



2024-34 Investment Planning and Advice

Hutt City Council

13 November 2023

Purpose and outcome sought

Provide options for three waters capital investment and seek your direction on the desired investment level



Seeking Council direction on three waters CAPEX budgets



To date WWL has presented a baseline budget and a maximum deliverable budget to Council. Now, WWL is seeking direction from Council on what an affordable three waters budget is for Hutt City CAPEX so the three waters programme can reflect Council's direction.

Capital Expenditure

- Council's three waters baseline CAPEX budget is lumpy in the first four years of the 2024-34 LTP period. For example, the year three budget is roughly half of the year two budget. To ensure continuity of projects underway, the CAPEX programme will be built to balance over the five years budget from FY2023/24 to FY2028/29.
- A budget below the maximum deliverable budget is expected to carry compliance, regulatory and health and safety risk. The scale of this will depend on where the final budget lands.
- We understand the funding constraints Council is under and appreciate the three waters programme needs to be weighed up against other Council budgets.

CAPEX options overview

WWL has worked with Council officers to present four CAPEX options for Council consideration

Options for consideration				
	Year 1 24/25	Year 2 25/26	Year 3 26/27	10-year total
Option 1 – Programme to fit HCC LTP Baseline budget	\$69M	\$108M	\$90M	\$1,237M
Option 2 – Option 1 + universal residential smart meters	\$71M	\$115M	\$107M	\$1,309M
Option 3 – Option 1 + network renewal backlog strategy	\$89M	\$116M	\$144M	\$2,154M
Option 4 - Option 1 + universal residential smart meters + network renewal backlog strategy	\$91M	\$123M	\$162M	\$2,227M

Note the figures in this presentation reflect the latest baseline budget agreed with Council officers

Option 1 Baseline programme differs from the Year 2 Annual Plan programme

- Year 2 of the Annual Plan was an indicative overprogrammed list of activity that was being lined up for delivery in FY2024/25, based on historic priorities. When developing the LTP we have reviewed these activities alongside all the other investment need for Council and moved projects based on the latest cost estimates, risks and investment priorities as directed by Council.

Option 1 Baseline programme includes the following activity:

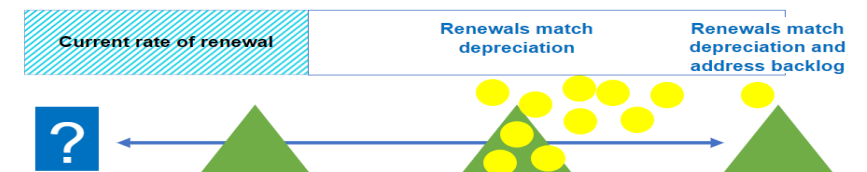
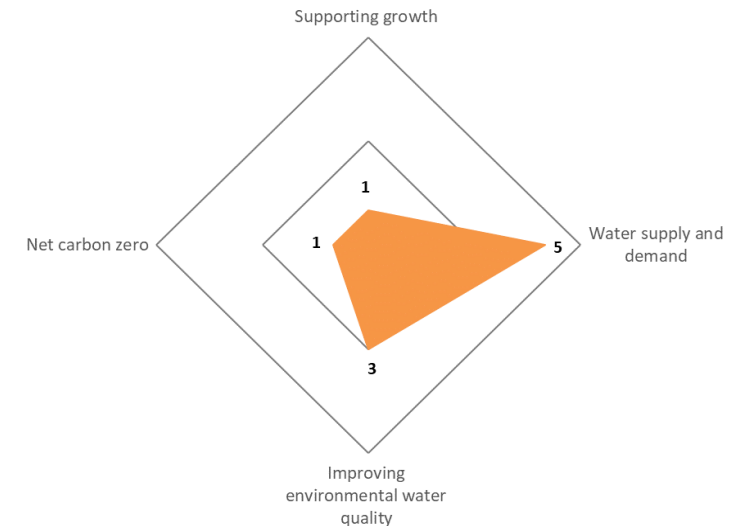
- Committed projects (inc. UHCC JV projects) – all projects underway
- Compliance / consenting projects and programmes, for example for resource consent renewals and progressing the global stormwater and network overflow consents
- Control systems and modelling – these programmes that are considered essential activity to manage assets and support other investment
- Reactive renewals for all asset types
- Planned renewals for known VHCA at a minimum and additional planned renewals where budget permits.
- Other level of service projects and growth projects

Delivering on the five strategic priorities

In the Stage 1 workshop, you told us your investment priorities were Looking After Existing Infrastructure, Sustainable Water Supply and Demand and Improving Environmental Water Quality

Option 1 - Programme to fit HCC LTP Baseline budget

- Balances investment across the five strategic priorities but focuses investment on:
 - Looking After Existing Infrastructure, and
 - Improving Environmental Water Quality
- Options 2 and 4 improves outcomes in Sustainable Water Supply and Demand with the addition of universal residential smart meters in the programme
- Options 3 and 4 improve outcomes in Looking After Existing Infrastructure, achieved through increased investment in network renewals



Option 1 – Programme to fit HCC LTP Baseline budget

Option 1 includes key council activity however it requires some major projects to be delivered later than recommended, it does not allow for sufficient investment in planned network renewals required to address the backlog within 30 years and excludes Universal Residential Water Meters

Option 1: Programme to fit HCC LTP Baseline budget

	Year 1 24/25	Year 2 25/26	Year 3 26/27	10-year total
Drinking water	\$19M	\$18M	\$14M	\$351M
Stormwater	\$7M	\$16M	\$6M	\$179M
Wastewater	\$19M	\$5M	\$11M	\$191M
Wastewater JV	\$24M	\$69M	\$59M	\$516M
TOTAL	\$69M	\$108M	\$90M	\$1,237M

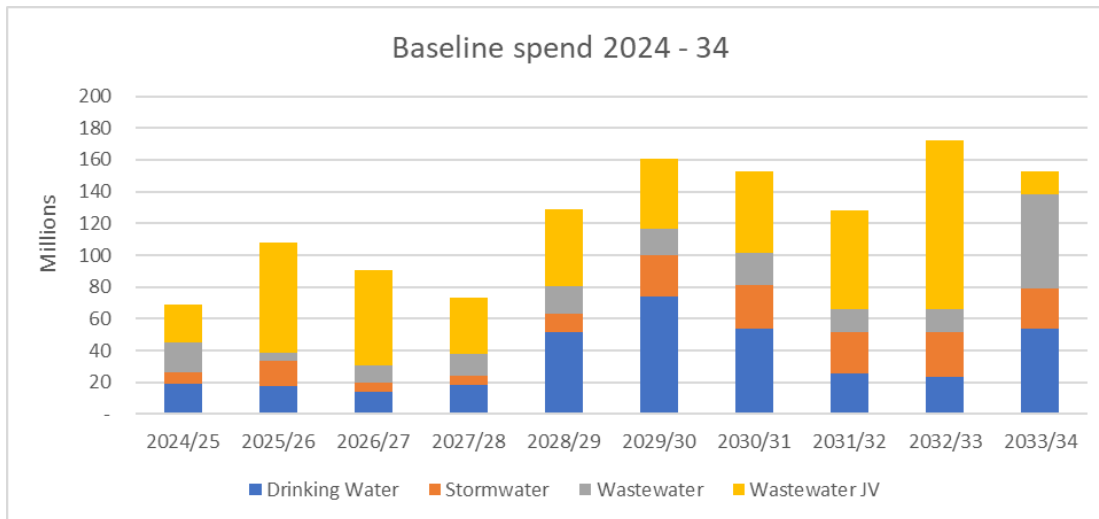
Projects included in first three years

Seaview WWTP JV:

- Backup Power Supply
- RAS System Renewal
- UV Renewal
- Wastewater
 - Seaview WWTP Sludge Dryer Replacement
 - Seaview WWTP Storage
 - Main Effluent Outfall Renewal
 - Petone Collecting Sewer Wastewater Upgrade
- Required level of planned and reactive renewals at the treatment plants, reservoirs, and other assets
- Required levels or reactive network and pumpstation renewals
- Planned network renewals at approximately 50% of the required level

Delivering on the strategic priorities

- Option 1 balances investment across the five strategic priorities but focuses investment on Looking After Existing Infrastructure and Improving Environmental Water Quality.



Option 1 – Programme to fit HCC LTP Baseline budget



The following major projects need to be delivered later than recommended:

Major projects excluded in first three years	Risk of excluding project
Universal residential smart meters	HCC has come close to not providing sufficient water to customers in the past. WWL's options study demonstrates that attempting to meet the region's (including HCC's) water supply requirements without universal smart metering and increased water loss management will require investment in water supply options that will cost significantly more than smart meter investment, will result in increased carbon emissions, and create worse outcomes for freshwater and the environment.
Naenae No 2 Reservoir and Outlet Main DELAYED	This has some risk as water storage does not currently comply with minimum back-up storage standards and additional growth on the valley floor over the next 5 years will exacerbate that situation. Continuing to push this project out also increases the risk of inflation price increases to the project.
Naenae No2 Reservoir Pipeline DELAYED	Gracefield reservoir requires replacement, as inspections have identified structural issues, which have been repaired, but which are not a long-term solution. The reservoir cannot be taken offline until the additional supply from the proposed Naenae no.2 reservoir becomes available.
Seaview WWTP Odour Control Renewal DELAYED	Compliance risk – HCC are receiving abatement and infringement notices for odour which increase the risk of escalating compliance action that may lead to prosecution from GWRC. There are also community impacts from frustrated residents, iwi group and nearby business owners. HCC and UHCC Councillors also requires WWL to provide monthly updates for the resolution of the plant's odour concerns.

The risks of delaying the Naenae No 2 Reservoir, Outlet Main and Pipeline, and the Seaview WWTP Odour Control Renewal projects are present under all four options.

Option 2 – Option 1 + universal residential smart meters

Option 2 carries the same outcomes and risks as Option 1 but includes universal residential water meters

Option 2 – Option 1 + universal residential water meters

	Year 1 24/25	Year 2 25/26	Year 3 26/27	10-year total
Drinking water	\$20M	\$25M	\$31M	\$424M
Stormwater	\$7M	\$16M	\$6M	\$179M
Wastewater	\$19M	\$5M	\$11M	\$191M
Wastewater JV	\$24M	\$69M	\$59M	\$516M
TOTAL	\$71M	\$115M	\$107M	\$1,309M

Projects included in first three years

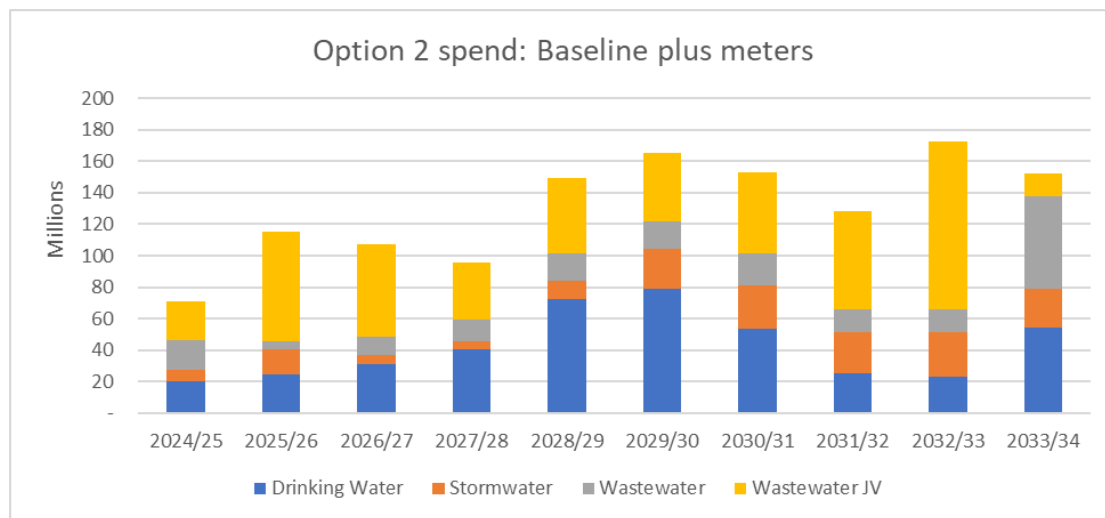
All of Option 1 baseline projects plus Universal smart water meters.

Installation of universal residential smart meters supports meeting the region's (including HCC's) water supply requirements. There are significant costs savings to be realised as HCC is better able to manage water loss, reduce carbon emissions and support achievement of Te Mana o te Wai outcomes.

Planned network renewals remains at approximately 50% of the required level under Option 2.

Delivering on the strategic priorities

- Option 2 increases investment in the Sustainable Water Supply and Demand strategic priority.



Option 3 – Option 1 + network renewal backlog strategy

Option 3 carries the same outcomes and risks as Option 1 but includes network renewal backlog strategy

Option 3 – Option 1 + network renewal backlog strategy

	Year 1 24/25	Year 2 25/26	Year 3 26/27	10-year total
Drinking water	\$27M	\$16M	\$26M	\$468M
Stormwater	\$7M	\$15M	\$6M	\$176M
Wastewater	\$31M	\$16M	\$46M	\$474M
Wastewater JV	\$24M	\$69M	\$67M	\$1,036M
TOTAL	\$89M	\$116M	\$144M	\$2,154M

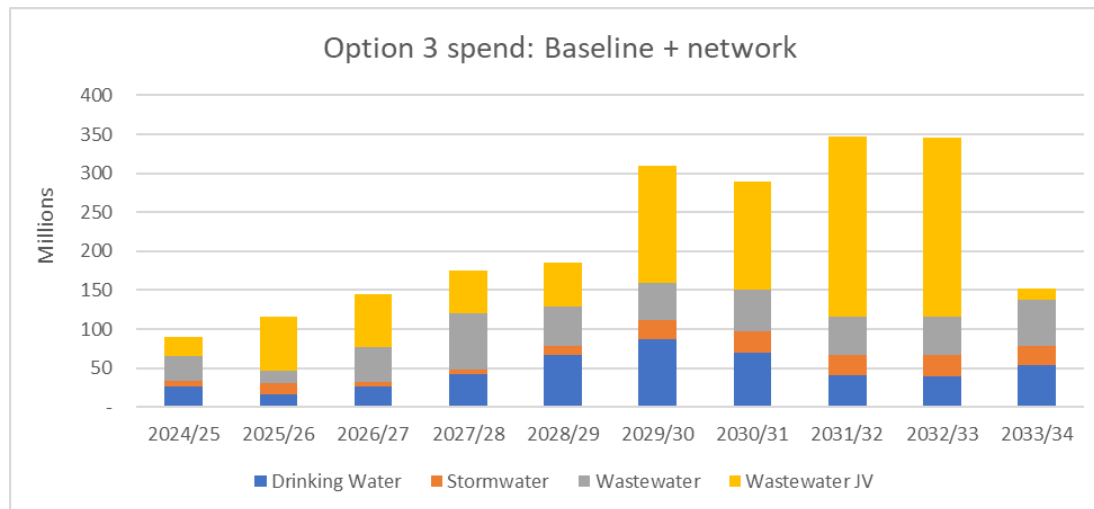
Projects included in first three years

All of Option 1 baseline projects with increased investment in network renewals.

Planned network renewals increases to approximately 68% of the required level under Option 3.

Delivering on the strategic priorities

- Option 3 increases investment in the Looking After Existing Infrastructure strategic priority.



Option 4 – Option 1 + Network renewal backlog strategy + universal residential smart meters

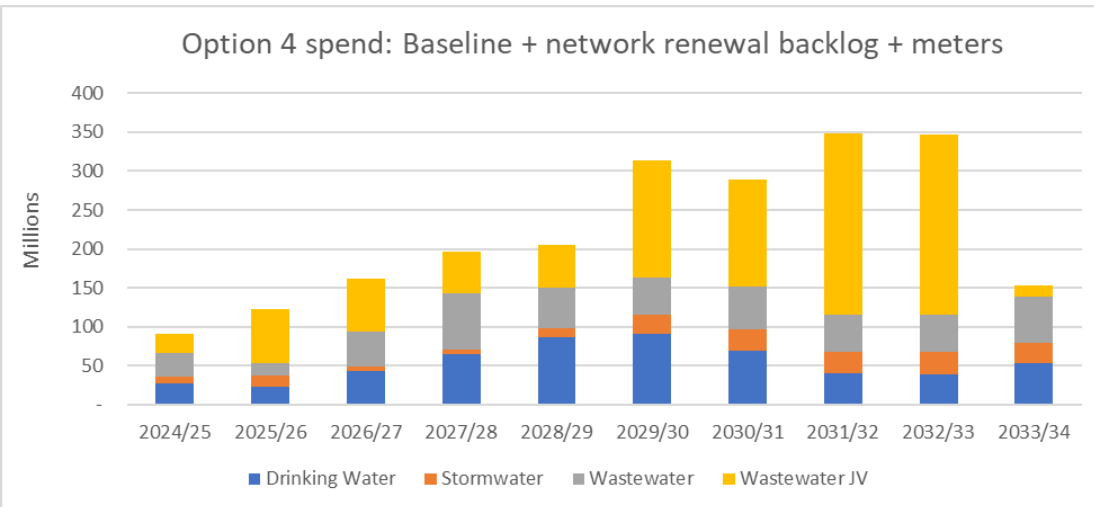
Option 4 builds on Option 1 deliver increased investment in network renewals and universal residential water meters

Option 4: Option 1 + Network renewal backlog strategy + universal residential smart meters				
	Year 1 24/25	Year 2 25/26	Year 3 26/27	10-year total
Drinking water	\$28M	\$23M	\$43M	\$540M
Stormwater	\$7M	\$15M	\$6M	\$176M
Wastewater	\$31M	\$16M	\$46M	\$474M
Wastewater JV	\$24M	\$69M	\$67M	\$1,036M
TOTAL	\$91M	\$123M	\$162M	\$2,227M

Projects included in first three years

All of Option 1 baseline projects with increased investment in network renewals and universal residential smart meters.

As with Option 3, planned network renewals increases to approximately 68% of the required level under Option 4.



Delivering on the strategic priorities

- Option 4 increases investment in Looking After Existing Infrastructure and Sustainable Water Supply and Demand strategic priorities.

Recap - Operating Expenditure

At the Council Long Term Plan Committee meeting of 30 October, Council agreed to Wellington Water’s recommended annual OPEX budget of \$35.047M for year one only, with all subsequent years remaining at this investment level adjusted each year for inflation

	23/24 Baseline	Year 1 24/25	10-year total
Monitoring & Investigations	\$5.46M	\$6.43M	\$64.26M
Operations	\$0.20M	\$0.24M	\$2.38M
Planned Maintenance	\$3.76M	\$4.68M	\$46.83M
Reactive Maintenance	\$8.01M	\$9.51M	\$95.1M
Treatment Plant	\$8.38M	\$10.23M	\$102.31M
Management & Advisory Services	\$4.16M	\$4.05M	\$40.52M
TOTAL	\$29.97M	\$35.05M	\$350.47

An annual OPEX budget of \$35.047M is an increase of 17% on the FY2023/24 budget.

- A flatlining OPEX budget carries risk:
 - The recommended OPEX budget increased significantly over the 10-year period reflecting the operating needs of an ageing network. A flatlined budget may not be able to respond to these needs, including for reactive maintenance leak repairs.
 - Energy and disposal costs at the treatment plant can vary and are essential expenditure. Any increases here will reduce available OPEX for other operational activity.