

**MINUTES OF MEETING OF THE BOARD OF
OPUHA WATER LIMITED
HELD 8.30AM, TUESDAY 23rd SEPTEMBER 2014
AT THE BOARDROOM OF OPUHA HOUSE, PLEASANT POINT**

- PRESENT:** T Lambie (Chair), D O’Sullivan (Vice-Chair), T Howey, N Gormack, J Boys, N Hyslop.
Also in attendance was T McCormick (CEO), R Wells (Consultant) and A Bennett (minutes).
- APOLOGIES:** A Reid. N Gormack (lateness), Mr Wells (lateness).
- AGENDA:** The agenda was distributed prior to the meeting with the September 2014 Management Report.
- PREVIOUS MINUTES:** No amendments were made to the previous minutes.
It was **Resolved** that the Minutes of Meeting of the Board on 27th August 2014 be confirmed as a correct record of that meeting. This was moved by Mr O’Sullivan and seconded by Mr Boys. The motion was carried.
- MATTERS ARISING (from previous minutes):** The Action Points status table was reviewed and the following discussions were recorded:
- Water Quality
Mr O’Sullivan made a note in regards to Water Quality on page one of the minutes that his action point on this item would come out of Mrs Crossman’s catchment group meeting in October. A presentation will be made there of all the water quality issues and this presentation can come back to the Board.
- Surplus Water
Mrs Hyslop asked that some reference to AN water expressions of interest be acknowledged in the surplus water action.
- Environmental Manager Position
Mr Howey noted that he was not present at the last meeting when this action was removed. Mr McCormick replied that he would still provide a case for justification of the position.
- Insurance
‘Wear and Tear’ was noted under the insurance action point for follow up with Mr Steve Sugrue.
- CONFLICTS OF INTEREST:** The Conflicts of Interest register was reviewed and the following amendments were made:
Mr Boys advised that his CEO role at Primeport Timaru should be removed, effective immediately, but noted that he is retaining an on-going role with the port upgrade projects for the next 12 months.
Mr O’Sullivan added his interest as Trustee of Aoraki Water Trust (AWT).
Mr Gormack added his role of secretary (through QA) of Aoraki Water Trust (AWT).
Ms Bennett noted that Kakahu and Totara Valley companies were still yet to be struck off and interests in those company’s would be removed from the register once they had been wound up. Mr Gormack commented that he was unsure how the other companies (OWL, SCFIS, LPIC) had already been struck off when they have an audit to go through and 2015 tax returns would need to be filed. Possibly because they amalgamated instead of going through a sale? To confirm with Andrew or Hamish at Tavendale and Partners.
- Action Point: Mr McCormick/Ms Bennett**
- CHANGES TO SHAREHOLDING:** Five share transfer documents have been received and are awaiting approval by the Board.
Ms Bennett noted that all of these transfers have arisen through the merger process where it has highlighted the ownership of shares, and shareholders are correcting the ownership name to align with owned land, etc.

- L McLeod to McLeod Family Trust
- NZ Rural Property Trust to NZ Rural Property Trust Nominees Ltd
- Lufinoning Trust to GP & BE Scott Ltd
- LM Keenan to LM & JK Keenan Family Trust
- RJ Everett & WJ Haare to RJ Everett

It was **Resolved** that the share transfers listed above be approved subject to receiving signed water agreements. This was moved by Mr O'Sullivan and seconded by Mr Howey. The motion was carried.

A 'water agreement' column is to be added to the Changes to Shareholding list to indicate prior to share transfer approval whether a signed water agreement has been received.

Action Point: Mr McCormick / Ms Bennett

Mr McCormick and Ms Bennett to prepare a real estate/legal pack to send out so professional bodies are notified we have a share transfer process in place.

Action Point: Mr McCormick / Ms Bennett

Four sales have recently been completed but formal advice is yet to be received:

- Raincliff Station Ltd - land sale to The Kowhais Ltd and to Pye Group
- Lindsay Fryer - property sale of Phiskie
- Alex Sole - property sale
- WG & GC Clarke - property sale

It was noted that Mr Bill Clarke's debtor account has been overdue for a long period and has continued to increase with no regular payment. The approval for the share transfer will be subject to receiving payment in full.

CEO REPORT:

The CEO report was circulated to Directors before the meeting. The report was taken as read and general discussions on the following were noted:

Financials

The reports were based on the period of August 2014.

After some adjustments had been made to the July balances the current overall position is approximately \$287k ahead of budget which is a result of the unbudgeted Collett settlement. Mr McCormick and Mr Gormack to confirm whether the Collett income is taxable.

The balance sheet has not been established due to waiting for opening balances from KIL, TVI and LPIC, so no depreciation has been applied for both July and August.

Cash Holdings

As at 17th September, \$394k was held in the cheque account and \$500k in the call account. On 10th September, \$363k was received from Kakahu through closure of their ASB accounts and the cash funds are destined for debt reduction on the next monthly loan rollover.

It was previously thought that Totara Valley had repaid their loan debt prior to the merger but has since been identified that the loan drawdown on merger was for both Kakahu and Totara Valley. Mr McCormick and Ms Bennett to organise splitting the loan so interest and principal payments can be identified and allocated to each scheme.

Action Point: Mr McCormick / Ms Bennett

Operations

Lake and River Water Quality

A media article on 29th August reported concerns over the high level of algal 'debris' in the Opihi which was frustrating whitebaiters due to clogged nets. Mrs Hyslop commented that while this problem is important to investigate the article missed that there are other water streams in the district having the same problem.

Asset Maintenance & Management

Scheme Maintenance

Mr McCormick reported that fish screens in Kakahu, Totara Valley and Levels have all been overhauled, refurbished and had mechanics replaced as required.

Mr Gerard van den Bosch has been to Kakahu to carry out weld repairs on MR1 pipeline, although one repair requires re-work and Mr Pagan is following up on this.

Downstream Weir Modifications

A progress report to 17th September from Tonkin & Taylor was provided in the management report. Tonkin & Taylor have reviewed the project and identified a potential reduction in the April estimate of close to \$500k. They have specified that once they are back onto design on this project costs would start to begin, but no costs are involved with reviewing and updating where we are at now.

Mr McCormick advised that Downers have offered to undertake a construction review and Tonkin and Taylor have been asked to get a pack together for them. A contractor has a different approach for pricing to that of a consultant.

Action Point: Mr McCormick

The resource consent approval has not been finalised but MDC have issued the land use consent with acceptable conditions.

Mr Gormack asked Mr McCormick where he would now like to take this project. Mr McCormick replied that he does not think the reviewed costings are enough to turn the project around and an expectation of building this summer has been flagged. It needs more work done to make it a viable project at the right price.

Management Reporting

Health and Safety

No incidents or First Aid treatments were recorded during the period.

Dam & Power Station Management

Energy Contract

A RFP is currently in the market for a PPA and closes on 19th September and Energy Link will provide a report and recommendation the following week. Our contract with TrustPower gives them the opportunity to match or better the best offer.

Action Point: Mr McCormick

Operations and Maintenance Contract

Mr McCormick has signed the agreement for Renewal and Amendment with TrustPower and extends the O&M contract period to 30th August 2018.

TrustPower are undergoing a current strategic asset maintenance review which includes Opuha and at the recent quarterly contract review meeting advised that the outcome of this will be a more formal maintenance regime for critical generation assets.

TrustPower are working on a proposal for replacement of the station hydraulic system including the governor. The potential upgrade is likely to cost over \$500k and has been identified as a low probability with a high consequence of failure, primarily because of the long repair times. Mr McCormick added that the replacement part was made in Germany and was not an off-the-shelf item. The shutdown would affect generation income only as the dam could still be operated for water flows, the generation income loss would be covered under machinery breakdown insurance.

Mr Gormack asked if the plans for the parts are ready to go if it needs made? Mr McCormick advised that he would go to TrustPower for this. It was agreed that we need to be quick in responding and asked Mr McCormick to come back to the Board with a 'de-risk' programme.

Action Point: Mr McCormick

Mr Boys asked whether there is a policy for CEO expenditure and signing off contracts? There is currently none in place and the Board agreed that a policy be drafted.

Action Point: Mr McCormick

Strategic Water Projects

Saleyards Bridge Flow Recording & Compliance

Mr McCormick advised that Steve and Julia have identified some operational issues with the concept of the 24 rolling average option and some more work is required to ensure it does provide the anticipated stored water saving. Mr Richard De Joux at Environmental Consultancy Services (ECS) is peer reviewing the different options.

Merger of OWL Entities

Director Elections and AGM

Nomination forms have been sent out with a closing date of 1st October. Voting papers will be issued in the week beginning 13th October with a closing date of 24th October. All five current farmer Directors have indicated their willingness to stand for re-election.

Mr McCormick highlighted that the AGM and Annual Report we are currently planning are actually for SCFIS Ltd, as it existed at 30th June 2014. However as the 'old' Opuha Water Ltd is the operating company, the financials for this company would be presented.

A notice of annual report has also been sent indicating that printed copies will only be sent to those who specifically request one in order to save costs. The Annual Report will be publically available on the website for download.

OWL Systems Update

MYOB Exo Accounting System

Mr McCormick reported that the MYOB Exo system has been challenging with a number of issues arising over the first couple of months of live operation. Mr McCormick and Ms Bennett have been working with the service provider Focus to resolve the issues. Mr McCormick has been in contact with Focus to address the escalating costs of support and is awaiting their response in how to manage the costs going forward. Focus has initially agreed that the implementation costs have exceeded their expectations.

Mr Gormack suggested that Mr Andrew Johnstone from QA be engaged to review the system. Mr Gormack noted his conflict of interest.

Action Point: Mr McCormick / Ms Bennett

Other Matters

Land Sale - Colletts Road

Mr McCormick has met with Mr Dave Ellis, the new owner, and feels that Mr Ellis has a clear understanding of how the water supply agreement is intended to operate. Mr Ellis has indicated that he would be keen to have an automated system that will shut down the irrigation system based on signal of surplus water flow in the river.

BOARD PAPERS: No board papers were present in the September management report.

FINANCIAL STATEMENTS: August 2014 Financial Statements
The Financial Statements for the month ended 31st August 2014 were taken as Read.

The overdue aged debtors report was reviewed. Ms Bennett to follow up with Mr Keith Malthus and Mr Mark Ryan in attempt to bring their accounts up to date.

Mr Wells arrived at the meeting at 9.57am.

GENERAL BUSINESS: Annual General Meeting & Reporting Process

Mr McCormick advised that an Annual Resolution by Directors of Co-operative Company is required as follows:

It was **Resolved** on 23 September 2014 that the Board of Opuha Water Limited (the *Company*) in the opinion of the Board, the Company has, throughout the period of 12

November 2013 (being the date that the Company was registered as a cooperative company under the Co-operative Companies Act 1996 (the Act)) and 30 June 2014 (being the end of the Company's financial year) been a co-operative company within the meaning of the Act for the following reasons:

- 1 During that period the Company carried on as its principle activity was a co-operative activity (as that term is defined in the Act);
- 2 The constitution of the Company states its principle activities as being co-operative activities (as that term is defined in the Act); and
- 3 During that period not less than 60% of the voting rights of the Company were held by transacting shareholders (as that term is defined in the Act).

This was moved by Mrs Hyslop and seconded by Mr Gormack. The motion was carried.

Mrs Hyslop left the meeting at 10.00am.

Quotable Value

Mr McCormick advised that he has received a letter from Quotable Value indicating that all irrigation schemes will now be valued. Mr McCormick noted that he understands that this would be a discussion at tomorrow's Irrigation NZ forum and would come back to the board with any further information.

Aoraki Water Trust (AWT)

Mr McCormick advised that he has received a letter from David Henshaw on behalf of AWT. Mr O'Sullivan commented that AWT are happy to commit funds in return for OWL to project manage looking at review of the Tekapo Transfer option. Mr McCormick to circulate the letter and make a recommendation to the Board.

Action Point: Mr McCormick

There being no further business, the meeting closed at 10.15am.

Chairman

Date

Health and Safety Management Presentation

Following the meeting, Mr McCormick made a Health and Safety Management presentation and provided each Director with a pack.

Separate Minutes will be prepared for this session

The presentation ended at 12.20pm.