



NEWSLETTER

MANUHERIKIA CATCHMENT WATER STRATEGY GROUP

November 2014

Update from the chairperson:

Late last month our engineering specialists, Golder Associates, presented us with its preliminary estimates of the cost of raising Falls Dam by five, 15 or 27 metres. The costs are significantly higher than those estimated during the pre-feasibility study, which was carried out by infrastructure consultants, Opus, in 2011. For example, Golder Associates has estimated the cost of raising Falls Dam by 27 metres to be \$194 million. This came as a surprise to the strategy group as, throughout the full feasibility study, it has been indicated the cost estimates were in line with those made during the pre-feasibility study.

The increase is largely due to new seismic strengthening standards which have been introduced since the pre-feasibility study was undertaken. These prompted the dam designers to move the dam from the preferred site between the existing dam and powerhouse. This was the design on which Golder Associates based its cost estimates. However, Golder Associates says it's not, in its opinion, the best and most cost-effective design and site. It's now working with Opus on a dam design which fits the preferred site. We expect this will reduce the cost.

We still expect the cost to be higher than that estimated during the pre-feasibility study, however, we won't know by how much until Golder Associates and Opus have finished reviewing the dam design.

As a result of this additional work, we've extended the project timeline. We now expect to seek a decision from landowners on whether the dam and scheme upgrade should go ahead around the middle of next year, instead of in February as we've previously indicated.

The strategy group doesn't accept the updated cost estimate is a viable option for landowners and we're committed to finding a dam design which provides for the agricultural and environmental needs of the Manuherikia Catchment and is cost-effective.

Both Golder Associates and Opus have a great deal of experience in this field - both in New Zealand, including Falls Dam, and overseas - and we're confident they can find a solution.

This could be a lower dam and our hydrologist has advised us this may not result in less storage than we had planned. The strategy group's work has been based on a 27-metre raise of Falls Dam resulting in storage capacity of 100-million cubic metres. However, updated hydrology work indicates a dam of this size could store 114-million cubic metres, so lowering the height of the dam may not have a large impact on the storage capacity we have been anticipating.

To recap, the pre-feasibility study found raising Falls Dam by 27 metres and upgrading the scheme would likely cost existing irrigators about \$2500 per hectare and dryland farmers wishing to join the scheme \$5700 per hectare. These costs are now likely to rise and we hope to know by how much early next year.

The pre-feasibility study also estimated the annual operating costs of the upgraded dam and scheme to be similar to what existing irrigators currently pay, which is \$50 to \$90 per hectare per year. Golder Associates is currently analysing this estimate, which was made by Opus.

One aspect which would affect annual operating costs is if it's decided that the scheme's umbrella company take out a loan to cover some of the capital cost of raising the dam and upgrading the scheme. This would mean landowners paid a lower one-off capital cost, but they would pay an annual loan servicing fee. It's worth noting the budgets for various land uses, developed by Compass Agribusiness Management and available on the strategy group's website (www.mcwater.co.nz), are based on the cost estimates which were made during the pre-feasibility study, not Golder Associates' recent estimates.

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You may have read an article in the Central Otago edition of the *Mirror* newspaper on November 5. Please note the figures reported in this article were completely incorrect. The *Mirror* published the correct information in its November 12 edition.

In regards to the proposed Mt Ida Dam, cost estimates for this aspect of the scheme are yet to be developed, as work on the site and design of the dam is still underway.

Once Golder Associates and Opus have revised the dam design and the cost, it is likely we will engage a panel of experts to peer review their findings. While the extra work to ensure the proposed dam design is economically viable is delaying the project slightly, the strategy group is committed to presenting landowners with accurate and reasonable costs on which to base your decision on whether to proceed with the dam and scheme upgrade.

Allan Kane
Chairperson
Manuherikia Catchment Water Strategy Group

Meeting invitation to all landowners and other interested people:

What:	An update on progress on the project
Where:	Omakau Rugby Club Pavilion
When:	Thursday, December 4, 7.30pm
Speakers:	Ian Lloyd from Golder Associates MCWSG chairperson Allan Kane MCWSG project manager Kate Scott

Update from the project manager:

While the estimated costs for the project have come in significantly higher than was anticipated, we are continuing to work behind the scenes on completing the feasibility study, although we expect it will take the engineers a few months to work through optimisation of a suitable dam design for Falls Dam.

I have, in the meantime, been working with Golder Associates towards completing the elements of the feasibility study which are not dependent on the costs, such as the landscape assessment report and the final ecology and environmental report. Currently we have ecologists on site undertaking further work around "spring annuals" and looking at birds in the upper reaches of the Manuherikia Catchment.

We had a very good workshop on minimum flows in the catchment, which was attended by the full Manuherikia Catchment Water Strategy Group, including farmers, irrigators, environmental interest groups and the Otago Regional Council. Ian Lloyd from Golder Associates took the group through a variety of different scenarios so the effects of different minimum flows on the operation of the dam could be seen and understood. Our pod meetings in early October were also very well attended, with over 100 people attending over the course of the day.

I have been working with John Williamson from Checketts McKay Law to finalise a working paper on private water rights in the catchment and the options available to private water rights' holders in regards to water management beyond 2021. We expect to circulate this document to all private water rights' holders once John returns from sailing from Fiji to New Zealand (lucky for some!). At this point we plan to hold a meeting with this group to work through the detail of the options and answer any questions you may have. I anticipate this meeting will be held sometime in December, so watch this space if you are a private water rights' holder. *Continues on page 3...*



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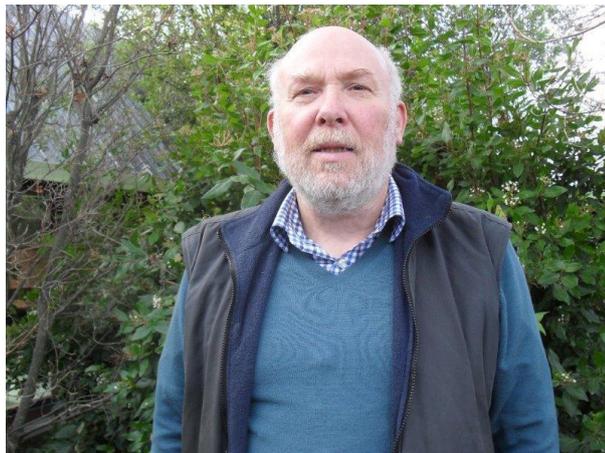
Finally, we plan to have a meeting on December 4th at the Omakau Rugby Clubrooms at 7.30pm and it would be great to see you all there.

I would like to finish with a thought ... *the greatest motivation is usually found in setbacks!*

Kate Scott
Project manager
Manuherikia Catchment Water Strategy Group

Profiles of Manuherikia Catchment Water Strategy Group members:

Niall Watson is the chief executive of the Otago Fish & Game Council and is one of two Fish & Game representatives on the Manuherikia Catchment Water Strategy Group.



Niall has been involved in fish and game management in Otago for more than 30 years – back to the days when it was the Acclimatisation Society.

He's very familiar with the Manuherikia area, having enjoyed many holidays over the decades at his family's Central Otago crib. Describing himself as "a not very accomplished angler and hunter," the region's outdoor and recreational opportunities are its main attraction, he says.

Niall strongly supports a "collective approach to water management.

"It has advantages over a piecemeal approach for both private water users and the public interests in rivers and all that rivers have to offer."

He therefore supports the effort the MCWSG is making to ensure the catchment's water supply is used sustainably, to support both agriculture and the environment.

"While it's early days - we are just in the midst of a feasibility study - the fact there is a feasibility study underway, looking at all aspects of the irrigation proposals including the environmental matters, I think demonstrates the value of the strategy group's approach.

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"When people look at the application of water for irrigation in small pieces, you tend not to get that depth of understanding of what is going on in the environment," Niall says.

He lives in Dunedin with his wife Julie. They have two adult children.

Tom Arthur chairs the Ida Valley Irrigation Company and is a member of the Manuherikia Catchment Water Strategy Group.



He and his wife Noeline and their two children farm sheep and beef at Poolburn. They also grow some crops.

Half of their property is irrigated with supply through the Ida Valley Irrigation Company and two private water consents. The rest is dryland.

Tom's hobbies include hunting and clay target shooting.