South Gippsland Water

# *CORPORATE PLAN*

# *2013/14 to 2017/18*

# 1. Introduction

South Gippsland Water has prepared this five year Corporate Plan for 2013/14 to 2017/18 in compliance with Section 247 and 248 of the Water Act 1989.

2013/14 is the first year of South Gippsland Water's five year Water Plan (2013/14 to 2017/18). Now that the Essential Services Commission's final pricing determination has been released, South Gippsland Water has factored into this Corporate Plan the various pricing, operational and capital expenditures, and demands.

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 Poowong, Loch and Nyora Sewerage Scheme is a major capital expenditure project for the Corporation. Estimated in the draft Water Plan at nearly $30M, the project was nominated by the Minister for Water under the Country Towns Sewerage Scheme to address the public health and amenity needs of the community.

Via the Essential Services Commissions' (ESC's) price determination process, it was highlighted that there was a need to demonstrate cost efficiency and limit the tariff impact of the project for the wider South Gippsland Water customer base. As a result, South Gippsland Water commenced a broader of review of the project including;

- Opportunities to be leveraged with neighbouring South East Water,
- Alternate scheme options,
- Other technology solutions, and;
- To what extent development capacity is taken on.

This review was commenced in May 2013 and will take 6-9 months to complete. In its final determination the ESC allowed $23.1M of capital expenditure for the project, in order to construct the scheme. Once the review is complete and dependent on the direction that the review suggests, South Gippsland Water will deliver the project, estimated to be complete during 2017/18. Any variations in costs to capital allowed by the ESC will be recovered by South Gippsland Water in pricing over Water Plan 4.

Over the last few years South Gippsland Water completed, and consulted with the community and other stakeholders with respect to its 50 year Water Supply Demand Strategy. The strategy documents potential water use and options for securing the region's water supplies, for the next 50 years.

The Water Supply Demand Strategy included a Business Case focusing on networking the corporation's 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 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 of Inverloch, Wonthaggi, Poowong, Loch, Nyora & Korumburra against drought as well as mitigate the risk of local water quality issues such as blue green algae outbreaks.

The 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 $21M. This would help smooth the tariff path and reduce customer impacts.

There is a risk that these funds 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.

During the summer of 2013 dry conditions of recent years returned and Stage Two Water Restrictions were placed on the Coalition Creek System, (servicing the Korumburra township). As such, the question of the extent and impact of climate change/variability on the South Gippsland Region into the future remains and therefore diversification of water supplies and drought response contingencies continue to be pivotal in South Gippsland Water's long term planning.

Major capital expenditure over the planning period focuses on:

- Improving security of water supply to cater for local development and growth via connection of northern towns (Poowong, Loch, Nyora and Korumburra) to Lance Creek and the Melbourne Supply System.
- Construction of a reticulation sewerage scheme for the towns of Poowong, Loch, and Nyora (under the Country Towns Water Supply and Sewerage Program).
- Construction of a pressure reticulation sewer system as part of the Alberton Sewerage Scheme.
- Planning works for the construction of raw/treated water delivery trunk mains interlinking the central towns of Fish Creek, Foster and Toora.
- Further improvement works at water treatment plants and watermains replacement and renewals to increase water supply quality and quantity through all systems.
- Sewer system upgrades throughout the region's townships, including Wonthaggi, Inverloch, Foster, Korumburra and Leongatha.
- Sludge management projects at Wonthaggi and Inverloch including new technology to allow ongoing program of sludge handling.
- Investment in appropriate new technologies to improve service performance outcomes and operational efficiency.
- Providing outcomes for the environment via improved water and wastewater service network reliability through priority identified and categorised 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 50 year Water Supply Demand Strategy. These have included:

- Interconnecting existing water systems and connecting to the Melbourne Supply System;
- Increasing the amount of water that can be accessed by the urban supply system;

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

- Implementing a sustainable Water Supply Demand Strategy which will ensure future demand will be met taking into consideration regional growth and 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 to supply its Northern and Southern towns.

South Gippsland Water will finalise its options to network small water supply systems in its Central areas.

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

South Gippsland Water will liaise with South Gippsland Shire Council to finalise policies and protocols for development within open potable water supply catchment areas.

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 construct and commission sewerage schemes for the towns of Poowong, Loch, Nyora and Alberton.

South Gippsland Water will continue to liaise with Major Customers to ensure trade waste is compliant and sustainable.

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

With respect to water reliability, the Corporation will be securing further approved water entitlements, connect to the Melbourne Supply System and provide capital works in order to meet continuing increasing demand in each system:

| ***Supply System*** | ***Zone*** | ***Towns Serviced*** | ***Water Security Actions during Corporate Plan*** |
|---|---|---|---|
| Agnes River | Eastern | Port Franklin, Port Welshpool, Toora, Welshpool | Finalise planning and design for construction of a raw/treated water delivery trunk main connecting Deep Creek (Foster) and Agnes River (Toora) water supply systems. |
| Battery Creek Reservoir | Eastern | Fish Creek | Finalise planning and design for construction of a raw/treated water delivery trunk mains connecting Deep Creek (Foster) and Battery Creek (Fish Creek) water supply systems. |
| Coalition Creek storages | Northern | Korumburra | Connection to Lance Creek and the augmented Melbourne Supply System. |
| Deep Creek / Foster Dam | Eastern | Foster | Finalise planning and design for construction of a raw/treated water delivery trunk main connecting Battery Creek (Fish Creek) and Agnes River (Toora) water supply systems. |
| Lance Creek Reservoir | Southern | Inverloch, Cape Paterson, Wonthaggi | System secured by Melbourne Supply System. No further security actions required. |
| Little Bass Reservoir | Northern | Loch, Nyora, Poowong | Connection to Lance Creek and the augmented Melbourne Supply System. |
| Ruby Creek storages | Northern | Koonwarra, Leongatha | No major activities for this Plan period.<br>Potential for connection to the augmented Melbourne Supply System in future plan. |
| Tarra River | Eastern | Alberton, Devon North, Port Albert, Yarram | Groundwater entitlements secured 2012/13. No further security actions required. |
| Tarwin River – East Branch | Central | Dumbalk | No action this Plan period – system secure. Connection of Leongatha treated water main in future. |
| Tarwin River – West Branch | Central | Meeniyan | No action this Plan period – system secure. Connection of Leongatha treated water main in future. |

With respect to wastewater services, the Corporation is constructing a significant sewerage treatment and reticulation scheme for the towns of Poowong, Loch, and Nyora under the Country Towns Water Suply and Sewerage Program. This scheme will provide for the health and safety of the local communities and address environmental concerns with current ageing dysfunctional septic systems. In addition, it will provide for some regional development and growth opportunities.

Significant wastewater works include:

| ***Wastewater System*** | ***Towns Serviced*** | ***Actions during Corporate Plan*** |
|---|---|---|
| Meeniyan Country Towns Sewerage Scheme | Meeniyan | No action this Plan period. Newly constructed wastewater system commissioned 2012/13. |
| Poowong/Loch/Nyora Country Towns Sewerage Scheme | Poowong/Loch/Nyora | Finalise design, construct, install and commission (2017/18) sewerage treatment and reticulation scheme. |
| Corner Inlet | Foster | Long term strategy to construct upgraded treatment plant with potential for reuse. |
| | Toora | Implementation of strategy to facilitate increased reuse/irrigation. |
| | Welshpool/Port Welshpool | Ocean outfall decommissioned 2010/11. Programmed priority identified sewer relining works. |
| Baxter's Beach | Wonthaggi | Reticulation augmentations to allow for development and growth. Upgrade and desludge existing lagoons system. |
| | Inverloch | Reticulation augmentations to allow for development and growth. Upgrade and desludge existing lagoons system. |
| | Cape Paterson | Improved wastewater service network reliability through priority identified required renewal works. Installation of additional aerator in lead lagoon to meet growth. |
| Korumburra | Korumburra | Improved wastewater service network reliability through priority identified required renewal and relining works. |
| Leongatha | Leongatha | Improved wastewater service network reliability through priority identified required renewal and relining works. Operational upgrade of Biosolids Management Facility and upgrade of waste digester. |
| Yarram | Yarram, Port Albert, Alberton | Construction of Alberton Sewerage Scheme (pressure reticulation sewer system). Improved wastewater service network reliability through priority identified required renewal and relining works. |
| Waratah Bay | Waratah Bay | No further action required. |

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 strong 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, in most years 100% (123 ML estimated for 2012/13) of the wastewater from South Gippsland Water's Tarraville and Waratah Bay wastewater treatment plants 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 20,000 assessments across approximately 4,000 square kilometres. South Gippsland Water's service area includes 22 towns, the base population of serviced towns is approximately 28,700 a figure that may increase in peak holiday periods by as much as 100%. Major centres include Wonthaggi, Inverloch, Leongatha and Korumburra as illustrated in Map 2.2.

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

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

| Centre | Population Served (Permanent) | Water | | Sewerage |
|---|---|---|---|---|
| | | Customers Billed | Supplied from | Customers Billed |
| **Port Franklin** | 127 (estimate) | 106 | Agnes River | Not Serviced |
| **Port Welshpool** | 179 | 274 | Agnes River | 258 |
| **Toora/ Agnes, Bennison** | 443 | 517 | Agnes River | 284 |
| **Welshpool, Hedley** | 439 | 208 | Agnes River | 120 |
| **Fish Creek** | 791 | 209 | Battery Creek | Not Serviced |
| **Korumburra** | 3353 | 2150 | Coalition Creek | 1843 |
| **Foster** | 1090 | 831 | Deep Creek / Foster Dam | 740 |
| **Inverloch, Wattle Bank, Lance Creek** | 4454 | 4423 | Lance Creek | 4387 |
| **Cape Paterson** | 718 | 1124 | Lance Creek | 1108 |
| **Wonthaggi, South Dudley, Glen Alvie, Kongwak, Lance Creek** | 6879 | 4308 | Lance Creek | 4059 |
| **Loch** | 191 (estimate) | 147 | Little Bass | Not Serviced |
| **Nyora** | 703 | 341 | Little Bass | Not Serviced |
| **Poowong** | 318 | 207 | Little Bass | Not Serviced |
| **Koonwarra** | 385 | 80 | Ruby Creek | Not serviced |
| **Leongatha, Kardella, Leongatha South, Ruby** | 4849 | 3029 | Ruby Creek | 2832 |
| **Alberton** | 260 | 147 | Tarra River | Not Serviced |
| **Devon North, Tarra Valley** | 487 | 123 | Tarra River | Not Serviced |
| **Port Albert** | 246 | 393 | Tarra River | 326 |
| **Yarram** | 1740 | 1182 | Tarra River | 1066 |
| **Dumbalk** | 412 | 103 | Tarwin River – East Branch | Not Serviced |
| **Meeniyan** | 454 | 268 | Tarwin River – West Branch | 233 |
| **Waratah Bay** | 207 | Not Serviced | N/A | 110 |

**Notes:**
1. Population Served based on ABS 2011 Census.
2. Water and Sewerage Assessments = Number of Rated Properties at January 2013.
3. The ABS method of calculation of population has changed from Collection District to State Suburb and may not always reflect the exact sewer/water district.

## 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:

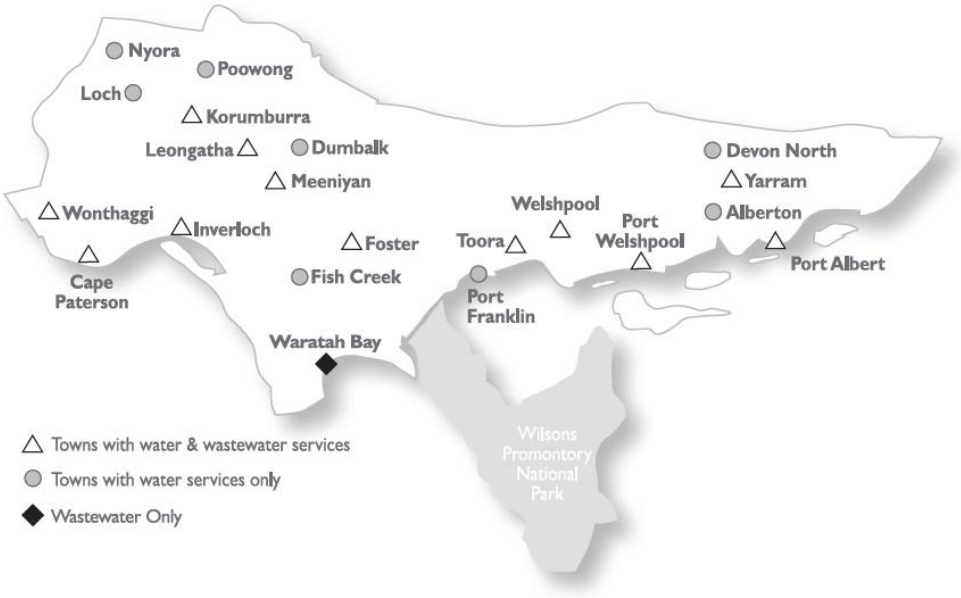
- 10 separate water supply systems
- 10 water treatment plants
- 692km of water mains
- 17 water pump stations
- servicing nearly 20,300 assessments over 21 towns with around 4,783 ML (2012/13) annual volume of metered water

A Sewerage Services Function comprising:

- 11 conventional wastewater collection systems
- 1 vacuum wastewater system
- 10 sewerage treatment plants
- 1 dedicated saline tradewaste system
- 415 km of wastewater mains
- 59 wastewater pump stations
- 4 marine environment outfalls
- 2 inland water discharge points
- servicing over 17,200 wastewater assessments (including trade waste) over 12 towns collecting and treating around 4,288ML (2012/2013) 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.

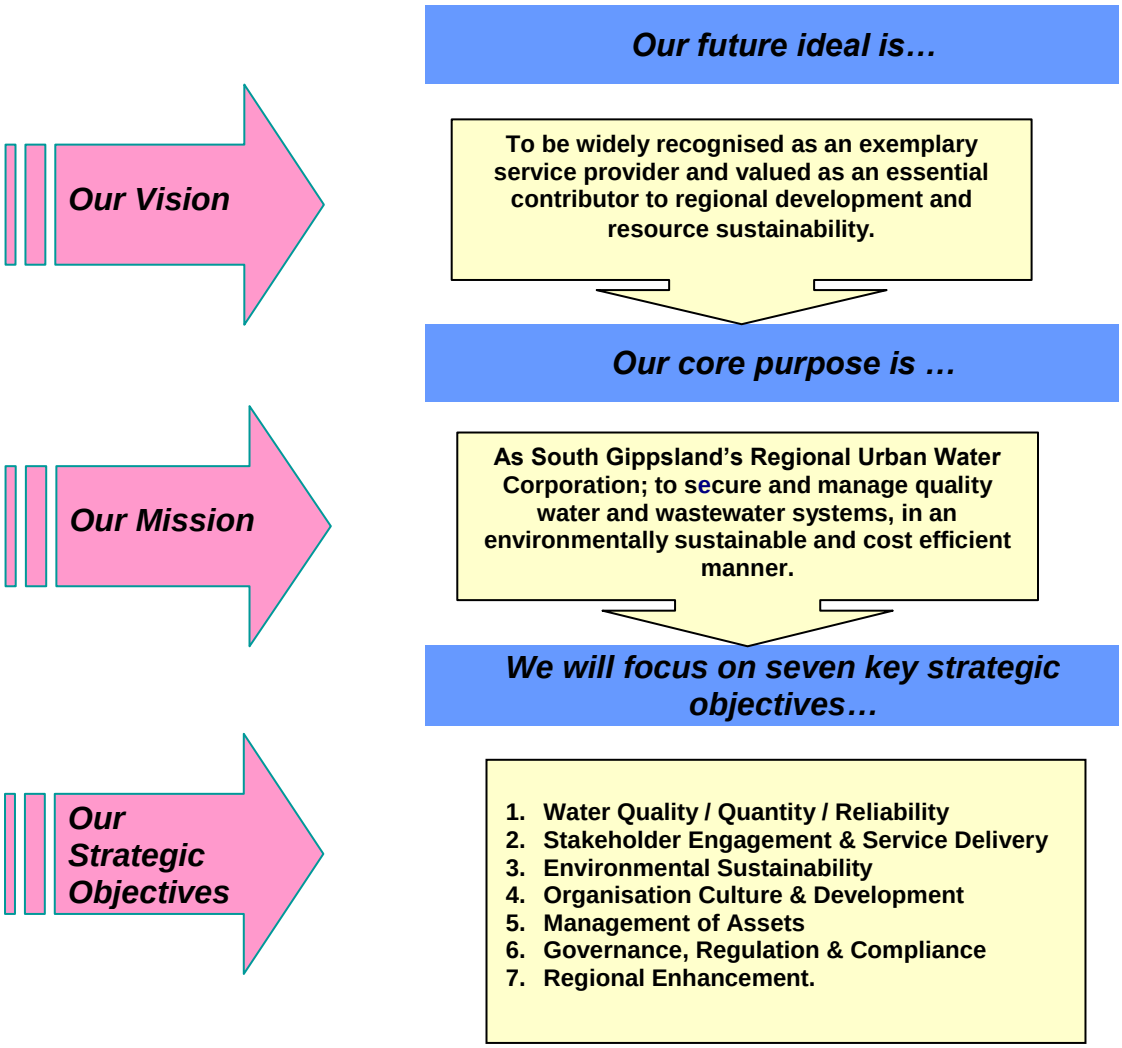
**Map 2.2: South Gippsland Water Service Area**



# 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**

- Meet customer satisfaction with water quality.
- Meet water regulations.
- Secure and manage sustainable future water resources for customers.

**Stakeholder Engagement and Service Delivery**

- Continue the high priority and commitment to our customers and maintenance of our service standards.
- Continue to engage with key stakeholders.

**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**

- Attract, support and retain staff to ensure continued quality performance.
- Continue working with staff to ensure a healthy, safe and rewarding work environment.

**Management of Assets**

- Optimise asset life through the asset management strategy.

**Governance, Regulation & Compliance**

- Ensure financial sustainability.
- Maintain our commitment to achieve the highest standards of compliance, and performance of the organisation, through sound and prudent governance.
- Cost efficient service delivery.
- Engagement with Government, and responsiveness to Government policy.

**Regional Enhancement**

- Responsiveness to local, State and regional development policies.

# 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 a substantial part of the last fifteen years experienced one of the worst prolonged droughts on record with extreme dry conditions recorded.

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 and the Plan includes a variety of measures to access and develop a diversity of water sources.

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, will ensure continued water services to customers' in prolonged dry conditions and accelerated growth scenarios.

It is planned that some 4,574 ML's will be delivered to customers during 2013/14 and while no restrictions are envisaged (as per Essential Services Commission direction) the reality is that Korumburra experienced Stage Two restrictions following a prolonged dry period over the recent summer and autumn.

## 4.2 Revenue

Revenue included in the Corporate Plan is based on the prices requested to be approved in the draft response to 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 2013 and a weighted average price decrease of 0.4% in nominal terms is reflected in this plan for 2012/13 (5.5% decrease in real terms). Full pricing details are shown in Table 9.9(c).

## 4.3 Customer Growth – Estimated Demand Forecast

The *Victoria In Future 2012* 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/variability, implementation of permanent water savings rules, water savings education and programs, etc.

The 2011 Census of Population and Housing assessed the population of towns in various regional areas of Victoria. None of the regional areas satisfactorily maps to the area served by South Gippsland Water. As such, South Gippsland Water has utilised the disaggregated Regional Local Government Areas (LGA) statistical information, although even this data presents problems with respect to direct representation of South Gippsland Water's services towns.

South Gippsland Water's three relevant Local Government Areas are Bass Coast, South Gippsland and Wellington.

Utilisation of 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 the 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.

The projected percentage increases in customer connections are as follows.

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

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|
| Water – % Growth | 1.43% | 1.43% | 1.43% | 1.43% | 1.43% |
| Water – Assessment No's | 20,636 | 20,935 | 21,240 | 21,545 | 21,854 |
| Wastewater - % Growth | 1.63% | 1.66% | 1.73% | 1.60% | 4.51% |
| Wastewater – Assessment No's | 17,631 | 17,924 | 18,223 | 18,513 | 19,348 |

*Includes Alberton Sewerage Scheme which is expected to commence 2014/15 & Poowong/Loch/Nyora Small Town Sewerage Scheme which is expected to commence 2017/18.*
*Excludes tradewaste customers.*

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

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

| Year Ending 30 June | Forecast 2014 (F) | Forecast 2015 (F) | Forecast 2016 (F) | Forecast 2017 (F) | Forecast 2018 (F) | Current Forecast 2013 (F) |
|---|---|---|---|---|---|---|
| **General Operational Information** | | | | | | |
| **Number of Assessments** | | | | | | |
| **Urban Water Supply** | | | | | | |
| Residential | 17,337 | 17,620 | 17,899 | 18,177 | 18,460 | 17,174 |
| Non Residential | 3,289 | 3,315 | 3,341 | 3,367 | 3,394 | 3,263 |
| **Total Urban Water Supply** | 20,626 | 20,935 | 21,240 | 21,544 | 21,854 | 20,437 |
| **Urban Sewerage Service** | | | | | | |
| Residential | 15,863 | 16,144 | 16,431 | 16,709 | 17,532 | 15,601 |
| Non Residential / Other | 1,768 | 1,780 | 1,792 | 1,804 | 1,816 | 1,756 |
| **Total Urban Sewerage Service** | 17,631 | 17,924 | 18,223 | 18,513 | 19,348 | 17,357 |
| **Trade Waste by Agreement** | 182 | 183 | 184 | 185 | 186 | 181 |
| **Recycled Water** | 3 | 3 | 3 | 3 | 3 | 3 |

## 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 an Environmental Contribution of $1,101,000 per annum. This has increased from the current $754,000 per annum charged in Water Plan 2.

## 4.5 Government Contributions

It has been assumed that the Corporation will receive $21 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 Lance Creek and the Melbourne water supply system.

## 4.6 Forecast Inflation Rates

An inflation rate of 2.75% p.a. has been assumed for each year of the plan in accordance with the ESC Water Plan assumption.

## 4.7 Wage Increases

The wages calculation has been determined from the Corporation's Enterprise Agreement 2012 which was approved by the Minister for Finance in June 2013 and is currently out for staff vote and soon will be submitted to the Fair Work Commission. This allows for increases of 3.0% in year 1, 3.25% in year 2 and 3.5% in year 3. The remaining years are assumed to be 2.75% (the inflation rate) in accordance current government policy.

## 4.8 Interest on Investment

Interest used to calculate investment revenue has been estimated at 4%.

## 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% (2.1% assumed on all new borrowings from 1 July 2013) and is estimated at 7.3% of future loan funds. Borrowings predicted for the Corporate Plan period will bring overall Corporation loans to $51.9m by June 2018.

## 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 2012/13

## 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 2011/12 and forecast achievement for 2012/13.

**Table 5.2: Delivery of Service Standards**

**Service Standards**

| | 2010/11 Actual | | | 2011/12 Actual | | | 2012/13 Actual | | |
|---|---|---|---|---|---|---|---|---|---|
| | Actual | Target | Var. | Actual | Target | Var. | Actual | Target | Var. |
| **Water** | | | | | | | | | |
| Unplanned water supply interruptions (per 100km)(number) | 17.3 | 28.0 | 38.2% | 12.1 | 28.0 | 56.8% | 18.3 | 28.0 | 34.8% |
| Average time taken to attend bursts and leaks (priority 1)(minutes) | 23.4 | 30.0 | 22.0% | 16.9 | 30.0 | 43.7% | 15.5 | 30.0 | 48.5% |
| Average time taken to attend bursts and leaks (priority 2)(minutes) | 26.4 | 40.0 | 34.0% | 20.9 | 40.0 | 47.8% | 23.2 | 40.0 | 41.9% |
| Average time taken to attend bursts and leaks (priority 3)(minutes) | 484.6 | 1440.0 | 66.3% | 516.3 | 1440.0 | 64.1% | 813.9 | 1440.0 | 43.5% |
| Unplanned water supply interruptions restored within 5 hours (percent) | 100.0 | 99.0 | 1.0% | 99.0 | 99.0 | 0.0% | 100.0 | 99.0 | 1.0% |
| Planned water supply interruptions restored within 5 hours (percent) | 99.0 | 99.0 | 0.0% | 100.0 | 99.0 | 1.0% | 100.0 | 99.0 | 1.0% |
| Average unplanned customer minutes off water supply (minutes) | 15.7 | 33.0 | 52.4% | 7.1 | 33.0 | 78.5% | 9.7 | 33.0 | 70.6% |
| Average planned customer minutes off water supply (minutes) | 42.3 | 150.0 | 71.8% | 30.4 | 150.0 | 79.7% | 35.9 | 150.0 | 76.1% |
| Average unplanned frequency of water supply interruptions (ratio) | 0.16 | 0.30 | 46.7% | 0.08 | 0.30 | 73.3% | 0.12 | 0.3 | 60.0% |
| Average planned frequency of water supply interruptions (ratio) | 0.23 | 0.50 | 54.0% | 0.16 | 0.50 | 68.0% | 0.16 | 0.5 | 68.0% |
| Average duration of unplanned water supply interruptions (minutes) | 100.0 | 100.0 | 0.0% | 94.8 | 100.0 | 5.2% | 82.8 | 100.0 | 17.2% |
| Average duration of planned water supply interruptions (minutes) | 186.7 | 300.0 | 37.8% | 194.0 | 300.0 | 35.3% | 229.3 | 300.0 | 23.6% |
| No. of customers experiencing more than 5 unplanned water supply interruptions in the year (number) | 0.0 | 0.0 | 0.0% | 0.0 | 0.0 | 0.0% | 0.0 | 0.0 | 0.0% |
| Unaccounted for water (percent) | 16.3 | 14.0 | -16.4% | 17.8 | 14.0 | -27.1% | 16.0 | 16.0 | 0.0% |
| **Sewerage** | | | | | | | | | |
| Sewerage blockages (per 100km)(number) | 7.7 | 18.0 | 57.2% | 21.7 | 18.0 | -20.6% | 17.9 | 18.0 | 0.6% |
| Average time to attend sewer spills and blockages (minutes) | 22.0 | 30.0 | 26.7% | 31.2 | 30.0 | -4.0% | 8.2 | 30.0 | 72.7% |
| Average time to rectify a sewer blockage (minutes) | 68.7 | 120.0 | 42.8% | 75.0 | 120.0 | 37.5% | 55.9 | 120.0 | 53.4% |
| Spills contained within 5 hours (percent) | 100.0 | 100.0 | 0.0% | 100.0 | 100.0 | 0.0% | 94.0 | 100.0 | -6.0% |
| No. of customers receiving more than 3 sewer blockages per year (numbe | 0.0 | 0.0 | 0.0% | 0.0 | 0.0 | 0.0% | 0.0 | 0.0 | 0.0% |
| **Customer service** | | | | | | | | | |
| Complaints to EWOV (per 1,000 customers) | 0.9 | 1.1 | 18.2% | 0.9 | 1.1 | 18.2% | 0.9 | 1.1 | 18.2% |
| Telephone calls answered within 30 seconds (percent) | 99.0 | 98.0 | 1.0% | 100.0 | 98.0 | 2.0% | 99.0 | 98.0 | 1.0% |

| **Minimum flow rates** | |
|---|---|
| 20mm | 20 |
| 25mm | 35 |
| 32mm | 60 |
| 40mm | 90 |
| 50mm | 160 |

| | 2010/11 Actual | | | 2011/12 Actual | | | 2012/13 Estimate | | |
|---|---|---|---|---|---|---|---|---|---|
| | Actual | Target | Var. | Actual | Target | Var. | Actual | Target | Var. |
| **Additional service standards** | | | | | | | | | |
| Total CO2 equivalent Emissions (Tonne) | 12559.6 | 9101.0 | -38.0% | 8152.6 | 9101.0 | 10.4% | 8359.0 | 8283.0 | -0.9% |
| Recycled water target (% reused) | 1.0 | 2.0 | -50.0% | 2.0 | 2.0 | 0.0% | 4.0 | 2.0 | 100.0% |
| Biosolids reuse (% reused) | 0.0 | 0.0 | 0.0% | 0.0 | 5.0 | -100.0% | 0.0 | 0.0 | 0.0% |
| Small Town Sewerage Scheme connections (no. of) | 5.0 | 206.0 | -97.6% | 58.0 | 2.0 | 2800.0% | 118.0 | 35.0 | 237.1% |
| Environmental discharge indicator (percent) | 98.7 | 100.0 | -1.3% | 99.5 | 100.0 | -0.5% | 99.0 | 100.0 | -1.0% |
| Drinking water quality indicators (percent) | 100.0 | 100.0 | 0.0% | 100.0 | 100.0 | 0.0% | 100.0 | 100.0 | 0.0% |

The table shows that South Gippsland Water has generally performed well in meeting its regulatory customer service standards, however, issues with respect to additional service standards set during Water Plan 2 have been experienced due to delays in sewerage scheme construction, wastewater quality discharges and understanding around the Corporations baseload CO2 emissions.

## 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).

Compliance is shown below for the 2012/13 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 | Actual 2012/13 |
|---|---|
| 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) | 100.0% |
| Trihalomethanes (<=250ug/L) | 100.0% |
| Chloroacetic Acid (<=150ug/L) | 100.0% |
| Dichloroacetic Acid (<=100ug/L) | 100.0% |
| Trichloroacetic Acid (<=100ug/L) | 100.0% |

## 5.4 Environmental Performance

Table 5.4 below illustrates South Gippsland Water's EPA 2012/13 licence compliance at its wastewater systems.

**Table 5.4: EPA Licence Compliance**

| Sewerage Treatment Licence Compliance | Actual 2012/13 |
|---|---|
| Foster | Yes |
| Korumburra | Yes |
| Leongatha (Domestic) | Yes |
| Leongatha (Trade Waste) | Yes |
| Toora | No (1) |
| Waratah Bay | Yes |
| Welshpool | Yes |
| Wonthaggi/Cape Paterson/Inverloch | No (2) |
| Yarram | No (3) |

Note 1: A verified odour complaint was received for the Toora Wastewater Treatment Plant.
Note 2: Exceeded its EPA licence discharge mean daily flow rate.
Note 3: The Tarraville wastewater treatment plant received a s30a emergency discharge approval in July 2012. EPA has verbally advised that this is a breach of condition G1 of our EPA licence.

## 5.5 Urban Water Consumption

The following table summarises total water consumption against forecast for 2012/13.

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

| | *Unit* | *2012/2013* | | |
|---|---|---|---|---|
| | | *Actual* | *Corp Plan* | *Variance* |
| Urban Water Consumption | | | | |
| Murray Goulburn | kL's | 835,317 | 880,000 | (44,683) |
| Other Major Customer | kL's | 658,699 | 427,000 | 231,699 |
| Residential | kL's | 1,918,159 | 1,826,000 | 92,159 |
| Non-residential | kL's | 1,370,498 | 1,344,000 | 26,498 |
| Total | kL's | 4,782,673 | 4,477,000 | 305,673 |

Total water consumption for 2012/13 was favourable to budget by some 6.8% mainly due to increased consumption from major customers, specifically dairy producer Burra Foods. Additionally, there was increased residential and non residential use in the March 2013 meter read which is attributed to the extremely dry start to the year.

This is the first time in five years that Corporate Plan water consumption estimates have been exceeded. Prior to the dry start to 2012/13 there was no indication that "bounce back" was occurring from the 2006/07 drought. It is believed that water saving initiatives and devices have resulted in a permanent behavioural pattern being clearly established. In addition, South Gippsland Water has a low average consumption (residential 113 kL's per annum) and climatic conditions are relatively wetter than most of the rest of the state resulting in a low discretionary base of water consumption. These assumptions are used for this plan's estimates for water consumption moving forward.

Continued customer engagement and education, in particular with major customers, will result in a continuation of the current 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 increases in 2010/11, 2011/12 and 2012/13 were in the main due to water used by major customers, including Murray Goulburn, Burra Foods and for construction of the Wonthaggi Desalination Plant (which ceased late in 2012). The dry start to 2012/13 played a role in marginally higher consumption for customers.

## 5.6 Revenue and Operating Expenditure

Estimated revenue ($28.204M) for 2012/13 is forecast to be $0.456M (1.6%) favourable to budget. This is predominately due to exceptionally dry start to 2013.

With respect to expenditure, total forecast costs ($28.145M) are expected to be favourable by $0.541M (2.0%) to budget. due to savings realised in field administration, administration costs and interest expense (cost savings, project deferral and slippage), however, higher treatment, pumping and operational costs are forecast.

The forecast small surplus of $0.057M is favourable to budget by $0.997M.

## 5.7 Capital expenditure

Capital expenditure is forecast to be $9.289M, some $1.791M under budget for 2012/13.

The under expenditure is, in the main, due to delays in State planning rezoning for the Alberton Sewerage Scheme ($1.750M) with some minor "swings and roundabouts" with other projects.

# 6. Business Plan Targets

| Objectives and Priorities | Strategies and Actions | Performance Target 2013/2014 |
|---|---|---|
| **KEY STRATEGIC OBJECTIVE 1: WATER QUALITY / QUANTITY / RELIABILITY**<br>· Increase customer satisfaction with water quality<br>· Meet water regulations<br>· Secure sustainable future water resources for customers | | |
| Compliance with Safe Drinking Water Act | External auditing on compliance with regulations<br><br>Meet water quality compliance | DHS audit to be finalised with minimal corrective actions<br><br>100% water quality compliance to be achieved |
| Secure Future Sustainable Water Resources | Complete planning & design of Stage 1 Connection to Melbourne supply system (Lance Creek Reservoir to Korumburra) | Functional design of works complete |
| Advocacy for Catchment Management | Liaise with Local Government and Catchment Management Authorities, to focus on water quality in catchments<br><br>Promote advocacy with the Environment Protection Authority regarding uncontrolled catchments<br><br>Communicate with Local Government Authorities and agree catchment responsibilities and protocols | Attend GRWMP & Landcare meetings<br><br>Proactively evaluate monitoring data<br><br>Demonstrate outcomes from South Gippsland Water sponsored EPA presence in catchment areas<br><br>Implement interim framework for assesment of development within Catchments<br><br>Completion of Catchment development assesment models |
| **KEY STRATEGIC OBJECTIVE 2: CUSTOMER ENGAGEMENT AND SERVICE DELIVERY**<br>· Continue the high priority and commitment to our customers and maintenance of our service standards<br>· Continue to consult with customers<br>· Strong focus on communicating water and wastewater strategies, including the connection to Melbourne Supply system | | |
| Customer & Community Engagement | Conduct a Customer & Stakeholder Communication Process around Northern Town Connection/Poowong, Loch & Nyora strategies and actions | Process conducted, final solution agreed |
| Customer Service Delivery | Meet Customer Charter service standards<br><br>ESC Regulatory Audits | 100% compliance to be achieved<br><br>Audit finds no major compliance issues |

| Objectives and Priorities | Strategies and Actions | Performance Target 2013/2014 |
|---|---|---|
| **KEY STRATEGIC OBJECTIVE 3: REGIONAL ENHANCEMENT**<br>. Support regional development and the provision of enabling infrastructure | | |
| Servicing small towns | Managing expectations of Councils & Communities for small town sewerage | Ongoing Community Consultation to be implemented as per agreed program |
| | Investigate short term wastewater management works pending the PLN Sewerage Scheme | Investigate, agree and implement (with SGSC) interim projects to improve the health and amenity of townships |
| | Capital works for Alberton to be completed as per timetable | Implement works as per agreed program |
| Planning for growth | Planning & influencing incremental growth in existing towns | Liaise with Council Planners on incremental growth in existing towns |
| | Promote Council & Community awareness of regional enhancement due to Melbourne Supply System (MSS) connection | Communicate to Councils & Communities on MSS connection & associated regional benefits |
| | Monitor actual growth against local government forecasts/SGW forecasts | Variances identified & factored in to long term strategies |
| | Enhance connections with local Shire Councils, Regional Development Agencies and WGCMA | Continued high level of activity with stakeholders |
| Regional Opportunities | Raise Stakeholder awareness of Venus Bay Saline Outfall asset | Raise awareness with relevant agencies |

| Objectives and Priorities | Strategies and Actions | Performance Target 2013/2014 |
|---|---|---|
| **KEY STRATEGIC OBJECTIVE 4: ENVIRONMENTAL SUSTAINABILITY**<br>. Better understand and respond to climate change / variability impacts<br>. Manage wastewater systems to optimise the link with the integrated water cycle<br>. Secure sustainable future water resources for customers | | |
| Sustainable Management Principles | Sustainable Management Principles | Report to Board on performance against Sustainability Management Policy goals & objectives |
| Climate Change/Variability | Better understand & respond to climate change/variability<br><br>- Actively involved in assessing developments via CSIRO, DSE, VicWater, BoM, etc<br><br>- Pro-active/conservative management of water systems to recognise variability of rainfall patterns | <br><br>Half yearly update to Board<br><br>Storage optimisation ensures best case capacity heading into drawdown |
| Long Term Wastewater Strategy | Review outfall strategy<br><br>Implement works as per agreed program<br><br><br><br><br><br><br>Ensure tradewaste of major customers is compliant and sustainable | Develop revised policy position on use/closure of ocean outfalls<br><br>Liaise with communities & construct Alberton sewerage schemes as per agreed capital program<br>Liaise with communities & construct PLN sewerage schemes as per agreed capital program<br><br>Implement regional Wastewater Strategy works as per agreed capital program<br><br>Implement improved wastewater service network reliability as per agreed capital program<br><br>Liaise with Burra Foods, Murray Goulburn and other major customers to ensure needs are understood and waste is of appropriate standard<br><br>Liaise with Viplus as far as practical to leverage regional growth opportunities but with realistic wastewater management options |
| Water Supply Demand Strategy (restriction profile/security of supply) | Secure funding to implement Phase 1 of the Northern Towns Connection Project<br><br>Implement works as per agreed program | Funding secured<br><br>Capital works to be completed as per agreed program |
| Wastewater Quality | Continue interim work to assist with compliance for Foster WWTP<br><br>Meet EPA licence compliance | High focus on ensuring EPA licence compliance of Foster WWTP<br><br>100% licence compliance to be achieved |

| Objectives and Priorities | Strategies and Actions | Performance Target 2013/2014 |
|---|---|---|
| **KEY STRATEGIC OBJECTIVE 5: ORGANISATION CULTURE AND DEVELOPMENT**<br>. Support and retain staff by providing information & enhanced knowledge, systems & resources to ensure continued quality performance<br>. Continue working with staff to ensure a healthy, safe & rewarding work environment | | |
| Resourcing – quantity & quality | Resourcing for service delivery<br><br>Implement recommendations from the Capital Review Process<br><br>Investigate options for industry resource sharing & partnerships | Suitable internal staff & external contract resources engaged on listed projects<br><br>Recommendations implemented, verified by the Corporate Governance Committee<br><br>Broker MoU with Westernport and East Gippsland Water. Involvement in at least two |
| Occupational Health & Safety | Maintain an accredited OH&S Management System<br><br>Improve contractor OH&S focus | OH&S accreditation maintained<br><br>Improved focus by contractors to be demonstrated by improved annual survey results |
| Environmental Management | Maintain an accredited Environmental Management System (EMS)<br><br>Improve staff / contractor EMS culture | EMS accreditation maintained<br><br>Cultural change to be demonstrated by improved annual survey results |
| **KEY STRATEGIC OBJECTIVE 6: MANAGEMENT OF ASSETS**<br>. Optimise asset life through asset management tools | | |
| Asset Maintenance & Replacement | Move towards full utilisation of asset management systems | Implement advanced Asset Management modules<br><br>Implement resource requirements |

| Objectives and Priorities | Strategies and Actions | Performance Target 2013/2014 |
|---|---|---|
| **KEY STRATEGIC OBJECTIVE 7: GOVERNANCE, REGULATION AND COMPLIANCE**<br>. Maintain our commitment to achieve the highest standards of compliance, financial sustainability & performance of the organisation, through sound and prudent governance<br>. Cost efficient service delivery | | |
| Board governance | Train & inform Board, Senior Managers and Employees on appropriate & effective governance information | All Directors to undergo training in line with established program<br><br>Senior Management Team to undertake personal development/ training opportunities in line with established program.<br>Employee training in line with established program |
| | Regulatory obligations | Establish regular Board information briefings with DEPI, OLV, DTF, etc<br><br>Establish links and ties with Office of Living Water (OLV) re:relevent projects |
| | Regulatory legislation and guidelines | Understand & respond to the implications of the Water Act review & related legislative changes |
| Water Plan 3 | Implement Water Plan 3 year one initiatives | Meet timelines for actions |
| Major compliance issues | Regular Board reporting on compliance with:<br>Statement of Obligations compliance<br><br>Corporate Plan<br><br>Meet reporting requirements re:<br>Board Performance<br><br>Corporate Plan<br><br>Annual Report | <br>Meet timelines for actions, with favourable ESC audit re SoO's<br><br>Meet Corporate Plan performance targets<br><br><br>Meet standards & timelines for actions<br><br>Meet standards & timelines for actions<br><br>Meet standards & timelines for actions |
| Dam Safety Requirements | Review and fully document dams safety issues and requirements for all corporation dams | Implement appropriate dam safety operating regimes where possible; i.e. Battery Creek<br>Identify scope and prioritise dam safety Capital works |
| Capital expenditure | Capital works | Deliver Capex Program within controllable parameters on time & within budget |

# 7. Material Changes from Previous Corporate Plan

Material changes from the 2012/13 to 2016/17 Corporate Plan include:

- Delays and cost increases in the Poowong/Loch/Nyora small towns sewerage scheme. ESC draft determination requires SGW to review alternative cost efficient options for delivery of this scheme. $23.12M has been included in Corporate Plan down from $27.10m in last years Corporate Plan. The scheme is planned for completion in 2017/18.

- Changes in Weighted Average Cost of Capital (WACC) from 5.2% to 4.5 % as a result of the lower interest rate environment has seen significant decrease in return on capital and therefore pricing.

- Reduction in proposed peak debt levels from $55.7M to $51.9M as a result of the staging of capital projects and the reduction in Poowong/Loch/Nyora sewerage scheme costs.

- Price increases of an average 3.2% per annum in nominal terms have been reduced to 1.6% per annum based on the final determination over the 5 year period.

- Alberton Sewerage scheme has been delayed one year due to Local Government rezoning planning approvals. (required to be completed by Wellington Shire Council)

- A new Enterprise Bargaining Agreement (EBA) has been negotiated and approved by the Department of Treasury and Finance and the Minster for Finance which results in lower wage increases than previous Corporate Plan. The new EBA sees wage increases of 3.0% year 1, 3.25% year 2 and 3.5% year 3 with the remaining two years of the Corporate Plan being 2.75%. Previous Corporate Plans reflected the previous EBA's 4% per annum and band progression. The impact of this change is a reduction in operating costs over the 5 years.

- No other material changes.

# 8. Major Risks

## 8.1 Implementing the Melbourne Supply Connection for Northern Towns

The construction of 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 Corporation's 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 (2014/15 budget year) 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 ($21 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.

## 8.2 Interim Security of Supply (Transition to Melbourne Supply System)

South Gippsland Water has begun to progress Capital Works with respect to connection to the Melbourne Supply System, which when implemented will ensure a secure long term reliable water supply for the South Gippsland region at a standard that will continue to meet all quality and health regulations.

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 utilised in 2006/07 to supplement the Coalition Creek and Ruby Creek supply systems to help maintain dwindling storages, remains available and operational. In fact, very dry summer and autumn 2012/2013 weather has resulted in the Coalition Creek system (Korumburra) experiencing Stage Two water restrictions. Augmentation options include Tarwin River water, ground water from bores, pipes, pumps and storage basins, in order to distribute extra water to both Korumburra and Leongatha as 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, across the region 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 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

Recent years have seen no significant “bounce back” in water consumption since the 2006/07 drought. 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, engagement with major customers to reduce water consumption has seen significant reductions.

SGW has forecast generally conservative demand estimates in its planning processes, increasing from 110KL average to 113KL average consumption. The current draft pricing determination reflects these ongoing demand estimates.

## 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 continued implementing a Consulting Engineering Services Model with consulting engineering company, KBR in order to provide long term security of engineering expertise, including project management.

Construction of the Wonthaggi desalination plant has had an impact on internal and external resources at all levels within the organisation, however, this project has entered operating mode.

South Gippsland Water continues to utilise its current strategies to sustain it’s employment requirements. This strategy includes reviewing the recent restructure to its operational department, implementing a restructure in Corporate Services Area as well as benchmarking remuneration to ensure competitiveness in the current environment’s employment market.

## 8.6 Uncertainty of demand for water from major customers

Murray Goulburn and Burra Foods are significant consumers of water resources in the Leongatha and Korumburra water supply systems. Production variations together with a possible return to dryer climatic conditions present real risks to the water supply systems.

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. Recent announcement by Murray Goulburn indicate major capital works are undertaken resulting in a significant product mix variation. While higher water consumption would test the reliability of Leongatha's water supply system, plant rationalisation could result in a significant impact to the corporation.

Burra Foods invested significantly in plant augmentations in 2011 and this has seen a significant increase in water consumption. However, they have signalled their intention to pursue various overseas markets that will impact on water consumption and invest heavily in waste reuse systems that would decrease their reliance on the Korumburra Water Supply System.

South Gippsland Water has developed winter harvesting options in terms of addressing relative unknowns in 2013/14 and beyond. In addition, the future connection of Leongatha to the Melbourne water supply via Lance Creek will be paramount in mitigating supply 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 recently undertaken a major Capital Works Process review. Among other recommendations, South Gippsland Water has set up a Capital Works Board Committee to more closely monitor strategic capital delivery.

# 9. Financial Details

## 9.1 Water Plan 2 Outcomes

The Corporation's financial projections with respect to capital expenditure are broadly in line with those approved by the ESC in its 2008 pricing determination. Table 9.1(a) below details the forecast to be $59.1 million, a variation of ($5.6) million over the 5 year period. However, specifically in terms of individual capital expenditure projects delivered, there was more variation.

**Table 9.1(a): Capital Expenditure against Water Plan 2**
in nominal prices

| YEAR | WATER PLAN 2 ($M) | 2008/09 CORPORATE PLAN ($M) | ACTUAL CAPITAL EXP ($M) * | VARIATION TO WATER PLAN ($M) |
|---|---|---|---|---|
| 2008/09 | 14.4 | 12.5 | 10.1 | -4.3 |
| 2009/10 | 6.9 | 16.1 | 14.1 | 7.2 |
| 2010/11 | 10.6 | 15.3 | 13.5 | 2.9 |
| 2011/12 | 16.8 | 13.3 | 12.1 | -4.7 |
| 2012/13 | 16.0 | 9.3 | 9.3 | -6.7 |
| **TOTAL** | **64.7** | **66.5** | **59.1** | **-5.6** |

Notes:
*2012/13 Actual Capital is based on forecast for year end

Revenue is largely in line with Water Plan estimates with some "swings and roundabouts" with respect to water consumption (unfavourable) and service charges (favourable).

Operating expenditure has been higher than Water Plan estimates. This has included labour (including a once off payment of the defined benefit superannuation shortfall and the need for more resources in particular in Operation's roles).

Higher operating costs have resulted from unexpected trade waste business including from Aquasure, with respect to the construction of the Victorian Desalination Plant, Burra Foods growth, (a dairy producer in Korumburra), and stronger than envisaged assessment growth 2.1% per annum as opposed to the forecast of 1.4% per annum.

Other operating costs have experienced considerable upward pressure, particularly relating to sampling and testing, sludge management, electricity, and plant and equipment repairs. The sludge management cost increases relate to the commissioning of dewatering capital equipment at the Korumburra and Leongatha Tertiary Wastewater Treatment Plants.

Loans are approximately $10.0 million, lower than forecast in Water Plan 2 as a result of lower capital expenditure combined with lower than forecast prevailing interest rates.

## 9.2 Summary of Financial Performance Water Plan 3

South Gippsland Water will be implementing a significant capital expenditure program including two large capital projects being the Poowong Loch Nyora small towns sewerage scheme ($23.1M) and Northern Towns connection ($21.3M)

The total for the Corporate Plan Capital Program is $72.0 million over the 5 year period including $21.3 million funded via yet to be identified government funds for the Northern Towns connection. The securing of Government funding to assist in the Northern Towns Connection infrastructure will ensure that pricing is still appropriate in terms of the Water Plan to 2017/18.

**Table 9.1(b): Projected Capital Spend per annum- Water Plan 3**

in nominal prices

| YEAR | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | TOTAL |
|---|---|---|---|---|---|---|
| 2013/14 CORPORATE PLAN ($M) | 11.7 | 13.4 | 16.7 | 18.1 | 12.1 | 72.0 |

Projected trends for a number of key operating expenditure items are:

| Operating Expenditure Item | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|---|
| **Labour and Related** | | | | | | |
| Staff Numbers - EFT (No.) | 89 | 90 | 91 | 91 | 92 | 92 |
| Labour and Related Costs ($M) | 7.05 | 7.60 | 7.95 | 8.18 | 8.51 | 8.74 |
| | | | | | | |
| **Electricity** | | | | | | |
| Small Market ($M) | 0.46 | 0.45 | 0.48 | 0.51 | 0.54 | 0.56 |
| Large Market ($M) | 0.42 | 0.46 | 0.49 | 0.51 | 0.55 | 0.58 |
| Total Electricity Costs ($M) | 0.88 | 0.92 | 0.97 | 1.03 | 0.93 | 1.14 |
| | | | | | | |
| **Information Technology** | | | | | | |
| Labour and Related Costs ($M) | 0.20 | 0.21 | 0.22 | 0.22 | 0.23 | 0.23 |
| Software/Hardware Maintenance ($M) | 0.15 | 0.16 | 0.16 | 0.16 | 0.16 | 0.17 |
| Data Communications ($M) | 0.07 | 0.07 | 0.07 | 0.07 | 0.08 | 0.09 |
| Other Costs ($M) | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| Total Information Technology Costs ($M) | 0.44 | 0.46 | 0.47 | 0.48 | 0.50 | 0.51 |
| | | | | | | |
| **Consultants** | | | | | | |
| Water Quality ($M) | 0.103 | 0.106 | 0.108 | 0.111 | 0.115 | 0.118 |
| Engineering Services ($M) | 0.210 | 0.216 | 0.222 | 0.228 | 0.234 | 0.240 |
| Governance & Community ($M) | 0.130 | 0.080 | 0.082 | 0.084 | 0.110 | 0.086 |
| Finance, Risk & IT ($M) | 0.120 | 0.080 | 0.332 | 0.091 | 0.150 | 0.086 |
| Outfall Monitoring & Environment ($M) | 0.154 | 0.158 | 0.163 | 0.167 | 0.172 | 0.176 |
| Water & Wastewater Stategies ($M) | 0.050 | 0.051 | 0.053 | 0.054 | 0.170 | 0.055 |
| ESC Related ($M) | 0.090 | 0.030 | 0.031 | 0.032 | 0.110 | 0.033 |
| Other Consultants ($M) | 0.082 | 0.084 | 0.087 | 0.089 | 0.092 | 0.094 |
| Total Consultants ($M) | 0.939 | 0.806 | 1.078 | 0.857 | 1.152 | 0.888 |

*Notes:*

*SGW's current annual Enterprise Bargaining Agreement provides for 3.0% Y1, 3.25% Y2 & 3.5% Y3 annual increases*

*After the current EBA expires the assumption used is increases in line with CPI only.*

*A new electiricy contract has just been signed which will see real decreases in prices in year 1*

*Consultants significant increase in 2014/15 related to Asset Revlauation*

*Consultants significant increase in 2016/17 related to Water Supply Demand Strategy and preparation of Water Plan 4*

*Carbon tax impact estimated at 9% per annum and is included in the above costs and has been reviewed as part of the draf determination.*

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 elements of future customer growth;
- After hours response improvements;
- Telemetry improvements
- Pipe rehabilitation initiatives; and
- Competitive procurement, (capital and operating expenditure).
- Bringing a number of outsourced contracts in house.

Overall, South Gippsland Water is forecasting an accounting loss during year one of the Water Plan 3 as a result of the delay in Alberton Sewerage Scheme contributions until 2014/15 financial year.

The subsequent years of the Water Plan see a return to accounting surpluses buoyed by government contributions with respect to funding for the Melbourne Supply System connection. Should the funding for Northern Towns Connection not be secured then there would be additional accounting losses to the value of $10.2M over the Water Plan period and the Corporation would need to consider whether the project proceeds.

## 9.3 Sensitivity of Key Planning Variables

The table below shows the financial impacts of a number of scenarios.

**Table 9.3: Sensitivity Analysis - 2013/14 to 2017/18**

| Scenario | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|
| **Water Consumption** | | | | | |
| 5% lower all customers | -0.413 | -0.425 | -0.436 | -0.452 | -0.469 |
| 10% lower all customers | -0.827 | -0.851 | -0.872 | -0.904 | -0.937 |
| 5% lower non-major customers | -0.285 | -0.298 | -0.310 | -0.323 | -0.336 |
| 10% lower non-major customers | -0.571 | -0.597 | -0.621 | -0.645 | -0.672 |
| 5% lower Murray Goulburn | -0.088 | -0.086 | -0.084 | -0.086 | -0.088 |
| 10% lower Murray Goulburn | -0.177 | -0.172 | -0.168 | -0.173 | -0.177 |
| Loss of Murray Goulburn as a major customer | -1.767 | -1.720 | -1.680 | -1.730 | -1.770 |
| | | | | | |
| 5% higher all customers | 0.413 | 0.425 | 0.436 | 0.452 | 0.469 |
| 10% higher all customers | 0.827 | 0.851 | 0.872 | 0.904 | 0.937 |
| 5% higher non-major customers | 0.285 | 0.298 | 0.310 | 0.323 | 0.336 |
| 10% higher non-major customers | 0.571 | 0.597 | 0.621 | 0.645 | 0.672 |
| 5% higher Murray Goulburn | 0.088 | 0.086 | 0.084 | 0.086 | 0.088 |
| 10% higher Murray Goulburn | 0.177 | 0.172 | 0.168 | 0.173 | 0.177 |
| | | | | | |
| **Service Charges** | | | | | |
| 50% lower than growth estimates | -0.099 | -0.102 | -0.106 | -0.109 | -0.114 |
| | | | | | |
| 50% higher than growth estimates | 0.099 | 0.102 | 0.106 | 0.109 | 0.114 |
| | | | | | |
| **Trade Waste** | | | | | |
| Loss of Murray Goulburn as a major customer | -1.732 | -1.780 | -1.829 | -1.879 | -1.931 |
| | | | | | |
| **Interest Rates** | | | | | |
| Higher by 1% | -0.429 | -0.464 | -0.499 | -0.519 | -0.519 |
| Higher by 2% | -0.858 | -0.928 | -0.998 | -1.038 | -1.038 |
| Higher by 3% | -1.287 | -1.392 | -1.497 | -1.557 | -1.557 |
| | | | | | |
| Lower by 1% | 0.429 | 0.464 | 0.499 | 0.519 | 0.519 |
| Lower by 2% | 0.858 | 0.928 | 0.998 | 1.038 | 1.038 |
| Lower by 3% | 1.287 | 1.392 | 1.497 | 1.557 | 1.557 |

Comments on the above include:-

- Water consumption remains a significant financial risk to South Gippsland Water with the retention of Murray Goulburn as a major customer critical to cash flows. Consumption risk of non-major customers is moderate given South Gippsland Water's relatively low average consumption, the split between fixed and variable tariff, and the assumption that water saving infrastructure has generally already been invested in by customers.
- In addition, the loss of Murray Goulburn would impact on trade waste revenue by nearly $2.0M per annum.
- Other trade waste revenue variations have minimal cash impact.
- Water and wastewater assessment growth has generally been strong and risks would be minor unless there were compounding deteriorating growth.
- South Gippsland Water's sensitivity to interest rates is high given that loans are expected to peak at $51.9M during the plan.

## 9.4 Operating Statement

**Table 9.4(a): Revenue & Expense Details**

| Year Ending 30 June | Forecast 2014 (F) | Forecast 2015 (F) | Forecast 2016 (F) | Forecast 2017 (F) | Forecast 2018 (F) | Current Forecast 2013 (A) |
|---|---|---|---|---|---|---|
| **Revenue From Core Business (As Applicable)** | | | | | | |
| Bulk Water Fixed Charges to Other Corporations | - | - | - | - | - | - |
| Bulk Water Charges | - | - | - | - | - | - |
| **Urban Water Supply:** | | | | | | |
| **Service / Fixed** | | | | | | |
| Residential | 6,471 | 6,626 | 6,786 | 6,925 | 7,218 | 6,500 |
| Non-residential | 149 | 153 | 156 | 161 | 166 | 149 |
| Total Service / Fixed | 6,620 | 6,779 | 6,942 | 7,086 | 7,384 | 6,649 |
| **Usage/Volumetric** | | | | | | |
| Residential | 4,684 | 4,838 | 5,035 | 5,241 | 5,455 | 4,469 |
| Non-residential | 3,174 | 3,176 | 3,185 | 3,277 | 3,377 | 3,187 |
| Total Usage/Volumetric | 7,858 | 8,014 | 8,220 | 8,518 | 8,832 | 7,656 |
| **Urban Sewerage** | | | | | | |
| **Service / Fixed** | | | | | | |
| Residential | 7,482 | 7,821 | 8,176 | 8,540 | 8,915 | 7,327 |
| Non-residential | 703 | 723 | 742 | 763 | 784 | 703 |
| Total Service / Fixed | 8,185 | 8,544 | 8,918 | 9,303 | 9,699 | 8,030 |
| **Usage/volumetric** | | | | | | |
| Residential | - | - | - | - | - | - |
| Non-residential | 173 | 178 | 183 | 188 | 193 | 288 |
| Total Usage/volumetric | 173 | 178 | 183 | 188 | 193 | 288 |
| Trade Waste Revenue by Agreement | 2,205 | 2,267 | 2,330 | 2,395 | 2,462 | - 2,320 |
| Trade Waste Usage Revenue | - | - | - | - | - | - - |
| **Recycled Water** | | | | | | |
| Service/Fixed Charges | - | - | - | - | - | - - |
| Usage / Volumetric Charges | - | - | - | - | - | - - |
| Total Recycled Water | - | - | - | - | - | - |
| **Total Revenue From Fees & Charges** | 25,041 | 25,782 | 26,593 | 27,490 | 28,570 | 24,943 |
| **Operating, Maintenance & Administration (OMA) Expenses** | | | | | | |
| Operating and Maintenance Expense | 11,745 | 11,989 | 12,495 | 12,494 | 12,668 | 11,447 |
| Administration Expense | 4,041 | 4,197 | 4,360 | 4,529 | 4,704 | 4,352 |
| **Total OMA Expenses** | 15,786 | 16,186 | 16,855 | 17,023 | 17,372 | 15,799 |
| **OMA Expenses Breakdown (Total OMA)** | | | | | | |
| Bulk water Supply | - | - | - | - | - | - |
| Headworks | 2,205 | 2,255 | 2,336 | 2,343 | 2,379 | 2,120 |
| Urban water - Treatment | 5,513 | 5,638 | 5,842 | 5,856 | 5,948 | 5,446 |
| Urban water - Reticulation | 2,362 | 2,416 | 2,503 | 2,510 | 2,549 | 2,420 |
| Sewerage - Reticulation | 1,890 | 1,933 | 2,003 | 2,008 | 2,039 | 1,970 |
| Sewerage - Treatment | 3,816 | 3,944 | 4,171 | 4,306 | 4,457 | 3,843 |
| Recycled Water | - | - | - | - | - | - |
| Surface Water Diversions | - | - | - | - | - | - |
| Gravity Irrigation | - | - | - | - | - | - |
| Pumped Irrigation | - | - | - | - | - | - |
| Stock and Domestic | - | - | - | - | - | - |
| Groundwater | - | - | - | - | - | - |
| Drainage Diversions | - | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| **Total OMA Expenses** | 15,786 | 16,186 | 16,855 | 17,023 | 17,372 | 15,799 |

## Table 9.4(b): Operating Statement

| Year Ending 30 June | Forecast 2014 (F) | Forecast 2015 (F) | Forecast 2016 (F) | Forecast 2017 (F) | Forecast 2018 (F) | Current Forecast 2013 (A) |
|---|---|---|---|---|---|---|
| **Operating Statement (FS1) ($'000)** | | | | | | |
| **Revenue** | | | | | | |
| Service Charges | 17,010 | 17,590 | 18,190 | 18,784 | 19,545 | 16,999 |
| Usage Charges | 8,031 | 8,192 | 8,403 | 8,706 | 9,025 | 7,944 |
| Developer Contribution | 669 | 682 | 784 | 886 | 988 | 532 |
| Developer Contributions - Gifted Assets | 1,130 | 1,161 | 1,193 | 1,226 | 1,260 | 849 |
| Temporary Trade of Bulk Entitlements | - | - | - | - | - | - |
| Government Contributions / Grants | 359 | 3,558 | 6,010 | 7,758 | 3,665 | - |
| Investment Interest | 12 | 12 | 12 | 12 | 12 | 12 |
| Other Revenue | 692 | 1,761 | 731 | 751 | 1,292 | 646 |
| **Total Revenue** | 27,903 | 32,956 | 35,323 | 38,123 | 35,787 | 26,982 |
| **Expense** | | | | | | |
| Operating and Maintenance Expense | 11,745 | 11,989 | 12,495 | 12,494 | 12,668 | 11,447 |
| Administration Expense | 4,041 | 4,197 | 4,360 | 4,529 | 4,704 | 4,352 |
| Environmental Contributions | 1,101 | 1,101 | 1,101 | 1,101 | 1,101 | 754 |
| Borrowing Costs / Interest Expense | 3,052 | 3,362 | 3,628 | 3,837 | 3,913 | 2,288 |
| IT | - | - | - | - | - | - |
| Labour | - | - | - | - | - | - |
| Consultants | - | - | - | - | - | - |
| Depreciation and Amortisation | 9,619 | 9,987 | 10,406 | 10,908 | 11,488 | 9,081 |
| Other Expense | | | | | | - |
| **Total Expense** | 29,558 | 30,636 | 31,990 | 32,869 | 33,874 | 27,922 |
| **Earnings Before Tax** | (1,655) | 2,320 | 3,333 | 5,254 | 1,913 | (940) |
| Income Tax Expense | - | - | - | - | - | - |
| **Net Operating Result** | (1,655) | 2,320 | 3,333 | 5,254 | 1,913 | (940) |
| Profit (loss) from Sale of Assets | - | - | - | - | - | - |
| Dividends Expense | - | - | - | - | - | - |
| Transfers (to)/from Reserves | - | - | - | - | - | - |
| Other Adjustments | - | - | - | - | - | - |
| **Net Profit (Loss)** | (1,655) | 2,320 | 3,333 | 5,254 | 1,913 | (940) |
| Retained Profit (Loss) Carried Forward | 73,279 | 70,982 | 73,302 | 76,635 | 81,889 | - |
| **Closing Retained Profit (Loss)** | 71,624 | 73,302 | 76,635 | 81,889 | 83,802 | (940) |

## 9.5 Balance Sheet

**Table 9.5: Balance Sheet**

| Year Ending 30 June | Forecast 2014 (F) | Forecast 2015 (F) | Forecast 2016 (F) | Forecast 2017 (F) | Forecast 2018 (F) | Current Forecast 2013 (A) |
|---|---|---|---|---|---|---|
| **Balance Sheet (FS2) ($'000)** | | | | | | |
| **Current Assets** | | | | | | |
| Cash on Hand | 3,308 | 4,134 | 4,161 | 3,686 | 3,974 | 4,023 |
| Receivables | 688 | 707 | 728 | 749 | 770 | 746 |
| Less Provision for Impaired Receivables | (30) | (30) | (30) | (30) | (30) | (26) |
| Investments | - | - | - | - | - | - |
| Inventories | 414 | 426 | 441 | 454 | 468 | 430 |
| Prepayments | 155 | 160 | 164 | 169 | 174 | 200 |
| Other Current Assets | 1,656 | 1,706 | 1,757 | 1,810 | 1,864 | 1,820 |
| **Total Current Assets** | 6,191 | 7,103 | 7,221 | 6,838 | 7,220 | 7,193 |
| **Non-Current Assets** | | | | | | |
| Infrastructure | 300,945 | 312,024 | 327,187 | 341,945 | 366,728 | 292,267 |
| less Accumulated Depreciation | (25,352) | (34,867) | (44,808) | (55,265) | (66,337) | (16,178) |
| **Infrastructure WDV** | 275,593 | 277,157 | 282,379 | 286,680 | 300,391 | 276,089 |
| Land and Buildings | 12,509 | 12,912 | 13,316 | 13,721 | 14,129 | 12,108 |
| less Accumulated Depreciation | (370) | (470) | (570) | (670) | (770) | (270) |
| **Land and Buildings WDV** | 12,139 | 12,442 | 12,746 | 13,051 | 13,359 | 11,838 |
| Plant, Equipment and Motor Vehicles | 7,677 | 7,902 | 8,129 | 8,359 | 8,591 | 7,528 |
| less Accumulated Depreciation | (5,251) | (5,401) | (5,551) | (5,701) | (5,851) | (5,101) |
| **Plant, Equipment and Motor Vehicles WDV** | 2,426 | 2,501 | 2,578 | 2,658 | 2,740 | 2,427 |
| Capital Works In Progress | 10,887 | 13,578 | 15,271 | 18,331 | 5,374 | 6,804 |
| **Total Property, Plant & Equipment** | 301,045 | 305,678 | 312,974 | 320,720 | 321,864 | 297,158 |
| Non-current Receivables | 30 | 630 | 380 | 230 | 550 | 45 |
| Deferred Tax Assets | - | - | - | - | - | - |
| Non-current Investments | - | - | - | - | - | - |
| Intangible Assets | 835 | 735 | 635 | 910 | 810 | 935 |
| Other Non-current Assets | - | - | - | - | - | - |
| **Total Non-Current Assets** | 301,910 | 307,043 | 313,989 | 321,860 | 323,224 | 298,138 |
| **Total Assets** | 308,101 | 314,146 | 321,210 | 328,698 | 330,444 | 305,331 |
| **Current Liabilities** | | | | | | |
| Bank Overdraft | - | - | - | - | - | - |
| Current Payables | 2,720 | 2,876 | 3,035 | 3,197 | 3,361 | 1,703 |
| Short Term Borrowings | 8,500 | 9,200 | 9,900 | 10,300 | 10,300 | 7,000 |
| Finance Lease Liabilities (PPP) | - | - | - | - | - | - |
| Other Lease Liabilities | - | - | - | - | - | - |
| Employee Benefit Provision | 2,017 | 2,077 | 2,140 | 2,203 | 2,270 | 2,105 |
| Provision for Dividend | - | - | - | - | - | - |
| Other Current Provisions | - | - | - | - | - | - |
| Other Current Liabilities | 500 | 500 | 500 | 500 | 500 | 500 |
| **Total Current Liabilities** | 13,737 | 14,653 | 15,575 | 16,200 | 16,431 | 11,308 |
| **Non-Current Liabilities** | | | | | | |
| Long Term Borrowings | 34,400 | 37,200 | 40,000 | 41,600 | 41,192 | 32,400 |
| Long Term Payables | - | - | - | - | - | - |
| Finance Lease Liabilities (PPP) | - | - | - | - | - | - |
| Other Lease Liabilities | - | - | - | - | - | - |
| Long Term Employee Benefit Provision | 296 | 305 | 314 | 323 | 333 | 300 |
| Deferred Tax Liabilities | 37,300 | 37,300 | 37,300 | 37,300 | 37,300 | 37,300 |
| Other Non-current Liabilities | - | - | - | - | - | - |
| **Total Non-Current Liabilities** | 71,996 | 74,805 | 77,614 | 79,223 | 78,825 | 70,000 |
| **Total Liabilities** | 85,733 | 89,458 | 93,189 | 95,423 | 95,256 | 81,308 |
| **Net Assets** | 222,368 | 224,688 | 228,021 | 233,275 | 235,188 | 224,023 |
| **Equity** | | | | | | |
| Government Equity Contributions | 64,353 | 64,353 | 64,353 | 64,353 | 64,353 | 64,353 |
| Asset Revaluation Reserve | 87,033 | 87,033 | 87,033 | 87,033 | 87,033 | 87,033 |
| Other Reserves | - | - | - | - | - | - |
| Accumulated Funds (Losses) | 70,982 | 73,302 | 76,635 | 81,889 | 83,802 | 72,637 |
| **Total Equity** | 222,368 | 224,688 | 228,021 | 233,275 | 235,188 | 224,023 |

## 9.6 Statement of Cash Flows

**Table 9.6: Cash Flow Statement**

| Year Ending 30 June | Forecast 2014 (F) | Forecast 2015 (F) | Forecast 2016 (F) | Forecast 2017 (F) | Forecast 2018 (F) | Current Forecast 2013 (A) |
|---|---|---|---|---|---|---|
| **Cash Flow Statement (FS3) ($'000)** | | | | | | |
| **Cash Flows From Operations** | | | | | | |
| **Cash Receipts** | | | | | | |
| Service and Usage Charges Income | 25,020 | 25,761 | 26,572 | 27,469 | 28,549 | 25,280 |
| Other Customer Revenue | - | - | - | - | - | - |
| Receipts from Government | 359 | 3,558 | 6,010 | 7,758 | 3,665 | - |
| Developer Contributions | 669 | 682 | 784 | 886 | 988 | 652 |
| GST Refunds from ATO | - | - | - | - | - | - |
| Investment (Interest) Income | 12 | 12 | 12 | 12 | 12 | 12 |
| Other Cash Receipts | - | 400 | 250 | 250 | 150 | - |
| **Total Cash Receipts from Operations** | 26,060 | 30,413 | 33,628 | 36,375 | 33,364 | 25,944 |
| **Cash Payments** | | | | | | |
| Payments to Suppliers and Employees | (15,009) | (15,794) | (16,293) | (16,426) | (16,647) | (16,985) |
| Interest and Other Costs of Finance Paid | (3,052) | (3,362) | (3,628) | (3,837) | (3,913) | (2,365) |
| GST paid to the ATO | - | - | - | - | - | - |
| Income Tax Payments | - | - | - | - | - | - |
| Environmental Contributions | (1,101) | (1,101) | (1,101) | (1,101) | (1,101) | (754) |
| Other Payments | - | - | - | - | - | - |
| **Total Cash Payments from Operations** | (19,162) | (20,257) | (21,022) | (21,364) | (21,661) | (20,104) |
| **Net Cash Inflow (Outflow) from Operations** | 6,898 | 10,156 | 12,606 | 15,011 | 11,703 | 5,840 |
| **Cash Flows From Investing Activities** | | | | | | |
| Proceeds/(Payment) from Investments | - | - | - | - | - | - |
| Payments for Infrastructure Assets | (9,994) | (11,953) | (15,236) | (16,638) | (10,602) | (6,219) |
| Payments for Property, Plant & Equipment | (1,539) | (1,439) | (1,422) | (1,444) | (1,427) | (1,657) |
| Payments for Intangible Assets | (175) | (50) | (50) | (50) | (50) | (480) |
| Proceeds from Sale of Assets | 595 | 612 | 629 | 646 | 664 | 646 |
| **Net Cash Inflow (Outflow) from Investing Acti** | (11,113) | (12,830) | (16,079) | (17,486) | (11,415) | (7,710) |
| **Cash Flows From Financing Activities** | | | | | | |
| Proceeds from Borrowings | 3,500 | 3,500 | 3,500 | 2,000 | - | 4,300 |
| Proceeds from Government Equity Contributions | - | - | - | - | - | - |
| Repayment of Borrowings / Overdraft | - | - | - | - | | - |
| Payment of Dividends | - | - | - | - | - | - |
| **Net Cash Inflow (Outflow) from Financing Acti** | 3,500 | 3,500 | 3,500 | 2,000 | - | 4,300 |
| **Net Increase (Decrease) in Cash** | (715) | 826 | 27 | (475) | 288 | 2,430 |
| Cash Held at the Beginning of the Year | 4,023 | 3,308 | 4,134 | 4,161 | 3,686 | 1,593 |
| Cash Held at the End of the Year | 3,308 | 4,134 | 4,161 | 3,686 | 3,974 | 4,023 |
| Cash on Hand per Balance Sheet | 3,308 | 4,134 | 4,161 | 3,686 | 3,974 | 4,023 |

## 9.7 Financial Performance Indicators

**Table 9.7: Financial Performance Indicators**

| Year Ending 30 June | Forecast 2014 (F) | Forecast 2015 (F) | Forecast 2016 (F) | Forecast 2017 (F) | Forecast 2018 (F) | Current Forecast 2013 (A) |
|---|---|---|---|---|---|---|
| **Key Performance Indicators** | | | | | | |
| **Financial Performance Indicators** | | | | | | |
| **Short Term Liquidity Indicators** | | | | | | |
| Current Assets | 6,191 | 7,103 | 7,221 | 6,838 | 7,220 | 7,193 |
| Current Liabilities | 13,737 | 14,653 | 15,575 | 16,200 | 16,431 | 11,308 |
| **Net Working Capital ($'000)** | (7,546) | (7,550) | (8,354) | (9,362) | (9,211) | (4,115) |
| **Working Capital Ratio (%)** | 45.1% | 48.5% | 46.4% | 42.2% | 43.9% | 63.6% |
| **Profitability Indicators** | | | | | | |
| Earnings Before Net Interest and Tax | 1,385 | 5,670 | 6,949 | 9,079 | 5,814 | 1,336 |
| EBITDA | 11,016 | 15,669 | 17,367 | 19,999 | 17,314 | 10,429 |
| Total Revenue from Fees & Charges | 25,041 | 25,782 | 26,593 | 27,490 | 28,570 | 24,943 |
| Total OMA (incl. Env Contribution) Expenses | 15,786 | 16,186 | 16,855 | 17,023 | 17,372 | 15,799 |
| Total Income | 27,903 | 32,956 | 35,323 | 38,123 | 35,787 | 26,982 |
| Total Assets at Start of Reporting Period | 307,402 | 308,101 | 314,146 | 321,210 | 328,698 | 296,006 |
| Total Assets at End of Reporting Period | 308,101 | 314,146 | 321,210 | 328,698 | 330,444 | 305,331 |
| Average Total Assets | 307,752 | 311,124 | 317,678 | 324,954 | 329,571 | 300,669 |
| **Return on Assets (%)** | 0.5% | 1.8% | 2.2% | 2.8% | 1.8% | 0.4% |
| **Gross Operating Margin (%)** | 37.0% | 37.2% | 36.6% | 38.1% | 39.2% | 36.7% |
| **Net Profit Margin (%)** | 5.0% | 17.2% | 19.7% | 23.8% | 16.2% | 5.0% |
| **Underlying Result (%)** | (5.9%) | 7.0% | 9.4% | 13.8% | 5.3% | (3.5%) |
| **Debt Servicing Indicators** | | | | | | |
| Net Interest Expense (income) | 3,040 | 3,350 | 3,616 | 3,825 | 3,901 | 2,276 |
| Net Operating Cash Before Net Interest and Tax | 9,938 | 13,506 | 16,222 | 18,836 | 15,604 | 8,193 |
| Net Interest Payments (Receipts) | 3,040 | 3,350 | 3,616 | 3,825 | 3,901 | 2,353 |
| **Cash Interest Coverage (Times)** | 3.3x | 4.0x | 4.5x | 4.9x | 4.0x | 3.5x |
| **Long term Interest Coverage (Times)** | 0.5x | 1.7x | 1.9x | 2.4x | 1.5x | 0.6x |
| **Long Term Viability Indicators** | | | | | | |
| Total Debt | 42,900 | 46,400 | 49,900 | 51,900 | 51,492 | 39,400 |
| Total Equity | 222,368 | 224,688 | 228,021 | 233,275 | 235,188 | 224,023 |
| **Asset Gearing ratio (%)** | 13.9% | 14.8% | 15.5% | 15.8% | 15.6% | 12.9% |
| **Internal Financing Ratio (%)** | 59.8% | 75.8% | 75.7% | 83.0% | 97.3% | 74.1% |
| **Debt to Equity (%)** | 19.3% | 20.7% | 21.9% | 22.2% | 21.9% | 17.6% |
| **Owners Return Indicator** | | | | | | |
| Net Profit (Loss) | (1,655) | 2,320 | 3,333 | 5,254 | 1,913 | (940) |
| Total Equity at Start of Reporting Period | 224,665 | 222,368 | 224,688 | 228,021 | 233,275 | 225,605 |
| Average Total Equity | 223,517 | 223,528 | 226,355 | 230,648 | 234,232 | 224,814 |
| **Return on Equity (%)** | (0.7%) | 1.0% | 1.5% | 2.3% | 0.8% | (0.4%) |
| **Efficiency Indicators** | | | | | | |
| Total Credit Sales Revenue | 25,710 | 26,464 | 27,377 | 28,376 | 29,558 | 25,475 |
| Accounts Receivable at Start of Period | 855 | 718 | 1,337 | 1,108 | 979 | 892 |
| Accounts Receivable at End of Period | 718 | 1,337 | 1,108 | 979 | 1,320 | 791 |
| Average Accounts Receivable | 787 | 1,028 | 1,223 | 1,044 | 1,150 | 842 |
| Net Cash from Operations | 6,898 | 10,156 | 12,606 | 15,011 | 11,703 | 5,840 |
| Total Operating Cash Receipts | 26,060 | 30,413 | 33,628 | 36,375 | 33,364 | 25,944 |
| **Accounts Receivable Turnover (Days)** | 11.0 | 14.0 | 16.0 | 13.0 | 14.0 | 12.0 |
| **Operating Cash Flow Efficiency (%)** | 26.5% | 33.4% | 37.5% | 41.3% | 35.1% | 22.5% |

## 9.8 Capital Expenditure Forecasts

### Table 9.8(a): Capital Expenditure Forecasts by Major Driver

| Year Ending 30 June | Forecast 2014 (F) | Forecast 2015 (F) | Forecast 2016 (F) | Forecast 2017 (F) | Forecast 2018 (F) | Forecast 2019 (F) | Forecast 2020 (F) | Forecast 2021 (F) | Forecast 2022 (F) | Forecast 2023 (F) | Current Forecast 2013 (F) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Capital Program ($'000)** | | | | | | | | | | | |
| **Primary Driver Summary** | | | | | | | | | | | |
| Security and Reliability | - | - | - | 450 | - | - | - | - | - | | |
| Growth | 4,036 | 9,163 | 12,632 | 13,918 | 6,970 | - | - | - | - | | |
| Renewals | 5,570 | 2,348 | 2,150 | 2,250 | 2,421 | 6,859 | 6,930 | 6,692 | 6,303 | | |
| Regulatory Compliance | - | - | - | - | 1,191 | 1,354 | - | - | - | | |
| **Total Capital Spend - Breakdown (Includes News Customer Contributions Received And Government Grants)** | | | | | | | | | | | |
| **Water** | | | | | | | | | | | |
| Security and Reliability | | - | - | 450 | - | - | - | - | - | | |
| Growth | 365 | 3,558 | 5,532 | 6,359 | 6,970 | - | - | - | - | | |
| Renewals | 995 | 1,000 | 700 | 700 | 757 | 1,580 | 2,380 | 2,292 | 1,903 | | |
| Regulatory Compliance | - | - | - | - | - | - | - | - | - | | |
| Headworks | 513 | 442 | 454 | 20 | 20 | 188 | 2,249 | 4,299 | 1,967 | | |
| **Total Water** | 1,873 | 5,000 | 6,686 | 7,529 | 7,747 | 1,768 | 4,629 | 6,591 | 3,870 | | |
| **Wastewater** | | | | | | | | | | | |
| Growth | 3,671 | 5,605 | 7,100 | 7,559 | - | - | - | - | - | | |
| Renewals | 4,575 | 1,348 | 1,450 | 1,550 | 1,664 | 5,279 | 4,550 | 4,400 | 4,400 | | |
| Regulatory Compliance | - | - | - | - | 1,191 | 1,354 | - | - | - | | |
| **Total Wastewater** | 8,246 | 6,953 | 8,550 | 9,109 | 2,855 | 6,633 | 4,550 | 4,400 | 4,400 | | |
| **Alternative Supplies** | | | | | | | | | | | |
| Recycled Water | - | - | - | - | - | - | - | - | - | | |
| Stormwater | - | - | - | - | - | - | - | - | - | | |
| Other | - | - | - | - | - | - | - | - | - | | |
| **Total Alternative Supplies** | - | - | - | - | - | - | - | - | - | | |
| **Environment** | | | | | | | | | | | |
| Waterways and Drainage | - | - | - | - | - | - | - | - | - | | |
| Sustainability | - | - | - | - | - | - | - | - | - | | |
| **Total Environment** | - | - | - | - | - | - | - | - | - | | |
| **Corporate** | | | | | | | | | | | |
| Systems (Including IT) | 270 | 148 | 150 | 152 | 154 | 156 | 158 | 160 | 160 | | |
| Other | 1,319 | 1,341 | 1,322 | 1,342 | 1,323 | 1,343 | 1,327 | 1,343 | 1,385 | | |
| **Total Corporate** | 1,589 | 1,489 | 1,472 | 1,494 | 1,477 | 1,499 | 1,485 | 1,503 | 1,545 | | |
| **Total Capital Spend** | 11,708 | 13,442 | 16,708 | 18,132 | 12,079 | 9,900 | 10,664 | 12,494 | 9,815 | | |
| **New Customer Contributions received** | 669.0 | 682.0 | 784.0 | 886.0 | 988.0 | 1,015 | 1,043 | 1,072 | 1,101 | | |
| **Government grants received** | 359.0 | 3,558.0 | 6,010.0 | 7,758.0 | 3,665.0 | - | - | - | - | | |
| **Net Capital Expenditure** | 10,680 | 9,202 | 9,914 | 9,488 | 7,426 | 8,885 | 9,621 | 11,422 | 8,714 | | |

### Table 9.7(b): Capital Expenditure Forecasts – Significant Projects

| Project Name | Brief Description of Project | Location | Business Case Due | Start Date | Finish Date |
|---|---|---|---|---|---|
| NORTHERN TOWNS SUPPLY CONNECTION ' | DOSING PLANT | WONTHAGGI | COMPLETED | 14/15 | 30-Jun-16 |
| NORTHERN TOWNS SUPPLY CONNECTION ' | PIPELINE FROM KORUMBURRA TO POO' | POOWONG | COMPLETED | 1-Jan-14 | 30-Jun-18 |
| NORTHERN TOWNS SUPPLY CONNECTION ' | PIPELINE FROM LANCE CREEK TO KORU | KORUMBURRA | COMPLETED | 1-Jul-11 | 30-Jun-18 |
| POOWONG LOCH NYORA SEWERAGE SCHI | NEW SEWER SCHEME FOR POOWONG L | POOWONG LOCH NYC | COMPLETED | 7-Jun-11 | 30-Jun-17 |
| Leongatha Digestor | Leongatha Digester Refurbishment | Leongatha | COMPLETED | 1-May-13 | 30-Jun-14 |
| VENUS BAY OUTFALL PIPELINE REPLACEME | OUTFALL PIPE REPLACEMENT - TARWIN | VENUS BAY | COMPLETED | 11-Oct-11 | 30-Jun-14 |
| Alberton Swererge Scheme | Alberton Serwerage Scheme | Alberton | COMPLETED | 1-Jul-13 | 30-Jun-15 |
| FOSTER WWTP - TREATMENT AND WINTER | FOSTER WWTP - TREATMENT AND WIN | FOSTER | COMPLETED | 1-Jul-17 | 30-Jun-18 |

# 9.9 Service Standards and Key Performance Indicators

**Table 9.9(a): ESC Service Standards**

## SOUTH GIPPSLAND WATER - Service Standards 1 July 2012 to 30 June 2018

| | 2012-13 Actual | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 |
|---|---|---|---|---|---|---|
| **Water** | | | | | | |
| Unplanned water supply interruptions (per 100km) | 18.3 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |
| Average time taken to attend bursts and leaks (priority 1) | 15.5 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| Average time taken to attend bursts and leaks (priority 2) | 23.2 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 |
| Average time taken to attend bursts and leaks (priority 3) | 813.9 | 500.0 | 500.0 | 500.0 | 500.0 | 500.0 |
| Unplanned water supply interruptions restored within 5 hours (per cent) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Planned water supply interruptions restored within 5 hours (per cent) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average unplanned customer minutes off water supply | 9.7 | 25.0 | 25.0 | 25.0 | 25.0 | 25.0 |
| Average planned customer minutes off water supply | 35.9 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average unplanned frequency of water supply interruptions | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Average planned frequency of water supply interruptions | 0.2 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Average duration of unplanned water supply interruptions (minutes) | 82.8 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Average duration of planned water supply interruptions (minutes) | 229.3 | 240.0 | 240.0 | 240.0 | 240.0 | 240.0 |
| No. of customers experiencing more than 5 unplanned water supply interruptions in the year | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Unaccounted for water | 16.0 | 16.0 | 16.0 | 16.0 | 16.0 | 16.0 |
| **Sewerage** | | | | | | |
| Sewerage blockages (per 100km) | 17.9 | 18.0 | 18.0 | 18.0 | 18.0 | 18.0 |
| Average time to attend sewer spills and blockages (minutes) | 8.2 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| Average time to rectify a sewer blockage (minutes) | 55.9 | 120.0 | 120.0 | 120.0 | 120.0 | 120.0 |
| Spills contained within 5 hours (per cent) | 94.0 | 94.0 | 94.0 | 94.0 | 94.0 | 94.0 |
| 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 | 0.9 | 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** | | | | | | |
| Total CO2 equivalent Emissions (Tonne) | 8359.0 | 8415.6 | 8550.2 | 8687.0 | 8826.0 | 8967.2 |
| Recycled water target (% reused) | 4.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Biosolids reuse (% reused) | 0.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Small Town Sewerage Scheme connections (no. of) | 118.0 | 30.0 | 30.0 | 30.0 | 91.0 | 91.0 |
| Environmental discharge indicator (per cent) | 99.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Drinking water quality indicators (per cent) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

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

**Table 9.9(b): Ministerial Reporting Directions – Financial Performance Indicators**

| | Performance Indicator | 2011-12 Result | 2012-13 Est. Result | 2013-14 Target |
|---|---|---|---|---|
| **F1** | **Internal Financing Ratio**<br><br>(Net operating cash flow – dividends) / Capital expenditure | 47.4% | 74.1% | 59.8% |
| **F2** | **Gearing Ratio**<br><br>Total debt (including finance leases) / total assets | 11.6% | 12.9% | 13.9% |
| **F3** | **Interest Cover (EBIT)**<br><br>Earnings before net interest and tax expense / net interest expense | 0.5 times | 0.6 times | 0.5 times |
| **F4** | **Interest Cover (Cash)**<br><br>Cash flow from operations before net interest and tax payments / net interest payments | 3.6 times | 3.5 times | 3.3 times |
| **F5** | **Return on Assets**<br><br>Earnings before net interest and tax / Average total assets | 0.4% | 0.4% | 0.5% |
| **F6** | **Return on Equity**<br><br>Net profit after tax /average total equity | (0.5%) | (0.4%) | (0.7%) |

### Table 9.9(c): Ministerial Reporting Directions – Service Performance Indicators (Whole of Business)

| | Performance Indicator<br>*Performance measures as per ESC definitions* | 2011-12 Result | 2012-13 Est. Result | 2013-14 Target |
|---|---|---|---|---|
| **S1** | **Water supply interruptions** | | | |
| S1.1 | Number of customers receiving more than 5 unplanned interruptions in the year | 0.0% | 0.0% | 0.0% |
| **S2** | **Interruption time indicators** | | | |
| S2.1 | Average duration of unplanned water supply interruptions | 95 minutes | 83 minutes | 100 minutes |
| **S3** | **Restoration of water supply** | | | |
| S3.1 | Unplanned water supply interruptions restored within *5* hours | 99.0% | 100.0% | 99.0% |
| **S4** | **Reliability of sewerage collection services** | | | |
| S4.1 | Sewer spills from reticulation and branch sewers (priority 1 and 2) | 56 | 50 | 50 |
| **S5** | **Containment of sewer spillages** | | | |
| S5.1 | Sewerage spills contained within *5* hours | 100.0% | 94.0% | 100.0% |
| **S6** | **Customer complaints indicators** | | | |
| S6.1 | Water quality complaints per 1000 customers | 2.7 | 10.2 | 8.0 |
| S6.2 | Sewerage service quality and reliability complaints per 1000 customers | 0.0 | 0.0 | 0.1 |
| S6.3 | Billing complaints per 1000 customers **(Note 1**) | 0.6 | 1.8 | 2.0 |
| S6.4 | Sewage odours complaints per 1000 customers | 0.1 | 0.1 | 0.1 |

**(Note 1:** S6.3 criteria has changed from billing to both billing and affordability complaints per 1000 in 2012/13) Therefore 2011/12 only includes billing complaints not affordability complaints**.**

### Table 9.9(d): Ministerial Reporting Directions – Environmental Performance Indicators (Whole of Business)

| | Performance Indicator<br>*Performance measures as per ESC definitions* | 2011-12 Result | 2012-13 Est. Result | 2013-14 Target |
|---|---|---|---|---|
| **E1** | **Reuse indicators** | | | |
| E1.1 | Effluent reuse (volume) | 2.0% | 4.0% | 4..0% |
| E1.2 | Biosolids reuse (dry mass) | 0.0% | 0.0% | 2.0% |
| **E2** | **Sewage treatment standards** | | | |
| E2.1 | Number of analyses complying with licence agreements as % of samples. | 85.0% | 99.0% | 100.0% |

## 9.10 Statement of Prices & Tariffs as determined by the ESC - 1 July 2013 – 30 June 2018

Tariffs for 2013/14 are as per the ESC's final price determination.

Tariffs for 2013/14 onwards see real decreases for core water and waste water services. Water Volumetric charges see modest increases as the corporation works towards moving to a higher proportion of volumetric charges in bills as per customer consultation during Water Plan 3 development.

In addition, water prices in both regions of SGW will come into alignment from 2016/17 also a result of customer consultation during the Water Plan 3 development.

Nominal tariffs for core services for the plan period are forecast in Table 9.9(a) below.

**Table 9.10(a): Forecast Nominal prices - Core Water and Wastewater Tariffs**

| WATER TARIFFS | 2012/13 | | 2013/14 | | 2014/15 | | 2015/16 | | 2016/17 | | 2017/18 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EAST / WEST AREA | | | | | | | | | | | | |
| Service Charge | $ p.a. | % Var'n | $ p.a. | % Var'n | $ p.a. | % Var'n | $ p.a. | % Var'n | $ p.a. | % Var'n | $ p.a. | % Var'n |
| 1. General Tariff | 305.40 | 5.7% | 305.40 | 0.0% | 313.80 | 2.8% | 322.43 | 2.8% | 331.29 | 2.7% | 340.41 | 2.8% |
| 2. Vacant Land | 305.40 | 5.7% | 305.40 | 0.0% | 313.80 | 2.8% | 322.43 | 2.8% | 331.29 | 2.7% | 340.41 | 2.8% |
| 3. Agreements | 277.65 | 5.7% | 277.65 | 0.0% | 285.29 | 2.8% | 293.13 | 2.7% | 301.19 | 2.7% | 309.47 | 2.7% |
| 4. Concessional | 250.35 | 5.4% | 250.35 | 0.0% | 257.23 | 2.7% | 264.31 | 2.8% | 271.58 | 2.8% | 279.05 | 2.8% |
| SOUTHERN AREA | | | | | | | | | | | | |
| Service Charge | $ p.a. | % Var'n | $ p.a. | % Var'n | $ p.a. | % Var'n | $ p.a. | % Var'n | $ p.a. | % Var'n | $ p.a. | % Var'n |
| 1. General Tariff | 355.35 | 2.7% | 342.39 | -3.6% | 339.48 | -0.8% | 336.59 | -0.9% | 331.29 | -1.6% | 340.40 | 2.7% |
| 2. Vacant Land | 355.35 | 2.7% | 342.39 | -3.6% | 339.48 | -0.8% | 336.59 | -0.9% | 331.29 | -1.6% | 340.40 | 2.7% |
| 3. Agreements | 319.35 | 2.7% | 307.70 | -3.6% | 305.08 | -0.9% | 302.49 | -0.8% | 301.19 | -0.4% | 309.47 | 2.7% |
| 4. Concessional | 250.35 | 5.4% | 250.35 | 0.0% | 257.23 | 2.7% | 264.31 | 2.8% | 271.58 | 2.8% | 279.05 | 2.8% |
| Volume Charge | c per kL | % Var'n | c per kL | % Var'n | c per kL | % Var'n | c per kL | % Var'n | c per kL | % Var'n | c per kL | % Var'n |
| Overall Usage | 1.6400 | 7.9% | 1.6619 | 1.3% | 1.7076 | 2.7% | 1.7546 | 2.8% | 1.8028 | 2.7% | 1.8524 | 2.8% |
| MG | 1.9900 | 7.6% | 2.0166 | 1.3% | 2.0721 | 2.8% | 2.1290 | 2.7% | 2.1876 | 2.8% | 2.2477 | 2.7% |
| WASTEWATER TARIFFS | | | | | | | | | | | | |
| Service Charge | $ p.a. | % Var'n | $ p.a. | % Var'n | $ p.a. | % Var'n | $ p.a. | % Var'n | $ p.a. | % Var'n | $ p.a. | % Var'n |
| 1. General Tariff | 452.25 | 3.3% | 453.94 | 0.4% | 466.42 | 2.7% | 479.25 | 2.8% | 492.43 | 2.8% | 505.97 | 2.7% |
| 2. Vacant Land | 265.50 | 3.3% | 266.49 | 0.4% | 273.82 | 2.8% | 281.35 | 2.7% | 289.09 | 2.8% | 297.04 | 2.8% |

Estimated weighted average tariff increases/(decreases) are:

| | Real | Nominal |
|---|---|---|
| 2013/14 | (3.1)% | (0.4)% |
| 2014/15 | (0.8)% | 1.9% |
| 2015/16 | (0.8)% | 1.9% |
| 2016/17 | (0.9)% | 1.8% |
| 2017/18 | (0.0)% | 2.8% |
| | (5.5)% | 8.2% |

Customers are 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.

Forecast customer impacts are detailed in Table 9.8(b) below for 200 kL usage and 113 kL usage (that is the average residential water consumption per annum).

## Table 9.10(b): Customer Impacts

**Modelling of Price Impacts for 200kL of water consumption**
(Based on nominal dollars)

| | Water Service Fixed | Water Service Variable | Sewer Fixed | Total Tariffs | $ Change Yr on Yr | % Change Yr on Yr |
|---|---|---|---|---|---|---|
| *Residential & Non-Residential Customers - East/West District* | | | | | | |
| 2012/13 | 305.40 | 328.00 | 452.25 | 1,085.65 | | |
| 2013/14 | 305.40 | 332.38 | 453.94 | 1,091.72 | 6.07 | 0.6% |
| 2014/15 | 313.80 | 341.52 | 466.42 | 1,121.74 | 30.02 | 2.7% |
| 2015/16 | 322.43 | 350.92 | 479.25 | 1,152.60 | 30.86 | 2.8% |
| 2016/17 | 331.29 | 360.56 | 492.43 | 1,184.28 | 31.68 | 2.7% |
| 2017/18 | 340.41 | 370.48 | 505.97 | 1,216.86 | 32.58 | 2.8% |
| *Residential & Non-Residential Customers - Southern District* | | | | | | |
| 2012/13 | 355.35 | 328.00 | 452.25 | 1,135.60 | | |
| 2013/14 | 342.39 | 332.38 | 453.94 | 1,128.71 | - 6.89 | -0.6% |
| 2014/15 | 339.48 | 341.52 | 466.42 | 1,147.42 | 18.71 | 1.7% |
| 2015/16 | 336.59 | 350.92 | 479.25 | 1,166.76 | 19.34 | 1.7% |
| 2016/17 | 331.29 | 360.56 | 492.43 | 1,184.28 | 17.52 | 1.5% |
| 2017/18 | 340.40 | 370.48 | 505.97 | 1,216.85 | 32.57 | 2.8% |
| *Residential TenantCustomers -All Regions* | | | | | | |
| 2012/13 | - | 328.00 | - | 328.00 | | |
| 2013/14 | - | 332.38 | - | 332.38 | 4.38 | 1.3% |
| 2014/15 | - | 341.52 | - | 341.52 | 9.14 | 2.7% |
| 2015/16 | - | 350.92 | - | 350.92 | 9.40 | 2.8% |
| 2016/17 | - | 360.56 | - | 360.56 | 9.64 | 2.7% |
| 2017/18 | - | 370.48 | - | 370.48 | 9.92 | 2.8% |

**Modelling of Price Impacts for 113kL of water consumption**
(Based on nominal dollars)

| | Water Service Fixed | Water Service Variable | Sewer Fixed | Total Tariffs | $ Change Yr on Yr | % Change Yr on Yr |
|---|---|---|---|---|---|---|
| *Residential & Non-Residential Customers - East/West District* | | | | | | |
| 2012/13 | 305.40 | 185.32 | 452.25 | 942.97 | | |
| 2013/14 | 305.40 | 187.79 | 453.94 | 947.13 | 4.16 | 0.4% |
| 2014/15 | 313.80 | 192.96 | 466.42 | 973.18 | 26.04 | 2.7% |
| 2015/16 | 322.43 | 198.27 | 479.25 | 999.95 | 26.77 | 2.8% |
| 2016/17 | 331.29 | 203.72 | 492.43 | 1,027.44 | 27.49 | 2.7% |
| 2017/18 | 340.41 | 209.32 | 505.97 | 1,055.70 | 28.26 | 2.8% |
| *Residential & Non-Residential Customers - Southern District* | | | | | | |
| 2012/13 | 355.35 | 185.32 | 452.25 | 992.92 | | |
| 2013/14 | 342.39 | 187.79 | 453.94 | 984.12 | - 8.80 | -0.9% |
| 2014/15 | 339.48 | 192.96 | 466.42 | 998.86 | 14.73 | 1.5% |
| 2015/16 | 336.59 | 198.27 | 479.25 | 1,014.11 | 15.25 | 1.5% |
| 2016/17 | 331.29 | 203.72 | 492.43 | 1,027.44 | 13.33 | 1.3% |
| 2017/18 | 340.40 | 209.32 | 505.97 | 1,055.69 | 28.25 | 2.8% |
| *Residential TenantCustomers -All Regions* | | | | | | |
| 2012/13 | - | 185.32 | - | 185.32 | | |
| 2013/14 | - | 187.79 | - | 187.79 | 2.47 | 1.3% |
| 2014/15 | - | 192.96 | - | 192.96 | 5.16 | 2.7% |
| 2015/16 | - | 198.27 | - | 198.27 | 5.31 | 2.8% |
| 2016/17 | - | 203.72 | - | 203.72 | 5.45 | 2.7% |
| 2017/18 | - | 209.32 | - | 209.32 | 5.60 | 2.8% |

## Table 9.10(c): Scheduled Prices & Tariffs

| Tariff and Price Component<br>$, nominal | Water Plan 2008/09 to 2012/13<br>Price<br>(1 July 2008) | Price<br>(1 July 2009) | Price<br>(1 July 2010) | Price<br>(1 July 2011) | Price<br>(1 July 2012) | Water Plan 2013/14 to 2017/18<br>Price<br>(1 July 2013) | Price<br>(1 July 2014) | Price<br>(1 July 2015) | Price<br>(1 July 2016) | Price<br>(1 July 2017) |
|---|---|---|---|---|---|---|---|---|---|---|
| **1.1 Water access fees (per annum)** | | | | | | | | | | |
| **East/West District** | | | | | | | | | | |
| Access fee – Developed | 228.75 | 251.25 | 268.80 | 289.05 | 305.40 | 305.40 | CPI | CPI | CPI | CPI |
| Access fee – Undeveloped | 228.75 | 251.25 | 268.80 | 289.05 | 305.40 | 305.40 | CPI | CPI | CPI | CPI |
| Access fee – Agreements | 207.90 | 228.45 | 244.50 | 262.80 | 277.65 | 277.65 | CPI | CPI | CPI | CPI |
| Access fee – Concessional | 191.10 | 207.75 | 221.70 | 237.60 | 250.35 | 250.35 | CPI | CPI | CPI | CPI |
| **Southern District** | | | | | | | | | | |
| Access fee – Developed | 303.75 | 318.45 | 331.20 | 346.05 | 355.35 | 342.39 | CPI -3.6% | CPI -3.6% | CPI -3.9% | CPI |
| Access fee – Undeveloped | 303.75 | 318.45 | 331.20 | 346.05 | 355.35 | 342.39 | CPI -3.6% | CPI -3.6% | CPI -3.9% | CPI |
| Access fee – Agreements | 272.85 | 286.05 | 297.60 | 310.95 | 319.35 | 307.70 | CPI -3.6% | CPI -3.6% | CPI -2.8% | CPI |
| Access fee – Concessional | 191.10 | 207.75 | 221.70 | 237.60 | 250.35 | 250.35 | CPI | CPI | CPI | CPI |
| **1.2 Water usage charges (per kL)** | | | | | | | | | | |
| Volumetric fee – Murray Goulburn | 1.3750 | 1.5480 | 1.6900 | 1.8500 | 1.9900 | 2.02 | CPI | CPI | CPI | CPI |
| Volumetric fee – All others | 1.1300 | 1.2700 | 1.3900 | 1.5200 | 1.6400 | 1.66 | CPI | CPI | CPI | CPI |
| **1.3 Sewerage access fees (per Residential and non-residential** | | | | | | | | | | |
| Access fee – Developed | 377.85 | 398.10 | 416.55 | 437.85 | 452.25 | 453.94 | CPI | CPI | CPI | CPI |
| Access fee – Undeveloped | 221.85 | 233.70 | 244.50 | 256.95 | 265.50 | 266.49 | CPI | CPI | CPI | CPI |
| **1.4 Cistern access fees (per annum)** | | | | | | | | | | |
| 1-2 Cisterns | 122.40 | 129.00 | 135.00 | 141.90 | 146.55 | 147.11 | CPI | CPI | CPI | CPI |
| 3-5 Cisterns | 322.20 | 339.30 | 355.05 | 373.20 | 385.50 | 386.98 | CPI | CPI | CPI | CPI |
| 6-10 Cisterns | 623.55 | 656.70 | 687.15 | 722.25 | 746.25 | 749.12 | CPI | CPI | CPI | CPI |
| 11-15 Cisterns | 998.40 | 1,051.65 | 1,100.40 | 1,156.65 | 1,194.90 | 1,199.49 | CPI | CPI | CPI | CPI |
| 16-20 Cisterns | 1,664.85 | 1,753.65 | 1,834.95 | 1,928.70 | 1,992.45 | 2,000.11 | CPI | CPI | CPI | CPI |
| 21-26 Cisterns | 2,382.75 | 2,509.80 | 2,626.20 | 2,760.30 | 2,851.65 | 2,862.62 | CPI | CPI | CPI | CPI |
| 27-35 Cisterns | 2,920.50 | 3,076.35 | 3,219.00 | 3,383.40 | 3,495.30 | 3,508.72 | CPI | CPI | CPI | CPI |
| 36–Greater Cisterns | 3,337.05 | 3,515.10 | 3,678.15 | 3,865.80 | 3,993.90 | 4,009.27 | CPI | CPI | CPI | CPI |
| **Volume Charge – (per kL)** | | | | | | | | | | |
| Volume Charge | 1.1300 | 1.2700 | 1.3900 | 1.5200 | 1.6400 | 1.66 | CPI | CPI | CPI | CPI |
| **1.5 Minor trade waste fees** | | | | | | | | | | |
| **Application fees (per application)** | | | | | | | | | | |
| Category 1 | 100.00 | 102.00 | 105.00 | 109.35 | 111.00 | 114.23 | CPI +0.4% | CPI +0.4% | CPI +0.4% | CPI +0.4% |
| Category 2 | 160.00 | 163.00 | 168.00 | 174.15 | 177.00 | 182.15 | CPI +0.4% | CPI +0.4% | CPI +0.4% | CPI +0.4% |
| Category 3 | 293.00 | 300.00 | 309.00 | 319.50 | 324.00 | 332.43 | CPI +0.4% | CPI +0.4% | CPI +0.4% | CPI +0.4% |
| **Access fees (per annum)** | | | | | | | | | | |
| Access fee – Category 1 | 318.15 | 371.70 | 435.90 | 513.60 | 594.75 | 597.03 | CPI | CPI | CPI | CPI |
| Access fee – Category 2 | 422.55 | 493.65 | 579.00 | 682.05 | 789.90 | 792.94 | CPI | CPI | CPI | CPI |
| Access fee – Category 3 | 524.25 | 612.45 | 718.35 | 846.15 | 979.95 | 983.72 | CPI | CPI | CPI | CPI |
| **Volumetric fees (per kL)** | | | | | | | | | | |
| All Categories | 0.4200 | 0.4900 | 0.5850 | 0.6850 | 0.7900 | 0.7930 | CPI | CPI | CPI | CPI |
| **Quality fees (per kg)** | | | | | | | | | | |
| BOD | 0.3300 | 0.3800 | 0.4500 | 0.5300 | 0.6125 | 0.6278 | CPI +0.4% | CPI +0.4% | CPI +0.4% | CPI +0.4% |
| SS | 0.3050 | 0.3610 | 0.4250 | 0.5000 | 0.5775 | 0.5919 | CPI +0.4% | CPI +0.4% | CPI +0.4% | CPI +0.4% |
| Nitogen | 1.3750 | 1.6150 | 1.8900 | 2.2300 | 2.5850 | 2.6496 | CPI +0.4% | CPI +0.4% | CPI +0.4% | CPI +0.4% |
| Phosphorus | 7.8800 | 9.2050 | 10.7950 | 12.7150 | 14.7250 | 15.0934 | CPI +0.4% | CPI +0.4% | CPI +0.4% | CPI +0.4% |
| **Additional sampling (per sample)** | | | | | | | | | | |
| All Categories | Actual Cost | Actual Cost | Actual Cost | Actual Cost | Actual Cost | Actual Cost | Actual Cost | Actual Cost | Actual Cost | Actual Cost |
| **Exceedence fees (per kg)** | | | | | | | | | | |
| Oil & Grease | 0.0850 | 0.0875 | 0.0900 | 0.0900 | 0.0925 | 0.0948 | CPI +0.4% | CPI +0.4% | CPI +0.4% | CPI +0.4% |
| Sodium | 0.0850 | 0.0875 | 0.0900 | 0.0900 | 0.0925 | 0.0948 | CPI +0.4% | CPI +0.4% | CPI +0.4% | CPI +0.4% |
| TOS | 0.5950 | 0.6127 | 0.6300 | 0.6500 | 0.6600 | 0.6765 | CPI +0.4% | CPI +0.4% | CPI +0.4% | CPI +0.4% |

** Years 2, 3, 4 & 5 (2013/14, 2014/15, 2015/16 & 2016/17) Price Movement (PPM) is outside the current ESC Price Determination. Refer Table 9.8(a) for forecast core water and wastewater services. Non-core services are forecast to increase with CPI.*

| Tariff and Price Component<br>$, nominal | Water Plan 2008/09 to 2012/13<br>Price<br>(1 July 2008) | Price<br>(1 July 2009) | Price<br>(1 July 2010) | Price<br>(1 July 2011) | Price<br>(1 July 2012) | Water Plan 2013/14 to 2017/18<br>Price<br>(1 July 2013) | Price<br>(1 July 2014) | Price<br>(1 July 2015) | Price<br>(1 July 2016) | Price<br>(1 July 2017) |
|---|---|---|---|---|---|---|---|---|---|---|
| **1.6 New customer contributions** | | | | | | | | | | |
| **Water** | | | | | | | | | | |
| Category One Lot < 450 sq m | 550.00 | 563.00 | 579.00 | 599.00 | 608.00 | 922.52 | CPI + 27.8% | CPI + 26.1% | CPI + 20.7% | CPI + 16.0% |
| Category Two Lot 450 - 1350 sq m | 1,100.00 | 1,127.00 | 1,159.00 | 1,198.00 | 1,217.00 | 1,404.28 | CPI + 11.7% | CPI + 11.1% | CPI + 10.3% | CPI + 8.3% |
| Catergory Three Lot size > 1350 sq | 2,200.00 | 2,254.00 | 2,319.00 | 2,396.00 | 2,434.00 | 2,424.18 | CPI - 3.2% | CPI - 2.8% | CPI - 3.1% | CPI - 5.8% |
| **Sewer (Excluding Poowong Loch Nyora & Alberton)** | | | | | | | | | | |
| Category One Lot < 450 sq m | 550.00 | 563.00 | 579.00 | 599.00 | 608.00 | 922.52 | CPI + 27.8% | CPI + 26.1% | CPI + 20.7% | CPI + 16.0% |
| Category Two Lot 450 - 1350 sq m | 1,100.00 | 1,127.00 | 1,159.00 | 1,198.00 | 1,217.00 | 1,404.28 | CPI + 11.7% | CPI + 11.1% | CPI + 10.3% | CPI + 8.3% |
| Catergory Three Lot size > 1350 sq | 2,200.00 | 2,254.00 | 2,319.00 | 2,396.00 | 2,434.00 | 2,424.18 | CPI - 3.2% | CPI - 2.8% | CPI - 3.1% | CPI - 5.8% |
| **Sewer (Poowong Loch & Nyora)** | | | | | | | | | | |
| All sizes | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 10,000.00 |
| **Sewer (Alberton)** | | | | | | | | | | |
| with dwelling | N/A | N/A | N/A | N/A | N/A | 10,250.25 | CPI | CPI | CPI | CPI |
| vacant lot | N/A | N/A | N/A | N/A | N/A | 5,125.12 | CPI | CPI | CPI | CPI |
| **1.7 Miscellaneous fees and charges** | | | | | | | | | | |
| **Property information statements**<br>*Fee imposed for providing a certificate issued in accordance with Section 158 of the, Water Act 1989.* | 41.50 | 42.50 | 43.50 | 45.00 | 46.00 | 47.15 | CPI | CPI | CPI | CPI |
| **Special meter readings**<br>*Fee imposed for providing a certificate which indicates water usage charges up to a specified date. Generally provided, on application, for property sales.* | 21.00 | 21.50 | 22.50 | 23.00 | 23.50 | 24.08 | CPI | CPI | CPI | CPI |
| **As constructed charge**<br>*As constructed charge* | 57.00 | 58.00 | 60.50 | 62.50 | 63.50 | 65.08 | CPI | CPI | CPI | CPI |
| **20mm Tapping Fee**<br>*Fee imposed for meter and labour associated in providing a tapping to the water main.* | 315.00 | 323.00 | 333.00 | 344.00 | 349.50 | 358.24 | CPI | CPI | CPI | CPI |
| **Plumbing Industry Commission (PIC) Fee**<br>*Fee imposed for providing sewer plans and processing applications to connect or modify plumbing.* | 177.00 | 182.00 | 187.00 | 193.00 | 196.50 | 201.41 | CPI | CPI | CPI | CPI |
| **Standpipe Water Sales (per kL)**<br>*Fee imposed for the sale of water via a metered standpipe.* | | | | | | | | | | |
| *- Registered Users* | 300% of volumetric fee | 300% of volumetric fee | 300% of volumetric fee | 300% of volumetric fee | 4.92 | 5.11 | CPI + 1.3% | CPI + 1.3% | CPI + 1.3% | CPI + 1.3% |
| *- Unregistered Users* | 400% of volumetric fee | 400% of volumetric fee | 400% of volumetric fee | 400% of volumetric fee | 6.56 | 6.81 | CPI + 1.3% | CPI + 1.3% | CPI + 1.3% | CPI + 1.3% |
| **Septic Tank Waste Receival (per kL)**<br>*Fee imposed on septic tank waste carters, for the disposing of sewage and/or other acceptable waste.* | 21.30 | 21.88 | 22.50 | 23.27 | 23.50 | 24.18 | CPI + 0.4% | CPI + 0.4% | CPI + 0.4% | CPI + 0.4% |
| **Non Core Miscellaneous Services**<br>*Non core miscellaneous services* | Actual Cost | Actual Cost | Actual Cost | Actual Cost | Actual Cost | N/A | Actual Cost | Actual Cost | Actual Cost | Actual Cost |

** Years 2, 3, 4 & 5 (2013/14, 2014/15, 2015/16 & 2016/17) Price Movement (PPM) is outside the current ESC Price Determination. Refer Table 9.8(a) for forecast core water and wastewater services. Non-core services are forecast to increase with CPI.*