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OTAGO POWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

OTAGO POWER LIMITED
DISCLOSURES Required under the ELECTRICITY (INFORMATION DISCLOSURE
REGULATIONS

STATEMENT OF ACCOUNTING POLICIES

GENERAL ACCOUNTING POLICIES

SPECIAL PURPOSE FINANCIAL STATEMENTS

These financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1994.

These financial statements should be read in conjunction with the financial statements and notes issued to shareholders for the year ended 31 March 1996.

MEASUREMENT BASE

The measurement base adopted is that of historical cost except for the revaluation of certain fixed assets as stated. Reliance is placed on the fact that Otago Power Limited is a going concern.

Accrual Accounting is used to match expenses and revenues.

PARTICULAR ACCOUNTING POLICIES

1. Valuation of Assets

- (a) Investments are recorded at cost plus accumulated interest.
- (b) Debtor balances are at estimated realisable value after writing off bad debts for the period and making an allowance for doubtful debts.
- (c) Inventory is valued at the lower of cost or net realisable value on a weighted average cost basis.

2. Fixed Assets

The assets of the Otago Electric Power Board (O.E.P.B.) were transferred to the Company under the Energy Companies Act 1992 in accordance with the Establishment Plan. The value of assets acquired from O.E.P.B. were determined as set out below with subsequent additions at cost.

- (a) Hydro Assets are valued at current economic value at 1.4.92 using the Optimised Deprival Value method as valued by Mr J.W. Park of Royds Consulting Ltd less accumulated depreciation. This is a departure from the historical cost measurement base. Additions during the period are recorded at historic cost.

- (b) Distribution system assets, except standby transformers, are valued at cost less accumulated depreciation. Standby transformers are recorded at a current market value established in 1991, as valued by B. Wilkes an independent valuer, less depreciation. This is a departure from the historical cost measurement base.
- (c) Buildings, Plant and Equipment are recorded at historic cost less accumulated depreciation.
- (d) Land and Roding is recorded at historic cost.
- (e) Motor Vehicles are recorded at historic cost less accumulated depreciation.

All assets, except freehold land and roads are depreciated over their estimated useful lives on a straight line basis or diminishing value basis as considered appropriate, commencing from the time the asset is held ready for use.

The Economic life ranges for the various classes of assets are:-

(a) Hydro Assets

Dams - Headworks	50 to 99 years
Powerhouse and Associated Buildings	50 to 53 years
General Plant and Substations	26 years
Equipment and Tools	5 to 10 years

(b) Other Assets

Buildings and Residences	39 to 48 years
Distribution Equipment	16 to 25 years
Tools, Plant Equipment	5 years
Trading Buildings	39 years
Motor Vehicles	5 years

3. Taxation

The Taxation charge against the result for the year is the estimated liability in respect of that result after allowance for permanent differences and timing differences not expected to reverse in the foreseeable future. The Company follows the liability method of accounting for deferred taxation. Deferred taxation benefits are only recognised when there is virtual certainty of recovery in future periods.

4. G.S.T.

These accounts are prepared exclusive of GST except for Accounts Receivable and Accounts Payable which are inclusive of GST.

5. ASSET ALLOCATION

Under the Electricity (Information Disclosure) Regulations 1994, Otago Power Limited is defined as a line business, a Generation business and an Energy business.

The methodology for allocating costs, revenues, assets and liabilities between the businesses is on the same basis as outlined in the Electricity Disclosure Guidelines as issued by the Ministry of Commerce on 23rd June 1994.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies this period.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 1996

	GENERATION		NETWORK OPERATIONS		ENERGY TRADING		INTER-SEGMENT ELIMINATION		CONSOLIDATION	
	31.3.96	31.3.95	31.3.96	31.3.95	31.3.96	31.3.95	31.3.96	31.3.95	31.3.96	31.3.95
REVENUE: ENERGY SALES					19,570,863	19,066,992			19,570,863	19,066,992
REVENUE: LINE CHARGES			8,927,048	8,937,087			(8,927,048)	(8,937,087)		
REVENUE: GENERATION	2,965,454	3,795,487					(2,965,454)	(3,795,487)		
INTEREST/OTHER INCOME	10,915	3,046	1,408,019	247,612	33,500	399,145			1,452,434	649,803
LESS										
OPERATING EXPENSES	851,590	1,105,918	6,098,498	5,757,184	19,090,231	19,015,265	(11,892,502)	(12,732,574)	14,147,817	13,145,793
BAD DEBTS					5,943	3,322			5,943	3,322
AUDITOR REMUNERATION	3,375	3,375	13,500	13,500	5,625	5,625			22,500	22,500
OTHER AUDITOR FEES	666		2,666		1,111				4,443	
DIRECTORS FEES	10,950	15,227	43,800	60,911	18,250	25,380			73,000	101,518
SUPERANNUATION	5,572	5,622	53,124	49,179	12,638	12,135			71,334	66,936
INTEREST	154,684	344,891	112,012	249,749					266,696	594,640
DEPRECIATION	386,798	381,571	1,127,990	1,080,097	36,745	29,635			1,551,533	1,491,303
NET PROFIT BEFORE TAX	1,562,734	1,941,929	2,883,477	1,974,079	433,820	374,775			4,880,031	4,290,783
REBATES	162,000	493,600			570,000	150,000			732,000	643,600
NET PROFIT BEFORE TAX	1,400,734	1,448,329	2,883,477	1,974,079	(136,180)	224,775			4,148,031	3,647,183

	GENERATION		NETWORK OPERATIONS		ENERGY TRADING		INTER-SEGMENT ELIMINATION		CONSOLIDATION	
	31.3.96	31.3.95	31.3.96	31.3.95	31.3.96	31.3.95	31.3.96	31.3.95	31.3.96	31.3.95
TAXATION EXPENSE	391,919	444,244	806,784	599,729		66,637			1,198,703	1,110,610
NET PROFIT AFTER TAX	1,008,815	1,004,085	2,076,693	1,374,350	(136,180)	158,138			2,949,328	2,536,573
DIVIDEND EXPENSES	276,741	276,763	195,627	195,643	4,772	4,772			477,140	477,178
REDEMPTION PREF SHARES	289		204		6				499	
RETAINED EARNINGS	731,785	727,322	1,880,862	1,178,707	(140,958)	153,366			2,471,689	2,059,395

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1996

	GENERATION		NETWORK OPERATIONS		ENERGY TRADING		INTER-SEGMENT ELIMINATION		CONSOLIDATION	
	31.3.96	31.3.95	31.3.96	31.3.95	31.3.96	31.3.95	31.3.96	31.3.95	31.3.96	31.3.95
TOTAL SHAREHOLDERS FUND	18,791,081	18,034,856	16,232,323	13,055,810	472,054	2,173,344			35,495,458	33,264,010
These funds are represented by										
FIXED ASSETS	19,980,883	20,230,813	14,609,925	14,761,266	265,140	281,786			34,855,948	35,273,865
INVESTMENTS	2,063		8,251		3,438	600,919			13,752	600,919
CURRENT ASSETS	467,041	144,528	3,534,722	1,675,901	2,365,081	2,869,328	(823,535)	(669,608)	5,543,309	4,020,149
TOTAL ASSETS	20,449,987	20,375,341	18,152,898	16,437,167	2,633,659	3,752,033	(823,535)	(669,608)	40,413,009	39,894,933
Less										
TERM LIABILITIES	1,305,000	145,000	945,000	105,000					2,250,000	250,000
PROV DEFERRED NET CHARGE				1,151,680						1,151,680
TOTAL NON CURRENT LIABILITIES	1,305,000	145,000	945,000	1,256,680					2,250,000	1,401,680
CURRENT LIABILITIES	353,906	2,195,485	975,575	2,124,677	2,161,605	1,578,689	(823,535)	(669,608)	2,667,551	5,229,243
TOTAL LIABILITIES	1,658,906	2,340,485	1,920,575	3,381,357	2,161,605	1,578,689	(823,535)	(669,608)	4,917,551	6,630,923
NET ASSETS IN EXCESS LIABILITIES	18,791,081	18,034,856	16,232,323	13,055,810	472,054	2,173,344			35,495,458	33,264,010

STATEMENT OF PERFORMANCE MEASUREMENT**Information Disclosures****Asset Valuation**

For the purposes of these Financial Performance Measures & Efficiency Performance Measures, Otago Power Limited has used the Optimised Deprival Value Method of valuing assets. This method is a requirement of the Electricity (Information Disclosure) Regulations 1994. This has had the effect of increasing the value of Fixed Assets and Shareholder Funds in the 1995 and 1996 years by \$22,460,734.

Financial Performance Measures

		1996	1995
Accounting Return on Total Assets			
<u>Earnings before Interest and Tax</u>			
Average Total Funds Employed	=	10.2185%	8.439%
Accounting Return on Equity			
<u>Net Profit after Tax</u>			
Average Total Shareholders Funds	=	8.0444%	6.6375%
Accounting Rate of Profit	=	8.0099%	6.627%

Efficiency Performance Measures

Direct Line Costs Per Kilometre

<u>Direct Expenditure</u>			
System Length	=	\$451.75	\$357.32

Indirect Line Costs Per Electricity Customer

<u>Indirect Expenditure</u>			
Total Customers	=	\$156.96	\$182.25

Energy Delivery Efficiency Performance Measures

Load Factor	=	62.473%	62.129%
Loss Ratio	=	6.70%	6.563%
Capacity Utilisation	=	32.76%	31.804%
The ODV for the line business assets are		\$37,064,261	\$37,064,261

<u>Statistics</u>	1996 km's	1996 km's	1995 km's
System Length		4659.053	4631.294
Broken down as follows:			
66kV	29.50		29.50
33kV	480.29		480.29
22kV	230.77		221.03
11kV	2748.455		2730.44
6.6kV	35.69		35.69
LV	1134.348		1134.344
	<hr/>		<hr/>
	4659.053		4631.294
Circuit Length (Overhead)		4643.608	4615.849
66kV	29.50		29.50
33kV	480.29		480.29
22kV	230.77		221.03
11kV	2748.455		2730.44
6.6kV	35.69		35.69
LV	1118.903		1118.899
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	4643.608		4615.849
Circuit Length (Underground)		15.445	15.445
LV	15.445		15.445
	<hr/>		<hr/>
	15.445		15.445
Transformer Capacity		145644kVA	145644kVA
Maximum Demand		47726kw	46321kw
Total Electricity Supplied from the System		243684288kw	234973020kw
Total Electricity Conveyed through the System on behalf of other persons		Nil	Nil
Total Customers		14012	13210

Reliability Performance Measures

Total number of interruptions together with a breakdown of the total according to interruptions class.

INTERRUPTION CLASS

	1996	1995
	No of Faults	
Class A - being a planned interruption by Trans Power	1	2
Class B - being a planned interruption by any line owner (other than Trans Power)	203	178
Class C - being an unplanned interruption originating within the works of the principal line owner, where those works are used for the supply of line function services	238	322
Class D - being an unplanned interruption originating within the works of Trans Power, where those works are used for supply of line function services	3	0
Class E - being an unplanned interruption originating within works used, by the Corporation, for the generation of electricity	0	0
Class F - being an unplanned interruption originating within works used, by persons other than the Corporation, for the generation of electricity	0	0
Class G - being any interruption not referred to in any of paragraphs (a) of (f) of this definition	0	0
Total Interruptions	<u>442</u>	<u>502</u>
	1996	1995
Total number of faults per 100 circuit kilometres of prescribed voltage electric line	6.8	9.15
Total number of faults per 100 circuit kilometres of underground together with a breakdown according to nominal line voltages	Nil	Nil

Total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line together with a breakdown according to nominal line voltages

	1996	1995
33kV	2.9	5.10
22kV	3.6	2.26
11kV	7.8	10.45
Total	<u>6.8</u>	<u>9.15</u>
The SAIDI of the total interruptions	200	201.74
The SAIFI for the total number of interruptions	2.2	2.39
The CAIDI for the total number of interruptions	89	84.4

The total interruptions within each interruption class

INTERRUPTION CLASS

	SAIDI		SAIFI		CAIDI	
	1996	1995	1996	1995	1996	1995
Class A - being a planned interruption by Trans Power	25.9	15.53	0.11	0.15	240	103.5
Class B - being a planned interruption by any line owner (other than Trans Power)	68	53.84	0.7	0.48	97.3	112.2
Class C - being an unplanned interruption originating within the works of the principal line owner, where those works are used for the supply of line services	82.6	132.37	1.16	1.76	71.5	75.2
Class D - being an unplanned interruption originating within the works of Trans Power, where those works are used for the supply of line function services	23.3	0	0.27	0	84.9	0
Class E - being an unplanned interruption originating within works used, by the Corporation, for the generation of electricity	0	0	0	0	0	0
Class F - being an unplanned interruption originating within works used, by persons other than the Corporation, for the generation of electricity	0	0	0	0	0	0
Class G - being an interruption not referred to in any of paragraphs (a) to (f) of this definition	0	0	0	0	0	0

CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY LINE OWNERS OTHER THAN TRAN POWER

We, R.A. Burnside, D.L. Garvan, K.J. Lawson, A.R. McKeown, L.H. Wilson, Directors of Otago Power Limited certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a) The attached audited financial statements of Otago Power Limited, prepared for the purpose of regulation 6 of the Electricity (Information Disclosure) Regulations 1994, give a true and fair view of the matters to which they relate and comply with the requirements of those regulations; and
- (b) The attached information, being financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Otago Power Limited, and having been prepared for the purposes of regulations 13,14,15 and 16 of the Electricity (Information Disclosure) Regulations 1994, comply with the requirements of the electricity (Information Disclosure) Regulations 1994.

The valuations on which those financial measures are based are as at 31 March 1995.

Signed:
(Mr R.A. Burnside)

Signed:
(Mr D.L. Garvan)

Signed:
(Mr K.J. Lawson)

Signed:
(Mr A.R. McKeown)

Signed:
(Mr L.H. Wilson)

CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

We have examined the attached financial statements prepared by Otago Power Limited and dated 31 March 1996 for the purpose of regulation 6 of the Electricity (Information Disclosure) Regulations 1994.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, those financial statements give a true and fair view of the matters to which they relate and have been prepared in accordance with the requirements of the Electricity (Information Disclosure) Regulations 1994.

Deloitte Touche Tohmatsu
2 August 1996

CERTIFICATION OF PERFORMANCE MEASURES BY AUDITORS

We have examined the attached information, being -

- a) Financial performance measures specified in Clause 1 of Part II of the First Schedule to the Electricity (Information Disclosure) Regulations 1994; and
- b) Financial components of the efficiency performance measures specified in Clause 2 of Part II of that Schedule, -

and having been prepared by Otago Power Limited and dated 31 March 1996 for the purposes of regulation 13 of those regulations.

We certify that, having made all reasonable enquiry, to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1994.

Deloitte Touche Tohmatsu
2 August, 1996

CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION

We have examined the valuation report prepared by Ernst & Young and dated July 1995, which report contains valuations as at 31 March 1995.

We hereby certify that, having made all reasonable enquiry, to the best of our knowledge, the valuations contained in the report have been in accordance with the ODV Handbook.

Deloitte Touche Tohmatsu
21 July 1995

Explanatory Note

Otago Power Limited were assisted by Ernst & Young in the preparation of the 1994 ODV valuation. We have relied on the technical expertise and review of the valuation by Ernst & Young and Worleys Consultants Limited for the purposes of our examination of the valuation report.

