

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

PRESENT: Tom Lambie (Chair), Nicky Hyslop (Vice Chair), Dermott O’Sullivan, Milne Horne, Jeremy Boys, Alvin Reid, Nigel Gormack.
Also in attendance were Tony McCormick (CEO) and Julia Crossman (minutes).

APOLOGIES: Nil.

AGENDA: The agenda was distributed prior to the meeting with the March 2015 Management Report.

PREVIOUS MINUTES: Mr McCormick stated the intent to issue the minutes soon after the Board meeting, collate any amendments, and include the revised minutes with tracked changes in the Management Report.

Mr Lambie noted an error under page 3 of the minutes, stating that the growth of periphyton ‘is not caused by high temperatures *or nutrients*, but more from *a lack of freshes* and minimal rolling of river stones’.

It was **Resolved** that the Minutes of Meeting of the Board on 3rd February 2015 be confirmed as a correct record of that meeting. This was moved by Mr Lambie and seconded by Mr Boys. The motion was carried.

CONFLICTS OF INTEREST: Mr Lambie requested that his interest in Farm Ownership – Meadowvale Ltd be amended to Director/*Owner*.

Mr O’Sullivan noted that he is no longer Vice Chairman and asked for this to be removed and transferred to Mrs Hyslop.

Action Point: Ms Bennett

MATTERS ARISING (from previous minutes): The Action Points status table was presented at the meeting for review and the following discussions were recorded:

Strategic planning forum

Mrs Hyslop suggested it was appropriate that reference to ‘new board’ be removed

Revisit allegations of chemicals dumped in lake

Mr Reid asked why there was still an action point referring to revisiting the chemical dumping situation, when there was agreement at the last Board meeting to leave it in ECan’s hands.

Mr McCormick stated that this issue had been discussed with ECan (Ken Taylor and Tim Davie) and they had agreed that if a specific location could be pin pointed, they would be prepared to support some non-invasive investigation such as ground penetrating radar. . Mr O’Sullivan suggested that the low lake provides a good opportunity to look at this issue – it is raised at every community/catchment group meeting.

Mr Gormack expressed concern that if a dumping spot is identified, OWL will be obliged to dig it up.

It was agreed that Mr McCormick offer the opportunity for the group led by Ray Brokenshire to pinpoint the dumping spot, but that any lake visit needs to be undertaken in coordination with ECan.

Action Point: Mr McCormick

Policy Action Points

Mr Horne observed that a number of the Action Points relate to the development of policies, some of which are critical and need to be completed as soon as possible. The Board need to assist in developing a framework around these policies, as it was acknowledged that Mr McCormick cannot work through them on his own.

Mrs Hyslop acknowledged that a number of the policies listed have arisen as a result of the

current season, but there are some policies such as the Treasury policy that has been discussed for too long.

Mr Gormack asked Mr McCormick whether he felt he was sufficiently resourced (in terms of time and personnel) to develop these policies. Mr McCormick responded that he was aware that the Board would support bringing in additional resource however most of these policies require internal understanding and are therefore more suited to being developed in-house. He suggested that the development of policy needs to start with a discussion paper, followed with a workshop with the Board to develop a framework and get clear guidance..

Mr Boys noted that a number of policies were about water and therefore there needs to be some integration between policies. Mr Horne stated that OEFrag were effectively making policy now. It is important that OWL develop its own policy to guide the OEFrag discussions. A workshop across all water policies was suggested.

Mr Lambie suggested two subcommittees be formed – one for Treasury/Finance Policies, and the other for Water Policies. Each sub-committee can then workshop the relevant issues. Mrs Hyslop stated that these subcommittees need to be empowered, and report back on their discussion to the wider Board at each meeting.

Mrs Hyslop suggested that these policies, once approved by the Board, should be available on the OWL website.

The following sub-committee compositions were agreed:

Water – Mrs Hyslop, Mr Horne, Mr Boys and Mr O’Sullivan

Finance/Treasury – Mr Gormack, Mrs Hyslop, Mr Horne

It was suggested that the Action Table has another sub-heading ‘Policy Development’, where all of the outstanding policy actions are listed.

Action Point: Ms Bennett

Sub scheme depreciation

Mr Reid requested that an Action Point be added regarding Sub-Scheme Depreciation, which was raised pre-merger. Mr Gormack suggested that this is a depreciation allocation issue since the actual depreciation methodology had been finalised through the review process that Mr Andrew Johnstone had facilitated.

There was agreement that a Depreciation Allocation Policy needs to be developed to guide future asset development, and that Mr Andrew Johnstone is engaged to provide advice to guide this policy development. Mr Boys noted that this policy needs to reflect the intent prior to the merger.

Action Point: Mr McCormick/Ms Bennett

12 Month forecast

Mr Gormack acknowledged the cashflow forecast that had been presented for the remainder of this financial year and requested that an Action Point be added regarding a further 12-month forecast. This needs to be a worst-case scenario if we are unable to fill the lake before next season. This needs to forecast through to June 2016. Mr Reid suggested looking at a season from the mid-80’s where there was no winter/spring rain, to give an indication of this worst-case.

Mr McCormick drew attention to the merger documentation which states that water charges will not increase for 2 years from the date of the merger.

Action Point: Mr McCormick/Ms Bennett

Further matters arising from previous minutes

Telemetry costs

Mr McCormick reported, in response to a question on the variation between actual and budgeted expenditure for Water Measurement and Telemetry costs is a result of these costs for Levels and Totara Valley not being included in the post-merger budget. Mr McCormick reported that ECS has optimised charges on a consolidated basis post-merger.

Mr Reid suggested that OWL should tender out for the telemetry/gauging contract next year, to ensure we are getting the best deal.

Action Point: Mr McCormick/Mr Pagan

**CHANGES TO
SHAREHOLDING:**

The Changes to Shareholding list was provided at the meeting for approval by the Board.

The following sale and transfer agreement was recorded:

- Sandra Wilson to Barry Wilson 1W, 1L

Mr Pagan is to confirm that this share transfer is operationally feasible.

Mr Gormack emphasised the policy that no water agreement equals no water.

It was **Resolved** that the share transfer listed above be approved subject to receiving signed water agreement (if it hasn't been received to date) and the water supply being operationally feasible. This was moved by Mr Horne and seconded by Mrs Hyslop. 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:

Health and Safety

Mr McCormick reported that the H&S Management Systems Audit which had been scheduled for March has been postponed due to the focus on drought management. There is some internal work to do, which can now be given more time and attention. Mr Boys advised that it is more important that the audit occurs, not that everything has to be perfect before the audit.

There was agreement that this Audit should be completed before the end of the financial year.

Mr Gormack asked whether any staff had Annual Leave banking up as this is both a financial and health and safety issue. Mr McCormick reported that this was not a significant issue at present – Mrs Gardner has the highest balance but has a block of leave booked in the near future.

Mr Horne reported that he had been judging one of the Dairy Holdings Farms and had noted their online Health & Safety system looked to be very comprehensive and convenient to use. Mrs Hyslop reported that while the OWL system appears to be satisfactory, if there were other systems currently available and being used, these should also be investigated.

Financials

The reports were based on the period of January 2015.

The current position is approximately \$146k ahead of budget with income \$81k below budget but expenditure \$228k below forecast. Allowing for the revised depreciation and amortization schedule and the Collett settlement fee, the overall position at present is a positive margin ('profit') of \$173k which is \$281k ahead of original budget.

The significantly lower forecast generation for the remainder of the year will have a significant adverse impact on own financial performance this year. The current forecast is a \$499k end of year loss.

Cash Holdings

The total cash on hand is \$1,084kk with \$486k in the cheque account and \$598k in the Call Account. Mr McCormick estimated a year end cash on hand of \$500k and is therefore hesitant to retire any debt.

Mr Gormack reported that some of the cash reserves are scheme specific and there is some obligation under KIL and TV to retire debt. Mr Gormack suggested investigating whether we have the ability to pay off any of the floating account, but retain the ability to withdraw it again should it be required.

Action Point: Mr McCormick

Debt Structure Proposal and Treasury Report

Mr McCormick reported that his focus has been on progressing the treasury report ahead of implementing any debt restructuring as there are fundamental questions of policy that the Board need to be comfortable with before we take the step of restructuring the debt. Crowe Horwath have been approached to provide independent advice. Decisions need to be made at a Board level to inform this Treasury Policy. Mr Gormack stated that any Policy needs to have enough flexibility to deal with a season like the current one.

A **Finance/Treasury Subcommittee** was nominated: Mr Horne, Mrs Hyslop, Mr Gormack, Mr McCormick. A date will be set to workshop and develop a straw man Treasury Policy. Key questions and decisions will be presented back to the full Board for discussion.

Action Point: Treasury Sub-Committee

Operations

Lake Levels and Storage

All irrigation was shut down on 25th February when the lake reached 371m as had been decided at the 10th Feb OEFrag meeting. The remaining 1.5% storage between 371m and 370.3m is to be used to maintain the residual river flow at 2.5 cumecs, before we transition to 'natural flows' at 370m. The trigger of 370.3 was expected to be reached the afternoon of 3rd March.

Mr McCormick reported an estimate of average reliability this season of 57%. Through OEFrag we will look into whether another irrigation round (8-10 days under 50% restriction) can be orchestrated before the end of April

Mr Horne suggested two key numbers OEFrag need to decide on at the next meeting:

1. What lake level are we prepared to drop to in order to save the river without degrading the lake fishery.
2. What is the lake level when irrigation can restart?

Mr Boys stated that we need to go to OEFrag with a clear view on what OWL farmers need. Mr Horne suggested it needs to be emphasised to OEFrag how important it is to get cereal and winter crops established now.

Mrs Hyslop stated that if we are able to facilitate another irrigation round, those taking directly from the river should be able to take straight away while the sub-schemes pipes/canals are being filled.

Mr McCormick reported that he had received several calls from 'above dam' irrigators seeking relief from lake level restrictions due to the lake level so that they can irrigate if their tributary gets up above minimum flow. Any relief would have to be approved by OEFrag and be included in the next WSD. There is around 3000 ha irrigated by 'Above Dam' shareholders so it is not insignificant.

Mr Boys stressed the need to be fair and equitable to all shareholders in any policy developed for Above Dam irrigators. Mr Horne agreed stating we need to be careful regarding precedent setting.

Mr Gormack referred to the original Attewell design of the Opuha scheme that included the Ashwick Canal which would have provided a more reliable, augmented flow to those above dam. This did not happen and their reliability is less than augmented irrigators as a result.

A **Water Subcommittee** was nominated: Mr Horne, Mrs Hyslop, Mr Boys, Mr O'Sullivan, Mr McCormick, to progress policies relating to water, including a proposal for the restriction regime for Above Dam irrigators.

Action Point: Water Sub-Committee

Operations and maintenance contract

Mr Gormack asked whether, following the Long Term Asset Management Plan for the Dam, we need to look at developing similar plans for the sub-scheme assets.

Mr McCormick stated that this asset management sits with Mr Pagan and that this could be looked at as a 'Part B'.

Mrs Hyslop queried what easements were in place across the scheme as there are some sections of Levels Plain that do not have easements and are becoming problematic. It was reported that all of the KIL scheme has easements however there are no easements in the TV scheme.

Strategic Water Projects

Tekapo Water Project

Mr McCormick, Mr O'Sullivan, Mr Horne and Mrs Hyslop have all been part of recent

discussions regarding the New Water project.

The CWMS Regional Infrastructure Group is hosting a meeting on March 9th in Pleasant Point to discuss the work that is currently underway for new water in South Canterbury. A separate group Alpine Water Solutions has also been formed, to act as the political voice in discussions regarding New Water in the zone. A number of shareholders are part of this group including Brent Isbister, Dan Kelly, Ryan O'Sullivan, David Morgan, and potentially Keiren Guiney (if not Louise Holmes).

Mr Gormack expressed the need for Gary Rooney to be invited to the Pleasant Point meeting, as the owner of Rangitata South. Mr McCormick will pass this onto Peter Scott as the facilitator of the meeting.

Action Point: Mr McCormick

Measurement of Snow Pack in Dam Catchment

Mr McCormick reported on discussions that have been held with NIWA regarding options for quantifying the amount of snow pack and potential yield that we have on a seasonal basis in the dam catchment.

Mr Boys asked how the work being proposed by NIWA is going to help us manage – it is important to first determine what we want to know and manage, and work back from there. Mr Lambie expressed the importance of getting some independent thinking to come to the table and suggested contacting Mr Charles Lake from Meridian Energy who is managing a sophisticated system for managing storage in the Waitaki system.

Mr Horne stated that any quantification of snow pack needs to be done in terms of what it means for lake level storage. Mr Gormack stated that any information needs to be disseminated more widely than OWL and should inform OEFrag discussions.

There was agreement that Mr McCormick should make contact with Charles Lake from Meridian Energy regarding systems for managing lake storage

Action Point: Mr McCormick

Environmental

Farm Environment Plan Commercialisation

Mr McCormick reported that some external parties have shown an interest in the online FEP database that ZoomRoom have developed for OWL and Waimakariri Irrigation Ltd (WIL). Brent Walton from WIL has identified a third party who have a track record in software development and marketing. Brent has received a proposal from this company, Maven, to provide us with recommendations as to how to proceed regarding the setup of a joint venture, to commercialise the FEP product.

Mr Boys stated the need to determine the 'end game' first and then work out the appropriate path to get there. There was agreement that a subcommittee work together to develop a long term view and to determine our objectives in term of commercialising the product. Mr Reid also suggested the need investigate whether we get Dairy Holdings on Board as a trial in this early stage of commercialisation.

A FEP Commercialisation Subcommittee was nominated: Mr Reid, Mrs Crossman and Mr McCormick.

It was Resolved that OWL commit to contributing to the Maven proposal, subject to the OWL subcommittee determining its objectives. This was moved by Mr Boys and seconded by Mrs Hyslop. The motion was carried.

Catchment Groups

Mrs Crossman reported on a meeting of the Opuha River Catchment Group held on the 23rd Feb where the Steering Committee worked through their priorities. The beginnings of a work plan have been established and the next step is to set milestones and timeframes.

The Board requested that it be kept informed of any catchment group meetings across the zone. Julia will pass details of meeting on when they come to hand.

Action Point: Mrs Crossman

Mr Boys left the meeting at 11.13am

FINANCIAL STATEMENTS:

January 2015 Financial Statements

The Financial Statements for the month ended 31st January were taken as Read.
The Board noted that the forecast for year end is a loss of \$499,756.

GENERAL BUSINESS:

Email from Mr Blakemore

The Board discussed the need to provide a response to Mr Blakemore.

Mrs Hyslop also suggested a newsletter could be distributed outlining some of the facts about this season, including lake levels, the role of OEFrag, the Water Shortage Directions and the extremity of the year.

Colletts Policy

The Board reviewed the Surplus Water Supply (Colletts) Policy

It was Resolved that the Board adopt the Surplus Water Supply (Colletts) Policy. This was moved by Mr Gormack and Seconded by Mr Reid. The motion was carried.

Drought Community Events

Mr O'Sullivan reported that a family event was being held on Friday 27th March in Fairlie to provide support for the community struggling with the drought. A number of groups are supporting it and Mr O'Sullivan has been asked for a donation from OWL. A donation of \$500 was approved by the Board.

Mrs Hyslop also reported on some 'round table' meetings she is facilitating over the next few weeks in Cricklewood to Clayton area.

Maintenance

Mr Lambie expressed his concern at the amount of tree stumps that are in the lake and the large job it would be to remove them all. As an alternative Mr Lambie suggested a sign is erected warning recreational users of the tree stumps below a certain lake level.

There was agreement the fence posts, waratahs and wire needs to be removed and there is a working bee planned for the week beginning 9th March.

A Dam Safety Inspection was held on Friday 27th March. Mr McCormick reported that there were no significant issues raised through the inspection. The low lake has exposed two 'benches' on the dam face where the lake is believed to have sat for extended periods in 2001. We have to be aware of these should the lake sit at these levels again during refill. The replacement of bolts on the tower will be done where necessary while the lake is low.

There being no further business, the meeting closed at 11.38am.

Chairman

Date