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Report PE 01.470

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Report to Utility Services Committee
from Murray Kennedy, Strategy and Asset Manager

Extension of the Wholesale Water Supply System to the Kapiti Coast

1. Purpose

To update the Committee on discussions with the Kapiti Coast District Council (KCDC) officers relating to extending the Wellington Regional Council (WRC) wholesale water supply system to the Kapiti Coast.

2. Exclusion of the Public

Ground for exclusion of the public under section 48(1) of the Local Government Official Information Act 1987 are:

That the public conduct of the whole or relevant part of the meeting would be likely to result in the disclosure of information for which good reasons for withholding exists, ie to carry on commercial negotiations.

3. Background

The Wellington Regional Water Board (WRWB) was established in 1972. It included the Hutt County Council and the Horowhenua County Council areas. One of the first projects of the WRWB was to build a water supply scheme for the Waikanae and Paraparaumu areas. This included the Waikanae water treatment plant, which draws water from the Waikanae river.

In 1980 the WRC was formed and absorbed most of the WRWB's functions. In spite of a strong recommendation to the contrary by the WRC, politicians on the Kapiti Coast decided to assume accountability for the wholesale water supply in their area.

With growth on the Kapiti Coast and the need to preserve some water in the Waikanae river at all times, KCDC is now in a situation where it requires an additional raw water supply. Though for a significant part of the year the Waikanae river will still yield sufficient raw water.

An application has been made to the WRC to take water from the Otaki river and pipe it to the Waikanae water treatment plant when the Waikanae river supply is inadequate. Objections have been received to the proposal and there is concern by some KCDC Councillors about whether or not consents will be granted.

Accordingly, the Water Group of the WRC was asked to prepare a brief options report. This was instigated by Councillor Turner, the Regional Councillor representing the Kapiti area. The report was attached to the Divisional Manager's Report 01.303 and considered at the 18 May 2001 Utility Services Committee meeting. A WRC scheme comparable to the Otaki supply would cost \$20 - \$24m. Whereas KCDC's latest estimate for the Otaki scheme is \$10.2m.

Nevertheless, in spite of strong opposition from the previous KCDC General Manager, (his report is Attachment 1), the KCDC decided on 31 May to request more accurate costings from the WRC. A letter has been received from the KCDC Manager, Operational Services (Attachment 2). The request in the letter does not quite align with the KCDC's resolutions.

4. **Present Situation**

A letter has been sent to KCDC by Utility Services Divisional Manager (Attachment 3). Clarification has been requested of what is expected from WRC's Water Group. In addition, KCDC will have to provide further information to enable the costs of the proposal to be refined. WRC's four city customers have been kept informed of the discussions with KCDC.

5. **Statutory Situation**

Part of KCDC is outside of the Wellington Water Region (WWR) as defined in the WRWBA. Hence the WRC could rely in part on section 41 of the WRWBA which allows supply to go outside of the WWR if the local authority agrees. The area of KCDC within the WWR area can be supplied as of right.

At present the Water Group's water consents allow for the taking of water for public water supply. This would cover the KCDC situation. However, the *Assessment of Environmental Effects* which was submitted as part of the consent process only mentions water supply to the four city customers within the auspices of the WRWBA. Legal advice is needed to determine whether or not a change to the WRC consents are required before KCDC could be supplied.

6. **Charging for Water**

Part of a KCDC resolution requests information from the WRC on financing a pipeline. For an unknown reason this is not included in the request letter. Resolution No 3 notes that using the WRC as a bulk water supplier to KCDC would represent a major shift in policy direction.

It is assumed that KCDC only wish to purchase water as a customer (which could be based on a fixed annual fee plus a variable charge), rather than rejoin the wholesale water “club”, and become a constituent authority as defined in the WRWBA.

From a sale of water point of view it makes no difference whether or not KCDC is a constituent authority. Funding the infrastructure to transmit the water is a different situation. The WRC may feel more comfortable in expending in the order of \$25m on a pipeline if it became the wholesale water supplier to KCDC and took over its existing Waikanae water treatment plant and associated infrastructure. KCDC would then become a constituent authority under the WRWBA. WRC thus obtains greater security for collection of monies in the case of default. Also, the WRC’s credit rating is less likely to be at risk if KCDC is a constituent authority rather than a contracted customer.

Regardless of how the charging is arranged, it is not envisaged the price of water to KCDC would be the same as charged to the four city customers. Supply to the KCDC can be ring fenced and appropriate charges calculated.

7. **Existing Customers**

As noted above, our existing customers have been kept informed of developments. If KCDC requested a supply then our existing customers could not be disadvantaged. On the contrary, they may rightly expect some financial advantages. These could be delivered by KCDC meeting a share of the current operating costs, including overheads.

8. **Investigation Costs**

Preliminary cost estimates for a pipeline have already been supplied to KCDC. Some refinement is possible. Following that though a major amount of work is required in order to provide more precise costs.

It is proposed that the WRC only offers to carry out a refinement of the costs. This will only involve internal expenditure. Should KCDC require more precise costing then the WRC’s Engineering Consultancy Group can be engaged on a commercial basis. The draft scope of work is attached (Attachment 4). This scope will be agreed with KCDC officers before the work starts.

9. **Conclusions**

Subject to further refinement of the costs, connecting the WRC wholesale water supply system to the KCDC system will cost about two and a half times the cost of their Otaki pipeline proposal.

In the event that KCDC obtains a water right to abstract water from the Otaki river then any proposal to connect to the WRC system is likely to gather dust. Accordingly, preparing a proposal with refined costs should be viewed as a goodwill exercise. If KCDC require additional analysis this can be arranged on a commercial basis. If resource consents are not granted for the Otaki river then WRC’s position can be reassessed.

10. **Recommendation**

It is recommended that:

- (i) The report is received and the contents noted.*
- (ii) Officers prepare a response to the KCDC request based on the draft Project Brief.*
- (iii) Any request for further information beyond that provided for in recommendation (ii) is referred to the Utility Services Committee for approval to proceed.*

Report prepared by

Approved for submission

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Strategy & Asset Manager

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Attachments:

1. Previous KCDC General Manager's Report
2. Letter from KCDC Manager, Operational Services
3. Letter to KCDC from Utility Services Divisional Manager
4. Draft brief for a project investigation