

AUDITOR'S INDEPENDENT ASSURANCE REPORT
TO THE BOARD OF DIRECTORS OF NELSON ELECTRICITY LIMITED
REPORT ON NELSON ELECTRICITY LIMITED'S COMPLIANCE WITH THE ELECTRICITY
DISTRIBUTION (INFORMATION DISCLOSURE) REQUIREMENTS 2008
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

The Auditor-General is the auditor of Nelson Electricity Limited (the company). The Auditor-General has appointed me, Michael Wilkes, using the staff and resources of Deloitte, to provide an opinion on the compliance of the attached reports prepared by the company with the Commerce Commission's Electricity Distribution (Information Disclosure) Requirements 2008 (the Requirements) for the financial year ended 31 March 2010. In this independent assurance report the attached reports are called the 'disclosure information'.

Respective Responsibilities

The Board of Directors is responsible for preparing disclosure information which complies with the Requirements.

Clause 10 of the Requirements requires the Auditor-General to provide an opinion that the disclosure information prepared by the company complies with and is presented in all material respects in accordance with the Requirements for the financial year ended 31 March 2010.

Limitations and Use of this Independent Assurance Report

This independent assurance report has been prepared solely to discharge the Auditor-General's responsibilities under the Requirements for the financial year ended 31 March 2010. This independent assurance report is not intended to be used for any purposes, other than that for which it was prepared.

Material misstatements, whether caused by fraud or error, are differences or omissions of amounts and disclosures that would affect a user's overall understanding of the disclosure information prepared by the company.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the financial year and the procedures performed in respect of the company's compliance with the Requirements are undertaken on a test basis, our engagement cannot be relied on to detect all instances where the company may not have complied with the Requirements. Our opinion has been formed on the above basis.

Basis of Opinion

The company's financial statements for the year ended 31 March 2010 have been subject to audit. The audit opinion on the financial statements of the company for the year ended 31 March 2010 was unqualified and was dated 21 June 2010.

Our work has been planned and performed to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the disclosure information complies with and has been presented in all material respects in accordance with the Requirements. We also included an assessment of the significant estimates and judgements, if any, made by the company in the preparation of the disclosure information.

Historical Financial and Non-Financial Information

We conducted the engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the New Zealand Institute of Chartered Accountants.

Our work in respect of amounts and disclosures that were audited under the financial statement audit has been limited to agreeing the amounts and disclosures to the underlying records and audited financial statements of the company.

Our work in respect of amounts and disclosures that were not audited under the financial statement audit, has been planned and performed to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the disclosure information has been presented in all material respects in accordance with the Requirements.

Prospective Financial and Non-Financial Information

Our work has been limited to assessing whether the information has been presented on a basis consistent with the regulatory accounting or technical measurement requirements used for disclosures for the financial year ended 31 March 2010 and the immediately preceding financial year, and that the information has been calculated based on source data provided by the company, whilst acknowledging it is likely that actual results will vary from those forecasted, since anticipated events frequently do not occur as expected (and those variations may be significant). We have not performed audit procedures on the source data.

Independence

When carrying out the engagement we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants. We also complied with the Independent auditor provisions on independence, as specified in clause 2(1) of the Requirements.

Other than the engagement and the annual audit of the company's financial statements carried out on behalf of the Auditor-General, we have no relationship with or interests in the company.

Unqualified Opinions

We have obtained all the information and explanations we have required.

In our opinion:

- The company has kept proper records to enable the complete and accurate compilation of required information, in all material respects, as far as appears from our examination of those records; and
- The disclosure information prepared by the company for the financial year ended 31 March 2010 complies with the Requirements.

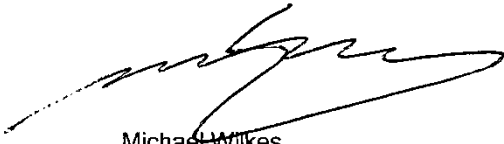
Historical Financial and Non-Financial Information

In our opinion, the company has:

- presented the historical financial information included in reports FS1, FS2, FS3, AV1, AV2, AV3, AV4, MP2, MP3 and AM1 for the financial year ended 31 March 2010 that complies with the Requirements, in all material respects; and
- compiled the historical non-financial information included in reports MP1, MP2 and MP3 in accordance with the guidance (if any) issued pursuant to the Requirements, and has calculated the historical non-financial information based on unaudited source data provided by the company.

Prospective Financial and Non-Financial Information

In our opinion, the company has presented the information in reports AM1 and MP3 on a basis consistent with the regulatory accounting or technical measurement requirements used for disclosures for the financial year ended 31 March 2010 and the immediately preceding financial year, and has calculated the prospective financial and non-financial information based on unaudited source data provided by the company.



Michael Wilkes
DELOITTE
On behalf of the Auditor-General
Christchurch, New Zealand
30 August 2010

SCHEDULE 16
FORM 4 – STATUTORY DECLARATION FOR PUBLICLY DISCLOSED
INFORMATION

For the Financial Year Ended 31 March 2010

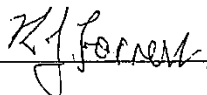
Pursuant to Requirement 13(1)

I, *Kenneth John Forrest of 148 Wither Road, Blenheim, Blenheim*, being a director of *Nelson Electricity Limited* solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public by *Nelson Electricity Limited* under the Commerce Commission's Electricity Distribution (Information Disclosure) Requirements 2008.

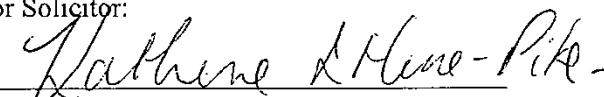
And I make this solemn declaration conscientiously believing the same to be true and by virtue to the Oaths and Declarations Act 1957.

Declared at Blenheim this 31 day of August 2010.

KJ Forrest



Justice of the Peace
or Solicitor:



Solicitor.

Commerce Commission

Template Electricity Distribution (Information Disclosure) Requirements Report Schedules

Schedules 2 to 13

2010 Template

Version 1.1 Template

30 June 2010

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	Instructions
FS1	Regulatory Profit Statement
FS2	Regulatory Asset & Financing Statement
FS3	Regulatory Tax Allowance Calculation
AV1	Annual Regulatory Valuation Roll-forward Report
AV2	Regulatory Valuation Disclosure by Asset Class
AV3	System Fixed Assets Replacement Cost Roll-forward Report
AV4	Business Merger, Acquisition or Sale – Regulatory Asset Base Disclosure
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MP2	Performance Measures
MP3	Price & Quality Measures
AM1	Expenditure Forecasts & Reconciliation

Template Guidelines

The Template Electricity Distribution (Information Disclosure) Requirements Report Schedules (Templates) have been made available to assist Distribution Business with the completion of their regulatory reporting requirements. The template and more specifically the formula have been prepared to be consistent with the Requirements. For the avoidance of doubt, the Electricity Distribution (Information Disclosure) Requirements, take precedence over the Templates where there is an inconsistency.

The following guidelines have been prepared to assist the preparer of the reports in completing the templates. The templates are linked through formulae. The completion of the templates as outlined below will assist the users in the process of inputting information.

Various disclosures in the reports are ascertainable from other disclosures, therefore where appropriate the template includes formula that automatically populates those disclosures. Therefore where formula is provided, manual input is not required.

<u>Step</u>	<u>Guideline</u>	<u>Reference</u>
Step 1 - Company Name and Dates		
	Insert company name and current financial year (year end date) in cells E4 and F5 of FS1 respectively. Note - only the year of the year end date is to be input (Example -"2008")	FS1
	Insert most recent ODV date in cell I6 of sheet AV1. Note - only the year of the most recent ODV date is to be input (Example -"2004") Note - that all other dates in the templates will automatically update	AV1
Step 2 - Asset Valuation Information		
	Enter the asset valuation information into reports AV1, AV2, AV3 and AV4. Points to note: AV1 Historic Information should be entered first, including - 'Regulatory Value at End of Previous Year' and other previous years information (if required). Note - the previous year information required is entered into the input cells to the left of the non-coloured cells. The current year information input cells will be white once Step 1 is complete.	AV1 AV2 AV3 AV4 AV1
	Indexed Revaluation on line 19 of AV1 is automatically updated once the historic information is complete and the CPI information has been entered into AV1a. The CPI information is determined as outlined in the definitions included in Schedule 1 of the Requirements.	AV1
	Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB information on lines 26 to 28 will be automatically populated once AV1b is complete.	AV1
	For AV1b - 'Input for prior year Acquisitions (Sales) of Assets to (from) another EDB', the prior year information is that which has been disclosed in lines 26, 27 and 41 of AV1 in previous years. Note - there is no requirement to disclose the Current Financial Year information for AV1b.	AV1
	A report AV4 is to be completed for each merger or asset transfer with another EDB. If there has been no merger or asset transfer activity (as defined by Requirement 6(4)) select 'NO DISCLOSURE REQUIRED' in the drop down menus of cell E6 of each of the AV4's. The Templates allow for three separate merger or asset transfers. The Commission can be contacted if additional AV4 reports are required.	AV4
	AV3a reconciles the difference between the Asset Additions Replacement Cost and Depreciated Replacement cost as disclosed in AV1 and AV3. Cell F38 of AV3 will be automatically populated once line 17 of AV1 is entered. Cell F39 is required to be populated to complete the calculation of the Replacement Cost which flows to Cell F11.	AV1 AV3
	An error message in cells N13 or N21 indicates there is discrepancy between AV1 and AV2.	AV1 AV2

<u>Step</u>	<u>Guideline</u>	<u>Reference</u>
Step 3 - Financial Statements Information		
	Enter the financial statement information into reports FS1, FS2 and FS3. Points to note:	FS1 FS2 FS3 FS1
	Discretionary Discounts and Customer Rebates on line 9 of FS1 is automatically populated once FS1a is complete.	
	Net Value of Vested Assets on line 14 of AV1 is automatically populated once FS1d is complete.	FS1
	Regulatory Tax on line 55 of FS1 is automatically populated once FS3 is complete.	FS1 FS3
	Deductible Interest on line 18 of FS3 is automatically populated once FS2b is complete. The Standard Cost of Debt Assumption is determined as outlined in the definitions included in Schedule 1 of the Requirements.	FS2 FS3
	FS1b, FS1c and FS1e includes supporting information to the disclosures that are made in the main report of FS1 and would be best completed once the main report of FS1 is complete.	FS1
	Section 3 of of the Information Disclosure Handbook outlines the required related party disclosures. FS1b is a summary of this information and the full disclosures will require additional disclosure by way of a separate note.	FS1
	FS3a is supporting information to the disclosures that are made in the main report of FS3 and would be best populated once the main report of FS3 is complete.	FS3
Step 4 - Measurement Performance Information		
	Enter the measurement performance information into reports MP1, MP2 and MP3. Points to note:	MP1 MP2 MP3 MP1 MP3
	'Total Business' should be entered into cell E7 of MP1 for disclosures relating to the total business. If additional reports MP1 and MP3 are required (as per Requirements 6(1)(b), 6(1)(c) or 6(4)) a separate file should be created and the name of the network/assets for which the report relates should be entered into cell E7.	
	Either 'Annual Disclosure- Requirement 6(1)' or 'Merger or Asset Transfer - Requirement 6(4)' should be selected from the drop down menu in cell E8	MP1
	Historic information is required in cells J35-J37 and J39 of MP1 and in the Numerator and Denominator of previous years disclosures in MP2 (refer Part 4 - Transitions Provisions for exceptions during the transitional period).	MP2
	The formula for the determination of the Denominator for the Operational Expenditure Ratio, Capital Expenditure Ratio and Distribution Transformer Ratio in MP2 is based on there being no merger or asset transfer activity during the Current Financial Year. If there has been merger or asset transfer activity as determined by Requirement 6(4) the denominator should be calculated as per that Requirement. Therefore the formula in these cells are unlocked so an appropriate entry can be made if required.	MP2
	An error message in cell G32 of MP1 indicates there is a discrepancy between the Overhead Circuit Length disclosure and the Circuit Length by Operating Voltage disclosure	MP1
	An error message in cells L76-L78 of MP3 indicates there is discrepancy between MP3 and FS1 or MP2	FS1 MP2 MP3
Step 5 - Asset Management Information		
	Enter the asset management information into report AM1. Point to note:	AM1
	A separate note is to be provided where explanations required in cells D26 and D52 exceed the space provided in those cells.	

REPORT FS1: REGULATORY PROFIT STATEMENT

ref	Electricity Distribution Business:	Nelson Electricity	
			For Year Ended 2010
5			
6	Income		
7			(\$000)
8	Net Line Charge Revenue Received	8,326	
9	plus Discretionary Discounts and Customer Rebates	-	FS1a
10	Gross Line Charge Income	8,326	
11			
12			
13	Capital Contributions	135	
14	plus Net Value of Vested Assets	-	
15	Total Capital Contributions and Vested Assets	135	
16			
17	AC Loss Rental Rebates Received	153	
18	less AC Loss Rental Rebates Passed On	-	
19	Net AC loss rental income (deficit)	153	
20			
21			
22	Other Income	-	
23			
24			
25	Total regulatory income	8,614	
26			
27			
28	Expenses		
29			
30	Transmission Charges - Payments to Transpower	2,479	
31	plus Avoided Transmission Charges - payments to parties other than Transpower	-	
32	Total Transmission Costs	2,479	
33			
34	Operational Expenditure:		
35	General Management, Administration and Overheads	1,277	
36	System Management and Operations	317	
37	Routine and Preventative Maintenance	323	to AM1
38	Refurbishment and Renewal Maintenance	74	to AM1
39	Fault and Emergency Maintenance	102	to AM1
40	Pass-through Costs	60	
41	Other	-	
42	Total Operational Expenditure	2,153	to MP2
43			
44			
45	Operational earnings	3,982	
46			
47			
48	Regulatory Depreciation of System Fixed Assets (incl. value of assets decommissioned)	1,304	from AV1
49	plus Depreciation of Non-System Fixed Assets (incl. value of assets decommissioned)	52	from AV1
50	Total Regulatory Depreciation	1,355	to FS3
51			
52			
53	Earnings before interest and tax (EBIT)	2,627	to FS3
54			
55	less Regulatory Tax Allowance	808	from FS3
56			
57	plus Indexed Revaluation (of System Fixed Assets)	476	from AV1
58	plus Revaluations of Non-System Fixed Assets	-	from AV1
59			
60	Regulatory profit / loss (pre-financing and distributions)	2,295	to MP2

REPORT FS1: REGULATORY PROFIT STATEMENT (cont)

Notes to Regulatory Profit Statement

69	FS1a: Discretionary Discounts: Customer Rebates and other line charge adjustments		(\$000)
70	Customer Rebates		
71	Line Charge Holidays and other Discretionary Discounts		
72	Total Discretionary Discounts and Customer Rebates		-

75	FS1b: Related party expenditure - summary		(\$000)
76	Avoided Transmission Charges		
77	Operational Expenditure		
78	Subvention Payment		
79	Other related party expenditure	434	
80	Total Related Party Expenditure		434

N.B.: The additional Related Party information that is required to be disclosed in accordance with Section 3 of the Information Disclosure Handbook is to be disclosed by way of a separate note to this Schedule and forms part of this Schedule.

87	FS1c: Operational Expenditure notes		(\$000)
88			
89	Merger and Acquisition Expenses		
90	Merger and Acquisition Expenses (not to be included in Operational Expenditure)		
91			
92	Material items (if greater than 10% of the Operational Expenditure line item)		
93	Material item amount 1	637	Notes to be provided separately
94	within expenditure category:		
95			
96	Material item amount 2	375	Notes to be provided separately
97	within expenditure category:		
98			
99	Material item amount 3	428	Notes to be provided separately
100	within expenditure category:		General Management, Administration &
101			
102			
103			(further disclosures to be provided on separate page if required)

106	FS1d: Vested Assets		(\$000)
107	Consideration Paid for Vested Assets		

110	FS1e: Reclassified items in Operational Expenditure		(\$000)
111	Value of items which have been reclassified since previous disclosure (if greater than 10% of any affected line item)		
112	Previous classification:	Select one	
113	New classification:	Select one	
114			
115			(\$000)
116	Value of items which have been reclassified since previous disclosure (if greater than 10% of any affected line item)		
117	Previous classification:	Select one	
118	New classification:	Select one	
119			
120			(\$000)
121	Value of items which have been reclassified since previous disclosure (if greater than 10% of any affected line item)		
122	Previous classification:	Select one	
123	New classification:	Select one	
124			

to be repeated as required for multiple reclassifications

Note to table FS1

Related Party Expenditure

During the year Nelson Electricity Ltd purchased management services from its two shareholding companies to the following value:

Malborough Lines Ltd	\$257,496
Network Tasman Ltd	\$170,496

Nelsdon Electricity Ltd also rented fibre optic communications capacity from Network Tasman Ltd to a value of \$6,245.

Material item 1 is costs paid to external contractors and suppliers for undertaking maintenance on the network. This cost is incurred over categories 2, 3, 4 and 5 of the operational expenditure listed above.

Material item 2 is staff salaries paid to the staff employed directly by Nelson Electricity Ltd.

Material item 3 is management fees paid to the two shareholding companies for administrative and engineering services.

REPORT FS2: REGULATORY ASSET AND FINANCING STATEMENT

ref	Electricity Distribution Business:	Nelson Electricity	
		For Year Ended	2010
5			
6			
7	Capital Expenditure on System Fixed Assets (by primary purpose)		(\$000)
8	Customer Connection	-	to AM1
9	System Growth	215	to AM1
10	Reliability, Safety and Environment	765	to AM1
11	Asset Replacement and Renewal	447	to AM1
12	Asset Relocations	-	to AM1
13	Total Capital Expenditure on System Fixed Assets	1,427	to AM1
14			
15			
16	Capital Expenditure on Non-System Fixed Assets	97	from AV1
17			
18			
19	Capital works roll-forward (for System Fixed Assets)		
20	Works Under Construction at Beginning of Year	306	
21	plus Total Capital Expenditure on System Fixed Assets	1,427	
22	less Assets Commissioned in Year	1,276	from AV1
23	Works under construction at year end	457	
24			
25			
26	Regulatory Investment Value calculation		
27	System Fixed Assets: regulatory value at end of Previous Year	23,259	from AV1
28	Non-System Fixed Assets: regulatory value at end of Previous Year	213	from AV1
29	Finance During Construction Allowance (on System Fixed assets)	570	2.45%
30	Total Regulatory Asset Base value at beginning of Current Financial Year	24,041	
31			
32	plus System Fixed Assets Commissioned in Year	1,276	from AV1
33	System Fixed Assets Acquired From (Sold to) a Non-EDB in Year	-	from AV1
34	Non-System Fixed Assets: Asset Additions	97	from AV1
35	Regulatory Asset Base investment in Current Financial Year - total	1,374	
36	Regulatory Asset Base investment in Current Financial Year - average	687	
37			
38	plus (minus) where a merger or acquisition has taken place within the year		
39	Adjustment for merger, acquisition or sale to another EDB	-	from AV4
40			
41	Regulatory Investment Value	24,728	to MP2

REPORT FS3: REGULATORY TAX ALLOWANCE CALCULATION

ref		Electricity Distribution Business:	Nelson Electricity	
5			For Year Ended	2010
6				
7				
8				
9				
10	Earnings before interest and tax (EBIT)			2,627 <i>from FS1</i>
11	<i>add</i> Total Regulatory Depreciation		1,355	<i>from FS1</i>
12	Other Permanent Differences - not deductible			
13	Other Temporary Adjustments - Current Period		2	
14				1,357
15	<i>less</i> Non Taxable Capital Contributions and Vested Assets		135	
16	Tax Depreciation		608	
17	Deductible Discretionary Discounts and Customer Rebates			
18	Deductible Interest		546	<i>from row 53</i>
19	Other Permanent Differences - Non Taxable			
20	Other Temporary Adjustments - Prior Period		3	
21				1,292
22				
23	Regulatory taxable income for Year			2,692
24				
25	<i>less</i> Tax Losses Available at Start of Year			
26	Net taxable income			2,692
27				
28	Statutory Tax Rate		30%	
29	Regulatory Tax Allowance			808 <i>to FS1</i>

Notes to Regulatory Tax Allowance Calculation

36	FS3a: Description of adjustments classified as "other"
37	
38	The Electricity Distribution Business is to provide descriptions of items recorded in the four "other" categories above (explanatory notes can be provided in a separate note if necessary).
39	
40	
41	Line 12 "Other" is the increase in Bad Debts Provision during the year. Line 20 "Other" is the decrease in Provision for Annual Leave occurring during the year.
42	
43	
44	
45	

48	FS3b: Financing assumptions (for Deductible Interest and Interest Tax Shield calculation)		
49			
50	Standard Debt Leverage Assumption (debt/total assets)	40%	%
51			
52	Standard Cost of Debt Assumption	5.52%	%
53			
54	Deductible Interest	546	\$000 <i>to row 18</i>
55			
56	Interest Tax Shield Adjustment	164	\$000 <i>to MP2</i>

REPORT AV1: ANNUAL REGULATORY VALUATION ROLL-FORWARD REPORT

ref	Electricity Distribution Business: Nelson Electricity					
	For Year Ended: 2010					Year of most recent ODV: 2004
	(\$000)					
	ODV Year +	ODV Year +	ODV Year +	ODV Year +	ODV Year +	ODV Year +
	1	2	3	4	5	6
	For Year Ending:					
	2005	2006	2007	2008	2009	2010
5						
6						
7						
8						
9						
10						
11	System Fixed Assets					
12						
13						
14						
15						
16						
17						
18						
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49						

Notes to Annual Regulatory Valuation Roll-forward Report

57	AV1a: Calculation of Revaluation Rate and Indexed Revaluation of System Fixed Assets						
58	CPI as at date of ODV						928
59							
60							
61							
62							
63							
64							
65							
	For Year Ended	2005	2006	2007	2008	2009	2010
	CPI at CPI reference date	953	985	1010	1044	1075	1097
	Revaluation Rate	2.69%	3.36%	2.54%	3.37%	2.97%	2.05%
	System Fixed Assets: Regulatory Value at End of Previous Year	19,393	20,286	21,991	22,214	22,731	23,259
	Indexed Revaluation of System Fixed Assets	522	681	558	748	675	476

68	AV1b: Input for prior year Acquisitions (Sales) of Assets to (from) another ELB						(\$000)
69	For Year Ended						
70	Acquisition of System Fixed Assets from another EDB						
71	Sale of System Fixed Assets to another EDB						
72	Net Acquisitions (Sales) of Non-System Fixed Assets from (to) an EDB						
	2005	2006	2007	2008	2009	2010	

REPORT AV2: REGULATORY VALUATION DISCLOSURE BY ASSET CLASS
(for System Fixed Assets)

Electricity Distribution Business: **Nelson Electricity**
 For Year Ended: **2010**

Subtotals by Asset Class (for System Fixed Assets)

(\$000)

ref		Subtransmission	Zone Substations	Distribution & LV Lines	Distribution & LV Cables	Distribution Substations and Transformers	Distribution Switchgear	Other System Fixed Assets	Total for System Fixed Assets (per AV1)	
11	System Fixed Assets									
12	Regulatory Value of System Fixed Assets (as per most recent ODV)	1,207	774	571	9,723	2,318	1,845	2,954	19,393	from AV1
15	Cumulative roll-forward since most recent ODV:									
16	Asset Additions								6,774	from AV1
17	Indexed Revaluation (of System Fixed Assets)								3,661	from AV1
18	less Regulatory Depreciation (of System Fixed Assets)								6,120	from AV1
19	Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB								-	from AV1
20	Net Increase (Decrease) Due to Changes in Asset Register Information								-	from AV1
21	Regulatory Value of System Fixed Assets at Year End								23,707	from AV1

REPORT AV3: SYSTEM FIXED ASSETS REPLACEMENT COST ROLL-FORWARD REPORT

ref	Electricity Distribution Business:	Nelson Electricity
5	For Year Ended:	2010
6	System Fixed Assets - Replacement Cost	
7		(\$000)
8	Replacement cost at end of previous year	48,929
9		
10	Asset Additions	1,276
11	Indexed Revaluation (of System Fixed Assets)	1,001
12	less Replacement Cost of Assets Decommissioned	1,245
13	Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB	-
14	Net Increase (Decrease) Due to Changes in Asset Register Information	
15	Replacement cost of System Fixed Assets at year end	49,961
16		
17		
18	System Fixed Assets - Depreciated Replacement Cost	
19		
20	Depreciated Replacement Cost at end of previous year	24,421
21		
22	Asset Additions	1,276
23	Indexed Revaluation (of System Fixed Assets)	500
24	less Depreciation of Replacement Cost	884
25	less Depreciated Replacement Cost of Assets Decommissioned	420
26	Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB	-
27	Net Increase (Decrease) Due to Changes in Asset Register Information	
28	Depreciated replacement cost of System Fixed Assets at year end	24,893

Notes to Price and Quality Measures

36	AV3a: New Asset Additions	
37		
38	Asset Additions - Depreciated Replacement Cost	1,276
39	plus Difference in Replacement Cost and Depreciated Replacement Cost values of Asset Additions	
40		
41	Asset Additions - Replacement Cost	1,276
42		

REPORT AV4: BUSINESS MERGER, ACQUISITION OR SALE - REGULATORY ASSET BASE DISCLOSURE

Electricity Distribution Business: Nelson Electricity

6 Disclosure required? (YES or NIL DISCLOSURE): NO DISCLOSURE REQUIRED

8 As at (date):

9 Proportion of year following transfer of assets 0%

12 **PART 1: Most recent ODV valuation of System Fixed Assets transferred** (\$000)

	Subtransmission	Zone substations	Distribution & LV Lines	Distribution & LV Cables	Distribution substations and transformer	Distribution switchgear	Other System Fixed Assets	Total for System Fixed Assets
13								
14	Replacement Cost (RC)							-
15								
16	less Depreciation							-
17	Depreciated Replacement Cost (DRC)	-	-	-	-	-	-	-
18								
19	less Optimisation adjustment							-
20	Optimised Depreciated Replacement Cost (ODRC)	-	-	-	-	-	-	-
21								
22	less Economic Value Adjustment (EVA)							-
23	Most recent ODV value	-	-	-	-	-	-	-
24								

26 **PART 2: Valuation disclosure for transferred assets by Asset Class (at transfer date)**

	Total for System Fixed Assets	Non-System Fixed Assets		Total RAB value (excl. FDC)
27				(\$000)
28	-			
29				
30	Cumulative roll-forward since most recent ODV:			
31				
32				
33				
34				
35				
36	-			-
37				
38				
39				
40				
41				
42				
43	-			
44	0%			
45				
46				
47				
48				
49				
50				
51				
52				
53				
54				
55				
56				
57				

47 **PART 3: Rolled-forward Replacement Cost values for System Fixed Assets transferred** (\$000)

	RC & DRC values of System Fixed Assets at transfer date		RAB value of acquired/(sold) assets	
48				
49	Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB - RC	-	-	to AV3
50	Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB - DRC	-	-	to AV3
51				

Signed by: Selling Entity

Acquiring Entity

REPORT MP1: NETWORK INFORMATION

(Separate report required for each Non-Contiguous Network)

ref		Electricity Distribution Business:	Nelson Electricity	
6			For Year Ended:	2010
7	Network Name:	Nelson Electricity		(enter "Total Business" or name of network)
9	Disclosure:	Annual Disclosure - Requirement 6(1)		
10	Circuit Length by Operating Line Voltage (at year end)	Overhead (km)	Underground (km)	Total (km)
11	> 66kV	-	-	-
12	50kV & 66kV	-	-	-
13	33kV	1	10	10
14	SWER (all SWER voltages)	1	-	1
15	22kV (other than SWER)	-	-	-
16	6.6kV to 11kV (inclusive - other than SWER)	6	73	79
17	Low Voltage (< 1kV)	24	134	158
18	Total circuit length (for Supply)	32	216	248
19				to MP2
20	Dedicated Street Lighting Circuit Length	-	43	43
21				
22	Overhead Circuit Length by Terrain (at year end)	(km)	(%)	
23	Urban (only)	30	92%	
24	Rural (only)	2	5%	
25	Remote (only)	-	0%	
26	Rugged (only)	-	0%	
27	Rural & rugged (only)	-	0%	
28	Remote & rugged (only)	1	4%	
29	Unallocated overhead lines	-	0%	
30	Total overhead length	32	100%	
31				
32				
33				
34	Transformer capacity (at year end)			Previous Year
35	Distribution Transformer Capacity (EDB Owned)	91	MVA	90
36	Distribution Transformer Capacity (Non-EDB Owned, Estimated)	0	MVA	0
37	Total Distribution Transformer Capacity	91	MVA (to MP2)	90
38				
39	Zone Substation Transformer Capacity	40	MVA	40
40				
41	System Fixed Assets age (at year end)			
42	Average Age of System Fixed Assets	25	Years	
43	Average Expected Total Life of System Fixed Assets	50	Years	
44	Average Age as a Proportion of Average Expected Total Life	50%	%	
45				
46	Estimated Proportion of Assets (by Replacement Cost) within 10 years of Total Life	16%	%	
47				
48				
49				
50	Electricity demand	Maximum coincident system demand (MW)	Non-coincident Sum of maximum demands (MW)	
51	GXP Demand	34	34	
52	plus Embedded Generation Output at HV and Above	-	-	
53	Maximum System Demand	34		
54	less Net Transfers to (from) Other EDBs at HV and Above	-		
55	Demand on system for supply to customers' Connection Points	34		
56	less Subtransmission Customers' Connection Point Demand	-		
57	Maximum Distribution Transformer Demand	34		
58				to MP2
59				
60				
61	GXP Demand not Supplied at Subtransmission Level			
62	Embedded Generation Output - Connected to Subtransmission System			
63	Net Transfers to (from) Other EDBs at Subtransmission Level Only			
64				
65	Estimated Controlled Load Shed at Time of Maximum System Demand (MW)	3		
66				
67	Five-Year System Maximum Demand Growth Forecast	1.5	% p.a.	
68				
69	Electricity volumes carried	(GWh)		
70	Electricity Supplied from GXPs	155		
71	less Electricity Exports to GXPs	-		
72	plus Electricity Supplied from Embedded Generators	-		
73	less Net Electricity Supplied to (from) Other EDBs	-		
74	Electricity entering system for supply to customers' Connection Points	155		
75	less Electricity Supplied to Customers' Connection Points	147		
76	Electricity Losses (loss ratio)	8	5.1%	
77				to MP2
78	Electricity Supplied to Customers' Connection Points	147		
79	less Electricity Supplied to Largest 5 Connection Points	23		
80	Electricity supplied other than to Largest 5 Connection Points	125	85%	
81				
82	Load Factor	53%	%	
83				
84	Number of Connection Points (at year end)	9,008	ICPs	to MP2
85				
86	Intensity of service requirements			
87	Demand Density (Maximum Distribution Transformer Demand / Total circuit length)	135	kW/km	
88	Volume Density (Electricity Supplied to Customers' Connection Points / Total circuit length)	594	MWh/km	
89	Connection Point Density (ICPs / Total circuit length)	36	ICP/km	
90	Energy Intensity (Electricity Supplied to Customers' Connection Points / ICP)	16,374	kWh/ICP	

REPORT MP2: PERFORMANCE MEASURES

ref	Electricity Distribution Business: Nelson Electricity							
5					For Year Ended:	2010		
6	Performance comparators							
7		Previous Years:			Current Financial Year			
8		Current Yr - 3	Current Yr - 2	Current Yr - 1				
9	Operational expenditure ratio							
10		Total Operational Expenditure	2	2	2	\$m from FS1		
11		Replacement Cost of System Fixed Assets (at year end*)	47	49	50	\$m from AV3		
12		Ratio (%)	Not defined	3.76%	3.83%	4.31% %		
13	Capital expenditure ratio							
14		Total Capital Expenditure on System Fixed Assets	1	1	1	\$m from FS2		
15		Replacement Cost of System Fixed Assets (at year end*)	47	49	50	\$m from AV3		
16		Ratio (%)	Not defined	1.73%	2.36%	2.86% %		
17	Capital expenditure growth ratio							
18		Capital Expenditure: Customer Connection and System Growth	-	-	0	\$m from FS2		
19		Change in Total Distribution Transformer Capacity	2	2	2	MVA from MP1		
20		\$/kVA	Not defined	-	-	143 \$/kVA		
21	Renewal expenditure ratio							
22		Capital & Operational Expenditure: Asset Replacement, Refurbishment and Renewal	-	-	1	\$m from FS1 & 2		
23		Regulatory Depreciation of System Fixed Assets	1	1	1	\$m from AV1		
24		Ratio (%)	Not defined	0%	0%	40% %		
25	Distribution Transformer Capacity Utilisation							
26		Maximum Distribution Transformer Demand	34	34	33	MW from MP1		
27		Total Distribution Transformer Capacity (at year end*)	87	88	90	kVA from MP1		
28		Ratio (%)	39.4%	38.7%	36.5%	36.8% %		
29	Return on Investment							
30		Regulatory Profit / Loss (pre-financing and distributions)	3	3	2	\$m from FS1		
31		less Interest Tax Shield Adjustment	0	0	0	\$m from FS3		
32		Adjusted Regulatory Profit	-	3	2	\$m		
33		Regulatory Investment Value	23	24	25	\$m from FS2		
34		Ratio (%)	Not defined	11.02%	12.64%	8.62% %		
35	* If a Merger or Asset Transfer with another EDB was entered into during the year, the denominators are calculated as time-weighted averages.							
36	Expenditure comparison table							
37	Expenditure metrics (\$ per):							
38		Total circuit length (for Supply) (\$/km)	Electricity Supplied to Customers' Connection Points (\$/MWh)	Maximum coincident system demand (\$/MW)	Connection Point (\$/ICP)	Distribution Transformer Capacity (EDB-Owned) (\$/MVA)		
39		Capital Expenditure (\$) per	6,137	10	45,463	169	16,733	from FS2 & MP1
40		Operational Expenditure (\$) per	8,669	15	64,211	239	23,633	from FS1 & MP1

REPORT MP3: PRICE & QUALITY MEASURES
 (Separate report required for each Non-contiguous Network)

Electricity Distribution Business: **Nelson Electricity**

For Year Ended: **2010**

Network Name: **Nelson Electricity**
 Disclosure: **Annual Disclosure - Requirement 6(1)**

QUALITY

Interruptions

Interruptions by class

Class A	-	planned interruptions by Transpower:
Class B	28	planned interruptions on the network
Class C	9	unplanned interruptions on the network
Class D	1	unplanned interruptions by Transpower
Class E	-	unplanned interruptions of network owned generation
Class F	-	unplanned interruptions of generation (non-network)
Class G	-	unplanned interruptions caused by other electricity industry participant
Class H	-	planned interruptions caused by other electricity industry participant
Total	38	Total of above

Interruption targets for Forecast Year

	2011	Current Financial Year +1
Class B	25	planned interruptions on the network
Class C	4	unplanned interruptions on the network

Average interruption targets for 5 Forecast Years

	2011-2015	Current Financial Year +1 to +5
Class B	25	planned interruptions on the network
Class C	4	unplanned interruptions on the network

Class C interruptions restored within

	≤3Hrs	>3hrs
	8	1

Faults

Faults per 100 circuit kilometres

The total number of faults for Current Financial Year	9.94	in year	2010
The total number of faults forecast for the Forecast Year	4.00	in year	2011
The average annual number of faults forecast for the 5 Forecast Years	4.00	average over years	2011-2015

Fault Information per 100 circuit kilometres by Voltage and Type

	6.6kV & 11kV non-SW	22kV non-SW	SW	33kV	50kV & 66kV	>66kV
Is this voltage part of the EDB system?	Yes	No	Yes	Yes	No	No
Current Financial Year	11.23	-	-	-	-	-
Forecast Year	4.00	-	-	-	-	-
Average annual for 5 Forecast Years	4.00	-	-	-	-	-

Fault Information per 100 circuit kilometres by Voltage and Type

	6.6kV & 11kV non-SW	22kV non-SW	SW	33kV	50kV & 66kV	>66kV
Underground	8.25	-	-	-	-	-
Overhead	40.32	-	-	-	-	-

Reliability

Overall reliability

Based on the total number of interruptions	SAIDI	SAIFI	CAIDI
	169.42	1.76	96.48

Reliability by interruption class

Class B	SAIDI	SAIFI	CAIDI
Class C	54.38	0.18	298.49
	24.92	0.58	43.35

Targets for Forecast Year

Class B	SAIDI	SAIFI	CAIDI
Class C	15.00	0.30	50.00
	30.00	0.60	50.00

Average targets for 5 Forecast Years

Class B	SAIDI	SAIFI	CAIDI
Class C	15.00	0.30	50.00
	30.00	0.60	50.00

REPORT MP3: PRICE AND QUALITY (cont)

69	PRICES					
70	Price information by Connection Point Class					
71		Connection Point Class				
72						
73						
74						
75		Small Connection Points	Medium Connection Points	Large Connection Points	Largest 5 Connection Points	Total
76	Gross line charge income (\$000)	683	5,099	1,830	714	8,326 <i>from FS1</i>
77	Electricity Supplied to Customers' Connection Points (MWh)	10,195	76,621	38,115	22,568	147,498 <i>Error (MP1)</i>
78	Number of Connection Points (ICPs) at year end	1,745	7,164	94	5	9,008 <i>from MP1</i>
79	Unit Price (cents/kWh)	6.7	6.7	4.8	3.2	5.6
80	Relative Unit Price Index	1.00	0.99	0.72	0.47	0.84
81						

Notes to Price and Quality Measures

89	MP3a: Connection Point Class breakpoints	
90		
91	Connection Point Class breakpoints methodology	Metering installation category based breakpoints
92		
93	kVA based breakpoints - additional disclosure	
94	Breakpoint between small and medium classes	_____ kVA
95	Breakpoint between large and medium classes	_____ kVA
96		

REPORT AM1: EXPENDITURE FORECASTS AND RECONCILIATION

Electricity Distribution Business: **Nelson Electricity**
 For Year Ended **2010**
 (\$000)

A) Five year forecasts of expenditure

From most recent Asset Management Plan

Forecast Years

for year ended	Actual for Current Financial Year	Forecast Years					
	2010	year 1	year 2	year 3	year 4	year 5	
Capital Expenditure: Customer Connection	-	-	-	-	-	-	from FS2
Capital Expenditure: System Growth	215	4,275	4,430	317	200	180	from FS2
Capital Expenditure: Reliability, Safety and Environment	765	1,378	1,654	1,382	1,083	1,307	from FS2
Capital Expenditure: Asset Replacement and Renewal	447	464	150	72	122	50	from FS2
Capital Expenditure: Asset Relocations	-	-	-	-	-	-	from FS2
Subtotal - Capital Expenditure on asset management	1,427	6,117	6,234	1,771	1,405	1,537	
Operational Expenditure: Routine and Preventative Maintenance	323	228	233	238	243	247	from FS1
Operational Expenditure: Refurbishment and Renewal Maintenance	74	301	307	314	320	326	from FS1
Operational Expenditure: Fault and Emergency Maintenance	102	71	73	74	76	77	from FS1
Subtotal - Operational Expenditure on asset management	499	601	613	626	639	651	
Total direct expenditure on distribution network	1,926	6,718	6,847	2,397	2,044	2,188	
Overhead to Underground Conversion Expenditure	206	148	95	160	120	-	

The Electricity Distribution Business is to provide the amount of Overhead to Underground Conversion Expenditure included in each of the above Expenditure Categories (explanatory notes can be provided in a separate note if necessary).

B) Variance between Previous Forecast for the Current Financial Year, and Actual Expenditure

	Actual for Current Financial Year (a)	Previous forecast for Current Financial Year (b)	% Variance (a)/(b)-1	
Capital Expenditure: Customer Connection	-	-	Not defined	from row 10
Capital Expenditure: System Growth	215	360	-40.3%	from row 11
Capital Expenditure: Reliability, Safety and Environment	765	1,058	-27.7%	from row 12
Capital Expenditure: Asset Replacement and Renewal	447	1,072	-58.3%	from row 13
Capital Expenditure: Asset Relocations	-	-	Not defined	from row 14
Subtotal - Capital Expenditure on asset management	1,427	2,490	-42.7%	
Operational Expenditure: Routine and Preventative Maintenance	323	224	44.2%	from row 17
Operational Expenditure: Refurbishment and Renewal Maintenance	74	296	-75.0%	from row 18
Operational Expenditure: Fault and Emergency Maintenance	102	70	45.7%	from row 19
Subtotal - Operational Expenditure on asset management	499	590	-15.4%	
Total direct expenditure on distribution network	1,926	3,080	-37.5%	

Explanation of variances

Distribution Business must provide a brief explanation for any line item variance of more than 10%

Explanatory notes (can be provided in a separate note if necessary): [See note below](#)

Note to AM1

Capital Expenditure

Variances between actual and previous forecast are explained below. It has to be recognised that many projects can be classed in more than one section which can create some distortion.

The capital plan for 2009/2010 was underspent for the year. This has been explained at Board level through the year.

- Ripple generator replacement
- Haven Road 11kV switchboard
- Haven Road protection relay replacement

These projects totalling \$850k were deferred until a new zone substation is commissioned (ripple generator and 11kV switchboard will be replaced in the next 1- 2 years if replacement prior to zone substation is deferred).

- 11kV switch replacements delayed due to awaiting switch delivery (Port 1) and also determining the appropriate switchgear (Emano, GPO) - \$390,000. There still is an issue with no real vacuum switchgear alternative for these sites.
- Developer related projects being delayed by developer - \$115,000;
- Overhead to underground projects either not financially viable or deferred (Victory Square to Alfred substation, Tukuka substation to Kawai, Locking Street, Weka Street east) - \$275,000.

There were also some additional projects not allowed for in the original estimates that were completed by the end of the year.

- Haven Road to New Street Feeder completed in the early 2009-2010 year - \$88,000 (budgeted for in the previous year);
- New Street to Alma Lane 11kV cable replacement included in current year to combine with two other 11kV projects in same area - \$82,000;

Most capital projects were completed however there were some which were not, as further load checks or tests confirmed that the works could be deferred without compromising the integrity of the network.

Operational Expenditure

The expenditure has been underspent. The variances are predominantly due to the allocations for budget not being in line with disclosure requirements and not an underspending on operational expenditure. The \$590,000 Budget (set in January 2009) was increased to \$690,000 in November 2009 to allow for additional costs invoiced during the year for work undertaken in the previous year. The variance for the end of year was 9.2% underspending compared to budget.