

**MINUTES OF MEETING OF THE BOARD OF  
OPUHA WATER LIMITED  
HELD 8.30AM, WEDNESDAY 25<sup>th</sup> JUNE 2014  
AT THE BOARDROOM OF OPUHA HOUSE, PLEASANT POINT**

- PRESENT:** T Lambie (Chair), D O’Sullivan (Vice-Chair), A Reid, N Gormack, J Boys, N Hyslop.  
Also in attendance was T McCormick (CEO), R Wells and A Bennett (minutes).
- APOLOGIES:** T Howey.
- AGENDA:** The agenda was distributed prior to the meeting with the June 2014 Management Report.
- PREVIOUS MINUTES:** It was **Resolved** that the Minutes of Meeting of the Board on 28<sup>th</sup> May 2014 be confirmed as a correct record of that meeting. This was moved by Mr Gormack and seconded by Mrs Hyslop. The motion was carried.
- CONFLICTS OF INTEREST:** No amendments were made to the Conflicts of Interest Register.
- MATTERS ARISING (from previous minutes):** The action point’s status table was reviewed and the following notes were made:  
Insurance  
Mr McCormick noted that he planned to present the recently renewed insurance portfolio at an upcoming board meeting for Directors to understand what the policies are covering and the exclusions, the key things we are not covered for.
- 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 financial reports were based on the period of May 2014. The overall operating position is \$141k ahead of budget with both income and expenditure running above budget. Generation revenue YTD is \$301k ahead and accounts for most of the additional income.  
Income Tax  
The forecast year end position still suggests a taxable profit of around \$898k after adding back non-tax deductible expenses. Estimated provisional tax will be paid to reduce use of money interest. A provisional payment (covering tax instalments 1 and 2) is due to be made on 25<sup>th</sup> June for \$165,154. Instalment 3 for \$80,552 will be paid on its due date 28<sup>th</sup> July.  
Cash Holdings  
The full annual insurance premium of \$378k was paid on 1<sup>st</sup> June and will be treated as a prepayment with costs apportioned each month.  
As at 18<sup>th</sup> June, \$128k was held in the cheque account and \$140k in the call account.  
**Operations**  
Generation  
Generation in May was high despite the five day outage and the station ran for 100% of the time outside of the planned outage. Operation in June has continued at a high capacity. Rain yesterday has put the station back onto 24 hours in anticipation of the lake rising.  
Lake Levels and Storage  
The lake level is higher than the historical average for this time of year and the operating regime is to continue to steadily lower the lake level towards 388m.  
Water Quality  
Mr McCormick reported that there are no unusual water quality issues at the lake or in the rivers at present.

Mrs Hyslop noted that an action point should have been noted last month for recording water quality trends. Mr McCormick commented that the starting point for recording this information will be seeing what information we can obtain from ECan.

**Action Point: Mr McCormick**

#### Flushing Flow

Mr McCormick advised that the NIWA report for the flushing flow in late February was received last Friday.

### **Asset Maintenance & Management**

#### Scheme Maintenance

The operations team have been working through planned maintenance activities including repair work at the Levels intake and main race and flood repair work in Kakahu.

#### Power Station & Dam Maintenance

A problem with the main hydraulic unit resulted in the power station being offline on 16<sup>th</sup> June while TrustPower attended. The problem appeared to be the result of debris in the control valves and was a recurrence of a previous problem. The upgrade work and replacement of some key components during the station shutdown in May was expected to have alleviated this to some degree and Mr McCormick will be working with TrustPower to understand why it has reoccurred. An upgrade of the hydraulic unit would be a half million dollar capital project.

### **Management Reporting**

#### Health and Safety

Steve and Julia attended a Level 2 First Aid course on 18<sup>th</sup> and 19<sup>th</sup> June.

### **Dam & Power Station Management**

#### Dam Safety Management

The Emergency Action Plan was overdue a revision and Opuha staff have been working on updating the document. It will be significantly modified to meet current expectations and examples for these documents and is focused predominantly around a dam breach scenario.

#### Energy Contract

With storage levels above average, spot prices have been at record lows for the year to date. The spot prices have been half of what we budgeted but generation itself has been almost double which should see us just meeting budget for the month.

### **Strategic Water Projects**

#### Saleyards Bridge Flow Recording and Compliance

Interaction with Fish & Game and Arowhenua has continued on the rolling 24-hour concept. Environmental Consultancy Services (Richard De Joux) has undertaken some further modelling to better understand the potential impact of the revised regime and the results will be presented to the interested parties.

#### Tekapo Water Project (New Water)

Mr McCormick advised that not much has happened since the media release on 16<sup>th</sup> May and he is considering preparing a media release regarding the report in the view he would be seeking that it needs to be the subject of on-going work. Opuha would like to stay connected with this project and will wait for results of the regional water modelling that is being done. The Board agreed that Opuha would not issue any media statements regarding the Tekapo Transfer Option Report at this stage.

### **Restructure and Merger**

The key restructure documents were sent out on 28<sup>th</sup> May. The information packs that were posted contained the following documents:

- Merger Proposal, Investment Statement and Prospectus
- Individual Water Agreements (short form)
- Notice of Meetings for 25<sup>th</sup> June

Five information sessions covering the various entities were held with the final session on 18<sup>th</sup> June. The sessions were reasonably well attended and did not identify any major issues from shareholders.

Mr McCormick has been working with ANZ and ASB to finalise the finance facility and had hoped to present the final proposal at the board meeting however there has been some internal issues at ANZ. It has gone to their internal legal team and they have been requesting various documents including directors' certificates, which is disappointing given the late timing of these requests after asking ANZ some time ago to check in advance what was required. The delay with the facility is around the security not the terms.

### **Insurance**

The policies were renewed on 1<sup>st</sup> June and the annual premium was paid in full. There was some cost savings overall compared with last year. Mr McCormick circulated an email prior to the board meeting outlining the key aspects of the new policies and portfolio changes and will provide a comprehensive presentation at an upcoming board meeting.

**Action Point: Mr McCormick**

### **Electricity Market**

#### Electricity Retailing Pilot

We have completed our fourth month on the retail pilot and Simply Energy are using the data obtained to date to ascertain to potential value from a much larger scale operation. Mr McCormick is meeting with them on Friday.

The Chairman asked whether we simplify retailing by say finding one business, maybe an industrial business in Washdyke to take all our power. Mr McCormick replied yes we can either directly or through hedges. Mr McCormick noted that there is also potential for TrustPower to do specific retail deals back to our irrigators and this will be a discussion topic in the PPA renegotiation

**Action Point: Mr McCormick**

### **OWL Systems Update**

#### Website

The new website has enabled key merger documents to be uploaded for access by shareholders. Access is unrestricted so the information is publically available.

#### Web Based Farm Environment Plans

Final changes and modifications are underway to complete our assignment on this. Julia will be doing some 'road testing' to check that it meets expectations. Unfortunately BCI are no longer interested in acquiring the package because of previous arrangements with other RDR members who have invested in a Rubicon system. The developer, Zoom Room, have had an approach by Dairy Holdings on the programme.

### **Commercial Eel Fishing**

Letters were issued to all commercial eel fishing quota holders in our region advising of our intention to prohibit commercial eeling in our facilities including Lake Opuha. A prompt and strong response from an eel fishing industry representative was received. Mr McCormick met with Mr Bill Chisholm (Association Rep) and Vic Thompson (Mossburn processing plant) on 18<sup>th</sup> June for discussions.

The eel fishing industry has been working with Ngai Tahu on four mataitai areas in the South Island including locally with Arowhenua. We would be taking away around 10% of the regional quota by excluding them from the lake. The key relationship for Opuha is with Arowhenua and for the mataitai development to continue, it is likely we may need to reconsider our position for an outright ban. The eel season starts September. Julia is to follow up with Ngai Tahu and subsequently with Arowhenua.

**Action Point: Mr McCormick/Mrs Crossman**

## **BOARD PAPERS:**

### **Audited Self-Management & Farm Environment Plans**

*Mrs Crossman joined the meeting at 9.25am.*

A paper was included in the management report to provide an update on our activities in this

area and proposed that a board sub-group be established to consider the drafted Environmental Management Policies, Plans and Procedures and enables the roll-out of the Farm Environmental Plan scheme to get underway in July.

Four shareholder information sessions were held on the Land & Water Regional Plan (LWRP) in early May with around 65 attendees in total. The presentations were given by ECan staff and demonstrated the complexity of the new rules and potential implications for water users. Mrs Crossman advised that feedback gained from attendees has provided confidence that the Audited Self-Management programme and Farm Plan initiative was supported. Mrs Crossman will continue to keep shareholders informed through the website and newsletters.

There was some apprehension regarding the concept of an N load being held and managed by OWL through an irrigation scheme discharge consent. Mr Reid asked for a paper on this with advantages and disadvantages of OWL holding a scheme consent.

**Action Point: Mrs Crossman**

All Directors are to be invited to a workshop on the Environmental Management Strategy and related policies and procedures. Mrs Crossman will circulate dates by email.

**Action Point: Mrs Crossman**

Mrs Crossman sent a farm information survey to shareholders and water users at the start of June seeking to obtain specific property information to assist us in pulling together a better picture of basic land use and current state of nutrient budgeting. To date about 45 surveys have been returned, mainly around the Levels area.

### **BN Consents above Dam**

A paper accompanied the management report to inform the Board of a current resource consent application to take BN water from the South Opuha to storage. This follows a similar application that was granted in July 2011 to take BN water from Station Creek and was presented to the Board in June 2013.

The Chairman asked whether we can stop the consents being granted. Mrs Crossman replied that we can object and put a submission in but ultimately it is an ECan decision. Mr Reid asked whether we can add provisions, such as lake level conditions which with a low lake could put our shareholders downstream on restrictions.

Mrs Crossman noted that we could look into whether the conditions around BN consents need to be reviewed in the Regional Plan. It is reassuring that OWL is being considered by ECan to be an interested party in these consent applications and a formal letter will be written to ECan requesting that this continues. Mrs Crossman will write to ECan in regards to the consent that has been lodged.

**Action Point: Mrs Crossman**

It was agreed that these consents should be considered on a case-by-case basis and that a Policy should be formulated to guide a consistent response to such consents.

**Action Point: Mrs Crossman**

### **Downstream Weir Upgrade**

Two papers were provided prior to the meeting for the proposal to upgrade the Downstream Weir to increase the flood handling capacity of the structure. Two comprehensive reports (one on the weir upgrade and one specifically on the hydro options) from Tonkin & Taylor accompanied these papers.

A review of the cost for the proposed modification has resulted in a significant increase in projected cost. The current estimate to complete the upgrade is \$2.7m (previously \$1.7m). Except for the consenting process, all development work on the project has been stopped until it is decided whether to proceed.

The summary of cost estimates was discussed and Mrs Hyslop asked whether we can have different consultants do the project. Mr McCormick replied that there would be a significant cost getting new consultants up to speed but that having other consultants review the design and/or the costing was worth considering.

Mr Boys asked whether we need to rush into this project and does it need to be undertaken this year - can we afford to step back for another season as we revisit.

Mr McCormick commented that there is no reason for the upgrade to be completed this year and we would just continue as we are with our precautionary approach to lake level management.

Mr Gormack asked whether there are any health and safety issues with not doing the upgrade. Mr McCormick replied that the foot bridge allowed for in the summary of costs needs done either way and this would be at a cost of around \$40-50k.

It was **Resolved** that a foot bridge and rails be installed across the existing Ogee spillway This was moved by Mr Reid and seconded by Mrs Hyslop. The motion was carried.

It was agreed to not proceed at this current time with the implementation of the Downstream Weir upgrade as currently proposed due to there not being a clear economic case for the project. There are other intangible benefits, including a high degree of expectation from key stakeholders to be identified before this project is revisited. Mr McCormick to consider a way forward to firm up an economically viable proposal.

**Action Point: Mr McCormick**

Mr McCormick noted that ECan and Mackenzie District Council advised that the consent will be processed on a non-notified basis. However, recently a new request for further information from ECan river engineering and flood management sections was received. Tonkin and Taylor would need to do some further engineering and modelling work to provide the information sought. Mr McCormick commented that the timing of the enquiry is frustrating given that ECan staff were onsite to review the proposal over 18 months ago.

**FINANCIAL STATEMENTS:**

May 2014 Financial Statements

The Financial Statements for the month ended 31<sup>st</sup> May 2014 were taken as Read.

The Aged Receivables report was reviewed and a comment was made that it is the shortest list of overdue debtors in some years.

**GENERAL BUSINESS:**

There was no general business brought to the meeting.

The Chairman noted that this could potentially be the last official meeting of Opuha Water Limited if the merger proposal is accepted at the shareholder meetings held later today.

There being no further business, the meeting closed at 11.00am.

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Date