

11 August 2008

Securities & Exchange Commission  
Office of International Corporation Finance  
450 Fifth Street  
Stop 3-2  
Washington, DC 20549  
USA

RECEIVED  
2008 AUG 18 P 2:18  
OFFICE OF INTERNATIONAL  
CORPORATE FINANCE

**TRENT**  
ENVIRONMENTAL LEADERSHIP

Severn Trent Plc  
2297 Coventry Road  
Birmingham B26 3PU  
Tel 0121 722 4000  
Fax 0121 722 4800  
www.severntrent.com

Direct Line 44 121 722 4127  
Direct Fax 44 121 722 4290  
Our Ref RPB



08004394

Dear Sir/Madam

In reference to **File Number 082-02819**, the following Stock Exchange Announcement was released today:

'Severn Trent Water Submits Draft Business Plan to Ofwat'

Yours faithfully

Linda Goodwin  
Company Secretarial Administrator

Encl.

**SUPL**

PROCESSED  
AUG 20 2008  
THOMSON REUTERS

## Severn Trent Water submits Draft Business Plan to Ofwat

In common with the rest of the water industry, Severn Trent Water has today submitted its draft business plan to Ofwat for the period 2010 to 2015. This plan sets out the company's proposals for delivering water and wastewater services and includes forecasts of revenues, costs, investment, maintenance, proposed price limits and planned improvements to services over the five-year period.

This plan aligns to the company's 25 year Strategic Direction Statement (published in December 2007, which is available on its website at [www.stwater.co.uk/sds](http://www.stwater.co.uk/sds)) and reflects customer priorities including a more resilient water supply network, stable bills and a smaller carbon footprint.

Tony Ballance, Severn Trent's Director of Regulation and Competition, said: "We believe our draft plan provides the best balance between improved services, the needs of the environment and a cost that customers are willing to pay while maintaining investor confidence. Our proposals are anchored in research, in which customers have told us about their requirements and priorities."

The key elements of the draft business plan include:

- Broadly flat bills in real terms (rising only slightly above inflation over the five year period),
- Challenging efficiency targets,
- A capital investment programme of around £3.2 billion (at today's prices) in the period 2010 to 2015, around 23% more than in the current period. This level of investment is needed to deliver improved services, such as stronger network resilience (including reinforcing the network following last summer's flooding) and reduction in sewer flooding, environmental improvements through improving sewage treatment, and increased spending on assets to ensure that environmental and drinking water quality improvements achieved in the past two decades are continued,
- An assumed cost of capital of 4.94% real, post tax, consistent with maintaining an appropriate credit rating to allow the company to raise the funds it requires to finance future investment at a reasonable rate. The company's plans cannot be financed by customers' bills alone and shareholders expect an adequate return on their investment. The company published a paper "The World has turned: but which way?" on 5 August 2008 setting out its views on issues to be considered in how the weighted average cost of capital (WACC) should be determined. This is available on its website at [www.severntrent.com](http://www.severntrent.com).

Severn Trent welcomes views on the draft business plan, an overview of which has been published on its website this morning. Comments can be emailed to [PR09views@severntrent.co.uk](mailto:PR09views@severntrent.co.uk)

### Enquiries:

Peter Gavan  
Director of External Affairs  
Venetia Cooper  
Investor Relations Manager

Severn Trent Plc

0121 722 4310

Severn Trent Plc

0121 722 4523