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Committee Utility Services
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Review of Charges for Private Water Supplies

1. Purpose

To gain approval to increase the fixed charges made for supply of water to private consumers. No change to the charge per cubic meter of water supplied is proposed.

2. Background

Greater Wellington Water supplies water directly to thirteen properties located adjacent to bulk mains in areas not serviced by the Territorial Authorities (TAs).

Fixed charges are made annually to recover the cost of supplying, replacing, and servicing meters, backflow prevention devices (BFPs) and pressure reducing valves (PRVs), undertaking six monthly meter readings and conducting annual testing of the BFPs by an Independently Qualified Person (IQP)

Incurred costs for these activities in 2000-2001 was \$3,747 and in 2001-2002 \$3,465. These costs included refurbishment but not replacement of some equipment. Revenue from the current fixed charges amounts to \$2,798 p.a. Fixed charges have not been altered since 1997.

The meter on each property is read in June and December, and the quantity of water billed at a rate equivalent to the all-in rate charged to the TAs. In July 2000 the billing rate was reduced from 44.4 cents to 42.6 cents per cubic metre.

3. Review of Fixed Charges

The shortfall in revenue from fixed charges in relation to costs incurred clearly indicates that an increase in the charges is warranted.

Accordingly a zero-based review has been conducted. Details of this review will be supplied to the Water Supply Managers of the TAs in support of the proposed changes.

A summary of the proposed new fixed charges is contained in Attachment 1.

The effective increase in the fixed charges varies between 28% and 99%, with an average of 54%, not including Whenua Tapu. Attachment 2 provides a list of the thirteen private supplies, and gives details of current charges and the proposed new charges for each. The highest increase of 99% is for the Stella property in Murphy's Road, which has a 40 mm meter and BFP that was previously charged at the same standard rate as a 15, 20 or 25 mm connection. A new combination meter has recently been installed at Whenua Tapu, and this is the reason for the large increase in the fixed charge for this connection.

4. Review of Supply Charge

The effective rate charged to the TAs for water in 2001-2002 was 41.6 cents per cubic metre, slightly less than the current rate of 42.6 cents charged to private water users.

However increases in insurance costs, energy costs and electricity line charges are likely to increase the cost of water in the near future, and a change in the supply charge is not recommended.

5. Discussion

The increases recommended in the fixed costs for supplying water to private consumers are significant. However, the new charges realistically reflect the actual cost of this activity to Greater Wellington Water. It is not a core activity, and the cost of undertaking it must be fully recovered from the owners of the properties receiving the service. On the other hand making water available from bulk mains, where this can be done conveniently, potentially saves the TAs the cost of investing in new local reticulation mains to cater for small remote demands.

Attachment 2 provides, in column 15, the total cost per cubic meter of water supplied to each consumer based on consumption in 2001-2002. These costs vary markedly, but most are less than the normal rate charged by the TAs for metered supplies. The three highest values occur primarily because usage is very low. In the case of Transpower, Takapu Road, the 50 mm supply is oversized for the low usage recorded, and in the case of BP Horokiwi, the fire hydrant costs increase the unit cost of water.

6. Recommendations

That the Utility Services Committee:

- (1) ***Approves the retention of the current supply charge of 42.6 cents per cubic meter for the 2003/04 financial year.***
- (2) ***Approves the new scale of fixed charges set out in Attachment 2.***

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