Price and Service Plan 5 Proposal Update

30 September 2025

TasWater

Table of contents

1 Introduction

On 30 June 2025, TasWater submitted to the Tasmanian Economic Regulator (TER) its Price and Service Plan Proposal for the four-year regulatory period commencing 1 July 2026 ("PSP5 Proposal"). The TER's *Price and Service Plan Guideline for the fifth regulatory period* requires TasWater to provide an update to its PSP5 Proposal to take into consideration actual data for the financial year 2024-25.

This document presents actual operating expenditure, capital expenditure and customer demand for the financial year 2024-25. A new and updated financial model ("Price and Revenue Model") and demand model has a been provided with this PSP5 Proposal update, along with other supporting information and models.

Key elements of this update include:

- Provision of actual operating expenditure data for 2024-25 and our proposal to maintain our operating cost base year consistent with the 30 June 2025 proposal.
- Proposed updates to our operating cost forecast to consider our newly finalised enterprise agreements for forecast labour expenses, an update to forecast electricity expenses and an update to our step change for non-revenue water.
- An update to our proposal for actual capital expenditure in 2024-25 to be included in the regulated asset base and an update to the 2025-26 capital expenditure forecast.
- No update to forecast PSP5 capital expenditure.
- Provision of actual demand data for 2024-25 (connections and usage).
- An update to the proposed regulated asset base, regulatory depreciation calculation and supporting material. This includes:
    - Actual capital expenditure, disposals and escalation in 2020-21 and 2021-22
    - Documentation to substantiate the RAB and regulatory depreciation for pre-1 July 2018 capital expenditure.

2 Operating expenditure update

2.1 Actual PSP5 operating expenditure: Base year

Proposed approach: To maintain our proposed operating expenditure base year provided in the 30 June 2025 PSP5 Proposal.

Proposed approach 30 September 2025

As part of this PSP5 Proposal – Update 30 September 2025, we have provided our actual operating expenditure for 2024-25, after making required adjustments to reflect an efficient base year.

Following review and adjustment of the 2024-25 actual operating expenditure, the final result was a *small increase* in the base year.

We propose to maintain the proposed operating expenditure base year, consistent with our 30 June 2025 PSP5 Proposal.

We acknowledge that there will be movements in our actual operating expenditure over time and we believe our PSP5 Proposal (30 June 2025) remains an efficient base year for our PSP5 proposed operating expenditure forecast.

Operating expenditure forecast method

In our PSP5 Proposal, we noted that our PSP5 proposed operating expenditure forecast was developed using the base-trend-step method.

The base-trend-step method provides for the following steps:

- Base: Developing a historical base year (2024-25) that reflects efficient and ongoing expenditure, excluding any one-off costs (referred to as the 'base').
- Trend: Forecasting this forward by applying cost escalation, growth and an efficiency factor (referred to as the 'trend').
- Step: Adding new or changed operating costs that are not captured in the base year or in the expected trend forecasts (referred to as the 'step' changes).

The PSP5 Proposal submitted on 30 June 2025 was developed aligned with our 2024-25 budgeted operating expenditure as the base year. There were two key adjustments made to our proposed base year:

- Applying an Activity Based Costing methodology to distinguish between regulated and unregulated costs, reducing our budget base year by allocating some operating expenditure to unregulated activities.
- Adjusting (adding or removing) for one-off or non-recurrent costs that we do not consider form part of the efficient base year.

Actual operating expenditure

The actual operating expenditure for 2024-25 has been provided as part of this PSP5 Proposal Update, refer to Sup 1. Opex - FY25 ABC Actuals.

A summary of the 2024-25 actual operating expenditure is provided in Table 2.1. The actuals have had Activity Based Costing method applied to them. We then undertook a process of identifying and adjusting for one-off or non-recurrent items. The result of this is a base year that was $1.3 million higher than the base year included in our 30 June 2025 PSP5 Proposal.

Table 2.1. 2024-25 Actual operating expenditure, $M

Cost category	30 June 2025 Proposal (budget)	Actual opex after ABC (regulated)	Actual opex after ABC and one-off adjustments	Variance to 30 June 2025 Proposal
Salaries	115.00	115.25	115.25	0.25
Materials and Services	38.78	38.24	39.05	0.27
Chemicals	10.04	10.31	10.31	0.27
Royalties	3.00	2.90	2.90	(0.10)
Motor Vehicle	4.19	3.68	3.82	(0.37)
Water sampling	3.91	3.67	3.95	0.03
Customer collection	3.24	3.02	3.02	(0.22)
Regulator costs	3.20	2.94	3.11	(0.09)
Power	12.68	12.71	12.71	0.03
Facility Management	9.55	11.92	11.69	2.13
Information Systems	11.46	10.49	10.80	(0.67)
Admin other	4.01	3.99	3.99	(0.02)
Consultancy	7.95	7.18	8.05	0.09
Insurance	3.18	3.05	3.05	(0.13)
Governance	1.30	1.21	1.21	(0.09)
Community Relations	1.66	1.88	1.41	(0.25)
Strategic Initiatives	3.11	3.32	3.32	0.21
Total	**236.27**	**235.76**	**237.62**	**1.35**

2.2 Update to PSP5 operating expenditure: Salaries trend

Proposed approach: To update the PSP5 proposed operating expenditure forecast (salaries trend rate) to include the wage increases recently approved in TasWater's Enterprise Agreement.

Cost escalation for salaries in the PSP5 Proposal

At the time of submitting our PSP5 Proposal at 30 June 2025, we were in the final stages of negotiating our TasWater Enterprise Agreements, which govern the conditions and wage increases of a large proportion of our workforce.

So as not to pre-empt the result of the negotiating process, we included a forecast of wage increases based on publicly available information (as explained in the supporting material to the PSP5 Proposal). The wage increases proposed in the 30 June 2025 PSP5 Proposal is provided in Table 2.2.

Table 2.2. PSP5 Proposal: Salaries cost escalation (trend)

	FY26	FY27	FY28	FY29	FY30
EA wage increase (assumption based on wage price index forecast)	3.4%	3.1%	3.1%	3.1%	3.1%
Pay point progression per EA	1.0%	1.0%	1.0%	1.0%	1.0%
Super guarantee	0.5%	-	-	-	-
Total escalation	**4.9%**	**4.1%**	**4.1%**	**4.1%**	**4.1%**

On the 31 July 2025 TasWater employees covered by the General and Senior agreements voted in favour of two new statewide enterprise agreements that reflect our goal to deliver harmonised pay and conditions for employees. The agreement covers four years, 1 July 2025 to 30 June 2029.

Approval by the Fair Work Commission

- 11 September 2025: TasWater General Employees Enterprise Agreement 2025
- 10 September 2025: Senior Employees Enterprise Agreement 2025

We are proposing to apply the same escalation rates for employees covered under individual contracts and enterprise agreements. The wage increases provided for within our Enterprise Agreements and proposed to be updated within the PSP5 Proposal, are included in Table 2.3. For the final year of PSP5, the cost escalation assumption remains consistent with the original submission.

Table 2.3. PSP5 Proposal Update: Salaries cost escalation (trend) proposal

	FY26	FY27	FY28	FY29	FY30
EA wage increase (based on approved EA up to June 2029)	5.0%	2.9%	2.9%	3.5%	3.1%
Pay point progression per EA	1.0%	1.0%	1.0%	1.0%	1.0%
Super guarantee	0.5%	-	-	-	-
Total escalation	**6.5%**	**3.9%**	**3.9%**	**4.5%**	**4.1%**

2.3 Update to PSP5 operating expenditure: Power trend

Proposed approach: To update the PSP5 proposed operating expenditure forecast to update for the impact of actuals on the power operating expenditure trend increase.

Within the PSP5 Proposal we included a proposed cost escalation of our electricity operating expenditure category of 5.70 per cent per annum. This is based on three updates:

- Based trend on actual electricity expenditure in 2024-25
- Corrected an error in the forecasting model
- Updated reference to CPI within forecasting model

We are now proposing this to be 2.22 per cent per annum within the 'trend' component of our operating cost forecast (Table 2.4).

Table 2.4. PSP5 Proposal Update: Electricity cost escalation (trend) proposal

	FY26	FY27	FY28	FY29	FY30
30 June proposal	5.70%	5.70%	5.70%	5.70%	5.70%
30 September proposal	**2.22%**	**2.22%**	**2.22%**	**2.22%**	**2.22%**

2.4 Update to PSP5 operating expenditure: Non-revenue water step change

Proposed approach: To update the PSP5 proposed operating expenditure forecast (step changes) to update an error in the non-revenue water step change calculation.

In the PSP5 Proposal, we included savings from non-revenue water reductions over the PSP5 period. This was included as a negative step change in the operating cost forecast. Projected savings in chemical and power use from the water efficiency program were calculated using direct variable costs for water and sewerage treatment. As the program does not impact sewerage usage, those costs should be excluded from the savings estimate. Therefore, we propose to update this step change.

The revised per unit cost savings for non-revenue water is shown in Table 2.5, amend ed power expenditure savings in Table 2.6 and amended chemical expenditure savings in Table 2.7.

Table 2.5. Revised per unit cost savings for non-revenue water

	Based on variable water and sewer costs (June 2025 submission)		Based on variable water variable costs (September 2025)	
	Cents/ kL	Variable costs, $M	Cents/kL	Variable costs, $M
Chemicals	0.13	12.493	0.08	7.556
Power	0.11	10.538	0.06	6.017

Table 2.6. Forecast power expenditure reduction for non-revenue water

Step change	FY26	FY27	FY28	FY29	FY30	Total
Total GL per year	3.95	6.83	8.73	10.2	11.66	11.66
Original submission power saving $'000	409	781	1,026	1,215	1,404	4,835
Amended power saving $'000	247	472	620	735	850	2,924

Table 2.7. Forecast chemical expenditure reduction for non-revenue water

Step change	FY26	FY27	FY28	FY29	FY30	Total
Total GL per year	3.95	6.83	8.73	10.2	11.66	11.66
Original submission chemical saving $'000	345	659	865	1,025	1,185	4,079
Amended chemical saving $'000	197	376	494	585	677	2,329

This reflects an overall increase in our step changes for our water efficiency program (non-revenue water) of $3.351 million over the PSP5 period.

2.5 Overview of proposed operating expenditure

An updated PSP5 proposed operating expenditure forecast is provided in Table 2.8.

Table 2.8. Updated regulated operating expenditure, $M nominal

	PSP4		PSP5			
Opex cost category	FY25	FY26	FY27	FY28	FY29	FY30
Salaries	115.00	121.82	125.91	130.13	135.28	140.10
Materials & Services	38.78	39.77	41.22	42.40	43.39	45.00
Chemicals	10.04	10.67	10.86	11.22	11.38	12.04
Power	12.68	13.14	13.78	14.59	14.72	15.07
Royalties	3.00	3.10	3.18	3.27	3.36	3.45
Facility Management	9.55	9.80	10.01	10.23	10.46	10.69
Information Systems	11.46	13.49	20.49	17.52	17.97	18.32
Administration Other	4.01	4.11	4.20	4.29	4.38	4.48
Motor Vehicles	4.19	4.30	4.39	4.49	4.59	4.69

	PSP4			PSP5		
Opex cost category	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**
Water Sampling	3.91	4.01	4.10	4.19	4.28	4.38
External Support	7.95	8.15	8.33	8.52	8.70	8.89
Regulator Costs	3.20	5.03	4.02	4.36	5.21	5.41
Customer Collection	3.24	3.32	4.11	4.18	4.26	4.34
Insurance	3.18	3.76	3.84	4.06	4.29	4.45
Governance	1.30	1.34	1.36	1.39	1.42	1.46
Community Relations	1.66	1.70	1.74	1.78	1.82	1.86
Strategic Initiatives	3.11	5.18	5.30	5.41	5.53	5.65
Total	**236.27**	**252.70**	**266.85**	**272.04**	**281.03**	**290.27**

Total regulated opex costs have increased by $5.3 million from our 30 June 2025 PSP5 Proposal, driven by updated salary escalation rates and correction to the savings on the water efficiency program.

3 Capital expenditure update

3.1 Actual capital expenditure for 2024-25 and updated forecast for 2025-26

Proposed approach: To update the PSP5 Proposal for actual capital expenditure for 2024-25 and update the forecast for 2025-26 for capital expenditure proposed to be included in the regulated asset base.

As part of this PSP5 Proposal – Update 30 September 2025, we have provided our actual capital expenditure for 2024-25. This is proposed to be included in the regulated asset base, which is rolled forward to form part of the PSP5 Proposal.

Total actual capital expenditure in 2024-25 was $27.2 million lower than the forecast proposed in the 30 June 20205 PSP5 Proposal. This is summarised in Table 3.1

Table 3.1. Comparison of FY25 actuals vs. FY25 forecast of Capital spend by asset category; $M

Asset Category	FY25 Actuals	FY25 Forecast	Difference
DAMS	9.61	17.78	8.17
EASEMENTS	0.00	0.00	0.00
INTANGIBLE	7.23	0.00	-7.23
LAND	0.00	0.00	0.00
LB-OTHER	6.47	3.44	-3.03

LEASEHOLD	0.00	0.00	0.00
MINOROTHER	33.41	45.99	12.58
PIPE WASTE	17.82	46.94	29.12
PIPE WATER	47.60	35.36	-12.24
PUMP WASTE	48.18	28.38	-19.79
PUMP WATER	1.34	0.49	-0.85
RESERVOIRS	1.71	2.57	0.87
TREATWASTE	27.82	102.99	75.16
TREATWATER	72.42	16.25	-56.17
VEHICLES	2.40	3.06	0.66
Total	**276.02**	**303.26**	**27.24**

We are proposing to only make one change to the 2025-26 capital expenditure forecast. We propose to increase the 2025-26 forecast by $21.0 million dollars, relating to the Selfs Point Sewer Transformation Project, based on this project being $21 million under budget in 2024-25.

The total proposed envelope for PSP4 actuals and forecast is therefore a net $6.1 million less than what was proposed in the 30 June 2025 PSP5 Proposal.

3.2 Changes to PSP5 forecast capital expenditure

We are not proposing any changes to the proposed PSP5 forecast capital expenditure.

4 Demand Forecast

4.1 Actual demand data for 2024-25

Proposed approach: To provide the actual water and sewerage connections and the actual water usage for 2024-25. We are proposing to maintain the same demand forecast as our 30 June 2025 PSP5 Proposal for the PSP5 period.

As part of this PSP5 Proposal – Update 30 September 2025, we have provided our actual water and sewerage connections and water usage for 2024-25. This has been provided in an updated PSP5 demand model is included as supporting information.

Actual data drawn from our billing system was obtained at 15 September 2025, in preparation for this update. This ensures that actual water usage is based on actual meter reads relating to the 2024-25 year, which occur in the quarter following 30 June 2025.

2024-25 actuals provided in Sup 3. Demand - FY25 Actuals, with 2024-25 actuals also updated within the PSP5 price and revenue model.

4.2 Explanation of 2024-25 actual demand data

Water connections

Actual water connections for 2024-25 is lower than forecast in the 30 June 2025 PSP5 Proposal, as outlined in **Table 4.1**.

Table 4.1. 2024-25 Water connections, PSP5 Proposal comparison to 2024-25 actuals (Full and limited standard connections)

Data	FY25
PSP5 proposal – June 2025	270,398
FY25 actuals	265,470
Difference	-4,928

The variance relates to overestimation of connections data in the 2023-24 actual connections data included in the PSP5 proposal. The main driver of this was the incorrect reference information for a sub-division with Kingborough, sub-division of 100 x 100mm connections instead of 1x 100mm connection which accounts for an increase 2,500x 2mm stand connection for 2023-24.

Water usage

The 2024-25 actual total water usage is 3.63GL lower than the forecast included in the PSP5 Proposal, as outlined in **Table 4.2**. When combined with 2024-25 actual water connections, the usage per standard water connection is also provided in Table 4.2.

Table 4.2. 2024-25 Water usage, PSP5 proposal comparison to 2024-25 actuals

Data	Total water usage, GL	Water usage per standard 20mm , kL/ 20mm
PSP5 proposal – June 2025	63.72	236
FY25 actuals	60.09	226
Difference	-3.63	-10

Fire connections

The 2024-25 actual number of fire connections was lower than the forecast included in the PSP5 Proposal, as outlined in Table 4.3. This is due to some anomalous data in the 2023-24 actuals which overestimated the base fire connection in 2024-25.

A significant increase in 100mm fire connection was seen in 2023-24 in Kingborough. This anomaly has been rectified and accounts for majority of the difference in connections between the PSP5 proposal – June 2025 (Table 4.3).

Table 4.3. 2024-25 Fire connections, PSP5 Proposal comparison to 2024-25 actuals (Full and limited standard fire connections)

Data	FY25
PSP5 proposal – June 2025	52,712
FY25 actuals	49,858
Difference	-2,854

Sewerage connection

The 2024-25 actual sewerage connections are consistent with the forecast included in the PSP5 Proposal, as outlined in Table 4.4.

Table 4.4. 2024-25 Sewerage connections, PSP5 Proposal comparison to 2024-25 actuals (ETs)

Data	FY25
PSP5 proposal – June 2025	254,842
FY25 actuals	253,866
Difference	-975

Other charges

Trade waste and miscellaneous charges demand for 2024-25 has been updated in the supporting attachment.

5 Regulated asset base (RAB) update

Proposed approach: To update the regulatory asset base (RAB) and calculation of regulatory depreciation for:

- Actual capital expenditure, disposals and escalation in 2020-21 and 2021-22
- Documentation to substantiate the RAB and regulatory depreciation for pre-1 July 2018 capital expenditure.

As part of our PSP5 Proposal, we are recommending a change to the methodology used for calculating regulatory depreciation. Historically, this has been based on a line-by-line accounting asset register. However, this approach has presented persistent challenges, as acknowledged in the Tasmanian Economic Regulator's 2024 Inquiry into Regulatory Depreciation.

In response, we are committed to implementing a methodology that better reflects the principles of economic efficiency, intergenerational equity, transparency, and administrative simplicity.

We propose transitioning to maintaining the Regulatory Asset Base (RAB) and calculating regulatory depreciation within the Price and Revenue Model. Under this approach, new assets will be grouped into defined asset categories, with depreciation applied using a weighted average asset life. The approach is consistent with regulatory practices adopted in other jurisdictions, particularly aligning with IPART's methodology for water businesses.

Supporting documentation provided with the 30 June 2025 PSP5 Proposal, and further clarified in this 30 September 2025 Update, outlines:

- The rationale for the starting point of the RAB roll-forward;
- The establishment of a "line-in-the-sand" to mark the transition to the new depreciation methodology;
- Detailed justification for the proposed regulatory depreciation allowance.

5.1 Changes from the PSP5 submission

The Price and Service Plan Guideline requires:

- documentation of the process used to calculate regulatory depreciation allowances for both existing and new assets; and
- documentation to substantiate its calculation of depreciation relating to pre-1 July 2018 capex.

As part of this PSP5 Proposal – Update 30 September 2025, we have provided 2015-16 to 2021-22 roll forward of accounting asset registers (previously used for calculating regulatory depreciation) and new capex on a project by project basis The supporting information includes:

- 15 line-by-line asset register roll forwards covering the new and existing asset base. These asset registers have been provide as supporting information, refer Sup 4. Asset.
- New capex on a project by project basis to compliment the asset registers and determine the 2022-23 (PSP4) opening balance. Refer to Sup 6. New Asset - Project by project roll forward
- A summary of the different asset registers and asset category roll forwards are provided Sup 5. Asset register – Summary.

The approach and supporting documentation provides for actual capital expenditure, disposals and escalation in 2020-21 and 2021-22.

At the opening balance 2022-23 (PSP4), we proposed to no longer maintain these asset bases on a line-by-line basis to calculate regulatory depreciation, rather we propose to complete these calculations within the Price and Revenue Model.

6 PSP5 price and revenue model updates

6.1 PSP5 proposal – June model errors notified

During the current investigation of our 30 June 2025 PSP5 proposal, OTTER officers have noted inconsistencies between the model and supporting input, as well as some calculation errors. This update addresses those issues. Further detail is provided in Table 8.1.

6.2 Impacts on price and revenue

As part of this PSP5 Proposal – Update 30 September 2025, we have provided an updated PSP5 Price and Revenue Model.

We have maintained the price increase and price structures that were proposed in the 30 June 2025 PSP5 Proposal. Under the PSP5 Proposal, we proposed to defer $113.6 million (Table 6.1). This has changed based on the 30 September Update, with the updated revenue deferral increased by $14 million to $127.5 million (Table 6.2).

Table 6.1. PSP5 Proposal: Notional Allowable Revenue compared to Proposed Revenue, $M

	FY27	FY28	FY29	FY30	Total
Notional Allowable Revenue	513.7	543.3	575.9	605.5	2,238.4
Proposed Revenue	460.1	504.6	553.3	606.8	2,124.9
Difference	-53.5	-38.7	-22.6	1.3	-113.6

Table 6.2. PSP5 Proposal Update: Notional Allowable Revenue compared to Proposed Revenue, $M

	FY27	FY28	FY29	FY30	Total
Notional Allowable Revenue	516.2	545.4	580.0	610.7	2,252.4
Proposed Revenue	460.1	504.6	553.3	606.8	2,124.9
Difference	-56.1	-40.8	-26.7	-3.9	-127.5

In our PSP5 Proposal, we outlined that our proposal to defer revenue would best achieve the longer-term objective of recovering prudent and efficient costs, while also mitigating the short-term price shock that would be associated with the cost reflective price increase. Our proposal is based on our financial capacity to do so, deferring revenue however at the same time maintaining an appropriate investment grade credit rating over the impacted period.

7 Appendix – List of supporting information

Table 7.1 provides a list of the supporting information that accompanies the PSP5 Proposal Update – 30 September 2025. 2024-25 actual information, input updates and formula refinements are highlighted in yellow with the supporting information.

Table 7.1. Summary of the attachments and supporting information accompanying the PSP5 Proposal Update – September 2025

Attachment	Description
Operating Expenditure	
Sup 1. Opex - FY25 ABC Actuals	Updated outputs form the ABC model using FY25 actuals
Capital Expenditure	
Sup 2. Capital Expenditure Forecast PSP5 - September 2025	Updated version of June Submission capital expenditure to provide updated for FY25 actuals and for the revised FY26 forecast.
Demand forecast	
Sup 3. Demand - FY25 Actuals	FY25 actual demand data as per 15 September data snapshot.
Regulatory Asset Base	
Sup. 4. Asset register (folder)	A folder containing the 15 different asset category asset registers. Each contain the roll forward of TasWater on a line-by-line basis for FY16-FY22. This includes actual FY21 and FY22 disposals. Each roll forward include the re-allocation of new to existing asset between FY18 and FY19 as per the asset reclassification register Sup 7. Asset reclassification reference. This information is used to determine the FY23 opening balance used within Sup 13. PSP5 Price and Revenue model.
Sup 5. Asset Register - Summary	This document contains the summary information of the x15 RAB roll forward of FY16-FY22 for new and existing assets as per the asset held within the asset register. The calculation summarised within this document are located within asset category specific roll forward spreadsheets located within Sup. 4 Asset register folder. This information contains the information that is transferred across to Sup 13. PSP5 Price and Revenue model.
Sup 6. New Asset - Project by project roll forward	This document contains new capex roll forward that aligns to project by project spend from FY16-FY22 (i.e. asset and capital that is not contained within the asset register). This information is used to calculate the determine the FY23 opening balance used within the PSP5 Price and Revenue model.
Sup 7. Asset reclassification reference	This document lists each asset as either 'existing' or 'new', and includes information on reclassifying assets from new to existing at the start of FY19. The reclassification is applied in the roll forward for each of the 15 asset register calculations.
Sup 8. FY19 –FY25 Actual Disposal	This document contains the asset number reference for asset disposal. The asset number are then used to calculate the disposal value as per the correct depreciation and escalation approach. For FY21 and FY22 disposal this is completed in the

	15x asset register calculation, FY23-FY25 is disposal value calculation is completed with Sup 9. FY23 –FY25 Actual Disposal.
Sup 9. FY23 –FY25 Actual Disposal	This document calculates the asset value on disposal for assets disposed of in FY23-25. The calculation used the asset number and asset value as at FY23 to calculate the appropriate disposal value for each asset category as per the PSP5 proposal proposed regulatory depreciation approach.
Sup 10. FY26 –FY30 Forecast Disposal	This document calculates the asset value on disposal for assets disposed of in FY26-30. The calculation used the asset number and asset value as at FY23 to calculate the appropriate disposal value for each asset category as per the PSP5 proposal proposed regulatory depreciation approach.
Sup 11. Forecast Fleet Disposals	The documents contains the calculation to determine the forecast fleet disposal FY26-FY30. This information is used in Sup 10 to provide the information for new asset – fleet disposal values.
Sup 12. FY23 Asset lives	This document calculates the weighted average remaining asset lives for new capital expenditures (Capex) to be used in depreciation calculations from FY23 onwards. It consolidates asset life data from both the asset register analysis and the project-by-project analysis.
Price and revenue model	
Sup 13. Price and Revenue Model - September 2025	Updated version of model that includes updates outlined within this document. The model also contains the calculation revision highlighted in Table 8.1

8 Appendix – Price and Revenue Model – Investigation queries

Table 8.1. Responses to the review of the June 2025 Price and Revenue model

Reference	Description	Response
RAB_Existing_Assets H15, I15	The actual disposals for FY23 and FY24 does not match the actual disposals in TasWater's Att K.5 Actual disposals - Disposal summary	**Comment**: This was due to error in the apportionment 'other' assets into the sewer asset base. Cells F40, G40, F75 and G75 picking up the incorrect variable of calculation. This error results in a disposal understatement of $65,000 (existing) and $385,000 (new). **Action:** This error within the 'RAB_K.5-Actual_Disposals' sheet has been correct, cells that have been updated are highlighted in yellow. The FY23 and FY24 actual disposal match to those provided in Sup 9. FY23 –FY25 Actual Disposal.
RAB_Existing_Assets L15, M15, O15	The forecast disposals for FY27, FY28 and FY30 does not match the forecast disposals in TasWater's Att K.6 Forecast Disposal- Disposal summary	**Comment:** This error was due same error in the apportionment 'other' asset and data and results in a $20,000 understatement in disposals. **Action:** This error within the RAB_K.6-Forecast_Disposals' sheet has been correct, cells that have been updated are highlighted in yellow. The FY25 actuals and FY26-FY30 disposals values match to that provided in Sup 9. FY23 –FY25 Actual Disposal (for FY25) and Sup 10. FY26 –FY30 Forecast Disposal (FY26-FY30)
RAB_New_Assets J11, K11, L11, M11, O11	The forecast disposals for FY25, FY26, FY27, FY28 and FY30 does not match the forecast disposals in TasWater's Att K.6 Forecast disposals - Disposal summary	**Comment:** The forecast disposal did not match the attachment, this was a result of version control in the supporting information. The error resulted in a $35,000 difference in forecast disposal. **Action:** The FY26- FY30 disposals values match to that provided in Sup 10. FY26 – FY30 Forecast Disposal**.**
OPEX_Trend	The productivity factor for 2025-26 should still be 1.5% as per the PSP4 decision	**Comment:** The 1.0% efficiency factor was applied to FY25. We believe the FY25 ABC base year is prudent and efficient, as such we applied the same efficient factor to this as to the PSP5 years. **Action:** We have maintained our approach in the September 2025 update.
OPEX_Step O21, P21, Q21, R21	The step change for the TasWater assist program does not match the step change in the TasWater Assist business case	**Comment:** This includes the addition step up for our water conservation program of $100,000 pa, the TasWater Assist business case states $610,000 pa. The water conservation program is separate to that of TasWater Assist. **Action:** None required for the September 2025 update, the June 2025 information is correct.

AS_Scenario	The actual CPI from ABS should be the June to June CPI, for past years, the March to March CPI should only be used for 2024-25	**Comment:** We applied March – March ABS CPI data for actuals, this was our interpretation of the guideline. **Action:** The September 2025 update maintains this approach.
IN_Tariff_reform	The total water and sewerage with tariff reform revenue (O21 onwards) doesn't match the total water and sewerage revenue in BB_PR (sum of O9 and O10)	**Comment:** This sheet is used to calculate a base price for FY26 under the proposed PSP5 tariff structure. The goal is to ensure that the total revenue remains the same (revenue-neutral) when comparing the current and proposed tariff structures. The revenue figures starting from row O21 are incorrect because they use demand data from the wrong year. However, this error does not affect the overall model or its outputs. Price calculations are correctly based on data from the BB_PR sheet. **Action:** For completeness the September 2025 update include correct reference for the cells calculations.
BB_PR	The total water and sewer revenue are different from the Tariff reform model in the inputs worksheet	**Comment:** The response is the same as the IN_Tariff_reform reference. **Action:** For completeness the September 2025 update includes correct reference for the cells calculations.
IN_Tariff_reform	Where does the REV escalation factors in N55 and N64 come from?	**Comment:** REV escalation factors are required to ensure that the proposed revenue for FY26 under the new tariff is equal to the revenue under the current tariff. These factors ensure the revenue neutrality of the tariff reform proposal at a price and revenue model level. TasWater provided a presentation on the model logic for this approach to OTTER on 27 August 2025, supporting information provide from this session outline the approach in more detail. **Action:** None required, this information has been provided to OTTER..
Worksheet: In_Demand Cells: M61:N63	Sewer minimum access charges: Revenue model contains FY25 and FY26 values that are not found in the demand model.	**Comment:** FY25 and FY26 is not required in for the calculation of the PSP5 prices. **Action:** These values have been removed from the September 2025 update.
Worksheet: In_Demand Cell: N71	Revenue model missing FY26 sewerage discharge volume (42 404 414 kL)	**Comment:** This is required to make the adjustment to the tariff model outputs to ensure that the FY26 revenue under the proposed tariff is the same as the revenue under the current tariff structure. **Action:** This value has been included in the September 2025 update.
Worksheet: In_Demand Cells: O116:X117	Headworks charges: Differences ranging from -2.8 and +0.77 between the revenue and the demand models.	**Comment:** The sewage headworks charge growth has been incorrectly reference in the price and revenue model. It has been escalated by growth in water connection not sewer connections. This calculation occurs within the Demand Forecast model. As a result, the demand forecast in the June 2025 submission is underestimated by 2 sewer headworks charges, this equates to about $5k over the PSP5 period, an immaterial impact on the overall model.

		Action: This calculation for sewer headworks forecast has been updated within the Demand model September 2025 update. Please see sheet 'PSP5_Revenue_Model' row 117 for the corrected calculation. This information has been copied across as input into the PSP5 revenue model.
Worksheet: In_Demand Cells: O182:X182 and O185:X185	Water usage fees for private and public filling stations: Differences ranging from 0.03 to 0.74 $/kL between the revenue and demand models.	**Comment:** The fees for public and private filling station is a blended fee to account for both an administration charges and the variable charges. The cost assumptions are these are different for the private and public filling station. The PSP5 submission is not proposing a change to the charges the price are being rolled over from the approved PSP4. **Action:** None required for the September 2025 update, the June 2025 information is correct.