



Report 07.165
Date 10 April 2007
File O/02/01/10

Committee Utility Services
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Divisional report for period February and March 2007

1. Divisional performance (Water and Plantation Forestry)

Because of the date of the Committee meeting relative to month end, this report covers qualitative information for February and March but the figures are a mix of February and March information, as not all the March information was available at the time the report was prepared.

1.1 Greater Wellington Water

February and March were relatively dry months but, even so, river flows have held up remarkably well and the aquifer level has been above average.

There were no significant operational issues during the two months.

Capital works projects for the year are progressing well. One of the major projects is the lowering of the old Wainuiomata Lower Dam spillway and this should be completed during the month of April. The Point Howard Pumping Station has been completed and this means that, if there is flooding of the Waiwhetu Stream at Gracefield, we no longer risk losing supply to the Point Howard Reservoir, which services the various bays and Eastbourne.

Work has started on the sentinel wells along the Petone Foreshore and these will provide a more comprehensive early warning system on the possibility of compromising the Waiwhetu aquifer with sea water.

Work is progressing on the new sources investigations and the last of the major investigations is determining the capacity of the Upper Hutt aquifer. Following the granting of a resource consent the drilling of test wells is under way. It was expected that all the reports would be available by about the end of June but with some delays this will now be in the second half of the calendar year.

1.2 Marketing

Work is continuing on the draft Wellington Water Management Plan and we are working with our customers to complete this document.

A graph in attachment 1 to this report shows how low weekly consumption was from December to the end of January compared with previous summers. In February and March it was closer to the long-term average.

1.3 Forestry

World log prices as reported previously have held, though the average price depends on the timber grade mix. Unfortunately the United States dollar going above 72 cents to the New Zealand dollar has not helped the situation over the last couple of weeks.

2. Financial performance as at 31 March 2007

Last Year to Date		Year to Date Actual \$000s	Year to Date Budget \$000s	Year End Forecast \$000s*	Year End Budget \$000s
	Water Supply				
20,301	Income	20,422	20,369	27,254	27,245
19,733	Expenditure	20,454	21,914	28,054	29,264
578	Operating Surplus (Deficit)	(32)	(1,545)	(800)	(2,019)
472	Operations	303	-	168	-
573	Strategy and Asset	1,125	-	1,051	-
(468)	Support Services	(1,525)	(1,565)	(2,074)	(2,043)
(16)	Engineering Consultancy	42	24	30	31
17	Laboratory Services	23	(4)	25	(7)
578	Operating Surplus (Deficit)	(32)	(1,545)	(800)	(2,019)
	Plantation Forestry				
2,951	Income	3,711	3,794	7,702	7,693
3,205	Expenditure	4,391	5,185	6,291	6,913
(254)	Operating Surplus (Deficit)	(680)	(1,391)	1,411	780

* The 2006/7 year end forecast is as at 31 December 2006. This forecast is currently being reviewed and updated based on year to date 31 March 2007 actual financial values.

3. Puketiro wind farm development and forest clearing

In December last year the Government issued a suite of documents on sustainable land management, climate change and related energy issues. Submissions closed at the end of March and a draft submission was forwarded to Councillors by the Environment Management Division.

Of particular interest to our forestry operations and the wind farm development at the Puketiro site is the document entitled *Sustainable Land Management and Climate Change*. At Puketiro approximately 100 to 120 hectares of pine plantation will be cleared on the ridges to allow for the wind farm development. The exact area will be determined in consultation with the wind farm developer. Many of these trees are of poor quality and those that are able to be sold will fall into the lowest gradings.

The Government has consulted on four possible deforestation management options:

- Flat charge on land use from forestry to another use

- Tradable permit regime
- Centrally determined deforestation levels
- Resource Management Act controls on deforestation

Because the Puketiro Forest was planted before 1990, it is regarded as a non-Kyoto forest and would therefore be subject to a deforestation management option. The cost of tradable permits is unknown at this stage but the consultation document has suggested the flat charge would be around \$13,000 per hectare. The potential cost to the Council as a result of releasing the land for wind energy development would be \$1.3 million to \$1.5 million.

From a carbon or emissions point of view, it can be shown that wind energy generation is an order of magnitude more effective through avoiding hydrocarbon generated electricity than sequestering carbon in trees over a 30 year growing cycle. The Council's concerns over this issue have been raised directly with the Government and the response was neutral, with a request to include the issue in the submission, which it has been.

While four options are being considered, it is premature at this point in time to take any action to halt the wind farm development. However, to have to pay the Government up to \$1.5 million to create a sustainable wind energy development is bizarre.

In the event that a flat charge in order of \$13,000 per hectare is imposed, it is possible that management could recommend to Council that the wind energy development not proceed, in which case we would have to negotiate our way out of the development contract. Hopefully a more reasoned approach by the Government will prevail.

4. Recommendations

That the Committee:

1. **Receive** the report.
2. **Note** the content of the report.

Report prepared by:

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Attachment 1: Water Supply, Engineering Services, Forestry, Marketing and Design, and Laboratory reports for February and March 2007