth rate from rateable properties



The VIFSA population forecasts assess the population of towns in various regional areas of Victoria. The method of population calculation is based on State Suburbs and do not always reflect the exact sewer and water district. This information is reviewed in conjunction with land development data known to South Gippsland Water and local Councils in the region.

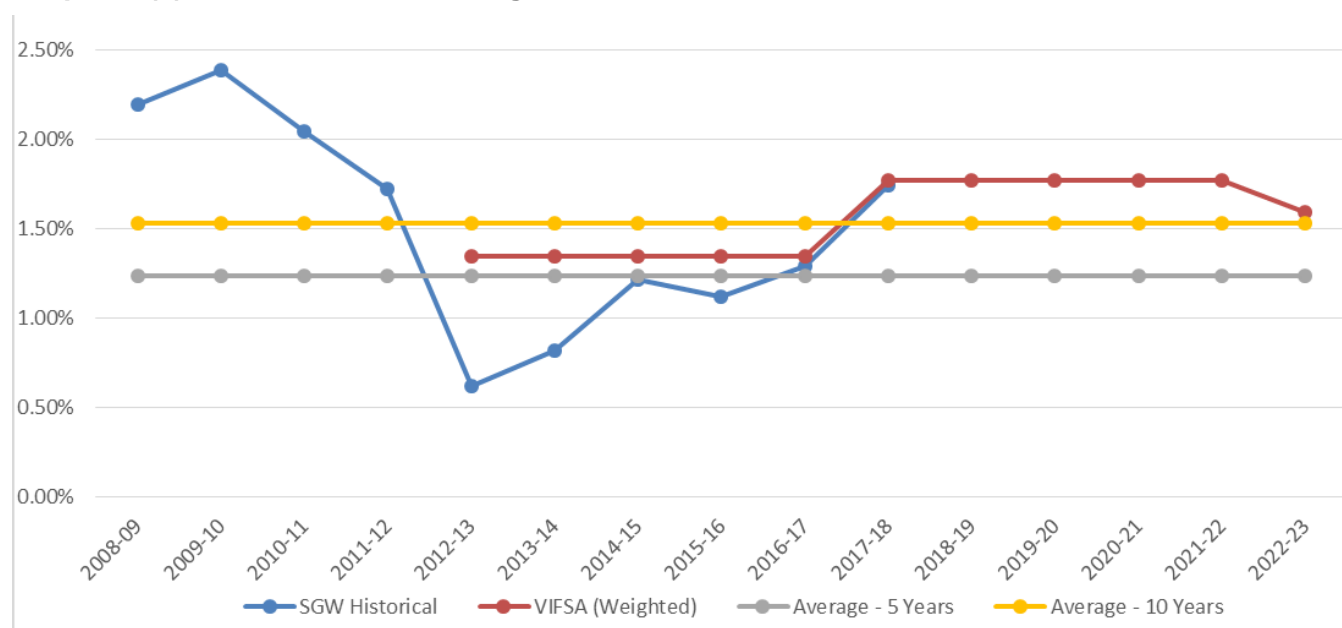
In addition to forecast population growth and land development data, trend analysis of historic movements in actual rateable properties is a key indicator. Analysis of the past ten years of water and wastewater property connections was used to underpin the demand assumptions in the recent 2018 Price Submission. Due to significant variances caused by wastewater schemes, the water property connection data was relied upon for both water and wastewater demand. The approved growth rates for water and wastewater property connections in the current regulatory period are:

- Residential (excludes vacant land) - 1.63%
- Non-residential (excludes major customers) - 0.75%

In financial year 2017/18, the ten year average growth rate for residential properties (excluding vacant land) increased to 1.68%. The first six months of 2018/19 show growth to be equal to 1.02%. This trend is more closely aligned to land development data and the VIFSA growth rates (refer graph below). As a result of the increased trend and land development data predictions, a growth rate of 1.80% has been assumed for residential household connections.

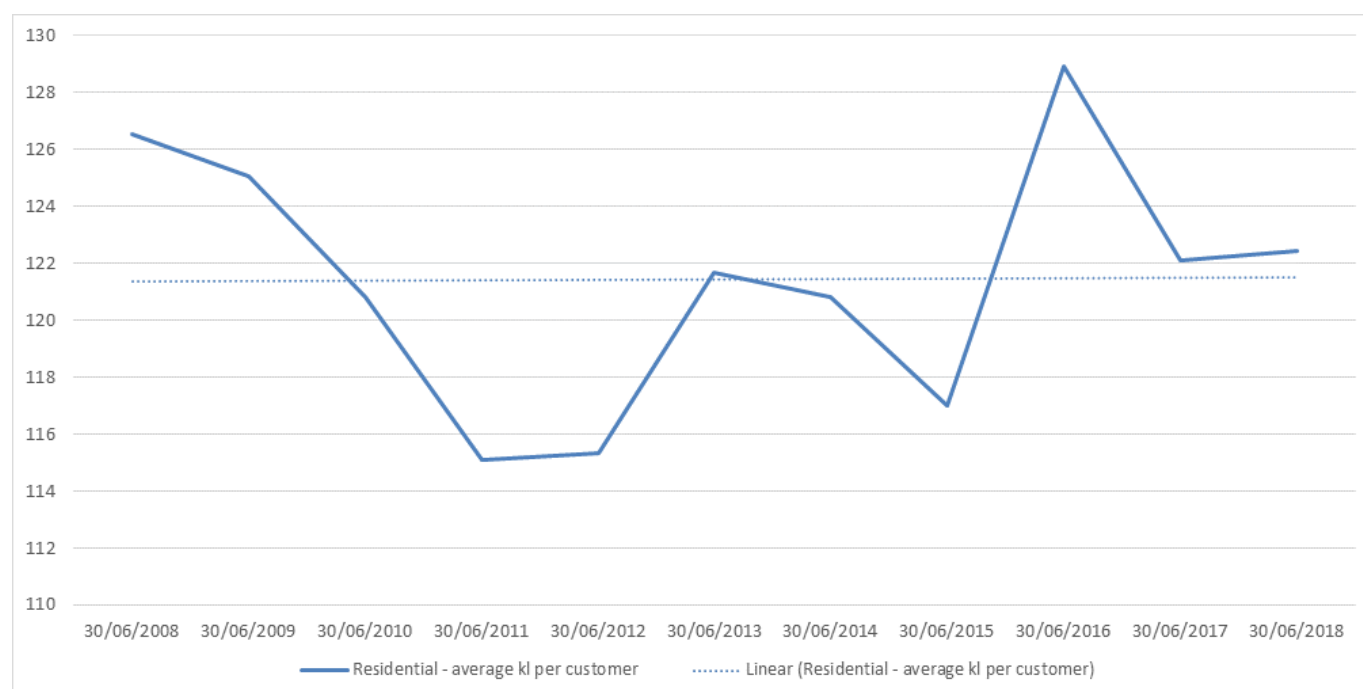
The following graph provides the comparable household census forecast represented as the VIFSA (weighted). The Corporations' actual historical growth, with a 5-year and 10-year smoothed average is also presented.

Graph 5.2(a): Residential customer growth

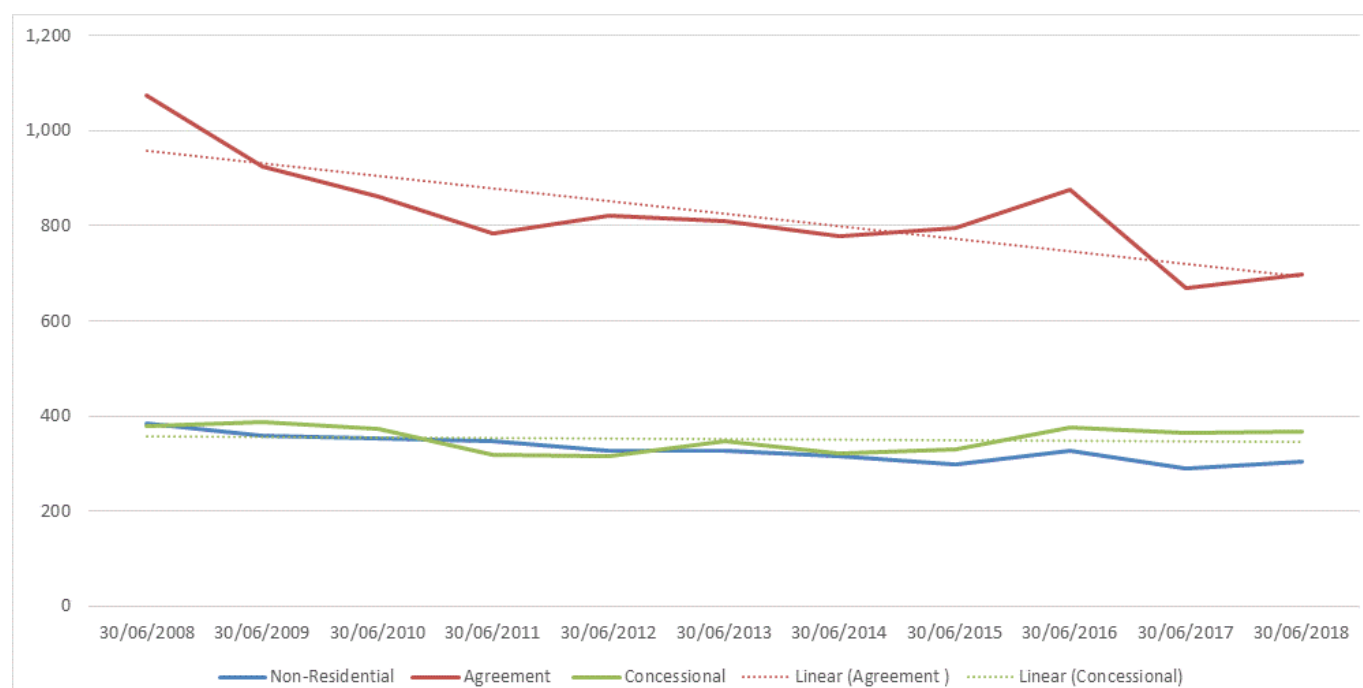


Residential and business customer water consumption has been assumed to vary proportionally with the water property connections. Estimates of water demand consider changes to customer behaviour due to several reasons, including awareness of climate change, implementation of permanent water savings rules and water savings education and programs. The following graphs shows the movements in average consumption for the varied customer categories. Average residential water volumes have been as low as 115kL per annum to as high as 129kL per annum over the last 10 years. The average consumption assumed for future periods is 121kL per annum which represents the 10 year average.

Graph 5.2(a): Water volume demand – residential customers



Graph 5.2(b): Water volume demand – non-residential customers



Non-residential property connections increased by 0.45% for water and 0.61% for wastewater in 2017/18. The ten-year average for non-residential water property connections is 0.55%. The growth

forecast remain as 0.75% as approved by the Essential Services Commission for the 2020-2023 regulatory period.

Growth in major industrial demand is considered on a case by case basis. A significant reduction in volume from major customers Saputo Dairies and Tabro Meats has occurred in the past 18 months. The assumed volume is based on recent trends.

The projected percentage increases in customer connections, water volumes and other key revenue sources are displayed in the table below.

Table 5.2(a): Forecast demand (assessments, water volumes and key revenue sources)

Driver / Customer group	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Water assessments						
Residential	17,329	17,641	17,961	18,291	18,630	18,980
Non-residential	1,986	2,022	2,058	2,095	2,133	2,171
Vacant land	1,164	1,185	1,206	1,228	1,250	1,272
Agreement	508	517	526	536	545	555
Concessional	648	660	671	684	696	708
Major customers	6	6	6	6	6	6
Total	21,641	22,030	22,429	22,839	23,260	23,692
Water consumption (ML)						
Residential	2,117	2,158	2,200	2,243	2,288	2,288
Non-residential	610	614	619	624	628	628
Agreement	387	390	393	396	399	399
Concessional	233	235	236	238	240	240
Major customers	1,234	1,234	1,234	1,234	1,234	1,234
Total	4,581	4,631	4,682	4,735	4,789	4,789
Wastewater assessments						
Residential	16,393	16,687	16,987	17,292	17,603	17,919
Non-residential	1,081	1,100	1,120	1,140	1,161	1,182
Vacant land	1,021	1,039	1,058	1,077	1,096	1,116
Agreement	6	6	6	6	6	6
Trade waste	331	337	343	349	355	362
Cistern	682	694	707	719	732	746
Total*	19,514	19,864	20,221	20,584	20,954	21,330
Wastewater drivers and revenue sources						
Volume treated (kL)	3,672	3,700	3,700	3,700	3,700	3,700
Minor trade waste and cisterns '\$M	\$1.236M	\$1.266M	\$1.333M	\$1.403M	\$1.477M	\$1.513M
Major trade waste	\$2.592M	\$2.396M	\$2.396M	\$2.452M	\$2.508M	\$2.566M

* Wastewater customers overlap across customer groups for non-residential as they may also incur a cistern or trade waste fee, however are counted as one customer. A total for wastewater customers is aggregated accordingly.

5.3 Environmental contribution

The Corporation is required to collect an environmental contribution through fees levied on customer water and wastewater accounts. The contribution was an initiative of the Victorian Government's White Paper 'Securing Our Water Future Together'.



The Corporate Plan includes the collection and payment of an Environmental Contribution of \$1,230,000 per annum.

5.4 Government contributions

No Government contributions are expected to be received during the Corporate Plan period.

5.5 Forecast inflation rates

An actual inflation rate of 1.3% has been used for 2019/20 with 2.3% to apply to all remaining years of the plan.

5.6 Cost of debt – tariff adjustment

A revised approach to managing interest rate risk was approved by the Essential Services Commission which results in annual pricing adjustments based on the ten-year trailing average of debt.

A reduction of 0.23% in the average cost of debt has been applied to tariffs in 2019/20 in accordance with the regulatory pricing regime.

5.7 Wage increases

The wages calculation has been determined using the current Enterprise Agreement which operates for the period 2015 to 2020, the annual salary escalations that apply for this period are 3% per annum. Future periods assume 2.5% wage growth and an incremental 0.5% increase for superannuation levy for financial years 2021/22, 2022/23 and 2023/24.



5.8 Melbourne Water bulk entitlements

South Gippsland Water holds a 1GL Bulk Water Entitlement to the Melbourne supply pool.

Melbourne Water's current Pricing Determination has been utilised to forecast the fixed and variable costs. The determination contains a transitional arrangement whereby South Gippsland Water pays for the fixed cost of holding the entitlement for 2016/17 to 2020/2021 over a shortened period of 2018/19 to 2020/21 to match the Corporation's own pricing period.

South Gippsland Water has allowed for \$606,000 and \$620,000 for the fixed cost component of the Bulk Entitlement in 2019/20 and 2020/21 respectively. Fixed costs will revert to an annual figure of \$387,000, \$396,000 and \$405,000 in 2021/22, 2022/23 and 2023/24 respectively.

5.9 Interest revenue on investments

Any surplus funds held will be invested in variable term deposits with Treasury Corporation Victoria at a forecast interest rate of 1.45%.

5.10 Interest expense on borrowings

The Corporate Plan assumes that increased borrowings will be required to provide for capital expenditure projects. Interest expense incorporates a weighted average Financial Accommodation Levy (FAL) of 1.28%. The current credit rating of BBB+ has been applied by the Department of Treasury and Finance. In addition to the FAL, the weighted average interest rate applied to loans for the Corporate Plan period, is estimated at 3.36%.

Borrowings predicted for the Corporate Plan period increase from \$59.2M at end of 2018/19 to \$118.3M in 2023/24.

5.11 Dividend calculation

No dividend payments have been forecast during the period of the Corporate Plan.

5.12 Taxation equivalent payments

No taxation equivalent payments have been forecast during the period of the Corporate Plan.

6 Outcomes for 2018/19

6.1 Introduction

As a part of the Corporate Planning process, South Gippsland Water reviews its progress in achieving its previous Corporate Plan objectives and outcomes, and these are summarised below.

6.2 Core service standards

South Gippsland Water has committed to meet approved targets for a core set of service standards. Table 6.2 below details the Corporation's delivery of the service standards for 2016/17, 2017/18 and forecast for 2018/19.

Table 6.2: Delivery of Service Standards

Service Standards

Water

Unplanned water supply interruptions (per 100km) (number)	13.3	25.0	46.8%
Average time taken to attend bursts and leaks (priority 1) (minutes)	22.9	30.0	23.7%
Average time taken to attend bursts and leaks (priority 2) (minutes)	25.3	35.0	27.7%
Average time taken to attend bursts and leaks (priority 3) (minutes)	151.9	500.0	69.6%
Unplanned water supply interruptions restored within 5 hours (percent)	99.0	99.0	0.0%
Planned water supply interruptions restored within 5 hours (percent)	99.0	99.0	0.0%
Average unplanned customer minutes off water supply (minutes)	7.5	25.0	70.0%
Average planned customer minutes off water supply (minutes)	26.0	100.0	74.0%
Average unplanned frequency of water supply interruptions (ratio)	0.08	0.30	73.3%
Average planned frequency of water supply interruptions (ratio)	0.15	0.40	62.5%
Average duration of unplanned water supply interruptions (minutes)	91.4	100.0	8.6%
Average duration of planned water supply interruptions (minutes)	169.4	240.0	29.4%
No. of customers experiencing more than 5 unplanned water supply interruptions in the year	0.0	0.0	0.0%
Unaccounted for water (percent)	12.0	16.0	25.0%

2016/17 Actual			2017/18 Actual			2018/19 Estimate		
Forecast	Target	Var.	Forecast	Target	Var.	Forecast	Target	Var.
13.3	25.0	46.8%	13.1	25.0	47.6%	15.0	25.0	40.0%
22.9	30.0	23.7%	23.8	30.0	20.7%	23.8	30.0	20.7%
25.3	35.0	27.7%	25.9	35.0	26.0%	25.9	35.0	26.0%
151.9	500.0	69.6%	142.0	500.0	71.6%	142.0	500.0	71.6%
99.0	99.0	0.0%	97.0	99.0	-2.0%	93.0	99.0	-6.1%
99.0	99.0	0.0%	100.0	99.0	1.0%	100.0	99.0	1.0%
7.5	25.0	70.0%	23.8	25.0	4.8%	24.0	25.0	4.0%
26.0	100.0	74.0%	28.3	100.0	71.7%	90.0	100.0	10.0%
0.08	0.30	73.3%	0.08	0.30	73.3%	0.25	0.30	16.7%
0.15	0.40	62.5%	0.16	0.40	60.0%	0.25	0.40	37.5%
91.4	100.0	8.6%	100.0	100.0	0.0%	130.0	100.0	-30.0%
169.4	240.0	29.4%	177.0	240.0	26.3%	220.0	240.0	8.3%
0.0	0.0	0.0%	0.0	0.0	0.0%	0.0	0.0	0.0%
12.0	16.0	25.0%	12.0	16.0	25.0%	15.0	16.0	6.3%

Sewerage

Sewerage blockages (per 100km) (number)	23.1	18.0	-28.3%
Average time to attend sewer spills and blockages (minutes)	20.7	30.0	31.0%
Average time to rectify a sewer blockage (minutes)	54.4	120.0	54.7%
Spills contained within 5 hours (percent)	100.0	100.0	0.0%
No. of customers receiving more than 3 sewer blockages per year (number)	0.0	0.0	0.0%

23.1	18.0	-28.3%	24.4	18.0	-35.6%	16.0	18.0	11.1%
20.7	30.0	31.0%	18.5	30.0	38.3%	35.0	30.0	-16.7%
54.4	120.0	54.7%	55.7	120.0	53.6%	110.0	120.0	8.3%
100.0	100.0	0.0%	100.0	100.0	0.0%	100.0	100.0	0.0%
0.0	0.0	0.0%	0.0	0.0	0.0%	0.0	0.0	0.0%

Customer service

Complaints to EWQV (per 1,000 customers)	1.1	1.1	0.0%
Telephone calls answered within 30 seconds (percent)	98.0	98.0	0.0%

1.1	1.1	0.0%	1.1	1.1	0.0%	1.1	1.1	0.0%
98.0	98.0	0.0%	98.0	98.0	0.0%	98.0	98.0	0.0%

Minimum flow rates

20mm	20
25mm	35
32mm	60
40mm	90
50mm	160

The table shows that South Gippsland Water has largely met its customer service standards during the last three years, with the exception of planned and unplanned water supply interruptions restored within 5 hours which are forecast to exceed the 2018/19 targets. In addition, South Gippsland Water has seen a significant increase in water burst and leaks over the summer/autumn period due to the drier weather conditions, which has impacted customer minutes off supply.

6.3 Drinking water quality

South Gippsland Water monitors and manages the quality of drinking water supplied to customers with the aim of ensuring its potential health, aesthetic and economic impacts are appropriately managed. With respect to health impacts, these may result from the presence of microorganisms such as bacteria and viruses due to, for example, the faecal contamination of source water, or from the presence of chemicals that are in the water as a result of water treatment (such as aluminium, chlorine), natural occurrence (such as minerals) or agricultural and/or mining activities (such as pesticides).

Forecast compliance is shown below for the 2018/19 financial year and is based on the total number of drinking water samples complying with requirements of the Safe Drinking Water Regulations 2015. Further details of drinking water compliance for each distribution system are reported annually to the Department of Health and Human Services.

Table 6.3: Drinking Water Compliance

Parameter	Standard SDWR 2015	Forecast 2018-19
<i>Escherichia coli</i> (<i>E. coli</i>)	All samples of water to contain no <i>E. coli</i> per 100 mL of drinking water with the exception of any false positive sample	100%
Turbidity	The 95th percentile of results for samples in any 12-month period must be less than or equal to 5.0 Nephelometric Turbidity Units	100%
Total Trihalomethanes	Less than or equal to 0.25 mg per litre of drinking water	100%
Water is not to contain any other toxin, pathogen, substance or chemical, whether alone or in combination with another toxin, pathogen, substance or chemical, in such amounts that may pose a risk to human health	As per health-based guidelines of National Health and Medical Research Council's Australian Drinking Water Guidelines	100%

6.4 Environmental performance

Table 5.4 below illustrates South Gippsland Water's EPA 2018/19 forecast licence compliance at its wastewater systems.

Table 6.4: EPA Licence Compliance

Sewerage Treatment Licence Compliance	Forecast 2018/19
Foster	Yes
Korumburra	Yes
Leongatha (Domestic)	Yes
Leongatha (Trade Waste)	Yes
Toora	Yes
Waratah Bay	Yes
Welshpool	Yes
Wonthaggi/Cape Paterson/Inverloch	Yes
Yarram	Yes
Meeniyan WWTP	Yes

6.5 Urban water consumption

The following table summarises total water consumption billed in 2018/19 against forecast.

Table 6.5: Comparative Analysis of Forecast vs. Budgeted Water Consumption

Urban Water Consumption	Unit	2018/19 Forecast	2018/19 Corp Plan
Saputo	kL's	730,000	905,098
Other Major Customers	kL's	504,000	505,600
Residential	kL's	2,117,407	2,090,402
Non-residential	kL's	1,229,651	1,261,371
Total	kL's	4,581,058	4,762,470

Total water consumption billed in 2018/19 is forecast to be unfavourable to budget by 3.8% largely due to consumption across non-residential customers and major dairy customer, Saputo. Saputo experienced reduced milk supply for production purposes and is expected to result in a 19% shortfall to budget. This reduced milk supply is forecast to continue. Non-residential customers (many being dairy farmers) are impacted by seasonal rainfall which was relatively steady in spring and lower than average in summer. South Gippsland Water is expected to meet the average residential household usage of 121kL for 2018/19, which is consistent with the ten year average.

6.6 Revenue and operating expenditure

Total revenue for 2018/19 is forecast to reach \$32.2M which is higher than the budget of \$30.5M. This is mostly due to higher capital income associated with development activity (\$2.1M), a reduction of water consumption income associated with non-residential and major customers (\$0.4M) and lower turnover of motor vehicles (\$0.2M).

Total expenditure for 2018/19 is forecast to reach \$34.6M against a budget of \$34.9M. Lower capital expenditure has resulted in low average loans across the year and a favourable interest expense (\$0.4M). This is partially offset by higher salary and wages expense (\$0.1M) resulting from a variation in the treasury discount rate, impacting the valuation of long service leave.

6.7 Forecast capital expenditure

Capital expenditure for 2018/19 is forecast to be \$18.5M, compared to a budget of \$22.6M. The material variances are summarised below.

Capital Program	Variance to budget
Lance Creek Water Connection	\$3.2M
Water Retail Projects	\$0.5M
Sewer Projects	(\$0.4M)
Pressure Sewer Connections	(\$0.2M)
Vehicle Program	\$0.8M
Other Corporate Projects	\$0.2M
Total	\$4.1M

The Lance Creek Water Connection project is the largest project underway in the capital program and is forecasting a \$3.2M favourable variance, with approximately \$1.7M budgeted to now occur in 2019/20. Favourable variances are also forecast to occur with water retail projects due to delays in water treatment plant disinfection initiatives and the Wonthaggi low level basin and liner renewal. Expenditure has been brought forward for water main renewals based on risks to customer service standards. Sewer system expansion projects have been delayed (\$1.4M) with investment brought forward for sewer pump stations, manholes and sewer rehabilitation renewals (\$1.8M) resulting in a net unfavourable variance of \$0.4M. Favourable variances are expected to occur with the vehicle program (\$0.8M).

7 Material changes from previous corporate plan

Material changes from the period covered by the previous Corporate Plan (2018/19 to 2022/23) include:

- Revenue:

Total revenue for this period has increased by \$9.1M which is the combined impact of an increase in capital income; a decrease in water consumption for major customers and reduced tariffs to apply in 2019/20 due to lower CPI and a downward cost of debt adjustment. Analysis of current development activity has resulted in an increase to the forecast for gifted assets (\$6.5M), developer income for new customer connections (\$5.5M) and pressure sewer systems (\$3.0M). Income from gifted assets does not increase cash and the pressure sewer system income is directly offset with a capital project. The income for new customer connections supports growth capital. A reduction in the water consumption forecast for major customers results in a \$2.0M lower revenue forecast. Lower tariffs in 2019/20 due to CPI and the cost of debt adjustment results in a reduced revenue forecast of \$2.6M. Timing associated with turnover of motor vehicles has resulted in a reduced forecast of \$1.0M.

- Loans:

The previous Corporate Plan identified a peak debt level of \$107.8M in 2022/23. South Gippsland Water expects to retain this borrowing level with a forecast of \$106.8M in 2022/23.

- Operating Costs:

The operating cost base for this period has increased from the prior Corporate Plan by \$3.8M across the 5-year period. This is due to an increase in salary and wages expenditure (\$3.0M) associated with the pricing submission, new initiatives in procurement, learning and development, customer services and maintenance; reduced interest expense associated with loans (\$1.7M); increased depreciation associated with timing of the capital program (\$1.0M) and higher operating costs (\$1.5M) associated with, leadership and staff safety initiatives, purchase of water from Melbourne and a number of Information Technology initiatives.

- Capital Program:

The Capital Program for this period has increased from the previous Corporate Plan (by \$5.0M). This is a result of lower costs anticipated for delivery of the Lance Creek Water Connection Project (\$1.8M), new capital expenditure associated with delivery of pressure sewer system connections funded by new customers (\$3.0M), brought forward and revised capital expenditure for South Gippsland Water Facilities (\$2.5M) and increased cost estimates for the Wonthaggi and Yarram sewer pump station renewals (\$1.3M).

8 Significant deviations from Regulatory Period 4

South Gippsland Water has reconciled the current forecast against Regulatory Period 4 (RP4) with variations explained below.

The below table provides a reconciliation based on current forecasts and evaluated in nominal dollars (dollars of the day).

Table 8.0: Deviations from Regulatory Period 4 (2018-19 to 2019-20)

RP4	Target	Forecast	Difference
Capex	\$37.4M	\$42.1M	(\$4.7M)
Revenue	\$61.5M	\$56.9M	(\$4.6M)
Expenses	\$40.9M	\$42.5M	(\$1.6M)
Interest	\$6.6M	\$5.8M	\$0.8M
Net Difference			(\$10.0M)
Borrowings	\$84.9M	\$93.2M	\$8.3M
Government Grants	\$7.1M	\$7.1M	\$0.0M

Capital expenditure is forecast to exceed the RP4 period primarily due to new capital expenditure associated with delivery of pressure sewer system connections funded by new customers (\$3.0M), brought forward and revised capital expenditure for South Gippsland Water Facilities (\$2.5M) and increased cost estimates for the Wonthaggi and Yarram sewer pump station renewals (\$1.3M). South Gippsland Water's Facility Strategy will be an important project in determining how the corporation best serves its staff, customers and community over the coming 25 years. South Gippsland Water will review the Facilities Business Case with a view for a final decision during the first half of 2019/20.

Revenue is forecast to be lower than the RP4 due to the application of a CPI price path only (in the interests of customer affordability).

Expenditure is higher than the RP4 due to increased costs associated with a new pricing submission for the 2021-2023 period, new initiatives in procurement, learning and development, customer service, staff safety, purchase of water from Melbourne and Information Technology initiatives.

Interest is forecast to be favourable for the RP4 due to a lower opening loan balance at 1 July 2018 (\$54.7M actual versus \$61.2M target).

9 Major risks

9.1 Uncertainty about climate and developing an appropriate response



Over recent decades our catchments have become drier and temperatures have increased. Climate modelling indicates that Victoria will become warmer and drier in the coming decades, with more extreme events including drought, floods and heatwaves. Average annual streamflow reductions of around 50 per cent could occur in some catchments by the year 2065.

Victoria can expect more extreme events including drought, floods and heatwaves, and rising sea levels, with increased threats to water quality and water and wastewater infrastructure through bushfires and storm surge. To successfully adapt water resource planning and maintain and improve waterway health, South Gippsland Water will need to collaborate with other sectors, including agriculture, local government and land use planning.

The Victorian Government has committed to legislating a long-term target of net-zero greenhouse gas emissions from Victoria by 2050 with interim targets every five years to 2050. South Gippsland Water is committed to meeting this important policy imperative.

South Gippsland Water has already commenced reducing emissions by developing more energy-efficient equipment, investing in renewable energy generation, and purchasing renewable energy and carbon offsets. The Corporation is well placed to continue on this path to emissions reduction and will focus on reducing its own emissions as a priority during this Corporate Plan.

South Gippsland Water operates eight separate Water Supply Systems, the majority are annual fill and spill systems. In the past three years Staged Water Restrictions and a supplementary water supply have been activated in a number of towns. In response to the uncertainty of climate change/variability, South Gippsland Water has prepared an Urban Water Strategy. It contains a detailed analysis of demand and supply options, across the region including growth, demand reduction initiatives, water delivery efficiency and augmentation options for the next 50 years.

The Lance Creek Water Connection Project is central to mitigating climate risk to potentially 80% of the region's population. This project relates to the networking of various water supply systems to the Lance Creek system with backup to the Melbourne supply system, another step in the development of Victoria's "Water Grid".

In addition, South Gippsland Water endeavors to better understand and monitor the potential impacts of climate change/variability via active involvement in assessing climate developments together with expert and other bodies, i.e. BOM, CSIRO, DELWP, VicWater, etc. The understanding will help the Corporation in planning water availability across its region and to proactively manage water storages for the benefit of customers.

9.2 Balancing customer affordability, the services we provide and the financial viability of the business (intergenerational impacts)

A significant financial viability risk exists for South Gippsland Water. Over the next decade, the interest cash cover ratio is forecast to fall below 2% as loans increase from \$60M to \$220M, largely to fund infrastructure renewal requirements. The debt to equity ratio increases from 26% to 80% over this period. South Gippsland Water currently charges the 5th lowest tariffs in Victoria and operates many independent water and wastewater supply systems over a relatively small customer base with two large dairy processing customers.

The 2018 price submission process overseen by the Essential Services Commission(ESC) approved a real 9% increase to tariffs due new non-controllable operating costs associated with the use of the Melbourne Water supply system and various other valuable costs relating to reduction in biosolid stockpiles. These increased operating costs bring about outcomes to customers including:

- security of supply to customers in Wonthaggi, Cape Paterson, Inverloch, Korumburra, Poowong, Loch and Nyora
- meeting environmental obligations associated with disposal of waste solids from sewer systems across the region.

In the interests of customer affordability, South Gippsland Water undertook to maintain a CPI only tariff increase. However, the Corporation flagged that price increases could not be limited to CPI beyond 2020 and requested DELWP support and assistance to understand the Corporation's issues and complex operating environment to help balance customer affordability, services to customers and the financial viability of the business, including intergenerational impacts.

9.3 Uncertainty of demand for water from major customers

Dairy producers, Saputo and Burra Foods, are significant consumers of water resources in the Leongatha and Korumburra water supply systems respectively. Production variations together with the risk of dryer climatic conditions presents significant security of supply and economic risks to the affected water supply systems and their customers.

Burra Foods has invested significantly in plant augmentations in 2011 and again in 2014 as it pursues revenue opportunities in various overseas markets. These recent investments resulted in significantly higher demand for water in a system that was already fully committed on an annual basis. South Gippsland Water has recently commissioned the Lance Creek Water Connection in response to these and potential future demand requirements which will allow for significant growth opportunities in an area previously constrained.

Saputo has previously announced major capital investment into water saving technologies with predictions on water reduction. However, commodity market conditions impacted on their ability to deliver the later stages of envisaged savings. The recent sale of the business increases the risk of a variety of strategic considerations which could result in significant product mix variations and a number of plant closures. While higher consumption would test the reliability of Leongatha's water supply system, plant rationalisation or further demand reductions would result in a significant financial impact to the Corporation. This year's water consumption by Saputo is estimated to be 19% lower than the 2018/2019 Corporate Plan budget, a step change decrease that is expected to continue in the medium term.

South Gippsland Water maintains close relationships with major customers in order to understand and respond as best as possible to their needs.

9.4 Asset renewals funding

South Gippsland Water's Asset Management knowledge base has identified that its medium term asset renewals program will need significant capital injection. Some \$30M of assets are currently beyond their nominal useful life. The business is working to develop more sophisticated processes to plan capital renewals to optimize renewals and maintenance expenditure while maintaining service standards. The likely outcome of this work will be deferral of some forecast capital costs for some asset classes, however the overall impact will not have a material impact on the financial sustainability of the business. The existing backlog of renewals presents a significant risk of increased operational breakdown and resultant higher reactive maintenance costs, together with reduced customer service levels.

South Gippsland Water will continue to concentrate efforts to more fully document its asset renewal profile during and utilise this enhanced asset information in discussion with the community in order to inform its 2020 Pricing Submission.

9.5 Attracting, retaining and resourcing the organisation in the long term

The remote location and size of the Corporation presents challenges with respect to attracting and retaining skilled staff. South Gippsland Water's current People and Culture Plan includes a number of strategies to continue addressing these challenges, including:

- Ensuring attraction and recruitment methods reach and appeal to a diverse range of high quality, skilled candidates
- The Corporation has, in the past year implemented a range of diversity and inclusion priorities. Results to date include improved gender diversity. Sourcing diverse high quality candidates will continue to be a priority. Next stage work will focus on broadening inclusion of Aboriginal community members in Corporation decision-making, and employment opportunities
- Continuing work to position the Corporation locally and regionally to be recognised as an employer of choice including prioritizing support for flexible work arrangements
- Ensuring staff have access to appropriate learning and development opportunities that address future workforce requirements and enhance current succession planning strategies, with a focus on building the capacity of current and future leaders
- Further formalising systems, processes and practices to ensure staff are recognised and rewarded and promoting a safe, healthy, motivated, engaged and innovative workforce
- Continuing to build partnerships with the Corporation's Gippsland Strategic Alliance partners and other industry networks to investigate innovative ways of working together and resourcing our needs in an innovative and efficient manner

10 Financial Details

10.1 Sensitivity of key planning variables

The table below shows the impact of major financial drivers.

Table 10.1: Sensitivity Analysis - 2019/20 to 2023/24

Sensitivity analysis \$'M	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Water consumption						
5% reduced consumption - all customers	0.441	0.461	0.491	0.523	0.541	2.458
10% reduced consumption - all customers	0.882	0.922	0.982	1.046	1.082	4.915
5% reduced consumption - non-major customers	0.312	0.333	0.356	0.381	0.396	1.779
10% reduced consumption - non-major customers	0.623	0.666	0.713	0.763	0.792	3.557
5% reduced Murray Goulburn (Saputo)	0.090	0.095	0.100	0.106	0.108	0.501
10% reduced Murray Goulburn (Saputo)	0.181	0.191	0.201	0.212	0.217	1.001
Loss of Murray Goulburn (Saputo) as major customer	1.810	1.907	2.009	2.117	2.166	10.010
Service Charges						
50% lower than growth estimates	0.118	0.255	0.411	0.590	0.770	2.145
Trade Waste						
Loss of Murray Goulburn (Saputo) as major customer	2.066	2.114	2.163	2.212	2.263	10.818
Interest Rates						
1% higher	0.760	0.872	0.969	1.048	1.157	4.807
2% higher	1.520	1.744	1.938	2.096	2.314	9.614
3% higher	2.281	2.617	2.908	3.145	3.472	14.421

The sensitivity analysis presented shows:

- Consumption risk of non-major customers is moderate given South Gippsland Water's relatively low average annual residential consumption, the split between fixed and variable tariff, and the assumption that water saving infrastructure has generally already been invested in by customers.
- Major customer retention remains a significant financial risk to South Gippsland Water with the water consumption and trade waste critical to maintaining positive net operating cash flows.
- Lower customer growth will impact water and wastewater service charges to a moderate level. The financial risk is considered minor unless there was compounding deteriorating growth.
- South Gippsland Water's sensitivity to interest rates is high given that loans are expected to peak at \$118.3M during the plan. This risk is minimised by holding a majority of fixed interest rate loans and a diverse portfolio. Further, higher (or lower) costs of finance are passed onto customers under the ESC new regulatory framework.

10.2 Operating Statement

Table 10.2 below details the projected operating statement for 2019/20 to 2023/24.

Table 10.2: Operating Statement

PROFIT AND LOSS \$'000	2019/20	2020/21	2021/22	2022/23	2023/24
Service Charges	15,313	16,408	17,584	18,848	19,617
Volume Charges	8,737	9,303	9,908	10,553	10,915
Trade Waste	3,617	3,737	3,862	3,992	4,086
Capital Income	4,116	4,986	5,036	4,834	4,730
Other	1,096	1,112	1,131	1,150	1,166
TOTAL REVENUE	32,878	35,546	37,520	39,377	40,513
Salary and Oncosts	10,476	10,738	11,050	11,370	11,700
Financing Costs	3,333	3,993	4,566	4,982	5,900
Depreciation	12,836	12,675	13,015	13,315	13,858
Other Expenses	11,925	11,500	11,413	11,828	11,967
TOTAL COSTS	38,570	38,906	40,043	41,495	43,424
SURPLUS/(DEFICIT)	(5,692)	(3,360)	(2,522)	(2,117)	(2,911)
Tax expense	1,708	1,008	757	635	873
NET PROFIT/(LOSS) AFTER TAX	(3,984)	(2,352)	(1,766)	(1,482)	(2,038)

10.3 Statement of Cash Flows

Table 10.3 below details the projected cash flow for 2019/20 to 2023/24.

Table 10.3: Cash Flow Statement

CASHFLOW \$'000	2019/20	2020/21	2021/22	2022/23	2023/24
Total Cash Receipts from Operations	33,935	35,705	37,470	39,104	41,114
Total Cash Payments from Operations	(26,137)	(26,846)	(27,549)	(28,698)	(30,163)
Net Cash provided/(used) by Operating Activities	7,798	8,859	9,921	10,406	10,951
Proceeds from Sale of Assets	396	396	396	396	396
Payments for Non-Current Assets	(25,532)	(20,920)	(20,460)	(19,305)	(22,868)
Net Cash provided/(used) in Investing Activities	(25,136)	(20,524)	(20,064)	(18,909)	(22,472)
Proceeds/(Repayments) from Borrowings	17,300	11,700	10,100	8,500	11,500
Proceeds from Government Equity Cont.	0	0	0	0	0
Contractors deposits	54	(53)	1	(12)	37
Net Cash provided/(used) from Financing Activities	17,354	11,647	10,101	8,488	11,537
Net Increase/(Decrease) in Cash	16	(17)	(42)	(14)	16
Beginning Cash	979	996	978	937	922
ENDING CASH	996	978	937	922	938

10.4 Balance Sheet

Table 10.4 below details the projected balance sheet for 2019/20 to 2023/24.

Table 10.4: Balance Sheet

BALANCE SHEET \$'000	2019/20	2020/21	2021/22	2022/23	2023/24
Cash and Bank	996	978	937	922	938
Receivables	1,554	1,657	1,768	1,886	1,957
Other current assets	2,966	3,065	3,184	3,318	3,393
Total Current Assets	5,515	5,700	5,889	6,126	6,288
Receivables-Long term	359	329	299	269	239
Fixed Assets	426,400	434,703	442,042	448,176	456,719
WIP	5,042	4,660	4,905	4,791	5,429
Deferred Tax Assets	25,069	26,077	26,834	27,469	28,343
Total Non-Current Assets	456,870	465,769	474,080	480,705	490,729
TOTAL ASSETS	462,385	471,469	479,969	486,832	497,017
Provisions	2,996	3,081	3,161	3,236	3,306
Other payables	4,812	4,173	4,235	4,199	4,640
Total Current Liabilities	7,808	7,254	7,396	7,435	7,946
Loans - Non-Current	76,522	88,222	98,322	106,822	118,322
Provision - Non-Current LSL	576	867	890	696	908
Deferred Tax Liabilities	84,081	84,081	84,081	84,081	84,081
Total Non-Current Liabilities	161,179	173,170	183,293	191,599	203,311
TOTAL LIABILITIES	168,987	180,424	190,689	199,034	211,257
NET ASSETS	293,398	291,046	289,280	287,798	285,760
Government Equity Contributions	95,333	95,333	95,333	95,333	95,333
Asset Revaluation Reserve	142,174	142,174	142,174	142,174	142,174
Accumulated Funds (Losses)	55,891	53,539	51,773	50,291	48,253
TOTAL EQUITY	293,398	291,046	289,280	287,798	285,760

10.5 Financial Performance Indicators

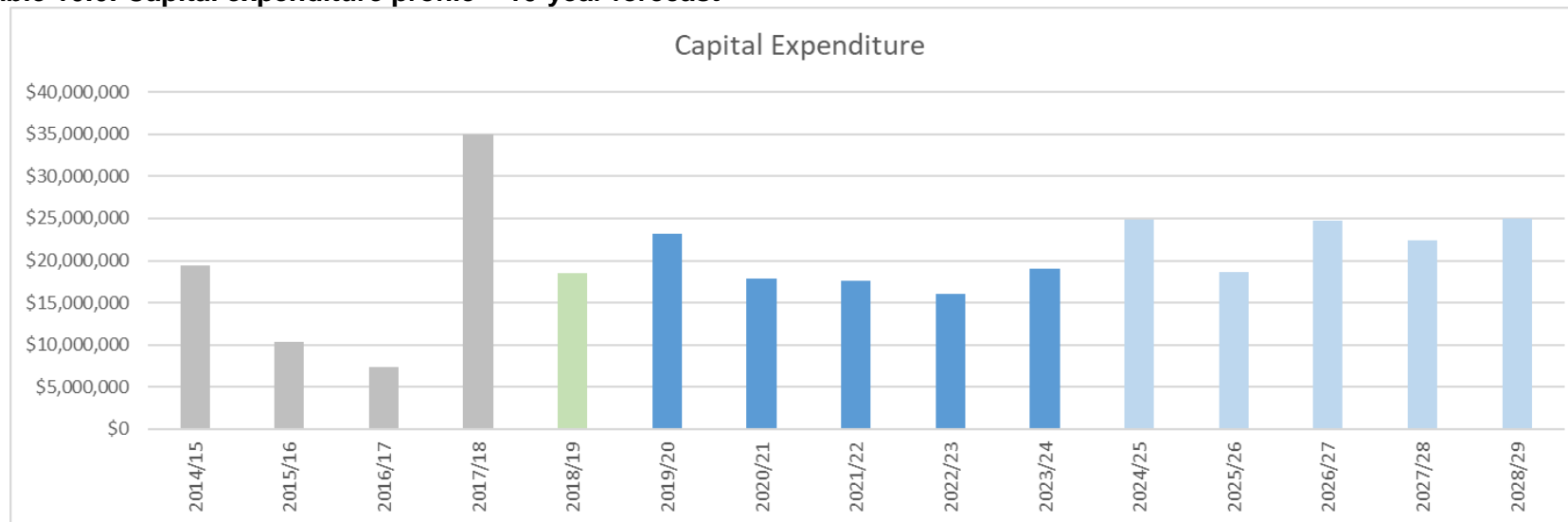
Table 10.5 below details the projected financial performance indicators for 2019/20 to 2023/24.

Table 10.5: Financial Performance Indicators

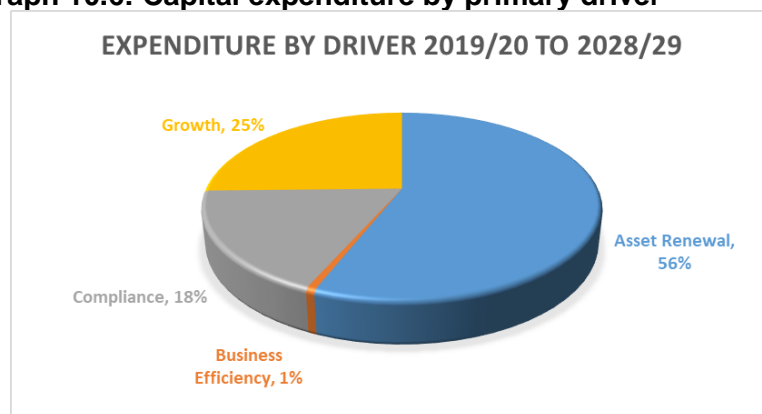
KEY RATIO'S	2018/19 forecast	2019/20	2020/21	2021/22	2022/23	2023/24
Current Ratio	0.79	0.71	0.79	0.80	0.82	0.79
Quick Ratio	0.68	0.56	0.67	0.68	0.71	0.66
Gearing Ratio	13.4%	16.7%	19%	21%	22%	24%
Internal Financing Ratio	51.5%	31.0%	43%	49%	55%	49%
Interest Cover (EBIT)	0.04	(0.71)	0.16	0.45	0.57	0.51
Interest Cover (Cash)	5.20	3.34	3.22	3.17	3.09	2.86
Debt / Equity	20%	26%	30%	34%	37%	41%

10.6 Capital Expenditure Forecasts

Table 10.6: Capital expenditure profile – 10-year forecast



Graph 10.6: Capital expenditure by primary driver



10.7 Service Standards and Key Performance Indicators

Table 10.7(a): ESC Service Standards

SOUTH GIPPSLAND WATER - Service Standards 1 July 2018 to 30 June 2024

	2018-19 Est.	2019-20	2020-21	2021-22	2022-23	2023-24
Water						
Unplanned water supply interruptions (per 100km)	15.0	25.0	25.0	25.0	25.0	25.0
Average time taken to attend bursts and leaks (priority 1)	23.8	30.0	30.0	30.0	30.0	30.0
Average time taken to attend bursts and leaks (priority 2)	25.9	35.0	35.0	35.0	35.0	35.0
Average time taken to attend bursts and leaks (priority 3)	142.0	500.0	500.0	500.0	500.0	500.0
Unplanned water supply interruptions restored within 5 hours (per cent)	93.0	99.0	99.0	99.0	99.0	99.0
Planned water supply interruptions restored within 5 hours (per cent)	100.0	99.0	99.0	99.0	99.0	99.0
Average unplanned customer minutes off water supply	24.0	25.0	25.0	25.0	25.0	25.0
Average planned customer minutes off water supply	90.0	100.0	100.0	100.0	100.0	100.0
Average unplanned frequency of water supply interruptions	0.3	0.3	0.3	0.3	0.3	0.3
Average planned frequency of water supply interruptions	0.3	0.4	0.4	0.4	0.4	0.4
Average duration of unplanned water supply interruptions (minutes)	130.0	100.0	100.0	100.0	100.0	100.0
Average duration of planned water supply interruptions (minutes)	220.0	240.0	240.0	240.0	240.0	240.0
No. of customers experiencing more than 5 unplanned water supply interruptions in the year	0.0	0.0	0.0	0.0	0.0	0.0
Unaccounted for water	15.0	15.0	15.0	15.0	15.0	15.0
Sewerage						
Sewerage blockages (per 100km)	16.0	25.0	25.0	25.0	25.0	25.0
Average time to attend sewer spills and blockages (minutes)	35.0	30.0	30.0	30.0	30.0	30.0
Average time to rectify a sewer blockage (minutes)	110.0	120.0	120.0	120.0	120.0	120.0
Spills contained within 5 hours (per cent)	100.0	100.0	100.0	100.0	100.0	100.0
No. of customers receiving more than 3 sewer blockages in the year	0.0	0.0	0.0	0.0	0.0	0.0
Customer service						
Complaints to EWOV	1.1	1.1	1.1	1.1	1.1	1.1
Telephone calls answered within 30 seconds	98.0	98.0	98.0	98.0	98.0	98.0
Minimum flow rates						
20mm						20
25mm						35
32mm						60
40mm						90
50mm						160

As a part of the Ministerial Reporting Directions (MRD's), Water Corporations are required to set Performance Indicator targets in their Corporate Plans and provide a consolidated performance report, as part of their annual report. The following tables meet this requirement.

Table 10.7(b): Ministerial Reporting Directions – Financial Performance Indicators

	Key Performance Indicator	2017-18 Result	2018-19 Forecast	2019-20 Target
F1	Cash Interest Cover Cash flow from operations before net interest and tax payments / net interest payments	4.6 times	5.2 times	3.3 times
F2	Gearing Ratio (Total debt (including finance leases) / total assets)*100	12.6%	13.4%	16.7%
F3	Internal Financing Ratio (Net operating cash flow less dividends/net capital expenditure) * 100	26.9%	51.5%	31.0%
F4	Current Ratio Current assets/current liabilities (excluding long-term employee provisions and revenue in advance)	0.4	0.8	0.7
F5	Return on Assets (Earnings before net interest and tax/average assets) * 100	(0.2%)	(0.0%)	(0.5%)
F6	Return on Equity (Net profit after tax /average total equity)* 100	(1.4%)	(0.6%)	(1.3%)
F7	EBITDA Margin (Earnings Before Interest, Tax, Depreciation and Amortisation/total revenue) * 100	31.0%	36.8%	32.1%
F8	Credit Rating Credit Rating	A-	BBB+	BBB+

Table 10.7(c): Ministerial Reporting Directions – Urban Customer Bill Indicator

	Key Performance Indicator	2017-18 Result	2018-19 Forecast	2019-20 Target
L3 (a)	Total Typical Residential Bill			
	Total annual water supply and sewerage bill based on customers' average annual residential usage	\$983	\$1,001	N/A
L3 (b)	Total Typical Residential Bill			
	Total annual residential water supply and sewerage bill, based on the consumption of 200kL of water	\$1,124	\$1,145	N/A

Table 10.7(d): Ministerial Reporting Directions – Water and Sewerage Service Performance Indicators

	Key Performance Indicator	2017-18 Result	2018-19 Forecast	2019-20 Target
WS1	Unplanned water supply Interruptions			
	Number of customers receiving more than 5 unplanned interruptions in the year per 1000 customers	0	0	0
WS2	Unplanned water interruption time			
	Average duration of unplanned water supply interruptions	96 minutes	130 minutes	100 minutes
WS3	Restoration of unplanned water supply			
	(Unplanned water supply interruptions restored within 5 hours/total unplanned water supply interruptions) *100	98.0%	93.0%	99.0%
SS1	Containment of sewer spillages			
	(Sewer spills from reticulation and branch sewers contained within 5 hours/total sewer spills from reticulation and branch sewers) *100	100.0%	100.0%	100.0%
SS2	Sewer supply interruptions			
	Number of residential sewerage customers affected by sewerage interruptions restored within 5 hours/total number of residential sewerage customers affected by sewerage interruptions) *100	0.5%	0.0%	0.0%

Table 10.7(e): Ministerial Reporting Directions – Customer Responsiveness Performance Indicators

	Key Performance Indicator	2017-18 Result	2018-19 Forecast	2019-20 Target
CR1	Water quality complaints No. of complaints per 100 customers for:	0.8	0.6	0.6
CR2	Sewerage service quality complaints No. of complaints per 100 customers	0.0	0.1	0.1
CR3	Sewage odour complaints No. of complaints per 100 customers	0.1	0.1	0.1
CR4	Billing/payment issues complaints No. of complaints per 100 customers	0.5	0.2	0.2

Table 10.7(f): Ministerial Reporting Directions – Environmental Performance Indicators

	Key Performance Indicator	2017-18 Result	2018-19 Forecast	2019-20 Target
E1	Effluent re-use volume (end use) Percentage recycled	3.4%	4.0%	4.0%
E2	Total Net CO₂ emissions Net tonnes CO ₂ equivalent	9,249 tonnes	9,100 tonnes	8,700 tonnes

10.8 Customer tariffs

Tariffs are expressed in nominal \$	Frequency of charge	Price as at 1 July 2018	Approved 1 July 2019	Proposed 1 July 2020	Proposed 1 July 2021	Proposed 1 July 2022	Proposed 1 July 2023
1.1 Water access fees (per annum)							
Access fee – Developed	Tri-annual	306.00	305.70	322.11	339.41	357.63	365.86
Access fee – Undeveloped	Tri-annual	306.00	305.70	322.11	339.41	357.63	365.86
Access fee – Agreements	Tri-annual	275.40	275.16	289.93	305.50	321.90	329.31
Access fee – Concessional	Tri-annual	245.40	245.22	258.39	272.26	286.88	293.47
1.2 Water usage charges (per kL)							
Volumetric fee – Murray Goulburn	Monthly	2.21	2.24	2.36	2.49	2.62	2.68
Volumetric fee – Other Majors	Monthly	1.82	1.85	1.95	2.05	2.16	2.21
Volumetric fee – All others	Tri-annual	1.82	1.84	1.94	2.05	2.16	2.21
1.3 Sewerage access fees (per annum)							
Residential and non-residential							
Access fee – Developed	Tri-annual	474.90	474.43	499.90	526.74	555.02	567.79
Access fee – Undeveloped	Tri-annual	268.65	268.44	282.85	298.04	314.04	321.26
1.4 Cistern access fees (per annum)							
1-2 Cisterns	Tri-annual	161.70	161.55	170.22	179.36	188.99	193.34
3-5 Cisterns	Tri-annual	425.25	424.96	447.78	471.82	497.15	508.58
6-10 Cisterns	Tri-annual	823.65	822.90	867.08	913.64	962.69	984.83
11-15 Cisterns	Tri-annual	1,318.80	1,317.65	1,388.39	1,462.94	1,541.48	1,576.94
16-20 Cisterns	Tri-annual	2,199.15	2,197.05	2,315.01	2,439.30	2,570.27	2,629.38
21-26 Cisterns	Tri-annual	3,147.60	3,144.57	3,313.40	3,491.30	3,678.75	3,763.36
27-35 Cisterns	Tri-annual	3,858.00	3,854.32	4,061.26	4,279.31	4,509.06	4,612.77
36–Greater Cisterns	Tri-annual	4,408.50	4,404.19	4,640.65	4,889.81	5,152.34	5,270.85
Volume Charge – (per kL)							
Volume Charge	Tri-annual	1.8200	1.84	1.94	2.04	2.15	2.20
1.6 Minor trade waste fees							
Application fees (per application)							
Category 1	Tri-annual	126.96	128.61	131.57	134.60	137.69	140.86
Category 2	Tri-annual	202.41	205.04	209.76	214.58	219.52	224.56
Category 3	Tri-annual	371.00	375.82	384.46	393.30	402.35	411.61
Access fees (per annum)							
Access fee – Category 1	Tri-annual	656.25	655.69	690.89	727.99	767.07	784.72
Access fee – Category 2	Tri-annual	871.80	871.00	917.76	967.04	1,018.96	1,042.40
Access fee – Category 3	Tri-annual	1,081.50	1,080.51	1,138.52	1,199.65	1,264.06	1,293.13
Volumetric fees (per kL)							
All Categories	Tri-annual	0.8717	0.8830	0.9304	0.9804	1.0330	1.0568
Quality fees (per kg)							
BOD	Tri-annual	0.7036	0.7127	0.7291	0.7459	0.7631	0.7806
SS	Tri-annual	0.6639	0.6725	0.6880	0.7038	0.7200	0.7366
Nitrogen	Tri-annual	2.9719	3.0105	3.0798	3.1506	3.2231	3.2972
Phosphorus	Tri-annual	16.9312	17.1513	17.5458	17.9493	18.3622	18.7845
Additional sampling (per sample)							
All Categories	Per occasion	At cost	At cost	At cost	At cost	At cost	At cost

Revenue included in the first year of the Corporate Plan reflects South Gippsland Water's decision not to take up the prices approved in the Essential Services Commission's (ESC) Final Determination for the period 2018/19 to 2019/20. The following table shows that South Gippsland Water takes up ESC approved tariffs from 1 July 2020 as 3% per annum for three years and back to CPI in the final year. Note that the impact to service fees in 2019/20 reflects CPI and cost of debt adjustment applied.

Table 10.8(a): Corporate Plan Prices & Tariffs

Tariffs are expressed in nominal \$	Frequency of charge	Approved 1 July 2018	Approved 1 July 2019	Proposed 1 July 2020	Proposed 1 July 2021	Proposed 1 July 2022	Proposed 1 July 2022
Exceedence fees (per kg)							
Oil & Grease	Per occasion	0.1060	0.1074	0.1098	0.1124	0.1150	0.1176
Sodium	Per occasion	0.1060	0.1074	0.1098	0.1124	0.1150	0.1176
TOS	Per occasion	0.7586	0.7685	0.7861	0.8042	0.8227	0.8416
Asset protection fee <i>Alternate annual fee available to customers that do not elect to install a grease trap (cost prohibitive).</i>	Per annum	1,488.72	1,508.07	1,542.76	1,578.24	1,614.54	1,651.68
Treatment violation fee <i>Fee imposed for customers that do not fill in a trade waste application; or do not maintain their pre-treatment apparatus (e.g. do not pump out their grease trap.)</i>	Per occasion	305.2	309.17	316.28	323.55	330.99	338.61
1.7 New customer contributions (per lot)							
Water & Sewer (all customers)		2,288.00	2,317.74	2,371.05	2,425.59	2,481.37	2,538.45
1.8 Miscellaneous fees and charges							
Property information statements <i>Fee imposed for providing a certificate issued in accordance with Section 158 of the, Water Act 1989.</i>		57.00	57.74	59.07	60.43	61.82	63.24
Special meter readings <i>Fee imposed for providing a certificate which indicates water usage charges up to a specified date. Generally provided, on application, for property sales.</i>		43.80	44.37	45.39	46.43	47.50	48.59
As constructed charge <i>As constructed charge</i>		71.50	72.43	74.10	75.80	77.54	79.33
20mm Tapping Fee <i>Fee imposed for meter and labour associated in providing a tapping to the water main.</i>		393.80	398.92	408.09	417.48	427.08	436.91
Plumbing Industry Commission (PIC) Fee <i>Fee imposed for providing sewer plans and processing applications to connect or modify plumbing.</i>		221.10	223.97	229.13	234.40	239.79	245.30
Standpipe Water Sales (per kL) <i>Fee imposed for the sale of water via a metered standpipe.</i>							
- Registered Users		5.90	5.98	6.30	6.64	6.99	7.15
- Unregistered Users		7.86	7.96	8.39	8.84	9.31	9.53
Septic Tank Waste Receival (per kL) <i>Fee imposed on septic tank waste carters, for the disposing of sewage and/or other acceptable waste.</i>		26.95	27.30	27.93	28.57	29.23	29.90
Non Core Miscellaneous Services <i>Non core miscellaneous services</i>		At cost	At cost	At cost	At cost	At cost	At cost

Forecast customer impacts are detailed in Table 10.8(b) below for various customer types and representative consumption.

Table 10.8(b): Customer Impacts

Customer impact	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23	FY23/24
Residential - average bill (121 kL p.a.)						
Nominal price	\$1,001	\$1,003	\$1,057	\$1,114	\$1,174	\$1,201
Real price	\$1,001	\$990	\$1,020	\$1,051	\$1,082	\$1,082
Real price increase per year (\$)	-	-\$11	\$30	\$31	\$32	\$0
Real price increase per year (%)	-	-1.08%	3.00%	3.00%	3.00%	0.00%
Residential - 200 kL p.a.						
Nominal price	\$1,145	\$1,149	\$1,211	\$1,276	\$1,344	\$1,375
Real price	\$1,145	\$1,134	\$1,168	\$1,203	\$1,239	\$1,239
Real price increase per year (\$)	-	-\$11	\$34	\$35	\$36	\$0
Real price increase per year (%)	-	-0.9%	3.0%	3.0%	3.0%	0.0%
Non-residential - 250 kL p.a.						
Nominal price	\$1,236	\$1,241	\$1,308	\$1,378	\$1,452	\$1,485
Real price	\$1,236	\$1,225	\$1,262	\$1,300	\$1,339	\$1,339
Real price increase per year (\$)	-	-\$11	\$37	\$38	\$39	\$0
Real price increase per year (%)	-	-0.9%	3.0%	3.0%	3.0%	0.0%
Concessional - 150 kL p.a.						
Nominal price	\$993	\$996	\$1,050	\$1,106	\$1,165	\$1,192
Real price	\$993	\$983	\$1,013	\$1,043	\$1,075	\$1,075
Real price increase per year (\$)	-	-\$10	\$30	\$30	\$31	\$0
Real price increase per year (%)	-	-1.0%	3.0%	3.0%	3.0%	0.0%
Agreement - 700 kL p.a.						
Nominal price	\$2,024	\$2,040	\$2,150	\$2,265	\$2,387	\$2,442
Real price	\$2,024	\$2,014	\$2,074	\$2,137	\$2,201	\$2,201
Real price increase per year (\$)	-	-\$10	\$60	\$62	\$64	\$0
Real price increase per year (%)	-	-0.5%	3.0%	3.0%	3.0%	0.0%
Tenants - 200 kL p.a.						
Nominal price	\$364	\$369	\$389	\$409	\$431	\$441
Real price	\$364	\$364	\$375	\$386	\$398	\$398
Real price increase per year (\$)	-	\$0	\$11	\$11	\$12	\$0
Real price increase per year (%)	-	0.0%	3.0%	3.0%	3.0%	0.0%
Vacant land (undeveloped properties)						
Nominal price	\$544	\$544	\$573	\$604	\$636	\$651
Real price	\$544	\$537	\$553	\$569	\$586	\$586
Real price increase per year (\$)	-	-\$7	\$16	\$17	\$17	\$0
Real price increase per year (%)	-	-1.4%	3.0%	3.0%	3.0%	0.0%