

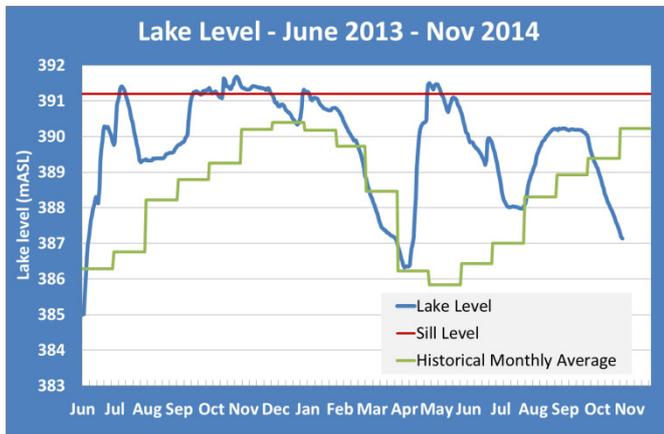
WELCOME

Welcome to the first newsletter of the new irrigation season and with the new Opuha Water Ltd. The season has certainly kicked off early this year (early October was one the busiest we've seen) and the conditions around the region are reportedly drier than usual. We are watching our water storage very closely as we have experienced nearly three months of low inflows and there is virtually no snow this year to provide our normal spring seasonal supplies. Our current lake storage level is of some concern.

In this issue I will present a closer look at our water storage position and the potential implications and then update on some important operational, environmental and company matters including the Director elections and upcoming AGM.

WATER STORAGE

Our lake storage is currently at approximately 66% full compared with our average level for November of 91%. It is the second lowest level we have recorded in November since commissioning and, at the moment, the storage is dropping steadily. At this time of the year, in most normal seasons, we are usually benefitting from snow melt which provides steady inflows and supports the higher environmental flows our consent requires. From mid-winter it was apparent that we were unlikely to get our normal snow pack on the Two Thumb range and we have been taking a very pre-cautionary approach to lake level management since the start of August. By the end of September we were sitting well above average but with the continuing low rainfall and no snow melt, the inflows have remained very low. October is our highest environmental flow period and this, combined with the early start to the irrigation season, has seen the lake storage draw down steadily over the month. So we are statistically low and the continuing downward trajectory is the opposite to our usual experience at this time of the year.



Under the Opihi River Regional Plan (ORRP) there are provisions for restrictions on water abstraction to be implemented when the lake reaches certain trigger levels. The ORRP provides for a consultative group called the Opuha Environmental Flow Release Advisory Group (OEFrag) – the group has representation from the District Councils, Federated Farmers, Fish & Game/Forest & Bird, Arowhenua and Opuha Water Ltd – to consider what response is required to low storage conditions. Through this group, we review and assess water storage and release issues, such as we have at present, and can make recommendations to ECan for earlier restrictions if the group believes that such action is warranted.

This group is looking at the current situation regarding the lake and we will try and keep our irrigators informed of any proposed actions such as water restrictions.

Operationally we will continue to manage our releases from the dam very carefully to ensure we are meeting our obligations but conserving water as much as possible.

At this stage, the best action irrigators can take is to ensure that you consider your water needs very carefully, order your water within the required notice periods and make sure you cancel your order to match when you plan to turn-off.

OPERATIONS

Water Ordering

As mentioned above, we are reliant on all our irrigators being very careful with your water orders and ensuring you only order water for when you need it and, very importantly, cancel your order for when you shut down. We release water every day on the basis of the water orders we receive, so your diligence with your water orders has a huge impact on our ability to manage the lake storage.

Our preferred method for irrigators to order water is using our on-line system via our website. We are really pleased to see that the majority of our irrigators are now using this system which ensures that the orders are received and actioned on time and that we can be as efficient as possible with our water supply operations. We also believe that the system helps you manage your water better by showing your current orders in a convenient graphical form. (see below)



If you are not yet using this system, please consider switching across. Christine is happy to provide enough training for everyone to be able to use this system.

Water Agreements

We will not supply water this season unless we have a new Water Agreement signed and returned from the shareholder. We have had a good response since the season started and most of the Water Agreements have been returned. Thank you.

ELECTRICITY CONTRACT AND SUPPLY TO OPUHA IRRIGATORS

Our contract for the sale of our electricity generation to Trustpower expired at the end of September. The contract with Trustpower had been very successful but we felt it was prudent to go to the market for a replacement contract because of the volatility that exists over future prices. Earlier in the year we were advised that a replacement contract might see a 20% reduction in our electricity income which was a very significant change (equivalent to around \$25 per hectare).

Many of you will be aware that we have been looking at options to sell our electricity to our irrigators and with the potential drop in our bulk sales contract, we felt that this 'self-retailing' option may enable us to maintain our income at similar levels without being forced to consider some adjustments to water charges. We have actually been running a small retail 'trial' this year to gain some knowledge and experience in retailing electricity.

We received a number of good responses to our electricity tender. Some of the offers would have allowed us to self-retail as well but, in the end, we have decided that the best deal for the company is with an offer that does not include a self-retailing option. So at this stage, we will not be able to offer an electricity supply option to our irrigators.

ENVIRONMENTAL

We would like to update you on the work done in recent times to progress Opuha's Audited Self-Management system.

Over the last few months we have been finalising the Environmental Management Strategy and Farm Environment Plan (FEP) procedures with the OWL Board, fine-tuning our web-based FEP, and have sought ECan approval for our FEP template. We have recently received confirmation that the template has been formally approved by ECan which is an important milestone and means that shareholders will be able to meet their requirements under the Land & Water Regional Plan as well as meet OWL's environmental objectives. It also means we can now begin the rollout of the FEPs!

FEPs are a valuable tool by which farmers can demonstrate that appropriate management practices are implemented on-farm to avoid or minimise adverse impacts on water quality and quantity from on-farm activities, especially those associated with irrigation. Farmers are finding themselves in an increasingly demanding market place and the call from the market to demonstrate you are managing your environmental risks and making environmental gains on-farm is getting stronger. We also firmly believe that FEPs will help you manage to any limits set and respond to challenges and changes that may be required as a result of the sub-regional plan, increasing the resilience of both shareholders and the scheme. Business improvement and cost savings can also be made through more efficient water and nutrient use and the FEP process will help you identify opportunities for these efficiency gains. Finally, we believe that there are some important benefits attached to being part of the Opuha collective when it comes to developing your FEP, especially in terms of cost sharing, education/training and interacting with the regulator as a group rather than individually.



Last week we had the first introductory meeting for the FEP process which was attended by a 15 shareholders - from a diversity of farm types, size and locations - who had indicated they would like priority in the FEP process. It was a great first meeting with some good discussion and feedback about the process and we thank those who put their hands up to be part of this initial rollout. This meeting will be followed by a workshop mid-November to draft the FEPs and then an on-farm visit to finalise them before the end of the year.

For those who would like to be part of the next round of meetings and workshops, early in the new year, please contact Julia at julia@opuha.co.nz or 021 535 174.

ANNUAL GENERAL MEETING & DIRECTOR ELECTIONS

All shareholders should have received voting papers in the post along with a notice of the Annual General Meeting on Monday 24th November at 5pm at the Pleasant Point Golf Club.

There are five vacancies on the Opuha Board and we have eight nominees in the election. The voting closes on **Friday 14th November** and all voting papers are required to be returned to the office by 4pm that day. All shareholders are encouraged to participate in the election. We have engaged an independent entity to manage the sorting and counting of the votes and the results of the election will be advised at the AGM.

VEHICLE FOR SALE

We have recently replaced one of the company utilities and have the previous vehicle for sale.

It is a 2009 Nissan Navara 4WD 2.5D Single Cab and Chassis model with a wooden deck. It has 276,351km recorded and has been owned since new by Opuha.



Anyone interested in the vehicle should contact Steve or Christine at the office.

Regards

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