

## Methven-Springfield Water – Revenue & Financing Policy – Drinking Water FAQs

- **What is the District Water Group?**

The District Water Group is a group of nine council-owned drinking water supplies that service the townships of Ashburton, Chertsey, Fairton, Hakatere, Hinds, Lake Hood, Mayfield, Methven, Mt Somers and Rakaia. The Ashburton supply serves both Ashburton and Lake Hood.

These supplies are grouped together for the purpose of budgeting and rate setting, as the financial impact of upgrading supplies to meet NZ Drinking Water Standards is expected to impose very high costs on consumers in smaller supplies. This helps keep drinking water affordable for communities like Chertsey, Fairton, Mt Somers and Mayfield by spreading costs across approximately 11,800 consumers in the entire group.

Before the District Water Group was created in 2018, each township supply budgeted for its own costs and recovered these from its ratepayers.

- **What does bringing Methven-Springfield into the District Water Group mean?**

It means that Methven-Springfield consumers would be added to the District Water Group from the beginning of the 2023/24 financial year and that the costs of the \$7.1M Methven Water treatment plant upgrade would be shared across the District Water Group instead of being shared between Methven-Springfield and Methven township (the latter through the District Water Group). Methven-Springfield currently recovers its costs from its own consumers.

- **How will this help Methven-Springfield water supply users?**

Introducing Methven-Springfield into the District Water Group will see the supply funded in a way that provides pricing stability for Methven-Springfield over the longer-term. Under the status quo, costs could quickly escalate if larger consumers find alternative water supplies for agricultural use and leave the scheme.

Depending on the formula used when joining the District Water Group, it may also improve affordability for some residents, particularly those who consume smaller quantities of water.

A range of proposed formulas were presented to Council, to guide the allocation of costs within the group. These ranged from a 12+1 formula to a 6+1 formula. The 12+1 formula was expected to lower rates for around 90% of Methven-Springfield consumers when compared with staying at current policy settings. The 6+1 formula was expected to lower rates for 41% of Methven-Springfield consumers against the same benchmark.

- **How do Methven-Springfield water supply users currently pay for their water supply?**

Methven-Springfield consumers pay for their water with a uniform rate (in 2022/23 this is \$3,165.90 including GST per connected unit) plus a volumetric charge (of \$263.90 per cubic metre per day for a year, including GST) for units over the 12 units per day allocated to the property.

There are 23 properties in the Methven-Springfield supply who are allocated less than 12 cubic metres per day, 3 who are allocated exactly 12 cubic metres per day, and the remaining

41 have an allocation of more than 12 cubic metres per day. The ratepayers allocated less than 12 cubic metres help offset costs for consumers who use more water.

- **How many users does the proposed change apply to?**

The Methven-Springfield supply serves 67 properties. There are around 11,700 properties served by the District Water Group funding model. The change affects all users, but the biggest effects are felt in Methven-Springfield.

- **Why have we proposed the 1.2+1 formula option as the preferred option?**

Council was concerned that the range of formulas presented created an unfair level of cost transfer from Methven-Springfield to the District Water Group. Council settled on the 1.2+1 formula which is how lifestyle block properties around Ashburton and Methven contribute to water funding in the District Water Group. Councillors also noted that this level of cost transfer would be unfair for farming properties that had invested in their own supplies from bores or by joining an irrigation scheme.

- **Below are examples of how a charge would be calculated for a Methven-Springfield property in 2023/24 (based on the modelling numbers) compared to current policy settings.**

Under the 1.2+1 formula, charges are based on a uniform charge of \$548.90 per separately used and inhabited part of a rating unit (SUIP), plus a volumetric charge of \$1.00 per cubic metre for all water consumed in their allowance, which is 1.2 cubic metres per day for the first SUIP and 1 cubic metre per day for every subsequent SUIP. As all properties will be fitted with a restrictor and a meter, the restrictor will set the upper limit on consumption and the meter will record actual consumption. These examples assume the actual consumption is the maximum allowed by the restrictor.

Under the 6+1 formula the allowance is 6 cubic metres per day for the first SUIP and 1 cubic metre per day for each extra SUIP. In all other respects it is identical to the 1.2+1 formula.

Under the 12+1 formula, the allowance is 12 cubic metres per day for the first SUIP and 1 cubic metre per day for each extra SUIP. In all other respects it is identical to the 1.2+1 and 6+1 formulae.

**Example A - A property with an allocation of 2.00 cubic metres per day with one SUIP will pay:**

Under 1.2+1 formula

one SUIP charge of \$548.90 = \$548.90

**plus**, allocation of 2.00 – 1.2 cubic metres equals

0.8 cubic metres/day @ 1.00 per cubic metre x 365 days = \$292.00

**Total** = \$840.90

Under the current policy settings, this property will pay \$3,348.00.

Under 6+1 formula

one SUIP charge of \$548.90 = \$548.90

**plus** allocation of 2.00 – 6 cubic metres equals

-4.0 cubic metres/day i.e. no water attracts volumetric charges = \$0.00

**Total** = \$548.90

Under the current policy settings, this property will pay \$3,348.00.

The same outcome is reached under the 12+1 formula.

**Example B - a property with an allocation of 24.00 cubic metres per day with one SUIP** will pay:

Under 1.2+ 1 formula:

one SUIP charge of \$548.90 = \$548.90

**plus** allocation of 24.00 – 1.2 cubic metres equals

22.8 cubic metres/day @ 1.00 per cubic metre x 365 days = \$8,322.00

**Total** = \$8,870.90

Under the current policy settings, this property will pay \$6,696.00.

Under 6+1 formula:

one SUIP charge of \$548.90 = \$548.90

**plus**, allocation of 24.00 – 6 cubic metres equals

18 cubic metres/day @ 1.00 per cubic metre x 365 days = \$6,570.00

**Total** = \$7,118.90

Under the current policy settings, this property will pay \$6,696.00.

Under 12+1 formula:

one SUIP charge of \$548.90 = \$548.90

**plus**, allocation of 24.00 – 12 cubic metres equals

12 cubic metres/day @ 1.00 per cubic metre x 365 days = \$4,380.00

**Total** = \$4,928.90

Under the current policy settings, this property will pay \$6,696.00.

**Example C - a property with an allocation of 53.65 cubic metres per day with three SUIPs (Separately Used or Inhabited Parts)** will pay:

Under 1.2+ 1 formula:

three SUIP charges of \$548.90 = \$1,646.70

**plus**, allocation of 53.65 – 3.2 cubic metres equals

50.45 cubic metres/day @ 1.00 per cubic metre x 365 days = \$18,414.25

**Total** = \$20,060.95

Under the current policy settings, this property will pay \$14,968.35.

Under 6+1 formula:

three SUIP charges of \$548.90 = \$1,646.70

**plus**, allocation of 53.65 – 8 cubic metres equals

45.65 cubic metres/day @ 1.00 per cubic metre x 365 days = \$16,662.25

**Total** = \$18,308.95

Under the current policy settings, this property will pay \$14,968.35.

Under 12+1 formula:

one SUIP charge of \$548.90 = \$1,646.70

**plus** allocation of 53.65 – 14 cubic metres equals

39.65 cubic metres/day @ 1.00 per cubic metre x 365 days = \$14,472.25

**Total** = \$16,118.95

Under the current policy settings, this property will pay \$14,968.35.