

Halton Lune Hydro

Hydro-electric Community Project

2019 Chairman's AGM Report

1. INTRODUCTION

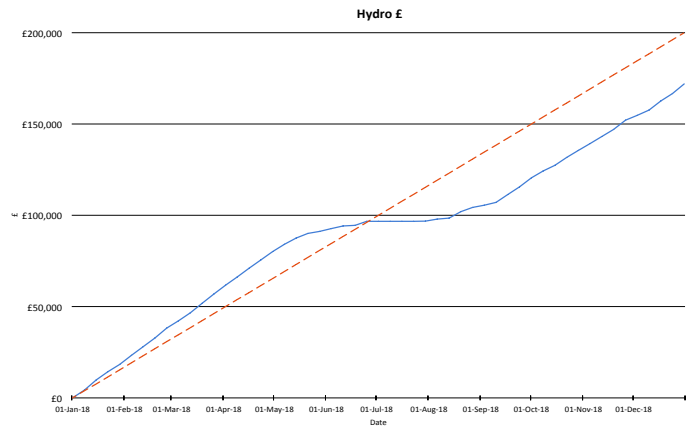
2018 proved to be an interesting year - as they always are!

We are however fortunate to have a good team of local operators and maintainers, who I wish to thank for their efforts and enthusiasm. This includes the fish monitoring and trapping team, whereby salmon and sea trout are trapped and undergo health checks, under control of the Environment Agency.

2. REVENUE

We experienced the abnormally long dry spell with the river well below the crest of the weir, instead of floods, and providing virtually no power generation through June, July and the first part of August. Performance was however good either side, and we generated £173,500 revenue instead of £187,390 last year that was boosted with a rates rebate, so have sufficient to pay shareholders a 4% dividend, based on the original investment before tax rebates.

The 2019 year has started very well, and we look forward to achieving the £200,000 target as per the red broken line on the attached 2018 graph.



3. OPERATION & MAINTENANCE

The technical learning curve relative to our particular installation continues, as there have been computer-programming developments based on our operating experience. We have made improvements with power sharing between the two turbines (these receive different FITs revenue amounts) and developed more remote control by the Duty Officers - such as dealing with leaves that block inlet screens. The inlet screen cleaners have a limit in this respect and we find that leaves simply fall off the screens if both turbines are remotely stopped for five minutes and re-started.

We undertook the usual summer inlet drain down during the dry spell and removed a build up of stones that heavy machinery was unable to reach after the November 2017 flooding. Two conveyor belts really speeded the process as per the adjacent photo.



The left hand photograph was taken on the turbine side of the inlet screens, which are cleared of debris each year.



The bottom right photograph is looking towards the turbine inlets where aluminium plates have been installed to hold back water.



The outlet area also had to be drained down this year to allow repairs to the riverside turbine. Divers removed stones from the slots where steel sealing plates sit and one is a keen underwater photographer, so just a few underwater safari fish videos at the AGM this year.

4. SHAREHOLDERS

Moving now to the shareholder matters. The work of Secretary Brian Jefferson has been rather demanding, as the bank have stopped use of cheques in quantity and instead, all shareholders have been requested to provide bank details for direct payment. This means that dividend payments can be made direct to the bank, but its not possible to provide the formal notification normally required by HMRC, without accurate contact details, so please do let the Secretary know of email changes and house moves.

An associated subject is that of repaying capital to our shareholders from generated income over the twenty year FIT income period. We thank all shareholders who invested initially to make the project viable - and more recently, those having offered to sell back to assist achieve objectives.

If you consider the investment to have been beneficial and that you are now able to release shares, it would be appreciated, as it is essential that we ensure the ring fenced annual amounts of around £80,000pa are paid out, rather than sitting in the bank gaining less than 1% interest, and at the same time our paying 4% interest.

Given a steady pace of shareholder payback, the total dividend payment becomes less each year. The savings are then added to the sum donated to the Halton Lune Trust (HLT) for worthy community causes, as per the target table shown below.

GUIDELINE REPAYMENT TAB Revised 11Jan19

Year 1	Target refunds	Cumulative	New target	Cumulative	Deficient	Interest	Interest paid	HL Trust
2015		0		0		£3,000 basic plus interest saved from 2018		
2016	£40,000	£40,000	£15,300	£15,300	£24,700	4.0%	£55,680	£5,000
2017	£70,000	£110,000	£16,000	£31,300	£78,700	3.4%	£44,948	£6,200
2018	£70,000	£180,000	£90,250	£121,550	£58,450	4.0%	£50,080	£7,862
2019	£70,000	£250,000	£97,450	£219,000		4.0%	£47,280	£11,760
2020	£75,000	£325,000	£78,000	£297,000		4.0%	£44,280	£14,880
2021	£75,000	£400,000	£78,000	£375,000		4.0%	£41,280	£18,000
2022	£75,000	£475,000	£78,000	£453,000		4.0%	£38,280	£21,120
2023	£75,000	£550,000	£78,000	£531,000		4.0%	£35,280	£24,240
2024	£75,000	£625,000	£78,000	£609,000		4.0%	£32,280	£27,360
2025	£75,000	£700,000	£78,000	£687,000		4.0%	£29,280	£30,480
2026	£75,000	£775,000	£78,000	£765,000		4.0%	£26,280	£33,600
2027	£75,000	£850,000	£78,000	£843,000		4.0%	£23,280	£36,720
2028	£75,000	£925,000	£78,000	£921,000		4.0%	£20,280	£39,840
2029	£75,000	£1,000,000	£78,000	£999,000		4.0%	£17,280	£42,960
2030	£77,000	£1,077,000	£78,000	£1,077,000		4.0%	£14,200	£46,080
2031	£90,000	£1,167,000	£90,000	£1,167,000		4.0%	£10,600	£49,680
2032	£90,000	£1,257,000	£90,000	£1,257,000		4.0%	£7,000	£53,280
2033	£90,000	£1,347,000	£90,000	£1,347,000		4.0%	£3,400	£56,880
2034	£85,000	£1,432,000	£85,000	£1,432,000		4.0%	£0	£60,280
20 Years			£1,432,000					£586,222

It will be noted that the table has been updated since last year, as we did not achieve target payback, and now target a catch up over the next two years – otherwise dividends will suffer.

It would of course be good to use the increased revenue from inflation to pay higher dividends, but in addition to repairs and replacements, which increase as plant ages, there is an unavoidable situation of corporation tax becoming significant from 2021. (£21,000 pa instead of £1,700 estimated for 2020). This is because we shall have utilised all of the capital expenditure as depreciation, to offset corporation tax.

Becoming a charity has been fully investigated, but the hydro is in the business of generating electricity, so does not qualify.

5. AGM 2018

An interesting question was raised at the 2018 AGM, regarding who owns the Hydro when all shareholders have been re-paid? We therefore propose at this year's AGM to invite those being re-paid from now on to keep a single £1 share that does not pay dividends, and thus retain a significant number of shareholders for ownership and overseeing the project. Those already having taken capital sums back will also qualify, should they wish to buy a £1 share. This will need to be written into Company Articles, hence the motion on the agenda.

6. BOARD of DIRECTORS

One of my responsibilities as a company Chairman is to take a leading role in determining the composition and structure of the board for effectiveness in achieving objectives.

Good communication, expertise, availability and succession planning that includes a good spread of age, are high on my list. Two very active members of the management group that will bring the director age profile down, and willing to accept the extra responsibility as company directors are:

- Maria Angeles Solera*, a regular Duty Officer who deals with analysis and presentation of fish counting & result validation, the hydro turbine digital operating systems and associated reporting to the Environment Agency.
- Nick Mannion*, a regular Duty Officer having made a significant input to matters of operation and maintenance. Nick would become deputy to civil engineer and founder member Allan Denham, who wishes to stand again following completion of his three year term.

This would produce a full management board, with up to six directors, of:

- John Blowes – Project Manager and Chairman. Founder member and director
- Brian Jefferson – Company Secretary. Founder member and director
- Kevin Frea – Fish trapping, publicity and the web site. Founder member and director.
- Allan Denham – Overseeing maintenance. Founder member and director.
- Maria Angeles Solera* – Data Analysis and day to day Environment Agency interface
- Nick Mannion* - Day to day maintenance
- Jon Sear - Lancaster Cohousing Representative, Fish trapping lead with Kevin and Deputy to John Blowes for operations.
- Graham Porter - Duty Officer with good availability and knowledge.

Other members of the team are regular duty Officers, namely Chris Baxter, (electrical maintenance and upgrading), Carl Richardson (mechanical maintenance and upgrading) and Steve Brant (mechanical maintenance and timber removal a speciality).



John Blowes CEng MBE