

WESTERNPORT WATER



FINAL VERSION

CORPORATE PLAN  
2011/12

INT11-09542

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**VAGO FINANCIAL SUSTAINABILITY RISK ASSESSMENT FRAMEWORKError! Bookmark not defined.**

# SECTION A: STATEMENT OF CORPORATE INTENT

## THE BUSINESS OBJECTIVES OF THE CORPORATION

In September 2010, the Management and Board of Westernport Water (WPW) reviewed and revised the organisation's corporate intent for the 2011-2016 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 recognised as an environmentally sustainable organisation, and seeking initiatives to reduce our environmental footprint.

- Investigating options for investment in sustainable energy sources;
- Striving for efficient use of natural resources and 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, 2011-2016, exemplify the nature and scope of WPW'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 2011/12.

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.

## THE MAIN BUSINESS UNDERTAKINGS OF THE ORGANISATION

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

It services over 17,000 customers across an area of 300 square kilometres on Phillip Island and the mainland stretching from The Gurdies to Archies Creek.

WPW 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.

During 2010/11 a decision was made to further improve security of supply and as a result WPW has applied for, and been granted, a connection to the desalination pipeline and thereby the Melbourne Pool, that will provide up to 1,000ML per annum. Connection will occur during 2011/12 and it is expected WPW will have the ability to draw on this additional resource as soon as the desalination plant is fully operational.

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 WPW's district, with average annual system demand at time of writing approximately 2,100ML (or 2.1GL).

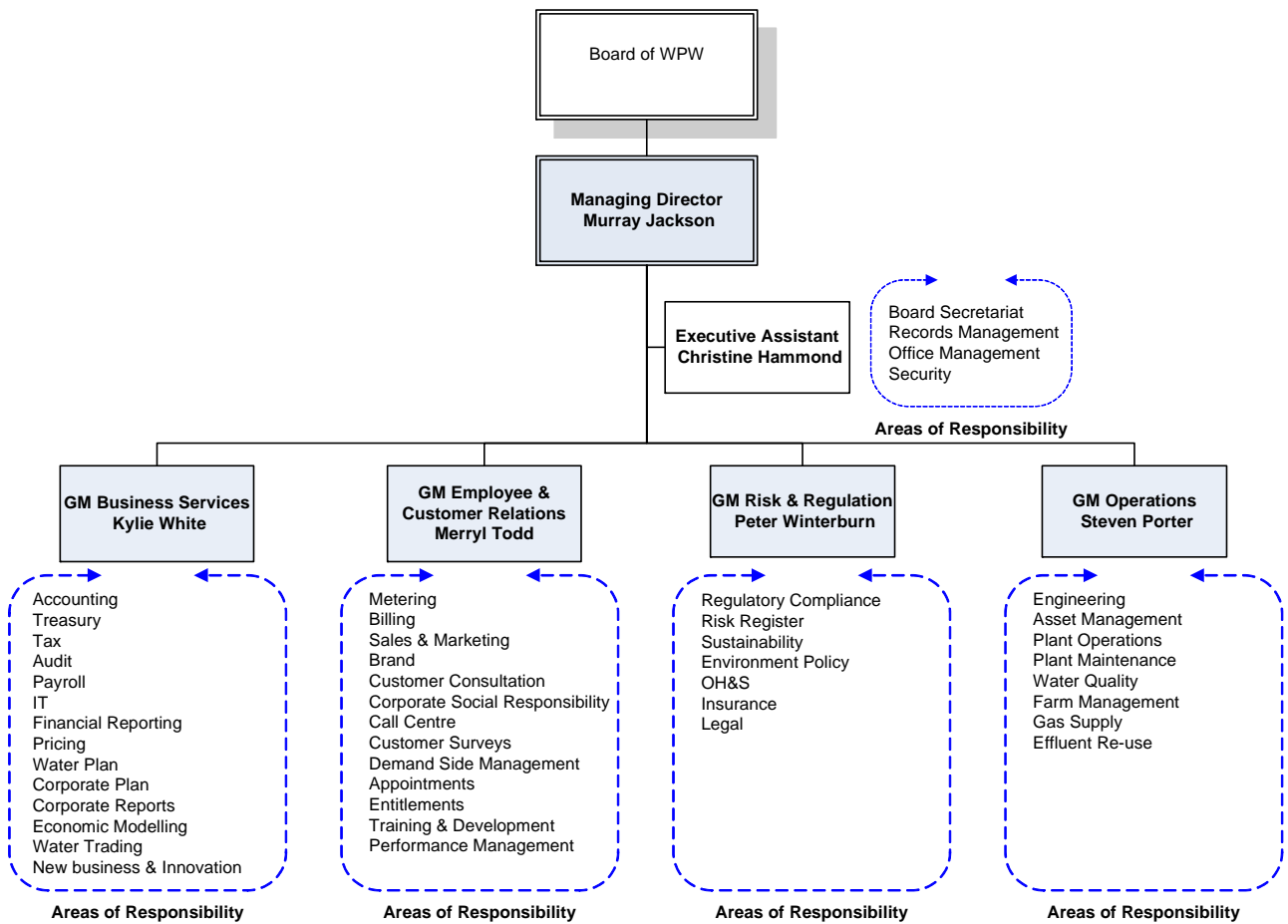
Wastewater services are provided to approximately 90% of properties that receive water. WPW has two wastewater treatment plants that process approximately 1,000 ML of domestic wastewater per annum. The principal plant, Cowes Wastewater Treatment Plant ("CWWTP"), treats around 90% of volume and is located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

The secondary plant, King Road Wastewater Treatment Plant ("KRWWTTP"), treats approximately 10% of volume and is located in Coronet Bay, servicing 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. Funding approval has been received from the Federal Government's *National Water Security Plan for Cities and Towns* grant to progress the development of a Class A Recycled Water Project at Cowes. The Class A Recycled Water Strategy, including the construction and commissioning of the Class A plant at CWWTP will be implemented during 2011/12;
- **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 WPW & 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 WPW is as follows:



## THE PERFORMANCE TARGETS OF THE CORPORATION

Each of the business objectives adopted for the 2011/12 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 provided by the Department of Sustainability and Environment in April 2010, with additional indicators to measure our performance with regards to engaging our community and providing our staff with a safe working and motivated environment for staff development.

### 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
Liquidity Ratio (NEW)	Not Applicable	Annual	>=1.5
Capital Replacement (NEW)	Not applicable	Annual	> 1.0
Emergency Response Plans	KPI 17	Annual	COMPLY
Exercises conducted for Emergency Response Plans	KPI 18	Annual	YES

### OUR PRODUCTS AND SERVICES

KPI	DSE Ref	Frequency	Target
Water Supply	KPI 1	Quarterly	No greater than permanent water saving rules in place
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
Process and improvement Program (PIPs)	Not Applicable	Annual	100% of target as set in Enterprise Agreement

## 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 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	Maintain customer satisfaction levels of >92% (93% in 2010, 92% in 2009)
Established Corporate Social Responsibility plan	Not Applicable	Annual	YES

## 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 PEOPLE

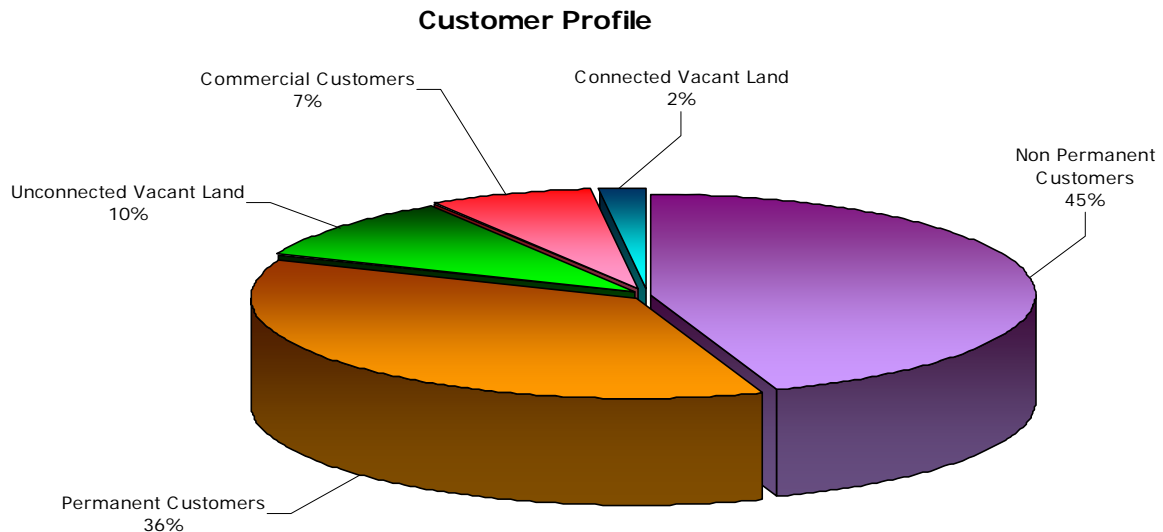
KPI	DSE Ref	Frequency	Target
Planned Training and Development Executed	Not Applicable	Quarterly	100%
Performance Management Plans and Reviews Completed	Not Applicable	Formally every six months	100%
Lost Time Injuries	Not Applicable	Monthly	0%



## SECTION B: KEY ASSUMPTIONS UNDERLYING THE CORPORATE PLAN

WPW forecasts that 17,383 customers will be supplied with water services and 15,193 with sewerage services in 2011/12. The majority of properties serviced by WPW are residential of which 55% are non-permanent residents, (who can be characterised as holiday-home owners) and 45% are permanent residents.

There are also 1,569 properties classified as unconnected vacant land and commercial (or non-residential) customers account for only 7% of total property numbers. The following chart details the forecast composition of the WPW 2011/12 customer base:



### Average Annual Water Consumption

The average annual water consumption for a WPW residential customer is approximately 76kL and 519kL per commercial customer. The low residential figure is affected by the large percentage of non permanent residents.

### Commercial (Non Residential) Customers

WPW has one (1) major trade-waste customer and does not have any 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 to Class B water for sale to a small number of commercial customers only.

Progression to a Class A product in 2011/12 will enable expansion of the product offering to new residential developments and commercial customers, which is reflected in the increase in recycled water customer and revenue projections from 2012/13 included in the financial templates.

## CUSTOMER DEMAND ASSUMPTIONS

### Property Forecast 2011/12

Property Type	Property Nos.	Water Plan
Residential	13,838	14,041
Vacant Land (unconnected)	1,599	1,926
Commercial	1,066	483
<b>TOTAL PROPERTIES</b>	<b>16,503</b>	<b>16,450</b>

The major assumptions driving the property forecast are:

- Growth in residential properties numbers of 2.0% from 2010/11;
- Growth in commercial properties 0.9% from 2010/11;
- 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 2011/12

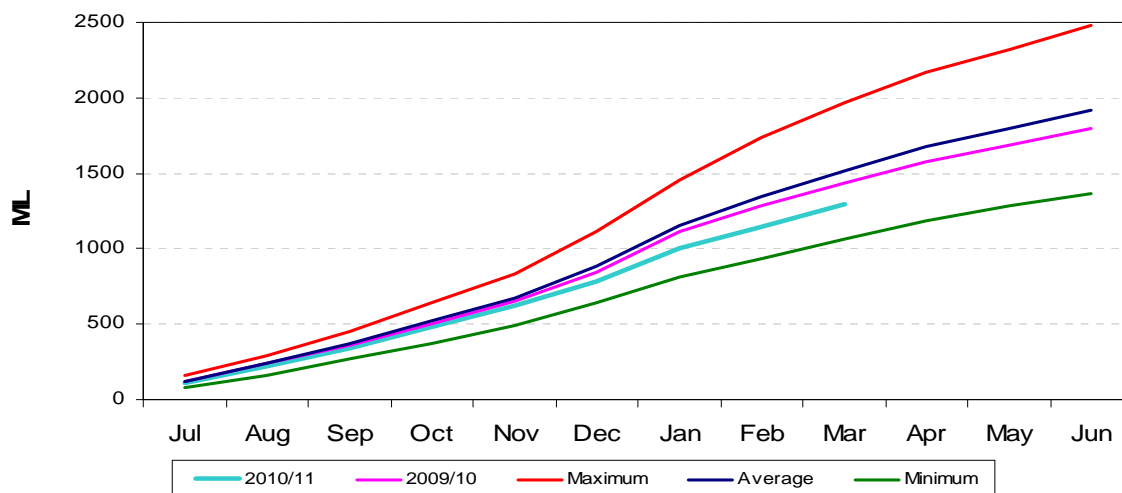
Customer Type	Demand (ML)	Water Plan (ML)
Residential	1,030	1,484
Commercial	609	561
<b>TOTAL CUSTOMER DEMAND</b>	<b>1,639</b>	<b>2,045</b>

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.

WPW has continued to realise a consistent 2% growth in properties each year for the last 5 years, however total system demand has reduced to below the 10 year average (1,902ML/yr), as highlighted in graph below:

### **Cumulative Total Demand (2001 to 2010)**



## 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	Consumption Billing Period	Per	2011/12 Forecast \$ per kL
Block 1	0-33kL		\$1.4211
Block 2	33-108kL		\$1.7025
Block 3	Greater 108kL		\$2.1927

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 2011/12 is \$1.5477. 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.

## 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. WPW also holds a licence to access up to 491ML of groundwater from the Corinella Aquifer.

The Corporation's Water Supply Demand Strategy has recently been updated and indicates that the system yield with 95% reliability is 2,100ML. With annual [average] demand at similar levels, current modelling identifies a potential [average] annual shortfall of up to 800ML and hence further augmentation of the Westernport system is required to meet current and future demands.

This shortfall will be met through two separate supply augmentation approaches. First, the capacity of Candowie Reservoir will be doubled by year three of a five year corporate plan outlook, in line with the Water Plan 2008-2013. This will entail an increase the storage capacity of Candowie Reservoir from 2,263ML to 4,580ML. Secondly, as mentioned above, the Corporation has been granted a connection to the desalination pipeline and a bulk entitlement of up to 1,000ML per annum from the metropolitan pool water supply. Connection to the metropolitan pool water supply will occur during this Corporate Plan period at minimal cost, however WPW does not expect to draw on this additional resource during this five year corporate plan..

The increase in storage capacity at Candowie will enable optimized capture of lower cost water sources and deliver increased system yield with 95% reliability from 2,100ML to 2,780ML. Coupled with planned upgrades to the Bass River pump station and a connection to the Melbourne Pool, demand can be met cost-effectively beyond 2055.

## KEY FINANCE ASSUMPTIONS

WPW has maintained a positive financial sustainability position over the previous five year period. The 2011/12 Corporate Plan five year forecast presents the corporation with a challenge of balancing the need to secure fixed long term borrowings to fund significant capital programs over the first two years of the five year period, as well as achieving a sustainable net profit position.

The key financial assumptions used in the development of the Corporate Plan budgets have been modelled on:

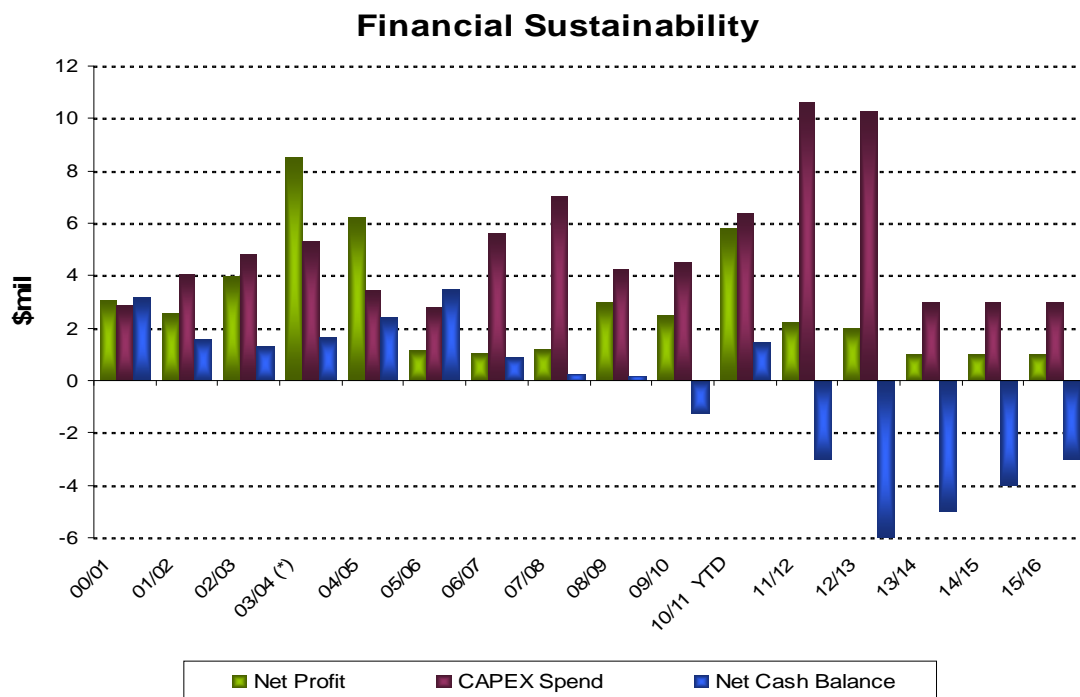
- Achieving a positive net profit position for the Corporate Plan period;
- Developing a capital replacement program to support business operations, and meet service delivery obligations;
- Major project spend in first two years of plan, with consistent capital program of \$3 million in years three to five based on preliminary estimates of key asset replacement and renewals obtained from development of our strategic asset management plans and our new asset management system (AMS);
- Timing of capitalisation of major projects over the five year period – which affects annual depreciation costs;
- Impacts of revaluation of assets at fair value (recognised as at 30 June 2011 of ~\$10million) – affecting annual depreciation estimates;
- Demand forecast consistent with previous year trend, allowing for 2% growth in property numbers. Volumetric revenue approximately ~500k less than ESC final determination;
- CPI increase capped at 2.5% each year;<sup>1</sup>
- No payment for metropolitan water. The current pricing principles for metropolitan as provided by Melbourne Water [submitted to ESC April 2011] are based on a per ML charge only until 2013. WPW does not expect to utilise its 1000 ML bulk entitlement in this 5 year corporate plan. WPW does not have any transparency of metropolitan water pricing beyond 2013, and therefore payments for metropolitan water is excluded from corporate plan budgets until such time that pricing principles have been developed for the period beyond 2013;
- Increasing debt lending facilities for future CAPEX program, additional short term borrowings, and securing suitable long term borrowing strategy;
- Environmental contribution has been capped at current level until July 2013. There is no indication of levy changes in the period beyond 2013; and
- No payments of dividends and tax over Corporate Plan period.

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<sup>1</sup> Based on State budget update 2010-11

## FINANCIAL PERFORMANCE – Now and Into the Future

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.



WPW's financial sustainability performance over the last five years is provided in [Section G](#). The financial ratios highlight a progressive draw down on cash reserves to pay for increasing capital renewals and replacement programs. This trend is currently of low to moderate risk, as provided in the VAGO risk assessment guidelines (also provided in [Section G](#)) However, WPW will be entering into a borrowing position in 2012/13, which will ultimately affect the financial position of the corporation in the future. A borrowing strategy will be developed in conjunction with Treasury Corporation Victoria (TCV) during 2011/12 to ensure appropriate debt levels can be serviced from future net operating cash flows, as well as minimise borrowing (FAL) costs.

WPW is currently implementing a new asset management system (AMS), which will be in operation for the first year of the Corporate Plan period. The new AMS will provide a more sophisticated and fully integrated asset management process that will support future planning decisions, and predicate preventative maintenance costs. WPW's focus on preventative maintenance programs over the 2011/12 financial year will also assist the planning department in identifying potential 'spikes' in capital expenditure based on condition assessments. Detailed operational and capital expenditure forecasts developed using the new AMS will be reflected in future Corporate and Water Plans.

Our current [average] capital replacement ratio is 1.5, which is considered benchmark by VAGO guidelines, and it is our target to maintain this ratio, refer to performance targets for Governance (p.8).

Other factors impacting WPW's financial performance over the five year corporate plan period is the impacts of recognising assets at fair value. The [expected] additional asset values will have an impact on the future financial sustainability (and ratios) reported annually. Additional asset values will result in increased depreciation - reducing accounting net profit recorded, increased asset values (improving liquidity ratio), decrease the return on assets/equity which may (or may not) impact on future borrowing potential and increase borrowing costs due to a change in credit rating.

Further financial ratios are provided in the Corporate Plan 2011/12 [financial templates](#).

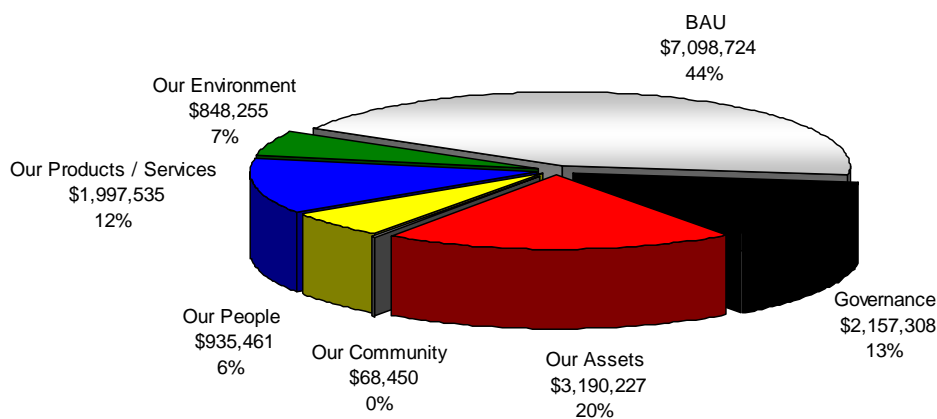
## SECTION C: BUSINESS PLAN

Section C defines WPW's Business Plan for the 2011/12 period within a five-year context.

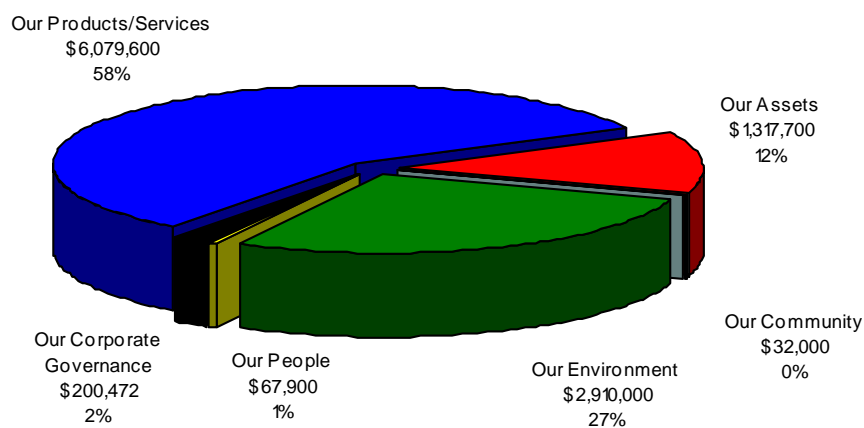
The Business Plan is driven by the **six key strategic focus areas** of the Corporation. The proposed spend of the organization for the 2011/12 period is divided into capital expenditure ("CAPEX") of \$10.6 million and operational expenditure ("OPEX") of \$16.3 million.

In summary, the following charts represent OPEX and CAPEX expenditure as they relate to the key strategic focus areas of the corporation. Depreciation, an amount of \$4.1 million, is included in business as usual (BAU) costs.

### Operating Expenditure by Key Focus Area



### Capital Expenditure by Key Focus Area



A summary of key CAPEX projects and programs for 2011/12 is listed below, with further details of other initiatives supporting the six key strategic focus areas (refer following sections below):

<b>Key Projects - 2011/12 CAPEX</b>	
Newhaven SPS Switchboard Replacement	\$ 110,000
Reticulation Water Quality Upgrade 2011/2012	\$ 110,000
SPS - Mech and Elec Works 2011/2012	\$ 125,000
Water mains rebuild	\$ 165,000
Sewer main improvements	\$ 185,000
Corporate System Replacement	\$ 200,472
Motor Vehicle Replacements 2010-11	\$ 300,000
SCADA Upgrade Stage 5	\$ 725,000
Candowie Ancillary Works (CAW)	\$ 950,000
Phillip Island Recycled Water Scheme	\$ 2,540,000
Candowie Upgrade Project (CUP)	\$ 4,000,000
<b>Subtotal</b>	<b>\$ 9,410,472</b>
<i>Other projects (&lt;\$100k)</i>	<i>\$ 1,197,200</i>
<b>TOTAL</b>	<b>\$ 10,607,672</b>

## 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 2011/12 year total approximately \$2.16 million and are attributable to the following activities:

- A continual all hazards approach to risk management during 2011/12 with programs for security risk management, water quality and people health and welfare.
- The continued roll-out of information technology strategies is continuing during the 2011/12 year, including the completion of works on integrated corporate information systems;
- Implementation of knowledge management framework;
- Archiving project to ensure ongoing compliance with record keeping legislation (PROV);
- Additional insurances costs for major augmentation and other construction projects;
- Clarification and finalisation of easements held or required over the Corporations assets;
- Development of new Strategic Purchasing Coordinator – to consolidate procurement decisions and ensure efficient spend, and inventory control.

### CAPEX

The main capital expenditure planned for the 2011/12 year is approximately \$0.2 million and includes the following projects:

- Introduction of a new Human Resources Information System (HRIS);
- Introduction of new Corporate Business Information System (BIS);
- Further development of our compliance reporting system;
- Enhancement of our intranet.



## MATERIAL CHANGES WITH PREVIOUS PLANS

Corporate Plan 2010/11

- HRIS and BIS introduction has been deferred to the 2011/12 Corporate Plan to ensure transfer to new corporate systems occurring in 2010/11 is complete and fully integrated with current applications.

## 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 complete the commissioning of a regional chloramination process, commenced in 2010/11.

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. The Business Case is well developed, and one of the main remaining hurdles to lodgement is the setting of the Melbourne Pool price for desalination water, expected in mid-2011.

It is anticipated that the final section of pipework between the Desalination pipeline and the Corporation's main transfer pipe will be completed in 2011/2012.

### OPEX

The main operating expenditures planned for the 2011/12 year total approximately \$1.99 million and are attributable to the following activities:

- Targeted air-scouring and flushing programs;
- Tank and basin cleaning;
- CCTV gravity mains inspections;
- Major update of the Operation and Maintenance manuals for the Cowes Wastewater Treatment Plant;
- Additional operational staff to implement new preventative maintenance programs.

### CAPEX

The main capital expenditure planned for the 2011/12 year is approximately \$6.1million and includes the following projects:

- Commissioning of a regional chloramination plant;

- Issuing of tender and drawings for the construction of the Candowie Upgrade Project;
- Finalise the rollout of Clear SCADA technology at all pump stations;
- Meter replacement program;

## MATERIAL CHANGES WITH PREVIOUS PLANS

### Water Plan 2008-2013

- 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;
- Bass River bypass pipeline project deferred - proposed project to build a pipeline directly from Bass River to treatment plant and bypass reservoir to mitigate potential risk of major algal bloom affecting stored water in Candowie.
- Additional treatment upgrade at Candowie deferred – due to current water quality improvement programs and estimated improvements in water quality due to proposed increased dam capacity.
- Wonthaggi desalination plant operator Aquasure is required to make provision for ‘dumping’ the contents of the Wonthaggi/Cardinia metropolitan water pipeline. This provision is contained within the plant operator restart protocols. The increased capacity of Candowie reservoir will help meet the forecast annual or seasonal ‘dump’ requirements, as determined by the Aquasure water quality control guidelines referred to in the restart protocols. In addition, DSE (projects division) have requested WPW to consider the option of increasing the capacity of the existing Bass River to Candowie pipeline from 300mm diameter to 450mm diameter with a connection to the metropolitan water pipeline to support the restart protocols, OR provide for a separate easement for a larger 1,050mm diameter pipeline from the metropolitan water pipeline to Candowie reservoir. WPW would be seeking state funding for the additional capital expenditure to comply with DSE and Aquasure requests.

### Corporate Plan 2010/11

- Stage 1 of the Class A recycled water project was due for completion in 2009/10. Subsequent DHS approvals and Federal grant funding approval have now been received, with completion of the Class A project now scheduled for the current Corporate Plan period (2011/12).

## 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 the lead up to the next water plan period the Strategic Asset management Plan and associated infrastructure specific Asset management Plans will be updated. This will include the continuation of work on mapping and assessing the condition of above and below ground assets.

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.

A new position has also been created to undertake high level analysis of system performance and to utilise the information being collected through the Clear SCADA rollout to provide key operating data for online plant performance monitoring.

## OPEX

The main operating expenditures planned for the 2011/12 year total approximately \$3.2 million and include the following activities:

- Update of the Corporations Sewer Model;
- 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;
- Implementation of preventative maintenance program based on data collected and analysis of asset performance via AMS and SCADA systems.

## CAPEX

The capital expenditures planned for the 2011/12 year total approximately \$1.3million and partially comprise the following projects:

- Plant and equipment replacement and renewals program – computer hardware, software, miscellaneous office equipment, motor vehicles; depot equipment;
- Infrastructure replacement and renewals – pipeline, valves, electrical switchboards;
- Further development of the GIS;
- Rollout of mobile technology for operations staff to receive and respond more efficiently to customer requests and emergency calls.

## 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 Clear SCADA system. This has become more evidently necessary as the existing ELPRO system has reached the end of its effective life.

## 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;
- Creating a community attitude and awareness of 'partnership' with WPW in implementing water conservation initiatives to limit water waste, and ensuring our customers respond immediately to defects in supply in our distribution system.

In 2011/2012 we will continue to enact our Corporate Social Responsibility program.

## OPEX

The main operating expenditures planned for the 2011/12 year total approximately \$0.07 million. The following activities provide more information:

- 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;
- Provision of a range of water conservation tools and items (eg. water audits, educational material, showerheads, shower timers);
- Water conservation education programs to local schools, regional groups and large commercial potable water users;
- Employment opportunities to the local youth market via scholarship and traineeship programs;
- Continue developing our website to meet customer needs.

## CAPEX

The capital expenditure planned for the 2011/12 year is approximately \$0.03 million.

- Corporate logo replacement program

## MATERIAL CHANGES WITH PREVIOUS PLANS

Nil

## 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.

A preliminary application of biosolids to land was conducted on a 8.1 hectare parcel of land at the Corporations Cowes Waste Water Treatment Plant in accordance with the Biosolids Management Plan. Given the success of this trial further biosolids will be considered during 2011/12.

### OPEX

The main operating expenditures planned for the 2011/12 year total approximately \$0.85 million. The following activities provide more information:

- Environmental contribution;
- Continue to develop WPW 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;
- Development of organisational training matrix to ensure compliance with regulatory obligations;
- Preliminary planning on joint Melbourne Water, Landcare to revegetate and fence Salt Water Creek, Phillip Island for water quality, buffering and biodiversity benefits.
- Preliminary Planning for revegetation works surrounding Candowie Reservoir to achieve biodiversity and water quality benefits.

### CAPEX

The capital expenditures planned for the 2011/12 year total approximately \$2.9million and relate to:

- Construction and commissioning of a Class A recycled water facility at the CWWTP, including system storage and transfer mains;
- Land management improvements.

### MATERIAL CHANGES WITH PREVIOUS PLANS

Construction of Class A recycled water facility was not included in previous business plans. A small amount was included to continue investigations into treatment options, however



the Board approved the additional project during 2010/11 following the confirmation of funds from the Federal Government to support this key project.

## 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;
- Providing an environment where learning and innovation can grow to provide continuous improvement to the management of our business.

## OPEX

The main operating expenditures planned for the 2011/12 year total approximately \$0.9 million. The following activities provide more information:

- Training and formal qualification opportunities for all our people to ensure our knowledge and business practices remain current and exploit all opportunities for business efficiency and effectiveness;
- Enhancement of our reputation as an employer of choice by:
  - Maintaining strong relationships with schools in our region,
  - Participation in local career expos; and
  - Business partnerships with regional groups such as Education Centre Gippsland (ECG).
- Provision of “wellness” programs to staff to complement existing health and safety programs;
- Monthly staff communication forums to provide progress reports against Corporate Plan targets and other matters of interest.

## CAPEX

The capital expenditures planned for the 2011/12 year total approximately \$0.07million

- Addition workstations, and furniture and equipment to accommodate additional staff;
- Further development of intranet – building on knowledge management framework;
- OH&S equipment purchases.

MATERIAL CHANGES WITH PREVIOUS PLANS

Nil

## SECTION D: ADDITIONAL CONSIDERATION

### WATER SUPPLY AUGMENTATION PROJECT – RAISING THE CANDOWIE DAM WALL

WPW's baseline corporate plan assumes a continuation of low inflow conditions experienced between 1997 and 2007. The inflows are from a number of sources and 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").

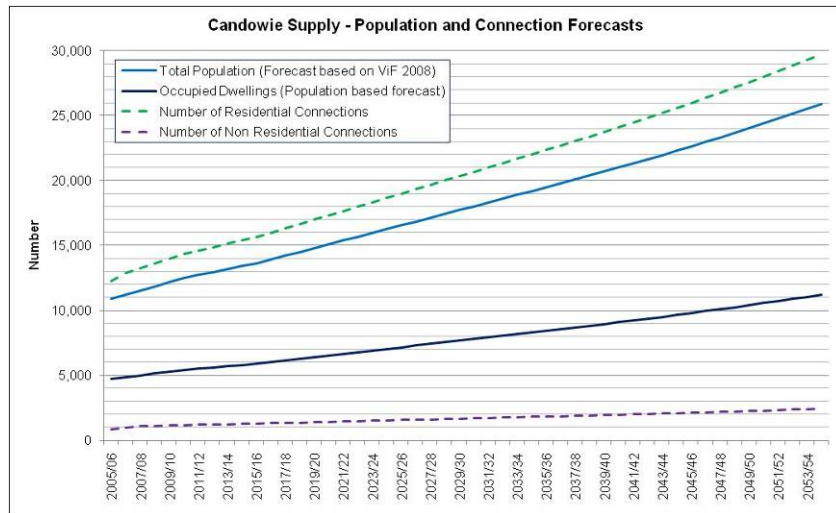
In the development of this Corporate plan it was assumed the capacity of Candowie Reservoir will be doubled by year three of a five year corporate plan outlook, in line with the Water Plan 2008-2013. Augmentation of supply through raising the dam wall at Candowie leaves WPW able to apply normal supply management practice which would be to anticipate any shortfalls by monitoring the reservoir level, and take action to conserve and secure additional water from all sources as it becomes available. Remaining shortfalls are expected to be met with the purchase of Metropolitan Water, up to the amount of 1,000ML per annum.

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 minimising the need to draw on Metropolitan Water reserves. Further, increasing the capacity of the Bass River to Candowie Reservoir pipeline and the installation of a connection to the desalination plant to Melbourne Pool pipeline is provided for in the Victorian Desalination Plant restart protocols. The final size of the proposed pipeline for the connection is presently under investigation by the desalination plant project team.

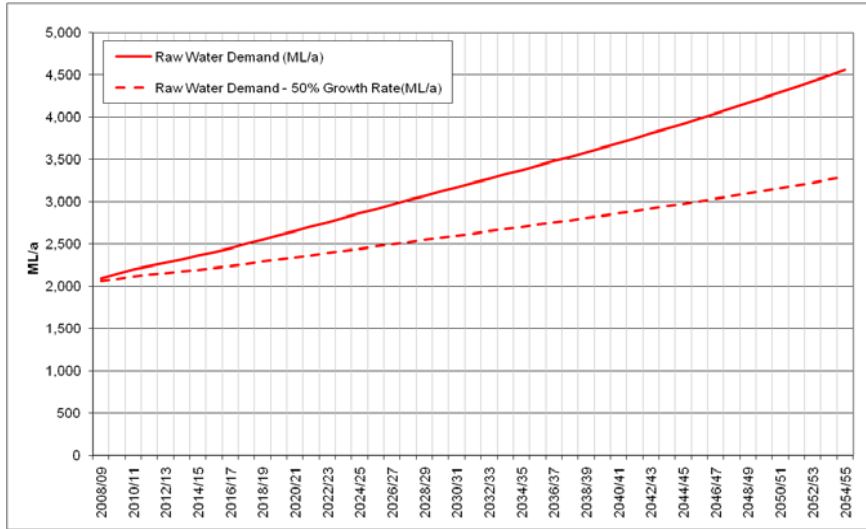
Auxiliary works at the Candowie Reservoir continue as per schedule. These works are well advanced, are required irrespective of the dam upgrade works, and are predominantly proceeding ahead of the upgrade. Net outcome of this situation is a significant portion of the preparatory work for the upgrade will be complete prior to approval of the business case. DTF Gateway Unit have reviewed the financial assumptions included in the business case and have provided 'in principle' agreement of the financial assessment of raising Candowie as a strategy for securing future water supplies for our region. A final gateway meeting will be scheduled following the final review of environmental flows by DSE (expected in April 2011). This situation notwithstanding, the Corporation continues to work with the DSE and DTF in successfully finalising the business case.

## PLANNING FOR FUTURE GROWTH

To facilitate its planning for future growth WWP 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 WWP'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 Plant	Treatment Plant	Nominal capacity in 2010/11	Forecast unrestricted demand 2010/11	Nominal plant capacity in 2015/16	Forecast unrestricted demand 2015/16
Ian Bartlett Purification (IBWPP)	Water Plant	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	8.5 ML/d average	1000ML	110ML	Class B	11ML/d average	1060ML	199ML	Class A
King Rd WWTP	0.37ML/d average	100ML	100ML	Class B	0.37ML/d	110ML	110ML	Class B

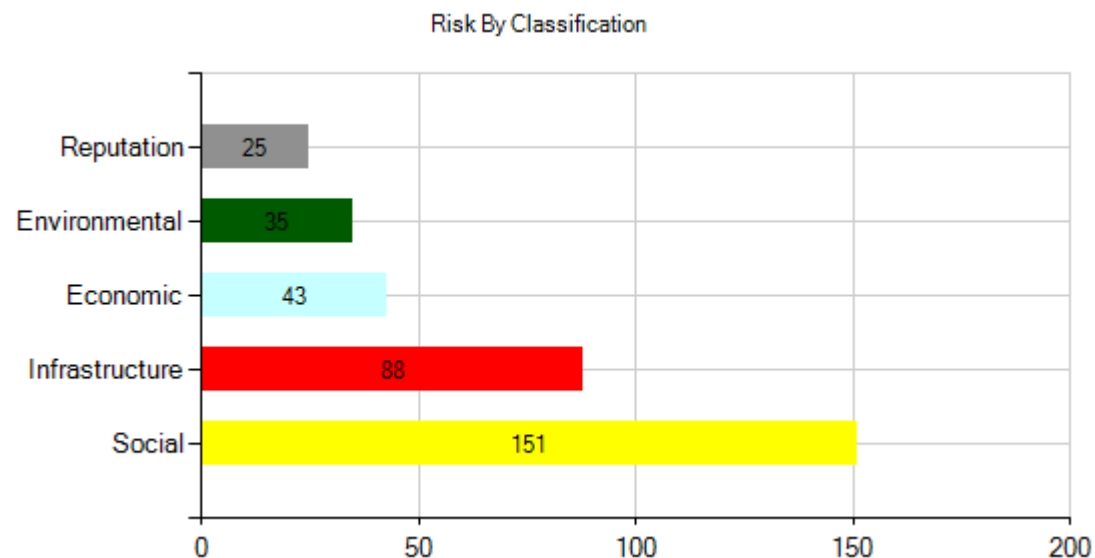
The Corporation has developed a short and long term strategy for the operation and upgrade of the Cowes WWTP. Further works are planned over the corporate plan period to optimise the treatment process. The outcome of these works is that the efficiency and capacity of the plant will be concurrently improved.

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

## BUSINESS RISK

WPW aim is to continue to embed a risk culture throughout its business operations. During the course of 2010/11 WPW reviewed in conjunction with the Board its risk context, the Corporation agreed to adopt the core elements of a triple bottom reporting framework of social, environmental, economic, and added additional categories of infrastructure and reputation to report and categorise its risks. The Corporation recognised that these reporting elements are interdependent and as such cannot be considered or evaluated in isolation. It is envisaged that this revised model in conjunction with the initiatives proposed by DSE will ensure a rigorous risk management process within WPW. Whilst implementing this change in our risk framework it was important to retain close alignment with our key focus areas contained with this document.

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 depicts the current risk register expressed by the risk classification described above.



Following a strategic risk workshop with the Board, management and our internal auditors during 2010/11 the Corporation has developed its *strategic risk register*. Typically the business risk register was predominantly operationally focused and it was deemed appropriate to take a higher strategic view of the Corporations risk.

The risk register presented within the 2011/12 Corporate Plan is a culmination of the process outlined above, which comprises 24 discrete strategic risks. The reporting template provided by DSE has been used to present these risks and this same template is the data source for entry into the departments centralised web portal which is 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.



The focus for risk management for 2011/12 will be to further enhance our risk capability in:

- ICT risk management;
- Strategic risk management;
- Industry wide risk controls; and
- Alignment of business risk across our target sectors.

## SECTION E: RISK MANAGEMENT TEMPLATE

## SECTION F: FINANCIAL TEMPLATES

## SECTION G: FINANCIAL SUSTAINABILITY RATIOS