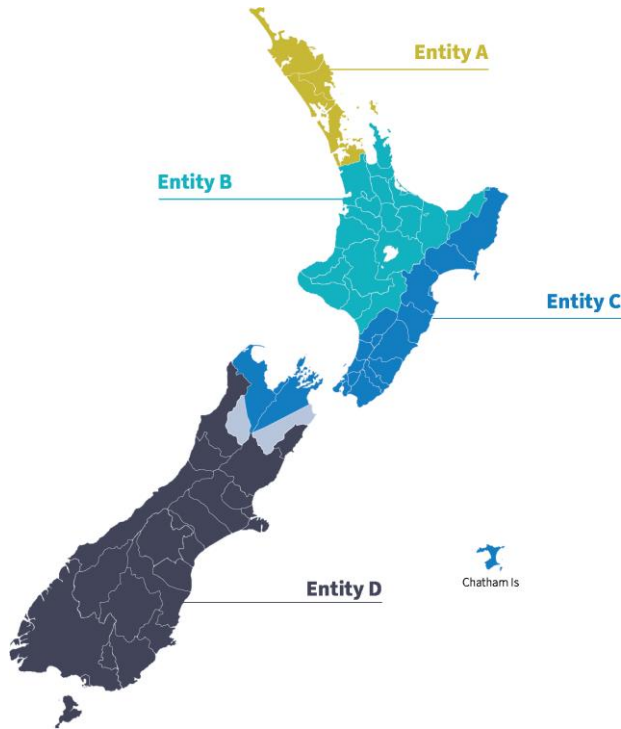
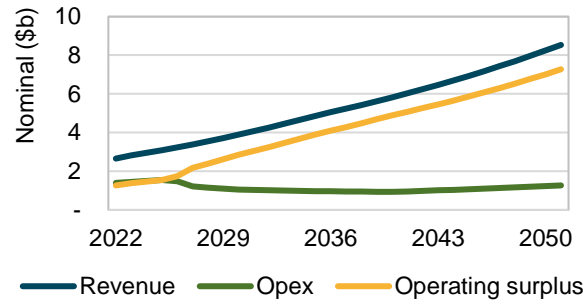


Water Services Entities – Overview

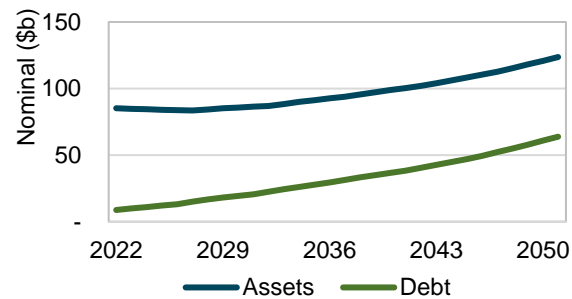


	Entity A	Entity B	Entity C	Entity D
Connected population (2020)	1.7m	0.8m	1.0m	0.9m
Average household cost (2051, real)¹				
With reform	\$800	\$1,220	\$1,260	\$1,640
Without reform	\$2,170	\$4,300	\$3,730	\$4,970

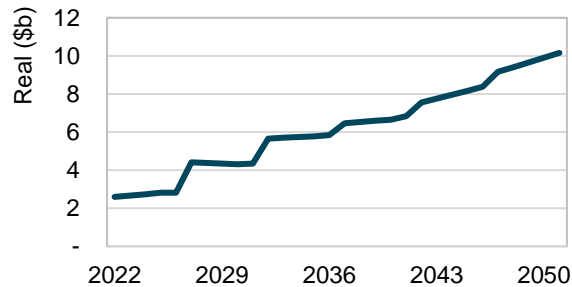
Forecast combined operating performance



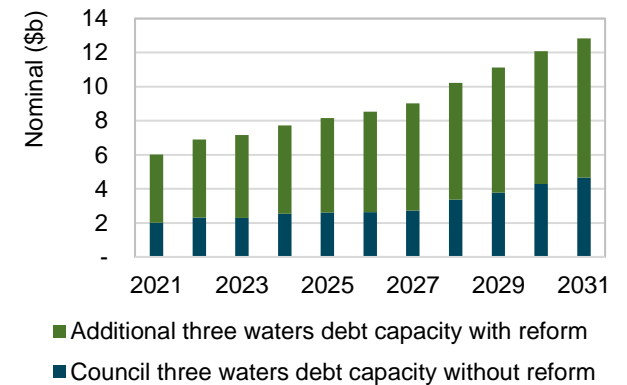
Forecast combined financial position



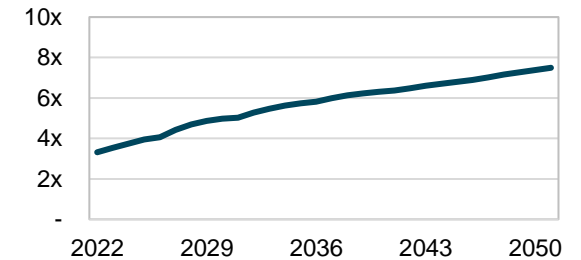
Forecast combined capital expenditure (pre efficiencies)



Estimated combined three waters debt capacity²



Forecast combined debt to revenue³



¹ Forecast average household costs are based on analysis undertaken by WICS.

² Estimated three waters debt capacity is based on draft 2021-2031 LTP data. Council three waters debt capacity assumes a debt limit of 4x three waters revenue. Additional debt capacity assumes debt limit of 6x three waters revenue. We note that the conservative assumptions utilised means this may be understating the additional debt capacity for water investment following reform.

³ Water entities are expected to have an issuer credit rating similar to that of councils. Further information is provided overleaf.

Disclaimer: The analysis presented is based on information provided by local authorities through the RfI and relevant Long Term Plan information. Calculations have been undertaken on a best endeavours basis. Forecasts over this length of time are inherently uncertain and reflect assumptions related to future investment, connection growth and charges to customers. Such forecasts will also be subject to a future economic regulatory regime. As such the information set out above is intended to be indicative only.

Entity A



Entity A

Auckland
Far North
Kaipara
Whangarei

Entity A

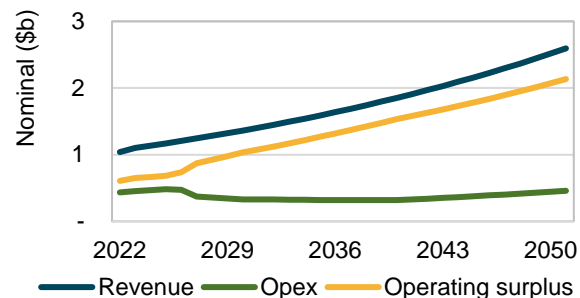
Connected population (2020) 1.7m

Average household cost (2051, real)¹

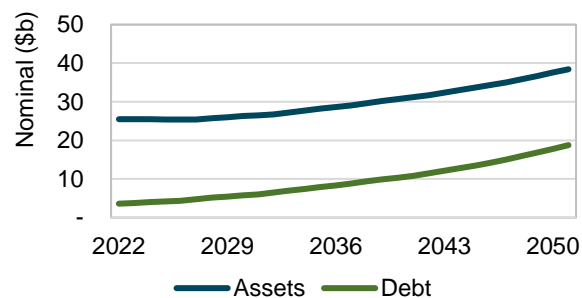
With reform \$800

Without reform \$2,170

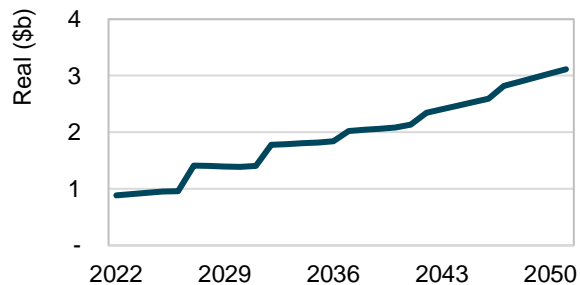
Forecast operating performance



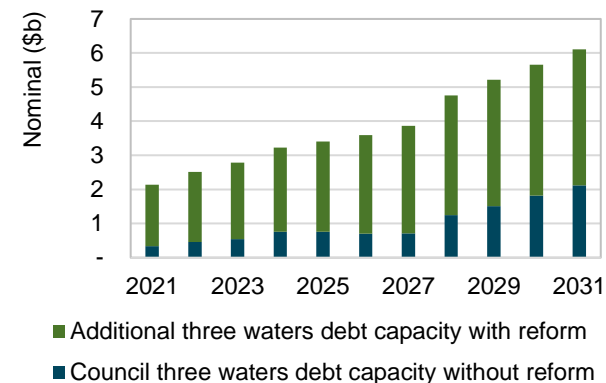
Forecast financial position



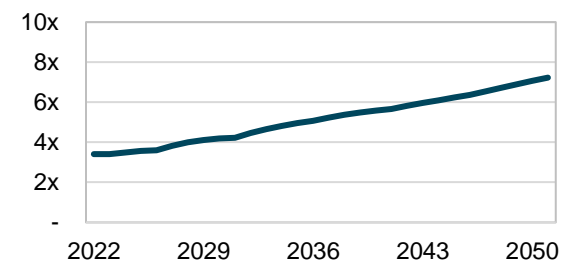
Forecast capital expenditure (pre efficiencies)



Estimated three waters debt capacity²



Forecast debt to revenue³



¹ Forecast average household costs are based on analysis undertaken by WICS.

² Estimated three waters debt capacity is based on draft 2021-2031 LTP data. Council three waters debt capacity assumes a debt limit of 4x three waters revenue. Additional debt capacity assumes debt limit of 6x three waters revenue. We note that the conservative assumptions utilised means this may be understating the additional debt capacity for water investment following reform.

³ Water entities are expected to have an issuer credit rating similar to that of councils. Further information is provided overleaf.

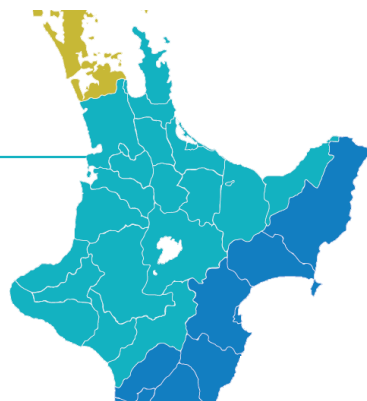
Disclaimer: The analysis presented is based on information provided by local authorities through the RfI and relevant Long Term Plan information. Calculations have been undertaken on a best endeavours basis. Forecasts over this length of time are inherently uncertain and reflect assumptions related to future investment, connection growth and charges to customers. Such forecasts will also be subject to a future economic regulatory regime. As such the information set out above is intended to be indicative only.



Te Tari Taiwhenua
Internal Affairs

Entity B

Entity B



- | | | |
|----------------|-------------------|-----------------------|
| Hamilton | Rotorua Lakes | Waikato |
| Hauraki | Ruapehu | Waipa |
| Kawerau | South Taranaki | Waitomo |
| Matamata-Piako | South Waikato | Western Bay of Plenty |
| New Plymouth | Stratford | Whakatane |
| Opotiki | Taupo | Whanganui |
| Otorohanga | Tauranga | |
| Rangitikei | Thames-Coromandel | |

Entity B

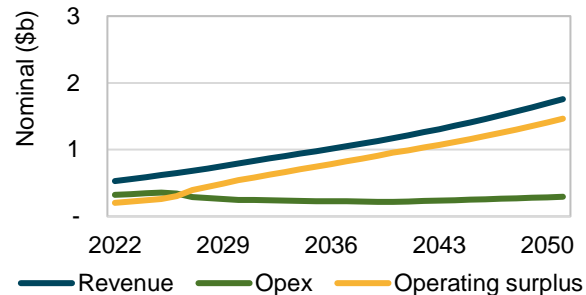
Connected population (2020) 0.8m

Average household cost (2051, real)¹

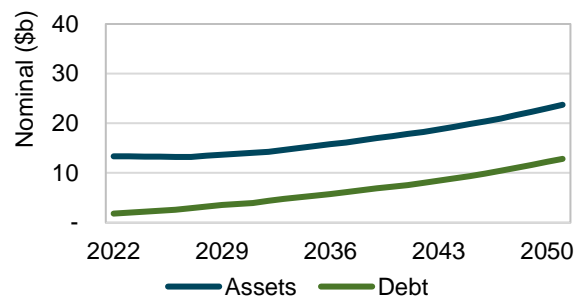
With reform \$1,220

Without reform \$4,300

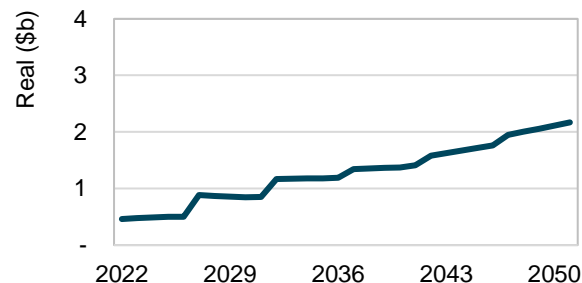
Forecast operating performance



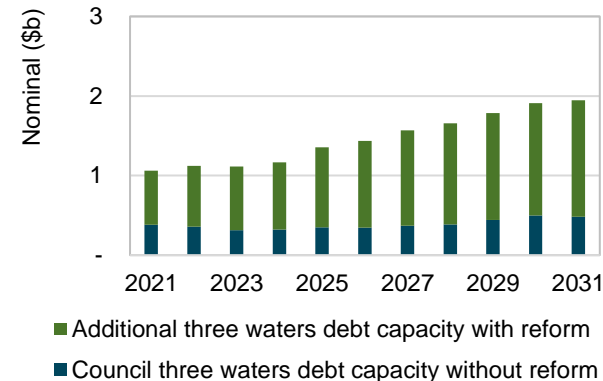
Forecast financial position



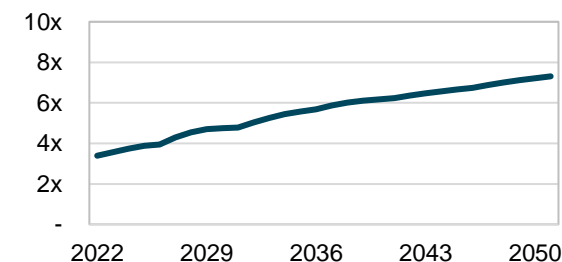
Forecast capital expenditure (pre efficiencies)



Estimated three waters debt capacity²



Forecast debt to revenue³



¹ Forecast average household costs are based on analysis undertaken by WICS.

² Estimated three waters debt capacity is based on draft 2021-2031 LTP data. Council three waters debt capacity assumes a debt limit of 4x three waters revenue. Additional debt capacity assumes debt limit of 6x three waters revenue. We note that the conservative assumptions utilised means this may be understating the additional debt capacity for water investment following reform.

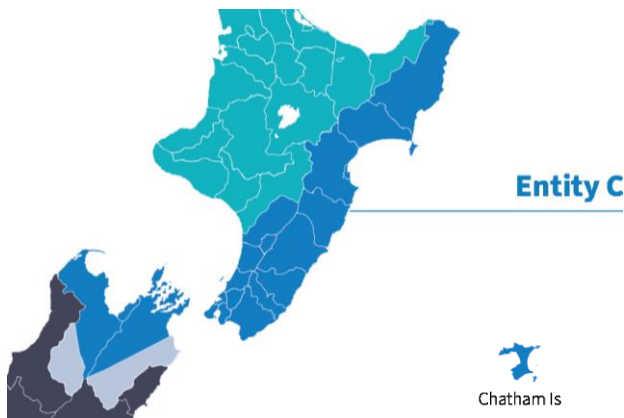
³ Water entities are expected to have an issuer credit rating similar to that of councils. Further information is provided overleaf.

Disclaimer: The analysis presented is based on information provided by local authorities through the RfI and relevant Long Term Plan information. Calculations have been undertaken on a best endeavours basis. Forecasts over this length of time are inherently uncertain and reflect assumptions related to future investment, connection growth and charges to customers. Such forecasts will also be subject to a future economic regulatory regime. As such the information set out above is intended to be indicative only.



Te Tari Taiwhenua
Internal Affairs

Entity C



- Carterton
- Central Hawke's Bay
- Chatham Islands
- Gisborne
- Hastings
- Horowhenua
- Kapiti Coast
- Lower Hutt
- Manawatu Marlborough
- Masterton
- Napier
- Nelson
- Palmerston North
- Porirua
- South Wairarapa
- Tararua
- Tasman
- Upper Hutt
- Wairoa
- Wellington

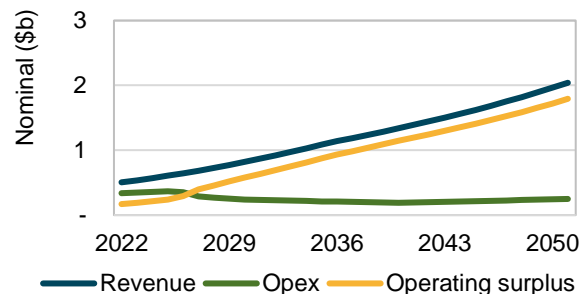
Entity C

Connected population (2020) 1.0m

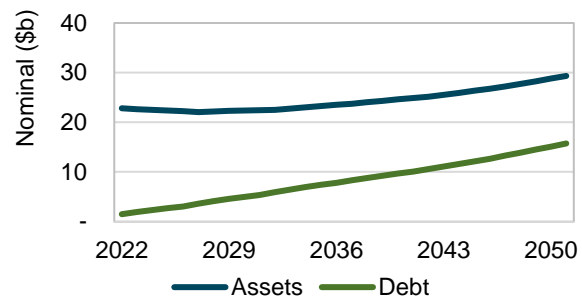
Average household cost (2051, real)¹

With reform \$1,260
Without reform \$3,730

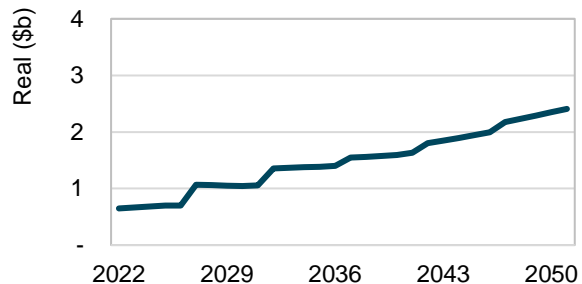
Forecast operating performance



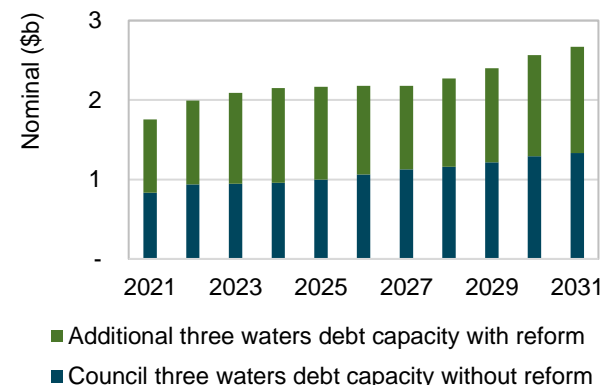
Forecast financial position



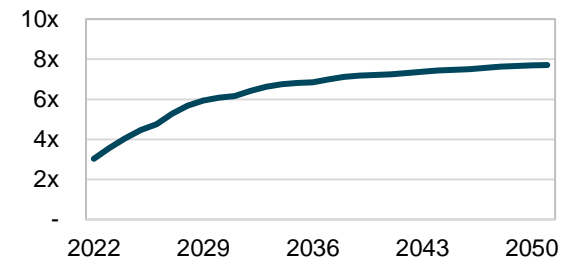
Forecast capital expenditure (pre efficiencies)



Estimated three waters debt capacity²



Forecast debt to revenue³



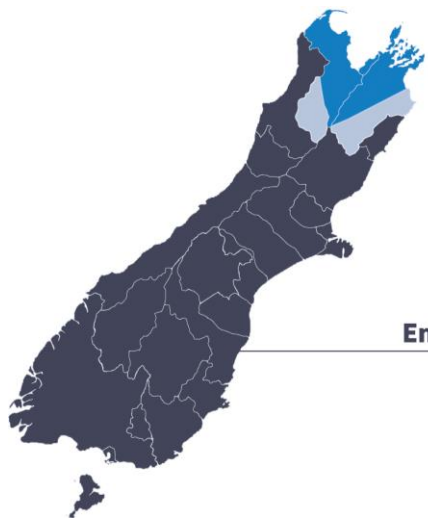
¹ Forecast average household costs are based on analysis undertaken by WICS.

² Estimated three waters debt capacity is based on draft 2021-2031 LTP data. Council three waters debt capacity assumes a debt limit of 4x three waters revenue. Additional debt capacity assumes debt limit of 6x three waters revenue. We note that the conservative assumptions utilised means this may be understating the additional debt capacity for water investment following reform.

³ Water entities are expected to have an issuer credit rating similar to that of councils. Further information is provided overleaf.

Disclaimer: The analysis presented is based on information provided by local authorities through the RfI and relevant Long Term Plan information. Calculations have been undertaken on a best endeavours basis. Forecasts over this length of time are inherently uncertain and reflect assumptions related to future investment, connection growth and charges to customers. Such forecasts will also be subject to a future economic regulatory regime. As such the information set out above is intended to be indicative only.

Entity D



Entity D

- Ashburton
- Buller
- Central Otago
- Christchurch
- Clutha
- Dunedin
- Gore
- Grey
- Hurunui
- Invercargill
- Kaikoura
- Mackenzie
- Queenstown
- Lakes
- Selwyn
- Southland
- Timaru
- Waimakariri
- Waimate
- Waitaki
- Westland

Entity D

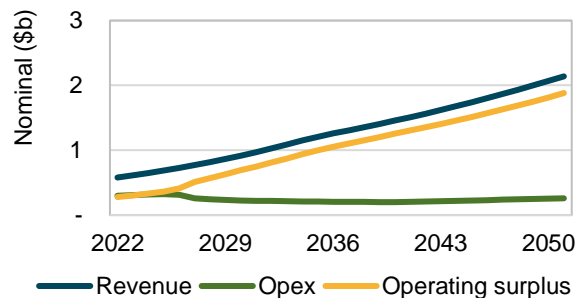
Connected population (2020) 0.9m

Average household cost (2051, real)¹

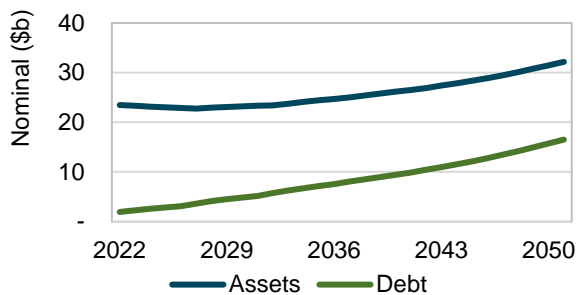
With reform \$1,640

Without reform \$4,970

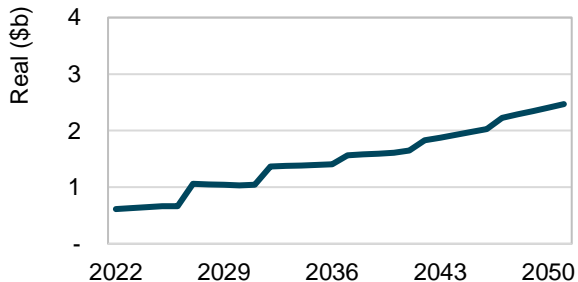
Forecast operating performance



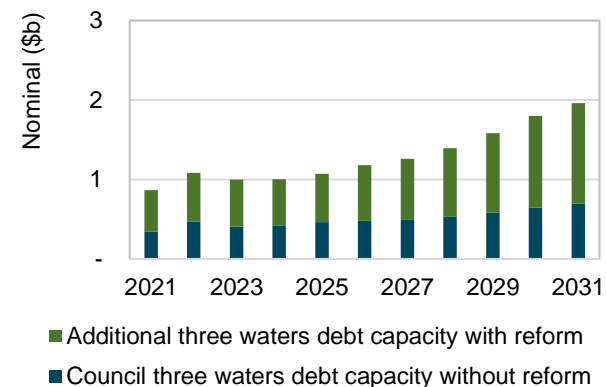
Forecast financial position



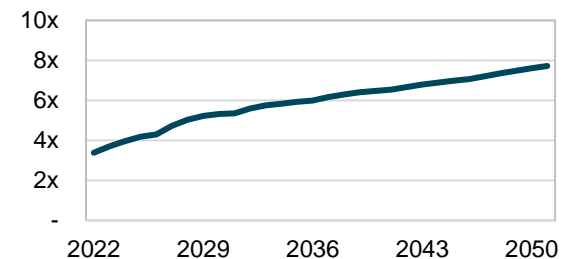
Forecast capital expenditure (pre efficiencies)



Estimated three waters debt capacity²



Forecast debt to revenue³



¹ Forecast average household costs are based on analysis undertaken by WICS.

² Estimated three waters debt capacity is based on draft 2021-2031 LTP data. Council three waters debt capacity assumes a debt limit of 4x three waters revenue. Additional debt capacity assumes debt limit of 6x three waters revenue. We note that the conservative assumptions utilised means this may be understating the additional debt capacity for water investment following reform.

³ Water entities are expected to have an issuer credit rating similar to that of councils. Further information is provided overleaf.

Disclaimer: The analysis presented is based on information provided by local authorities through the RfI and relevant Long Term Plan information. Calculations have been undertaken on a best endeavours basis. Forecasts over this length of time are inherently uncertain and reflect assumptions related to future investment, connection growth and charges to customers. Such forecasts will also be subject to a future economic regulatory regime. As such the information set out above is intended to be indicative only.



Te Tari Taiwhenua
Internal Affairs

Credit rating treatment

In June 2020, Cabinet agreed in-principle that new entities – if established – would be asset-owning and be operationally and financially separate from local authorities to ensure their ability to borrow on similar terms to other utilities.

Achieving balance sheet separation from councils and appropriate credit worthiness are crucial for ensuring the entities' long-term financial sustainability and the ability to fund and finance future investment needs.

DIA engaged with Standard & Poor's to understand the potential credit rating implications associated with the reform programme to the New Zealand sovereign, the New Zealand Local Government Funding Agency, the wider local government sector and proposed water services entities.

This was to ensure that reform proposal were informed about the credit rating implications, particularly whether the reform could achieve balance sheet separation from councils. The work confirmed that the Government's proposed arrangements would achieve balance sheet separation, with no negative implications for S&P's assessment of the current sovereign credit rating of New Zealand or that of the LGFA. In relation to the potential impacts on each local authority, the impacts would depend on the individual financial position of each local authority.

As a general observation three waters assets are more highly leveraged than other council assets, and a transfer of three waters assets and liabilities would tend to improve a local authority's debt to revenue ratio.

The proposed water entities would be low-risk, regulated water services entities. The final credit rating of the entities will reflect a variety of factors, but are expected to have an issuer credit rating similar to that of councils.

Disclaimer: The analysis presented is based on information provided by local authorities through the Rfl and relevant Long Term Plan information. Calculations have been undertaken on a best endeavours basis. Forecasts over this length of time are inherently uncertain and reflect assumptions related to future investment, connection growth and charges to customers. Such forecasts will also be subject to a future economic regulatory regime. As such the information set out above is intended to be indicative only.



Te Tari Taiwhenua
Internal Affairs