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Report PE 01.470

28 June 2001

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Report 01.470

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

MD KENNEDY
Strategy & Asset Manager

David Benham
Divisional Manager Utility Services

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



KAPITICOAST
D-I-S-T-R-I-C-T C-O-U-N-C-I-L

7.4.13
GM01-011

The Mayor and Councillors
KAPITI COAST DISTRICT COUNCIL

SUPPLEMENTARY WATER SUPPLY

REASON FOR THE REPORT

- 1.1. To examine the potential impact that the recommendation of the Special **Infrastructural** Services Committee of 8 May 2001 would have on Council's application for resource consent to take water **from** bores adjacent to the **Otaki** River.

BACKGROUND

- 2.1. **has** known since August 1996 that the amount of water it could extract from the **Waikanae** River would be significantly reduced **from** January 2003. As a consequence it has spent significant time, money and effort **on** a supplementary source of water for the **Waikanae, Paraparaumu, Raumati** communities. Such a supply will be **used** to supplement the supply extracted **from** the **Waikanae** River, in times of low flow in that river.
- 2.2. Council resolved on 23 November 2000 to lodge application for resource consents for this supply. Some 149 submissions on this proposal have been received and a **pre-hearing** meeting was **conducted** by the Wellington Regional Council on 22 May 2001. **The hearing** is scheduled for 11 – 15 June 2001.
- 2.3. A special meeting of the **Infrastructural** Services Committee was held on 8 May 2001 **in** order to consider material requested **from** Wellington Regional Council regarding the purchase of water **from** the Regional Supply. **The** timing was such that **staff** were only able to attach a very brief covering report to that meeting.
- 2.4. The Committee, after debate, passed the following recommendation to be considered by Council on 31 May 2001.

*“That in the interests of a bulk water supply for the Kapiti Coast, that the Wellington Regional Council be formally asked to provide accurate **costings** for the Kapiti Coast District Council, to get access to the Wellington Regional Council bulk water system and possible time that this could be achieved, including possible means of **financing** such a project.”*
- 2.5. The recommendation, it should be noted, refers to the provision of bulk water rather than a supplementary supply. It is not entirely clear what this means.
- 2.6. This is the 'first opportunity for a staff analysis of the proposal to be presented to Council.

CONSIDERATIONS

3.1. Issues and Options

While the recommendation could be considered as a prudent and quite innocuous exploration of another possibility, the timing so close to the hearing does cause some potential **difficulties** that are outlined below.

It is clear that the issue will be raised by objectors at the hearing. This will take place before information being sought from the Regional Council can be assessed **by** Council.

If the Council is exploring the possibility of moving out of the provision of bulk water altogether, which might be inferred from the recommendation, we are then dealing with a major policy decision. **That** would impact upon the continued use of our existing three treatment plants, possible extension of the Regional Water Board area and other significant matters. Early resolution of this matter would be impossible given the size of these issues and the fact that different **governance** options for bulk water are being considered by the authorities **currently being** supplied.

Permanent vs. Supplementary Supply

All the **work** carried out by Council to **date on** this project has been on the basis that the new water source is a supplementary supply; That is, it will only be used when there is insufficient water available **from the Waikanae River** to meet demand. The **Waikanae River** has always been the permanent water source for Paraparaumu, **Raumati and Waikanae**.

However, it has always been made clear in the planning that a small permanent water take (<10%) for future water supplies for communities along the **pipeline** route (**Te Horo** etc.) is allowed for in **the** total quantity calculations. This permanent take has not been applied for **in** the current consent application as it will be some years before it is required.

It is therefore surprising to hear the proposal being **described** as a permanent supply. Such a description undermines Council's credibility. There has been a strong claim from opponents of the project that once the pipeline is in place, Council will take more and more water on a permanent basis from the **Otaki River**. Considerable efforts have been made to refute this claim as it simply has no logical **basis**. There is no reason to incur extra expense in piping water 16 km when there is **sufficient** water **in the Waikanae River**.

At a workshop in April 2000 the Project Manager clearly set out definitions of **Alternative**, Supplementary and Permanent supplies. so as to ensure that the basis for the project was clearly understood. All resolutions of Council clearly refer to the-requirement for a supplementary supply.

Consideration of Alternatives

The proposal to connect to the Wellington Regional Council bulk supply network is nothing new. It was looked at in 1991 and in 1994. It was discounted as an option on grounds of cost at those times and has not been considered further since then.

The possibility of piping water from **Te Marua Lakes/Kaitoke** has been suggested in submissions. Having been raised, this matter will need to be addressed in Council's evidence to the hearing committee. Since it amounts to a **connection** to the Wellington Regional Council network, the **most** cost effective method of providing such a connection would have to be considered - most likely a connection up the State Highway from **Pukerua Bay** (rather than a new pipe across the **Akatarawas**). These options were **earlier** discounted on grounds of cost.

Legally, Council has no obligation to consider every possible **alternative**, and because the previous **findings** had clearly 'discounted this option no **mention** of it was made **in** the Assessment of **Environmental** Effects.

The legal obligation to consider **alternatives** extends to proposals that are viewed to have significant cultural or environmental **effects**, **which** it may be desirable to avoid if possible. In these cases it is for the applicant to identify what **alternatives** were considered in the process of deciding on the proposed project and to give reasons why the **particular** choice was **made**. There is no obligation to select the best **alternative** (as 'best' is a very subjective choice).

Completion of the Assessment of Alternatives Process

Legally **there is no** obligation nor -is it practical to have worked through every possible alternative, but just to have given consideration to reasonable **alternatives**. It would, however, be a reasonable expectation of the consent authority that the -applicant had completed the assessment of the options it considered **as reasonable alternatives** prior to making an application for consents. If **in** 'considering the application, the consent authority takes the view that the proposal does have significant effects which it is desirable to avoid and it is aware that the applicant is considering another option then it is most likely to want to hear details on this before making a decision.

Impact upon the Consent Hearing

The **Infrastructural Services** Committee is asking Council to get more **information on** the option to **connect** to the Wellington Regional Council network. This work would be being done over the time the hearing for the **Otaki Pipeline** application is scheduled (11 to 15 June). In the cold light of the law, if the hearing were to proceed then the consent authority would have to consider the application in front of them, and the effects of it. The fact that another **alternative** was in the process of being considered would not be strictly relevant. However; in the view of staff, if Council **adopts** the Committee's recommendations, Council cannot credibly appear at the consent hearing and adequately give reasons for the choice of the Otaki Pipeline project over

alternatives whilst it is awaiting further information on an option that it considers a possible **alternative**. If the consent authority, **after representation** from a submitter, considered that the matter may have a bearing on the outcome of the application it may adjourn the hearing and request **further** information.

If Council adopts the recommendations of the **Infrastructural Services Committee** then it should request that the hearing on the **Otaki Pipeline** be deferred until after the **information** has been made available and considered by Council. **However**, such a delay would mean that it would -be extremely difficult for Council to have the supplementary supply in place before the consent deadline on 1 January 2003, **and** thus there is a serious risk that the resource consent permitting the water take from the **Waikanae River** may be breached. If this were- to happen Council may face prosecution by the Wellington Regional Council.

Options Proposed by Wellington Regional Council

The options of providing either 6 or 8 **Mega** Litres per day would- not meet Council's requirements for a supplementary supply. At least **12 Mega** Litres per day would be needed to service today's population under tight water restrictions when no water was available **from** the **Waikanae River**.

The only fair comparison that can be made is that Option 3 which provides up to **35 Mega** Litres per day because that is what the **Otaki Pipeline** will provide.

3.2 -Financial Considerations.

If **alternatively**, a supplementary supply **is** being sought **from the** Wellington Regional Council, cost comparisons, like with like, can readily be made.

Currently the Wellington Regional Council equalises the cost of supplying water. to its constituent authorities. There is no guarantee that this would occur **for** an extension to **Kapiti**.

On present rates, our metered supply costs **50cents** to **70cents** per cubic metre. An initial engineering assessment of the cost to a **ratepayer** of water obtained from the Wellington Regional is of the order of **\$1.50** per cubic metre.

The Manager, Finance and Administration has analysed the data provided by the Wellington Regional Council. His analysis shows that the **additional** cost of pursuing the Wellington Regional Council option for bulk water would be **\$286 per connection**. Water rates for collection and treatment would treble and it is strongly recommended that no **further** action be taken in this regard.

His calculations are scheduled below:

Estimated Cost of Bulk Water Options

1) Own Plant with Otaki Pipeline

	\$000	Cost per Water Connection excl GST \$
Operating Costs of Current Plant	570	
Projects	30	
	<u>600</u>	
Share of Overheads	217	
Pipeline Operating Costs	40	
	<u>857</u>	
<u>Debt Servicing Costs of Otaki Pipeline \$10.2million</u>		
Interest @ 7%	714	
Loan-Repayment provision @ 4.52% 20 years	461	
	<u>2,032</u>	135

2) Wellington Regional Council Proposal

	\$000	Cost per Water Connection excl GST \$
Option to supply 35 million litres per day		
Operating Costs of Pipeline	500	
Bulk Water Charge	2,450	
	<u>2,950</u>	
<u>Capital Costs</u>		
Pipeline	<u>\$20million</u>	
Additional Water Source	<u>\$5million</u>	
	\$25 -million	
<u>Debt Servicing Costs on \$25 million</u>		
Interest @ 7%	1,750	
Loan Repayment Provision over 20 Years	1,130	
	<u>5,830</u>	389
Additional Annual Cost of Wellington Regional Council proposal per water connection		<u>\$254 excl GST or \$286 incl GST</u>

The other issue to be considered is that the estimated capital costs from the Wellington Regional Council proposal would push Council's Debt Levels \$15million above its maximum external debt levels of \$70million.

3.3 Other Considerations

Cultural concerns about the transport of water from one catchment to another are not mitigated by this option, although a different catchment is involved.

Resource Consents would be required for a comparable supply of water to be taken from the Wellington Regional Council. This would include applying for consent for a new Hutt River source of water. Some consent issues would arise over the laying of pipe along the narrow Centennial Highway section of State Highway 1.

CONCLUSIONS.

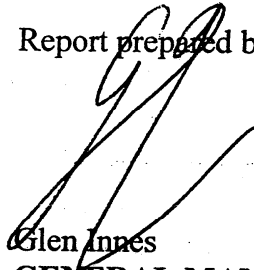
- 4.1. The exploration of another supplementary water supply source may prejudice the consent hearing due to be held shortly.
- 4.2. Further delay in the hearings will make it extremely difficult to have supplementary arrangements in place by the deadline of January 2003 when further restrictions on the Waikanae River will take effect.
- 4.3. Sourcing water from the Wellington Regional Council has been earlier discounted on the grounds of cost. Staff analysis of the Wellington Regional Council information shows that a significant cost differential remains. The size of that differential renders that -option unworthy of further study.
- 4.4. Using the Wellington Regional Council as the bulk water supplier to the District has major policy implications which could not be resolved in a matter of months.

RECOMMENDATIONS

- 5.1. That Council notes that the option of drawing supplementary water from the Wellington-Regional Council was earlier discounted on the grounds of cost.
- 5.2. That Council accepts the latest staff analysis of the Wellington Regional Council data which shows the cost of that option are prohibitive and agrees that no further action is required.

- 5.3. That Council agrees-that using the Wellington Regional Council as supplier of its bulk water would represent a major change in policy direction, likely to result in significant cost increases to its consumers.

Report prepared by:



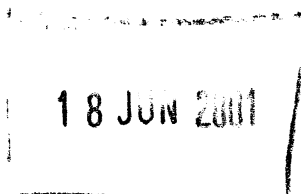
Glen Innes
GENERAL MANAGER

25 May 2001

12:28 PM

7.4.13

14 June 2001



David Benham
Wellington Regional Council
PO Box 11 646
WELLINGTON

FILE REF:	
B / 19 / 12 / 1	
NAME	Int/Date
D. Benham	
TO ACTION:	

Dear David,

WATER SUPPLY

Further to my letter regarding sourcing water from the Wellington Regional Council network, the Kapiti Coast District Council resolved on 31 May 2001:

1. *That Council notes that the option of drawing supplementary water from the Wellington Regional Council was earlier discounted on the grounds of cost.*
2. *That Council accepts the latest staff analysis for the Wellington Regional Council data which shows that the costs for the option are prohibited but agrees to wait for formal urgent responses from the Wellington Regional Council on this issue.*
3. *That Council agrees that using the Wellington Regional Council as supplier of its bulk water would represent a major shift in policy direction.*

The Council went on to resolve:

1. *That in the interests of a bulk water supply for the Kapiti Coast, that Wellington Regional Council be formally asked to provide accurate costings for the Kapiti Coast District Council to get access to the Wellington Regional Council bulk water system, the possible time within which this could be achieved, and suggested means of financing such a project.*
2. *That this report be treated as a matter of urgency.*

I would therefore be grateful if you could provide me with accurate costings for the Kapiti Coast District Council to become part of the Wellington Regional Council bulk water system.

68539

As noted, the Kapiti Coast District Council seeks this information ,
urgency given the upcoming resource consent hearing for the Otaki pipeline.

If you require any further information, please do not hesitate to contact me.

Yours sincerely,



Iain S McIntosh
MANAGER, OPERATIONAL SERVICES

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POSTED
18 JUN 2001

File: B/19/12/1
KCDC - 18 June 2001

18 June 2001

Iain S McIntosh
Manager, Operational Services
Kapiti Coast District Council
Private Bag 601
PARAPARAUMU

Dear Iain

Thank you for your letter dated 14 June received in this office 18 June.

As outlined in my letter of 25 May 2001 there are a number of steps we need to go through to meet your request.

Firstly we need to meet and scope specifically what it is that you require. Once the scope of the exercise is determined we do need our Utility Services Committee sign off prior to commencement of any work.

Please could you give me a ring so we can arrange to meet to discuss.

Yours sincerely

DAVID BENHAM
Divisional Manager, Utility Services

Kapiti Coast Wholesale Water Supply Draft Brief for a Project Investigation

DRAFT

This brief is for professional services to investigate and prepare a preliminary project report for connecting the Wellington Regional Council's (WRC's) wholesale water supply system to Kapiti Coast District Council's (KCDC's) water supply system.

1. Background

Following a request from a Regional Councillor, the Water Group of the WRC produced an initial report indicating it is technically feasible to connect the KCDC and WRC water supply systems. This is to enable KCDC to be supplied with potable water from the WRC wholesale water supply system. A number of options were considered, including a partial supply and a full supply under summer conditions. The Water Group is only able to supply water to Drinking Water Standards New Zealand 2000, water would be both chlorinated and fluoridated.

Kapiti District Council has now requested more accurate costings.

2. Scope

The scope of the work is to include:

- 2.1 Estimates for two pipeline routes, pumping stations and associated infrastructure which would allow KCDC to be supplied with its full summer demand to [Paekakariki, Paraparaumu and Waikanae].

The two route options are:

- Judgeford to SH1 at Paremata via the north side of the harbour, and then SH1 to [Waikanae or Paraparaumu].
- Judgeford to Paekakariki via the Paekakariki hill road and then SH1 to [Waikanae or Paraparaumu].

- 2.2 Hold preliminary discussions with Transit New Zealand, Porirua City and KCDC about factors which may affect the construction and investigations costs.
- 2.3 Identify any land issues which would need to be resolved prior to construction starting.
- 2.4 Identify all regulatory processes and constraints which may impact on the construction. In particular water abstraction consents.
- 2.5 Investigate any new supporting infrastructure which may be required which is not directly connected to the new pipeline. For example Te Marua Water treatment plant upgrading and a water source at Te Marua.

3. **Assumptions**

Estimates will be based on a number of assumptions. These are to be stated.

4. **Output**

A report indicating the costs for the two routes with supporting information and comments. It will also include pumping needs, operating costs and whether there is any upgrading required for supporting infrastructure.

5. **Programme of Work**

The report is to be completed [] weeks after the requested information has been received from KCDC.

Information Requirements

Required from KCDC are the following:

1. Confirmation the proposal is required as a supplementary rather than a replacement water supply for Paraparaumu and Waikanae.
2. Advise if the pipeline would be used to supply water to Paekakariki on a year round basis, or only as a supplementary source.
3. Connection points to the KCDC system. Both the locations and elevations, preferably reservoirs. Also advise whether or not an air break is possible at each connection point. Availability of power at the connection points. Size of existing reservoirs.
4. Reliability of Supply. Indicate whether sufficient water is required to meet a 1 in 50, 1 in 100, or 1 in 200 year drought situation, or some other level of reliability. The WRC currently supplies water to existing customers with a level of reliability which will meet a 1 in 50 year drought.
5. Quantity
 - 5.1. Using the reliability information in Section 4, produce an annual volume supply – duration curve with either 50, 100 or 200 values depending on the reliability of supply scenario sought. If this is not available advise the annual average quantity and the maximum annual quantity, split between summer and the remainder of the year.
 - 5.2. Supply for either the 50, 100 or 200 year scenario, the maximum daily, seven day and monthly demands.
 - 5.3. Transmission at a uniform flow will lead to significant economies. Advise whether there is sufficient reservoir storage to allow for this. If not, indicate how the flow rate will have to vary throughout the day.
 - 5.4. Advise how the quantities in 5.1, 5.2 and 5.3 will change overtime and the life required for the pipeline.
 - 5.5. Indicate how the quantities in 5.1 to 5.4 will be split if there is more than one off take point.
 - 5.6. Supply plans showing the main pipelines in the KCDC system.
 - 5.7. Advise any other information which may be relevant to the project study.