



# ***CORPORATE PLAN***

***2011/12 TO 2015/16***

## 1. Introduction

South Gippsland Water has prepared this five year Corporate Plan for 2011/12 to 2015/16 in compliance with Section 247 and 248 of the Water Act 1989.

2011/12 is the fourth year of South Gippsland Water's five year Water Plan (2008/09 to 2012/13) and this Corporate Plan remains intrinsically linked to the Essential Services Commission's final determination.

This plan incorporates the Corporation's key goals, objectives, strategies and performance targets in order to meet regulatory compliance and deliver quality water and wastewater services to its customers. It ensures the day to day needs of customers and stakeholders are met, and sets out the medium and long term strategies and actions to ensure the sustainable management of the regions key resources.

The construction of an 82 kilometre pipeline connecting the Wonthaggi Desalination Plant to the Melbourne water supply has made the possibility of South Gippsland Water connecting to the Melbourne supply system a viable option.

In 2009/10 South Gippsland Water finalised construction of a 20 kilometre pipeline from the Lance Creek Reservoir to the Desalination Plant site near Wonthaggi to service the Plant's construction. With Government assistance the initial pipeline design was substantially upgraded from a capacity of 2 ML per day to 10 ML per day in order to allow for future supply from the Melbourne supply system to the Lance Creek Reservoir system.

South Gippsland Water has recently completed its 50 year Water Supply Demand Strategy. The strategy documents potential water use and options for securing the region's water supplies, looking ahead for the next 50 years.

The Water Supply Demand Strategy included a Business Case focusing on networking the Northern and Southern systems. The business case analysis documented the cost of augmenting and maintaining multiple existing surface water systems and meeting emerging water quality standards, against utilising South Gippsland Water's largest reservoir, Lance Creek, as a primary water supply and the Melbourne supply system as backup.

The business case recommends utilising the 82km pipeline constructed by the State Government connecting the desalination plant to the Melbourne Supply system as well as South Gippsland Water's existing connection to that system. In the short to medium term the Melbourne supply system would only be used as a back up to the Lance Creek Reservoir supply. This would secure the townships against drought as well as the risk of local water issues such as blue green algae outbreaks.

This revised strategy is reflected in this Corporate Plan and encompasses the interconnection of the Southern and Northern towns to provide a single efficient system. This will avoid costly numerous individual upgrades to small treatment plants and systems with unreliable yields due to small storages.

The certainty of supply will enable levels of regional growth which would otherwise not have been possible.

As this major strategic project provides a step change in capital investment rather than the gradual investment of business as usual, South Gippsland Water is seeking an upfront injection of funds from Government of \$19M. This would help smooth the tariff path and reduce customer impacts.

The existing small storage infrastructure made redundant by these changes may provide the potential for the establishment of new food industries, such as horticulture or the extension of our growing dairy manufacturing as well as some environmental benefits.

There is a risk that these funds (\$19 Million) will not be secured. In such circumstance, the Corporation would need to pursue other avenues of funding or review the financial sustainability of the project.

In terms of sustainable management obligations, South Gippsland Water has set itself an objective to protect the environment by conducting all operations in accordance with the principles of its Sustainability and Environmental Management System, operating licences and environmental legislation and regulations.

South Gippsland Water is committed to ensuring sustainability in every aspect of its operations and in the implementing this Corporate Plan, environmental management will continue to be a key strategic driver.

To deliver our vision “to be widely recognised as an exemplary service provider and valued as an essential contributor to regional development and resource sustainability” we are focused on four key sustainability priorities. These are:

1. Water and wastewater services
2. Water and wastewater quality
3. Natural environment
4. Climate change/variability

These four key sustainability priorities are supported by the Sustainability and Environmental Management System which provides enabling pillars to deliver the desired outcomes. These pillars are a key aspect to realising the four key sustainability priorities and assist in delivering the objectives, goals and targets.

The Corporation is dedicated to maintaining and improving services to customers, while at the same time taking account of its responsibilities to:

- protect the environment;
- provide sound economic management;
- meet our social responsibilities

While the extreme dry conditions of recent years abated during 2010/11 within the South Gippsland region, the extent and impact of climate change/variability into the future remains largely unknown. Diversification of supplies and drought response therefore continue to be at the forefront of South Gippsland Water’s planning.

The successful development of pipe networks linked to new ground and surface water entitlements has ensured supply systems are in a far better position to deal with any future prolonged periods of drought conditions.

Major capital expenditure over the planning period focuses on:

- Construction of a sewerage scheme for the towns of Poowong, Loch, and Nyora (under the Country Towns Water Supply and Sewerage Program);
- Improving security of water supply to cater for growth:
  - Finalising water security and quality infrastructure for Toora via construction of an off stream storage (subject to further analysis regarding possible interconnection of a number of eastern systems);
  - Dams safety works and augmentation of the Battery Creek Reservoir (Fish Creek water supply); and
  - Extending the connection to the Melbourne supply system to towns in our Northern region, Poowong, Loch, Nyora and Korumburra;
- Further improvement in water quality via targeted treatment works with specific focus at Meeniyan and Lance Creek (fluoridation of the supply);
- Wastewater quality improvement works including implementation of reuse and the decommissioning of the Foster outfall into Corner Inlet.
- Sewer system upgrades throughout the region but specifically in Wonthaggi and Inverloch;
- Investment in new technologies to improve service performance and operational efficiency; and
- Outcomes for the environment via Improved water and wastewater service network reliability through priority renewal works;

## Major Initiatives

South Gippsland Water, in dealing with ongoing challenges and emerging issues, has set out major initiatives that will be implemented over this Corporate Plan period.

The decline in, and variability of inflows, together with forecast population increases has resulted in South Gippsland Water considering a number of actions in its Water Supply Demand Strategy. These have included:

- Interconnecting existing water systems and connecting to the Melbourne supply system;
- Accessing further entitlements from river systems;
- Accessing groundwater reserves;
- Increasing the amount of water that can be stored in the urban supply system;
- Continuing water conservation.

The prime objective is to improve reliability of systems and ensure that a timely balance between supply and future short and long term demand can be met. The initiatives will focus on:

- Implementing a sustainable Water Supply Demand Strategy which will ensure future demand will be met taking into consideration the impacts of climate change/variability.
- Securing and developing reliable new water sources while continuing to develop water conservation and further demand management.

South Gippsland Water will connect to the Melbourne supply system and utilise the Lance Creek Reservoir in conjunction with that water to supply its Northern and Southern towns.

South Gippsland Water will continue to enhance its understanding of climate change/variability, and its impacts on the Region's catchments and water supply systems.

Provide wastewater services to small towns, ensure wastewater compliance is maintained and dispose of treated effluent in an environmentally sustainable manner.

South Gippsland Water will reduce its dependency on ocean outfalls by implementing reuse and decommissioning the Foster ocean outfall into Corner Inlet.

South Gippsland Water will endeavour to minimise wastewater generation, maximise reuse opportunities and implement EPA licence compliance improvements.

With respect to water reliability, the Corporation will be securing further water entitlements, connect to the Melbourne supply system and provide capital works in order to ensure continuing supply in each system:

<b>Supply System</b>	<b>Zone</b>	<b>Towns Serviced</b>	<b>Water Security Actions during Corporate Plan</b>
Agnes River	Eastern	Port Franklin, Port Welshpool, Toora, Welshpool	Construction of an off stream storage scheduled for completion 2013/14.
Battery Creek Reservoir	Eastern	Fish Creek	Raising Battery Creek reservoir scheduled for completion 2014/15. Secure further bulk water entitlement.
Coalition Creek storages	Northern	Korumburra	Connection to the augmented Melbourne supply system.
Deep Creek / Foster Dam	Eastern	Foster	No action this Plan period. – system secure.
Lance Creek Reservoir	Southern	Inverloch, Cape Paterson, Wonthaggi	Connection to the augmented Melbourne supply system.
Little Bass Reservoir	Northern	Loch, Nyora, Poowong	Connection to the augmented Melbourne supply system.
Ruby Creek storages	Northern	Koonwarra, Leongatha	No action this Plan period. Connection to the augmented Melbourne supply system in future.
Tarra River	Eastern	Alberton, Devon North, Port Albert, Yarram	Secure further transfer of groundwater licences to enable long term use of the recently commissioned Yarram bore.
Tarwin River – East Branch	Central	Dumbalk	No action this Plan period. – system secure.
Tarwin River – West Branch	Central	Meeniyan	No action this Plan period. – system secure.

With respect to wastewater services, the Corporation is constructing two significant sewerage schemes for the towns of Poowong, Loch, and Nyora, and Meeniyian under the Country Towns Water Supply and Sewerage Program. These schemes will provide for the health and safety of the local communities and address environmental concerns with current septic systems. In addition, they provide for regional growth opportunities.

Significant wastewater works include:

<b>Wastewater System</b>	<b>Towns Serviced</b>	<b>Actions during Corporate Plan</b>
Meeniyian Country Towns Sewerage Scheme	Meeniyian	Commission newly constructed treatment plant (2011/12).
Poowong/Loch/Nyora Country Towns Sewerage Scheme	Poowong/Loch/Nyora	Design, construct and commission (2014/15) sewerage scheme.
Corner Inlet	Foster	Long term strategy to construct treatment plant with 100% reuse and decommission ocean outfall.
	Toora	Short term strategy to facilitate 100% reuse and decommission ocean outfall in 2011/12.
	Welshpool/Port Welshpool	No further action ocean outfall decommissioned 2010/11.
Baxter's Beach	Wonthaggi	Reticulation augmentations to allow for growth. Implement limited reuse on adjoining land.
	Inverloch	Reticulation augmentations to allow for growth.
	Cape Paterson	Improved wastewater service network reliability through priority renewal works.
Korumburra	Korumburra	Improved wastewater service network reliability through priority renewal works.
Leongatha	Leongatha	Improved wastewater service network reliability through priority renewal works.
Foster	Foster	Improved wastewater service network reliability through priority renewal works.
Yarram	Yarram, Port Albert, Alberton	Improved wastewater service network reliability through priority renewal works.
Waratah Bay	Waratah Bay	Implementation of reuse infrastructure

Finally, South Gippsland Water, in this Corporate Plan, is concentrating efforts to meet the significant challenges and uncertainties that lie ahead. This will ensure the continued delivery of sustainable water and sewerage services to meet the needs of the communities in South Gippsland.

## 2. South Gippsland Water

South Gippsland is located around 2 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. The Corporation is acutely aware that the region's "natural capital" has a high public profile. South Gippsland is predominantly an agricultural area, with the main emphasis on 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. Tourism is also an industry of significant importance to the region.

The Corporation demonstrates its commitment to the stewardship of the region's "natural capital" through initiatives based on continuous improvement at all our operational facilities, together with programs aimed at raising community awareness. 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 of the elements of the region's ecosystems. South Gippsland Water is fully aware that the services it provides are essential to the economic survival, development and well-being of the region. Accordingly, South Gippsland Water takes into account 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.

The demographics of the region are also undergoing change due to the continuing public demand for coastal residential real estate. Wonthaggi, Inverloch, Cape Paterson and Waratah Bay are examples with dramatically rising residential real estate prices and the influx of a new socio-economic segment of customers to the region.

The Corporation produces potable drinking water product 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 at a cost that is sustainable and a price to consumers that is ratified by the economic regulator. All this is achieved with a team that is small by industry standards.

### 2.1 Services Provided by South Gippsland Water

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, seven 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.

South Gippsland Water 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.

Whilst reuse is limited by climate and logistics, 100% (101ML) of the wastewater from South Gippsland Water's Tarraville wastewater treatment plant is currently used for pasture irrigation. 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's core functions are to provide secure water and wastewater services to over 19,000 assessments across approximately 4,000 square kilometres of South Gippsland. The base population of serviced towns is approximately 27,000, a figure that may increase in peak holiday periods by as much as 100%.

South Gippsland Water services a substantial Regional Urban Water Corporation (RUWC) area, but is amongst the smallest in the state when based on number of customers. South Gippsland Water's service area includes 23 towns, including the major centres of Wonthaggi, Inverloch, Leongatha and Korumburra as illustrated in Map 2.2.

**Table 2.1: South Gippsland Water & Sewerage Service Localities**

South Gippsland Water's service area covers 22 towns and 4,000 square kilometres. The towns supplied and the services the Corporation currently provides are summarised in the following table.

Centre	Population Served (Permanent)	Water		Sewerage
		Customers Billed	Supplied from	Customers Billed
Port Franklin	125	107	Agnes River	Not Serviced
Port Welshpool	204	270	Agnes River	253
Toora	700	513	Agnes River	279
Welshpool	152	203	Agnes River	119
Fish Creek	180	211	Battery Creek	Not Serviced
Korumburra	3266	2045	Coalition Creek storage network	1737
Foster	1079	814	Deep Creek / Foster Dam	721
Inverloch	4440	4303	Lance Creek	4262
Cape Paterson	723	1107	Lance Creek	1102
Wonthaggi	7002	4157	Lance Creek	3896
Loch	189	148	Little Bass	Not Serviced
Nyora	562	342	Little Bass	Not Serviced
Poowong	297	206	Little Bass	Not Serviced
Koonwarra	149 (estimate)	73	Ruby Creek storage network	Not serviced
Leongatha	4645	2964	Ruby Creek storage network	2759
Alberton	166	146	Tarra River	Not Serviced
Devon North	78 (estimate)	124	Tarra River	Not Serviced
Port Albert	256	389	Tarra River	323
Yarram	1779	1170	Tarra River	1056
Dumbalk	168	104	Tarwin River – East Branch	Not Serviced
Meeniyan	441	260	Tarwin River – West Branch	6
Waratah Bay – See note 3.	149	Not Serviced	N/A	108

**Notes:**

1. Population Served based on ABS 2006 Census\* updated with local government growth factor from "Victorian Population Bulletin 2010, Annual Edition,
  2. Water and Sewerage Assessments = Number of Rated Properties at January 2011.
  3. The Waratah Bay figures are an estimate only – it is not possible to isolate them from the ABS Fish Creek collection district, which also includes Sandy Point as well as the township of Fish Creek.
- \* ABS method of calculation of population has changed, from enumerated persons, [population figure taken on where people are located on the census night], to a persons usual place of residence, regardless of where they are on Census night.

## 2.2 South Gippsland Water Infrastructure

South Gippsland Water has significant headworks assets with 13 reservoirs and 18 service storages. The quality of raw water varies significantly across South Gippsland Water's region leading to specific water quality control challenges.

South Gippsland Water's total operation comprises:

A headworks function comprising:

- Water catchments with a total area of 1,234 square kilometres
- 13 reservoirs and 18 service storages

A Water Services Function comprising:

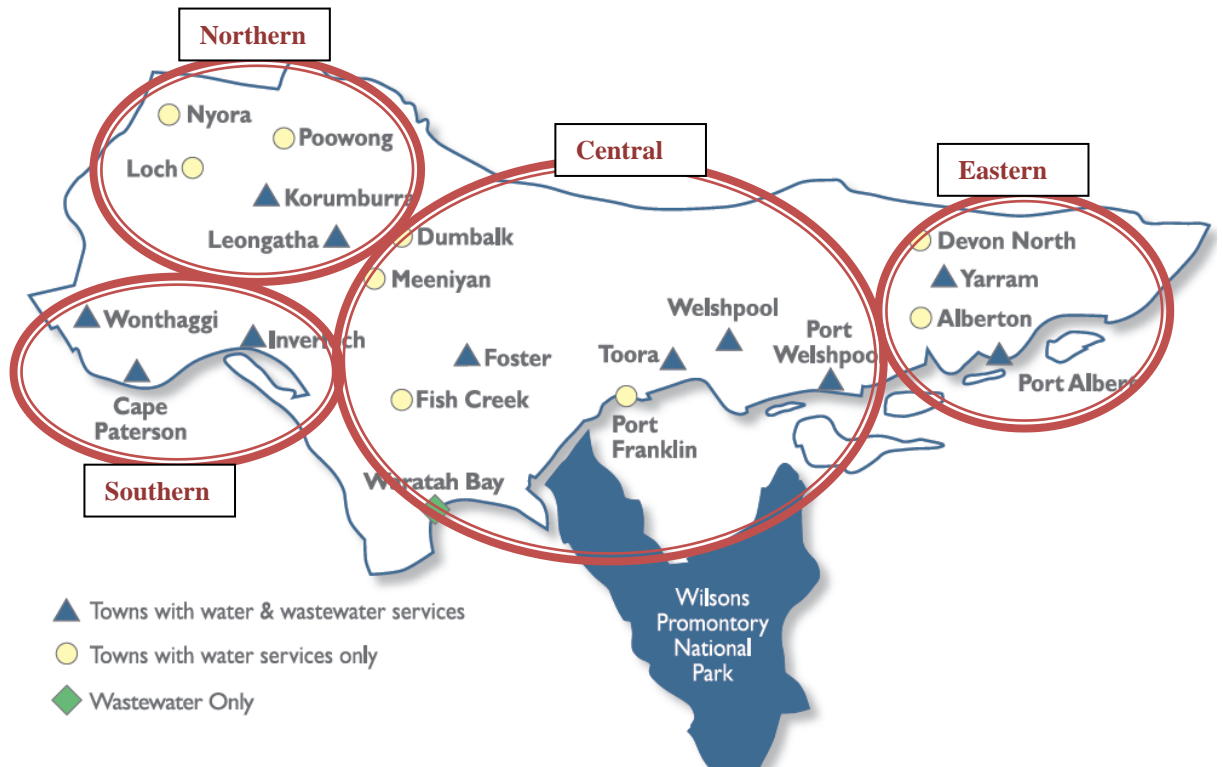
- 10 separate water supply systems
- 10 water treatment plants
- 686km of water mains
- 17 water pump stations
- servicing over 19,500 assessments over 21 towns with around 4,481ML (2010/11) annual volume of metered water

A Sewerage Services Function comprising:

- 11 conventional wastewater collection systems
- 1 vacuum wastewater system
- 10 sewerage treatment plants
- 1 dedicated saline tradewaste system
- 404km of wastewater mains
- 45 wastewater pump stations
- 4 marine environment outfalls
- 2 inland water discharge points
- servicing around 16,000 wastewater assessments over 12 towns collecting and treating around 3,786ML (2010/2011) of wastewater.

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 centres facing 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.

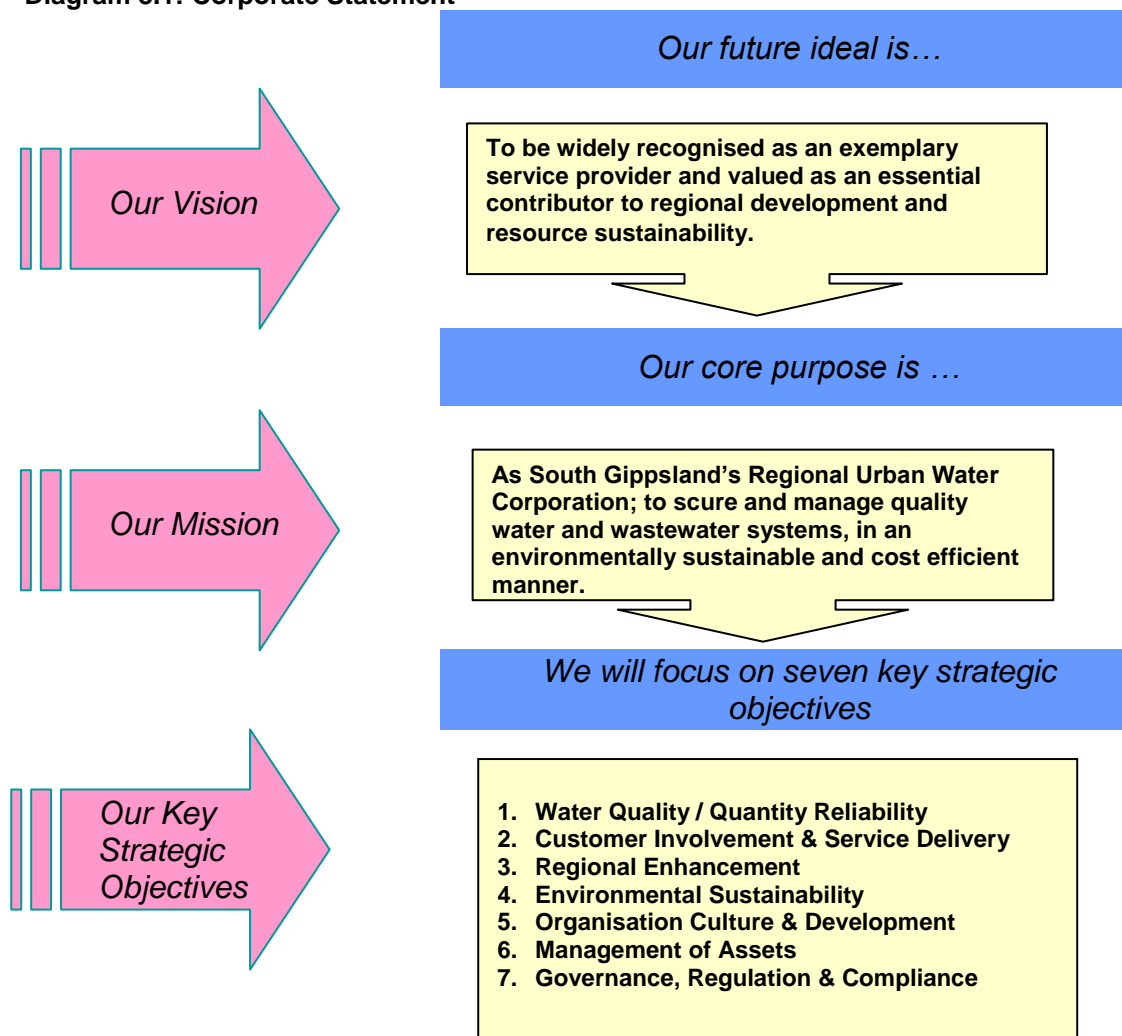
Map 2.2: South Gippsland Water Service Area



### 3. Mission, Vision and Objectives

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

**Diagram 3.1: Corporate Statement**



The Key Organisational Strategic Objectives, including priorities are summarised as:

#### **Water Quality / Quantity Reliability**

- Increase customer satisfaction with water quality.
- Meet or exceed water regulations.
- Secure sustainable future water resources for customers.

#### **Customer Involvement and Service Delivery**

- Continue the high priority and commitment to our customers and maintenance of our service standards.
- Continue to consult with customers.
- Strong focus on communicating the WSDS and connection to Melbourne supply system

#### **Regional Enhancement**

- Support regional development and the provision of enabling infrastructure.

#### **Environmental Sustainability**

- Better understand and respond to climate change/variability impacts.
- Manage wastewater systems to optimise the link with the integrated water cycle.
- Secure sustainable future water resources for customers.

#### **Organisation Culture & Development**

- Support and retain staff by providing information and enhanced knowledge, systems and resources to ensure continued quality performance.
- Continue working with staff to ensure a healthy, safe and rewarding work environment.

#### **Management of Assets**

- Utilise the asset management system to improve knowledge and asset performance.

#### **Governance, Regulation & Compliance**

- Maintain our commitment to achieve the highest standards of compliance, financial sustainability and performance of the organisation, through sound and prudent governance.

## 4. Key Assumptions Made in Preparing the Corporate Plan

### 4.1 Climate conditions / yields assumed for the Corporate Plan

South Gippsland, similar to many other parts of south-east Australia, has over the last thirteen years experienced one of the worst prolonged droughts on record with extreme dry conditions recorded in three of the last five years.

In its Water Supply Demand Strategy, South Gippsland Water has planned its 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 flows in South Gippsland catchments over recent years will continue. As such, it uses the conservative view of average inflows from July 1997 to June 2009 as the basis for water supply availability.

As such, the Plan includes a variety of measures to access and develop a diversity of water sources as well as augmentation of existing supplies such as the Toora and Fish Creek systems.

For the Northern and Southern systems, South Gippsland Water will rely on a combination of water sources, including surface and ground water, to be used in conjunction with water from the Melbourne supply system.

These strategies, which have been developed in conjunction with South Gippsland Water's Water Supply Demand Strategy, and will ensure continued water services to customers' in any prolonged dry conditions and accelerated growth scenarios.

It is planned that some 4,477 ML will be delivered to customers during 2011/12 with no restrictions envisaged over the five year Corporate Plan period given the current water storage levels and water supply options available to the Corporation.

### 4.2 Revenue

Revenue included in the Corporate Plan is based on the prices approved by the Essential Services Commission (ESC) in accordance with Clause 8 of the Water Industry Regulatory Order. The prices were approved by the ESC in June 2008. The weighted average price increase for 2011/12 approximates 2.7% in real terms and 5.3% nominally (including inflation of 2.5%). Full pricing details are shown in Table 9.10.

### 4.3 Customer Growth – Estimated Demand Forecast

The *Victoria In Future 2008* forecasts and the Corporation's own historical data have been utilised to provide growth forecasts for new customers and estimate water demand following changes to customer behaviour due to a number of reasons, including awareness on climate change, implementation of permanent water savings rules, water savings education and programs, etc.

The 2006 Census of Population and Housing assessed the population of towns in various regional areas of Victoria. None of these regional areas satisfactorily maps to the area serviced by South Gippsland Water. As such, South Gippsland Water has utilised the disaggregated Regional Local Government Area (LGA) statistical information, although even this data presents problems with respect to direct representation of our serviced towns.

The three relevant LGA's are Bass Coast, South Gippsland and Wellington.

Utilisation of the data as representative of our area is problematic as:

- A substantial part of the Bass Coast LGA encompasses Phillip Island which is not part of our serviced region; and
- The towns in our region represented by Wellington are insignificant in size, i.e. Yarram, Port Albert, etc. Wellington is dominated by the major centre of Sale.

However, the South Gippsland LGA covers our major centres of Leongatha and Korumburra and provides a good nexus to growth in these towns.

While population growth is useful, the change in households is the key indicator as it provides a more meaningful figure with respect to estimating new connections and future capital requirements. Unfortunately the *Victoria In Future 2008* forecasts do not contain this information, therefore a correlation of forecast population growth, the previous estimates for household growth and historical data on connections has been used to forecast growth.

The resultant projected percentage increases in customer connections is as follows.

**Table 4.3(a): Customer Growth Assumptions**

	2011/12	2012/13	2013/14	2014/15	2015/16
Water – % Growth	1.34%	1.36%	1.31%	1.32%	1.32%
Water – Assessment No's	19,676	19,943	20,205	20,471	20,742
Wastewater - % Growth	1.40%	1.31%	1.27%	1.27%	1.27%
Wastewater – Assessment No's	16,870*	17,092*	17,310*	17,529*	18,291*

\* Meenyan Small Town Sewerage Scheme commences 2011/12 and the Poowong/Loch/Nyora Scheme 2015/16.

The resultant detailed customers and water and wastewater volumes from these assumptions are:

**Table 4.3(b): Growth and Demand Forecast**

	Year 0 Forecast 2010-11	Year 1 Budget 2011-12	Year 2 Planned 2012-13	Year 3 Planned 2013-14	Year 4 Planned 2014-15	Year 5 Planned 2015-16
<b>1 NUMBER OF ASSESSMENTS</b>						
1.1 Urban Water Supply	19415	<b>19676</b>	19943	20205	20471	20742
1.1.1 Residential	16223	<b>16466</b>	16710	16949	17192	17440
1.1.2 Non Residential	3192	<b>3210</b>	3233	3256	3279	3302
1.2 Urban Wastewater Service	16446	<b>16885</b>	17106	17323	17542	18305
1.2.1 Residential	14629	<b>15050</b>	15258	15462	15668	16418
1.2.2 Non Residential	1817	<b>1835</b>	1848	1861	1874	1887
1.3 Trade Waste by Agreement	182	<b>183</b>	184	185	186	187
1.4 Recycled Water	3	<b>3</b>	3	3	3	3
1.5 Bulk supplies to other Corporations	0	<b>0</b>	0	0	0	0
<b>2 VOLUME OF WATER SUPPLIED (ML)</b>						
2.1 Urban Water Supply:	4545	4477	4465	4477	4488	4488
2.1.1 Residential	1817	<b>1826</b>	1836	1845	1855	1865
2.1.2 Non Residential	2728	<b>2651</b>	2629	2632	2633	2623
2.2 Recycled Water	74	<b>73</b>	72	73	73	73
2.2 Bulk supplies to other Corporations	0	<b>0</b>	0	0	0	0
<b>3 WASTEWATER</b>						
3.1 Volume Wastewater treated (ML)	2749	<b>2708</b>	2701	2708	2715	2716
3.2 Total volume of effluent produced (ML)	3682	<b>3627</b>	3617	3627	3636	3637
3.3 Target percentage effluent reused	0.02	<b>0.02</b>	0.02	0.02	0.02	0.02
3.4 Volume effluent reused (ML)	74	<b>73</b>	72	73	73	73



#### 4.4 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 of revenue and the payment of the Environmental Contribution (\$754,000 p.a. in years 1 and 2 and \$904,000 p.a. in years 3, 4 and 5).

#### 4.5 Government Contributions

It has been assumed that the Corporation will receive \$19 million of Government funds (source yet to be identified) in order to fund the capital works required to connect the region's Northern towns to the Melbourne water supply system.

#### 4.6 Forecast Inflation Rates

An inflation rate of 2.5% p.a. has been assumed for each year of the plan.

#### 4.7 Wage Increases

The wages calculation has been determined from the Corporation's Enterprise Agreement of 4% per annum.

#### 4.8 Interest on Investment

Interest used to calculate investment revenue has been estimated at 4.75%.

#### 4.9 Borrowings

The Corporate Plan assumes that borrowings will be required to provide for capital expenditure projects. The interest rate also incorporates the Financial Accommodation Levy (FAL) of 1.1% and is estimated at 8.4% of future loan funds. Borrowings predicted for the Corporate Plan period will bring overall Corporation loans to \$64.3M by June 2016.

#### 4.10 Dividend Calculation

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

#### 4.11 Taxation Payments

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

## 5. Outcomes for 2009/10

### 5.1 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.

### 5.2 Core Service standards

South Gippsland Water has committed to meet approved targets for a core set of service standards. Table 5.2 below details the Corporation's delivery of the service standards for 2008/09, 2009/10 and forecast achievement for 2010/11.

**Table 5.2: Delivery of Service Standards**

#### Service Standards

##### Water

Unplanned water supply interruptions (per 100km)
Average time taken to attend bursts and leaks (priority 1)
Average time taken to attend bursts and leaks (priority 2)
Average time taken to attend bursts and leaks (priority 2)
Unplanned water supply interruptions restored within 5 hours (per cent)
Planned water supply interruptions restored within 5 hours (per cent)
Average unplanned customer minutes off water supply
Average planned customer minutes off water supply
Average unplanned frequency of water supply interruptions
Average planned frequency of water supply interruptions
Average duration of unplanned water supply interruptions (minutes)
Average duration of planned water supply interruptions (minutes)
No. of customers experiencing more than 5 unplanned water supply interruptions in the year
Unaccounted for water

2008/09 Actual			2009/10 Actual			2010/11 Estimate		
Actual	Target	Var.	Actual	Target	Var.	Forecast	Target	Var.
28.0	28.0	0.0%	26.1	28.0	6.8%	20.0	28.0	28.6%
24.1	30.0	19.7%	20.2	30.0	32.7%	23.0	30.0	23.3%
28.4	40.0	29.0%	17.2	40.0	57.0%	27.0	40.0	32.5%
530.1	1440.0	63.2%	446.4	1440.0	69.0%	500.0	1440.0	65.3%
99.0	99.0	0.0%	100.0	99.0	1.0%	100.0	99.0	1.0%
92.0	99.0	-7.1%	100.0	99.0	1.0%	99.0	99.0	0.0%
30.6	33.0	7.3%	20.1	33.0	39.1%	20.0	33.0	39.4%
29.0	150.0	80.7%	64.4	150.0	57.1%	40.0	150.0	73.3%
0.31	0.3	-3.3%	0.22	0.30	26.7%	0.20	0.30	33.3%
0.12	0.50	76.0%	0.30	0.50	40.0%	0.30	0.50	40.0%
100.0	100.0	0.0%	91.9	100.0	8.1%	110.0	100.0	-10.0%
238.5	300.0	20.5%	211.4	300.0	29.5%	200.0	300.0	33.3%
0.0	0.0	0.0%	0.0	0.0	0.0%	0.0	0.0	0.0%
15.8	14.0	-12.9%	14.0	14.0	0.0%	14.0	14.0	0.0%

##### Sewerage

Sewerage blockages (per 100km)
Average time to attend sewer spills and blockages (minutes)
Average time to rectify a sewer blockage (minutes)
Spills contained within 5 hours (per cent)
No. of customers receiving more than 3 sewer blockages in the year

17.4	18.0	3.3%	16.7	18.0	7.2%	10.0	18.0	44.4%
15.6	30.0	48.0%	16.6	30.0	44.7%	17.0	30.0	43.3%
66.7	120.0	44.4%	61.3	120.0	48.9%	50.0	120.0	58.3%
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 EWOV
Telephone calls answered within 30 seconds

0.6	1.10	45.5%	1.0	1.1	9.1%	1.0	1.1	9.1%
99.0	98.0	1.0%	99.0	98.0	1.0%	99.0	98.0	1.0%

##### Minimum flow rates

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

##### Additional service standards

Recycled water target (% reused)
Biosolids reuse (% reused)
Small Town Sewerage Scheme connections (no. of)
Environmental discharge indicator (per cent)
Drinking water quality indicators (per cent)

3.6	2.0	80.0%	3.0	2.0	50.0%	3.0	2.0	50.0%
0.0	0.0	0.0%	0.0	0.0	0.0%	0.0	0.0	0.0%
0.0	0.0	0.0%	0.0	0.0	0.0%	0.0	202.0	-100.0%
95.0	100.0	-5.0%	94.0	100.0	-6.0%	95.0	100.0	-5.0%
100.0	100.0	0.0%	100.0	100.0	0.0%	99.5	100.0	-0.5%

The table shows that South Gippsland Water has generally performed well in meeting its regulatory service standards.

### 5.3 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 percentage compliance is shown below for the 2010/11 financial year and is based on the total number of drinking water samples complying with requirements of the Safe Drinking Water Regulation 2005. Further details of drinking water compliance for each distribution system are reported annually to the Department of Health.

**Table 5.3: Drinking Water Compliance**

Parameter	Forecast 2010/11
E.coli (<1 E.coli in 98% of samples taken)	100.0%
Turbidity (95% upper confidence limit of the mean <=5 NTU)	100.0%
Aluminium (<=0.2 mg/L)	99.6%*
Trihalomethanes (<=250ug/L)	100.0%
Chloroacetic Acid (<=150ug/L)	100.0%
Dichloroacetic Acid (<=100ug/L)	100.0%
Trichloroacetic Acid (<=100ug/L)	100.0%

\* A non-conformance for acid-soluble aluminium was recorded in the Alberton sampling locality in November 2010. The non-complying result was reported to the Department of Health under Section 18 of the Safe Drinking Water Act. A deterioration in raw water quality occurred due to significant algae levels detected in the Devon North treatment plant raw water basin. Subsequent adjustments to treatment processes to optimise plant performance then resulted in a period of high aluminium levels in treated water. In response to the problem, incident meetings were held and the following corrective actions implemented:

- Temporary bypass of raw water basin while quality was poor;
- Extensive jar-testing to optimise plant performance;
- Additional monitoring for aluminium in Yarram and Alberton localities

## 5.4 Environmental Performance

Table 5.4 below illustrates South Gippsland Water's EPA forecast 2010/11 licence compliance at its wastewater systems.

**Table 5.4: EPA Licence Compliance**

Sewerage Treatment Licence Compliance	Forecast 2010/11
Foster	63.9% <sup>1</sup> .
Korumburra	100.0%
Leongatha (Domestic)	100.0%
Leongatha (Trade Waste)	100.0%
Toora	100.0%
Welshpool	100.0%
Wonthaggi/Cape Paterson/Inverloch	100.0%
Yarram	100.0%

Non-compliance at Foster wastewater treatment plant is mainly due to algae and increased inflows into the plant caused by stormwater infiltration into the reticulation system reducing detention times in the lagoons. SGW has been investigating interim options to gain compliance in the short-term with our Environment Protection Authority (EPA) licence. A long term strategy is in progress involving additional treatment to improve performance which includes reuse and the decommissioning of the Foster outfall into Corner Inlet. Considerable progress has been made with respect to implementation, however it necessitates land acquisition, a process which is estimated to impose a further 2 ½ year time frame before decommissioning of the Foster outfall into Corner Inlet.

## 5.5 Urban Water Consumption

The following table summarises total water consumption against forecast for 2010/11.

**Table 5.5: Comparative Analysis of Forecast vs. Actual Water Consumption**

	Unit	2010/2011		
		Actual	Corp Plan	Variance
Urban Water Consumption				
Murray Goulburn	kL's	882,000	800,000	82,000
Other Major Customer	kL's	486,000	730,000	(244,000)
Residential	kL's	1,817,000	1,851,000	(34,000)
Non-residential	kL's	1,342,000	1,372,000	(30,000)
Total	kL's	4,527,000	4,753,000	(226,000)

Total water consumption for 2010/11 is estimated to be lower than budget by some 4.8% mainly due to reduced consumption than anticipated from the construction of the Wonthaggi Desalination Plant. This is the fourth year in a row where Corporate Plan water consumption estimates have not been met. 'Bounce back' from the severe drought of 2006/07 has not eventuated in the residential and non-residential base. Last year customer demand was more conservatively forecast on the basis that a permanent behavioural pattern has clearly now been established. This assumption has been further refined for this plan's estimates.

Continued customer engagement and education, in particular with major customers, will result in continuing lower consumption patterns going forward. By illustration total metered water peaked at 5,550 ML in 2004/05 gradually reduced to 4,450 ML in 2009/10, a 20% reduction. The marginal increase in 2010/11 was due to water used for construction of the Wonthaggi Desalination Plant.

## 5.6 Revenue and Operating Expenditure

Estimated revenue (\$25.589) for 2010/11 is forecast to be \$1.622M (6.8%) favourable to budget. This is predominately due to favourable variations with respect to grants (favourable \$950,000 – may still be treated as equity), fees and charges, and trade waste (from the construction of the Wonthaggi Desalination Plant). Water consumption revenue is expected to be below target by around \$0.250M due to lower residential and non-residential consumption.

With respect to expenditure, total forecast costs (\$23.802M) are expected to be unfavourable \$0.142M (0.6%) to budget. Savings will be realised in field administration costs and interest expense (cost savings, project deferral and slippage), however, higher treatment, pumping and maintenance costs are forecast.

The forecast profit of \$1.894M is \$1.480M favourable compared to budget due to the reasons outlined above.

## 5.7 Capital expenditure

Capital expenditure is forecast to be \$11.451M, some \$3.598M below budget for 2010/11. This is due to cost savings, the deferral of the Lance Creek Fluoridation upgrade due to delays with Ministerial approval as a result of the change of State government and some slippage due to the extreme wet summer and autumn conditions.

South Gippsland Water's 2010/11 Corporate Plan identified a number of key capital projects that the Corporation proposed to deliver. The following table outlines the Corporation's progress in the delivery of those major capital projects.

**Table 5.7: Progress of major projects**

Reason	Project Description	Result / Progress
<b>Poowong/Loch/Nyora Sewerage Scheme</b> SGW's region has a number of small towns without adequate wastewater management facilities. Unsuitable soil types and smaller size allotments mean that current septic systems are unable to retain effluent on these individual allotments. In many locations, grey water finds its way directly to the street drainage system with resultant health, environment and amenity issues.	Domestic wastewater will be delivered via a trunk main from the reticulation network within each town to a centrally located wastewater treatment plant. A new treatment facility that will have sufficient capacity to ensure compliance with relevant discharge licence limits and a capability to accommodate growing population levels.	Detail design of the reticulation system and rising mains is continuing. Construction to commence in 2012/13 which will include reticulated sewerage system for each town, trunk sewer rising mains and common wastewater treatment plant sewer facility. Proposed alternative site for the WWTP by compulsory acquisition (if required) approved by Board. Planning rezoning process of WWTP alternate land site now underway.
<b>Meeniyan Sewerage Scheme</b> SGW's region has a number of small towns without adequate wastewater management facilities. Unsuitable soil types and smaller size allotments mean that current septic systems are unable to retain effluent on these individual allotments. In many locations, grey water finds its way directly to the street drainage system with resultant health, environment and amenity issues.	Domestic wastewater will be delivered via a trunk main from the reticulation network within each town to a centrally located wastewater treatment plant. A new treatment facility that will have sufficient capacity to ensure compliance with relevant discharge licence limits and a capability to accommodate growing population levels.	Rising main completed. Town reticulation sewers completed. Pump station completed. WWTP construction works have been delayed due to continuing significant rain periods. Three of five lagoons completed. WWTP now scheduled for completion in autumn of 2011.
<b>Vehicle Replacement</b> South Gippsland Water's vehicle fleet must be kept current with replacement carried out on an optimised policy position.	Replacement of the SGW vehicle fleet in line with vehicle replacement policy.	Replacement completed in line with vehicle replacement policy.
<b>Battery Creek Dams Risk (Rehab-Augmentation)</b> The dam embankment wall at Battery Creek reservoir requires upgrading to meet current and future development supply demands and comply with current design standards and ANCOLD guidelines for dam safety.	Rehabilitate embankment to achieve required dam safety design standards. Raising the embankment and spillway to provide an additional storage capacity of 150 ML.	Detail design scheduled to commence in 2013/14. Construction to commence in 2014/15. Upgrade of dam embankment wall at Battery Creek reservoir for dam safety and augmented storage. Currently on hold pending outcome of potential pipeline connection into Melbourne supply system.
<b>Coalition Creek Dams Risk (Rehab-Augmentation)</b> When the water level within the Coalition Creek reservoir reaches a certain level, well below full supply level, the embankment is observed to leak at several locations. The embankment requires upgrading to comply with current design standards and ANCOLD guidelines for dam safety. The upgrade will assist in meeting current and future development supply demands.	Reconstruction of leaking embankment crest and raising of embankment wall to achieve an additional storage capacity of 100 ML.	Upgrade of dam embankment wall at Coalition Creek reservoir for dam safety and storage augmentation on hold due to proposed connection of Northern towns to the Melbourne supply system. Dam safety works to be re-scoped as a decommissioned non-operational dam.
<b>Water Renewals/Replacement</b> To rehabilitate/replace inefficient water mains.	Water main replacement program based on agreed established priorities with Operations. Works include the progressive replacement of asbestos cement (AC) pipes installed up to the 1970s.	Ongoing replacement of ageing troublesome water mains within SGW's region. Approximately 12 km of water mains replacements over the Water Plan period. Programmed works for 2010/11 on schedule.

**Table 5.7: Progress of major projects (cont)**

Reason	Project Description	Result / Progress
<b>Wonthaggi Wastewater Strategy Works</b> The Wonthaggi WWTP requires upgrading to provide additional treatment capacity for effluent to meet Class C irrigation quality standard and control development of odour.	Improvement to treatment process to achieve required standards. Development of effluent standards to achieve a viable wastewater reuse system within a balanced water resource cycle.	Works include construction of winter storage lagoons for reuse, desludging of existing lagoons and management of nearby land for reuse irrigation/wet lands. Now scheduled for 2016/17.
<b>Agnes River Augmentation - Construction of Raw Water Off Stream Storage</b> The existing Agnes River water supply system, due to significant river flow fluctuations, does not provide for the current level of service requirements. A new 250 ML raw water storage reservoir is required to prevent ongoing and regular water restrictions and to provide for growth and development within the Toora/Welshpool area.	Construction of new raw water off stream storage, transfer pipelines and pump station.	Detail design originally scheduled to commence in 2010/11. Construction to commence in 2011/12. Construction of 250ML off stream storage to ensure adequate supply for current and growth demand. Currently on hold pending outcome of potential connection into Melbourne supply system.
<b>Reticulation Sewer Replacement/Rehabilitation</b> To rehabilitate/replace inefficient water mains.	Reticulation sewer rehabilitation/replacement works including pipeline replacement/relining & manhole repairs/replacement on agreed established priorities with Operations.	Ongoing rehabilitation/replacement of ageing, cracked and broken reticulation sewer pipelines and manholes. Approximately 3 km of sewer pipelines and manholes over the Water Plan period. Program for 2010/11 completed.
<b>Foster Wastewater Treatment Plant Upgrade (Wetlands)</b> The Foster WWTP discharges into Corner Inlet but does not comply with EPA licence requirements for water quality.	Additional lagoons are required to be installed including a wetland treatment system to achieve reuse on land. Ocean outfall to be closed by 2017.	Purchase of additional land is required. Study/investigation recommending preferred site is ongoing.

## 6. Business Plan Targets

Objectives and Priorities	Strategies and Actions	Performance Target 2011/2012
<b>KEY STRATEGIC OBJECTIVE 1: WATER QUALITY / QUANTITY / RELIABILITY</b> <ul style="list-style-type: none"> <li>· Increase customer satisfaction with water quality</li> <li>· Meet or exceed water regulations</li> <li>· Secure sustainable future water resources for customers</li> </ul>		
Compliance with Safe Drinking Water Act	External auditing on compliance with regulations  Meet water quality compliance	DHS audit to be finalised with minimal corrective actions  100% water quality compliance to be achieved
Secure Future Sustainable Water Resources	Complete planning & design of Stage 1 Melbourne supply system works (Lance Creek Reservoir to Korumburra)	Planning & approval works complete
Advocacy for Catchment management	Liaise with Catchment Management Authorities, to focus on water quality in catchments  Promote advocacy with the Environment Protection Authority regarding uncontrolled catchments  Implement revegetation plan to protect the extended Battery Creek catchment	<input type="checkbox"/> Attend GRWMP & Landcare meetings  <input type="checkbox"/> Proactively evaluate monitoring data  Demonstrate outcomes from South Gippsland Water sponsored EPA presence in our catchment areas  Undertake second year of revegetation plan works undertaken as per timetable
<b>KEY STRATEGIC OBJECTIVE 2: CUSTOMER INVOLVEMENT AND SERVICE DELIVERY</b> <ul style="list-style-type: none"> <li>· Continue the high priority and commitment to our customers and maintenance of our service standards</li> <li>· Continue to consult with customers</li> <li>· Strong focus on communicating WSDS and connection to Melbourne Supply system</li> </ul>		
Customer & Community Engagement	Conduct a Customer & Stakeholder Communication Process around outcomes of the revised Water Supply Demand Strategy & Business Case  Review of effectiveness of Customer & Community Engagement Program	Process conducted  Recommendation to Board & implement program
Customer Service Delivery	Meet Customer Charter service standards  ESC Regulatory Audits	100% compliance to be achieved  Audit finds no major compliance issues



Objectives and Priorities	Strategies and Actions	Performance Target 2011/2012
<b>KEY STRATEGIC OBJECTIVE 3: REGIONAL ENHANCEMENT</b>		
Support regional development and the provision of enabling infrastructure		
Servicing small towns	<p>Managing expectations of Councils &amp; Communities for small town sewerage</p> <p>Capital works for Poowong/Loch/Nyora to be completed as per timetable</p>	<p>Ongoing Community Consultation to be implemented as per agreed program</p> <p>Implement works as per agreed program</p>
Planning for growth	<p>Planning &amp; influencing incremental growth in existing towns</p> <p>Promote Council &amp; Community awareness of regional enhancement due to WSDS</p> <p>Monitor actual growth against local government forecasts/SGW forecasts</p> <p>Cooperation with WGCMA Shire Councils</p>	<p>Liaise with Council Planners on incremental growth in existing towns</p> <p>Communicate to Councils &amp; Communities on WSDS &amp; associated regional benefits</p> <p>Variances identified &amp; factored into long term strategies</p> <p>□ Liaison meetings with local shires, CMA &amp; Coastal Board to be held</p>
Regional Opportunities	<p>Promotion of Venus Bay Saline Outfall asset</p> <p>Investigate implications of new major user in Toora wastewater system</p>	<p>Formulate a promotion plan for new entrants into the Venus Bay Saline Outfall</p> <p>Establish &amp; document requirements</p>

Objectives and Priorities	Strategies and Actions	Performance Target 2011/2012
<b>KEY STRATEGIC OBJECTIVE 4: ENVIRONMENTAL SUSTAINABILITY</b> . Manage wastewater systems to optimise the link with the integrated water cycle . Secure sustainable future water resources for customers		
Sustainable Management Principles	Sustainable Management Principles	<input type="checkbox"/> Report to Board on performance against Sustainability Management Policy goals & objectives <input type="checkbox"/> Review Sustainability Management Strategy in preparation for Water Plan 3
Climate Change/Variability	Better understand & respond to climate change/variability <input type="checkbox"/> Actively involved in assessing developments via CSIRO, DSE, VicWater, BoM, etc  <input type="checkbox"/> Secure further water entitlements for system security  <input type="checkbox"/> Pro-active/conservative management of water systems to recognise variability of rainfall patterns  Report on CO2 reduction action plan	<input type="checkbox"/> Half yearly update to Board  <input type="checkbox"/> Purchase additional Yarram groundwater entitlements  <input type="checkbox"/> Storage optimisation ensures best case capacity heading into drawdown  Report to Board with reductions as per program
Long Term Wastewater Strategy - Decommissioning/ reduced reliance on ocean outfalls by 2018	Implement works as per agreed program   Establish future tradewaste & water needs of Burra Foods Promote reuse in Baxter's Beach wastewater system	<input type="checkbox"/> Foster WWTP land purchase made, agreements reached & capital works <input type="checkbox"/> Liaise with communities & construct sewerage schemes as per agreed capital program <input type="checkbox"/> Implement improved wastewater service network reliability as per agreed capital program  Liaise with Burra Foods & agree medium/long term needs Active action with respect to possible reuse agreements
Water Supply Demand Strategy (restriction profile/security of supply)	Develop program to implement WSDS Secure funding to implement Phase 1 of connection of Northern systems to Lance Creek Reservoir & the Melbourne supply system Implement works as per agreed program	Works program developed Funding secured Capital works to be completed
Wastewater quality	Further investigate/implement interim work to assist with compliance for Foster WWTP Meet EPA licence compliance	High focus on progression of Foster WWTP works 100% licence compliance to be achieved

Objectives and Priorities	Strategies and Actions	Performance Target 2011/2012
<b>KEY STRATEGIC OBJECTIVE 5: ORGANISATION CULTURE AND DEVELOPMENT</b> <ul style="list-style-type: none"> <li>Support and retain staff by providing information &amp; enhanced knowledge, systems &amp; resources to ensure continued quality performance</li> <li>Continue working with staff to ensure a healthy, safe &amp; rewarding work environment</li> </ul>		
Resourcing – quantity & quality	Resourcing for service delivery  Review Consulting Engineering Services Model performance  Investigate options for industry resource sharing & partnerships	Suitable internal staff & external contract resources engaged on listed projects  Annual review submitted to Board  Involvement in at least two projects
Occupational Health & Safety	Develop & maintain an accredited OH&S Management System  Improve contractor OH&S focus	OH&S accreditation maintained  Improved focus by contractors to be demonstrated by improved annual survey results
Environmental Management	Develop & maintain an accredited Environmental Management System (EMS)  Improve staff / contractor EMS culture	EMS accreditation maintained  Cultural change to be demonstrated by improved annual survey results
<b>KEY STRATEGIC OBJECTIVE 6: MANAGEMENT OF ASSETS</b> <ul style="list-style-type: none"> <li>Utilise the asset management system to improve knowledge &amp; asset performance</li> </ul>		
Asset Maintenance & Replacement	Move towards full utilisation of asset management systems	<input type="checkbox"/> Complete review of Asset Management Strategy, including implementation of organisational resources  <input type="checkbox"/> Upgrade of Asset Management system implemented
Asset Condition & Valuation	Condition assessment & revaluation of infrastructure assets	Backfill June 30 2011 asset valuation to discrete asset hierarchy in order to match business expectations

Objectives and Priorities	Strategies and Actions	Performance Target 2011/2012
<b>KEY STRATEGIC OBJECTIVE 7: GOVERNANCE, REGULATION AND COMPLIANCE</b> . Maintain our commitment to achieve the highest standards of compliance, financial sustainability & performance of the organisation, through sound and prudent governance		
Board governance	Train & inform Board & Senior Managers on appropriate & effective governance information  Regulatory obligations  Water Act review	<input type="checkbox"/> All Directors to undergo training in line with established program  <input type="checkbox"/> Senior Management training in line with established program  Establish regular Board information briefings with DSE, DTF, etc  Understand & respond to the implications of the Water Act review & related legislative changes
Long Term Planning	Revise works program to reflect WSDS & connection to the Melbourne supply system <input type="checkbox"/> Works & timelines  <input type="checkbox"/> Corporate	<input type="checkbox"/> Fully scope & cost works, finalise timelines & perform works  <input type="checkbox"/> Understand & secure external funding
Preparation & Development of Water Plan 3	Finalise planning & commence actions in order to submit a comprehensive Water Plan 3 in 2012	Meet timelines for actions
Major compliance issues	Regular Board reporting on compliance with: <input type="checkbox"/> Statement of Obligations compliance  <input type="checkbox"/> Corporate Plan  Meet reporting requirements re: <input type="checkbox"/> Board Performance  <input type="checkbox"/> Corporate Plan  <input type="checkbox"/> Annual Report	<input type="checkbox"/> Meet timelines for actions, with favourable ESC audit re SoO's  <input type="checkbox"/> Meet standards & timelines for actions  <input type="checkbox"/> Meet standards & timelines for actions  <input type="checkbox"/> Meet standards & timelines for actions  <input type="checkbox"/> Meet standards & timelines for actions
Capital expenditure	Capital works	Deliver Capex Program within controllable parameters on time & within budget

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## 7. Material Changes from Previous Corporate Plan

Material changes from the 2010/11 to 2014/15 Corporate Plan include:

- A re-scoping of the timing of works to implement the Corporation's Water Supply Demand Strategy. That is, the recognition of the existing Melbourne water connection and the utilisation of the Lance Creek Reservoir in conjunction with that water to supply the Corporations Northern and Southern towns;
- Continuing reduced revenue from the water volumetric tariff due to lower average consumption, predominately as a result of the behavioural response to restrictions from both residential and non-residential customers;
- Capital expenditure variations as a result of reprioritisation and the revised Water Supply Demand Strategy outcomes;
- No other material changes.

## 8. Major Risks

### 8.1 Implementing the Water Supply Demand Strategy for Northern Towns

The State Government decision to construct a desalination plant at Wonthaggi and an 82 kilometre pipeline to the metropolitan supply system has made connection to the Melbourne supply system a viable option for South Gippsland Water.

The revised Water Supply Demand Strategy and associated Business Case analysis recognised the Melbourne supply system connection as an obvious future water supply option. It also identified the preferred option for the region is the utilisation of the Lance Creek Reservoir in conjunction with Melbourne supply system to supply both the Corporation's Southern and Northern systems.

This decision was taken on the basis of the long term cost, efficiency and security of supply over the 50 year period of the Water Supply Demand Strategy. This strategy will, however, require a major injection of capital funds to provide internal transfer mains to connect the Lance Creek Reservoir /Melbourne supply system to the various Northern systems.

South Gippsland Water is currently seeking Government funding to cover part of the costs of the infrastructure in order to take up this opportunity to gain leverage for the South Gippsland region from the Melbourne supply system. There is a risk that these funds (\$19 Million) will not be secured. In such circumstance, the Corporation would need to pursue other avenues of funding or review the financial sustainability of the project in this light.

### 8.2 Interim Security of Supply (Transition to Melbourne supply system)

South Gippsland Water will now begin to progress its revised Water Supply Demand Strategy capital works program, which when implemented will ensure a secure long term reliable water supply for the South Gippsland region and that it will continue to meet all quality and health standards.

As set out in this Corporate Plan, a major part of the capital works, including major pipe interconnections, will be constructed over the coming years.

In the interim, South Gippsland Water will need to ensure that existing short term measures are maintained / put in place until the permanent long term augmentations are completed and commissioned.

It will be critical that the range of infrastructure put in place to help maintain dwindling storages from 2006 to 2009, remains available and operational. This includes ground water from bores, pipes, pumps and storage basins, in order to distribute extra water to both Korumburra and Leongatha if required.

### 8.3 Uncertainty about climate and developing appropriate responses

In response to the uncertainty of climate change/variability, South Gippsland Water reviewed its Water Supply Demand Strategy as a part of its input into the Gippsland Region Sustainable Water Strategy. It contains a detailed analysis of demand and supply options, including growth, demand reduction initiatives, water delivery efficiency and augmentation options for the next 50 years.

South Gippsland Water will endeavour to better understand and monitor the possible impacts of climate change/variability via active involvement in assessing climate developments together with expert and other bodies, i.e. CSIRO, DSE, VicWater, etc.

The Corporation will pursue securing additional water entitlements, finalise its connection to the Melbourne supply system and proactively manage water storages for the benefit of customers.

### 8.4 Reduced revenue due to water restrictions and changes in consumption

In previous Corporate Plans, it has been assumed that there would be a relatively inelastic price effect for water demand, that is, there would be little effect on customer demand as a result of price increases. While this has generally been the case, water reduction strategies such as water efficient shower heads, rebates for water efficient appliances and water tanks have lead to decreased demand and lower revenue over and above expectations. Additionally, extended restriction scenarios have resulted in changed customer habits and further deterioration of revenue streams.

In response, the Corporation has again utilised generally conservative demand estimates in its planning processes. The risk for revenue shortfall is restricted to the remaining length of the regulatory period, i.e. 2 more years. The pricing determination process would then recognise permanent demand effects in terms of pricing for future periods.

### 8.5 Attracting / retaining / resourcing the organisation in the long term

The remote location of the Corporation presents issues with respect to attracting and retaining skilled staff. South Gippsland Water has developed succession planning, staff development and reward models, and recruitment strategies in response. Further, the Corporation has implemented a Consulting Engineering Services Model with consulting engineering company, KBR in order to provide long term security of engineering expertise, including project management.

Further, construction of the Wonthaggi desalination plant has had an impact on internal and external resources at all levels within the organisation. South Gippsland Water will utilise its current strategies and take a continuing watching brief in this regard.

## 8.6 Uncertainty of demand for water from Murray Goulburn

Murray Goulburn has been a major consumer of water resources in recent years. Murray Goulburn production variations together with a possible return to dryer climatic conditions present real risks to the Leongatha water supply system.

Murray Goulburn previously announced major capital investment into water saving technologies with bold predictions on water reduction, however, commodity market conditions have impacted on its ability to deliver the later stages of its envisaged savings.

If Murray Goulburn is unable to develop its options as planned, South Gippsland Water's supplies will continue to be pressured in order to meet demand.

In response, South Gippsland Water has developed winter harvesting options in terms of addressing relative unknowns in 2011/12 and beyond. In addition, the future connection of Leongatha to the Melbourne water supply via Lance Creek will be paramount in mitigating this risk.

## 8.7 Failure to deliver capital program / projects on time / on budget

South Gippsland Water is focussed on delivering its capital works program in an efficient and timely manner. Possible impacts of not delivering an efficient capital works program include regulatory non-compliance, customer dissatisfaction with service delivery, cost blowouts, an inappropriate pricing path, etc.

As such, the Corporation has implemented various capital works policies and procedures, cash flow forecasting and monitoring, monthly and quarterly reporting to Board and a has entered into a Consulting Engineering Support Model with KBR in order to ensure appropriate engineering expertise can be accessed as required.



## 9. Financial Details

### 9.1 Summary of Financial Projections

The Corporation's financial projections (specifically capital expenditure) are now significantly different to those approved by the ESC in the 2008. However, the securing of Government funding to pay for the Melbourne supply system connection infrastructure will ensure that pricing is still appropriate in terms of the Water Plan to 2012/13.

South Gippsland Water will be implementing a significant capital expenditure program with operating costs from the Melbourne supply system connection to commence from 2016/17 (outside the Corporate Plan period). The capital program is \$89.3 million over the 5 year period including \$19 million funded via yet to be identified government sources.

Revenue is largely in line with Water Plan estimates with some "swings and roundabouts" with respect to water consumption (unfavourable) and fees and charges (favourable). The most material variation relates to lower capital income from development activity (over \$0.5 million p.a.) as a result of a slowdown in economic activity.

Operating expenditure is also generally consistent with the Water Plan. South Gippsland Water will continue to look to minimise operating costs and achieve operating efficiencies in line with the commitments made in its Water Plan. The current Enterprise Bargaining Consultative Committee has assisted in identifying areas for focus. These include:

- Commitments to absorb customer growth;
- After Hours response improvements;
- Telemetry improvements; and
- Pipe rehabilitation initiatives

Overall, South Gippsland Water is aiming to make small accounting surpluses, buoyed by government contributions with respect to funding for the Melbourne supply system connection over the Corporate Plan period.

## 9.2 Operating Statement

**Table 9.2(a): Revenue & Expense Details**

Revenue and Expense Detail	(\$000s)					
	Year 0 2010-11	Year 1 2011-12	Year 2 2012-13	Year 3 2013-14	Year 4 2014-15	Year 5 2015-16
<b>REVENUE FROM CORE BUSINESS</b>						
Bulk Water Fixed Charges to other Corporations	0	0	0	0	0	0
Bulk Water Charges	0	0	0	0	0	0
Urban Water Supply:						
Service / Fixed	5,821	6,128	6,525	7,563	8,158	8,818
residential	5,157	5,434	5,785	6,699	7,219	7,799
non-residential	664	694	740	864	939	1,019
Usage/volumetric	6,484	6,943	7,529	8,563	9,264	9,865
residential	4,104	4,680	5,108	5,790	6,311	6,746
non-residential	2,380	2,263	2,421	2,773	2,953	3,119
Urban Wastewater:						
Service / Fixed	7,011	7,361	7,768	8,135	8,768	9,450
residential	6,145	6,487	6,853	7,185	7,752	8,363
non-residential	866	874	915	950	1,016	1,087
Usage/volumetric	0	0	0	0	0	0
residential	0	0	0	0	0	0
non-residential	0	0	0	0	0	0
Trade Waste Revenue by Agreement	2,250	2,175	2,148	2,203	2,259	2,590
Recycled Water	0	0	0	0	0	0
Service/Fixed Charges	0	0	0	0	0	0
Usage / Volumetric Charges	0	0	0	0	0	0
<b>TOTAL REVENUE FROM FEES &amp; CHARGES</b>	<b>21,567</b>	<b>22,607</b>	<b>23,970</b>	<b>26,464</b>	<b>28,449</b>	<b>30,724</b>
<b>OPERATING, MAINTENANCE &amp; ADMINISTRATION EXPENSES</b>						
Operating and Maintenance Expense	10,515	10,299	10,772	10,794	11,240	12,073
Administration Expense	3,871	4,016	4,167	4,323	4,485	4,653
<b>TOTAL OMA EXPENSES:</b>	<b>14,386</b>	<b>14,315</b>	<b>14,939</b>	<b>15,117</b>	<b>15,725</b>	<b>16,726</b>

**Table 9.2(b): Operating Statement**

	(\$000s)					
<b>Financial projections</b>	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
<b>OPERATING STATEMENT (PROFIT/LOSS)</b>						
<b>Income</b>						
Service Charges	15,083	15,664	16,441	17,901	19,185	20,859
Usage Charges	6,484	6,943	7,529	8,563	9,264	9,865
Developer Contributions	616	630	646	662	679	696
Developer Contributions - Gifted Assets	1,067	1,025	1,051	1,077	1,104	1,132
Temporary trade of Bulk Entitlements	0	0	0	0	0	0
Government Contributions / Grants	950	1,000	1,000	4,000	8,000	5,000
Investment Interest	75	15	15	15	15	15
Other Revenue	754	613	474	486	499	897
<b>Total Income</b>	<b>25,029</b>	<b>25,890</b>	<b>27,156</b>	<b>32,704</b>	<b>38,746</b>	<b>38,464</b>
<b>Expenses</b>						
Operations and Maintenance Expenses	10,515	10,299	10,772	10,794	11,240	12,073
Administration Expenses	3,871	4,016	4,167	4,323	4,485	4,653
Environmental Contributions	754	754	754	904	904	904
Borrowing Costs / Interest Expense	2,020	2,649	3,305	4,318	4,973	5,263
Depreciation and Amortisation	6,155	7,214	7,317	7,609	8,093	8,451
Other Expenses	0	0	0	0	0	0
<b>Total Expenses</b>	<b>23,315</b>	<b>24,932</b>	<b>26,315</b>	<b>27,948</b>	<b>29,695</b>	<b>31,344</b>
<b>NET OPERATING RESULT</b>	<b>1,714</b>	<b>958</b>	<b>842</b>	<b>4,756</b>	<b>9,051</b>	<b>7,120</b>
Profit (Loss) from Disposal of Assets	180	0	0	0	0	0
Income Tax Expense	0	0	0	0	0	0
Dividends Expense	0	0	0	0	0	0
Transfers to/from Reserves	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0
<b>NET PROFIT (LOSS)</b>	<b>1,894</b>	<b>958</b>	<b>842</b>	<b>4,756</b>	<b>9,051</b>	<b>7,120</b>
Retained Profit (Loss) carried forward	73,315	75,209	76,167	77,008	81,764	90,815
<b>Closing Retained Profit (Loss)</b>	<b>75,209</b>	<b>76,167</b>	<b>77,008</b>	<b>81,764</b>	<b>90,815</b>	<b>97,934</b>

## 9.3 Balance Sheet

**Table 9.3: Balance Sheet**

Financial projections	(\$000s)					
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>BALANCE SHEET</b>						
<b>Assets: Current</b>						
Cash on Hand	1,564	1,893	1,532	1,497	1,501	1,486
Cash Investments	0	0	0	0	0	0
Receivables	726	736	758	780	803	826
Less Provision for impaired receivables	(16)	(16)	(16)	(16)	(16)	(16)
Inventories	377	388	400	412	424	439
Prepayments	202	208	214	221	227	234
Other Current Assets	1,716	1,767	1,821	1,875	1,931	1,989
<b>Total current assets</b>	<b>4,569</b>	<b>4,977</b>	<b>4,708</b>	<b>4,769</b>	<b>4,871</b>	<b>4,958</b>
<b>Assets: Non Current</b>						
Infrastructure	197,105	207,722	223,639	247,165	263,344	284,189
less Accumulated Depreciation (-)	0	(6,367)	(12,837)	(19,599)	(26,845)	(34,449)
Infrastructure (written down value)	197,105	201,355	210,802	227,566	236,499	249,740
Capital Works in Progress	6,155	5,918	5,247	5,144	8,523	5,014
Land and Buildings	8,725	9,027	10,831	11,137	11,444	11,753
Plant, Equipment and Motor Vehicles	2,200	2,266	2,334	2,404	2,476	2,550
Total Property, Plant & Equipment	214,185	218,566	229,214	246,251	258,942	269,057
Non current Receivables	13	155	147	139	131	490
Deferred Tax Assets	0	0	0	0	0	0
Non Current Investments	0	0	0	0	0	0
Intangible Assets	0	0	0	0	0	0
Other Non-Current Assets	750	500	300	100	100	100
<b>Total non-current assets</b>	<b>214,948</b>	<b>219,221</b>	<b>229,661</b>	<b>246,490</b>	<b>259,173</b>	<b>269,647</b>
<b>TOTAL ASSETS</b>	<b>219,517</b>	<b>224,198</b>	<b>234,369</b>	<b>251,259</b>	<b>264,044</b>	<b>274,605</b>
<b>Liabilities: Current</b>						
Bank Overdraft	0	0	0	0	0	0
Current Payables	2,445	2,516	2,592	2,669	2,749	2,832
Short Term Borrowings	6,520	7,240	9,080	11,480	12,200	12,860
Finance Lease Liabilities (PPP)	0	0	0	0	0	0
Other Lease Liabilities	0	0	0	0	0	0
Employee Benefit Provision	1,570	1,617	1,666	1,716	1,767	1,820
Other Current Provisions	0	0	0	0	0	0
Other Current Liabilities	500	500	500	500	500	500
<b>Total current liabilities</b>	<b>11,035</b>	<b>11,873</b>	<b>13,837</b>	<b>16,365</b>	<b>17,217</b>	<b>18,012</b>
<b>Liabilities: Non Current</b>						
Long Term Borrowings	26,080	28,960	36,320	45,920	48,800	51,440
Long term Payables	0	0	0	0	0	0
Finance Lease Liabilities (PPP)	0	0	0	0	0	0
Other Lease Liabilities	0	0	0	0	0	0
Long term employee benefit provision	165	170	175	180	186	191
Deferred Tax Liabilities	0	0	0	0	0	0
Other Non-Current Liabilities	0	0	0	0	0	0
<b>Total non-current liabilities</b>	<b>26,245</b>	<b>29,130</b>	<b>36,495</b>	<b>46,100</b>	<b>48,986</b>	<b>51,631</b>
<b>TOTAL LIABILITIES</b>	<b>37,280</b>	<b>41,003</b>	<b>50,332</b>	<b>62,465</b>	<b>66,202</b>	<b>69,643</b>
<b>NET ASSETS</b>	<b>182,237</b>	<b>183,195</b>	<b>184,037</b>	<b>188,793</b>	<b>197,842</b>	<b>204,962</b>
<b>EQUITY</b>						
Government Equity Contributions	0	0	0	0	0	0
Asset Revaluation Reserve	43,775	43,775	43,775	43,775	43,775	43,775
Other Reserves	63,253	63,253	63,253	63,253	63,253	63,253
Accumulated Funds (Losses)	75,209	76,167	77,008	81,764	90,815	97,934
<b>TOTAL EQUITY</b>	<b>182,236</b>	<b>183,194</b>	<b>184,036</b>	<b>188,792</b>	<b>197,842</b>	<b>204,962</b>

## 9.4 Statement of Cash Flows

**Table 9.4: Cash Flow Statement**

(\$000s)						
Financial projections	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>STATEMENT OF CASH FLOWS</b>						
<b>CASH FLOWS FROM OPERATIONS</b>						
<b>Cash Receipts</b>						
Service and Usage Charges Income	21,941	23,078	24,453	26,809	28,956	31,262
Other Customer Revenue	0	0	0	0	0	0
Receipts from Government	950	1,000	1,000	4,000	8,000	5,000
Developer Contributions	616	630	646	662	679	696
GST Refunds from ATO	0	0	0	0	0	0
Investment Income	75	15	15	15	15	15
Other cash receipts	0	0	0	0	0	0
<b>Total Cash Receipts from Operations</b>	<b>23,582</b>	<b>24,723</b>	<b>26,114</b>	<b>31,486</b>	<b>37,650</b>	<b>36,973</b>
<b>Cash Payments</b>						
Payments to suppliers and employees	(14,386)	(14,315)	(14,939)	(15,117)	(15,725)	(16,726)
Interest and other costs of finance paid	(2,020)	(2,649)	(3,305)	(4,318)	(4,973)	(5,263)
Operating Lease Payments	0	0	0	0	0	0
GST Paid to ATO	0	0	0	0	0	0
Income Tax Payments	0	0	0	0	0	0
Environmental Contributions	(754)	(754)	(754)	(754)	(904)	(904)
Other Payments	0	0	0	0	0	0
<b>Total Cash Payments for Operations</b>	<b>(17,160)</b>	<b>(17,718)</b>	<b>(18,998)</b>	<b>(20,189)</b>	<b>(21,602)</b>	<b>(22,893)</b>
<b>Net Cash Inflow (Outflow) from Operations:</b>	<b>6,422</b>	<b>7,005</b>	<b>7,116</b>	<b>11,297</b>	<b>16,048</b>	<b>14,080</b>
<b>CASH FLOWS TO INVESTING ACTIVITIES</b>						
Proceeds from Redemption of Investments	0	0	0	0	0	0
Payments for Infrastructure Assets	(9,607)	(8,535)	(15,015)	(22,150)	(18,440)	(16,210)
Payments for Property, Plant & Equipment	(1,814)	(2,085)	(2,016)	(1,544)	(1,577)	(1,569)
Payments for Intangible Assets	(30)	(30)	(30)	(30)	(30)	(30)
Proceeds from Sale of Assets	560	374	383	393	403	414
<b>Net Cash Inflow (Outflow) for Investment:</b>	<b>(10,891)</b>	<b>(10,276)</b>	<b>(16,678)</b>	<b>(23,331)</b>	<b>(19,644)</b>	<b>(17,395)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from Borrowings	5,000	3,600	9,200	12,000	3,600	3,300
Proceeds from Government Equity Contbns	0	0	0	0	0	0
Repayment of Borrowing / Overdraft	0	0	0	0	0	0
PPP Finance Lease Payments	0	0	0	0	0	0
Payment of Dividends	0	0	0	0	0	0
<b>Net Cash Inflow (Outflow) from Financing:</b>	<b>5,000</b>	<b>3,600</b>	<b>9,200</b>	<b>12,000</b>	<b>3,600</b>	<b>3,300</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>531</b>	<b>329</b>	<b>(362)</b>	<b>(34)</b>	<b>4</b>	<b>(15)</b>
Cash held at the beginning of the year	1,033	1,564	1,893	1,531	1,497	1,501
Cash held at the end of the year	1,564	1,893	1,531	1,497	1,501	1,486
Cash per balance sheet	1,564	1,893	1,532	1,497	1,501	1,486

## 9.5 Financial Performance Indicators

Table 9.5: Financial Performance Indicators

	(\$000s)					
Financial projections	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
<b>FINANCIAL PERFORMANCE INDICATORS</b>						
<b>SHORT TERM LIQUIDITY INDICATORS</b>						
Current Assets	4,569	4,977	4,708	4,769	4,871	4,958
Current Liabilities	11,035	11,873	13,837	16,365	17,217	18,012
<b>Working Capital (\$'000s)</b>	<b>(6,466)</b>	<b>(6,896)</b>	<b>(9,129)</b>	<b>(11,596)</b>	<b>(12,345)</b>	<b>(13,054)</b>
<b>Working Capital Ratio (%)</b>	<b>41.4%</b>	<b>41.9%</b>	<b>34.0%</b>	<b>29.1%</b>	<b>28.3%</b>	<b>27.5%</b>
<b>PROFITABILITY INDICATORS</b>						
Earnings Before Net Interest and Tax	3,659	3,592	4,132	9,059	14,009	12,368
Total Revenue from Fees & Charges	21,567	22,607	23,970	26,464	28,449	30,724
Total OMA (incl Env Contbn) Expenses	15,140	15,069	15,693	16,021	16,629	17,630
Total Income	25,029	25,890	27,156	32,704	38,746	38,464
Total Assets at start of reporting period	172,071	219,517	224,198	234,369	251,259	264,044
Total Assets at end of reporting period	219,517	224,198	234,369	251,259	264,044	274,605
Average Total Assets	195,794	221,858	229,284	242,814	257,651	269,325
* <b>Return on Assets (%)</b>	<b>1.9%</b>	<b>1.6%</b>	<b>1.8%</b>	<b>3.7%</b>	<b>5.4%</b>	<b>4.6%</b>
<b>Gross Operating Margin (%)</b>	<b>29.8%</b>	<b>33.3%</b>	<b>34.5%</b>	<b>39.5%</b>	<b>41.5%</b>	<b>42.6%</b>
<b>Net Profit Margin (%)</b>	<b>14.6%</b>	<b>13.9%</b>	<b>15.2%</b>	<b>27.7%</b>	<b>36.2%</b>	<b>32.2%</b>
<b>DEBT SERVICING INDICATORS</b>						
Net Interest Expense (income)	1,945	2,634	3,290	4,303	4,958	5,248
Net Operating Cash Before Net Interest and Tax	8,367	9,639	10,406	15,600	21,006	19,328
Net Interest Payments (receipts)	1,945	2,634	3,290	4,303	4,958	5,248
* <b>Cash Interest Coverage (times)</b>	<b>4.3</b>	<b>3.7</b>	<b>3.2</b>	<b>3.6</b>	<b>4.2</b>	<b>3.7</b>
* <b>Long term Interest Coverage (times)</b>	<b>1.9</b>	<b>1.4</b>	<b>1.3</b>	<b>2.1</b>	<b>2.8</b>	<b>2.4</b>
<b>LONG TERM VIABILITY INDICATORS</b>						
Total Debt	32,600	36,200	45,400	57,400	61,000	64,300
Total Equity	182,236	183,194	184,036	188,792	197,842	204,962
* <b>Asset Gearing ratio (%)</b>	<b>14.9%</b>	<b>16.1%</b>	<b>19.4%</b>	<b>22.8%</b>	<b>23.1%</b>	<b>23.4%</b>
<b>Internal Financing Ratio (%)</b>	<b>56.2%</b>	<b>66.0%</b>	<b>41.8%</b>	<b>47.7%</b>	<b>80.2%</b>	<b>79.2%</b>
<b>Debt to Equity (%)</b>	<b>17.9%</b>	<b>19.8%</b>	<b>24.7%</b>	<b>30.4%</b>	<b>30.8%</b>	<b>31.4%</b>
<b>OWNERS RETURN INDICATOR</b>						
Net Profit (Loss)	1,894	958	842	4,756	9,051	7,120
Total Equity at start of reporting period	140,265	182,236	183,194	184,036	188,792	197,842
Average Total Equity	161,251	182,715	183,615	186,414	193,317	201,402
<b>Return on Equity (%)</b>	<b>1.2%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>2.6%</b>	<b>4.7%</b>	<b>3.5%</b>
<b>EFFICIENCY INDICATORS</b>						
Total credit sales revenue	22,183	23,237	24,616	27,126	29,128	31,420
Accounts Receivable at start of period	2,615	726	736	758	780	803
Accounts Receivable at end of period	726	736	758	780	803	826
Average Accounts Receivable	1,671	731	747	769	791	815
Net Cash from operations	6,422	7,005	7,116	11,297	16,048	14,080
Total Operating Cash Receipts	23,582	24,723	26,114	31,486	37,650	36,973
<b>Accounts Receivable Turnover (days)</b>	<b>27</b>	<b>11</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>9</b>
<b>Operating Cash Flow Efficiency (%)</b>	<b>27.2%</b>	<b>28.3%</b>	<b>27.2%</b>	<b>35.9%</b>	<b>42.6%</b>	<b>38.1%</b>

## 9.6 Capital Expenditure Forecasts

Table 9.6: Capital Expenditure Forecasts

<b>Capital Program</b>											
<b>\$ '000s</b>											
<i>(excluding Developer Contributions - Gifted Assets)</i>											
<b>Capital Expenditure:</b>	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>All Projects</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
<b>TOTALS</b>	<b>11,451</b>	<b>10,650</b>	<b>17,061</b>	<b>23,744</b>	<b>20,047</b>	<b>17,809</b>	<b>12,759</b>	<b>13,139</b>	<b>12,195</b>	<b>12,207</b>	<b>12,377</b>
<b>Wholesale Bulk Water</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Headworks</b>	1,490	1,545	2,055	11,150	9,020	9,600	1,880	3,500	2,820	5,940	6,463
<b>Retail Urban Water:</b>	1,685	2,055	1,240	1,000	1,850	2,150	1,950	2,420	1,760	1,370	1,050
water resources	235	390	-	-	-	350	-	-	-	-	-
reticulation	1,072	600	550	550	700	1,650	1,800	2,270	1,610	1,100	900
treatment	378	1,065	690	450	1,150	150	150	150	150	270	150
<b>Retail Wastewater:</b>	6,432	4,935	11,720	10,000	7,570	4,460	7,300	5,600	5,965	3,300	3,200
treatment	5,122	2,560	7,220	4,130	2,725	160	2,500	800	2,000	100	-
reticulation	1,310	2,375	4,500	5,890	4,845	4,300	4,800	4,800	3,965	3,200	3,200
<b>Recycled Water</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Irrigation - Gravity</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Irrigation - Pumped</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Groundwater</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Diversions</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Domestic &amp; Stock</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Drainage</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Corporate</b>	1,814	2,085	2,016	1,544	1,577	1,569	1,599	1,589	1,620	1,567	1,634
<b>Intangibles</b>	30	30	30	30	30	30	30	30	30	30	30
<b>Other</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Capital Expenditure: Renewal / Replacement</b>											
<b>TOTALS</b>	<b>4,495</b>	<b>5,330</b>	<b>5,721</b>	<b>5,794</b>	<b>8,475</b>	<b>7,645</b>	<b>9,873</b>	<b>8,261</b>	<b>8,765</b>	<b>5,587</b>	<b>5,555</b>
<b>Wholesale Bulk Water</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Headworks</b>	75	60	55	600	3,150	-	-	-	-	-	-
<b>Retail Urban Water:</b>	960	1,335	1,240	1,000	1,850	2,000	1,800	2,050	1,510	1,050	1,050
water resources	235	390	-	-	-	350	-	-	-	-	-
reticulation	522	550	550	550	700	1,500	1,650	1,900	1,360	900	900
treatment	203	395	690	450	1,150	150	150	150	150	150	150
<b>Retail Wastewater:</b>	1,900	2,630	3,200	2,970	2,220	4,400	6,800	4,950	5,965	3,300	3,200
treatment	640	655	700	100	50	100	2,000	150	2,000	100	-
reticulation	1,260	1,975	2,500	2,870	2,170	4,300	4,800	4,800	3,965	3,200	3,200
<b>Recycled Water</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Irrigation - Gravity</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Irrigation - Pumped</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Groundwater</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Diversions</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Domestic &amp; Stock</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Drainage</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Corporate</b>	1,530	1,275	1,196	1,194	1,225	1,215	1,243	1,231	1,260	1,207	1,275
<b>Intangibles</b>	30	30	30	30	30	30	30	30	30	30	30
<b>Other</b>	-	-	-	-	-	-	-	-	-	-	-

## 9.7 Service Standards and Key Performance Indicators

**Table 9.7: ESC Service Standards**

### **SOUTH GIPPSLAND WATER - Service Standards 1 July 2011 to 30 June 2016**

	2010-11 Est.	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Water</b>						
Unplanned water supply interruptions (per 100km)	20.0	28.0	28.0	28.0	28.0	28.0
Average time taken to attend bursts and leaks (priority 1)	23.0	30.0	30.0	30.0	30.0	30.0
Average time taken to attend bursts and leaks (priority 2)	27.0	40.0	40.0	40.0	40.0	40.0
Average time taken to attend bursts and leaks (priority 3)	500.0	1440.0	1440.0	1440.0	1440.0	1440.0
Unplanned water supply interruptions restored within 5 hours (per cent)	100.0	99.0	99.0	99.0	99.0	99.0
Planned water supply interruptions restored within 5 hours (per cent)	99.0	99.0	99.0	99.0	99.0	99.0
Average unplanned customer minutes off water supply	20.0	33.0	33.0	33.0	33.0	33.0
Average planned customer minutes off water supply	40.0	150.0	150.0	150.0	150.0	150.0
Average unplanned frequency of water supply interruptions	0.20	0.33	0.33	0.33	0.33	0.33
Average planned frequency of water supply interruptions	0.30	0.50	0.50	0.50	0.50	0.50
Average duration of unplanned water supply interruptions (minutes)	110.0	100.0	100.0	100.0	100.0	100.0
Average duration of planned water supply interruptions (minutes)	200.0	300.0	300.0	300.0	300.0	300.0
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	14.0	14.0	14.0	14.0	14.0	14.0

#### **Sewerage**

Sewerage blockages (per 100km)	10.0	18.0	18.0	18.0	18.0	18.0
Average time to attend sewer spills and blockages (minutes)	17.0	30.0	30.0	30.0	30.0	30.0
Average time to rectify a sewer blockage (minutes)	50.0	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	1.0	1.1	1.1	1.1	1.1	1.1
Telephone calls answered within 30 seconds	99.0	98.0	98.0	98.0	98.0	98.0

#### **Minimum flow rates**

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

#### **Additional Service Standards**

Recycled water target (% reused)	3.0	2.0	2.0	2.0	2.0	2.0
Biosolids reuse (% reused)	0.0	2.0	5.0	5.0	5.0	5.0
Small Town Sewerage Scheme connections (no. of)	0.0	2.0	2.0	2.0	2.0	2.0
Environmental discharge indicator (per cent)	95.0	100.0	100.0	100.0	100.0	100.0
Drinking water quality indicators (per cent)	99.5	100.0	100.0	100.0	100.0	100.0



As a part of the revised 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.

### Ministerial Reporting Directions – Performance Indicators

Table 9.8(a) - FINANCIAL PERFORMANCE INDICATORS

	Performance Indicator	2009-10 Result	2010-11 Est. Result	2011-12 Target
<b>F1</b>	<b>Internal Financing Ratio</b>  (Net operating cash flow – dividends) / Capital expenditure	64.1%	56.2%	66.0%
<b>F2</b>	<b>Gearing Ratio</b>  Total debt (including finance leases) / total assets	16.0%	14.9%	16.1%
<b>F3</b>	<b>Interest Cover (EBIT)</b>  Earnings before net interest and tax expense / net interest expense	3.4 times	1.9 times	1.4 times
<b>F4</b>	<b>Interest Cover (Cash)</b>  Cash flow from operations before net interest and tax payments / net interest payments	4.3 times	4.3 times	3.7 times

**Table 9.8(b) – SERVICE PERFORMANCE INDICATORS**  
(Whole of Business)

	<b>Performance Indicator</b> <i>Performance measures as per ESC definitions</i>	<b>2009-10 Result</b>	<b>2010-11 Est. Result</b>	<b>2011-12 Target</b>
<b>S1</b>	<b>Water supply interruptions</b>			
S1.1	Number of customers receiving more than 5 unplanned interruptions in the year	0.0%	0.0%	0.0%
<b>S2</b>	<b>Interruption time indicators</b>			
S2.1	Average duration of unplanned water supply interruptions	92 minutes	110 minutes	100 minutes
<b>S3</b>	<b>Restoration of water supply</b>			
S3.1	Unplanned water supply interruptions restored within 5 hours	100.0%	100.0%	99.0%
<b>S4</b>	<b>Reliability of sewerage collection services</b>			
S4.1	Sewer spills from reticulation and branch sewers (priority 1 and 2)	37	35	35
<b>S5</b>	<b>Containment of sewer spillages</b>			
S5.1	Sewerage spills contained within 5 hours	100.0%	100.0%	100.0%
<b>S6</b>	<b>Customer complaints indicators</b>			
S6.1	Water quality complaints per 1000 customers	4.3	7.3	8.0
S6.2	Sewerage service quality and reliability complaints per 1000 customers	0.1	0.1	0.1
S6.3	Billing complaints per 1000 customers	0.8	0.9	1.0
S6.4	Sewage odours complaints per 1000 customers	0.1	0.5	0.7

**Table 9.8(c) - ENVIRONMENTAL PERFORMANCE INDICATORS**  
(Whole-of-Business)

	<b>Performance Indicator</b> <i>Performance measures as per ESC definitions</i>	<b>2009-10 Result</b>	<b>2010-11 Est. Result</b>	<b>2011-12 Target</b>
<b>E1</b>	<b>Reuse indicators</b>			
E1.1	Effluent reuse (volume)	3.5%	2.8%	2.0%
E1.2	Biosolids reuse (dry mass)	0.0%	0.0%	0.0%
<b>E2</b>	<b>Sewage treatment standards</b>			
E2.1	Number of analyses complying with licence agreements as % of samples.	95.8%	96.0%	100.0%

## 9.8 Statement of Prices & Tariffs as determined by the ESC - 1 July 2011 – 30 June 2016

Tariffs for 2011/12 and 2012/13 are as per the ESC's final determination.

Tariffs for 2013/14 and 2015/16 see significant increases for core water services in order to meet the challenges of implementing a \$89.3M capital expenditure program even with an assumed \$19M injection of government funding with respect to connecting Northern towns to the Melbourne supply system via the Lance Creek Reservoir.

Real tariffs and increases for core services for the plan period are forecast in Table 9.10 below.

**Table 9.9: Forecast Real (2011/12 prices) Core Water and Wastewater Tariffs**

<b>WATER TARIFFS</b>	<u>2011/12</u>		<u>2011/12</u>		<u>2013/14</u>		<u>2014/15</u>		<u>2015/16</u>	
<b>EAST / WEST AREA</b>										
Service Charge	<u>\$ p.a.</u>	<u>% Var'n</u>	<u>\$ p.a.</u>	<u>% Var'n</u>	<u>\$ p.a.</u>	<u>% Var'n</u>	<u>\$ p.a.</u>	<u>% Var'n</u>	<u>\$ p.a.</u>	<u>% Var'n</u>
1. General Tariff	286.54	4.0%	298.00	4.0%	341.62	14.6%	364.94	6.8%	388.06	6.3%
2. Vacant Land	286.54	4.0%	298.00	4.0%	341.62	14.6%	364.94	6.8%	388.06	6.3%
3. Agreements	260.64	4.0%	271.06	4.0%	310.73	14.6%	331.95	6.8%	348.16	4.9%
4. Concessional	235.65	3.7%	244.37	3.7%	282.52	15.6%	301.81	6.8%	322.43	6.8%
<b>SOUTHERN AREA</b>										
Service Charge	<u>\$ p.a.</u>	<u>% Var'n</u>	<u>\$ p.a.</u>	<u>% Var'n</u>	<u>\$ p.a.</u>	<u>% Var'n</u>	<u>\$ p.a.</u>	<u>% Var'n</u>	<u>\$ p.a.</u>	<u>% Var'n</u>
1. General Tariff	343.21	1.1%	346.99	1.1%	377.46	8.8%	381.14	1.0%	388.06	1.8%
2. Vacant Land	343.21	1.1%	346.99	1.1%	377.46	8.8%	381.14	1.0%	388.06	1.8%
3. Agreements	308.40	1.1%	311.79	1.1%	339.16	8.8%	342.48	1.0%	348.16	1.7%
4. Concessional	235.65	3.7%	244.37	3.7%	282.52	15.6%	301.81	6.8%	322.43	6.8%
Volume Charge	<u>c per kL</u>	<u>% Var'n</u>	<u>c per kL</u>	<u>% Var'n</u>	<u>c per kL</u>	<u>% Var'n</u>	<u>c per kL</u>	<u>% Var'n</u>	<u>c per kL</u>	<u>% Var'n</u>
Overall Usage	1.5117	6.1%	1.6039	6.1%	1.7900	11.6%	1.8600	3.9%	1.9300	3.8%
MG	1.8379	6.1%	1.9500	6.1%	2.1800	11.8%	2.2600	3.7%	2.3500	4.0%
<b>WASTEWATER TARIFFS</b>										
Service Charge	<u>\$ p.a.</u>	<u>% Var'n</u>	<u>\$ p.a.</u>	<u>% Var'n</u>	<u>\$ p.a.</u>	<u>% Var'n</u>	<u>\$ p.a.</u>	<u>% Var'n</u>	<u>\$ p.a.</u>	<u>% Var'n</u>
1. General Tariff	434.22	1.7%	441.60	1.7%	445.92	1.0%	463.32	3.9%	481.39	3.9%
2. Vacant Land	254.87	1.7%	259.21	1.7%	261.73	1.0%	271.95	3.9%	282.56	3.9%

The reluctant percentage increases from 2013/14 are significant and are primarily as a result of the extensive capital expenditure program. It is estimated that the envisaged government funding of \$19M will subsidise customers of an approximate further 10% of tariff increase in 2013/14.

Obviously customers will need to be informed and made aware of tariffs and resulting benefits of Corporate Plan initiatives, including implementation of the first stage of Water Supply Demand Strategy works, and this will be a major part of deliverables during 2011/12.

**Table 9.10: Scheduled Prices & Tariffs**

Tariff and Price Component \$, 1/1/10	Price (1 July 2011)	PPM 2012/13	CPI 2012/13
<b>1.1 Water access fees (per annum)</b>			
<b>East/West District</b>			
Access fee – Developed	285.51	4.0%	2.5%
Access fee – Undeveloped	285.51	4.0%	2.5%
Access fee – Agreements	256.19	4.0%	2.5%
Access fee – Concessional	234.72	3.7%	2.5%
<b>Southern District</b>			
Access fee – Developed	341.97	1.1%	2.5%
Access fee – Undeveloped	341.97	1.1%	2.5%
Access fee – Agreements	307.18	1.1%	2.5%
Access fee – Concessional	234.72	3.7%	2.5%
<b>1.2 Water usage charges (per kL)</b>			
Volumetric fee – Murray Goulburn	1.8308	6.1%	2.5%
Volumetric fee – All others	1.5020	6.1%	2.5%
<b>1.3 Sewerage access fees (per Residential and non-residential)</b>			
Access fee – Developed	432.60	1.7%	2.5%
Access fee – Undeveloped	253.95	1.7%	2.5%
<b>1.4 Cistern access fees (per annum)</b>			
1-2 Cisterns	140.15	1.7%	2.5%
3-5 Cisterns	368.92	1.7%	2.5%
6-10 Cisterns	713.97	1.7%	2.5%
11-15 Cisterns	1,143.17	1.7%	2.5%
16-20 Cisterns	1,906.26	1.7%	2.5%
21-26 Cisterns	2,728.26	1.7%	2.5%
27-35 Cisterns	3,343.98	1.7%	2.5%
36–Greater Cisterns	3,820.93	1.7%	2.5%
<b>Volume Charge – (per kL)</b>			
Volume Charge	1.5020	6.1%	2.5%
<b>1.5 Minor trade waste fees</b>			
<b>Application fees (per application)</b>			
Category 1	107.69	0.0%	2.5%
Category 2	172.30	0.0%	2.5%
Category 3	315.53	0.0%	2.5%
<b>Access fees (per annum)</b>			
Access fee – Category 1	507.60	14.0%	2.5%
Access fee – Category 2	674.16	14.0%	2.5%
Access fee – Category 3	836.42	14.0%	2.5%
<b>Volumetric fees (per kL)</b>			
All Categories	0.6881	15.6%	2.5%
<b>Quality fees (per kg)</b>			
BOD	0.5274	13.0%	2.5%
SS	0.4874	14.0%	2.5%
Nitrogen	2.2033	14.1%	2.5%
Phosphorus	12.5722	14.0%	2.5%
<b>Additional sampling (per sample)</b>			
All Categories	Actual Cost	N/A	N/A
<b>Exceedence fees (per kg)</b>			
Oil & Grease	0.0915	0.0%	2.5%
Sodium	0.0915	0.0%	2.5%
TOS	0.6407	0.0%	2.5%

\* Years 3, 4 & 5 (2013/14, 2014/15 & 2015/16) Price Movement (PPM) is outside the current ESC Price Determination. Refer Table 9.9 for forecast core water and wastewater services. Non-core services are forecast to increase with CPI.

Tariff and Price Component \$, 1/1/10	Price (1 July 2011)	PPM 2012/13	CPI 2012/13
<b>1.6 New customer contributions</b>			
<b>Water</b>			
Category One Lot < 450 sq m	592.29	0.0%	2.5%
Category Two Lot 450 - 1350 sq m	1,184.58	0.0%	2.5%
Category Three Lot size > 1350 sq	2,369.16	0.0%	2.5%
<b>Sewer</b>			
Category One Lot < 450 sq m	592.29	0.0%	2.5%
Category Two Lot 450 - 1350 sq m	1,184.58	0.0%	2.5%
Category Three Lot size > 1350 sq	2,369.16	0.0%	2.5%
<b>1.7 Miscellaneous fees and charges</b>			
<b>Property information statements</b> <i>Fee imposed for providing a certificate issued in accordance with Section 158 of the, Water Act 1989.</i>	44.69	0.0%	2.5%
<b>Special meter readings</b> <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>	22.61	0.0%	2.5%
<b>As constructed charge</b> <i>As constructed charge</i>	61.81	0.0%	2.5%
<b>20mm Tapping Fee</b> <i>Fee imposed for meter and labour associated in providing a tapping to the water main.</i>	339.22	0.0%	2.5%
<b>Plumbing Industry Commission (PIC) Fee</b> <i>Fee imposed for providing sewer plans and processing applications to connect or modify plumbing.</i>	190.61	0.0%	2.5%
<b>Standpipe Water Sales (per kL)</b> <i>Fee imposed for the sale of water via a metered standpipe.</i>			
- Registered Users	300% of volumetric fee	6.1%	2.5%
- Unregistered Users	400% of volumetric fee	6.1%	2.5%
<b>Septic Tank Waste Receival (per kL)</b> <i>Fee imposed on septic tank waste carters, for the disposing of sewage and/or other acceptable waste.</i>	22.94	0.0%	2.5%
<b>Non Core Miscellaneous Services</b>			
Non core miscellaneous services	Actual Cost	N/A	N/A

\* Years 3, 4 & 5 (2013/14, 2014/15 & 2015/16) Price Movement (PPM) is outside the current ESC Price Determination. Refer Table 9.9 for forecast core water and wastewater services. Non-core services are forecast to increase with CPI.