Key Information

Industry Customers

Our Employees
• ~210 employees

Our Assets
• 42,000 customers
• 3,800 kilometres of pipelines
• $1.4B asset value ($776M wdv)
• 29 water treatment plants (11 full filtration plants)
• 18 water reclamation plants (sewerage treatment)
• 11 reservoirs
• $245M capital investment over 10 years (2008 to 2018)

Customer Satisfaction
• 84% rated value for money satisfactory or excellent
• 95% satisfied or very satisfied with the overall service
Strategic Direction

Our Vision
Beyond water for strong communities

Our Mission
To provide safe, reliable, innovative and sustainable water services and strengthen communities in south-west Victoria

Our Strategic Objectives
• Business Excellence
• Value for our Customers
• Organisation Capability
• Stronger Communities

VISION2023
We are passionate about people
• Our people love working at Wannon Water
• Our customers consider us great value
• Our community partnerships help this region flourish
• We are proud of our business excellence
Performance

Historic performance has been strong:
- 2005/08: Period of consolidating three authorities.
- 2008/13: Intensive capital works, escalating debt & higher price rises.
- 2013/18: Operating efficiently with cash surpluses used to reduce debt and lower prices (minus 5.9% + CPI).
- 2016/17: a further 2% price reduction

Environmental Performance – 95 to 100% EPA licence compliance

Drinking Water Performance – 100% Safe Drinking Water compliance

Customer Surveys:
- Consistently around ~95% satisfaction rating
- Management of water and sewerage systems very high
- Helpful and friendly staff very high
- Clarity of water very high
- Taste of water – groundwater towns

Innovative:
- Maintenance excellence
- Roof water harvesting
Performance

- Strong customer performance
  - Call centre performance
  - Hardship (relief grants, payment arrangements, hardship payments)

- Reliable water and sewer infrastructure

- Low water consumption
**Price Submission 2018 - Summary**

**Engagement**
WW had over 3,000 instances of engagement over 22 months and five engagement rounds.

**Outcomes**
Customers told WW that they:
- Are satisfied with our existing service levels
- Value our work to protect the environment and support doing more
- Value our support of local communities and think we should do more
- Would like more contemporary modes to interact with us
- Value our technical expertise and trust us to make the right decisions
- Value stable pricing paths

These informed the design of a set of outcomes.

**Targets**
To ensure the delivery of outcomes, WW has set targets to increase customer satisfaction for:
- Taste, smell, clarity and hardness of drinking water
- Management of water supply interruptions and sewer spills
- Our performance partnering with communities
- Value for money

**Capital Investment**
WW plans to invest $156M in capital projects, including a $38M upgrade at the Warrnambool Water Reclamation Plant. By excluding more than $8M in uncertain projects, customers save about $6 p.a. on their bill.

**Operating expenditure**
WW has committed to efficiency savings of $2.6M, saving customers about $8 p.a. on their bill.

**Bills**
Residential customers’ water and sewer tariffs will increase by CPI only per annum. A $35 rebate for tenant customers will be provided in 2018/19.

**Reporting**
We will report to customers annually our performance against targets.
Engagement

• Earlier, broader, deeper
• Started Dec 2015
• Evidence of all levels of engagement, except empowerment
• Engaged on specific projects, trade-offs, tariffs and the whole submission
What we heard from customers

- Our customers are satisfied with most of our existing approaches and service levels
- Our customer told us they value the **speedy restoration of their services** when there is an interruption
- Our customers value Wannon Water working to protect the **natural environment**
- Our customers value **support of local communities** and think we should do more
- Our customers value our existing **modes of interaction** and would like additional contemporary options
- Our customer value being able to **further influence their bills** and value **equity** across our customer base
- Our customers value understanding more about their local water sources and treatment
- Our developers value **stable and fair** new customer contribution charges, simple fee structures, flexible mechanisms to ensure the costs associated with shared reticulation assets are fairly allocated to benefitting developers and our engagement with them
- Our major customers value the level of service, **technical support and expertise** we provide them and they have individual and complex needs
- Our major customers told us they would value **investment** in sewage/trade waste treatment infrastructure, water quality improvements and easier entry processes for new business to promote regional prosperity
Outcomes

- Aligned with customer feedback/insights
- Initiatives (incl. new capex and opex) for each outcome
- Indicators of success
Outcomes

• 15 Indicators

7 Customer satisfaction levels
3 Customer interactions
3 Compliance with obligations
1 Level of service
1 Carbon emissions
1 Benchmarking results

• 16 Measures

10 Improvement in performance
6 Maintain current performance
Building blocks

- Revenue Requirement = $355 million

- Opex stable, with increases from baseline for:
  - New initiatives
  - Electricity
  - Labour costs above CPI
  - New opex from newly constructed capital works
  - etc

- Large capital investment plan impacts Return on Assets and Regulatory Depreciation

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<td>69.77</td>
<td>71.08</td>
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Efficiencies included $1.257M

PLUS 1% Cost efficiency improvement rate $1.55M
Capital investment plan

• $156 million

• Warrnambool WRP - $38 million
  • 24% of total program
  • GHD assistance for business case
  • External assessment of cost estimate (P80)

• Renewals program - $70 million (mix of specified and unspecified)
  • Independent review of business case

• All projects & programs over $250,000 have business cases
## Tariff & bill impact

### Average Residential Customer - Owner

<table>
<thead>
<tr>
<th>Financial Year</th>
<th>Sewer Fixed</th>
<th>Sewer Variable</th>
<th>Water Fixed</th>
<th>Water Variable</th>
<th>Government Rebate</th>
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All amounts are stated in 1/1/18$.

### Average Residential Customer - Tenant

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<th>Sewer Fixed</th>
<th>Sewer Variable</th>
<th>Water Fixed</th>
<th>Water Variable</th>
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<tr>
<td>2018/19</td>
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</tbody>
</table>

All amounts are stated in 1/1/18$.

**Bill impact**

**Tariff impact**
**Tariff & bill impact**

- **Water usage & service** – no ‘real’ increase, CPI only
- **Sewer service** – no ‘real’ increase, CPI only
- **Minor Trade Waste**
  - Fixed – no ‘real’ increase, CPI only
  - **Volume**
    - Grp 1 – 3.8% real plus CPI
    - Grp 2 – no ‘real’ increase, CPI only
    - Grp 3, 4 & 5 – minus CPI plus CPI (i.e. no change to 2017/18 tariff)
  - Review in 2018
- **Major Trade Waste** – 2% real plus CPI
- **Rural Water Usage Surcharge**
  - minus CPI plus CPI (i.e. no change to 2017/18 tariff)
  - Review in 2018
- **Fire Service Charges** – no ‘real’ increase, CPI only
- **New Customer Contributions**
  - no ‘real’ increase, CPI only
  - Sewer in Hton & Ptld decrease by 50% in 2018/19
- **Miscellaneous charges** – no ‘real’ increase, CPI only
PREMO

Engagement (Advanced 3.25)
- Commenced engagement process as soon as practically possible (Dec 2015)
- 3,000 instances of engagement reaching about 7% of customer base
- Engagement tailored with a wide range of customers
- Engagement was an iterative process, with development and testing of customer priorities and proposed activities to achieve these, including price impacts to deliver requested services
- Feedback that engagement was genuine and considered

Outcomes (Standard 2.5)
- Linked to customer insights to deliver on customers’ highest priorities
- Consistent with customer feedback, propose to maintain current levels of service
- Justification provided for the case where feedback was not acted upon
- Expenditure profile doesn’t require material change as it is currently consistent with customer feedback
- Outputs measure customer perceptions as well as our performance
- Proposed improvement in performance for 63% of KPIs

Management (Standard 2.25)
- Board and senior management have demonstrated ownership and commitment to the development and proposals
- Business cases developed for projects over $250,000 to justify capital investment
- In addition to the 1% rate of operating efficiency improvement, an additional $1.2 million in operating efficiencies is proposed
- Strong level of supporting documentation and justification
- Forecasts are based on sound methodologies and assumptions
- Independent advisors have been utilised where appropriate

Risk (Standard 2.0)
- Our management systems are certified
- Forecasting demand, operating costs & savings and our capital investment program are consistent and undertaken with customer tariff outcomes in mind
- Uncertain projects are not included in the capital investment plan
- Forecasts are based on latest available information and P80 for our largest capital project
- Maintaining current price control and tariff structures
- Current GSIs have been refined to provide greater service and accountability
Financial Sustainability

• As at 2023
  • Borrowings expected to increase to $70 million
  • Gearing ratio @ <11%
  • Capital Replacement Ratio (5 years) = 137%
Beyond 2023

• Assumptions
  • Tariffs – CPI only increase
  • Capital investment plan = $94 million ($112 million nominal)
  • Operating costs = $44.5 million p.a.
    • Cost efficiency improvement rate of 1.9%
  • Revenue requirement = $75 million p.a.

<table>
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<tr>
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<th>2023/24</th>
<th>2024/25</th>
<th>2025/26</th>
<th>2026/27</th>
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<td>74.95</td>
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</table>
Conclusion – Our story

- Long term tariff stability
- Significant capital investment program

- Community
  - deliver better outcomes for customers
  - engage with our community
  - contribute to regional prosperity

- Enhance
  - customer satisfaction levels
  - environmental outcomes

- Maintain
  - strong financial position
  - high levels of service
  - regulatory performance