



SHAREHOLDER NEWSLETTER

14 August 2015

WELCOME

The OWL Board and I believe it is appropriate to resume more regular update to our shareholders as we approach spring and the new irrigation season. As well as the newsletters, we will be posting regular updates on our website where you will be able to see the lake level and also our estimates of relative snowpack in the upper catchment.

I will aim to provide regular newsletters to report primarily on water storage and our outlook for the season ahead and also update on other relevant matters.

If at any stage, you have questions at all on any of the matters covered, then please email me directly [tony@opuha.co.nz] or call me at the office. I am also happy to take calls from you outside office business hours. My personal mobile is 027 2330412.

In this newsletter, you will find updates on:

1. The current water storage situation
2. Discussions with ECan about sediment sampling protocols
3. Our usual round-up of Operations and Environmental activities, shares available and other news
4. Our recent Infrastructure Group meetings
5. Some further shareholder feedback meetings proposed for this month

WATER STORAGE

Our lake storage is currently 67% full compared with our average level for August of 76%. The chart below shows our progress back from empty in early March. We are now in a similar position as we were in 2008 and 2011 and ahead compared with 2001, 2007 and 2010. This time last year we were at 82%.

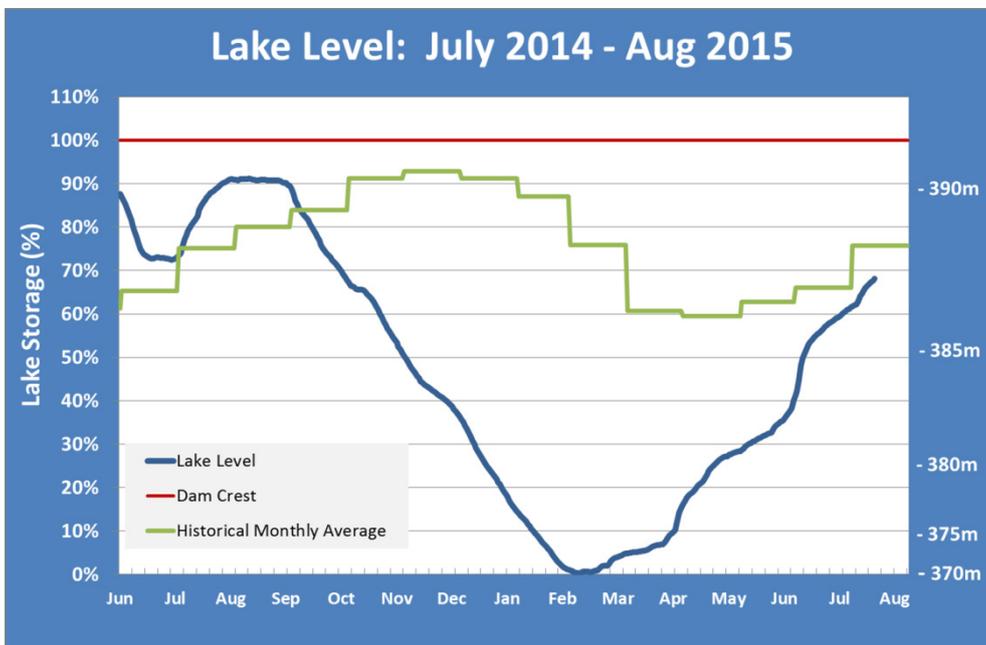
While we may be out of 'unfamiliar territory', we are far from being in a position where we are comfortable with the level of storage and we will continue to manage the lake to maximise the storage level with a target of 100% full by the end of September.

We have been able to maintain minimum releases from the dam almost continuously since March (except for the brief irrigation 'spurt' in April) This has been through the ongoing support of OEFRAG and ECan whereby we have had a rolling series of Water Shortage Directions in place to reduce the

Saleyards Bridge minimum flow we are required to meet. Fortunately the flows in the lower catchment have been good enough to meet these minimum flows at Saleyards and there have been extended periods more recently when the river flows have been over the 'normal' minimum required. All good stuff in our endeavours to build the lake storage. One of the consequences of the prolonged minimum flow release from the dam is that the Opuha River is starting to suffer and is lacking a freshness that some natural variation would provide. There are also reports of a reasonably heavy build-up of didymo in the upper section of the river and this has the potential to cause us problems at the beginning of the irrigation season.

To address this issue, Fish & Game reps presented an excellent proposal to the last OEFRAG meeting which has been endorsed by the group. I think it is a very pragmatic proposal that reflects the willingness by all the OEFRAG members to find ways that

balance the needs of all the river stakeholders. Under the proposal we will continue with reduced minimum flows (at this stage potentially through August and September) but if the catchment flows get up to quite high levels on the back of some decent rainfall, we will release a short flush to freshen up the conditions in the Opuha River. Based on our experience with our flushing flow trials in 2013 and 2014, I envisage we will release around 24 cumecs (average) for 4-6 hours. The position of Fish & Game was that a 4-6 hour flush like this will be much more effective for river health than simply increasing the minimum flow by half to one



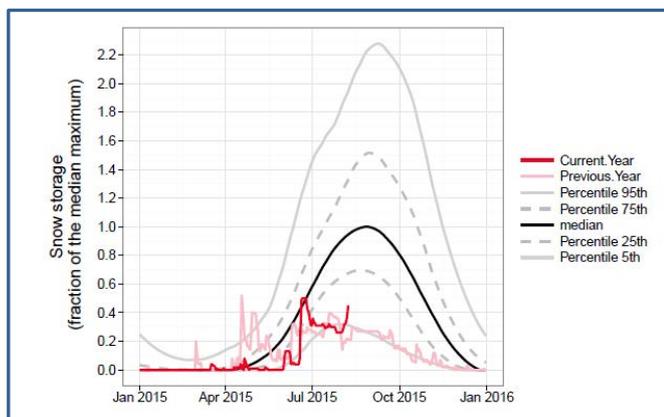
cumec for the whole month. The basic water 'accounting' clearly shows that a reduced minimum flow through the month combined with a short term, high flow flush is a better use of less stored water than simply increasing the minimum flow slightly over the whole month.

The reason for only doing this flush on the back of a high catchment flow event is to ensure that any material from the Opuha is carried right through the system and out beyond the river mouth and that the added flow from the Opuha into the Opihi will improve the effectiveness of the flow regime in dealing with some issues at the river mouth/lagoon. In order to respond to this new proposal, we have altered our operating regime slightly at the dam to ensure we are well placed to get in behind a natural high flow event in the catchment.

We are keeping a very close eye on the snowpack conditions in the upper catchment, behind the dam. While a full lake at the end of September is good, the amount of snow that will melt and drive inflows into the lake through Spring is also very important.

Snow Pack Assessment

In my last newsletter I mentioned the work we have had done to assess the snowpack through a historical model which compares current estimate with historical averages. Up until last week, the modelling was indicating that we had no more snow up there than at the same time last year, which gave us no cause for comfort heading in to Spring. The snowfall at the end of last week has bumped things up a bit but we are still well down on average for medium term snow 'storage'. The graph below shows how we are tracking (the red line) compared with the average based on 25 years climate and meteorological data.



Storage Management for Next Season

I have mentioned previously that we have more flexibility at the start of the season to influence the storage than we do later on and definitely after New Year. Decisions to restrict water use at the start of the season will provide greater stored water savings than we can hope to achieve later on. On this basis, I expect to be looking very closely at the state of the catchment, and in particular soil moisture levels across the region, in order to predict likely irrigation demand and whether early season restrictions are appropriate. Similarly, the state of the river system as well as the level of the lake and snowpack will all form part of the decision making.

LAKEBED SEDIMENT – Investigation by ECan

As you are all aware, there is a process in place to work with ECan around some as-yet-unsubstantiated claims about possible chemicals in the lake bed. The focus of your Board and management team is to work closely with ECan as the lead regulatory authority, the local group that has made these claims, Arowhenua, TDC and other stakeholders to further investigate these claims in a scientifically robust way under the leadership of ECan.

We are very mindful that is already a stressful time for many of our shareholders, and as Chief Executive, I want to assure you that this is a priority matter as it is critical that we retain your faith and confidence in the irrigation scheme and in how your Board and management is dealing with these claims.

Whilst some may have a view as to the credibility of these claims, it is critical that we establish the facts, negotiate and agree sampling protocols and a testing regime that is appropriate. This is taking time and effort but it is important for all our shareholders and our wider community that we separate fact and fiction and then know what we are or are not actually dealing with.

We have provided you with a couple of updates to date and will continue to do so. You are all aware of recent media reports about some 'results' of sediment samples taken from the lake bed by this local group when the lake was low. The as-yet-unsubstantiated results appeared to show very high levels of DDT from several of the samples.

It is ECan's intention to re-sample and re-test the sites using scientifically accepted protocols and accredited staff to provide confidence in the results obtained. The sampling is planned within the next fortnight under strict controls and the results would be available in the weeks afterwards. Depending on the results, Opuha Water will then work with ECan to ensure that a pathway forward is identified including how we communicate with you as our shareholders.

The Board and management of Opuha Water are treating this issue with the utmost importance and are committed to ensuring that the investigation and any subsequent actions are based on robust evidence and science. Science, legal, issues management and communications advisors have been brought on to assist the Board.

We are, like you, disappointed with the way this has been aired in public but we believe it is important that Opuha Water supports accurate representation and this can only be done once verifiable results are known.

We can all take reassurance from the water sample results issued by ECan and TDC that have indicated no detectable levels of any of the claimed contaminants exists in the water from the lake.

I will provide updates to you all via my newsletters as we make progress towards resolving this matter.

So in summary:

- Opuha Water is working as collaboratively as possible with ECan which is the lead regulatory authority on this matter
- The media coverage is based on as-yet-unsubstantiated claims

- Working through this matter and all associated issues is a priority for your Board and management
- The focus is on scientifically robust sediment sampling protocols and an agreed testing regime
- This will be undertaken over the coming month or so
- Your Board and management team will do whatever it takes to ensure faith and confidence in the process
- And faith and confidence in this irrigation scheme
- If you have any questions or information, please ring me directly anytime

General Rubbish in the Lake

One thing that we were really disappointed to see on the TV3 article was the old rubbish pile that had become evident with the low lake and the fact that no-one undertook to advise us so that we could have addressed that issue while it was accessible. With the free public access to the lake area unfortunately there is the possibility of irresponsible dumping of rubbish on occasions. We would ask please that if anyone is aware of any rubbish dumping at the lake to please advise us so that we can take action to deal with the problem and hopefully also identify the offenders.

OPERATIONS

Power Station Outage

When our last newsletter was published in June, we were right in the middle of an extended outage at the power station with the main transformer parked up at Trustpower's station at Highbank for major refurbishment work. I'm pleased to say that the refurbishment was completed successfully (although not without its 'trials' from the severe weather conditions) and the power station was returned to service on 1st July. It is the first time I have had to record zero generation for any month, but thankfully it was during a very low flow period which minimised our 'lost generation' opportunity. We can still release water from the lake when the power station is unavailable, but we do this through the bypass valve around the power station.

I have to thank the Trustpower staff and the specialist contractors involved in the transformer work – especially for their efforts in the reinstatement and recommissioning on site in late June. Thanks too to Steve, Chris and Richard for their efforts in keeping the site 'alive' during very trying conditions. The transformer was reinstalled on the afternoon it started to snow and for the following ten days the temperature up at the dam did not get above zero. The morning temperatures were regularly below minus 12 degrees which created some real issues with the plant and equipment as well as the obviously difficult working conditions for all the personnel involved.

Winter Maintenance

Steve, Richard and Chris are continuing with their winter maintenance work around the schemes and up at the dam. Steve outlined the work planned in each of the schemes at our series of infrastructure group meetings last week. This work included some capital expenditure on each scheme to improve the flow control during the irrigation season and to reduce the operational losses that are inherent in a gravity distribution system.

SHARES FOR SALE OR LEASE

As advised last notice we are willing to advertise for sellers and buyers of shares (including lease opportunities) in our newsletters and on the website.

A reminder that we do require all share sales and leases to be pre-approved by the Board. There are forms available for this on the website or from the office.

SHARES AVAILABLE TO LEASE

16 water shares and 20 T shares.

Lease for up to 5 years

Contact Tom Henderson (on behalf of the shareholder)

Ph 03 614 7575 or 021 744 616

12 water shares and 16 T shares

Contact Mark Chamberlain

Ph 03 614 8224 or 022 124 6125.

Short Term Leases – a tidy up please!

During the very dry conditions last season, there were a number of short term share lease agreements arranged between some shareholders. We need to know what's happening with these agreements for this season, so for those of you that did have any of these special arrangements, please contact Christine to ensure we know your intentions.

WATER ORDERING SYSTEM

For those of who haven't yet switched across to ordering your water via our on-line water ordering system, please consider doing so for this season. Using this system helps us enormously in efficiently consolidating the water demand and ensuring we are releasing no more than is required from the lake. It also provides Steve and his team with the most timely information on which to set up the schemes to ensure everyone does get the water they expect.

We have been doing some minor enhancements to the system over the winter, mainly to give you better information to your own water order information as well as some improved 'administration' functionality for our use of the system.

Those using the system now - and that is the majority of our shareholders - have told us that the system is easy to use so if you're not using it yet please call Christine and she can run you through the basics of using the system.

ENVIRONMENTAL

Farm Environment Plans

We are active on three fronts at the moment in assisting irrigators with the preparation of Farm Environment Plans. James Pearce is finishing of in Totara Valley; Nicole Lang is working in the Ashwick Flat area. Julia is concentrating on Levels and Lower Opihi areas.

The initial focus is on Orange Zone landowners irrigating 50 hectare or more with a target of completing the remaining 45 of these by Xmas. In the New Year, we will be contacting Red Zone landowners with more than 50 hectares irrigation. There are 15 remaining to be completed in this area (mainly Kahahu).

ECAN'S ANNUAL REVIEW OF WATER USE

On an annual basis, ECan review the water use by all consent holders across the region as part of their compliance monitoring role. The data they use comes from the electronic water meters that are required for all consents above 10 l/s.

ECan have advised us that they are taking a close look at water use for the last season and especially at compliance within the rolling water restrictions that were in place from the beginning of December.

Since we were orchestrating much of the water use regimes around the scheme within the restrictions, ECan have agreed to check-in with us on any apparent non-compliances to see if we agree that the water user was operating outside of the agreed water restriction limits. This is especially relevant where water users with their own consents were operating on a rostered system (typically four days on, four days off for the 50% restriction regime)

I think the level of interest being shown by ECan on compliance with water consents should be a flag to all of you with your own consents for the season coming. It is important that you do understand the conditions of all your consents and ensure you operate within the conditions including how these conditions may be modified during any enforced restriction periods. While we will try and follow up on, for instance, any water orders that we realise don't comply with individual consents, it is ultimately the consent holder's responsibility to ensure their water use complies with their consents. You should all be certain that your water meters are operating correctly and the flow records are being telemetered or stored securely so that a full season's flow history is available to ECan.

SHAREHOLDER FEEDBACK SESSIONS

We recently held a series of briefing meetings for each of the infrastructure shareholder groups. The main objective of these was to present a review and a look forward on issues relevant to each of the sub-schemes including financial and operational results and plans. As well as covering topics specific to each group, the forums also provided a good opportunity to discuss other issues and allowed some very useful feedback.

On this basis, I would like to extend out to those of you not connected with any of the infrastructure groups with a couple more meetings later in the month. We will begin with a brief presentation on some topics that we think are of general interest (we will have some provisional financial results and can talk about this year's budget and we can update on lake storage and our outlook for the early season period). There will then be opportunity to discuss any issues that you would like to raise - either from the presentation or on other matters.

Our proposed meeting forums are:

Tuesday 25th August 7pm, Fairlie Fire Station

Wednesday 26th August 7pm, Opuha House, 875 Arowhenua Rd

If you are planning on attending and there is anything in particular you would like us to prepare for either of these sessions, please contact me or any of the staff.

Regards



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tony@opuha.co.nz

FUEL PURCHASE CONTRACT

Just a reminder of the offer to all our shareholders on the back of our own switch to NPD for our primary fuel purchases. Area Manager Nick Clarkson is offering very competitive rates and service to any of our shareholders.

I would recommend that you give Nick a call to see what he can do for you.

LAKE WEB CAM

A reminder that you can check in (bird's-eye style) on the conditions up at the lake by logging on to the webcam that has been commissioned high up on David Williams' property. We have a link to the webcam site on the front page of our own website or you can access it directly at <http://www.getwirelessnz.com/fairlie-lake-opuha-camera.html>

I can see by looking today that there has been significant snow melt over the last 24 hours.



OPUHA WATER LTD – SPECIAL FUEL OFFER

For The Best Prices on Fuel Call NPD

NPD is now the approved fuel supplier for Opuha Water Ltd so we want to extend our service to all Opuha Water Ltd Shareholders and Contractors.

For the best price on fuel call NPD Area Manager Nick Clarkson on **027 288 0018**.



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