

HAVE YOUR SAY

1045801

Submission Form

Submissions close at 12 noon on 2 May 2024. Late submissions may not be accepted.

Thank you for your feedback.

Your details

First Name: LYNDON WEGGERY (CHAIRPERSON)

Last name: WEGGERY

Organisation (if applicable): DUNEDIN AREA CITIZENS ASSOCIATION

Post Code*: 9012

Phone: [REDACTED]

Email: [REDACTED]

* When making a submission, please include your **post code**. If you do not know your post code, please include your **suburb**. Council is keen to understand which part of Otago submissions are coming from.

Which option do you prefer? Tick one box.

Option One – the preferred option – Sale of Aurora Energy

Council to approve a sale of Aurora Energy Limited, on the basis that the proceeds are used:

- a. To repay Aurora Energy's debt (forecast to be \$576 million by mid next year); and
- b. To establish a diversified investment fund worth many hundreds of millions of dollars to create income for Council.

✓ Option Two – the alternate option – Keep Aurora Energy

Council to keep Aurora Energy. If Council keeps Aurora Energy, then it will likely increase in value over time, but a regular income to Council is uncertain. If Aurora Energy was to pay dividends (income) to Council, this would probably be funded by debt.

Further comment

See reasons for opposing this proposed sale & keeping it under Council control in attached submission.

HEARINGS

Do you want to speak to the Councillors at the Hearings? Please tick your preferred time.

Tuesday 14 May	Morning	Afternoon	<input checked="" type="checkbox"/> Evening
Wednesday 15 May	Morning	Afternoon	Evening
Thursday 16 May	Morning	Afternoon	

If you wish to speak at the Hearings, please ensure you provide your contact details. Normally, speakers will be allocated five minutes but depending on how many people wish to speak, time limits may be adjusted.

We respectfully request that the 10 min allocation for groups be re-instated for this hearing.

Where to send your submission

Drop your submission to any Dunedin City Council library or service centre.

Or mail to: Dunedin City Council
Aurora Proposal
PO Box 5045
Dunedin 9054

Privacy Statement

Your name and feedback will be made public as part of the Council's decision-making process. If you provide the name of your organisation, please note this may be made public too. The information you provide may be included in papers for the public and the media and will be used for the purpose of the Dunedin City Council proposal on Aurora Energy consultation. The provision of your personal information is optional. Council will collect, store, and use your information in accordance with the Privacy Policy. This can be found on the Council website: dunedin.govt.nz/privacy-policy

Dunedin Area Citizens Association 16.

Submission to Dunedin City Council on Proposal to sell

Aurora Energy

We have carefully looked at this proposal and would oppose the sale preferring Option Two to keep Aurora Energy under Council control for the following reasons:

1. Aurora Energy is a very profitable Company with \$100M earned in set line charges that made \$16.1M pretax last year and has the ability to earn a lot of money in the future in terms of their regulated profit. Deferred income currently sits at \$36M, money which can be reclaimed from line charges in future years. As pre -approved by the Commerce Commission line charges will again increase next month by \$12M and annually up to 2027. The most common domestic line charges in Dunedin are 7c per unit compared to Central Otago who pay 17c per unit. And that is one third of our monthly power bill.

2. Although the debt is high Aurora only need \$17M in line charges to meet the interest cost this year and are well positioned to meet subsequent years. The increase in line charges last year alone more than covered the entire cost of servicing the debt.

3. They are a very profitable company because their true profit is Government guaranteed with \$36M of the current \$52M earnings not yet realised in deferred income. Aurora makes money on its assets using a commercial principle of a regular asset base. (RAB). With Commerce Commission backing in what is known as a Weighted Average Cost Capital formula (WACC) an acceptable return has been worked out which is asset value plus WACC to currently be 6.7% yearly return plus operational expenses.

4. There is perceived risk in Aurora Energy being sold to an overseas buyer as has already happened with Wellington Electricity and others; with no guarantee that the Overseas Investment Office won't grant consent. If that did happen then line charges will rise faster than planned because the new owner will require a certain percentage return on their investment and the current upgrade of ageing facilities could be placed in jeopardy as a cost saving measure. Central Otago pay the highest line charges in N.Z. (after accounting for deferred profit). and a new owner will naturally want to maximise on their investment and most likely cause a dramatic increase in Dunedin householder power accounts as well.

5. It is in the long-term interest of ratepayers and residents of Dunedin and as the consumers of line charges to a monopoly Company; that their elected representatives better understand the true nature of Aurora's potential earning power and demand an acceptable dividend from Dunedin City Holdings; recognising that Aurora Energy would play a key role in contributing to that dividend as is the case with the Christchurch City Council and its local energy supplier (Orion). DCHL are

mistakenly not recognizing deferred income profits which will become available in 2027 along with the likely linear increase in profitability up to that date.

6. It is tempting to sell off Aurora and have extra money to pay off Council debt but there is no guarantee the funds raised would be used this way except from a Waipori type Investment Fund where returns could only be "drip -fed" back to Council. The best way to address the Council's finances is to curb spending in unnecessary areas as identified in the Long -Term Planning and engagement process that Council intends to do with its 9 Year Plan.

Finally we note that notwithstanding this proposal is being handled under the special provisions of Section 83 of the Local Government Act 2002; Councillors have been persuaded by staff to forgo the requirements to give the public a summary of information that complies with Section 89 of the said Act. You will recall that S.89 states that this summary must "be a fair representation of the major matters in the proposal". In our view and despite the information given in pages 7 & 15 of the Consultation Document; staff have failed to lay out more information covering the pros and cons of Option 2 which is the status quo for the enlightenment of all affected parties; so that anyone could then submit an informed opinion on both options.


Lyndon Weggery

Chairperson

Dunedin Area Citizens Association

2 May 2024