

Appendix 1

Financial Impact from a Standalone Petone Water Supply

For illustrative convenience some of the data below has been rounded slightly.

1	Estimated WRC sales volume 1999/2000	54,300 ML	
2	Sales revenue 1999/2000	\$24.2 M	
3	Sales price 1999/2000	44.5 cents/m ³	
4	Marginal cost of production and delivery (power + chemicals + treatment waste disposal)	5.5 cents/m ³	
5	Sales Consumption by City	Volume ML	%
	Porirua	5,700	10.5
	Hutt		
	Petone (2,000 ML) 3.6%		
	Remainder (12,900 ML) 23.8%	14,900	27.4
	Upper Hutt	5,500	10.1
	Wellington	<u>28,200</u>	<u>52.0</u>
		54,300	100.0

Assume the Petone supply is no longer the responsibility of the WRC.

Revenue forgone \$24.2 M x 0.036	=	\$871,000
Less marginal cost of production 2,000 x 1,000 x 0.055	=	<u>\$110,000</u>
Net contribution forgone	=	\$761,000

This net contribution under the present wholesale pricing methodology is then assigned to the other cities.

New percentage consumptions are:

	ML	%	Additional Cost to each City (\$)
Porirua	5,700	10.9	83,000
Hutt excl Petone	12,900	24.7	188,000
Upper Hutt	5,500	10.5	80,000
Wellington	28,200	53.9	410,000
Total	52,300	100.0	761,000