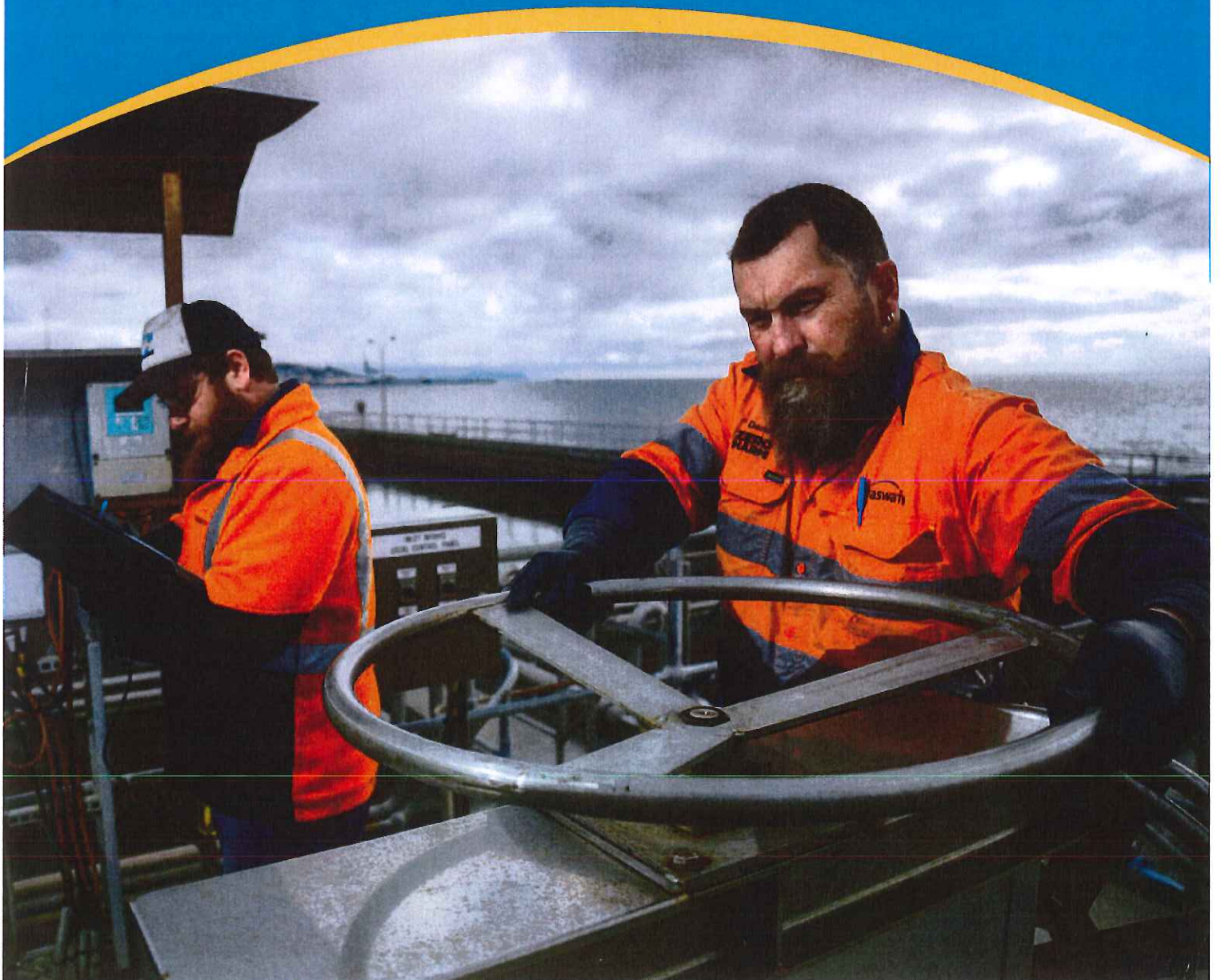




# Quarterly Report to Owners' Representatives

Progress update to 31 December 2017



Document Approval and Issue Notice

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## 1. Introduction

We are pleased to present our second quarter (Q2) FY2017–18 Quarterly Report to Owners' Representatives in accordance with the requirements of the Shareholders' Letter of Expectations.

Outlined below are reports on the key aspects of our performance year to date. These are followed by scorecards reflecting the status of our performance against key performance indicators outlined in our FY2018–20 Corporate Plan and our financial performance compared to FY2017–18 Budget.

## 2. Key Matters for Noting

### 2.1 Price and Service Plan 3 (PSP3) Update

The Tasmanian Economic Regulator (TER) has reviewed our proposed Price and Service Plan 3 (PSP3) (1 July 2018 to 30 June 2021), and released its draft report including a draft price determination on 30 November 2017 for public consultation. A summary of key findings is provided below:

- The TER intends to accept most of our proposed service standards, policies and customer contract with a few minor exceptions.
- The TER intends to accept almost all of our proposed capital expenditure in PSP3.
- The TER intends to accept the majority of our proposed operating expenditure. However, the TER intends to require reductions in the escalation rate for salaries, materials and services and chemicals, a reduction in motor vehicles expenditure and is seeking greater productivity savings than we proposed.
- By using a different methodology, the TER has calculated a price increase of 4.16% per annum which is slightly lower than the 4.6% we proposed.

We are preparing a response to the TER's draft determination as part of the consultation period. After considering the responses received during consultation, the TER will publish a final determination on 30 April 2018 with the PSP3 period commencing on 1 July 2018.

### 2.2 Feedback from the Legislative Council Submission

The recent Legislative Council review of the state Government's draft water and sewerage legislation confirmed that the case for a state government takeover was not made. However, during the Select Committee hearings and in the Parliamentary debate, a number of issues were raised that relate to how we do what we do.

In particular, in some quarters, there is a perception that in the application of a number of our policies we are inflexible and not prepared to listen. Further, that it is often difficult to find the right person in TasWater, which can make getting answers difficult, particularly for key stakeholders.

We are reviewing our key customer related policies and, in particular, the way they are implemented. We will also be seeking to ensure that where customers query our policies their issues are elevated, so where there are systemic issues these are appropriately reviewed.

To allow key stakeholders to go directly to key decision makers rather than go through the call centre we are preparing a list of contact details for specific areas of our business that will be distributed to key stakeholders.

### 2.3 Productivity Program

Year to date the Productivity Improvement Program (PIP) has achieved \$4.0M in operating expense savings against a target of \$3.3M. We are on track to exceed our end of year budgeted cost saving target of \$5.0M.

In addition, we are on track to achieve our targeted revenue enhancement of \$3.8M. The Meter Replacement and Revenue Assurance programs have achieved a \$2.5M increase in revenue against a target of \$1.9M YTD FY2017-18.

### 2.4 Removal of Public Health Warnings in Regional Towns

We have made significant progress towards our commitment to remove the Public Health Alerts<sup>1</sup> (PHAs) in the 30 Tasmanian regional towns.

Two towns<sup>2</sup> were removed in the last financial year, 11 towns<sup>3</sup> have been removed this year as committed and the remaining 17 towns<sup>4</sup> with PHAs are on track to be removed by August 2018 as committed.

### 2.5 Program to minimise sewage spills in oyster leases

We have had two instances of sewage spills into oyster leases this quarter. We are implementing further programs to reduce the instances of sewer spills into oyster leases to minimise the financial impact on oyster growers from these spills and the associated reputational damage to TasWater. The aim is to adopt a proactive approach combining the following aspects:

- **Preventative Actions**
  - Implementation of SCADA pump station monitoring and manhole level sensors to enable “early warning” of potential spills. A review is underway with a view to develop trigger points based on downstream flow changes at sewerage pump stations (SPS). This will provide quicker response times in the event of imminent spills. This work is being trialled in the Midway Point catchment, and will be rolled out to other high priority catchments in the future
  - Proactive sewer cleaning programs to prevent blockages – across the state all summer
  - Provisioning of larger pipes or storage to prevent overflows
- **Better Operations and Control**
  - Utilising the Operational Control Centre (OCC) to alert oyster growers and Tasmanian Shellfish Quality Assurance Program (TSQAP) of forecast wet weather events.
  - Increase visibility of oyster leases using GIS (Geographic Information System) in the OCC
- **Responsiveness and Communication**
  - Streamlining our response and communication strategy in the event of a spill to ensure that the relevant stakeholders are notified about the event, and our response to mitigate the impacts.

<sup>1</sup> Public Health Alerts includes Boil Water Alerts (BWA) and Do Not Consume Notices (DNC)

<sup>2</sup> Scamander and Whitemark

<sup>3</sup> Avoca, Mole Creek, Lady Barron, Ringarooma, Legerwood, Branxholm, Derby, Winnaleah, Mountain River, Pioneer and Gretna

<sup>4</sup> Cornwall, Epping Forest, Gladstone, Herrick, Judbury, Mathinna, Rossarden, Wayatinah, Conara, Bronte Park, Colebrook, Gormanston, Rocky Creek, Fentonbury, Westerway, National Park and Maydena

## 2.6 Enterprise Agreements

### Senior Enterprise Agreement

Agreement has not been reached between the bargaining representatives. However, the negotiations reached a stage where the relevant employees were asked to vote on a proposed Agreement. The ballot was conducted during November. The agreement was not approved by the majority of employees who voted. Consequently, negotiations will continue into 2018 for a new Agreement.

### General Employee Enterprise Agreements

These Agreements nominally expire on 30 June 2018. Planning is well progressed for the commencement of negotiations in early February 2018.

## 2.7 Corporate Credit Cards

The use and issuing of TasWater corporate credit cards is outlined in our Corporate Purchasing Card Policy (Policy) with details of the processes and requirements for use provided in the Corporate Purchasing Card Guideline (Guideline). Both documents are scheduled to undergo review and refresh before 30 June 2018 to ensure that corporate credit cards continue to provide administrative efficiency, whilst having appropriate checks and balances to mitigate risks in line with corporate best practice.

Credit cards are very cost effective when used correctly. For example for online purchases like training or for buying materials during installation or repair that are not available in the service vehicle and would otherwise require a return to the TasWater depot. For small purchases credit cards are more efficient as the internal costs of purchasing and accounts payable functions are avoided.

The Policy and Guideline make it clear that credit cards are to be used for official purposes in line with the employee's financial delegations and must not be used where we have an existing supplier arrangement. All personal use is prohibited.

Table 1 below illustrates the large number of vendors that our credit cards are used for and the generally small value of the transactions.

**Table 1: Credit cards by employee category – calendar year 2017**

Employee Category	Total Spend (incl GST)	No. of Transactions	No. of Vendors	Average spend per month (incl. GST)	Average transaction amount (incl. GST)
Executive	\$171,607	1,069	342	\$14,301	\$161
Department Managers	\$151,331	1,479	385	\$12,611	\$102
Managers / Team Leaders	\$209,410	1,737	431	\$17,451	\$121
Operators	\$8,108	91	61	\$676	\$89
<b>TOTALS</b>	<b>\$540,456</b>	<b>4,376</b>	<b>1,219</b>	<b>\$45,038</b>	<b>\$124</b>

The single highest expense was an IT Service Agreement of \$5,175 (GST free) paid to an overseas company. The highest category of spend was Travel at \$233,550 (incl. GST) and the highest subcategory within this area was Airfares at \$82,440 (incl. GST). The most common transaction type was for meals and refreshments for staff travelling away from their normal workplace.

### Issuing of Credit Cards

The Policy and Guideline govern and detail how and when credit cards are issued to staff members. Following consideration of whether a credit card is appropriate, approvals must then be given by the

employee's line manager and the General Manager Finance and Commercial Services. The finance team then provide training for the card holder in managing the expenses, the appropriate use of the card and reporting requirements. The card holder is required to sign a notification form to acknowledge receipt of the card and their understanding of their responsibilities.

As of 31 December 2017, TasWater had 104 credit cards in use across the business.

### **Ensuring appropriate use of credit cards**

The Guideline details the review process for credit card transactions. Credit cards have set limits based on the purchasing needs of the role and existing financial delegation under the Board Delegations Manual. Limits are set for each monthly billing period and for an individual transaction. Depending on the role, goods and services may be restricted from purchase, such as domestic and overseas travel, hospitality and entertainment.

The cardholder is required to account for their transactions monthly and submit the coded transaction statement to their line manager, or a one-up manager with appropriate financial delegation, for review and approval. The submitted paperwork is to include an ATO compliant tax invoice for each transaction.

In addition to line manager review and approval there is a monthly review of transactions by the transactional services team, and the Department Manager Finance with any unauthorised use referred to the General Manager Finance and Commercial Services. The multiple review points by multiple roles within this process help to mitigate risks of inappropriate use.

The expenditure and transactions on the credit card are subject to our ongoing and yearly external financial audit process. No irregularities have been identified to date.

## **2.8 Waratah Dam**

We have received a request for background information on the Waratah Dam given recent media, political interest and concerns about our processes. The following section sets out the history, how the issue has been managed to date and the current situation.

### **Background**

Waratah Dam is one of over 300 dams owned and operated by TasWater. The dam is located on the Waratah River and is in close proximity to the township of Waratah. It has a capacity of approximately 800ML, is six metres high and 90 metres long.

The original dam was built over 100 years ago and was used to service the local mining industry. When the storage was no longer needed for mining it was used to provide water to the township during dry periods. In 1975 a portion of the dam failed, following heavy rain, and was subsequently rebuilt. The quality of the rebuilt dam is unknown.

Cradle Mountain Water took over the dam's ownership from Waratah-Wynyard Council and in 2013 TasWater took over its ownership when the three water corporations amalgamated.

Cradle Mountain Water identified the need for considerable maintenance on the dam and this work has been carried out over the last few years. Maintenance at the dam has included improving the safety of the spillway, refurbishing the dam's outlet, managing vegetation on the dam embankment, erosion protection to the dam's upstream face, installation of survey marks, routine monitoring and surveillance and a new access bridge over the spillway and onto the dam embankment.

In addition to the dam's maintenance a number of engineering studies and assessments have also been undertaken to assess the dam's safety. This work has used a specialist dam safety consultant and our own staff.

### Community engagement

A number of on-site sessions have been held at the dam with residents and other key stakeholders. Two meetings have been held with Wynyard-Waratah Council at the council offices in Wynyard.

A community meeting attended by more than 30 people was held at Waratah on the evening of 13 December with a follow-up meeting planned for the evening of 13 February 2018.

The aim of the engagement sessions to date has been three-fold:

1. To explain the existing structural issues with the dam and the risk to public safety
2. To explain the steps that have already been taken to minimise any risk to public safety
3. To explain the options open to us in relation to the dam moving forward.

We have also fielded a number of media enquiries in relation to the dam's future.

Residents and stakeholders have raised a number of concerns in relation to the possible decommissioning of the dam broadly relating to environmental impacts and loss of a tourism asset.

The 13 February meeting will be used to update residents on a recent Expression of Interest process (to determine if we can divest the dam) and to outline TasWater's plans for the dam moving forward should the divestment process prove unsuccessful.

### Dam failure risk and the role of the Regulator

The dam safety team has an ongoing program of assessing risk within its portfolio. At Waratah Dam a risk assessment was commissioned and carried out in 2013 by industry respected dam safety consultants, Entura, and this assessment found the risk to be in excess of the tolerable limit.

Entura is the consulting arm of Hydro Tasmania and has experience working on many dams within Tasmania and internationally.

Due to the dam's high risk a subsequent assessment was commissioned and in 2016 Entura undertook a further study with the aims of reviewing the 2013 assessment and to investigate risk reduction measures. This investigation found that the risk had increased when using the latest up-to-date information.

In addition to the risk assessment findings, the June 2016 flooding validated the risk assessment's revised lower spillway capacity when the dam was nearly overtopped.

In mid-2016 deterioration in the dam's embankment was observed. In accordance with the *Water Management Act 1999*, TasWater notified the Dam Safety Regulator that the dam was unsafe and took steps to make the dam safe by lowering the full supply level. Consent from the Dam Regulator is required before TasWater can undertake any further work on the dam. To date the Dam Safety Regulator has agreed to TasWater's approach of first looking to divest the asset and if this is not successful then to breach the dam (to remove the risk) and then to fully decommission.

### Current situation

TasWater's primary aim is to protect the community. In August 2016 evidence of piping within the embankment was discovered and steps were taken to make the dam safe by lowering the full supply level. Once the reservoir was lowered the pipe was no longer exposed and the amount of leakage from the dam reduced. Even though this pipe was isolated it does not mean that piping is not occurring elsewhere in the embankment.

Hydrological studies have demonstrated that the amount of natural flow in the river is sufficient for water supply to Waratah. However, for TasWater to keep the reservoir it will require significant funding for upgrade and ongoing maintenance and upkeep. This expenditure cannot be easily justified as the infrastructure is not required for drinking water purposes. Therefore the Tasmanian



Economic Regulator is highly unlikely to allow expenditure for upgrades and ongoing maintenance to be recovered from the customer base. Preliminary estimates to upgrade the dam to modern standards are in the order of \$3 million and ongoing costs have been estimated to be in the order of \$50,000 to \$100,000 per annum.

In December 2017, TasWater sought expressions of interest for a capable party to take over the dam. Should this process not be successful then TasWater intends to make the dam safe for the upcoming winter period, by breaching the reservoir and then fully decommissioning in the following summer(s).

At this point TasWater is in the preliminary stages of determining how much decommissioning of the dam would cost – but initial estimates are in the order of \$1 million. As part of the breaching process TasWater will initially undertake an environmental study to highlight what matters will need to be addressed prior to the dam being breached. To fully decommission the dam a comprehensive environmental study will be undertaken and included in TasWater's application to DPIPWE. No environmental studies were undertaken before water levels in the dam were lowered because the risk to the community was considered significant and imminent.

### 3. Performance update

#### 3.1 Commercial and economic outcomes

At 31 December 2017 we recorded a year to date Net Profit after Tax of \$18.9M, being \$2.7M (16.7 per cent) above budget. The reported result was driven by a favourable revenue variance of \$5.7M (3.6 per cent), which was partially offset by an unfavourable operating expenditure variance of \$1.7M (1.9 per cent).

Revenue was higher than budget primarily due to increased recognition of assets from developments and adjustments to the installation details of a number of larger commercial/industrial customers increasing fixed revenue.

Expenditure was higher than budget primarily due to higher power and external services expenditure, coupled with a lower than budgeted level of salary capitalisation. Salary capitalisation has been adversely affected mostly by minor capital works now being outsourced. This is not expected to affect our ability to meet our \$5M sustainable cost savings target with a range of initiatives being implemented to obtain the required savings.

Capital expenditure for the quarter ending 31 December 2017 was \$56.5M, being \$5.5M (8.8 per cent) below our profiled \$135.3M budget. We expect to meet the targeted capital spend for FY2017-18, with \$103.9M of committals in place as at 31 December 2017.

Debtor levels against turnover are at 4.7 per cent. The key initiatives in place to reduce this percentage under the Retail Value Creation Program (RVCP) debt recovery review are:

- New credit cycles being implemented in our billing system
- New payment arrangement options being considered as part of the review of our hardship program
- New finalised debt processes.

Table 2: Commercial and economic performance to date

Strategy	KRA	KPI	FY2017-18		
			YTD Result <sup>1</sup>	Target	
1	Ensure we have the necessary funding sources to deliver our desired long term outcomes	Financial performance	Net Profit After Tax (\$ Million)	18.9	34.7
			Capital Expenditure (\$ Million)	56.5	135.3
			Interest cover ratio (times)	3.35	3.5
			Gearing ratio	30.5%	34.4%
			Net Cash from Operating Activities (\$ Million)	34.0	98.6
2	Improve business productivity and reduce costs to achieve our financial plans	Productivity improvement	Sustainable cost savings (\$ Million) <sup>3</sup>	4.0	7.8
			Increase income from revenue leakage initiatives (\$ Million) <sup>4</sup>	2.5	3.8
			% of Growth & Capacity Plans completed <sup>2</sup>	10%	30%
			Total overdue debtors as a percentage of the revenue at the end of the financial year <sup>2</sup>	4.7%	4.0%
3	Operate the business in a manner that is consistent with our risk appetite	Compliance	Percentage of customers on target tariff – Water 20mm	98.1%	98.0%
			Percentage of customers on target tariff for Sewage (1ET)	98.0%	98.0%
			Non-compliances rated serious	0	0

## KPI Footnotes

<sup>1</sup> KPI actual figure rounded to nearest whole number where target has no decimal places

<sup>2</sup> New KPI included for FY2017-18 in line with priorities for FY2017-18

<sup>3</sup> Budget for Productivity Savings in FY2017-18 is \$5 Million; subsequent to the budget being finalised the Board and management have agreed to increase the target to \$7.8 Million

<sup>4</sup> Target includes benefits from the Meter Replacement Program

## Colour Key:

**GREEN** = on or better than target

**AMBER** = within 10% of target

**RED** = greater than 10% outside target

Table 3: Financial statements – Balance Sheet

Balance Sheet	Closing Position at 31 Dec 17	Opening Position at 1 July 17	Year to Date Movement	FY2018 Corporate Plan
	\$ '000	\$ '000	\$ '000	\$ '000
<b>ASSETS</b>				
Cash & Cash Equivalents	5,958	2,852	3,106	2,500
Trade Receivables	50,312	48,755	1,557	48,358
Inventories	5,958	5,695	263	5,984
Property, Plant & Equipment & Intangibles	2,085,318	2,052,575	32,743	2,113,285
Tax Assets	43,623	39,703	3,920	57,583
Other	6,664	3,860	2,804	2,012
<b>TOTAL ASSETS</b>	<b>2,197,833</b>	<b>2,153,440</b>	<b>44,393</b>	<b>2,229,721</b>
<b>LIABILITIES</b>				
Borrowings	(498,394)	(474,902)	(23,492)	(534,569)
Employee Benefits	(26,954)	(31,814)	4,860	(26,044)
Payables	(27,249)	(22,919)	(4,330)	(24,657)
Unearned Income	(32,135)	(32,891)	756	(34,152)
Tax Liability	-	(737)	737	(886)
Other	(992)	(5,134)	4,142	(5,642)
<b>TOTAL LIABILITIES</b>	<b>(585,724)</b>	<b>(568,397)</b>	<b>(17,327)</b>	<b>(625,949)</b>
<b>NET ASSETS</b>	<b>1,612,109</b>	<b>1,585,043</b>	<b>27,066</b>	<b>1,603,772</b>
<b>MEMBERS FUNDS</b>				
Retained Profits	49,847	22,781	27,066	41,510
Revaluation Reserve	34,448	34,448	-	34,448
Contributed Equity	1,527,814	1,527,814	-	1,527,814
<b>TOTAL MEMBERS FUNDS</b>	<b>1,612,109</b>	<b>1,585,043</b>	<b>27,066</b>	<b>1,603,772</b>

Table 4: Financial statements – Income Statement

Income Statement	Year to Date Actual	Year to Date Budget	Year to Date Variance	FY2018 Corporate Plan
	\$ '000	\$ '000	\$ '000	\$ '000
Revenue				
Fixed Charges	117,279	115,557	1,722	231,100
Volumetric Charges	31,419	30,586	833	64,864
Services & consulting revenue	2,087	2,668	(580)	5,441
Contributed Assets	10,309	7,000	3,309	14,000
Other Revenue	2,571	2,134	437	4,298
<b>Total Revenue</b>	<b>163,666</b>	<b>157,945</b>	<b>5,721</b>	<b>319,703</b>
Expenses				
Chemicals, Power & Royalties	(11,166)	(10,294)	(872)	(22,154)
Materials & Services	(15,729)	(16,366)	637	(32,646)
Salaries & Related Personnel Expenditure	(46,020)	(44,979)	(1,042)	(93,078)
Administration Costs	(17,798)	(17,401)	(396)	(35,847)
<b>Total Expenses</b>	<b>(90,713)</b>	<b>(89,040)</b>	<b>(1,673)</b>	<b>(178,725)</b>
Earnings before Interest & Depreciation	72,953	68,905	4,047	140,978
Depreciation	(36,154)	(35,763)	(391)	(71,526)
Interest expense	(8,349)	(8,535)	186	(17,058)
Loan guarantee fee (LGF)	(1,383)	(1,407)	24	(2,787)
<b>Net Operating Profit before Tax</b>	<b>27,066</b>	<b>23,200</b>	<b>3,866</b>	<b>49,607</b>
Tax	(8,120)	(6,960)	(1,160)	(14,882)
<b>Net Profit after Tax</b>	<b>18,946</b>	<b>16,240</b>	<b>2,706</b>	<b>34,725</b>

Table 5: Financial statements – Cash Flow Statement

Cash Flow Statement	Year to Date Actual	Year to Date Budget	Year to Date Variance	FY 2018 Corporate Plan
	\$ '000	\$ '000	\$ '000	\$ '000
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers	151,070	148,539	2,531	307,801
Payments to Suppliers & Employees	(113,320)	(100,871)	(12,449)	(200,450)
GST Refund	10,029	10,971	(942)	21,726
Interest Paid	(7,822)	(7,095)	(727)	(17,326)
Loan Guarantee Fees Paid	(1,271)	(2,665)	1,394	(2,665)
Income Tax Equivalents Paid	(4,658)	(5,247)	589	(10,493)
<b>Net Cash from Operating Activities</b>	<b>34,027</b>	<b>43,632</b>	<b>(9,605)</b>	<b>98,591</b>
<b>Cash Flows from Investing Activities</b>				
Payments for Property, Plant & Equipment	(55,813)	(61,900)	6,087	(135,324)
Government Grants	-	-	-	200
<b>Net Cash Flows from Investing Activities</b>	<b>(55,813)</b>	<b>(61,900)</b>	<b>6,087</b>	<b>(135,124)</b>
<b>Cash Flows from Financing Activities</b>				
Net Proceeds from Borrowings	24,892	18,268	6,625	53,375
Dividends Paid	-	-	-	(16,842)
<b>Net Cash Flows from Financing Activities</b>	<b>24,892</b>	<b>18,268</b>	<b>6,625</b>	<b>36,533</b>
<b>Net Movement in Cash for the Year</b>				
Net (Decrease) Increase in Cash Held	3,107	-	3,107	-
Opening Cash Balance	2,852	2,500	352	2,500
<b>Closing Cash Balance</b>	<b>5,958</b>	<b>2,500</b>	<b>3,458</b>	<b>2,500</b>

### 3.2 Customer and community outcomes

Performance in this quarter has been largely positive with the majority of our targets achieved.

However, the number of customer complaints (per 1,000 properties) is unfavourable to target. Water quality complaints continue to represent the largest category of complaints at 45% of complaints received this year. Discoloured water and taste and odour are the largest sub-categories of complaints.

An Aesthetic Water Quality Taskforce was established in July 2017 with a view to proactively reduce the number of complaints.

The main actions as an outcome from this taskforce are:

- Retrofitting of carbon dosing units and establishing trigger levels for carbon dosing
- Implementation of flushing programs for locations with high complaints such as Burnie, Coles Bay etc
- Targeting dead end pipes for locations with complaints.

We have had two instances of sewage spills into oyster leases this quarter:

- On 3 and 4 December 2017 a heavy rain event resulted in the discharge of untreated or partially treated sewage from Bilney St (Richmond) SPS, the Cambridge Sewage Treatment Plant (STP) and the Cambridge Park SPS. This caused the closure of oyster leases in Pittwater Lagoon
- On 8 December 2017 a blocked sewer manhole at Midway Point caused an overflow of raw sewage into the stormwater system that discharges to Pittwater Lagoon. The oyster lease closure that occurred on 3 December was extended by four days.

We are implementing a program aimed at minimising the instances of sewer spills into oyster leases, as detailed in section 2.5 of this report.

**Table 5: Customer and community performance to date**

Strategy	KRA	KPI	FY2017-18	
			YTD Result <sup>1</sup>	Target
Invest in programs that enhance customer experiences	Customer experience	Customer satisfaction	94.3%	80%
		First point resolution	98.7%	90%
		Customer effort score	1.5	<1.5
		Calls answered in the first 30 seconds	90%	85%
		Complaints (per 1,000 properties)	6.5	<9
Minimise service interruptions and impacts from sewage spills and water interruptions	Service standards	Time taken to attend Priority 1 water bursts and leaks (minutes) <sup>2</sup>	34	60
		Time to attend sewage breaks, chokes and spills (minutes) <sup>2</sup>	55	60
		Sewer breaks and chokes (per 100km of main)	53	93
		Oyster farm shutdowns caused by sewage spills <sup>3</sup>	2	0
		Reportable dry weather sewage spills per annum	33	80

#### KPI Footnotes

<sup>1</sup> KPI actual figure rounded to nearest whole number where target has no decimal places

<sup>2</sup> To be achieved at least 90% of time per Customer Service Code

<sup>3</sup> For rainfall events of less than 1 in 5 recurrence interval

#### Colour Key:

**GREEN** = on or better than target

**RED** = greater than 10% outside target

### 3.3 Water and environmental outcomes

We have experienced a drop in compliance and quality of drinking water this quarter mainly due to three *E.coli* detections. Two of these led to temporary boil water alerts (BWA) being issued by the Department of Health and Human Services (DHHS):

- Risdon Vale – a sample taken on 31 October contained 51 MPN<sup>5</sup>/100 mL of *E. coli*.<sup>6</sup> Due to the high number of *E. coli*, DHHS issued a temporary BWA. Our staff undertook intensive door knocking and letter drops to notify impacted customers on the same day. DHHS approved the removal of the BWA on 3 November after resamples collected were free from *E.coli*. A ‘catchment to tap’ investigation was undertaken by the Water System Optimisation team, however the source of the contamination was not identified. As the area was being fed by Risdon Brook dam (only used during the warmer months) we took the extra precautions of an increased monitoring program and other additional procedures, prior to the BWA being removed. A detailed investigation is now underway.
- Mole Creek - a sample taken on 28 December contained 48.3 MPN/100mL of *E. coli*. Due to the high number of *E. coli* the DHHS placed a BWA. Resamples collected on 30 and 31 December were free of *E. coli* and therefore DHHS approved the removal of the BWA on 1 January. The Mole Creek Water Treatment Plant (WTP) was operating well during this time with chlorine residuals maintained well throughout the system. An investigation is underway to determine the cause of the *E. coli* detection.

In addition to the BWAs there was *E.coli* detected from routine sampling of the Adventure Bay water supply on 8 December 2017. The supply was immediately isolated and bottled water was provided to the Adventure Bay shop and provisions made to allow water carting from Electrona. As the *E.coli* detection coincided with a project to implement chlorine disinfection at the site, the supply was only returned to service once chlorine dosing was in place. Both resamples were clear and the supply was reinstated on the 22 December.

The year to date microbiological compliance has dropped below the target of 98%. However, we remain on track to meet our end of the year target, provided there are no further *E. coli* detections in the Adventure Bay or Mole Creek systems.

There are 10 dams that currently plot above the ANCOLD LOT.<sup>7</sup> The Flagstaff Gully dam reservoir level was lowered in this quarter to reduce the risk. A major project is underway at Conglomerate Creek Dam, expected to be completed in March 2018, which will reduce the figure to nine in line with our target.

The volume of compliant effluent is unfavourable to target. We have identified further improvement actions for aspects of system that adversely impact effluent compliance through our process assessments of sewerage systems. The Sewerage System Optimisation program has focused on completing improvement actions with the aim to lift volumetric effluent compliance. Operational control points have been implemented for 10 sewerage systems, including six of the Big 13 systems.

<sup>5</sup> Most probable number (MPN) of total coliforms

<sup>6</sup> Threshold is 0 MPN/100 ml *E. coli*

<sup>7</sup> Australian National Committee On Large Dams Limits Of Tolerability



Table 6: Water and environmental performance to date

Strategy	KRA	KPI	FY2017-18	
			YTD Result <sup>1</sup>	Target
1 Invest in robust drinking water systems to ensure water is safe for consumption	Drinking water quality	Water Quality Complaints <sup>2</sup>	629	1,000
		Number of <i>E. coli</i> detections	4	20
		Short term Boil Water Alerts put in place by DHHS	2	0
		Towns on long term Boil Water Alerts or Do Not Consume Notices	17	17
		Percentage of compliant fluoride systems	94.1%	98%
		Percentage of microbiological compliant potable systems	95%	98%
	Water Supply Reliability	Number of dams that plot above the ANCOLD LOT <sup>5</sup> for societal risk	10	9
2 Lift sewerage system performance to align with modern day environmental standards	Environmental compliance and impact	Trade Waste Commercial Customers – Compliance Improvement <sup>2</sup>	166	410
		Volume of compliant effluent <sup>3</sup>	48%	56%
		Number of environmental non-compliances rated serious <sup>4</sup>	2	0

## KPI Footnotes

<sup>1</sup> KPI actual figure rounded to nearest whole number where target has no decimal places

<sup>2</sup> New KPI included for FY2017-18 in line with priorities for FY2017-18

<sup>3</sup> The total volume of effluent for each system is only classed as compliant if all compliance parameters are within the set EPN limits. This differs from State of Industry reporting where pro-rata volumes are used to calculate compliance statistics, giving a more favourable outcome than that reported by TasWater

<sup>4</sup> Measures a threat of a fine from EPA or receiving a fine from the EPA

## Colour Key:

**GREEN** = on or better than target

**AMBER** = within 10% of target

**RED** = greater than 10% outside target

### 3.4 Our people and culture

There have been two Lost Time Injuries (LTIs) in Q2 of FY2017-18, resulting in a small increase in LTIFR to 5.9 from 5.2 at the end of Q1. The Total Recordable Injury Frequency Rate (TRIFR) is above our end of year target of 11.0 largely due to a reduction in total people hours worked over the last quarter. We forecast that that we will meet our end of the year LTIFR and TRIFR targets.

#### Innovation

The key innovations during the quarter are:

- Performance, Operating and Reporting system (PORS) – a prototype of PORS was implemented. This is a four component system that utilises a mobile app and dashboard to aid in managing performance and reporting of our drinking water and wastewater systems
- Water Research Australia Health Based Targets (HBT) manual – the aim is to develop a “how to guide” for the Source Vulnerability Assessment component of the HBT assessment.

Some of the other innovations that have been adopted, or are in train, include:

- Chlor Clam - an infield chlorine monitoring system that gathers information and data from the drinking water network on key quality performance indicators such as chlorine and turbidity
- Participation in benthic cyanobacteria research project - focusing on toxic and aesthetic impacts on drinking water supplies across Australia and Singapore. The project is largely funded and coordinated by Water Research Australia. Findings will help identify and understand benthic blooms that are active in our catchments, and inform our monitoring program
- Smart SPSs to detect gravity pipe overflows - exploration and investigation into smarter ways to detect overflows in the sewer network
- ATP (Adenosine triphosphate) incident management tool - an infield tool to enable quicker identification of potential contamination source in drinking water incidents. This tool has been applied to several incidents already with much success.

**Table 7: People and culture performance to date**

Strategy	KRA	KPI	FY2017-18	
			YTD Result <sup>1</sup>	Target
1 Invest in programs that create a safe working environment	Safety performance	Lost time injury frequency rate (LTIFR)	5.9	3
		Total recordable injury frequency rate (TRIFR)	14.3	11
		Notifiable safety incidents	1	3
2 Invest in leadership development, skills training programs and innovation	Organisation capability	Innovations under trial or implemented	3	5
		Number of leaders completing LSI <sup>2</sup>	35	35
3 Ensure we have the necessary resources to deliver our desired long term outcomes whilst remaining lean and cost effective	Workforce Planning	Number of FTE <sup>2</sup>	850	835

#### KPI Footnotes

<sup>1</sup> KPI actual figure rounded to nearest whole number where target has no decimal places

<sup>2</sup> New KPI included for FY2017-18 in line with priorities for FY2017-18

#### Colour Key:

**GREEN** = on or better than target

#### 4. Capital expenditure projects and programs

To ensure that we meet our FY2017/18 budget (\$135.3M) requirements and deliver the benefits assigned to our capital projects and programs, our capitalised expenditure at 21 December 2017 was \$56.5M and our commitments are \$103.9M to be achieved this financial year. Major Projects that are forecast to be substantially complete this year include:

- Regional Towns Water Supply Upgrade
- Kingborough Sewerage Strategy
- Ti Tree Bend STP Biosolids De-watering Facility & Digester and
- King Island Water Treatment.

Table 9 below combines the Kingborough Treatment, Kingborough Network and Kingston SPS E Rising Main projects to form one project - the Kingborough Sewerage Strategy.

**Table 8: Status updates Top 25 priority capital projects**

Sr. No.	Project Title	Current Project Stage	Completion Date	Project Budget ('000)	Project Status Comments
1	Longford STP Upgrade - Northern Midlands Sewerage Improvement Plan (NSMIP)	Design	Dec-20	\$25,100	First Stage Longford STP Upgrade Tender documentation being prepared - on schedule for completion in December 2020.
2	Kingborough Sewerage Strategy	Construction	Aug 18	\$51,625	Construction underway at Blackmans Bay STP and the three network pipelines. Completion date now includes a two year operations, maintenance and training period. No proposed change to dates for completion at this stage since any delays are not yet effecting the final Practical Completion date. There was a delay gaining access to Peter Murrell Reserve however approval has now been granted.
3	Regional Towns Water Supply Upgrade	Construction	Aug-18	\$40,798	Program is on track to removal of boiled water notices by August 2018. Completion dates for WTPs within the project are when the public health alert (PHA) is scheduled to be removed.
4	King Island Treated Water	Construction	Aug-18 Nov-18	\$17,635	Budget increased in Q2 due to higher than anticipated tenders from contractors and delivery date moved from August to November 2018 to accommodate a value engineering exercise.
5	System Optimisation - Water	Construction	Jun-19	\$10,000	Capital works to support the Water Systems Optimisation have been scoped and handed over for prioritisation, planning and delivery. These include: - Upgrading of Critical Control Point equipment at 51 WTPs - Installation of UV disinfection at 10 high priority sites - Needs statements for 12 water supply schemes with proposed capital works initiatives
6	System Optimisation - Sewerage	Construction	Jun-19	\$10,000	Key capital projects identified to date are being handed over for planning and implementation. These include an increase in secondary clarifier capacity at Ulverstone, installation of UV disinfection at Ulverstone and Prospect Vale, and implementation of partial reuse at Smithton. Minor capital works are being undertaken where possible to improve STP operation, and include projects such as instrumentation and control system improvements.
7	Ti Tree Bend STP Biosolids De-watering Facility & Digester	Construction	Dec-18	\$12,374	Early works have been completed and the design is progressing. Capital expenditure is on track.
8	Margate Water Main Upgrade	Construction	May-18	\$8,224	Stage 1 Commissioning progressing to be completed at end of Quarter 2. Stage 2 is under redesign due to land access issues in conjunction with the Kingborough Sewerage Strategy.

Sr. No.	Project Title	Current Project Stage	Completion Date	Project Budget ('000)	Project Status Comments
9	Gretna/Bushy Park/Glenora Water Supply Upgrade	Construction	Mar-18	\$5,260	Gretna BWA has been lifted. Pipeline practical completion date is anticipated by early Jan 2018. Uxbridge Road WTP is progressing with issued for construction (IFC) drawings. Anticipated Practical Completion date is 21 March 2018.
10	Conglomerate Creek Dam	Construction	Mar-18	\$5,676	Rockfill berm replacement work underway
11	Cambridge STP Wet Weather Overflow	Design	Sep-18	\$4,570	A preliminary process review determined the approved option will result in a negative step change in biological plant performance. This will result in an inability to obtain the required EPA approval to construct the project. Business case handed to internal Business Review Group for direction.
12	Longford to MacKinnons Hill Reservoir Rising Main	Construction	Aug-17 Oct-17 Nov-17 Jan-18	\$4,057	Pipe section four to be completed by end of December 2017. Significant rock encountered in trench excavations is slowing progress.
13	Huonville Main Road SPS Replacement	Construction	Mar-18	<del>\$2,928</del> \$5,367	Scope increased to incorporate rising main and access road. Excavation works have commenced for the pump station site and all environmental controls are in place. SPS pipework has been installed and shafts backfilled, hydrostatic testing is complete, valve pit and SPS lids have been installed and electrical switchboard is complete and awaiting installation.
14	Lake Mikany Dam Replacement	Design	Jun-20	\$7,320	Design works are underway.
15	Girdlestone Reservoir Rectification	Construction	Dec-17 Jan-18	\$2,584	Delay due to the requirement to obtain a planning permit. Expected start to construction in January 2018.
16	Prince of Wales Digester Roof Replacement	Design	Jun-19 Apr-19	\$3,500	Specification works in progress to advance to tender stage.
17	Wynyard STP – Electrical & Control System Renewal Upgrade	Construction	Oct-17 Mar-18	\$1,800	Contract awarded and issued.
18	Swansea Meredith Dam Rectification and Improvement (Stage 1 & Stage 2)	Design	Sep-18	\$4,200	Options assessment underway. Construction on track for June 2018 completion. Geotechnical drilling underway, geophysical investigations complete. Concept design underway and ECI tender to be awarded.
19	St Helens STP Inlet Works & Esplanade SPS	Construction	Nov-17 Aug-18	<del>\$1,668</del> \$2,099	Phase 2 work on the pumping station is scheduled for completion in August 2018. The delay is intended to minimise any potential impact on the tourist season. New Esplanade rising main is now connected through to STP.
20	Davis St Smithton SPS Upgrade	Design	May-18	\$1,701	Revised Business Case approved for relocation of SPS to Foffey Street. Approach to design service procurement discussions underway.
21	Burnie Cam Pipeline Construction	Tender	Mar-18 May-18	\$2,837	Tender assessment complete and issued for endorsement 15 December 2017.
22	Flinders Island Water Supply	Construction	Jan-17 Jul-17	\$10,979	
23	Fonterra - STP By Pass Line (Wynyard)	Tender	Nov-17 Jun-18	\$2,300	Civil & Mechanical tender assessment report has been completed and is being reviewed by management. Construction to start January/February 2018. Electrical RFT scheduled to be released on 8 January 2018.

Sr. No.	Project Title	Current Project Stage	Completion Date	Project Budget ('000)	Project Status Comments
24	Pet Dam Safety Upgrade	Design	Jun-19	\$7,710	Awaiting Dam Safety team's finalisation of preliminary works to inform the project scope.
25	Port Sorell Reservoir	Tender	Jul-18	\$6,000	Project is staged. First stage is the pipeline upgrade. Scheduled for tender in January 2018.

**Note** – Projects that are yet to receive Business Case approval via the gating process are not included in the table above.

Key

**BLUE** = Project completed

**GREEN** = Program Scope expected to be delivered within budget

**AMBER** = Program Scope at risk of not being delivered or exceeding budget allowance

**RED** = Program Scope will not be delivered or cost will move above budget

**Table 9: FY2017-18 Top 10 capital programs**

Title	Program Budget ('000) FY2017-18	Program Status	Comments
Statewide Meter Budget	\$7,140	In Progress	On track
Minor Projects Program	\$5,440	In Progress	On track
Non-network Other	\$4,100	In Progress	On track
Statewide Water Main Renewals Program	\$3,770	In Progress	Majority of projects in design phase. Procurement scheduled for November with delivery to commence in January 2018.
Statewide Sewer Main Renewals Program	\$3,400	In Progress	Program on target – still some scope to be developed.
Statewide Electrical Program	\$3,330	In Progress	On track
Statewide SCADA Program	\$2,800	In Progress	On track
Dam Safety Program of Works – Compliance Reports	\$2,260	In Progress	On track
Non-network IT	\$2,000	In Progress	On track
Statewide STP Renewal Program	\$1,890	In Progress	On track

Note – Projects that are yet to receive Business Case approval via the gating process are not included in the table above.

**Key**

**BLUE** = Project completed

**GREEN** = Program Scope expected to be delivered within budget

**AMBER** = Program Scope at risk of not being delivered or exceeding budget allowance

**RED** = Program Scope will not be delivered or cost will move above budget





## 24glasses - Regional Towns Water Supply Program

### Epping Forest update - February 2018

Name  
Address  
Suburb State Postcode

## Project background

TasWater is fast-tracking the removal of Public Health Alerts (Boil Water Alerts and Do Not Consume notices) currently impacting a selection of regional Tasmanian towns. We have committed to achieve this by the end of August 2018.

### What are we doing at Epping Forest?

TasWater is constructing a pipeline to connect the community of Epping Forest to the Conara water supply system. This includes the construction of gravity pipeline along the Midlands Hwy between the two communities, and a reservoir and pump station within Epping Forest.

All construction activities are scheduled for completion by mid-March.

#### Pipeline Construction

Pipeline installation is progressing well and is near 50% complete with the pipe installed within the Midland Highway reserve.

#### Reservoir and pump station works

Infrastructure installation in Epping Forest is progressing well, with foundation and site preparation works now complete ready for the construction of the concrete reservoir and pump station building.

#### Reticulation Upgrades

Reticulation upgrades are planned for Barton Road, Midlands Highway, and parts of Belle Vue Road.

#### Work hours

Work will be during normal construction hours:  
Mon to Fri: 7.00am – 6.00pm  
Sat: 8.00am – 6.00pm. Sun: 10.00am – 6.00pm

### How will works affect you?

#### Noise and dust

Dust and noise are likely to occur at some locations with excavation, backfill and increased traffic movement.

Every effort will be made to reduce noise and dust impacts during these works.

#### Traffic and pedestrian impacts

There may be some minor disruptions to traffic along the Midlands Highway as construction progresses. We are working with the Northern Midlands Council and Department of State Growth to ensure that the impact on road users is minimised. Our contractors will work to avoid impacting road users during peak hours.

Please follow the direction of traffic controllers and signage to ensure our crews are able to operate in a safe working environment while we complete this project.

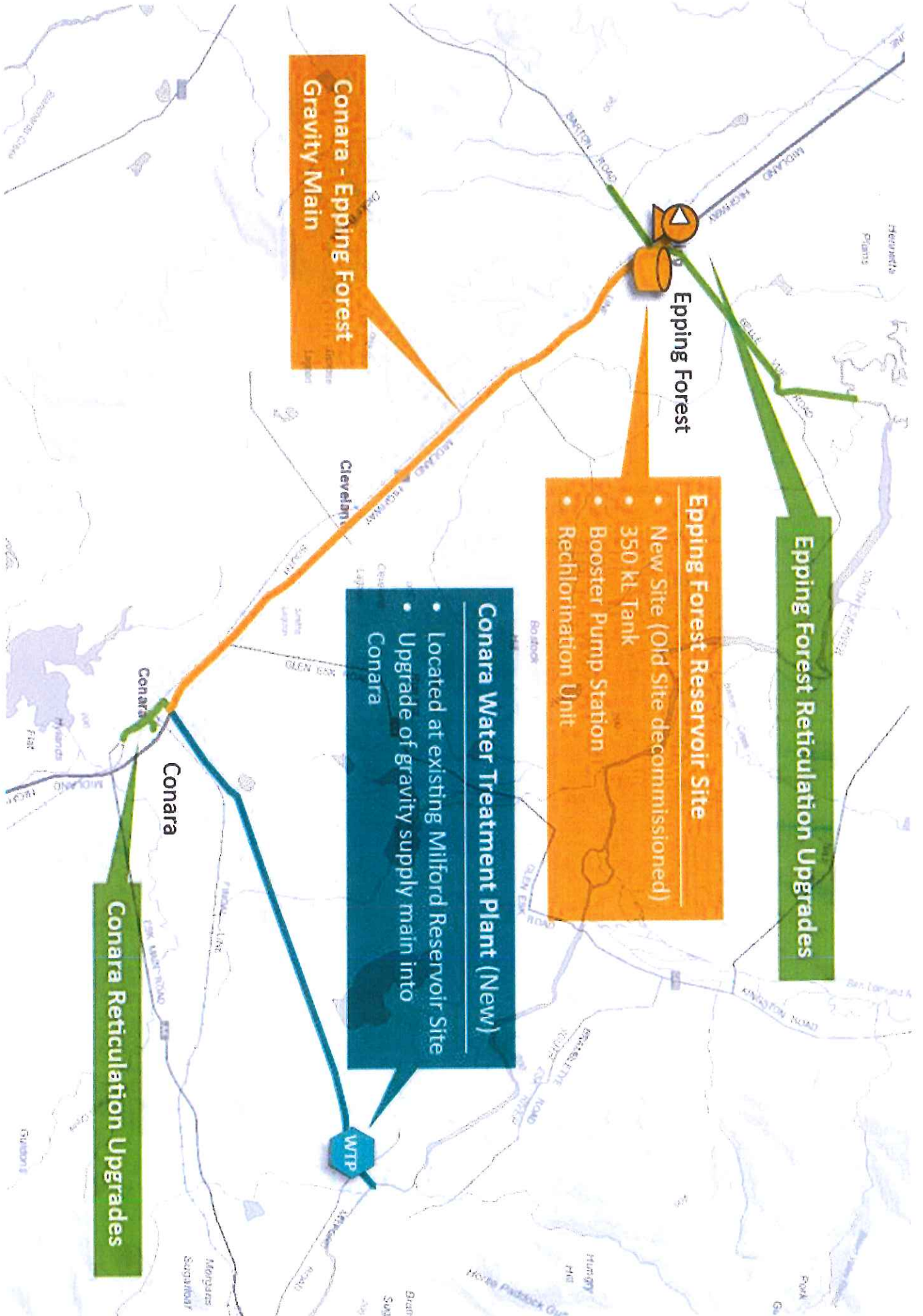
#### Contact information

The Epping Forest water supply upgrades are part of TasWater's 24glasses program. For status and updates on the program visit [24glasses.com.au](http://24glasses.com.au)

For general TasWater enquiries, phone 13 6992.

For more information about the 15 towns in the Regional Towns Water Supply Program, please contact John J. Murray in TasWater's community engagement team on 13 6992 or email [john.j.murray@taswater.com.au](mailto:john.j.murray@taswater.com.au)





**Name**

Address

Suburb State Postcode

## Project background

TasWater is fast-tracking the removal of Public Health Alerts (Boil Water Alerts and Do Not Consume notices) currently impacting a selection of regional Tasmanian towns. We have committed to achieve this by the end of August 2018.

### What are we doing at Conara?

TasWater is constructing a new water treatment plant at the Milford reservoir site near the existing pump station. This will supply the Conara reticulation system.

Upgrades are also planned for the water supply system in Conara.

### Water Treatment Plant works

Construction of the new water treatment plant (WTP) will begin in February. From mid-February, site preparation, earthworks and clearing/removing of vegetation will be occurring prior to the preparation of the platform for the WTP.

### Water supply system upgrades

Construction of a gravity pipeline along the Midland Highway has commenced. This will connect Epping Forest to the Conara water supply system. As part of this upgrade, a large concrete tank, booster pumps and re-chlorination system are under construction at Epping Forest.

There is some minor construction work planned for Conara in late February/early March.

### Work hours

Work will be during normal construction hours:  
Mon to Fri: 7.00am – 6.00pm  
Sat: 8.00am – 6.00pm. Sun: 10.00am – 6.00pm

### How will works affect you?

#### Noise and dust

Dust and noise are likely to occur at some locations with increased construction traffic movement. We will try to minimise noise and dust during these works.

#### Traffic and pedestrian impacts

There will be increased construction vehicle activity on the Esk Main Road and Milford Road during February while the WTP site is being constructed. Please take care as there may be heavy vehicles slowing and turning off and on to the Midland Highway at Milford Road during February and March.

Notifications of traffic impacts and increased vehicle activity will be sent to Conara residents via mail prior to construction.

#### Contact information

The Conara water supply upgrades are part of TasWater's 24glasses program. For status and updates on the program visit [24glasses.com.au](http://24glasses.com.au)

For general TasWater enquiries, phone 13 6992.

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Name

Address

Suburb State Postcode

## Project background

TasWater is fast-tracking the removal of Public Health Alerts (Boil Water Alerts and Do Not Consume notices) currently impacting a selection of regional Tasmanian towns. We have committed to achieve this by the end of August 2018.

### What are we doing at Rossarden?

TasWater is planning to construct a new water treatment plant (WTP) at the existing pump station site and a new reservoir that will supply the Rossarden reticulation system.

A new pipeline will be constructed to replace the existing water race from Aberfoyle Creek.

### Water Treatment Plant works

The new WTP is being constructed in Launceston. Site preparation, clearing/removal of vegetation, earthworks, and construction of the new Aberfoyle pipeline are all starting in February. The new water treatment plant will then be brought to site.

### Reticulation works

A new reticulation network has been installed at Rossarden, with some minor drilling work to install remaining property connections. Some testing is required prior to the network being brought online once the WTP is producing water.

### Work hours

Work will be during normal construction hours:

Mon to Fri: 7.00am – 6.00pm

Sat: 8.00am – 6.00pm. Sun: 10.00am – 6.00pm

### How will works affect you?

#### Noise and dust

Dust and noise are likely to occur at some locations with increased construction traffic movement. We will try to minimise noise and dust during these works.

#### Traffic and pedestrian impacts

During February there will be construction traffic such as heavy rigid trucks carrying excavation equipment on Rossarden Road between Craggy Peaks and Rossarden and on Story's Creek Road between Avoca and Rossarden.

There will be increased construction activity in the area of the WTP site during February.

Please take care on narrow roads and obey all traffic directions and signage as construction progresses.

### Contact information

The Rossarden water supply upgrades are part of TasWater's 24glasses program. For status and updates on the program visit [24glasses.com.au](http://24glasses.com.au)

For general TasWater enquiries, phone 13 6992.

For more information about the 15 towns in the Regional Towns Water Supply Program, please contact John J. Murray in TasWater's community engagement team on 13 6992 or email

[john.j.murray@taswater.com.au](mailto:john.j.murray@taswater.com.au)