

PIONEER VALLEY WATER CO-OPERATIVE LTD

MINUTES OF THE ANNUAL GENERAL MEETING HELD ON TUESDAY 29th NOVEMBER 2022 AT MIRANI STATE HIGH SCHOOL, MIRANI

MEETING OPENED AT 7.20PM

The Chairman welcomed all members to the 2021-2022 Annual General Meeting of Pioneer Valley Water Co-operative Ltd (PVWater) and Pioneer Valley Water Mutual Co-operative Ltd (PVMutual). The Chairman confirmed the attendance met the Co-operatives quorum.

He welcomed invited guests David Said, Bill Cooper, Steven Ford, Sadeta Jakupovic, Darren Roberts, Harley Kruse & Justin & Arlena Muscat.

The Manager read the Notice of Meeting and Agenda.

ATTENDANCE:

Members: Joseph Borg, John Werner, Bryon Nicholson, Kevin Ross, Melissa & Andrew Deguara, Lindsay & Kellie Neilsen, Doug Mitchell, Colin & Georgina Vassallo, Rex Stroppiano, Peter Gibson, Mick Galea, Stephen Barbella, Melvyn Finn, Beau Browning, David Capello, Chris Scriha, Mark Zarb, Peter Doyle, Brett Leach, Peter Evetts, Wayne Vickers, Ross Nicholson, Jeffrey Agius, Rod Watt, Blair Watt, Peter Mifsud, Greg Vassallo, Anthony & Julie Ferlazzo, Paul McKay, Stephen McKeering, Jordan Ward

APOLOGIES

Bill & Dianne Hobbs, Brian & Judy Pownall, Marty & Marg Muscat, Graham Fasanco, Graham Volker, Chris Punzell, Justin Carena, Larry Voltz, Stephen Russell, James Bugeja and Brett Leach

AGENDA ITEM 1

MINUTES OF 2021 ANNUAL GENERAL MEETING

Moved D Mitchell *seconded* B Nicholson that the Minutes of the Annual General Meeting held on Thursday, 4 November 2021 be adopted.

carried

AGENDA ITEM 2

CHAIRMAN'S REPORT

The Chairman addressed the meeting stating the Announced Allocation percentage for irrigation supply in the Pioneer River Water Supply Scheme was set at 100% for the fourteenth consecutive year in 2021-2022. Although we had below average rainfall of 993mm for the year, compared to the average of 1666mm, for most farmers the falls were spread enough that they did not have to irrigate. Less than seven thousands of the available forty-seven thousand ML were used during the year. This equates to 14% usage for the year which is the lowest annual usage since 2017 when we used about 11%.

On the water supply front across all irrigation allocations in the PVWater Scheme the State Government controlled, Sun Water, increased bulk water charges 18% over the previous year's then implemented a 15% discount giving us an overall 3% increase.

In irrigation areas where PVWater relies on electricity to supply irrigation water (Palmyra, Septimus, and Silver McGregor), state-controlled electricity costs have continued to increase with predictions of up to 56% increase over the next eighteen months. For 2021-22 the cost of electricity, definitely pushed down the volume of water used by irrigators.

These ongoing significant price increases have been part of a strategy implemented by successive Queensland Labor governments', to transition the agricultural sector towards "cost recovery" for electricity and water inputs.

This strategy:

- disregards the fact that subsidizing these input costs enables the productivity required by agricultural businesses to compete in a sector where commodity prices are dictated by world markets:
- fails to recognize that irrigation schemes, which were constructed to support the regional economy on the back of that increased productivity, were never intended to recover input costs,
- would not have proceeded at all on a cost recovery basis.

There can be no doubt at this point that governments' cost recovery model for the agricultural Sector has failed water allocation holders in the Pioneer Valley. The price increases have overseen the demise of the regional water market, with water allocations now seen in many cases as a deterrent to farm transfers. At the establishment of the scheme irrigators took on an allocation which was then viewed as an asset, now many view their allocation as a liability. There is no doubt however, irrigators who embrace irrigation and use their allocation to its potential are benefiting from higher production especially through this period of reasonable sugar prices. Unfortunately, poor mill performance is negating the benefits of this higher production.

With regard to electricity prices, we have seen an average of 35% increase in charges across the scheme. As you are all aware the current Federal and State Governments are determined to move to 80% renewables by 2030 and according to the Federal Budget this will mean an increase in electricity charges of around 56% over the next 18 months.

For the 2021-2022 Water year, as a non-trading co-operative with no employees, Pioneer Valley Water Mutual Co-operative Limited maintained its *Service Agreement* with Pioneer Valley water Co-operative Limited for the provision of administrative and infrastructure maintenance services. In these times of escalating costs and uncertainty largely exacerbated by a government out of touch with agriculture and particularly irrigation schemes. It is crucial that your Board remains focused on the need to balance the costs to irrigators for maintenance and renewal of scheme infrastructure against the potential for rendering *use* of that infrastructure unaffordable.

In-line with our Co-operative Vision to maintain a cost effective and technologically sustainable infrastructure and water distribution service for our customers into the future, we recognize the need to replace and upgrade some assets that have passed their useful performance life. For this purpose, we keep an asset refurbishment fund rather than imposing an additional levy every time we have to upgrade or replace an asset.

Over the last 12 months PVWater has increased advocacy efforts around energy and water pricing issues. The Chairman would like to thank those irrigators who have taken up PVWater's on-going invitation to participate in direct approaches to local MP's as we all strive to get the affordability message across to decision makers.

Additionally in 2021-22, PVWater has:

- provided information to, sought meetings with and extended invitations for scheme inspection to the relevant Ministers and to government bodies at both the state and federal levels.
- We have actively contributed to the very large number of submissions made to various inquiries, prepared by the National Irrigators Council, Agriculture Industries Energy Taskforce and Queensland Farmers Federation.
- We have been on the radio and TV!
- We have consulted with the Australian Energy Regulator, and with government owned corporations at both the Queensland electricity network (Energy Queensland), and electricity retail (Ergon Energy) level about appropriate electricity tariff design for agriculture.
- We have continued ongoing discussions with state government department representatives and with SunWater regarding the unaffordability of proposed increases in bulk water charges. We will continue to lobby for support for a micro-grid based on Mackay Sugar's CoGen unit. We met with and made submissions to both major parties regarding the present cost of water and electricity and we will continue to lobby the State and Federal Governments on this.

In-line with our Co-operative Vision to maintain cost effective and technologically sustainable infrastructure and water distribution service for our customers in the future.

From 1st July 2021 Pioneer Valley Water transferred its demand management to Tyeware's Telemex Smart Irrigation System. This new system allows allocation holders to better monitor their water usage and place water orders via a web portal or an app.

The Telemex System:

- Improves water order visibility
- Views remaining allocation based on previous usage and current orders.
- Views current demand and remaining capacity on the whole distribution.
- Views the status of orders.
- Improves the ability to cancel orders even if partially delivered.

Using Telemex is the preferred method although orders will be accepted by phoning the office during office hours.

Tyeware Telemex Smart Irrigation is locally developed and supported by skilled technicians based in Mackay.

The Board and staff met with water allocation holders at several different shed venues this year to discuss issues of concern and ways to improve our performance. Following overwhelming support, we initiated a plan for WA Holders to read their own meters. This allowed us to operate with one less Field Service Officer when Richard Faulkner resigned. The associated savings were passed on in reduced water charges.

We have had a challenging year from the personal side, after 22 years in the role as Administration Officer, Judy Walsh retired in March this year and Steve Arnold and Richard Faulkner moved on. The Chairman would like to thank our staff: Steven Ford, Sadeta Jakupovic,

Darren Roberts and Harley Kruse for the excellent and capable way they have bonded into a new team. We have a small team who work well together and are very effective in their individual roles.

The Chairman also thanked his fellow Directors for their time and contribution throughout the year. The Chairman also thanked everyone for attending this year's AGM as members of PV Water and PV Mutual.

AGENDA ITEM 3

OPERATIONS OVERVIEW

2021-2022 Operations Overview

General

With the upgrades to the Demand Management System being completed during FY21 the focus for Pioneer Valley Water has shifted to getting the team back to more hands-on approach to minimize sub-contractor use when possible. To this effect we have got one team member qualified with EF and butt-welding procedures through Col Joy Training. With repairs being carried out in house since completing the course and using Poly Welding equipment already owned by Pioneer Valley Water on average the cost of the last three repairs have reduced by around 60-70% depending on if the repairs have been on Poly line or concrete.

Pioneer Valley water aims to have the other team member through the same course before the end of the year depending on course availability. Also, during FY21 Pioneer Valley introduced shed talks for the different schemes. The feedback we received from these talks in a more unofficial setting helped with identifying issues specific to that area.

Palm Tree Creek

During FY21 Palm Tree Creek pipeline required five pipeline repairs, Lateral 4 offtake Isolation valve and Cattle Creek pressure relief valve replacement. Out of the five repairs we have carried out on Palm Tree Creek, three have been old repair sites and two have been split lines. It is worth noting that one of the repairs on Lateral 4 highlighted some short falls in our procedures which unfortunately dragged the repair process out longer than is acceptable and we have since made changes to correct these issues. Since this repair and getting staff qualified through Col Joy Training the next two repairs carried out on Lateral 4 have taken between 2-4 days depending on availability of excavator operators.

Septimus

A long-term leak was repaired on Septimus and this downtime was also used to replace a Non return Valve in the pumpstation located at the lower rising main. As mentioned previously we have now moved to conducting as many repairs as possible and small maintenance issues in house and another two repairs have now been completed on Septimus by Pioneer Valley Water and one of those repairs had Lateral 5 down for six days and the repair on the main line had no interruptions to supply.

Silver McGregor

It was mentioned last year that water supplementing into Palm Tree Creek by Sunwater was not possible due to repairs required on their Release Valve. Although this upgrade is still ongoing, we have been staying in touch with Sunwater to carry out those repairs early next year which allows for the ongoing release into Palm Tree Creek as needed for the time being.

Palmyra

Spraying of the channel is ongoing and we have identified some bottle neck problem areas of the system that we now monitor on a regular basis and clear out if required.

Riparian

Reports of four meters not working throughout the system were investigated and rectified.

AGENDA ITEM 4**2020-2021 ANNUAL REPORT AND FINANCIAL STATEMENTS****Review of Financial Statements**

The General Manager gave an overview of PVWater's financial position per previous AGM's.

"The summary of the combined **Statements of Comprehensive Income** for PVWater and PVMutual showed that:

Despite the very low interest rates on offer we increased our cash reserves by \$350,000 over the year.

Overall equity increased by \$450,000

Profit and Loss

Before depreciation charges we made a combined profit of \$284,000 however after our combined depreciation of \$878,000 we ended up with a combined loss of \$594,000.

As a co-operative we are not allowed to pay a dividend, unlike a corporation where their profits go towards a dividend. In our case our loss reflects the low water charges. One of the later slides shows the Access and Usage Charges for the past six years and our Access charges are lower now than for the past six years.

As another issue we budgeted last year for \$196,000 of water usage but with less than 15% usage we charged around \$90,000 – a short-fall of over \$100,000

We have endeavoured to keep water charges as low as possible, however we cannot sustain losses of this magnitude so over the next few years we will have to gradually increase our charges to come back closer to a break-even point."

Moved W Vickers *seconded* S McKeering that the 2021-2022 Annual Report and Financial Statements for Pioneer Valley Water Co-operative Limited be adopted. *carried*

AGENDA ITEM 5**APPOINTMENT OF AUDITORS**

The Chairman stated PVWater have reappointed SH Tait & Co as auditors for Pioneer Valley Water Co-operative for the 2022-2023 financial year.

Moved D Mitchell *seconded* R Nicholson
carried

AGENDA ITEM 6**ELECTION OF DIRECTORS**

The Chairman advised the call for nominations in September for Kevin Ross (PVWater) and John Werner (PVMutual), indicated their willingness to re-stand as Member Directors. There being no further nominations, these Directors were duly re-elected and the meeting ratified the re-election of Kevin Ross to the Board of PVWater and the re-election of John Werner to the Board of PVMutual.

Moved B Nicholson *seconded* D Mitchell
carried

The Chairman called for the motion to ratify the appointment of David Said as an Independent Director of PV Mutual.

Moved D Capello *seconded* K Ross
carried

Luke Malan was appointed as a director a few months ago to replace John Formosa when he stood down. Luke has officially resigned due to him leaving Mackay Sugar the previous week. We will be looking for another Independent Director in the near future to replace him, wishing Luke all the best for his future.

Remuneration Cap

The Manager advised in 2016 the remuneration cap for directors was set at \$30,000 for PVWater and \$20,000 for PVMutual. In the 6 years since then CPI increases alone have meant that the cap is now over the amount set in 2016. The Manager proposes that the caps be increased to \$40,000 for PVWater and \$30,000 for PVMutual to accommodate the next five years when they will again be reviewed at the AGM in 2027.

Remuneration cap set at \$40,000 for PV Water and \$30,000 for PVMutual

Moved D Capello *seconded* D Mitchell
carried

AGENDA ITEM 7

GENERAL BUSINESS

Electricity Prices

Despite the fact that we have some of the world's best coal resources on our doorstep, and despite the fact that Mackay Sugar's CoGen unit could provide reciprocal cheap power to all the cane growers and irrigators including PVWater, our state government has chosen to give Queensland some of the highest electricity prices in the world.

We have spent a lot of time this year talking with politicians from both sides of government both State and Federal, with government bureaucrats and with Ergon, Energy Queensland, and the Australian Energy Regulator about setting up a microgrid based on Mackay Sugar's CoGen unit and utilizing the existing network to provide cheaper power to all our members and water allocation holders. The poles and wires are already there and even if we had to pay a user charge for the network and a fixed rate for the electricity from the CoGen unit it would be cheaper than the current rates.

We have been working with Queensland Farmers Federation, National Irrigators Council and Canegrowers to lobby the government through the Minister to come out with a Food and Fibre Tariff that limits the cost for agriculture to 8 cents per kW for supply and 8 cents per kW for distribution but to date we have been unsuccessful.

Water

The Manager commented as you are all aware the government committed to a 15% reduction in water costs for broad acre irrigation. As the Distribution Operations Licence holder, PVWater received the 15% reduction from SunWater at the same time as they increased their bulk water charge by 20%. As you will see we have minimised the increases for the current year and continued with the 5% discount for members.

With the new Telemex system in place it is a simple matter to put in your orders. At the end of the day if we can better control the flow of water then we can minimize our costs which can then be passed on to you as users.

In the Financial Report I told you that the price of water here has hardly changed over the past seven years. You can see on the attached sheet that in most cases Access Charges are actually lower than seven years ago while there have been some increases in water usage charges over that time.

Pumped Hydro Project

We were all recently shaken by the announcement that the State Government was building the biggest pumped hydro generator in the world in our valley. As it turned out this is another government project that appears to have been planned on the back of a beer coaster in a pub somewhere!

With very little planning and no consultation with stakeholders this scheme has been set as the saving grace for Queensland's energy demands into the future. We now know that the dams are proposed for further up Cattle Creek and on top of Dalrymple Heights. They will not all be full at the same time and are not supposedly going to impact on stream flow in our scheme.

As many of you are aware, SunWater has a water trading board on which you can register your water for sale or to buy. If the pumped hydro project does take shape, then it is possible that with adequate electricity and water, schemes like a hydrogen plant could be developed here. This could give the water market some buoyancy and provide an alternative for water trading. It would have to comply with PVWater requirements to protect all the allocation holders in the scheme, but it could provide an alternative market.

Several questions were asked by irrigators that were answered by the Chairman, Operations Manager, and the General Manager.

Questions

Doug Mitchell raised his concerns regarding the Operations Report re the failings of Lateral 4.

Doug Mitchell and his neighbour had some tense discussions with PVWater about the poly work done by the sub-contractors and suggested going back to repairs in-house and recommended Darren going to do a Poly Welding Course so he could better understand the quality of the work being done by the contractors.

The General Manager replied that they had listened to Doug Mitchell and Richard Ross and thanked them for their advice. The Chairman said he was not scared to say we learn from our mistakes.

Harley Kruse commented part of the reason for doing our repairs in-house is the availability of sub- contractors. Being classed as a mining area companies tend to need a few weeks' notice to supply a contractor.

The Chairman stated that the delays that occurred on Lateral 4 should have never happened and agreed it wasn't good enough.

Bill Cooper advised when he first joined the Board, they used to do the repairs in-house, and that was why they had the Poly Welder in the shed., Last year no-one was qualified to use the Poly Welder and that is why they used sub-contractors. Now Darren has done the course, and we are doing the welding repairs ourselves.

The General Manager said since he came here, he had sent a couple of people on training courses and then they left.

The Chairman commented Darren and Harley are very good and work well together and are willing enough to do the work over the past months, they have gone above and beyond to get the job done, well done to both of them.

Peter Gibson stated that the Profit and Loss was almost dominated by the Depreciation, and maybe David Said could answer this question. "How much is book depreciation and how much of it is real depreciation? What makes the value on the books? We might not be going to replace it in that time frame, so how much is our bills?"

David Said advised it is really all book depreciation. We get the replacement value and then the depreciation is based on that value.

Peter asked is \$350K enough to be putting aside for the future replacement?

David commented "No, if you look at the total replacement value – replacements are \$50M. Depreciation today is about \$28M so you have passed the 50% mark of the useful life of the assets, then you have \$4.5M in those reserves so they are probably running abit low. There is a 5-year revaluation scheduled for this financial year so we will review the annuity requirement then.

Discussions took place regarding different scenarios (e.g., time/venue) that could possibly attract more irrigators to attend AGM's.

The Chairman closed the meeting by thanking the irrigators present for their time and hoped to see more irrigators next year.

This being all the business, the meeting closed at 8.32pm.

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Chairman