

NOIC Annual Charges 2018-19

Your charges include fixed and variable charges. They reflect scheme costs and farmer demand for water. How these charges come about, what fixed charges are for the coming year, and what variable charges could be, are explained as follows.

What are charges?

NOIC has two fixed charges, Annual Financing Charge (AFC) and Annual Operating Charge (AOC). Fixed charges for July 2018 to June 2019 are set in the annual budget and were approved at the June board meeting. NOIC also has variable supply charges that apply to the volume of water used.

- AFC is set to cover debt servicing and infrastructure capital costs.
- AOC is set to cover operational and running costs.
- Variable supply charges meet the monthly cost of pumping irrigation water plus any additional recovery to cover scheme costs. NOIC also charges for stock and shed water three times a year.

The budget for the 2018/2019 season holds fixed monthly shareholder charges at the current level and recovers up to \$500,000 over and above actual power costs from variable supply charges during the irrigation season.

What is influencing next year's charges?

The budget considers the greater scale of the scheme but also preventative maintenance and finishing infrastructure investment. This includes maintaining older infrastructure and completing final works at our two main pump stations which is the main reason for the \$500,000 over recovery. Rather than plan to spend all these sums (which would mean increased fixed charges), the directors instead decided to leave fixed charges unchanged and recover cash when and if needed through variable supply charges.

Recovery of up to \$500,000 over and above actual power costs is a repeat of the approach used in the 2017/2018 season. It means that variable supply charges will be like the 2017/2018 season. In a typical season this increases your volumetric supply charge by \$0.01 per m³. Alternatively, we would have had to increase the AOC by \$2.43 (from \$21.00 to \$23.43 per share per month).

The budget also requires that the proceeds from share sales are applied to pay down bank debt. Currently, 2855 Expansion shares are available.

What will fixed charges be?

Fixed monthly charges each will stay the same level as recent years with AFC of \$30 and AOC of \$21 per share.

Per Month	2016/2017	2017/2018	2018/2019
Annual Financing Charge (AFC) per share	\$30	\$30	\$30
Annual Operating Charge (AOC) per share	\$21	\$21	\$21

What will variable supply charges be in the next year?

Variable supply charges are expected to average \$0.08 m³ which is the same rate as 2017-18. The actual rate could be higher or lower depending on water volumes. In 2016-17 (a very "wet" year) the average rate was \$0.10 per m³ while in 2015-16 (a very "dry" year) the average rate was \$0.07 per m³. Monthly rates vary across the season as set out in the table below.

Cents per m ³ variable supply charges										
	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Average
2015-16	12.00	6.50	7.40	6.50	9.50	6.75	7.75	10.00	11.00	7.00
2016-17	18.00	18.00	18.00	8.50	9.50	9.50	12.50	18.00	20.00	10.00
2017-18	20.00	18.00	8.00	7.00	8.00	8.00	18.00	18.00	19.00	8.00
Stock / shed water rates to be charged to shareholders for 2018/2019 will also remain the same being:										
Non-irrigation season (1 st June – 31 st August)	\$0.15 per m ³		Irrigation Season						\$0.30 per m ³	

What is the historical water use per share?

The first graph compares monthly water demand last season (in red) with monthly highs and lows and average over the last ten years.

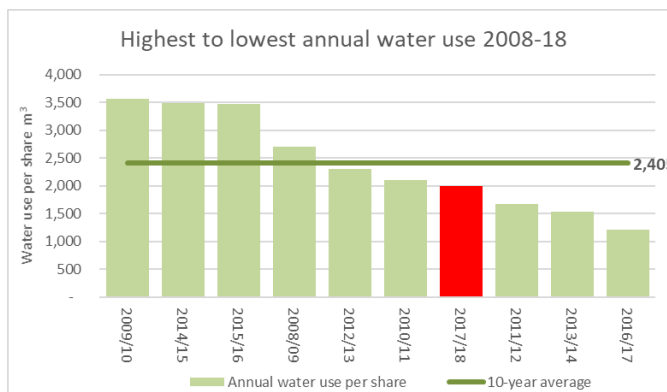
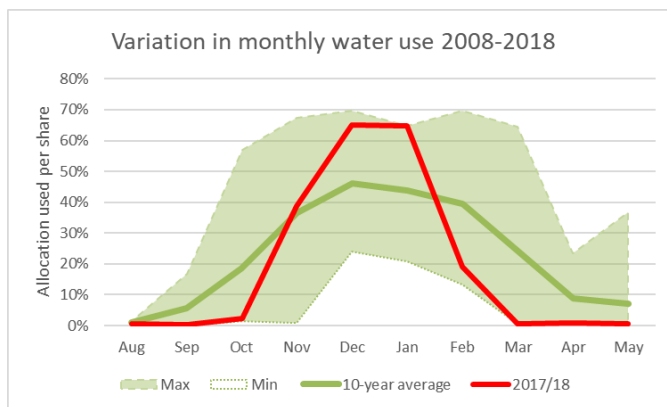
It shows that water use last spring was well below average, December and January were well above average (when many farmers used all their shares) and autumn's use was the lowest seen in the last ten years.

This graph also shows that the pattern of use is different every season.

The second graph compares each season's use over the last ten years.

NOIC farmers used on average 2,000m³ of water per share last season (in red), which was 17% below the ten-year average of 2,405m³ per share.

The graph also shows that three of the last ten years were very dry with use of 3,500m³ per share or 50% above average, and that three years in ten had low use of 1,200-1,600m³ per share or between 33-50% below average.



What could next year's charges be under different scenarios?

The following table shows possible use and supply charge scenarios for the coming year to indicate what your total annual charges could be.

This table combines fixed and variable supply charges for the 12 months from 1 July 2018 to 30 June 2019. (Please note - any stock/shed water would be additional to this).

For example, if variable supply charges average \$0.08 per m³ across the season then total per share charges will range between \$732 (1,500m³ of water) up to \$892 (3,500m³ of water) per share for the 12 months from 1 July 2018 to 30 June 2019.

Water use m ³ per share	Variable supply charge \$m ³ per share (average for the season)		
	\$0.07	\$0.08	\$0.10
1,500	\$717	\$732	\$762
2,400	\$780	\$804	\$852
3,500	\$857	\$892	\$962

I want to compare my historical use, how do I do this?

The final graph shows one farm's use last season. It shows this farm's pattern of use was similar to that of the whole scheme where little water was used early and late in the season while in December and January almost all this shareholder's allocation was applied.

You can access your historic monthly water use information and this graph in the shareholders' area of the NOIC website, www.noic.co.nz



Please contact the office on 03 433 1201 if you need a login or have any questions. We are glad to help.

