

WESTERNPORT WATER



CORPORATE PLAN 2010/11

ABN: 63 759 106 755

2 Boys Home Road
Newhaven Vic 3925

Ph: 1300 720 711

Fax: 03 5956 4101

Email: westport@westernportwater.com.au
www.westernportwater.com.au

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SECTION A: STATEMENT OF CORPORATE INTENT

1. THE BUSINESS OBJECTIVES OF THE CORPORATION

In September 2009, the Management and Board of Westernport Water (WPW) reviewed and revised the organisation's corporate intent for the 2010-2015 period. The representative statement of the corporate intent is as follows:

Westernport Water is a sustainable enterprise providing quality products and services to our community.

We provide water and wastewater products and services, and advisory services, all of which are cost-effective for our customers and deliver triple bottom line results to our stakeholders. We value working in our region which is a model for a self-sustainable community; balancing residential, agricultural, tourism and commercial needs. We support our environment by striving for carbon neutrality and providing a sustainable range of water products. We proudly engage our community and stakeholders, and are committed to the development and well-being of our staff.

Our six key focus areas, which provide specific intent for the development of our business objectives over the five-year period are detailed below.

OUR CORPORATE GOVERNANCE

The intent of this key focus area, leading to the following business objectives, is to maintain the integrity and value of our business through sound governance and financial management.

- Planning for our future through strategic and business planning;
- Driving fiscal responsibility throughout our business;
- Meeting our regulatory requirements;
- Identifying and mitigating risks impacting our business;
- Regularly finding ways to become more efficient.

OUR PRODUCTS AND SERVICES

The intent of this key focus area, leading to the following business objectives, is to provide cost-effective, quality products and services that complement our core business and meet our community's needs.

- Providing high quality drinking water;
- Continually improving the access, capture and trade of water;
- Optimising the use and sale of system by-products;
- Continually growing our business and service opportunities through innovation and alliance building.

OUR ASSETS

The intent of this key focus area, leading to the following business objectives, is to enable the reliable and cost-effective delivery of products and services to our customers.

- Understanding the performance of our assets to support future business decisions;
- Supporting and developing robust preventative maintenance systems;
- Continually improving asset performance and efficiency;
- Researching and incorporating proven technology into the business.

OUR COMMUNITY

The intent of this key focus area, leading to the following business objectives, is to be a valued member of the community.

- Fostering strong and positive relationships and partnerships with key stakeholders;
- Adding value to our community through the provision of resources, expertise and water related education;
- Providing timely, friendly and reliable customer service at a time, place and method of delivery that is convenient for our customers;
- Continually gathering feedback and measuring the community's response to our products, services, and actions.

OUR ENVIRONMENT

The intent of this key focus area, leading to the following business objectives, is to be an environmentally sustainable organisation, reducing our environmental footprint.

- Increasing investment in sustainable energy sources;
- Striving for efficient use of natural resources driving environmental efficiencies into our business decisions;
- Reusing wastewater and biosolids and minimizing ocean outfall;
- Improving biodiversity.

OUR PEOPLE

The intent of this key focus area, leading to the following business objectives, is to be an innovative, high performance organisation with a reputation that is valued by current and prospective employees.

- Continuing investment in the development and safety of our people;
- Listening and responding to our people to encourage engagement and to improve organisational performance;
- Embedding a culture where change is anticipated and responded to, responsibility accepted and accountability delivered.

These objectives form the basis of our Corporate Plan Framework for the five year period, 2010-2015, exemplify the nature and scope of Westernport Water's business, and support the program of works that have been included in the operational and capital expenditure forecasts detailed in Section C: Business Plan for 2010/11.

Inherent to the objectives outlined in the Corporate Plan Framework are, that all regulatory and compliance requirements are achieved with accurate and timely exchange of corporate data, and that the directives provided by The Statement of Obligations will be continued to be employed and developed within the activities of WPW through the efficient use of resources.

2. THE MAIN BUSINESS UNDERTAKINGS OF THE ORGANISATION

The core function of Westernport Water is to provide water and wastewater services wherever economically, environmentally and socially practicable to properties and communities throughout its district.

It services over 16,000 customers across an area of 300 square kilometres on Phillip Island and the mainland stretching from The Gurdies to Archies Creek.

Westernport Water has a diversified water supply with water sourced from the catchment supplying the Candowie Reservoir (located in the Bass Hills near Glen Forbes) via Tennent creek, the Bass River and groundwater bores from the Corinella Aquifer.

The water is treated at the Ian Bartlett Water Purification Plant ("IBWPP") at the Candowie Reservoir and then pumped to the San Remo Basin for distribution to customers within Westernport Water's district, with average annual system demand of approximately 1,900ML (or 1.9GL).

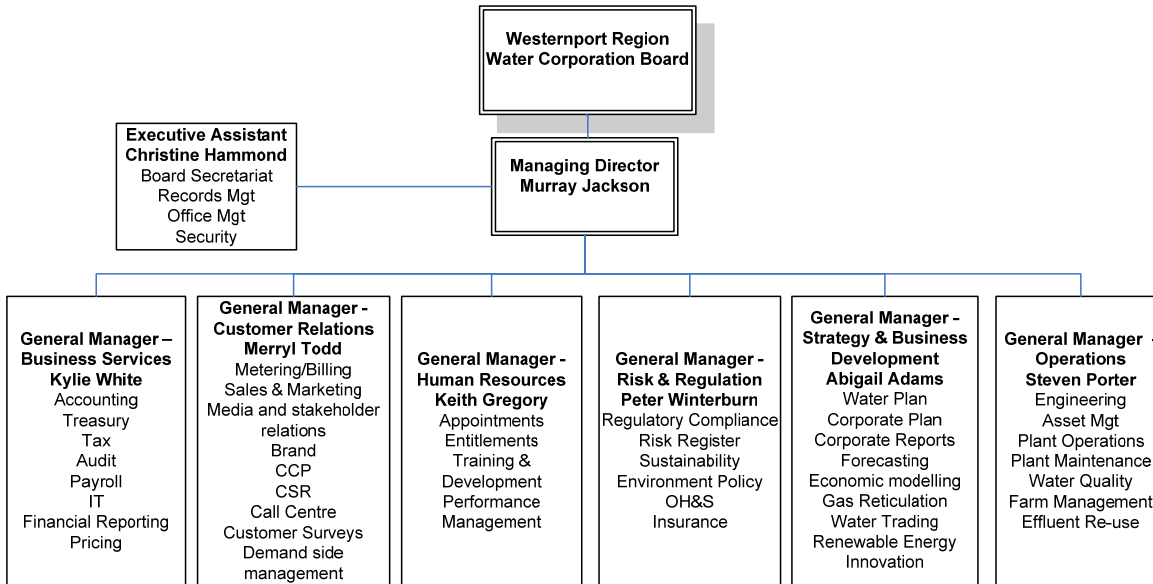
Wastewater services are provided to approximately 90% of properties that receive water. Westernport Water has two wastewater treatment plants that process approximately 1,000 ML of domestic wastewater per annum. The principal plant, treating around 90% of volume, Cowes Wastewater Treatment Plant ("CWWTP"), is located on Phillip Island and services Phillip Island and the township of San Remo.

The secondary plant, treating approximately 10% of volume, King Road Wastewater Treatment Plant ("KRWWTTP"), is located in Coronet Bay and services the major townships of Corinella, Coronet Bay and Grantville located on the east coast of Westernport Bay. Wastewater from the townships of Kilcunda and Dalyston is treated under agreement with South Gippsland Water at their Wonthaggi treatment plant.

In addition the Corporation provides the following services:

- **The sale of recycled water for dual pipe systems and other activities:** WPW currently produces Class B water for sale to commercial customers from both CWWTP and KRWWTTP. Beginning in the 2010/11 year we will be providing up to 60ML of Class B water for fit-for-purpose commercial use from a third Class B source at the Woolamai Package Plant. We have sought funding from the Federal Government's *National Water Security Plan for Cities and Towns* grant to progress the Class A Recycled Water Project at Cowes. The Class A Recycled Water Strategy has been put on hold as a result;
- **Removal of minor trade wastes (greasy wastes):** WPW engages a specialist licensed operator under a commercial contract for the provision of greasy waste collection services. These services are then provided to customers who have entered into formal agreements with WPW;
- A liquid waste disposal facility at CWWTP;
- Other utility-oriented services including specialist advice on infrastructure and facility design for new developments;
- **A reticulated gas business:** WPW owns and operates a small (2.5km) Liquid Petroleum Gas ("LPG") reticulation network in the San Remo area trading as Westernport Water & Gas ("WWG"). Ministerial approval for this initiative was received in 2004 and enables WWG to distribute and retail LPG. Regulatory control resides with Energy Safe Victoria and WWG received unconditional approval for its Gas Safety Case in 2008;
- **The sale of lucerne and grass hay, a by-product of our effluent management process at KRWWTTP:** WPW has taken the strategic decision to demonstrate to farmers that recycled water is a suitable and profitable option to grow high quality pasture. A Primary Production Management Strategy has been developed and the Operational Plan is reviewed annually within the framework of the strategy.

The organisational chart for Westernport Water is as follows:



3. THE PERFORMANCE TARGETS OF THE CORPORATION

Each of the business objectives adopted for the 2010/11 year have been assigned various performance targets which will be used to measure the success of the Corporation's business plan during the year.

The key performance indicators (KPIs) are based on the Water Industry Performance Measures Framework Version 1 provided by the Department of Sustainability and Environment in April 2010. The measurement approach is according to the Framework.

OUR ASSETS

KPI	DSE Ref	Frequency	Target
Asset Management Plans	KPI 19	Annual	COMPLY
Expenditure Against Asset Management Plan	KPI 20	Annual	<10% variance
Infrastructure Leakage Index	KPI 21	Annual	ILI < Victorian Water Industry Average
Project Progress Against Milestones	KPI 22	Quarterly	100%
Project Expenditure Against Forecast	KPI 23	Quarterly	<10% budget overrun

OUR PRODUCTS AND SERVICES

KPI	DSE Ref	Frequency	Target
Water Supply	KPI 1	Quarterly	Under Development
Performance in Reliability of Supply Against Target Levels	KPI 2	Annual	95% reliability
Audited risk-based Water Quality Management Plan	KPI 3	Annual	COMPLY
Water Quality Compliance	KPI 4	Quarterly	COMPLY

OUR ENVIRONMENT

KPI	DSE Ref	Frequency	Target
Environmental Management System and Plans In Use	KPI 5	Annual	COMPLY
Environmental Negative Impact	KPI 6	Quarterly/ & Incidents	No Breaches of EPA Licence 100% sewer spills contained within 5 hours No other significant incidents resulting in long term detrimental impact on the environment
Environmental Impact Reduction Initiatives	KPI 7	Quarterly	Greenhouse Gas - Comply Recycled Water - Comply Biosolids - Comply

OUR CORPORATE GOVERNANCE

KPI	DSE Ref	Frequency	Target
Performance in Board Performance Review	KPI 8	Annual	Report Sent
Scenario Planning	KPI 10	Annual	COMPLY
Enterprise Risk Management System	KPI 11	Annual	COMPLY
Identified, prioritised and addressed risks from ERMS	KPI 12	Annual	YES
Operating Margin	KPI 14	Quarterly	>20%
Cash Interest Coverage	KPI 15	Quarterly	>= 1.5
Unplanned Spend	KPI 16	Annual	<15% variance
Emergency Response Plans	KPI 17	Annual	COMPLY
Exercises conducted for Emergency Response Plans	KPI 18	Annual	YES

OUR COMMUNITY

KPI	DSE Ref	Frequency	Target
Stakeholder Engagement	KPI 9	Annual	COMPLY
Ability to meet ESC service standards for sewerage and water	KPI 13	Annual	Meet the ESC targets as per the targets specified in the Customer Service Code.
Improve Customer Satisfaction Survey results	Not Applicable	Annual	+1% improvement in satisfied customers (92% surveyed customers satisfied)
Established Corporate Social Responsibility plan	Not Applicable	Annual	YES

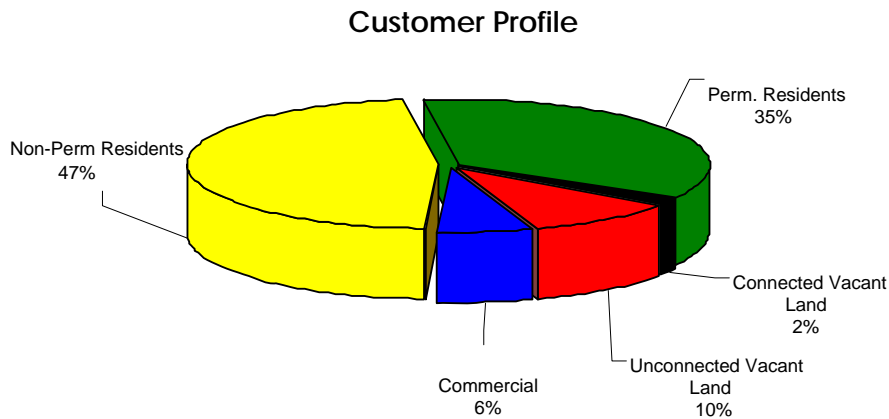
OUR PEOPLE

KPI	DSE Ref	Frequency	Target
Planned Training and Development Executed	Not Applicable	Quarterly	100%
Performance Management Plans and Reviews Completed	Not Applicable	Formally every six months	100%
Lost Time Injuries	Not Applicable	Monthly	0%

SECTION B: KEY ASSUMPTIONS UNDERLYING THE CORPORATE PLAN

WPW forecasts that 17,409 customers will be supplied with water services and 15,306 with sewerage services in 2010/11. The majority of properties serviced by WPW are residential of which 57% are non-permanent residents, (who can be characterised as holiday-home owners) and 43% are permanent residents.

There are also 1,689 properties classified as unconnected vacant land and commercial (or non-residential) customers account for only 6% of total property numbers. The following chart details the composition of the Westernport Water 2009/10 customer base:



Average Annual Water Consumption

The average annual water consumption for a WPW residential customer is approximately 72kL and 519kL per commercial customer. The low residential figure is affected by the large percentage of non permanent residents.

Commercial (Non Residential) Customers

WPW does not have any major trade-waste customers or commercial customers who are required to prepare water management plans under the waterMAPs program; however as part of our ongoing conservation strategies we continue to monitor our large commercial customers' consumption levels.

The commercial or non residential sector is classified as per the definitions provided by DSE and includes municipal sites, farms, shops and restaurants, horticultural users and a significant accommodation sector comprising motels, bed and breakfasts and caravan parks. Currently the largest commercial potable water user in the region is an established holiday resort.

Recycled Water Customers

The current market for recycled water is limited by the available infrastructure and the market's willingness to fund further extensions under the current pricing principles. Progression to a Class A product will assist in expanding the product useability but delivery options will remain limited. Any further development of the recycled water market is dependent on the availability of funding.

4. CUSTOMER DEMAND ASSUMPTIONS

Property Forecast 2010/11

Property Type	Property Nos.
Residential	13,794
Vacant Land (unconnected)	1,684
Commercial	1,034
TOTAL	16,512

The major assumptions driving the property forecast are:

- Growth in residential properties numbers of 2.0% from 2009/10;
- Growth in Commercial properties 0.9% from 2009/10;
- Growth in consumer water demand of 1.0% per annum;
- Reduction in unconnected vacant residential land of 1.3%;
- No significant growth in commercial or industrial customers, and;
- No major potable water supply customers (>10ML pa) in the foreseeable future.

Customer Demand Forecast

Customer Type	Demand (ML)
Residential	1,035
Commercial	572
TOTAL	1,607

Growth in water consumption is anticipated to be 1% less than the percentage growth in property numbers for the following reasons;

- Highly seasonal customer visitation and continuing low usage for holiday homes;
- Ongoing water conservation programs aimed at constraining demand; and
- Pricing signals to domestic customers to conserve water through an Inclining Block Tariff consumption charging structure.

5. PRICING

Water Volumetric pricing

WPW implemented an Inclining Block Tariff (IBT) for water consumption in July 2008 for domestic residential customers. The pricing for the IBT usage blocks are as per the table below:

Inclining Block	Per Billing Period	2010/11 Forecast \$
Block 1	0-33kL	1.3475
Block 2	33-108kL	1.6144
Block 3	Greater 108kL	2.0792

Pricing assumptions include 2.5% Price Path Movement (ESC 2008 Water Price Review) + 2.5% CPI.

Commercial / Non-Residential Pricing

Commercial water consumption will remain as a single volumetric tariff as commercial (or non-residential) customers do not have the same levels of discretionary usage as residential customers. The forecast volumetric charge for commercial customers for 2010/11 is \$1.4676. Pricing assumptions include 2.5% Price Path Movement (ESC 2008 Water Price Review) + 2.5% CPI.

Vacant Land Pricing

WPW commenced restructuring the approach to charging for vacant land for water and sewerage during the 2005-2008 regulatory period. Water and sewer vacant land charges will remain at nominal values (no price increases apart from CPI) for the next 5 year regulatory period commencing 1 July 2008. The charges for unconnected vacant land will be approximately 50% of the 20mm connected water fixed charge at the end of the regulatory period.

6. WATER SUPPLY ASSUMPTIONS

WPW accesses water from a diverse range of sources. The Bulk Entitlements held by WPW are currently 2,911ML from Tennent Creek and 3,000ML from the Bass River. The process of obtaining a licence to access up to 491ML of groundwater from the Corinella Aquifer is close to completion.

The Corporation's Water Supply Demand Strategy has recently been updated and indicates that the system yield, with 95% reliability, is 1,300ML. This is based on a Continued Low Inflow scenario (continuation of inflow conditions experienced between 1997 and 2007).

For an annual demand of around 2,100ML the modelling identifies a potential shortfall of up to 800ML and hence further augmentation of the Westernport system is required to meet current and future demands.

The Corporation has submitted its request to access up to 1,000ML from the desalination pipe-line (Metropolitan Water). Concurrently, it is finalising its business case for a project to increase storage capacity for lower-cost water, the preferred option being to upgrade Candowie Reservoir from 2,263ML to 4,580ML.

The increase in storage capacity will enable optimized capture of lower cost water sources and result in an increase in system yield, with 95% reliability, from 1,300ML to 2,780ML under a Continued Low Inflow scenario. This will meet forecast demand through to 2037/2038 cost-effectively. Upgrades to the Bass River pump station will allow demand to be met cost-effectively past 2055.

7. KEY FINANCE ASSUMPTIONS

The key assumptions used in the development of budget figures has been modelled on:

- Achieving a positive net profit position for the Corporate Plan period;
- Timing of major project spend;
- Timing of capitalisation of major projects over the five year period;
- Impacts of revaluation of assets in line with AASB 116 to be recognised as at 30 June 2011;
- Increasing debt lending facilities for future CAPEX program, some additional short term borrowings, and continuing to service current long term debts; and
- No payments of dividends and tax.

WPW is forecasting a positive net profit position over the Corporate Plan period but is not anticipating paying a dividend, and will pool resources to ensure funds are available for future investments and a commitment to minimise further borrowings.

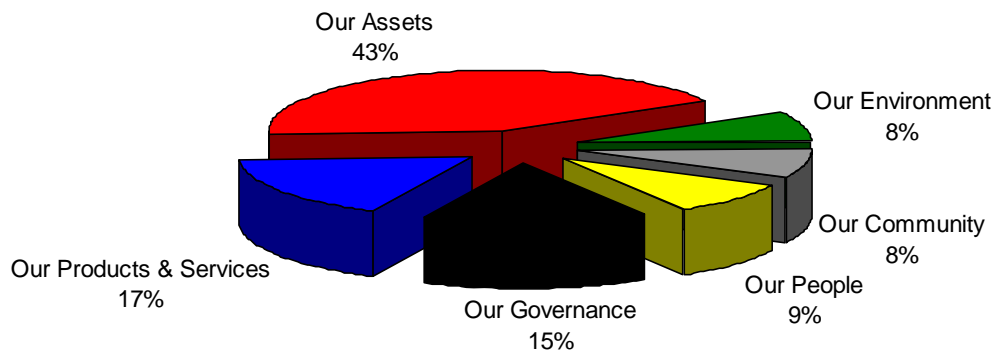
SECTION C: BUSINESS PLAN

Section C defines Westernport Water's Business Plan for the 2010/11 period within a five-year context.

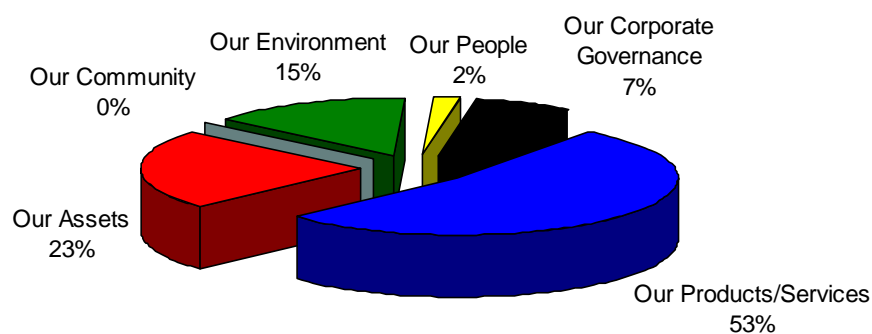
The Business Plan is driven by the six key focus areas of the Corporation. The proposed spend of the organization for the 2010/11 period is divided into capital expenditure ("CAPEX") of \$8.34 million and operational expenditure ("OPEX") of \$15.7 million.

In summary, the following charts represent OPEX and CAPEX expenditure as they relate to the key focus areas of the corporation. Depreciation, an amount of \$3.77 million, has been removed from the OPEX chart below.

Operating Expenditure by Key Focus Area



Capital Expenditure by Key Focus Area



8. OUR CORPORATE GOVERNANCE

The intent of this key focus area, leading to the following business objectives, is to maintain the integrity and value of our business through sound governance and financial management.

- Planning for our future through strategic and business planning;
- Driving fiscal responsibility throughout our business;
- Meeting our regulatory requirements;
- Identifying and mitigating risks impacting our business;
- Regularly finding ways to become more efficient.

OPEX

The main operating expenditures planned for the 2010/11 year total approximately \$1.84 million and are attributable to the following activities:

- Additional resource to develop Stage 2 of WPW Investment Gateway Process and assist with strategic and business planning;
- Valuation cost to implement Fair Value (FRD 103);
- Risk Management: Collaborate with the water industry with an aim to promote the continuous improvement of risk management within our industry;
- The roll-out of information technology strategies is continuing during the 2010/11 year, including the implementation of an integrated corporate system;
- Clarification and finalisation of easements held or required over the Corporations assets.

CAPEX

The main capital expenditure planned for the 2010/11 year is approximately \$0.6 million and includes the following projects:

- Corporate system replacement: Billing and Asset Management systems.

MATERIAL CHANGES WITH PREVIOUS PLANS

Corporate Plan 2009/10

- Billing and property system replacement and asset management system replacement have been deferred to the 2010/11 Corporate Plan to develop a corporate system integrated with current applications;
- Investment Gateway Process and economic evaluation and analysis deferred until 2010/11.

9. OUR PRODUCTS AND SERVICES

The intent of this key focus area, leading to the following business objectives, is to provide cost-effective, quality products and services that complement our core business and meet our community's needs.

- Providing high quality drinking water;
- Continually improving the access, capture and trade of low cost water;
- Optimising the use and sale of system by-products;
- Continually growing our business and service opportunities through innovation and alliance building.

In accordance with the Water Quality Strategy a key focus for the year will be to introduce a regional chloramination process. Two chloramination trials were successfully completed in 2009/10 and customer feedback was very positive.

Following on from the Central Region Sustainable Water Strategy and the updated Water Supply Demand Strategy the Corporation is pursuing its main project from the Water Plan 2008 -2013 which is the Water Storage Project preferred option of upgrading the Candowie Reservoir.

Subject to business case approval by the Department of Sustainability and Environment and the Department of Treasury and Finance, the Detailed Design will be finalised and required land purchases completed. Supporting this project is some further work to convert the Corinella borefield test pumping sites to permanent installations. The Business Case will be submitted by June 30th 2010.

To address the security of service to Phillip Island customers the Under-Channel pipeline was progressed during 2009/10 and will be completed in 2010/11.

OPEX

The main operating expenditures planned for the 2010/11 year total approximately \$2.04 million and are attributable to the following activities:

- Assistance to develop a water headworks operational model to optimise the access and capture of water;
- Targeted air-scouring and flushing programs including the cleaning of the main transfer pipeline;
- Major update of the Operation and Maintenance manuals for the Ian Bartlett Water Purification Plant;
- Provision of Class B recycled water from the Woolamai Package Plant.

CAPEX

The main capital expenditure planned for the 2010/11 year is approximately \$4.45 million and includes the following projects:

- Installation and commissioning of a regional chloramination plant;
- The preferred option of the Water Storage Project (Candowie Upgrade) - Commencement of Detailed Design;
- Under-channel Pipeline: Design and construction;
- Corinella Bore Pump Stations converted to permanent installations.

MATERIAL CHANGES WITH PREVIOUS PLANS

Water Plan 2008-2013

- Clarification of the required tertiary treatment process for IBWPP was completed in 2009/2010 and additional expenditure on a Functional Design will occur in 2010/11;
- The updated Water Supply Demand Strategy has identified that an upgrade to the Bass River Pump Station and associated pipeline is not required until demand approaches 3,000ML/a;
- Under-channel Pipeline originally planned for 2008/09 has been delayed and will be constructed during 2010/11 year at an estimated \$1.5 million.

Corporate Plan 2009/10

- Under-channel Pipeline planned for 2009/10 deferred. See narrative above;
- Stage 1 of the Class A recycled water project was due for completion in 2009/10. Subject to DHS approvals and Federal grant funding, completion of the Class A project has been deferred.

10. OUR ASSETS

The intent of this key focus area, leading to the following business objectives, is to enable the reliable and cost-effective delivery of products and services to our customers.

- Understanding the performance of our assets to support future business decisions;
- Supporting and developing robust preventative maintenance systems;
- Continuing to improve asset performance and efficiency;
- Searching out and incorporating proven assets and technology into the business.

In accordance with the Strategic Asset Management Plan work will continue on updating and implementing the infrastructure specific Asset Management Plans, Condition Assessment Manuals and Preventative Maintenance Plans. Further capital work to continue the mapping and condition assessments of underground assets is planned for 2010/11.

Two additional resources have been identified and approved to allow for an increased preventative maintenance regime on the Corporation's sewer pump stations. This will allow the Maintenance team to undertake necessary works to keep the Corporation's 90+ pump stations in operational order.

OPEX

The main operating expenditures planned for the 2010/11 year total approximately \$5.11 million and include the following activities:

- Update and integration of the Corporation's hydraulic water model with the GIS and SCADA systems;
- Further investigations into sewer infiltration and the development of a Sewer Management System;
- Preventative maintenance for the newly installed SCADA system;
- Ongoing maintenance and repair of the water and sewer infrastructure with an increased focus on pump stations.

CAPEX

The capital expenditures planned for the 2010/11 year total approximately \$1.91 million and partially comprise the following projects:

- Ongoing rollout of the SCADA system upgrade;
- Further development of the GIS.

MATERIAL CHANGES WITH PREVIOUS PLANS

Water Plan 2008-2013

- The major change from assumptions used in the development of the Water Plan is the ongoing rollout of the new SCADA system. This has become more evidently necessary as the existing ELPRO system has reached the end of its effective life.

11. OUR COMMUNITY

The intent of this key focus area, leading to the following business objectives, is to be a valued member of the community we service by:

- Fostering strong and positive relationships and partnerships with key stakeholders;
- Adding value to our community through the provision of resources, expertise and water related education;
- Providing timely, friendly and reliable customer service at a time, place and method of delivery that is convenient for our customers;
- Continually gathering feedback and measuring the community's response to our products, services, and actions.

In 2010/2011 we will continue to build upon our newly created Corporate Social Responsibility program.

OPEX

The main operating expenditures planned for the 2010/11 year total approximately \$0.95 million. The following activities provide more information:

- Provision of a trained and dedicated customer service team to provide assistance (face to face or over the telephone) with all product and service enquiries and 24 x 7 telephone response to any fault or emergency call;
- Development and provision of a range of customer information and education materials in formats to suit the customers need (i.e. printed, soft copy for e-mail and online for downloading);
- Support to local school programs and not-for-profit regional groups, water conservation projects, scholarship programs.

CAPEX

The capital expenditure planned for the 2010/11 year is approximately \$.10 million.

MATERIAL CHANGES WITH PREVIOUS PLANS

None

12. OUR ENVIRONMENT

The intent of this key focus area, leading to the following business objectives, is to be an environmentally sustainable organisation, reducing our environmental footprint.

- Increasing investment in sustainable energy sources;
- Striving for efficient use of natural resources driving environmental efficiencies into our business decisions;
- Reusing wastewater and biosolids and minimizing ocean outfall;
- Improving biodiversity.

OPEX

The main operating expenditures planned for the 2010/11 year total approximately \$0.95 million. The following activities provide more information:

- Environmental contribution;
- Research and development of renewable energy options and carbon offsets;
- Review Environmental Management System with an aim to obtain accreditation and ensure the system is implemented, operating as expected and all users trained;
- Development of a Critical Control Point management plan for WPW's two licensed premises to create formal procedures for compliance that are used;
- Risk management review of monitoring for compliance with environmental legislation under EPA licensing reform process;
- Investigation into EPA Corporate Licence program to determine opportunities for WPW in conjunction with EPA Victoria;
- Development of organisational training matrix to ensure compliance with regulatory obligations;
- Continue to invest in building biodiversity assets on WPW land and support local Landcare initiatives.

CAPEX

The capital expenditures planned for the 2010/11 year total approximately \$1.23 million and relate to:

- The purchase of additional land surrounding our King Rd Wastewater Treatment Plant which will help secure the site against adjacent development, support future growth and provide capacity in which to reuse effluent.

MATERIAL CHANGES WITH PREVIOUS PLANS

Water Plan 2008-2013

- The proposed wetland areas have been deferred pending final approval of the preferred option of the Water Storage Project (Candowie Upgrade);
- The purchase of strategic land has been opportunistically brought forward from 2012/2013 as shown on the Water Plan;
- EMS is yet to be integrated into other business systems.

13. OUR PEOPLE

The intent of this key focus area, leading to the following business objectives, is to be an innovative, high performance organisation with a reputation that is valued by current and prospective employees.

- Continuing investment in the development and safety of our people;
- Listening and responding to our people to encourage engagement and to improve organisational performance;
- Embedding a culture where change is anticipated and responded to, responsibility accepted and accountability delivered.

OPEX

The main operating expenditures planned for the 2010/11 year total approximately \$1.07 million. The following activities provide more information:

- Undertaking a review of our staff capabilities to determine those with potential for further development and succession in the business;
- Provide development opportunities to our people via coaching, mentoring, attachments, secondments and training to ensure work is undertaken efficiently and effectively;
- Provide further training in the performance management system to produce efficiency gains;
- Improve staff capabilities through the implementation of compulsory business training on budgeting, reporting techniques and business administration skills and tools;
- Continue to build our reputation as an employer of choice by:
 - Developing strong relationships with schools in our region, and
 - Leveraging business partnerships with, eg, the Gippsland Region for Engineering Innovation and Excellence Group and the development of trade training in the Region
- Continue to promote health and safety performance;
- Continue to provide effective communication of progress against Corporate Plan targets and matters of interest in the business to engage our people.

CAPEX

The capital expenditures planned for the 2010/11 year total approximately \$0.17 million

- Construction of an Emergency Response and Incident Control training room at IBWPP

MATERIAL CHANGES WITH PREVIOUS PLANS

None

SECTION D: ADDITIONAL CONSIDERATION

14. CLIMATE CHANGE SCENARIO ANALYSIS

Westernport Water's baseline corporate plan assumes Continued Low Inflows that is a continuation of inflow conditions experienced between 1997 and 2007. The inflows are from a number of sources and they satisfy an unrestricted system demand over the five year period. These sources are: rainfall entering Candowie Reservoir via Tennent Creek and the catchment, pumping from Bass River, pumping groundwater from the Corinella Borefield and connection to desalination ("Metropolitan Water").

It is assumed that the capacity of Candowie Reservoir has been doubled by year three of a five year corporate plan outlook, in line with the Water Plan 2008-2013; however this will have little impact on the results of this scenario given the low beginning reservoir level.

The climate change scenario analysed in this section refers to a scenario of inflows representing a rolling average of the worst consecutive three years since 1997. Assumptions used in the scenario analysis, either in addition to or clarifying those contained in the guidelines are listed below.

Inflows under this scenario reflect actual average inflows received from Tennent Creek in 06/07, 07/08 and 08/09. Additional inflows from Bass River are anticipated at 390ML as this is considered to be the minimum amount that would have been available to us in the driest year. The scenario uses a beginning reservoir level of 700ML which is a forecasted reservoir level at 1st July 2010.

Using this flow data and forecasted system demand, shortfalls are determined and then negated using groundwater and Metropolitan Water. The groundwater flows, from Corinella Aquifer, are restricted to 491ML per annum which reflects our current draft license with Southern Rural Water, and have been adjusted in each alternate year to half of that amount in order to allow for aquifer recovery. Remaining shortfalls, for the purpose of this analysis, are expected to be met with the purchase of Metropolitan Water, up to the amount of 1,000ML. In this scenario modelling, securing additional water via groundwater and Metropolitan Water is preferred before any restrictions on consumer use.

RESULTS

This scenario returns a shortfall totalling 2,954ML with a financial impact of \$1,826,816 increase in operating expenditure over the five year period. The shortfall is met using groundwater and the Metropolitan Water, and there is no need to enter customer restrictions. The additional costs (in addition to those already in the five year plan) incurred as a result of this scenario are: per mega litre costs of groundwater pumping and the purchase of Metropolitan Water.

If we needed to enter restrictions instead of using Metropolitan Water, the cost to the business would be approximately \$2,449,000 in lost revenue. To view the scenario template, refer to Section F. As the purpose of this analysis is to first determine shortfalls, we are not able to apply normal supply management practice which would be to anticipate the shortfalls by monitoring the reservoir level, and take action to conserve and secure additional water from all sources as it becomes available.

Raising the level of the Candowie Reservoir during the current Water Plan period will enable a higher reserve of inflows at any one time by capturing Tennent Creek, Bass River and Corinella Aquifer flows when available. The increased capacity and reserve potential will provide a significant coverage of downside risk by protecting WPW supply and as a result the cash flow from such sequences described in the scenario above.

15. WATER TREATMENT

The Corporation has assessed the potential risks to drinking water quality as posed by the inflow scenarios detailed in Explanatory Note 1/2010. The following table outlines the Corporations position;

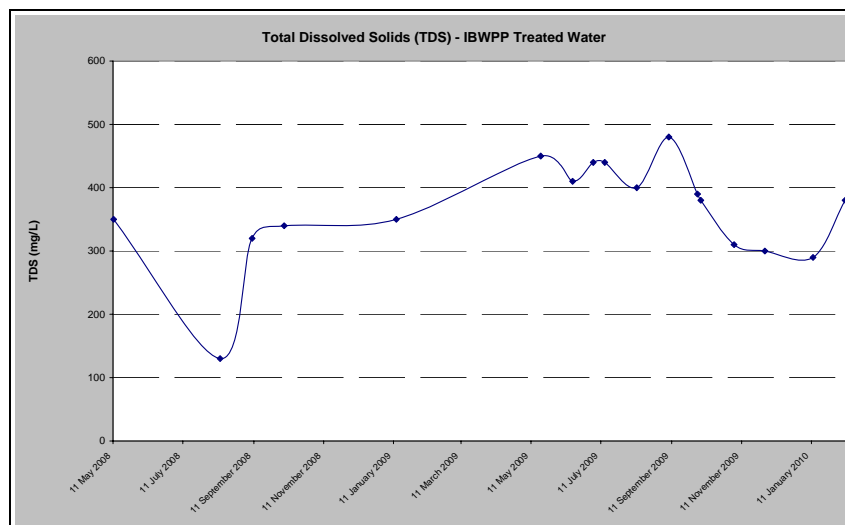
The three filter cells of water treatment at IBWPP were rehabilitated during 2008/09 after 20 years of service.

Water Treatment Plant	Is water treatment plant capable of meeting Safe Drinking Water Guidelines as outlined across the corporate plan forecast period (5 year)		If x which parameters and what are the contingency measures
	Scenario 1	Scenario 2	
IBWPP	✓	✓	N/A

The Corporation has a high level of confidence in its ability to produce water quality from the IBWPP to the standard required under the Safe Drinking Water Act 2003 under either scenario. In 2008/09 the Corporation delivered full compliance with the nine water quality standards detailed in Schedule 2 of the Safe Drinking Water Regulations 2005 and the generic requirements detailed in regulation 10(b).

The treatment plant operators gained first hand experience at dealing with extremely low inflows and water levels during the 2006/07 drought and the Corporation's water quality processes have been further improved since that time.

With respect to the aesthetic standard of water quality with a Total Dissolved Solids (TDS) ideally <500mg/L but at least < 1000mg/L the Corporation advises as follows. Typically water after treatment at the IBWPP has a TDS < 500mg/L as per the graph below;

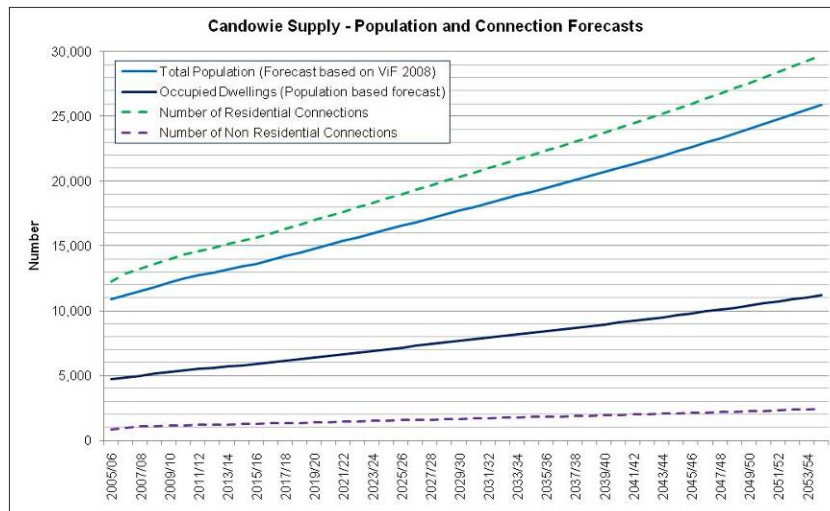


The evidence supports the Corporation's forecast that water from the treatment process will not consistently exceed 1000mg/L across the corporate plan period.

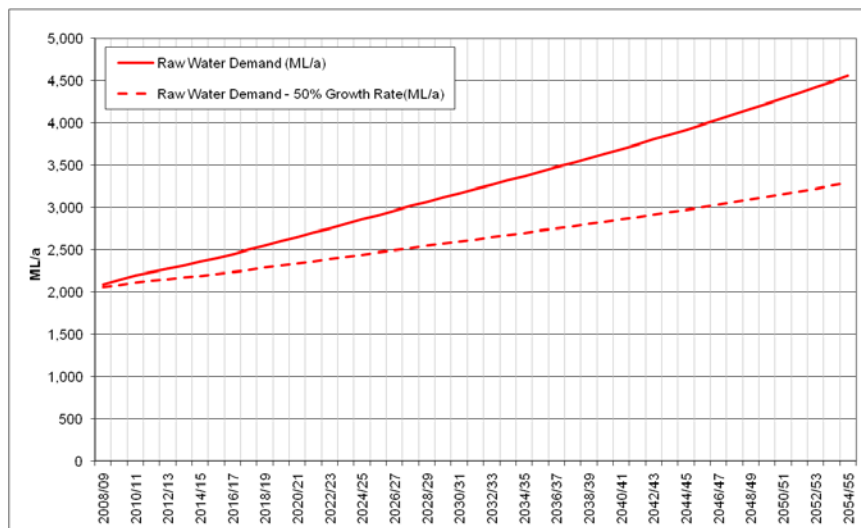
The Corporation has extensive experience at dealing with blue-green algal blooms. The Water Quality Risk Management Plan contains detailed processes for monitoring, treating and recovering from blue-green algal events. The IBWPP treatment process includes the use of Powder Activated Carbon to absorb the taste and odour compounds associated with blooms which are then removed via the coagulation and flocculation stages.

16. PLANNING FOR FUTURE GROWTH

To facilitate its planning for future growth Westernport Water initiated a review of its Water Supply-Demand Strategy in 2009. For the demand forecast, population forecasts from the Victorian Government's Victoria in Future 2008 forecast were used to project the growth in residential and non-residential water connections in the Westernport region.



Demand forecasts for the period 2008/09 to 2054/55 were prepared using the connection forecasts and current per connection water consumption estimates. Given the uncertainty associated with demand projections and Westernport Water's relevant practical experience of population growth in the Bass Coast region, a lower bound demand forecast based on 50% of the projected Victoria in Future 2008 demand was adopted for sensitivity analysis. These two demand scenarios are presented below;



WATER

The capacity of the Corporation's water treatment plant to meet the projected demands is detailed below;

Water Treatment Plant	Nominal plant capacity in 2010/11	Forecast unrestricted demand 2010/11	Nominal plant capacity in 2015/16	Forecast unrestricted demand 2015/16
Ian Bartlett Water Purification Plant (IBWPP)	10,950ML/a subject to available water	2,100ML/a	10,950ML/a subject to available water	2,400ML/a
	30ML/d Peak Daily Capacity	14ML/d Peak Daily Demand	30ML/d Peak Daily Capacity	15ML/d Peak Daily Demand

The IBWPP has sufficient capacity to cater for the projected demands. There is no capacity constraint associated with the water treatment process.

SEWER

The capacity of the Cowes WWTP and King Rd WWTP to meet the projected demands is detailed below;

Water Recycling Plant	2010/11				2015/16			
	Nominal WWTP Capacity	Forecast Actual Inflow	Forecast Recycled Water Sales	Class of Recycled Water	Nominal WWTP Capacity	Forecast Actual Inflow	Forecast Recycled Water Sales	Class of Recycled Water
Cowes WWTP	6 ML/d average	1000ML	110ML	Class B	11ML/d average	1060ML	199ML	Class A1
King Rd WWTP	0.37ML/d average	100ML	100ML	Class B	0.37ML/d	110ML	110ML	Class B

The Corporation is completing an assessment of the operation of the Cowes WWTP. Further works are planned over the corporate plan period to optimise the treatment process. The outcome of these works is that the efficiency and capacity of the plant will be concurrently improved.

Growth in demand in the area serviced by the King Rd WWTP is not forecast to change markedly over the corporate plan period.

¹ Dependent on the success of the Corporation's application for Federal funding submitted in 2009/10

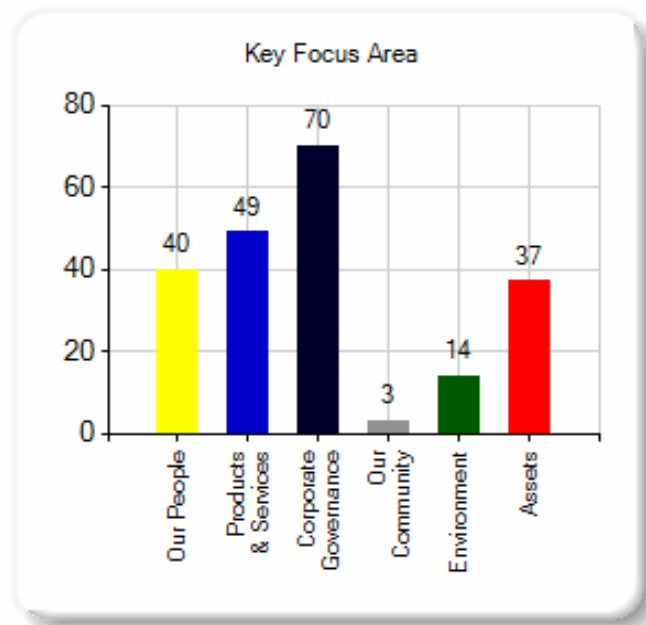
17. BUSINESS RISK

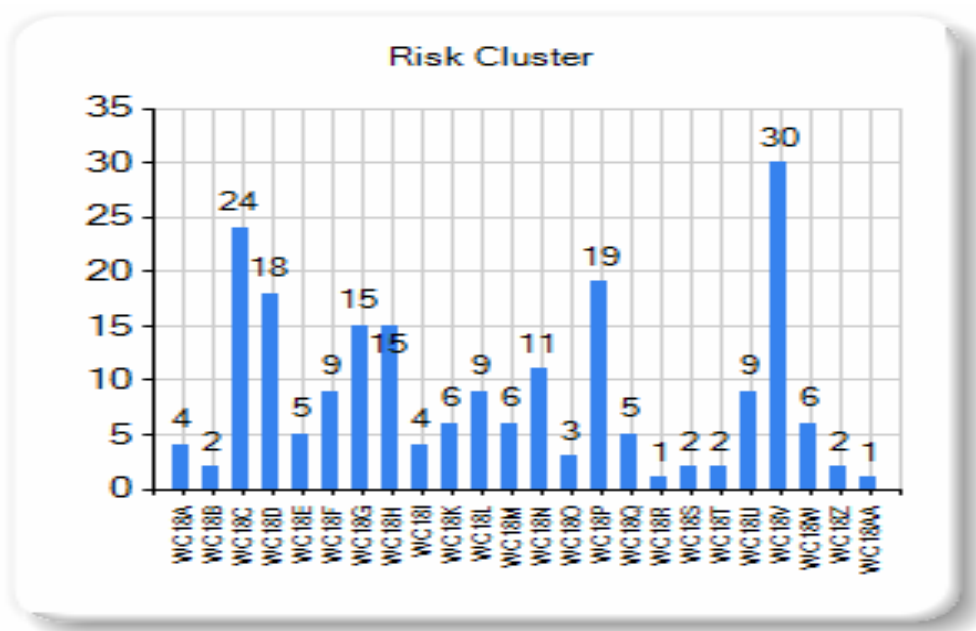
WPW applies an integrated risk management framework across its business with risk a key consideration in decision making. A significant strategic objective is to identify and mitigate risks impacting the business.

This objective is accomplished by assessing:

- Emerging risks;
- Project risk;
- Operational risk;
- Strategic risk; and
- Opportunity risk.

The risk reporting data represented in this corporate plan is aligned with our six key focus areas described throughout this report. In addition WPW has adopted the water industry risk clusters for categorising risks. The charts below describe the current risk register expressed by key focus area and by cluster groups.





ID	Risk Cluster	ID	Risk Cluster
WC18A	Major project delivery	WC18O	Corporate knowledge
WC18B	Assets and service delivery security	WC18P	OH&S (excluding major emergencies)
WC18C	Asset management and operations	WC18Q	Organisational capability
WC18D	IT and business systems	WC18R	Stakeholder management
WC18E	Wastewater infrastructure	WC18S	Reputation
WC18F	Water infrastructure	WC18T	Change of Government
WC18G	Environmental impact	WC18U	Emergency events and response
WC18H	Financial governance and economic environment	WC18V	Water quality service standards
WC18I	Corporate governance	WC18W	Recycled water &/or re-use of wastewater/biosolids
WC18J	Fraud and/or corruption	WC18X	Wastewater license requirements
WC18K	Regulatory requirements (non environmental)	WC18Y	Water infrastructure service delivery (excluding drought and climate change)
WC18L	Contractor / Supplier obligations	WC18Z	Planning for drought and climate change
WC18M	Legislative Compliance	WC18AA	Strategic planning (other than WC18Z)
WC18N	Organisational culture		

WPW has also identified its top twenty risks for inclusion in these corporate plans which are shown in Section E. The mitigation strategies described are derived in part from the CAPEX and OPEX initiatives outlined in the sections of this Business Plan and or from suggested outcomes from our internal reviews with the risk owners.

SECTION E: RISK MANAGEMENT TEMPLATE

SECTION F: CLIMATE CHANGE SCENARIO TEMPLATE

SECTION G: FINANCIAL TEMPLATES