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4 November 2014

The Hon Cr. Mayor McGrady A.M.
Mount Isa City Council
PO Box 815
Mount Isa Qld 4825

Dear Cr McGrady,

Tony,

Mount Isa City Council Water Supply

I am writing regarding Mount Isa City Council's demand management activities.

As you are aware, the current blue-green algae levels and consequent water quality issues have necessitated the installation of temporary filtration plants to ensure the continued supply of safe drinking water. Unfortunately the situation continues to deteriorate, with continued high blue-green algae levels, poor water quality and a lack of rainfall.

In addition to the need to preserve water supply in Lake Julius, the deteriorating water quality also reduces the volume of water that is can be filtered and provided by the treatment plant.

The recent efforts made by the Council and the Mount Isa community to conserve water has allowed demand to be met until recently. Unfortunately however, with the continued deterioration in water quality and hot, dry weather, the average Mount Isa City Council demand over the last ten days has exceeded average clean water production capacity at the treatment plant.

In the light of this recent development, I regretfully request the Council's urgent consideration of what further measures could be immediately implemented to manage demand within the available supply.

In the interim, MIWB is making every effort to effect all management actions necessary to maximise production. We are also investigating if any changes to the plant might be made to improve production. None the less, no solution is available to radically increase production during November 2014, being the month with the highest historical average demand.

If you have any queries regarding this matter, please telephone MIWB's Chief Executive Officer, Mr Stephen Farrelly on telephone 07 4740 1007.

Yours sincerely

Rowena McNally
Chair

2 February 2015

The Hon Cr Mayor McGrady AM
Mount Isa City Council
PO Box 815
Mount Isa Qld 4825

Dear Mayor McGrady

Mount Isa City Council Water Supply

I am writing to update the Council on the issue outlined in my letter of 4 November 2014 and our subsequent discussions and briefing of 9 January 2015.

At that time I advised that the current leased treatment plant capacity is constrained and that the Council's demand had on a number of occasions exceeded the available treatment capacity. We also provided a briefing on steps taken by Mount Isa Water Board towards a permanent solution which will provide additional capacity. As we discussed, until that solution is in place, it is crucial that consumption does not exceed the current production capacity of the current filtration system. I note Council was optimistic that restriction levels were adequate to address this issue but was prepared to re-examine this issue if this proved not to be the case. I also note that during the period of rainfall in early January 2015, water consumption in the city was subdued and therefore the available clean water supply was sufficient

Since our discussions on 9 January 2015 the situation has further developed including:

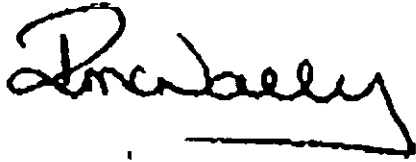
- Hot, dry weather has returned and Council has increased the watering time available to residents;
- The quality of the available raw water has continued to deteriorate, contributed by large amounts of decaying plant matter following the recent heavy rains; and
- The Mount Isa City Council demand over the last week has exceeded clean water production capacity at the treatment plant.

Mount Isa Water Board has taken a number of steps to counteract the impact of falling water quality, but options are limited. There is no way to augment the treatment capacity to radically increase supply during February 2015 which is forecast to be a dry month.

In the light of this continued trend, I regretfully request the Council's urgent consideration of what measures could be immediately implemented to manage demand within the available supply.

If you have any queries regarding this matter, please telephone Mount Isa Water Board's Chief Executive, Mr Stephen Farrelly on telephone 07 4740 1007.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rowena McNally'. The signature is written in a cursive style with a horizontal line underneath the name.

Rowena McNally

Chair

5 February 2015

The Hon Cr. Mayor McGrady A.M.
Mount Isa City Council
PO Box 815
Mount Isa Qld 4825

Mount Isa Treatment Plant Expansion

I am writing to update the Council on action being taken toward a permanent solution for water treatment.

As the Council will be aware, current leased plant was originally intended as a short term solution to a significant BGA outbreak. The unprecedented, continuing failure of Clear Water Lagoon has since resulted in an urgent need to implement an alternative, permanent water treatment solution with sufficient capacity to meet post-drought demand.

Although the expected delivery time for a permanent treatment equipment was anticipated to be 22 to 26 weeks, MIWB has been working for some months to ensure the time for delivery would be kept to a minimum, as was advised in our discussions of the 9th January and earlier this week.

I am pleased to advise that the Mount Isa Water Board has now entered into a contract for supply of permanent filtration equipment. This contract will allow MIWB to expand filtration capacity using a staged approach, some gains being achieved in approximately 8 weeks from now.

I therefore advise the Council, as per section 4.3 of the Water Quality Services contract that MIWB intends to upgrade its treatment processes over the next six months.

While the cost of this upgrade will necessarily be passed to Mount Isa City Council as per the agreed pricing model as part of the fixed charges, I am pleased to advise that Mount Isa Water Board has also been able to negotiate a variation to the lease agreement which, effective from the February lease charges, will reduce the lease cost from \$248,000 per month to \$10,000 per month. This represents a saving to Council of at least \$1.19 million in pass-through costs this financial year. This saving will more than cover the additional cost of the permanent treatment plant.

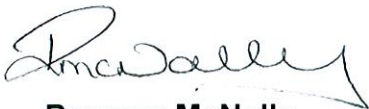
Although it will not be possible to increase the water supply available during February 2015, I confirm that MIWB is committed to seeking every opportunity to implement the solution as soon as possible. Our current contractual arrangements require MIWB to

give two month's written notice of a planned upgrade, hence this letter, however we are seeking Council's agreement to waive this contractual right for formal notice to allow urgent completion of the planned upgrade. Please advise urgently if the Council not agreeable to this accelerated timeline.

In the interim, I request the Council's continued support for whatever measures can be immediately implemented to urgently reduce current elevated water use to levels within the available supply.

If you have any queries regarding this matter, please telephone MIWB's Chief Executive Officer, Mr Stephen Farrelly on telephone 07 4740 1007.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rowena McNally', written in a cursive style.

Rowena McNally
Chair