

16.2 PILBARA UNDERGROUND POWER PROJECT - UPDATE

File No:	EN.9
Responsible Executive Officer:	Director Corporate Services
Reporting Author:	Director Corporate Services
Date of Report:	14 May 2014
Applicant/Proponent:	Nil
Disclosure of Interest:	Nil
Attachment(s):	Nil

PURPOSE

To provide an update on the Pilbara Underground Power Project (PUPP) and outline the proposed communications plan.

BACKGROUND

At its meeting of 18 December 2013, Council adopted the following recommendation:

That Council by SIMPLE Majority pursuant to Section 3.18 of the Local Government Act 1995 RESOLVES to:

1. *REAFFIRM its commitment to the Pilbara Underground Power Project;*
2. *CONTRIBUTE 25% of the total cost of the Shire of Roebourne PUPP works to a maximum of \$34.55M funded by a service charge, subject to confirmation of the State Government's 75% contribution and to the execution of a funding agreement between Horizon Power and the Shire;*
3. *AUTHORISE the Chief Executive Officer to execute the Funding Agreement between Horizon Power and the Shire; and*
4. *ENDORSE the following billing model assumptions, subject to consideration of the detail of the service charge as part of the adoption of the 2014/15 Budget:*
 - a. *The total Shire contribution plus a contingency (for administration, rebates and concessions) is to be allocated based on actual cost forecasts for HV works (23%), LV works (63%) and consumer mains (14%).*
 - b. *All properties (including Shire owned properties) will attract a service charge;*
 - c. *Properties with underground power not provided as part of PUPP will only pay a HV charge.*
 - d. *Vacant lots will not pay a connection charge.*
 - e. *The HV charge per kVA will be based on the total HV costs divided by the total kVA load of the connections to which the HV charge applies (essentially all connections).*
 - f. *The LV charge per kVA will be based on the total LV costs divided by the total kVA load of the connections to which the LV charge applies (all properties undergrounded as part of PUPP).*
 - g. *The connection charge will be based on the total connection costs divided by the total number of connections (all properties undergrounded as part of*

- PUPP) with the exception of premises directly connected to the HV Network which will be based on full cost recovery.*
- h. A normal residential household kVA load is 10kVA, however higher density dwellings (those that share a common wall) such as duplexes, units and apartments are 7.5kVA.*
 - i. Pensioner rebates will be available in accordance with the Rates and Charges (Rebates and Deferments) Act 1992.*
 - j. Instalment options will be available over four years, subject to the same conditions that apply to rates instalments.*

In March 2014 the CEO and Shire President have signed the funding agreement between Horizon Power and the Shire. Correspondence has also been sent to the Department of Regional Development (DRD) requesting confirmation of the additional Royalties for Regions (R4R) funding, required to complete the PUPP, prior to June 2014 so that Council can consider the service charge as part of the 2014/15 budget. Advice has now been received that the additional R4R funding to complete the PUPP has been allocated in the DRD budget and State Cabinet will be considering the revised business case for the project in the next few weeks.

LEVEL OF SIGNIFICANCE

In accordance with Council Policy CE-8 Significant Decision Making Policy, this matter is considered to be of high significance in terms of economic issues, environmental issues, cultural & wellbeing issues and parties affected issues.

COUNCILLOR/OFFICER CONSULTATION

Officers have been in regular discussions with representatives of Horizon Power regarding the project. Councillors have been updated on a regular basis through Agenda Briefing Sessions.

COMMUNITY CONSULTATION

Ratepayers in Karratha received a letter in October 2011 advising of the intended service charge based on the 25% contribution (capped at \$21M). Updates regarding the project have been provided in the local media and via direct mail outs undertaken by Horizon Power.

Given the likelihood of a service charge being introduced through Council's 2014/15 budget, the following communications plan has been developed to ensure that affected ratepayers are aware of the service charge:

Audience	Medium	Timing
All affected ratepayers	Letter and brochure detailing project status and billing model for service charge (including payment options)	Prior to 31 May 2014
All residents	Pilbara News – media release	Every 2 weeks until 30 June 2014
All residents	Pilbara News – advertisement	Every 2 weeks (alternating with media releases) until 30 June 2014
All residents	Radio – interviews	At least once in May and June
All affected ratepayers	Letter detailing amount of proposed service charge	Prior to 30 June 2014

STATUTORY IMPLICATIONS

Section 6.38 of the *Local Government Act 1995* makes provision for a local government to levy a service charge to meet the costs of underground electricity.

POLICY IMPLICATIONS

There are no policy implications.

FINANCIAL IMPLICATIONS

In accordance with the revised Funding Agreement, Council will contribute 25% of the total costs of the Shire of Roebourne PUPP works up to a maximum of \$34.55M. The first instalment of \$20M is due by 31 August 2014 subject to confirmation of the additional R4R funding and execution of the Agreement by Horizon Power.

Although most of the 25% contribution will be funded through a service charge, Council will be liable for a contribution of approximately \$1M in respect to Shire properties.

STRATEGIC IMPLICATIONS

This item is relevant to the Council's approved Strategic Community Plan 2012-2022 and Corporate Business Plan 2012-2016. In particular the Operational Plan 2013-2014 provided for this activity:

Our Services: 1.e.2.1.1 Liaise with other agencies in delivery of strategic community projects.

RISK MANAGEMENT CONSIDERATIONS

The level of risk is considered to be Moderate to the Shire in terms of Financial, Service Interruption, Environment and Reputation.

IMPACT ON CAPACITY

Additional temporary resourcing to manage billing and collection of the service charge has been provided in the Finance Department.

RELEVANT PRECEDENTS

The costs of underground power in the Town of Port Hedland are consistent with the revised estimates provided for the Shire of Roebourne PUPP works. Similar works in metropolitan areas have resulted in service charges more than double those expected as a result of the revised costs.

VOTING REQUIREMENTS

Simple Majority

OPTIONS:

Option 1

As per Officer's recommendation.

Option 2

That Council by SIMPLE Majority pursuant to Section 6.38 of the *Local Government Act 1995* RESOLVES to DEFER consideration of this matter pending further information.

CONCLUSION

Following Council's approval of an additional contribution to the Shire of Roebourne PUPP works, funded by a service charge, the DRD has advised that additional R4R funding is likely to be approved in the near future. Accordingly work is currently being finalised on details of the service charge to be considered by Council as part of the 2014/15 budget. Although there has been previous media and direct communication with ratepayers regarding the proposed service charge, communications plan has been developed to ensure that all ratepayers are aware of the service charge prior to the commencement of billing in the new financial year.

OFFICER'S RECOMMENDATION

That Council by SIMPLE Majority pursuant to Section 6.38 of the *Local Government Act 1995* RESOLVES to:

1. NOTE the current status of funding for the Pilbara Underground Power Project; and
2. ENDORSE the following proposed communications plan regarding the service charge required to fund the Shire contribution:

Audience	Medium	Timing
All affected ratepayers	Letter and brochure detailing project status and billing model for service charge (including payment options)	Prior to 31 May 2014
All residents	Pilbara News – media release	Every 2 weeks until 30 June 2014
All residents	Pilbara News – advertisement	Every 2 weeks (alternating with media releases) until 30 June 2014
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