

**MINUTES OF MEETING OF THE BOARD OF  
OPUHA WATER LIMITED  
HELD 1.00PM, WEDNESDAY 26<sup>th</sup> FEBRUARY 2014  
AT THE BOARDROOM OF OPUHA HOUSE, PLEASANT POINT**

- PRESENT:** Messrs T Lambie (Chair), D O'Sullivan (Vice-Chair), T McCormick (CEO), T Howey, R Wells, A Reid, N Gormack and J Boys. Mesdames A Bennett (minutes).
- APOLOGIES:** Mrs N Hyslop. Mr N Gormack (for lateness).
- AGENDA:** The agenda was distributed prior to the meeting with the February 2014 Management Report.
- PREVIOUS MINUTES:** It was **Resolved** that the Minutes of Meeting of the Board on 29<sup>th</sup> January 2014 be confirmed as a correct record of that meeting. This was moved by Mr Wells and seconded by Mr Boys. The motion was carried.  
*Mr Gormack arrived at the meeting at 1.06pm.*
- CONFLICTS OF INTEREST:** No amendments were made to the Conflicts of Interest Register.
- MATTERS ARISING (from previous minutes):** Action Point Time Frames  
The action point status table was reviewed and discussions held on:  
- Health and safety forum for the Board. It was agreed that an hour be scheduled for this in the coming months at the end of a board meeting. Mr Boys recommended external auditing. Mr Gormack suggested looking into ACC accreditation - they come in and complete an audit. Mr McCormick to investigate and Mr Boys to assist.  
Mr Boys asked if Mr McCormick could prepare a brief summary of what is happening in the next 12 months, a summary of projects and his own workload  
**Action Point: Mr McCormick**
- CEO REPORT:** The CEO report was circulated to Directors before the meeting. General discussions were held on matters arising and the following points were noted:  
**Financials**  
The financial reports were based on the period of January 2014.  
Mr Boys suggested separating costs relating to the restructure from operating expenses. Ms Bennett commented that these costs have been presented separately in the financials included in the management report. Mr McCormick asked whether the restructure costs should be expensed. Mr Gormack replied that yes the costs are expensed, however they are not deductible for taxation as they relate to company restructuring, they are not an operational expense and they don't derive income.  
**Operations**  
Irrigation  
Mr McCormick advised that around 2 cumecs is currently being lost in the river due to the prolonged, very dry conditions. Additional water is being released from the dam without a commensurate increase at Saleyards Bridge flow site.  
Mr Gormack asked if what comes out at the end of the schemes is metered. Mr McCormick replied that the waste race from Levels is metered and there is a new site within KIL that is also measuring discharge back to the river.  
Mr Reid asked if Gardners' Pond is monitored. Mr McCormick replied that the pond level is monitored but there was never any flow measurement installed on the intake. Mr Lambie commented that in previous discussions about Opuha installing a comprehensive metering system, Totara Valley irrigators had agreed they would be a part of it.

Mr Gormack asked what the new water supply agreements say about metering and can the company insist meters are installed. Mr McCormick replied that it was his understanding that the WSA did provide the ability for the Company to require metering. Mr Howey commented that Levels are looking to tidy up some of the metering issues before restructure. The LPIC Board has also resolved to get all flood irrigators converted to spray over a three year period. Mr Lambie commented that, from this year, takes of 15 l/s and above have to have meters installed and next year the limit is 10 l/s. It was noted that these national regulations will not require individuals within the schemes to have metering as the requirement is at the consent 'take' point which is the scheme intakes.

It was agreed to ensure that the restructure provides the company with the ability to require meters to be installed, with the view that the data would be relayed back to Opuha House.

#### Lake Levels and Storage

Mr McCormick advised that on 29<sup>th</sup> January the minimum flow requirement at Saleyards Bridge was breached. At the time, there was some uncertainty around the river gauging at that low flow and ECan had recalibrated their gauge at SH1 and found we were slightly under. We were scheduled to carry out a river gauging at Saleyards Bridge (SYB) the following day in any case and this confirmed that our previous indications were incorrect (as were ECan's) and we had let the flows drop below minimum. Mr Pagan had taken immediate action and had advised ECan of the situation. No follow up is expected.

Mr Boys asked if a process for checking the indications is in place to avoid a potential breach. Mr McCormick explained that this was the first time since the August 2012 floods (which had destroyed the previous gauging site) that we have been at this low flow to check the river gauging at SYB. In future situations such as this (low flows and an ungauged site) we would hold a bit more of a buffer until there is confidence in the river flow indications. Mr McCormick added that the levels are monitored everyday but there is currently nothing in place with Environmental Consultancy Services to alarm when we are getting close to minimum flow. Minimum flow is currently 3.5 cumecs (Feb). This increases to 7.5 cumecs on 1 March, 8 cumecs in April.

#### Flushing Flow

Mr McCormick advised that a flushing flow has been scheduled for tomorrow, Thursday 27<sup>th</sup> February. Mr Reid asked why the flush was not scheduled for 1<sup>st</sup> March when the minimum flow increases to 7.5 cumecs, rather than 3 days early as Dam levels are lowering and water is precious. Mr McCormick replied that date worked for NIWA and consultants, as the 1<sup>st</sup> March is a weekend, however this is a good point and will be noted for future flushes.

Mr McCormick commented that he has received significant push back from river users and anglers as a result of last year's flush which left a lot of mess in the lagoon. Mr McCormick added that this flush will be backed up with the release of sustained high flows for approximately 20 hours. Fish & Game are managing the condition of the river mouth and have arranged with ECan for a digger to open the mouth the morning of flush to assist with the passage of the flush out to sea.

NIWA are in the Opuha River area today doing surveys and preliminary work. The information obtained from the flush will add to the big picture going forward – ways to manage the river under varying conditions (temperature included) to reduce the problems with algal growth. Arowhenua, ECan and OEFRAG group are happy with the proposed flush. Ray Brokenshire's group (OCEPS) "are appalled", but we have explained the process and why. It's a didymo issue, not about water quality.

### **Asset Maintenance and Management**

#### Elver Bypass

Mr McCormick directed the Board to the photo on the management report cover of small eel (elvers) in the bypass system at the dam. This clearly demonstrates that eels are getting from the river into the lake. Discussions with Arowhenua on how to get them back down had indicated that their preference is a 'trap and transfer' process, where the mature eels are caught in nets and then released downstream. At the moment, the only way is during a spill event or if the eels crawl over the dam face. There is no evidence to suggest either of these processes are happening or effective.

Arowhenua have requested that we stop commercial eeling in the lake. Mr McCormick is to get a legal opinion on our ability to prohibit commercial eel harvesting from the lake (eg are there private property rights).

It was noted to review the previous minutes of Opuha Dam Partnership as a number of Directors recall earlier discussions on eel harvesting.

**Action Point: Mr McCormick**

## **Management Reporting**

### Connection Agreement with Alpine

Mr McCormick reported that Alpine have responded to his concerns regarding the reduced ACOT payment as a result of the unavailability of their network during the snow storm last June. Mr McCormick commented that Alpine have been reasonable and improved the annual payment from \$72k to \$109k, but it is still short of the \$158k we received this year.

### LineTrust South Canterbury Dividend

Mr McCormick followed up on the rebate which had not been received at the end of January. The dividend in previous years has been delivered by Alpine prior to Christmas. The payment to be received is \$5k, a lot lower than \$52k and \$25k in previous years. The low rebate is a reflection of the higher ACOT payments we received in 2013 which meant net payments to Alpine were lower than previous years. Ms Bennett to follow up whether the funds have been direct credited.

### Operations & Maintenance Contract

Mr McCormick reported that TrustPower have undertaken an organisational review with the result that key support staff are no longer employed. Mr McCormick advised that key staff we have been dealing with are gone and there is a gap in the structure as far as our support is concerned.

### Restructuring of OWL

A review of the valuation of the scheme (Peter Seed) has been done and the outcome has seen an improvement in the value compared with the results presented to the Board last meeting.

QA have been engaged to assist with the prospectus preparation. Mr McCormick is project managing the restructure and with assistance from Mr Leete and Mr Stock is putting together an programme to bring the completion date to 30<sup>th</sup> June. Mr McCormick is seeking costs from GTR Law and David Stock for the prospectus as well as on-going legal fees. Mr Boys suggested that the programme needs to allow time for the Directors to sign off the prospectus and reserve options for a peer review to take place.

*Mr Gormack left the room while discussion took place on the role of QA.*

It was noted that Mr McCormick also seeks costs from QA for their input to the prospectus preparation. KPMG are engaged to audit the financial statements for the prospectus.

It was **Ratified** that OWL underwrite costs incurred by SCFIS for the prospectus preparation. This was moved by Mr Wells and seconded by Mr Howey. The motion was carried.

### Colletts Property

Mr McCormick advised that Mr Scott is using water at Colletts via his SCFIS and Levels shares. The consent is operative.

The previous meeting minutes relating to the Collett Property were missed from being confirmed. It was **Resolved** that the Minutes of Meeting of the Board on 27<sup>th</sup> November 2013 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.

## **BOARD PAPERS:**

### Proposal from ANZ Bank to Break \$4.4m Swap

A discussion was held on the board paper included in the management report - a proposal from ANZ to break the \$4.4m swap.

It was **Resolved** that the \$4.4m swap be terminated and the majority of funds held in the call account be used to repay some of this debt. This was moved by Mr Boys and seconded by Mr Reid. The motion was carried.

It was noted that post termination, the loan be put on floating, but to investigate 1 and 2 year fixed rates.

**Action Point: Mr McCormick**

#### Directors Expenses

Mr McCormick included a summary of a proposed policy on Directors' Professional Development expenses in the management report.

Most Directors spread their skills over a number of interests. Mr Boys commented that if the expense relates to personal development and benefit then it is a cost incurred by the individual. Mr McCormick commented that the policy is aimed more at younger Directors, those who are not already part of Boards. The current OWL Board is experienced and can use training across a number of businesses. Same guidelines are to apply to independent Directors as to Farmer Directors.

It was **Resolved** that the 2014/2015 budget allow for \$15k for professional development and that Directors' apply to the Chairman and CEO for expense reimbursement. This was moved by Mr Reid and seconded by Mr O'Sullivan. The motion was carried.

#### Sutherlands Irrigation Scheme

Mr McCormick presented a paper with a proposal to include the utilisation of surplus water for the Sutherlands Irrigation Scheme and to finalise the commercial terms.

Mr McCormick commented that the experience from nearly three seasons of operation has provided valuable data on the amount of 'slop' water that is available from the operation of the Totara Valley Scheme. Currently there is more 'incremental' (unshared) water requested from the scheme than is available from 'slop water'. Over the last two seasons, 100% of water required has been delivered to Sutherlands users. Raumea Farms have increased the amount of 'incremental' water within their order since Ryan Farms pulled some shares back that Raumea were leasing.

Mr Reid asked what agreement is in place with Totara Valley for carrying/transporting water in the ditch to Sutherlands users on top of the 'slop'. Mr McCormick commented that there is no agreement in place with Totara Valley to carry water above shared water, however Mr Lundie and Raumea Farms have ditch shares in Totara Valley. A conveyance fee should be paid or users must take up available ditch shares. Water is not being released from the Dam for unshared water. Reliability can only be guaranteed by shared water, those who don't hold shares need to 'share' in the unreliability. The Board agreed to the following terms:

- Surplus water is defined as water in the river in excess of the minimum required flow when the dam is not releasing water solely to maintain minimum flows.
- Surplus water can be diverted to Gardners Pond to supplement the 'incremental water' supply for Sutherlands
- Carriage of surplus water in the Totara Valley scheme is currently covered by Sutherlands irrigators holding ditch shares
- 'Slop' water is waste water left over from the operation of the Totara Valley scheme that is captured in Gardners Pond.
- Shared water for Sutherlands is delivered via the Totara Valley scheme and Gardners Pond.

Mr McCormick is looking to finalise the commercial terms. Mr Boys suggested a 2 year review be included that OWL can add, change and delete commercial terms when appropriate. It was agreed that Mr McCormick do some modelling, discuss with Sutherlands users and come back to the Board with a price for 2014/2015 year.

**Action Point: Mr McCormick**

#### Surplus Water Application

A copy of a letter received from a water user regarding use of surplus water was provided to the Board. Mr McCormick advised that he would like to consider the approach now on making surplus water available in the future.

Mr McCormick advised that the water user is a part owner in a dairy conversion in Waitohi and is putting in storage to stretch the application of shared water over the 140ha he would like to irrigate. The Board reviewed the letter received and agreed that surplus water cannot be an open 'tender' process and that it needs to be applied for to take into account the

point of take.

The Board agreed that a paper is needed to explain the process of how surplus water could be allocated/assigned and how it could work in this zone. The assessment should consider the option of land and storage pond purchase.

**Action Point: Mr McCormick**

*Mr Howey left the meeting at 4.00pm.*

Land & Water Regional Plan

Mrs Julia Crossman attended the meeting to lead discussions around the paper she prepared on the Land & Water Regional Plan (LWRP). Also included with the paper, for the information of Directors were various fact sheets developed by Environment Canterbury which summarise the nutrient management rules.

Mrs Crossman advised that she attended a meeting held by Dairy NZ last week. The meeting was largely presented by ECan staff and she felt that most attendees walked away with more questions than answers due to a lot of uncertainties.

Mr Reid mentioned that there needs to be some validity in baseline collecting and it was suggested at the meeting to get baselines of OWL water users worked out by an expert. There is opportunity to educate farmers and the possibility of involving other groups such as the Temuka Catchment Group who will also need the work done.

No matter what evolves with the LWRP over the next 2-3 years, it is felt that progressing ASM and Farm Environmental Plans is still relevant and important. It was agreed that OWL work with industry groups such as Dairy NZ and Fonterra who are underway with farm plans.

It was **Resolved** that the paper presenting commentary on the implications and opportunities in the Land & Water Regional Plan be Received. This was moved by Mr O'Sullivan and seconded by Mr Reid. The motion was carried.

*Mr Gormack left the meeting at 4.30pm.*

**FINANCIALS:**

January 2014 Financial Statements

It was **Resolved** that the Financial Statements for the months ended 31<sup>st</sup> January 2014 be Received. This was moved by Mr Wells and seconded by Mr Boys. The motion was carried.

Mr Reid asked if the direct operating expenses above insurance could be sub-totalled in the profit and loss.

It was noted that Raincliff Station had changed bank accounts without notifying OWL, therefore their monthly direct debit had dishonoured, leaving arrears outstanding. Ms Bennett advised that a new direct debit form had been sent, but was yet to be returned. They are currently not entitled to the 2.5% discount.

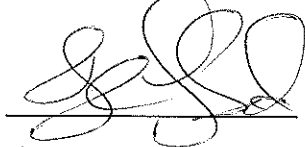
**GENERAL BUSINESS:**

CEO Timeline

Mr Boys raised concerns again regarding Mr McCormick's workload and asked if Mr McCormick could prepare a CEO timeline, including the restructure and listing other activities in terms of priorities.

**Action Point: Mr McCormick**

There being no further business, the meeting closed at 4.45pm.



Chairman



Date