Upper Hutt City Council's three waters investment and delivery snapshot - 22/23

Below is an overview of Upper Hutt City Council's investment decisions and the levels of service Wellington Water can deliver based on levels of funding.

Upper Hutt City Council's (UHCC) role

- Owns their water assets in their council area
- Set rates
- Decides the level of funding for Wellington Water & water services
- Sets the level of water services for their residents
- Tasks Wellington Water to deliver water services based on level of funding
- Sets performance targets, measures & policy

Wellington Water Ltd's (WWL) role

- Provides Upper Hutt City Council with advice on the level of investment needed to maintain, improve & renew their water infrastructure
- Deliver water services to customers on the Council's behalf within the funding that is provided
- Delivers renewals & upgrades
- Prioritises their work programme based on the level of funding provided

Situation

Water assets are aging at a faster rate than UHCC is replacing them. 25km of pipe is past its nominal useful life, and a further 244km will be by 2050. The network will require increasing levels of renewals investment.

Costs to maintain the network are increasing due to inflation & labour shortages.

The population is expected to grow by 20% by 2050.

There are increasing demands on water supply & growing public expectations on positive environmental outcomes. There are increasing regulatory demands for drinking water and environmental standards & need to respond to climate change.

Operational expenditure

Investment advice & decisions

In 2020 WWL provided UHCC with LTP opex investment advice for a 3-year period (2021-2024). [TBC whether JV costs are included.]

Investment advice of **$43-55M** was provided to meet optimal levels of service & reduce a backlog of work. **UHCC invested $22.4M**.

Actual for FY22 (including Government's Stimulus Funding): **$9.9M**
Budget for FY23: **$7.8M**

Result of funding decision

Low opex budgets put at risk our ability to:

- respond to customer issues in a timely way
- do planned maintenance to effectively manage health and safety risks
- do planned and preventative maintenance, compounding the risk of faults and failures
- carry out condition assessments and investigations to inform future work

Capital expenditure

Investment advice & decisions

In 2020, WWL provided UHCC with LTP capex investment advice for a 10-year period (2021-2031).

An investment range of **$114M - $187M** was provided. **UHCC invested $127M.** (This includes JV cost share.)

9KMs of pipe needs to be renewed (replaced) every year in order to get on top of the aging network. Last year, based on funding, **1KM was renewed.**

Result of funding decision

- The aging pipe network and growing backlog of renewals means bursts and leaks will continue to cause unplanned work and disruption, leading to increased opex spend.
- Increasing growth and demand for services adds to the burden on aged and under-capacity services, reducing levels of services and increasing wastewater overflows and other environmental impacts
- Very low investment in improving the water quality of streams, rivers and harbour & mitigating and adapting to climate change
- Low investment in reducing water usage and water security measures

Services	Level of service WWL is able to provide	Level of service WWL is unable to provide
Customer service	• >70% customer satisfaction with services on call-back (region-wide) • Aim to keep complaints below 20 per 1,000 drinking and stormwater connections, and below 30 per 1,000 wastewater connections • Set baseline for time to process land development resource consents	• Unlikely to meet targeted consumption level of 415 litres/person

Drinking water	• Provide safe drinking water
	• Fluoridate the water
	• Provide reliable water
	• Respond to faults as quickly as possible
		• Won't meet <20% loss target
		• Won't meet drinking water security measure (for GWRC) in all but a 1-in-50 year drought – currently only 1 in 14 is covered
		• Won't always meet targets of:
		  ◦ Urgent jobs attended within 1 hour
		  ◦ Urgent jobs resolved within 4 hours
		  ◦ Non-urgent jobs attended within 36 hours
		  ◦ Non-urgent jobs resolved within 15 days

Stormwater	• Respond to flooding events as quickly as possible • Meet resource consent conditions for discharges	• Won't meet the median response time target of within 60 minutes for flooding events • Won't meet target of zero flooding events, affecting zero habitable floors
Wastewater	• Wastewater treatment plants will operate as expected • <20 dry weather overflows/1000 connections • Meet resource consent conditions for discharges • Respond within 60 min and resolve any wastewater overflows within 6 hours	N/A
Asset management	• Set benchmark for ratio of reactive to planned maintenance • Complete 100% of funded renewals • Deliver our capital programme within agreed range	• Planned maintenance is forecast to reduce as reactive maintenance increases

Remaining key risks at current level of UHCC funding

- Increased likelihood of not being able to provide safe and healthy water, meet duty of care obligations nor give effect to Te Mana o te Wai.
- Increased likelihood of environmental incidents due to population growth compromising the capacity of the networks.
- Assets continue to age at a rate faster than they can be replaced, increasing the backlog of work needed. This results in increasing operational costs, as old infrastructure costs more to maintain and operate.
- Increased risk of unplanned failures due to under- investment in condition assessments, investigation and asset data.
- Increased likelihood of climate change impacting three waters activities and carbon emissions continue to increase.

WWL's advice has been peer reviewed

The 21-31 Long Term Planning renewals forecast provided by WW was based primarily on age, with reference to the (limited) available asset condition information and application of recognised guidelines. Independent review by internationally recognised water services regulator concluded that WWL had a reasonable understanding of the assets and their likely lives and replacement costs as a basis for the advice, and that WWL needed to do more work to understand asset condition and performance.

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