

IN THE MATTER of the Resource Management Act
1991

AND

IN THE MATTER of a Resource Consent Application
by MainPower New Zealand Limited
to establish a windfarm at Mount
Cass.

STATEMENT OF EVIDENCE OF ALLAN BERGE

1. INTRODUCTION

Qualifications and experience

- 1.1 My full name is Allan Berge.
- 1.2 I am the Group Managing Director of MainPower New Zealand Limited ("MainPower"). I joined MainPower on the 1st of March 1987 as General Manager and became Chief Executive and Managing Director following the corporatisation of the Company. MainPower's corporatisation followed the enactment of the Energy Companies Act 1992.
- 1.3 I am a member of the College of Chartered Accountants (CA) of the New Zealand Institute of Chartered Accountants and a Fellow of the New Zealand Institute of Management (FNZIM).
- 1.4 Prior to taking up my position with MainPower I held the position of Deputy General Manager with Electricity Ashburton. I have held other senior positions in industry and commerce.
- 1.5 As MainPower's Group Managing Director I am responsible to the Board for the successful operation of the Company and its subsidiary companies. I am the Chairman of all of MainPower's Subsidiaries.
- 1.6 I am responsible to the Board for this Resource Consent Application.

Scope of evidence

- 1.7 My evidence addresses:
 - a. Overview of MainPower and its operations.

- b. MainPower's ownership, its involvement in and its contribution to the local community and economy.
- c. The need for generation in the MainPower region.
- d. MainPower's commitment to the environment.

2. OVERVIEW OF MAINPOWER AND ITS OPERATIONS

- 2.1 MainPower's Vision is to be the **Leading Regional Energy Company in New Zealand**. MainPower's commitment to its established core lines business and its commitment to establish its emerging core generation business are viewed as being essential prerequisites to achieving this status.
- 2.2 MainPower owns and operates the electricity distribution network throughout the North Canterbury and Kaikoura regions and makes this network available to electricity retailers for the supply of electricity to approximately 32,500 connected customers. This activity represents MainPower's established core business.
- 2.3 MainPower's strategic objective, to achieve at least 75% self-sufficiency in energy supply in the region by developing local renewable generation, represents its emerging core generation business.
- 2.4 MainPower has a long association with the North Canterbury and Kaikoura regions. The proclamation gazetting the North Canterbury Electric Power District was issued on 26 February 1927 and MainPower's predecessor, the North Canterbury Electric Power Board constituted under the Electricity Power Boards Act 1925, commenced operations as an electricity supply authority on 1 July 1928.
- 2.5 The requirements of the Energy Companies Act 1992 resulted in MainPower being corporatised during early 1993 as part of Government's reform of the electricity sector.
- 2.6 The Electricity Industry Reform Act 1998 resulted in further reform. Energy companies established under the 1992 Act were no longer able to be involved in the monopoly lines business while at the same time being involved in the generation and retailing of electricity, and therefore it was

necessary to divest one or the other. MainPower retained its lines business and sold its energy business, which at that time involved the retailing of electricity.

2.7 Prior to the Electricity Industry Reform Act 1998, MainPower had completed a number of investigations relating to the possible development of generation assets. MainPower was also one of a consortium who unsuccessfully bid for the Lake Coleridge power station just prior to the 1998 Act.

2.8 MainPower's region is one of the fastest growing in New Zealand. It is estimated that generators, via Transpower's transmission network and the electricity retail arm of the industry, will inject approximately 525 Gigawatthours into MainPower's network during the current year for conveyance to the electricity retailers' respective customers. Growth during the past decade, in terms of Gigawatthours injected into MainPower's network, has been approximately 60% and represents more than double the New Zealand average growth curve.

2.9 MainPower is also one of the largest employers in the region. Approximately 60% of MainPower's total work force of 250 employees, reside and support MainPower's operation in the region. MainPower also contributes to the success of the local economy through local purchases and use of local services in addition to the economic benefits provided through wages and salaries.

3. MAINPOWER'S OWNERSHIP, ITS INVOLVEMENT IN AND ITS CONTRIBUTION TO THE LOCAL COMMUNITY AND ECONOMY

3.1 100% of MainPower's Issued Ordinary Share Capital is held by the MainPower Trust, and together with other Trust assets, are held by the Trust on behalf of the North Canterbury and Kaikoura communities and Qualifying Customers.

3.2 Qualifying Customers' total beneficial interest represents 80% of the Trust Fund held by the MainPower Trust. The remaining 20% will in the event of a distribution of Trust Capital, vest in the MainPower Foundation, a charitable trust to be established for energy-related charitable purposes and other general charitable purposes.

- 3.3 100% of MainPower's Issued Redeemable Preference Share Capital not held by the MainPower Trust is held by Qualifying Customers. MainPower's line service customers who hold a Redeemable Preference Share in the Company are Qualifying Customers under the terms of the MainPower Trust Deed. Redeemable Preference Shares held by Qualifying Customers provide these customers with the right to receive all shareholder distributions made by the Company. The MainPower Trust, as the only Ordinary Shareholder, is required under the terms of the MainPower Trust Deed to waive its rights to such distributions. Distributions to Qualifying Customers take the form of Rebates credited to Qualifying Customer power accounts on a monthly basis.
- 3.4 More than 90% of MainPower's customers hold a Redeemable Preference Share and are therefore Qualifying Customers. All customers who reside in the North Canterbury and Kaikoura districts, representing that part of the region which was the subject of a licensed franchise area prior to de-regulation, and who are connected to MainPower's electricity network for line services, are entitled as of right to receive a Redeemable Preference Share from the MainPower Trust.
- 3.5 Approximately \$34.650 million has been credited to Qualifying Customers in the form of Rebates during the past five years, and it is expected that this will increase to \$43.011 million during the next five years. All of MainPower's surplus revenue, that is not required to be retained in the business for operating or capital development purposes, is returned to Qualifying Customers as Rebates consistent with the Board's policy that line service charges should be maintained at the lowest possible level.
- 3.6 MainPower is committed to the economic wellbeing and prosperity of the region and is strongly of the view that its pricing policy supports this. MainPower is also of the view that its support of local renewable generation will also have a positive impact on the region's economic wellbeing and prosperity.
- 3.7 MainPower is recognised as a leader in its community and is highly respected both locally and nationally for its commitment to energy efficiency and conservation, and energy-related education. This commitment has recently been recognised formally by the Energy Efficiency and Conservation Authority when awarding and acknowledging MainPower as

one of the top five companies supporting the Authority's EnergyWise Programme.

- 3.8 MainPower's interest in developing local renewable generation is consistent with its strategy to move towards energy self sufficiency and its desire to promote responsibility in terms of energy efficiency and conservation throughout the region.

4. **THE NEED FOR GENERATION IN THE MAINPOWER REGION**

- 4.1 MainPower, along with most other industry observers, is very aware that energy generation in New Zealand has not kept up with demand and as a result, electricity supply crises have, during the past decade, become the norm rather than the exception.

- 4.2 MainPower continues to monitor generation development throughout New Zealand. Although in recent years there has been an increase in new investment in generation, this has not addressed the serious supply situation.

- 4.3 Government has recognised this shortfall as a significant threat to the New Zealand economy and what a more serious supply crisis may mean to New Zealand's international reputation, and although Government has taken the opportunity on a number of occasions to relax the law that controls line company involvement in generation, these earlier amendments have fallen short of providing incentive for line companies to invest in new renewable generation.

- 4.4 Although the Energy Industry Reform Act precluded MainPower from participating in generation and energy supply, the Company continued to maintain wind monitoring facilities that had been established prior to enactment.

- 4.5 Throughout the period 1998 through to the most recent amendment to the Energy Industry Reform Act, MainPower has taken every opportunity to promote the need for line company re-entry into the generation sector and to encourage and support Government's endeavours with respect to this matter.

- 4.6 MainPower was disappointed at the earlier amendments as it considered that they did not provide sufficient incentive for re-entry into generation as it considered the risks to be too great. However, the most recent amendment to the Act that came into force during September this year, represents a significant step forward and no doubt will provide far greater encouragement for line companies to become involved in renewable generation.
- 4.7 MainPower is aware of the significant transfer of wealth out of the region because of the absence of local generation. Wealth representing the cost associated with energy supply, and totalling approximately \$1 million per week or more than \$50 million per annum is transferred out the region. This represents a significant cost to the region, and clearly impacts on the region's prosperity.
- 4.8 The desire to retain a portion of this wealth within the region in the interests of the region's economic wellbeing and prosperity, while at the same time contributing to the solution to the wider energy supply situation through the development of local renewable generation, underpins MainPower's Generation Strategy.

5. EXTENT OF BACKGROUND WORK UNDERTAKEN FOR THIS PROPOSAL

- 5.1 As stated earlier, monitoring of the wind resource at Mt Cass commenced during 1997, well before the enactment of the Energy Industry Reform Act 1998. It was during this earlier period that MainPower secured the property rights to access, investigate and if appropriate to build and operate a wind farm at Mt Cass.
- 5.2 Consistent with its support for renewable generation, MainPower has entered into similar contractual arrangements with other landowners at five other sites for wind monitoring and possible development purposes. Suitable sites for wind monitoring were identified with the help of international wind energy consultants Garrad Hassan.
- 5.3 During March 2006, the wind monitoring at Mt Cass was extended to 50 metres in height and feasibility studies commenced.

- 5.4 During March 2007, MainPower announced its intention to build a wind farm at Mt Cass, and during August 2007, MainPower purchased the Mt Cass Farm ridge property where 50% of the wind farm would be located.
- 5.5 During November 2007, MainPower lodged its Resource Consent application for the development of the Mt Cass wind farm and this was subsequently notified during June 2008. Mr Hurley of MainPower will explain in detail the development process for the Application and how rigorous this process has been. MainPower is confident that its Application is thorough and robust, represents best practice and has taken into account all relevant matters.

Alternative sites

- 5.6 It has been suggested that MainPower should give priority to other wind farm locations, rather than continue to pursue the Mt Cass opportunity. As will be explained in more detail by Mr Mead, a number of other sites have been, and continue to be investigated. Investigations to date confirm that the Mt Cass property has significantly better wind resource than any other monitored site throughout MainPower's region.
- 5.7 The need for a sufficient wind resource is fundamental to the feasibility and economic viability of wind generation. Suitability in terms of strength, direction, frequency and turbulence is paramount and these characteristics are all found at Mt Cass.
- 5.8 The proposed Mt Cass wind farm is favourably located to enable connection to the electricity transmission network and strengthens the case for economic viability of the project. The existing major substation at Waipara, serving the Transpower and MainPower transmission and distribution networks, will accommodate the additional generation capacity at the Mt Cass wind farm, and the existing infrastructure will be reconfigured to achieve this.

6. ENVIRONMENTAL COMMITMENT AND PERFORMANCE

- 6.1 MainPower has a long-term commitment to environmental sustainability. It was the first lines company in New Zealand to hold the internationally

recognised standard ISO 14001 Certification in Environmental Management Systems; a standard that it has held for 10 years.

- 6.2 MainPower has recently adopted a Code of Sustainable Practice which integrates economic, social and environmental sustainability principles into its planning and decision-making. This includes the need to consider and respond appropriately to environmental and social impacts on local communities.
- 6.3 Direct local action in promoting energy efficiency and in establishing renewable generation fits in with MainPower's view that business should respond to the global threat of climate change.
- 6.4 The Mt Cass wind farm will provide significant economic benefit to the region and will, in itself, generate sufficient renewable electricity to power the entire Hurunui District.
- 6.5 During the period of investigation, MainPower has been aware of the concerns expressed about the local ecology. Addressing and responding to these concerns has been a key priority for MainPower during the investigation and a team of independent experts was engaged to assess the impacts of the proposal. Evidence on this will be presented by Dr. Norton and Dr. Bishop, both of whom are well recognised and respected in their particular fields.
- 6.6 MainPower has actively sought to minimise the environmental impact the wind farm will have on the environment and to put forward a proposal that will result in an enhanced ecological outcomes for Mt Cass, while at the same time producing clean, green energy.

Community Consultation – Establishment of the Community Fund

- 6.7 Stakeholder communications on the development of the wind farm at Mt Cass have been given the highest priority during the period that the wind farm has been subject to investigation. We have taken every opportunity to explain MainPower's Generation Strategy and how it will benefit the region.
- 6.8 MainPower values its relationship with the local community and has been encouraged by the positive views on the wind farm expressed by many community organisations and residents. This encouragement has given us

the confidence to proceed with the Mt Cass project and has also given us confidence that it will be successful.

6.9 During our consultation with the wider community, more specifically with representatives of the Waipara and Omihi Residents Associations, MainPower agreed to establish a Community Fund for the benefit of the Waipara/Omihi community - the closest community to the wind farm.

6.10 MainPower was particularly encouraged by the Associations' decisions to target the annual contribution of this fund towards energy efficiency and energy conservation. This is consistent with MainPower's overall vision that through such initiatives and the development of local renewable generation, the region will become at least 75% self-sufficient in electricity supply.

7. **CONCLUSION**

7.1 MainPower is a well established and respected company in the North Canterbury Region. It has extremely strong ties to the community and this has been reflected in a high degree of support for the wind farm at Mt. Cass.

7.2 New Zealand's electricity supply situation is fragile and Government, including Government's supporting agencies, have acknowledged this.

7.3 Government has already taken a number of initiatives to address a possible electricity supply crisis, and to address New Zealand's energy supply situation. Government has already corrected a range of legislative constraints, is in the process of undertaking a review of market behaviour, and is providing incentives to encourage new development

7.4 MainPower has responded positively to the call for new renewable generation. However, in doing so, MainPower also recognises that with development comes responsibility both in terms of protecting the environment and ensuring the energy that is generated is used in the most efficient manner possible where energy conservation is given the highest priority.

7.5 The Mt Cass windfarm has been the subject of rigorous testing in its development. MainPower has dedicated significant resources to ensuring that all environmental concerns are addressed to the fullest extent possible.

We are committed to enhancing the natural values of the Mt Cass site and to producing clean and green energy.

7.6 MainPower can clearly demonstrate that it has a proven track record with respect to discharging its responsibilities in an appropriate manner.

7.7 We thank you for the opportunity to present this Application.

A Berge

November 2008