

WATERCARE SERVICES LIMITED

AGENDA | Board meeting | 27/6/2016

Venue	Watercare Services Limited, 73 Remuera Road, Newmarket
Time	11:00am

Open Public Meeting

Item	Spokesperson	Action sought at governance meeting	Supporting Material
1. Apologies	Chair	<ul style="list-style-type: none"> Record Apologies 	
2. Minutes of Meeting	Chair	<ul style="list-style-type: none"> Approve Board Meeting Minutes 24 May 2016 	Minutes 24 May 2016
3. Directors' Corporate Governance Items	Chair	<ul style="list-style-type: none"> Corporate Planner and Work Plan Review Disclosure of Interests (Directors & Executive Management) 	Corporate Planner and Work Plan Disclosure of Interests
4. Chief Executive's Report and Scorecard	R Jaduram	<ul style="list-style-type: none"> Receive report 	Chief Executive's Report
5. Waikato River Water Quality	S Cunis	<ul style="list-style-type: none"> Receive report 	Report
6. IGC Objection Process and Charter for Commissioners	R Fisher	<ul style="list-style-type: none"> For approval 	Report
7. Thermal Hydrolysis	S Morgan	<ul style="list-style-type: none"> Receive presentation 	Presentation
8. General Business	Chair		

Date of next Meeting – 1 August 2016

Location – Watercare Newmarket, 73 Remuera Road, Newmarket

MINUTES

SUBJECT	WATERCARE SERVICES BOARD MEETING
VENUE	Watercare Services Limited, 73 Remuera Road, Remuera, Auckland
DATE	24 May 2016
TIME	11:00
STATUS	Open Session

	Present:	In Attendance:	Public in Attendance:
	D Clarke (Chairman) N Crauford P Drummond J Hoare T Lanigan D Thomas M Kingi (Board Observer)	M Bridge S Cunis R Fisher R Jaduram A Miller B Monk M Smith S Webster	Two members of the public
1.	Apologies <ul style="list-style-type: none"> M Allen (Deputy Chairman) C Harland 		
2.	Minutes of Previous Meeting <ul style="list-style-type: none"> The Board resolved that the Minutes of the public section of the Board meeting held on 20 April 2016 at 11:00 be confirmed as correct. 		
3.	Directors Corporate Governance Items <ul style="list-style-type: none"> Corporate Planner 2016 The corporate planner was noted. Disclosure of Interests Disclosure of Interests was reviewed. 		
4.	Chief Executive's Report and Scorecard <ul style="list-style-type: none"> Health and Safety The Chief Executive advised that there had been no lost time injuries to Watercare employees during April. There was, however, one contractor lost time injury. The contractor has re-emphasised to staff of the importance of taking additional precautions while on site. Customer Service The performance against the Statement of Intent measures for April was good with all customer service metrics above (positive) the targets. These included resolution of complaints and customer satisfaction. Infrastructure Programme The Board was advised that the capex shortfall was reconfirmed for the fiscal year. There is no shortfall in projects designed to service growth, with expenditure on planned and unplanned maintenance being under budget. In response to a question from Julia Hoare, the Board was advised that the underspend is not leading to any compromise in the provision of service to the public. Statutory Planning The Board noted, with approval, that the resource consent for the new outfall of Army Bay had been obtained on a non-notified basis. The Board was advised that considerable time had been invested in 		

	<p>consulting the landowner, the New Zealand Defence Force and with several iwi entities.</p> <ul style="list-style-type: none"> • Finance <p>Brian Monk spoke to the report which showed a continuation of the trends for the year with revenue favourable to budget primarily due to vested asset income being favourable, as is water and wastewater revenue. Operating expenses are almost \$9m favourable under budget.</p> <p>Aged receivables remain at a steady level as do the number of persons seeking relief through the WUCAT scheme.</p> <ul style="list-style-type: none"> • Communications <p>The Chairman noted, with approval, the high level of communications, in particular the excellent graphics in the most recent edition of "Tapped In" which is shortly to be distributed to all customers.</p> <ul style="list-style-type: none"> • Customer Focus Programme Update <p>The Board noted, with approval, the good progress in providing flexibility for residential landlords enabling payment of the fixed annual wastewater charge in one lump sum or in monthly instalments. The system will go live in July and has been well received by landlord customers.</p> <p>The next Developer Forum is to be held on 23 June and will be attended by representatives from Treasury, Auckland Council and Auckland Transport.</p> <ul style="list-style-type: none"> • Smart Meters <p>Marlon Bridge advised that the trial of smart meters at Waiuku is generating a lot of interaction with customers. The trial has shown up a number of illegal connections. The technology is working well, by way of example; we have been able to advise three customers in the previous week that they were experiencing significant leaks, before they were aware of the issue.</p>
5.	<p>Statement of Intent 2016 – 2019</p> <ul style="list-style-type: none"> • Brian Monk spoke to the paper. The draft SOI was submitted to the Council in March. The Council requested some changes in April which are reflected in the current version of the SOI which is open for comment from the public. <p>The Board was of the view that the response of Watercare to the issues raised by the Council was appropriate.</p> <p>The Board received a submission on the SOI from a member of the public.</p> <p>The Board resolved, subject to addressing the matters raised by the member of the public, to approve the approach taken to the shareholders comments and the related amendments on the 2016/19 SOI.</p>
6.	<p>General Business</p> <ul style="list-style-type: none"> • There was no general business. • The meeting closed at 12:15.

CERTIFIED AS A TRUE AND CORRECT RECORD

Chairman

WATERCARE BOARD PLANNER 2016

	2016											
	January	February	March	April	May	June	July	August	September	October	November	December
Board Meeting		3 Feb Newmarket	3 March - Workshop Newmarket 1 April Rosedale WWTP	20 April Newmarket	24 May Newmarket*	27 June Newmarket	1 August Newmarket	31 Aug Newmarket	29 Sept Newmarket	18 Oct Newmarket*	14 November Newmarket	13 December Huia WTP
Health and Safety Committee Workshops			14 March Newmarket			28 June Ardmore WTP 2pm		26 August Newmarket 11am			1 November Mangere WWTP	
Health and Safety Site Visits			1 April Rosedale WWTP			28 June Ardmore WTP		26 August Hunua 4			1 November Mangere WWTP BNR Project	13 December Huia WTP
Audit and Risk Committee Meeting		3 Feb Newmarket (before Board meeting)			5 May Newmarket		^1 August Newmarket (before Board meeting)	22 Aug Newmarket			8 Nov Newmarket	
Capital Projects Working Group		3 Feb Newmarket (after Board meeting)			23 May Newmarket			31 Aug Newmarket (after Board meeting)			14 Nov Newmarket (after Board meeting)	
Remuneration and Appointments Committee		5 Feb Newmarket		20 April Newmarket (before Board meeting)		27 June Newmarket (before Board meeting)		24 August Newmarket 4 - 6pm		18 October Newmarket (before Board meeting)		
Statement of Intent		Approval of Draft 2016-2019 SOI	1 March Draft SOI to shareholder		Present shareholder SOI feedback at public meeting	Final 2016-2019 SOI issued to shareholder				Work on 2017-2020 SOI Key dates yet to be advised by Auckland Council		
Shareholder Interaction			1 March - Quarterly Briefing to CCO Governance & Monitoring Committee		31 May 2016 - Replaces quarterly briefing				6 Sept - Quarterly Briefing to CCO Governance & Monitoring Committee			
Key Finance Decisions						27 June Approval of 2016/17 Budget						
Other		Qtr Statutory Compliance Reporting		Qtr Statutory Compliance Reporting			Qtr Statutory Compliance Reporting			Qtr Statutory Compliance Reporting		

* Statutory public Board meeting - deputations invited

^ Extraordinary Audit & Risk and Board Meeting to meet shareholder half year and annual report timeline

Board Work Plan 2016

	February	March		April	May	June	July	August	Septemeber	October	November	December
Board Meeting Date	3-Feb	3-Mar (Workshop)	1-Apr	20-Apr	24-May	27-Jun	1-Aug	31-Aug	29-Sep	18-Oct	14-Nov	13-Dec
Governance	Charter Reviews						Review of Corporate Governance Charter and Committee Charters				Audit & Risk Charter Annual Review (Audit & Risk)	
	Policy Reviews			Treasury Policy Review								
	Delegations						Annual Review of Board Delegations to CE					
	Risk Reviews				Technology - Control and business systems cyber intrusion	Health and Safety - Process safety (loss of containment, fire and explosion) at major facilities	Quarterly risk report	Health and Safety - Significant operational hazards (confined spaces, working with vehicles and plant)	Service Delivery - Water sources / treatment capacity to meet water yield / 3 day peak demand	Quarterly risk report	People - Failure to attract and retain sufficient skilled and qualified resources	Key medium risks - all areas
	Compliance	utory Compliance Reporting			Statutory Compliance Reporting			Statutory Compliance Reporting		Statutory Compliance Reporting		
	Shareholder Interaction	CCO Quarterly Reporting				CCO Quarterly Reporting			CCO Quarterly Reporting			
	Board Performance							Annual Independent Board Review				
Board Education	Board Training & Development											
	Technical Presentations					Wastewater: Digestors and Thermal Hydrolysis	Wastewater: Energy Neutrality	Water: Waikato Water Treatment Plant	Water: Huia Sludge Improvements		Wastewater: Technology Solutions for Non-Metropolitan Wastewater Treatment Plants	
Business Strategy	Strategic Planning		Refresh Strategic Framework			2016/17 Business Plan						
	Strategic Programme Updates			Programme Update: Non-Revenue Water	Programme Update: Customer Focus		Programme Update: Business Excellence / People & Capability		Programme Update: Financial Responsibility		Programme Update: Customer Focus	
Business Planning	Key Finance Decisions	el financial projections for draft Auckland Council 2016/2017 Annual Plan					Approve 2016/2017 budget	Approve year end accounts (Council Pack)	Approve Annual Report			
	Statement of Intent	Approve Draft 2016-19 Sol	Draft SOI submitted to Auckland Council by 1 March		Feedback on Draft SOI received from Auckland Council by 30 April		Approve final 2016-19 SOI for submission to Auckland Council		Auckland Council formally adopts draft SOI			
	Business Planning Approvals										a) Approve 2017 Internal Audit Plan b) Approve 2017 Insurance Programme Approach	
	Major Capex Project Approvals	Details to follow										

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests

Date: 20 June 2016

Section 140 of the Companies Act 1993 requires disclosure of interests of a director to the Board. Set out below are the disclosures of interests received as at the date of this report.


<i>Director</i>	<i>Interest</i>
David Clarke	<ul style="list-style-type: none"> – Chairman, TRG Group Ltd – Radiology Services – Chairman, Skin Institute Limited – Director, Hynds Ltd – Chairman, Health Alliance NZ Limited – Chairman, Jucy Group Limited – Chairman, Predictive Medical Data Analytics Limited
Peter Drummond	<ul style="list-style-type: none"> – Chairman, Appliance Connexion Ltd – Chairman, Watercare Harbour Clean Up Trust – Chairman, Variety Medical Missions South Pacific – Director, NARTA New Zealand Ltd – Director, NARTA International PTY Ltd – Director, Fire Services Commission – Director, Port Marlborough New Zealand Limited – Director, Ngati Awa Group Holdings Limited
Catherine Harland	<ul style="list-style-type: none"> – Director, McHar Investments Ltd – Director, Interface Partners Ltd – Trustee, One Tree Hill Jubilee Educational Trust – Member, Auckland Regional Amenities Funding Board
Tony Lanigan	<ul style="list-style-type: none"> – Director and Shareholder, A G Lanigan & Associates (2007) Limited – Director, Habitat for Humanity New Zealand Limited – Director and Shareholder, Lanigan Trustee Limited – Director and Chair, New Zealand Housing Foundation Limited – Director, Tamaki Makaurau Community Housing Limited – Member, Ministry of Health Hospital Redevelopment Partnership Group for Canterbury – Member, Ministry of Health Southern Partnership
Mike Allen	<ul style="list-style-type: none"> – Director, Coats Group PLC – Director, Godfrey Hirst Australia and related companies – Shareholder, Innoflow – Director, Tainui Group Holdings Limited – Director, Breakwater Consulting Limited – Director, China Construction Bank (New Zealand) Limited
Julia Hoare	<ul style="list-style-type: none"> – Director, AWF Madison Group Limited – Director, New Zealand Post Limited – Deputy Chairman, The A2 Milk Company Limited – Member, Auckland Committee, Institute of Directors – Member, External Reporting Advisory Board – Member, Institute of Directors National Council – Director, Port of Tauranga Limited

Nicola Crauford	<ul style="list-style-type: none"> - Director, Environmental Protection Authority - Member of Electoral Authority - Cooperative Bank Limited - Senior Consultant - WorleyParsons New Zealand Ltd - Director and Shareholder - Riposte Consulting Limited - Director and Shareholder - Crauford Robertson Consulting - Director and Shareholder - Martin Crauford Limited - Director, Wellington Water Limited - Director, Orion New Zealand Limited - Member, Local Government Risk Management Agency Establishment Board - Chairman, GNS Science International Limited - Deputy Chairman, Fire Services Commission
David Thomas	<ul style="list-style-type: none"> - Chairman, Ngati Whakaue Tribal Lands Inc - Council Member, Business New Zealand - Board Member, EMA (Northern) - Chairman, Gypsum Board Manufacturers of Australasia - Shareholder / Employee, Fletcher Building Limited - Director, New Zealand Ceiling & Drywall Supplies Limited

RECOMMENDATION

That the report be received.

Report prepared by:



R Fisher
Company Secretary

Approved by:



R Jaduram
Chief Executive

Report to the Board of Watercare Services Limited

Subject: Disclosure of Interests – Executive Management

Date: 20 June 2016

<i>Executive</i>	<i>Interest</i>
Raveen Jaduram	Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust Steering Committee Member – Business Leaders' Health and Safety Forum
Rob Fisher	Deputy Chairman - Middlemore Foundation President - Auckland University Rugby Football Club Trustee - Watercare Harbour Clean Up Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust
Brian Monk	Deputy Chairman - MIT Chairman Audit and Compliance Committee - MIT Trustee - Watercare Harbour Clean Up Trust Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust
Steve Webster	Director – Howick Swimgym Limited
Shayne Cunis	Chairman – Kelston Boys High School Board of Trustees
Marlon Bridge	Trustee - Te Motu a Hiaroa (Puketutu Island) Governance Trust
Martin Smith	Director – Heatley Smith Limited

RECOMMENDATION

That the report be received.

Report prepared by:

R Chenery
Manager, Business Transformation

Approved by:

R Jaduram
Chief Executive

Board - Public Session - Chief Executive's Report and Scorecard

WATERCARE SCORECARD 2015/16

On budget, on time, within parameters

Unfavourable but within parameters

Major issue, needs attention

SOI	2015/16 Target	Amber Threshold	Red Threshold	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16
1 Safe and Reliable Water																
1a	The extent to which the local authority's drinking water supply complies with part 4 of the drinking-water standards (bacteria compliance criteria)	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1b	The extent to which the local authority's drinking water supply complies with part 5 of the drinking-water standards (protozoal compliance criteria)	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1c	Percentage compliance with MoH drinking water standards	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1d	Percentage of metropolitan water treatment plants achieving Grade A (annual measure)	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1e	Percentage of metropolitan water supply reticulation achieving Grade A (annual measure)	100%	n/a	<100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1f	Percentage of non-metropolitan water treatment plants achieving Grade A (annual measure)	50%	n/a	<45%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1g	Percentage of non-metropolitan water supply reticulation achieving Grade A (annual measure)	50%	n/a	<25%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
1h	Percentage of unplanned water shutdowns restored within five hours (12 mth rolling average)	>95%	93% to <95%	<93%	97%	96%	96%	96%	96%	96%	96%	96%	96%	96%	95%	95%
1i	Number of unplanned water interruptions per 1000 connected properties (12 mth rolling average)	≤10	>10 to 12	>12	6.8	6.6	6.6	6.4	6.2	5.9	5.6	5.5	5.4	5.4	4.9	4.8
1j	Unrestricted demand - metropolitan	Unrestricted	Subjective	Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
1k	Unrestricted demand - non-metropolitan	Unrestricted	Subjective	Restrictions apply	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted	Unrestricted
2 Healthy Waterways																
2a	Number of dry weather sewer overflows per 100km of wastewater pipe length per year (12 mth rolling average)	≤5	>5 to 7	>7	1.94	1.86	1.80	1.90	1.91	1.81	1.99	2.14	2.11	2.31	2.25	2.25
2b	Average number of wet weather overflows per discharge location	≤2 overflows per year per engineered overflow point	Low risk non-compliance	High risk non-compliance												
2c	The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system	≤10	>10 - ≤15	>15			0.03	0.03	0.04	0.03	0.05	0.05	0.03	0.03	0.03	0.03
2d	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents	a) ≤2 b) ≤2 c) ≤2 d) ≤2	n/a	>2 (for any)			0	0	0	0	0	0	0	0	0	0
2e	Number of sewer bursts and chokes per 1000 properties (12 mth rolling average)	≤10	>10 to ≤12	>12	7.70	7.30	7.10	7.00	7.00	6.60	6.70	6.60	6.50	6.30	6.40	6.40
2f	Percentage of wastewater discharged that is compliant with consent discharge requirements for metropolitan areas	100%	98 to <100%	<98%		99.22%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
2g	Percentage of wastewater discharged that is compliant with consent discharge requirements for non-metropolitan areas	35%	n/a	<35%		77%	84%	84%	88%	87%	88%	88%	88%	89%	88%	88%
3 Customer Satisfaction																
3a	Median response time for attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site.	≤60 mins	>60 - ≤90 mins	>90 mins			33 mins	34 mins	35 mins	35 mins	36 mins	37 mins	37 mins	39 mins	41 mins	42 mins
3b	Median response time for resolution of urgent calls-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	≤5 hours	>5 - ≤8 hours	>8 hours			1.5 hours	1.5 hours	1.6 hours	1.6 hours	1.7 hours	1.8 hours	1.9 hours	2.1 hours	2.4 hours	2.7 hours
3c	Median response time for attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site	≤3 days	>3 - ≤5 days	>5 days			1.2 days	1.2 days	1.3 days	1.8 days	1.9 days	2.1 days	2.1 days	2.2 days	2.6 days	2.8 days
3d	Median response time for resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	≤6 days	>6 - ≤8 days	>8 days			2.2 days	2.3 days	2.7 days	2.9 days	3.0 days	3.1 days	3.1 days	3.2 days	3.6 days	3.9 days
3e	Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	≥80%	≥75% to <80%	<75%	84.4%	88.2%	84.6%	87.0%	86.0%	85.3%	85.1%	85.0%	84.8%	84.7%	84.9%	84.4%
3f	The total number of complaints received by the local authority about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system	≤10	>10 - ≤15	>15			7	7	6.9	6.7	6.5	6.3	6.0	5.8	5.7	5.6
3g	Attendance at sewerage overflows resulting from blockages or other faults: median response time for attendance - from the time that the territorial authority receives notification to the time that service personnel reach the site	≤60 mins	>60 - ≤90 mins	>90 mins			40 mins	40 mins	41 mins	41 mins	41 mins	42 mins	42 mins	42 mins	44 mins	44 mins
3h	Attendance at sewerage overflows resulting from blockages or other faults: median response time for resolution - from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault	≤5 hours	>5 - ≤8 hours	>8 hours			2.3 hours	2.3 hours	2.3 hours	2.4 hours	2.4 hours	2.4 hours	2.4 hours	2.5 hours	2.7 hours	2.7 hours
3i	The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system expressed per 1000 connections to the territorial authority's sewerage system	≤50	>50 - ≤75	>75			20.7	20.7	20.7	20.7	20.8	20.8	20.8	20.8	20.8	20.9
3j	Number of water quality complaints (taste, odour, appearance) per 1,000 water supply connections (12 mth rolling average)	≤5	>5 to ≤5.5	>5.5	4.80	4.70	4.70	4.60	4.90	4.70	4.60	4.40	4.10	3.90	3.80	3.70
3k	Percentage of complaints being 'closed and resolved' within 10 working days (12 mth rolling average)	≥95%	≥90% to <95%	<90%	98.5%	98.5%	98.3%	98.9%	98.2%	97.4%	97.4%	97.1%	96.8%	97.0%	96.2%	95.6%
3l	Percentage attendance at the quarterly meetings of the Mana Whenua Kaitiaki Forum	100%			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Board - Public Session - Chief Executive's Report and Scorecard

WATERCARE SCORECARD 2015/16

On budget, on time, within parameters Unfavourable but within parameters Major issue, needs attention

		SOI	2015/16 Target	Amber Threshold	Red Threshold	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	
4 Health, Safety and Wellbeing																			
4a	Lost-time injury frequency rate per million hours worked (12 month rolling average)	☑	≤5	5 - 7	>7	5.31	6.42	6.4	5.8	5.23	4.63	3.55	2.99	3.03	3.06	3.73	3.75	2.51	
4b	Percentage of total hours absent due to illness (12 mth rolling average)		≤2.5%	>2.5 to 3.5%	>3.5%	2.07%	2.09%	2.10%	2.09%	2.15%	2.14%	2.15%	2.16%	2.14%	2.12%	2.12%	2.11%	214.00%	
4c	Percentage of voluntary leavers relative to number of permanent staff (12 mth rolling average)	☑	≤12%	>12 to 14%	>14%	11.14%	10.84%	11.16%	10.86%	11.45%	11.28%	11.72%	12.30%	12.01%	12.45%	11.92%	12.32%	12.74%	
4d	Total recordable injury frequency rate per million hours worked (12 month rolling average)	☑	<30	>30 to <33	>33	19.45	19.84	18.65	19.13	16.86	16.80	17.05	15.53	15.73	15.90	18.02	16.90	14.42	
5 Financial Responsibility																			
5a	Minimum funds flow from operations to interest cover (FFO) before any price adjustment	☑	≥2.5	2.4 to <2.5	<2.4	3.34	3.32	3.69	3.51	3.62	3.62	3.56	3.63	3.71	3.65	3.69	3.69	3.71	
5b	Percentage of household expenditure on water supply services relative to the average household income	☑	≤1.5%	1.2 to <1.5	>1.5	0.92%	0.87%	0.87%	0.87%	0.87%	0.87%	0.88%	0.88%	0.88%	0.88%	0.88%	0.89%	0.89%	
5c	Water & wastewater revenue against budget YTD %		≥100%	≥98% to <100%	<98%	100%	100%	101%	101%	101%	102%	102%	102%	102%	102%	102%	102%	102%	
5d	Infrastructure growth charge revenue against budget YTD %		≥100%	≥95% to <100%	<95%	146%	147%	102%	108%	114%	102%	91%	94%	103%	105%	104%	102%	105%	
5e	Controllable costs against budget YTD %		≤100%	>100 to ≤102%	>102%	101%	101%	94%	95%	93%	93%	94%	95%	94%	95%	95%	95%	97%	
5f	Total contribution against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	22.53	26.13	3.09	8.30	13.72	17.74	18.62	22.06	30.99	30.11	31.35	33.40	35.65	
5g	Net surplus / deficit before tax against budget YTD (\$ millions)		+	-\$0.1m to -\$2m	> -\$2m	-63.05	-66.59	-21.81	-16.16	-27.62	-21.55	-20.52	4.06	-24.71	-64.68	-73.74	-73.92	-77.60	
5h	Total net borrowing against budget YTD (\$ millions)		Negative	\$0.1m to \$10m	> \$10m	-86.10	-79.40	-22.40	-15.20	-21.90	-40.20	-46.10	-51.30	-52.70	-72.00	-89.10	-92.70	-105.30	
6 Fully Sustainable																			
6a	The average consumption of drinking water per day per resident (gross PCC) (12 month rolling average)	☑	272 + / - 2.5%			273	271	271	271	271	271	272	273	272	272	272	272	273	
6b	Per capita consumption (litres / person / day) - Residential Monthly PCC		Information only			151	149	148	148	151	156	161	165	168	169	164	164	166	
6c	Non-Domestic Monthly Water Volume		Information only			2,910,993	2,913,178	2,845,386	2,863,774	2,846,259	3,117,438	3,134,161	3,191,872	3,174,802	3,244,017	3,305,826	3,305,826	3,305,826	
6d	Non-Renewable Water Percentage		Information only					16.72%	16.80%	16.81%	16.76%	16.74%	17.00%	16.74%	16.93%	16.67%	16.59%	16.57%	
6e	The percentage of real water loss from the local authority's networked reticulation system (rolling 12 mth average) **Note - current month and last month's results are provisional and will be adjusted when actual meter readings are available**	☑	≤13%	>13 to 13.2%	>13.2	13.31%	12.95%	12.84%	12.89%	12.79%	12.74%	12.74%	13.00%	12.71%	12.85%	12.84%	12.97%	12.98%	
6f	Percentage of annual potable water transmission system losses (12 month rolling average)		No specific target - information only					1.72%	1.86%	1.82%	1.86%	1.80%	1.81%	1.73%	1.81%	1.82%	1.90%	1.98%	
6g	Percentage of annual potable water network losses (12 mth rolling average) - Urban as a percentage of total volume		No specific target - information only			13.21%	12.85%	10.68%	10.59%	10.53%	10.46%	10.52%	10.77%	10.57%	10.63%	10.62%	10.68%	10.62%	
6h	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of total volume		No specific target - information only					0.44%	0.44%	0.43%	0.42%	0.42%	0.42%	0.41%	0.42%	0.40%	0.39%	0.38%	
6i	Percentage of annual potable water network losses (12 mth rolling average) - Rural as a percentage of rural volume		No specific target - information only			19.51%	19.06%	27.76%	27.68%	27.21%	26.74%	26.46%	26.68%	26.39%	26.48%	25.70%	25.00%	24.54%	
7 Policy Compliance																			
7a	Compliance with Treasury Policy		Within policy	Planned outside policy	Unplanned outside policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	Within policy	

4

Watercare Services Limited

Subject: Chief Executive Report – May 2016

Date: 20 June 2016

1. HEALTH AND SAFETY

There were no lost-time injuries related to Watercare employees during May. The rolling 12 month lost-time injury frequency rate (LTIFR) is 0.50 (stated target max 1.0) per 200,000 hours. This equates to 2.51 per million hours, below the target maximum of 5. The total recordable injury frequency rate (TRIFR) is 2.88 per 200,000 hours (14.42 per million hours).

2. CUSTOMER FOCUS

Performance against Statement of Intent measures for May was good with all customer service performance metrics above target for the month. The rolling 12 month average result for resolution of complaints within 10 working days was 95.1% against a target of 95%. Customer satisfaction in May was in line with the 12 month average with satisfaction at 85.9% for fault management, 81.8% for the maintenance field crews and 85.5% for billing and general enquires. The rolling 12 month average for customer satisfaction is above the 80% target for all three areas.

Watercare's Commercial Relationship Manager continues to work with large commercial and industrial customers to improve the way we engage with and provide service to these customers. A number of these customers are utilising the One2Five diagnostic tool which provides a sustainability assessment and identifies areas for potential improvement within their businesses including identification of opportunities for more efficient use of water and energy.

A customer satisfaction survey for key customers has been undertaken, results will be available in late June.

The next Developer Forum will be held in June. The session will focus on Watercare's strategy for servicing growth across the region. The forum will be held in Watercare's office in Newmarket. Approximately 60 participants are confirmed to attend. Cameron Wilson from Oyster Capital will speak of his experiences working with Watercare on his Whenuapai SHA development.

3. INFRASTRUCTURE PROGRAMME

The infrastructure capital programme has delivered year to date \$246m against a budget of \$341m. The forecast to year end is to deliver \$274m against a budget of \$375m.

During the month, the Hunua 4 (Section 10) project saw the full closure of portions of Campbell Road between 10am and 4pm each day. Closures have been successfully undertaken with no significant stakeholder issues being raised. This closure is estimated to reduce the construction time in Campbell Road by two months, from five months to three months.

A Capital Expenditure Dashboard Report of all capital expenditure projects over \$15million is shown in Appendix C.

4. PROPOSED AUCKLAND UNITARY PLAN

The Commissioners report on the Proposed Auckland Unitary Plan will be released on the 22nd of July. Auckland Council has 20 working days to respond to these recommendations, including to either make the plan operative, or to seek appeal.

5. SERVICE DELIVERY

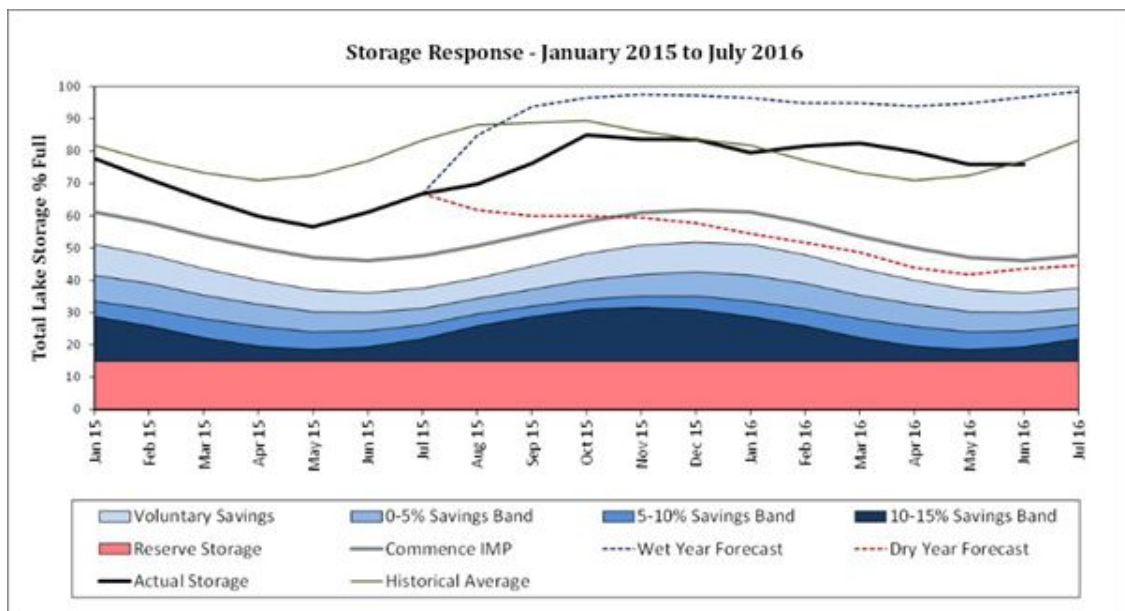
Rainfall and Water Resources

Rainfall in May was slightly above average across the Auckland region, as demonstrated by the rainfall recorded:

Waitakere Ranges	138% of average
Hunua Ranges	113% of average
Northern Non-metropolitan	80% of average
Southern Non-metropolitan	90% of average

This rain has helped reduce the soil moisture deficit that resulted from the very dry month in April, but inflows to storage lakes have yet to reach the expected levels for this time of year. The abstraction from the Waikato WTP was increased in early May.

Metropolitan total system storage remained at 75.9% at the end of May, which is in line with the historical average storage for this time of year (76.9%).



The current short range forecasts indicate that there will be normal levels of rain within Auckland in June, and rainfall levels for July to September should be slightly above average.

Huia Water Treatment Plant Capacity Restoration Update

The Huia WTP is constrained to a capacity of 65MLD. A plan to restore the sustainable capacity to 110MLD, and enable short term peak flows of 126MLD has been confirmed. The cost of the solution is estimated at \$3.7M and will have a service life of 10 years, which will enable the Huia Water Treatment Plant to operate until a new water treatment plant is constructed. The first stage of work

is the replacement of the centrifuges, which will be delivered to site in early June 2016. The first unit, which will increase the sustainable WTP capacity to 80MLD and the peak WTP capacity to 100MLD, will be commissioned by the end of August 2016. All works are scheduled to be completed by September 2017.

Waikato Water Treatment Plant 175MLD Expansion Update

The Waikato Water Treatment Plant 175 MLD Expansion Project is progressing well. The building upgrade works have been completed. The sand separation units are being returned to the manufacturer in the United States for replacement because of quality issues. This has deferred commissioning until October 2016. The membrane and clarifier capacity upgrade works are scheduled for completion during by July 2017.

6. UNPLANNED MAINTENANCE EXPENDITURE

Unplanned Maintenance Expenditure in Service Delivery is currently \$3.0M over budget. The majority of the over expenditure has occurred at Mangere WWTP and the Wastewater Transmission system.

Strategic assets within the North Shore wastewater system were re-classified as Transmission assets (post the FY2016 Budget process), as part of the overall strategy for wastewater services in the Northern region. These have a different maintenance regime, due to the associated consequences of failure. During condition assessments of these assets, additional unplanned work (\$1.4M) has been required due to the poor condition of the assets. The 2017 planned maintenance budget has been revised upwards to accommodate this increased programme of work going forward.

Mangere WWTP has experienced asset failures (\$0.5M) in the year and a greater level of corrective maintenance was identified while major overhauls were completed on elements such as reactor clarifiers and gravity belt thickeners (\$0.5M). Maintenance programmes have been reviewed, with a proposed increase in planned maintenance to major assets in FY2017 to reduce the likelihood of failure.

7. FINANCE

Financial Performance

Figures (\$millions)	Current Month			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Revenue	49.38	44.96	4.41	517.55	491.36	26.19	562.57	537.17	25.40
Operating Expenses	19.94	17.76	(2.18)	189.20	195.69	6.49	207.68	212.77	5.08
Depreciation	18.55	18.37	(0.19)	197.36	199.02	1.66	215.87	217.12	1.25
Interest expense	6.50	6.70	0.21	70.39	71.69	1.30	77.13	78.21	1.07
Total Contribution	4.39	2.13	2.25	60.61	24.96	35.65	61.88	29.07	32.80
Non-operating costs/(income)	1.31	0.24	(1.07)	9.68	2.76	(6.92)	10.08	3.00	(7.08)
Financial instruments revaluation - loss/(gain)	4.86	-	(4.86)	106.33	-	(106.33)	106.33	-	(106.33)
Operating Surplus / (Deficit) Before Tax	(1.79)	1.89	(3.69)	(55.41)	22.20	(77.60)	(54.53)	26.07	(80.61)
Deferred Tax - Expense/(Credit)	1.60	0.15	(1.45)	(9.45)	16.51	25.96	(5.35)	21.49	26.84
Net Surplus / (Deficit) After Tax	(3.39)	1.75	(5.14)	(45.96)	5.68	(51.64)	(49.18)	4.58	(53.77)
FFO Ratio				3.71	3.24		3.69	3.25	
Operating EBITDAF	29.44	27.21	2.23	328.35	295.67	32.68	354.88	324.40	30.48
EBITDA	23.26	26.97	(3.71)	212.34	292.91	(80.57)	238.47	321.40	(82.93)
EBIT	4.71	8.60	(3.89)	14.98	93.89	(78.91)	22.60	104.28	(81.68)
Leakage Allowance Granted	0.66	0.39	(0.27)	4.44	3.99	(0.45)	4.80	4.35	(0.45)

Month – Total Contribution of \$4.4m - favourable variance to budget of \$2.3m

Total revenue was favourable \$4.4m to budget due to; wastewater revenue favourable \$2.0m, water revenue favourable by \$0.9m and IGC revenue favourable by \$1.6m.

Operating expenses were unfavourable to budget \$2.2m with higher asset operating costs due to higher maintenance spend partly offset by lower overheads.

Depreciation was unfavourable \$0.2m to budget.

Interest expense was \$0.2m favourable to budget.

Year to date – Total Contribution of \$60.6m - favourable variance of \$35.7m

Year to date revenue is \$26.2m favourable to budget primarily due to; vested asset income favourable \$16.6m, IGC revenue favourable \$2.6m. Water and wastewater revenue is favourable \$8.7m, with water volumes 1.1% over budget.

Year to date water and waste water leakage allowances granted are \$0.5m unfavourable to budget.

Operating expenses are \$6.5m favourable to budget with favourable variances for professional services and general overheads partially offset by unfavourable asset operating costs and net labour.

Depreciation is favourable \$1.7m to budget.

Interest expense is \$1.3m favourable to budget.

Year to Date – Net Deficit after Tax of \$46.0m – unfavourable variance of \$51.6m

The unfavourable variance of \$51.6m is primarily due to the unfavourable revaluation of financial instruments of \$106.3m resulting from the decrease in medium to long term swap rates since June 2015 partially offset by a favourable operating contribution variance of \$35.7m and lower tax expense \$26.0m.

Full year Forecast – Operating Contribution of \$61.9m – favourable variance of \$32.8m

Full year revenue is forecast at \$562.6m, favourable by \$25.4m largely due to expected higher than budgeted vested asset revenue favourable \$16.6m. Water and wastewater revenues are expected to maintain the current above budget level.

Operating expenses are favourable to budget \$5.1m with favourable variances for professional services and general overheads partially offset by higher asset operating costs and, higher net labour due to lower labour capitalised to capital projects.

Depreciation costs are forecast to be favourable to budget by \$1.3m at year end.

Interest expense is expected to be favourable to budget at year end by \$1.1m largely due to lower debt than budgeted partly offset by lower capitalised interest than budgeted.

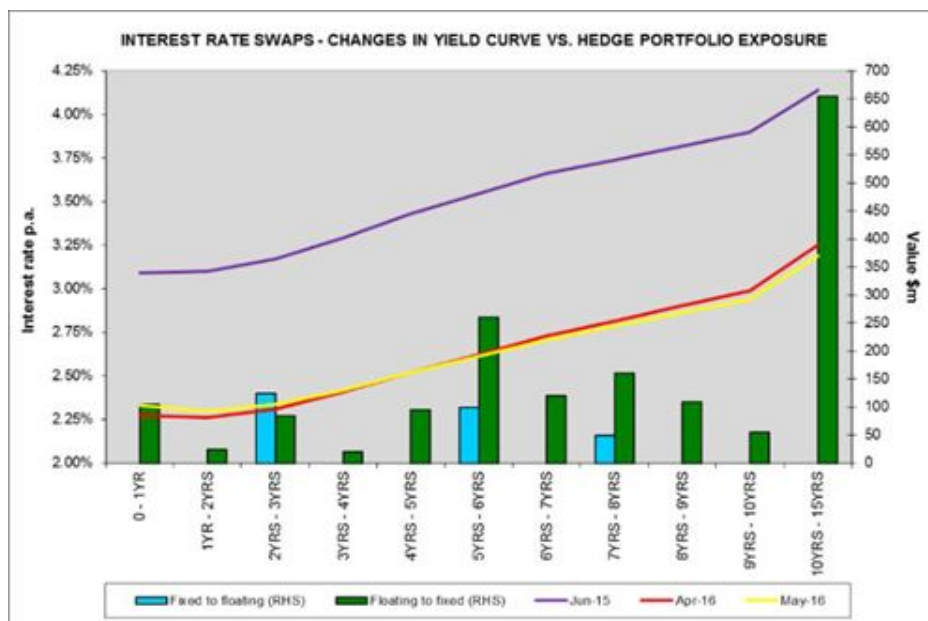
Financial Position

Smillion	Actual Apr-16	Actual May-16	Monthly Movement	Budget May-16	Var from Budget
Non Current Assets	8,676.4	8,689.0	12.6	8,783.4	(94.4)
Current Assets	82.1	79.7	(2.3)	85.4	(5.6)
Total Assets	8,758.4	8,768.7	10.4	8,868.7	(100.0)
Other Liabilities	370.2	382.9	12.7	299.1	83.8
Deferred Tax Liability	1,000.1	1,001.7	1.5	1,036.4	(34.7)
Borrowings - Short Term	411.0	381.1	(29.9)	358.2	22.8
Borrowings - Long Term	1,145.1	1,174.4	29.3	1,302.6	(128.2)
Shareholders Funds	5,832.1	5,828.7	(3.3)	5,872.4	(43.7)
Total Liabilities and Shareholders Funds	8,758.4	8,768.7	10.4	8,868.7	(100.0)

The major movements in the Statement of Financial Position as at 31 May 2016 compared with 30 April 2016 were the increase in non-current assets reflecting capital expenditure net of depreciation in the month and an increase in creditors.

Compared with budget the material variances are largely in respect of property, plant and equipment, deferred tax, derivative financial instruments (Other liabilities) and debt. In addition to the impact of lower than budgeted capex spend the variances primarily reflect a different opening position on 1 July 2015 than that assumed when the budget was set, including a lower level of revaluation of property, plant and equipment than expected. Net debt at \$1,556m is \$105.4m beneath budget.

Treasury



Interest Analysis Smillion	Current Month			Year to date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	6.50	6.70	0.21	70.39	71.69	1.30	77.13	78.21	1.08
Capitalised Interest	0.97	1.82	0.85	11.06	16.68	5.63	11.85	18.50	6.65
Gross Interest	7.46	8.52	1.06	81.44	88.37	6.93	88.98	96.71	7.73
Less Interest Income	0.01	-	(0.01)	0.03	-	(0.03)	0.03	-	(0.03)
Net Interest	7.46	8.52	1.06	81.41	88.37	6.96	88.95	96.71	7.76

Capital Expenditure

Summary Capital Expenditure (Smillions)	Month May 2016			Year to Date			Full Year			Prior Month Forecast
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var	
Wastewater Projects										
Strategy & Planning	0.8	1.8	1.0	4.4	13.9	9.5	5.3	16.7	11.4	4.1
Infrastructure Delivery (excl Labs/MS)	13.1	16.7	3.6	127.0	173.8	46.9	139.2	191.0	51.8	142.5
Water Projects										
Strategy & Planning	0.2	2.9	2.7	3.6	13.3	9.7	3.7	15.5	11.8	3.6
Infrastructure Delivery (excl Labs/MS)	9.8	7.2	(2.7)	80.6	84.4	3.8	87.0	90.5	3.5	82.8
Service Delivery	5.0	5.2	0.2	25.2	47.4	22.2	32.7	52.6	19.8	31.6
Retail	0.7	0.6	(0.0)	6.1	7.5	1.4	6.7	8.1	1.4	6.8
Information Services	0.5	0.4	(0.2)	5.9	7.0	1.1	7.1	7.4	0.3	8.1
Other Projects	1.4	0.8	(0.6)	7.7	13.8	6.1	9.0	15.0	6.0	9.2
TOTAL	31.5	35.4	4.0	260.4	361.2	100.7	290.7	396.7	106.0	288.6
Includes Capitalised Interest of:										
Water Projects Capitalised Interest	0.4	0.8	0.4	5.1	7.4	2.3	5.4	8.2	2.8	5.4
Wastewater Projects Capitalised Interest	0.5	1.0	0.5	5.9	9.3	3.4	6.5	10.3	3.9	6.7
Total Capitalised Interest	1.0	1.8	0.9	11.1	16.7	5.6	11.9	18.5	6.6	12.1

Capital expenditure for the month was \$31.5m against a budget of \$35.4m. The full year forecast of \$290.7m has increased by \$1.1m from the prior month full year forecast and is \$106.0m behind budget. The main contributors to this variance, as discussed in the previous Board meeting are:

- a review of projects to ensure strategic asset needs are being met resulting in a number of projects being deferred,
- project savings achieved,
- delays in project commencement partially offset by projects ahead of budgeted timetable and
- a reduction in capitalised interest as a result of the lower level of capital spend.

8. BOARD CORRESPONDENCE

There was no correspondence during the month.

9. EXECUTION OF DOCUMENTS

There were 27 documents executed during May in accordance with the delegated authority provided to the Chief Executive by the Board in relation to deeds, instruments and other documents. These included 16 notices to acquire under the Public Works Act, one approval of land acquisition, two approvals to surrender easements and eight approvals to register water or right of way easements.

There were five Capex approvals totaling \$11.885m signed in accordance with the delegated authority provided to the Chief Executive by the Board in relation to Capex approvals below a threshold of \$15m.

Summary of Capital Projects Approved by the Chief Executive – May 2016		
C-10156	Ardmore Water Treatment Plant Sludge Thickening System Upgrade - Capex Extension	\$1,209,200
C-12201a	Mangere WWTP Primary Sedimentation Tank Sprays Reduction Project - EXTENSION	\$289,000
C-12261-04	Replacement maintenance vehicles	\$338,000
C-12547	Mangere WWTP Sludge Tanks Replacement	\$10,000,000
C-12663-03	Replacement of Maintenance Vehicle	\$49,000

There was one contract over \$100,000 awarded during May in accordance with the delegated authority provided to the Chief Executive by the Board in relation to capex and opex contract approvals.

Summary of Contract Awards – May 2016		
26/5/16	Pipeline and Civil	Westney Additional Reinstatement and Connection Costs

10. COMMUNICATIONS

Media summary

Watercare has received a high volume of coverage over the past four weeks with the media running articles on a range of topics including the price rise, our new payment option for landlords, our Manukau Harbour study, our Hunua 4 watermain project and our application to increase our water take from the Waikato River.

The NZ Herald, Stuff and most of the suburban newspapers ran articles on the price rise that were neutral in tone and reiterated key messages from our media release. The CE was routinely quoted as saying that the 2.5% increase means an average household's charges will increase by about \$1.75 a month, which is in-line with our commitment to being a minimum-cost service provider.

Our new payment option for landlords received favourable coverage in suburban, industry, ethnic and social media. The Auckland Property Investors Association, Barfoot and Thompson, Sell a house NZ and Landlords NZ all promoted the payment option to their members through their websites and/or social media channels, and it ran as a news headline on Newstalk ZB. Similarly, our new partnership with Xero – which allows customers to have their bills sent directly to their Xero accounting system – was shared on twitter by a number of Xero customers.

The CE's announcement that Watercare will fund a hydraulic model of the Manukau Harbour at the Manukau Harbour Forum Symposium on Friday 10 June was picked up by Radio NZ, Newstalk ZB and Stuff. Drawing from the media release, Raveen was routinely quoted as saying the model will establish an understanding of the various factors that affect the health of the Manukau Harbour: "Finally we will have a sound, scientific basis for collaborative decision making in the harbour. This will ensure planning decisions and debate is based on facts, not opinions." Further coverage is expected in suburban newspapers in the coming weeks.

Watercare's application to increase the volume of water we can abstract from the Waikato River continued to receive coverage this month. An article that featured on Stuff summarised Watercare's presentation to Waikato regional councillors in Hamilton. It emphasised the rate of growth in Auckland, noting that the super city had grown by the size of Hamilton since integration in 2010. Other publications repeated the content that had appeared in Fairfax publications in May, in which Raveen was routinely quoted as saying that over the next 10 years, Auckland's growing population will demand a further 45 million litres of water a day. Within 35 years, demand will increase a further 200 million litres a day: "We just have to be very prudent and because of the long lead times, we just have to start doing things a decade before."

Our education programme and Hunua 4 project received favourable coverage in the Central Leader and East and Bays Courier, with a striking image showing pupils from Cornwall Park School showing the scale of the new pipeline. These articles noted that our education coordinator has been running our education programme for 10 years and has taught more than 60,000 pupils over that period.

Plans to build a 70-apartment complex in Herne Bay received negative coverage in both the NZ Herald and Ponsonby News. We were mentioned in the articles as councillor Mike Lee wrote to the housing minister asking him to revoke the fast track Special Housing Area, warning the "sewage system couldn't cope" and the apartments would increase the volume of wastewater that overflows into the Waitemata Harbour. Watercare was not approached for comment.

We have created a company page on Neighbourly, a social media site with over 100,000 active users in the Auckland region. This site gives us the ability to target local communities with information on changes to services as well as infrastructure projects for free.

Upcoming media coverage

Next month, IPENZ Engineering Insights magazine will run a feature on how the CE is actively working to change the culture of Watercare; reorienting the business towards the customer and developing a workplace that supports and encourages diversity.

Also next month, Water NZ magazine will run a profile on the CE, explaining how his focus is on ensuring the future resilience of Auckland's infrastructure.

Customer communications programme

The table below outlines the indicative customer communications programme. This programme is dynamic and will be adapted as appropriate to align to the new strategic priorities and respond to current issues/areas of interest.

Month	Activity	Status
May	<p>Domestic customers received a bill insert signalling the price rise on 1 July as well as the new payment option for landlords.</p> <p>Non-domestic customers, where applicable, received letters regarding the final stage of the wastewater tariff transition and/or the option to change pricing plans. The price change was signalled on the bills.</p> <p>Residents in Mangere received a Mangere Matters with stories on the recent treatment plant open day and the BNR project, including the opening of Mark Ford Drive.</p>	<p>Distribution complete</p> <p>Distribution complete</p> <p>Distribution complete</p>
June	<p>Domestic and non-domestic customers are receiving the winter issue of <i>Tapped In</i> which focuses on how we are meeting the needs of our communities and the environment, both now and into the future. There is a two-page graphic highlighting our major infrastructure projects. On the back page are stories on the price rise and the new payment option for landlords. This issue was shared on social media by councillor Chris Darby and senior policy analyst at ARPHS David Hopkins.</p> <p>Information regarding the price increase was also communicated to customers through public notices, our website and messages printed on the bills.</p> <p>Customers who use the accounting software Xero received notification from Xero that they can now receive their Watercare bills through the accounting software. This was also highlighted on our website.</p> <p>Customers will be given notice of changes to the customer contract through a public notice in the New Zealand Herald.</p>	<p>In distribution</p> <p>Ran in late May and early June</p> <p>Public notice to run on 16 June.</p>
July	Domestic and non-domestic customers will receive a bill insert on the changes to the customer contract.	To be distributed throughout July.
August	Domestic customers will receive a bill insert on how to save water in the home.	

Within the customer area, work is being undertaken to improve customers' e-billing experience through the creation of a more engaging and interactive email template that aligns with our external branding. In addition, work is being undertaken to create welcome packs for new customers that have useful transactional, contractual and company information.

Stakeholder communications

Completed:

- Glen Eden Wastewater Upgrades: Construction of the Glen Eden wastewater upgrades, including work in Harrold Moody Reserve is due to begin late July. Watercare is engaging with the local schools to prepare art work for the project. The contractor McConnell Dowell's communications team will run stakeholder engagement on the ground throughout the project. Responsibilities have been defined with Watercare. Watercare has met with Project Twin streams that now fully support the project due to the environmental benefits it will bring.
- Franklin Road: Watercare will attend an Auckland Transport Liaison Group meeting on 27th June. Construction has been delayed due to Watercare business case signoff. Notification letters have been sent out for new connections in the area.
- Central Interceptor: The Meola stream Community Liaison Group has been set up with Watercare to attend the inaugural meeting on the 4th July.
- Huia Water Treatment Plant: The final three options have been confirmed. Further discussion is required on the approach for community engagement. More detailed information on each option has been requested.
- ATEED: Watercare continues to work with ATEED to share information on upcoming projects and how to minimise disruptions for planned community events. The 2016 Auckland Marathon route needs some work around Watercare's Fred Thomas Drive and Wynyard Quarter WW projects.
- Warkworth/Snells/Algies Wastewater Planning: Final preferred wastewater servicing option has been decided on. The Warkworth/Snells community has been invited to discuss at an open evening on the 14th June.
- Operations: Watercare's stakeholder team is working more closely with operations to implement best practice letters, project signage, etc. Main liaison this month on Karaka Bay and Cockle Bay projects.
- Hunua 4 watermain: Watercare has worked with the contractor to advertise the full closure of Campbell Road. Radio advertising supplemented pamphlet, newspaper and VMS Board advertising. "Google Hunua 4" has been a very effective method of getting the public to more information on the Watercare website which has received over 6000 hits on the Hunua 4 project page.
- There is ongoing community liaison going on around the Sidmouth Street, Mairangi Bay wastewater leak and repairs.
- Albany/Pinehill watermain and reservoirs: The Spencer Road Bridge forum was attended with NZTA/AT on 2 June.
- The Pukekohe wastewater pipeline and pump station has begun construction with our stakeholder team overseeing the stakeholder liaison being carried out by Fulton Hogan.

Planned/underway:

- Community open evenings: Open evenings will be held for the following projects: Warkworth Snells Algies Wastewater Servicing and South West Wastewater Servicing in June.
- Operations: Liaison for Cornwall Road Bore project in Waiuku is coming up.

11. WORKING WITH LOCAL BOARDS

Over the past month Local Board chairs were sent Watercare's Annual Plan update presented to the Governing Body. A follow up presentation was provided to the Mangere Otahuhu Local Board at their request.

Information on the South West and North East rural wastewater servicing projects were shared with the Franklin and Rodney Local Boards. A second round of public information events will be held on 14 and 16 June and interested elected members have been invited.

Project meetings on the detailed design of the Central Interceptor are underway with the Albert Eden, Puketapapa and more recently the Whau Local Board. Watercare, Auckland Council Parks Department and the Hibiscus and Bays Local Board met to discuss future development of the Mairangi Bay Park and Surf Club while information on overflows and water quality in St Mary's Bay was shared with the Waitemata Local Board. Watercare and Parks staff also joined Maungakiekie-Tamaki Local Board for a workshop on the Glendowie Wastewater upgrades project and are working towards landowner approval.

A new edition of Mangere Matters was shared with Local Boards around the harbour. Watercare is also supporting the Manukau Harbour Forum at their full day public symposium on 10 June.

A full schedule of local board interactions over the month is attached as Appendix D.

12. MANUKAU HARBOUR CENTRE OF EXCELLENCE

Watercare has commissioned a three-year research programme by the National Institute of Water and Atmospheric Research (NIWA), which will establish a coupled hydrodynamic and water-quality model of New Zealand's second largest harbour.

The work is part of a strategic partnership between Watercare and NIWA, and will provide much-needed information on how nutrients enter the harbour and how they subsequently move around the harbour and the lower levels of the foodweb.

13. PILOT TRIAL OF ULTRASONIC TECHNOLOGY AT LOWER NIHOTUPU DAM

The management of algae, cyanobacteria and the associated by-products (taste and odour compounds and cyanotoxins) in the raw water sources requires a multi-barrier approach, as opposed to reliance of treatment such as dosing activated carbon. The use of Ultrasonic devices have been identified as an option to control algae and cyanobacteria. These devices emit ultrasonic waves at various frequencies, disrupting the cell growth and preventing bloom formation. Given the potential of this technology, a 12 month pilot trial using this technology at Lower Nihotupu Dam will commence in September 2016.

14. AUSTRALASIAN REPORTING AWARDS – SUSTAINABILITY AWARD

The 2015 Watercare Annual Report was the winner of the Sustainability Award for the public sector category at the Australasian Reporting Awards in early June. The Australasian Reporting Awards were established over 60 years ago to encourage the effective communication of business and financial information. The award acknowledges and further reinforces Watercare's commitment to our 'Fully Sustainable' strategic priority, ensuring that sustainability is embedded in all aspects of the business.

15. NEW INTRANET – OUR PLACE

The new intranet - Our Place – was launched to staff across all sites on 25 May. The new platform is a place where staff can share successes, swap knowledge, find information and collaborate with people from across the business. It features a leadership blog where the chief executive, tier 2 and tier 3 leaders can express ideas, information and opinions.

16. BUSINESS CONTINUITY TESTING

As part of the program to maintain and improve business resilience, a test of our capacity to recover from a loss of the Fault Services information systems was successfully completed in June 2016.

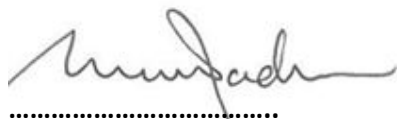
The test was designed to ensure that the business continuity plan would be effective when the Fault Services team had no access to computers. Staff were not given prior warning of the test.

The test proved that the Business Continuity Plan could be effectively implemented to continue service to our customers. Amongst other test objectives the exercise proved that:

- Key managers were advised of the loss of supporting IS systems and the activation of the BCP;
- Checks against key account holder information e.g. dialysis patients were completed to ensure their requirements continued to be met; and
- Service requirements were communicated to supporting contractors and Watercare Maintenance Service teams














There was one key learning from this exercise, being that contractors required more regular briefings on BCP requirements and this change has been implemented.

Regular exercises of continuity plans are undertaken during the year, and the next series including a simulation of the loss of the Remuera Road control room will be completed in September 2016.





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R Jaduram
CHIEF EXECUTIVE



WATERCARE SERVICES LIMITED**May-16****4****Key Financial Indicators**

Financial performance	YTD	Page Ref
Total Revenue		A1
Operating Costs		A1
Interest expense		A1
Depreciation		A1
Net Contribution		A1
Financial position		
Net Borrowings		A4
Cashflow		
Operating cashflow		A2
Investing cashflow		A2
Treasury policy	Compliance	Page Ref
Committed facilities (liquidity risk)		A5
Fixed interest rate risk		A5
Credit risk		A6
Funding risk		A6, A7
Foreign exchange risk		A7

Key to Financial performance, Financial position and cashflow measures

-  Favourable variance - actual result on or above budget for total revenue, net contribution, operating cash flow and actual result below budget for operating expenses, interest, depreciation, net borrowings and investing cash flow
-  Unfavourable variance - actual result below budget for total revenue, net contribution, operating cash flow and actual result above budget for operating expenses, interest, depreciation, net borrowings and investing cash flow

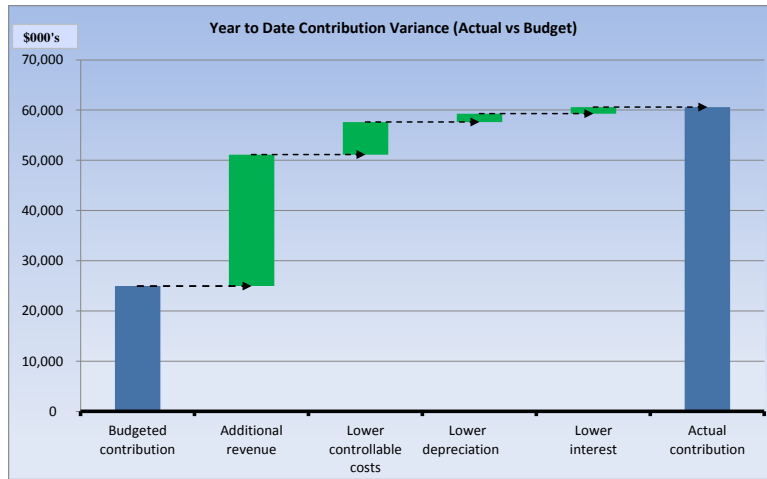
Key to Treasury policy compliance

-  Full compliance
-  The recent downward revision to forecast debt increases has seen a consequential proportional decrease in the Treasury Policy fixed interest limits. As the fixed interest rate hedging profile was built up when forecast debt was much higher, this has caused the profile to exceed the Treasury Policy upper limit for fixed interest rate risk between one and three years.
The size of the breach is relatively small when compared to total forecast debt (peaking at \$63 million on \$1,633 million of debt). Management could resolve this issue by restructuring parts of the hedging profile, pushing the hedges further into the future, but we are reluctant to this now, as we feel that interest rates are likely to move lower in the near term. In the meantime, we recommend running with the out-of-policy position.

WATERCARE SERVICES LIMITED												May-16
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE												(\$000's)
	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
Wastewater revenue	27,035	24,993	2,042	✓	284,563	276,050	8,513	✓	308,799	300,286	8,513	✓
Water revenue	12,578	11,728	850	✓	131,902	131,860	42	✓	142,935	142,982	(46)	✗
Infrastructure growth charge revenue	7,460	5,858	1,602	✓	54,238	51,662	2,576	✓	59,550	57,520	2,031	✓
Other revenue	1,997	1,524	472	✓	20,807	22,310	(1,503)	✗	24,383	26,044	(1,661)	✗
Revenue from exchange transactions	49,070	44,103	4,967	✓	491,510	481,881	9,629	✓	535,668	526,832	8,836	✓
Vested assets revenue	307	861	(554)	✗	26,036	9,476	16,559	✓	26,897	10,338	16,559	✓
Revenue from non-exchange transactions	307	861	(554)	✗	26,036	9,476	16,559	✓	26,897	10,338	16,559	✓
Total revenue	49,377	44,965	4,412	✓	517,545	491,358	26,188	✓	562,565	537,170	25,395	✓
Labour	6,192	6,782	590	✓	66,944	71,630	4,687	✓	73,652	78,478	4,826	✓
Contract labour	363	184	(179)	✗	2,356	2,113	(244)	✗	2,627	2,274	(353)	✗
Oncosts	268	314	47	✓	2,873	3,404	531	✓	3,185	3,718	534	✓
Labour recoveries	(2,878)	(3,439)	(561)	✗	(29,239)	(36,031)	(6,792)	✗	(32,366)	(39,436)	(7,070)	✗
Net labour	3,944	3,842	(102)	✗	42,934	41,116	(1,818)	✗	47,097	45,035	(2,062)	✗
Materials & cost of sales	225	168	(57)	✗	2,021	1,929	(91)	✗	2,393	2,106	(287)	✗
Planned maintenance	1,880	1,487	(393)	✗	13,938	14,975	1,037	✓	15,550	16,002	452	✓
Unplanned maintenance	3,753	2,536	(1,218)	✗	31,664	30,012	(1,652)	✗	34,279	32,542	(1,737)	✗
Asset operating costs - chemicals	1,105	913	(192)	✗	10,000	9,755	(244)	✗	10,957	10,653	(304)	✗
Asset operating costs - energy	1,639	1,711	72	✓	16,165	16,091	(74)	✗	17,735	17,801	66	✓
Operating costs - other	4,056	3,478	(578)	✗	38,306	39,429	1,123	✓	41,880	42,855	975	✓
Depreciation and amortisation	18,554	18,368	(186)	✗	197,356	199,020	1,663	✓	215,872	217,122	1,250	✓
Asset operating costs	30,987	28,492	(2,495)	✗	307,429	309,283	1,853	✓	336,274	336,975	701	✓
Communications	193	165	(28)	✗	1,473	1,856	383	✓	1,637	2,019	382	✓
Professional services	963	1,112	149	✓	8,152	13,659	5,506	✓	9,245	14,637	5,393	✓
Interest	6,496	6,704	208	✓	70,386	71,689	1,303	✓	77,134	78,207	1,073	✓
General overheads	2,182	2,348	166	✓	24,545	26,869	2,324	✓	26,908	29,117	2,209	✓
Overheads	9,834	10,328	494	✓	104,556	114,073	9,516	✓	114,924	123,980	9,057	✓
Total expenses	44,990	42,830	(2,159)	✗	456,940	466,401	9,460	✓	500,688	508,096	7,408	✓
Total contribution/(loss)	4,388	2,135	2,253	✓	60,606	24,957	35,648	✓	61,877	29,074	32,803	✓
Gain/loss on disposal of fixed assets and other costs	1,315	240	(1,075)	✗	9,684	2,760	(6,924)	✗	10,082	3,000	(7,082)	✗
Gain/loss on revaluation of financial instruments	4,863	-	(4,863)	✗	106,328	-	(106,328)	✗	106,328	-	(106,328)	✗
Non operating (costs)/revenue	6,178	240	(5,938)	✗	116,012	2,760	(113,252)	✗	116,410	3,000	(113,410)	✗
Net surplus/(deficit) before tax	(1,791)	1,895	(3,685)	✗	(55,407)	22,197	(77,604)	✗	(54,533)	26,074	(80,607)	✗
Income Tax Expense/(benefit)	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	1,602	149	(1,453)	✗	(9,449)	16,514	25,963	✓	(5,349)	21,490	(26,838)	✗
Net surplus/(deficit) after tax	(3,393)	1,745	(5,138)	✗	(45,958)	5,683	(51,641)	✗	(49,184)	4,584	(53,769)	✗

Key: Financial performance result

- ✓ Favourable variance - actual income on or above budget and actual expenditure on or below budget
- ✗ Unfavourable variance - actual income below budget and actual expenditure above budget

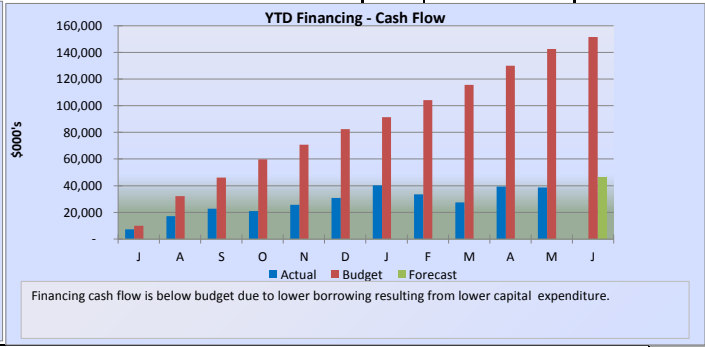
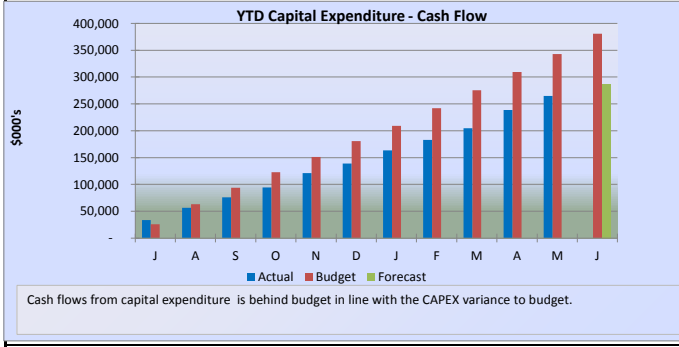
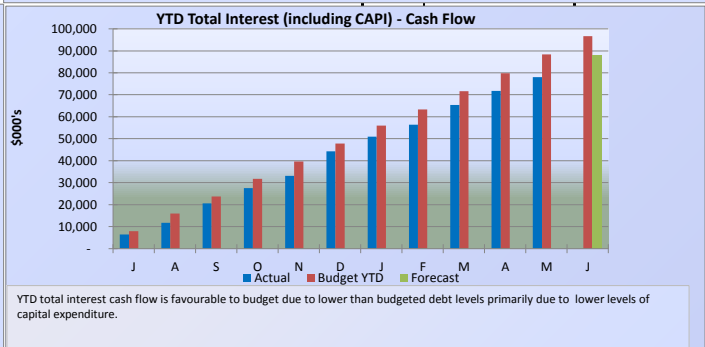
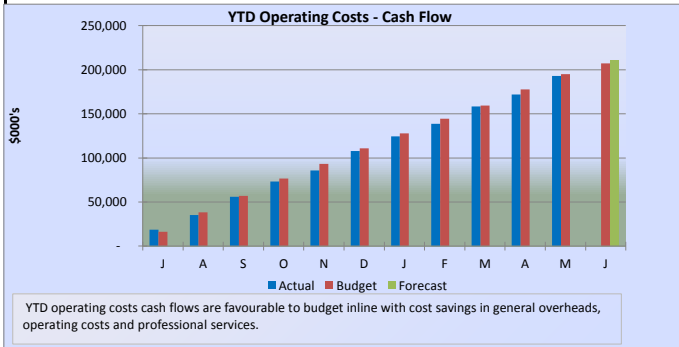
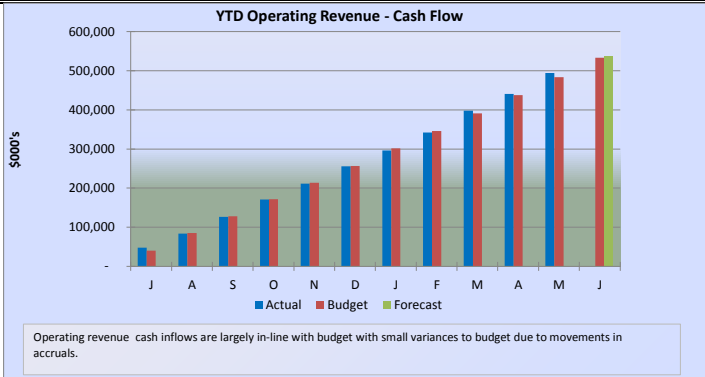


WATERCARE SERVICES LIMITED
STATEMENT OF CASH FLOWS May-16

(\$000's)												
NZ \$000s	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
Operating Cash flow:												
Operating Revenue	53,302	46,402	6,900	✓	494,086	483,742	10,344	✓	537,364	533,286	4,078	✓
Operating Costs	(21,068)	(17,207)	(3,861)	✗	(192,952)	(195,013)	2,061	✓	(210,732)	(207,334)	(3,398)	✗
Interest Paid	(5,247)	(6,704)	1,457	✓	(66,970)	(71,689)	4,719	✓	(76,155)	(78,207)	2,052	✓
OPERATING CASH FLOW	26,987	22,491	4,496	✓	234,164	217,041	17,123	✓	250,477	247,745	2,732	✓
Investing Cash flow:												
Capital Expenditure	(26,048)	(33,320)	7,272	✓	(264,652)	(342,930)	78,278	✓	(287,157)	(380,773)	93,616	✓
Capitalised Interest (CAPI)	(968)	(1,818)	850	✓	(11,056)	(16,683)	5,627	✓	(11,848)	(18,501)	6,653	✓
INVESTING CASH FLOW	(27,016)	(35,137)	8,121	✓	(275,708)	(359,613)	83,905	✓	(299,004)	(399,274)	100,270	✓
Financing Cash flow:												
Bonds/Term Debt Issued/(Repaid)	(30,000)	(30,000)	-	✓	(30,000)	(30,000)	-	✓	(30,000)	(30,000)	-	✓
Short Term Advances/(Repaid)	29,500	29,500	-	✓	47,000	47,000	-	✓	47,000	17,500	29,500	✓
Commercial Paper Issued/(Repaid)	7	7	-	✓	378	378	-	✓	378	378	-	✓
Auckland Council Borrowings/(Repaid)	(172)	13,140	(13,312)	✓	21,255	125,194	(103,939)	✓	28,358	163,651	(135,293)	✓
FINANCING CASH FLOW	(665)	12,647	(13,312)	✓	38,633	142,572	(103,939)	✓	45,736	151,529	(105,793)	✓
Net Increase (Decrease) in Cash and Cash Equivalents	(694)	-	(694)	✗	(2,911)	-	(2,911)	✗	(2,792)	-	(2,792)	✗
Opening Cash Balance/(Overdraft)	575	-	575	✓	2,792	-	2,792	✓	2,792	-	2,792	✓
Ending Cash Balance/(Overdraft)	(119)	-	(119)	✗	(119)	-	(119)	✗	-	-	-	✓

Key: Financial performance result
 ✓ Favourable variance - actual income above budget or actual expenditure below budget
 ✗ Unfavourable variance - actual income below budget or actual expenditure above budget

Reconciliation Operating Cashflow (\$000's)					
	Current Month		Year to Date		
	Actual	Budget	Actual	Budget	Variance
Net Surplus (Deficit) After Tax	(3,392)	1,745	(45,958)	5,683	(51,641)
Add back non cash items:					
Depreciation and amortisation	18,554	18,368	197,356	199,020	(1,663)
Financial instruments revaluation	4,863	-	106,328	-	106,328
Vested assets revenue	(307)	(861)	(25,783)	(9,476)	(16,306)
Other non-operating exp/(inc)	1,315	240	9,298	2,760	6,538
Income Tax Expense/(Benefit)	1,602	149	(9,449)	16,514	(25,963)
Movements in Working Capital	4,352	2,850	2,371	2,540	(170)
OPERATING CASH FLOW	26,987	22,491	234,164	217,041	17,123

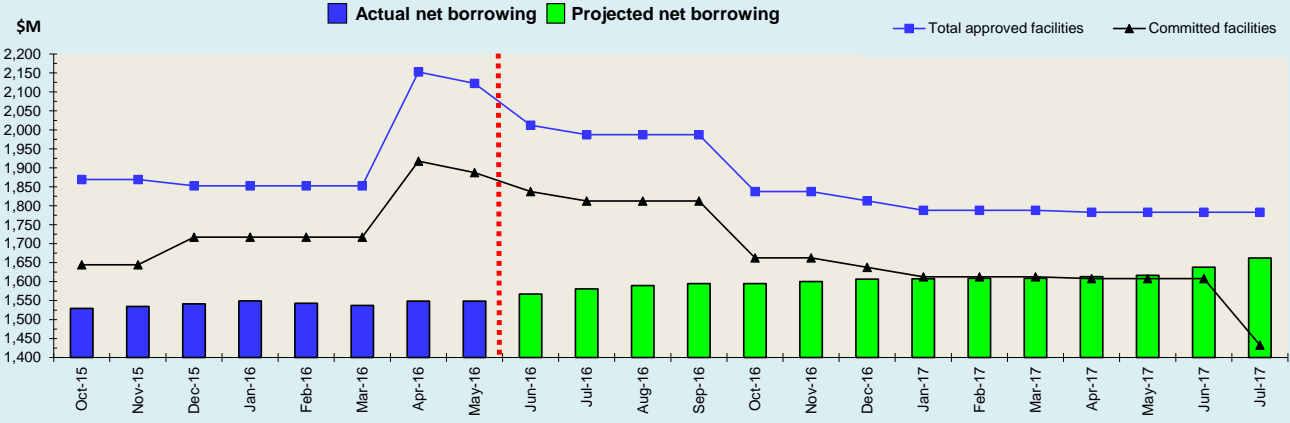


WATERCARE SERVICES LIMITED								May-16
STATEMENT OF FINANCIAL POSITION								(\$'000's)
June 2015 Actual	April Actual		May			June 2016		
			Actual	Budget	Variance	Forecast	Budget	Variance
		Current assets						
2,792	575	Cash and cash equivalents	-	-	-	-	-	-
47,826	47,353	Trade and other receivables from exchange transactions	44,293	54,887	(10,595)	48,000	51,198	(3,198)
19,524	20,607	Unbilled revenue accrual	22,351	20,868	1,483	19,524	20,044	(519)
3,000	3,761	Prepaid expenses	3,558	2,536	1,023	3,414	2,307	1,107
4,058	5,681	Inventories	5,736	4,539	1,197	5,736	4,539	1,197
2,310	4,073	Derivative financial instruments	3,793	2,526	1,267	3,793	2,526	1,267
79,511	82,050	Total current assets	79,732	85,356	(5,624)	80,468	80,614	(146)
		Non-current assets						
8,172,155	8,326,883	Property, plant and equipment	8,385,530	8,469,926	(84,396)	8,452,088	8,607,480	(155,392)
383,539	466,484	Construction/work-in-progress	437,354	459,161	(21,807)	440,364	462,687	(22,323)
(27,673)	(198,885)	Provision for depreciation	(216,823)	(223,309)	6,486	(234,744)	(240,925)	6,180
8,528,021	8,594,482	Total property, plant and equipment	8,606,061	8,705,778	(99,717)	8,657,708	8,829,243	(171,535)
40,184	41,733	Intangible assets	42,708	42,983	(275)	42,625	42,838	(213)
23,692	23,319	Prepaid expenses	23,282	23,311	(29)	23,245	23,274	(29)
3,884	4,446	Inventories	4,356	3,504	852	4,356	3,504	852
9,086	12,372	Derivative financial instruments	12,590	7,794	4,796	12,590	7,794	4,796
8,604,867	8,676,352	Total non-current assets	8,688,997	8,783,370	(94,373)	8,740,524	8,906,653	(166,129)
8,684,378	8,758,402	Total assets	8,768,729	8,868,726	(99,997)	8,820,992	8,987,267	(166,275)
		Current liabilities						
-	-	Bank Overdraft	119	-	119	-	-	-
148,693	149,064	Commercial paper	149,071	148,640	431	149,071	148,640	431
30,264	30,275	Bonds	-	-	-	-	-	-
-	150,000	Term loan	150,000	150,000	-	150,000	150,000	-
18,918	81,620	Auckland council loan	81,890	59,598	22,292	81,890	59,591	22,299
197,875	410,960	Total debt current	381,080	358,238	22,842	380,961	358,231	22,730
19,407	13,471	Trade and other payables for exchange transactions	16,749	30,619	(13,870)	18,898	25,228	(6,331)
10,380	12,488	Interest accrued	13,703	16,266	(2,563)	11,255	15,216	(3,960)
58,862	50,676	Other accrued expenses	54,029	46,321	7,708	58,862	50,316	8,546
6,926	6,903	Provision for staff benefits	7,004	5,143	1,861	7,004	4,953	2,051
5,170	633	Other provisions	633	9,149	(8,516)	545	9,149	(8,604)
22,179	31,910	Derivative financial instruments	31,189	19,441	11,748	31,189	19,441	11,748
320,799	527,041	Total current liabilities	504,387	485,177	19,210	508,713	482,533	26,180
		Non-current liabilities						
75,000	75,000	Bonds (26/10/18)	75,000	75,000	-	75,000	75,000	-
50,667	50,440	Bonds (26/10/18)	50,413	50,400	13	50,413	50,689	(276)
150,000	-	Term loan (13/10/16)	-	-	-	-	-	-
-	17,500	Bank revolving credit facility	47,000	47,000	-	47,000	21,500	25,500
1,043,422	1,002,146	Auckland council loan	1,001,981	1,130,216	-	1,009,063	1,164,392	(155,329)
1,319,089	1,145,086	Total debt non-current	1,174,393	1,302,616	(128,222)	1,181,476	1,311,581	(130,105)
18,700	17,142	Other accrued expenses	17,084	29,619	(12,535)	18,084	29,683	(11,599)
3,484	3,624	Other Provisions	3,624	3,624	-	3,601	-	3,601
1,267	1,302	Provision for staff benefits	1,302	1,725	(422)	1,302	1,751	(448)
135,247	232,029	Derivative financial instruments	237,552	137,203	100,349	237,552	137,203	100,349
1,011,130	1,000,077	Deferred tax liability	1,001,679	1,036,357	(34,678)	1,007,806	1,072,657	(64,851)
2,488,917	2,399,260	Total non-current liabilities	2,435,635	2,511,143	(75,508)	2,449,821	2,552,875	(103,053)
2,809,715	2,926,301	Total liabilities	2,940,022	2,996,320	(56,298)	2,958,535	3,035,408	(76,873)
		Equity						
260,693	260,693	Issued capital	260,693	260,693	-	260,693	260,693	-
1,812,971	1,814,285	Revaluation reserve	1,814,355	1,812,974	1,381	1,851,332	1,893,526	(42,194)
3,856,351	3,799,688	Retained earnings	3,799,617	3,793,056	6,561	3,799,617	3,793,056	6,561
(55,352)	(42,565)	Current year earnings after tax	(45,958)	5,683	(51,641)	(49,184)	4,584	(53,769)
5,874,663	5,832,101	Total equity	5,828,707	5,872,406	(43,699)	5,862,458	5,951,859	(89,402)
8,684,378	8,758,402	Total equity and liabilities	8,768,729	8,868,726	(99,997)	8,820,992	8,987,267	(166,275)

TREASURY RISKS AND INTEREST RATE PERFORMANCE

May-16

4



Interest rates

	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	4.89%	4.28%	4.88%
Weighted averages (incl. fees and margins)	5.96%	N/A	5.95%

Debt (\$m)

	Actual	Budget	Variance
Short-term borrowings	381.0	358.2	22.8
Long-term borrowings	1,174.4	1,302.6	(128.2)
Total gross debt	1,555.4	1,660.8	(105.4)
Bank overdraft / (cash & deposits)	0.1	-	0.1
Total net borrowing	1,555.5	1,660.8	(105.3)

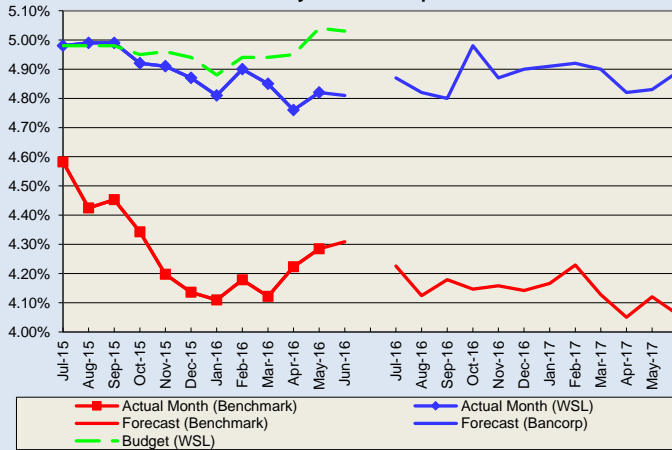
Committed facilities

- Westpac Term Loan facility \$150 million
- BNZ CP Standby facility \$175 million
- Westpac Revolving Credit facility \$60 million
- Medium term notes \$125 million
- Auckland Council \$1,378 million
- Total committed facilities as at 31 May \$1,888 million**

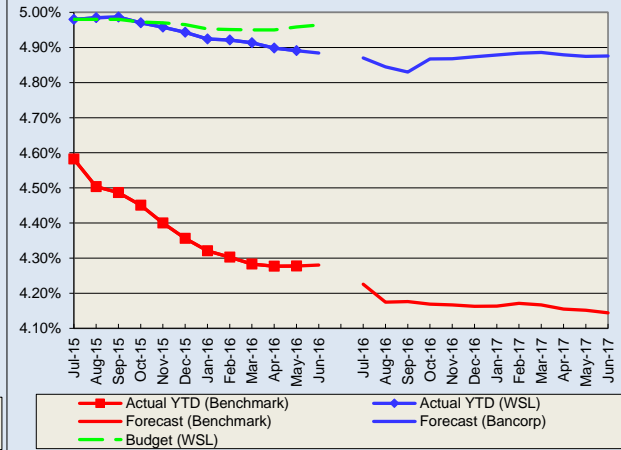
Additional approved facilities

- Approved new funding from Auckland Council \$160 million
- Approved CP issuance, over and above CP Standby facility \$75 million
- Total approved facilities as at 31 May \$2,123 million**

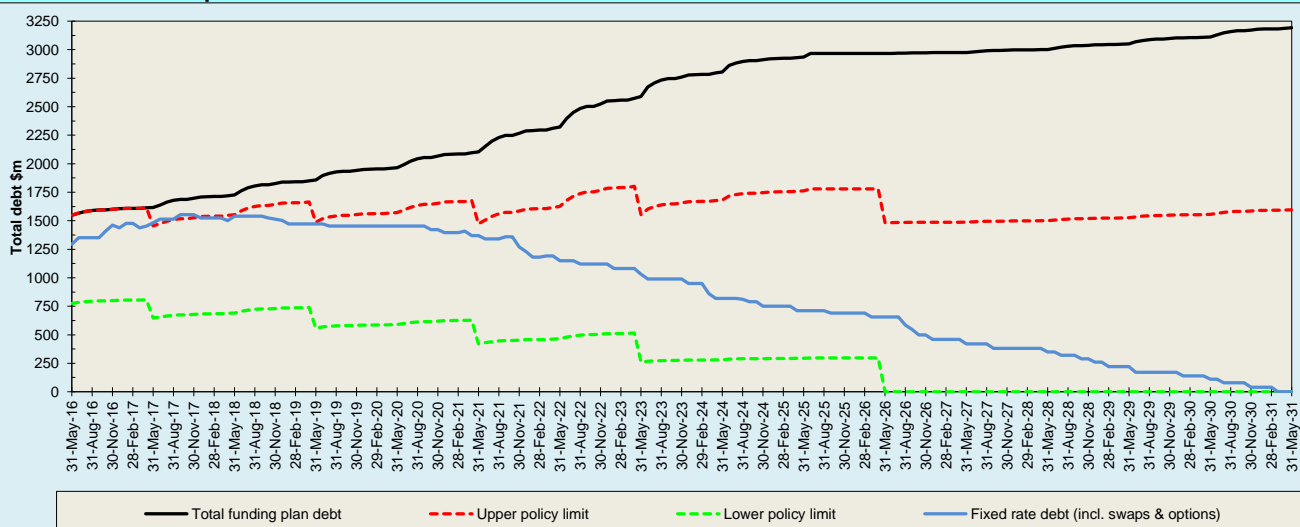
Monthly interest rate performance



Year to date interest rate performance



Forecast total debt profile



COUNTERPARTY EXPOSURES, DEBT CONCENTRATION & COVENANT COMPLIANCE						May-16			
Counterparty exposures		S&P credit rating Short / long term	Face value \$000	Credit exposures \$000	Limit \$000	Limit OK / exceeded			
Obligations of registered banks									
ANZ Bank	A1+ / AA-	620,000	687	100,000	Limit OK	✓			
Bank of New Zealand	A1+ / AA-	615,457	19,062	100,000	Limit OK	✓			
Commonwealth Bank of Australia	A1+ / AA-	90,000	656	100,000	Limit OK	✓			
Kiwibank	A1 / A+	75,000	1,135	75,000	Limit OK	✓			
Westpac Institutional Bank	A1+ / AA-	565,000	0	100,000	Limit OK	✓			
		1,965,457	21,539						
<i>Note: Credit exposures are the aggregate of direct exposures, 10% of the 'face' value of forward foreign exchange contracts, 15% of the 'face' value of electricity hedging contracts, and the sum of the MTM value of interest rate derivative contracts plus a 3% 'risk' factor (if this produces a positive value).</i>									
Debt concentration \$000									
Committed debt facilities		Maturity	0-12 months	12-24 months	24-36 months	36-48 months	48-60 months	> 60 months	Total
Westpac Term Loan facility	13/10/16	150,000							150,000
BNZ CP Standby facility	1/07/17		175,000						175,000
Westpac Revolving Credit facility	30/11/18				60,000				60,000
Medium-term notes	26/10/18				125,000				125,000
Auckland Council	Various	79,668	78,368	82,243	200,000	132,243	805,000		1,377,522
Total committed debt facilities		229,668	253,368	267,243	200,000	132,243	805,000		1,887,522
Approved new funding from Auckland Council							160,000		160,000
Approved CP issuance, over and above CP Standby							75,000		75,000
Total committed and approved debt facilities		229,668	253,368	267,243	200,000	132,243	1,040,000		2,122,522
Treasury policy - total committed debt facilities		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000			
Treasury policy compliance		✓	✓	✓	✓	✓			
Drawn bank facilities		Maturity	0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	> 30 months	Total
Westpac Term Loan facility (\$150m)	13/10/16	150,000							150,000
BNZ CP Standby facility (\$175m)	1/07/17								0
Westpac Revolving Credit facility (\$60m)	30/11/18						47,000		47,000
		150,000	0	0	0	0	47,000	0	197,000
Treasury policy for drawn bank facilities		<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	<= 250,000	
Treasury policy compliance		✓	✓	✓	✓	✓	✓	✓	
Other facilities									
BNZ overdraft	On demand	2,000							2,000
		2,000	0	0	0	0	0	0	2,000
Counterparty exposure in relation to borrowing facilities		Westpac	BNZ	ANZ	CBA	Kiwibank			
Term loan facility		150,000							
Revolving credit facility		60,000							
CP standby facility			175,000						
		210,000	175,000	0	0	0			
Treasury policy		<= 500,000	<= 500,000	<= 500,000	<= 500,000	<= 500,000			
Treasury policy compliance		✓	✓	✓	✓	✓			
Compliance with financial covenants and ratios under the Negative Pledge Deed and Guarantee Facility Deed									
Covenant / ratio		Benchmark/target measure			Outcome		Compliance		
Security interests / total tangible assets - maximum		5%			0.00%		✓		
Total liabilities / total tangible assets - maximum		60%			33.69%		✓		
Total liabilities (including contingent) / total tangible assets - maximum		65%			33.69%		✓		
Shareholders funds - minimum (\$000)		500,000			5,828,708		✓		
EBITDA : funding costs ratio - minimum		1.75			4.30		✓		
Funds from operations : interest cover ratio - minimum		2.00			3.71		✓		
Total tangible assets of borrowing group / total tangible assets - minimum		90%			100.00%		✓		
Loans, guarantees etc to related companies / total tangible assets - maximum		5%			0.00%		✓		
External debt maturing in less than 5 years - minimum		50%			100.00%		✓		
									Page A6

FOREIGN EXCHANGE, COMMERCIAL PAPER & ELECTRICITY HEDGING							May-16					
Foreign currency exposures (NZ\$000) including hedging for chemical purchases							USD	EUR	Total			
Total exposure to be hedged							120.5	336.7	457.3			
Foreign exchange hedging							120.5	336.7	457.3			
Percentage cover							100%	100%	100%			
Treasury policy							100%	100%	100%			
Treasury policy compliance							✓	✓	✓			
Hedging for chemical purchases (US\$000)					Sep-16	Mar-17	Sep-17	Mar-18	Total			
Chemicals forward foreign exchange hedging									0			
Treasury policy									<= 5,000			
Treasury policy compliance									✓			
Commercial paper maturities												
Issue #	\$000	BKBM	Interest rate	Bid cover (x)	Term (days)	Maturity date	CP maturities					
290	50,000	2.560%	2.559%	2.68	92	9-Jun-16						
291	50,000	2.400%	2.443%	2.08	91	29-Jul-16						
292	50,000	2.395%	2.443%	2.07	92	25-Aug-16						
	150,000		2.482%									
<p>Note: BKBM is the banks' mid-rate for bank bills of a similar term on the CP issue date.</p>												
					Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Beyond Nov-16	Total
Outstanding CP				50,000	50,000	50,000	0	0	0	0	0	150,000
Uncommitted short-term debt												0
				50,000	50,000	50,000	0	0	0	0	0	150,000
Treasury policy for maximum amount of CP outstanding											<= 250,000	
Treasury policy compliance												✓
Undrawn committed standby facilities				1 month	1-2 months	2-3 months	3-4 months	4-5 months	5-6 months	> 6 months		
Undrawn committed standby facility - CP facility				175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	
50% of CP and other short-term debt repayable within 60 days				50,000	50,000	25,000	0	0	0	0	0	
Treasury policy: Undrawn standby facilities >= 50% of outstanding CP and other uncommitted short-term debt repayable within 60 days												
Treasury policy compliance				✓	✓	✓	✓	✓	✓			
Electricity hedging (NZ\$000)				0-6 months	6-12 months	12-18 months	18-24 months	24-30 months	30-36 months	36-42 months	42-48 months	
Contract maturity												
Contract length												
Total value of outstanding contracts				0								
Treasury policy for maximum value of outstanding contracts				<= 10,000								
Treasury policy compliance				✓								
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WATERCARE SERVICES LIMITED

Management Report

May-16

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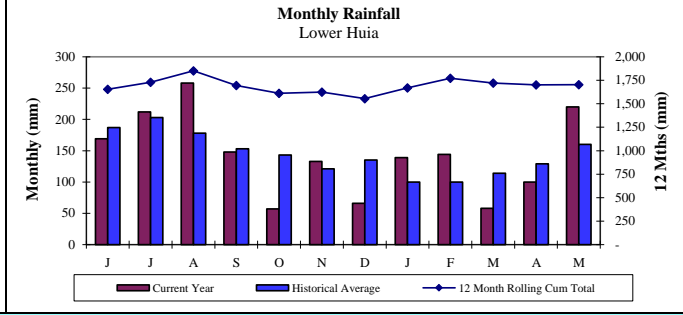
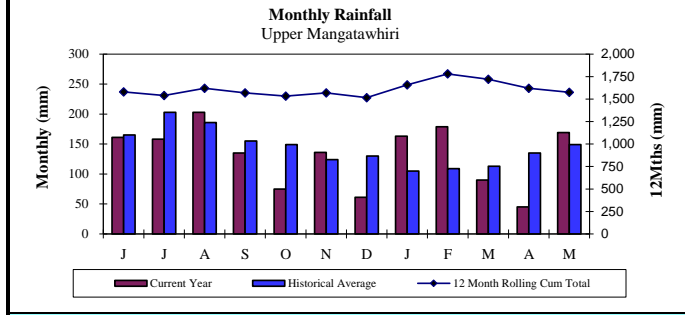
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Management Report **WATERCARE SERVICES LIMITED**
Monthly Statistics Update **May-16**

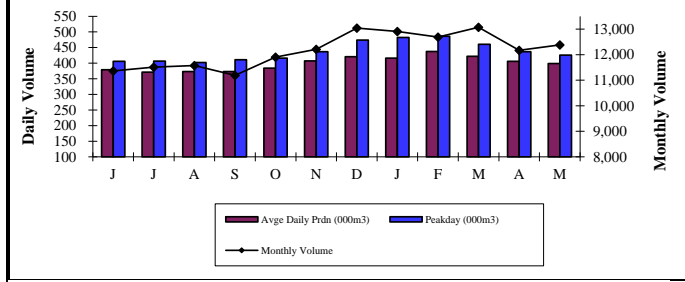
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Rainfall

Rainfall	Current Month	12 Mth Cumulative Rolling	Rainfall	Current Month	12 Mth Cumulative Rolling
Actual - Upper Mangatawhiri	169 mm	1575 mm	Actual - Lower Huia	220 mm	1704 mm

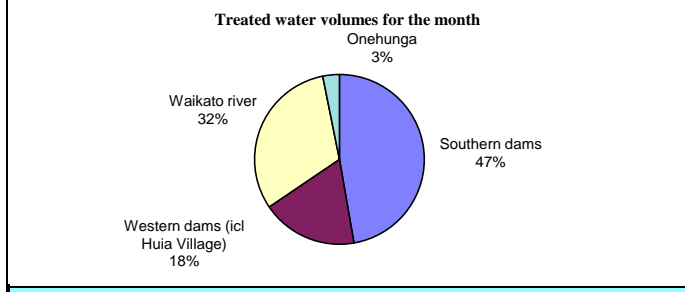


Water Production - Metropolitan Supply



Treated water volumes (000m ³)	Current Month	12 Month Rolling Ave
Monthly Volume	12,380	12,380
Average Daily Production	399	12,168
Peak Day	426	486 ¹

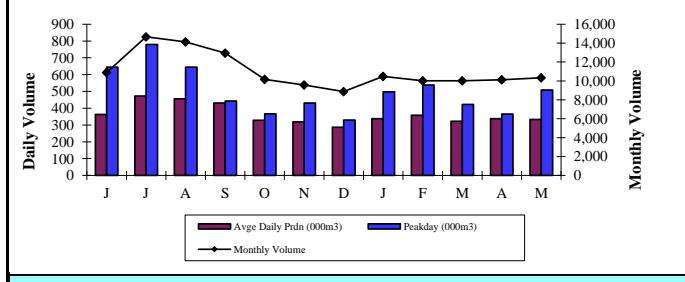
1. Max peak day in past 12 months



Treated water volumes (000m ³)	Current Month		Year to Date			
	Actual	%	Budget	Actual	%	Budget
Southern dams	5,851	47%	7,551	63,992	48%	90,044
Western dams	2,262	18%	2,317	26,436	20%	25,800
Waikato river	3,876	31%	947	38,336	28%	13,917
Onehunga aquifer	391	3%	254	5,889	4%	3,586
Total	12,380	100%	11,069	134,653	100%	133,347

Lake levels at month end was 76%, which is in line with historical average.

Wastewater Treatment - Metropolitan Treatment



Treated water volumes (000m ³)	Current Month	12 Month Rolling Ave
Monthly Volume (000m³)	10,334	11,017
Average Daily Production	333	362
Peak Day	509	779 ²

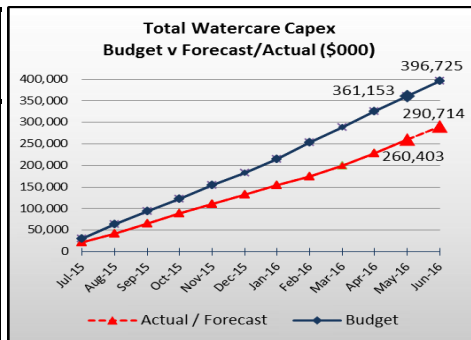
2. Max peak day in past 12 months

WATERCARE PUBLIC REPORT

CAPITAL EXPENDITURE



TOTAL WATERCARE EXPENDITURE	Year to Date		Annual Performance	
	Actual	Budget	Actual + Forecast	Budget
Strategy & Planning	8,016	27,199	8,988	32,209
Infrastructure Delivery	201,446	249,730	220,009	271,721
Service Delivery	25,180	47,400	32,741	52,569
Retail	6,065	7,490	6,734	8,150
Information Services	5,910	7,039	7,094	7,380
Other	2,730	5,612	3,279	6,195
Capitalised Interest	11,057	16,683	11,870	18,501
Watercare Total	260,403	361,153	290,714	396,725



Project / Programme Infrastructure Related Projects (Phase: Design / Execution)	Project Performance		Annual Performance		Status	
	Capex Outturn Estimate	Current Forecast	Forecast	Budget	Time	Cost

Water Projects >\$15 Million

Hunua No 4 Programme	385,372	385,374	63,185	50,514		
North Harbour Watermain Duplication	240,000	239,905	3,764	7,265		
Waikato 175MLD Expansion Stage Ultimate	48,880	49,081	9,517	12,000		
Huia No 1 Watermain Replacement	42,103	42,161	1,177	4,423		
Ardmore WTP Treated Water Resilience	32,120	32,120	357	1,503		

Wastewater Projects >\$15 Million

Central Interceptor Feasibility Design	960,470	960,470	8,764	14,471		
Northern Interceptor - Stage 1	108,000	108,000	2,161	4,414		
Mangere WWTP BNR Capacity	141,040	140,500	52,464	51,500		
Mangere WWTP Solids Stream Upgrade	53,400	53,400	11,891	11,960		
Rosedale WWTP Expansion Project	63,954	63,954	1,945	2,985		
Pukekohe WWTP Upgrade	66,000	66,068	3,125	5,422		
Pukekohe Trunk Sewer Upgrade	53,000	48,171	6,416	4,755		
Snells Algies WWTP Ocean Outfall	34,000	34,003	2,645	2,720		
Puketutu Island Rehabilitation	29,385	29,385	1,668	10,000		
Glendowie Branch Sewer Upgrade	28,775	28,718	768	880		
Fred Thomas Drive WW PS & Storage Tank	27,721	27,728	3,170	6,976		
Army Bay WWTP Outfall Upgrade	27,500	27,536	986	758		
Glen Eden Storage & Pipe Upgrade	17,630	17,378	534	4,795		

Shared Services >\$15 Million

Networks Controls Upgrade	19,944	19,955	3,639	3,500		
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Capex Programme (Design / Execution)

>\$15 Million	2,379,294	2,373,909	178,179	200,840
>\$2 Million <\$15 Million	130,275	146,718	15,285	37,971
<\$2 Million	58,129	83,391	21,240	27,010
TOTAL	2,567,698	2,604,018	214,705	265,821

Watercare Services Ltd
Financial Summary 2015-16
Report Period May 2016
Infrastructure Related Projects: Strategy & Planning / Infrastructure Delivery / Service Delivery

Traffic light Key:

On target / No adverse Service Delivery impact
 Short to medium term issues that may impact on outcomes or targets / Minor Service Delivery Impacts
 Medium to long term issues that are impacting on outcomes or targets / Risk of significant Service Delivery Impact
 Underspend on the capex variance (-10%)
 No approved capex or the project is "in-service" indicating the issue is not critical

Local Board Interaction (As at 10 June)

Local Board	Chair	Deputy Chair	April -16	May -16	June-16
Albert - Eden	Peter Haynes	Glenda Fryer	Local Board meeting on proposed Central Interceptor works in local parks (27 April)	Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May)	
Devonport - Takapuna	Joseph Bergen Watercare Rep (5 May 2015 to end of the 2013-2016 term)	Grant Gillion (5 May 2015 to end of the 2013-2016 term)		Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May)	
Franklin	Andy Baker	Jill Naysmith	South West Wastewater Servicing Public Open Days (19,20 April)	Mangere Matters (4 May). Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May). Update on Waiuku fire hydrant replacement (16 May). Local Board workshop update on South West Wastewater Servicing (31 May).	South West Wastewater Flyer (9 June)
Great Barrier	Izzy Fordham	Susan Daly			
Henderson - Massey	Vanessa Neeson	Shane Henderson		Site visit to parks potentially impacted by the NI and NH2 designation (2 May). Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May)	
Hibiscus and Bays	Julia Parfitt	Greg Sayers		Notification of Pine Hill Reservoir works (4 May). Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May). Info on Hobbs Bay pump station odour (May 20). Joint meeting with Parks and Local Board regarding future development of the park and the surf club (26 May)	
Howick	David Collings	Adele White		Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May)	
Kaipatiki	Kay McIntyre	Ann Hartley		Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May)	
Mangere - Otahuhu	Lydia Sosene	Carrol Elliott		Mangere Matters (4 May). Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May)	Local Board workshop briefing (1 June)
Manurewa	Angela Dalton	Simeon Brown		Mangere Matters (4 May). Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May)	

Board - Public Session - Chief Executive's Report and Scorecard

Local Board	Chair	Deputy Chair	April -16	May -16	June-16
Maungakiekie - Tamaki	Simon Randall	Chris Makoare		Mangere Matters (4 May). Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May). Local Board workshop with parks on Glendowie wastewater upgrades (10 May)	
Orakei	Desley Simpson	Kit Parkinson, Colin Davis (Watercare Rep)	Some members attended Mangere Wastewater Treatment Plant Site Visit (8 April)	Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May). Information for the Chair on managing growth in Remuera (9 May)	
Otara - Papatoetoe	Fa'anānā Efeso (Efeso) Collins	Ross Robertson		Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May)	
Papakura	Bill McEntee	Michael Turner		Mangere Matters (4 May). Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May)	
Puketapapa	Julie Fairey	Harry Doig		Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May). Update on CI works in local parks (17 May).	
Rodney	Brenda Steele	Stephen Garner	Information on wastewater irrigation to Omaha Golf Course in support of landowner approval (6 Apr).	Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May)	
Upper Harbour	Lisa Whyte (5 May 2015 to end of the 2013-2016 term)	Brian Neeson (5 May 2015 to end of the 2013-2016 term)	Local Board briefing on NI and NH2 designation process (5 Apr). Logged service request re valve covers (7 Apr). NI and NH2 Designation Public Open Days (12,13,14,20 Apr)	Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May). Information on Whenuapai wastewater servicing (16 May)	
Waiheke	Paul Walden	Shirin Brown		Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May)	
Waitakere Ranges	Sandra Coney	Denise Yates	Local Board briefing on NI and NH2, Huia, CI and other projects (7 Apr). NI and NH2 Designation Public Open Days (12,13,14,20 Apr)	Mangere Matters (4 May). Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May)	
Waitemata	Shale Chambers	Pippa Coom	Some members attended Mangere Wastewater Treatment Plant Site Visit (8 April).	Annual Plan Update – Watercare presentation to Governing Body forwarded to Chair (4 May). Information on Water Quality in St Mary Bay (26 May)	
Whau	Catherine Farmer	Susan Zhu	Some members attended Mangere Wastewater Treatment Plant Site Visit (8 April)	Mangere Matters (4 May)	Local Board workshop on detailed design of CI works in parks (2 June)

Board - Public Session - Chief Executive's Report and Scorecard

Local Board	Chair	Deputy Chair	April -16	May -16	June-16
Manukau Harbour Forum	Jill Naysmith			Mangere Matters (4 May)	Full day public symposium (10 June)

Report to the Board of Watercare Services Limited

Subject: Waikato River Water Quality

Date 20 June 2016

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1. INTRODUCTION

The Waikato River stretches 425kms from Lake Taupo through to its discharge to the Tasman Sea at Port Waikato. There are a number of tributaries adding to the total flow, along the course of the river. Over time, communities, industry and agriculture have adversely impacted on river water quality. The river is also impacted by the operation of power supply system storage lakes and the quality of water held within these water bodies.



Waikato River in flood during 1998, at its junction with the Waipa River.

A study completed in 2013 by the Waikato Regional Council showed that contaminant levels, particularly nitrogen, were increasing. Elevated nitrogen levels has the potential to stimulate the growth of algae and cyanobacteria. However, the levels of pathogenic microorganisms and some chemical contaminants had stabilised or were falling.

This report reviews key raw water quality parameters collected by Watercare from the Waikato River to confirm improvements observed since the commissioning of the Waikato Water Treatment Plant.

2. BACKGROUND

Watercare has abstracted raw water from the Waikato River since 2002. The Waikato Water Treatment Plant (WTP) is located on the banks of the Waikato River immediately upstream of Tuakau, on Haywards Road.

The WTP utilises coagulation, sedimentation, membrane filtration, biological active carbon filtration and chlorine disinfection processes to remove microbiological and chemical contaminants from the source water. These barriers are robust and ensures that the water, across a wide range of raw water conditions, complies with Drinking Water Standards for New Zealand 2005 (Revised 2008) and that the WTP retains an 'A' grade.

The raw water quality monitoring programme for the Waikato River is comprehensive in its coverage. The frequency of test is based on the risk to the water supply, with frequencies ranging from continuous, weekly, monthly, quarterly or annually.

3. RAW WATER QUALITY OBSERVATIONS

The raw water quality parameters that are monitored, inter alia, are:

- Turbidity;
- Protozoa (cryptosporidium and giardia);
- E.coli;
- Arsenic; and

- Cyanobacteria / Algae

Based on data collected since the WTP was commissioned (shown in Appendix A), key points to note with regards to these parameters are:

- There have been longer periods of low raw water turbidity, particularly over the past five years. While longer term data indicates a slight reduction in turbidity, elevated levels associated with heavy rain events skew otherwise notable improvements. It is likely that there are significant portions of the upstream catchments that are erodible, that continue to affect river quality, such as the Waipa River. It is likely that riparian planting initiatives such as those undertaken by Rivercare, which Watercare has supported since 2002, are making an improvement in providing a vegetation barrier between farmland and the river as the quantum of planting increases. Turbidity is removed at the WTP.
- There has been a reduction in the levels of protozoa in the river. Protozoa is removed at the WTP.
- E.coli concentrations have remained relatively stable, with high numbers attributable to single events. E.coli is removed at the WTP.
- Arsenic levels have reduced slightly. Arsenic is removed to well below the Maximum Acceptable Value in Drinking Water Standards at the WTP.
- The presence of algae and cyanobacteria is driven by nutrient and dissolved oxygen content in the water body. As noted by several studies and confirmed by data collected by Watercare, the levels of Nitrogen and Phosphorus in the Waikato River continues to increase. This results in a significant cyanobacteria and algae presence in the River.

4. CONCLUSION

The Waikato River, while remaining a degraded source, has shown slight signs of improvement over the last 14 years.

The installed WTP processes continue to meet their treatment objectives. The combination of coagulation, membrane filtration, biologically activated carbon filtration and disinfection with chlorine, provides barriers to protozoa, E. coli, taste and odour compounds, some organic micro-pollutants such as pesticides and chemical determinands.

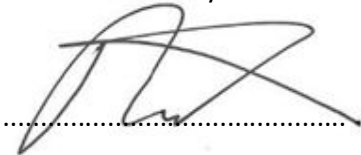
Of the primary water quality parameters that, cyanobacteria levels remain the issue of greatest concern to the operation of the WTP. If these continue to increase, an additional barrier may be required to ensure compliance with DWSNZ.

The ongoing monitoring programme is essential in identifying any long term trend changes and whether additional treatment would be required.

5. RECOMMENDATION

That the report be received.

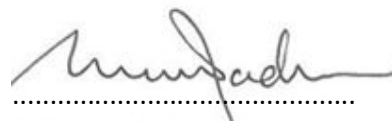
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General Manager Service Delivery

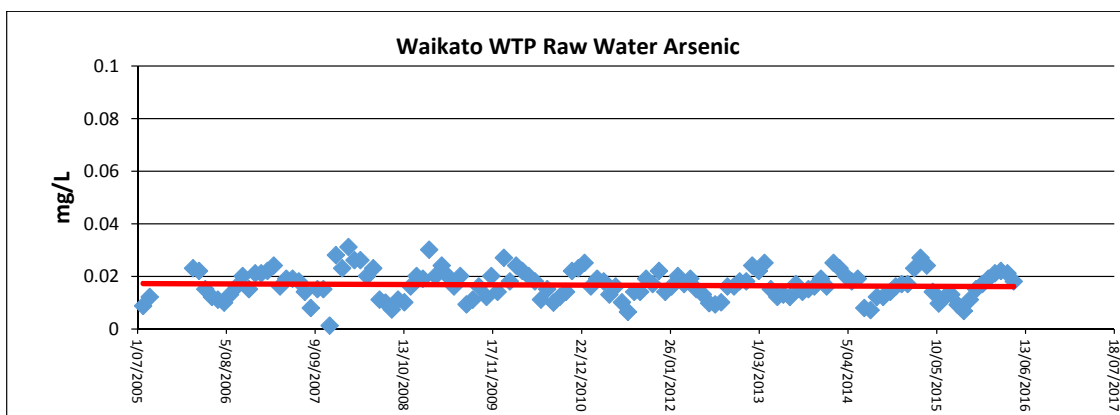
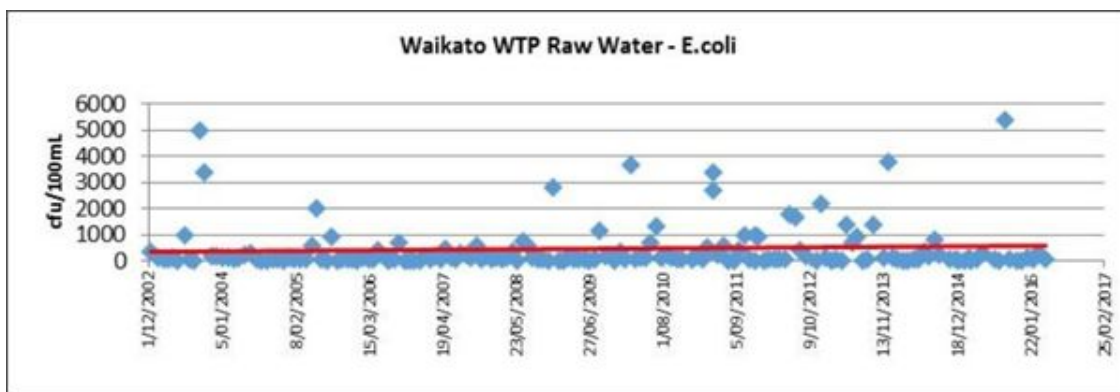
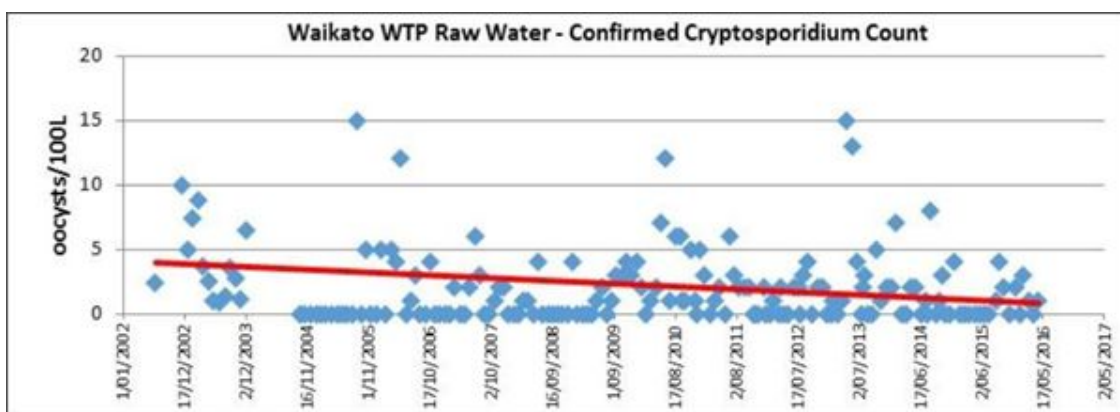
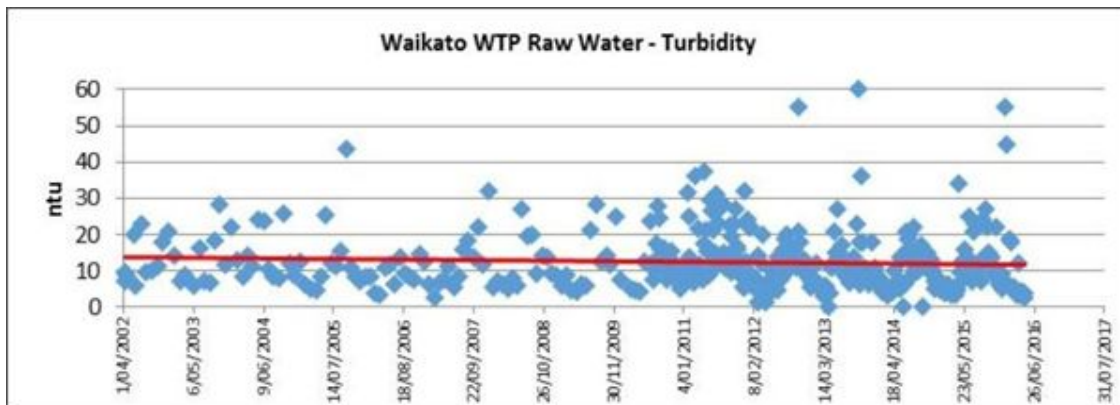
Approved by:



R Jaduram

Chief Executive

APPENDIX A



Report to the Board of Watercare Services Limited

Subject: Voluntary Objection Process for IGCs

Date 16 June 2016

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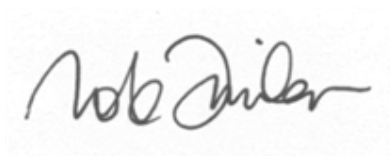
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1. The Board at its meeting on 1 April 2016 approved in principle the adoption of a voluntary objection process for Infrastructure Growth Charges (“IGCs”). The process to be modelled on that required by the Local Government Act 2002 for reconsideration and objections to Development Contributors charged by Councils.
 2. The Board at the meeting on 24 May 2016 resolved to approve, subject to some amendments suggested by Board members, the objection process for IGCs including the Charter for Commissioners.
 3. Attached to this paper is the Charter for Commissioners amended as suggested by Board members.
 4. It is intended that the Charter will be placed on the Watercare website as from 1 July 2016.
 5. Management will be approaching persons mostly on the Register of Development Contribution Commissioners (“the Register”) with a view of forming a panel of up to six Commissioners to deal with any objections to IGCs. Up to three Commissioners can be called upon to deal with an objection.
 6. The persons on the Register and the other persons contemplated, all meet the requirements of clauses 9 and 11 of the Charter for Commissioners in that they are suitably qualified in adjudication and mediation and have relevant knowledge, skills and experience.

7. Recommendation

The Board resolve to adopt the Charter for Commissioners.

Report prepared by:

Approved by:



Rob Fisher
Company Secretary

Raveen Jaduram
Chief Executive

APPENDIX ONE

DRAFT CHARTER FOR COMMISSIONERS

Preamble

1. This Charter establishes the procedure for lodging and determining an objection to an Infrastructure Growth Charge ("IGC"), levied by Watercare Services Limited ("Watercare"). It is intended to inform Commissioners in their adjudication of an IGC objection.
2. This Charter should be read in conjunction with Watercare's IGC Terms and Conditions contained in the customer contract.¹
3. The ability to object under this process is available irrespective of whether a customer has sought a reconsideration of an IGC for Watercare's determination. Once an objection is lodged, no reconsideration can be undertaken.

Scope of an objection

4. An objection cannot be used to challenge the content of the IGC Terms and Conditions. For example, a developer cannot challenge the methodology used to calculate IGCs, nor the IGC price.
5. A customer may only object to an IGC where Watercare has:
 - (a) failed to properly take into account features of the development which either alone or cumulatively with other developments would substantially reduce the impact of development on growth;
 - (b) required an IGC where either a DC or a Financial Contribution has already charged by a legacy Council for water/wastewater services for the same development;
 - (c) incorrectly calculated, assessed or applied the IGC Terms and Conditions to the objector's development; or
 - (d) relied on, recorded or used information that was incomplete or contained errors when assessing the contribution required against its IGC Terms and Conditions.

Process for lodging an objection

6. Objections must be lodged with Watercare within 15 working days after notice of the IGC has been given by Watercare. Watercare may, in its discretion, allow an objection to be served on it after the 15 working day period specified, if it is satisfied that exceptional circumstances exist.
7. The notice of objection must be in writing, on a standard form requiring the following information, at a minimum:

¹ Available from <<https://www.watercare.co.nz/common-content/New%20Developments%20and%20Connections/Infrastructure%20Growth%20Charges/Pages/default.aspx>>

- (a) the objector's details;
 - (b) the address or IGC notice to which the objection relates, and the grounds and reasons for objection;
 - (c) the relief sought (eg recalculation, cancellation of the IGC, or partial relief);
 - (d) whether the objector wishes to be heard; and
 - (e) a declaration by the objector that the information provided in relation to lodging an objection may be made available by Watercare to units of Auckland Council or approved contractors.
8. Acceptable methods of service to Watercare are in person, by fax, email or pre-paid post.

Selection of IGC Commissioners

9. The objection will be determined by one to three Commissioners selected by Watercare from a register of Commissioners. Watercare will appoint Commissioners to the register who have:
- (a) knowledge and experience in adjudication and mediation, including the conduct of hearings and inquiries; and
 - (b) knowledge, skills and experience relevant to the subject matter likely to arise in an objection to an IGC.
10. Watercare may, by notice on its website, specify additional criteria for the appointment of its Commissioners (in addition to, but not inconsistent with the criteria specified at paragraph 9).
11. Commissioners must not be:
- (a) employees or board members of Watercare;
 - (b) elected members or employees of Auckland Council; or
 - (c) board members, shareholders, owners, employees, or contractors of the objector.

Term of appointment of Commissioners

12. The term of appointment for a Commissioner on the register expires:
- (a) three years after the date on which their appointment takes effect; or
 - (b) at the close of the term of their reappointment; or
 - (c) at the close of the extension of his/her term; or
 - (d) as soon after completion of their term of appointment or reappointment as is necessary to enable them to complete any outstanding work, but no later than the notification of his/her final decision; or
 - (e) upon resignation of the Commissioner.

Removal of Commissioners

13. Watercare may remove any Commissioners from the register but only because:
 - (a) of criminal activity or other misconduct;
 - (b) if the Commissioner is unable to perform the functions of office; or
 - (c) if the Commissioner has neglected his or her duty.
14. Commissioners will have the ability to make decisions without holding a hearing, if they are satisfied that they have sufficient information to decide the objection following the exchange of briefs of evidence.

Commissioners' role in relation to evidence exchange and hearing process*Evidence exchange*

15. For the purposes of a hearing, the Commissioners may:
 - (a) receive any evidence that, in their opinion, will assist them to deal effectively with the objection whether or not that is admissible in a court of law;
 - (b) take evidence on oath or affirmation (as administered by any Commissioner); and
 - (c) permit a witness to give evidence by any means including written or electronic means and require the witness to verify the evidence by oath or affirmation.
16. Commissioners who have been selected to decide an objection must give the parties notice of the date by which briefs of evidence relating to the objection must be exchanged. The briefs must be exchanged no later than 10 working days before the commencement of a hearing, or if there is no hearing, a date fixed by the Commissioners.
17. Copies of the statements of evidence referred to in a brief of evidence must be provided to each Commissioner appointed to decide the objection, Watercare and the objector.

Hearing procedure

18. A hearing on an objection need not be held if the objector has indicated they do not wish to be heard; or otherwise agreed no hearing is required; or the Commissioner is satisfied having regard to the nature of the objection and evidence provided that they can determine the objection without a hearing.
19. If a hearing is to be held, a Commissioner must fix the date, time and place of the hearing. Notice of the hearing must be served on Watercare and the objector at least 10 working days before the date on which the hearing commences. The Commissioners must also establish a procedure that is appropriate and fair in the circumstances, avoiding unnecessary formality.

Where there is no hearing

20. If no hearing is held, a Commissioner may direct that Watercare and the objector provide written replies to each other's evidence and provide copies of those replies to the IGC Commissioners. A direction must be served on the Commissioners, Watercare, and the objector.

Criteria that Commissioners must have regard to when deciding objections

21. The IGC Commissioners, in deciding an objection, must consider:
 - (a) the outcome of every reconsideration;
 - (b) the grounds on which the objection is made;
 - (c) the purpose for which IGCs are charged; and
 - (d) Watercare's IGC Terms and Conditions, as set out in the Customer Contract.
22. The Commissioners' decisions will be binding on all parties. However, objectors can lodge a complaint with the Ombudsman.

Decisions on objections

23. Commissioners must give a decision on an objection in writing, irrespective of whether a hearing is held.
24. A decision must:
 - (a) clearly uphold or dismiss all or part of the objection; and
 - (b) be in writing and clearly state the reasons for the decision; a summary of issues in contention; the relevant provisions of Watercare's IGC Terms and Conditions; and summarise the evidence presented.
25. While Commissioners must not direct amendment of the IGC Terms and Conditions, they may make observations on those Terms and Conditions. Commissioners may quash the requirement for an IGC, or direct amendments to the requirement for an IGC.
26. Written copies of the Commissioners' decision must be served on the objector and Watercare not more than 15 working days after the end of the hearing, or if a hearing is not held, the last day of the Commissioners' consideration of the evidence.

Additional powers of Commissioners

27. A Commissioner has the following powers when determining an objection, namely, to direct:
 - (a) the order of business at the hearing, including the order in which evidence is presented and parties heard;
 - (b) that evidence presented at the hearing be taken as read or presented within a stated time limit; and
 - (c) that evidence be limited to the matters relevant to the dispute.
28. Irrespective of whether a hearing is held, a Commissioner may direct that briefs of evidence be provided within a specified period ending not later than:
 - (a) if a hearing is to be held, 10 working days before the hearing commences; or
 - (b) otherwise, 10 working days before the date on which the Commissioner(s) intend to begin consideration of the objection.

29. A Commissioner may waive or extend any period in relation to the objection determination process, if satisfied that exceptional circumstances exist.
30. A Commissioner may either on their own initiative or application from the objector make an order prohibiting communication/publication of any information supplied to the Commissioner or otherwise obtained, if satisfied that the order is necessary to avoid the disclosure of a trade secret or commercial information that if released could be prejudicial to business operations of any party to the operation.

Residual powers of Watercare relating to IGC objection decision

31. In relation to a Commissioner's decision, and notwithstanding the above powers of a Commissioner, Watercare retains all functions, duties, responsibilities and powers in relation to the requirement for the IGC that is the subject of the decision as if the decision had been made by Watercare.

Withdrawal of an objection

32. An objector may withdraw the objection at any time, by serving notice on Watercare and any Commissioner who has been selected to determine the objection. Watercare may still recover the actual and reasonable costs in respect of the objection.
33. A person who has withdrawn an objection may lodge another objection on the same or different grounds in relation to the same IGC requirement, provided that the original 15 working day timeframe under which their first objection was lodged, has not expired.

Fees

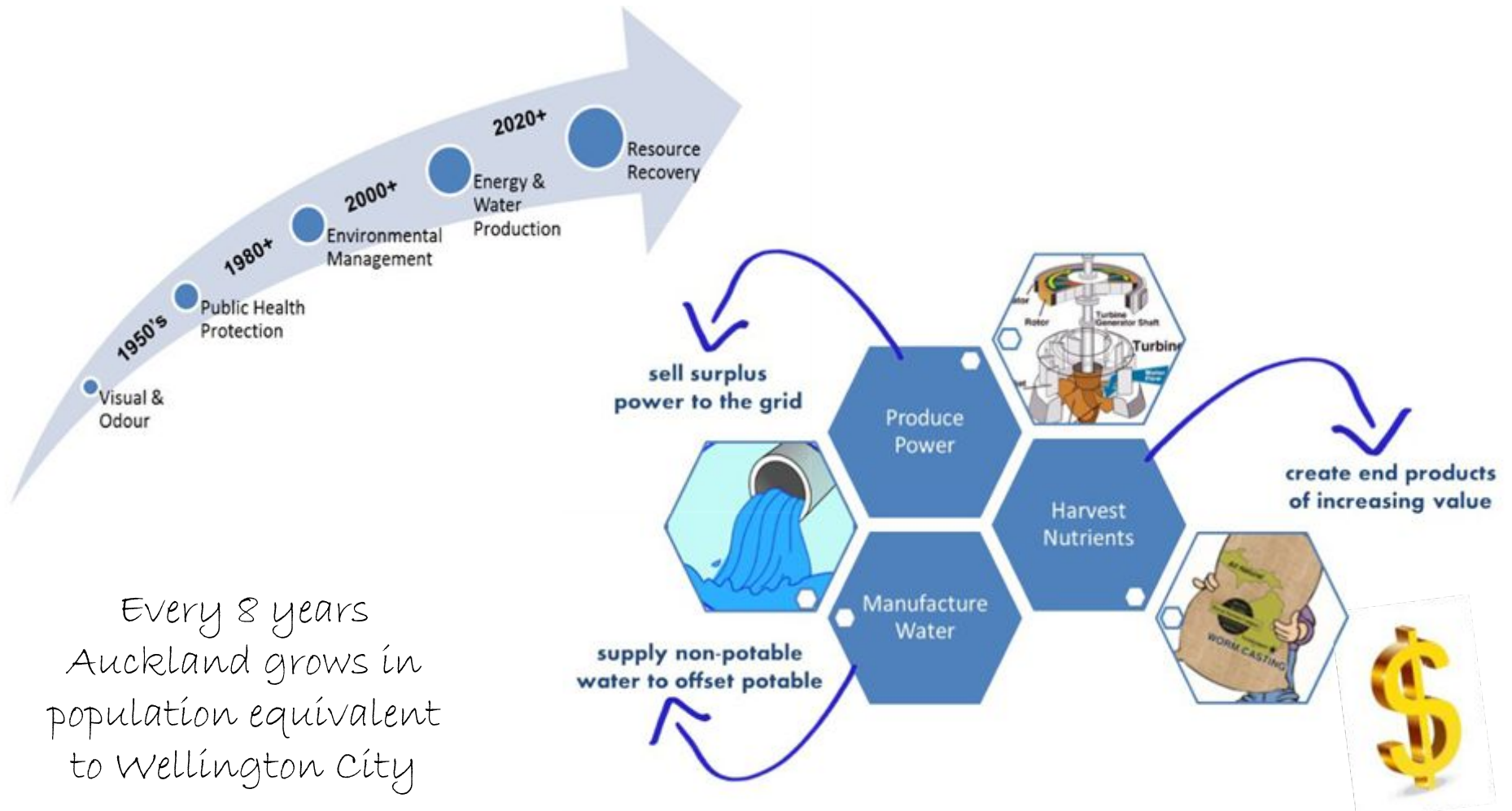
34. The cost for services of selecting, engaging and employing Commissioners, secretarial and administrative support of the objections process and preparing for, organising and holding the hearing will be paid by the objector, who indemnifies Watercare for the payment of all fees in connection with the objection. As a general rule, costs will be waived in the event the IGC objection is upheld.
35. Watercare may, in its absolute discretion, waive or remit the whole or part of any of those costs. Applicable fees and allowances for any witness appearing at an IGC hearing must be paid by the party on whose behalf the witness is called.
36. Independent Commissioners for the IGC objection process charge a standard fee of \$150/hour.

Operational Improvements with Thermal Hydrolysis



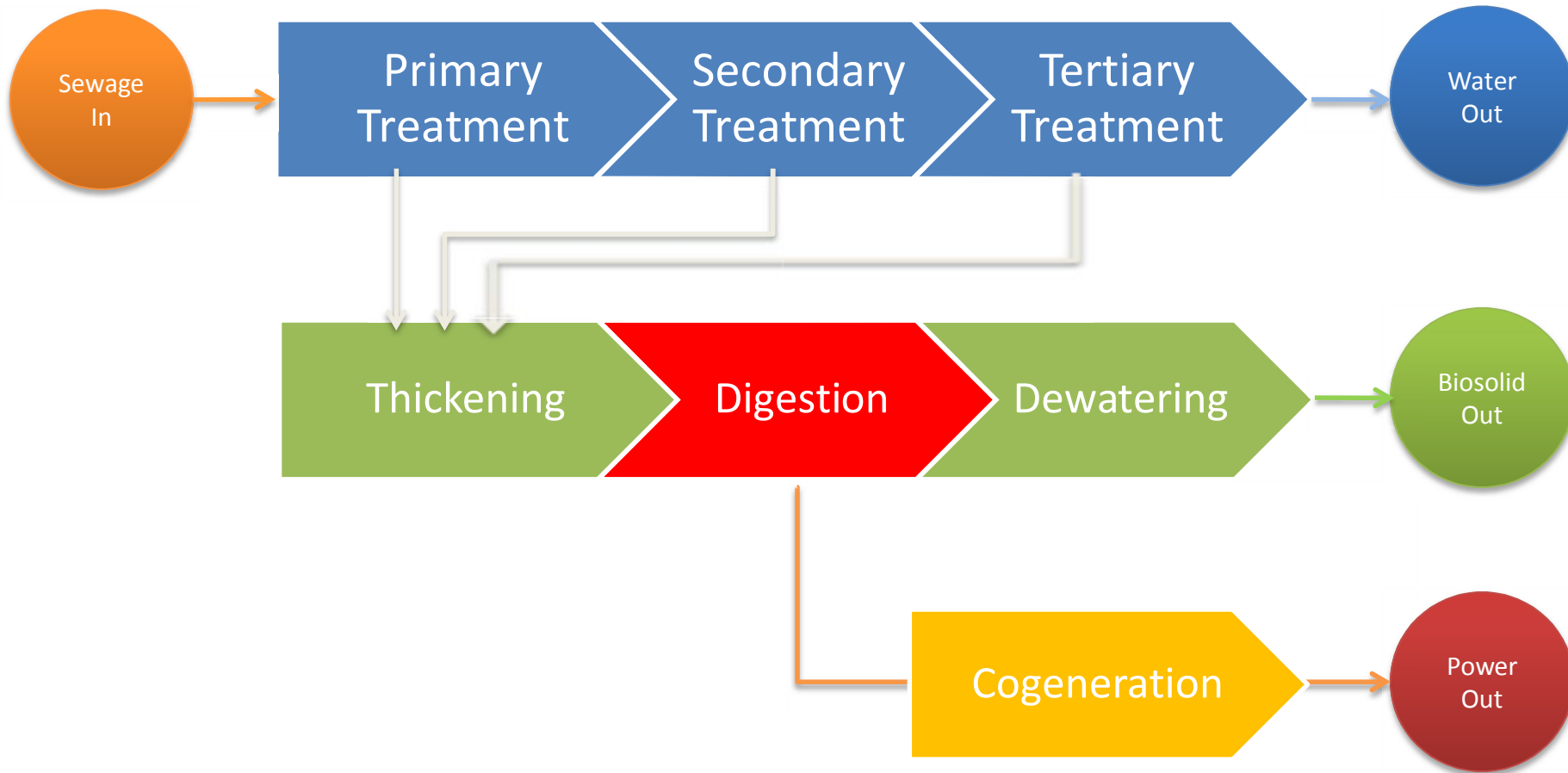
Facilities of the future...

7



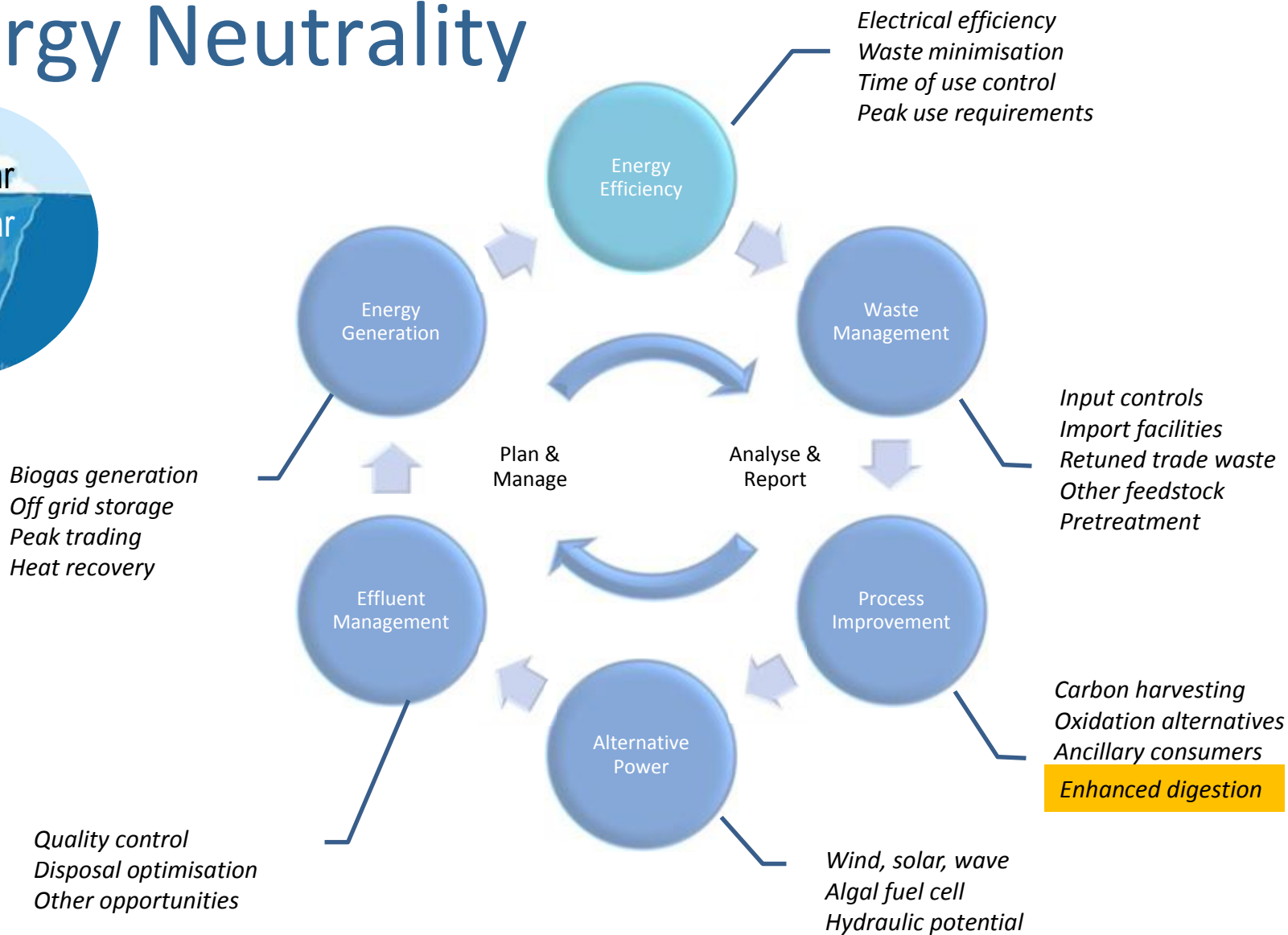
Every 8 years
Auckland grows in
population equivalent
to Wellington City

Advanced Wastewater Treatment



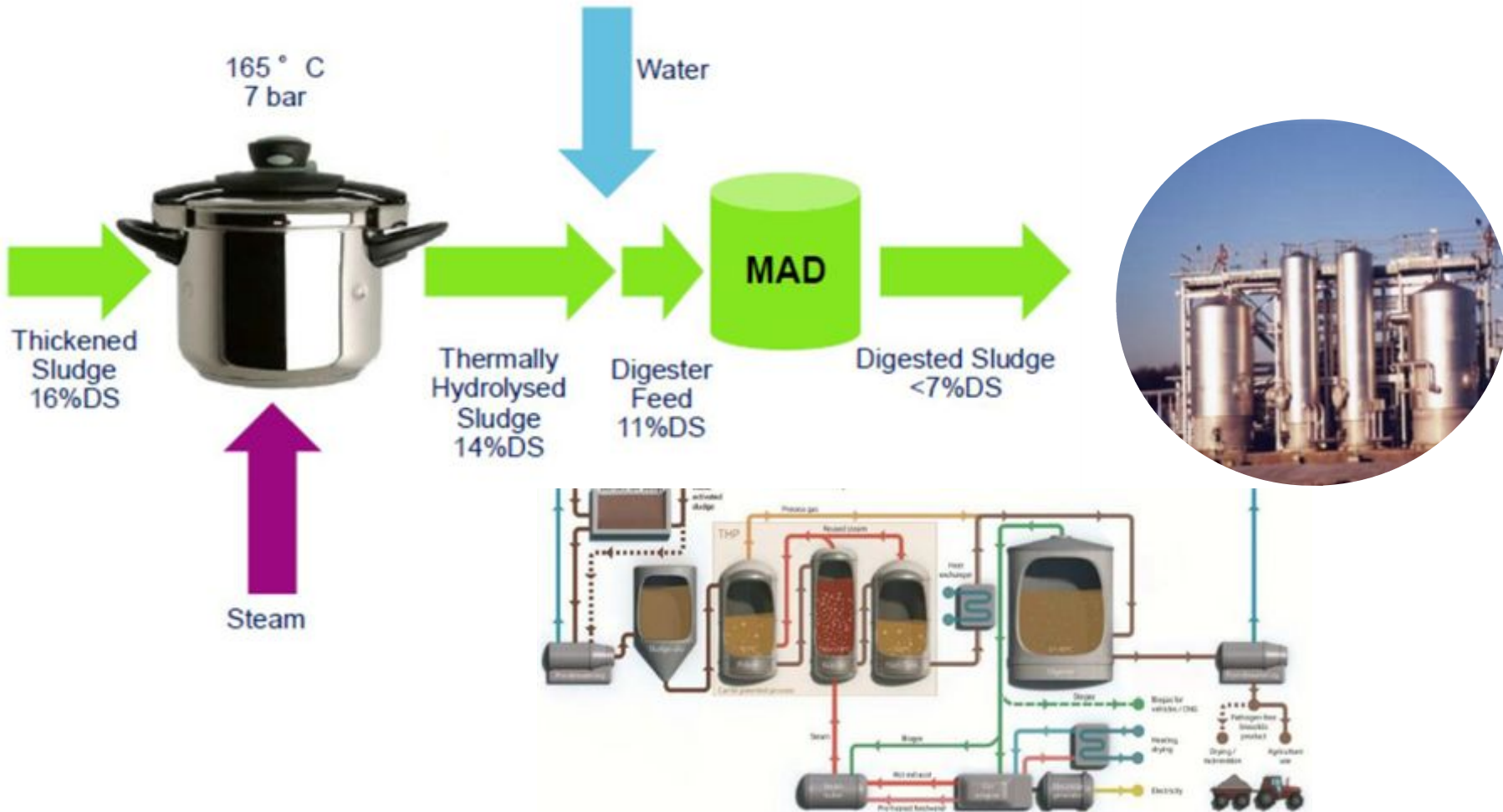
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Energy Neutrality



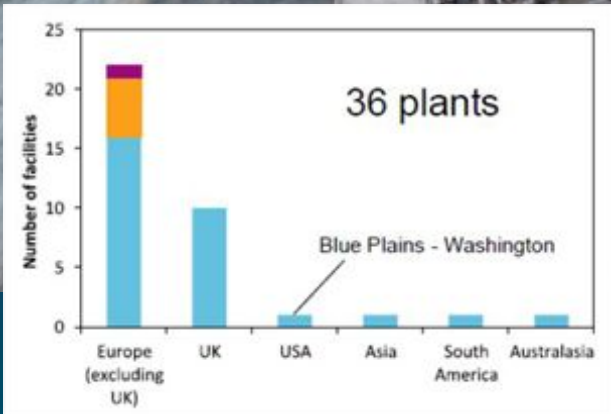
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What is Thermal Hydrolysis?





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Likely Watercare Outcomes

Opportunities

- Doubles digester loading rates
- Class A sludge (sterilised)
- More biogas generation
- Better dewatering
- Less biosolids
- Less odour potential
- Enhanced Puketutu operations

Risks

- Operational complexity
- OH&S complexity
- Refractory compounds
- Requires careful integrated plant design & development

7

Next steps...

Complete scoping of whole of plant improvements

1. TH cost/benefit analysis
2. Carry out TH Concept Design
3. Consider TH Pilot Study/Investigations
4. TH EOI pending outcomes of above

