



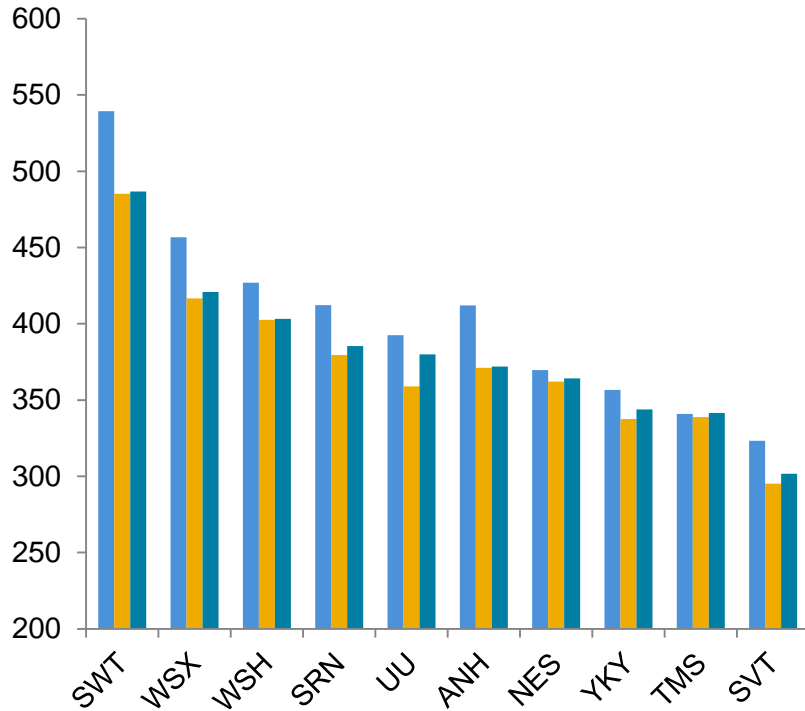
PR14 Final Determinations  
December 2014

Investor Reference Pack

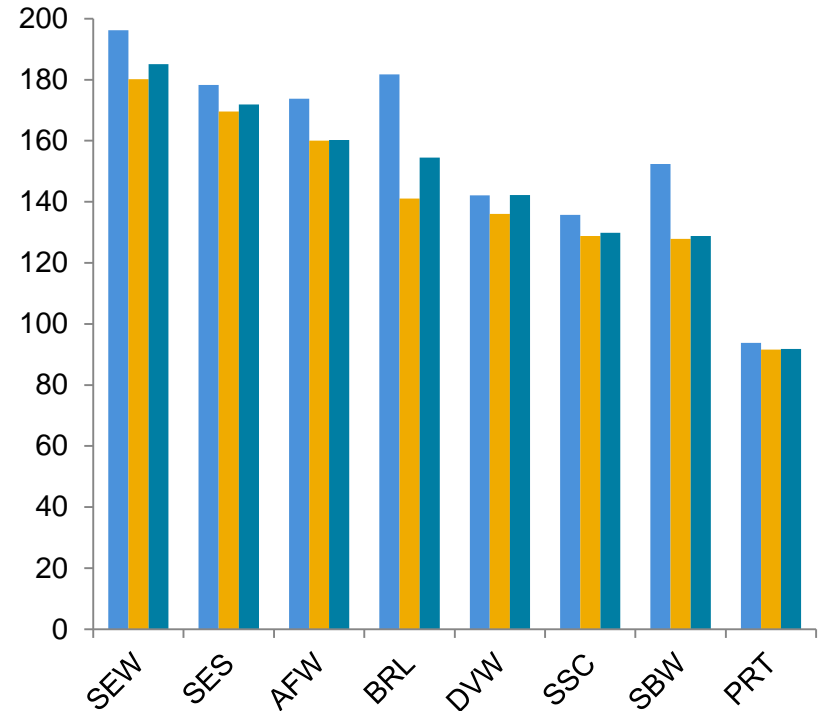
# Average bills

## WASC average household bill

Combined water & wastewater



## WOC average household bill

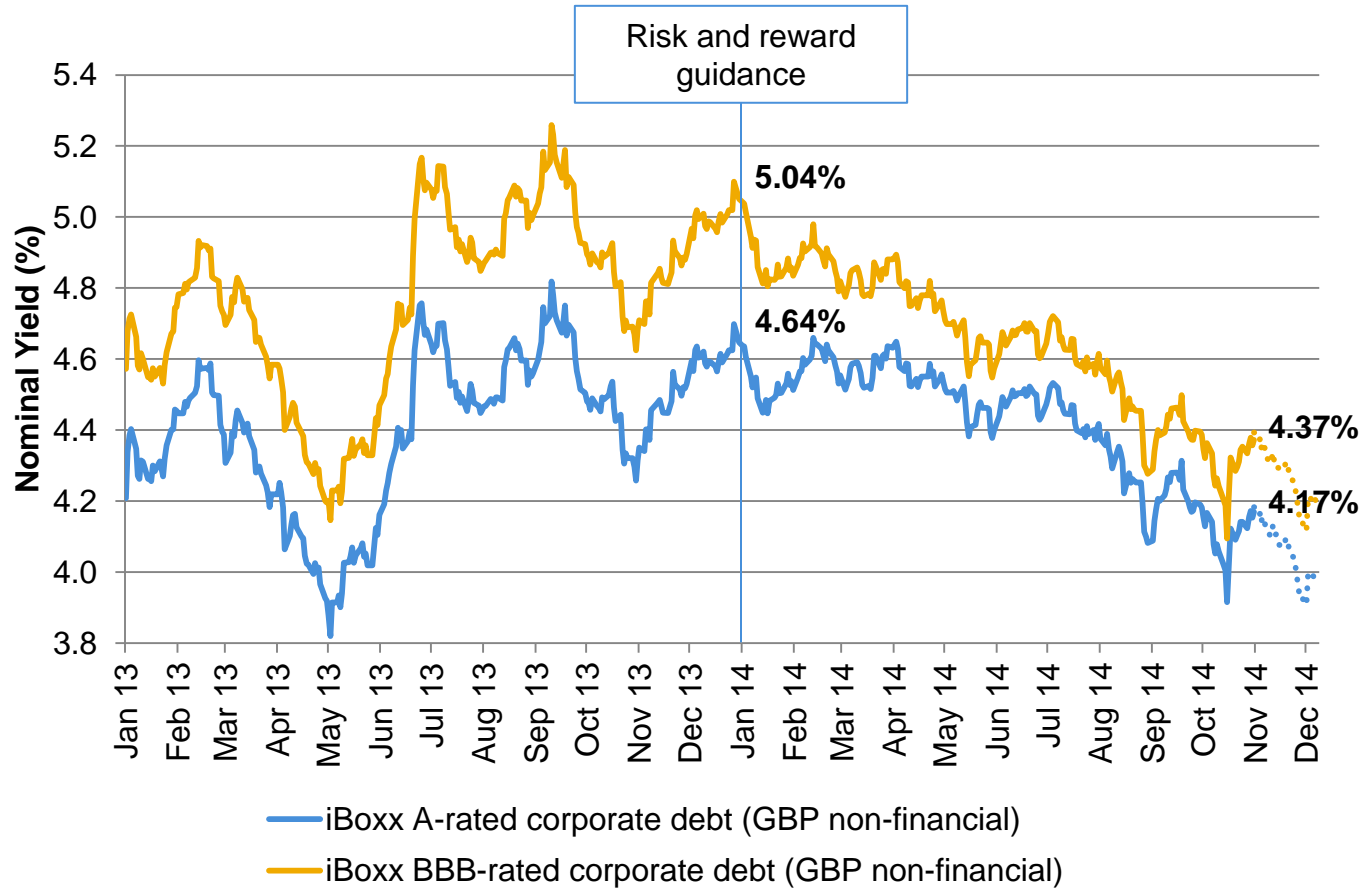


■ 2010-15     
 ■ 2015-20 at Draft Determinations     
 ■ 2015-20 at Final Determinations  
⋯ Industry average 2010-15     
 ⋯ Industry average 2015-20

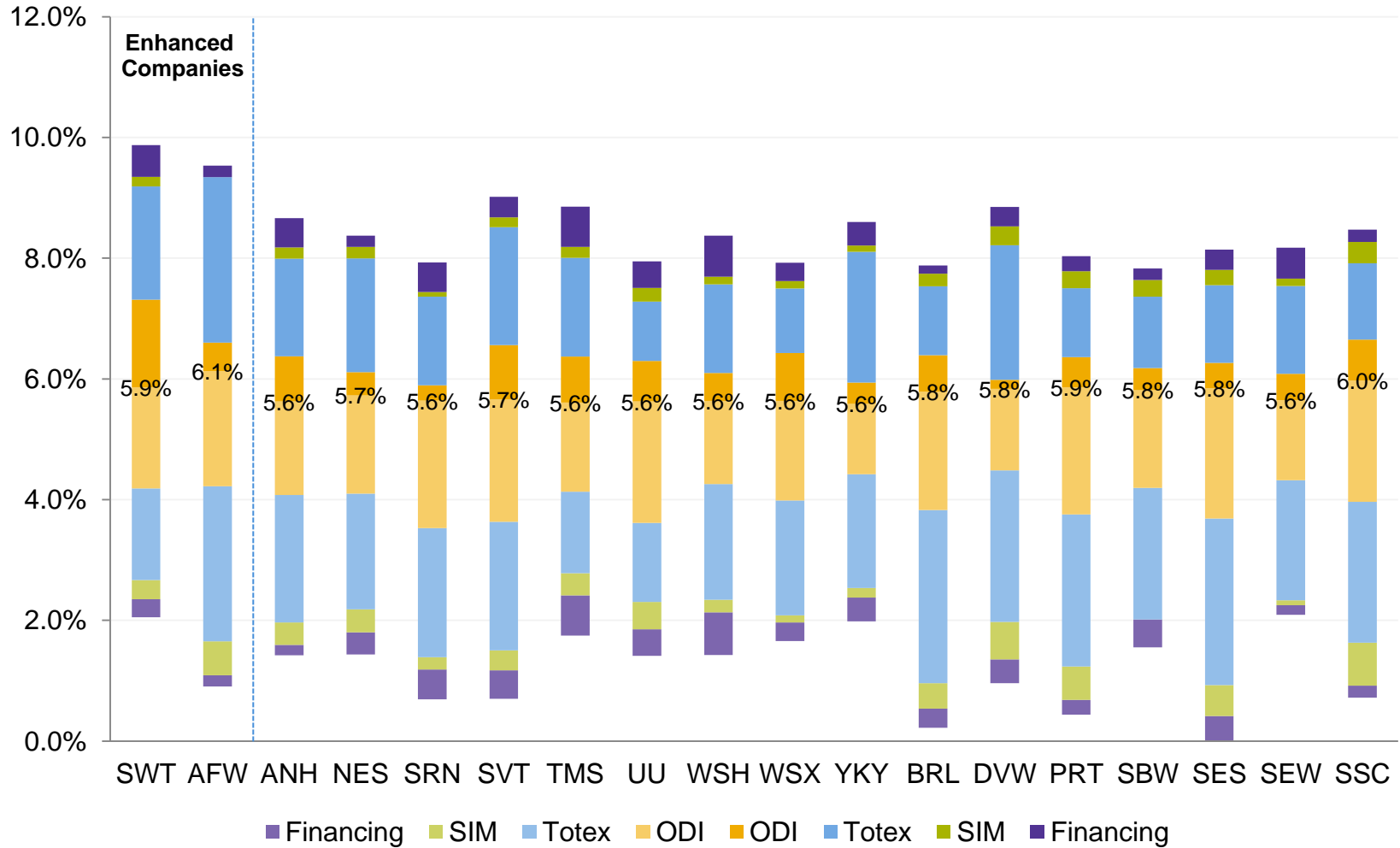
# Cost of capital

	Risk & Reward Guidance	Final Determinations	FD with company-specific uplift
Sets allowed return for	Enhanced companies	Non-enhanced companies	Portsmouth and Bournemouth
Total equity market return	6.75%		
Real risk-free rate	1.25%		
Equity risk premium	5.5%		
Gearing (Net Debt/RCV)	62.5%		
Asset beta	0.30		
Equity beta	0.80		
<b>Cost of equity (post-tax)</b>	<b>5.65%</b>		
Ratio of embedded to new debt	75:25		
Cost of new debt	2.65%	2.00%	2.25%
Cost of embedded debt	2.65%	2.65%	2.90%
Allowance for debt fees	0.10%	0.10%	0.10%
<b>Overall cost of debt</b>	<b>2.75%</b>	<b>2.59%</b>	<b>2.84%</b>
<b>Appointee WACC</b>	<b>3.85%</b>	<b>3.74%</b>	<b>3.89%</b>
Deduction for retail margin	0.15%	0.14%	0.14%
<b>Wholesale WACC</b>	<b>3.70%</b>	<b>3.60%</b>	<b>3.75%</b>

# Bond yields

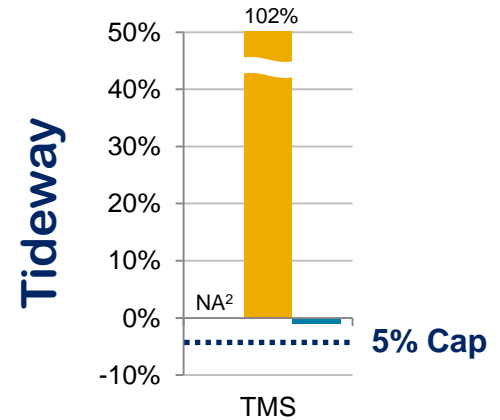
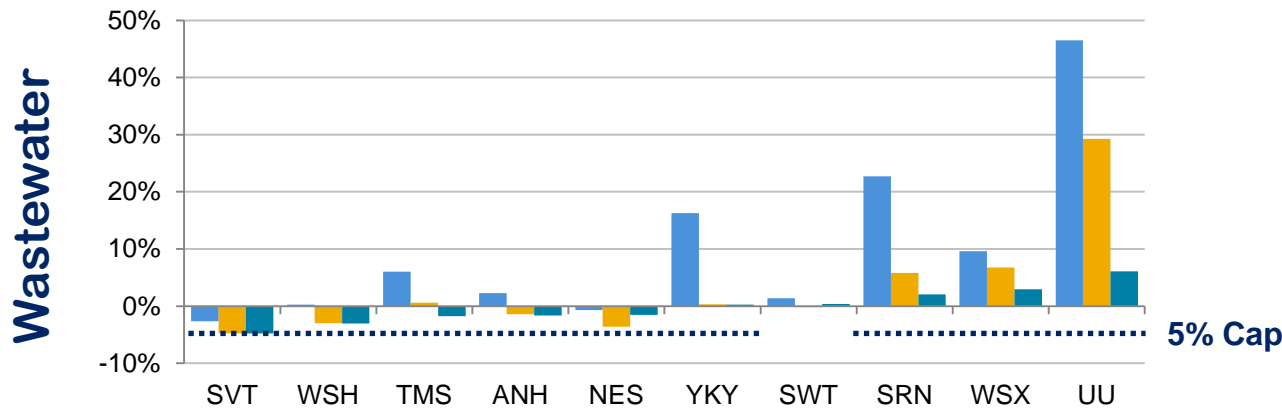
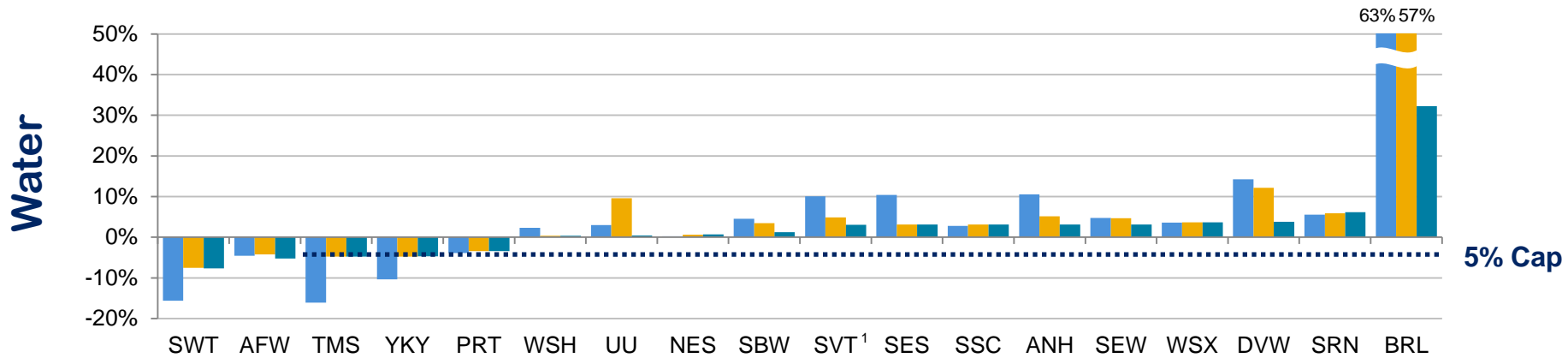


# Forecast return on regulated equity



Note: Ranges based on companies' representations and Ofwat's subsequent interventions. Reflect expected variations for an efficient, notionally-structured company.

# Totex: company plans vs. Ofwat thresholds

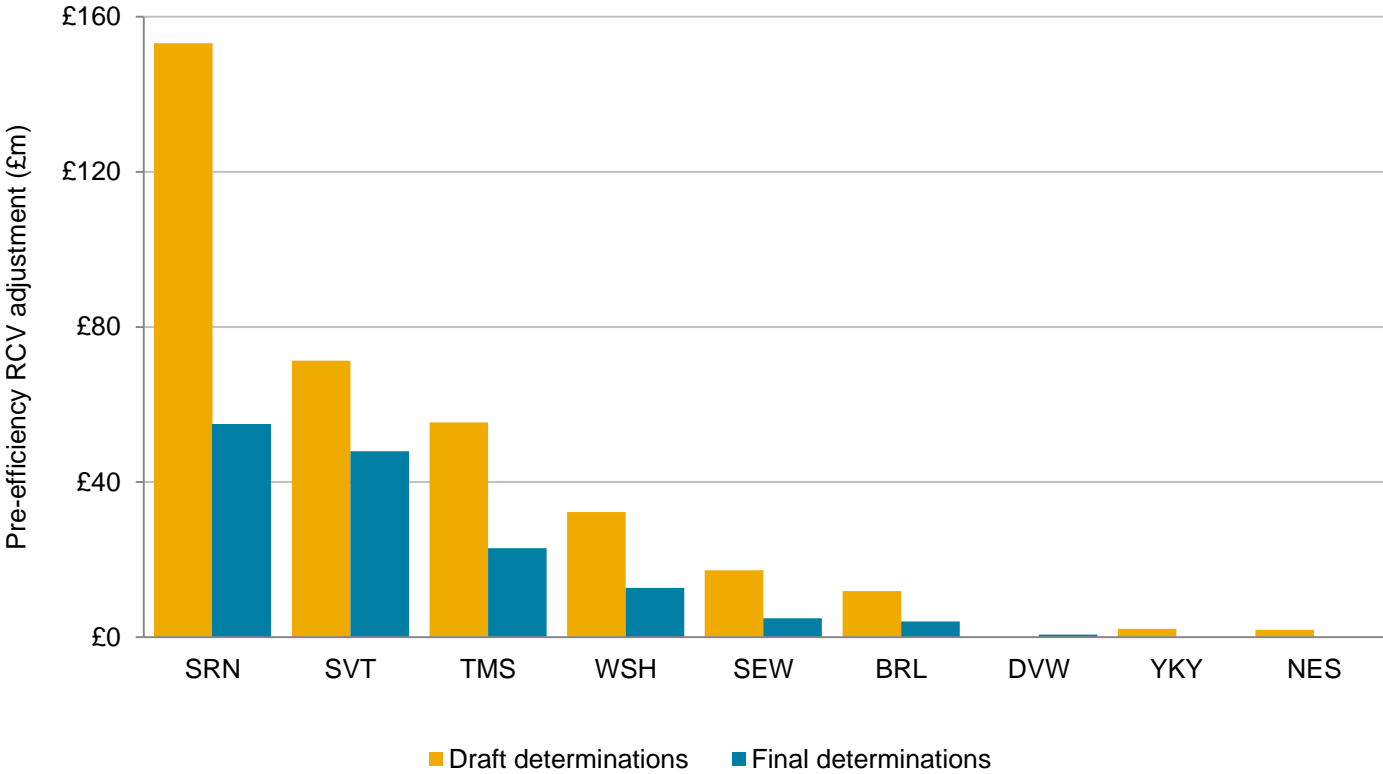


■ Gap at Risk Based Review   ■ Gap at Draft Determinations   ■ Gap at Final Determinations

(1) Draft determination value for Severn Trent assumes costs of EVA “core resilience” scheme are allowed.

(2) Thames Tideway Tunnel (a separate control within Thames Water) received no allowance at the RBR, against a plan of £508m.

# Serviceability shortfalls



# Notional financial ratios

	ANH	NES	SRN	SVT <sup>1</sup>	SWT	TMS	UU <sup>1</sup>	WSH	WSX
ICR	2.88	3.54	3.44	3.12	3.08	2.84	3.28	2.54	3.30
ACICR	1.46	1.84	1.46	1.55	1.53	1.40	1.65	1.59	1.78
FFO/debt	8.57%	11.48%	11.08%	9.60%	9.74%	8.43%	10.25%	6.97%	10.44%
RCF/debt	5.98%	8.84%	8.42%	6.97%	7.11%	5.92%	7.53%	4.41%	7.84%
Gearing	62.62%	62.01%	62.02%	63.09%	62.04%	64.58%	59.83%	62.52%	63.93%

	YKY	AFW	BRL	DVW	PRT	SBW	SES	SEW	SSC
ICR	3.03	3.56	3.63	3.33	2.68	3.32	3.46	3.03	3.70
ACICR	1.65	2.17	1.69	1.52	1.33	1.90	1.19	1.76	1.51
FFO/debt	9.20%	12.08%	12.07%	10.87%	8.04%	11.08%	11.23%	9.20%	12.31%
RCF/debt	6.59%	9.51%	9.41%	8.43%	5.45%	8.45%	8.62%	6.61%	9.68%
Gearing	60.49%	63.49%	64.89%	67.59%	62.23%	61.32%	65.51%	62.94%	67.21%

Note: Financial ratios averaged over the 2015-20 period, based on a notionally-financed company with efficient costs, before adjustments to reflect 2010-15 performance.

(1) Financial ratios for Severn Trent and United Utilities assume 100% of IRE is expensed.