

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of resource consent applications by
TrustPower Limited to the Bay of Plenty
Regional Council regarding the ongoing
existence, operation and maintenance of
the Matahina Hydroelectric Power
Scheme

SUPPLEMENTARY STATEMENT OF EVIDENCE OF GRAHAM JOHN LEVY

Introduction

1. My name is Graham John Levy. My qualifications and experience are as set out in my principal brief of evidence. In my principal brief I confirm compliance with the Code of Conduct for Expert Witnesses. This supplementary statement is also made in compliance with the Code.
2. This supplementary statement addresses specifically the cost calculation for TrustPower's contribution to the Rangitaiki Tarawera River Scheme (**RTRS**), as set out in version 3 of the s.42a report prepared by Mr Philpott, and only made available on 27 June 2011, the day before the hearing commenced. At the time of presenting my principal evidence I had not fully reviewed the calculations in this latest version of Mr Philpott's report.
3. Specifically, this supplementary brief identifies the areas of difference between Mr Philpott's calculation and my own, to assist the Commissioners in understanding these differences.

Annual operation and maintenance

4. Mr Philpott has used a spreadsheet format very similar to my own to calculate the contribution sought to be attributed to TrustPower, and it appears to be based on my spreadsheet, which I had supplied in electronic format. The two supporting sheets are also taken directly from my calculation, and I had adapted these from a spreadsheet supplied by Bay of Plenty Regional Council (**BoPRC**) Environmental Hazards Group (**EHG**), although as is evident in the sheets, I (and Mr Philpott) have identified some figures that we chose not to include in our calculation. These two sheets feed into the "**Routine maintenance**" and the "**2004 flood**" lines of the main sheet, where Mr Philpott's costs are the same as my own.
5. The second line of Mr Philpott's calculation is "**Flood Reserves**", and as with my calculation, he has assumed these are not included in the contribution calculation. Of importance here is that he has much higher costs than I included here, because he has followed the EHG approach of including LAPP and other costs here, whereas I have transferred some of those costs into the "Scheme management" line, so that they are included in the contribution calculation.

6. Mr Philpott's figures for "**Scheme management**" are much lower than my own. There are two reasons for this: I have added in some costs taken out of "Flood reserves"; and he has used the EHG approach to distributing RTRS overheads, which assigns a lower share to these reaches than I did.
7. Mr Philpott has then assigned a share of 10%, 30% and 30% to each of reaches 1 to 3 respectively, compared to my 0%, 15% and 25%. He thus arrives at a figure of \$47,363, compared to my \$27,674. The percentages applied are the principal reason for this difference, although if his percentage were applied to my costs then my figures would be higher than his, because of my inclusion of higher costs within "Scheme management".

Flood repairs

8. Mr Philpott has used the same costs for the "**2004 flood**" repairs as I have used. He has used 0%, 30% and 30% for TrustPower share for reaches 1 to 3 respectively, against my 0%, 10% and 12.5%.
9. For the "**2010/11 floods**" Mr Philpott has used an earlier overall sum supplied by EHG, whereas I have used a more recent cost breakdown that they have supplied, which is attached to my evidence. Using that and covering only reaches 2 and 3, the capital sum to be distributed would be only \$1,105,000, which is only 73% of the lump sum Mr Philpott has used, and would reduce the TrustPower contribution for these works by approximately \$7,000.
10. He has also used a cost of capital of 5%pa, whereas I have used 4%pa, being the rate used in the latest calculation data we have received from EHG. If Mr Philpott were to use 4%pa, then his overall figure for flood repairs would reduce by approximately \$6,000.
11. Thus, using more up-to-date data received from EHG would reduce Mr Philpott's calculation of the TrustPower contribution by \$13,000.

Capital works

12. Mr Philpott has added a "**Capital Works**" item, which covers stopbank geotechnical strengthening works proposed by EHG. These works are

related to the leakage, piping and heave problems with the stopbanks, and the EHG solution includes rock lining of the river bank in places.

13. Dr Toan has addressed these matters in some detail in his evidence, identifying clearly that Matahina HEPS operation does not contribute to the problem, and that the solution proposed by EHG may not be the best approach. For these reasons I have not included these costs at all in my contribution calculations.
14. Taking these out would reduce Mr Philpott's calculated contribution by a further \$13,649 in year one, and a total of \$38,000 from year 3 onwards.

Summary

15. In summary, with the correction mentioned in paragraph 10 above, Mr Philpott's calculated contribution would be \$107,000, and with the "Capital Works" (i.e. stopbank geotechnical strengthening works) also removed, this would reduce further to approximately \$93,000 per annum. The difference between this figure and that in my own calculation is principally a result of the different percentage contributions used.

Graham Levy

1 July 2011