

**MINUTES OF MEETING OF THE BOARD OF
OPUHA WATER LIMITED
HELD 8.30AM, TUESDAY 3rd FEBRUARY 2015
AT THE BOARDROOM OF OPUHA HOUSE, PLEASANT POINT**

- PRESENT:** Tom Lambie (Chair), Nicky Hyslop (Vice Chair), Milne Horne, Jeremy Boys, Alvin Reid, Nigel Gormack. Also in attendance were Tony McCormick (CEO) and Aimee Bennett (Minutes).
- APOLOGIES:** Dermott O’Sullivan
The Chairman noted that Mr O’Sullivan’s absence was due to ill health and that, on behalf of the Board, he wished him a speedy recovery.
- AGENDA:** The agenda was distributed prior to the meeting with the February 2015 Management Report.
Mr Lambie suggested a photo of the low lake be printed to join the canvas print on the board room wall. Mr McCormick said the remote camera installed on Mr David William’s hill would provide some great photo opportunities.
Mr Reid asked if the link to the remote camera could be made available on the website.
Action Point: Mr McCormick / Ms Bennett
- PREVIOUS MINUTES:** Mrs Hyslop noted a spelling error on page 4 of the minutes.
It was **Resolved** that the Minutes of Meeting of the Board on 19th December 2014 be confirmed as a correct record of that meeting. This was moved by Mrs Hyslop and seconded by Mr Horne. The motion was carried.
- CONFLICTS OF INTEREST:** Mr Lambie requested that his interest in the Zone Committee be updated to ‘Lower Waitaki’.
Ms Bennett added Mr Horne’s interest in Bonaccord and Accord Dairies, as shareholders of Opuha Water, to the register following the December Board meeting. Mr Horne advised his interest as Director and Shareholder in Skipton Farm Limited, along with interests in Kakahu and Waihi river catchment groups also be added to the register.
Action Point: Ms Bennett
- MATTERS ARISING (from previous minutes):** The Action Points status table was reviewed and the following discussions were recorded:
Treasury Policy
Mr McCormick advised that the first draft will be available in a few days.
Policy for Collett Property
It is very important that the Collett water policy is drafted for Board review as soon as possible. Directors need to understand and be familiar with the terms of when Mr Ellis can operate.
Health & Safety
Mr Gormack expects all accidents are reported to the Board. The Health & Safety section in the CEO report to be expanded to report that all procedures and policies are being followed.
Mr Horne noted that his farm manager was recently at the lake on his motorbike and reported that wire, waratahs and posts are exposed in the drained lake. Mr Horne asked whether this is a health and safety issue. Mr McCormick replied that the lake bed is ours, as it is private land. It is not a council issue until the lake is full of water and can be used recreationally.
The Board agreed that there is a safety risk and we should be cleaning up any exposed rubbish while the lake is currently at a low level. Mr McCormick noted that Whitestone Contracting have requested to remove some clay and suggested to resurface tracks, so will approach them in the first instance to see if they can attend to the clean-up of the lake bed.
Action Point: Mr McCormick
- CHANGES TO SHAREHOLDING:** The Changes to Shareholding list was provided at the meeting for approval by the Board.
The following sale and transfer agreements were recorded:
- J R & A C Bruce to Four Bruggemans Family Trust 4W, 4L
 - Ryan Farms Limited to Patrick Lyon 6W
 - Adrian Campbell to David and Catherine Henshaw 10W, 10L

Following the distribution of the Changes to Shareholding list, a further share sale document was received from Sandra Wilson to Barry Wilson for 1W, 1L. Mr Pagan to confirm that operationally Mr Wilson will be able to use this share.

Mrs Hyslop asked whether the recent sale of Levels shares provided a market value for infrastructure shares. Mr McCormick replied that the shares will be used within the Levels scheme therefore the previous mention of possible sale of the "L" infrastructure shares is not required. Mr Gormack commented that the market determines the price and both Directors and staff should not be disclosing share sale values, we should be suggesting they are put to tender. We often do not know the sale price when shares are sold as part of a property settlement.

It was **Resolved** that the share transfers listed above be approved subject to receiving signed water agreements (if they haven't been received to date). This was moved by Mrs Hyslop and seconded by Mr Boys. The motion was carried.

The following lease agreements were recorded:

- Sterndale Farm Limited (J Fraser) to Tirohanga Trust (Goslin) 48W
- A G & O S Lyon to C E & B E Lyon Family Trust 48W
- Patrick Lyon to Monument Road Farm Limited 6W
- David Blakemore to Tony Howey 80W

A discussion was held on share leases. Mr Horne noted that under the consents issued by ECan, irrigators are not allowed to put on more than 25mm per hectare per week. Mr McCormick replied he doesn't believe any users in current lease agreements are applying more water than 25mm.

Mr Reid suggested that an administration fee be charged to cover additional paperwork required with leases. Mr Gormack added that there is a charge for share transfers. Ms Bennett noted that the \$225 plus GST administration fee has not been charged for some time.

It was **Resolved** that the share leases listed above be approved subject to receiving signed water agreements (if they haven't been received to date). This was moved by Mr Reid and seconded by Mr Horne. The motion was carried.

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 December 2014. The current position based on normal operational and budgeted activities is \$77k ahead of budget. Income is \$90k below budget and expenditure is \$167k below forecast. Additional factors that will influence the overall result to year end include the change of depreciation treatment of fixed assets and resource consents and significantly lower generation forecast for the remainder of the year.

Mr Gormack requested that a forward 12 month cashflow forecast be prepared on 'worst case scenario' with minimal water available for generation.

Action Point: Mr McCormick / Ms Bennett

Amalgamation Accounts

The treatment of fixed asset depreciation rates has differed from that incorporated in the Prospectus following a review exercise led by Mr Andrew Johnstone. The revised approach requires a separate register for tax and accounting but maximises the tax benefit. Ms Bennett to provide a summary of key differences between Prospectus and revised approach.

Action Point: Ms Bennett

Based on the advice of KPMG we have initially agreed to adopt a cost model for fixed assets, rather than a valuation model to avoid on-going valuation and compliance costs. Mrs Hyslop asked whether the bank is happy with the cost model. Mr McCormick replied that he has not spoken with ANZ on this. KMPG are engaged to carry out an audit of the opening position next week, and this should simplify the process as part of year-end audit.

Mr McCormick advised that Mr Johnstone is also engaged to review the financial information reported to the Board. Mr Gormack suggested keeping the reports as is for now, he is happy with the level of detail. Mrs Hyslop supported Mr Gormack's suggestion.

Debt Structure Proposal from ANZ

A copy of the ANZ Bank Interest Rate Hedging briefing paper dated 28th January 2015 was provided in the Management Report. The paper was prepared to consider the current outlook for interest rates and OWL's current interest rate hedging position and potential restructures.

The Board agreed that there seems to be a lot of options presented, and a simple analysis would be helpful to tell whether we would be better off in 10 years. Mr Lambie would be keen to see the risk profile with more debt on floating.

It was agreed that Mr McCormick ask Murray & Co to do a cost assessment of scenarios at no cost (due to not being happy with the last report). If Murray & Co do not come to the party, then Mr McCormick to get assistance from Mr Andrew Johnstone. The target time frame is two months - completion for April Board meeting.

Action Point: Mr McCormick

Operations

Lake Levels and Storage

The likelihood of full depletion before the end of February is now a very real possibility. Once 370m is reached there will still be about 5 million cubic metres in the lake.

A WSD was issued yesterday (2nd Feb) to reduce the minimum flow from 3.5 to 2.5 cumecs in order to extend the storage by up to a week. Mr Horne attended the OEFRAG meeting in place of Mr O'Sullivan who was unavailable. The group asked what OWL was going to give for the cumec saving. It was suggested that irrigators go to 75% restrictions, but operationally it doesn't work, therefore in response suggested that irrigators remain at 50% restrictions, however shut down at 371m, instead of 370m. Dropping to 2.5 minimum flow will provide around 5 days additional irrigation and 15 days river flow. Mr Lambie commented that we need to learn whether 2.5 cumecs has any effect on the river, as looking back we could have dropped from 3.5 to 2.5 cumecs in January and then potentially got through until mid-March.

OEFRAG are waiting for figures on what is needed for release for river flows once 370m is reached – we can only release water equivalent to lake inflows once we reach 370m and will be relying on an increase in inflows to lift the river flow back to an acceptable level, before we can start banking water for potential irrigation release. Fish & Game have been transferring fish from dry rivers to the Opihi and it is important that we protect the river as much as we can.

Mr McCormick is currently working with OEFRAG members to cover the scenario that the lake does reach 370m storage before the end of the season. Whether we can provide any further irrigation this season is unknown and highly dependent on whether unseasonably high rainfall is captured before the end of March. McCormick is mindful of winter crops for farmers.

Mr McCormick noted that when the dam breached in Feb 1997, the lake was at its current level (376.4m). Mr McCormick commented this was noted purely out of the coincidence aspect (time of year and lake level).

Mr Boys asked whether there are any concerns with the dam structure at this low lake level. Mr McCormick advised that he had enquired of Tonkin & Taylor and they do not have any concerns. The Annual Dam Safety inspection has been brought forward slightly (24th February) mainly because the low lake offered the opportunity to inspect the exposed upstream dam face.

Lake and River Water Quality

Mr Gormack asked whether there are phormidium issues with lower river levels. Mr McCormick replied that the season is showing high phormidium and didymo. Mr Lambie added that a student completed an investigation on periphyton and it appears that its growth is not caused by high temperatures or nutrients, but more from a lack of freshes and minimal rolling of river stones. The student is continuing investigations through this summer to confirm findings.

A discussion was held whether we revisit the sample testing for chemicals in the lake with the low level. Another option could be to try some ground penetration/sounding method to try and identify anything under the exposed lake bed. Fish & Game and ECan are both happy with the last results so it is unclear why we should revisit the speculations. Mr McCormick

commented that he had had a conversation with Mr Ray Brokenshire who suggested that the person who made the original allegations was still available to go to the lake and identify the area he believes the dump is located. It was agreed to advise ECan that there is an opportunity to investigate allegations further while the lake is low and leave it in their hands.

Action Point: Mr McCormick

Power Station and Dam Maintenance

The routine inspection regime completed by Siebers International has been reduced from two to one site visit per week with every fourth week replaced by Trustpower's scheduled site visit.

A quarterly review meeting is planned with Trustpower this afternoon.

Downstream Weir Modifications

Downers only received the design data from T&T the week before Xmas so have been getting up to speed on the proposal in January. They offered to undertake the review at no cost and a kick-off meeting telecon was held on 29th January. Mr Lambie asked whether Solid Energy is an option instead of Tonkin & Taylor. Solid Energy, Fulton Hogan and Downers are doing a fantastic job at Central Plains.

Lake Aeration System

There has been an issue with the power supply to the new lake aeration compressor. The station auxiliary transformer needs upgrading and a quote from Netcon has been sought. The low lake level has avoided any low dissolved oxygen issues since the lake has not stratified (i.e. there is only a very small temperature difference between top and bottom) so it appears the lake will not need aeration this season.

Operations Staff

An engineering student from Canterbury has been employed over the summer period to assist the operations team. Mrs Hyslop suggested that we register with the Engineering School at the University to indicate we have an opportunity for vacation work for students in the future.

Action Point: Mr McCormick

Energy Contract

The PPA contract with Pulse Energy is now concluding its third month and processes so far appear to have worked well. Mr McCormick has advised Pulse of the adverse generation outlook. The revised budget outlook regarding electricity review was presented in the report.

Strategic Water Projects

Saleyards Bridge Flow Recording and Compliance

The request to undertake a trial through January of the rolling 24 hour regime was rejected by Arowhenua. Arowhenua were not willing to allow any action that potentially reduces river flows. Mr McCormick expressed his disappointment and frustration at the outcome since it was only a trial that had been proposed and both F&G and ECan were supportive. The proposal has been dropped (for now).

Tekapo Water (New Water)

The dry spell has triggered a new focus on alpine water. Mr Peter Scott has taken over as Chair of the Regional Infrastructure Committee/Working Group, and expects the focus for finding a solution for South Canterbury will step up.

Mr Scott is also coordinating some meetings with Rangitata South as part of RDR's storage development proposal. Mr Ben Curry (CEO, RDR) has been invited to the South Canterbury working group meeting. Mr Gormack commented that Mr Gary Rooney will need to be involved for any proposal to be considered.

Environmental

BN Consent Applications

Mrs Hyslop noted that she has heard another storage pond may be underway in the near future above dam following a recent property sale. It is important that we are advised of applications and it was agreed that Mr McCormick and Mrs Crossman consider what further steps we can take to ensure the lake is not disadvantaged and outline the demonstrable impact on the company operation.

Above Dam Consent Holder Relief

The above dam users were provided with some relief through the WSD and in doing so a precedent has been set for future years with both OEFrag and ECan. The Board agreed in principal that some relief should be available if we are talking small numbers. It was noted that many of the landowners and irrigators have moved in/established since the dam was commissioned so have bought in knowing the consent restrictions. Original landowners did not have any choice. A policy needs to be drawn up for this. Mr McCormick noted that they are not looking for any changes to their consent, they are looking for relief from our restrictions when the river is up.

Action Point: Mr McCormick

Opuha Catchment Group

Mrs Hyslop and Mr Reid requested that Mrs Crossman please forward copies of the notes from the Opuha River Catchment Group meetings held prior to Christmas.

Action Point: Mrs Crossman

FINANCIAL STATEMENTS:

November & December 2014 Financial Statements

The Financial Statements for the months ended 30 November 2014 and 31 December 2014 were taken as Read.

Mr McCormick advised it has been a slow exit to wind up the Retail Electricity trial which was set to end on 30th September, and over the last couple of months we have made money. Mrs Hyslop commented that she has now switched suppliers and is no longer part of the trial.

Mrs Hyslop noted significant variance between water measurement and telemetry management actual vs budget. Mr McCormick and Ms Bennett to follow up.

Action Point: Mr McCormick / Ms Bennett

The Aged Receivables report was reviewed. Ms Bennett identified the receivables that were transferred from Levels Plain Irrigation on amalgamation – most of these related to electricity accounts on the SH8 extension line.

GENERAL BUSINESS:

2015 Board Meeting Dates and Calendar

The suggested 2015 meeting dates discussed at the previous board meeting were circulated with the Management Report. Due to other commitments of Mrs Hyslop in April and June, the meeting dates were changed to Wednesday 8th April 2015 and Wednesday 3rd June 2015. Ms Bennett to send out new meeting invites for these dates.

Action Point: Ms Bennett

Board Planning Calendar

Mr McCormick presented a Board Annual Planning Calendar at the meeting. Due to the commitment involved with the current lake situation, it was agreed to move the Strategic Planning session from March out to June.

The following Board sub-committee groups were proposed:

- Audit (financial) and Treasury - (after some discussion, it was agreed that "Audit" sat better with Treasury than with the (usual) Risk sub-committee.)
- Remuneration - Chair and Vice Chair
- Risk

The previous proposal that the whole Board should be involved in Health & Safety matters (i.e. no sub-committee) was endorsed by the meeting.

Mr McCormick to suggest the sub-committee members for the above groups.

Action Point: Mr McCormick

On Farm Storage Pond

Mr McCormick has recently been contacted by Mr Tom McFarlane to advise a storage pond (50,000 m³) has been built on his property at Raincliff. Mr McFarlane was not initially aware of the requirement for Board approval for storage ponds as part of the water supply agreement. Storage ponds potentially reduce the reliability for everyone else. A key aspect of the requirement for consultation and approval of the Board is to consider the opportunity to

integrate private ponds operationally with the wider scheme. It was again agreed that a policy is required to manage requests from landowners to build private ponds. Mr McCormick to investigate and report back to the Board.

Action Point: Mr McCormick

There being no further business, the meeting closed at 12.02pm.

Chairman

Date