CONFIDENTIAL

THE REGIONAL COUNCIL

REGIONAL WATER SUPPLY

DEBT REPAYMENT STRATEGY

November 2000

BANCORP
MERCHANT BANKERS
Auckland • Wellington

CONTENTS

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1. EXECUTIVE SUMMARY

1.1 Introduction

Wellington Regiondl Council's ("WRC" or "the Council") Treasury Management Policy includes a Borrowing Policy. In Section 3.2 this Borrowing Policy sets out external borrowing limits by way of financial ratios which WRC will adhere to. WRC also operates an internal treasury function, which is responsible for the Council's external borrowings on a consolidated basis dnd ddministering the Council's internal debt portfolio. To support this Treasury function, the Borrowing Policy outlines internal borrowing limits (in Section 3.8) for each of the business units and departments with significant debt levels, also set by way of financial ratios. In addition, the Borrowing Policy sets out internal debt targets for these business units dnd departments, based on the ratios used in the internal borrowing limits with 'trigger thresholds' set at lower levels.

WRC is currently compiling its latest Long Term Financial Strategy and as part of this process is undertaking detailed forecasting at each business unit dnd departmental level. Regional Water Supply (one of the five business units for which internal limits and targets has been assigned) hds undertaken an in depth analysis of future water demand and resultant capex requirements and incorporated this in a financial forecast model. These financial forecasts indicate that Regional Water Supply has considerable flexibility in future to either repay debt or reduce Water Levy rates.

Bancorp New Zealand Limited ("Bancorp") has reviewed WRC's internal borrowing limits dnd internal debt targets for its Regional Water Supply business unit and the key issues arising from the financial forecasts of the business unit in order to assist WRC to formulate an appropriate debt repayment strategy for Regional Water Supply.

1.2 Internal Borrowing limits and Internal Debt Targets

WRC has established internal borrowing limits dnd internal debt targets to support its internal Treasury structure. The primary reasons for the borrowing limits and targets are:

- In the case of the internal borrowing limits, to set explicit debt parameters within which WRC's various departments/business units must operate.

1. EXECUTIVE SUMMARY -continued

- In the case of the internal debt targets to provide internal management guidance in relation to borrowing levels in the long-term.

The internal borrowing limits dnd internal debt targets employed by Regional Water Supply are as follows:

	[redacted]	[redacted]
RATIO	INTERNAL BORROWING LIMIT	INTERNAL DEBT TARGET
Net **Debt** to Levy	**300%**	**220%**
Net Financial Costs to Levy	40%	**20%**

The ratios (i.e. measurement mechanisms) employed by Regional Water Supply represent a quasi-interest and a quasi-gearing ratio. While there may be merit in further investigation of a more traditional EBIT based interest coverage ratio, in Bancorp's view the measurement mechanisms used by Regional Water Supply represent adequate proxies to typical commercial ratios. Working in tandem, the two financial ratios currently employed by Regional Water Supply enable debt levels to be adequately monitored and constrained.

While the internal borrowing limit trigger thresholds exceed the WRC borrowing limit 'average' (as defined by the external borrowing limits set out in Section 3.2), Regional Water Supply is highly capital intensive and represents well over 50 % of WRC fixed assets dnd debt. This and the fact that the internal borrowing limits are viewed vary much as 'caps' and that Regional Water Supply is not a standalone entity (i.e. it is supported by WRC's rating powers) in our view justifies the trigger thresholds set on the internal borrowing limits.

By benchmarking Regiondl Water Supply against other utilities in the United States based on data published by Standard & Poor's, Bancorp's view is that the trigger thresholds set on the internal debt targets are appropriate.

1.3 Financial Forecasts

The latest financial forecasts for Regional Water Supply indicate a relatively high level of financial flexibility in terms of either debt repayments or reduction in water levies. Scenario analysis indicates:

- Regiondl Water Supply could repay all debt by 2020/21, provided the Water Levy is held at 2000/01 levels for future years.
- Water Levy levels could be reduced if a slower amortisation programme was followed and/or debt repayments were not prioritised once WRC's internal debt target levels were reached.

1. EXECUTIVE SUMMARY - continued

1.4 Key Considerations, Recommended Debt Repayment Strategy

The flexibility (between debt repayment and levy reduction ability) highlighted by Regional Water Supply's financial forecasts, indicates that debt repayment is ultimately a subjective matter. Nevertheless, our view is that ongoing debt repayments both up to and beyond achievement of internal debt target levels should be made by WRC. This view is based on the underlying principle of the No.3 Act that local authorities should act prudently in relation to debt levels.

Current debt levels in Regiondl Water Supply would rank it on a standalone basis somewhere between a 'BB' and 'A' rating, based on S&P's published financial ratios for similar entities -well below WRC's current 'AA-' credit rating. On this bdsis debt repayment should remain a priority for Regional Water Supply. Once internal debt target levels are achieved (implying a standalone rating of 'AA-') we believe it is appropriate that ongoing debt repayments are maintained in order to:

- Reduce debt related risks such as the sensitivity to adverse interest rate movements.
- Increase debt capacity for both seen and unforeseen future requirements.
- Reduce exposure to adverse variations from forecasts such as changes in operating performance.
- Improve the balance sheet of WRC on a consolidated basis.

The internal debt targets indicate a level of debt that would imply a 'AA-' credit rating based on Regional Water Supply's business risk profile. This does not necessarily correspond with 'optimal' debt levels, which will vary from entity to entity. In particular Regional Water Supply is one business unit (albeit the largest in terms of fixed assets and debt levels) within WRC dnd hence its debt levels cannot be viewed in isolation. Debt provides no economic efficiency benefits (by being cheaper thdn equity) for WRC and essentially represents a mechanism for redistributing the costs dnd benefits related with asset funding. Consequently we believe WRC's and Regiondl Water Supply's goal in the very long term should be to repay debt in order to reduce the debt related risks outlined dbove. Ultimately the term over which this is achieved will be a factor of intergenerational equity and political considerations dnd cash flow requirements (i.e. capital and operational expenditure requirements).

1. EXECUTIVE SUMMARY - continued

In summary therefore Bancorp's recommendation is that:

Regional Water Supply maintains its debt repayments at current levels until the internal borrowing target level is reached (Debt levels are currently high both in absolute terms and relative to other similar entities on a standalone basis).

Once internal debt targets levels are reached we advocate continued debt repayments in order to reduce the risks related with debt. Consideration may be given at this point for slightly reduced principal repayment levels based on an assessment of the relevant issues at the time (forecast at this stage to be around 2006).

2. INTRODUCTION

WRC's Treasury Management Policy includes a Borrowing Policy. This Borrowing Policy sets out external borrowing limits by way of financial ratios (in Section 3.2) which WRC will adhere to with the objective of at least maintaining its current Standard & Poor's long-term credit rating of 'AA-'.

WRC operates an internal Treasury function, which is responsible for the Council's external borrowings on a consolidated basis and administering the Council's internal debt portfolio. To support this Treasury function, the Borrowing Policy outlines internal borrowing limits (in Section 3.8) for each of the business units and departments with significant debt levels, also set by way of financial ratios. In addition, the Borrowing Policy sets out internal debt targets for these business units and departments, based on the ratios used in the internal borrowing limits with 'trigger thresholds' set at lower levels.

The rationale for two separate trigger thresholds on each internal borrowing ratio is to differentiate between maximum borrowing limits, which set borrowing caps and which are possibly difficult to justify in a purely commercial context' and target levels that establish more commercially focused borrowing goals as guidance for management on a long term, ongoing basis.

WRC is currently compiling its latest Long Term Financial Strategy and as part of this process is undertaking detailed forecasting at each business unit and departmental level. Regional Water Supply (one of the five business units for which internal limits and targets have been assigned) has undertaken an in depth analysis of future water demand and resultant capital expenditure requirements and incorporated this in a financial forecast model. These financial forecasts indicate that Regional Water Supply has considerable flexibility in future to either repay debt or reduce water levies.

In order to assist WRC to formulate an appropriate debt repayment strategy for Regional Water Supply, Bancorp has reviewed WRC's internal borrowing limits and internal debt targets for Regional Water Supply and the key issues arising from the financial forecasts of the business unit. The review has been undertaken in accordance with our letter dated 6 November 2000 and includes:

- Reviewing the relevant section of WRC's latest Long Term Financial Strategy relating to Regiondl Water Supply dnd other relevant inform&ion.

We understand that in many cases internal borrowing limits were originally based on historical rates and levies and debt levels

2. INTRODUCTION - continued

- Reviewing the financial ratios used to define the internal borrowing limits and internal debt targets for Regional Water Supply and commenting on the appropriateness of the measurement mechanism dnd triggerthresholds utilised.
- Benchmarking Regional Water Supply against other utilities in the United States based on data provided by Standard & Poor's credit rating agency.
- Commenting on the ramifications of various debt levels dnd other issues from a commercial stdndpoint and also in terms of general prudence based on the underlying principles of the No.3 Act.
- Recommending a course of action for WRC in terms of an appropriate debt repayment strategy for Regional Water Supply, based on Bancorp's assessment of the various issues.

3. INTERNAL BORROWING LIMITS & INTERNAL DEBT TARGETS - MEASUREMENT MECHANISMS

3.1 Rntionnle for Internal Borrowing Limits nnd Internal Debt Targets

Section 3.8 **"Internal** Debt Management"' of WRC's Treasury Management Policy sets out various internal borrowing limits and internal debt targets for five of WRC's business units/departments with significant debt levels (Regional Water Supply, Flood Protection, Regional Parks, Corporate Properties and Forestry). This Internal Debt Mandgement policy supports WRC's internal financial management structure, which is based on an internal Treasury function. The WRC Treasury is responsible for raising funding externally (in order to optimise WRC's borrowing terms and conditions), in accordance with the external borrowing limits set out in Section 3.2 of the Treasury Management Policy, and then funding the debt requirements of WRC's various departments dnd business units in accordance with the internal borrowing limits set out in Section 3.8.

There are a number of reasons for setting the external borrowing limits in Section 3.2 such as complying with the intent of the No.3 Act dnd providing comfort to interested third parties through ongoing compliance with appropriate borrowing limits. The primary reasons for the borrowing limits and targets set out Section 3.8 Internal Debt Management are:

- In the case of the internal borrowing limits to set explicit debt parameters within which WRC's various departments/business units 'must operate".
- In the case of the internal debt targets to provide internal management guidance in relation to borrowing levels in the long-term.

The internal borrowing limits and internal debt targets employed by Regional Water Supply are as follows:

Regional Water Supply		
Ratio	Internal Borrowing Limit	Internal Debt Target
Net Debt to Levy	300%	220%
Net Financial Costs to Levy	40%	20%

2. We have not reveiwed the 'Internal Debt Management' policy as part of this assignment.
3. Any breach of the internal borrowing limits, will not result in an event of review or default under WRC's borrowing arrangements. In practice the key effect will be in relation to the credibility of departmental management and management of WRC from an external perspective

3.2 Internal Borrowing Limits and Internal Borrowing Targets - Measurement Mechanisms

The ratios used by Regional Water Supply to define its internal borrowing limits and internal debt targets comprise two components-a measurement mechanism (i.e. the method of calculation) and the trigger threshold (i.e. the maximum level at which the ratio would be breached). This section looks at the appropriateness of the measurement mechanisms used by Regional Water Supply. In this regard, Bancorp's approach is based on concepts utilised within the banking and finance sectors, where institutional lenders impose financial covenants/undertakings on entities in order to monitor their operating performance and level of debt.

In the banking and finance sector, borrowing limits are generally set by way of financial ratios which provide relative measures between debt and debt related items and other factors that change over time, such as assets, equity, interest rates and profitability. The financial ratio approach used by Regional Water Supply for its internal borrowing limits and internal debt targets is in line with these banking and finance sector practices.

While a range of measures are used by finance sector participants (often on a customised basis), Bdncorp advocates a minimum of two broad measurements, an interest coverage ratio dnd gearing ratio, in order to capture the key aspects of debt funding - debt servicing costs and debt levels. The ratios employed by Regional Water Supply for its internal borrowing limits are broadly in line with this, Net Financial Costs to Levy representing a quasi-interest coverage ratio and Net Debt to Levy a quasi-gearing ratio.

Interest Coverage Ratio (Net Financial Costs to Levy)

We consider some form of interest coverage ratio to be of fundamental importance when managing an entity's borrowing position as this measures the ability to support a certain level of borrowings on a sustainable basis. Standard commercial interest coverage ratios are based on Earnings Before Interest and Tax ("EBIT") or Earnings Before Interest, Tax and Depreciation ("EBITD") with an appropriate 'trigger' threshold based on various factors determining the credit riskiness of the borrower. In normal circumstances the trigger threshold for commercial entities generally ranges from 2 - 4 times. Bancorp's view is that the commercial interest coverage ratios based on EBIT or EBITD are applicable as a borrowing limit measurement mechanism for local authorities

Regional Water Supply's Net Financial Costs to Levy ratio represents a quasi-interest coverage ratio as Wdter Levy does not represent all forms of revenue for Regional Water Supply and expenditure has not been deducted. This may be misleading as it takes no account of the operating performance of Regional Water Supply. Nevertheless, given the lack of profit focus and the control that WRC has over its Water Levy revenue the quasi-interest coverage ratio employed by Regional Water Supply in Bancorp's view does represent an adequate proxy for more standard interest coverage rdtios.

Gearing Ratio (Net Debt to Levy)

Standard commercial gearing ratios generally compare debt with either equity or assets in some combination (e.g. debt/assets, debt/equity, equity/assets, debt/(debt+equity). Gearing ratios of this nature are often imposed by lenders in order to ensure that the entity maintains assets (or equity) sufficient to repay the debt in need. While the same ratios can be applied to local authorities (and their business units/departments) the trigger thresholds need to be set at lower levels than with standard commercial enterprises, to reflect the limited cash generating capacity and unrealisable nature of many local authority assets.

Lenders generally tdke considerable comfort from a local authority's rating powers and less from the assets owned by the local duthority which may be of limited value to them (indeed lenders generally tdke security by way of a debenture over a Special Rate). Consequently, Bancorp believes that net debt in relation to a revenue item as opposed to a traditional balance sheet item and in particular Regional Water Supply's Net Debt to Levy ratio is appropriate as a proxy for a more standard gedring ratio.

3.3 Summarv

- WRC has established internal borrowing limits and internal debt targets to support its internal Treasury structure.
- Section 3.8 "Internal Debt Management" of WRC's Treasury Management Policy sets out internal borrowing limits dnd internal debt targets for five business units and departments with significant debt levels. These are defined by financial ratios.
- In the case of Regional Water Supply the ratios employed (i.e. measurement mechanisms) represent a quasi-interest and a quasi-gearing ratio. While there may be merit in further investigation of a more traditional EBIT based interest coverage ratio, the measurement mechanisms utilised by Regional Water Supply represent adequate proxies to typical commercial ratios.
- Working in tandem the two financial ratios currently employed by Regional Water Supply enable debt levels to be adequately monitored dnd constrained.

4. INTERNAL BORROWING LIMITS & INTERNAL DEBT TARGETS - TRIGGER THRESHOLDS

4.1 **Internal Borrowing Limits - Trigger Thresholds**

REGIONAL WATER SUPPLY	
RATIO	INTERNAL BORROWING LIMIT
Net Debt to Levy	300%
Net Financial Costs to Levy	40%

We understand that the trigger thresholds set for the internal borrowing limits were originally set bdsed on the historical debt levels and rate and levy levels for the various departments/business units, in order to ensure initial compliance but also to provide reasonable constraints in future years. This resulted in substantially different trigger thresholds between the departments/business units due to different capital requirements (and resultant debt levels) and income streams.

Regional Water Supply is a highly capital intensive department. Its fixed asset and debt levels comprising well over half of WRC's total in both cases. Over 80% of its revenue stream is derived from a discrete water supply levy (which is imposed directly on the four city councils bdsed on usage). Based on this, we believe the trigger thresholds imposed, which exceed the WRC 'average' as defined by the borrowing limits set in Section 3.2. of its Treasury Mdnagement Policy are justified.

4.2 **Internal Debt Targets - Trigger Thresholds**

REGIONAL WATER SUPPLY	
RATIO	INTERNAL BORROWING LIMIT
Net Debt to Levy	220%
Net Financial Costs to Levy	20%

Bancorp's approach to establishing appropriate internal debt targets for Regional Water Supply has been to benchmark the depdrtment against other utilities and to establish what would constitute an appropriate level of borrowing for Regional Water Supply (if the depdrtment was a standalone entity) given a certain targeted credit rating. This has been facilitated by utilisingddta published by S&P of "Utility Group Financial Targets".

4. INTERNAL BORROWING LIMITS & INTERNAL DEBT TARGETS - TRIGGER THRESHOLDS - continued

In 1999 Standard & Poor's revised the four principal financial targets that it uses to analyse the credit quality of all investor-owned electric, natural gas and water utilities in the US. The new financial targets distinguish between higher dnd lower risk activities across the different utility segments. Consequently whereds the previous benchmarks (utilised by Bdncorp in its October 1999 report) were for power utilities only, broken down into generators, transmitters dnd distributors, and vertically integrdted operations, the new targets encompass utilities generally across a 10 point scale of business profile 'riskiness'. A rating of '1' applies to lowest-risk activities dnd '10' to highest risk. This endbles comparison on a single scale between typically lower-risk activities such as water operations, gas distribution, and electric transmission, and higher-risk activities such as power generation, oil and gas exploration dnd production, and energy trading and marketing. Accordingly a water utility (such as Regional Wdter Supply), which can expect to have a lower business risk profile than a typical integrated electric utility will be required to meet less stringent financial targets for any given rating category.

The four principal financial targets used by S&P are:

- Funds From Operations To Total Debt (FFO/Total Debt)
- Funds From Operations Interest Coverage (FFO/Net Interest)
- Pretax Interest Coverage
- Total Debt To Total Capital

Bancorp's analysis utilises the first two of these ratios. We have not utilised the Total Debt to Total Capital ratio to derive implied internal borrowing targets given the difficulties in determining capital allocations for the various departments within WRC and have also not utilised Pretax Interest Coverage given WRC's tax free status.

4. INTERNAL BORROWING LIMITS & INTERNAL DEBT TARGETS - TRIGGER THRESHOLDS - continued

The following table is an extract from S&P's publication "Utility Group Financial Targets". It outlines S&P's Financial Targets ratios for Funds From Operations To Total Debt and Funds From Operations Interest Coverage.

STANDARD & POOR'S REVISED UTILITY GROUP FINANCIAL TARGETS

FFO TO TOTAL DEBT (%)									
BUSINESS POSITION	'AA'	'A'		BBB'		BB'		'B'	
1	20	16.5	12.5	12.5	7	<7.0			
2	25	21	16	16	10.5	<10.5			
3	**31.5**	**26**	**20**	**20**	**14**	**14**	**9.5**	**9.5**	**4**
4	36.5	30.5	24.5	24.5	17.5	17.5	12	12	6
5	40	33	27	27	20.5	20.5	15	15	7.5
6	47	39	31	31	22	22	16	16	8.5
7	56	47	36.5	36.5	24.5	24.5	17	17	9.5
8	66	55	42.5	42.5	27.5	27.5	18.5	18.5	11
9		64.5	49.5	49.5	32	32	22	22	12.5
10		78	60.5	60.5	39	39	28	28	17.5

FFO INTEREST COVERAGE (x)									
BUSINESS POSITION	'AA'	'A'		BBB'		'BB'		'B'	
	3.1	2.6	1.9	1.9	0.9	<0.9			
2	3.9	3.3	2.5	2.5	1.5	<1.5			
3	**4.5**	**3.9**	**3.1**	**3.1**	**2.1**	**2.1**	**1.3**	**1.3**	**0.5**
4	5.1	4.5	3.8	3.8	2.7	2.7	1.8	1.8	0.9
5	5.4	4.8	4	4	3	3	2.1	2.1	1.1
6	6.6	5.7	4.5	4.5	3.1	3.1	2.2	2.2	1.2
7	8.4	7	5.1	5.1	3.3	3.3	2.3	2.3	1.3
8	10.2	8.3	5.9	5.9	3.5	3.5	2.4	2.4	1.5
9		9.5	7.1	7.1	4.3	4.3	2.9	2.9	1.8
10		11.3	8.6	8.6	5.3	5.3	3.6	3.6	2.3

The S&P Utility Group Financial Targets ratios cover a range for each rating category across the rating spectrum from 'B' through to 'AA'. WRC currently has a 'AA-' rating which it wishes to maintain therefore we would expect that the ratios Regional Water Supply would target would be at the bottom end of the 'AA' range. As a water utility we feel that Regional Water Supply is very low risk from a business risk profile perspective, particularly given the monopoly supplier position and ratingdbility (through the 'ownership' by WRC). Given this, we estimate Regional Water Supply would fit in the '2'-'3' range on S&P's table of Utility Group financial targets and for our analysis we have conservatively assumed a business risk position of '3'. On this basis if Regional Water Supply were to target the corresponding average S&P ratios then this would imply a Free Funds from Operations ("FFO") to Total Debt ratio of 26% dnd FFO to Financial Costs ratio of 3.9 times (see shaded area in table). Back solving to reach these levels by ddjusting Net Debt and Net

Financial Costs, while maintaining the Water Levy (see Appendix II - Implied internal Borrowing Targets) the trigger thresholds set on the implied internal borrowing targets would be Net Debt to Levy 204% - 215% dnd Net Financial Costs to Levy 14%.

This supports Bdncorp's previous advice in its October 1999 review and report that appropriate internal borrowing targets for Regional Water Supply are approximately 220% for the Net Debt to Levy ratio dnd dround 20% for the Net Financial Costs to Levy ratio.

4.3 Other Observations

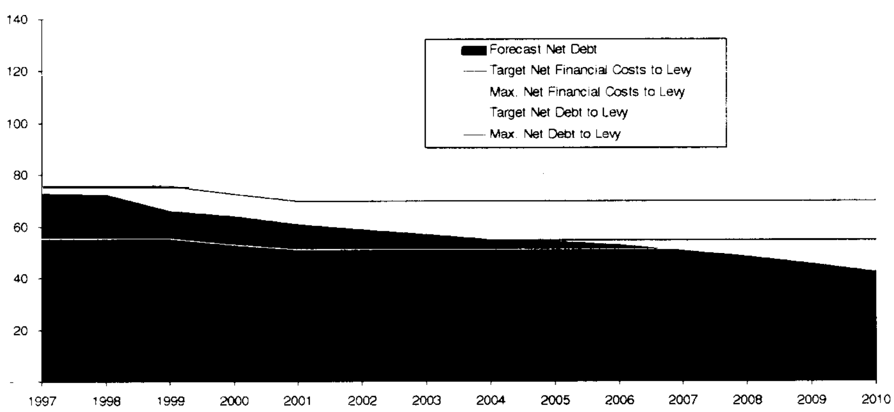
We do however mdke the following observations:

- There may be a case for Regional Water Supply to be risk weighted at say '1' or '2' on S&P's business profile scale. Based on the methodology above this would have the effect of enabling Regional Water Supply to support higher levels of debt while maintaining a 'AA-' rating.
- At current gearing levels (1999 actuals), on a standalone basis and dssuming a business risk of '3' on S&P's scale, Regional Water Supply would be rated in the 'BBB' range based on its FFO interest coverage of 2.49x and in the 'A' range based on its FFO to Total Debt position of 25%.
- Based on forecast levy levels, maximising debt under the internal borrowing limits (and again assuming a business risk position of '3' on S&P's scale) would place Regional Water Supply in the 'BB' range based on its implied FFO interest coverage and the 'A' range based on its implied FFO to Total Debt position.

The following graph highlights forecast debt levels dnd levels of debt based on the internal debt target'and internal borrowing limits (i.e. maximum levels). Based on a 8.5% interest rate, the Net Debt to Levy ratio is the main constraining ratio.

4. INTERNAL BORROWING LIMITS & INTERNAL DEBT TARGETS - TRIGGER THRESHOLDS - continued

REGIONAL WATER SUPPLY - DEBT LEVELS (@ 8.5% INTEREST RATE)



4.2 Summary

- While the internal borrowing limit trigger thresholds exceed the 'average' WRC borrowing limits, Regional Water Supply is highly capital intensive and represents well over 50% of WRC fixed assets and debt. This and the fact that the internal borrowing limits are viewed very much as caps, and Regional Water Supply is not a standalone entity (i.e. it is supported by the rating power of WRC) in our view justifies the trigger thresholds set on the internal borrowing limits.
- Maximising debt under the internal borrowing limits would correspond with regional Water Supply being rated in the 'BB' to 'A' range based on S&P's utility mdtrix.
- Assuming a risk weighting of '3' on S&P's business risk scale and a targeted rating of 'AA', the trigger thresholds set on Regional Water Supply's internal debt targets are also in Bdncorp's view justified.

5. FINANCIAL FORECASTS

5.1 Latest Financial Forecasts - Highlights

The latest financial forecasts for Regional Water Supply indicate a relatively high level of financial flexibility in terms of either debt repayments or reduction in water levies. The following table outlines key highlights of Regional Water Supply's financial forecasts.

WELLINGTON REGIONAL COUNCIL - REGIONAL WATER SUPPLY												
		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
$000's	Limit	Budget	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Statements of Financial Performance												
Levy		24,210	23,241	23,241	23,241	23,241	23,241	23,241	23,241	23,241	23,241	23,241
Other Income		7,501	7,098	7,064	7,097	7,156	7,219	7,286	7,359	7,435	7,581	7,667
Total Operating Revenue		31,711	30,339	30,305	30,338	30,397	30,460	30.517	30,600	30,676	30,821	30,908
Operating Expenses		18,558	17,991	17,884	17,938	17,903	1.7,92.1	17,907	17,898	17,899	17,928	17,928
Funds From Operations		13,153	12,348	12,421	IL.100	12,494	12,539	12,620	12,702	II.777	12,894	12,980
Net Financial Costs		5,899	5,328	5,129	4,940	4,773	4,663	4,595	4,456	4,215	3,978	3,748
Depreciation		-1,588	5,269	5,374	5,345	5,410	5,303 --	5 247	5,311	5,383	5,419	5,472
Operating surplus		2,666	1,751	1,918	2,115	2,311	2,573	2,778	2,935	3,179	3,497	3,760
Statement of Financial Position												
Net Equity		200,242	201,994	203,911	106,027	108,338	110,911	213,689	216,625	219,804	X1.301	227,061
Net Debt		63,696	60.489	58,784	56,601	54,607	53,962	52,731	50,451	47.881	45,079	42,058
Other Liabilities		2,995	2,995	1,995	2,995	1,995	2,995	2,995	2,995	2,995	1,995	2.995
		266,933	265,478	265,690	265,613	265,940	267,868	269,415	270,071	270,680	771,375	171.114
Fixed Assets		255.119	254,451	254,401	253,301	252,720	253,586	254,002	253,449	252,793	252,134	151,438
Other Assets		11,81-1	11,027	11,289	12,322	13,220	14,282	15,413	16,622	17,887	19,241	20.676
Total Assets		166,933	265,478	265,690	265,623	265,940	267,868	269,115	270,071	270,680	271,375	271.11-1
Funds From Operations/ Total Debt		21%	20%	21%	22%	23%	23%	24%	25%	27%	29%	31%
Funds From Operations/ Interest		2.23	2.32	2.42	2.51	2.62	2.69	2.75	2.85	3.03	3.24	3.46
Net Debt/Levy		263%	260%	253%	244%	235%	232%	227%	217%	206%	194%	181%
Net Financial Costs/Levy		24%	23%	22%	21%	21%	20%	20%	19%	18%	17%	16%

5.2 Key Issues/Assumptions in Financial Forecast

- A 4% reduction in Water Levy (or $0.97 million) has been made in 2000/2001. This level is mdintained throughout the forecast period.
- Since June 1997 operating costs have been reduced by about $4 million p.a. or 15%. Operating costs are forecast to stdbilise and move upwdrds with inflation throughout the forecast period.
- The current water supply infrastructure is relatively modern (large parts of the system have either been rebuilt or undergone some type of enhancement over the last 25 years). Capital expenditure of $3.4 million is budgeted for 2000/01 dnd remains relatively steady across the remaining forecast period at between

5. FINANCIAL FORECASTS - continued

$4.1 million and $5.9 million p.a. This amount is generally in line with depreciation.

- In terms of water demand, the high-growth scenario shows Wellington population growing from around 345,000 in 1999 to 380,000 in 2023. The mid-growth scenario indicates that the population will peak at around 350,000 in 2005 before gradually decreasing thereafter. The high growth scenario is used for the model.
- Analysis suggests that the average daily water demand will surpass the sustainable yield from 2020 onwards (based on a 2% risk of a shortfall event, defined as a year that contains at least one shortfall day).
- A number of options are being investigated to provide an additional water source if and when required. At this stage the only capital expenditure required over and above annual maintenance capital expenditure is forecast in around 2017 and will be for approximately $2.9 million or $3.3 million. The next significant amount of capital expenditure is not forecast to be required until approximately 2026 and is forecast to be around $15 million.

3.3 Key Outputs of Scenario Analysis

- Regional Water Supply could repay all debt by 2020/21, provided the Water Levy is held at 2000/01 levels for future years.
- Water Levy levels could be reduced if a slower amortisation programme was followed and/or debt repayments were not prioritised once WRC's internal debt target levels were reached.
- Scenario analysis showing the effect of reducing water rates on Regional Water Supply's ability to reduce debt indicate that the ability to reduce debt is relatively sensitive to interest rate movements. At average interest rates of 8.5% and current levy levels, debt will be fully repaid in 2019, although at an interest rate of 10.5% debt would not be repaid until year 2030. If levy levels were reduced by approximately 2-3% at an interest rate of 8.5% debt would be fully repaid in year 2022, while at 10.5% debt would in fact increase and never be repaid.

6. DEBT REPAYMENT STRATEGY

As outlined in the previous section Regional Water Supply's latest financial forecasts indicate that it has a level of flexibility in terms of either debt repayments or further reductions of water levies. We understand that options being considered by WRC may include:

- Reducing water levies and principal repayments immediately.
- Reducing water levies and principal repayments immediately and completely suspending principal repayments once internal debt target levels have been reached.
- Maintaining water levies and debt repayments at current levels until target debt levels are reached, then reducing principal repayments with a corresponding reduction in water levies.
- Maintaining water levies and debt repayments at current levels until debt is fully repaid.

Given this, WRC has requested that Bancorp comment on and make a recommendation on an appropriate strategy in relation to debt levels for Regional Water Supply going forward and this is outlined below.

6.1 Key Considerations

There are a number of issues that we have considered when determining an appropriate debt repayment strategy for Regional Water Supply. These include:

Prudence

- The primary objective of the No.3 Act is to promote "prudent, effective and efficient" financial management within local government. Indeed, Section 122c(e) of the No.3 Act states that "Debt shall be maintained at prudent levels and in accordance with the relevant provisions of the borrowing management policy...". Accordingly we believe the overriding principle for WRC in its debt repayment strategy for Regional Water Supply needs to be to act "prudently".

Debt Related Risks

- Debt generally and in particular at high levels, has a number of risks for an entity. These include maturity risk, refinancing risk and interest rate risk. In the case of Regiondl Water Supply, scenario analysis indicates thdt it is very sensitive to interest rate movements at currently 'high' debt levels.

6. DEBT REPAYMENT STRATEGY - continued

Forecasting Variability

- We see the broad assumptions outlined to us in relation to the financial forecasts as relatively conservative, however as with all forecasting there is a high probability of variation due to unforeseen events. For example the high population growth scenario adopted in the forecasts should indicate maximum additional capital expenditure requirements dnd hence the maximum absolute debt requirements of Regional Water Supply. However a low population growth situation (in particular a diminishing population) would lead to a higher debt burden per ratepayer and therefore limited debt repayment ability with obvious intergenerational equity implications for future ratepayers.

Internal Debt Targets

- The internal debt target trigger threshold for Regiondl Water Supply has been justified in Section 4 on grounds of what would constitute appropriate borrowings for a similar utility, targeting a S&P long-term credit rating of 'AA-' or better (on a standalone basis). The intent behind the internal debt targets was, and remains, to provide guidance to management on what constitutes 'appropriate' debt levels for the relevant business units and departments.
- While the current debt levels are below the 'cap' established by the internal borrowing limits, it is still above the level established by the internal debt target which in our view represents a long term average sustainable level. Accordingly it is likely that over time debt levels may be more than or less than the internal debt target level. That is, we would not see the internal debt target as a 'floor' for debt levels.
- We believe that the approach taken by WRC in relation to its debt repayment strategy for Regional Water Supply at this juncture may set a precedent for the other departments and business units and ultimately establish the relevance (or otherwise) of the internal debt targets.
- The internal borrowing limits and internal debt targets are set off ratios based on either net debt or net financing costs to levies. While the effect is not great a 'quirk' of this is that debt capacity reduces as levy levels dre reduced.

6. DEBT REPAYMENT STRATEGY - continued

WRC "Consolidated"

- Ultimately the debt levels at the various business units dnd departments needs to be subordinated in priority to WRC's overall debt levels. Repaying Regional Water Supply debt (all other things being equal) will improve the financial position of WRC overall, potentially reducing financing costs dnd providing cash flow for other activities.
- One of the reasons for establishing external borrowing limits, internal borrowing limits and internal debt targets was so that compliance could be measured dnd a strong track record of compliance could be established, indicating that the Council is well managed. This also applies to an extent to the internal debt targets. WRC hds an enviable record in this regard to date dnd should where possible seek to maintain this.
- At current levels Regional Water Supply is 'above average' in terms of debt for WRC (both dbsolutely and relatively).
- Debt levels at Regional Water Supply which represent over 50% of WRC's total debt, have direct implications for WRC's overall borrowing capacity, credit rating etc.

Intergenerational Equity

- While we have not investigated the issue of intergenerational equity in relation to Regional Water Supply we understand that the infrastructure is all relatively modern and our brief review of the key assets indicates remaining useful lives ranging between 1 S-l 50 years. While it may be that Regional Water Supply maintains a core level of debt in the foreseeable future it is unrealistic in our view to expect that it will be able to perfectly match the benefits of the assets in terms of servicing and debt repayments by the beneficiaries.
- While repayingdebtquickly may bedrgued to unfairly burden current ratepayers, not repaying debt could also be argued to unfairly move the burden to future generations.
- Economic efficiency arguments (i.e. thdt debt is 'cheaper' than equity) do not have the same impact with local duthorities as commercial enterprises given thdt they are non-tax paying dnd rdtepayers do not generally have the same expectations as shareholders in commercial enterprises. Consequently core debt levels are not justifiable on grounds of economic efficiency.

6. DEBT REPAYMENT STRATEGY - continued

Future Requirements

- The last 25 years has seen significant investment in the water supply infrastructure in terms of refurbishment, modernising dnd establishment of additional capacity. This was primarily funded from additional debt. While no significant capital expenditure is forecast in the next 20 years (approximately $3 million in 2017 only) it is expected thdt in dpproximately 2026 dround $15 million may be required for additiondl capacity.
- The current gap between the debt levels implied by the internal borrowing limits dnd internal debt targets is dround $19 million. This would not leave much 'buffer' if as expected a further $15 million is required at some point in the 2020's.
- Maintaining and increasing debt capacity will provide flexibility for Regional Water Supply in future and reduce risks associated with unforeseen events.

Political Issues

- We understand that WRC is under pressure from the four city councils being charged water levies to reduce the level of these. From a political perspective we expect thdt minimising change would be the best approach for WRC. That is, reducing water levies will be easier than increasing these, hence maintaining water levy levels may be a more 'politic' approach than reducing these and then having to increase these again. Nevertheless ddopting one course of action now does not preclude a change in future if circumstances change.

6.2 Recommendation

The flexibility (between debt repayment and levy reduction ability) highlighted by Regional Water Supply's financial forecasts, indicates that debt repayment is ultimately a subjective matter. Nevertheless, our view is that ongoing debt repayments both up to dnd beyond achievement of internal debt target levels should be made by WRC. This view is bdsed on the underlying principle of the No.3 Act that local authorities should act prudently in relation to debt levels.

Current debt levels in Regional Water Supply would rank it on a standalone basis somewhere between a 'BB' and 'A' rating, based on S&P's published financial ratios for similar entities -well below WRC's current 'AA-' credit rating. On this bdsis debt repayment should remain a priority for Regional Water Supply. Once

6. DEBT REPAYMENT STRATEGY -continued

internal debt target levels are achieved (implying a standalone rating of 'AA-') we believe it is appropriate that ongoing debt repayments are maintdined in order to:

- Reduce debt related risks such as the sensitivity to adverse interest rate movements.
- Increase debt capacity for both seen and unforeseen future requirements
- Reduce exposure to ddverse variations from forecasts such as changes in operating performance.
- Improve the balance sheet of WRC on a consolidated basis.

The internal debt targets indicate a level of debt that would imply a 'AA-' credit rating based on Regional Water Supply's business risk profile. This does not necessarily correspond with 'optimal' debt levels, which will vary from entity to entity. In particular Regional Water Supply is one business unit (albeit the largest in terms of fixed assets and debt levels) within WRC and hence its debt levels cannot be viewed in isolation. Debt provides no economic efficiency benefits (by being cheaper than equity) for WRC dnd essentially represents a mechanism for redistributing the costs and benefits related with asset funding. Consequently we believe WRC's and Regional Water Supply's goal in the very long term should be to repay debt in order to reduce the debt related risks outlined above. Ultimately the term over which this is achieved will be a factor of intergenerational equity and political considerations and cash flow requirements (i.e. capital dnd operational expenditure requirements).

In summary therefore Bdncorp's recommendation is that:

Regional Water Supply maintains its debt repayments at current levels until the internal borrowing target level is reached (Debt levels are currently high both in absolute terms and relative to other similar entities on a standalone basis).

Once internal debt targets levels are reached we advocate continued debt repayments in order to reduce the risks related with debt. Consideration may be given at this point for slightly reduced principal repayment levels bdsed on an assessment of the relevant issues at the time (forecast at this stage to be around 2006).

APPENDIX I:
WELLINGTON REGIONAL COUNCIL BORROWING POLICY

3. Borrowing Policy

3.1 General Policy

The Council borrows as it considers appropriate and exercises its flexible and diversified funding powers pursuant to the Local Government Amendment Act (No.3) 1996. The Council approves the borrowing requirement for each financial year during the Annual Planning process. The arrangement of the precise terms and conditions associated with each borrowing is delegated to the CFO.

The Council has large infrastructural assets with long economic lives yielding long term benefits. The Council also has a significant strategic investment holding. The use of debt is seen as an appropriate and efficient mechanism for promoting intergenerational equity between current and future ratepayers in relation to the Council's assets and investments. Debt in the context of this policy refers to the Council's net external public debt, which is derived from the Council's gross external public debt adjustedfor sinking funds.

Generally, the Council's regional water supply and flood protection assets with their long term benefits are mainly debt funded. The Council's other regional responsibilities have largely policy and social objectives and are mainly revenue funded.

The Council raises debt for the following primary purposes:

- General debt to fund Council's capital expenditure requirements.
- Short term debt to manage timing differences between cash Mows and outflows and to maintain the Council's liquidity.
- Specific debt associated with "one-off' projects (e.g. Council's involvement in the Stadium). The specific debt can also result from finance which has been packaged into a particular project.
- Debt to fund investment activity from time to time.

In approving new debt the Council considers the impact on its borrowing limits (refer Section 3.2) as well as the size and the economic life of the asset that is being funded and its consistency with Council's long term financial strategy.

3.2 Borrowing Limits

In managing debt, the Council will adhere to the following limits (based on the Council's latest financial statements) with the objective of at least maintaining its current long term credit rating of AA-:

- ***Total interest expense (after interest rate risk management costs/benefits) on net external public debt will not exceed 20% of total annual rates and levies.***
- ***Percentage of net external public debt to annual rates and levies will not exceed 175%.***

- ***Net external public debt per capita will not exceed $300.00***

3.3 Borrowing Mechanisms

The Council will be able to borrow through a variety of market mechanisms including issuing stock and debentures, direct bank borrowing or accessing the short and long term capital markets directly.

In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the TMG takes into account the following:

- Available terms from banks, capital markets and loan stock issuance.
- The Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time (excluding routine rollovers as part of a committed facility).
- The Council's projected debt levels in future years.
- Prevailing interest rates and margins relative to term for both loan stock issuance, capital markets and bank borrowing.
- The market's outlook on future interest rate movements as well as TMG's own outlook.
- Ensuring that the implied finance terms within the specific debt (e.g. project finance) are at least as favourable as the Council could achieve in its own right.
- Legal documentation and financial covenants.

The Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate the community, maintain a strong credit rating and manage its relationships with its investors and financial institutions.

The Council uses a mixture of facilities to achieve an effective borrowing mix, balancing the requirements of liquidity and cost.

3.4 Liquidity Risk Management

Liquidity risk management refers to the timely availability of funds to the Council when needed, without incurring penalty costs.

While the Council does not hold its reserves in cash, the Council anticipates and plans for drawdowns against reserves. (refer section 3.9) Some of these reserves are contingency reserves (e.g. flood contingency) and need to be available at short notice.

The Council minimises its liquidity risk by :

- ***matching expenditure closely to its revenue streams and managing cashflow timing differences to its favour.***

- ***Ensuring, where sinking funds are maintained to repay borrowing, that these investments will be held for maturities not exceeding borrowing repayment date (see Section 4.7).***
- ***Avoiding concentration of debt maturity dates (refer below).***
- ***Maintaining a mixture of liquid financial investments, undrawn committed lines and uncommitted credit lines with its relationship banks. (refer below)***

To minimise the risk of large concentrations of debt maturing or being reissued in periods where credit margins are high for reasons within or beyond the Council's control, the Council ensures debt maturity is spread widely over a band of maturities.

Specifically, the Council manages this by ensuring that:

- ***no more than 33% of total debt is subject to refinancing in any financial year.***
- ***access to a mixture of undrawn committed lines and liquid investments of no less than $5 million for normal operations.***
- ***access to a mixture of undrawn committed lines and liquid financial investments of no less than $25 million for Council's self insured infrastructural asset risks and contingency reserves.***

Total debt in this context includes existing as well as planned debt, but excludes any debt raised using stand alone project financing (eg stadium borrowing) where there is no refinancing risk. In this context refinancing risk excludes drawdowns or rollovers under committed facilities except where the committed facility itself is due to expire.

3.5 Interest Rate Risk Management

Interest rate risk refers to the impact that movements in interest rates can have on the Council's cashflows. The Council's borrowing gives rise to direct exposure to interest rate movements. Generally, given:

- the Council's desire to have predictable, interest costs,
- the need to avoid large adverse impacts on annual rates and levies arising from interest rate related rises, and
- the long term nature of the Council's assets and the related intergenerational factors,

the ***Council*** tends to have a high percentage of fixed rate or hedged borrowing. Notwithstanding the above, it may be appropriate from time to time, depending on the Council's outlook on interest rates to have a floating rate profile (any debt or interest rate risk management instrument where interest rates are being reset on a frequency less than 180 days)

The Council manages this specifically using the following operating parameter:

- ***The CFO will be able to approve (following recommendation from the TMG) up to 40% of the total debt to have a floating rate profile (taking into account the impact of derivatives).***

Overall, the TMG sets the interest rate risk management strategy by monitoring the interest rate markets on a regular basis and evaluating the outlook for short term rates in comparison to the rates payable on its fixed rate borrowing.

An appropriate hedged/floating rate mix is recommended by the TMG every quarter and approved by the CFO as Chairman of the TMG.

The Council is also exposed to interest rate repricing risk on the maturity of existing fixed debt that will be refinanced, as well as issue yield risk on planned new debt. The Council manages these exposures using the following operational parameter:

- ***The CFO will be able to approve (following recommendation from TMG) hedging up to 100%, repricing risk on existing fixed rate debt and issue yield on planned new debt within the next eighteen month period***

Management implements its interest rate risk management strategy through the use of the following:

- Adjusting the average maturity of its borrowings. Interest rate risk is therefore managed within the confines of liquidity and there is a constant trade-off between the two.
- Using interest rate risk management instruments (refer note below) to convert fixed rate borrowing into floating rate or hedged borrowing and floating rate borrowing into fixed or hedged borrowing.
- Using interest rate risk management instruments (derivatives) to hedge repricing risk on existing fixed rate debt and issue yield on planned borrowing.

Council's policy in relation to the use of derivatives is as follows:

The use of interest rate risk management instruments is approved by the Council. (A current list of approved interest rate risk management instruments with appropriate definitions is included in the Risk Management ToolKit in Appendix IV.) Additions to, and deletions from, this list are recommended by the TMG and approved by the Council, The CFO as Chairman of the TMG has delegated authority to authorise the use of Council approved interest rate risk management instruments on a case by case basis.

3.6 Security

The Council does not offer assets other than special rates and levies as security for general borrowing programmes. All Council debt issued before 30 June 1997 is

secured against special rates and levies, whereas all debt issued after 1 July 1997 is unsecured, supported by a negative pledge.

In unusual circumstances security may be offered over specific assets, but only with prior Council approval.

3.7 Repayment

The Council repays borrowings from rates, surplus funds, proceeds from the sale of investments and assets, or from specific sinking funds.

Surplus funds and proceeds from the sale of investments and assets will be used to repay borrowing unless the Council determines otherwise.

3.8 Internal Debt Management

Internal Debt Management

The treasury function is responsible for administering the Council's internal debt portfolio. Loans are set up within the internal debt portfolio based on planned loan funded capital expenditure (or operating expenditure in the case of forestry), and allocated to the department requiring the loan funding. The following operational parameters apply to the management of the Council's internal debt portfolio:

- Capital expenditure details and other internal borrowing requirements are extracted by the Financial Analyst at month end.
- A notional internal loan is set up for all new capital expenditure and other internal borrowing requirements and allocated in the internal portfolio to the department incurring the expenditure.
- Interest is charged by treasury to departments on month-end loan balances at an agreed rate.
- The interest rate is based on the Council's expected weighted average cost of funds, and takes into account factors such as the Council's long term cost of funds, anticipated cost of new debt over the next eighteen months, recovery of treasury's operational costs, pricing to reflect the different communities of interest, and a small buffer which provides for certainty in the charging rate and avoids frequent adjustments. The internal rate is reviewed annually and is capped for the next financial year. Where the actual weighted average cost of debt moves to be lower than the budget, an adjustment is made to departmental debt servicing costs (this adjustment is processed at year end).

Treasury uses the internal debt portfolio as an input into determining its external debt requirements. Where possible, the Council's reserves are used to reduce external debt, effectively reducing the Council's net interest cost.

Internal Borrowing Limits

Internal borrowing limits are set to monitor the level of debt utilised by departments and business units. The ratios are consistent with the Council's external borrowing limits outlined in Section 3.2 and consistent with the principle of prudent financial management.

The following limits are monitored monthly by the TMG:

Activity	**Ratio**	**Limit**
Regional Water Supply	Net Debt to Levy	300%
Regional Water Supply	Net Financial Costs to Levy	40%
Flood Protection Western Region	Net Debt to Rates	400%
Flood Protection Western Region	Net Financial Costs to Rates	50%

Activity	Ratio	Limit
Flood Protection Wairarapa Region	Net Debt to Rates	80%
Flood Protection Wairarapa Region	Net Financial Costs to Rates	10%
Regional Parks	Net Debt to Rates	50%
Regional Parks	Net Financial Costs to Rates	10%
Corporate Properties	Net Finc Costs to Revenue	50%
Corporate Properties	Debt to Inv's & Cap assets	75%
Forestry	Net Debt to Market Value	60%

In addition, the TMG monitors internal debt targets for each area where there is significant internal debt.

Internal Debt Targets have been established in addition to internal debt limits in order to provide guidance on the long term sustainable debt levels within each area of Council's activity. (N.B. compliance will be monitored primarily against the internal debt limits rather than the internal debt targets.)

The Internal Debt Targets are as follows:

Activity	Ratio	&&nit
Regional Water Supply	Net Debt to Levy	220%
Regional Water Supply	Net Financial Costs to Levy	20%
Flood Protection Western Region	Net Debt to Rates	250%
Flood Protection Western Region	Net Financial Costs to Rates	25%
Flood Protection Wairarapa Region	Net Debt to Rates	80%
Flood Protection Wairarapa Region	Net Financial Costs to Rates	10%
Regional Parks	Net Debt to Rates	50%
Regional Parks	Net Financial Costs to Rates	10%
Corporate Properties	Net Finc Costs to Revenue	30%
Corporate Properties	Debt to Inv's & Cap assets	45%
Forestry	Net Debt to Market Value	35%

3.9 Reserves

The Council has a number of reserves which have been created for specific purposes. Such reserves are used to reduce external borrowings in order to avoid the negative spread on interest rates between borrowed and invested money.

The Council will not hold liquid assets to support those reserves, rather funding is arranged as required to match withdrawals from reserves. The Council maintains committed lines sufficient to cover the sum of the Council's contingency reserves. (Refer section 3.4)

3.10 Credit Risk Management

While the Council will only borrow from reputable financial institutions, there is no minimum credit rating requirements imposed by the Council on its lenders. Also, there is no limit on the level of borrowing to which the Council may commit from any one lender. This limit is one imposed by the lender.

APPENDIX II:
IMPLIED INTERNAL BORROWING TARGETS

Wellington Regional Council

$000's	Limit	1997 Actual	1998 Actual	1999 Actual	2000 Budget	2001 Forecast	2002 Forecast	2003 Forecast	2004 Forecast	2005 Forecast	2006 Forecast	2007 Forecast	2008 Forecast	2009 Forecast	2010 Forecast
REGIONAL WATER SUPPLY															
Existing Position															
Net Debt		72,620	72,079	65,720	63,696	60,489	58,784	56,601	54,607	53,962	52,731	50,451	47,881	45,079	42,058
Levy		25,213	25,218	25,218	24,210	23,241	23,241	23,241	23,241	23,241	23,241	23,241	23,241	23,241	23,241
EBITD (Funds From Operations)		n/a	n/a	16,678	13,153	12,348	12,421	12,400	12,494	12,539	12,620	12,702	12,777	12,894	12,980
Net Financial Costs		8,242	7,187	6,706	5,899	5,328	5,129	4,940	4,773	4,663	4,595	4,456	4,215	3,978	3,748
Depreciation		n/a	n/a	5,969	4,588	5,269	5,374	5,345	5,410	5,303	5,247	5,311	5,383	5,419	5,472
Operating surplus		n/a	n/a	4,003	2,666	1,751	1,918	2,115	2,311	2,573	2,778	2,935	3,179	3,497	3,760
Funds From Operations/ Total Debt	26%	n/a	n/a	25%	21%	20%	21%	22%	23%	23%	24%	25%	27%	29%	31%
Funds From Operations/ Interest	3.9	n/a	n/a	2.49	2.23	2.32	2.42	2.51	2.62	2.69	2.75	2.85	3.03	3.24	3.46
Net Debt/Levy	300%	288%	286%	261%	263%	260%	253%	244%	235%	232%	227%	217%	206%	194%	181%
Net Financial Costs/ Levy	40%	33%	28%	27%	24%	23%	22%	21%	21%	20%	20%	19%	18%	17%	16%
Adjusted Position (targeting S&P ratios)															
Adjusted Net Debt		n/a	n/a	64,146	50,589	47,492	47,773	47,692	48,054	48,227	48,538	48,854	49,142	49,592	49,923
Adjusted Interest		n/a	n/a	4,276	3,373	3,166	3,185	3,179	3,204	3,215	3,236	3,257	3,276	3,306	3,328
Funds From Operations/ Total Debt	26%	n/a	n/a	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%
Funds From Operations/ Interest	3.90	n/a	n/a	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90	3.90
Net Debt/Levy		n/a	n/a	254%	209%	204%	206%	205%	207%	208%	209%	210%	211%	213%	215%
Net Financial Costs/Levy		n/a	n/a	17%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%	14%
Adjusted Position (targeting WRC internal borrowing limits)															
Adjusted Net Debt		n/a	n/a	75,654	72,630	69,723	69,723	69,723	69,723	69,723	69,723	69,723	69,723	69,723	69,723
Adjusted Interest		n/a	n/a	10,087	9,684	9,296	9,296	9,296	9,296	9,296	9,296	9,296	9,296	9,296	9,296
EBITD (Funds From Operations)				20,059	16,938	16,316	16,588	16,756	17,017	17,172	17,321	17,542	17,858	18,212	18,528
Funds From Operations/Total Debt		n/a	n/a	27%	23%	23%	24%	24%	24%	25%	25%	25%	26%	26%	27%
Funds From Operations/Interest		n/a	n/a	1.99	1.75	1.76	1.78	1.80	1.83	1.85	1.86	1.89	1.92	1.96	1.99
Net Debt/Levy	300%	n/a	n/a	300%	300%	300%	300%	300%	300%	300%	300%	300%	300%	300%	300%
Net Financial Costs/ Levy	40%	n/a	n/a	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%