

Overview of initial high level modelling

Southern Water Done Well Working Group

4 March 2025



Caveats and assumptions

- Modelling has been prepared at pace
- No review of financial or asset management inputs of Timaru has been completed to date
- There are areas where further refinement will be needed
- Wastewater treatment costs are likely too high in current programmes
- Work to review and revise capital programmes for all councils, and to understand investment risk, is currently underway
- Financial analysis is only one part of the decision making process

Our modelling approach

- Based on Council LTPs and infrastructure strategies
- Additional costs added to comply with economic regulation
- No Commerce commission levies or Taumata Arowai levies included – these will be consistent in all models
- Additional costs included for establishment of a CCO, and corporate overheads for a CCO

Our modelling approach - debt

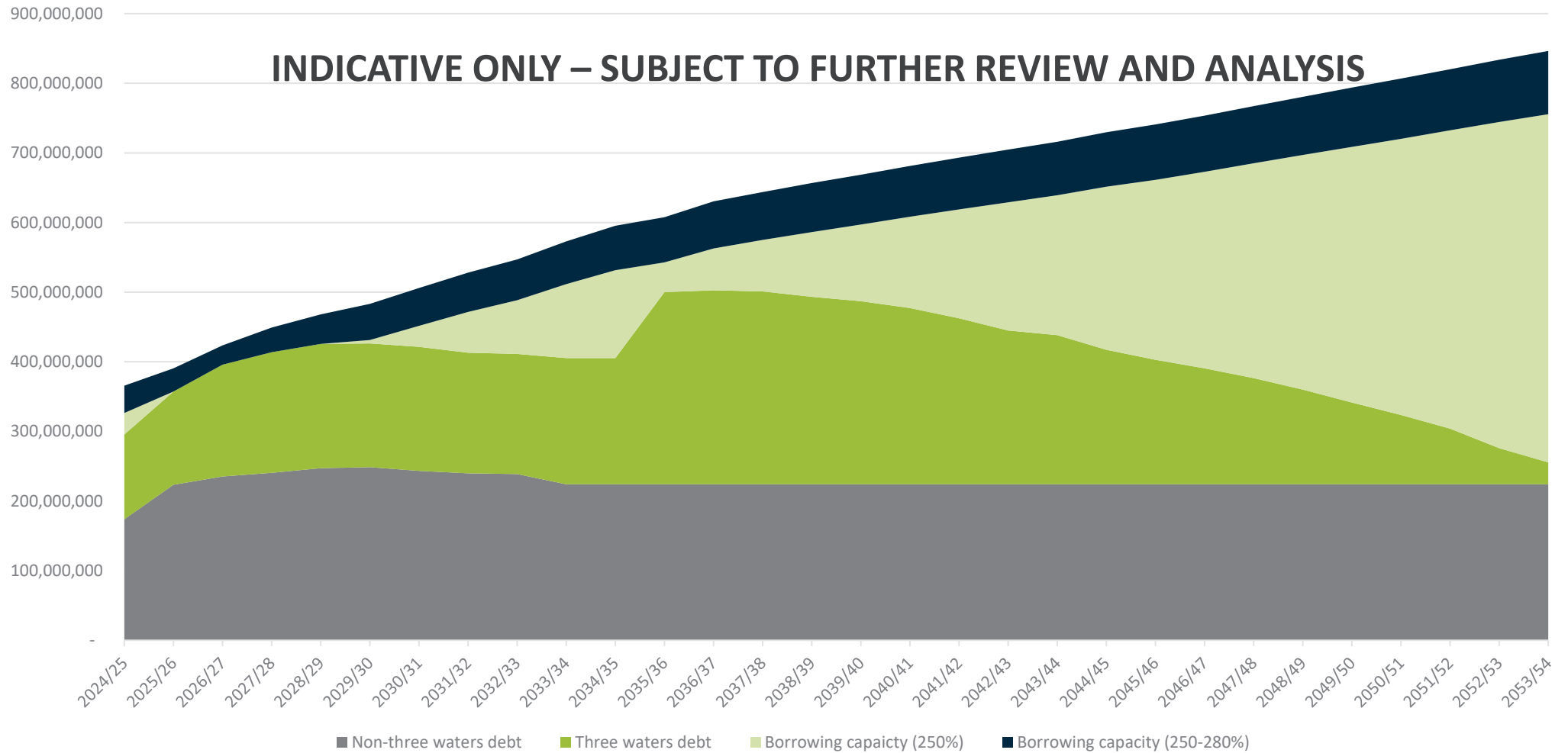
- We have assumed the Council will be able to borrow at parent level, and that it has a borrowing limit of 280% of its revenue
- We have assumed an entity can borrow to an 8% Free Funds from Operations to Debt ratio
- We have assumed an entity will work to this ratio

Work required

- Further work is required to present a view of water service delivery models and their relative strengths and weaknesses
 - External review of Asset Management Plans and LTP budgets to test and align planning and costing assumptions
 - Assessment of potential impact of new wastewater standards for each council
 - Joint CCO design and modelling, including consideration of regional versus local pricing
 - DIA and Taumata Arowai review of modelling and option analysis

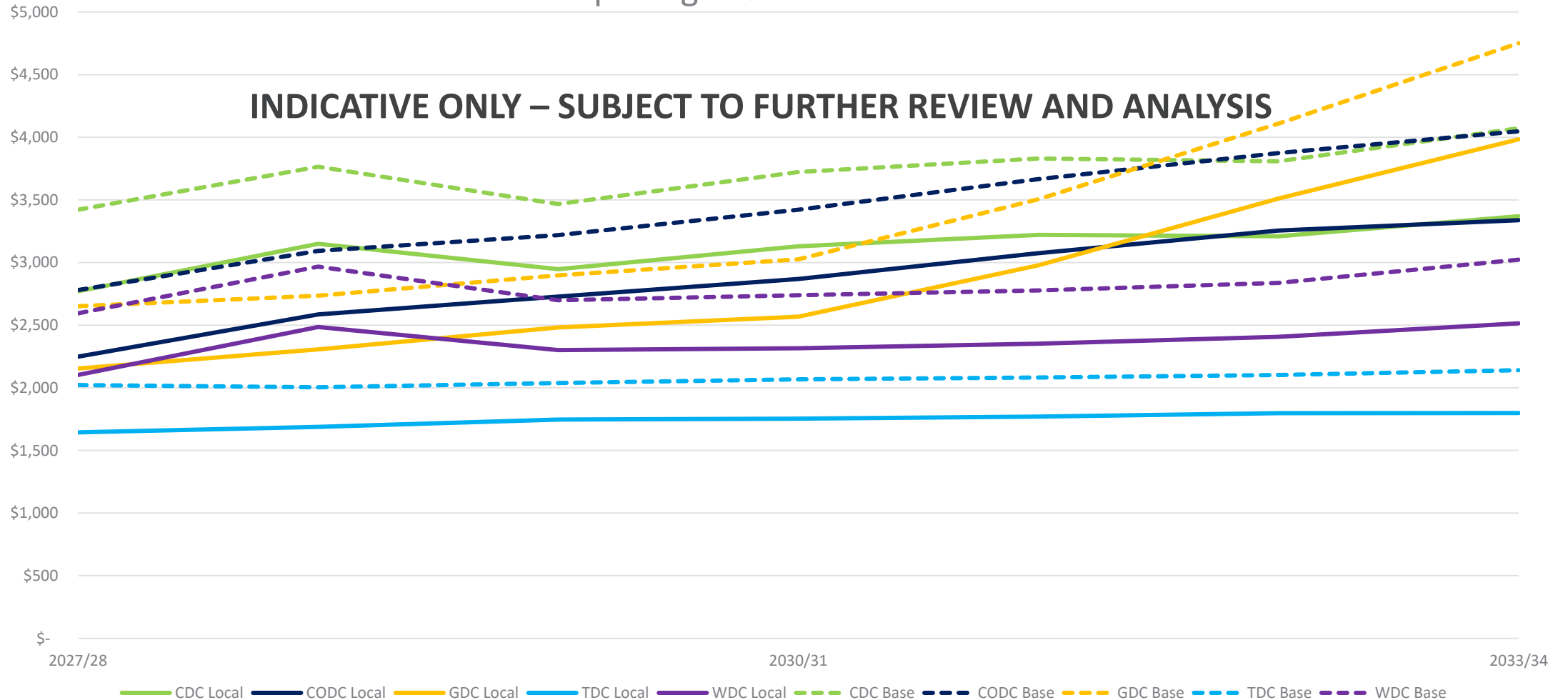
Timaru is currently debt constrained

Council borrowing profile - 30 years



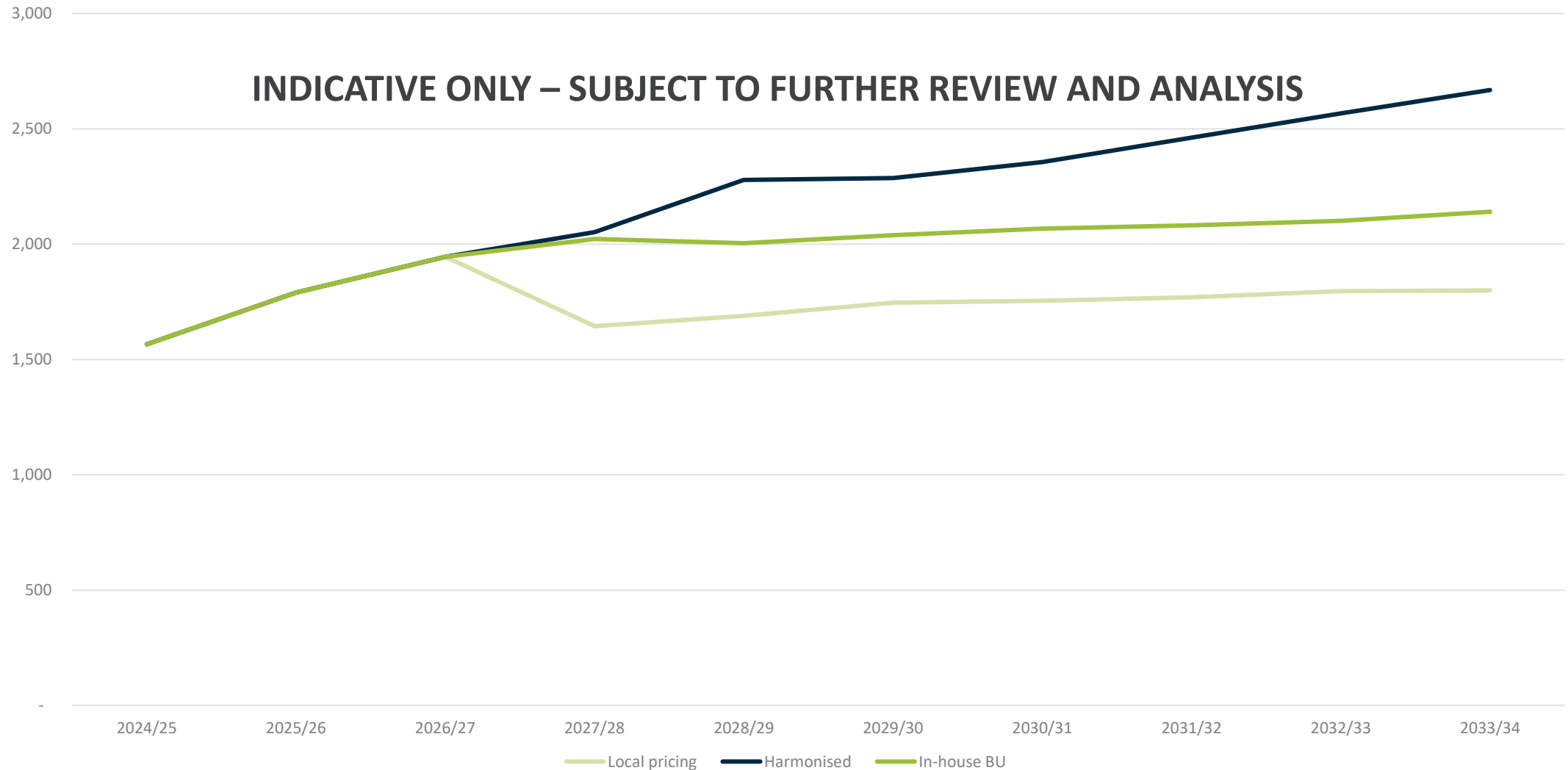
There appears to be a path for everyone to pay less

Local pricing - 8% FFO ratio for WSE



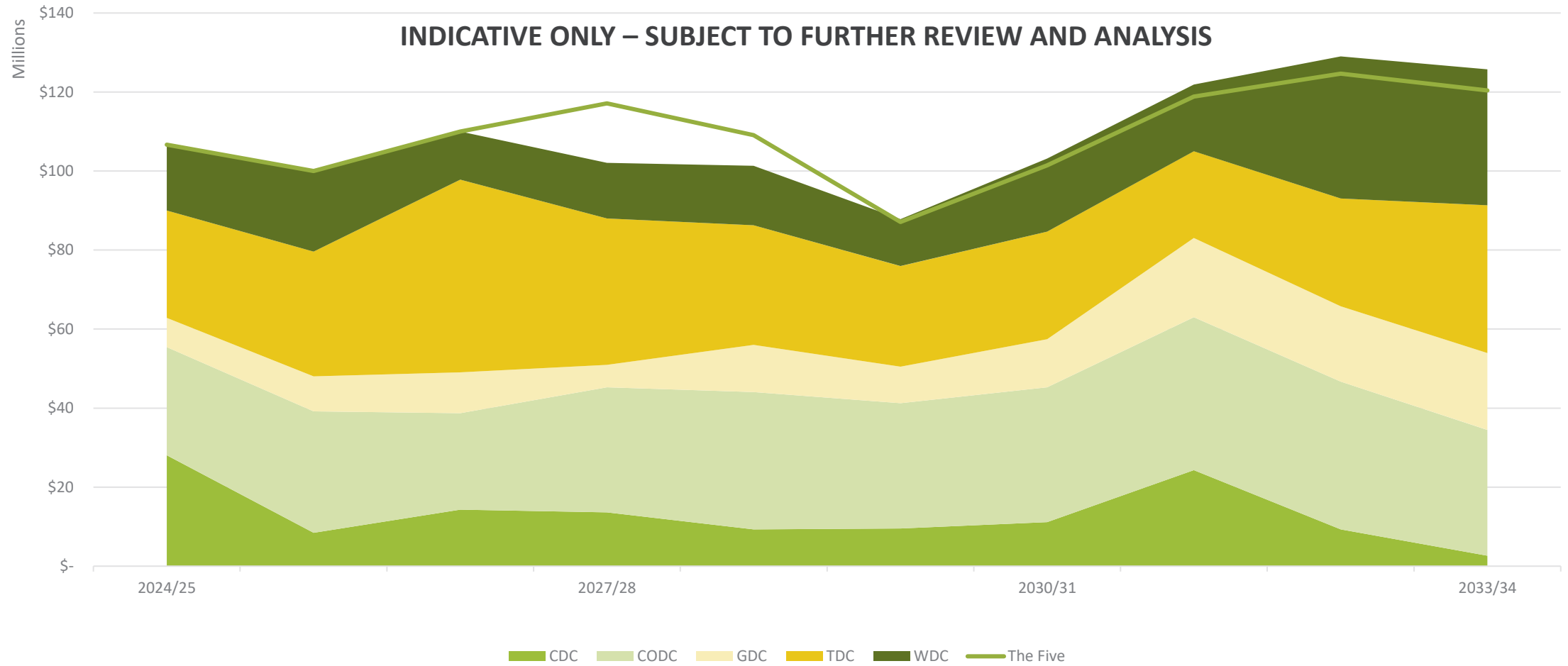
Timaru versus a Southern Water entity

Timaru District Council vs Entity 8% FFO scenarios



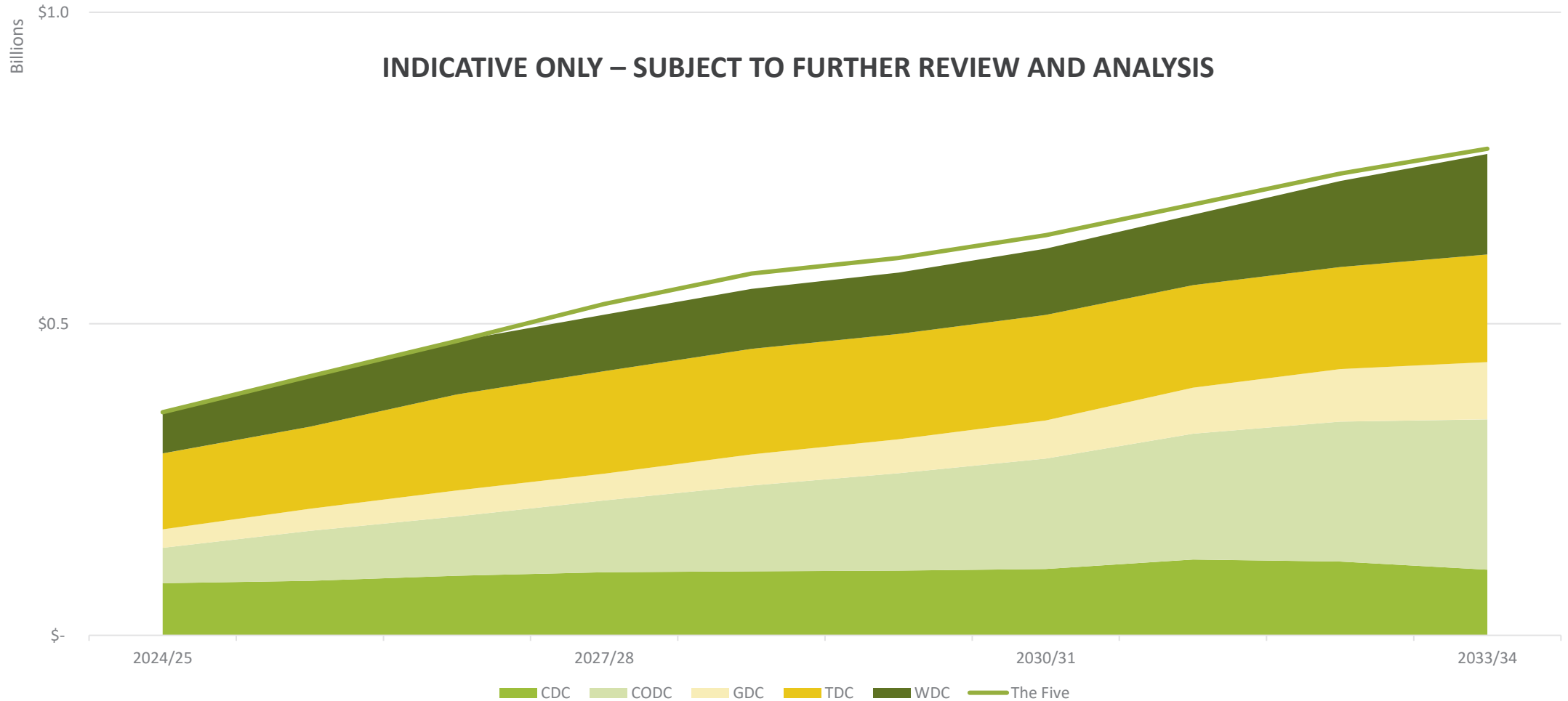
The combined capital programme

Total Capex - CCO vs Business Units

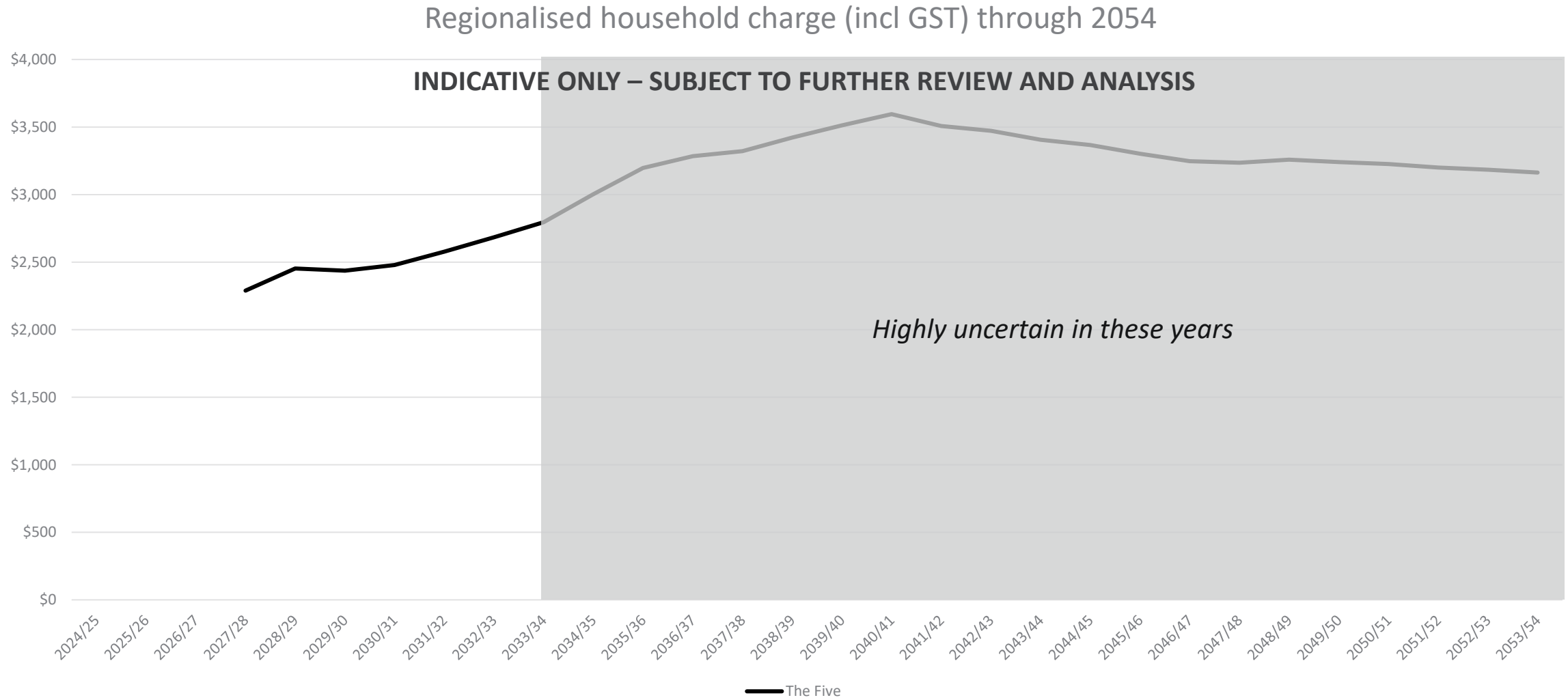


The combined debt profile

Total Debt - CCO vs Business Units



30 Year prices are uncertain but there is no hidden price rise



Questions?