



NOIC NEWSLETTER

JUNE 2019

Welcome

In this month's newsletter we announce Charges for 2019-20; explain water use and charges for the full season; give you an update on operations; and advertise for a fixed term position to cover Kathy while she is on holiday

CEO Update

Six weeks in and I have been genuinely impressed – with the calibre of the team, the scale and quality of the Scheme, the energy of your Board and the attitude of farmers to the reality of modern farming. That reality is that farming, along with every other commercial sector in New Zealand has to, and be seen to, operate sustainably. To have the lowest possible impact on the environment. This isn't the view of a few Parnell chardonnay drinkers. This is the view of global consumers who want our agricultural products, but they want them produced sustainably. Any business ignores the wishes of their customers at their peril. The evidence of our recent FEP Audits tells us that our farmers get this. 88% of NOIC-supplied farms passed the audit (some exceptionally) and a few who didn't missed on just a few, easily fixed, relatively minor issues. Our goal, of course, is 100%. This is achievable and we will work with you to get there.

I want to take this opportunity to let you know that we will soon release an Information Memorandum in support of an Offer for NOIC Shares. These shares are the last 14% of those issued but not taken up at the time of the scheme expansion in 2014. The successful sale of these shares will raise equity, reduce debt, fully utilise the scheme and enable a net reduction of monthly charges to shareholders. Our water take consent is 8.22 Cumecs. There is no more. These shares represent the last ever chance for farmers in our scheme area to secure water. The Company will be running a series of information events to ensure all interested farmers have what they need in order to make what may prove to be the most important decision for this generation of farmers. We will let you know where and when these events will be.

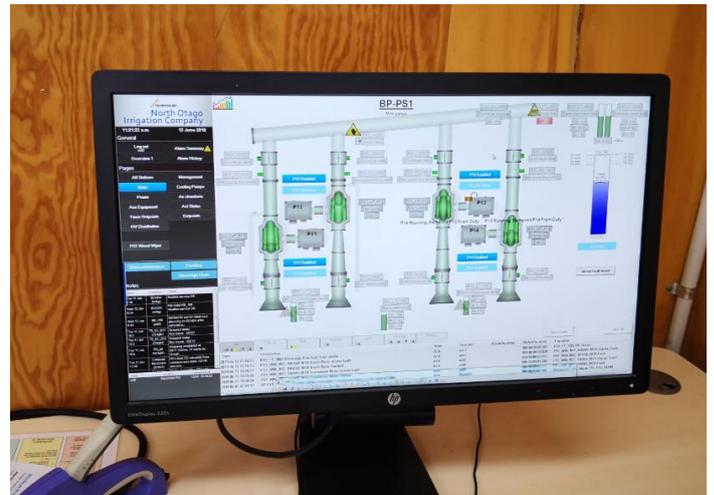
In the meantime, I hope the winter remains dry and clear and that you have a chance to refresh before the busy spring period.

Operations Update

Winter maintenance works are well underway in preparation for next season. Alongside regular servicing and checks across the scheme, we have several PLC and VSD upgrades occurring at booster pump stations to bring these up to date and in line with the wider scheme control system. These upgrades will provide further reliability improvements at these stations through the irrigation season.

There will be a couple of pipeline outages in the next few weeks, to repair a few leaks as part of the defects close out with MCD. We will advise details of these closer to the time.

We also had AECOM on site recently in order to test our primary pumps running at full capacity. All four pumps at PS1 and three pumps at PS2 were ramped up for several minutes. With all four at PS1 running we were lifting our full consented capacity of just over 8 Cumecs up to the canal at PS2. Most importantly we were then able to safely crash-stop these stations at full flow (simulating a major Transpower failure), with all protection systems performing as expected. Essentially these pump stations can deliver full design capacity and are now mechanically and electrically commissioned. This is a long awaited and welcome outcome - **a genuinely significant milestone for NOIC.**



SCADA data showing all 4 pumps operating simultaneously



NOIC Shareholder Charges for 2019/20

Your board has approved the company's budget for 2019/20. This note explains the key changes for you.

First, the company has been able to manage its costs effectively, ensuring no increase (indeed a small reduction) in average annual charges.

Second, NOIC has taken a significant step forward in the transition to a stable operating company by removing over-recovery from supply charges, improving transparency and enabling the company to reduce charges where possible as the year progresses, while ensuring we meet our banking covenants.

Third, we are pursuing several initiatives intended to lower AOC and AFC charges, specifically:

- The sale of remaining expansion shares. This would result in a material and permanent reduction in the AFC for all shareholders
- Improved debt facility terms to reduce borrowing costs
- An agreement to secure lower than budgeted scheme repair costs

Success here will be reflected in charges, where possible, as the year progresses. In the meantime, a summary of the changes to specific charges for this year versus last year is as follows:

- AOC - a small increase - reflecting anticipated costs for the repair of any leaks post the end of McConnell Dowell's Defect Liability Period. You will appreciate that at this still early stage with Stage 2 there is some uncertainty around those costs, however, we are negotiating with McConnell Dowell to mitigate these. In the event they are lower than budgeted, this benefit will be reflected in reduced AOC charges later in the year.
- AFC - a small increase - reflecting increased bank margins, completion of deferred commissioning works at Pump Stations One and Two and the upgrade of equipment necessary for to maintain expected standards for quality and reliability of service to shareholders.
- A significantly lower Supply Charge. Supply charges are expected to be among the lowest in NOIC's history due to elimination of over-recovery needed in recent years and improved power pricing negotiated with our supplier (down 13% on last year, and 46% below today's current market rate).

Depending on the volume of water used, the budget sets average annual charges at \$809 per share.

Table 1 - Break down and comparison of average NOIC annual charges

Charges per share (\$ gst excl.)	2018-19	2019-20	Change
Fixed Charges			
AOC - per month	21.00	24.00	+3.00
AFC - per month	30.00	31.00	+1.00
Total Fixed Charges	612.00	660.00	+48.00
Supply Charges:			
Power cost (average use)	169.00	149.00	-20.00
Over recoveries (average use)	29.00	0	-29.00
Total Supply per share (average use)	198.00	149.00	-49.00
Total Charges (average use)	810.00	809.00	-1.00

Increased fixed monthly charges take effect from 1 July 2019.

The AOC rebate for 2019/20 for unpressurised water shares on the Waiareka Creek increases from \$1.01 to \$1.15 while the AFC rebate increases from \$5.75 to \$5.95. Stock water charges, at \$0.15 per m³ during the winter season and \$0.30 per m³ during the irrigation season, are unchanged.

As noted earlier, the company will be making an offer to eligible investors to buy the remaining shares in North Otago Irrigation Company. These shares are the last of the water available under our Consent, meaning the last opportunity for farms in the NOIC Command Area to secure a future free from the risk of drought, providing shareholders with choices on how they farm. An Information Memorandum formally presenting this offer is being prepared and will be available for consideration shortly.

Meter Readings

Our intrepid Operations team have been out and about collecting all the meter readings for the end of the season. Some of you will not have been charged in May however it will be sure to be charged this month. Thanks for sending in your readings and I am hopeful the next season will be even better for the deadline of end of day on the 2nd of the month to have the readings in.

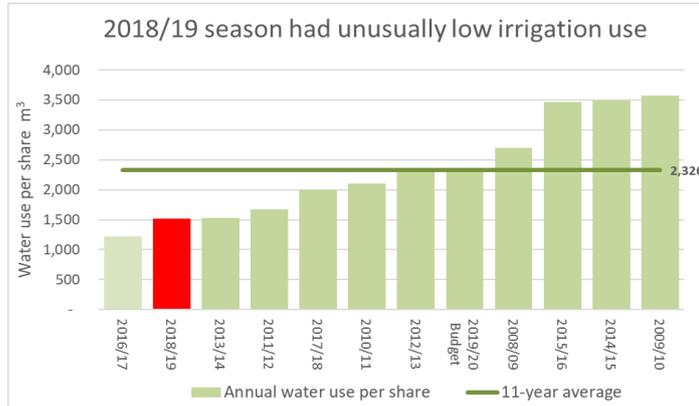
Water Use and Supply Charges

May 31st marked the end of the 2018/19 irrigation season.

This season's overall demand was among the lowest ever due to the wet spring. However, peak daily demand in February exceeded all earlier records. What this means is

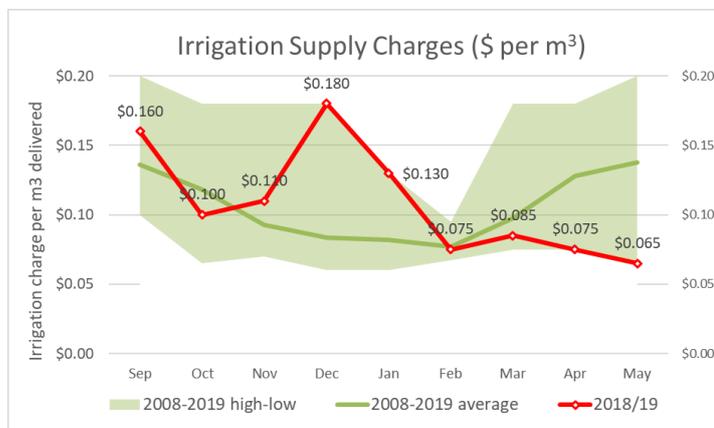


that your NOIC shares are your ultimate insurance policy – when it is dry and your farm needs water, it is there for you. By the law of averages, it will be this year, or in coming years, but there will be protracted dry spells. As a NOIC shareholder, you know you are covered.



Supply Charges over the final months of the season were well below average and among the lowest in NOIC’s history. Power cost savings and more “normal” demand in the autumn made this possible.

Other economies meant that May’s stock water rate of \$0.15m³ was half the normal rate of \$0.30m³.



Fixed Term Role – Business Support Administrator

We have a fixed-term role in the NOIC office over July and August while Kathy is on holiday.

We need an enthusiastic and professional person, who will

- Interact positively with those needing help
- Be responsible for administration, co-ordination, and communication duties.

The ideal person will have initiative and organisational ability and preferably experience in serving the rural community. Full or regular part time hours are available.

If you are interested or would like to know more, please call Stephen on 027 534 9404 or email scraigpearson@noic.co.nz.

Equally, if you know someone who would be suitable, please pass this on.

All enquiries will be treated in confidence.

Overseer

A reminder to **ALL ORC AND ECAN** irrigators, that **the legacy version of Overseer expires on 30 June 2019 and from this date you will no longer be able to use the old version to access previous files.** If you have files stored in your online account and want to keep them, you need to download them to your computer, and they can then be transferred to your OverseerFM account. The swap over to OverseerFM can be done/is being done by many consultants such as Ravensdown and Balance but remember to check that this process is complete by June 30th. Remember, there are different options for swapping over in terms of who owns the files, and access to files by other professionals. Discuss any questions you may have with your consultant.

OverseerFM is available under subscription for \$200 plus GST per year per farm account. You can find more information through the URL address below.

<https://www.overseer.org.nz/overseerfm>

New Manager Training

Please be aware that our annual New Manager and Irrigator Training session is coming up. You will be advised of the details when they are finalised.

This event is **COMPULSORY** for all New Managers. **Every farm must have had a staff member who has attended one of these events working on the property.**

This is a free event that any NOIC irrigator is welcome to attend and a great opportunity to upskill yourself as well as any less experienced staff members.

With kind regards from the NOIC team

Shares Available
Up to 80 NOIC Shares available for sale and/or lease
Contact: Derek Chalmers
027 496 7177

Shares to Lease:
Brenda McLeod 100-130 shares please call 027 513 1100

22 NOIC shares for sale
Contact: Doug Rodgers 027 609 9071