



POWER AND WATER CORPORATION

# 2009-2010 STATEMENT OF CORPORATE INITIATIVES





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## GLOSSARY

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ABDP	Amadeus Basin to Darwin Pipeline
AMC	Asset Management Capability project
BGP	Bonaparte Gas Pipeline, being constructed between the Eni's gas plant at Wadeye and the ABDP near Adelaide River.
CAZSS	Casuarina Zone Substation
CBD	Central Business District
CPI	Consumer Price Index
CPRS	Carbon Pollution Reduction Scheme
CSO	Community Service Obligation
Debt to Equity Ratio	Ratio of Debt to Equity
DLNG	Darwin Liquefied Natural Gas plant, operated by ConocoPhillips, an international energy company.
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
EIA	Environmental Impact Assessment
Eni	Eni Australia BV, a subsidiary of Eni S.P.A., an international energy company.
EPA	Environment Protection Authority
ESAA	Energy Supply Association of Australia
FFO to interest	Funds from operations to interest cover
FRC	Full Retail Contestability (Competition)
GOC Act	<i>Government Owned Corporations Act</i>
GWh	A Gigawatt-hour, the electrical energy resulting from a steady Gigawatt use or production over one hour.
IES	Indigenous Essential Services Pty Ltd
ICT	Information and Communication Technology
KPI	Key Performance Indicator
KRA	Key Result Area

kV	Kilovolt, 1,000 volts
LTI	Lost time injury
ML	Megalitre, 1,000,000 litres
MRET	Mandated Renewable Energy Targets, established under the <i>Renewable Energy (Electricity) Act</i> .
MW	Megawatt, 1,000,000 watts
MWh	A megawatt-hour, the electrical energy resulting from a steady megawatt use or production over one hour.
NEM	National Electricity Market
NPAT	Net Profit After Tax
Power and Water	Power and Water Corporation
R&M	Repairs and Maintenance
RAMP	Remedial Asset Management Program
REC	Renewable Energy Certificate, established under the <i>Renewable Energy (Electricity) Act</i> .
RPP	Renewable Power Percentage
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCADA	System Control and Data Acquisition
SCI	Statement of Corporate Intent
SIHIP	Strategic Indigenous Housing and Infrastructure Program
T1 customer	Tranche 1 electricity contestable customer – those who consume more than 4 GWh per annum.
T2 customer	Tranche 2 electricity contestable customer – those who consume more than 3 GWh per annum.
T3 customer	Tranche 3 electricity contestable customer – those who consume more than 2 GWh per annum.
T4 customer	Tranche 4 electricity contestable customer – those who consume more than 750 MWh per annum.
T5 customer	Tranche 5 electricity contestable customer – those who consume more than 160 MWh per annum.
Utilities Commission	The Utilities Commission of the Northern Territory established by Part 2 of the <i>Utilities Commission Act</i> .
WSAAFacts	WSAAFacts is the Water Services Association of Australia's yearbook presenting data on the performance of the water industry.

# 1

## INTRODUCTION

The Power and Water Corporation was established under the *Power and Water Corporation Act 2002* and is a NT Government Owned Corporation under the *Government Owned Corporation's Act 2001* (GOC Act).

The Corporation's Board of Directors is responsible to the Shareholding Minister for Power and Water's operation and financial performance, and must agree a Statement of Corporate Intent (SCI) every year.

This SCI provides information for the three financial years starting 1 July 2009, including Power and Water's strategies, risks, investment plans and performance targets. The Shareholding Minister approves the budget for the financial year to which the SCI relates and note the financial projections for the following two years.

Ernst and Young have provided independent limited assurance on the assumptions and financial projections in this SCI.

### Objectives

In accordance with the GOC Act, Power and Water's objectives are:

- To operate at least as efficiently as any comparable business; and
- To maximise the sustainable return to the Territory on its investment in the Corporation.

Within these objectives, seven strategic goals approved by the Board, have provided guidance in the preparation of this SCI, and will be used for the following four SCIs. These goals are described in the next chapter.

### Scope and Nature of Activities

Power and Water's mission is to deliver power, water and sewerage services to the people of the Northern Territory.

Services are either regulated or open to competition:

- Electricity Network services are regulated by the Utilities Commission;
- Electricity Generation services are open to competition;
- Water and Sewerage services are provided under monopoly licences;
- Retail electricity services to some larger customers are open to competition<sup>1</sup> (these customers are known as contestable customers); and
- Retail electricity services to other customers are regulated by the Government.

Power and Water purchases gas supplies for electricity generation fuel through its wholly owned subsidiary, Gasgo Pty Ltd. Power and Water holds a 2.5 per cent interest in NT Gas Pty Ltd, the lessee / operator of the Amadeus Basin to Darwin gas pipeline (ABDP), and 2.5 per cent of the units in the Amadeus Gas Trust, through its wholly owned subsidiary, Darnor Pty Ltd. These arrangements are likely to be wound up once the lease on the pipeline expires in June 2011.

Another subsidiary company, BGP Tenure Holdings Pty Ltd, was established in early 2008 to hold the Corporation's land tenure interests in the Bonaparte Gas Pipeline project. This company is jointly owned with APT Bonaparte Pty Ltd.

Power and Water supports the provision of electricity, water and sewerage services in remote communities in the Northern Territory through its wholly owned subsidiary business, Indigenous Essential Services Pty Ltd (IES). IES is a not-for-profit company and services are provided under a 'fee-for-service' agreement with the Department of Local Government and Housing.

<sup>1</sup> These customers are known as contestable customers but prices are subject to Utilities Commission review at the request of a customer.

## 2 STRATEGIES

Power and Water's key strategies were developed to meet the known challenges facing the Corporation over the life of the SCI. They are consistent with its statutory objectives and mission. Business Units within

Power and Water have developed detailed business and action plans to execute these strategies and to improve the efficiency and effectiveness of the services they deliver.

### By 2013, Power and Water will be:

#### Financially sustainable

- obtaining sustainable returns through a combination of cost reflective tariffs, CSO funding and other revenues
- rigorous cost control through gains in efficiency
- recognising the different markets in which it operates (for example, electricity, water, sewerage and Indigenous essential services)

#### Environmentally responsible

- taking a prudent approach to environmental impacts
- maximising efficient use of its contracted gas
- actively managing its ecological footprint

#### In good operational and asset health

- strong organisational and asset management capability
- strategic investment decision-making and implementation
- strong operational and asset integrity – both redundancy and asset health/condition
- ready for major emergencies

#### Trusted by government and the community

- respected for its professionalism and customer focus
- strong commercial relationships with suppliers and partners
- appreciated for its role in the community

#### Preferred as an employer

- safe with zero harm
- skilled, capable, and competent workforce
- performance oriented and engaged workforce that is valued and recognised for their efforts
- career enhancing: development focused and providing career opportunities

#### Preferred as a utility provider

- meeting realistic community expectations
- delivering reliable, responsive, innovative services, given the challenges of distance, small populations and remote communities in the NT
- offering new products on a fully commercial basis

#### Ready to take on new challenges

- prepared for the longer term
- recognised as progressive and innovative

In 2009-10, Power and Water will take the following steps towards these goals :

### Financially sustainable

The tariff increases announced on 7 April 2009 are both timely and welcomed, and will place the Corporation in a financially sustainable position for the next 3 years.

A regulatory regime that, amongst other things, makes recommendations on regulated retail tariffs and CSO payments is imperative for the long term sustainability of the Corporation. The Corporation welcomes intended action to strengthen and expand the role of the Utilities Commission including increasing its oversight of the capital program, prices, customer standards and system reliability and will work cooperatively with Government in meeting this objective.

The Corporation will carry out ongoing assessments of its financial health, manage revenues consistent with regulatory outcomes, and apply rigorous cost control and efficiency gains. Nevertheless it remains exposed to considerable downside risk.

### Environmentally responsible

Power and Water will finalise a Corporate Environment Plan setting out its position on environmental sustainability, in conjunction with a Sustainable Energy Strategy to identify potential renewable energy sources.

The key objectives of the Corporate Environment Plan will be to:

- Comply with legal and statutory obligations;
- Achieve zero pollution incidents that cause environmental harm and to operate within licence conditions;
- Reduce environmental risk profiles of priority facilities; and
- Minimise our ecological footprint.

<sup>1</sup> The annual output from the solar farm is expected to be 1,700 MWh. This is sufficient to supply about 2,000 residences with 10% renewable energy.

The Environment Protection Authority (EPA) has announced a number of papers, inquiries and reviews including:

- NT Sustainability Principles Discussion Paper,
- Inquiry into the Regulation and Management of Darwin Harbour, and
- EIA Act Review

The issues arising from these are being considered by the Board Health Safety and Environment (HSE) Committee for reference to the Board, and Management are working on responses.

A principal part of Power and Water's environmental impact is the greenhouse gas emissions resulting from power generation. However, with the replacement of diesel by gas from Blacktip and more efficient generation at Weddell and Owen Springs Power Stations, Power and Water's overall emissions intensity will be reduced.

Power and Water continues work to reduce its impact on the environment, through the use of improved technology in power stations to reduce greenhouse emissions and increasing the use of and supporting research into renewable energy. Further, Power and Water's recent introduction of a GreenPower product provides a means for customers to influence the development of environmentally friendly power generation technologies. Projects include:

- Development of the Ilparpa solar farm<sup>1</sup> in Alice Springs in 2009-10.
- Maintaining major stakeholder status in the Alice Springs Solar Cities project.
- Investigating potential large scale renewable sources such as solar thermal and geothermal.

With respect to remote power supplies, Power and Water has developed an Energy Source Strategy that aspires to increase gas and renewable energy uptake to reduce distillate use in remote communities. Demand management and the reduction of greenhouse gas emissions from generation to end use are key considerations in the strategy.



## In good operational and asset health

The strategy of achieving good operational and asset health is supported by a number of initiatives and projects including the Asset Management Capability project (AMC), the Remedial Asset Management Program (RAMP), a number of capital projects and the implementation of holistic enterprise-wide risk management.

The importance of this goal was highlighted by the Mervyn Davies Report. In late 2008 there were two major incidents at the Casuarina Zone Substation that caused widespread power outages across the northern suburbs of Darwin. The Mervyn Davies Report made a number of recommendations including remediation of zone substations. The RAMP was established to oversee the restoration of this substation to full working capacity, assess the condition of Power and Water's power system assets in general, and manage critical remedial and maintenance works for 'at risk' assets.

The AMC project aims to develop a common approach to managing assets across the Corporation and to deliver better processes and systems to meet capability requirements. The events at Casuarina Zone Substation have reinforced the need for this critical project.

The delivery focus for this project is within 2009-10, and over the life of this SCI the continued focus will be on simplification of asset management processes, improved data quality and management, systems to manage asset and works information, including geospatial information, change management and performance monitoring and management.

## Trusted by government and community

The events at Casuarina Zone Substation damaged Power and Water's reputation. Power and Water is proceeding to rebuild its reputation by fixing the supply problem, telling people what it is doing, and being honest and transparent in its dealings. Power and Water revised its Public Relations and Communications Strategy (08-10) to rebuild public confidence in the Corporation. The Strategy's proactive media plan was bolstered to include short and long-term initiatives to address the

recommendations of the Mervyn Davies Report, while continuing to promote the Corporation's asset investment, capabilities and services.

Other initiatives include targeted community sponsorship and business partnerships, a more visible and concentrated focus on sustainability through energy and water efficiency campaigns, and consumption graphs on customer accounts. Power and Water's media strategy will keep the public informed about the Corporation's commitments and how it is tracking against them.

## Preferred as an employer

Power and Water has a Human Resources Strategy to ensure adequate people, capabilities and capacity exist to meet both current and future demands, through the retention and recruitment of skilled staff and increased development and training. An *Organisational Culture Change Process* survey will take place in 2009-10. The process of measuring the Corporation's organisational culture will provide insight into the current culture and help determine the culture the Corporation needs to achieve its mission.

Delivery of essential services is an inherently risky work environment. The Corporation is improving its workforce safety as evidenced by the falling number of Lost Time Injuries (LTIs). For 2006-7 the Corporation recorded 23 LTIs. This number was driven down to 13 in 2007-8 and to 8 so far this financial year. Power and Water remains committed to continuing its vigilance and efforts in pursuit of its goal of zero harm.

As a result of the Corporation's response to the recommendations of the Mervyn Davies Report and the increased capital program, a marked increase in personnel is budgeted for 2009-10 including a high intake of apprentices driving increased personnel costs. The key challenge is to bring these people in and ensure they are effectively up-skilled.

## Preferred as a utility provider

Power and Water will continue engagement and strategic communication with business and domestic customers to improve customer service, enhance customer satisfaction and increase awareness of its products and services. While Power and Water is currently the only utility servicing the Northern Territory, part of the electricity retail load and the generation sector are subject to competition. Full Retail Competition in electricity is presently scheduled for April 2010. Maintaining a high standard of provision of services provides a safeguard against loss of customers to competitors.

## Ready to take on new challenges

The Corporation is preparing to take on a number of new challenges including

- engaging with the Utilities Commission in light of its newly strengthened and expanded role,
- responding to emissions trading and extended renewable energy targets,
- preparing adequately for full retail competition and possible new wholesale electricity trading arrangements,
- minimising organisational constraints as a component of the Corporation's focus on costs and efficiency gains, and
- responding to the expansion in the number and scope of Government programs related to Indigenous communities.

### Engaging with the Utilities Commission

As part of its response to the Reeves Report into the financial position of the Corporation, NT Government has announced that Power and Water will be subject to increased scrutiny by a revamped Utilities Commission. The Corporation welcomes the strengthening and expanded role of the Commission which will have increased oversight of Power and Water's capital program, tariffs, customer service standards and system reliability. Having a regulatory regime that includes setting and administering a customer

standards of service code including compensation, monitoring prices for contestable customers and reviewing and making recommendations on regulated retail tariffs and CSOs will be beneficial to the long term interests of consumers and the Corporation.

### Carbon Pollution Reduction Scheme and Extended Renewable Energy Targets

The Carbon Pollution Reduction Scheme (CPRS) is scheduled for introduction in July 2010. During 2009-10 Power and Water will develop a plan for compliance with CPRS and as part of its Sustainable Energy Strategy address issues related to the procurement of permits and cost effective emissions reduction.

In line with its Sustainable Energy Strategy and Indigenous Energy Source Strategy, Power and Water remains committed to pursuing renewable energy projects in the Territory where economical. However given the size of the extended Federal renewable energy target of 20 per cent of generation by 2020, Power and Water's liability under the Scheme is considered unlikely to be met solely by purchasing RECs from local sources.

### Full Retail Competition and possible wholesale electricity trading arrangements

Full Retail Competition and new arrangements for wholesale electricity trading are areas of developing Government policy. Power and Water will work closely with NTG with respect to both of them.

Preparation for FRC is a complex and expensive process. It includes developing procedures for customer transfer between retailers and the adoption of deemed load profiles for determining wholesale energy costs in respect of transferred customers. FRC has important implications for activities undertaken in the retail (market and tariff development), generation (wholesale electricity pricing) and networks (primarily metering services provisions) business units.

### Minimising Organisational Constraints

Power and Water currently sources most of its Information, Communication and Technology (ICT) services under a Whole of Government contractual arrangement. Power and Water has completed a strategic review of existing ICT procurement arrangements and is implementing a number of changes to simplify ICT procurement processes, rationalise contracts and so provide savings.

### Indigenous Essential Services

The Northern Territory Government announced the Closing the Gap of Indigenous Disadvantage: Generational Plan of Action in August 2007. It contains a vision and objectives for the future socio-economic wellbeing of Indigenous Territorians over five, 10 and 20 years. The Northern Territory Government committed \$286.4 million towards five year actions to implement the plan. The Council of Australian Governments through the National Indigenous Reform Agreement are developing a framework for assessment of Closing the Gap in Indigenous Life Outcomes, including indicators for water supply, sewerage and electricity supplies, which is expected to be agreed in 2009.

The Australian and Northern Territory Governments announced the Strategic Indigenous Housing and Infrastructure Program (SIHIP) in April 2008, contributing \$547 million and \$100 million respectively. The program is designed to deliver 750 new houses and more than 2500 housing upgrades. An additional 230 new houses are to be built to replace homes due to be demolished. The program, with a focus on 16 larger communities, has been increased to \$672 million of which \$48 million will be directed to head works infrastructure to meet increased demand for services.

As an outcome of the negotiations for self-government, the Australian Government maintained responsibility for homelands and outstations (both referred to as outstations). In September 2007, the Northern Territory and Australian Governments signed a Memorandum of Understanding (MOU) for Indigenous Housing Accommodation and Related Services. A key aspect of the MOU was that the Northern Territory Government takeover responsibility for the delivery of essential and

municipal services to outstations from 1 July 2008. There are 457 recognised outstations communities, which received support from the Australian Government. These have continued to be supported in 2008-09 and will have support in 2009-10 over which time the Northern Territory is undertaking extensive consultation on policy, service levels and service delivery options.

IES Pty Ltd currently supplies services (electricity only or electricity and water) to nominated outstations. Two outstations, Wudapuli and Nama are now treated as communities for the purposes of essential services. Negotiations are underway to recognise additional outstations now supported by Power and Water, on a cost recovery basis.

The National partnerships on Remote Indigenous Housing and Remote Service Delivery, the Remote Service Delivery, and SIHIP focus on the development of fifteen communities for development of economic activity and to serve as centres for regional service delivery and transition. These communities are Galiwinku, Gapuwiyak, Gunbalanya, Hermannsburg, Lajamanu, Maningrida, Milingimbi, Nguiu, Ngukurr, Numbulwar, Wadeye, Yirrkala, Yuendumu, Angurugu and Umbakumba.

The emerging model for remote service delivery will initially concentrate resources in priority locations to progressively deliver in communities or townships the facilities and services one would expect in any Australian town of the same size.

### 3 MAJOR ASSUMPTIONS

This Chapter describes the most significant assumptions used in the preparation of the financial projections provided with this SCI.

#### Demand Forecasts

##### Electricity demand

Underlying electricity demand growth is based on extrapolation of historical trends. The following table shows the 2009-10 electricity demand forecasts for the Northern Territory for total energy consumption and the Darwin/Katherine region for peak demand. The increases in demand resulting from organic growth assumptions have been more than offset by the reduction in demand due to the loss of mining customers.

2009-10 DEMAND FORECAST			
Description	Total Energy Consumption (GWh)	Peak Demand (Darwin/Katherine) (MW)	
2008-09 Base	1834.7		267.0
Change in demand	-10.8		-3.8
2009-10 Forecast	-0.6% 1823.9	-1.7%	263.2

Organic demand growth in future years is 1.8 per cent per annum for energy consumption and 2.5 per cent for peak demand. This compares to 1.5 per cent for energy and 2.5 per cent for peak reported in the previous SCI. A relatively high growth in energy demand has been experienced in recent years and the increased energy consumption projection is consistent with this. Trends in peak demand growth are harder to establish than trends in energy demand growth due to different weather conditions each year.

Speculative growth (such as new mines) is very difficult to predict but potentially adds significantly to energy demand. It is excluded from forecasts.

Peak demand forecasts drive capital investment. Forecast energy consumption is used to determine fuel requirements and calculate revenue projections. Customer numbers are used for projections of fixed daily charge revenue. Increases in customer numbers are based on forecast population growth.<sup>2</sup>

##### Water demand

Water demand forecasts are based on extrapolation of historical demand growth and are used to forecast water revenue. The following table shows demand growth for the Northern Territory.

2009-10 DEMAND FORECAST		
Description	Total Water Consumption (ML)	
2008-09 Base		52,526
Organic growth	+ 1.7%	876
2009-10 Forecast Total	+ 1.7%	53,402

Demand for water consumption for 2009-10 and future years is projected to increase by 1.7 per cent per annum. The baseline forecasts do not account for any prospective developments such as major new industrial customers. Increases in customer numbers are based on forecast population growth.

##### Power and water demand for remote communities

Significant housing and other investment in some communities will most likely result in a step change in electricity demand above the assumed baseline. Specifically, The Closing the Gap of Indigenous Disadvantage: Generational Plan of Action and Strategic Indigenous Housing and Infrastructure Program initiatives are aimed at delivering additional classrooms, housing for teachers and other government employees, temporary police stations with more permanent facilities under construction, Australian Government facilities and safe houses in addition to the high level of investment in Indigenous housing. Significant commercial investment has also occurred in community stores to cater for increased demand for healthier food.

<sup>2</sup> Australian Bureau of Statistics, ABS population projections Cat. No.3222.7 Series B.

Electricity, water and sewerage consumption for IES in 2008-09 is forecast to increase at the following rates:-

PROJECTED IES ELECTRICITY, WATER AND SEWERAGE CONSUMPTION GROWTH				
Description	2008-09 Projection	2009-10 Projection	2010-11 Projection	2011-12 Projection
Electricity	3.6%	4.8%	3.6%	3.6%
Water	33.1%	12.0%	12.0%	2.2%
Sewerage	7.2%	5.1%	5.1%	5.1%

The high rates applied to IES water consumption revenue growth reflect the impact of the NT Government and Power and Water initiative of installing water meters in Indigenous communities from 2008-09 and extending a user pays policy to Shire Councils and customers other than domestic Indigenous households.

## Revenue Projections

### Electricity, water and sewerage tariffs

The revenue projections provided in this SCI are based on the recently announced tariff price increases for electricity, water and sewerage for the three year period to 2012-13. The table below shows the approved increases for 1 July 2009, 1 July 2010 and 1 July 2011, with increases for outer years based on projections of the Consumer Price Index (CPI). In practice, outer year increases will be based on the actual CPI as reported by the Australian Bureau of Statistics for the relevant year.

APPROVED AND PROJECTED TARIFF INCREASES			
Increase effective from:	1st July 2009 Approved	1st July 2010 Approved CPI	1st July 2011 Projected CPI
Electricity (Franchise and Tranche 4)	18.0%	5.0%	2.5%*
Water and Sewerage	20.0%	20.0%	20.0%

\* Estimated increase. In practice, outer year increases will be based on the actual CPI (ABS Cat.no. 6401.0 All groups, Weighted average of eight capital cities, Year to December Quarter).

The electricity tariff increases relate only to Franchise and Tranche 4 (T4) contestable customers. Tranche 1 (T1) to Tranche 3 (T3) contestable customers are subject to negotiated contracts. Within this SCI, T1-T3 tariffs have been adjusted by CPI at contract renewal whereas in reality, contestable customer tariff increases will be dependent upon factors at the time of contract negotiation including the cost of providing supply, the approved networks tariff, customer demand profile, contract length and risk.

Power and Water has compared its tariffs to those in other jurisdictions with the results provided in the Appendix. When compared with those for residents in other capital cities, the results demonstrate that Darwin residents' tariffs for electricity are in line with the Australian average, and water and sewerage tariffs are the second lowest in Australia, notwithstanding the particular challenges of utility service provision in the Northern Territory.

Power and Water revenues are projected to increase steadily over the period, reflecting demand growth and the impact of the five year price path for water, sewerage, trade waste, Franchise and T4 electricity customer prices. The following table shows the resulting revenues for Power and Water.

PROJECTED REVENUES (POWER AND WATER UNCONSOLIDATED)				
(\$M)	2008-09 Forecast	2009-10 Budget	2010-11 Projection	2011-12 Projection
Electricity	259.1	295.3	333.2	346.4
Water	45.7	55.0	66.8	81.3
Sewerage	26.2	31.9	38.7	47.1

Community Service Obligation (CSO) funding included in this SCI is as advised by Treasury, and increases by CPI for outer years.

COMMUNITY SERVICE OBLIGATIONS				
(\$M)	2008-09 Forecast	2009-10 Budget	2010-11 Projection	2011-12 Projection
CSO funding	58.8	63.9	66.3	69.0

The CSO funding includes the pensioner concession scheme which from 1 July 2009 has been adjusted to ensure that pensioners are not impacted by the tariff rise. All other revenue items are projected to increase in line with CPI over the life of this SCI.

### Operating Costs

The budget for 2009-10 operating costs is based on detailed cost estimates. Operating costs in the outer years are projected to increase by CPI, except for energy for electricity generation and some personnel and repair and maintenance costs. The assumed CPI, presented below, is in line with NT Treasury advice.

OPERATING ASSUMPTIONS (POWER AND WATER CORPORATION UNCONSOLIDATED)				
	2009-10 Budget	2010-11 Projection	2011-12 Projection	
CPI	4.0%	2.5%	2.5%	
Salaries and Wages	4.5%	9.0%	4.5%	

Staff numbers in 2009-10 are projected to be 7.1% higher than 2008-09. The subsequent decline in staff numbers is the result of the completion of a number of projects (notably AMC and RAMP) which are resourced on a project basis.

PROJECTED STAFF INCREASES				
	2008-09	2009-10	2010-11	2011-12
Staff numbers	799	856	852	840
Percent increase		7.1%	-0.5%	-1.4%

### Fuel Supplies

It is assumed that the new gas supply from Eni will be available from the Blacktip field in the Bonaparte Gulf from 1 October 2009 although there is a risk of additional delay.

The financial projections in this SCI assume that the Blacktip gas field will provide the vast majority of gas supplies for electricity generation in major centres, with diesel fuel needing to be used only in case of emergency and in remote communities.

The table below sets out a declining trend in total energy costs over the period. This is due initially to lower use of diesel fuel and increased efficiency of power generation, and subsequently to a reduction in gas haulage costs.

SUMMARY OF TOTAL ENERGY COSTS				
(\$M)	2008-09 Forecast	2009-10 Budget	2010-11 Projection	2011-12 Projection
Total energy costs	302.5	258.2	237.4	200.5

### Repairs and Maintenance expenditure

The following table provides a summary of repairs and maintenance (R&M) expenditure for the Corporation.

2009-2010 REPAIRS AND MAINTENANCE POWER AND WATER CORPORATION UNCONSOLIDATED)				
\$M	2008-09 Forecast	2009-10 Budget	2010-11 Projection	2011-12 Projection
Total	49.9	53.7	53.5	51.5

The forecast R&M for 2009-10 represents a 7.6 per cent increase in repairs and maintenance expenditure over the 2008-09 forecast, from \$49.9 million to \$53.7 million. R&M is a factor of major plant overhauls in accordance with their cyclical maintenance schedules and replacement of aging plant with new plant.

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### Carbon Permit and Renewable Energy Certificate Costs

In the current SCI period, Power and Water faces increased costs for complying with the Carbon Pollution Reduction Scheme (CPRS) and the extended Mandatory Renewable Energy Target scheme (MRET). Annual cost estimates are based on projected carbon permit and Renewable Energy Certificate (REC) prices and the numbers of permits and certificates Power and Water must surrender in order to comply with its obligations under these schemes. Costs associated with CPRS will be passed through to customers.

In the case of MRET, Power and Water's liability depends on the projected sent out energy for the Darwin-Katherine system and the legislated Renewable Power Percentage (RPP). With the increase in the RPP, Power and Water is no longer able to source all of its REC requirements locally and must purchase additional RECs from the market.

In the case of CPRS, Power and Water's liability depends on the product of the carbon permit price and emissions associated with the total generation at power facilities with annual carbon emissions exceeding 25,000tCO<sub>2</sub>-e. Generation facilities with carbon emissions exceeding this threshold include Channel Island, Weddell, and Owen Springs. The scheme is scheduled to commence on 1 July 2010.

### Other financial assumptions

New loans are assumed to be interest only, with interest expense rates for cash at bank to be 4 per cent and draw downs forecast for 2009-2010 and beyond at 6.5 per cent, consistent with NT Treasury advice.

This SCI assumes that the Corporation will not be largely affected by fluctuations in AUD/USD exchange rates due to relatively low exposure to expenditure in USD. The largest exposure is in generation and is currently estimated at AUD \$7 million over the life of this SCI.

It is assumed that the current dividend moratorium remains in place for the projection period.

## 4 FINANCIAL PROJECTIONS

This chapter comments on the resulting projections of Power and Water's financial performance and fiscal position.

Key financial results for the period of this SCl are summarised in the table below. The results discussed in this section are unconsolidated, that is, excluding subsidiaries Indigenous Essential Services Pty Ltd, Darnor Pty Ltd and Gasgo Pty Ltd.

SUMMARY OF FINANCIAL RESULTS (POWER AND WATER UNCONSOLIDATED)					
	2008-09 Budget	2008-09 Forecast	2009-10 Budget	2010-11 Projection	2011-12 Projection
Total revenue (\$M)	488.3	576.1	568.7	541.5	581.1
Operating costs (\$M)	334.1	394.7	387.4	409.2	373.9
NPAT (\$M)	50.2	72.8	51.6	1.4	44.1
Capital investment (\$M)	166.6	200.1	246.6	233.1	219.3
Total cash required prior to borrowings (\$M)	-114.9	-175.2	-214.9	-195.0	-132.7
Loan draw downs (\$M)	109.0	144.0	200.0	195.0	133.0
Cash at bank (\$M)	38.1	25.3	10.4	10.5	10.8
Debt to equity ratio (%)	78%	83%	105%	127%	140%
Interest cover (times)	3.1	1.7	0.9	1.0	1.9
Gearing (%)	78%	45%	51%	56%	58%
FFO to Interest (times)	3.1	2.0	2.1	2.1	2.7

Recently approved tariff increases will ensure the Corporation remains financially secure for the next 3 years, such that Power and Water will be in a solid financial position at the end of 2011-12 with a gearing ratio of 58% and Funds From Operations (FFO) to interest cover of 2.7 times.



# 5 RISKS

## Corporate risks

### Financial position

The Corporation's medium term financial position has been addressed with the tariff increases announced on 7 April 2009. However Power and Water remains subject to significant cost pressures in operating and maintaining electricity and water supplies. While best endeavours are made to predict future expenditures, there is potential for increases in repairs and maintenance costs as a result of improved asset management and to the proposed capital expenditure program through scope and cost revisions which could place pressure on Power and Water's financial position.

### Fuel Supplies

In 2009-10, Power and Water will replace its primary source of gas from the declining fields in central Australia with the Blacktip Field in the Joseph Bonaparte Basin. In the meantime gas shortfalls will be covered through use of emergency gas from DLNG and using distillate where necessary. Increased costs will result from further delay in the delivery of gas from Blacktip.

The required take of gas under the Blacktip contract is projected to be in excess of demand for power generation and Power and Water has commenced negotiations to sell surplus gas to third parties. The reversing resources boom may make the sale of surplus gas more challenging in the short term.

### Capital investment program delivery

The Corporation is exposed to several risks associated with delivery of the substantial capital investment program. The size of the program presents a significant challenge to the Corporation and its capacity to deliver the large number of projects on time and within budgeted expenditure levels.

While the economic downturn is impacting on the Territory's economy, pressure on contractor rates and materials costs is only marginally subsiding. This is mirrored in local industry, which is contracted to deliver a substantial proportion of Power and Water's capital investment program. The combination of high

costs and availability of staff and procured goods and services could have a potential adverse impact on the costs, timing and delivery of Power and Water's capital investment program.

### Organisational capability

Power and Water's ability to meet corporate objectives and deliver the substantial investment program is highly dependant on successfully recruiting and retaining appropriately skilled staff. To help achieve this, Power and Water has developed a Human Resources Strategy that provides a framework to ensure we have the people, capability and capacity to meet both current and future needs.

Power and Water naturally seeks to recruit skilled technical and professional staff from the Australian utilities sector. While the labour market is becoming less tight generally, this may not be the case in the utilities sector as every Australian State has announced large capital investment plans.

It will remain a challenge to relocate skilled employees to the Northern Territory, especially for remote area locations. The impacts of an aging workforce, skills shortages and tight local labour markets mean that Power and Water must be increasingly proactive in its response to recruitment issues.

### Competition

From April 2010, retail competition is scheduled to apply to all electricity customers. The entry of another retailer into the Northern Territory market leading up to this event is a credible risk.

In the interests of furthering the prospects for competition in the generation and retail sectors of the NT's electricity supply industry, the NT Government has been investigating legislative reforms with the intent of applying NEM or NEM-like arrangements to the Territory. Adoption of such arrangements by themselves is unlikely to alter the prospects for competition materially. Owing to the small size of the market and limited potential counterparties for off take agreements, it is highly probable that potential new-entrant generators would seek to negotiate long term power purchase agreements with Power and

Water rather than retain market risk, retail or deal with independent retailers directly.

### Price Elasticity of Demand

In completing the sales revenue projections for 2009-10, the impact on underlying customer demand for electricity and water as a consequence of the significant tariff increases has not been factored into the forecast. Therefore there is some risk that revenue projections may not be achieved, if consumers modify their demand behaviour and reduce electricity and water consumption to combat the financial impact of the tariff increases.

### Climate Change

Climate change has the potential to impact Power and Water's provision of essential services. Increasing temperatures can be expected to change the demand characteristics for electricity and water while changing rainfall patterns will have the potential to adversely affect water catchment yields.

The Northern Territory Government is developing the Territory's climate change policy which will be delivered in 2009 and will build on the 2006 Greenhouse Strategy. The policy is being developed by the Climate Change Policy and Co-ordination Unit in the Department of the Chief Minister and Power and Water contributes strongly to this process.

### Carbon Pollution Reduction Scheme

The Carbon Pollution Reduction Scheme (CPRS) is a cap and trade emissions trading scheme and will commence on 1 July 2010. The scheme will cover all six greenhouse gases covered under the Kyoto Protocol.

To comply with CPRS, Power and Water will need to purchase at permit auctions or in the secondary market and then surrender the carbon permits required to cover its carbon emissions. A compliance plan and a purchase strategy will be developed through 2009. Power and Water will be impacted financially if it is unable to fully pass through to customers the cost of carbon permits

as it intends. Further, working capital may be significantly affected, depending on the timing of the purchase of permits compared to the receipt of revenues from customers which includes the effect of the increased tariffs.

### Operational Risks

Power and Water's risk register was restructured over the past 12 months to align corporate and business unit risks, allowing clearer monitoring, reporting and reviewing. There are around 145 identified individual risks that fall into 17 Risk Categories. Each risk has been rated, using the Power and Water Corporate Risk Management Assessment Procedure.

The table below provides the key to the Corporate risk categories.

ID	Description (Short)
C1	Natural Disaster Management
C2	Public Safety
C3	Staff and Contractor Safety
C4	Environmental
C5	Water Quality/ Waste Management
C6	Fuel Supply Management
C7	Legal and Regulatory Compliance
C8	Information Technology, SCADA and Communications
C9	Project and Contract Management
C10	Terrorism, Security and Vandalism
C11	Capacity and Capability
C12	Supply of Core Services
C13	Financial Management
C14	Corporate Image and Reputation
C15	Competition
C16	Stakeholders
C17	Regulatory Relationships

# 6 TARGETS

## Key Performance Indicators

Key performance indicators and key result areas are established within Business Unit plans. These are reported and reviewed on a regular basis by the Board, Executive Management Committee and within business units. Performance against Targets is reported in the Annual Report, Project Updates and Monthly Performance Reports.

The KPI Targets adopted by the Corporation currently meet and in many cases exceed relevant minimum standards established by Regulatory bodies, including the Utilities Commission. It can be expected that the newly strengthened Utilities Commission will wish to re-examine these targets. The KRAs adopted by the Corporation show constant reviewing and upgrading of infrastructure, systems and assets to ensure we are effective and capable in delivering both the growth requirements of the NT and ensuring service provision to our customers through continuous improvement.

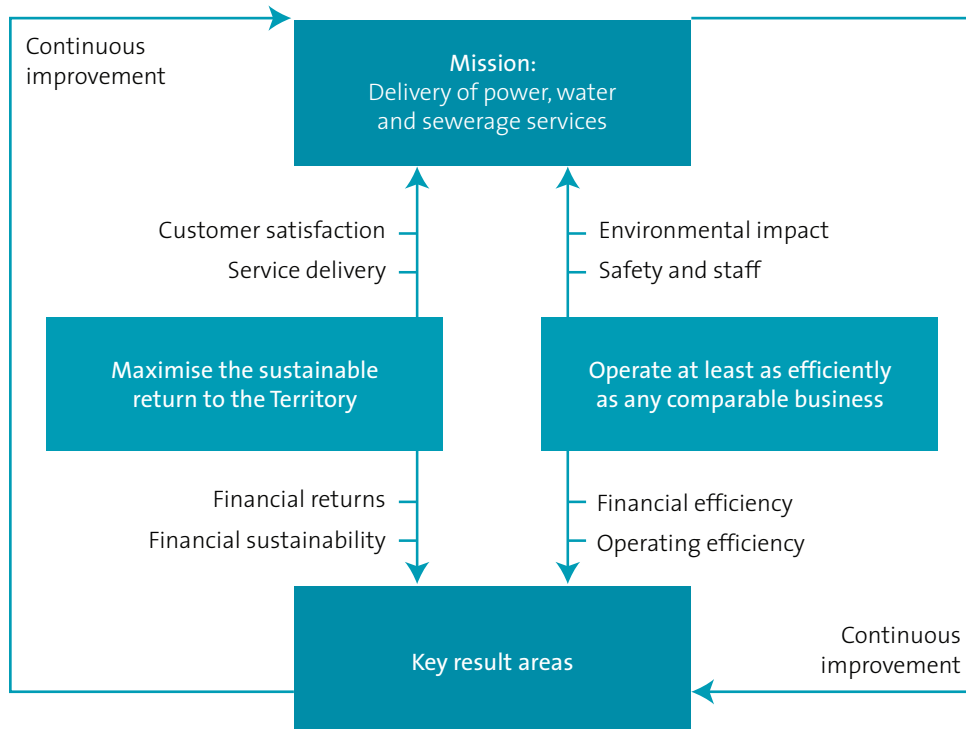
## Power and Water’s Performance Framework

## Performance Management Framework

Power and Water’s performance framework focuses on four areas:

- Measures and targets to assess its performance in meeting the mission set out in Chapter 1, broadly the delivery of power, water and sewerage services in the Northern Territory.
- Measures and targets to assess the extent and sustainability of the return Power and Water delivers to the Territory, in line with its objective under the GOC Act. Targets for maximising returns have been set in the context of current Government approved tariffs and CSO funding.
- Measures and targets to compare Power and Water’s efficiency to comparable businesses, in line with the GOC Act objectives. The inherent scope and complexity of Power and Water’s business mean that direct comparisons with other utilities are difficult, but contextual analysis can highlight differences.
- KRAs to set specific objectives for the timely completion of strategic actions.

Power and Water’s performance management framework is illustrated in the diagram below.



## Mission performance measures and targets

The KPI targets are set out in the following tables. The performance targets are represented as annual projections over the full term of the SCI, and are

subject to revisions each year. Consistent with the Corporation's commitment to continuous improvement, for the first time, this SCI includes trends in a number of the KPI targets.

## Customer Service Improvement

CUSTOMER SERVICE TARGETS				
Measure	08-09 Target	09-10 Target	10-11 Target	11-12 Target
Customer Satisfaction Index	80%	81%	82%	83%
Connections to existing electricity supply properties within 24 hours	98%	98%	98%	98%
Connections to new subdivisions in major urban areas within 5 working days	90%	91%	92%	93%
Connections to new subdivisions in major urban areas where minor extensions or augmentation is required	95%	95%	95%	95%
Connection of electricity supply to properties greater than 100km from a major urban area	N/A	90%	90%	90%
Average call response time <sup>4</sup>	80%	80%	80%	80%

## Electricity Supply Reliability

NETWORK SUPPLY RELIABILITY TARGETS				
Measure	08-09 Target	09-10 Target	10-11 Target	11-12 Target
<b>Networks Frequency Interruptions (SAIFI)</b>				
<i>Average number of times customer supply is interrupted per annum</i>				
Darwin	4.0	3.9	3.8	3.7
Katherine	5.0	4.9	4.8	4.7
Tennant Creek	5.0	4.9	4.8	4.7
Alice Springs	2.5	2.5	2.4	2.4
<b>Networks Duration Interruption (SAIDI)</b>				
<i>Average outage time in minutes each customer can expect to be off supply per annum</i>				
Darwin	200	195	190	185
Katherine	200	195	190	185
Tennant Creek	100	95	90	85
Alice Springs	100	95	90	85
<b>Network Customer Outage Duration (CAIDI)</b>				
<i>Average outage time in minutes each customer can expect to be off supply per outage (SAIDI/SAIFI)</i>				
Darwin	50	50	50	50
Katherine	40	40	40	39
Tennant Creek	20	19	19	18
Alice Springs	40	38	38	35

These targets reflect further alignment with other utilities by excluding major event days. The Darwin-Katherine network suffers more lightning and fruit bat strikes than all other networks, reducing its supply reliability performance.

<sup>4</sup> % of calls to the Customer Service Call Centre answered within 20 seconds.

## Water Supply and Sewerage Services Reliability

WATER SUPPLY AND SEWERAGE RELIABILITY TARGETS			
Measure	2009-10 Target	2010-11 Target	2011-12 Target
<b>Water Supply Interruptions Duration – Unplanned</b> <i>Average duration of interruptions to total affected customers (hours)</i>			
Darwin	1.5	1.5	1.5
Alice Springs	2.0	2.0	2.0
<b>Water Supply Interruptions Frequency – Unplanned</b> <i>The total % of properties experiencing one or more unplanned water interruptions</i>			
Darwin	18%	18%	17%
Alice Springs	30%	30%	29%
<b>Sewerage Service Interruptions – Unplanned</b> <i>Average duration of interruptions to total affected customers (hours)</i>			
Darwin	3.0	3.0	3.0
Alice Springs	3.0	3.0	3.0

The supply reliability targets for water and sewerage are based on normal operating conditions that do not include extraordinary situations and circumstances such as extreme weather or other major incidents that affect the delivery of services.

A new target was introduced in 2008-09, which recognises the number of properties experiencing unplanned water interruptions. This indicator is reported to the National Water Commission on an annual basis and will allow for improved benchmarking.

## Employee Indices

EMPLOYEE TARGETS				
Measure	08-09 Target	09-10 Target	10-11 Target	11-12 Target
Lost time injuries <sup>1</sup>	9	-33%	-33%	-33%
Lost Time Injury Frequency Rate <sup>2</sup>	6	-33%	-33%	-33%
Staff Satisfaction Index <sup>3</sup>	80%	81%	82%	83%

Table Notes:

<sup>1</sup> In accordance with the UCA, the target is represented as a 33% reduction from performance in the preceding year.

<sup>2</sup> LTIs per million hours worked.

<sup>3</sup> This target relates to a satisfaction rating of 6 or better.

The primary target for safety performance is lost time injuries, and the associated lost time injury frequency rate which allows for comparison with other organisations. Power and Water's internal monitoring will continue to focus on related measures such as 'days lost per LTI' and the rate of medically treated injuries.

## Greenhouse Gas Emissions Targets

Power and Water's targets for greenhouse gas emissions from its major power stations for the SCI period as follows:

ENVIRONMENT						
Key Performance Indicators	Key Performance Measure Formula	2007-08 Actual	2008-09 Target	2009-10 Target	2010-11 Target	2011-12 Target
Emission Performance:	kg CO <sub>2</sub> / MWh equivalent generated					
Channel Island	At 85% output factor	591	570	508	505	520
Weddell	At 85% output factor			547	547	414
Ron Goodin	At 85% output factor	687	680	704	718	665
Owen Springs	At 85% output factor			734	583	552

These targets are based on forecast generating unit capacity factors with optimally efficient operation.

## Sustainable return measures and targets

The measures and targets provided in the following table are intended to provide insight as to the overall returns provided to the Northern Territory (EBITDA, dividend and return on assets) and their sustainability (capital investment, gearing ratio and loan draw downs).

SUSTAINABLE RETURN (POWER AND WATER CORPORATION UNCONSOLIDATED)				
	Forecast 2008-09	2009-10 Budget	2010-11 Projection	2011-12 Projection
Cash flow from operating activities (\$M)	26.7	37.5	42.2	83.8
Interest cover (times) <sup>5</sup>	1.7	0.9	1.0	1.9
FFO to interest (times) <sup>6</sup>	2.0	2.1	2.1	2.7
Capital expenditure (\$M)	200.1	246.6	233.1	219.3
New borrowings (\$M)	144.0	200.0	195.0	133.0
Current ratio <sup>7</sup>	115%	112%	137%	163%
Return on assets <sup>8</sup>	4.5%	2.7%	3.4%	6.9%
Return on equity <sup>9</sup>	2.5%	-0.4%	0.2%	5.8%
Debt to equity ratio <sup>10</sup>	83.0%	105.0%	127.0%	140.4%
Gearing ratio <sup>11</sup>	45.3%	51.2%	55.9%	58.4%

The projections in this table are based directly on the financial projections discussed earlier in Chapter 4.

## Operating efficiency measures and targets

The measures below provide an indication of Power and Water's operating efficiency in 2009-10.

OPERATING EFFICIENCY (POWER AND WATER CORPORATION UNCONSOLIDATED)				
	2008-09 Forecast	2009-10 Budget	2010-11 Projection	2011-12 Projection
Adjusted EBITDA <sup>12</sup> (\$M)	44.1	97.7	49.5	121.3
Total controllable costs (\$M) <sup>13</sup>	131.2	130.5	156.3	157.6
Cost efficiency <sup>14</sup>	111.2%	125.2%	112.1%	132.4%
Efficient R&M <sup>15</sup>	4.4%	3.9%	3.4%	3.0%
Debtor management <sup>16</sup>	33.9	36.5	36.5	36.4
Bad debts ratio <sup>17</sup>	1.5%	0.4%	0.3%	0.3%

<sup>5</sup> EBIT/Interest Expense

<sup>6</sup> EBITDA less gifted assets less tax paid/Interest Expense

<sup>7</sup> Current Assets/Current Liabilities

<sup>8</sup> EBIT/Average Total Assets

<sup>9</sup> NPAT/Average Equity

<sup>10</sup> Debt/Average Equity

<sup>11</sup> Debt/Debt plus Average Equity

<sup>12</sup> EBITDA less CSO funding less Gifted Assets less capital contributions

<sup>13</sup> Total operating costs less energy less R&M

<sup>14</sup> (Revenue - CSOs - gifted assets - cap contributions)/ operating costs

<sup>15</sup> R&M/ Average written down value plant, property & equipment

<sup>16</sup> Trade debtors/ (YTD credit sales/ YTD days)

<sup>17</sup> Bad debts expense/credit sales



# 7

## CAPITAL INVESTMENT

This section outlines Power and Water’s capital investment plans and provides discussion on the Corporation’s primary investment drivers and largest projects.

2009-10 SCI CAPITAL INVESTMENT PLAN (POWER AND WATER CORPORATION)				
\$M	2008-09 Forecast	2009-10 Budget	2010-11 Projection	2011-12 Projection
Total (excluding Remote Operations)	200.1	246.6	233.1	219.3
Remote Operations	32.2	22.1	16.0	16.4
Total (including Remote Operations)	232.3	268.7	249.1	235.7

As announced in the 2007-08 SCI, Power and Water has embarked on a significant capital investment program. The program was developed based on the Corporation’s objective needs and capacity to deliver to ensure that current service standards for supply reliability are met and where possible, exceeded.

Capital expenditure has significantly increased from the approved 2008-2009 SCI.

The increased expenditure is the result of the inclusion of additional projects and increases to existing projects due to necessary scope changes, cost estimate revisions, actual outcomes from recent procurement actions and carry-over from the previous year.

### Generation

Planned capital works will increase generation capacity, meet increased demand and reduce fuel costs through installation of more fuel efficient plant. Works in the Territory’s major power stations during this three year SCI period include:

- Further investment for Weddell Power Station in 2011-12.
- The supply and installation of Sets 1, 2 and 3 at the Owen Springs Power Station. As additional sets are established here, obsolete plant will be progressively retired at the Ron Goodin Power Station.
- Works to extend the life of generation Sets 1 to 5 at the Channel Island Power Station. Despite being well maintained, they will soon require in depth

metallurgical work and replacement of critical turbine components.

- Set 4 at Katherine Power Station (KPS) is on schedule for commissioning and service in 2009-10. KPS provides standby power to Katherine, as well as voltage support on the Darwin-Katherine transmission line.

### Power Networks

Planned capital works for the Territory’s power networks during this three year SCI period, which will provide better long-term engineering solutions to increase supply security and reliability, and meet increased demand especially in new developments, include:

- Construction of a 66kV transmission line from OSPS to Lovegrove in 2009-10. This is a revised alternative to building the Norris Bell 66/22kV Terminal Substation, whereby the two newly-constructed 66kV lines from OSPS will extend to the Lovegrove 66/22kV Terminal Substation.
- Construction of the indoor 66/11 kV Lee Point Zone Substation, including a dual 66 kV circuit from the existing Berrimah to Casuarina 66 kV transmission circuit. The construction of this Zone substation will also provide an alternative source of supply to areas currently supplied from the Casuarina Zone substation. It will alleviate demand loading here and possible contingency loading at Berrimah, Snell and City Zone substations should future equipment failures occur.
- Design and construction of the new Snell St Zone Substation will occur in 2011-12, and includes construction of a conventional outdoor 66/11 kV zone substation with three transformers. The existing Snell St Zone Substation has reached its limit of economical life and there is an increasing risk of equipment failure in the substation.
- Construction of the new Alice Springs CBD Zone Substation at Anzac Hill includes a conventional outdoor 22/11 kV Zone substation and initially one transformer. It will provide an alternative supply source to areas supplied by the Lovegrove and RGPS substations, and will help alleviate demand loading on the Lovegrove substation.

## Water Services

Water Services capital investment is designed to meet forecast increased demand from development and population growth and strengthening environmental regulations.

Planned capital works to meet forecast increased demand for water services, and more stringent environmental regulations include:

- Recommissioning Manton Dam to meet requirements for additional capacity and diversity of emergency water supplies in the Darwin, Palmerston and rural area. Works will commence in 2009-10 and will include a water resource study, construction of a treatment plant at Weddell, a pump station and transmission main.
- In accordance with wastewater discharge licence requirements, the Larrakeyah sewage outfall will close by October 2011. Over the next four years, capital works will include diversion works to deliver sewage from the Larrakeyah catchment to the Dinah Beach trunk sewer, upgrades to the Ludmilla Wastewater Treatment Plant, duplication of the East Point effluent rising main, and extension of the East Point outfall.
- Expansion of wastewater treatment facilities at Leanyer/Sanderson will provide capacity for continuing development in the Lee Point area.
- Construction to raise the full supply level of the Darwin River Dam and establish water stabilisation facilities will continue in 2009-10. On completion, the project will increase the capacity of the dam by around 9,000 ML/annum, augmenting existing supply by around 20 per cent.
- The Berrimah Water Storage Tank project involves the construction of a new tank near the corner of Berrimah Road and the Stuart Highway to meet rising demand in the Berrimah area. The project will begin in 2009-10.

## Other major investment

Other major capital investment is aimed at improving the quality and efficiency of the Corporations' business and supporting core business units.

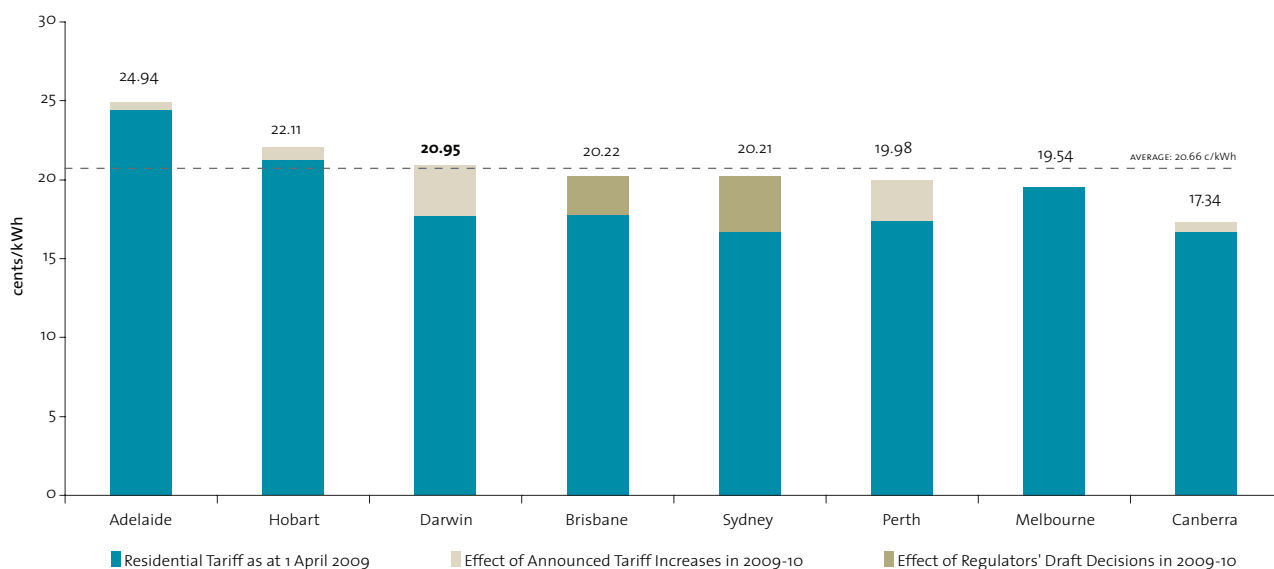
Planned major investment works aimed at increasing the quality and efficiency of the Corporation's activities over the life of this SCI includes:

- Upgrading or relocating complex facilities at Sadadeen Valley to address shortcomings with existing facilities. Works will include an upgrade to office accommodation, workshop facilities, warehouse and other storage facilities, security, car parking, training facilities and site amenities to meet building codes.
- Stage 3 of the Ben Hammond Complex redevelopment will address the remaining shortcomings within the complex. Works include demolition, construction, refurbishment, civil works, landscaping and road works. The upgrade will meet current and future operational needs, improve safety and contribute to increased staff morale and retention rates. This will include the removal of asbestos from the site.
- The Asset Management Capability (AMC) which aims to deliver better processes and systems to manage assets, will continue work on scope and requirements definition, business process re-engineering, change management, data quality, procurement and design of Asset Management and Geographical Information Systems and implementation.

- 
- Renewable Energy projects are a part of the Corporation's strategy to reach greater levels of sustainability, address Climate Change impositions and meet community and government expectations. A number of prospects from the 2005 Renewable Energy Roadmap are under consideration and success will be measured through reduced emissions, reducing the cost of compliance with CPRS and community satisfaction with Power and Water's sustainability credentials.
  - The upgrade of the Victoria Highway complex in Katherine includes general and major site upgrades. It will meet current and future operational needs, improve safety and contribute to increased staff morale and retention rates.

## APPENDIX: COMPARISON OF AUSTRALIAN UTILITY TARIFFS

Residential Electricity Tariff Comparison and Announced  
Tariff Increases for 2009-10 as at 1 April 2009  
Based on 1,250 kWh per quarter



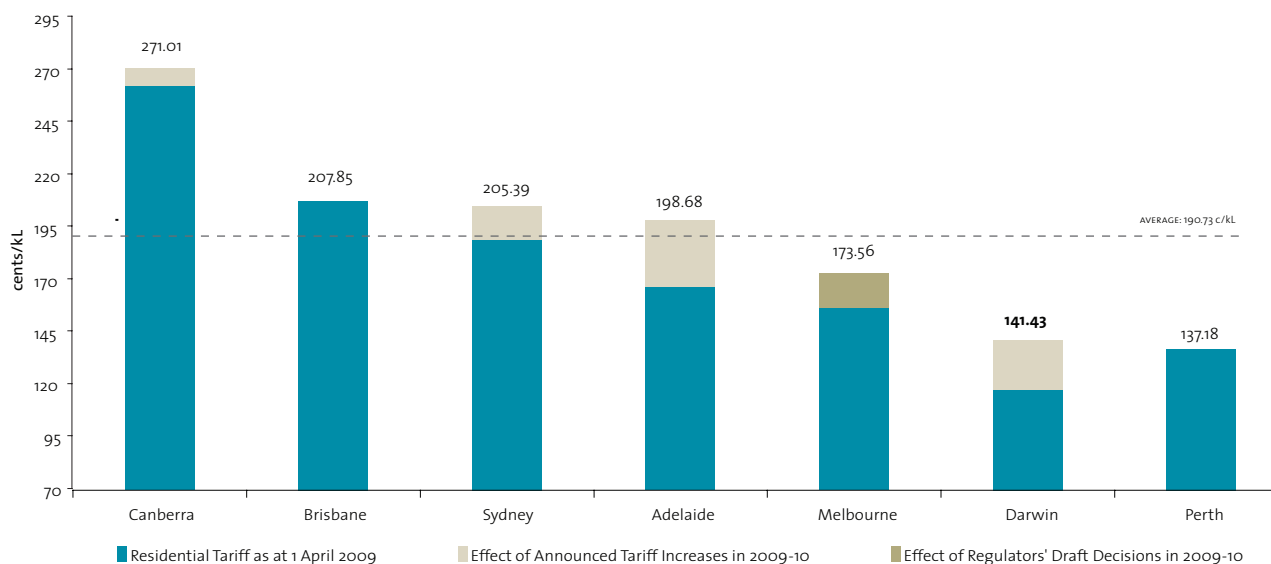
\* Average incorporates all tariff increases.

Source: Retailers' published tariffs and Regulators' Draft Decisions.

- Tariff comparisons are based on average annual consumption of 5,000 kWh, with the exception of Hobart and Canberra being based on an average consumption of 7,500 kWh per annum (ESAA average).
- Tariffs include a variable consumption charge and fixed daily charge component.
- The tariff comparisons are as at 1 April 2009, and incorporate tariff increases announced by utilities and Regulators' Draft Decisions in other jurisdictions. The chart above reflects the predicted residential electricity tariff at 1 July 2009.
- From 1 July 2009 residential electricity tariffs in the Northern Territory will increase by 18%. The increases predicted in other jurisdictions based on Regulators' Draft Decisions may differ from the Final Decision or may not be fully passed through to customers.

## Residential Water Tariff Comparison and Announced Tariff Increases for 2009-10 as at 1 April 2009

Based on 266 kL per annum

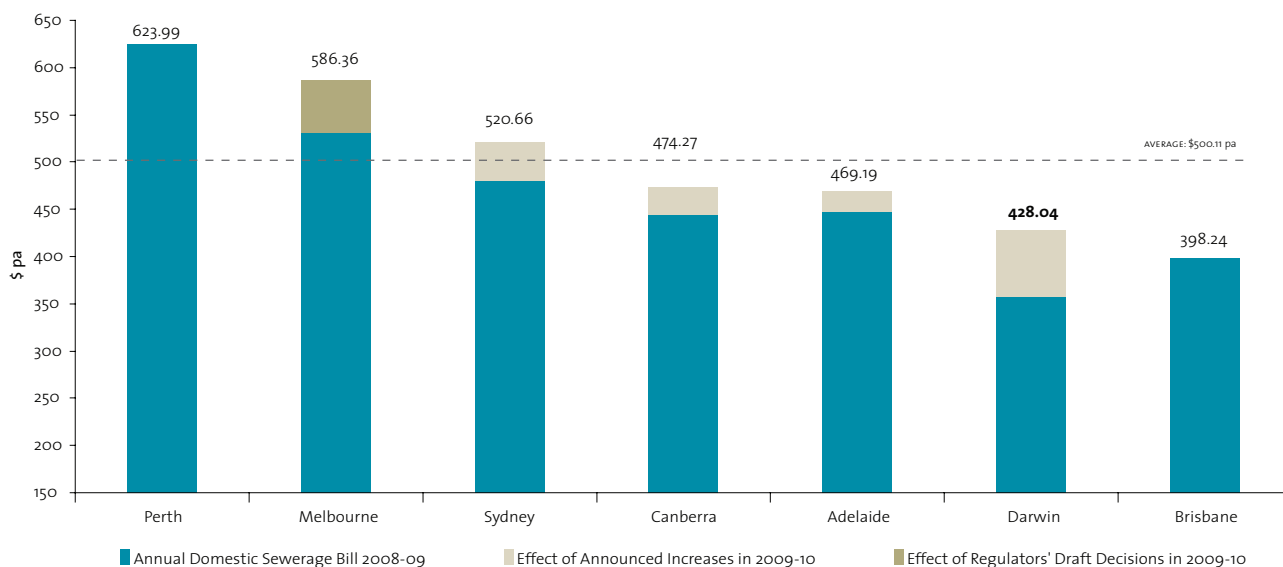


\* Average incorporates all tariff increases.

Source: Retailers' published tariffs and Regulators' Draft Decisions.

- Tariff comparisons are based on average annual consumption of 266 kL (WSAAFacts 2005). Consumption may vary on a state by state basis from this derived average as a result of water restriction policies.
- Tariffs include a variable consumption charge and fixed daily charge component.
- The tariff comparisons are as at 1 April 2009, and incorporate tariff increases announced by utilities and Regulators' Draft Decisions in other jurisdictions. The chart above reflects the predicted residential water tariff at 1 July 2009.
- From 1 July 2009 residential water tariffs in the Northern Territory will increase by 20%. The increases predicted in other jurisdictions based on Regulators' Draft Decisions may differ from the Final Decision or may not be fully passed through to customers.

## Average Annual Domestic Sewerage Bill as at 1 April 2009 and Announced Charge Increases for 2009-10 as at 1 April 2009



\* Average incorporates all tariff increases.

Source: Retailers' published tariffs and Regulators' Draft Decisions.

- The tariff comparisons are as at 1 April 2009, and incorporate tariff increases announced by utilities and Regulators' Draft Decisions in other jurisdictions. The chart above reflects the predicted residential sewerage tariff at 1 July 2009.
- From 1 July 2009 residential sewerage tariffs in the Northern Territory will increase by 20%. The increases predicted in other jurisdictions based on Regulators' Draft Decisions may differ from the Final Decision or may not be fully passed through to customers.
- Perth sewerage rates are calculated based on the Gross Rental Value (GRV) of the property. The rateable value is derived from the GRV determined by the Office of the Valuer General. For the purposes of this comparison the GRV was calculated based on the median sewerage charge available from Water Corporation's website at [http://www.watercorporation.com.au/A/accounts\\_rates\\_metro\\_res.cfm](http://www.watercorporation.com.au/A/accounts_rates_metro_res.cfm)
- Adelaide sewerage rates are calculated as a percentage of the capital value of the property or the declared minimum rate, whichever is greater. The capital value of the property or the declared minimum rate is based on the median price of established house transfers published by the ABS (Catalogue No 6416).
- Melbourne sewerage disposal charge is billed based on water usage.



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