Deloitte.

Essential Services Commission

Desalination capitalisation scenarios

11 April 2013

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Mr Matthew Donoghue
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Essential Services Commission
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11 April 2013

Dear Matthew

Melbourne Water desalination payments capitalisation assessment

Please find attached our report on the Melbourne Water's ability to absorb capitalisation of its desalination payments.

Yours sincerely

Paul Liggins
Partner
Deloitte Touche Tohmatsu

Contents

Glossary

DSE	Department of Sustainability and Environment
ESC	Essential Services Commission
EBITDA	Earnings before interest, tax, depreciation and amortisation
FFO	Funds from operations
PWC	PricewaterhouseCoopers
RAV	Regulated Asset Value
TCV	Treasury Corporation of Victoria
VDP	Victorian Desalination Plant
VWI	Victoria Water Industry – Performance reporting framework
WP3 / WP4	Water Plan period 3 or 4

Executive Summary

- The ESC has engaged Deloitte to review Melbourne Water's capacity to re-profile the regulatory treatment of the desalination payments, potentially through capitalising a portion of the payments for regulatory purposes.
- Regardless of how the VDP payments are dealt with from a regulatory perspective, the fact that Melbourne Water incurs them has implications for its financial position over WP3.
- In part this is because of the way the VDP payments are treated from an accounting perspective. Because Melbourne Water assumes substantially all the risks and benefits of the VDP, payments are treated as a finance lease:
  - **The annual payments** are split into three components – interest, depreciation and operating costs
  - The future value of payments is treated as a **liability in the balance sheet**
  - An equivalent amount to the future value of payments is established as **an asset in the balance sheet.**
- Key aspects of the finance lease are as follows:

Finance lease implications for Melbourne Water ($m, nominal)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Finance lease interest	299.90	471.05	464.82	457.84	451.89	447.53
Operating costs	99.65	137.91	141.79	145.88	150.08	154.48
Depreciation	42.99	93.39	93.39	93.39	93.39	93.39
Balance sheet impact - finance lease liability	4069.26	3975.87	3882.49	3789.10	3695.72	3602.33

- Even if the VDP payments are treated entirely as an operating expense for regulatory purposes, the existence of the VDP payments places pressure on Melbourne Water's financial position, and in particular some of its accounting-based ratios. Melbourne Water's net profit before tax reduces from around $220 million in 2013-14 to 2015-16 to around half that over the same period with the VDP payments.

Summary profit and loss – without desalination plant ($m, 2012-13)

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue	1,133.9	1,171.2	1,213.3	1,256.2	1,298.0
Total expenditure	919.9	962.1	1,010.6	1,047.2	1,075.4
Profit before tax	**214.0**	**209.0**	**202.8**	**209.1**	**222.6**
Tax	64.2	62.7	60.8	62.7	66.8
Return to Government	149.8	146.3	141.9	146.4	155.8
Retained earnings	11.4	11.2	10.9	11.2	11.9

Summary profit and loss – with desalination plant ($m, 2012-13)

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue	1,746.2	1,798.7	1,858.5	1,923.3	1,978.9
Total expenditure	1,652.3	1,687.6	1,729.7	1,758.6	1,782.3
Profit before tax	**93.9**	**111.1**	**128.8**	**164.8**	**196.6**
Tax	28.2	33.3	38.6	49.4	59.0
Return to Government	61.0	72.2	83.7	107.1	127.8
Retained earnings	4.7	5.6	6.4	8.2	9.8

- We have examined Melbourne Water's operating environment and cash and accounting position through modelling the impact on cash flows and accounting position. We have also undertaken a comparison of Melbourne Water's financials with its peers across a range of financial metrics, both those used within the industry and those adopted by credit ratings agencies.
- When considering Melbourne Water's capacity to capitalise the desalination plant for regulatory purposes, in addition to considering Melbourne Water's financial metrics it is also important to have regard to a number of factors:
  - Melbourne Water's general operating environment
  - The regulatory environment
  - Financial risks
  - Government support available to Melbourne Water.
- Although non-financial metric factors mean that Melbourne Water can sustain poorer financial ratios than a privately owned organisation in a competitive market, this can only occur up to a point.
- Capitalising a small portion of the VDP payments (say, in the range 0% to 20%) worsens Melbourne Water's financial metrics to a marginal extent, however because the ratios are in a relatively poor state to begin with, these marginal reductions do have implications for Melbourne Water's financial position.
- Capitalising a greater proportion of the VDP payments (beyond 30% to 45%) results in a more significant reduction in some metrics and ratios. For example, while debt is relatively stable under 0% and 15% capitalisation, at 30% and 45% capitalisation it shows a steady increase over WP3.
- We note that based on the cash flow cover ratio, Melbourne Water could absorb a 15% (the equivalent of capitalising $95m in FY14) capitalisation and still maintain interest cash cover ratios of greater than 1.5x. Debt and gearing, although high, is relatively stable at these levels, and the FFO ratios show a small but steady improvement over time.
- Our view is that therefore that it should be possible to capitalise in the range of 0% to 20% of Melbourne Water's VDP payments, and leave it in an acceptable financial position.
- Capitalisation of a greater amount, (say, in the range 20% to 40%) could be contemplated in certain circumstances – for example if there was more certainty around the level of government support or if revenue risks were eliminated through the

adoption of a revenue cap which placed volume risk on the retailers). However, in the absence of this we would not recommend such a scenario at this time.

1 Background

1.1 Victorian Desalination Plant

- The Victorian Desalination Plant (VDP) was built to provide up to 150GL per year of water (around 30-40% of Melbourne's total annual water use). It was delivered by DSE as a Public Private Partnership. Melbourne Water has entered into an agreement with DSE in relation to its obligations for the VDP, which include both an annual security charge and supply costs, the latter which vary depending on the annual volume of water ordered from the plant, if any.
- The duration of the desalination plant PPP post final reliability testing is 27.75 years (Melbourne Water will own the asset when the PPP ends). On average the actual assets will have a life closer to 50 years (with some aspects of the plant such as the transfer pipeline and the marine tunnels having a 100 year design life).
- The VDP costs associated with a zero GL water order are significant, comprising approximately 60% of Melbourne Water's total annual operating expenditure in the 2013 Water Plan period, at around $630M per year.
- Melbourne Water is proposing a price path for the 2013 Water Plan period (WP3) which includes the cost of the VDP as an operating expense for regulatory purposes which would mean that VDP payments will be met 1:1 by increases in revenue. These are the key driver of the price increases proposed by the metropolitan businesses for WP3 (accounting for approximately 90 per cent of Melbourne Water's increase in prices, and 60-70 per cent of the retailers' proposed increase in prices).

1.2 Scope of work

- The ESC has engaged Deloitte to review Melbourne Water's capacity to re-profile the regulatory treatment of the desalination payments. In particular we were asked to examine the potential for some of Melbourne Water's VDP payments to be capitalised, rather than treated as an operating expense. The scope of our work has encompassed:
  - Examination of Melbourne Water's financial position including and excluding the VDP.
  - Modelling of the potential re-profiling that is possible having regard to a range of broadly accepted financial measures such as interest cover, gearing, cash, and profitability.
  - Taking into account the regulatory and statutory accounting impacts.

2 Our Approach

2.1 Our Approach

Our approach has incorporated the following key factors:

- For modelling purposes we have based our analysis on a model provided by the ESC which includes the submission template provided by Melbourne Water.
- We have used this to examine various capitalisation scenarios and the impact on key financial outputs and metrics.
- We have spoken with Australia Ratings, a credit ratings firm, with regards to their views on the key factors that should be taken into consideration when conducting an assessment of the financial position of a water business such as Melbourne Water.
- We have spoken with Melbourne Water as to the basis of our work, obtained their input on the approach and received additional information from them.

2.1.1 Modelling Approach

- As noted, we have used the ESC's regulatory model as the basis for our calculations and scenarios.
- This model includes the recommended operating and capital expenditure forecasts proposed for Melbourne Water by PricewaterhouseCoopers (PwC). It also includes the VDP payment.
- To understand Melbourne Water's financial position without the VDP, we have 'backed out' the effects of the VDP using a range of assumptions. This is somewhat the reverse of a standard modelling approach which would start with the 'no VDP' position, and then add the VDP payment on top.
- Our analysis focusses on the WP3 period as this is when Melbourne Water faces the greatest financial stress. In order to provide a slightly longer term perspective the charts in section 5 of this report show a 10 year timeline. However it should be noted that some information beyond WP3 is incomplete, meaning that (a) figures beyond WP3 may be inaccurate (b) in some of the charts there is a 'step change' in outcomes between 2017/18 and 2018/19 that more reflects data issues than actual changes in financial outcomes between the two years
- We have compared our modelling results with those provided by Melbourne Water. The results/outputs are different, although not substantially so, and most of the differences are due to different input assumptions. Our outputs are different to Melbourne Water's modelling for reasons including:
  - We have used PwC's recommended opex and capex figures
  - We have used a 4.7% WACC, which is lower than that modelled by Melbourne Water
- Note that out work does not reflect changes in bulk water and sewerage demand recommended by Frontier Economics.

2.2 Limitations to our work

- We have utilised the ESC's regulatory model as the base for our scenario analysis work. This does not have a fully integrated income statement, Balance Sheet and Cash Flow which would make it easier to identify any issues with adjustments that have been made to the model.
- There are numerous macros throughout the model which drive calculations including price increases for Melbourne Water and retail customers. The use of these macros is understood but a detailed line by line code review has not been completed.
- We have not been provided with Melbourne Water's forecast model to allow a comparison with their Statutory or Management reports. Therefore high level assumptions have been made when adjusting for the finance lease and capitalisation scenario impacts. These assumptions are set out in the appropriate sections of the financial analysis.
- Melbourne Water has made a number of hard coded adjustments to revenue, expenditure and taxation for WP3 and WP4. We have not verified the basis of these hard coded assumptions. In addition, when we running the various capitalisation scenarios, we have not adjusted any of these hardcoded inputs.
- Although we have raised some issues that we identified with the model with the ESC, we have not completed a formal model integrity audit. Hence, to the extent that our conclusions rely on the ESC's regulatory model and this model contains errors, our conclusion may be in error. We are therefore unable to accept any liability in this case.

3 Key issues to be considered

3.1 The finance lease

- Regardless of how the VDP payments are dealt with from a regulatory perspective, the fact that Melbourne Water incurs them puts pressure on its financial position over WP3.
- In part this is because of the way the VDP payments are treated from an accounting perspective. Because Melbourne Water assumes substantially all the risks and benefits of the VDP, payments are treated as a finance lease (see the box below for a more fulsome description of a finance lease):
  - **The annual payments** are split into three components – interest, depreciation and operating costs
  - The future value of payments is treated as a **liability in the balance sheet**
  - An equivalent amount to the future value of payments is initially established as **an asset in the balance sheet.**
- Key aspects of the finance lease are as follows:

Finance lease implications for Melbourne Water ($m, nominal)

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Finance lease interest	299.90	471.05	464.82	457.84	451.89	447.53
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Note: figures in this table are in nominal terms.

- One of the implications of the finance lease is that Melbourne Water's debt more than doubles. In the absence of the finance lease liability Melbourne Water's debt is currently around $3.65b.
- Because the regulatory treatment, accounting treatment and cash-flow implications of the VDP payment are all quite different, regardless of the regulatory treatment it is impossible to get all three to align.

What is a finance lease?

Accounting Standard AASB117 deals with the treatment of leases.

A **finance lease** is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may to the asset or may not eventually be transferred.

Lessees are required to initially recognise finance leases as assets and liabilities in their balance sheets at amounts equal to the 'fair value' of the leased asset or, if lower, the present value of the minimum lease payments. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The amount of the asset and liability will be the same at the start of the lease period, but will move apart over time.

The lessee's profit and loss statement will reflect three types of expenses associated with the finance lease:

- A finance charge (interest expense) which is allocated to each period during the lease term so as to produce a constant periodic rate of interest
- An operating expense which reflects the 'contingent rent' associated with the lease
- Depreciation of the asset. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over its useful life; if not it is depreciated over the shorter of the lease term and its useful life.

3.2 Assessing Melbourne Water's capacity to deal with reprofiled VDP payments

- As noted, the key objective of our brief has been to assess Melbourne Water's financial capacity to absorb regulatory capitalisation of VDP payments.
- This question is ultimately one of judgement. With the exception of when an entity runs out of funds and sources of funds to pay its obligations, there is ultimately no single tipping point or credit metric at which it can be said that any business becomes 'financially unviable' or reaches an 'unsustainable' financial position.
- We have therefore undertaken our task by examining the following:
    - A range of credit metrics
    - Melbourne Water's operating environment
    - Benchmarking of Melbourne Water's financial position with:
        - A range of peer domestic water utilities
        - A rage of peer domestic energy businesses and overseas water utilities
- A brief discussion of these factors is set out below.

3.3 Credit metrics

- There are numerous metrics that can be used to examine financial viability. For the purpose of this exercise we have selected a sample of these based on:
    - Our discussions with Australia Ratings
    - Data availability
    - The existence of benchmarking and peer information

  - Our views on the most important ratios
- The metrics which are highlighted within this report include:
  - FFO / Interest
  - EBITDA / Interest
  - Debt to EBITDA
  - FFO / Debt
  - Debt / RAV
- An important consideration is whether, when examining Melbourne Water's financial position and capacity to deal with re-profiling, the VDP payment should be considered as either:
  - A finance lease, including the capitalisation of desalination payments as a liability in the balance sheet (i.e. as per the accounting treatment); or
  - A simple operating expense (as per the proposed regulatory treatment)
- Financial ratios are generally much worse under the 'accounting' treatment the 'regulatory' treatment, because from an accounting perspective.
  - The desalination payments are capitalised as a liability in Melbourne Water's balance sheet
  - A large proportion of the desalination payment is considered to be an interest payment
- In our view it is appropriate to consider the payment in line with its accounting treatment. This is because, similar to a standard loan, the VDP payment is long-term, largely fixed, and must be paid regardless of business conditions.
- We have confirmed that this is also how a ratings agency would consider the desalination payment. Accordingly, all financial ratios are in this report are shown on this basis.
- The financial model assumes that Melbourne Water only holds $0.1m of cash at bank during WP3 and this reduces to $0m in WP4. This amount is immaterial in terms of the credit metric calculations therefore the debt ratios above can be compared to total debt or net debt metrics. However, it is worth noting that net debt comparatives are useful, they do not highlight any 'trapped' cash that would not be immediately available to offset debt.

3.4 Melbourne Water's operating environment

- When considering Melbourne Water's capacity to capitalise the desalination plant for regulatory purposes, in addition to examining financial metrics it is also important to review factors including:
  - Melbourne Water's operations
  - The regulatory environment
  - Financial risks
  - Government support available to Melbourne Water.
- Our view of these factors is that together they suggest for a given set of financial metrics Melbourne Water will be in a stronger and less risky financial position than an 'average' private sector business which, unlike Melbourne Water, is not (a) government

owned, (b) regulated, and (c) effectively a monopoly supplier. However, Melbourne Water still faces a number of risks and uncertainties that cannot be ignored.

3.4.1 Melbourne Water's operations

- Melbourne Water is a bulk supplier to the Melbourne retailers and a number of regional water businesses. As a regulated, monopoly water utility with a defined customer base and limited opportunities to earn non-regulated income, it faces the same type of operational issues risks as most other water businesses, together with a number that reflect its position as a bulk supplier. In no particular order, some these risks include:
  - In the short term a large proportion of Melbourne Water's costs are fixed, with exceptions including treatment costs (both water and wastewater) and energy costs
  - In the short to medium term, there is capacity to reduce both capital, maintenance and administrative expenditure in the event that it was necessary to respond to strong financial pressures
  - In some, but not all, areas any reduction in expenditure is unlikely to adversely affect service standards in the short term, although it will impact relationships with stakeholders.
  - We understand Melbourne Water expects to earn around 60% of revenue from variable charges in WP3. Under Melbourne Water's proposed price cap, it is therefore financially vulnerable if usage is lower than forecast, which given the desalination plant is place, is now more likely to occur under a high- than low-rainfall scenario
  - Aside from treatment and energy expenditure, operating expenditure is relatively predictable
  - Melbourne Water's proposed capital program, at approximately $2.5b over WP3, is significant from a financial perspective and the usual risks exist in relation to capital expenditure over-runs

3.4.2 Regulatory environment

- The regulatory environment is well-known and stable. The ability to seek a re-opening exists in the event that that Melbourne Water comes under significant financial stress, particularly if it is as a result of an external and uncontrollable event.
- Melbourne Water has proposed a 'price cap' form of regulatory price control. Under this approach it bears the revenue risk of water sales being higher or lower than forecast. To the extent that water volumes are 10% lower than forecast (which is more likely to occur under a wetter-than-normal scenario) around $50m per annum revenue may be lost.

3.4.3 Financial risks

- There appears to be limited financial risk associated with the VDP payments, although we note they are yet to be finalised. Melbourne Water has proposed a price adjustment mechanism to account for the differences between forecast and actual costs associated with the desalination plant.

- Melbourne Water faces the usual risk associated with changes in interest rates, including the possibility of a general increase in the financial accommodation levy (FAL) levied by TCV, general changes in market interest rates, and a possible move towards business-specific rates being charged by TCV.
- However Melbourne Water's refinancing profile is relatively smooth and we note that with current market interest rates being low its average debt costs are falling at present.

3.4.4 Government support

- Another relevant matter when considering Melbourne Water's future financial position is the level of government support. This includes government's willingness and ability to, for example:
  - Step in and provide additional capital in the event that Melbourne Water faces difficulties paying its creditors/debt
  - Agree to lower dividend payments in order to preserve cash flows
  - Provide additional borrowings through TCV
- When assessing the creditworthiness of a government owned entity, strong government support usually means either a 1-2 notch[1] increase in ratings can be applied (compared to a situation with limited or no government support) or the Government's overall rating can be applied.
- The willingness of government to 'step in' to support Melbourne Water financially if required is unknown, however this is clearly an undesirable position to be reached.

3.5 Benchmark and peer comparatives

- In order to compare Melbourne Water's forecast financial performance we have gathered comparable data from a number of sources. However, it should be noted that there are no comparable water companies in Australia that have a public credit rating.
- We have used the following sources of information:
- Victoria Water Industry – Performance reporting framework (VWI)
- Victorian Auditor General's Report on Water Entities 2011-12
- IPART NSW Sydney Water pricing review 2012 – 2016
- NSW Treasury: Capital Structure Policy for GTEs (2002)
- Standard & Poor's: US Utilities – Corporate Finance Criteria (1995)
- Current peer review of domestic and international water and utility companies including:
  - Australia
    - AGL Energy Limited
    - APA Group
    - DUET Group
    - Envestra Limited
    - SP AusNet group

[1] For example, Standard and Poor's credit ratings are AAA, AA, A, BBB, BB, B, CCC, CC, C and D. A one 'notch' increase would take an entity that is otherwise rated as BB, to BBB.

        - Spark Infrastructure Group
        - ERM Power Limited
    - United Kingdom
        - United Utilities Group PLC
        - Severn Trent plc
        - Dee Valley Group plc
    - USA
        - American Water Works Company, Inc.
        - California Water Service Group
        - American States Water Company

- In general the credit metrics of the overseas entities are better than those of the Australian entities. This may reflect a range of factors, and it should be noted that regulatory regimes overseas, and particularly in the USA, are quite different to Australia. Comparisons therefore need to be made with caution.

- In addition, a comparison was made against the following Australian water companies:
    - SA Water
    - WA Watercorp
    - Sydney Water
    - Yarra Valley Water

4 Financial analysis

4.1 Impact of the desalination plant

- The discussion below compares Melbourne Water's financial position with and without the VDP payments. As noted in section 2, in order to remove the desalination payments from the model:
  - Melbourne Water's debt has been reduced by the value of the finance lease liability.
  - Interest has been reduced by the interest component of the finance lease.
  - Operating expenditure has been reduced by the operating expenditure component of the finance lease.
  - Depreciation has been reduced by the depreciation element of the finance lease.
  - We have not made any amendments to the MW hardcoded adjustments when running this scenario.
- The 'with VDP' scenario modelled below assumes that the VDP payments are treated as an operating expense for regulatory purposes.

4.1.1 Outcomes

- As noted earlier, even if the VDP payments are treated entirely as an operating expense for regulatory purposes, the existence of the VDP payments places pressure on Melbourne Water's financial position, and in particular some of its accounting-based ratios. Melbourne Water's net profit before tax reduces from around $220 million in 2013-14 to 2015-16 to around half that over the same period with the VDP payments. A summary profit and loss statement both with and without the VDP payments is provided below.

Summary profit and loss – without desalination plant ($m, 2012-13)

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenue	1,133.9	1,171.2	1,213.3	1,256.2	1,298.0
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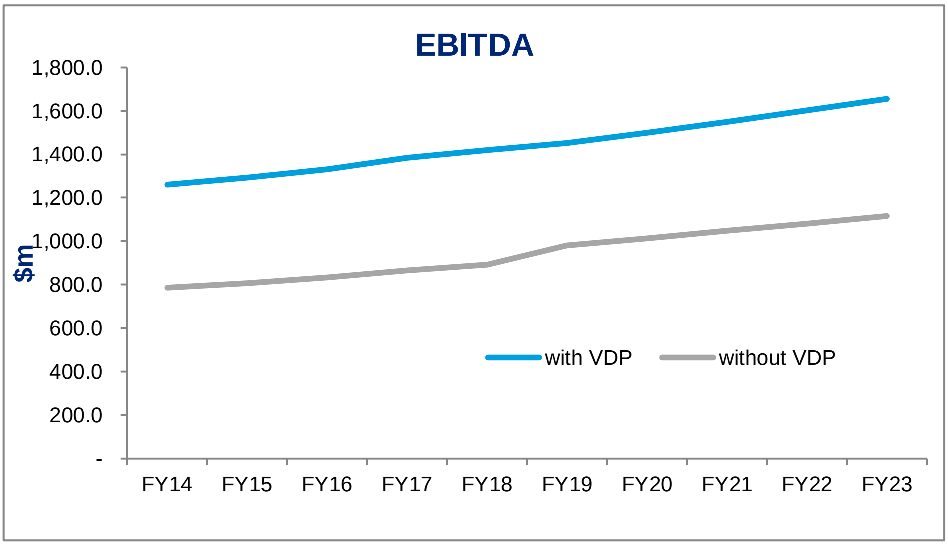
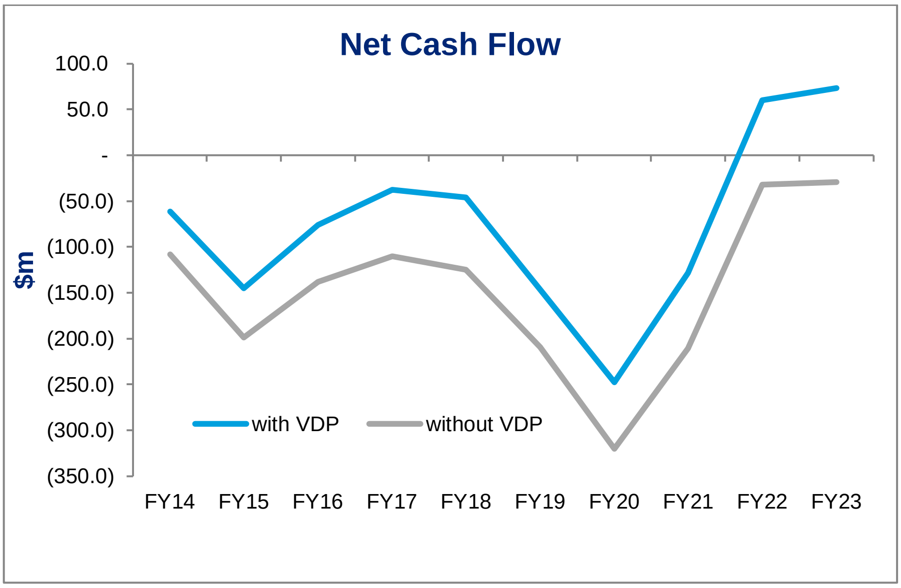
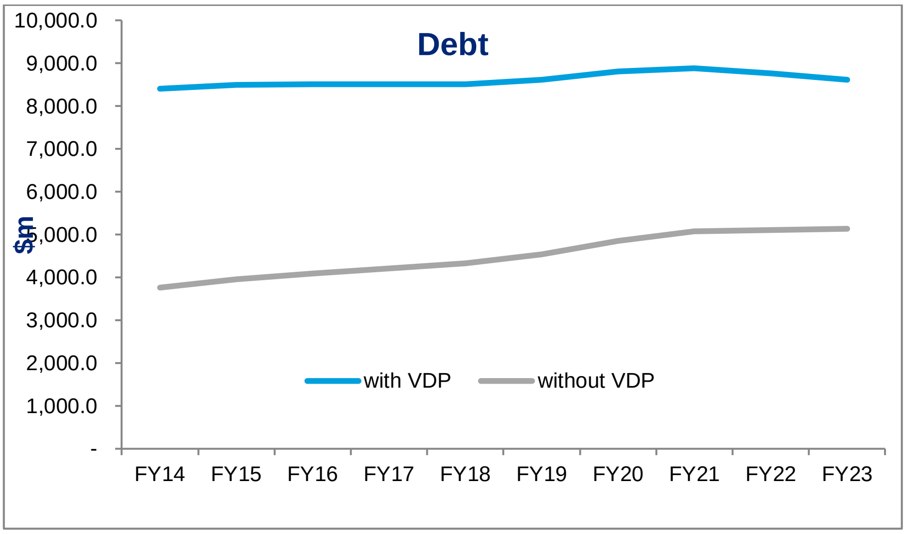
- EBITDA is actually higher with the VDP payments than without them. This is primarily because, using FY14 as an example, revenue will increase by $631m but operating expenditure will only increase by $138m. This will mean that EBITDA will increase by $493m. However, the other finance lease components will be accounted for after EBITDA with interest expense of $471m and depreciation of $93m.



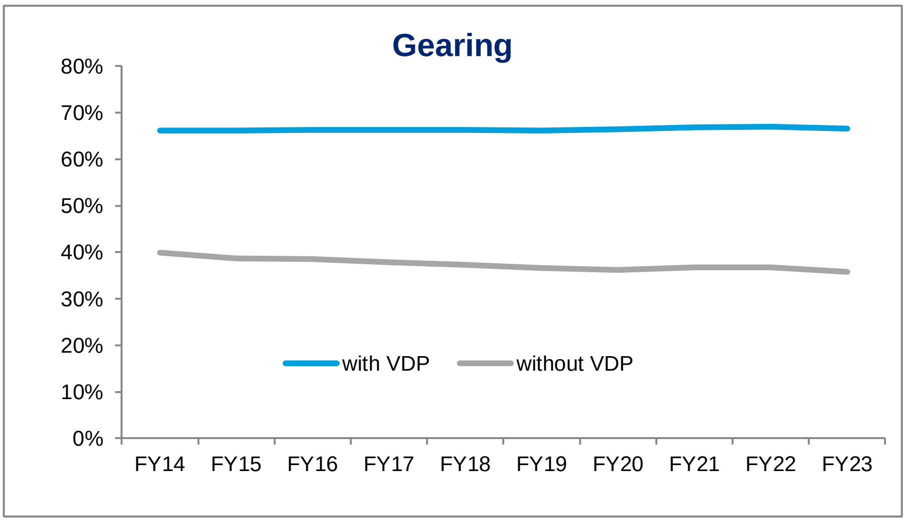
- Melbourne Water's net cash flow position also improves with the VDP payments although it remains negative as Melbourne Water has substantial capital expenditure programme.
- The improvement under the VDP scenario is because it receives cash equivalent to the VDP payments, but its accounting profits and hence payments to government through tax and dividends fall, leaving it in an improved cash position.



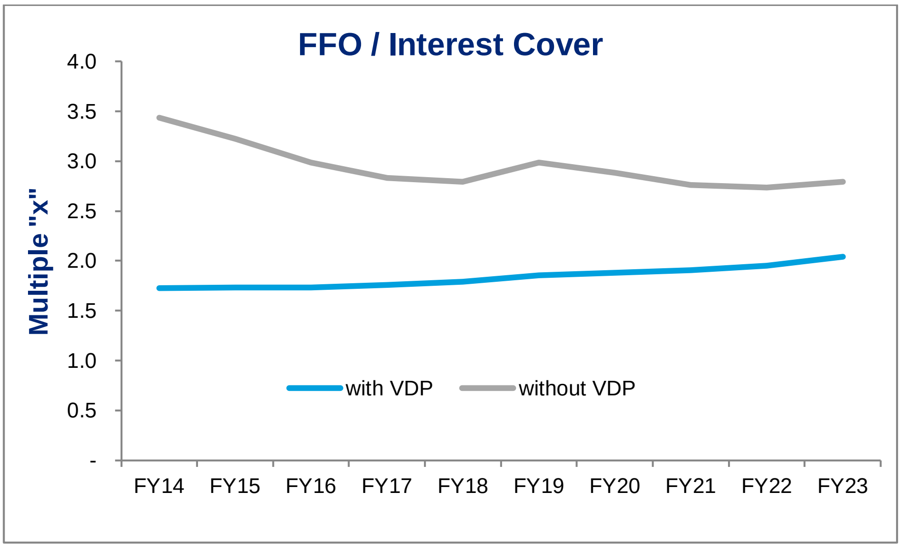
- Melbourne Water's debt position is significantly worse with the VDP payments in place, increasing from $3.8b in FY14 in a no-desalination scenario to $8.4b.
- The $4.7b difference in debt figures between the with and without VDP scenario is different to the $4.1b finance lease debt due to the following:
  - Melbourne Water assumes that the debt will increase by approximately $400m more than the finance lease in FY13 and this is a hardcoded assumption within their forecast. The without VDP scenario debt assumptions start from the closing FY12 debt position and therefore do not include any additional assumptions that Melbourne Water contain in FY13.
  - The without VDP scenario has approximately $200m higher net cash flow in FY12 which in turn reduces the debt position by this amount. The key reason for this is that the without VDP scenario removes the full accounting costs associated with the finance lease in FY12. However, the revenue stream in FY12 was limited to contract payments and therefore is lower than the reduction in expenditure.

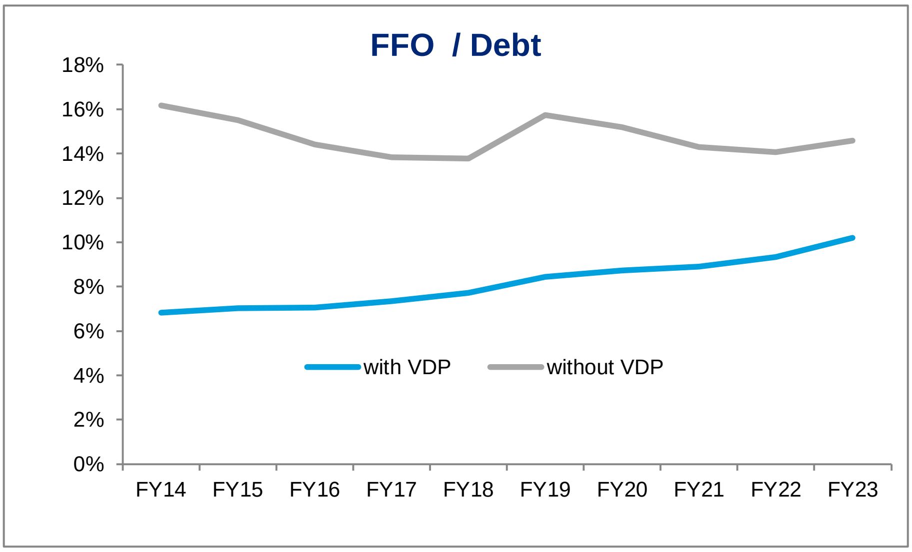


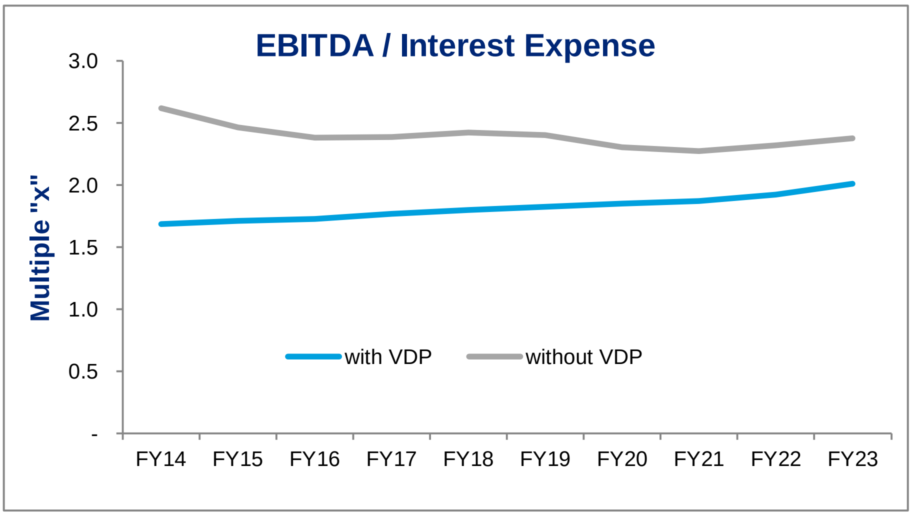
- Reflecting the higher levels of debt, gearing is much higher with the VDP payments and sits at around 66% across the outlook period



- A range of metrics which measure debt levels and the capacity to repay debt are all worse under the VDP scenario. For example, the Funds from operations to interest cover ratio halves from 3.0x to 1.5x as interest payments increase.


FFO / Interest Cover
Multiple "x"
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
-
with VDP
without VDP
FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23


FFO / Debt
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
with VDP
without VDP
FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23


EBITDA / Interest Expense
Multiple "x"
3.0
2.5
2.0
1.5
1.0
0.5
-
with VDP
without VDP
FY14 FY15 FY16 FY17 FY18 FY19 FY20 FY21 FY22 FY23

4.2 Capitalisation scenarios

4.2.1 Capitalisation ranges

- We modelled a range of VDP capitalisation levels for regulatory purposes:
  - 0%
  - 15% (an average of $98m per annum capitalised over WP3)
  - 30% (an average of $178m per annum capitalised over WP3)
  - 45% (an average of $267m per annum capitalised over WP3)
- Although we did model greater levels of capitalisation than 45% it became clear to us that (a) there was little economic justification for capitalisation levels beyond 50%, and (b) Melbourne Water's financial capacity to deal with such capitalisation was extremely limited. Accordingly, we have not shown these in our analysis.
- For our modelled scenarios the following amendments were made using the finance lease and marginal interest figures provided by Melbourne Water:
  - We confirmed that the closing FY12 debt position matched Melbourne Water's FY12 financial report
  - We overlayed the starting debt position in the regulatory model with the FY13 forecast closing debt position provided by Melbourne water that includes the finance lease.
  - The regulatory model uses a marginal rate of debt of 6.5%. We have used the Melbourne Water forecast cost of variable debt that it has used in their corporate plan for WP3 as per the table below (we have assumed a flat rate in WP4 at 7.0%). These interest rates are higher than the current rates being achieved on new debt by Melbourne Water. Therefore, although these rates are more in line with longer term historical rates, there is an element of conservatism within these rates:

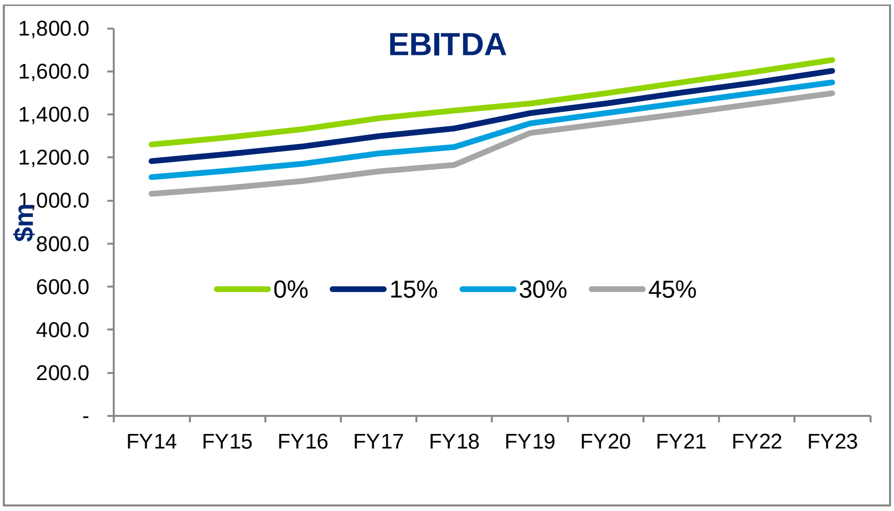
	2012-13	2013-14	2014-15 and beyond
Cost of variable debt	5.2%	6.6%	7.0%

  - All of the amendments flow through the model to drive other changes such as tax, dividends, retained earnings, RAV, Debt etc.

This section examines the impact of capitalisation on a metric-by metric business, and then draws together our conclusions at the end.

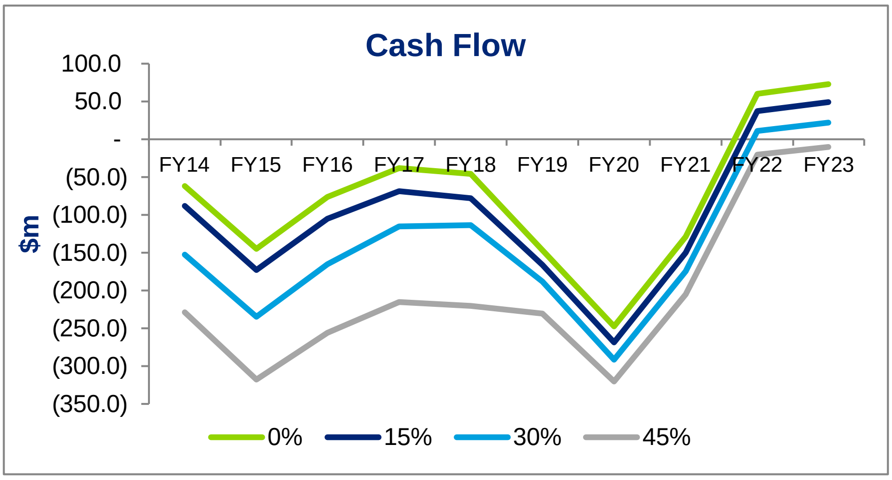
4.2.2 Profitability

- As capitalisation of the VDP payment for regulatory purposes directly reduces revenue, any capitalisation has a direct impact on Melbourne Water's EBITDA.
- Larger capitalisations in WP3 lead to a greater increase in prices in WP4 due to the increase in the RAB - this causes the spike in EBITDA from FY19.



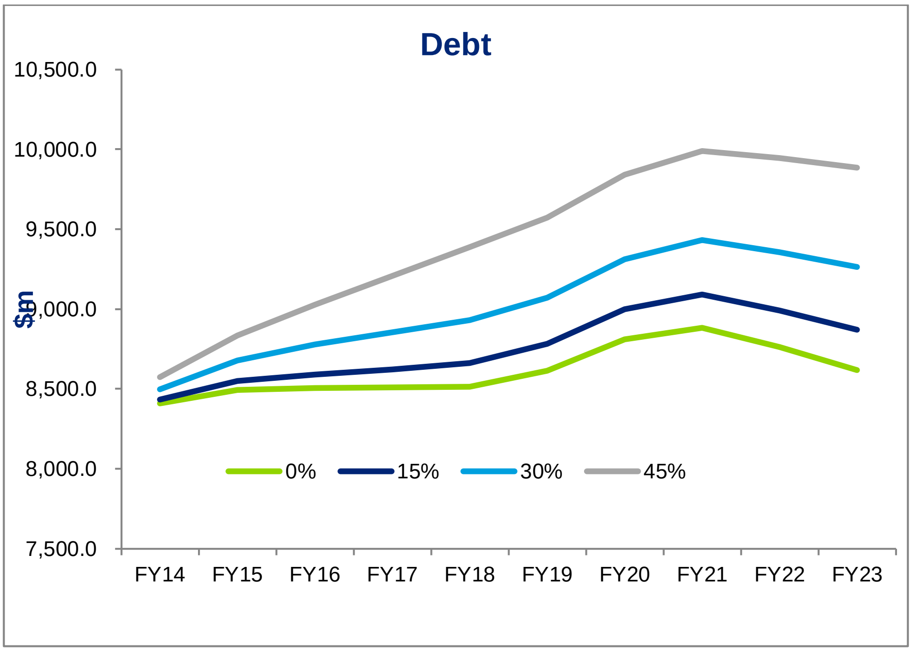
4.2.3 Net Cash Flow

- Capitalisation of the VDP payments worsen Melbourne Water's net cash flow in WP3 as it reduces its cash revenue, but leaves cash payments unchanged. The impact on cash flows becomes proportionately larger at higher levels of capitalisation, particularly above capitalisation levels of 30%.



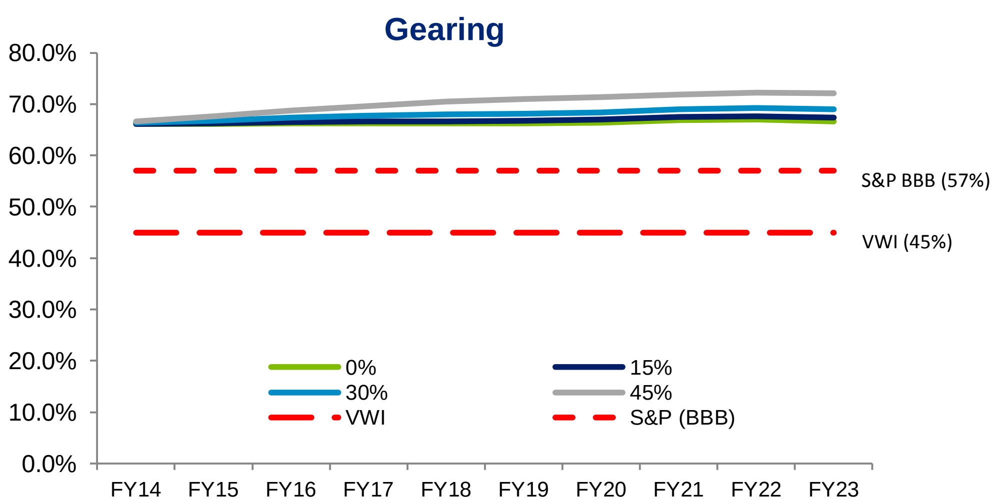
4.2.4 Debt

- As noted above, the inclusion of the finance lease as a liability for accounting purposes immediately increases Melbourne Water's debt.
- It is assumed that any cash shortfall in any period is funded through increasing debt. Therefore any capitalisation that reduces revenue and increases the negative net cash flow causes debt to increase and the interest charge to increase also.
- At 15% capitalisation debt only increases marginally but at 30% and above the increments are more significant.



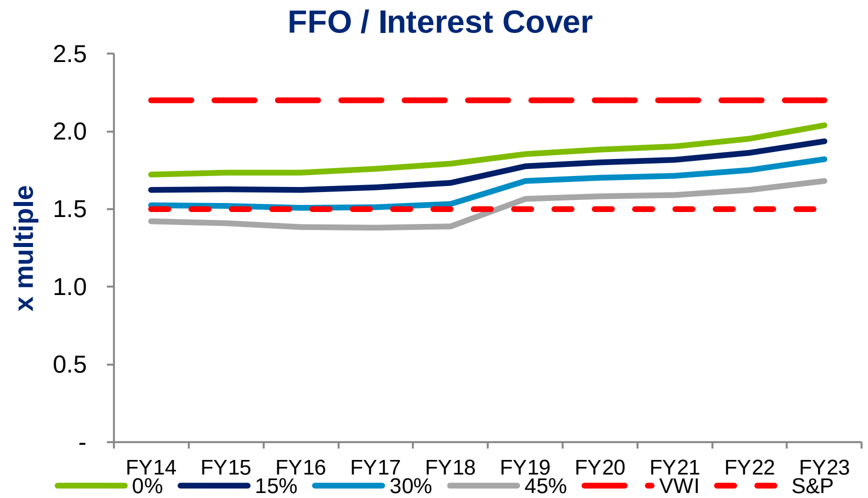
4.2.5 Regulatory Debt / RAV and Accounting Gearing

- As debt increases over the years due to capital expenditure, gearing increases in each year even without any capitalisation of desalination payments. The increases are marginal at lower capitalisation levels, but more significant above 30% as the lower revenues not only causes debt to increase but also reduces equity due to accounting losses.
- Under all scenarios, including zero capitalisation, gearing is above the VWI and S&P BBB levels.



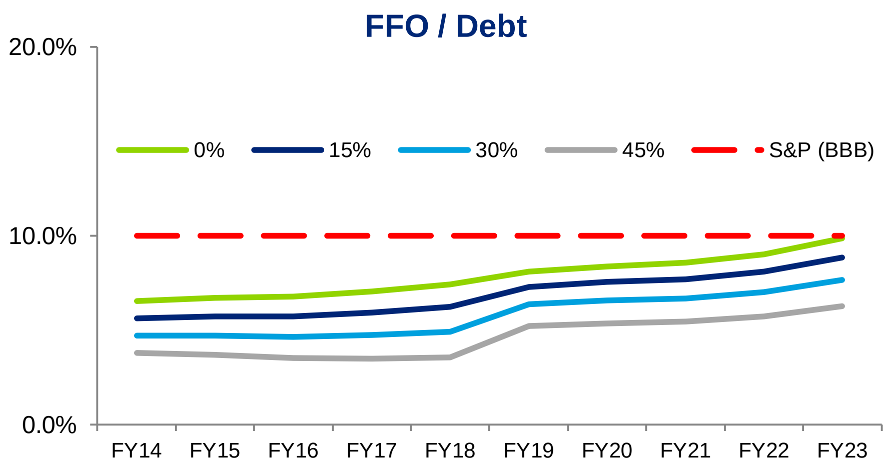
4.2.6 FFO / Interest Cover

- We have compared the FFO/Interest cover to the VWI and S&P benchmarks. The VWI states that their 'reference point / target' is 2.2x whereas the low risk BBB range from S&P is 1.5x.
- With the finance lease, Melbourne Water's ratio drops to 1.7x and capitalising 15% of the desalination payments drops this to 1.6x. At 100% capitalisation there are periods where FFO does not cover interest payments which effectively means that Melbourne Water would have to borrow money to fund these payments.



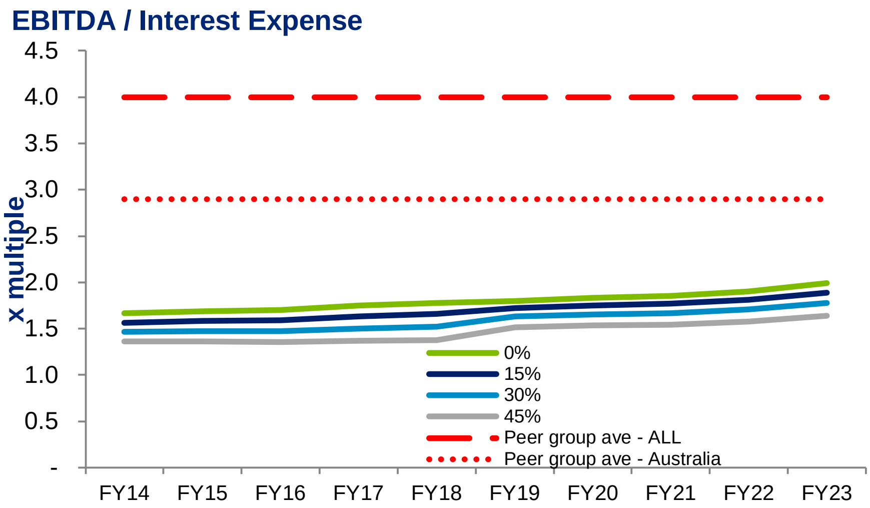
4.2.7 FFO / Debt

- The S&P BBB FFO / Debt floor for low risk companies is 10%.
- All scenarios which include the finance lease are below 10%, and at 45% capitalisation the ratio is about 5%. At 100% capitalisation, this ratio is negative due to the negative FFO generated at this level.
- For the purpose of FFO / Debt, FFO is after interest payments.



4.2.8 EBITDA[2] / Interest Expense

- There are no S&P or VWI benchmarks for this indicator but under all scenarios Melbourne Water's EBITDA / Interest Expense ratio is below the average of the peers that we have reviewed.
- The lowest ratio of all of the 13 peer companies reviewed was DUET at 1.4x and the second lowest was APA Group at 2.0x. The level below which the S&P BBB- rating begins for the peers is 3.5x.
- Including the finance lease, even with no capitalisation Melbourne Water's ratio is 1.7x and this falls to 1.6x at 15% capitalisation.

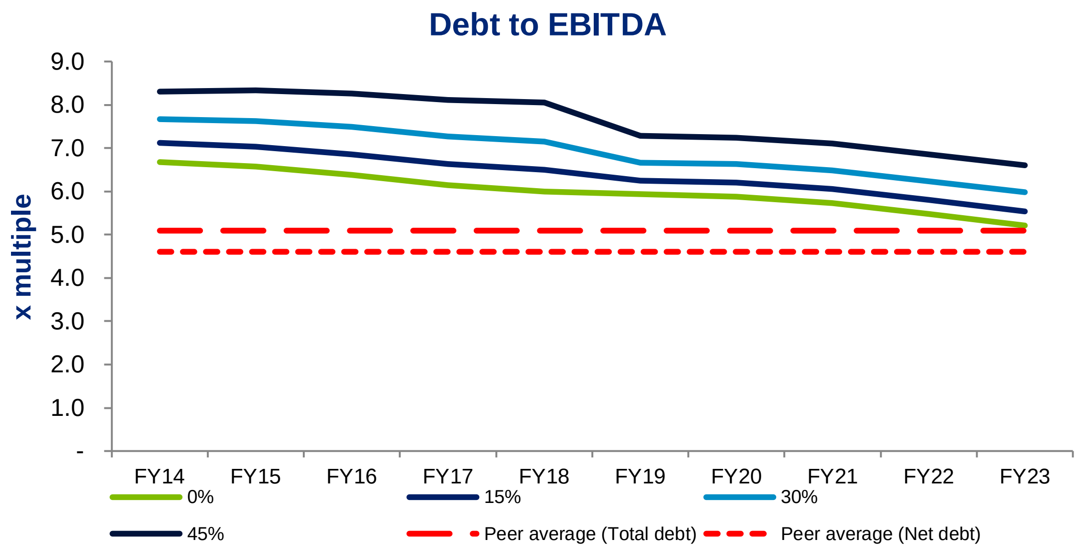


EBITDA / Interest multiple - peer group comparison			
Country	Company	Multiple	S&P LT Credit Rating
UK	Dee Valley Group plc	8.8x	NA
USA	American States Water Company	6.8x	A+
Aus	AGL Energy Limited	6.5x	BBB
USA	California Water Service Group	5.3x	NA
USA	American Water Works Company, Inc.	4.0x	BBB+
UK	United Utilities Group PLC	3.5x	BBB-
UK	Severn Trent plc	3.4x	BBB-
Aus	The SP AusNet group	2.7x	A-
Aus	Spark Infrastructure Group	2.7x	NA
Aus	ERM Power Limited	2.5x	NA
Aus	Envestra Limited	2.2x	BBB-
Aus	APA Group	2.0x	NA
Aus	DUET Group	1.4x	BBB-
	Average	**4.0x**	

[2] Note that EBITDA ratios are provide in nominal terms.

4.2.9 Debt / EBITDA

- We have compared debt to EBITDA to the same group of peer companies.
- Excluding the finance lease, under almost all scenarios this ratio is better than the average of the peers at both a net debt and total debt level.
- However, when the finance lease is included, at 6.7x this ratio is higher than the average even with 0% capitalised and would place Melbourne Water in 10th place among its 13 peers. At 15% this ratio increases to 7.1x at a level where only two peers have a higher ratio.
- Debt to EBITDA does improve over time as EBITDA increases and debt is stable (or increases at a slower rate than EBITDA)



Peer group comparison					
Country	Company	Total Debt / EBITDA	Net Debt / EBITDA	EBITDA / Interest	S&P LT Credit Rating
USA	American States Water Company	2.2x	1.9x	1.4x	A+
Aus	Spark Infrastructure Group	3.1x	2.0x	2.0x	NA
Aus	AGL Energy Limited	3.6x	2.7x	2.2x	BBB
USA	California Water Service Group	3.8x	3.0x	2.5x	NA
UK	Dee Valley Group plc	4.2x	3.4x	2.7x	NA
USA	American Water Works Company, Inc.	4.3x	3.5x	2.7x	BBB+
Aus	ERM Power Limited	4.3x	4.3x	3.4x	NA
Aus	The SP AusNet group	5.0x	4.5x	3.5x	A-
UK	Severn Trent plc	5.7x	5.4x	4.0x	BBB-
Aus	Envestra Limited	6.1x	6.1x	5.3x	BBB-
UK	United Utilities Group PLC	6.7x	6.5x	6.5x	BBB-
Aus	DUET Group	8.4x	8.1x	6.8x	BBB-
Aus	APA Group	8.6x	8.4x	8.8x	NA
	Average	**5.1x**	**4.6x**	**4.0x**	

4.3 Comparison with Australian peers

The table below Melbourne Water's position with its peer water utilities - with other large government-owned and similarly regulated entities in the Australian water sector. It is clear that even with zero regulatory capitalisation Melbourne Water's FY14 metrics are poorer, and significantly more so, than the (2011-12) metric for all peer entity across every metric. The only utility which has ratios approaching that of Melbourne Water is Sydney Water.

	Watercorp 2011-12	SA Water 2011-12	Yarra Valley 2011-12	Sydney Water 2011-12	Melbourne Water 2011-12	Weighted Ave.	Melbourne Water 2013-14 0% capitalisation	Melbourne Water 2013-14 20% capitalisation
Financial outcomes								
Profit before tax	749,000	317,379	87,048		372,700			
Interest	206,000	228,586	104,783	556,635	249,152			
Depreciation and Amortisation	368,000	245,514	75,980		242,582			
EBITDA	1,323,000	791,479	267,811	1,187,000	1,187,000			
Cash Flow from operations	782,000	636,637	123,360	419,723	529,200			
Interest paid	237,000	228,434	102,647	435,392	244,722			
Funds from operations (FFO)	1,019,000	865,071	226,007	855,115	773,922			
Debt	4,656,000	3,396,000	1,664,477	5,412,418	3,835,128			
Total Assets	14,878,000	13,774,482	3,747,075	14,016,645	10,034,100			
Equity	9,341,000	7,921,717	1,334,902	5,931,423	4,539,000			
Credit metrics								
FFO / Interest	4.3	3.8	2.2	2.0	3.2	3.0	1.7	1.6
EBITDA / Interest	6.4	3.5	2.6	2.1	4.8	3.5	1.7	1.6
Debt to EBITDA	3.5	4.3	6.2	4.6	3.2	4.0	6.7	7.1
FFO / Debt	21.9%	25.5%	13.6%	15.8%	20.2%	19.7%	7%	6%
Debt/(Debt + Equity)	33.3%	30.0%	55.5%	47.7%	45.8%	39.5%	66%	66%
Debt / Total Assets	31.3%	24.7%	44.4%	38.6%	38.2%	33.6%		

4.4 Discussion and conclusions

- Regardless of how the VDP payments are dealt with from a regulatory perspective, the fact that Melbourne Water needs to make them puts pressure on its finances over the next regulatory period.
- For example, the requirement to make the VDP payments:
  - Reduces Melbourne Water's profit before tax by an average of more than $100m per annum across WP3
  - Reduces Melbourne Water's FFO/Interest cover ratio from 3.2 in 2011-12 to 1.7 in 2013-14
  - Increases Melbourne Water's gearing ratio from 46% in 2011-12 to 66% in 2013-14.
- Melbourne Water's credit metrics become worse than a broad range of comparator entities both overseas and in the Australian water sector. They are significantly worse than Watercorp, SA Water, Yarra Valley Water and Sydney Water.
- The only 'bright' point from a credit metric perspective is that in absolute terms, Melbourne Water's net cash flow actually improves (becomes less negative) with the VDP as its reduced accounting profit means that payments to government for taxes and dividends are lower.
- It is true that Melbourne Water's general operating environment, including the regulatory environment and the financial risks that it faces, are less than a comparable entity in the private sector. The existence of potential government support also reduces the possibility of it falling into a financially unsustainable position.
- While Melbourne Water can sustain poorer financial ratios than a privately owned organisation in a competitive market, this can only occur up to a point. Across a range of indicators Melbourne Water's position with the VDP will be worse than S&P benchmarks, and benchmarks set by the VWI.
- Capitalising a small portion of the VDP payments (say, in the range 0% to 20%) worsens these ratios to a marginal extent, however because the ratios are in a relatively poor state to begin with, these marginal reductions do have implications for Melbourne Water's financial position.
- Capitalising a greater proportion of the VDP payments (beyond 30% to 45%) results in a more significant reduction in some metrics and ratios. For example, while debt is relatively stable under 0% and 15% capitalisation, at 30% and 45% capitalisation it shows a steady increase over WP3.
- We note that based on the cash flow cover ratio, Melbourne Water could absorb a 15% (the equivalent of capitalising $95m in FY14) capitalisation and still maintain interest cash cover ratios of greater than 1.5x. Debt and gearing, although high, is relatively stable at these levels, and the FFO ratios show a small but steady improvement over time.
- Our view is that therefore that it should be possible to capitalise in the range of 0% to 20% of Melbourne Water's VDP payments, and leave it in an acceptable financial position.
- Capitalisation of a greater amount, (say, in the range 20% to 40%) could be contemplated in certain circumstances – for example if there was more certainty around the level of government support or if revenue risks were eliminated through the

adoption of a revenue cap which placed volume risk on the retailers). However, in the absence of this we would not recommend such a scenario at this time.

5 Interest rate sensitivity analysis

5.1 Overview

- We ran two scenarios to understanding the impact of a change of interest rates on Melbourne Waters financial position, being +/- 100 basis points.
- We only applied this to the non-finance lease debt as it was assumed that the finance lease debt would be fixed. Furthermore, we assumed that this was an average increase across all of the remainder of Melbourne Water's debt.
- Under the scenario of increasing interest rates, the FFO/Interest cover falls to a low of 1.49x in FY16 under the 20% capitalisation scenario. This is marginally below the S&P threshold of 1.5x and highlights the limited room for manoeuvre once capitalisation is applied to the desalination payments.

5.2 Sensitivity outputs

Net Cashflow	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
0% capitalisation										
Base	(61.7)	(145.0)	(75.9)	(37.9)	(45.9)	(146.3)	(247.7)	(128.7)	59.7	73.0
1%	(76.7)	(160.6)	(92.5)	(55.2)	(63.8)	(164.9)	(267.3)	(149.7)	37.6	50.5
-1%	(46.7)	(129.5)	(59.6)	(21.0)	(28.4)	(128.3)	(228.9)	(108.6)	80.6	94.2
20% capitalisation										
Base	(100.9)	(182.0)	(114.8)	(79.0)	(88.7)	(172.2)	(274.9)	(157.3)	29.6	41.4
1%	(143.7)	(225.5)	(155.7)	(105.0)	(109.6)	(194.0)	(298.0)	(182.0)	3.7	14.9
-1%	(81.8)	(166.2)	(98.1)	(61.5)	(70.6)	(153.4)	(255.1)	(136.2)	51.8	64.0

Debt	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
0% capitalisation										
Base	8,407.4	8494.85	8506.2	8508.11	8513.62	8614.56	8811.52	8883.35	8759.91	8615.42
1%	8,422.4	8525.41	8553.31	8572.5	8595.9	8715.4	8931.95	9024.79	8923.4	8801.36
-1%	8,392.5	8464.39	8459.4	8444.38	8432.46	8515.44	8693.56	8745.27	8600.85	8435.14
20% capitalisation										
Base	8,446.6	8570.95	8621.14	8664.1	8712.45	8839.29	9063.46	9163.9	9070.49	8957.53
1%	8,489.4	8657.25	8748.34	8817.35	8886.64	9035.31	9282.53	9407.63	9340.12	9253.69
-1%	8,427.5	8536.16	8569.66	8595.17	8625.44	8733.5	8937.9	9017.18	8901.63	8766.16

FFO / interest cover	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
0% capitalisation										
Base	1.7	1.7	1.7	1.8	1.8	1.9	1.9	1.9	2.0	2.0
1%	1.6	1.6	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.9
-1%	1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.0	2.1	2.2
20% capitalisation										
Base	1.6	1.6	1.6	1.6	1.6	1.8	1.8	1.8	1.8	1.9
1%	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.7	1.7	1.8
-1%	1.7	1.7	1.7	1.7	1.7	1.9	1.9	1.9	2.0	2.1

FFO / net debt	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
0% capitalisation										
Base	7%	7%	7%	7%	7%	8%	8%	9%	9%	10%
1%	6%	6%	6%	6%	7%	7%	8%	8%	8%	9%
-1%	7%	7%	7%	8%	8%	9%	9%	9%	10%	11%
20% capitalisation										
Base	5%	5%	5%	6%	6%	7%	7%	7%	8%	9%
1%	5%	5%	5%	5%	5%	6%	6%	6%	7%	7%
-1%	6%	6%	6%	6%	7%	8%	8%	8%	9%	9%

Gearing	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
0% capitalisation										
Base	66%	66%	66%	66%	66%	66%	66%	67%	67%	67%
1%	66%	66%	66%	66%	66%	67%	67%	67%	67%	67%
-1%	66%	66%	66%	66%	66%	66%	66%	66%	67%	66%
20% capitalisation										
Base	66%	66%	67%	67%	67%	67%	67%	68%	68%	68%
1%	66%	67%	67%	68%	68%	68%	68%	69%	69%	69%
-1%	66%	66%	66%	67%	67%	67%	67%	67%	67%	67%

Total Debt / EBITDA	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
0% capitalisation										
Base	6.7	6.6	6.4	6.1	6.0	5.9	5.9	5.7	5.5	5.2
1%	6.7	6.6	6.4	6.2	6.1	6.0	6.0	5.8	5.6	5.3
-1%	6.7	6.5	6.3	6.1	5.9	5.9	5.8	5.6	5.4	5.1
20% capitalisation										
Base	7.3	7.2	7.0	6.8	6.7	6.4	6.3	6.2	5.9	5.6
1%	7.3	7.3	7.1	6.9	6.8	6.5	6.5	6.3	6.1	5.8
-1%	7.3	7.2	7.0	6.7	6.6	6.3	6.2	6.1	5.8	5.5

EBITDA / Interest Expense	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
0% capitalisation										
Base	1.7	1.7	1.7	1.7	1.8	1.8	1.8	1.9	1.9	2.0
1%	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.8	1.8
-1%	1.8	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.1
20% capitalisation										
Base	1.5	1.5	1.6	1.6	1.6	1.7	1.7	1.7	1.8	1.9
1%	1.4	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.7
-1%	1.6	1.6	1.7	1.7	1.7	1.8	1.8	1.9	1.9	2.0

Appendix A

Credit analysis – benchmarking and peer group comparitives

Gearing

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Victoria Water Industry – Performance reporting framework	45%	45%	45%	45%	45%	45%	45%	45%	45%
IPART NSW Sydney Water					51%	51%	52%	53%	54%
Auditor General	37%	43%	34%	37%	38%				

	BB	BBB	A	AA
Standard & Poors: US Utilities – Corporate Finance Criteria (1995)				
Lower Risk	70.0%	64.0%	56.0%	52.0%
Average	65.0%	59.0%	52.0%	48.0%
Higher Risk	60.0%	54.0%	48.0%	

	BB	BB+	BBB	BBB+	A	A+	AA	AA+
NSW Treasury: Capital Structure Policy for GTEs (2002)								
Lower Risk	62.5%	60.0%	57.5%	55.0%	51.0%	47.0%	43.5%	40.0%
Average	54.3%	50.5%	47.0%	43.5%	40.5%	37.5%	34.5%	31.5%
Higher Risk	62.5%	60.0%	57.5%	55.0%	51.0%	47.0%	43.5%	40.0%

FFO Interest Cover

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
Victoria Water Industry – Performance reporting framework	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20	2.20
IPART NSW Sydney Water					2.20	2.30	2.20	2.10	2.00
Auditor General	2.75	3.32	3.48	2.81	3.71				

	BB	BBB-	BBB	BBB+	A	AA
Standard & Poors: US Utilities – Corporate Finance Criteria (1995)						
Lower Risk	1.00		1.50		2.50	3.00
Average	1.25		2.25		3.25	3.50
Higher Risk	1.75		3.00		4.00	
Deloitte Report (2011)		1.5-2.0	2.0-2.7	2.7-3.0		

FFO / Net Debt

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16
IPART NSW Sydney Water					7.5%	7.9%	7.3%	6.9%	6.8%

	BB	BBB-	BBB	BBB+	A	AA
Standard & Poors: US Utilities – Corporate Finance Criteria (1995)						
Lower Risk	7.0%		10.0%		15.0%	19.0%
Average	9.0%		15.0%		21.0%	25.0%
Higher Risk	12.0%		20.0%		27.0%	
Deloitte Report (2011)		3 – 6%	6 – 10%	10 – 13%		

Australian and international utility company peer group comparatives including Total Debt/EBITDA, Net Debt/EBITDA and EBITDA/Interest

Peer group comparison					
Country	**Company**	**Total Debt / EBITDA**	**Net Debt / EBITDA**	**EBITDA / Interest**	**S&P LT Credit Rating**
Aus	APA Group	8.6x	8.4x	8.8x	NA
Aus	DUET Group	8.4x	8.1x	6.8x	BBB-
UK	United Utilities Group PLC	6.7x	6.5x	6.5x	BBB-
Aus	Envestra Limited	6.1x	6.1x	5.3x	BBB-
UK	Severn Trent plc	5.7x	5.4x	4.0x	BBB-
Aus	The SP AusNet group	5.0x	4.5x	3.5x	A-
Aus	ERM Power Limited	4.3x	4.3x	3.4x	NA
USA	American Water Works Company, Inc.	4.3x	3.5x	2.7x	BBB+
UK	Dee Valley Group plc	4.2x	3.4x	2.7x	NA
USA	California Water Service Group	3.8x	3.0x	2.5x	NA
Aus	AGL Energy Limited	3.6x	2.7x	2.2x	BBB
Aus	Spark Infrastructure Group	3.1x	2.0x	2.0x	NA
USA	American States Water Company	2.2x	1.9x	1.4x	A+
	Average	**5.1x**	**4.6x**	**4.0x**	

Scenario analysis detailed output

	THIRD REG PERIOD					FOURTH REG PERIOD				
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Summary (regulatory treatment)										
Cash flow from operations (incl interest)										
0% - $0m	832.3	847.9	858.9	847.0	873.8	929.0	956.5	985.7	1,022.9	1,069.9
15% - $94m	780.7	793.9	805.1	828.6	852.3	892.6	918.3	945.5	980.7	1,025.5
20% - $125m	732.1	742.9	751.6	772.1	801.7	937.8	915.9	929.7	964.2	1,008.3
47% - $300m	591.8	595.9	597.2	609.2	631.9	836.2	864.7	893.0	933.3	988.7
71% - $450m	471.5	469.9	464.8	469.5	486.3	749.0	773.2	796.9	832.6	883.1
100% - $631m	325.8	311.9	293.1	282.2	285.0	611.6	629.8	647.2	676.5	720.2
Cash flow from investing activities										
0% - $0m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
15% - $94m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
20% - $125m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
47% - $300m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
71% - $450m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
100% - $631m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
Dividends paid										
0% - $0m	(245.7)	(257.4)	(267.2)	(253.2)	(268.8)	(241.6)	(258.9)	(273.8)	(294.7)	(321.8)
15% - $94m	(212.2)	(222.3)	(233.3)	(255.8)	(269.1)	(223.4)	(239.7)	(253.7)	(273.6)	(299.6)
20% - $125m	(180.5)	(189.1)	(198.5)	(219.1)	(239.1)	(275.8)	(244.9)	(245.8)	(265.4)	(291.0)
47% - $300m	(89.3)	(93.6)	(98.2)	(113.2)	(128.7)	(209.7)	(231.0)	(248.3)	(275.6)	(314.6)
71% - $450m	(11.1)	(11.7)	(12.2)	(22.4)	(34.1)	(153.1)	(171.6)	(185.9)	(210.1)	(245.9)
100% - $631m	-	-	-	-	-	(63.7)	(78.3)	(88.6)	(108.7)	(140.1)
Net Cashflow										
0% - $0m	37.7	(45.3)	24.5	63.1	56.5	(33.7)	(133.9)	(13.4)	176.5	190.9
15% - $94m	19.7	(64.2)	4.6	42.1	34.7	(51.9)	(153.0)	(33.5)	155.4	168.7
20% - $125m	2.6	(82.1)	(14.1)	22.4	14.1	(59.1)	(160.5)	(41.4)	147.1	160.1
47% - $300m	(46.5)	(133.5)	(68.2)	(34.7)	(45.4)	(94.7)	(197.9)	(80.6)	106.0	116.9
71% - $450m	(88.6)	(177.6)	(114.5)	(83.5)	(96.3)	(125.2)	(229.9)	(114.2)	70.8	80.0
100% - $631m	(223.1)	(324.0)	(274.1)	(248.5)	(263.5)	(173.3)	(280.1)	(166.6)	16.2	23.0
RAV										
0% - $0m	9,130.1	9,702.9	10,269.0	10,802.2	11,273.6	11,809.6	12,521.7	13,233.0	13,798.3	14,269.1
15% - $94m	9,177.8	9,848.3	10,513.8	11,145.1	11,713.4	12,349.7	13,165.5	13,982.0	14,654.0	15,232.8
20% - $125m	9,193.1	9,894.7	10,592.0	11,254.6	11,853.8	12,522.1	13,371.1	14,221.2	14,927.2	15,540.5
47% - $300m	9,281.2	10,163.4	11,044.2	11,888.0	12,666.0	13,519.6	14,560.3	15,604.7	16,507.6	17,320.6
71% - $450m	9,356.7	10,393.6	11,431.8	12,430.8	13,362.3	14,374.6	15,579.5	16,790.6	17,862.2	18,846.3
100% - $631m	9,448.2	10,672.5	11,901.2	13,088.3	14,205.4	15,410.1	16,814.0	18,226.7	19,502.8	20,694.1
Debt										
0% - $0m	3,609.8	3,655.2	3,630.7	3,567.6	3,511.1	3,544.6	3,678.5	3,691.9	3,515.4	3,324.5
15% - $94m	3,627.9	3,692.1	3,687.5	3,645.4	3,610.7	3,662.5	3,815.4	3,848.9	3,693.6	3,524.9
20% - $125m	3,644.9	3,727.0	3,741.1	3,718.8	3,704.7	3,763.7	3,924.2	3,965.6	3,818.5	3,658.4
47% - $300m	3,694.0	3,827.6	3,895.7	3,930.4	3,975.7	4,070.3	4,268.2	4,348.8	4,242.8	4,125.8
71% - $450m	3,736.1	3,913.8	4,028.2	4,111.8	4,208.1	4,333.1	4,563.0	4,677.2	4,606.4	4,526.5
100% - $631m	3,870.7	4,194.6	4,468.7	4,717.2	4,980.7	5,153.8	5,433.9	5,600.5	5,584.4	5,561.4
EBITDA										
0% - $0m	1,235.7	1,268.4	1,306.7	1,356.9	1,391.0	1,451.2	1,498.8	1,550.1	1,600.5	1,653.8
15% - $94m	1,184.1	1,215.6	1,252.3	1,300.7	1,333.7	1,405.7	1,451.9	1,501.5	1,550.4	1,602.0
20% - $125m	1,135.4	1,165.7	1,201.0	1,247.7	1,279.6	1,391.2	1,436.9	1,486.0	1,534.4	1,585.5
47% - $300m	995.1	1,021.9	1,053.2	1,094.8	1,123.5	1,307.2	1,350.1	1,396.3	1,441.9	1,489.9
71% - $450m	874.8	898.6	926.4	963.8	989.8	1,235.1	1,275.8	1,319.5	1,362.5	1,407.9
100% - $631m	729.2	749.3	772.9	805.1	827.8	1,147.9	1,185.7	1,226.4	1,266.5	1,308.6
FFO / interest cover										
0% - $0m	2.9	2.9	2.8	2.8	2.8	2.9	2.9	2.9	3.0	3.2
15% - $94m	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8	2.9	3.0
20% - $125m	2.6	2.6	2.6	2.6	2.6	2.9	2.8	2.8	2.8	3.0
47% - $300m	2.3	2.3	2.2	2.2	2.3	2.6	2.6	2.6	2.7	2.8
71% - $450m	2.1	2.0	2.0	1.9	1.9	2.4	2.4	2.4	2.5	2.6
100% - $631m	1.7	1.7	1.6	1.5	1.5	2.1	2.1	2.0	2.1	2.1
FFO / net debt										
0% - $0m	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3
15% - $94m	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.3
20% - $125m	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.3
47% - $300m	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
71% - $450m	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2
100% - $631m	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Debt / RAV										
0% - $0m	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.2
15% - $94m	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.2
20% - $125m	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.2
47% - $300m	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
71% - $450m	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2
100% - $631m	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Total Debt / EBITDA										
0% - $0m	2.9	2.9	2.8	2.6	2.5	2.4	2.5	2.4	2.2	2.0
15% - $94m	3.1	3.0	2.9	2.8	2.7	2.6	2.6	2.6	2.4	2.2
20% - $125m	3.2	3.2	3.1	3.0	2.9	2.7	2.7	2.7	2.5	2.3
47% - $300m	3.7	3.7	3.7	3.6	3.5	3.1	3.2	3.1	2.9	2.8
71% - $450m	4.3	4.4	4.3	4.3	4.3	3.5	3.6	3.5	3.4	3.2
100% - $631m	5.3	5.6	5.8	5.9	6.0	4.5	4.6	4.6	4.4	4.2
EBITDA / Interest Expense										
0% - $0m	2.8	2.8	2.8	2.8	2.9	3.0	3.0	3.1	3.2	3.3
15% - $94m	2.6	2.7	2.7	2.7	2.8	2.9	2.9	2.9	3.0	3.2
20% - $125m	2.5	2.5	2.5	2.6	2.6	2.8	2.8	2.8	2.9	3.1
47% - $300m	2.2	2.2	2.2	2.2	2.2	2.5	2.6	2.6	2.6	2.8
71% - $450m	1.9	1.9	1.9	1.9	1.9	2.3	2.3	2.3	2.4	2.5
100% - $631m	1.6	1.6	1.5	1.5	1.5	2.0	2.0	2.0	2.0	2.1

	THIRD REG PERIOD					FOURTH REG PERIOD				
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Summary (accounting treatment)										
Cash Flow from operations										
0% - $0m	548.2	563.0	574.9	599.9	630.4	688.6	722.3	755.5	800.8	863.1
15% - $94m	472.3	483.3	491.1	511.2	537.8	632.8	663.6	693.8	736.1	795.1
20% - $125m	448.0	457.6	464.0	482.6	508.0	614.6	644.5	673.8	715.0	773.0
47% - $300m	307.7	303.9	295.7	298.4	309.8	477.9	500.1	522.5	557.2	608.1
71% - $450m	187.4	172.2	151.3	139.5	137.1	354.8	366.0	376.4	398.9	438.3
100% - $631m	41.7	12.7	(23.6)	(52.9)	(72.1)	205.6	203.6	199.6	206.7	229.4
Cash flow from Investing activities										
0% - $0m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
15% - $94m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
20% - $125m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
47% - $300m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
71% - $450m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
100% - $631m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
Cash Dividend paid										
0% - $0m	(61.0)	(72.2)	(83.7)	(107.1)	(127.8)	(113.8)	(138.5)	(158.9)	(189.5)	(232.9)
15% - $94m	(11.7)	(20.4)	(29.2)	(49.5)	(67.6)	(77.5)	(100.3)	(118.8)	(147.4)	(188.7)
20% - $125m	-	(3.7)	(11.6)	(30.9)	(48.2)	(65.7)	(87.9)	(105.8)	(133.7)	(174.4)
47% - $300m	-	-	-	-	-	-	-	(7.4)	(31.1)	(67.2)
71% - $450m	-	-	-	-	-	-	-	-	-	-
100% - $631m	-	-	-	-	-	-	-	-	-	-
Net Cashflow										
0% - $0m	(61.7)	(145.0)	(75.9)	(37.9)	(45.9)	(146.3)	(247.7)	(128.7)	59.7	73.0
15% - $94m	(88.3)	(172.9)	(105.3)	(68.9)	(78.3)	(165.8)	(268.2)	(150.3)	37.0	49.2
20% - $125m	(100.9)	(182.0)	(114.8)	(79.0)	(88.7)	(172.2)	(274.9)	(157.3)	29.6	41.4
47% - $300m	(241.2)	(332.0)	(271.4)	(232.3)	(238.7)	(243.2)	(331.4)	(210.3)	(25.6)	(16.3)
71% - $450m	(361.5)	(463.7)	(415.9)	(391.2)	(411.4)	(366.3)	(465.5)	(348.9)	(152.8)	(118.8)
100% - $631m	(507.2)	(623.2)	(590.8)	(583.6)	(620.6)	(515.5)	(627.9)	(525.7)	(345.0)	(327.8)
Interest - Total										
0% - $0m	757.2	766.2	781.7	791.7	796.4	805.2	818.7	836.2	840.8	831.3
15% - $94m	757.2	768.1	785.5	797.6	804.4	815.6	830.4	849.3	855.4	847.5
20% - $125m	757.2	769.0	787.0	799.8	807.3	819.2	834.4	853.9	860.5	853.1
47% - $300m	757.2	778.8	807.4	831.1	849.4	871.9	892.1	915.5	925.8	922.3
71% - $450m	757.2	787.3	825.1	859.0	888.4	923.0	951.9	984.7	1,004.7	1,010.1
100% - $631m	757.2	797.5	846.5	892.7	935.6	984.9	1,024.2	1,068.4	1,100.9	1,119.8
Interest - Finance Lease										
0% - $0m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
15% - $94m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
20% - $125m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
47% - $300m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
71% - $450m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
100% - $631m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
Interest - Other										
0% - $0m	286.1	301.4	323.8	339.8	348.8	362.6	381.5	405.2	416.7	414.9
15% - $94m	286.1	303.3	327.6	345.7	356.9	372.9	393.2	418.3	431.3	431.2
20% - $125m	286.1	304.2	329.2	347.9	359.8	376.6	397.3	422.9	436.4	436.7
47% - $300m	286.1	314.0	349.5	379.2	401.9	429.2	455.0	484.5	501.7	505.9
71% - $450m	286.1	322.4	367.2	407.1	440.9	480.3	514.7	553.7	580.6	593.7
100% - $631m	286.1	332.7	388.7	440.8	488.1	542.2	587.1	637.4	676.8	703.4
RAV										
0% - $0m	9,130.1	9,702.9	10,269.0	10,802.2	11,273.6	11,809.6	12,521.7	13,233.0	13,798.3	14,269.1
15% - $94m	9,177.8	9,848.3	10,513.8	11,145.1	11,713.4	12,349.7	13,165.5	13,982.0	14,654.0	15,232.8
20% - $125m	9,193.1	9,894.7	10,592.0	11,254.6	11,853.8	12,522.1	13,371.1	14,221.2	14,927.2	15,540.5
47% - $300m	9,281.2	10,163.4	11,044.2	11,888.0	12,666.0	13,519.6	14,560.3	15,604.7	16,507.6	17,320.6
71% - $450m	9,356.7	10,393.6	11,431.8	12,430.8	13,362.3	14,374.6	15,579.5	16,790.6	17,862.2	18,846.3
100% - $631m	9,448.2	10,672.5	11,901.2	13,088.3	14,205.4	15,410.1	16,814.0	18,226.7	19,502.8	20,694.1
Debt										
0% - $0m	8,407.4	8,494.8	8,506.2	8,508.1	8,513.6	8,614.6	8,811.5	8,883.3	8,759.9	8,615.4
15% - $94m	8,434.0	8,549.3	8,590.1	8,623.0	8,660.9	8,781.4	8,998.9	9,092.3	8,991.5	8,870.9
20% - $125m	8,446.6	8,571.0	8,621.1	8,664.1	8,712.4	8,839.3	9,063.5	9,163.9	9,070.5	8,957.5
47% - $300m	8,586.9	8,861.3	9,068.1	9,264.5	9,462.8	9,660.6	9,941.3	10,094.7	10,056.5	10,001.3
71% - $450m	8,707.2	9,113.3	9,464.5	9,819.7	10,190.8	10,511.8	10,926.6	11,218.5	11,307.5	11,354.8
100% - $631m	8,852.9	9,418.4	9,944.6	10,492.2	11,072.5	11,542.6	12,119.8	12,588.6	12,869.9	13,126.1
Debt - Finance lease										
0% - $0m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
15% - $94m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
20% - $125m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
47% - $300m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
71% - $450m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
100% - $631m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
Debt - Other										
0% - $0m	4,285.9	4,424.8	4,493.7	4,560.2	4,601.7	4,743.1	4,985.3	5,107.8	5,041.3	4,960.6
15% - $94m	4,312.5	4,479.3	4,577.6	4,675.1	4,749.0	4,909.9	5,172.6	5,316.8	5,272.9	5,216.0
20% - $125m	4,325.1	4,500.9	4,608.7	4,716.2	4,800.6	4,967.8	5,237.2	5,388.4	5,351.9	5,302.7
47% - $300m	4,465.5	4,791.2	5,055.7	5,316.6	5,550.9	5,789.1	6,115.0	6,319.2	6,337.9	6,346.4
71% - $450m	4,585.8	5,043.2	5,452.1	5,871.9	6,278.9	6,640.3	7,100.3	7,443.0	7,588.9	7,700.0
100% - $631m	4,731.4	5,348.4	5,932.2	6,544.4	7,160.6	7,671.1	8,293.5	8,813.1	9,151.2	9,471.3
EBITDA										
0% - $0m	1,260.1	1,293.4	1,332.4	1,383.5	1,418.1	1,451.2	1,498.8	1,550.1	1,600.5	1,653.8
15% - $94m	1,184.1	1,215.6	1,252.3	1,300.7	1,333.7	1,405.7	1,451.9	1,501.5	1,550.4	1,602.0
20% - $125m	1,159.8	1,190.7	1,226.7	1,274.3	1,306.7	1,391.2	1,436.9	1,486.0	1,534.4	1,585.5
47% - $300m	1,019.5	1,046.9	1,078.9	1,121.4	1,150.6	1,307.2	1,350.1	1,396.3	1,441.9	1,489.9
71% - $450m	899.2	923.6	952.1	990.4	1,016.9	1,235.1	1,275.8	1,319.5	1,362.5	1,407.9
100% - $631m	753.6	774.3	798.6	831.7	854.9	1,147.9	1,185.7	1,226.4	1,266.5	1,308.6
FFO / interest cover										
0% - $0m	1.7	1.7	1.7	1.8	1.8	1.9	1.9	1.9	2.0	2.0
15% - $94m	1.6	1.6	1.6	1.6	1.7	1.8	1.8	1.8	1.9	1.9
20% - $125m	1.6	1.6	1.6	1.6	1.6	1.8	1.8	1.8	1.8	1.9
47% - $300m	1.4	1.4	1.4	1.4	1.4	1.5	1.6	1.6	1.6	1.7
71% - $450m	1.2	1.2	1.2	1.2	1.2	1.4	1.4	1.4	1.4	1.4
100% - $631m	1.1	1.0	1.0	0.9	0.9	1.2	1.2	1.2	1.2	1.2
FFO / net debt										
0% - $0m	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
15% - $94m	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
20% - $125m	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
47% - $300m	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
71% - $450m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
100% - $631m	0.0	0.0	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0
Gearing										
0% - $0m	66%	66%	66%	66%	66%	66%	66%	67%	67%	67%
15% - $94m	66%	66%	67%	67%	67%	67%	67%	67%	68%	67%
20% - $125m	66%	66%	67%	67%	67%	67%	67%	68%	68%	68%
47% - $300m	67%	68%	69%	70%	71%	71%	72%	72%	73%	73%
71% - $450m	67%	69%	71%	73%	75%	76%	77%	79%	79%	80%
100% - $631m	68%	71%	74%	77%	80%	82%	84%	86%	87%	89%
Total Debt / EBITDA										
0% - $0m	6.7	6.6	6.4	6.1	6.0	5.9	5.9	5.7	5.5	5.2
15% - $94m	7.1	7.0	6.9	6.6	6.5	6.2	6.2	6.1	5.8	5.5
20% - $125m	7.3	7.2	7.0	6.8	6.7	6.4	6.3	6.2	5.9	5.6
47% - $300m	8.4	8.5	8.4	8.3	8.2	7.4	7.4	7.2	7.0	6.7
71% - $450m	9.7	9.9	9.9	9.9	10.0	8.5	8.6	8.5	8.3	8.1
100% - $631m	11.7	12.2	12.5	12.6	13.0	10.1	10.2	10.3	10.2	10.0
EBITDA / Interest Expense										
0% - $0m	1.7	1.7	1.7	1.7	1.8	1.8	1.8	1.9	1.9	2.0
15% - $94m	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.8	1.8	1.9
20% - $125m	1.5	1.5	1.6	1.6	1.6	1.7	1.7	1.7	1.8	1.9
47% - $300m	1.3	1.3	1.3	1.3	1.4	1.5	1.5	1.5	1.6	1.6
71% - $450m	1.2	1.2	1.2	1.2	1.1	1.3	1.3	1.3	1.4	1.4
100% - $631m	1.0	1.0	0.9	0.9	0.9	1.2	1.2	1.1	1.2	1.2

	THIRD REG PERIOD					FOURTH REG PERIOD				
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Summary (accounting treatment int rates +1%)										
Cash Flow from operations										
0% - $0m	505.5	518.5	527.7	550.5	579.3	635.6	666.3	695.5	737.8	798.9
20% - $125m	405.3	410.4	411.5	425.7	448.2	552.3	578.7	603.3	641.0	697.2
47% - $300m	264.9	255.3	239.9	235.4	239.4	399.5	413.0	425.0	450.4	495.1
71% - $450m	144.6	122.4	92.9	72.2	60.5	267.9	268.6	266.5	276.7	304.8
100% - $631m	(1.0)	(38.6)	(85.2)	(125.3)	(156.2)	108.6	93.6	74.5	66.3	74.3
cash flow from Investing activities										
0% - $0m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
20% - $125m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
47% - $300m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
71% - $450m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
100% - $631m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
Cash Dividend paid										
0% - $0m	(33.3)	(43.2)	(53.0)	(75.0)	(94.6)	(79.3)	(102.1)	(119.9)	(148.5)	(191.2)
20% - $125m	-	-	-	-	(9.3)	(25.2)	(45.1)	(60.0)	(85.6)	(125.1)
47% - $300m	-	-	-	-	-	-	-	-	-	-
71% - $450m	-	-	-	-	-	-	-	-	-	-
100% - $631m	-	-	-	-	-	-	-	-	-	-
Net Cashflow										
0% - $0m	(76.7)	(160.6)	(92.5)	(55.2)	(63.8)	(164.9)	(267.3)	(149.7)	37.6	50.5
20% - $125m	(143.7)	(225.5)	(155.7)	(105.0)	(109.6)	(194.0)	(298.0)	(182.0)	3.7	14.9
47% - $300m	(284.0)	(380.6)	(327.2)	(295.3)	(309.1)	(321.6)	(418.5)	(300.3)	(101.3)	(62.1)
71% - $450m	(404.3)	(513.5)	(474.3)	(458.5)	(488.0)	(453.2)	(563.0)	(458.8)	(275.0)	(252.4)
100% - $631m	(549.9)	(674.4)	(652.4)	(656.0)	(704.7)	(612.5)	(737.9)	(650.8)	(485.4)	(482.9)
Interest - Total										
0% - $0m	799.9	810.8	828.9	841.1	847.5	858.3	874.6	896.2	903.8	895.4
20% - $125m	799.9	816.2	839.5	856.7	867.1	881.6	900.3	924.3	934.5	928.9
47% - $300m	799.9	827.4	863.2	894.1	919.8	950.3	979.2	1,012.9	1,032.6	1,035.4
71% - $450m	799.9	837.1	883.5	926.2	965.0	1,009.8	1,049.3	1,094.6	1,127.0	1,143.7
100% - $631m	799.9	848.8	908.1	965.1	1,019.7	1,081.9	1,134.2	1,193.5	1,241.3	1,274.9
Interest - Finance Lease										
0% - $0m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
20% - $125m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
47% - $300m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
71% - $450m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
100% - $631m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
Interest - Other										
0% - $0m	328.9	346.0	371.1	389.2	399.9	415.6	437.5	465.2	479.7	479.1
20% - $125m	328.9	351.3	381.7	404.8	419.6	438.9	463.1	493.3	510.4	512.5
47% - $300m	328.9	362.6	405.4	442.2	472.3	507.6	542.1	581.9	608.5	619.0
71% - $450m	328.9	372.2	425.7	474.3	517.5	567.2	612.2	663.6	702.8	727.3
100% - $631m	328.9	383.9	450.3	513.2	572.2	639.3	697.0	762.5	817.1	858.5
RAV										
0% - $0m	9,130.1	9,702.9	10,269.0	10,802.2	11,273.6	11,809.6	12,521.7	13,233.0	13,798.3	14,269.1
20% - $125m	9,193.1	9,894.7	10,592.0	11,254.6	11,853.8	12,522.1	13,371.1	14,221.2	14,927.2	15,540.5
47% - $300m	9,281.2	10,163.4	11,044.2	11,888.0	12,666.0	13,519.6	14,560.3	15,604.7	16,507.6	17,320.6
71% - $450m	9,356.7	10,393.6	11,431.8	12,430.8	13,362.3	14,374.6	15,579.5	16,790.6	17,862.2	18,846.3
100% - $631m	9,448.2	10,672.5	11,901.2	13,088.3	14,205.4	15,410.1	16,814.0	18,226.7	19,502.8	20,694.1
Debt										
0% - $0m	8,422.4	8,525.4	8,553.3	8,572.5	8,595.9	8,715.4	8,932.0	9,024.8	8,923.4	8,801.4
20% - $125m	8,489.4	8,657.2	8,748.3	8,817.4	8,886.6	9,035.3	9,282.5	9,407.6	9,340.1	9,253.7
47% - $300m	8,629.7	8,952.6	9,215.3	9,474.6	9,743.3	10,019.6	10,387.4	10,630.8	10,668.3	10,658.9
71% - $450m	8,750.0	9,205.8	9,615.5	10,038.0	10,485.6	10,893.5	11,405.7	11,807.6	12,018.9	12,199.8
100% - $631m	8,895.6	9,512.5	10,100.2	10,720.3	11,384.6	11,951.8	12,639.0	13,232.9	13,654.5	14,065.8
Debt - Finance lease										
0% - $0m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
20% - $125m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
47% - $300m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
71% - $450m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
100% - $631m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
Debt - Other										
0% - $0m	4,300.9	4,455.3	4,540.8	4,624.6	4,684.0	4,843.9	5,105.7	5,249.3	5,204.8	5,146.5
20% - $125m	4,367.9	4,587.2	4,735.9	4,869.5	4,974.8	5,163.8	5,456.3	5,632.1	5,621.5	5,598.8
47% - $300m	4,508.2	4,882.6	5,202.8	5,526.8	5,831.5	6,148.1	6,561.1	6,855.3	6,949.7	7,004.1
71% - $450m	4,628.5	5,135.7	5,603.1	6,090.1	6,573.8	7,022.0	7,579.5	8,032.1	8,300.2	8,544.9
100% - $631m	4,774.2	5,442.4	6,087.8	6,772.4	7,472.8	8,080.3	8,812.7	9,457.4	9,935.9	10,411.0
EBITDA										
0% - $0m	1,260.1	1,293.4	1,332.4	1,383.5	1,418.1	1,451.2	1,498.8	1,550.1	1,600.5	1,653.8
20% - $125m	1,159.8	1,190.7	1,226.7	1,274.3	1,306.7	1,391.2	1,436.9	1,486.0	1,534.4	1,585.5
47% - $300m	1,019.5	1,046.9	1,078.9	1,121.4	1,150.6	1,307.2	1,350.1	1,396.3	1,441.9	1,489.9
71% - $450m	899.2	923.6	952.1	990.4	1,016.9	1,235.1	1,275.8	1,319.5	1,362.5	1,407.9
100% - $631m	753.6	774.3	798.6	831.7	854.9	1,147.9	1,185.7	1,226.4	1,266.5	1,308.6
FFO / interest cover										
0% - $0m	1.6	1.6	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.9
20% - $125m	1.5	1.5	1.5	1.5	1.5	1.6	1.6	1.7	1.7	1.8
47% - $300m	1.3	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.5
71% - $450m	1.2	1.1	1.1	1.1	1.1	1.3	1.3	1.2	1.2	1.3
100% - $631m	1.0	1.0	0.9	0.9	0.8	1.1	1.1	1.1	1.1	1.1
FFO / net debt										
0% - $0m	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
20% - $125m	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1
47% - $300m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
71% - $450m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
100% - $631m	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0
Gearing										
0% - $0m	66%	66%	66%	66%	66%	67%	67%	67%	67%	67%
20% - $125m	66%	67%	67%	68%	68%	68%	68%	69%	69%	69%
47% - $300m	67%	68%	70%	71%	72%	73%	74%	75%	76%	76%
71% - $450m	67%	69%	72%	74%	76%	78%	80%	82%	83%	84%
100% - $631m	68%	71%	74%	78%	81%	84%	86%	89%	91%	93%
Total Debt / EBITDA										
0% - $0m	6.7	6.6	6.4	6.2	6.1	6.0	6.0	5.8	5.6	5.3
20% - $125m	7.3	7.3	7.1	6.9	6.8	6.5	6.5	6.3	6.1	5.8
47% - $300m	8.5	8.6	8.5	8.4	8.5	7.7	7.7	7.6	7.4	7.2
71% - $450m	9.7	10.0	10.1	10.1	10.3	8.8	8.9	8.9	8.8	8.7
100% - $631m	11.8	12.3	12.6	12.9	13.3	10.4	10.7	10.8	10.8	10.7
EBITDA / Interest Expense										
0% - $0m	1.6	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.8	1.8
20% - $125m	1.4	1.5	1.5	1.5	1.5	1.6	1.6	1.6	1.6	1.7
47% - $300m	1.3	1.3	1.2	1.3	1.3	1.4	1.4	1.4	1.4	1.4
71% - $450m	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.2
100% - $631m	0.9	0.9	0.9	0.9	0.8	1.1	1.0	1.0	1.0	1.0

	THIRD REG PERIOD					FOURTH REG PERIOD				
	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Summary (accounting treatment interest rates -1%)										
Cash Flow from operations										
0% - $0m	591.0	607.3	621.6	648.3	680.2	739.9	776.1	813.0	860.8	923.7
20% - $125m	490.8	502.5	511.7	532.5	559.7	668.3	701.0	734.2	778.3	837.3
47% - $300m	350.4	351.6	349.7	358.3	375.6	550.1	577.7	605.3	643.8	696.9
71% - $450m	230.2	221.1	207.8	203.6	208.9	435.1	454.8	475.2	507.2	554.6
100% - $631m	84.5	63.1	36.1	16.3	7.0	295.8	304.3	312.6	331.8	365.5
cash flow from Investing activities										
0% - $0m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
20% - $125m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
47% - $300m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
71% - $450m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
100% - $631m	(548.9)	(635.9)	(567.2)	(530.7)	(548.5)	(721.1)	(831.5)	(725.3)	(551.7)	(557.2)
Cash Dividend paid										
0% - $0m	(88.8)	(101.0)	(114.0)	(138.6)	(160.2)	(147.2)	(173.5)	(196.3)	(228.5)	(272.3)
20% - $125m	(23.7)	(32.9)	(42.6)	(63.3)	(81.8)	(100.6)	(124.6)	(145.1)	(174.9)	(216.2)
47% - $300m	-	-	-	-	-	(23.8)	(44.4)	(61.3)	(87.4)	(124.9)
71% - $450m	-	-	-	-	-	-	-	-	-	(32.4)
100% - $631m	-	-	-	-	-	-	-	-	-	-
Net Cashflow										
0% - $0m	(46.7)	(129.5)	(59.6)	(21.0)	(28.4)	(128.3)	(228.9)	(108.6)	80.6	94.2
20% - $125m	(81.8)	(166.2)	(98.1)	(61.5)	(70.6)	(153.4)	(255.1)	(136.2)	51.8	64.0
47% - $300m	(198.5)	(284.2)	(217.5)	(172.4)	(172.9)	(194.8)	(298.3)	(181.3)	4.7	14.8
71% - $450m	(318.8)	(414.7)	(359.3)	(327.1)	(339.6)	(286.0)	(376.7)	(250.1)	(44.5)	(35.0)
100% - $631m	(464.4)	(572.8)	(531.1)	(514.4)	(541.5)	(425.3)	(527.2)	(412.7)	(219.9)	(191.7)
Interest - Total										
0% - $0m	714.4	721.9	735.0	743.3	746.6	753.9	764.8	778.7	780.8	770.6
20% - $125m	714.4	724.1	739.3	749.9	755.6	765.5	778.0	793.4	797.2	788.8
47% - $300m	714.4	731.1	753.4	771.2	783.6	799.7	814.6	832.7	839.1	833.5
71% - $450m	714.4	738.3	768.5	794.9	816.6	842.7	863.1	885.9	896.5	893.8
100% - $631m	714.4	747.1	786.8	823.5	856.5	894.7	923.5	955.4	975.8	983.7
Interest - Finance Lease										
0% - $0m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
20% - $125m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
47% - $300m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
71% - $450m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
100% - $631m	471.1	464.8	457.8	451.9	447.5	442.6	437.2	431.0	424.1	416.4
Interest - Other										
0% - $0m	243.4	257.1	277.2	291.4	299.0	311.3	327.7	347.7	356.7	354.3
20% - $125m	243.4	259.2	281.5	298.0	308.1	322.9	340.8	362.4	373.1	372.4
47% - $300m	243.4	266.3	295.6	319.3	336.1	357.1	377.4	401.7	415.0	417.2
71% - $450m	243.4	273.5	310.7	343.0	369.0	400.0	425.9	454.9	472.4	477.5
100% - $631m	243.4	282.3	329.0	371.6	408.9	452.1	486.3	524.4	551.7	567.3
RAV										
0% - $0m	9,130.1	9,702.9	10,269.0	10,802.2	11,273.6	11,809.6	12,521.7	13,233.0	13,798.3	14,269.1
20% - $125m	9,193.1	9,894.7	10,592.0	11,254.6	11,853.8	12,522.1	13,371.1	14,221.2	14,927.2	15,540.5
47% - $300m	9,281.2	10,163.4	11,044.2	11,888.0	12,666.0	13,519.6	14,560.3	15,604.7	16,507.6	17,320.6
71% - $450m	9,356.7	10,393.6	11,431.8	12,430.8	13,362.3	14,374.6	15,579.5	16,790.6	17,862.2	18,846.3
100% - $631m	9,448.2	10,672.5	11,901.2	13,088.3	14,205.4	15,410.1	16,814.0	18,226.7	19,502.8	20,694.1
Debt										
0% - $0m	8,392.5	8,464.4	8,459.4	8,444.4	8,432.5	8,515.4	8,693.6	8,745.3	8,600.9	8,435.1
20% - $125m	8,427.5	8,536.2	8,569.7	8,595.2	8,625.4	8,733.5	8,937.9	9,017.2	8,901.6	8,766.2
47% - $300m	8,544.2	8,770.8	8,923.7	9,060.1	9,192.6	9,342.0	9,589.6	9,714.0	9,645.5	9,559.2
71% - $450m	8,664.5	9,021.6	9,316.3	9,607.4	9,906.6	10,147.3	10,473.3	10,666.5	10,647.2	10,610.7
100% - $631m	8,810.1	9,325.3	9,791.8	10,270.2	10,771.3	11,151.3	11,627.8	11,983.5	12,139.6	12,259.8
Debt - Finance lease										
0% - $0m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
20% - $125m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
47% - $300m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
71% - $450m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
100% - $631m	4,121.5	4,070.1	4,012.5	3,947.9	3,911.9	3,871.5	3,826.3	3,775.5	3,718.6	3,654.8
Debt - Other										
0% - $0m	4,271.0	4,394.3	4,446.9	4,496.5	4,520.6	4,643.9	4,867.3	4,969.8	4,882.2	4,780.3
20% - $125m	4,306.1	4,466.1	4,557.2	4,647.3	4,713.6	4,862.0	5,111.6	5,241.7	5,183.0	5,111.3
47% - $300m	4,422.7	4,700.7	4,911.2	5,112.3	5,280.7	5,470.5	5,763.4	5,938.5	5,926.9	5,904.4
71% - $450m	4,543.0	4,951.5	5,303.8	5,659.5	5,994.8	6,275.8	6,647.0	6,891.0	6,928.6	6,955.8
100% - $631m	4,688.7	5,255.2	5,779.3	6,322.4	6,859.5	7,279.8	7,801.5	8,208.0	8,421.0	8,605.0
EBITDA										
0% - $0m	1,260.1	1,293.4	1,332.4	1,383.5	1,418.1	1,451.2	1,498.8	1,550.1	1,600.5	1,653.8
20% - $125m	1,159.8	1,190.7	1,226.7	1,274.3	1,306.7	1,391.2	1,436.9	1,486.0	1,534.4	1,585.5
47% - $300m	1,019.5	1,046.9	1,078.9	1,121.4	1,150.6	1,307.2	1,350.1	1,396.3	1,441.9	1,489.9
71% - $450m	899.2	923.6	952.1	990.4	1,016.9	1,235.1	1,275.8	1,319.5	1,362.5	1,407.9
100% - $631m	753.6	774.3	798.6	831.7	854.9	1,147.9	1,185.7	1,226.4	1,266.5	1,308.6
FFO / interest cover										
0% - $0m	1.8	1.8	1.8	1.9	1.9	2.0	2.0	2.0	2.1	2.2
20% - $125m	1.7	1.7	1.7	1.7	1.7	1.9	1.9	1.9	2.0	2.1
47% - $300m	1.5	1.5	1.5	1.5	1.5	1.7	1.7	1.7	1.8	1.8
71% - $450m	1.3	1.3	1.3	1.3	1.3	1.5	1.5	1.5	1.6	1.6
100% - $631m	1.1	1.1	1.0	1.0	1.0	1.3	1.3	1.3	1.3	1.4
FFO / net debt										
0% - $0m	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
20% - $125m	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
47% - $300m	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
71% - $450m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
100% - $631m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gearing										
0% - $0m	66%	66%	66%	66%	66%	66%	66%	66%	67%	66%
20% - $125m	66%	66%	66%	67%	67%	67%	67%	67%	67%	67%
47% - $300m	67%	67%	68%	69%	69%	70%	70%	71%	71%	71%
71% - $450m	67%	69%	70%	72%	73%	74%	75%	76%	76%	76%
100% - $631m	68%	70%	73%	75%	78%	80%	81%	83%	84%	84%
Total Debt / EBITDA										
0% - $0m	6.7	6.5	6.3	6.1	5.9	5.9	5.8	5.6	5.4	5.1
20% - $125m	7.3	7.2	7.0	6.7	6.6	6.3	6.2	6.1	5.8	5.5
47% - $300m	8.4	8.4	8.3	8.1	8.0	7.1	7.1	7.0	6.7	6.4
71% - $450m	9.6	9.8	9.8	9.7	9.7	8.2	8.2	8.1	7.8	7.5
100% - $631m	11.7	12.0	12.3	12.3	12.6	9.7	9.8	9.8	9.6	9.4
EBITDA / Interest Expense										
0% - $0m	1.8	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.1
20% - $125m	1.6	1.6	1.7	1.7	1.7	1.8	1.8	1.9	1.9	2.0
47% - $300m	1.4	1.4	1.4	1.5	1.5	1.6	1.7	1.7	1.7	1.8
71% - $450m	1.3	1.3	1.2	1.2	1.2	1.5	1.5	1.5	1.5	1.6
100% - $631m	1.1	1.0	1.0	1.0	1.0	1.3	1.3	1.3	1.3	1.3

Limitation of our work

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