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OTAGO POWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

OTAGO POWER LIMITEDELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994STATEMENT 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 1997.

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 Roothing 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 and Equipment	5 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 during the year. All accounting policies have been applied on a basis consistent with the prior year.

Statement of Financial Performance

For the year ended 31 March 1997

	Generation		Network Operations		Energy Trading		Inter-Segment Elimination		Consolidation	
	31.03.97	31.03.96	31.03.97	31.03.96	31.03.97	31.03.96	31.03.97	31.03.96	31.03.97	31.03.96
Revenue: Energy Sales					19,778,253	19,570,863			19,778,253	19,570,863
Revenue: Line Charges			9,678,753	8,927,048			(9,678,753)	(8,927,048)	0	0
Revenue: Generation	3,699,219	2,965,454					(3,699,219)	(2,965,454)	0	0
Interest/Other Income	3,123	10,915	307,858	1,408,019	23,656	33,500			334,637	1,452,434
Less										
Operating Expenses	1,098,194	851,590	6,719,095	6,098,498	20,121,593	19,090,231	(13,377,972)	(11,892,502)	14,560,910	14,147,817
Bad Debts			3,749		59,764	5,943			63,513	5,943
Auditors Remuneration	4,041	3,375	16,165	13,500	6,736	5,625			26,942	22,500
Other Audit fees	825	666	3,300	2,666	1,375	1,111			5,500	4,443
Directors fees	12,600	10,950	50,400	43,800	21,000	18,250			84,000	73,000
Superannuation	6,029	5,572	55,424	53,124	14,294	12,638			75,747	71,334
Interest	103,907	154,684	75,243	112,012					179,150	266,696
Depreciation	405,479	386,798	1,286,132	1,127,990	57,520	36,745			1,749,131	1,551,533
Net Profit before Tax and Rebate	2,071,267	1,562,734	1,777,103	2,883,477	(480,373)	433,820	0	0	3,367,997	4,880,031
Rebates	505,000	162,000				570,000			505,000	732,000
Net Profit before Tax	1,566,267	1,400,734	1,777,103	2,883,477	(480,373)	(136,180)	0	0	2,862,997	4,148,031
Tax Expense	509,977	391,919	577,115	806,784					1,087,092	1,198,703
Net Profit after Tax	1,056,290	1,008,815	1,199,988	2,076,693	(480,373)	(136,180)	0	0	1,775,905	2,949,328
Dividend Expenses	276,741	276,741	195,627	195,627	4,772	4,772			477,140	477,140
Redemption Preference Shares		289		204		6			0	499
Retained Earnings	779,549	731,785	1,004,361	1,880,862	(485,145)	(140,958)	0	0	1,298,765	2,471,689

Statement of Financial Position

For the year ended 31 March 1997

	Generation		Network Operations		Energy Trading		Inter-Segment Elimination		Consolidation	
	31.03.97	31.03.96	31.03.97	31.03.96	31.03.97	31.03.96	31.03.97	31.03.96	31.03.97	31.03.96
Total Shareholders Funds	19,289,230	18,791,081	16,853,832	16,232,323	487,843	472,054			36,630,905	35,495,458
These Funds are represented by:										
Fixed Assets	19,607,336	19,980,883	14,411,047	14,609,925	269,683	265,140			34,288,066	34,855,948
Investments		2,063		8,251		3,438			0	13,752
Current Assets	591,162	467,041	3,404,871	3,534,722	2,279,349	2,365,081	(972,204)	(823,535)	5,303,178	5,543,309
Total Assets	20,198,498	20,449,987	17,815,918	18,152,898	2,549,032	2,633,659	(972,204)	(823,535)	39,591,244	40,413,009
Less										
Term Liabilities		1,305,000		945,000					0	2,250,000
Current Liabilities	909,268	353,906	962,086	975,575	2,061,189	2,161,605	(972,204)	(823,535)	2,960,339	2,667,551
Total Liabilities	909,268	1,658,906	962,086	1,920,575	2,061,189	2,161,605	(972,204)	(823,535)	2,960,339	4,917,551
Net Assets in Excess of Liabilities	19,289,230	18,791,081	16,853,832	16,232,323	487,843	472,054			36,630,905	35,495,458

STATEMENT OF PERFORMANCE MEASUREMENTINFORMATION DISCLOSURESASSET VALUATION

For the purposes of these Financial Performance Measures and 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 Shareholders Funds in the 1995, 1996 and 1997 years by \$22,460,734.

FINANCIAL PERFORMANCE MEASURES

	1997	1996	1995
Accounting Return on Total Assets	7.0823%	10.2185%	8.439%
Accounting Return on Equity	5.4948%	8.0444%	6.6375%
Accounting Rate of Profit	5.5573%	8.0099%	6.627%

EFFICIENCY PERFORMANCE MEASURES

	1997	1996	1995
Direct Line Costs per Kilometre	\$461.82	\$451.75	\$357.32
Indirect Line Costs per Electricity Customer	\$127.38	\$156.96	\$182.25

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES

	1997	1996	1995
Load Factor	64.8%	62.473%	62.129%
Loss Ratio	6.55%	6.70%	6.563%
Capacity Utilisation	31.74%	32.76%	31.804%

ODV Valuation for Line Business Assts	\$37,064,261	\$37,064,261	\$37,064,261
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STATISTICS

	1997	1996	1995
	km's	km's	km's
System Length	4674.414	4659.053	4631.294
Broken down as follows:			

66kV	29.50	29.5	29.5
33kV	480.29	480.29	480.29
22kV	231.174	230.77	221.03
11kV	2763.412	2748.455	2730.44
6.6kV	35.69	35.69	35.69
LV	1134.348	1134.348	1134.344
	<u>4674.414</u>	<u>4659.053</u>	<u>4631.294</u>
Circuit Length (Overhead)			
66kV	29.50	29.5	29.5
33kV	480.29	480.29	480.29
22kV	231.174	230.77	221.03
11kV	2763.412	2749.455	2730.44
6.6kV	35.69	35.69	35.69
LV	1118.903	1118.903	1118.899
	<u>4658.969</u>	<u>4643.608</u>	<u>4615.849</u>
Circuit Length (Underground)			
LV	15.445	15.445	15.445

	1997	1996	1995
Transformer Capacity	145644kVA	145644kVA	145644kVA
Maximum Demand	46240kW	47726kW	46321kW
Total Electricity Supplied from the System	245285407kW	243684288kW	234973020kW
Total Electricity Conveyed through the System on behalf of other Persons	Nil	Nil	Nil
Total Customers	14637	14012	13210

Reliability Performance Measures

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

TOTAL NUMBER OF INTERRUPTIONS

INTERRUPTION CLASS	Number of Interruptions		
	1997	1996	1995
Class A - being a planned interruption by Trans Power	0	1	2
Class B - being a planned interruption by any line owner (other than Trans Power)	248	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	246	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	0	3	0
Class E - being an unplanned interruption originating within works used, by the Corporation, for the generation of electricity	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
Class G - being an interruption not referred to in any of paragraphs (a) of (f) of this definition	0	0	0

	1997	1996	1995
Total number of faults per 100 circuit kilometres of prescribed voltage electric line	6.9	6.8	9.2
Total number of faults per 100 circuit kilometres of underground together with a breakdown according to nominal line voltages	0	0	0

Total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line together with a breakdown according to nominal line voltages	1997	1996	1995
33kV	4.3	2.9	5.1
22kV	4.8	3.6	2.3
11kV	7.6	7.8	10.5
	6.9	6.8	9.2

INTERRUPTION INDICES**SAIDI**

	1997	1996	1995
Class A - being a planned interruption by Trans Power	0	25.9	15.5
Class B - being a planned interruption by any line owner (other than Trans Power)	82.7	68	53.8
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	113.4	82.6	132.4
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	0	23.3	0
Class E - being an unplanned interruption originating within works used, by the Corporation, for the generation of electricity	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
Class G - being an interruption not referred to in any of paragraphs (a) to (f) of this definition	0	0	0
The SAIDI for the total number of interruptions	196	200	202

INTERRUPTION INDICES**SAIFI**

	1997	1996	1995
Class A - being a planned interruption by Trans Power	0	0.11	0.15
Class B - being a planned interruption by any line owner (other than Trans Power)	0.68	0.70	0.48
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	1.04	1.16	1.76
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	0	0.27	0
Class E - being an unplanned interruption originating within works used, by the Corporation, for the generation of electricity	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
Class G - being an interruption not referred to in any of paragraphs (a) to (f) of this definition	0	0	0
The SAIFI for the total number of interruptions	1.7	2.2	2.4

INTERRUPTION INDICES**CAIDI**

	1997	1996	1995
Class A - being a planned interruption by Trans Power	0	240	104
Class B - being a planned interruption by any line owner (other than Trans Power)	121.1	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	109.2	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	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
Class F - being an unplanned interruption originating within works used, by persons other than the Corporation, for the generation of electricity	0	0	0
Class G - being an interruption not referred to in any of paragraphs (a) to (f) of this definition	0	0	0
The CAIDI for the total number of interruptions	114	89	84

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

We, R.A. Burnside and D.L. Garvan, 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)

CERTIFICATION BY AUDITOR IN RELATION TO FINANCIAL STATEMENTS

We have examined the attached Financial Statements prepared by Otago Power Limited and dated 31 March 1997 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

4 August 1997

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 1997 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

4 August 1997

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.



