

Meeting with Waikakahi Scheme Committee
1PM, Wednesday the 1st of November 2006

Attendance:

Waikakahi Scheme Committee:

Ray Chamberlain
Ron Mansfield
Russell Hart
Keith Adams

Staff:

Tony Alden
Suresh Unni

Apologies: James Gibson, Kevin Peterson

Agenda

1. Modifications to the Rural Water Pamphlet
2. Draft Proposal for the Waikakahi Scheme Augmentation financial model
3. Any other

Discussion

1. Modifications to the Rural Water Pamphlet

The Waikakahi Scheme Committee expressed their opinion that the following information is to be included in the pamphlet:

1. Each Water Scheme Committee is a sub-committee of the District Council.
2. It is the responsibility of the owner of the property to make sure that the tamper-evident seal that protects the jet within the restrictor unit is kept intact.
3. Any new owner/occupant has the responsibility to ensure that the jet of the restrictor is not tampered with.

2. Draft Proposal for the Waikakahi Scheme Augmentation financial model

The draft proposal for the financial model for sourcing the water from Lower Waihao and outlining the cost and benefits for each scheme was presented to the meeting. A copy is attached, with subsequent modifications as suggested by the Waikakahi Committee.

- The concept of 70% value-addition to the Lower Waihao water as it reaches the Pikes Point Road reservoir was explained, and was agreed to by the Committee provided the operational costs are reviewed annually and any undue advantage to either Lower Waihao or Waikakahi is corrected.
- A Schematic diagram of the proposed link with Lower Waihao is to be included in the final proposal.

The proposal for cost-sharing is to be approved by the District Council on the behalf of the Lower Waihao Scheme as they currently do not have a Committee.

Progress towards the implementation:

1. The Capital Contribution to apply for additional water from the upgrade is to be 55 cents + GST per L/day for those who pay the money within the first one month. Thereafter this is to be increased to 60 cents + GST. The Committee will have the rights to increase the Capital Contribution periodically thereafter.
2. All the property-owners within the service area of the Waikakahi scheme are to be informed about the opportunity to avail more water, and the cost involved.
 - The letter of offer is to be drafted (by Suresh), approved (by the Waikakahi Scheme Committee) and mailed out to all the potential applicants immediately after the Council's approval of the proposal (on the behalf of the Lower Waihao Scheme).
 - The Council is to issue a press release on the proposed upgrade.
 - The Committee is to directly contact all those who have not responded to the letter of offer within the first fortnight, to follow-up and evaluate the response.
3. All applicants are to pay the Capital Contribution by cheque upfront. The proposed upgrade is to be considered viable only if the collected total Capital Contribution reaches \$ 135,000 (i.e, 60% of the anticipated capital cost for the upgrade). The cheques will be deposited only at this point; otherwise they will be returned to the applicants.
4. Acceptance of an application does not guarantee that the applicant will receive 100% of the quantity applied for; allocation of additional water will be strictly subject to availability and engineering considerations.

5. Those who responded to the demand survey in 2003-04 to get priority if demand exceeds supply.
6. Once the additional availability is fully subscribed to, all the subsequent applications will be put on a waiting list. They will be considered only after the performance and reliability of the upgraded system is assured in all seasons for a sufficient number of years, and found to be having sufficient excess capacity to support more connections. No new connection or increase to supply will be sanctioned during this period of observation, including temporary increase to supply.
7. Once the upgrade is deemed viable the increase in supply to applicants will start to be effected as soon as possible subject to engineering considerations.

Ray Chamberlain moved the motion on the decisions on the upgrade; Ron Mansfield seconded and the Committee passed it unanimously.

3. Other items

Water tanks for fire fighting

The participants to the upgrade will be required to enhance their storage capacity. Ray Chamberlain pointed out the opportunity in availing a considerable discount in the price of water tanks through collective bulk-buying, and suggested that a provision to express the interest in participating. He also suggested that if the Council decides to provide storage tanks for fire fighting at key locations within the district, this opportunity can be used to source the tanks at a lower cost.

Checking of restrictors

Ray Chamberlain mentioned that he is aware of several connections within the Scheme where the restrictor jet is not secured with the steel wire seal. This needs to be corrected, and as a measure against tampering there should be a mechanism in place to inspect all the restrictors, even if it means hiring someone for a short period.

The meeting concluded at 3 PM.

Notes by: Suresh Unni

Waikakahi Scheme Augmentation
by transfer of water from Lower Waihao to Waikakahi

PROPOSAL

It is proposed that the pumping at Lower Waihao intake be increased from the current 872 kL/day (872,000 L/day) on an average, to 1300 kL/day (1300,000 L/day) with the additional water made available to the Waikakahi Scheme. The water supplied to Waikakahi by Lower Waihao is to be charged at a rate that reflects the depreciation and operational cost of the intake, the two pumping stations and the rising main.

Capital cost for new infrastructure:

The new capital infrastructure include (1) a new pump and a water meter at the Pikes Point Road pump station (2) a 100mm PVC rising main from Pikes Point Road pump station to Dog Kennel Hill reservoir (3) an intermediate reservoir and a new pump at Dog Kennel Road (4) increased reservoir capacity as required, at Pikes Point Road, Dog Kennel Hill and Claytons Pump point.

Waikakahi will pay for, own, and maintain all the new capital infrastructure put in place to effect the pumping of the water to the Dog Kennel Hill reservoir (including the pump and flow meter at Pikes Point Road pump station).

The estimated capital cost for the upgrade is approximately \$ 225,000. This cost will be partially funded through capital contribution collected from beneficiaries. The capital contribution will be charged at 55 cents + GST per L/day of additional water signed for during the first month of offer, and 60 cents + GST per L/day thereafter.

The capital works for the upgrade shall start as soon as 60% of the total estimated capital expenditure (amounting to \$ 135,000) is collected as capital contribution from beneficiaries, subject to approval of this proposal by the Waikakahi Scheme Committee, and the Waimate District Council on the behalf of the Lower Waihao Scheme.

Operational cost:

- Lower Waihao will pay for the electricity for operating the new pump at the Pikes Point Road pump station.
- Waikakahi will pay for the electricity at the Dog Kennel Road pump station.

- The flow to Waikakahi will be metered at the Pikes Point Road pump house and charged at a fixed rate per L/day. This can be a percentage of the water rate that Lower Waihao charges its customers.

The water charge that Waikakahi shall pay Lower Waihao is based on the value addition for water as it is received by Waikakahi. The following model based on the figures for the financial year 2005-06 is used to work out the percentage value addition for the Lower Waihao water as it reaches the Pikes Point Road pump house, from where Waikakahi will be receiving it.

Financial Model for Operational Costs Recovery

**Lower Waihao Scheme:
Operational costs for 2005-06 for the intake, pumps and rising main**

Lower Waihao Intake & Ferry Road Pump	\$ 35 000
Rising Main	\$ 21 000
Pikes Point pump station & accessories	\$ 10 000
Water quality testing	\$ 4 000
Component for operational overheads (50% of total overheads)	\$ 13 000
Total	\$ 83 000

In 2005-06 the Lower Waihao intake delivered 318,300 kL of water, averaging to 872, 000 Lpd (Litres per day).

The average cost of operation for the intake, pumps and rising main for 2005-06 works out to be \$ 83, 000 ÷ 872, 000 Lpd = around 9.52 cents / Lpd.

The Ex.GST water charge for Lower Waihao consumers during 2005-06 was 13.51 cents/Lpd. By charging at this rate the scheme achieved a 98% recovery of costs.

Thus, based on data available for 2005-06 the cost of operation for the intake, pumps and rising main for Lower Waihao is 70.44% of the rate charged out. Hence it is recommended that it will be reasonable if the Waikakahi scheme pays Lower Waihao at 70% of the Lower Waihao's consumer rate.

EXAMPLE: Estimated charge for 2006-07

- The water rate for Lower Waihao for 2006-07 is 16.3 cents (Ex.GST) per Lpd.
- 70% of this rate will be 11.4 cents (Ex.GST) per Lpd. Waikakahi will pay this charge to Lower Waihao for the water they receive, and can sell it at their prevailing customer rate (which is 19.6 cents / Lpd Ex.GST).

- If, for example, the meter reading is 960 kL in 30 days, for that month the Waikakahi will pay Lower Waihao an amount equal to

$$11.4 \text{ cents} \times (960,000 \div 30) \text{ Lpd} = \$ 3,648.00.$$

Based on the current year's rates the estimated cost of water availed from Lower Waihao as it reaches the customers' tank will be between 16 and 17 cents per Lpd, thus giving Waikakahi a margin of around 3 cents/Lpd (equivalent to a revenue of \$ 9,600 per year).

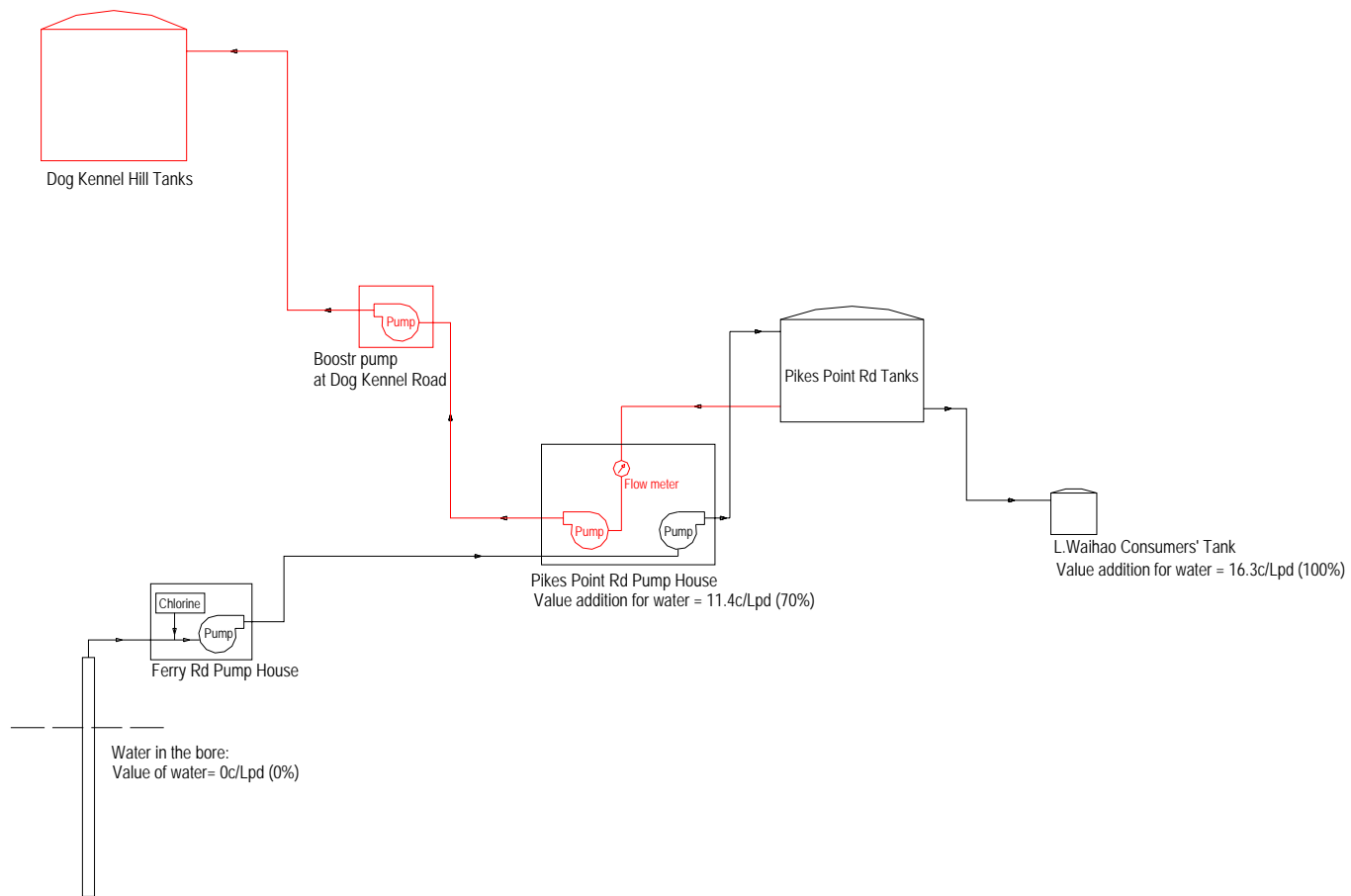
The de-linking of the Eastern end of the scheme from the Stone Wall intake will lead to better efficiency in distribution, resulting in a marginal reduction in cost per Lpd. The saving of one cent per Lpd for this part of the scheme is equivalent to revenue of \$ 10,000 per year.

Advantages for Lower Waihao

The Lower Waihao Scheme does not have to incur any capital expenditure in facilitating the link with Waikakahi. The surplus capacity currently available at the source can thus be utilized without incurring any further cost of distribution and significant overheads.

Based on the proposed model the Lower Waihao Scheme is anticipated to get a margin of around 3 cents per Lpd over and above its costs for the water supplied to Waikakahi. This is equivalent to \$ 9,600 per year.

Lower Waihao has recently made significant investments in upgrading the treatment of water at the intake and renewing the rising main between the Ferry Road intake and Pikes Point Road booster pump. Though the Lower Waihao Scheme does not receive any lump sum capital contribution from the proposed link, the Waikakahi Scheme will effectively share with Lower Waihao the repayment of the deficit resulting from the recent capital expenditure as the component of this is embedded in the proposed price of water paid by them.



Waikakahi Augmentation-Schematic Drawing of the Lower Waihao Link