



NEWSLETTER

August 2013

WELCOME

The winter season certainly seems to have eased quickly with a very dry (rainfall/inflows) and moderate July. I was talking today with one of our farmers who suggested we might see a few Water Orders coming our way if there is no rain in the next three weeks!?

This newsletter is primarily to provide an update to you all on three key topics – the restructure, our new OWL Director and an introduction to catchment groups that are being established throughout the region as part of the Canterbury Water Management Strategy (CWMS) and our local Zone Committee.

I will also provide a brief update on our operations and storage.

OPERATIONS

While Chris has been concentrating on the winter maintenance around the schemes, we have had quite an extraordinary run of minor maintenance work up at the dam and power station which Steve has been attending to with help from Chris.

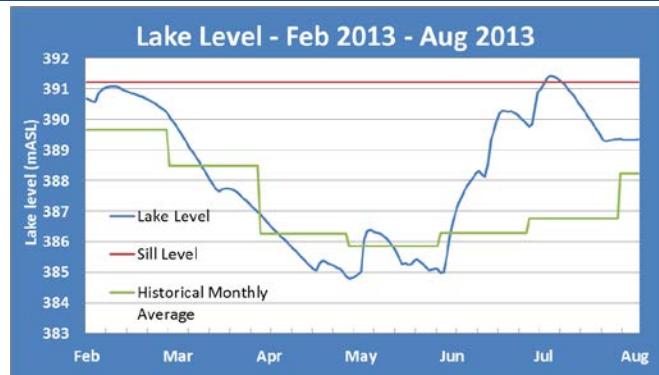
The overflow embankment (the ‘fusible’ section) at downstream weir has been leaking for some time and we have tried several alternative repair methods previously that don’t involve a major rework. Unfortunately these weren’t successful and last week Steve oversaw the repair involving an excavator, geotextiles and imported clay material.

Following the snow in June, we had a cable fault develop that meant the compressed air system for the spillway gates was out of action. We brought in some specialists to try and locate the fault (the cable runs from the power station up to the top of the dam) and then cut and removed the suspect section. Once the cable was exposed, the fault was very obvious and we suspect it may have arisen from some damage during the original construction. A new section of cable has been successfully installed.

We are installing some new security fencing up at the power station to clearly delineate the operational area and discourage any visitors or sightseers from getting too close to the facility. The site is visited regularly by tourists and does still seem to be popular for afterhours visits from younger locals so we want to protect them from harm as much as look after our own property.

LAKE STORAGE UPDATE

The rapid snow melt with the strong nor’westerly systems that came through in early July saw the lake level increase to an over-full situation despite full time generation. We continued to operate to create some storage room in the lake and we are now in a holding pattern at about 84% full. The loss of the good snow pack on the surrounding hills has meant we will be continuing a conservative approach over the next few months.



NEW DIRECTOR

The Board has approved the appointment of a new Independent Director and I am pleased to advise that Mr Jeremy Boys has joined the Board.



Jeremy is currently CEO of PrimePort so is well immersed in South Canterbury’s key regional infrastructure assets and operations. He is also on the Board of the local Chamber of Commerce which further connects him with the region’s commercial activities.

Jeremy is a civil engineer and his engineering career has taken him throughout New Zealand in various engineering and management roles. Jeremy has been CEO at PrimePort since 2001.

COMPANY RESTRUCTURING

Our restructuring Steering Group met for the first time in late July to gain an understanding of the restructuring process and to begin the planning required to ensure our shareholders understand the need for the restructure and the process that we will be following.

From the discussions there were a number of important issues identified by the group and we will be convening again in early August to work through those issues so that we can present the proposal to shareholders in August and September.

At this stage the aim is to ensure all shareholders have the opportunity to attend information sessions prior to the end of September. In October, we expect to be issuing information packs with the notices of meetings to be held in November. These meetings will be AGMs for the existing entities, followed by Special General Meetings to pass the various resolutions necessary to complete the restructuring.

One of the important aspects of the restructure will be the introduction of new Water Supply Agreements so it will be important that everyone is engaged in the restructure process and is familiar with the new Water Supply Agreements. As well as the essential commercial conditions regarding the supply of

water, I expect that these new agreements will be more substantial around conditions relating to the on-farm use of the water with an expectation that we will all move towards best practice irrigation practices with the objective of improving environmental outcomes across the catchment. These new conditions will align with our intention to develop an effective Audited Self Management system for water use across the whole company. Those of you who have kept up with where the new planning regulations regarding water and land use are heading will recognise that dealing with these issues and the regulatory requirements is much better managed at a scheme level than by individual farmers or even the smaller schemes having to manage alone.

Please look out for notices in the next few months on the restructure process and especially for the information sessions that we will be planning to enable all shareholders to become familiar with the process and have the opportunity to ask questions and have any concerns addressed.

CATCHMENT GROUPS

I would like to introduce and explain catchment groups as there will be a number of these groups getting underway in our area and many of you are likely to have the opportunity to be involved if you aren't already.

Catchment groups are small groups of (typically) local landowners who get together to look at the environmental issues associated with their activities. Most often the focus is on specific waterways (streams and creeks) and the trigger for a catchment group being established is likely to be local concerns about the condition of those waterways or the downstream catchment. In most cases the local folk are well aware that the particular creek or stream has deteriorated or sometimes water quality monitoring results may highlight that conditions are deteriorating before it is obvious to the locals.

Catchment groups are not new - there are several examples in the South Canterbury area where catchment groups have been established and are very successfully addressing environmental issues and improving the condition of their waterways. The Canterbury Water Management Strategy (CWMS) has given more impetus to identifying environmental issues and planning and implementing solutions. A fundamental concept of the CWMS is the devolution of responsibility to local people and this has been given effect firstly through the establishment of the Zone Committees and now catchment groups are a key part of the next step in this devolution process. It enables local people to become directly involved and responsible for the environmental issues in their area and to get support in their endeavours to understand and improve the condition of their local environment.

One of the good things about these catchment groups, is that there is support available to assist local groups in setting up and running them and the Zone Committee will normally arrange a facilitator to be available for this. Landcare Trust and more recently industry groups such as DairyNZ and are also willing to make staff available as facilitators.

In our Zone there are already catchment groups underway in Orari and there has recently been some initial meetings in the Clayton area. The Zone Committee has identified a number of areas where there are recognised concerns with local water

quality and is actively involved in the facilitation of catchment groups in these areas.

The area at the top of our lake has been the subject of water quality concerns where, in recent summers, ECan have posted 'No Swimming' notices because of poor results from their water sampling and testing. I think it is important that we understand what it is that is creating these seasonal conditions and we are being encouraged to use a catchment group approach to this area.

There will be other areas within our region where catchment groups will be established and I would encourage those of you who are able to be involved in a group to get on board. Local people dealing with local issues is always preferable for finding acceptable, long-lasting solutions.

WATER SHARES AVAILABLE

A reminder that we have shares for sale and/or lease on behalf of several vendors. We have potentially 140 SCFIS, 200 Kakahu and 3 LPIC shares available. We also have interest for LPIC shares and shares above dam if anyone has such shares available. Please contact Christine at the office in the first instance Ph (03) 614 7801, christine@opuha.co.nz

NEW WATER SEASON

We are currently working on a new, upgraded website that will include an integrated water ordering system. We are confident the new system will be easy to use and also provide irrigators with useful information on their historical water ordering. At the moment, our water ordering process is very labour intensive within the office as we deal with orders received via fax, phone call, text, email and through the website. Each of these individual orders is currently re-entered into a standalone system that enables us to produce the consolidated daily order and also records the water ordered by each irrigator. Our new system will significantly reduce this high resource demand, even if we are still dealing with fax, phone, text and email orders, however the more orders we can have done by irrigators via the website, the more streamlined the process will be. We may not have the new system up and running for the start of the season, especially if that is earlier than usual, but we are aiming to have it ready for October.

Prior to the start of the season, we will be sending out information on how we will be managing water use over 80% of allocation. This information will include the charges that will apply for any additional water ordered above 80%. We are confident that our new water ordering system will enable irrigators to keep up with their water order amount through the season.

YEAR END

Just a quick couple of provisional results from our June 30 year end results – we moved more water and generated more electricity than in any previous financial year; we made a surplus of around \$750k; and we were able to repay \$1m of long term debt. ☺

Regards



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