

# WATERCARE SERVICES LIMITED

## AGENDA | Board meeting | 27/6/2014

Venue Hobson Room, Jubilee Building, 545 Parnell Road, Parnell  
 Time 09.00am

### Open Public Meeting

Item	Spokesperson	Action sought at governance meeting	Supporting Material	Section Page
1. Apologies	Chair	<ul style="list-style-type: none"> <li>Record Apologies</li> </ul>		
2. Minutes of Meeting	Chair	<ul style="list-style-type: none"> <li>Approve Board Meeting Minutes                             <ul style="list-style-type: none"> <li>29 May 2014</li> </ul> </li> </ul>	Minutes 29 May 2014	1 - 4
3. Directors' Corporate Governance Items	Chair	<ul style="list-style-type: none"> <li>Corporate Planner 2014</li> <li>Review Disclosure of Interests</li> <li>Organisational Chart</li> </ul>	Corporate Planner Disclosure of Interests Organisational Chart	1 2 - 3 4
4. Chief Executive's Report	R Jaduram	<ul style="list-style-type: none"> <li>Note the Chief Executive's report                             <ul style="list-style-type: none"> <li>Key Performance Scorecard</li> <li>Health and Safety</li> <li>Customer Services</li> <li>Infrastructure and Planning</li> <li>Operations</li> <li>Finance</li> <li>Board Correspondence</li> <li>Execution of Documents</li> <li>Working with Local Boards</li> <li>Statutory Planning</li> <li>Non Domestic Wastewater Tariff</li> <li>Long Term Plan</li> </ul> </li> </ul>	Chief Executive's Report	1 - 52
5. Water Resources Update	D Worsnop	<ul style="list-style-type: none"> <li>Note paper</li> </ul>		1 - 3
6. General Business	Chair			

Date of next Meeting – 31 July 2014

Location – Watercare Services, 73 Remuera Road, Newmarket

# MINUTES

SUBJECT WATERCARE SERVICES BOARD MEETING

VENUE Hobson Room, Jubilee Building, 545 Parnell Road, Parnell, Auckland

DATE 29 May 2014

TIME 09:00

STATUS Open Session

	<p><b>Present:</b></p> <p>D Clarke (Chairman)  N Crauford  P Drummond  C Harland  J Hoare  S Huria  T Lanigan</p> <p>A Delany (Board Observer)</p>	<p><b>In Attendance:</b></p> <p>R Chenery  R Fisher  D Hawkins  R Jaduram  R Klein (part of meeting - 10am)  T Langridge  B Monk  R O'Connor  J Redwood  D Sellars  G Wood  D Worsnop</p>	<p><b>Public in Attendance:</b></p> <p>5 Members of the public</p>
1.	<p><b>Apologies</b></p> <ul style="list-style-type: none"> <li>• M Allen</li> <li>• M Ford</li> </ul>		
2.	<p><b>Minutes of Previous Meeting</b></p> <ul style="list-style-type: none"> <li>• The Board <b>resolved</b> that the Minutes of the public section of the Board meeting held on 1 May 2014 at 09:30, be confirmed as correct.</li> </ul>		
3.	<p><b>Directors Corporate Governance Items</b></p> <ul style="list-style-type: none"> <li>• Corporate Planner 2014</li> </ul> <p>The Corporate Planner for 2014 was noted.</p> <p>Susan Huria advised that a meeting of the Organisation Committee is to be held at Watercare Services Limited on 30 June 2014 at 09:00.</p> <ul style="list-style-type: none"> <li>• Disclosure of Interests</li> </ul> <p>David Clarke advised of amendments to his declarations which should now read:</p> <ul style="list-style-type: none"> <li>➤ Chairman, TRGG Limited</li> <li>➤ Trustee, South Auckland Foundation.</li> </ul> <p>Catherine Harland added the following to her declarations:</p> <ul style="list-style-type: none"> <li>➤ Member, Auckland Regional Amenities Funding Board</li> <li>➤ Consultant, Martin Jenkins and Associates Limited.</li> </ul> <p>Nicola Crauford is no longer associated with the Institution of Professional Engineers, but added the following to her declarations:</p> <ul style="list-style-type: none"> <li>➤ Director, Capacity Infrastructure Limited.</li> </ul>		

4.	<p><b>Chief Executive's Report</b></p> <ul style="list-style-type: none"> <li>Customer Services</li> </ul> <p>Trish Langridge advised that there are a total of 62 people in Customer Services including the Call Centre. Nine vacancies in the Call Centre have now been filled. The vacancies arose as a result of the move from East Tamaki.</p> <p>Trish Langridge advised that there is a regular Customer Satisfaction Survey which is reported quarterly, and that she will present the latest results at the June meeting. Alex Delany will present on Customer Services at other organisations at the August meeting.</p> <ul style="list-style-type: none"> <li>Infrastructure and Planning</li> </ul> <p>The Chairman requested an explanation of what the consequences would be for the business if there is a period of El Nino.</p> <ul style="list-style-type: none"> <li>Working with Local Boards</li> </ul> <p>Raveen Jaduram and Craig McIlroy, Auckland Council, attended a public meeting covered by the Orakei Local Board. Watercare explained its position on the third pipe at Stonefields which was accepted by the large majority of the 100 residents present.</p> <ul style="list-style-type: none"> <li>Statutory Planning</li> </ul> <p>In answer to a question on progress with the replacement of the ocean outfall pipe at Snells-Algies, Rob Fisher advised that management were looking, on a regional basis, at the wastewater treatment plants at Warkworth, Omaha and Snells-Algies.</p>
5.	<p><b>Watercare Utility Consumer Assistance Trust</b></p> <ul style="list-style-type: none"> <li>John Lusk, Chairman of the Trust, outlined the structure of the Trust which was formed in October 2011 and its working.</li> </ul> <p>He said monthly billing has been a positive and there has been a reduction in applications because people were better able to budget to pay their water charges.</p> <p>There are five Trustees: three appointed representatives from community groups and two appointed by Watercare. The Trust is funded by Watercare on an annual basis. All funds are effectively 'write-offs' by Watercare. The Trust is now providing assistance where there are leaks and people cannot afford to fix them.</p> <p>Mr Lusk advised that around 1000 forms have been issued of which only 660 have proceeded further in the process. Watercare has assisted in undertaking a survey of people who drop out of the process so that the Trust can understand the reasons for their drop out. Reasons for drop out include people selling their house and clearing the arrears.</p> <p>The Trust employs an administrator to assist people and also to ensure Local Boards, community organisations, WINZ, etc. are aware of the services provided by the Trust. We intend to use churches as another means of communication with the public.</p> <p>Around 330 applications have been approved and only 5 have been declined. This equates to around \$300,000 of write-offs.</p> <p>Mr Lusk says the Trust should continue operating as it is, and there is really nothing more that Watercare can do in this regard.</p>
6.	<p><b>Statement of Intent</b></p> <ul style="list-style-type: none"> <li>Rebecca Chenery gave a presentation on the response of the company to the Auckland Council comments on the draft SOI.</li> </ul> <p>The Board requested that information be included to respond to matters relating to the capture of financial information in relation to projects and programmes that contribute to Watercare's responsiveness to Maori.</p> <p>Following discussion, the Board approved the recommended amendments to the 2014-17 SOI.</p>

7.	<p><b>Audit and Risk Committee Update</b></p> <ul style="list-style-type: none"> <li>Julia Hoare spoke to the minutes of the last Audit and Risk Committee.</li> </ul> <p>Deloitte were present at the meeting and talked through the audit programme. They have no current issues and consider that Watercare is providing good support.</p> <p>The programme for the Annual Report is:</p> <ul style="list-style-type: none"> <li>31/7 – Extra Audit and Risk meeting and Board meeting to sign off the year-end pack to go to Auckland Council</li> <li>19/8 – Auditors review final year-end accounts and Annual Report</li> <li>21/8 – Board to approve the Annual Report.</li> </ul> <p>Brian Monk advised that once again, Watercare had achieved the Gold Standard from the Australasian Awards for the 2013 Annual Report. Further, the Watercare Annual Report is one of the finalists in the Sustainability Awards.</p>
8.	<p><b>2014/15 Budget</b></p> <ul style="list-style-type: none"> <li>Brian Monk spoke to the paper. The Board had previously considered a high level top down version of the budget in March 2014. The version on the paper was a bottom up budget. It has been subject to review by the Acting Chief Executive and CFO applying the principles of the top down review arrived at meeting the revenue, operating costs and capital expenditure outcomes input to Auckland Council's Annual Plan in March 2014.</li> </ul> <p>The differences from the earlier version of the budget were largely due to the inclusion of the vested asset income and a reduction in the capital expenditure. Costs remained broadly in line.</p> <p>The Chairman noted that the budget will result in a loss for the year of \$4.54m after tax.</p> <p>The Board approved the capital expenditure budget including capitalised interest of \$329.1m and operating budget of a net deficit before tax of \$0.02m for the year ended 30 June 2015.</p>
9.	<p><b>Water Resources Update</b></p> <ul style="list-style-type: none"> <li>David Worsnop spoke to the paper. He said an analysis had been undertaken using records of 100 years for western lakes and 50 years for southern lakes.</li> </ul> <p>Rainfall for May to July 2014 will be near normal according to NIWA; however, looking ahead, there is a 50% chance of an El Nino phase occurring.</p> <p>The Chairman noted that if Watercare was to run the take from the Waikato River at the maximum 150MLD and an 82/83 summer scenario applied, we would be very close to having to ask Aucklanders for voluntary savings in water use.</p>
10.	<p><b>Water Demand Management</b></p> <ul style="list-style-type: none"> <li>Raveen Jaduram advised that Watercare works with customers to reduce their water usage, for example, with industries showing them how to recycle water to get demand down.</li> </ul> <p>There was a discussion on unaccounted for water losses which occur because of factors such as leakage, lost meters, meters unread, illegal meters and unlawful tapping of water.</p> <p>A paper will be brought to the Board on this issue.</p> <p>Roseline Klein gave a presentation on Water Demand Management. She advised that in Auckland, the residential per capita consumption in 2012 was 157 litres per person per day which is the lowest rate in any of the major centres of New Zealand.</p> <p>She explained that this was a more relevant statistic for water efficiency than the gross per capita consumption which includes non-domestic water use and unaccounted for water. Watercare is an enabling agency in relation to water and wastewater services to achieve Auckland's growth vision if it were to discourage the establishment of new or expanded 'wet' industries. The gross per capita consumption reduction could be contrary to that goal.</p>

11.	<p><b>Auckland Trade Waste Bylaw 2013 – Delegation of Powers</b></p> <ul style="list-style-type: none"> <li>• The Board approved <ul style="list-style-type: none"> <li>(i) The delegation of enforcement, inspection, licensing and administration related to the Trade Waste Bylaw 2013 and all associated powers and duties of the Council under that bylaw 2013 and all associated powers and duties of the Council under that Bylaw to the Chief Executive.</li> <li>(ii) That the Chief Executive may sub delegate those powers.</li> </ul> </li> </ul> <p>The Board noted that powers under the Bylaw relating to amendments to:</p> <ul style="list-style-type: none"> <li>➤ the controlled substance standards, and</li> <li>➤ the setting of trade waste fees remained the province of the Board.</li> </ul>
12.	<p><b>General Business</b></p> <ul style="list-style-type: none"> <li>• The Board received a report from Susan Huria on the staff survey. She said the results are positive and will be reported to the next Board meeting.</li> <li>• The meeting closed at 11:00.</li> </ul>

CERTIFIED AS A TRUE AND CORRECT RECORD

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Chairman

## 2014 BOARD PLANNER

	2014											
	January	February	March	April	May	June	July	August	September	October	November	December
<b>Board Meeting</b>		^4 Feb New market  27 Feb Jubilee	13 March New market (Workshop)	(Easter See May)	1 May Jubilee (TBC)  29 May Jubilee*	27 June Jubilee	31 July New market (TBC)	21 Aug New market (TBC)	19 Sept New market (TBC)	22 Oct Jubilee*	21 Nov New market (TBC)	19 Dec New market (TBC)
<b>Audit + Risk Committee Meeting</b>		^4 Feb New market			6 May New market		^31 July New market	19 Aug New market			11 Nov New market	
<b>Capital Projects Working Group</b>		4 Feb New market			23 May New market				16 Sept New market			
<b>Remuneration Committee</b>		27 Feb Jubilee (follow s Board Meeting)			29 May Jubilee	30 June New market	31 July New market (follow s Board meeting)					
<b>Statement of Intent</b>		Approval of Draft 2014-2017 SOI	1 March Draft SOI to shareholder		Present shareholder SOI feedback at public meeting	Final 2014-2017 SOI issued to shareholder			Work on 2015-2018 Sol Key dates yet to be advised by Auckland Council			
<b>Shareholder Interaction**</b>		26 Feb LTP scene-setting session  27 Feb Quarterly report due to Council	4 March CCO Governance and Monitoring Committee		19 May Quarterly report due to Council	3 June Quarterly briefing to Council	TBC Quarterly report due to Council  9 July Joint w orkshop with Councillors			TBC Quarterly report due to Council		
<b>Key Finance Decisions</b>		27 Feb Approval of 2014/15 input to Auckland Council Annual Plan			29 May Approval of 2014/15 Budget			21 Aug Approval of 2013/14 Annual Report	Work on 2015/25 LTP and AMP Key dates yet to be advised by Auckland Council			
<b>Other</b>	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

## Report to the Board of Watercare Services Limited

**Subject:** Disclosure of Interests

**Date:** 26 May 2014

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"> <li>– Chairman, TRGG Ltd – Radiology Services</li> <li>– Chairman, NZ Institute of Rural Health</li> <li>– Chairman, Skin Institute</li> <li>– Director, Hawkins Watts Ltd</li> <li>– Director, Cranleigh Merchant Bankers</li> <li>– Director, FarmIQ Systems Ltd</li> <li>– Director, Ngai Tahu Tourism Ltd</li> <li>– Director, Hynds Group Ltd</li> <li>– Trustee, South Auckland Foundation (Middlemore/CMDHB)</li> <li>– Director, Health Alliance Limited</li> <li>– Chairman, Jucy Group Limited</li> </ul>
Peter Drummond	<ul style="list-style-type: none"> <li>– Chairman, Appliance Connection Ltd</li> <li>– Chairman, Watercare Harbour Clean Up Trust</li> <li>– Chairman, Variety Medical Missions South Pacific</li> <li>– Chairman, Ngati Whatua o Orakei Whai Maia</li> <li>– Chairman, Variety International Childrens Charity</li> <li>– Director, NARTA New Zealand Ltd</li> <li>– Director, NARTA International PTY Ltd</li> <li>– Panel member , Fire Review, Dept Internal Affairs</li> </ul>
Catherine Harland	<ul style="list-style-type: none"> <li>– Director, McHar Investments Ltd</li> <li>– Director, Interface Partners Ltd</li> <li>– Trustee, One Tree Hill Jubilee Educational Trust</li> <li>– Member, Auckland Regional Amenities Funding Board</li> <li>– Consultant, MartinJenkins &amp; Associates Ltd</li> </ul>
Susan Huria	<ul style="list-style-type: none"> <li>– Director, Ngai Tahu Property</li> <li>– Director, Northland Port Company Ltd</li> <li>– Director and Shareholder, Huria Anders Ltd</li> <li>– Director and Shareholder, Susan Huria (2003) Associates Ltd</li> <li>– Director and Shareholder, Te Ara Tika Properties Ltd</li> <li>– Director, Vermilion Design Ltd</li> <li>– Director, Airways Corporation of New Zealand Ltd</li> <li>– Chair, Veterinary Enterprises Group Limited</li> <li>– Trustee, First Foundation</li> <li>– Member, Maori Governance Centre, University of Waikato Advisory Board</li> </ul>
Tony Lanigan	<ul style="list-style-type: none"> <li>– Director and Shareholder, A G Lanigan &amp; Associates (2007) Limited</li> </ul>

	<ul style="list-style-type: none"> <li>- Shareholder, Fletcher Building</li> <li>- Director, Habitat for Humanity New Zealand Limited</li> <li>- Director and Shareholder, Lanigan Trustee Limited</li> <li>- Director and Shareholder, Lanison and Associates Limited</li> <li>- Director and Chair, NZ Housing Foundation Limited</li> <li>- Director, Tamaki Makaurau Community Housing Limited</li> <li>- Director, NZ Transport Agency (NZTA)</li> </ul>
Mike Allen	<ul style="list-style-type: none"> <li>- Director, Coats PLC</li> <li>- Director, Guinness Peat Group</li> <li>- Director, Godfrey Hirst Limited</li> <li>- Shareholder, Innoflow</li> <li>- Director, Tainui Group Holdings Limited</li> <li>- Director, Breakwater Consulting Limited</li> </ul>
Julia Hoare	<ul style="list-style-type: none"> <li>- Director, AWF Group Limited</li> <li>- Director, New Zealand Post Limited</li> <li>- Director, The A2 Milk Company Limited</li> </ul>
Nicola Crauford	<ul style="list-style-type: none"> <li>- Chair, Wellington Rural Fire Authority</li> <li>- Director, Environmental Protection Authority</li> <li>- Member of Electoral Authority - Cooperative Bank Limited</li> <li>- Senior Consultant - WorleyParsons New Zealand Ltd</li> <li>- Director and Shareholder - Riposte Consulting Limited</li> <li>- Director and Shareholder - Crauford Robertson Consulting</li> <li>- Director and Shareholder - Martin Crauford Limited</li> <li>- Director – Capacity Infrastructure Services Limited</li> </ul>

### Board Observer

Alex Delany	- Employee - BNZ
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### RECOMMENDATION

That the report be noted.

Report prepared by:

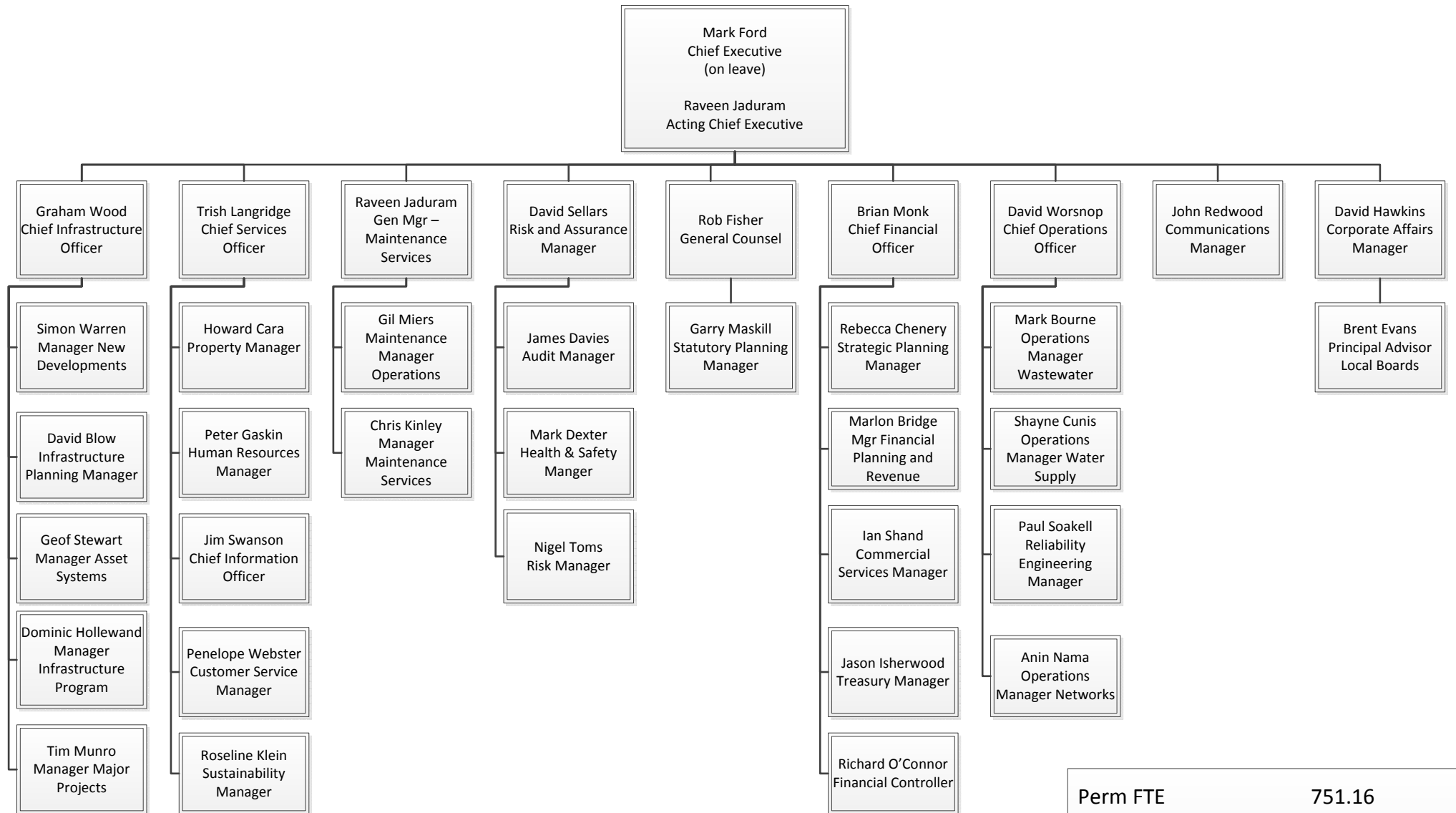
Approved by:

R Fisher  
**General Counsel**

R Jaduram  
**Acting Chief Executive**



# Watercare Organisational Chart to Tier 3 – June 2014



Perm FTE	751.16
Fixed Term FTE	24.42
Casual FTE	4.13
LWOP FTE	9
<b>Total FTE</b>	<b>779.71</b>
Budgeted FTE 13/14	852.7

# Watercare Services Limited

**Subject: Chief Executive Report – May 2014**

**Date: 16 June 2014**

## 1. KEY PERFORMANCE SCORECARD

Environment		Financial	(MTD)	(YTD)
Water Treatment – graded plants Metro	✓	Revenue	✓	✓
Water treatment – graded plants Rural	✓	Net surplus / deficit after tax	x <sup>1</sup>	x <sup>1</sup>
Unaccounted for Water	x <sup>3</sup>	Total costs	x <sup>2</sup>	⇔
Effluent quality Metro plants	✓	Labour costs	✓	⇔
Effluent quality Rural plants	⇔			
Dry Weather Overflows	✓			
Prosecutions	✓			
		Asset Management	(MTD)	(YTD)
		Maintenance Expenditure	x <sup>4</sup>	✓
		Capital Expenditure	⇔	✓
Community		Staff Attendance (Rolling 12 months)	(MTD)	(YTD)
Water Quality Complaints	x <sup>5</sup>	Attendance	✓	✓
Water Resources		Customer Service	(MTD)	(YTD)
Drought Security Standard	✓	Grade of Service	x <sup>6</sup>	✓
Unrestricted Demand ( <i>Drought Management Plan</i> )	✓			

<sup>1</sup> Net surplus after tax is unfavourable largely due to movement financial instruments and deferred tax.

<sup>2</sup> Total costs are unfavourable largely due to the timing of spend.

<sup>3</sup> The Statement of Intent target related to unaccounted for water has reduced from 15% to 14% for the 2013/14 year. A study by Synergin has identified assumptions being made by Watercare that is resulting in higher Real Losses as a calculation. However, this calculation change cannot be made until auditors are satisfied.

<sup>4</sup> Maintenance expenditure is unfavourable largely due to the timing of spend.

<sup>5</sup> Target not met due to an increase in complaints during January and February. The year to date result is anticipated to trend favourably in the following months.

<sup>6</sup> Grade of Service not met due to increase in call volumes combined with nine new staff.

## **2. HEALTH AND SAFETY**

On a rolling 12 month basis:

- The lost-time injury frequency rate (LTIFR) was 2.54 against an SOI target of less than or equal to 5 for 12 months.
- Sick leave was 2.16%.
- Voluntary staff turnover was 12.6%, just outside the SOI target of 10-12%.
- The injury severity rate was 12.09 for the month of May against a target of less than 30 for 12 months.

## **3. CUSTOMER SERVICES**

The rolling twelve month telephone service level remains above the target at 82.7%. However the monthly target was not achieved with 74.7% of calls answered within 20 seconds, against a target of 80%. The result this month is largely due to extra call volume and nine new staff members being slower to respond because they are less familiar with the customer systems and processes. The target response time for customer correspondence was exceeded with 99.8% responded to within 10 days and for complaints 95.8% resolved within 10 working days, against the target of 95%.

Customer Satisfaction with the faults response from Customer Services is higher than the target with the three key areas achieving a rating of 87% or higher. The three areas are 'Don't waste my time', 'Communicate with me' and 'Deliver to me'.

An outbound calling campaign was undertaken by the Contact Centre to engage with small businesses that will be adversely affected by the introduction of the new non-domestic wastewater tariff regime. These were customers had not responded to written communications already sent to them. A total of 160 out of 208 customers (77%) were reached, representing 345 non-domestic accounts.

The focus next month will be very much on the final preparation for introduction of the new non domestic wastewater tariff. This includes the final training, establishing the escalation and tier 2 response processes for non-domestic customers and updating the knowledgebase to include the non-domestic tariff information

## **4. INFRASTRUCTURE AND PLANNING**

Infrastructure capital expenditure during the month was \$28.9 million, above the monthly target of \$27.4 million. As a result, the year to date performance for Infrastructure capex is 96% of the year to date target. As forecast last month, minor delays are being caught up and are still expected to be recovered by year end with monthly expenditure for the remainder of the financial year is expected to continue broadly in line with budget and produce year end

expenditure close to the budgeted \$287 million. Given that “red” status applies to only 4% of the time, costs and quality objectives for the 61 projects over \$2 million, this indicates that progress and the associated expenditure for the year to date remain extremely close to forecast.

During the month NZTA have confirmed that they will be undertaking the SH20A Kirkbride Road grade separation project and as such the construction of 1km of the Hunua No.4 pipeline will be removed from the current contract and be delivered by the NZTA alliance. Three sections of the Hunua 4 are already either operational or being commissioned and the NZTA SH20 / Kirkbride project can be accommodated by altering the Hunua 4 sectional split for commissioning of the remaining sections. Major consenting and preliminary design work continued on North Harbour No.2 and the staged commissioning of the water supply to Kumeu, Huapai and Riverhead is now nearing completion. Waikato expansion works are now sufficiently complete to allow the plant to produce 150MLD once the major maintenance being undertaken by Operations on the raw water pump station is completed in June. The plant can currently run at 125MLD.

In the wastewater portfolio, evaluation of the tenders for the function of Principal Engineering Advisor for the Central Interceptor are complete and a recommendation for award is scheduled for the July Board meeting. The actual award to the successful consortium will be in early August. The initial areas for biosolids placement on Puketutu Island are complete. The delivery of the first of new biosolids transporters is still on programme for June and this will complete the operational solution ahead of schedule. Major design, consenting and investigative work continues on the Rosedale expansion, Northern Interceptor and Waterfront Interceptor. The major earth works associated with constructing the platform for the Mangere Biological Nutrient Removal plant and new access road to the Mangere Treatment Plant have proceeded ahead of programme and subject to sufficient fine weather will be completed in June.

The Asset Management Plan was presented to the Capital Projects Working Group during May. A paper is on the agenda for the June Board meeting. It is intended that this AMP capital expenditure profile will feed into the Auckland Council LTP 2015-2025 process.

Infrastructure Growth Charge (IGC) revenue continues to increase in line with construction activity and income has now exceeded the year-end budget target. The forecast increase in IGC charges from 1 July has prompted a number of developers to ‘lock in’ their applications at the lower tariff before the end of June.

A Capital Expenditure Dashboard Report of all capital expenditure projects over \$2 million is shown as Appendix C.

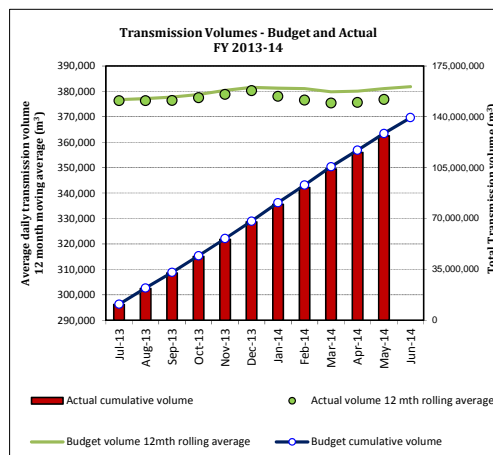
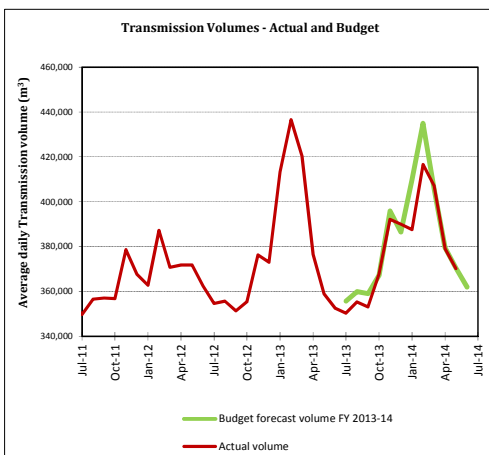
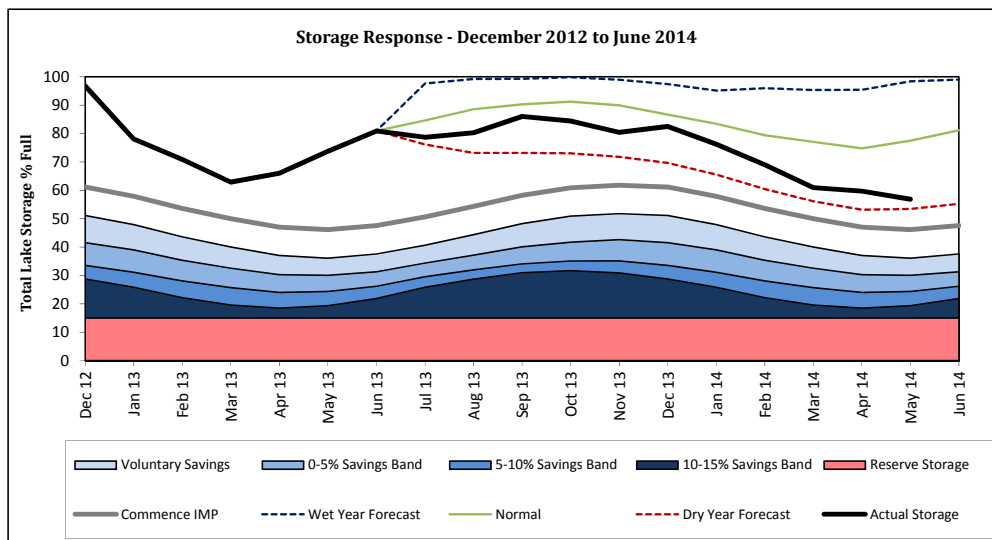
## 5. OPERATIONS

Rainfall for the month of May was as follows:

Waitakere Ranges	68% of average
Hunua Ranges	64% of average
Northern Non-metropolitan	43% of average
Southern Non-metropolitan	65% of average

Metropolitan total system storage decreased in May from 59.7% to 56.9%. This is below the average storage for the end of May (73.2%), but while tracking below the budgeted normal storage response, it is above the budget dry weather response.

International climate guidance indicates El Niño is the most likely outcome (59% chance) for June-August 2014, increasing to 69% in the following season. However the atmosphere has yet not fully responded to the oceanic anomalies. Uncertainty remains about the strength of El Niño if it fully develops. Normal or below normal rainfall is expected for the north of the North Island, including the Auckland region. Despite the onset of winter, there is an indication of some residual warm water around northern New Zealand. Average temperatures are forecast for Auckland.



Transmission system losses for the month, adjusted for planned discharges were 3.4% and are 2.6% YTD.

## 6. FINANCE

### Financial Performance

	Current Month			Year To Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
<b>Figures (\$millions)</b>									
Revenue	42.07	38.15	3.92	447.90	428.92	18.98	485.71	467.41	18.29
Operating Expenses	17.20	15.79	(1.41)	177.52	179.98	2.46	194.35	195.54	1.20
Depreciation	17.32	16.81	(0.51)	188.02	183.13	(4.89)	204.39	199.68	(4.71)
Interest expense	6.49	6.11	(0.38)	66.90	69.14	2.24	74.06	75.12	1.06
<b>Total Contribution</b>	<b>1.06</b>	<b>(0.56)</b>	<b>1.62</b>	<b>15.45</b>	<b>(3.33)</b>	<b>18.79</b>	<b>12.90</b>	<b>(2.93)</b>	<b>15.84</b>
Financial instruments revaluation - loss/(gain)	12.65	-	(12.65)	(1.76)	-	1.76	(1.76)	-	1.76
Non-operating costs/(income)	1.37	-	(1.37)	11.46	-	(11.46)	11.66	-	(11.66)
<b>Operating Surplus / (Deficit) Before Tax</b>	<b>(12.96)</b>	<b>(0.56)</b>	<b>(12.41)</b>	<b>5.75</b>	<b>(3.33)</b>	<b>9.09</b>	<b>3.00</b>	<b>(2.93)</b>	<b>5.93</b>
Deferred Tax - Expense/(Credit)	(3.64)	0.03	3.67	11.87	(0.57)	(12.43)	10.49	(0.82)	(11.31)
<b>Net Surplus / (Deficit) After Tax</b>	<b>(9.32)</b>	<b>(0.59)</b>	<b>(8.74)</b>	<b>(6.12)</b>	<b>(2.77)</b>	<b>(3.35)</b>	<b>(7.49)</b>	<b>(2.11)</b>	<b>(5.37)</b>
<b>FFO Ratio</b>				3.19	3.05		3.11	3.04	
<b>Operating EBITDAF</b>	24.87	22.36	2.51	270.38	248.94	21.44	291.36	271.87	19.49
<b>EBITDA</b>	10.85	22.36	(11.52)	260.67	248.94	11.73	281.46	271.87	9.59
<b>EBIT</b>	(6.47)	5.55	(12.03)	72.65	65.81	6.84	77.07	72.19	4.88

#### Month – Total Contribution of \$1.06m - favourable variance to budget of \$1.62m

Total revenue was favourable \$3.92m to budget largely due to vested asset income favourable by \$2.48m. Water and wastewater revenue was \$0.16m unfavourable to budget with water volumes 0.61% unfavourable. IGC revenue at \$3.43m was favourable \$1.35m.

Operating expenses were \$1.41m unfavourable to budget with unfavourable variances for planned and unplanned maintenance, operating costs, chemicals and energy partially offset by a favourable variance for net labour and professional services.

Depreciation was unfavourable to budget \$0.51m due to higher than budgeted accelerated depreciation.

Interest expense was \$0.38m unfavourable to budget.

#### Year to date – Total Contribution of \$15.45m - favourable variance of \$18.79m

Year to date revenue is \$18.98m favourable to budget primarily due to vested asset income favourable \$14.17m, IGC revenue favourable \$5.14m and the \$5.36m unbudgeted receipt of subvention payment from Ports of Auckland for tax losses. Water and wastewater revenue was \$6.07m unfavourable to budget with year to date water volumes 1.38% under budget.

Operating expenses are \$2.46m favourable to budget with favourable variances for planned maintenance, energy, professional services and general overheads partially offset by unfavourable unplanned maintenance and other asset operating costs.

Depreciation is unfavourable to budget \$4.89m due to higher than budgeted accelerated depreciation.

Interest expense is \$2.24m favourable to budget.

### **Year to date – Net Deficit after Tax of \$6.12m – unfavourable variance of \$3.35m**

The unfavourable variance year to date of \$3.35m is due to the \$15.45m year to date favourable contribution plus a favourable revaluation of financial instruments of \$1.76m due to an increase in medium to long term swap rates since June 2013; offset by losses on disposals of fixed assets and an increase in deferred tax expense of \$12.43m due primarily to the effect of the tax loss offset with Ports of Auckland Ltd (tax losses sold of \$42.6m and deferred tax impact of \$11.9m).

### **Full year Forecast – Operating Contribution of \$12.90m – favourable variance of \$15.84m**

Full year revenue is forecast at \$485.71m, favourable by \$18.29m largely due to higher than budgeted vested asset income and IGC revenue and the unbudgeted subvention receipt of \$5.36m from Ports of Auckland Ltd. Water and wastewater revenue forecasts for the remaining month of the year is assumed at budgeted levels.

Operating expenses are expected to be favourable to budget by \$1.20m with favourable variances for planned maintenance, energy, professional services and general overheads partially offset by unfavourable variances for unplanned maintenance and other asset operating costs.

Depreciation costs are forecast \$4.71m higher at year end largely due to shortfalls in the budget for accelerated depreciation.

Interest expensed through the P&L is expected to be \$1.06m lower than budget at year end due to higher levels of capitalised interest and slightly lower debt compared with budget.

### **Financial Position**

<b>\$million</b>	<b>Actual Apr-14</b>	<b>Actual May-14</b>	<b>Monthly Movement</b>	<b>Budget May-14</b>	<b>Var from Budget</b>
Non Current Assets	8,240.2	8,257.6	17.4	8,461.1	(203.5)
Current Assets	85.8	66.4	(19.4)	70.8	(4.4)
<b>Total Assets</b>	<b>8,326.0</b>	<b>8,324.0</b>	<b>(2.0)</b>	<b>8,531.9</b>	<b>(207.9)</b>
Other Liabilities	159.9	180.9	21.0	238.9	(58.1)
Deferred Tax Liability	942.6	938.9	(3.7)	958.2	(19.2)
Borrowings - Short Term	605.6	390.9	(214.7)	416.7	(25.8)
Borrowings - Long Term	848.4	1,053.0	204.7	1,063.5	(10.5)
Shareholders Funds	5,769.6	5,760.3	(9.2)	5,854.6	(94.3)
<b>Total Liabilities and Shareholders Funds</b>	<b>8,326.0</b>	<b>8,324.0</b>	<b>(2.0)</b>	<b>8,531.9</b>	<b>(207.9)</b>

The major movements of the Statement of Financial Position as at 31 May 2014 compared with 30 April 2014 reflect; the repayment of \$220m short-term debt and the drawdown of \$200m

long-term debt; a decrease in current assets (\$19.4m) largely due to a decrease in cash (\$18.1m) and an increase in other liabilities largely due to the movement on derivative financial instruments (\$12.6m).

Compared with the budget the material variances are in respect of non-current assets, deferred tax and shareholders' funds all of which largely reflect the revaluation of property, plant and equipment as at 30 June 2013 being lower than was assumed for the budgeted opening balance sheet as at 1 July 2013. Net debt at \$1,444m is \$36.3m beneath budget.

## Receivables

Receivables before provision for doubtful debts totalled \$35.1m at May month end compared with \$31.1m at the end of April. The Auckland Council component of total debt was \$0.67m, compared with \$0.57m at April and disputed trade waste accounts at the end of May totalled \$0.98m compared with \$0.94m last month. Total 60+ day debt has decreased by \$268k during the month primarily due to an efficient month of debt collection activity.

### Total receivables – month-on-month comparison

	0-30 days <i>(previous month in italics)</i>	30-59 days <i>(previous month in italics)</i>	60 days + <i>(previous month in italics)</i>	Total <i>(previous month in italics)</i>
Receivables excluding Council and disputed trade waste	\$28,658,170 \$24,217,159	\$2,194,873 \$2,536,041	\$2,615,275 \$2,819,713	\$33,468,318 \$29,572,913
Auckland Council Group	\$724,277 \$488,353	-\$2,540 \$35,079	-\$46,135 \$43,804	\$675,602 \$567,237
Disputed trade waste accounts	\$98,208 \$94,546	\$94,546 \$81,555	\$790,647 \$764,464	\$983,401 \$940,565
<b>Total receivables</b>	<b>\$29,480,655</b> \$24,800,058	<b>\$2,286,880</b> \$2,652,676	<b>\$3,359,787</b> \$3,627,982	<b>\$35,127,322</b> \$31,080,715

Receivables excluding Auckland Council and disputed trade waste accounts totalled \$33.5m for May, compared with \$29.6m at April month end. The increase in receivables primarily reflects the increase in current debt. Additionally 60+ day debt has decreased by \$204k. The average debt per account increased from \$96 to \$108.

### Total receivables – excluding Auckland Council and disputed trade waste

	0-30 days <i>(previous month in italics)</i>	30-59 days <i>(previous month in italics)</i>	60 days + <i>(previous month in italics)</i>	Total <i>(previous month in italics)</i>
Net Debt	\$28,658,170 \$24,217,159	\$2,194,873 \$2,536,041	\$2,615,275 \$2,819,713	\$33,468,318 \$29,572,913
# of accounts	287,568 286,862	37,817 41,492	36,783 35,263	308,847 308,647
Average Debt	\$100 \$84	\$58 \$61	\$71 \$80	\$108 \$96
Percentage	85.6% 81.9%	6.6% 8.6%	7.8% 9.5%	100.0% 100.0%

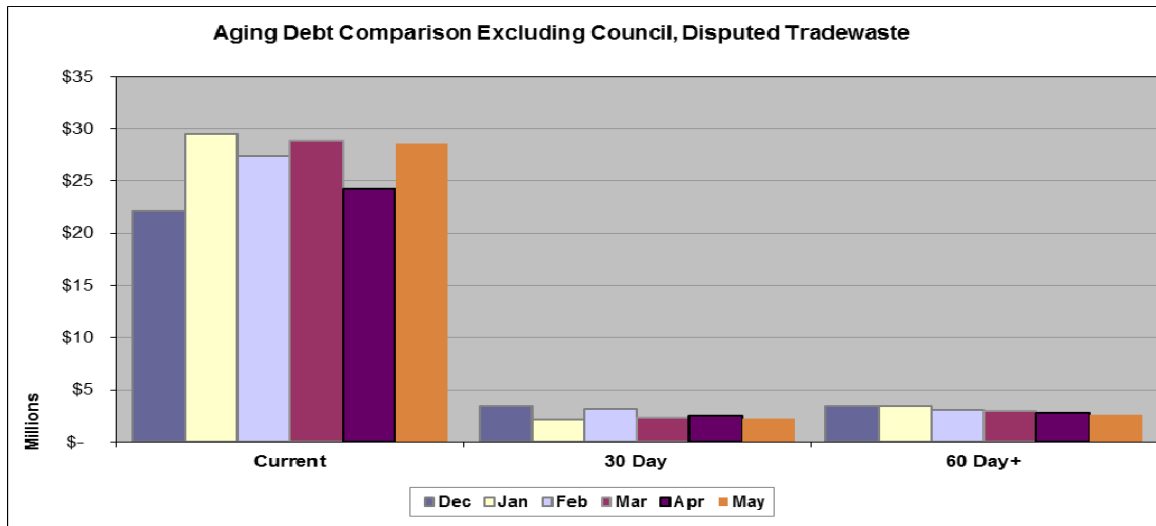


<b>Commercial</b>	<b>Current month</b> <i>(previous month in italics)</i>	<b>30-59 days</b> <i>(previous month in italics)</i>	<b>60 days +</b> <i>(previous month in italics)</i>	<b>Total</b> <i>(previous month in italics)</i>
Totals	<b>\$13,649,878</b> <i>\$9,007,274</i>	<b>\$1,103,352</b> <i>\$1,150,425</i>	<b>\$603,467</b> <i>\$689,289</i>	<b>\$15,356,696</b> <i>\$10,846,988</i>
# of accounts	<b>20,002</b> <i>20,151</i>	<b>3,182</b> <i>3,538</i>	<b>5,708</b> <i>5,513</i>	<b>24,490</b> <i>24,616</i>
Average Debt	<b>\$682</b> <i>\$447</i>	<b>\$347</b> <i>\$325</i>	<b>\$106</b> <i>\$125</i>	<b>\$627</b> <i>\$441</i>
Percentage	<b>88.9%</b> <i>83.0%</i>	<b>7.2%</b> <i>10.6%</i>	<b>3.9%</b> <i>6.4%</i>	<b>100.0%</b> <i>100.0%</i>

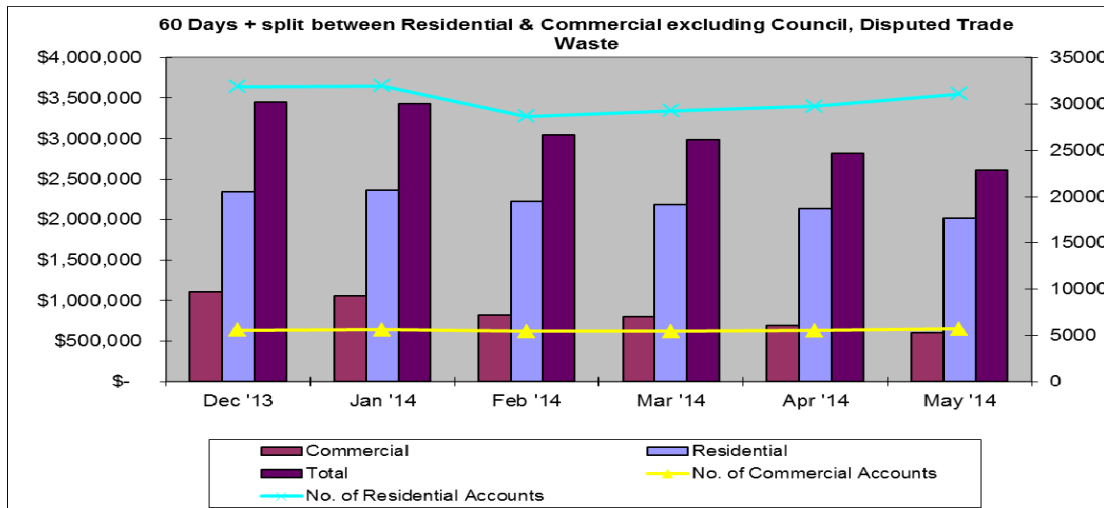
<b>Residential</b>	<b>Current month</b> <i>(previous month in italics)</i>	<b>30-59 days</b> <i>(previous month in italics)</i>	<b>60 days +</b> <i>(previous month in italics)</i>	<b>Total</b> <i>(previous month in italics)</i>
Totals	<b>\$15,008,293</b> <i>\$15,209,885</i>	<b>\$1,091,521</b> <i>\$1,385,616</i>	<b>\$2,011,808</b> <i>\$2,130,424</i>	<b>\$18,111,622</b> <i>\$18,725,925</i>
# of accounts	<b>267,566</b> <i>266,711</i>	<b>34,635</b> <i>37,954</i>	<b>31,075</b> <i>29,750</i>	<b>284,357</b> <i>284,031</i>
Average Debt	<b>\$56</b> <i>\$57</i>	<b>\$32</b> <i>\$37</i>	<b>\$65</b> <i>\$72</i>	<b>\$64</b> <i>\$66</i>
Percentage	<b>82.9%</b> <i>81.2%</i>	<b>6.0%</b> <i>7.4%</i>	<b>11.1%</b> <i>11.4%</i>	<b>100.0%</b> <i>100.0%</i>

The change in age of debt (excluding Council, disputed trade waste and disputed IGC) over the last six months is shown below.

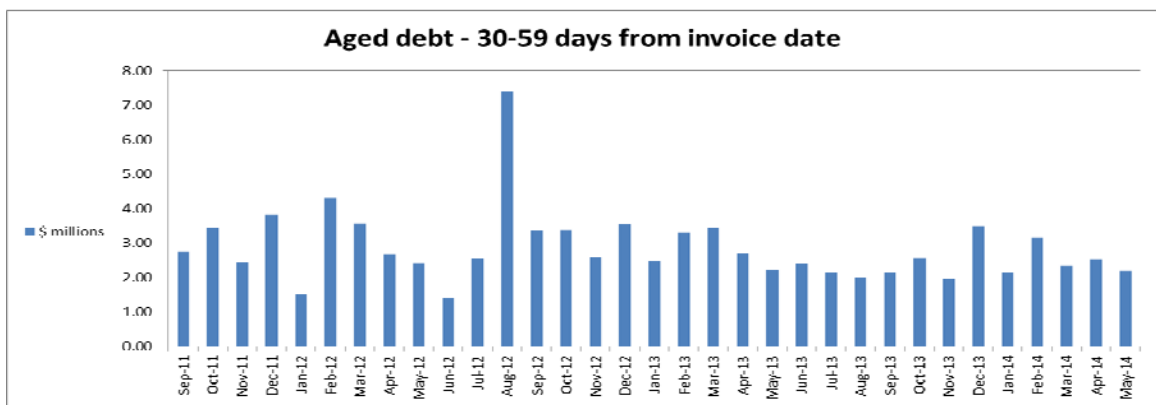
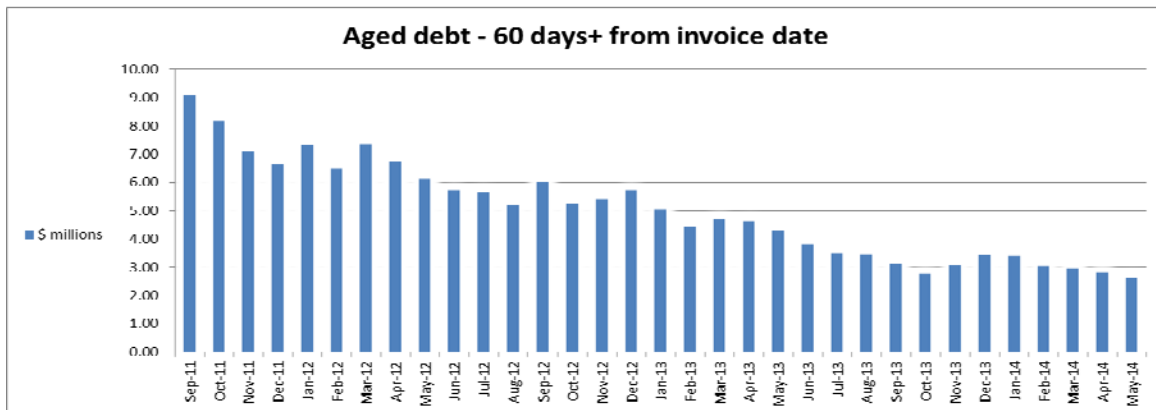
#### Age of debt comparison – December 2013 to May 2014



The split of 60 days+ receivables between residential and commercial is shown below:



The trends of 60 days +debt and 30-59 days debt are shown below:



The spike in 30-59 day debt in August 2012 reflects the change in billing cycles for all customers to monthly billing.

## Water Utility Consumer Assistance Trust (WUCAT)

The following tables summarise the results of the Trust since its inception and over the last three months:

### May 2014

WUCAT Summary		
Financial year	Board approved applications	\$ Value
Jun-12	33	29
Jun-13	172	196
Jun-14	111	104
<b>Total</b>	<b>316</b>	<b>329</b>

WUCAT Summary last 3 meetings		
Month	Board approved applications	\$ Value
Mar-14	12	10
Apr-14	11	11
May-14	16	23
<b>Total</b>	<b>39</b>	<b>44</b>

316 applicants have successfully completed the budget adviser review process and these applicants have had \$329k of hardship relief approved by the Trust. This has resulted in \$236k actually being written-off as payment plans have been completed. For various reasons 38 applicants did not fully complete their agreed payment plans and they have foregone \$36k of approved hardship relief. A further 54 applicants continue with their payment arrangements with \$57k of approved hardship write-offs to be granted when they successfully complete their plan.

The results of the last 3 WUCAT meetings are that 39 applicants have successfully completed the budget process and had \$44k of hardship relief approved by the Trust.

## Restrictions

During May, 824 reminder notices were sent to customers warning that water restriction may be actioned if payment was not received and 7 cards were sent to customers warning of possible restriction of their water supply in 48 hours. As a result 3 new water restrictions were applied during May and 1 of these restrictions was removed immediately due to payment being received. The other two restrictions actioned during the month remain in place.

The table below summarises the restrictions carried out by Watercare Services Limited.

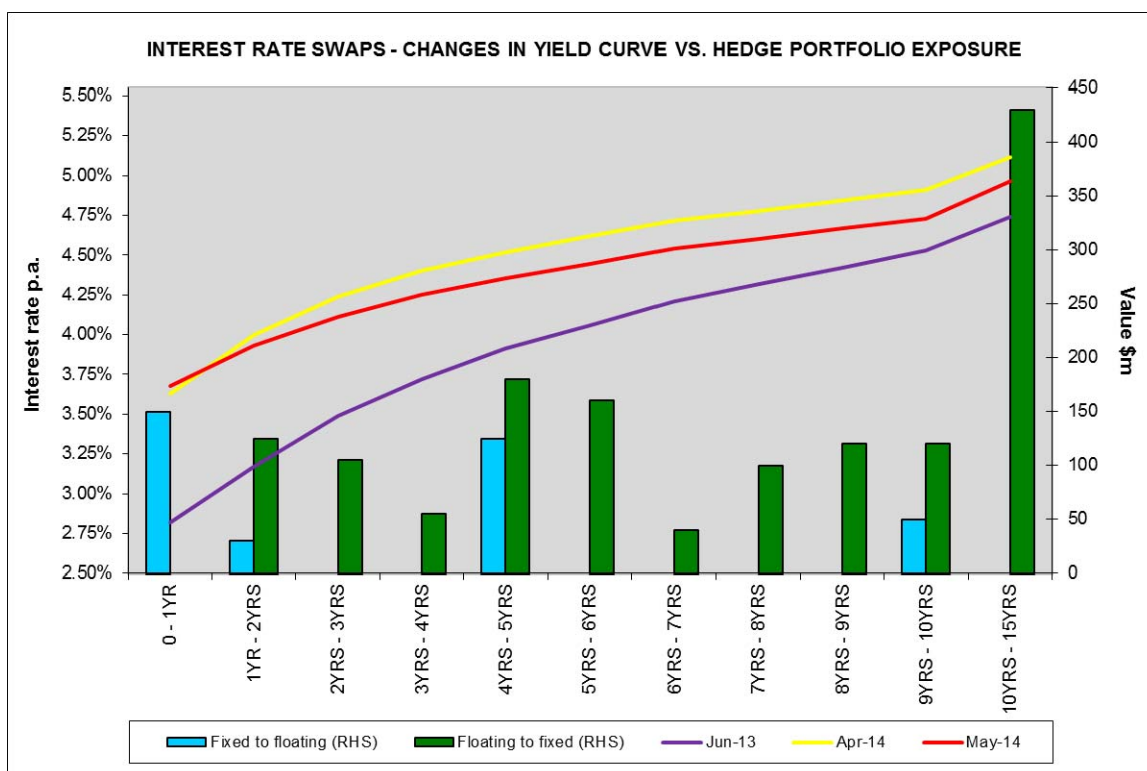
Watercare - Restriction Summary			
	Commercial	Residential	Total
Inherited 1 Nov 2010	0	4	4
Restricted	30	24	54
Derestricted	-27	-17	-44
Restrictions Remaining	3	11	14

The following restrictions remain in place:

- Three water restrictions inherited from Manukau Water remain in place on residential properties at the owners request due to unfixed leaks at the properties.

- A further four residential restrictions remain in place on vacant properties. Communications are ongoing with the customers and if the properties are tenanted in future resolution will be required.
- A further four residential restrictions remain in place and communication continues with these customers.
- Three commercial properties remain restricted at the end of May and communication continues with these customers.

## Treasury



Interest Analysis \$million	Current Month			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Interest as per Statement of Financial Performance	6.49	6.11	(0.38)	66.90	69.14	2.24	74.06	75.12	1.06
Capitalised Interest	1.09	1.14	0.04	11.74	10.56	(1.18)	12.91	11.82	(1.09)
Gross Interest	7.58	7.25	(0.34)	78.64	79.70	1.06	86.97	86.94	(0.03)
Less Interest Income	0.10	0.00	(0.10)	0.30	0.00	(0.29)	0.31	-	(0.31)
<b>Net Interest</b>	<b>7.48</b>	<b>7.25</b>	<b>(0.23)</b>	<b>78.34</b>	<b>79.70</b>	<b>1.35</b>	<b>86.66</b>	<b>86.94</b>	<b>0.28</b>

For the month net interest was unfavourable \$0.23m with budget largely due to the transitional arrangements of the conversion of short-term debt to long-term debt resulting in higher debt levels for a period prior to repayment of the short-term debt; partially offset by interest income earned on the excess cash.

## Capital Expenditure

Capital expenditure for the month was \$33.1m against a budget of \$31.7m.

Summary Capital Expenditure (\$millions)	Month May 14			Year to Date			Full Year		
	Actual	Budget	Var	Actual	Budget	Var	Forecast	Budget	Var
Infrastructure Wastewater Projects	14.9	13.3	(1.6)	117.4	128.5	11.1	134.6	140.1	5.5
Infrastructure Water Projects	14.0	14.1	0.1	118.5	117.6	(0.9)	131.1	131.8	0.7
Operations	2.8	1.5	(1.3)	14.8	16.9	2.1	15.6	18.4	2.8
Maintenance Services	(0.1)	0.2	0.3	1.8	3.9	2.1	2.2	4.0	1.8
Information Services	0.4	0.9	0.5	3.9	9.1	5.2	5.3	9.9	4.6
Other Projects	1.1	1.7	0.6	18.4	25.1	6.7	21.0	26.6	5.6
<b>TOTAL</b>	<b>33.1</b>	<b>31.7</b>	<b>(1.4)</b>	<b>274.8</b>	<b>301.1</b>	<b>26.3</b>	<b>309.8</b>	<b>330.8</b>	<b>21.0</b>
Includes:									
Water Projects Capitalised Interest	0.7	0.4	(0.3)	6.8	5.3	(1.5)	7.4	5.8	(1.6)
Wastewater Projects Capitalised Interest	0.4	0.7	0.3	5.0	4.9	(0.1)	5.5	5.7	0.2
Other Capitalised Interest	0.0	0.0	0.0	0.0	0.3	0.3	0.0	0.4	0.4
<b>Total Capitalised Interest</b>	<b>1.1</b>	<b>1.1</b>	<b>0.0</b>	<b>11.8</b>	<b>10.5</b>	<b>(1.3)</b>	<b>12.9</b>	<b>11.9</b>	<b>(1.0)</b>

## 7. BOARD CORRESPONDENCE

There was no Board correspondence received during the month of May 2014.

## 8. EXECUTION OF DOCUMENTS

There were nine documents executed during May in accordance with the delegated authority provided to the Acting Chief Executive by the Board in relation to deeds, instruments and other documents. These included the registration of three easements, the surrender of one easement, approval of a deed of grant, approval of a sale and purchase agreement, approval of a licence agreement, the removal of a compensation certificate and the approval of a compensation amount for the grant of an easement.

There were seven capex approvals totaling \$11.212m signed in accordance with the delegated authority provided to the Acting Chief Executive by the Board in relation to capex approvals below a threshold of \$15m.

Summary of Capital Projects approved by Chief Executive – May 2014		
C-10349	New Lynn Pump Station Backup Generator Capex Extension	\$460,000
C-10750-93	Triple Quadrupole Liquid Chromatograph Mass Spectrometer	\$269,000
C-11768a	Beachlands Village: New Avenue Pump Station and Rising Main - Stage 2	\$5,516,000
C-11845-02	Replacement of Vehicles EFE447 and BSN722	\$62,000
C-12038	Pukekohe Wastewater Treatment Plant Resource Consent Application	\$1,530,000
C-12117-02	Snells No 1 Watermain- Hamilton Rd WTP to James St Reservoir - Stage 2 Construction	\$1,605,000
C-12278	Albany - Pinehill watermain and pump station	\$1,770,000

## **9. WORKING WITH LOCAL BOARDS**

The Local Boards are starting to finalise their Local Board Plans and some such as Rodney Local Board are proposing further information sessions for community feedback. Watercare will work with the Local Boards and attend any relevant meetings where there is particular community interest regarding Watercare issues.

At the request of the Orakei Local Board, Watercare and Auckland Council Stormwater attended a public meeting of Stonefields residents to discuss the third pipe water system. Members of the public had the opportunity to listen to senior management and ask questions on the operation of the local water supply.

Watercare supported Auckland Council Parks at a public business meeting of the Waitakere Ranges Local Board where a final decision was made to grant landowner approval for a wastewater storage tank in Harold Moody Reserve. The local board complimented Watercare on the collaborative work undertaken with the Board, parks and the community which helped to achieve good community outcomes. Watercare also joined parks and local board members on subsequent site visits to local parks that will be impacted by the Glen Eden branch sewer extension. A follow up workshop is planned with the Local Board in June.

Orakei Local Board and Parks representatives joined Watercare staff and contractors for the first Kohimarama Wastewater Storage Tank site liaison meeting. Project sign boards and public interpretation was discussed as well as opportunities for local schools to find out more about the works and contribute to art work on the project hoardings.

## **10. STATUTORY PLANNING**

### **Auckland Proposed Unitary Plan**

The Proposed Auckland Unitary Plan sets out the policy and rule framework that will apply to Watercare's operations when the Plan becomes operative (noting that some provisions already have "legal effect"). As drafted, there are significant implications for Watercare, both in terms of the maintenance, repair, and upgrading of existing infrastructure and the installation of new infrastructure. The main areas of concern are the sections on: freshwater allocation and takes, overlays (in particular natural resource, historic heritage, and cultural heritage), and the Mana Whenua provisions. These sections pose significant challenges for Watercare and have the potential to result in significant costs and delays for projects and operations. Even in areas where Watercare is supportive of the policy direction of the Plan, there are a significant number of matters that are problematic or create uncertainty which in turn imposes regulatory risk.

Council received over 9000 submissions. As previously reported, Watercare did not lodge a formal submission on the Proposed Auckland Unitary Plan on the basis that Council has agreed to fully involve Watercare in the hearing process as part of the Council team.

The Council has compiled a summary of submissions with over 100,000 submission points. This summary was released to the public on 11 June as part of the 'further submissions' process. The

purpose of further submissions is to enable those that have made a submission to comment on other submitter's points that may affect them. Further submissions are due at the end of July. Watercare has reserved the right to make a further submission, if needed, to protect Watercare's position. Watercare is currently reviewing the summary of submissions to determine the implications for Watercare.

Watercare and Auckland Transport have had some initial meetings with Council to discuss the process for involving CCOs in the process going forward but this process is still under discussion. Watercare and Auckland Transport are now members of the Unitary Plan Steering Committee.

### **Auckland Council Operative Plan Changes**

There are two main plan changes of significant interest to Watercare: Clevedon and Kingseat.

- **Clevedon:** Watercare appealed the decision version of the plan change in respect of an activity status date that is set out in the plan. The plan provides that in 2017 the application for subdivision consent will change from a prohibited activity to a non-complying activity. Watercare has agreed in principle to revised wording, but this is subject to agreement by the other appellant. An Environmental Court pre-hearing meeting was held on 13 May to set out the process going forward. If the final matters are not resolved by 30 June, the matter will go to Environmental Court hearings. Watercare indicated that it expects the matters to be resolved by the end of June, but if not, accepts the timetable proposed by the Judge. Further meetings with the applicant and the other interested parties have not yet resolved the issue, but further discussions with the parties are underway. Watercare has agreement in principle with the Council on a possible solution, and this will be presented to the appellant.
- **Kingseat:** Some parties have appealed the Kingseat decision. Court assisted mediations were held on 30 January and 21 March 2014. The feasibility study related to the use of the existing wastewater treatment plant on the former Kingseat Hospital site (this study is jointly funded by two landowners and Watercare) is now complete. Watercare is reviewing the findings of the study to determine potential options and has a workshop scheduled to discuss this with the lead developers prior to the next Court imposed milestone.
- There are three additional Plan Changes that have emerged as being of interest to Watercare. These are all private plan changes.
  - **Snells-Algies:** There are two private plan changes in this area seeking to rezone land that is out of Watercare's service area. Watercare cannot legally service this area until the wastewater treatment plant resource consent renewal application has been granted by Council and Watercare replaces the ocean outfall pipe. This pipe is in extremely poor condition and is at risk of failure. A programme is in place to replace this pipe, but it is likely to take five years. Watercare has made submissions on both of these private plan changes. *There has been no further activity on these plan changes.*

- **Puhinui Gateway:** This is a private plan change to rezone a tract of land outside the current Metropolitan Urban Limit (MUL) for industrial purposes. This area is currently outside of Watercare's service area. There are significant issues associated with providing water supply and wastewater services. *Council is now undertaking a comprehensive master planning process to understand the full infrastructure requirements for the remaining land area between the MUL and the coast. Watercare is part of the oversight committee for the development of the Master Plan.*

### **Settlement of Claims in the Hunua Ranges**

The Crown is currently engaging with Iwi entities on the settlement of claims relating to the Hunua Ranges.

We are assessing the land blocks to which the claims relate to determine if any Watercare infrastructure is involved. Our investigations have now been completed and show there is one rain gage that we have an interest in protecting for our ongoing operations. We are working with the Auckland Council who is dealing directly with representatives from Central Government.

### **Mana Whenua Forum**

The next meeting of the Forum is on the 10 July. A small group of Forum members will be accompanying Watercare staff on a tour of wastewater treatment plants situated in the upper North Island to consider various forms of effluent discharge. A workshop and report on the findings will follow the tour.

### **Waikato River Take**

Watercare's application including the AEE Report has been prepared and was lodged with the Waikato Regional Council prior to the Christmas. Consultation with Waikato Tainui, Huakina Development Trust and other marae is continuing. Discussions are also continuing with Fonterra, Horticulture NZ and other representatives of the farming sector. Monthly progress meetings are being held with the Waikato Regional Council.



**11. NON DOMESTIC WASTEWATER TARIFF**

Preparations continue for the introduction of the new non-domestic wastewater tariff. The technical system cutover will take place on the weekend of 1/2/3 August with the new pricing taking effect on July consumption which customers will see on August invoices. Focus is now primarily on business readiness activities including finalisation of user acceptance testing, training, production of customer collateral and cutover planning.

Customers have been sent a final communication confirming their new wastewater pricing plan and providing a final opportunity for provision of industry information via the online response tool.

**12. LONG TERM PLAN**

As identified in the paper tabled at the 29 May Board meeting, the next formal engagement with Auckland Council on the LTP 2015-25 is an options/advice workshop scheduled for 7 July. We have been advised that Watercare will have a 30 minute slot on the agenda during which time we will provide an overview of growth assumptions, price increases, IGC's, debt, capital projects, approach to financial management, efficiencies and contribution to the Auckland Plan.

The Auckland Council Budget Committee is also holding a workshop on 25 July (previously advised as 28 July) which will include a 'water and wastewater activity review'. This workshop will provide the opportunity to discuss in further detail the areas outlined above. A set of draft performance measures will also be required for the 25 July workshop.

For the purposes of these engagements we propose to use the forward financial projections that were included in the papers for the 29 May Board meeting, modified to reflect the draft AMP capex projections outlined in item 7 of the 27 June confidential agenda.

We have now been advised that the templates for the draft Auckland Council LTP 2015-25 will need to be forwarded to Auckland Council by 26 September. These templates and associated assumptions will need to be approved at the Watercare Board meeting on 19 September.

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R Jaduram  
ACTING CHIEF EXECUTIVE

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**PERFORMANCE AGAINST STATEMENT OF INTENT TARGETS - MAY 2014**

Performance Measure						Performance Over Three Year Period			Outcome
	2012/13 Target	2012/13 Result	2013/14 Target	2013/14 Result to Date		2014/2015 PROPOSED	2015/2016 PROPOSED	2016/2017 PROPOSED	Auckland Plan Target
<b>MEASURE</b>									
<b>Safe and Reliable Water</b>									
Percentage compliance with MoH drinking water standards for graded plants(excluding minor or technical non-compliance)	100%	100%	100%	100%	✓	100%	100%	100%	
Percentage of metropolitan water treatment plants achieving Grade A	100%	100%	100%	100%	✓	100%	100%	100%	
Percentage of metropolitan water supply reticulation achieving Grade a	100%	100%	100%	100%	✓	100%	100%	100%	
Percentage of non-metropolitan water treatment plants achieving Grade A	35% (5 non-metro water treatment plants out of 14 non-metro water treatment plants)	100% of target was achieved (6 non-metro water treatment plants out of 14 non-metro water treatment plants = 43%)	45% (7 non-metro water treatment plants out of 14 non-metro water treatment plants)	<b>Projected result: 100% of target will be achieved (Projected result: 7 non-metro water treatment plants out of 14 non-metro water treatment plants = 50%)</b>	✓	50% (5 non-metro water treatment plants out of 10 non-metro water treatment plants) Note: 4 non-metro WTPs will be decommissioned bringing the total from 14 to 10	50% (5 non-metro water treatment plants out of 10 non-metro water treatment plants)	50% (100% by 2020)	
Percentage of non-metropolitan water supply reticulation achieving Grade a	15%	83% of non-metropolitan water supply reticulation achieved Grade A	25%	<b>Projected result: 70% of non-metropolitan water supply reticulation will achieve Grade A</b>	✓	50%	50% (100% by 2020)	50% (100% by 2020)	
Percentage of unplanned water shutdowns restored within five hours	≥95%	96.70%	≥95%	98%	✓	≥95%	≥95%	≥95%	
Number of unplanned water interruptions per 1000 connected properties	<10	7.7	<10	8.1%	✓	<10	<10	<10	
<b>Healthy Waterways</b>									
Number of dry weather sewer overflows per 100km of wastewater pipe length per year	≤5	2.7	≤5	1.8	✓	≤5	≤5	≤5	
Average number of wet weather overflows per discharge location in priority receiving environments in areas serviced by the separated networks.		n/a		n/a	✓	The Auckland-Wide Wastewater Network Discharge Consent application lodged and consent operational.			Reduce wet weather overflows to an average of no more than 2 events per discharge location per annum, where the stormwater and wastewater system are separated, by 2040 (with priority given to bathing beaches and other sensitive receiving environments by 2030)
Number of sewer bursts and chokes per 1000 properties	<10	6.8	<10	8.5	✓	<10	<10	<10	
Percentage of wastewater discharged that is compliant with consent discharge requirements (excluding minor or technical non-compliance) for Metropolitan areas	100%	100%	100%	100%	✓	100%	100%	100%	

Performance Measure						Performance Over Three Year Period			Outcome
	2012/13 Target	2012/13 Result	2013/14 Target	2013/14 Result to Date		2014/2015	2015/2016	2016/2017	Auckland Plan Target
Percentage of wastewater discharged that is compliant with consent discharge requirements (excluding minor or technical non-compliance) for non-Metropolitan areas	35%	100% of target achieved (60% of all wastewater discharged from non-metro plants was compliant with discharge consent conditions)	35%	Projected result: 100% of target will be achieved (Projected result: 65% of all wastewater discharged from non-metro plants will be compliant with discharge consent conditions)	✓	35%	65% (100% by 2020)	65% (100% by 2020)	
Number of successful RMA prosecutions against Watercare	0	0	0	0	✓	0	0	0	
<b>Health, Safety and well-being</b>									
Lost-time injury frequency rate per million hours worked	≤5	0	≤5	2.54	✓	≤5	≤5	≤5	
Level of ACC workplace management practices accreditation	Tertiary	Tertiary	Tertiary	Tertiary	✓	Tertiary	Tertiary	Tertiary	
Percentage of total hours absent due to illness	≤2.5%	2%	≤2.5%	2.16%	✓	≤2.5%	≤2.5%	≤2.5%	
Percentage of voluntary leavers relative to number of permanent staff	≤12%	10.10%	≤12%	12.60%	*	≤12%	≤12%	≤12%	
<b>Customers Satisfaction</b>									
Percentage of customers surveyed satisfied with Watercare's delivery of water and wastewater services	80%	81.40%	80%	88.00%	✓	80%	80%	80%	
Percentage of calls answered within 20 seconds	80%	79.70%	80%	82.70%	✓	80%	80%	80%	
Number of water quality complaints (taste, odour, appearance) per 1,000 water supply_connections	<5	4.6	<5	6.1	*	<5	<5	<5	
Percentage of complaints and being "resolved and closed" within 10 working days	95%	97.20%	95%	94.20%	↔	95%	95%	95%	
<b>Sustainable Environment</b>									
Per capita consumption (litres/person/day) Target for 2025 = 255 l/person/day Baseline in 2004 = 298 l/person/day	282 ±5%	274	280 ±5%	271	✓	278 ±5%	275 ±5%	275 ±5%	Reduce gross per capita water consumption from 2004 levels by 15% by 2025
Percentage of annual potable water network losses* measured as total network volume *This is defined as "real" losses, which includes losses from the wholesale and retail distribution systems.	≤15%	14.80%	≤14%	14.15%	*	≤13%	≤13%	≤13%	Reduce maximum annual potable water network losses to less than 12% of total network volume by 2040
<b>Effective Asset Management</b>									
Percentage of actual capital expenditure relative to budget	>85%	97.50%	>85%	96%	✓	>85%	>85%	>85%	
<b>Sound Financial Management</b>									
Minimum funds flow from operations to interest cover (FFO) before any price adjustment	≥2.5	3.37	≥2.5	3.19	✓	≥2.5	≥2.5	≥2.5	
Percentage of expenditure on water supply services relative to the average household income	≤1.5%	0.86%	≤1.5%	0.90%	✓	≤1.5%	≤1.5%	≤1.5%	

**WATERCARE SERVICES LIMITED**  
**Management Report**

**May-14**

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## Key Financial Indicators

Financial performance	Year to date	Full year	Page Ref
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### Key to Financial performance, Financial position and cashflow measures

- Favourable variance - actual/forecast result > 2.5% above budget for total revenue, net contribution, property, plant and equipment and actual/forecast result < 2.5% below budget for total expenses, interest, depreciation, net borrowings and investing cash flow
- Neutral - actual/forecast result is within 2.5% of budget
- Unfavourable variance - actual/forecast result < 2.5% below budget for total revenue, net contribution, property, plant and equipment and actual/forecast result > 2.5% above budget for total expenses, interest, depreciation, net borrowings and investing cash flow

### Key to Treasury policy compliance

- Full compliance
- Non compliance

### Commentary on red traffic lights

- Depreciation is over budget due to additional accelerated depreciation resulting from the shortening of useful lives on assets identified for disposal in new capex proposals in this financial year. The budget included an estimate for unidentified accelerated depreciation but this has proved insufficient.

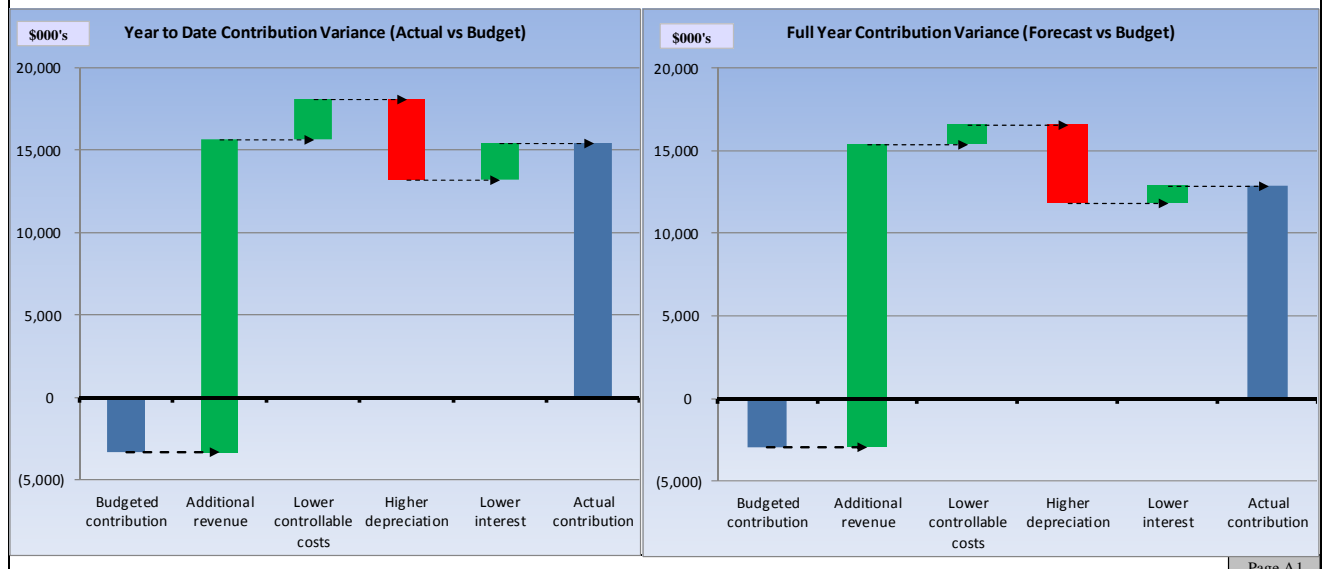
**WATERCARE SERVICES LIMITED**  
**STATEMENT OF FINANCIAL PERFORMANCE**

**May-14**  
**(\$000's)**

	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
Wastewater Revenue	22,271	22,595	(323)	↔	245,622	248,721	(3,099)	↔	266,629	269,728	(3,099)	↔
Water Revenue	11,083	11,191	(108)	↔	122,688	125,483	(2,795)	↔	133,293	136,088	(2,795)	↔
Tradewaste Revenue	1,260	989	271	✓	11,712	11,887	(175)	↔	13,208	13,382	(175)	↔
Laboratory Revenue	468	572	(104)	✗	5,064	6,239	(1,175)	✗	5,584	6,795	(1,211)	✗
Infrastructure Growth Charge Revenue	3,430	2,083	1,347	✓	28,055	22,917	5,138	✓	29,933	25,055	4,878	✓
Other Revenue	3,559	719	2,841	✓	34,755	13,672	21,083	✓	37,059	16,366	20,693	✓
<b>Total Revenue</b>	<b>42,071</b>	<b>38,148</b>	<b>3,923</b>	<b>✓</b>	<b>447,896</b>	<b>428,919</b>	<b>18,977</b>	<b>✓</b>	<b>485,706</b>	<b>467,414</b>	<b>18,291</b>	<b>✓</b>
Labour	5,363	5,812	449	✓	57,884	61,558	3,675	✓	63,717	67,459	3,742	✓
Contract Labour	541	151	(390)	✗	4,910	2,186	(2,724)	✗	5,242	2,336	(2,907)	✗
Oncosts	310	278	(33)	✗	2,858	3,009	150	✓	3,131	3,286	155	✓
Labour Recoveries	(3,341)	(2,794)	547	✓	(28,486)	(29,686)	(1,200)	✗	(31,242)	(32,442)	(1,201)	✗
<b>Net Labour</b>	<b>2,873</b>	<b>3,447</b>	<b>574</b>	<b>✓</b>	<b>37,167</b>	<b>37,067</b>	<b>(100)</b>	<b>↔</b>	<b>40,849</b>	<b>40,639</b>	<b>(210)</b>	<b>↔</b>
Materials & Cost of Sales	176	181	6	✓	1,900	2,030	130	✓	2,066	2,211	145	✓
Planned Maintenance	1,674	1,052	(622)	✗	12,974	16,195	3,221	✓	14,542	17,069	2,527	✓
Unplanned Maintenance	2,648	2,195	(453)	✗	25,727	24,399	(1,327)	✗	27,636	26,569	(1,068)	✗
Asset Operating Costs - Chemicals	1,013	930	(83)	✗	9,919	10,124	204	↔	10,878	11,020	142	↔
Asset Operating Costs - Energy	1,596	1,428	(168)	✗	15,375	16,300	925	✓	17,167	17,765	598	✓
Operating Costs - Other	4,327	3,519	(808)	✗	45,428	40,461	(4,967)	✗	49,282	43,966	(5,316)	✗
Depreciation and Amortisation	17,319	16,810	(509)	✗	188,022	183,134	(4,888)	✗	204,392	199,682	(4,710)	↔
<b>Asset Operating Costs</b>	<b>28,578</b>	<b>25,935</b>	<b>(2,643)</b>	<b>✗</b>	<b>297,445</b>	<b>290,613</b>	<b>(6,833)</b>	<b>↔</b>	<b>323,898</b>	<b>316,071</b>	<b>(7,827)</b>	<b>↔</b>
Communications	158	141	(17)	✗	1,352	1,530	178	✓	1,495	1,671	177	✓
Professional Services	1,057	1,183	126	✓	11,085	12,891	1,806	✓	12,339	13,938	1,599	✓
Interest	6,489	6,109	(380)	✗	66,901	69,141	2,240	✓	74,063	75,121	1,057	↔
General Overheads	1,678	1,709	31	↔	16,592	18,981	2,389	✓	18,091	20,694	2,603	✓
<b>Overheads</b>	<b>9,382</b>	<b>9,142</b>	<b>(241)</b>	<b>✗</b>	<b>95,930</b>	<b>102,543</b>	<b>6,613</b>	<b>✓</b>	<b>105,988</b>	<b>111,423</b>	<b>5,436</b>	<b>✓</b>
<b>Total Expenses</b>	<b>41,009</b>	<b>38,705</b>	<b>(2,304)</b>	<b>✗</b>	<b>432,443</b>	<b>432,253</b>	<b>(189)</b>	<b>↔</b>	<b>472,801</b>	<b>470,345</b>	<b>(2,456)</b>	<b>↔</b>
<b>Total Contribution/(Loss)</b>	<b>1,062</b>	<b>(557)</b>	<b>1,620</b>	<b>✓</b>	<b>15,454</b>	<b>(3,334)</b>	<b>18,788</b>	<b>✓</b>	<b>12,905</b>	<b>(2,930)</b>	<b>15,835</b>	<b>✓</b>
Gain/Loss on Disposal of Fixed Assets & other Costs	1,371	-	(1,371)	✗	11,462	-	(11,462)	✗	11,662	-	(11,662)	✗
Financial Instruments Revaluation (Gain)/Loss	12,654	-	(12,654)	✗	(1,759)	-	1,759	✓	(1,759)	-	1,759	✓
<b>Non Operating (costs)/Revenue</b>	<b>14,025</b>	<b>-</b>	<b>(14,025)</b>	<b>✗</b>	<b>9,702</b>	<b>-</b>	<b>(9,702)</b>	<b>✗</b>	<b>9,902</b>	<b>-</b>	<b>(9,902)</b>	<b>✗</b>
<b>Net Surplus / (Deficit) before Tax</b>	<b>(12,962)</b>	<b>(557)</b>	<b>(12,405)</b>	<b>✗</b>	<b>5,751</b>	<b>(3,334)</b>	<b>9,085</b>	<b>✓</b>	<b>3,002</b>	<b>(2,930)</b>	<b>5,933</b>	<b>✓</b>
Income Tax Expense/(benefit)	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Tax	(3,642)	28	3,670	✓	11,867	(566)	(12,433)	✗	10,489	(818)	11,307	✓
<b>Net Surplus / (Deficit) after Tax</b>	<b>(9,321)</b>	<b>(586)</b>	<b>(8,735)</b>	<b>✗</b>	<b>(6,116)</b>	<b>(2,768)</b>	<b>(3,348)</b>	<b>✗</b>	<b>(7,487)</b>	<b>(2,112)</b>	<b>(5,375)</b>	<b>✗</b>

**Key: Financial performance result**

- ✓ Favourable variance - actual income > 2.5% above budget and actual expenditure < 2.5% below budget
- ✗ Unfavourable variance - actual income < 2.5% below budget and actual expenditure > 2.5% above budget
- ↔ Neutral - actual income and actual expenditure is within 2.5% of budget



**WATERCARE SERVICES LIMITED**  
**STATEMENT OF CASH FLOWS**

May-14

(\$000's)

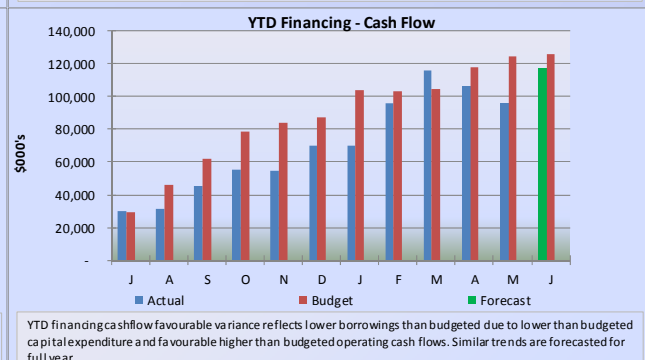
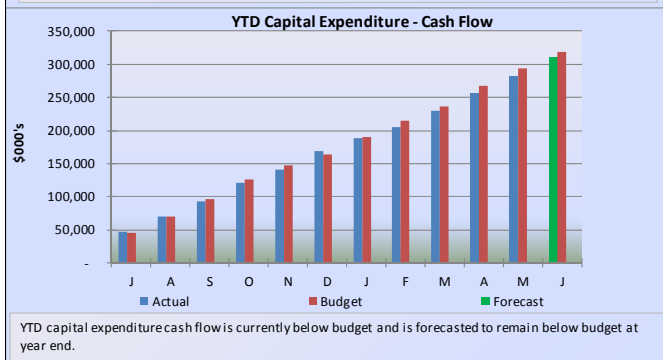
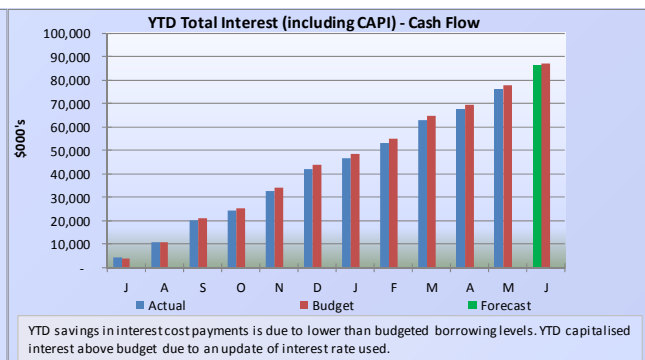
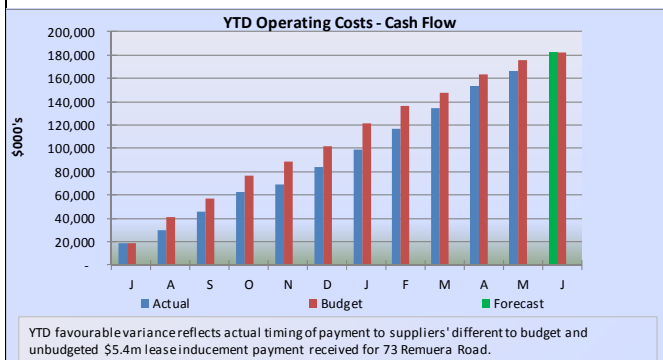
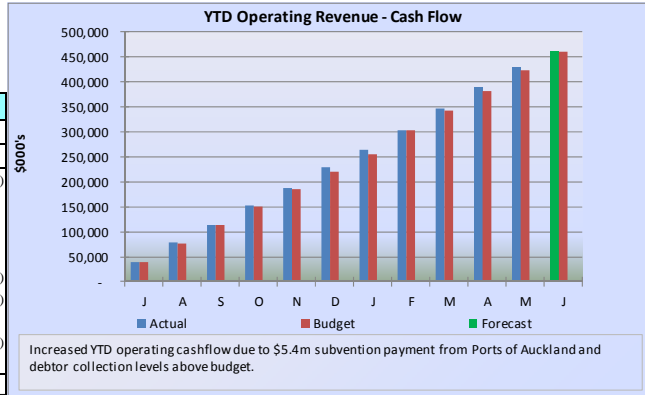
NZ \$000s	Current Month				Year to Date				Full Year			
	Actual	Budget	Variance	Result	Actual	Budget	Variance	Result	Forecast	Budget	Variance	Result
<b>Operating Cash flow:</b>												
Operating Revenue	39,821	40,377	(556)	↔	429,243	422,736	6,507	↔	461,242	460,706	536	↔
Operating Costs	(12,601)	(12,170)	(431)	*	(165,931)	(175,875)	9,944	✓	(181,779)	(181,877)	98	↔
Interest Paid	(7,461)	(7,104)	(357)	*	(64,248)	(67,030)	2,782	✓	(73,359)	(75,121)	1,762	↔
<b>OPERATING CASH FLOW</b>	<b>19,759</b>	<b>21,103</b>	<b>(1,344)</b>	<b>*</b>	<b>199,064</b>	<b>179,831</b>	<b>19,233</b>	<b>✓</b>	<b>206,104</b>	<b>203,708</b>	<b>2,396</b>	<b>↔</b>
<b>Investing Cash flow:</b>												
Capital Expenditure	(26,695)	(26,671)	(24)	↔	(282,512)	(293,738)	11,226	✓	(309,905)	(318,062)	8,157	✓
Capitalised Interest (CAPI)	(1,094)	(1,136)	42	✓	(11,736)	(10,558)	(1,178)	*	(12,907)	(11,824)	(1,083)	*
<b>INVESTING CASH FLOW</b>	<b>(27,789)</b>	<b>(27,807)</b>	<b>18</b>	<b>↔</b>	<b>(294,248)</b>	<b>(304,296)</b>	<b>10,048</b>	<b>✓</b>	<b>(322,813)</b>	<b>(329,886)</b>	<b>7,073</b>	<b>↔</b>
<b>Financing Cash flow:</b>												
Bonds/Term Debt Issued/(Repaid)	(220,000)	(220,000)	-	↔	(220,000)	(220,000)	-	↔	(220,000)	(439,998)	219,998	✓
Short Term Advances/(Repaid)	5,000	5,000	-	↔	(30,000)	(30,000)	-	↔	(1,300)	(3,000)	1,700	✓
Commercial Paper Issued/(Repaid)	4,912	-	4,912	✓	(15,084)	(9,124)	(5,960)	*	(15,084)	10,762	(25,846)	*
Auckland Council Borrowings/(Repaid)	200,020	221,704	(21,684)	*	361,226	383,589	(22,363)	*	353,130	558,414	(205,284)	*
<b>FINANCING CASH FLOW</b>	<b>(10,068)</b>	<b>6,704</b>	<b>(16,772)</b>	<b>*</b>	<b>96,142</b>	<b>124,465</b>	<b>(28,323)</b>	<b>*</b>	<b>116,746</b>	<b>126,178</b>	<b>(9,432)</b>	<b>*</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(18,098)</b>	<b>-</b>	<b>(18,098)</b>	<b>*</b>	<b>958</b>	<b>-</b>	<b>958</b>	<b>✓</b>	<b>37</b>	<b>-</b>	<b>37</b>	<b>✓</b>
Opening Cash Balance/(Overdraft)	19,019	-	19,019	✓	(37)	-	(37)	*	(37)	-	(37)	*
<b>Ending Cash Balance/(Overdraft)</b>	<b>921</b>	<b>-</b>	<b>921</b>	<b>✓</b>	<b>921</b>	<b>-</b>	<b>921</b>	<b>✓</b>	<b>(0)</b>	<b>-</b>	<b>(0)</b>	<b>*</b>

**Key: Financial performance result**

- ✓ Favourable variance - actual income > 2.5% above budget and actual expenditure < 2.5% below budget
- \* Unfavourable variance - actual income < 2.5% below budget and actual expenditure > 2.5% above budget
- ↔ Neutral - actual income and actual expenditure is within 2.5% of budget

**Reconciliation Operating Cashflow (\$000's)**

	Current Month		Year to Date		Full Year	
	Actual	Budget	Actual	Budget	Forecast	Budget
Net Surplus (Deficit) After Tax	(9,321)	(586)	(6,116)	(2,768)	(7,487)	(2,112)
Add back non cash items:						
Depreciation and amortisation	17,319	16,810	188,022	183,134	204,392	199,682
Financial instruments revaluation	12,654	-	(1,759)	-	(1,759)	-
Vested assets revenue	(2,478)	-	(19,771)	(4,400)	(20,771)	(5,800)
Contributions for PP&E	-	-	(250)	(1,450)	(800)	(2,000)
Other non-operating exp/(inc)	1,395	-	11,243	-	11,662	-
Income Tax Expense/(Benefit)	(3,642)	28	11,867	(566)	10,489	(818)
Movements in Working Capital	3,831	4,850	15,829	5,881	10,378	14,756
<b>OPERATING CASH FLOW</b>	<b>19,759</b>	<b>21,103</b>	<b>199,064</b>	<b>179,831</b>	<b>206,104</b>	<b>203,708</b>





**WATERCARE SERVICES LIMITED**

**May-14**

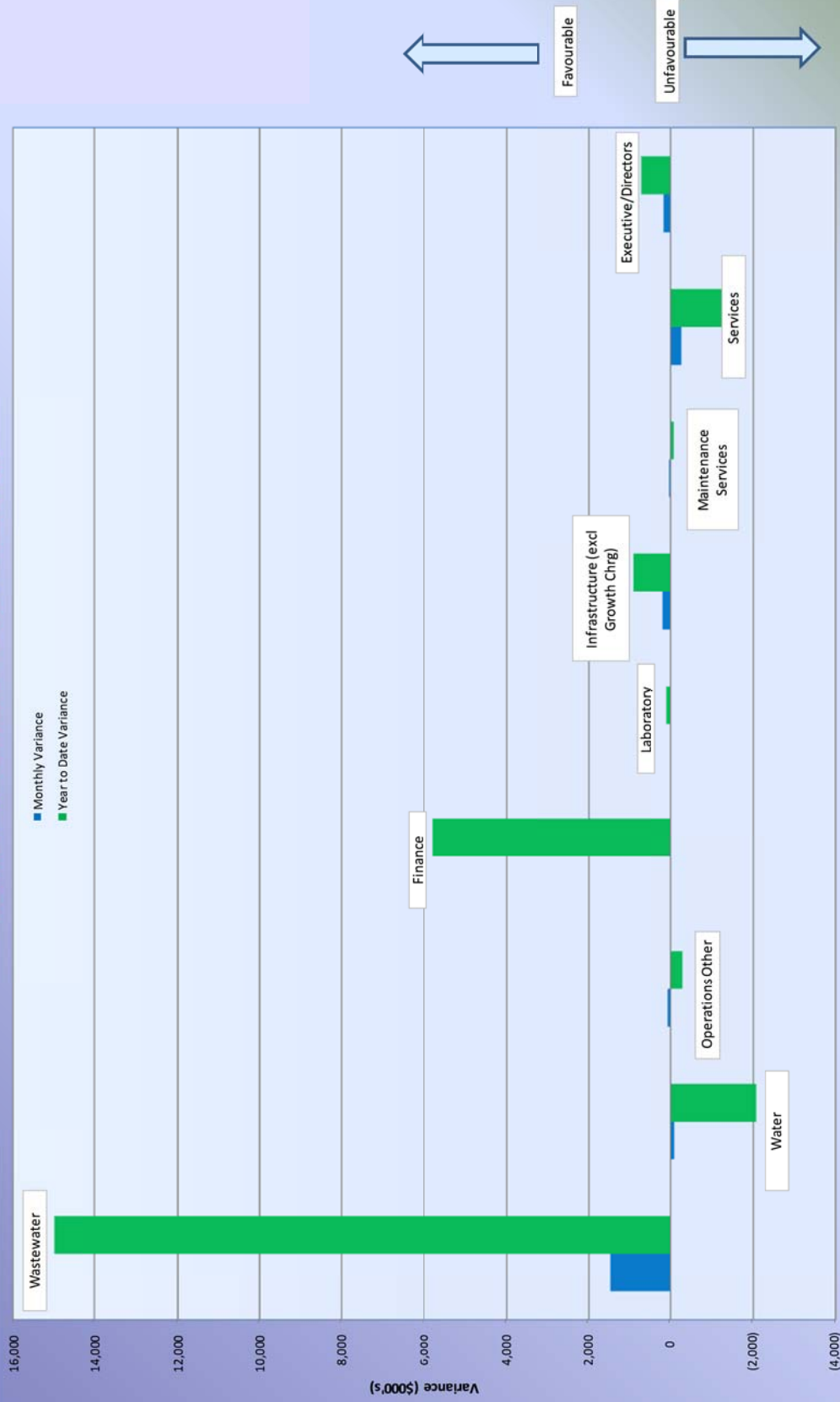
**STATEMENT OF FINANCIAL PERFORMANCE BY BUSINESS UNIT**

**(\$'000's)**

	Current Month						Year to Date						Full Year					
	Actual			Budget			Actual			Budget			Forecast			Budget		
	Water	Wastewater	Total	Water	Wastewater	Total	Water	Wastewater	Total	Water	Wastewater	Total	Water	Wastewater	Total	Water	Wastewater	Total
Wastewater Revenue	-	22,271	22,271	-	22,595	22,595	-	245,622	245,622	-	248,721	248,721	-	266,629	266,629	-	269,728	269,728
Water Revenue	11,083	-	11,083	11,191	-	11,191	122,688	-	122,688	125,483	-	125,483	133,293	-	133,293	136,088	-	136,088
Trade Waste Revenue	-	1,260	1,260	-	989	989	-	11,712	11,712	-	11,887	11,887	-	13,208	13,208	-	13,382	13,382
Laboratory Revenue	151	317	468	185	387	572	1,634	3,430	5,064	2,013	4,226	6,239	1,802	3,782	5,584	2,192	4,603	6,795
Infrastructure Growth Charge Revenue	1,990	1,441	3,430	1,208	875	2,083	16,272	11,783	28,055	13,292	9,625	22,917	17,361	12,572	29,933	14,532	10,523	25,055
Other Revenue	1,306	2,253	3,559	481	237	719	12,075	22,680	34,755	7,423	6,249	13,672	13,302	23,758	37,059	8,713	7,653	16,366
<b>Total Revenue</b>	<b>14,530</b>	<b>27,542</b>	<b>42,071</b>	<b>13,065</b>	<b>25,083</b>	<b>38,148</b>	<b>152,668</b>	<b>295,228</b>	<b>447,896</b>	<b>148,211</b>	<b>280,709</b>	<b>428,919</b>	<b>165,757</b>	<b>319,949</b>	<b>485,716</b>	<b>161,525</b>	<b>305,889</b>	<b>467,414</b>
Labour	2,056	3,307	5,363	2,208	3,605	5,812	21,894	35,989	57,884	23,572	37,986	61,558	24,113	39,604	63,717	25,812	41,647	67,459
Contract Labour	185	356	541	47	104	151	1,672	3,238	4,910	664	1,522	2,186	1,778	3,465	5,242	711	1,625	2,336
Oncosts	117	193	310	106	172	278	1,091	1,767	2,858	1,149	1,860	3,009	1,195	1,936	3,131	1,254	2,032	3,286
Labour Recoveries	(1,153)	(2,188)	(3,341)	(1,009)	(1,785)	(2,794)	(10,233)	(28,486)	(48,253)	(10,722)	(18,964)	(29,686)	(11,228)	(20,013)	(31,242)	(11,717)	(20,725)	(32,442)
Net Labour	1,204	1,669	2,873	1,351	2,096	3,447	14,425	22,741	37,167	14,663	22,404	37,067	15,858	24,992	40,849	16,060	24,579	40,639
Materials & Cost of Sales	57	119	176	58	123	181	616	1,285	1,900	654	1,376	2,030	669	1,397	2,066	712	1,499	2,211
Planned Maintenance	700	974	1,674	400	652	1,052	5,111	7,862	12,974	6,163	10,032	16,195	5,594	8,948	14,542	6,449	10,620	17,069
Unplanned Maintenance	1,309	1,340	2,648	1,015	1,181	2,195	13,073	12,653	25,727	11,162	13,237	24,399	13,796	13,841	27,636	12,163	14,406	26,569
Asset Operating Costs - Chemicals	361	652	1,013	297	633	930	3,418	6,502	9,919	3,584	6,540	10,124	3,779	7,099	10,878	3,863	7,157	11,020
Asset Operating Costs - Energy	552	1,044	1,596	360	1,067	1,428	4,513	10,862	15,375	4,523	11,777	16,300	5,070	12,097	17,167	4,872	12,893	17,765
Operating Costs - Other	1,636	2,692	4,327	1,365	2,155	3,519	16,461	28,967	45,428	15,238	25,223	40,461	18,094	31,189	49,282	16,685	27,281	43,966
Depreciation and Amortisation	8,075	9,244	17,319	7,362	9,448	16,810	85,284	102,738	188,022	79,752	103,382	183,134	92,539	111,853	204,392	86,998	112,684	199,682
<b>Total Asset Operating Costs</b>	<b>12,633</b>	<b>15,945</b>	<b>28,578</b>	<b>10,799</b>	<b>15,137</b>	<b>25,935</b>	<b>127,861</b>	<b>169,584</b>	<b>297,445</b>	<b>120,422</b>	<b>170,191</b>	<b>290,613</b>	<b>138,872</b>	<b>185,026</b>	<b>323,898</b>	<b>131,030</b>	<b>185,041</b>	<b>316,071</b>
Communications	62	97	158	50	91	141	529	823	1,352	545	985	1,530	580	915	1,495	596	1,076	1,671
Professional Services	437	620	1,057	472	710	1,183	4,440	6,645	11,085	5,121	7,770	12,891	4,944	7,395	12,339	5,513	8,425	13,938
Interest	506	5,983	6,489	865	5,244	6,109	3,240	63,661	66,901	4,520	64,621	69,141	3,941	70,123	74,063	5,446	69,675	75,121
General Overheads	582	1,096	1,678	628	1,082	1,709	5,766	10,826	16,592	7,092	11,888	18,981	6,293	11,798	18,091	7,721	12,973	20,694
Overheads	1,587	7,795	9,382	2,015	7,127	9,142	13,975	81,955	95,930	17,278	85,265	102,543	15,757	90,231	105,988	19,275	92,149	111,423
<b>Total Expenses</b>	<b>15,481</b>	<b>25,528</b>	<b>41,009</b>	<b>14,223</b>	<b>24,483</b>	<b>38,705</b>	<b>156,877</b>	<b>275,565</b>	<b>432,443</b>	<b>153,017</b>	<b>279,236</b>	<b>432,253</b>	<b>171,155</b>	<b>301,646</b>	<b>472,801</b>	<b>167,077</b>	<b>303,268</b>	<b>470,345</b>
<b>Total Contribution</b>	<b>(951)</b>	<b>2,013</b>	<b>1,062</b>	<b>(1,158)</b>	<b>600</b>	<b>(557)</b>	<b>(4,209)</b>	<b>19,662</b>	<b>15,454</b>	<b>(4,806)</b>	<b>1,472</b>	<b>(3,334)</b>	<b>(5,398)</b>	<b>18,303</b>	<b>12,905</b>	<b>(5,552)</b>	<b>2,621</b>	<b>(2,930)</b>

**WATERCARE SERVICES LIMITED**  
**DIVISIONAL CONTRIBUTION VARIANCE**

May-14

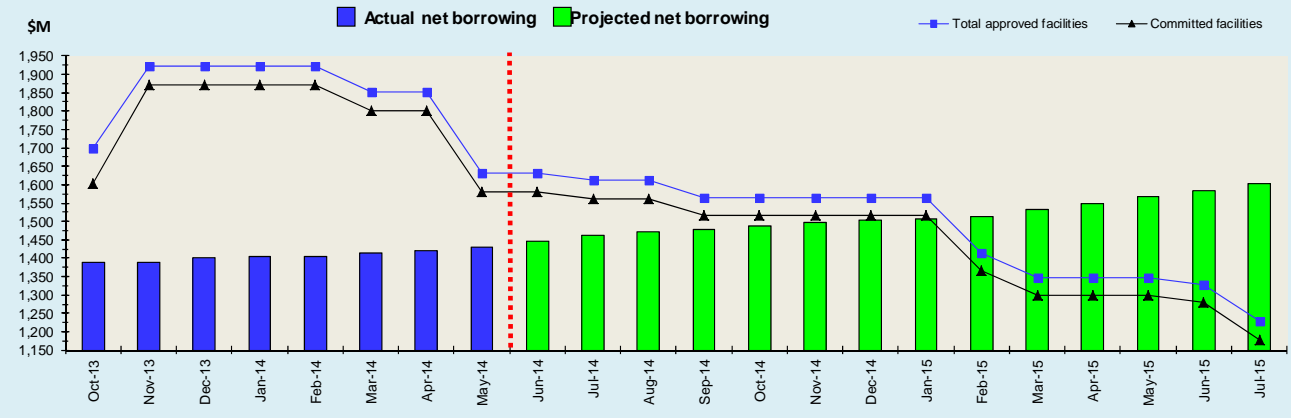


**WATERCARE SERVICES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**

May-14

(\$000's)

June 2013 Actual	April Actual		May			June 2014		
			Actual	Budget	Variance	Forecast	Budget	Variance
		<b>Non-Current Assets</b>						
7,678,869	7,928,235	Property, Plant and Equipment	7,936,293	8,121,748	(185,454)	7,967,964	8,147,527	(179,563)
438,568	424,108	Construction/Work-in-progress	448,910	469,388	(20,478)	452,256	472,252	(19,996)
(32,668)	(186,109)	Less Provision for Depreciation	(201,883)	(214,765)	12,883	(217,560)	(230,656)	13,096
8,084,769	8,166,234	<b>Total Property, Plant and Equipment</b>	8,183,320	8,376,370	(193,050)	8,202,660	8,389,123	(186,463)
43,054	39,800	Intangible Assets	40,009	41,329	(1,319)	41,480	41,560	(80)
24,855	24,332	Prepaid Expenses	24,295	22,186	2,109	24,258	22,149	2,109
3,338	4,211	Inventories	4,163	4,422	(258)	4,163	4,422	(258)
10,819	5,664	Derivative Financial Instruments	5,811	16,830	(11,018)	5,811	16,830	(11,019)
8,166,836	8,240,241	<b>Total Non-Current Assets</b>	8,257,598	8,461,136	(203,536)	8,278,371	8,474,083	(195,712)
		<b>Current Assets</b>						
-	19,019	Cash and Cash Equivalents	922	-	922	-	-	-
39,247	34,533	Trade and Other Receivables	36,585	37,621	(1,036)	36,883	36,739	144
20,832	23,122	Unbilled Revenue Accrual	20,287	25,387	(5,100)	19,497	26,150	(6,653)
4,220	4,352	Prepaid Expenses	4,078	5,475	(1,397)	3,833	5,262	(1,428)
4,005	3,684	Inventories	3,681	1,874	1,808	3,681	1,874	1,808
3,645	1,084	Derivative Financial Instruments	822	407	415	822	6,780	(5,958)
71,949	85,793	<b>Total Current Assets</b>	66,375	70,763	(4,388)	64,717	76,805	(12,088)
8,238,785	8,326,034	<b>Total Assets</b>	8,323,973	8,531,899	(207,925)	8,343,088	8,550,888	(207,800)
		Financed by:						
		<b>Non-Current Liabilities</b>						
150,000	-	Bonds (16/02/15)	-	-	-	-	-	-
30,000	30,000	Bonds (18/05/16)	30,000	30,000	-	30,000	30,000	-
75,000	75,000	Bonds (26/10/18)	75,000	75,000	-	75,000	75,000	-
51,183	50,977	Bonds (26/10/18)	50,953	50,953	-	50,953	50,931	22
150,000	150,000	Term Loan (13/10/16)	150,000	150,000	-	150,000	150,000	-
35,000	-	Bank Revolving Credit Facility	5,000	35,000	(30,000)	33,700	35,000	(1,300)
418,734	542,379	Auckland Council Loan	742,043	722,502	19,541	733,947	704,513	29,434
909,917	848,356	<b>Total debt non-current</b>	1,052,996	1,063,455	(10,459)	1,073,600	1,045,444	28,156
8,580	13,223	Other Accrued Expenses	13,185	8,364	4,821	13,125	8,342	4,783
1,171	1,180	Provision for Staff Benefits	1,180	1,570	(391)	1,157	1,570	(413)
83,909	62,576	Derivative Financial Instruments	75,166	120,431	(45,266)	62,576	120,431	(57,856)
927,052	942,560	Deferred Tax Liability	938,919	958,160	(19,241)	940,296	958,412	(18,116)
1,930,628	1,867,894	<b>Total Non-Current Liabilities</b>	2,081,445	2,151,981	(70,536)	2,090,754	2,134,200	(43,446)
		<b>Current Liabilities</b>						
37	-	Bank Overdraft	-	-	-	-	-	-
139,032	119,036	Commercial Paper	123,948	149,794	(25,846)	123,948	149,794	(25,846)
220,239	220,248	Bonds (15/05/14)	-	-	-	-	-	-
-	-	Bonds (26/10/18)	250	250	-	250	251	(1)
-	150,000	Bonds (16/02/15)	150,000	150,000	-	150,000	150,000	-
78,754	116,316	Auckland Council Loan	116,671	116,671	-	116,671	136,394	(19,723)
438,062	605,600	<b>Total debt current</b>	390,869	416,715	(25,846)	390,869	436,439	(45,570)
28,116	15,057	Trade and Other Payables	23,088	37,223	(14,135)	24,169	37,793	(13,624)
10,641	16,974	Interest Accrued	14,849	16,025	(1,176)	12,900	13,914	(1,013)
55,205	43,786	Other Accrued Expenses	46,503	47,203	(700)	58,723	65,125	(6,401)
5,720	5,732	Provision for Staff Benefits	5,621	4,157	1,464	5,445	4,157	1,287
2,983	1,152	Other Provisions	1,131	2,983	(1,852)	1,131	2,983	(1,852)
990	194	Derivative Financial Instruments	142	990	(848)	142	990	(848)
541,717	688,494	<b>Total Current Liabilities</b>	482,203	525,296	(43,093)	493,381	561,401	(68,021)
		<b>Equity</b>						
260,693	260,693	Authorised & Issued Capital	260,693	260,693	-	260,693	260,693	-
3,779,111	3,779,111	Capital Contribution Reserve	3,779,111	3,779,111	-	3,779,111	3,779,111	-
1,620,746	1,641,392	Revaluation Reserve	1,641,363	1,736,326	(94,963)	1,641,363	1,736,334	(94,971)
65,580	85,244	Retained Earnings	85,273	81,260	4,013	85,273	81,260	4,013
40,310	3,205	Current Year Earnings after Tax	(6,116)	(2,768)	(3,348)	(7,487)	(2,112)	(5,375)
5,766,440	5,769,646	<b>Total Shareholders' Funds</b>	5,760,325	5,854,622	(94,297)	5,758,953	5,855,286	(96,333)
8,238,785	8,326,034	<b>Total Shareholders' Funds and Liabilities</b>	8,323,973	8,531,899	(207,925)	8,343,088	8,550,888	(207,800)



Interest rates

	Actual YTD	Benchmark YTD	Year end forecast
Weighted averages (excl. fees and margins)	* 4.86%	4.61%	4.86%
Weighted averages (incl. fees and margins)	6.28%	N/A	6.27%

Debt (\$m)

	Actual	Budget	Variance
Short-term borrowings	390.9	416.7	(25.8)
Long-term borrowings	1,053.0	1,063.5	(10.5)
<b>Total gross debt</b>	<b>1,443.9</b>	<b>1,480.2</b>	<b>(36.3)</b>
Less cash & deposits	0.9	-	(0.9)
<b>Total net borrowing</b>	<b>1,443.0</b>	<b>1,480.2</b>	<b>(37.2)</b>

Committed facilities

- Westpac Term Loan facility \$150 million
- ANZ CP Standby facility \$100 million
- BNZ CP Standby facility \$100 million
- Westpac Revolving Credit facility \$60 million
- Medium term notes \$305 million
- Auckland Council \$867 million

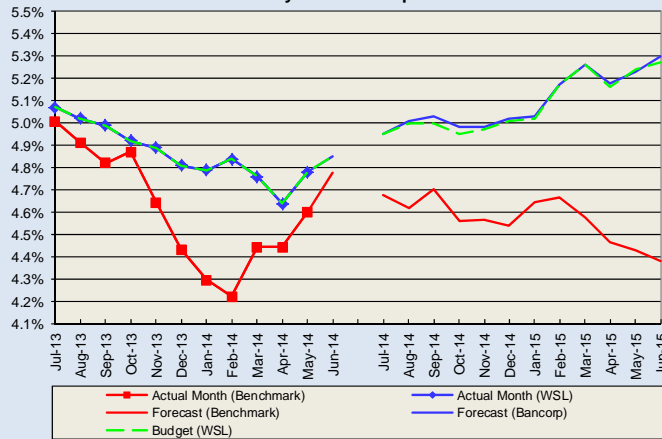
**Total committed facilities as at 31 May \$1,582 million**

Additional approved facilities

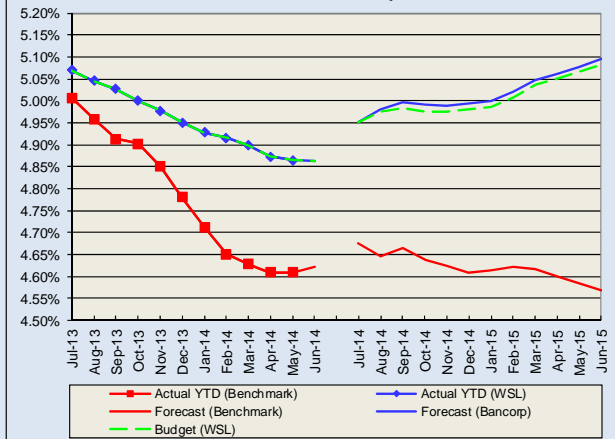
- Approved CP issuance, over and above CP Standby facility \$50 million

**Total approved facilities as at 31 May \$1,632 million**

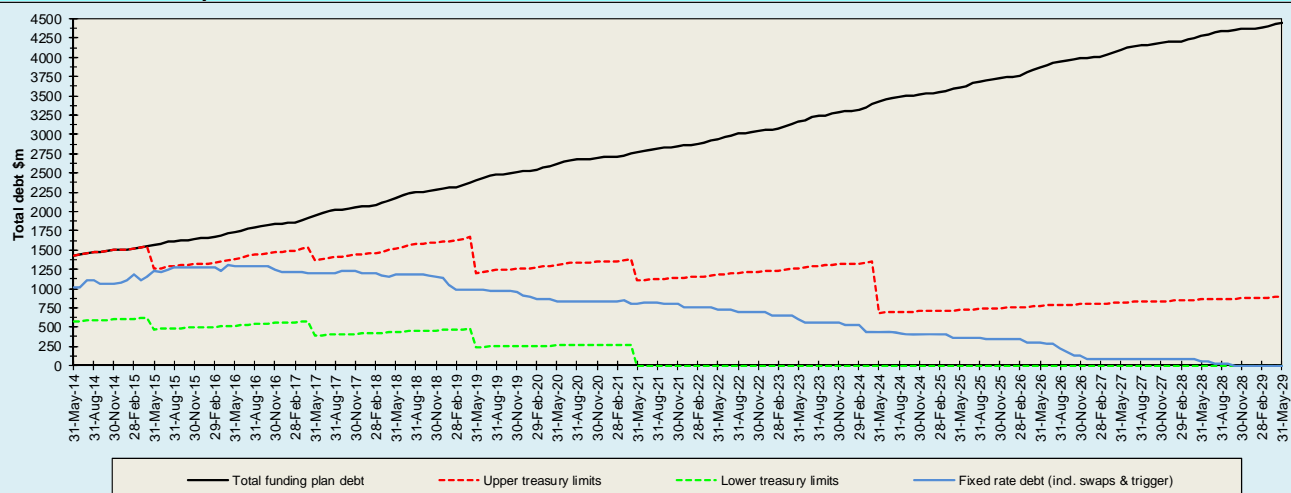
Monthly interest rate performance



Year to date interest rate performance



Forecast total debt profile



**COUNTERPARTY EXPOSURES, DEBT CONCENTRATION &  
COVENANT COMPLIANCE**

**May-14**

Counterparty exposures	S&P credit rating Short / long term	Face value	Credit exposures	Limit	Limit	
		\$000	\$000	\$000	OK / exceeded	
<b>Obligations of registered banks</b>						
ANZ Bank	A1+ / AA-	601,827	115,083	200,000	Limit OK	✓
Bank of New Zealand	A1+ / AA-	692,796	134,005	200,000	Limit OK	✓
ASB Institutional	A1+ / AA-	115,000	12,750	200,000	Limit OK	✓
Westpac Institutional Bank	A1+ / AA-	385,900	126,090	200,000	Limit OK	✓
		1,795,524	387,928	N/A		

*Note: Credit exposures are direct exposures plus 3% of the face value of interest rate contracts per annum & 10% of foreign currency contracts.*

**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
ANZ CP Standby facility	1/07/15		100,000					100,000
Westpac Revolving Credit facility	30/11/15		60,000					60,000
Westpac Term Loan facility	13/10/16			150,000				150,000
BNZ CP Standby facility	1/07/17				100,000			100,000
Medium-term notes	Various	150,000	30,000			125,000		305,000
Auckland Council	Various	113,248	36,060	79,668	78,368	82,243	477,242	866,829
<b>Total committed debt facilities</b>		<b>263,248</b>	<b>226,060</b>	<b>229,668</b>	<b>178,368</b>	<b>207,243</b>	<b>477,242</b>	<b>1,581,829</b>
Approved CP issuance, over and above CP Standby							50,000	50,000
<b>Total committed and approved debt facilities</b>		<b>263,248</b>	<b>226,060</b>	<b>229,668</b>	<b>178,368</b>	<b>207,243</b>	<b>527,242</b>	<b>1,631,829</b>
<b>Treasury policy - total committed debt facilities</b>		<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>		
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
ANZ CP Standby facility (\$100m)	1/07/15							0
Westpac Revolving Credit facility (\$60m)	30/11/15			5,000				5,000
Westpac Term Loan facility (\$150m)	13/10/16					150,000		150,000
BNZ CP Standby facility (\$100m)	1/07/17							0
		0	0	5,000	0	150,000	0	155,000
<b>Treasury policy for bank facilities</b>		<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	<b>&lt;= 250,000</b>	
Treasury policy compliance		✓	✓	✓	✓	✓	✓	
<b>Other facilities</b>								
BNZ overdraft	On demand	2,000						2,000
		2,000	0	0	0	0	0	2,000

Counterparty exposure in relation to borrowing facilities	Westpac	BNZ	ANZ			
Term loan facility	150,000					
Revolving credit facility	60,000					
CP standby facility		100,000	100,000			
	<b>210,000</b>	<b>100,000</b>	<b>100,000</b>			
<b>Treasury policy</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>	<b>&lt;= 500,000</b>			
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%	30.95%	✓
Total liabilities (including contingent) / total tangible assets - maximum	65%	30.95%	✓
Shareholders funds - minimum (\$000)	500,000	5,760,325	✓
EBITDA : funding costs ratio - minimum	1.75	3.74	✓
Funds from operations : interest cover ratio - minimum	2.00	3.19	✓
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%	✓

# FOREIGN EXCHANGE & COMMERCIAL PAPER

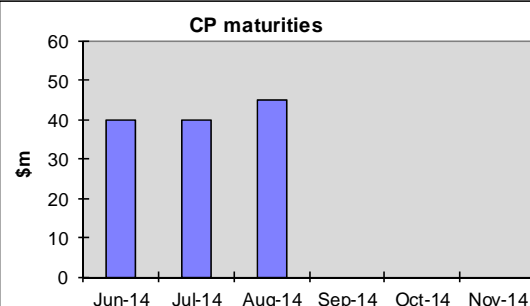
May-14

Foreign currency exposures (NZ\$000) including hedging for chemical purchases	USD	AUD	Total
Total exposure to be hedged	4,167	439	4,607
Foreign exchange hedging	4,167	439	4,607
Percentage cover	100%	100%	100%
<b>Treasury policy</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Treasury policy compliance	✓	✓	✓

Hedging for chemical purchases (US\$000)	Jun-14	Dec-14	Jun-15	Dec-15	Total
Chemicals forward foreign exchange hedging	1,000	750	500		2,250
<b>Treasury policy</b>					<b>&lt;= 5,000</b>
Treasury policy compliance					✓

## Commercial paper maturities

Issue #	\$000	BKBM	Interest rate	Bid cover (x)	Term (days)	Maturity date
266	40,000	3.080%	3.220%	2.28	91	23-Jun-14
267	40,000	3.330%	3.461%	2.21	91	30-Jul-14
268	45,000	3.400%	3.519%	2.76	91	25-Aug-14
<b>125,000</b>			<b>3.405%</b>			



*Note: BKBM is the banks' mid-rate for bills of an appropriate term on the day of issue of the CP.*

	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Beyond Nov-14	Total
Outstanding CP	40,000	40,000	45,000	0	0	0	0	125,000
Uncommitted short-term debt								0
	<b>40,000</b>	<b>40,000</b>	<b>45,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125,000</b>

**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	6-7 months	> 7 months
Undrawn committed standby facility - CP facility	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
50% of CP and other short-term debt repayable within 60 days	40,000	42,500	22,500	0	0			
<b>Treasury policy:</b> Undrawn standby facilities >= 50% of outstanding CP and other uncommitted short-term debt repayable within 60 days								
<b>Treasury policy compliance</b>	✓	✓	✓	✓	✓	✓		

# WATERCARE SERVICES LIMITED

## Management Report

May-14

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*Confidential*

# WATERCARE SERVICES LIMITED

May-14

## B Pages Summary

Indicator	Detailed Indicators	Monthly Result	Result 12 Mth Rolling (where applicable)	Page Ref
Drinking water compliance		●		B1
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	3. Unplanned water shutdowns restored within five hours	●		B10
	4. Water interruption frequency	●		B10
	5. Sewer breaks and chokes interruption frequency	●		B10
	6. Number of dry weather overflows	●		B10
	7. Water quality complaints	●		B10
Customer Service Statistics	1. Grade of service	●	●	B11
	2. Abandonment rate and call volumes	●	●	B11
	3. Average handling time	●	●	B11
	4. Customer correspondence and resolution within 10 days	●	●	B11
	5. Customer complaints and resolution within 10 days	●	●	B11
	6. Customer experience survey - Contact Centre	●	●	B11
	7. Customer experience survey - Maintenance	●	●	B11

**Note:** Detailed commentary on performance against each indicator can be found on the following pages

*Confidential*



**Water Quality**

**Transgressions of Maximum Acceptable Values - Annual Compliance 2014 (Financial Year to Date)**

WTPs	Compliance in Month	Year to date Transgressions
E.coli	19/19	0
Protozoa	19/19	0
Priority 2 Determinands*	4/4	0

\* Positive E.coli results were obtained in two samples from Victoria Avenue Bore. This was considered a secure bore at the time of the samples. A review of the secure status is underway and the Drinking Water Assessor will then determine if it is a compliance issue. The Bore has been shut down until the UV unit is commissioned in early June.

Water Supply Zone	Compliance in Month	Year to date Transgressions
E.coli	41/41	1
Priority 2 Determinands *	7/7	3
Turbidity	41/41	3

\* Priority 2 Determinands are those of public health significance that are present at concentrations that exceed 50% of the Maximum Acceptable Value. Trihalomethanes have been assigned to Te Henga, Oratia, Helensville/Parakai, Warkworth and Wellsford. Nitrate has been assigned to Bombay. Fluoride and Boron are assigned to Clarks/Waiiau as it is naturally occurring in the groundwater

**Transgressions:**

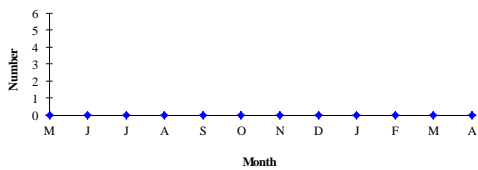
A routine sample for Trihalomethanes (THMs) from 10 Fordyce Rd in the Helensville Grading Zone taken on 23/01/14 breached the Maximum Allowable Value. The result was 1.143mg/L compared to the MAV of 1.0mg/L. The Drinking Water Assessment Unit was notified.

Reports have been issued to the Drinking Water Assessment Unit for the Robertson Road, Waipareira Avenue and Ormiston Road turbidity exceedances in November and December. A routine sample for boron from the Clarks/Waiiau Beach Zone taken on 19/03/2014 breached the MAV. The result was 1.5mg/L compared to the MAV of 1.4mg/L. The Drinking Water Assessment Unit was notified. Boron will be addressed by the connection of Clarks/Waiiau to the Waikato supply.

A routine sample for THMs from the Te Henga Grading Zone taken on 08/04/2014 breached the MAV. The result was a ratio of 1.052 compared to the MAV of 1. The Drinking Water Assessment Unit was notified.

**E.coli** was detected at a sample point in Devonport in the North Shore Grading Zone on 23/11/2013. The Drinking Water Assessment Unit was notified and three days of consecutive sampling conducted as per the DWSNZ requirements for both events. All follow-up samples were compliant with the DWSNZ. DNA analysis confirms the E.coli strains detected as being E.coli. The strains were very similar indicating they were possibly derived from the same animal or bird and unlikely to be from sewage contamination.

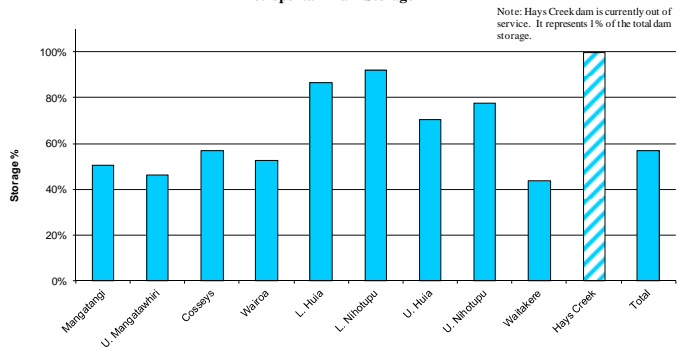
**Unplanned Loss of Supply at Bulk Meters**



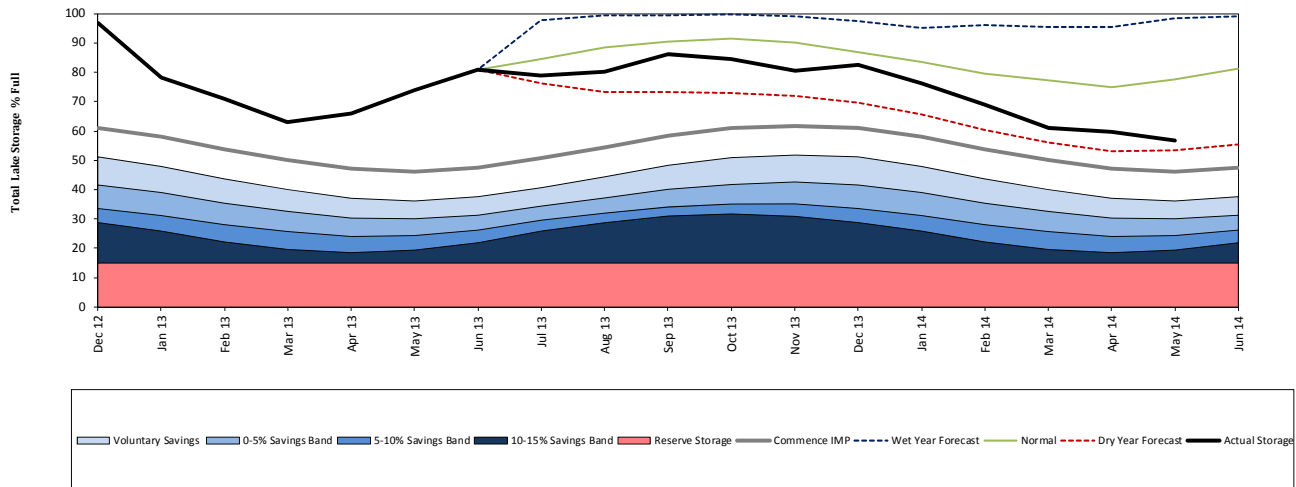
	Month Actual	Rolling 12 month Actual
Number	0	0
Hours	0	0

**Note:**  
There has been no unplanned loss of supply at Bulk Meters for the last 12 months.

**Metropolitan Dam Storage**



**Storage Response - December 2012 to June 2014**



**Management Report WATERCARE SERVICES LIMITED**  
**Wastewater Treatment - Mangere**

May-14

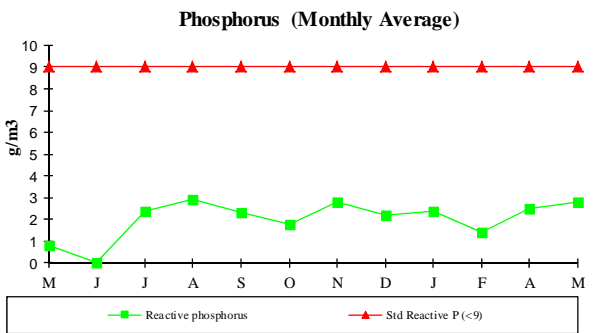
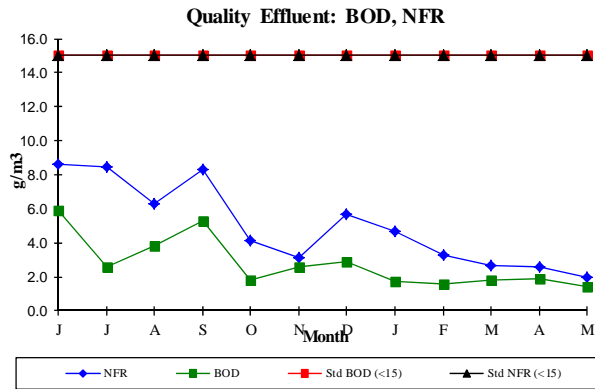
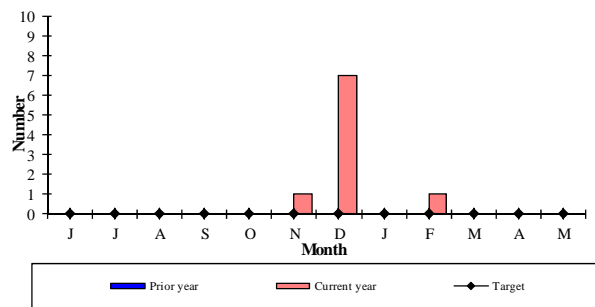


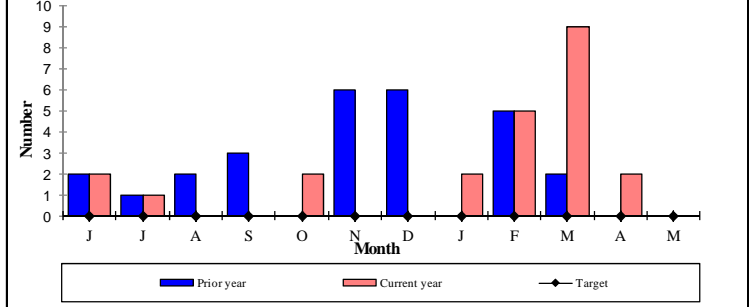
Table 2 Compliance	Consent compliance	May-14	Table 2 Standard
<b>Plant load</b>			
<b>Monthly average</b>			
BOD (g/m3)	✓	1.4	< 15
NFR (g/m3)	✓	2.0	< 15
<b>Nutrients (g/m3)</b>			
<b>Monthly Mean</b>			
Reactive phosphorus	✓	2.8	< 9
Total nitrogen (Apr-Nov)	✓	3.8	< 35
Total nitrogen (Dec-Mar)		N/A	< 9.5
<b>Disinfection</b>			
% duration receiving 35 milliWatt-sec/cm <sup>2</sup> of UV dos	✓	100.00%	>= 99%
<b>Monthly mean (% saturation)</b>			
Dissolved oxygen	✓	99.60%	> 80%
Breaches of resource consent conditions	✓	0	0

**Comment:**

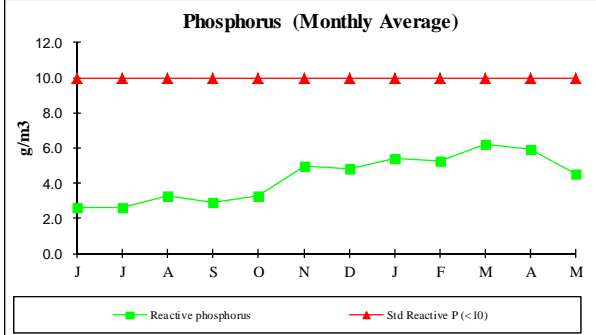
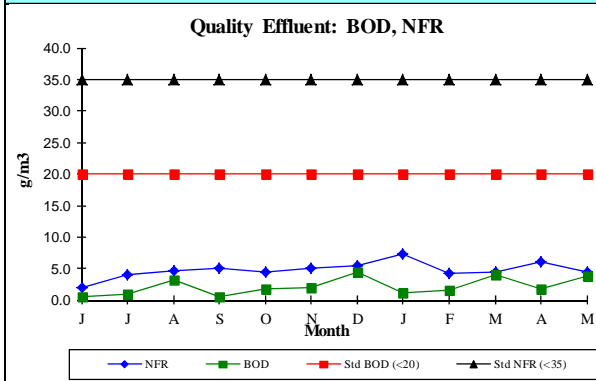
**Midge Complaints**



**WTP Odour Complaints**

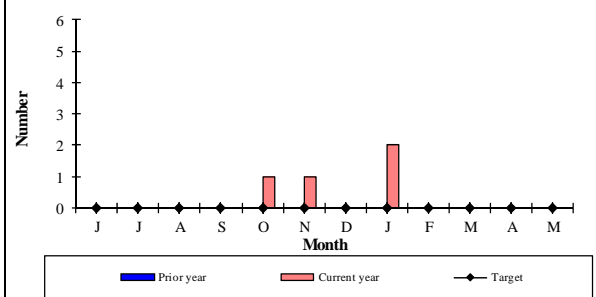


**Management Report WATERCARE SERVICES LIMITED May-14**  
**Wastewater Treatment - Rosedale**

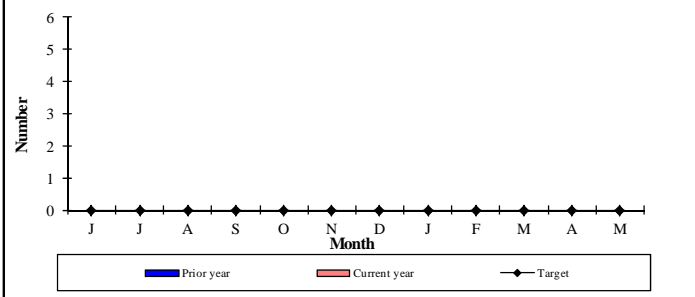


Compliance	Consent compliance	May-14	Table 2 Standard
<b>Plant load</b>			
<b>Monthly average</b>			
BOD (g/m <sup>3</sup> )	✓	3.8	< 20
NFR (g/m <sup>3</sup> )	✓	4.5	< 35
<b>Nutrients (g/m<sup>3</sup>)</b>			
<b>Monthly Mean</b>			
Reactive phosphorus	✓	4.5	< 10
Total nitrogen	✓	10.0	< 30
Ammonia	✓	0.6	< 10
<b>Bacteriological</b>			
<b>Monthly median</b>			
Enterococci (#/100ml)	✓	40	< 100
Faecal Coliforms (#/100ml)	✓	750.0	< 1000
<b>Bacteriological</b>			
<b>Monthly 95% Percentile</b>			
Enterococci (#/100ml)	✓	84	< 1000
Faecal Coliforms (#/100ml)	✓	3305	< 10000
<b>Bacteriological</b>			
<b>95 Percentile over three discrete months</b>			
Enterococci (#/100ml)	✓	85	< 1000
Faecal Coliforms (#/100ml)	✓	2725	< 10000

**û Midge Complaints (YTD)**

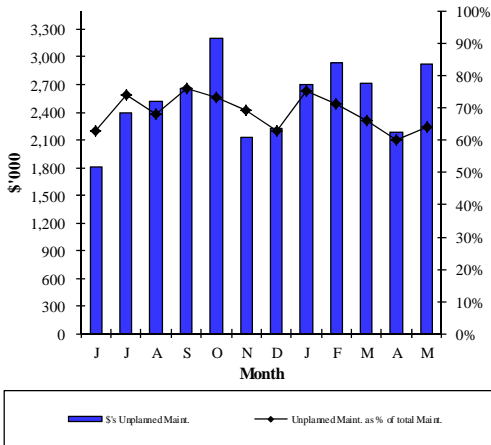


**ü WTP Odour Complaints (YTD)**



There have been no odour complaints made for over two years

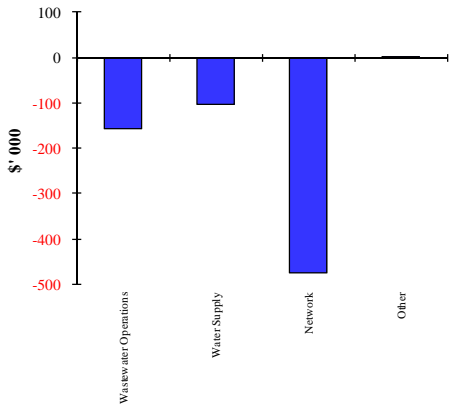
**Unplanned Maintenance**



	Result	Month			Year to Date		
		Actual	Budget	Var	Actual	Budget	Var
Unplanned Maintenance	✘	2,929	2,194	(735)	28,584	24,385	(4,199)
% of Total Maintenance	↔	64%	68%	4%	69%	60%	-9%

Unplanned maintenance as a % of Total Maintenance is unfavourable to budget for the month

**Unplanned Maintenance Variance -Month**



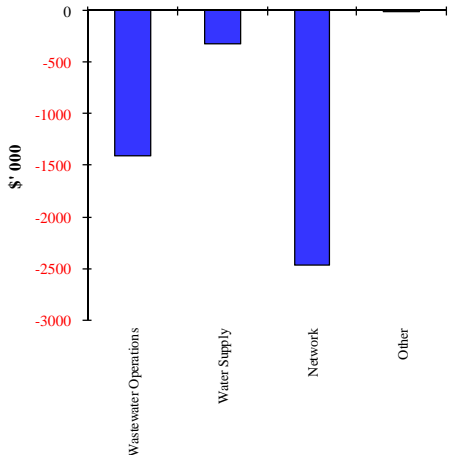
	Result	Month		
		Actual	Budget	Variance
Wastewater Operations	✘	623	465	(158)
Water Supply	✘	267	164	(103)
Network	✘	2,040	1,566	(474)
Other	✔	-0	0	0

Wastewater Operations: Higher than budget due to high volume of repairs in Mangere

Water Operations: Higher than budget due to number of watermain failures for the month

Networks: Higher than budget due to large volume of jobs in Northern area

**Unplanned Maintenance Variance - YTD**



	Result	Year to Date		
		Actual	Budget	Variance
Wastewater Operations	✘	6,780	5,372	(1,407)
Water Supply	✘	2,205	1,882	(323)
Network	✘	19,599	17,131	(2,467)
Other	✘	1	-0	(2)

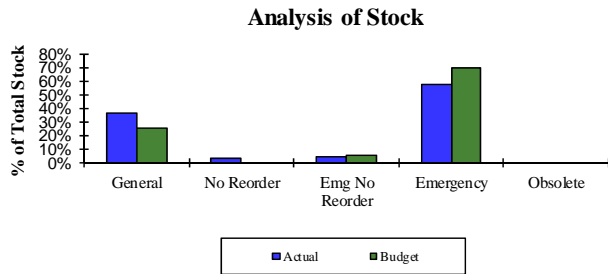
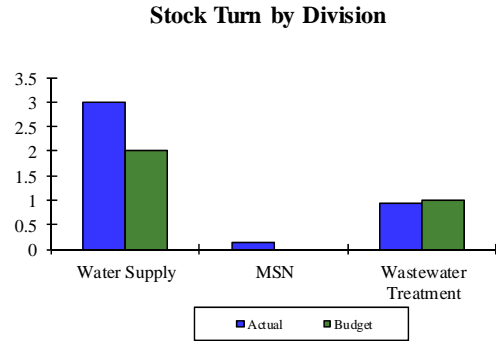
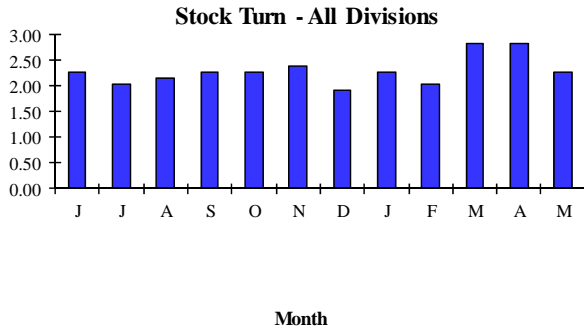
Wastewater Operations: Over budget due to high volume of works in Mangere

Water Operations: Over budget mainly due to high volume of works in Southern area

Networks: Over budget due to budget allocation and high volume of works in Northern and Central area

Managed Assets

✓ Inventory Management



Comment:

The total closing value for May 14 was \$6.9m

Definitions:

- General - Non category specific item
- No Reorder - Will not trigger Material Requisition Plan
- Emergency - Stock which is held in case of breakdowns
- Emergency No Reorder - As above but will not be reordered once exhausted
- Obsolete - Stock that is no longer required by the business

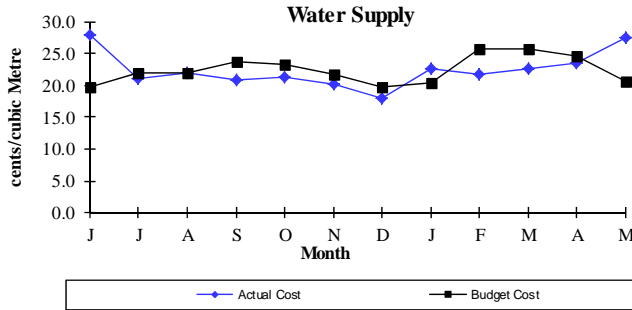
# Management Report

## Cost Minimisation

WATERCARE SERVICES LIMITED

May-14

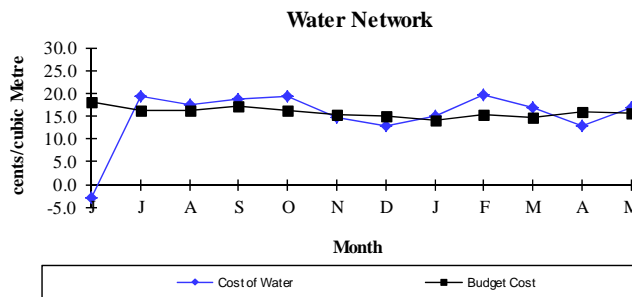
### Water Supply



This Month			YTD Cumulative average		
Actual	Budget	Variance	Actual	Budget	Variance
27.4	20.6	(6.9)	21.9	22.6	0.8

**Comment:**  
This month unit cost is over budget due to higher maintenance costs for the month.

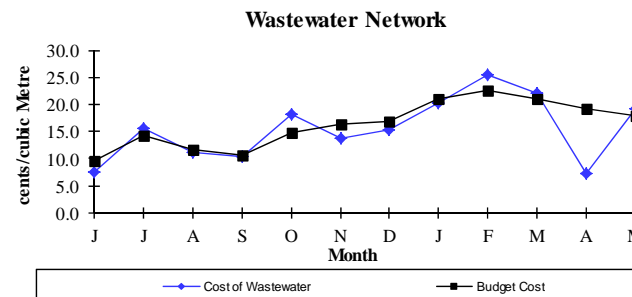
### Water Networks



This Month			YTD Cumulative average		
Actual	Budget	Variance	Actual	Budget	Variance
17.0	15.7	(1.3)	16.7	15.6	(1.1)

**Comment:**  
This month the reticulation cost of water is consistent with budget

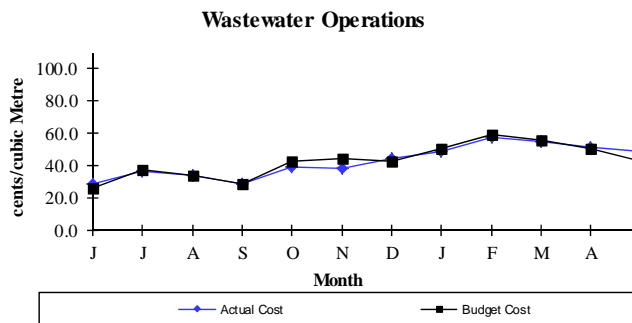
### Wastewater Networks



This Month			YTD Cumulative average		
Actual	Budget	Variance	Actual	Budget	Variance
19.3	17.9	(1.4)	15.5	16.0	0.5

**Comment:**  
The reticulation cost of wastewater is consistent with budget

### Wastewater



This Month			YTD Cumulative average		
Actual	Budget	Variance	Actual	Budget	Variance
48.8	42.8	(6.0)	41.6	42.1	0.5

**Comment:**  
This month cost of Wastewater is over budget due to high maintenance costs

Date	Outlet/Publication	Headline	Opening text	Positive	Neutral	Negative
1/05/2014	Onehunga Community News	Wasted water	You will be aware that Manukau Harbour Restoration Society, Mangere Bridge Residents & Ratepayers Association and The Onehunga Enhancement Society have joined together to appeal Auckland Council's decision to grant consent for Watercare's \$1 billion Central Interceptor Project.			✓
1/05/2014	Onehunga Community News	Community feeling on fluoride	In our April issue, the Onehunga Community News (OCN) published a story on Onehunga water's lack of fluoride. Here are some excerpts from emails sent to us in April, before we went to print for this issue.		✓	
1/05/2014	Business North	Cardno establishes its own niche.	Cardno NZ has structured its team to offer customers an enhanced service across a wider area of the country.		✓	
01/05/14 13:12	Yahoo! New Zealand	<a href="#">New TEI Council members appointed</a>	Tertiary Education, Skills and Employment Minister Steven Joyce today announced 10 appointments to five tertiary education institution councils, which include seven new council members.		✓	
01/05/14 13:12	Voxy.co.nz	<a href="#">New TEI Council members appointed</a>	Tertiary Education, Skills and Employment Minister Steven Joyce today announced 10 appointments to five tertiary education institution councils, which include seven new council members.		✓	
01/05/14 13:38	Beehive.govt.nz	<a href="#">New TEI Council members appointed</a>	Tertiary Education, Skills and Employment Minister Steven Joyce today announced 10 appointments to five tertiary education institution councils, which include seven new council members.		✓	
02/05/14 07:40	Scoop	<a href="#">New TEI Council members appointed</a>	Tertiary Education, Skills and Employment Minister Steven Joyce today announced 10 appointments to five tertiary education institution councils, which include seven new council members.		✓	
02/05/14 06:02	Times Newspapers	<a href="#">Fat pollutes local stream</a>	A BUILD-up of fat in the wastewater network caused a spill and the death of about 30 eels in Pakuranga Creek.		✓	
05/05/14 02:39	Fairfax Media - The Southland Times (Epaper)	<a href="#">River water take could raise fruit and vege prices</a>	Prices for fruit and vegetables and the resilience of the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓
05/05/14 03:00	Stuff.co.nz	<a href="#">River water could hit fruit and veges' price</a>	Prices for fruit and vegetables and the resilience of the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓
05/05/14 03:00	Manawatu Standard	<a href="#">River water could hit fruit and veges' price</a>	Prices for fruit and vegetables and the resilience of the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓
05/05/14 03:00	Auckland Now	<a href="#">River water could hit fruit and veges' price</a>	Prices for fruit and vegetables and the resilience of the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓
05/05/14 03:00	The Marlborough Express	<a href="#">River water could hit fruit and veges' price</a>	Prices for fruit and vegetables and the resilience of the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓
05/05/14 03:00	The Southland Times	<a href="#">River water could hit fruit and veges' price</a>	Prices for fruit and vegetables and the resilience of the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓
05/05/14 03:00	Taranaki Daily News	<a href="#">River water could hit fruit and veges' price</a>	Prices for fruit and vegetables and the resilience of the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓
05/05/14 03:00	Waikato Times	<a href="#">River water could cause price rises for fruit and veges</a>	Prices for fruit and vegetables and the resilience of the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓
05/05/14 10:24	Fairfax Media - The Dominion Post (Epaper)	<a href="#">Price hike?</a>	Prices for fruit and vegetables and the resilience of the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓
05/05/14 14:46	Fairfax Media - The Nelson Mail (Epaper)	<a href="#">Water take vexes growers</a>	Prices for fruit and vegetables and the resilience of the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓
05/05/14 15:26	Fairfax Media - The Marlborough Express (Epaper)	<a href="#">Water take vexes growers</a>	Prices for fruit and vegetables and the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓
05/05/14 16:02	Fairfax Media - Manawatu Standard (Epaper)	<a href="#">Waikato River water take vexes growers</a>	Prices for fruit and vegetables and the resilience of the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓

06/05/14 10:32	Local Matters	<a href="#">CCOs out of control?</a>	The Hibiscus & Bays Local Board has delivered a scathing attack on the performance of Auckland Council's CCOs with poor communication, bureaucracy and lack of accountability among its chief concerns.	✓		
08/05/14 14:14	Fairfax Media - Franklin County News (Epaper)	<a href="#">Growers may be hit hard by water rules</a>	Prices for fruit and vegetables and the resilience of the country's food supply will be affected if Auckland Council's application for more water from the Waikato River is successful, New Zealand's horticulture industry body says.			✓
09/05/14 03:00	Stuff.co.nz	<a href="#">Dissolving in the belly of Auckland beast?</a>	Life in the super-city is not everything it's made out to be, say residents living on Auckland's southern fringe.			✓
09/05/14 03:00	Auckland Now	<a href="#">Dissolving in the belly of Auckland beast?</a>	Life in the super-city is not everything it's made out to be, say residents living on Auckland's southern fringe.			✓
09/05/14 03:00	Waikato Times	<a href="#">Dissolving in the belly of Auckland beast?</a>	Life in the super-city is not everything it's made out to be, say residents living on Auckland's southern fringe.			✓
9/05/2014	Timaru Herald	'Winners and losers' in new super-city.	Life in the super-city is not everything it's made out to be, say residents living on Auckland's southern fringe.			✓
13/05/14 00:23	Fairfax Media - Waikato Times (Epaper)	<a href="#">No rise in water rates</a>	Friday's article on the Auckland Council (Dissolving in the belly of Auckland beast?, May 9) includes the assertion that water costs have "gone up dramatically" since amalgamation, disadvantaging the people of Pukekohe.	✓		
15/05/14 03:00	Western Leader	<a href="#">Sewage pours into backyards</a>	Frustrated homeowner Joss Campbell has grown sick and tired of periodically finding poo on his Auckland property over last 20 years.		✓	
15/05/14 03:00	Waikato Times	<a href="#">Sewage pours into backyards</a>	Frustrated homeowner Joss Campbell has grown sick and tired of periodically finding poo on his Auckland property over last 20 years.		✓	
15/05/14 03:00	The Dominion Post	<a href="#">Sewage pours into backyards</a>	Frustrated homeowner Joss Campbell has grown sick and tired of periodically finding poo on his Auckland property over last 20 years.		✓	
15/05/14 03:00	The Timaru Herald	<a href="#">Sewage pours into backyards</a>	Frustrated homeowner Joss Campbell has grown sick and tired of periodically finding poo on his Auckland property over last 20 years.		✓	
15/05/14 03:00	Taranaki Daily News	<a href="#">Sewage pours into backyards</a>	Frustrated homeowner Joss Campbell has grown sick and tired of periodically finding poo on his Auckland property over last 20 years.		✓	
15/05/14 03:00	The Southland Times	<a href="#">Sewage pours into backyards</a>	Frustrated homeowner Joss Campbell has grown sick and tired of periodically finding poo on his Auckland property over last 20 years.		✓	
15/05/14 03:00	Auckland Now	<a href="#">Sewage pours into backyards</a>	Frustrated homeowner Joss Campbell has grown sick and tired of periodically finding poo on his Auckland property over last 20 years.		✓	
15/05/14 03:00	The Marlborough Express	<a href="#">Sewage pours into backyards</a>	Frustrated homeowner Joss Campbell has grown sick and tired of periodically finding poo on his Auckland property over last 20 years.		✓	
15/05/14 05:00	NZ News_Environment	<a href="#">Sewage pours into backyards</a>	Frustrated homeowner Joss Campbell has grown sick and tired of periodically finding poo on his Auckland property over last 20 years.		✓	
15/05/2014	Planet FM, Red Alert Radio		Phil Goff talks to Mark Bourne about the Central Interceptor project	✓		

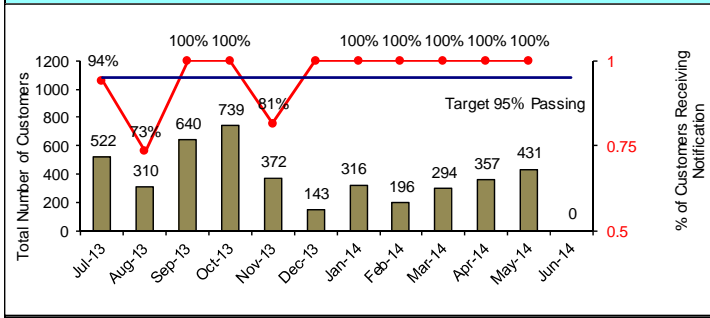


16/05/14 00:22	Fairfax Media - Manukau Courier (Epaper)	<a href="#">40K grant for appeal</a>	The Manukau Harbour Restoration Society has received a \$40,000 grant from the Environment Ministry for its fight against Watercare's central interceptor project.		✓
16/05/14 06:59	Skykiwi	<a href="#">捷污系统老化不堪负荷</a> <a href="#">AKL中区居民后院污水横流</a>	Translation: Frustrated homeowner Joss Campbell has grown sick and tired of periodically finding poo on his Auckland property over last 20 years.		✓
16/05/14 07:30	The New Zealand Herald	<a href="#">Brian Rudman: Unhappy landings for ratepayers</a>	Mayor Len Brown and his council's supine surrender to the bullyboy tactics of the Auckland Rescue Helicopter Trust has been embarrassing.		✓
19/05/2014	The New Zealand Herald	You say. Sale of open space.	So the sale of open space is under way. The Auckland Council has voted in principle to flog off Queen Elizabeth Square to a foreign-owned company for its money-making purposes, giving over public space.		✓
20/05/2014	Rodney Times	Legacy fund sculptures are for the birds	Birds of a feather flock together, the saying goes. If the little kingfisher that has taken over one of Ruby Watson's metal herons on the Mahurangi River is anything to go by it's going to be a long and happy relationship.		✓
23/05/2014	North Shore Times Advertiser	Letters. Open space sale	So the sale of open space is under way. Council has voted in principle to flog off QE 2 Square to a foreign-owned company for its money-making purposes, giving over public space.		✓
23/05/2014	One News		Finance Minister Bill English is calling for council action on the rising costs of housing.		✓
27/05/14 16:45	The New Zealand Herald	<a href="#">Aucklanders to pay more for water from July</a>	Auckland households will pay 2.4 per cent more for water and wastewater charges from July.		✓
28/05/2014	The New Zealand Herald	Water prices on the rise	Auckland households will pay 2.4 per cent more for water and wastewater charges from July.		✓
28/05/2014	Newstalk ZB (8.02am)		Auckland's water prices are increasing after two years of no change.		✓
28/05/14 06:04	Newstalk ZB (online)	<a href="#">Water prices rise in Auckland</a>	After two years at the same rate, Auckland's water prices are going up.		✓
28/05/14 06:04	Yahoo! New Zealand	<a href="#">Water prices rise in Auckland</a>	After two years at the same rate, Auckland's water prices are going up.		✓
28/05/14 08:22	Skykiwi	<a href="#">奥克兰水费涨价啦！每日多付2.4% 7月份正式实施</a> <a href="#">好久没涨价了</a>	Translation: Auckland water dearer. Auckland households will pay 2.4 per cent more for water and wastewater charges from July.		✓
28/05/14 11:32	www.news.chinese.com	<a href="#">奥克兰水费从七月份开始正式涨价</a>	Translation: Auckland water dearer. Auckland households will pay 2.4 per cent more for water and wastewater charges from July.		✓
28/05/14 21:27	Yahoo! New Zealand (Business & Finance)	<a href="#">Housing Minister upset with Auckland water charges increase</a>	The Housing Minister isn't pleased with an increase in water connection charges for Auckland homes.		✓
28/05/2014	Ashburton Guardian	In brief	Auckland water dearer. Auckland households will pay 2.4 per cent more for water and wastewater charges from July.		✓
29/05/14 03:00	The New Zealand Herald	<a href="#">Watercare connection fee up 23.5%</a>	Minister says charge increase goes against effort to make houses more affordable. The water connection fee in urban Auckland has risen by 23.5 per cent to \$12,075 at a time when Auckland Council and the Government are trying to reduce housing costs.		✓
29/05/2014	The New Zealand Herald	Short and sweet. On water cost	Watercare is hiking the cost of a new water meter for a new dwelling from \$9775 to \$12,075 in July. In 2001, a new water meter cost about \$975; in today's terms, that should be about \$1400. Instead, Watercare has gone for a 12-fold increase. Beat that for an inflationary item. Jane Greensmith, Titirangi.		✓
29/05/14 07:56	Fairfax Media - Western Leader (Epaper)	<a href="#">Price of water to rise by 4c</a>	Water is about to cost you more.		✓
29/05/14 09:27	Newstalk ZB	<a href="#">Housing Minister upset with Auckland water charges increase</a>	The Housing Minister isn't pleased with an increase in water connection charges for Auckland homes.		✓
29/05/14 09:27	Yahoo! New Zealand	<a href="#">Housing Minister upset with Auckland water charges increase</a>	The Housing Minister isn't pleased with an increase in water connection charges for Auckland homes.		✓
29/05/14 12:23	Scoop	<a href="#">Govt Tax Priority After Two Week Break</a>	The Government will give priority to a taxation bill when the House next sits.		✓
30/05/2014	New Zealand Herald	Letters. Watercare fees	It seems there are no depths to which Watercare will not stoop to wring dollars out of their customers. A 23 per cent increase for new connection fees has been announced without any figures to prove the need for it... Bill Boyle, Stanmore Bay.		✓
30/05/2014	NBR Summaries	Ownership myth still rings true.	Auckland Council Investments chief executive Gary Swift's claim that companies do not have to be listed to be successful needs further examination. Swift recently told the New Zealand Herald that the Ports of Auckland has not suffered while under Auckland Council control.		✓
30/05/2014	Newstalk ZB (9.46am)		Newmarket Business Association CEO Ashley Church says retail sales in Newmarket are in a 'really good state' and store tenancy is relatively high. Church says the programme to attract new business has gone 'brilliantly' and has seen the relocation of head offices for companies such as 2degrees, BP New Zealand, Vector, Watercare and Westfield New Zealand.		✓

30/05/2014	RadioLIVE (5.11pm)		Auckland mayor Len Brown agrees this year's housing consent goals laid out in the Auckland Housing Accord are half way to being reached. Brown explains a joint initiative with the Government that opens up special housing areas, and stresses the Accord is about putting the appropriate framework in place rather than about the physical construction of homes. Garner states that 'we need to get building', though Brown continues to defend the rate of progress.		✓	
30/05/2014	RadioLIVE (5.38pm)		Finance correspondent Bernard Hickey says that there has been growth in Auckland and Christchurch's housing markets, adding that Auckland mayor Len Brown and Housing Minister Nick Smith are attributing the growth to the Auckland Housing Accord.		✓	
31/05/2014	Radio NZ (7.02am, 8.03am, 9am)		Housing Minister Dr Nick Smith suggests the Government may gain greater oversight on the setting of water rates after deeming an increase in water installation rates by Auckland's Watercare Services Limited unhelpful in terms of the construction of new homes.			✓
31/05/2014	Radio NZ (11.01am, 12.03pm)		Auckland mayor Len Brown has defended Watercare Services Limited's increase water installation charges despite the Government calling for greater oversight of these.		✓	
31/05/14 03:51	Fairfax Media - Manukau Courier (Epaper)	<a href="#">Citywide water charges to increase from July 1</a>	Get ready to dig deeper into your pocket – monthly water bills are going to increase by an average of \$2.			✓
31/05/14 09:28	Radio New Zealand	<a href="#">Govt considers regulation of Watercare</a>	The Government says it's looking at putting the charges levied by Auckland's water company under closer scrutiny.			✓
				3	37	28
<b>Social media</b>						
Date	Media outlet	Posted by	Link	Positive	Neutral	Negative
01/05/14 14:43	facebook.com	<a href="#">Friends of the Manukau Harbour</a>	<a href="#">Water option plugged - National - NZ Herald News by Friends of the Manukau Harbour</a>			✓
6/05/2014	<a href="#">www.blogspot.co.nz</a>		Watercare heads for sand over report ( <a href="http://joelcayford.blogspot.co.nz/2014/05/watercare-heads-for-sand-over-report.html">http://joelcayford.blogspot.co.nz/2014/05/watercare-heads-for-sand-over-report.html</a> )			✓
09/05/14 15:12	facebook.com	<a href="#">Phil Goff</a>	<a href="#">Shite Happens</a>		✓	
13/05/14 17:49	facebook.com	<a href="#">Keith Coelho</a>	<a href="#">The HOOD, Avondale with a Vision on the River Whau</a>	✓		
19/05/14 12:03	twitter.com	<a href="#">Claudette Hauti</a>	<a href="#">Interesting informative tour to Watercare Treatment Facility Mangere &amp; Puketutu Island love to go back when Biosolids Site finished</a>	✓		
22/05/14 05:25	facebook.com	<a href="#">Friends of the Manukau Harbour</a>	<a href="#">Wild birds rule the roost</a>	✓		
24/05/2014	facebook.com	<a href="#">Desley Simpson</a>			✓	
27/05/14 17:36	facebook.com	<a href="#">Keith Coelho</a>	<a href="#">Aucklanders to pay more for water from July - National - NZ</a>			✓
27/05/2014	facebook.com	<a href="#">Desley Simpson</a>	<a href="#">Water and wastewater price changes</a>	✓		
27/05/2014	twitter.com	<a href="#">Stephen Berry</a>			✓	
27/05/2014	twitter.com	<a href="#">Brian P</a>				✓

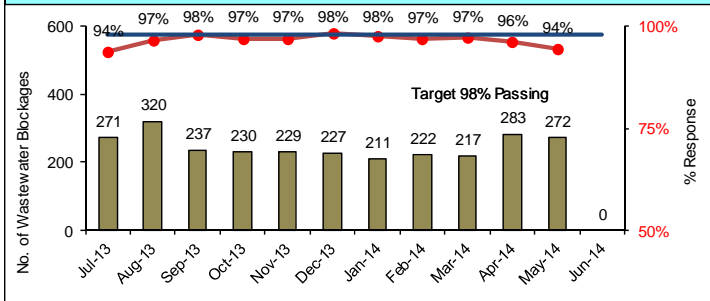
28/05/14 14:55	facebook.com	<a href="#">Wendell Property Management</a>	<a href="#">Aucklanders to pay more for water from July - National - NZ</a>			✓
28/05/2014	facebook.com	<a href="#">Len Brown Must Resign</a>				✓
28/05/14 12:03	facebook.com	<a href="#">Wendell Property Management</a>	<a href="#">Shake-up in Auckland parking costs proposed - National - NZ... by Mayor Len Brown Must Resign</a>			✓
28/05/14 05:37	Whale Oil Beef Hooked		<a href="#">Len Brown's contribution to affordable homes...increased connection charges for water</a>			✓
29/05/2014	twitter.com	<a href="#">Auckland News</a>				✓
				4	4	8
						B8

**3 Days Notice of Planned Shut Down**



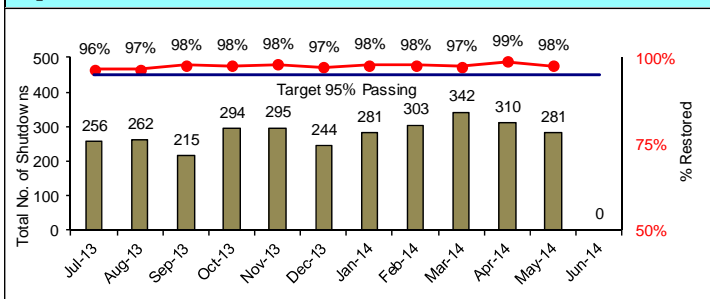
Strategic Performance Objective 23 b  
Maintain good customer relationships - 100% of customers received at least 3 days notice of planned shutdowns  
Comments: Target achieved

**Response to Wastewater Blockages within One Hour**



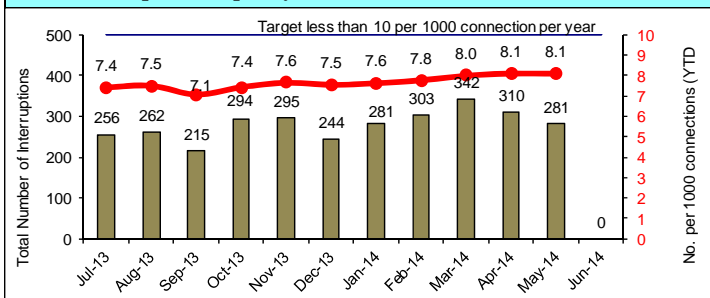
Strategic Performance Objective 25 b  
Restore Service Capacity - 98% of Wastewater Blockages Responded to within one to two hours  
Comments: Not achieved at 94%  
Target not met due to a number of jobs on the North Shore where the field crew arrived 10 mins over the target time, due to traffic congestion

**Unplanned Water Shutdowns Restored within 5 hours**



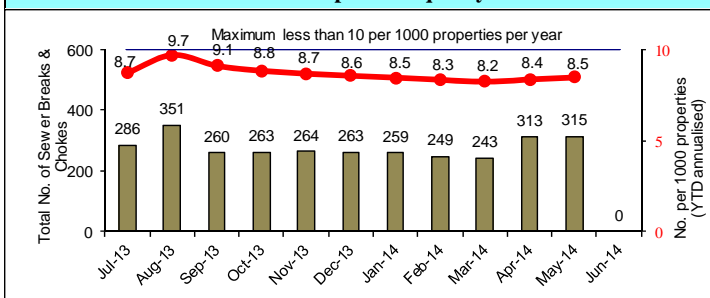
Strategic Performance Objective 25 a  
Restore Service Capacity - 95% of unplanned water shutdowns were restored within 5 hours  
Comments: Achieved at 98%

**Water Interruption Frequency**



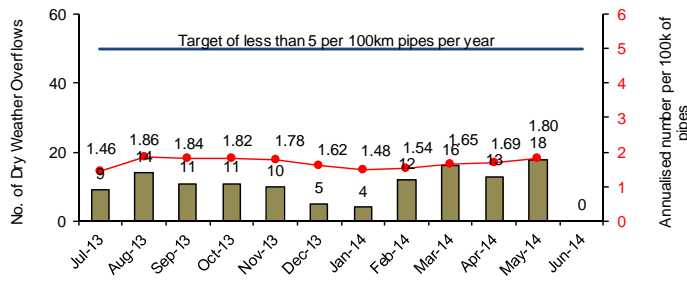
Strategic Performance Objective 24 a  
Maintain Service Capacity - 10.0 water interruptions per 1000 connections per year  
Comments: Achieved at 8.1 interruptions

**Sewer Breaks and Chokes Interruption Frequency**



Strategic Performance Objective 24 b  
Maintain Service Capacity - frequency of sewer breaks and chokes (unplanned interruptions) at 10.0 per 1000 properties per year  
Comments: Achieved at 8.5 breaks

### Operations - Number of Dry Weather Overflows

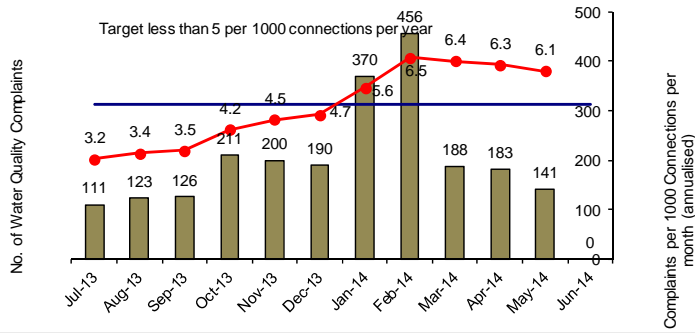


#### Key Performance Scorecard

Dry Weather Overflows not to exceed 5 per 100km of pipes

Comments: Target met

### Water Quality Complaints



Water Quality Complaints not to exceed 5 per 1,000 customers per year

Comments: Target not met

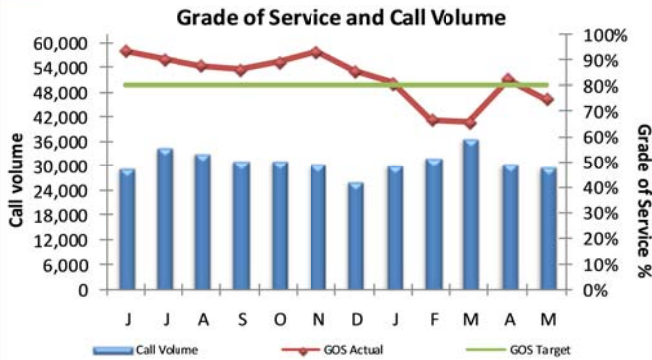
Given the two significant events experienced in January and February this year, the target will not be achieved

# Management Report Customer Service

May-2014

74.7%

## Grade of Service and Call Volumes



Grade of Service					
Target	Actual	Variance	12 Months	Variance	Calls
80.0%	74.7%	5.3%	82.7%	2.7%	29,901

**Comments:**  
This target was not achieved.  
The rolling 12 month target was met.

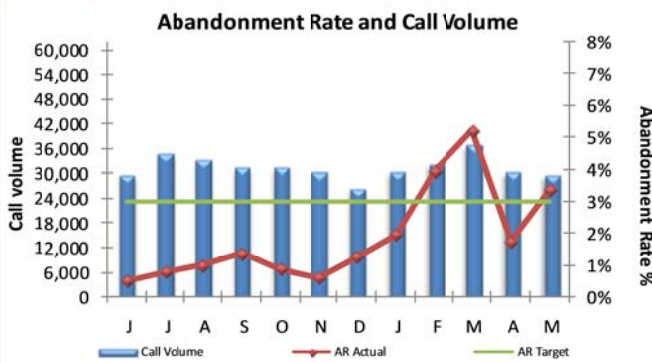
Please note: Call volumes exclude First Contact figures.

**Key:**  
GOS: Grade Of Service  
12 Months: Rolling 12 months | Calls: Call Volume  
Formula: Calls answered within 20 seconds / (Offered Calls - Abandoned Calls within 10 seconds)

>= 80%    74.7%    < 75%

3.4%

## Abandonment Rate and Call Volumes



Abandonment Rate					
Target	Actual	Variance	12 Months	Variance	Calls
3.0%	3.4%	0.4%	1.9%	1.1%	29,901

**Comments:**  
The monthly target was marginally missed.  
The rolling 12 month target was met.

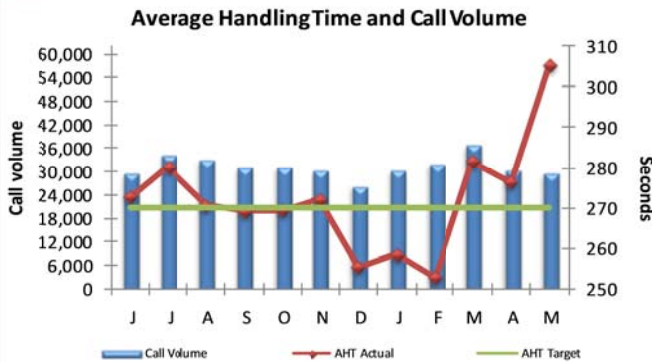
Please note: Call volumes exclude First Contact figures.

**Key:**  
AR: Abandonment Rate  
12 Months: Rolling 12 months | Calls: Call Volume  
Formula: Abandoned Calls / Offered Calls

<= 3%    3.4%    > 3.5%

305.3 s

## Average Handling Time (AHT) and Call Volumes



Average Handling Time					
Target	Actual	Variance	12 Months	Variance	Calls
270.0	305.3	35.3	272.3	2.3	29,901

**Comments:**  
The average handle time target was not achieved.  
The rolling 12 months target was marginally achieved.

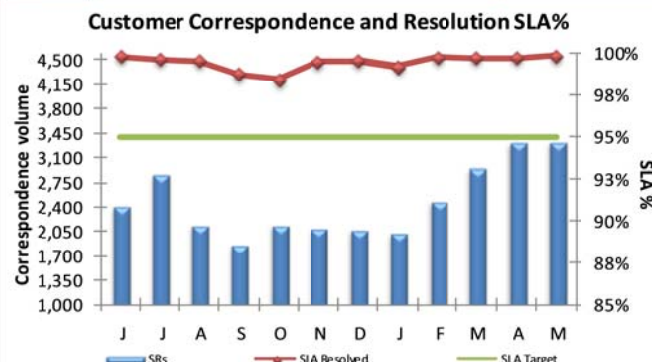
Please note: Call volumes exclude First Contact figures.

**Key:**  
AHT: Average Handling Time  
12 Months: Rolling 12 months | Calls: Call Volume  
Formula: Agent talk Duration (secs) / Answered Calls

<= 270s    271 - 300s    > 300s

99.8%

## Customer Correspondence and Resolution within 10 days



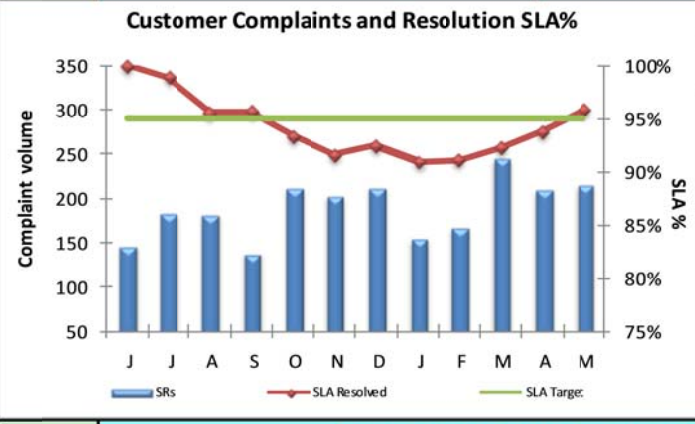
Correspondence SLA					
Target	Actual	Variance	12 Months	Variance	SRs
95.0%	99.8%	4.8%	99.5%	4.5%	3,325

**Comments:**  
Both the month and rolling 12 month targets were exceeded.

**Key:**  
SLA: Service Level Agreement  
CO: Correspondence | SRs: Service Requests  
Formula: (CO SRs resolved in time + CO SRs unresolved in time) / Number of SRs

>= 95%    99.8%    < 90%

**95.8% Customer Complaints and Resolution within 10 days**



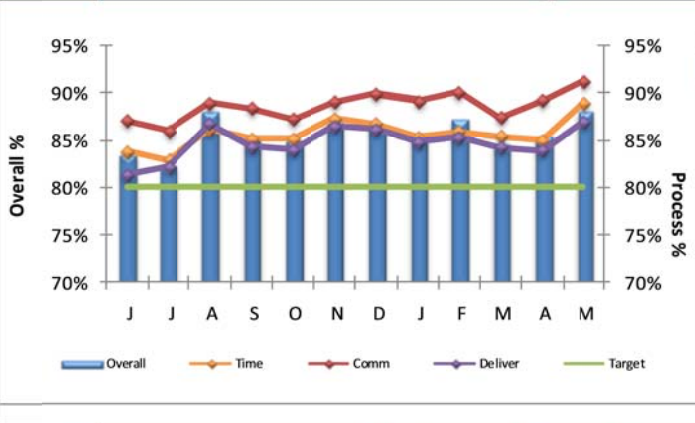
Complaints SLA					
Target	Actual	Variance	12 Months	Variance	SRs
95.0%	95.8%	0.8%	94.2%	0.8%	216

**Comments:**  
 The monthly target has achieved.  
 The rolling 12 months target was marginally achieved.

**Key:**  
 SLA: Service Level Agreement  
 CP: Complaint | SRs: Service Requests  
 Formula: (CP SRs resolved in time + CP SRs unresolved in time) / Number of SRs

>= 95%	90% - 94.9%	< 90%
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**88.0% Customer Experience Survey - Contact Centre**



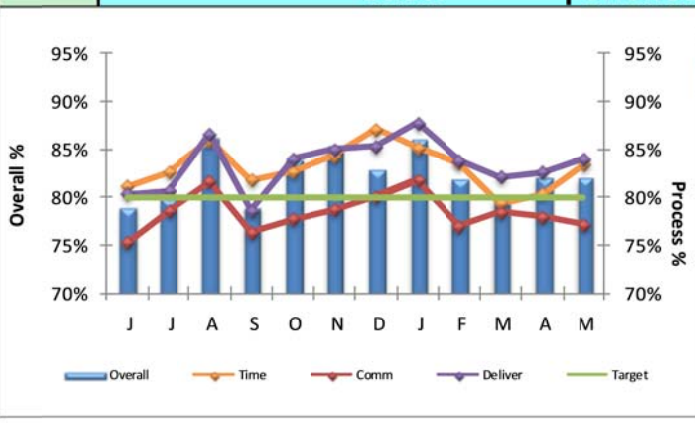
By Category			Overall		
Time	Comm	Deliver	Overall	Target	Variance
88.9%	91.2%	87.0%	88.0%	80.0%	8.0%

**Comments:**  
 All targets have been achieved for the month.  
 Results provided by research conducted by TNS.  
 This is for fault related calls only.

**Key:**  
 Time: Don't waste my time  
 Comm: Communicate with me  
 Deliver: Deliver to me

>= 80%	75% - 79.9%	< 74.9%
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**82.1% Customer Experience Survey - Maintenance**



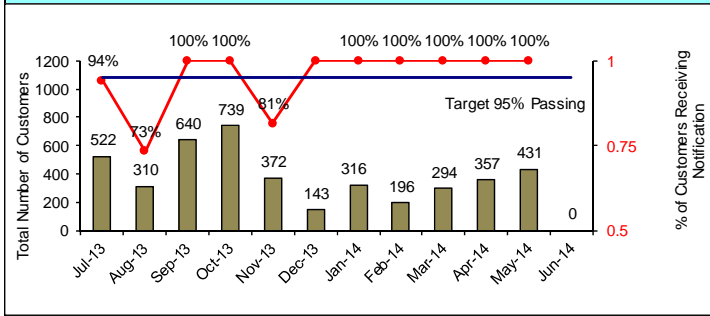
By Category			Overall		
Time	Comm	Deliver	Overall	Target	Variance
83.4%	77.1%	84.0%	82.1%	80.0%	2.1%

**Comments:**  
 Communication target was not achieved, but overall target was achieved for the month.  
 Results provided by research conducted by TNS.  
 This is for fault related maintenance only.

**Key:**  
 Time: Don't waste my time  
 Comm: Communicate with me  
 Deliver: Deliver to me

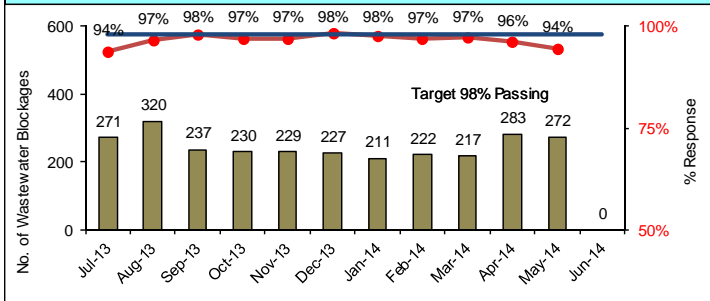
>= 80%	75% - 79.9%	< 74.9%
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3 Days Notice of Planned Shut Down



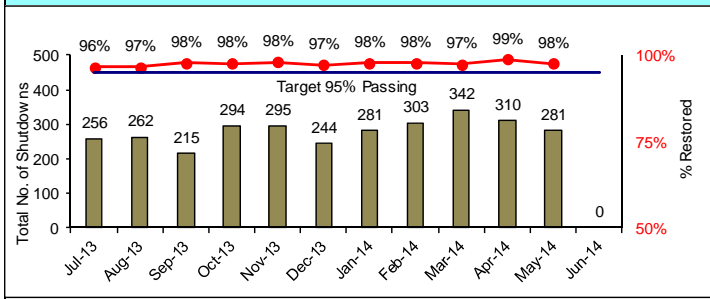
Strategic Performance Objective 23 b  
Maintain good customer relationships - 100% of customers received at least 3 days notice of planned shutdowns  
Comments: Target achieved

Response to Wastewater Blockages within One Hour



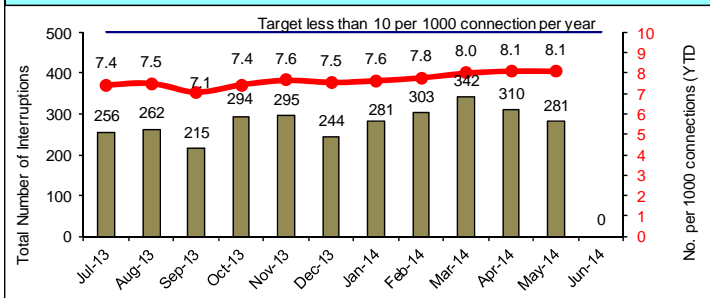
Strategic Performance Objective 25 b  
Restore Service Capacity - 98% of Wastewater Blockages Responded to within one to two hours  
Comments: Not achieved at 94%  
Target not met due to a number of jobs on the North Shore where the field crew arrived 10 mins over the target time, due to traffic congestion

Unplanned Water Shutdowns Restored within 5 hours



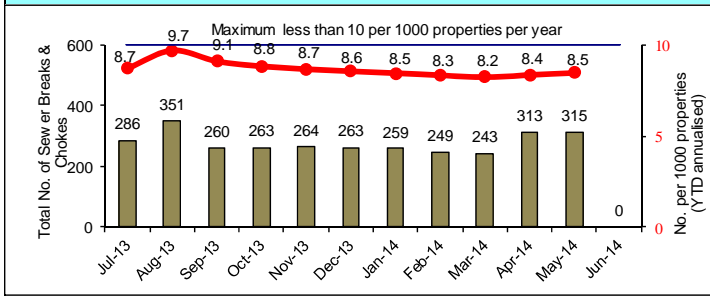
Strategic Performance Objective 25 a  
Restore Service Capacity - 95% of unplanned water shutdowns were restored within 5 hours  
Comments: Achieved at 98%

Water Interruption Frequency



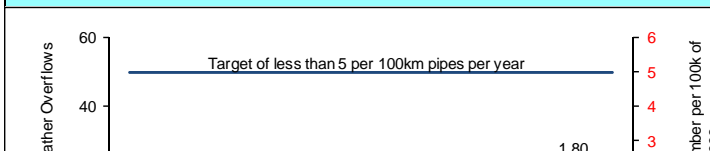
Strategic Performance Objective 24 a  
Maintain Service Capacity - 10.0 water interruptions per 1000 connections per year  
Comments: Achieved at 8.1 interruptions

Sewer Breaks and Chokes Interruption Frequency



Strategic Performance Objective 24 b  
Maintain Service Capacity - frequency of sewer breaks and chokes (unplanned interruptions) at 10.0 per 1000 properties per year  
Comments: Achieved at 8.5 breaks

Operations - Number of Dry Weather Overflows



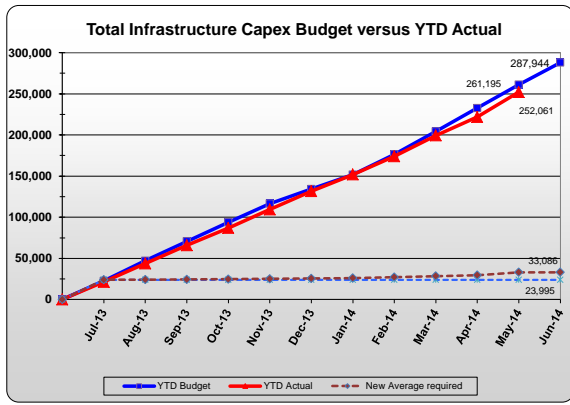
Key Performance Scorecard  
Dry Weather Overflows not to exceed 5 per 100km of pipes  
Comments: Target met



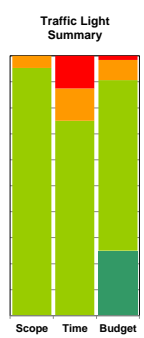


### INFRASTRUCTURE GROUP DASHBOARD CAPITAL EXPENDITURE (\$000)

SAP Code	Project / programme name	Project manager	Total Project Performance		Annual Project Performance			Scope/ Quality	Time / milestones	Costs - Capex
			Current Forecast	Forecast	Budget	Budget Variance				
<b>Water Projects (&gt;\$2m)</b>										
C-10049P	Hunua No 4 Programme	R. McIntosh	376,546	56,670	51,732	(4,938)				
C-11619	North Harbour Watermain Duplication	A. Spittal	240,003	3,601	3,600	(1)				
C-12066	Huia No 1 Watermain Replacement	D. Moore	42,103	9	0	(9)				
C-10951	KHR Water Transmission	J. Robson	19,274	8,460	8,916	456				
C-11232P	North Franklin Programme	S. Grace	23,275	8,469	10,241	1,771				
C-10183	Ardmore rapid restart & sludge handling	G. McKenzie	18,675	3,763	3,829	66				
C-10133	Maungahau Security of Supply	T. Cammell	12,282	-256	35	291				
C-11980	Waikato Expansion to 150MLD	T. Barry	12,054	6,581	6,700	119				
C-10369	Domain No. 2 Watermain	D. Moore	9,308	4,346	3,875	(471)				
C-11981	Riverhead Reservoir	J. Eardley	9,386	1,584	0	(1,584)				
C-10370	Mt Hobson Upgrade	D. Moore	6,183	738	968	230				
C-11681	Albany Second Reservoir	J. Eardley	5,898	1,325	1,057	(268)				
C-11798	Orakei Watermain Replacement	D. Moore	4,303	3,210	2,593	(617)				
C-11781	Sanderson Rd Water Treatment Plant	S. Grace	4,451	735	1,335	607				
C-11792	St Helers No.1 Watermain Duplication	J. Brennan	3,070	601	690	89				
C-12220	Mt Albert Level of Service Upgrade	F. Lin	2,901	21	0	(21)				
C-11074	Upper Huia Standpipe Replacement	J. Eardley	1,824	1,459	2,486	1,027				
C-11995	STWKO VSD Replacements	J. Salmon	2,386	62	140	78				
Water Projects >\$2m			793,920	101,379	98,197	(3,182)				
Other Water Projects			284,803	16,807	22,105	5,298				
C-12112	1000 Water Capitalised Interest			7,460	5,819	(1,641)				
<b>Total Water Projects</b>			<b>1,078,723</b>	<b>125,645</b>	<b>126,120</b>	<b>475</b>				
<b>Wastewater Projects (&gt;\$2m)</b>										
C-10006	Central Interceptor Feasibility Design	D. Ward	951,073	1,929	1,540	(389)				
C-10017	Biosolids Puketutu Rehabilitan	P. Gowans	172,646	27,609	20,576	(7,033)				
C-11436	Northern Interceptor - Stage 1	T. Barry	147,886	694	1,000	306				
C-11077	Mangere WWTP BNR Capacity	S. Harlos	122,000	15,229	11,915	(3,315)				
C-11983	Rosedale WWTP Expansion Project	S. Harlos	63,730	657	560	(97)				
C-11923	T200.FDC1 Upgrade Pukekohe WWTP	J. Robson	59,000	10	200	190				
C-11827	Pukekohe Trunk Sewer Upgrade	J. Robson	32,991	156	234	79				
C-11207	Howick Diversion	S. Saunders	31,049	67	109	42				
C-12001	Snells Alqies WWTP Ocean Outfall	T. Morley	19,456	127	300	173				
C-11421	Barrys Pt WW Pump Station & Storage Tank	S. Saunders	18,749	464	264	(200)				
C-10976	Pt England Storage Tank & Br Sewer	M. Imtiaz	17,636	92	638	546				
C-11769	Orewa West Wastewater Network	P. de Klerk	14,875	3,833	1,357	(2,476)				
C-10147	Mangere WWTP Digester 8	J. Robson	14,320	6,009	5,450	(559)				
C-10925	Kohimarama Storage Tank & Branch Sewer	M. Imtiaz	13,544	1,716	4,035	2,319				
C-11470	Glen Eden Storage & Pipe Upgrade	M. Lenihan	13,476	385	300	(85)				
C-10524	Northern Trunk Sewer TS30	W. Brown	11,245	1,868	2,700	832				
C-11281	Army Bay WWTP Outfall Upgrade	P. Alexander	12,347	343	2,548	2,205				
C-10098	Pakuranga Rising Main DPS028	M. Imtiaz	12,258	6,223	6,450	227				
C-11067	North Shore PS09 rising main	M. Lenihan	7,385	3,538	3,201	(337)				
C-10922	Wairau (HSPS05) Rising Main Replacement	J. Valerio	8,312	2,028	7,065	5,037				
C-11472	Sidmouth WW PS Mairangi Bay Upgrade	A. Sharp	8,225	244	675	431				
C-11556	Supply & Install of Manhole Safety Grill	R.Mahmud	5,499	2,562	3,860	1,298				
C-10952	Helensville WWTP Upgrade	N. Gunatilaka	8,475	2,144	2,890	746				
C-11468	Manukau North Future Upgrades	J.De Villiers	6,434	123	356	233				
C-11539	Eastern Interceptor Rehab Prgm - Stg 1	W. Brown	6,373	1,711	2,600	889				
C-10923	Upgrade of North Shore TS8	M. Lenihan	5,974	657	2,195	1,538				
C-10709	N400.01 WW Network Consents Project	G. Maskill	5,702	557	871	314				
C-11423	Rosedale WWTP Cogeneration Upgrade	N. Gunatilaka	5,714	553	2,327	1,774				
C-11467	Tamaki South East Extension	P. Maarschalk	3,879	236	310	74				
C-11451	Western Interceptor Rehabilitation	W. Brown	3,409	491	25	(466)				
C-11290	Orakei Main Sewer Rehabilitation MH21-19	P. Alexander	3,728	3,390	2,710	(680)				
C-11216	Eastern Interceptor Pipe Bridge #1 Repl	W. Brown	3,512	961	1,361	400				
C-11009	South Lynn Br Sewer (MH9-MH21) & Local	V. Thavarajah	3,006	1,351	1,639	288				
C-11711	Mangere WWTP Cogeneration Replacement	R. Millican	3,401	1,264	1,325	61				
C-10277	Reconstruction of Eastern Interceptor	W. Brown	2,498	426	0	(426)				
C-11474	Sunnynook Road Sewer Upgrade	J. Valerio	2,640	151	550	399				
C-11234	Blackbridge Pump Station 37 Upgrade	P. Maarschalk	1,838	1,388	1,965	577				
C-11338	New Gravity Sewer Miranda Reserve	J.De Villiers	2,767	2,115	2,675	560				
C-11569	Branch 1 Rehabilitation B01023 to B01025	C. Rodliffe	2,077	1,080	750	(330)				
C-11813	Mangere WWTP Rehab.Prim.Sed Tks 11 & 12	A. Brooks	1,887	562	146	(416)				
C-11991	Add'l Local Wastewater Network Renewals	M. Attanayake	2,024	1,969	964	(1,005)				
C-12199	Northern Networks Generator Connections	A. Cowell	2,084	24	0	(24)				
C-11455	Pump Station CI Pipework Replacement	A. Brooks	1,627	150	765	615				
C-11070	Army Bay WWTP Sludge Tank	N. Gunatilaka	2,028	1,136	950	(186)				
Wastewater Projects >\$2m			1,838,778	98,222	102,350	4,128				
Other Wastewater Projects				28,898	31,932	3,034				
C-12113	J000 Wastewater Capitalised Interest			5,451	5,650	200				
<b>Total Wastewater Projects</b>			<b>2,111,197</b>	<b>127,120</b>	<b>134,282</b>	<b>7,162</b>				
<b>Other Infrastructure Projects</b>										
C-10126	Networks Controls Upgrade	M. Hill	20,100	2,137	2,500	363				
Other Infrastructure Projects			108,404	28,328	25,041	(3,286)				
<b>TOTAL INFRASTRUCTURE</b>			<b>3,318,425</b>	<b>283,230</b>	<b>287,944</b>	<b>4,714</b>				
Other Non Infrastructure, including Capital Interest				122,215	27,317	42,720	15,403			
<b>TOTAL ALL</b>			<b>3,440,639</b>	<b>310,547</b>	<b>330,664</b>	<b>20,117</b>				



WSL Capex Summary	Month		Year to Date	
	Actual	Budget	Actual	Variance
Total Water projects	13,588	113,491	112,686	(805)
Total Wastewater projects	14,245	110,592	123,205	12,613
Demolition	71	1,046	1,096	50
Total ECS Projects	583	8,971	8,500	(471)
Total New Developments	502	5,505	5,149	(356)
Other Infrastructure	203	717	0	(717)
Capitalised Interest	1,096	11,739	10,558	(1,181)
<b>TOTAL INFRASTRUCTURE</b>	<b>30,289</b>	<b>252,061</b>	<b>261,195</b>	<b>9,134</b>
Total Operations	2,797	14,781	16,911	2,131
Total Facilities Management	(119)	1,808	3,855	2,048
Shared Services	338	5,700	15,436	9,736
Laboratory + Trade Waste	50	1,070	3,704	2,634
<b>TOTAL NON INFRASTRUCTURE</b>	<b>3,065</b>	<b>23,358</b>	<b>39,907</b>	<b>16,548</b>
<b>TOTAL ALL</b>	<b>33,354</b>	<b>275,419</b>	<b>301,101</b>	<b>25,682</b>



# Report to the Board of Watercare Services Limited

**Subject:** Water Resource Update

**Date:** 16 June 2014

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## 1. INTRODUCTION

This report addresses Matters Arising from the Watercare Board meeting on 23 May 2014 and addresses:

- a) Storage levels at 16 June 2014
- b) Storage response curves under a range of rainfall scenarios and utilisation of Waikato Water Treatment Plant

## 2. METROPOLITAN LAKE STORAGE

Metropolitan lake storage was 66.8% at 16 June 2014. This is an increase of 8.8% from that reported on 20 May 2014. Lake levels are currently below average for this time of year, but are continuing to track above dry weather storage response.

Ardmore Water Treatment Plant continues to be operated at minimum flow rate (160 MLD) to conserve storage in the southern lakes. This is being achieved by the continued operation of Waikato Water Treatment plant to meet demand (typically 100-125 MLD). NIWA predictions indicate rainfall for the Auckland region is likely to be normal for the period: June-August 2014.

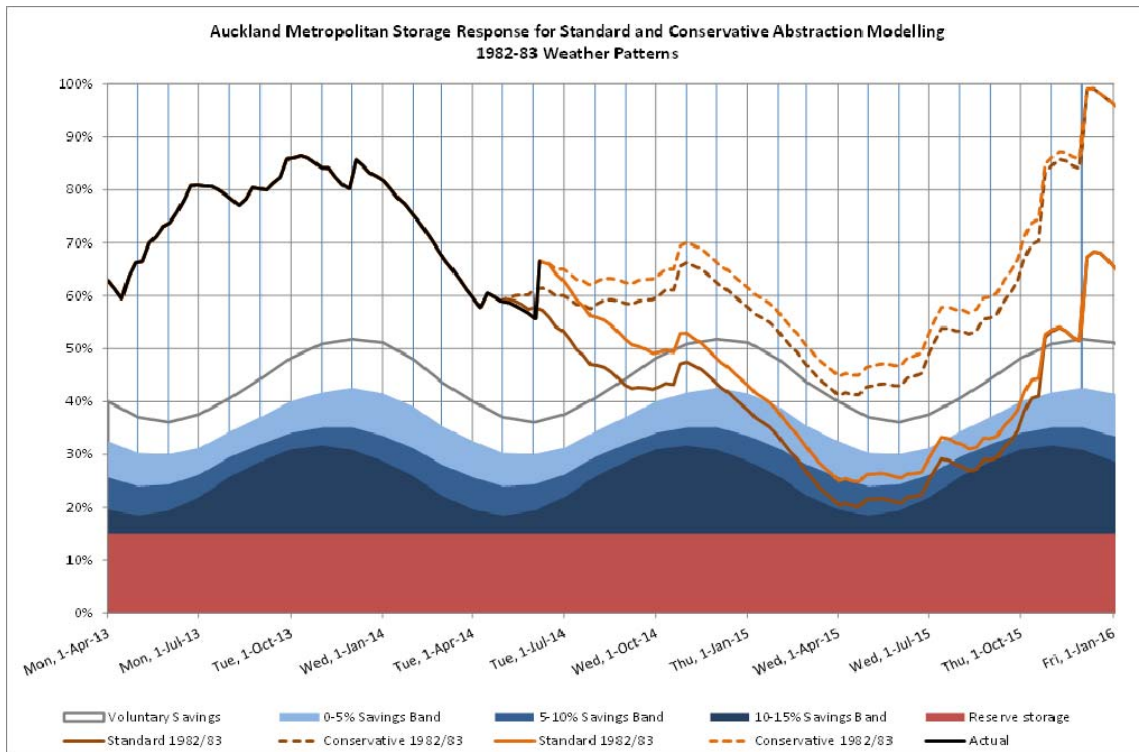
## 3. STORAGE RESPONSE

We have repeated the two scenarios utilised in the Water Resource Update dated 20 May 2014. For this report we have added the actual storage response that has occurred over the last month.

## 4. SCENARIO A

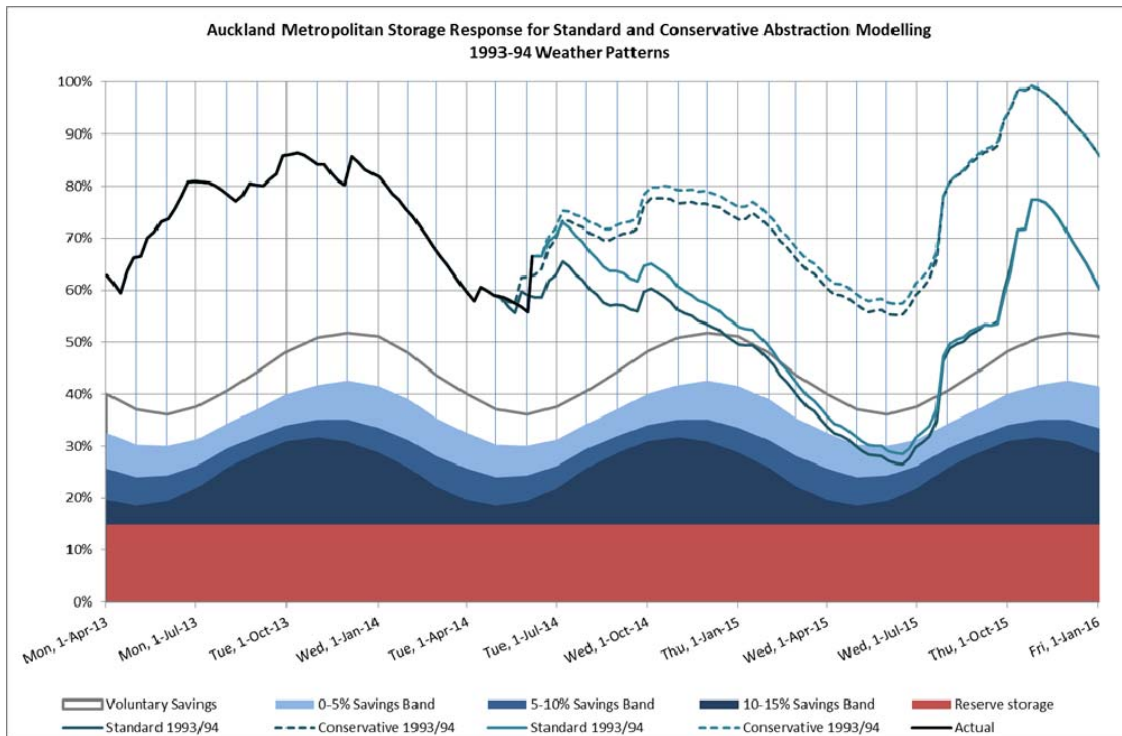
Scenario A (1982-83 weather pattern); was identified as having the most deleterious impact on inflows. The early June 2014 rainfall has moved the trigger point for implementation of the drought management plan, which would firstly call for voluntary savings, from September 2014 to November 2014. This is demonstrated by the solid orange lines on the graph. However; the modelling also demonstrates that judicious use of the Waikato Water Treatment Plant can avoid such a situation. Modelling of increased use is indicated by the dotted orange lines.

Watercare is currently operating under such an operating regime whereby minimum abstraction is occurring from the southern lakes and Waikato is operated at the maximum flow the system can accommodate until the southern lake levels recover.



**5. SCENARIO B**

In the case of Scenario B (1993-94 weather pattern); the trigger point for voluntary savings under the Standard model has moved, following the early June 2014 rainfall, from January 2015 to February 2015. The blue dotted lines illustrate the impact of operating Waikato judiciously avoids breaching the savings bands.



**6. RECOMMENDATION**

At this point in time; storage levels are continuing to track above dry weather storage response but below average for this time of year. Therefore; Watercare will continue to conserve stored water and operate the Waikato Water Treatment Plant at the maximum flow level commensurate with demand until storage levels have recovered sufficiently. It is recommended that this report is received and a further update report be provided to the Watercare Board at the 31 July 2014 meeting.

Report prepared by:

Approved for submission by:

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D Worsnop  
**Chief Operations Officer**

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R Jaduram  
**Acting Chief Executive**