

Report No:	RCN12-05-13
File No:	
Date:	16 May 2012
<b>Decision Required</b>	

## REPORT SUMMARY

**Report to:** Full Council  
**Meeting Date:** 24 May 2012  
**Report Author** Jeff Cuthbertson, Utilities Asset Manager  
**Subject:** Low Flow Restrictor Water Supply

### EXECUTIVE SUMMARY

This report seeks Council's approval to re-evaluate the dollar rate per metre<sup>3</sup> of water per year for water supplied to consumers on low flow water schemes and determine the percentage of discount to be given to Low Flow Restrictor water consumers.

### RECOMMENDATION

That the report is received.

### DRAFT RESOLUTION

**THAT the Tasman District Council receives the Low Flow Restrictor Water Supply report, RCN12-05-13; and**

**THAT the Tasman District Council adopts Option 3 as outlined in the report Low Flow Restrictor Water Supply, RCN12-05-13 being to provide the low flow restricted consumers with a 20% (i.e., 80% of the urban water rate) discount; and**

**THAT as outlined in the report Low Flow Restrictor Water Supply, RCN12-05-13 that the rate for low flow restricted water consumers be aligned to the volumetric (m<sup>3</sup>) urban water rate throughout the 10 years of the Long Term Plan.**

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## 1. PURPOSE

1. This report seeks Council's approval to re-evaluate the dollar rate per metre<sup>3</sup> of water per year for water supplied to customers on low flow water schemes.

## 2. BACKGROUND

- 2.1 Low flow restrictor water supply customers are supplied water (generally one m<sup>3</sup>/day via a restrictor) from Council's urban water supply reticulation network.
- 2.2 Low flow restrictor water charges were aligned to the urban water rate in Council's Ten Year Plan 2009-2019.
- 2.3 Several options were available to rate for this water. Consideration was given to a discount as water is supplied generally to a tank following the low flow restrictor.
- 2.4 It was finally agreed that a 10% discount would be applied in consideration that the water supplied to low flow restricted customers was:
  - Supplied to a tank
  - Not supplied to customers at pressure
  - Not supplied on demand
  - That water is generally required to be pressurised by the customer.
- 2.5 The funding formula for the Ten Year Plan 2009-2019 was based on the following parameters:
  - A consumer could purchase water on the basis of 1 m<sup>3</sup>/day/year or 2m<sup>3</sup>/day/year.
  - A consumer (based on 1 m<sup>3</sup>/day/year) would consume 365 m<sup>3</sup> of water per year.
  - Council offered a 10% discount on the water consumed.
  - The rate for water was aligned to the cost to an urban water user.

### **3. PRESENT SITUATION/MATTERS TO BE CONSIDERED**

- 3.1 During the last three years the rate paid for water has not increased in relation to the urban water account. The increase has only related to inflation.
- 3.2 The Draft Long Term Plan 2012-2022 advertised the urban water rate at \$1.73/m<sup>3</sup> (GST inclusive).
- 3.3 Based on the urban water rate and the 10% discount, the low flow restrictor rate increased to \$566.66 per year (based upon 1 m<sup>3</sup>/day). The low flow restrictor rate for the 2011/2022 year was \$344.15.
- 3.4 Council has received a number of submissions to the Draft Long Term Plan regarding the low flow restrictor rate. Two main concerns were raised:
- The rate was too high.
  - The discount did not reflect the costs to consumers to install tanks and pumps to store and pressurise their water.

### **4. INDUSTRIAL WATER USERS**

- 4.1 Council is about to enter into arbitration (2 July 2012) with the industrial water users. This means that the water supply rate of \$1.73 noted in the Draft Long Term Plan 2012-2022 needs to be reviewed in terms of the alternative rate of \$1.89/m<sup>3</sup>.
- 4.2 The timing of the arbitration with the industrial water means that the low flow restrictor supply rate will also need to be increased to reflect the final urban water supply rate.

### **5. LOW FLOW RESTRICTED WATER RATE DISCOUNT**

- 5.1 The proposed discount offered by Council has been expressed as a discount to the normal urban water rate. A discount of 10% reflects a charge of 90% of the urban water rate.
- 5.2 The discount that has been offered recognises that low flow restricted water supply customers must provide their own water storage and that they must pressurise the water for their own use.

### **6. REVISED LOW FLOW RESTRICTOR WATER RATE**

- 6.1 Please note that all financial data provided in this report is based on the Draft Long Term Plan 2012-2022 budgets. Due to proposed budget changes in other areas of the water account, it is not possible to provide the final urban water supply metre cubed (m<sup>3</sup>) rate at this time.

- 6.2 Based on an urban water rate of \$1.89/m<sup>3</sup> and the 10% discount, the new low flow restrictor water rate would increase to \$619.03 per year (based on 1m<sup>3</sup>/day). This rate was not included in the Draft Long Term Plan 2012-2022.
- 6.3 The table below shows the increase in water charges due to the change in the industrial water users rate assumption and compares the options for modelling low flow water supply rate per 1m<sup>3</sup>/day (all rates inc GST)

	2011/2012	2012/2013 per Draft LTP	2012/2013 Effect of Change in Industrial Water Users			
			Level of Low Flow Restricted Water Supply Rates			
			100%	90%	80%	70%
<b>Low Flow Water Supply Rate 1m<sup>3</sup>/day</b>	\$344.15	\$566.66	\$679.47	\$619.03	\$557.11	\$493.61
<b>Daily Charge</b>	\$0.5967	\$0.5967	\$0.6143	\$0.6219	\$0.6296	\$0.6376
<b>Urban water rate</b>	\$1.73	\$1.73	\$1.86	\$1.89	\$1.91	\$1.93

- 6.4 The following explains the table above:

The effect of a 10% discount to the low flow restrictor rate. New low flow restrictor rate per m<sup>3</sup> = \$619.03 per year. This discount reflects a change in the urban water rate to \$1.89 per m<sup>3</sup> and the daily rate to 62.19 cents per day.

The effect of a 30% discount to the low flow restrictor rate. New low flow restrictor rate per m<sup>3</sup> = \$493.61 per year. This discount reflects a change in the urban water rate to \$1.93 per m<sup>3</sup> and the daily rate to 63.76 cents per day.

- 6.5 Note – The Draft Long Term Plan states that if there was no agreement with the industrial water users the urban water rate could be as high as \$1.93 per m<sup>3</sup>. This was subsequently determined to be \$1.89 per m<sup>3</sup> as since the Draft Plan was published it was assessed to no longer need to recover a surplus from the rate. At the time of calculating the potential urban water rate if the industrial water users dispute was unresolved, an increase to the low flow restrictors had not been factored into the calculation.

## 7. PROPOSED LOW FLOW WATER RESTRICTOR RATE

- 7.1 Council has several options in relation to this water rate:

- Keep the rate as advertised in the Draft Long Term Plan, i.e. \$566.66 per year.
- Retain the low flow restrictor rate at 10% (being 90% of the urban water rate).

- Increase the water rate discount to 20% (i.e. 80% of the urban water rate) which will reduce the low flow restricted water supply rate as advertised in the Draft Long Term Plan 2012-2022.

## **8. FINANCIAL/BUDGETARY CONSIDERATIONS**

8.1 Any discount provided to a water consumer will be reflected by an increase to other water consumers. The issue relating to the proposed discount provided to low flow restrictor consumers is the question of what is the true value of that discount to that individual. Each individual's actual costs of water storage and pumping will be different.

## **9. OPTIONS**

9.1 Council could consider three options:

1. Keep the rate as advertised in the Draft Long Term Plan, i.e. \$566.66.
2. Retain the low flow restrictor rate at 10% (i.e. 90% of the urban water rate) to align with the urban water rate.
3. Increase the discount to 20% (i.e. 80% of the urban water rate).

## **10. PROS AND CONS OF OPTIONS**

10.1 Council has received a number of submissions from low flow restrictor users. In summary the two issues raised in submissions were the increased costs of water and the percentage charge in comparison with urban water consumers.

10.2 When a discount for water is given to one party the discount is paid for by the remaining water users. In this case a discount to 20% (80% of the urban water rate) will reflect in a lower low flow restrictor rate but will increase the urban water user rate in the example provided in this report by approximately 2 cents per m<sup>3</sup>.

## **11. EVALUATION OF OPTIONS**

11.1 Option 3, i.e. the discount to 20% (80% of the urban water rate) provides some relief to consumers due to the large increase in the water billing and resolves some of the issues raised in the submissions. The urban water rate is also lower than that advertised in the Draft Long Term Plan. It should also be noted that the properties on Low Flow Restrictor water supplies do not pay the daily charge for water.

## 12. SIGNIFICANCE

- 12.1 This is not a significant decision according to the Council's Policy on Significance because it does not trigger any of the criteria or thresholds in the Policy. Also this matter is being considered having already gone through a special consultative procedure as part of the Long Term Plan process.

## 13. RECOMMENDATION

- 13.1 That the report is received.

## 14. DRAFT RESOLUTION

**THAT the Tasman District Council receives the Low Flow Restrictor Water Supply report, RCN12-05-13; and**

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