



TABLE OF CONTENTS

Message from our Chairman and CEO	4
About our plan	5
Our business	7
Progressing our plan	8
Our key challenges and opportunities	10
Planning for the future	12
Our strategic framework	14
Our performance focus	16
What we plan to deliver	18
Measuring our success	21
Our organisational risks	22
Financial forecasts	24
Capital expenditure plan	30
Appendix 1 – Strategic risks	32
Appendix 2 – FY2019-23 Top 25 capital projects	35
Appendix 3 – FY2019-23 Top 10 capital programs	36



MESSAGE FROM OUR CHAIRMAN AND CEO

We are pleased to present our Corporate Plan for FY2019-23 (our Plan). Our Plan continues TasWater’s progress in achieving our vision to become “a trusted and respected provider of essential services that is making a positive difference to Tasmania”. It outlines the framework for how we will deliver our strategic objectives, and what we will focus on over the next five years.

TasWater is going through an exciting period where we are now well positioned to meet the challenges of a modern utility and deliver on our vision over the next few years. To help us achieve this sooner, we are reinvesting some of the productivity savings we have made.

Over the past five years, our business has implemented significant changes for the benefit of our customers, our people, our stakeholders and the wider community.

As a water and sewerage utility, our primary purpose is keeping our communities safe and healthy through providing quality drinking water and sustainable sewage treatment.

We understand the importance of keeping our customers satisfied. That is why we are focusing on how we can provide a simple, easy experience every time they interact with us.

We will always strive towards providing our customers with maximum value for money and reducing our cost to serve. But, we must balance this in light of the pressures that



Miles Hampton

Miles Hampton
Chairman

come from increasing customer expectations, technological advancements and changing risks.

Protecting the health and safety of the public and our people continues to be our highest priority. Our Zero Harm program demonstrates our ongoing commitment to public and workforce safety and wellbeing.

Investing in our people is essential to our success over the long term. We will continue to grow their skills and develop a culture that supports the realisation of our vision and the customer outcomes that we desire. Capital expenditure is projected to total \$831.1 million over our Plan period, peaking at \$183.7 million in FY2022-23.

Gearing over the period is expected to increase from 35.6 per cent to 47.2 per cent.

Projected Net Profit after Tax for our Plan period is \$36.1 million in FY2018–19, reaching \$46.8 million by FY2022-23. This level of profitability will support the provision of \$20.0 million per annum in distributions to owner councils over our Plan period.

Retained earnings at the end of the Corporate Plan period are expected to be \$239.2 million with a closing total equity of \$1,791.2 million.

This plan will see TasWater delivering a fully funded, engineering based program that will deliver a sustainable water and sewerage sector in Tasmania for the benefit of our customers both now and for the long term.



Michael Brewster

Michael Brewster
CEO

ABOUT OUR PLAN

What is the purpose?

The purpose of our Plan is to guide our business activities over the next five years towards our vision which is *“to be a trusted and respected provider of essential services that is making a positive difference to Tasmania”*.

What does our Plan contain?

Our Plan contains the following:

- An overview of our business
- Our strategic direction as identified by our strategic priorities and key initiatives
- Our financial forecasts that demonstrate the sustainability of our Plan, and
- An overview of the key strategic risks that we will need to manage to ensure that we are able to deliver on our strategy.

How is it developed?

Our strategy is developed following extensive analysis of our internal and external environment, reviewing our current performance and taking into account customer feedback. We also engaged with

our key regulators and other stakeholders to understand what matters most to them during development of our Long Term Strategic Plan (LTSP). Using this information, we engaged management and the Board to determine our priorities and areas of focus for the next five years, keeping in mind the need to align to our LTSP. This then forms the foundation upon which we build key initiatives and activities to address the areas we need to strategically improve.

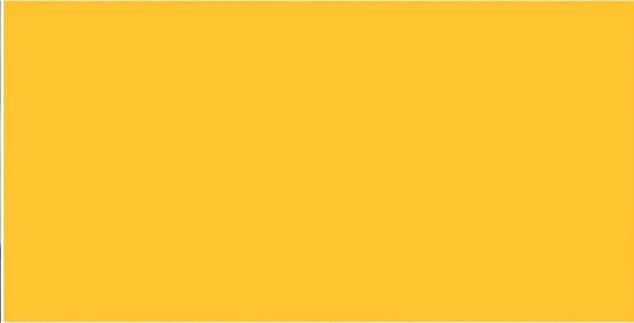
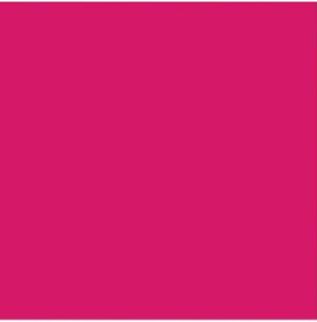
How do we use our Plan?

Our Plan informs our decision making and investment across the business and supports the development of internal work plans. These plans provide direction to our employees and help us stay focused on where we should be working and what we need to do to achieve our vision.

What has changed in our Plan?

The FY2019-23 Plan has no significant change to our strategic direction from that contained in our FY2018-20 plan. We have however extended our time horizon from three years to five years, to reflect our longer term thinking in light of our new LTSP.





OUR BUSINESS

Who we are

TasWater is an incorporated company providing water and sewerage services to homes and businesses across Tasmania. We source, treat and deliver reliable, quality water to our customers. We collect, transport and treat sewage and safely return wastewater to the environment.

We commenced operations on 1 July 2013 following the merger of the three former regional Tasmanian water and sewerage corporations (Ben Lomond Water, Cradle Mountain Water and Southern Water) and the common services provider company, Onstream.

We are established under the *Water and Sewerage Corporation Act 2012* and the *Corporations Act 2001*. In addition we are governed by a range of legislative and regulatory instruments, including the:

- Water and Sewerage Industry Act 2008
- Environmental Management and Pollution Control Act 1994
- Public Health Act 1997
- Land Use Planning and Approvals Act 1993
- ANCOLD Guidelines on Dam Safety Management 2003
- Price and Service Plan 2015-18
- TasWater's Constitution, and
- Shareholders' Letter of Expectations.

We are owned by the 29 Tasmanian councils who receive returns through dividends, tax equivalent payments and loan guarantee fees.

What do we do

Our core business is to provide two essential services for Tasmanians:

- The sourcing, treatment and reliable delivery of quality drinking water, and
- The collection, transportation, treatment and safe return of the wastewater to the environment.



Information as of March 2018

PROGRESSING OUR PLAN

We are proud of the progress made over the past year on a number of our key strategic initiatives aimed at delivering on our customer promises. In particular delivering quality water to regional towns and reducing our cost to serve. Further detail on these initiatives is outlined below.

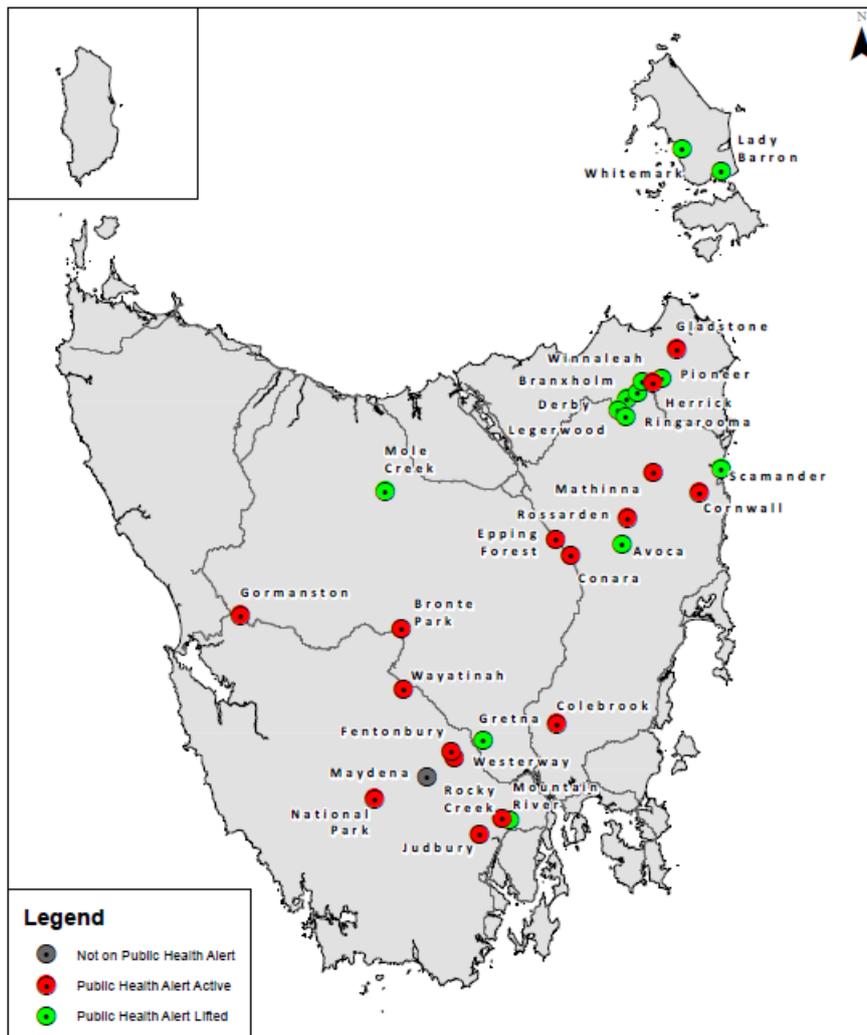
24 Glasses – Regional Towns Water Supply Improvement Program

In August 2016, we made a commitment to accelerate our program to address the water quality issues in 24 regional towns and systematically working to remove public health alerts by the end of August 2018.

We are on track to deliver on this promise. As of February 2018, 13 towns have had their public health alerts removed and the remainder of the alerts are planned to be removed by August 2018.

Since the initial commitment five other systems have been added to the original 24 regional towns. These additional systems will also have their public health alerts resolved by the end of August 2018.

The following towns now have fresh clean water that our customers can drink, straight from the tap:



PROGRESSING OUR PLAN

Productivity Improvement Program

We are transforming our business processes and systems to improve our performance and reduce our cost to serve to enable us to keep tariff increases as low as possible. Over the past year, we have successfully progressed some of our key productivity improvement projects.

Service Delivery Review

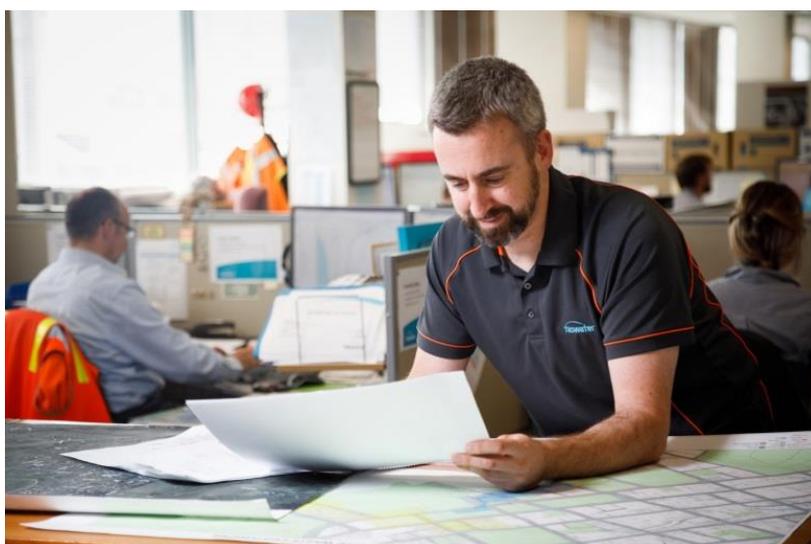
Leveraging our 24 hours a day, 7 days a week, 365 days a year state-wide operations control centre, implementation of our new operating model, designed to assist in delivering customer outcomes more efficiently, commenced during 2017. We now dispatch our work more effectively and have improved remote monitoring and control of assets across the state, delivering both tangible and intangible benefits to Tasmania.

RVCP

The Retail Value Creation Program (RVCP) was announced in May 2017 to focus on improvements in customer service and cost reductions. The program aims to ensure TasWater has an operating model that is fit for purpose to consistently meet agreed customer service levels, delivered at the lowest possible cost and consists of three components:

- The realignment of the former Retail and Customer Service (RCS) division functions across the organisation (completed in October 2017)
- A series of 'quick win' initiatives which represented straightforward opportunities to stop or reduce various tasks, and
- Five larger projects encompassing process reviews across key areas including meter-to-cash, automation (including self-serve options) and revenue enhancement.

Significant progress has been made to date with in excess of 80 per cent of the FY2017-18 program deliverables achieved as at 28 February 2018.



OUR KEY CHALLENGES AND OPPORTUNITIES

TasWater is still a relatively young business and the water and sewerage industry in Tasmania has been undergoing significant change over the last nine years since the water and sewerage reforms commenced. In planning for the next five years, we have identified a number of key challenges and opportunities we must manage and opportunities to embrace if we are to deliver on our customers' expectations.

Understanding our customers

We recently undertook customer surveys and forums to better understand their views on priorities and inform the development of our Long Term Strategic Plan (LTSP) and Price and Services Plan (PSP3). Through this process our customers confirmed their support for improving compliance as a first priority (even before service reliability), with drinking water quality most important, and environment and dam safety equal second.

We will continue to proactively develop and maintain relationships with our customers and communities. We want our customers to have the assurance that we provide them with “valued services” and that those services represent “value for money”. We must build an understanding within the community of the value our services and infrastructure provide to Tasmania.

In the changing technological environment in which we operate, we also need to remain aware of our customers' increasing expectations. The rapid shift to a digital lifestyle, along with the increasingly sophisticated offerings of other customer focused organisations, continues to increase customer demands for technological or automated solutions.

Balancing price increases with the need to improve our infrastructure

We have work to do to meet the needs of customers and Tasmania. It will cost a lot of money to deliver full satisfaction to our customers, including 100 per cent compliance with drinking water, environmental and dam safety metrics. The scale of the tasks before us requires the appropriate time be invested into fit-for-purpose solutions. We must balance the need to deliver timely improvements with the necessity to provide good quality solutions that represent value for money to our customers.

We are very conscious of minimising price rises, even against the necessary, but significant, investments we need to make in water and sewerage infrastructure. This is why we have engaged with customers, stakeholders and our regulators to understand what was most important to do first.

Prudent and efficient capital expenditure

It is essential that our capital expenditure program is both prudent and efficient. Two key opportunities exist to reduce our forecast long term expenditure for the benefit of our customers.

The first is to conduct a complete review of all of our STP license conditions to ensure there is consistency in approach. We intend to prepare a comprehensive proposal for the EPA and seek to work with them to ensure that our capital expenditure program delivers on targeted outcomes at the lowest possible cost.

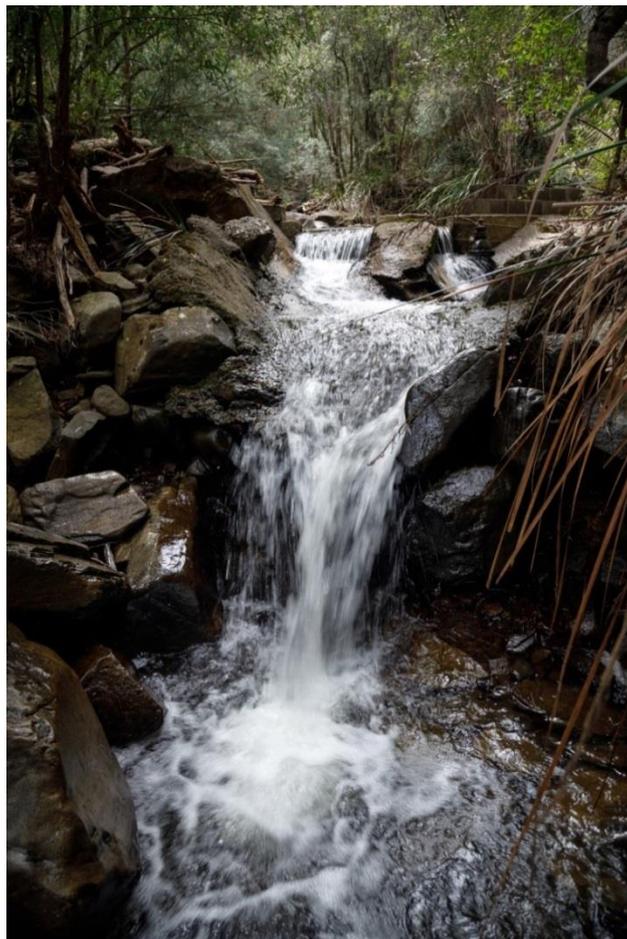
OUR KEY CHALLENGES AND OPPORTUNITIES

The second opportunity is to further enhance the efficiency and reliability of our capital delivery program by increasing the role of the private sector in the planning and delivery of our rapidly expanding program. If successfully executed, it will further improve the efficiency of our program delivery, add additional commerciality and further enhance our ability to consistently deliver projects on time and on budget.

Water security and climate change

Achieving water security is one of the major challenges faced by society on both a global and local level. Total water consumption in Australia is forecast to rise by 42 per cent by the year 2026 and 76 percent by the year 2056 compared to 2009 levels.¹ As a water utility, it is imperative that we manage and plan our water security to ensure a sustainable supply of water now and in the future.

Climate change continues to complicate this issue and can pose a risk to our water supplies through increased rainfall variability and intensity, leading to increased frequency of flood and drought. Warmer temperatures can increase evaporation from catchments and raise water demand on hot days. We will need to understand and consider all these factors when we are designing and planning infrastructure for the future.



¹ *WSAA Occasional Paper 25 - Implications of population growth in Australia on urban water resources*. This is based on series B which is considered to be the most plausible population projection.

PLANNING FOR THE FUTURE

Our Long Term Strategic Plan

In 2017 we developed our inaugural Long Term Strategic Plan (LTSP). Our LTSP identifies customer outcomes to be delivered over a 20 year period (FY2017-18 through FY2036-37) and the resulting balance between prices, service standards and the time to reach full compliance. It is based on customer and regulator feedback and integrates with our 10 Year Financial Plan which provides the financial constraints for the LTSP.

The LTSP has been developed to give direction to the whole business. It outlines our goals, customer preferences and stakeholder support. The detail of how the LTSP will be delivered is in the integrated set of strategies, projects and plans that sit below the LTSP as shown below.



Sustainable Investment

We are two years into our 10 year \$1.55 billion capital expenditure program to address the state's water and sewerage compliance challenges. Our Plan has been fully modelled and provides a sustainable approach to improving our infrastructure, and balancing the needs of current and future generations.

Getting it right



OUR STRATEGIC FRAMEWORK

Our strategic framework is the foundation for our Corporate Plan and will help guide us towards the achievement of our vision. It has been developed through careful consideration of the key outcomes our customers, regulators and owners expect from us.

OUR VISION	To be a trusted and respected provider of essential services that is making a positive difference to Tasmania			
STRATEGIC THEMES	CUSTOMER AND COMMUNITY	COMMERCIAL AND ECONOMIC	WATER AND ENVIRONMENT	PEOPLE AND CULTURE
CUSTOMER PROMISES	Deliver a positive customer experience to you	Give you value for money	Provide you with safe drinking water and responsibly manage your sewage	Build culture and skills for the long term benefit of Tasmania
CUSTOMER OUTCOMES	You are satisfied with our service	Your price increases are minimised	Your drinking water is clean and safe to drink	Our work is conducted safely to protect our people, contractors and the communities we serve
	You find it easy to do business with us		You have a reliable supply of water	
	You are kept informed	The local economy benefits from our investment and capacity building	Your sewage is efficiently collected and transported	Our culture and capabilities enable us to make a positive difference to Tasmania
			Your sewage is treated and disposed of with minimal impact to the environment and its users	
OUR SHARED VALUES: THE WAY WE WORK				
HONEST & STRAIGHT FORWARD	GETTING IT RIGHT	LONG TERM THINKING	WORKING TOGETHER	TAKING OWNERSHIP

OUR STRATEGIC FRAMEWORK

Customer promises

Our customer promises set out what we understand our customers expect from us and outlines the standards that we have set ourselves in the key areas of service that we know are important. These promises are the foundation upon which we will build trust and respect with our customers.

Customer outcomes

Our customer outcomes have been developed through feedback from customer and community forums. They represent the level of service our customers expect from us and state what we aim to achieve. Our priorities over our Plan period will progress us towards the achievement of these outcomes.

Our shared values

Underpinning our strategic framework are our shared values which describe the way we work. These values set the expectation for how we work together to deliver better outcomes for our customers.

Our values, as developed by our employees, reflect how we aim to operate in providing services to our community:

OUR SHARED VALUES				
				
HONEST & STRAIGHT FORWARD	GETTING IT RIGHT	LONG TERM THINKING	WORKING TOGETHER	TAKING OWNERSHIP
We uphold the values and behaviours of TasWater in every action and decision.	We will develop responsible solutions and strive for continual improvement in all that we do.	We will deliver outcomes that are in the best interests of the Tasmanian community.	We will work together as one TasWater to meet the expectations of our customers.	We will take personal responsibility for meeting commitments.

OUR PERFORMANCE FOCUS

Our strategic planning process identifies the main activities we will undertake over the next five years. We have selected the following strategic priorities to ensure we are delivering what matters to our customers in the most effective and affordable way possible:

STRATEGIC THEME	STRATEGIC PRIORITY	CUSTOMER PROMISE
CUSTOMER AND COMMUNITY	Identify and close critical customer service gaps	Deliver a positive customer experience to you
	Improve our customer engagement and understanding	
COMMERCIAL AND ECONOMIC	Optimise and deliver Price and Service Plan outcomes	Give you value for money
	Reduce our cost to serve	
WATER AND ENVIRONMENT	Improve regulatory compliance	Provide you with safe drinking water and responsibly manage your sewage
	Optimise system performance	
PEOPLE AND CULTURE	Continue Zero Harm program	Build culture and skills for the long term benefit of Tasmania
	Develop organisational leadership	

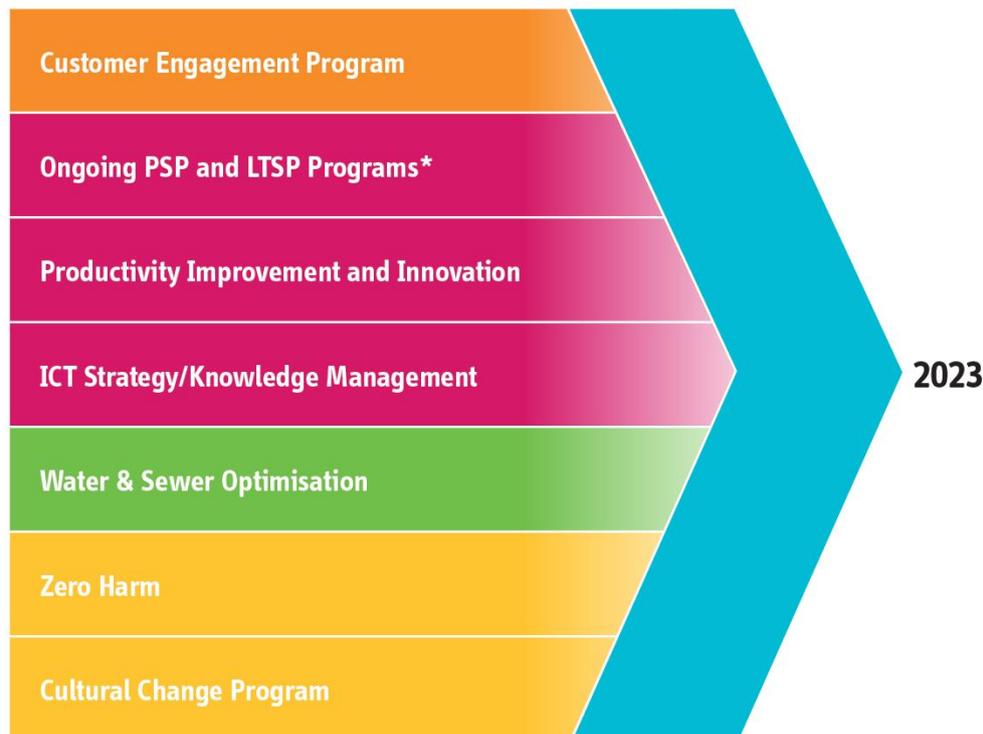
Given the extent of our challenges we can't do everything at once. Therefore we must make choices over the next five years based on what matters most to our customers



WHAT WE PLAN TO DELIVER

We have identified a number of key business-wide initiatives to be delivered over the next five years.

Our key initiatives are:



* PSP – Price and Service Plan

* LTSP – Long Term Strategic Plan

Key Initiatives

Customer Engagement Program

Meeting the needs of our customers is a high priority for our business and is why we have developed our customer engagement program. The program is focused on building our understanding of customers, their expectations and the changes in their perception of our business resulting from our efforts.

Our program will deliver improvements in customer satisfaction, customer perception and community engagement through direct investment in our social media strategy, brand strategy, stakeholder engagement strategy and redevelopment of our website.

WHAT WE PLAN TO DELIVER

Ongoing PSP and LTSP Programs

Our Long Term Strategic Plan (LTSP) provides the basis for our Price and Service Plan (PSP), and therefore from time to time we will refresh our LTSP to ensure it continues to align with our current business objectives and any changes that have occurred in our operating environment. To do this, we will need to regularly engage and consult with our key stakeholders.

We will continue to prepare our PSP submissions for the Tasmanian Economic Regulator. We will build upon the customer and stakeholder engagement in PSP3 (FY2019-21) by re-testing customer priorities and addressing some of our policy challenges. To inform our submissions we will be reviewing our sewerage charging methodology and developing Water and Wastewater Strategic System Masterplans (SSMPs) for each of our 180 systems.

Productivity Improvement and Innovation

Our productivity improvement program is aimed at improving our operational efficiency and reducing our cost to serve. We will be focusing on the following programs from FY2019-23:

- Retail Value Creation Program – to ensure we have an operating model that is fit for purpose to consistently deliver our agreed customer service levels at the lowest possible cost
- Management Operating System (MOS) and Active Management Behavioural Model (ABM) within our urban treatment areas – focuses on how our work and resources are planned and managed to ensure optimal business outcomes, and
- Capital Delivery Review – exploring the available alternate options for the delivery of our long term capital program.

We have already invested in a number of innovations that have made a significant difference to our efficiency and customer service. However, if we wish to continue to evolve and address the challenges that we face as a business, we must actively encourage and foster innovation within our business. We are developing an innovation framework to make the process clearer and simpler for everyone involved and have dedicated resources allocated to progress innovative ideas. We are also working to develop a culture of innovative thinking throughout the business.

The Board and senior management will be reviewing the current savings targets in the first year of this Plan with a view to identifying if the savings targets can be increased.



WHAT WE PLAN TO DELIVER

ICT Strategy/Knowledge Management

We are in the process of developing a comprehensive Information and Communication Technology (ICT) strategy to support our planned customer outcomes and align our ICT investment with our immediate, medium and longer term business objectives. We will be implementing our strategy over our Plan period.

We will also be addressing our knowledge and data management practices that will enable us to improve our reporting and make better use of information that is gathered within our business. This is expected to improve our decision making capability and allow us to target investment where it is most needed.

Water and Sewer Optimisation

We are looking to make significant inroads into our drinking water system performance and environmental compliance requirements over the next five years. In order to achieve this, our operators, engineers and scientists are working closely to evaluate our water catchments, plants and systems in order to develop sustained improvements in sewage treatment and drinking water compliance. Our program will deliver further improvements in terms of supply reliability, minimising drinking water public health risks and effluent compliance.

Zero Harm

Safety of our workforce, contractors and the general public is a key priority. Our Zero Harm program demonstrates our ongoing commitment to workforce safety and wellbeing.

The key programs of work to achieve the objectives of Zero Harm will be an ongoing focus on improving our total recordable injury frequency rate (TRIFR) by reducing the number of injuries through our Soft Tissue Injury Prevention Program and improving leadership capability and accountability for safety.

We will also be looking for a reduction in our potential loss of life measure through the continuation of our Fatality Risk Reduction Program with particular focus on our Electrical Safety Improvement Program.

Cultural Change Program

We will continue our work on increasing the capability of our people with a particular focus on leadership development at all levels. Our goal is to build a highly constructive culture that supports team and individual performance excellence and innovation.

MEASURING OUR SUCCESS

To ensure we remain accountable to our customers, we have developed a set of key performance indicators (KPIs) and targets to track performance against our customer promises.

OUR VISION						
To be a trusted and respected provider of essential services that is making a positive difference to Tasmania						
KEY PERFORMANCE INDICATORS	FORECAST	TARGETS				
	FY18	FY19	FY20	FY21	FY22	FY23
CUSTOMER AND COMMUNITY						
Customer Satisfaction Customer satisfaction %	64%	68%	70%	72%	74%	75%
Customer Feedback TasWater community survey %	41%	50%	56%	62%	68%	75%
Customer Perception Brand perception report*	46%	53%	60%	66%	72%	75%
COMMERCIAL AND ECONOMIC						
Value for Money Productivity	7.8M	10.5M	12.0M	13.5M	15.0M	16.5M
Economic Development % of growth & capacity plans completed	30%	50%	100%	100%	100%	100%
WATER AND ENVIRONMENT						
Water Quality % of customers where microbiological compliance has been achieved	99.4%	99.5%	100%	100%	100%	100%
Water Quality Water quality complaints per 1000 properties	12	4.3	4.0	3.5	2.9	2.3
Security of Supply Number of dams above the ANCOLD LOT	10	5	2	1	0	0
Security of Supply Water losses kl/km main/day*	6.7	6.6	6.5	6.2	5.8	5.4
Water Service Reliability Unplanned interruptions per 1000 properties	170	170	168	164	160	153
Sewerage Service Reliability Sewer breaks and chokes per 100 km of main	46	43	39	34	31	27
Sewerage Service Reliability Number of odour complaints per 1000 properties	1.4	0.7	0.7	0.7	0.7	0.7
Environmental Impact Number of spills to oyster leases^	3	1	1	1	1	1
Environmental Impact Treated wastewater compliant with EPA requirements (flow-weighted)	85.4%	87.0%	88.5%	90.0%	91.1%	91.4%
PEOPLE AND CULTURE						
Culture and Capability Cultural index	NM	Baseline established	Improvement in constructive styles	Improvement in constructive styles	Improvement in constructive styles	Achieve target culture
Safety Performance Total Recordable Injury Frequency Rate (TRIFR)	17	11	8	5	4	3

*The Brand Perception Report tracks our customers view of TasWater and provides a benchmark to measure the degree to which we are delivering against the expectations of the Tasmanian community.

The measure utilised is kilolitres lost per kilometre of mains per day as recommended by the International Water Association's (IWA) Water Loss Task Force. This measure is considered to be a more accurate indicator of performance than our previous measure of percentage of system input volume.

^For rainfall events less than 1 in 5 recurrence interval

OUR ORGANISATIONAL RISKS

Risk management identifies and assesses uncertainty that may impact positively or negatively on our ability to achieve our strategic objectives and deliver on our customer promises.

Our customers and the community depend on us to manage our organisational risks appropriately. As our business matures, we are further integrating risk management into our business systems, processes and culture.

The Board and senior management regularly review risks, controls and assurance levels. When our strategies alter, or we predict changes in our operating environment, we regularly assess uncertainties that may have a material impact on our business.

To ensure our risks are being managed appropriately, we regularly record all identified risks on our corporate risk register and report them to the Board and the Audit and Risk Committee. We also maintain detailed sub-risk registers for many corporate, operational and project risks.

The following are our top five strategic risks:

- Water quality/public health risk
- Environmental/third party risk
- Stakeholder engagement risk
- Critical asset failure risk
- Service delivery risk

For a full list of our strategic risks, including details of our key controls, please refer to Appendix 1.





FINANCIAL FORECASTS

Overview

The table below highlights the key information contained within our financial and capital forecasts for the FY2018-19 to FY2022-23 planning period:

Financial Summary	FY18 Forecast	FY19	FY20	FY21	FY22	FY23
NPAT \$M	37.2	36.1	40.6	44.2	45.3	46.8
Capital Expenditure \$M	135.3	145.3	140.7	182.8	178.6	183.7
Distributions						
Loan Guarantee Fees \$M	3	2.8	3.0	3.4	3.7	4.1
Taxation Equivalents \$M	10	10.0	10.3	11.2	11.4	11.9
Dividends \$M	17	7.2	6.7	5.4	4.8	4.0
Total Distributions \$M	30.0	20.0	20.0	20.0	20.0	20.0
Debt \$M	521.9	583.9	629.3	710.4	780.9	848.4
Gearing	32.3%	35.6%	37.6%	41.5%	44.5%	47.2%
Interest Cover (times)	4.3	4.0	3.9	3.8	3.4	3.2

It is noted that our FY2017-18 forecast NPAT is currently tracking slightly ahead of our budgeted \$34.7 million.

Forecast growth and demand

Forecast and growth assumptions are consistent with Price and Service Plan (PSP3) for FY2019-21. Forecasts may be refined once the regulators determination is finalised. The Plan makes conservative assumptions for FY2021-22 and FY2022-23 (the first two years of PSP4).

Revenue assumptions

Revenue assumptions have been predominantly based upon the underlying assumptions and financial projections reflected within our PSP3 proposal and are therefore subject to approval by the Regulator. The Plan makes conservative assumptions for the period from FY2021-22 to FY2022-23.

Interest expense assumptions

The average interest rate for the loan portfolio, including the Loan Guarantee Fee (LGF), is forecast at approximately 4.6 per cent for our Plan period.

Non-interest expense assumptions

Cost increase assumptions have been predominantly based around the projected Consumer Price Index (CPI) increase of 2.25 per cent. The following assumptions underpin the expenses contained within our Plan:

- CPI is assumed to be 2.25 per cent for all five years of our Plan
- We have allowed for moderate salary increases in line with CPI and increased cost of living. There is an additional allowance of 1.00 per cent for pay point increases per the remuneration

framework, however performance appraisals will determine whether this increase is received by the employee

- Salary expense increases have largely been offset by anticipated productivity savings in each year of our Plan
- Power expenses have been modelled by an external consultant and are based on network tariff outcomes, current contracts and forward price projections for recontracting.

Comparison to 10 Year Financial Plan

The financial forecasts provided in our Plan are largely in-line with our 10 Year Financial Plan which is the financial model underpinning our Long Term Strategic Plan (LTSP).

Revenues are higher than the 10 Year Financial Plan primarily due to an uplift in contributed assets revenue and revenue gains from the customer installation data validation program.

Expenditure is slightly higher than anticipated in the 10 Year Financial Plan due to an increase in electricity prices as well as higher power and chemical consumption from new plants than previously forecast. Some of these increases have been offset by better than previously anticipated productivity gains. In addition, the NPAT target for FY2017-18 is expected to be exceeded, with the above target result to be reinvested to accelerate expenditure in connection with planned improvement programs.

The FY2018-19 budget for depreciation has been increased by \$4.8 million primarily due to additional depreciation incurred from our accelerated capital program.

FINANCIAL FORECASTS

Income statement

Income Statement	FY18 Forecast (\$M)	FY19 (\$M)	FY20 (\$M)	FY21 (\$M)	FY22 (\$M)	FY23 (\$M)
Revenue						
Fixed Charges	233.6	245.7	256.7	268.2	280.2	292.8
Volumetric Charges	65.5	68.1	71.1	74.3	77.5	81.0
Services & Consulting Revenue	6.7	5.5	5.6	5.8	5.9	6.0
Contributed Assets	22.0	19.9	20.4	20.8	21.3	21.8
Other Revenue	1.8	1.5	1.9	2.3	2.8	3.2
Total Revenue	329.6	340.8	355.8	371.4	387.7	404.8
Expenses						
Chemicals, Power & Royalties	23.5	25.8	26.4	27.0	27.7	28.3
Materials & Services	33.6	34.5	35.3	36.1	36.9	37.7
Salaries & Related Personnel Expenditure*	90.3	90.6	91.8	94.6	97.5	100.4
Administration Costs	35.1	39.8	37.1	37.9	38.7	39.5
Total Expenses	182.5	190.7	190.6	195.6	200.7	206.0
Earnings before Interest & Depreciation	147.1	150.0	165.2	175.8	187.0	198.8
Loan Guarantee Fee (LGF)	2.8	2.7	3.3	3.6	4.0	4.3
Interest Expense	16.7	18.1	21.5	23.9	28.3	31.7
Depreciation	74.5	77.6	82.4	85.2	90.0	95.9
Net Profit before Tax	53.1	51.6	58.0	63.2	64.8	66.9
Tax	15.9	15.5	17.4	19.0	19.4	20.1
Net Profit after Tax	37.2	36.1	40.6	44.2	45.3	46.8

*Note: Salary increases have been offset by productivity savings

FINANCIAL FORECASTS

Cash flow statement

Cash Flow Statement	FY18 Forecast (\$M)	FY19 (\$M)	FY20 (\$M)	FY21 (\$M)	FY22 (\$M)	FY23 (\$M)
Cash Flows from Operating Activities						
Receipts from Customers	311.6	329.4	341.4	356.8	370.7	387.1
Payments to Suppliers & Employees	(219.4)	(227.7)	(225.2)	(235.0)	(238.1)	(243.5)
Interest Paid	(19.2)	(21.7)	(24.6)	(27.4)	(32.0)	(35.8)
Loan Guarantee Fees Paid	(2.6)	(2.8)	(3.0)	(3.4)	(3.7)	(4.1)
Income Tax Equivalents Paid	(10.5)	(10.0)	(10.3)	(11.2)	(11.4)	(11.9)
GST Refund from the ATO	21.7	23.0	23.4	27.1	27.4	28.0
Net Cash from Operating Activities	81.6	90.3	101.7	106.9	112.8	119.9
Cash Flows from Investing Activities						
Payments for Property, Plant & Equipment	(135.3)	(145.1)	(140.5)	(182.6)	(178.4)	(183.4)
Government Contributions	0	0	0	0	0	0
Net Cash Flows from Investing Activities	(135.3)	(145.1)	(140.5)	(182.6)	(178.4)	(183.4)
Cash Flows from Financing Activities						
Proceeds from Borrowings	70.5	62.0	45.4	81.1	70.5	67.5
Dividends Paid	(16.9)	(7.2)	(6.7)	(5.4)	(4.8)	(4.0)
Net Cash Flows from Financing Activities	53.6	54.8	38.8	75.7	65.6	63.5
Net Movement in Cash for the Year	0	0	0	0	0	0
Opening Cash Balance	2.5	2.5	2.5	2.5	2.5	2.5
Closing Cash Balance	2.5	2.5	2.5	2.5	2.5	2.5

FINANCIAL FORECASTS

Balance sheet

Balance Sheet	FY18 Forecast (\$M)	FY19 (\$M)	FY20 (\$M)	FY21 (\$M)	FY22 (\$M)	FY23 (\$M)
Assets						
Cash and Cash Equivalents	2.5	2.5	2.5	2.5	2.5	2.5
Receivables	50.3	55.6	56.3	57.7	58.7	59.5
Inventories	7.3	6.8	6.4	6.9	6.6	6.8
Property, plant & equipment	2,106.1	2,190.8	2,273.1	2,391.7	2,503.6	2,614.0
Tax Assets	52.1	52.0	50.9	50.5	50.2	49.7
Other	5.0	6.0	6.1	6.3	6.9	7.0
Total Assets	2,223.3	2,313.6	2,395.4	2,515.7	2,628.6	2,739.4
Liabilities						
Borrowings	521.9	583.9	629.3	710.4	780.9	848.4
Employee Benefits	30.4	32.0	33.8	35.5	37.4	39.3
Payables	22.8	23.8	26.1	25.7	27.5	27.0
Unearned Income	34.2	32.8	31.4	30.1	28.7	27.3
Tax Liabilities	0.9	0.8	0.9	0.9	0.9	0.9
Other	7.1	5.1	4.8	5.2	4.9	5.3
Total Liabilities	617.1	678.5	726.3	807.8	880.2	948.2
Net Assets	1,606.2	1,635.2	1,669.1	1,707.9	1,748.4	1,791.2
Equity						
Retained Earnings	54.3	83.2	117.2	155.9	196.4	239.2
Reserves	24.1	24.1	24.1	24.1	24.1	24.1
Contributed Capital	1,527.8	1,527.8	1,527.8	1,527.8	1,527.8	1,527.8
Total Equity	1,606.2	1,635.2	1,669.1	1,707.9	1,748.4	1,791.2

Owner distributions

Summary of Distributions to Owners	FY18 Forecast (\$M)	FY19 (\$M)	FY20 (\$M)	FY21 (\$M)	FY22 (\$M)	FY23 (\$M)
Loan Guarantee Fees	2.6	2.8	3.0	3.4	3.7	4.1
Tax Equivalents	10.5	10.0	10.3	11.2	11.4	11.9
Dividend	16.9	7.2	6.7	5.4	4.8	4.0
Total Distribution	30.0	20.0	20.0	20.0	20.0	20.0



CAPITAL EXPENDITURE PLAN

Background

Our capital expenditure program aims to improve our service and environmental outcomes for the benefit of our customers. Over the past few years, we have gathered a large amount of information about the condition and performance of our assets, which has led to a decision to increase investment in our infrastructure to a total of \$1.55 billion over 10 years. We are currently in the second year of the 10 year Plan and are on track to deliver on our commitments.

Our revised capital expenditure program includes a commitment to accelerate the resolution of drinking water quality issues affecting 24 Tasmanian townships where customers cannot drink water directly from the tap. As of February 2018 Public Health Alerts have been removed from 13 of the 24 towns, with the remainder to be removed by August 2018.² In addition, our program will deliver improvements in Health Based Target outcomes, effluent compliance, reduce sewerage spills and blockages and the number of unplanned water supply interruptions, and lower our dam portfolio public safety risks.

Capital expenditure overview and prioritisation basis

We are proposing a total capital expenditure of \$831.1 million for the Corporate Plan period. The proposed expenditure will allow us to improve customer outcomes by addressing some of our highest priority compliance requirements as well as necessary renewal and growth driven works.

FY2018-19 (\$M)	FY2019-20 (\$M)	FY2020-21 (\$M)	FY2021-22 (\$M)	FY2022-23 (\$M)	TOTAL (\$M)
145.3	140.7	182.8	178.6	183.7	831.1

The majority of the capital expenditure program for the Corporate Plan period has been derived from the following key plans which are subject to the approval of the technical regulators:

- The Drinking Water Management Plan regulated by the Department of Health and Human Services (DHHS)
- The Wastewater Management Plan regulated by the Environment Protection Authority (EPA) and
- The Dam Safety Management Plan regulated by the Department Primary Industry, Parks, Water and Environment (DPIPWE).

Project prioritisation generally reflects the priority rating assigned to infrastructure assets set out in each of these plans.

Due to the size and complexity of our asset base and the competing priorities for capital investment, we make use of a prioritisation process to ensure that projects are funded and delivered in a manner which takes into account our strategic priorities, regulatory obligations, the criticality of each potential investment and the customer impact of potentially deferring the investment.

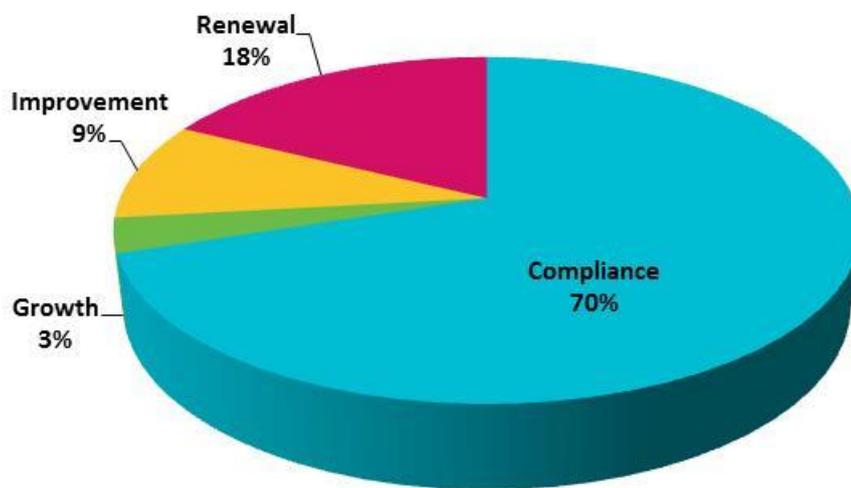
² Note that an additional five towns were added to the Regional Towns Program following the announcement of the 24 Glasses campaign.

CAPITAL EXPENDITURE PLAN

While our approach to capital investment is highly structured, it also must be flexible enough to allow us to rapidly address unexpected issues that can significantly impact the level of service our customers receive.

As we progress through the remainder of our 10 year program, our capital works programs will become more heavily weighted towards sewerage. The chart below highlights that over the five year period in excess of half of our capital investment will be targeted at improving compliance. This corporate period will continue to concentrate on addressing improvements to compliance in water assets.

FY2019-23 capital program by primary driver



Total capital expenditure \$831.1 million

Although the majority of our capital expenditure is compliance driven, a portion of this expenditure is also associated with the renewal of assets, growth in the capacity of our systems, and improvement of our assets (including safety). It is important to recognise that, at present, we only allocate a project's capital expenditure to its primary cost driver. For example, expenditure related to the redevelopment of a 50 year old WTP may address a compliance issue, renew the treatment assets and accommodate future growth in capacity. As such, the values in the chart above may not reflect the benefits realised across all four cost drivers.

Details of our top 25 planned projects and top 10 planned programs based on value over the plan period are detailed in Appendices 2 and 3.

APPENDIX 1 – STRATEGIC RISKS

Risk Rank	Strategic Risk title	Description	Key Consequences	Key Controls *
1	Water quality/public health risk	Provision of unsafe drinking water resulting in a serious public health incident	<ul style="list-style-type: none"> • Serious public health incident • Impact on the Tasmania economy 	<ul style="list-style-type: none"> • Drinking Water Quality Management Plan • Protocol for provision of non-potable supplies • Operations Control Centre • Incident and Emergency Management Plan •
2	Environmental/third party risk	Sewage system process/ infrastructure failure or business activity causing environmental harm	<ul style="list-style-type: none"> • Serious or material environmental harm • Negative impact on a third party • Impact on brand and reputation, • Prosecution, significant financial penalties or loss of operating licence 	<ul style="list-style-type: none"> • Operation and Maintenance Manuals • Inspection regimes • Automated monitoring and control systems and Network Operations Centre • Inflow and infiltration reduction programs • Renewals and relining programs • Incident and Emergency Management Plan • Operations and maintenance oversight •
3	Stakeholder engagement risk	Inability to effectively engage with, manage and meet expectations of stakeholders	<ul style="list-style-type: none"> • Significant regulatory, administrative or cost burden • Impact on brand and reputation 	<ul style="list-style-type: none"> • Key stakeholder engagement – customer groups, regulators, industry groups, Owners’ Representatives and members of state government • Policies, legislation and procedures •
4	Critical asset failure risk	Failure of critical asset (including dam failure) due to the age of the assets and / or inadequate asset management	<ul style="list-style-type: none"> • Inability to deliver products and services • Serious injury or fatality • Major financial loss 	<ul style="list-style-type: none"> • Dam Safety Emergency Management Plans • Asset Management Plan • Asset Management System (in development) • Incident and Emergency Management Plan • Operations Control Centre • Network asset strategies and management plans (in development) • Asset Class strategies and management plans (in development)
5	Service delivery risk	Inability to meet customer service expectations	<ul style="list-style-type: none"> • Customer Service Code and required service standards not met • Inefficient and inconsistent work practices • Financial loss 	<ul style="list-style-type: none"> • Active service order management • Operations Control Centre • Incident and Emergency Management Plan

*Key controls for all risks include Senior Management, Board and in a number of cases regulatory oversight in addition to those specifically stated in the table.

APPENDIX 1 – STRATEGIC RISKS

Risk Ranking	Strategic risk title	Description	Key consequences	Key controls*
6	Physical security risk	Compromised physical security may result in significant malicious damage, interruption of service or public health and safety impacts	<ul style="list-style-type: none"> Infrastructure damage Injury / illness Service interruption 	<ul style="list-style-type: none"> Budgeted security fencing program Security alarm monitoring
7	Supply and demand risk	Failure to adequately plan for water supply security and/or demand for sewerage services (short and long term)	<ul style="list-style-type: none"> Low security of water supply Inability to meet demand from customers for water and sewerage services 	<ul style="list-style-type: none"> Demand modelling Corporate Business Continuity Plan (in development) Individual site and critical asset contingency plans Water Restrictions Policy and guideline
8	Cyber security risk	Compromised virtual security may result in significant malicious damage, interruption of service, public health and safety impacts or loss of critical data	<ul style="list-style-type: none"> Total business disruption Public health impact Service and /or supply interruption Environmental impact 	<ul style="list-style-type: none"> Information security management system (policy, DRP, etc) Firewalls, anti-virus software, etc Incident and Emergency Management Plan
9	Worker and public safety risk	Injury to worker or member of the public	<ul style="list-style-type: none"> Serious injury or fatality 	<ul style="list-style-type: none"> Safety committees Inductions and ongoing training Policy and procedures Fatality risk profile and associated management plans Insurance policy
10	Capital program delivery risk	Capital program may not deliver the intended business benefits, efficiencies and / or customer outcomes in a timely manner	<ul style="list-style-type: none"> Customer Service Code and required service standards not met Inability to meet owner, customer and other stakeholder expectations Financial loss 	<ul style="list-style-type: none"> Strategic Asset Management Plan (including Asset Mgt System, AMIS) Project Management System Capital management processes, including procurement
11	Organisational culture risk	Inability to develop an organisational culture that can deliver the strategic objectives	<ul style="list-style-type: none"> Inefficient and inconsistent work practices Financial loss Strategic objectives not met and vision not realised 	<ul style="list-style-type: none"> Cultural change program Performance and development agreements Training and knowledge capture programs

*Key controls for all risks include Senior Management, Board and in a number of cases regulatory oversight in addition to those specifically stated in the table.

APPENDIX 1 – STRATEGIC RISKS

Risk Ranking	Strategic risk title	Description	Key consequences	Key controls*
12	Business continuity risk	Inability to respond to incidents and/or maintain business continuity after incidents	<ul style="list-style-type: none"> Inability to adequately responds to an incident Inability to deliver products and services Major financial loss 	<ul style="list-style-type: none"> Incident and Emergency Management Plan Network Operations Centre Corporate Business Continuity Plan (in development) Individual site and critical asset contingency plans Strong external emergency services relationships
13	Fraud or misconduct risk	A significant fraud or corruption incident, or significant ethical misconduct	<ul style="list-style-type: none"> Financial loss Reputation damage 	<ul style="list-style-type: none"> Corporate Code of Conduct Fraud and corruption control policy Procurement policy Compliance and performance monitoring procedures Third party audits
14	Price and service plan risk	Unable to deliver a robust PSP submission and / or subsequent implementation of the PSP	<ul style="list-style-type: none"> Financial loss Key stakeholder expectations not met Customer Service Code and required service standards not met 	<ul style="list-style-type: none"> PSP3 Projects
15	Regulatory change risk	Losing the confidence of regulators and / or regulators may impose unrealistic or more onerous requirements	<ul style="list-style-type: none"> Financial loss Legal/compliance 	<ul style="list-style-type: none"> Active regulator liaison Compliance and performance monitoring procedures
16	Financial sustainability risk	Inability to fund and meet competing stakeholder demands and expectations	<ul style="list-style-type: none"> Inability to meet key financial commitments Inability to meet owner, customer and other stakeholder expectations 	<ul style="list-style-type: none"> Extensive modelling and analysis leading into Price and Service Plan submission (economic regulatory framework) Key stakeholder engagements – customer groups, regulators, industry groups, Owners’ Representatives and members of the state government Annual borrowing approvals through state Treasury and Treasury management policies Long term capital and operating expenditure plans

*Key controls for all risks include Senior Management, Board and in a number of cases regulatory oversight in addition to those specifically stated in the table.

APPENDIX 2 – FY2019-23 TOP 25 CAPITAL PROJECTS

Top 25 major capital projects (by value \$Millions)

Project Title	Driver	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23	TOTAL
Bryn Estyn WTP Major Upgrade	Compliance	1.0	9.4	47.0	65.6	19.0	142.0
Launceston Sewer Improvement Plan (LSIP)	Compliance	0.0	0.0	1.0	14.2	76.5	91.7
Fern Tree WTP Major Upgrade	Compliance	0.0	2.8	24.0	3.8	32.2	62.8
Forth WTP Major Upgrade	Compliance	1.0	6.3	35.0	13.0	0.0	55.3
Huon Valley Major WTP Upgrade	Compliance	0.0	1.1	1.1	24.5	0.0	26.7
Longford STP Upgrade (NMSIP)	Compliance	2.1	19.7	4.3	0.0	0.0	26.1
Ridgeway Dam Upgrade	Compliance	0.0	6.2	14.4	0.0	0.0	20.5
Kingborough Sewerage Strategy - Treatment & Network	Growth	15.9	2.3	0.0	0.0	0.0	18.2
Wynyard Sewer Treatment Plant Upgrades	Compliance	0.0	3.3	8.1	6.8	0.0	18.1
Lake Mikany Dam Safety Upgrade	Compliance	3.6	8.0	0.0	0.0	0.0	11.6
Pet Dam Safety Upgrade	Compliance	0.1	5.6	1.6	0.0	0.0	7.3
King Island Water Supply Upgrade	Compliance	6.7	0.0	0.0	0.0	0.0	6.7
Ti Tree Bend Sewer Treatment Plant Biosolids Handling and Digester Upgrade	Compliance	6.5	0.0	0.0	0.0	0.0	6.5
Port Sorell Reservoir & Network Upgrades	Growth	1.7	0.0	0.0	4.3	0.0	6.0
Flagstaff Dam Safety Upgrade	Compliance	0.2	5.0	0.0	0.0	0.0	5.2
Cambridge Sewer Treatment Plant Optimisation	Compliance	0.9	3.4	0.0	0.0	0.0	4.3
Northern Midlands Sewerage Improvement Plan - Perth, Western Junction & Evandale STP Upgrades	Compliance	0.0	0.0	2.1	2.1	0.0	4.2
Upper Reservoir Dam Safety Upgrade	Compliance	0.8	3.4	0.0	0.0	0.0	4.2
Davis St, Smithton Sewer Pump Station Upgrade	Compliance	4.1	0.0	0.0	0.0	0.0	4.1
Smithton Sewer Treatment Plant Upgrade	Compliance	0.0	0.0	0.0	1.2	2.6	3.9
Colebrook Water Supply System	Compliance	3.8	0.0	0.0	0.0	0.0	3.8
Judbury Water Supply Upgrade	Compliance	2.9	0.0	0.0	0.0	0.0	2.9
Conara Water Supply System	Compliance	2.5	0.0	0.0	0.0	0.0	2.5
Prince of Wales Primary Sewer Digester Roof Replacement	Renewal	2.5	0.0	0.0	0.0	0.0	2.5
Hamilton STP Relocation	Improvement	0.3	1.8	0.5	0.0	0.0	2.5

APPENDIX 3 – FY2019-23 TOP 10 CAPITAL PROGRAMS

Top 10 capital programs (by value \$Millions)

Program Title	Driver	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23	TOTAL
Sewer Treatment Plant Renewal Program	Renewal	3.2	4.0	3.6	3.6	3.6	18.1
Water Main Renewals	Renewal	3.2	4.0	3.6	3.6	3.6	18.0
Sewers Proactive Asset Management - Renewals	Renewal	4.0	4.3	3.2	3.2	3.2	18.0
Water Metering Program	Renewal	5.0	5.5	2.5	2.5	2.5	17.9
SCADA Program	Improvement	3.3	2.7	2.7	2.7	2.7	14.1
Dams - Minor CAPEX	Compliance	2.9	2.1	2.1	2.1	2.1	11.1
Electrical Program	Renewal	2.2	1.5	2.2	2.2	2.2	10.2
SPSs Proactive Asset Management - Renewals	Renewal	1.3	2.2	2.2	2.2	2.2	10.0
Water Treatment Plant Renewal Program	Renewal	1.9	1.8	1.8	1.8	1.8	9.1
System Optimisation - Water	Improvement	5.0	2.4	0.0	0.0	0.0	7.4

Note: The programs identified above contain multiple projects.





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