

NEWSLETTER

It has been a while since our last communication in mid-March when we were advising of the need for some interim restrictions to limit the lake drawdown.

Since that time we've seen a continuation of dry and warm conditions which have resulted in reduced lake inflows and calls from a few irrigators for some water to irrigate – very unusual to see those conditions in May! As I write this, it looks like we might be in for a bit of a lashing over the weekend which I expect will make it feel more like autumn/winter.

In this newsletter, I will update on the conditions up at the lake as our irrigation season concludes and also introduce some very important water policies that have been signed off on by the Board.

Work has started up at the dam site on the upgrade of the Downstream Weir and there is an update on this project included.

WATER STORAGE SITUATION

Despite operating at reduced river flows through much of March and April, the lake continued to drop steadily. It is only with the nor' west spill-over rain last week and again this week that the lake inflows have lifted enough for the lake level to start increasing. We are currently at about 36% full after bottoming out at 32% on 12th May.

If the recent dry conditions were to prevail, there was every likelihood that we would reach a point at the end of May where the lake level is the same as we were last year. This is evident from the lake storage chart on this page and would have been both disappointing and concerning, as last year we only just managed to refill the lake for the start of the season - and only then through a series of rolling river restrictions through winter.

I am providing regular updates to the OEFrag group, however we are very aware that there are limited 'levers to pull' through the winter period to improve the recovery of the lake storage. On the other hand, we are well aware that, as was mentioned at our most recent Board meeting, we are only ever one good rain event away from turning a poor situation into a very good one. (At the start of my first season in 2011, we went from less than 50% full to spilling in 9 days)

season does officially extend to 31st May and the recent conditions have seen us receiving several requests for water supply. We have closed down the Kakahu scheme so any resumption of supply through that scheme would be unlikely now.

We are reluctant to see any restrictions imposed on the river through the winter period when the prescribed minimum flows are quite low at 4 cumecs in any case. OEFrag will be reviewing the storage and river flow status on an on-going basis.

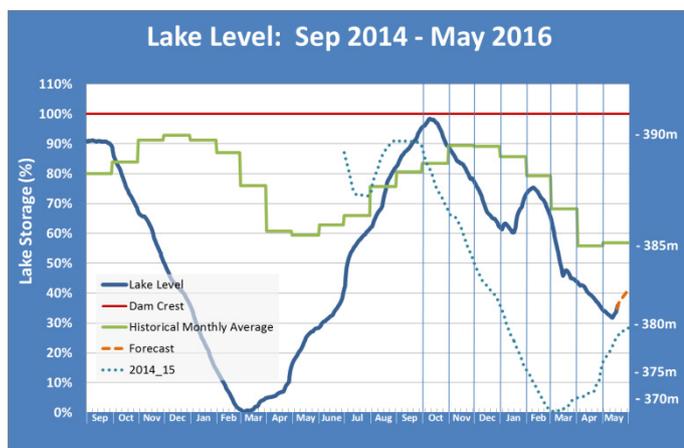
In review, it is my impression that our irrigators have generally come through the season reasonably well from a water availability aspect. The early season restrictions were not too onerous and the volumetric allocation approach seemed to be preferred over the flow restrictions we used last season (I am mindful that they don't 'save' the same water overall (i.e. 75% flow restriction saves more water than 75% volumetric) but we simply need to account for this when determining the restriction rate – the volumetric approach has proven to be more efficient overall.

Our outlook was not good coming in to the New Year, with continuing predictions of a more severe El Nino than last season, however the rain in January essentially saved the day. We were able to revert to a near normal supply situation which, as it turned out, was critical for making the most of the very warm conditions in February.

I was caught out a bit by just how dry the period post-January actually was and we did need to put the brakes on things in March when we started to pull down the lake storage at quite a concerning rate.

The inflows into our catchment in March and April this year have actually been 40% less than last year so it is not surprising that the lake has continued to fall through that period.

At the start of the season we set two key objectives – firstly to maintain continuous irrigation supply (not forsaking that there may need to be partial restrictions) and secondly to avoid the need to reduce the river flow to the extreme levels we got to last year. I believe we have achieved both these objectives and acknowledge the willingness of everyone, including the OEFrag members, to take action right from the season's outset to achieve these well targeted objectives.



IRRIGATION AND RESTRICTIONS

There are currently no restrictions on irrigation or the river flows.

It is very unusual for there to be any irrigation within our scheme in May, but we acknowledge that the irrigation

OPERATIONS UPDATE

Craig Moore has been with us now for five months and, I'm pleased to say, has picked up the reins from Steve Pagan very well. We have kept Steve on in a part time role, specifically to continue with the routine dam safety surveillance work which requires regularly weekly attendance at the dam and power station to check on water levels and pressures, drain flows and general conditions and to report these through to our dam safety engineers.

Now that the day to day operational workload has dropped off, Craig, Chris and Richard are carrying out various maintenance jobs around the schemes and up at the dam,.

WATER POLICIES

I have mentioned previously that we have been working on a number of water policies that we felt were necessary to prescribe how certain aspects of our water management were to be addressed.

The Board have now signed off on three policies as detailed below. These policies will be posted on our website shortly. We will email copies to anyone requiring them – email us at office@opuha.co.nz or call the office 03 614 7801.

The purpose and content of the policies is outlined in the following sections.

Water Management Policy – On-Farm Storage

This policy outlines the provisions for any shareholder who plans to utilise water supplied by OWL in an on-farm pond. There have been a small number of ponds established for a number of years (in the Kakahu scheme) and, since the merger in 2014, we have been approached by several shareholders who had plans to build water storage ponds. The Water Supply Agreement specifies that Board approval is required before scheme water can be utilised in ponds (rather than direct irrigation) and we needed to specify what the conditions were for that approval to be granted.

In preparing this policy we have acknowledged a shareholder's right to access their water entitlement throughout the season (the normal constraints on use beyond 80% apply) but also recognise the potential for more efficient distribution of water at a scheme level if the operation of the pond can be incorporated to some degree with the overall scheme and river operation by OWL. On this basis, the policy includes some incentives for the pond owner to provide for water to be able to be directed to the pond when OWL deems it beneficial rather than simply operating the pond simply to meet their on-farm needs.

The policy makes some differentiation between small and larger ponds (buffer vs storage) with '10 days storage' as a defining measure.

All pond owners will be required to provide information of their pond design and operation to OWL before approval to direct scheme water is given.

Water Management Policy – Water Restrictions (Above Dam)

This policy has been produced in light of the experience over the last two seasons when scheme wide water restrictions were imposed to varying degrees to preserve the lake storage. The inherent limitations of the lake storage to augment the reliability of those shareholders 'above dam' has made it evident that a different regime for water restrictions was necessary in this area.

Water Management Policy – Water Metering and Telemetry

This policy requires all OWL water users to have water meters and telemetry on water takes over 5 l/s (approximately 12 shares) by November this year.

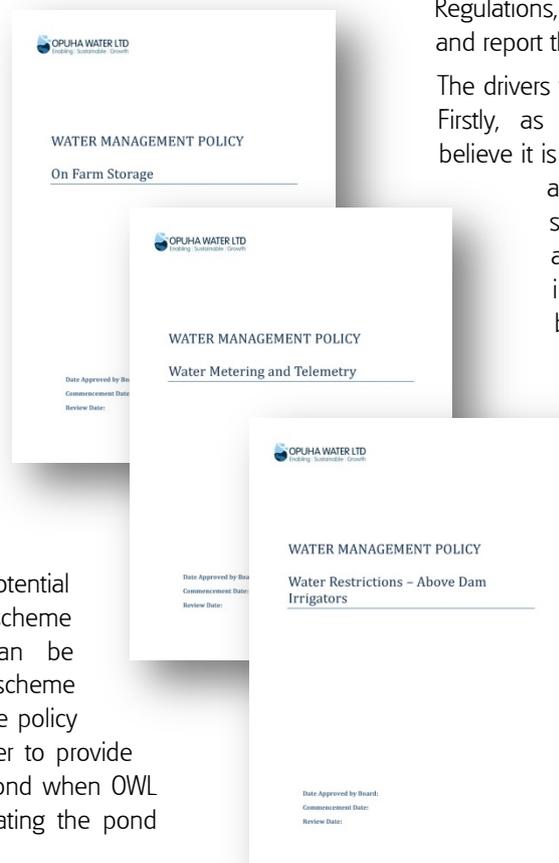
The policy aligns our scheme operations with the National Regulations on Measurement and Reporting of Water Takes (2010) which have been rolling out progressively over the last four years starting with takes above 20 l/s in 2012.

All our shareholders who operate under their own water take consent will have already been required to comply with these Regulations. The new policy will affect shareholders within the sub-schemes who, up until now, have not been required to have compliant water meters (although most of the Kakahu irrigators have water metering and telemetry for many years now). The schemes are each operated under resource consents (held by OWL) effective at the river diversions where, to comply with the Regulations, we are required to measure and report the total water take.

The drivers for this new policy are two-fold. Firstly, as a cooperative company, we believe it is imperative that we can provide assurance to all our shareholders that all water users are using water within their individual entitlements. This has become particularly important over the last two seasons

when we have had to restrict and ration water use but remain reliant on water orders as a measure of actual water used. Secondly, it is the view of the Board that accurate water measurement is a fundamental aspect of being able to demonstrate efficient and responsible use of water. This will become increasingly important as we move

through the planning process under the Land and Water Regional Plan (LWRP) where we can expect much higher levels of accountability and revised limits on water use to be required. Intertwined within this planning process (which will



see a new Sub-Regional Plan established in place of the current Opihi River Regional Plan) will be requirements for the adoption of prescribed 'good management practices' which will, inevitably we think, require accurate measurement of water used by individual irrigating farmers.

The policy sets an implementation date of November 1st 2016 (this year) for the installation of compliant water metering and telemetry facilities so it is important that those remaining irrigators who currently don't have this equipment installed, start planning to have the upgrades completed in the next 6 months.

For those requiring assistance with financing the cost of the installation, the company will provide a fixed term loan with repayments spread over five years.

SHARES AVAILABLE

5 water shares and 5 L shares.

For Sale by Tender

Contact the Opuha Office for tender documents.

Documents will be available 13th June.

60 water shares and 60 K shares

For Lease

Contact Chris Fisher

rochelle.chris@xtra.co.nz

Ph 03 697 4840 or 027 693 7023.

UPDATES

Staff

Aimee is now proud Mum (and Paul proud Dad) to twin girls – Emily and Laura – who arrived a little early on 28th April. As a result of the early arrival, the girls are spending some time in the neo-natal ward until they're ready to come home, probably early June.

Craig and wife Sabra are new first-time Dad and Mum with the arrival of baby Fletcher Moore on 14th February.

So add **Julia's** new daughter Cushla (12th Jan) into that baby crowd and I think I can be forgiven for having to remind myself now and again that we are operating an irrigation company and not a maternity business!?

Christine is heading to Europe on 23rd May for six weeks holiday and Tracey Hodgett will be covering in the office for Christine over that period. I think the trip is doubling as a honeymoon - Christine and Stewart were married on 30th April. We wish them both all the best on this 'trip of a lifetime'.

Downstream Weir Upgrade

We have awarded the civil construction contract for the Downstream Weir Upgrade to Breen Construction Ltd. Breens have had a long association with the Opuha project and the Site Foreman on this assignment, Roly Menzies was on site during the original construction of the dam spillway and the downstream weir and again in 2012 when we upgraded the penstock anchor block. Breens have made an excellent start to the work (aided by some very favourable weather) and have already completed the major demolition work to lower the existing spillway. They are currently preparing the new

spillway top 'platform' on which the new 1.8m high 'flap gates' will be installed. These steel gates are being manufactured in the USA and are due to be shipped at the end of next week. The gates and their pneumatic operating system are a similar design and from the same supplier (Obermeyer Hydro Inc) as the gates that are installed at the top of the main spillway on the dam.

The project will cost just over \$2m when complete with some additional historical costs relating to the investigation and design work on the previous option also to be accounted for in the final capitalised cost.

The project is scheduled to be completed early September.



Regards

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