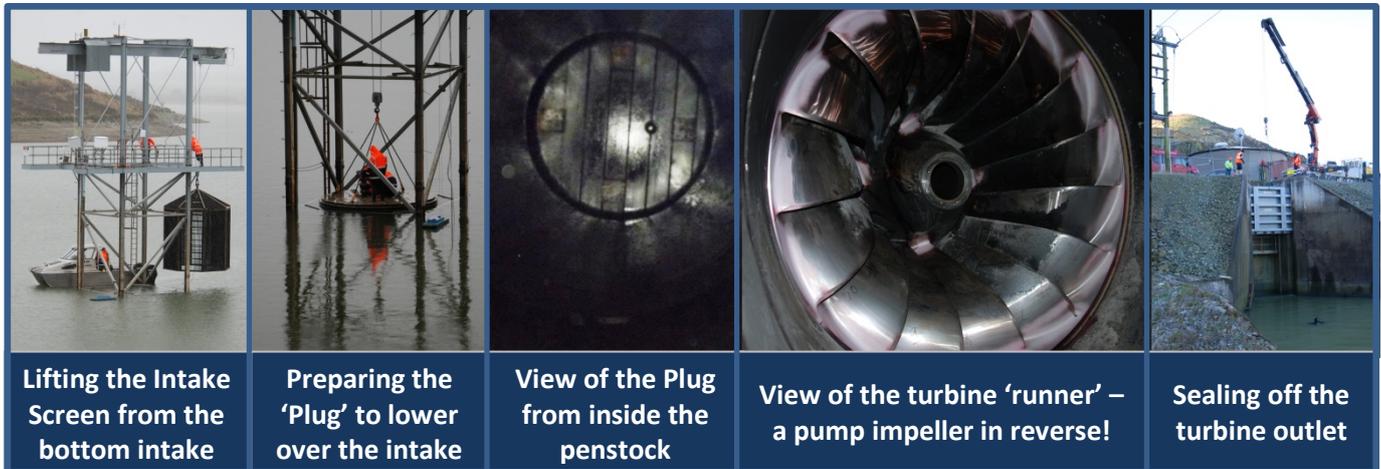




NEWSLETTER

July 2013



Lifting the Intake Screen from the bottom intake

Preparing the 'Plug' to lower over the intake

View of the Plug from inside the penstock

View of the turbine 'runner' – a pump impeller in reverse!

Sealing off the turbine outlet

WELCOME

We're well and truly into the winter weather season which is supposed to be a quieter time in the irrigation business but it has been an interesting period recently for us with our off-season activities at the dam in particular. I am also pleased to be able to report a successful kick-off of our Audited Self Management pilot and also progress on the company restructuring plans.

This newsletter is to provide an update on each of these as well as a bit of a look ahead now that we have started our new financial year and in particular our position regarding this year's water charges.

OPERATIONS

Our Operations focus has been on maintenance activities.

Around the irrigation schemes, Steve and Chris have been managing our normal range of maintenance activities including vegetation control, cleaning of waterways and minor upgrade work on areas where there were operational problems during the season. There has also been some minor damage to deal with from the recent rains and flooding we had around the catchment.

Up at the dam we successfully completed a very significant inspection and maintenance outage in early June. The most notable activity in the programme was the isolation and access to the penstock – the main outlet from the lake that goes under the dam and connects to the power station. We believe this was the first time that this had been done since the scheme was commissioned in 1998. We are still awaiting final reports on the various inspections but the overall impression was that the penstock and turbine were in good condition with no major problems identified. There are some areas within the turbine that will require some replacement or refurbishment over the next few years but these are all typical for this type of machine and running hours. Over the two week period we had more than twenty personnel from ten different organisations involved in the maintenance and inspections and

the crew from TrustPower did a fantastic job for us managing all the different contractors and activities.

To isolate and access the penstock required divers at the lake intake tower to connect the crane to the intake screen to lift that clear of the intake at the bottom of the lake, then the isolation bulkhead or 'plug' needed to be lifted and placed over the intake to seal. The visibility at the bottom of the lake was virtually zero. With the inlet sealed, the penstock was then drained from the power station end. The final section required pumping to allow access into the penstock by the inspection crews. A survey was carried out at various points along the 170m pipe to measure pipe wall thickness and paint coating condition. The overall alignment of the penstock was also surveyed and a thorough visual inspection was completed. There were some areas of minor corrosion and paint coating deterioration that were stripped back and repainted.

The turbine was also sealed off on the downstream side with a large bulkhead that is lifted in by crane. Once this was completed and the turbine drained, it was able to be opened up and inspected inside for signs of wear. With all the plant isolated and drained, it was also an opportunity to check and adjust the main isolation valve to ensure it was sealing properly in service.

AUDITED SELF MANAGEMENT – PILOT PROGRAMME FOR 2013

I was very pleased with the response to our call for participants in our pilot. We have ten landowners on-board and after our briefing evening session and then the Farm Plan Workshop, everyone has now completed the first draft of their Farm Plans. There are followup on-farm visits over the next month where our advisors will visit each of the participants to go through the draft plans on the property. There are three of our participants that require the Farm Plans as part of consent applications they have underway and we will ensure that their Plans meet the requirements for this. For the remaining seven, their Farm Plans will become a template for their activities over the next 10

months or so and there will be an audit process in the second half of the irrigation season to see that the Plans accurately reflect the on-farm activities. In the meantime, the pilot is a great opportunity for me to assess what systems and resources we require to implement and manage a scheme wide ASM system that will comply with both Regional Plan requirements and also individual farmers' needs.

We will be looking to roll out the programme to a wider group in 2014 at the conclusion of the next irrigation season.

Thanks again to those participants that have stepped forward.

In my last newsletter I gave quite an extensive outline of the background and reasons why we are getting underway with this and described my view on why it is inevitable that most of our irrigators will be required to be part of the scheme ASM programme. It is essentially about achieving improved environmental outcomes on a catchment wide basis.

COMPANY RESTRUCTURING

At the June Board Meeting, the proposed steps required to simplify our overall structure and consolidate the entities within the Opuha group into one company was outlined to the Directors. The process has been changed slightly from what had originally been contemplated after receiving feedback from our tax advisors. We are now underway with a more detailed level of planning and will be convening a Steering Group that will include representatives from all the entities to assist in the important shareholder communication and approval processes that will be required. It is our intention that all shareholders will have the opportunity to understand the imperatives for this initiative and the process proposed and should therefore feel confident is giving their approval where necessary for the various steps.

An important part of the restructuring process will be the development of new Water Supply Agreements (WSAs) that will form the new contract between each one of our irrigators and Opuha Water Ltd. These new WSAs will replace the Levels, SCFIS and Kakahu agreements that currently exist.

LAKE STORAGE UPDATE

There have been some fairly significant weather events over the last six weeks and while it has caused some disruption to our power station operation and caused some damage from flooding in the lower catchment, we have fortunately come through it very well from a water storage aspect. We are currently 98% full (5th July) which is well above our July average of 64% and we will be actively working to reduce the lake level with full time operation of the power station.

The dam was just under 50% full at the end of April and we had intended to hold it at this level for the maintenance outage at the start of June. Despite heavy rains in early May, we were able to have the lake at 50% on June 1st but then, the day before our outage, the heavens opened up again. We decided to push on with the outage which meant that, with the main penstock out of service, we were only able to release minimum flows using the small bypass line. The lake level rose by three metres over the two week period and was about 73% full when the power station was restarted. There was more heavy rain early in the following week and then the snow at the end of the week.



The snow fall up at the dam, in the Fairlie Basin and on the Two Thumb Range was very heavy and created a few problems when Alpine Energy's network went out. This meant we were unable to generate until the lines were restored however this isn't quite the issue faced by the local consumers who were without electricity for several days. The heavy snow around the dam presented challenges for Stephen to access site and maintain the fuel supply to the emergency generator. Thanks to David and Mark Williams for their help in getting access into the dam and keeping an eye on things when they had their own snow challenges.

The recent nor'west winds have melted most of the snow in very short time and the high inflows have filled up the remaining headroom we had in the lake in a couple of days.



NEW SEASON WATER CHARGES

Based on the budget we put forward in May and finalised in June, the Board has approved holding the new season's water charges at current levels.

The only change you should see on the invoices issued next month will be the consolidation of the 'Water Charge' and 'Operational Charge' into a single cost. The separation of the charges that we had previously is considered to be no longer relevant.

With the reasonably high irrigation demand last season, there were a number of irrigators that were near or did exceed the 80% season allocation. The existing water agreements provide for water use in excess of 80% to incur additional water charges. It became apparent however that most felt there had been insufficient information and notice provided of their use through the season (another case for individual water meters!) and also there was no notice of what the excess charges were. We intend to address both these issues for next season and will be providing a notice at the start of the season as to what excess charges will apply (and these will be the same for everyone across the Opuha scheme) and we intend to provide regular updates of individual water use, based at least on water orders.

Regards

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