

APPENDIX ONE

CAPACITY INFRASTRUCTURE SERVICES LTD

Q3 REVIEW TO 31 MARCH 2014

QUARTER PERFORMANCE

- At quarter end for WCC, there was a favourable opex variance of \$1.1m (or 3% of budget). This was due to a favourable variance related to bulk water levies being lower than budgeted and lower treatment plant electricity costs and landfill fees as a result of lower volumes of sludge, partially offset by the cost of repairs to the Mt Albert tunnel pipe.
- YTD capex spend (\$13.6m) was 31% under-spent relative to budget. This reflects the HPOW project being on hold, delays in water renewal works surrounding Buckle St (due to the Memorial Park project) and reservoir renewals at Melrose and Linden, and delays in some wastewater projects.
- In March 2014 contractors working in Duck Creek (PCC) were issued with an advisory note to cease unauthorised works. The contractors continued work and did not inform Capacity of the advisory and Capacity was then issued with an abatement notice by GWRC. As a result of this incident, Capacity is developing procedures to improve communications in this area.

YEAR TO DATE PERFORMANCE

- All YTD service response time indicators for WCC (including wastewater) are now meeting target.
- Of the LTP KPIs, the freshwater sites compliance with MoE guidelines continues to be below target YTD. It is tracking at 89% (target 95%). This is due to sediment and other pollutants washing off roads into the stormwater system and the level of inflow and infiltration. A programme of detecting these has been completed in parts of Miramar and is underway in Island Bay. Investigations are underway in Ngauranga, Karori and Kaiwharawhara streams catchments to identify the sources of pollution.
- The bathing beaches compliance KPI was below target YTD at 84% of sampling days (target 95%). This also reflects rain levels experienced on or shortly before sampling days. All beaches tested achieved green status within 1-2 days and no beaches needed to be closed by Regional Public Health.
- Five properties have reported flooding in Wellington as a result of a less than 1:50 year event (target is 0 properties). These properties flooded in September (3) and November (2) 2013. Three of these events were as a result of blocked sumps and the other two were as a result of network issues (blockage and pipe capacity related).

SUMMARY FINANCIALS

\$'000

FINANCIAL PERFORMANCE	Q3 Actual	Q3 Budget	Variance	YTD Actual	YTD Budget	Variance	Annual Budget*
Total Revenue							16,570
Total Expenses							16,456
Net Surplus							114
Operating Surplus							114
FINANCIAL POSITION							
Total Assets	<i>Capacity currently provides financial statements on a half-yearly basis; accordingly, there are no updated financials for Q3.</i>						
Total Liabilities							
Equity							
CASH FLOWS							
Total Net Cash Flows							
Opening Cash							
Closing Cash							
WCC BUDGETS							
Opex**				36,820	37,952	1,132	50,463
Capex				13,648	19,658	6,010	26,041

*Revised budget taking into account PCC and outcomes-based business model. **Excluding stewardship accounts.

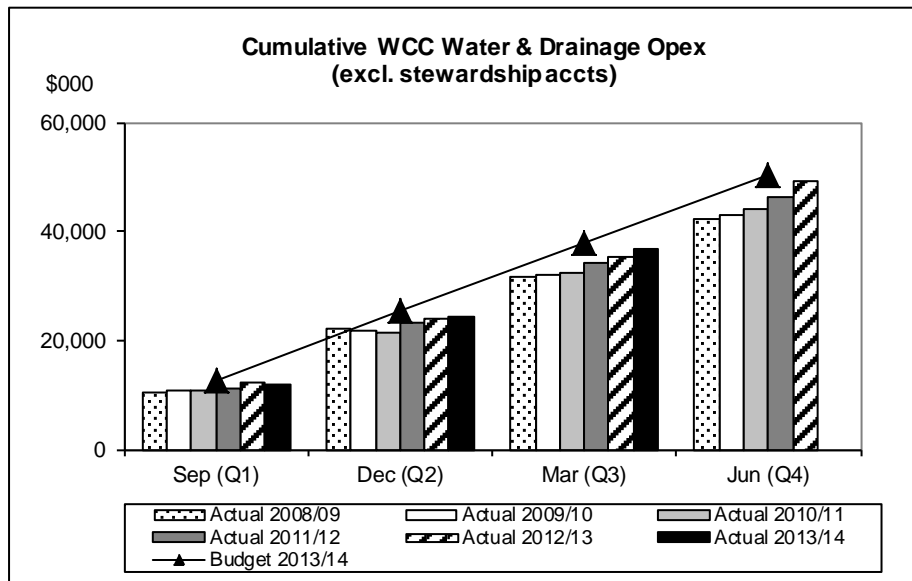
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KPI DASHBOARD					
MEASURE	YTD			3 Year	Comments
		31 Mar 14		WCC Trend	
Fewer than four unplanned supply cuts per 1,000 connections		1.57 (excluding PCC)	✓	N/A	Measure since 2011/12.
Fewer than 1.2 wastewater incidents reported per km of wastewater reticulation pipeline		0.54 (excluding PCC)	✓	N/A	New measure for WCC for 2013/14.
Maintain existing Ministry of Health grades for water supply		Achieved for all councils	✓	Steady →	
Comply with NZ drinking water quality standards		Achieved for all councils	✓	Steady →	
Achieve response time targets in at least 97% of incidents (95% for WCC drainage)	HCC PCC UHCC WCC	Achieved N/A Achieved Achieved	 ✓	Declining ↘	See details for WCC below
Achieve response time targets in at least 97% of incidents (95% for WCC drainage)	WCC Water WCC S'water WCC W'water	99.3% 97.4% 95.3%	✓ ✓ ✓	Steady → Declining ↘ Declining ↘	All YTD targets (including wastewater) are now being met. The 3-year trends for drainage are impacted by the under target 2012/13 results.
Maintain average unmetered water consumption at or below 300L/p/d	HCC PCC UHCC WCC	N/A N/A N/A 290	 ✓	Improving ↗	
No resource consent infringement notices received from GWRC		Achieved for all councils (see note)	✓	Steady →	In October 2013 (prior to PCC joining Capacity) there was a non-consented discharge from the Porirua Wastewater water treatment plant during and after heavy rain. GWRC has indicated that some form of prosecution will occur. This will be against PCC.

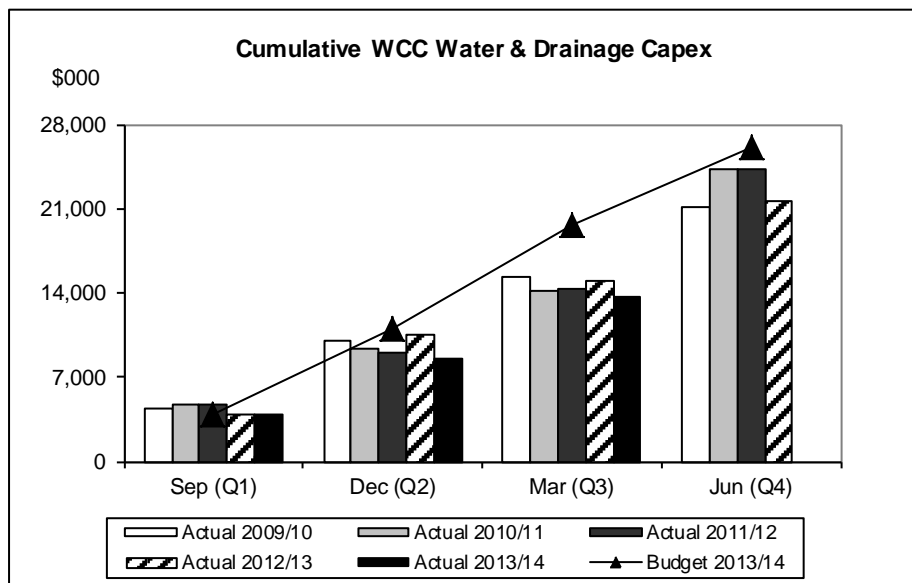
N/A indicators reflect that this indicator is not typically tracked at the customer level and is not updated in the KPI report provided.

ISSUES & OUTLOOK

- **Opex Forecast:** The opex spend for WCC (excluding stewardship accounts) is forecast to be under-spent relative to the budget for the year, with a favourable bulk water levy variance partially offset by higher than budgeted levels of water network maintenance.
- **Capex Forecast:** At the end of March, a year-end favourable capex variance was anticipated for WCC of approximately \$1.4m (\$0.6m at the end of Q2), relating to the HPOW project being on hold, delays with Melrose reservoir, and the deferral of some treatment plant work under discussion with GWRC.
- **Regional Council:** WCC, HCC, PCC and UHCC have agreed in principle (subject to any final decision being made by each of those councils) that they would support Greater Wellington Regional Council joining Capacity. This matter has been publically consulted on by GWRC.



This chart illustrates the YTD WCC opex spend (excluding stewardship accounts) is tracking relative to target and prior years.



This chart illustrates the WCC capex spend relative to budget and prior years.