

NEWSLETTER

Important Notice to Customers

Your invoice dated 30 September 2018 is a larger amount than the usual September invoice for two reasons.

Firstly, there will not be a January 2019 invoice issued. All of the 2018/19 fixed charges have been included in the September invoice. This will save the company the expense of an additional invoice run. An invoice will be issued in May 2019 for actual water used, any excess water charges plus the levy on any unused water allocation if applicable (see over for explanation of unused water allocation and 2018/2019 charges). Please don't hesitate to contact the office to make arrangements for regular instalment payments if you prefer.

Secondly, for reasons outlined below there has been a larger than normal increase in annual charges. Your Directors have determined that an operating surplus of at least \$150,000 needs to be budgeted for in the 2018/19 financial year to enable funds to be available for necessary scheme asset management and refurbishment work. In this financial year your Directors have elected to recover 75% of this surplus from commercial connections and 25% from non-commercial connections. The amount of any future budgeted surplus and the recovery split between commercial and non-commercial connections will be reviewed annually.

Tonkin & Taylor Ltd (T+T)

The original engineers of the Kerikeri Irrigation scheme in the 1970s were recently engaged to review the Kerikeri irrigation scheme assets and provide feedback. Their report contained suggestions for developing an asset management plan to future proof the schemes infrastructure for the next 35 years.

In summary, the Kerikeri Irrigation scheme is a significant regional asset with a long history of very efficient and frugal operation. The scheme faces a range of risks that will increase with time but these can be reduced by improving existing asset management practices. The report identified a prioritised list of action items that are required to manage, maintain and enhance the scheme well into the future.

Key Observations

The irrigation scheme is large. The combined scheme storage is 12 million m³, compared to Whangarei City's Whau Valley dam, which stores 1.9 million m³. Kerikeri, the largest urban centre in the Far North District (FNDC) is a customer of the scheme.

The scheme, constructed in the 1980s, was gifted to the Co-op in the 1990s with no loans. Because of this, depreciation on asset value cannot be claimed. The replacement cost of the scheme was last valued in 2016 at approximately \$48 million. The reticulation assets are beginning to age. Some analysis of AC pipe condition was completed in 2007. This indicated about 20 years of life remaining in the samples of pipe tested, although this was variable between locations, particularly by soil type and groundwater.

Critical Assets

The dams have been identified as High Potential Impact dams, and have been subject to regular inspection and comprehensive safety reviews as recommended by the New Zealand Society on Large Dams' Dam Safety Guidelines 2015. In addition to the dams themselves, critical scheme assets include important pipes with no alternative network route, pipes running under the Kerikeri airport runway, the state highway, and scheme control systems.

Financial Sustainability

There may potentially be significant increases in future costs for the Co-op, spread over a range of timeframes. Without competing financial demands sketched out, at least indicatively, there is the risk that the future impact on shareholders will be worse than if current charging costs were set based on anything other than long term expenditure.

Conclusion

To manage the assets in the long term requires balancing risk and service levels against financial constraints. Historically, the risks were relatively low as the scheme was new. However, as the scheme assets age, the risks are increasing and a change in asset management is required to ensure the long term sustainability of the scheme.

Unused Water Allocation

Unused water allocation means water allocated to your connection and cannot be sold or reallocated by KIC to another user who may be prepared to pay the full price for it. This applies to commercial connections only. Current charges for the 2018/2019 season are:

Charge for allocated water used m ³	4.5¢
Charge for allocated water unused m ³	1.5¢

Water Charges 1 June 2018 to 31 May 2019

Commercial (incl. GST)	
Annual water meter charge	\$200
Annual charge per irrigable hectare	\$154
Excess usage over allocation per m ³ used	48¢

Water Quality

A reminder... Water supplied is for irrigation purposes only. It is untreated surface water that is of a non-drinking standard and must not be used domestically.

KERIKERI IRRIGATION

6 Norfolk Place, Kerikeri

Phone: (09) 4077813 Fax: (09) 4077692 E-Mail: admin@keriirrigation.co.nz
www.keriirrigation.co.nz