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ENERCO NEW ZEALAND LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION
DISCLOSURE) REGULATIONS 1997

**Regulation 32 (2) CERTIFICATION OF FINANCIAL STATEMENTS,
PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY PIPELINE
OWNERS OTHER THAN NATURAL GAS CORPORATION**

We, JOHN HAROLD GRAY and LINDA SUSAN CONSTABLE, directors of ENERCO NEW ZEALAND LIMITED, certify that, having made all reasonable enquiry, to the best of our knowledge, -

- (a) The attached audited financial statements of Enerco New Zealand Limited, prepared for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997, comply with the requirements of that regulation; and
- (b) The attached information, being financial performance measures, efficiency performance measures, energy delivery performance measures and statistics, and reliability performance measures in relation to Enerco New Zealand Limited, and having been prepared for the purposes of regulations 15 to 19 of the Gas (Information Disclosure) Regulations 1997, complies with the requirements of those regulations.

John Harold Gray

Linda Susan Constable

28 November 1997

ENERCO NEW ZEALAND LIMITED

Public Disclosure as required by the Gas (Information Disclosure) Regulations 1997

For the Year Ended 31 March 1997

ENERCO NEW ZEALAND LIMITED

The following disclosures have been made in accordance with the requirements of the Gas (Information Disclosure) Regulations 1997.

The information has been prepared for the year ending 31 March 1997.

Gas (Information Disclosure) Regulations 1997- Regulation 6**Financial Statements Disclosure by Pipeline Owners****Statements of Financial Performance****For the Year ended 31 March 1997**

	1997 Distribution \$000s	1997 Retail \$000s
Revenue	68,045	151,839
Expenses	44,917	148,373
Surplus Before Taxation	<u>23,128</u>	<u>3,466</u>
Taxation Expense	7,888	1,182
Net Surplus After Taxation Attributable to Parent Company Shareholders	<u>15,240</u>	<u>2,284</u>

Statements of Financial Position
As at 31 March 1997

	1997 Distribution \$000s	1997 Retail \$000s
Equity	265,317	9,428
Non Current Liabilities		
Deferred Tax	381	33
Long Term Payables		4,805
Total Non Current Liabilities	<u>381</u>	<u>4,838</u>
Current Liabilities		
Trade Creditors	8,898	13,975
Employee Entitlements	1,807	252
Provision for Dividend	4,129	619
Provision for Taxation	(4,450)	(667)
Bank Overdrafts & Short Term Debt	29,532	
Total Current Liabilities	<u>39,916</u>	<u>14,179</u>
TOTAL LIABILITIES & EQUITY	<u>305,614</u>	<u>28,445</u>

Statements of Financial Position
As at 31 March 1997 - continued

	1997 Distribution \$000s	1997 Retail \$000s
Fixed Assets		
Land & Buildings	9,900	
Distribution Network & Equipment	272,146	
Fixtures & Fittings	2,942	410
Motor Vehicles	2,274	317
Total Fixed Assets	<u>287,262</u>	<u>727</u>
Long Term Assets		
Long Term Debtors	4,805	10,949
Enerco Trustee Company & Others	160	22
Total Long Term Assets	<u>4,965</u>	<u>10,971</u>
Current Assets		
Trade Debtors	6,975	16,308
Sundry & Prepayments	3,153	439
Inventories	3,259	
Total Current Assets	<u>13,387</u>	<u>16,747</u>
TOTAL ASSETS	<u>305,614</u>	<u>28,445</u>

Statement of Accounting Policies

Reporting Entity

Enerco New Zealand Limited ("Enerco") is a company registered under the Companies Act 1993 and is listed on the New Zealand Stock Exchange.

Special Purpose Financial Statements

The financial statements have been prepared for the Gas (Information Disclosure) Regulations 1997. These financial statements should be read in conjunction with the annual report of Enerco for the year ended 31 March 1997.

The avoided cost principle has been employed by Enerco to determine the allocation of the assets, liabilities, revenues and costs.

The avoided cost principle defines Enerco's distribution business as its core activity. An assessment has then been made as to what assets, liabilities, revenues and costs could be avoided by the distribution business.

Those costs that can be avoided are allocated to the other business activities of Enerco and those costs that could not be avoided are allocated to the distribution business.

A full description of the avoidable methodology employed by Enerco is publicly available as required by Regulation 21 of the Gas (Information Disclosure) Regulations 1997.

Measurement Base

The measurement system adopted is that of historical cost except for the revaluation of certain fixed assets.

Particular Accounting Policies

Accounts Receivable

Accounts receivable are valued at their expected realisable value. Any individual debt that is considered to be irrecoverable has been written off during the financial year. Hire Purchase debtors exclude unearned interest calculated using the "rule of 78" method.

Fixed Assets

All fixed assets are revalued at least once every three years by independent valuers in accordance with SSAP 28. Any subsequent fixed asset additions are recorded at cost until the next revaluation.

Depreciation

Depreciation is charged against all fixed assets, with the exception of freehold land on a straight line basis at rates which amortise the cost or revalued amount of each asset over their estimated economic lives.

The main bases are periods not exceeding :-

Leasehold Land	14 Years
Buildings	20 Years
Distribution Network	80 Years
Motor Vehicles	5 Years
Fixtures & Fittings	5 Years

Taxation

The charge against income for taxation is the total estimated liability in respect of the accounting profit reported for the period after deduction of all tax incentives available and includes any adjustments in respect of prior years.

The net effect of timing differences between accounting and taxable profits is shown as deferred taxation, calculated by using the liability method applied on a comprehensive basis and may be payable / receivable in the future

Valuation of Inventories

Inventories are valued at the lower of cost (FIFO or weighted average) or net realisable value on a basis consistent with the previous year. An allowance for obsolescence has been assessed on inventories where appropriate

Changes in Accounting Policies

There have been no changes in accounting policies during the year.

Internal Sales

Due to the separation of the distribution business from the other contestable businesses areas internal transactions between the business areas have not been eliminated.

Regulation 15- Disclosure of Financial and Efficiency Measures ; Schedule 1, PART 2.

1	Financial Performance Measures	1997
a)	Accounting return on total assets being earnings before interest and tax, divided by average total funds employed.	10.13%
	The strict interpretation for accounting return on total assets from the regulations excludes non current assets other than fixed assets.	
	If these other non current assets were included in the total assets this performance measure would be:	
		9.94%
b)	Accounting return on equity, being net profit after tax, divided by average total shareholder funds	6.45%
c)	Accounting rate of profit (<i>including revaluations</i>), calculated in accordance with the following formula,	35.25%

$$\frac{a - b - c + d}{e}$$

where -

a is earnings before interest and tax;

b is cash tax;

c is the interest tax shield;

d is revaluations;

e is average total funds employed, less half the amount of the revaluations.

Accounting rate of profit (*excluding revaluations*):

The calculation above reflects an accounting rate of profit that is not consistent with Enerco's accounting policies. Enerco's accounting policy for revaluations, which complies with SSAP 28 of the Institute of Chartered Accountants of New Zealand, does not allow for taking revaluations into the statement of financial performance.

If the revaluation were excluded from the above calculation the Accounting Rate of Profit would be: 6.40%

2	Financial Efficiency Measures	1997
a)	Direct Line Costs per km	\$4,207 per km
b)	Indirect Line Costs per gas customer	\$163 per customer

Regulation 21 - Disclosure of the methodologies for the allocation of costs, revenues, assets liabilities.

Enerco New Zealand Limited has a number of business interests that include the following:

Gas Distribution Activities: Enerco owns and operates local distribution networks that have been reported under Regulation 6-(b) of the Gas (Information Disclosure) Regulations 1997.

Energy Retailing Activities: Enerco retails gas supplies direct to customers that have been reported under Regulation 6-(c) of the Gas (Information Disclosure) Regulations 1997.

Enerco New Zealand Limited also operates other business activities that are not required to be disclosed as part of the Gas (Information Disclosure) Regulations 1997.

The following methodology has been applied to establish the relevant assets, liabilities, costs and revenues for the gas distribution and energy retailing activities.

The Avoidable Cost Methodology

The avoided cost principle has been employed by Enerco to determine the allocation of the assets, liabilities, revenues and costs.

The avoided cost principle defines Enerco's distribution business as its core activity. An assessment has then been made as to what assets, liabilities, revenues and costs could be avoided by the distribution business.

Costs and Revenues

The avoidable cost methodology requires an assessment to be made of the costs and revenues that relate to the non core business activities. The costs and revenues that are avoided are the measure of the costs and revenues assigned to that non core activity. Costs and revenues remaining after all avoidable costs and revenues are assigned to non core activities are deemed to be the measure of costs and revenues for the core business.

The costs that have been incurred by the gas distribution activity for the service provided by other business activities are charged against the distribution business. This reflects the requirement that the distribution business needs to incur these costs irrespective of whether or not these services are provided by Enerco. Such services are provided on a commercial arms length basis.

Similarly revenue charged by the distribution business to the other business activities within Enerco is treated as revenue to the distribution business. These services are provided on a commercial arms length basis.

Assets and Liabilities

Consistent with the approach to revenue and costs, this approach requires an assessment of the assets and liabilities that would be avoided.

The assets were allocated to an activity where it was obviously used. Where assets are used by both the distribution and other business units, a proportion of the costs have been charged to the distribution business on the basis of its requirement as a stand alone business, with the balance charged to the non core business using appropriate bases.

The same approach has been adopted for the liabilities.

Where services have been provided by the business units to one another these have been consistently treated where applicable in the Statement of Financial Position.

Regulation 17:

Schedule 1 Part 3 :

Energy Delivery Efficiency Performance Measures and Statistics.

The following information is contained in the table below:

- Load Factor: Load factor, as calculated by the formula: $a/(12 \times b)$ expressed as a percentage, where a is the amount of gas entering the system or systems during the financial year; and b is the maximum monthly amount of gas entering the system or systems.
- UFG % : Unaccounted-for gas ratio, as calculated by the formula: a/b expressed as a percentage, where a is the amount of unaccounted-for gas during the financial year; and b is the amount of gas entering the system or systems during the financial year.
- System Length: The system length of each system, in kilometres (being the average of the length at the beginning and end of the financial year).
- Max Month: The maximum monthly amount of gas (in gigajoules) entering the system or systems during the financial year.
- Total Conveyed: The total amount of gas (in gigajoules) conveyed through the system or systems during the financial year.
- Convd. for Others: The total amount of gas (in gigajoules) conveyed through the system or systems during the financial year on behalf of other persons who are gas wholesalers or gas retailers, or both, not being persons who are in a prescribed business relationship with the pipeline owner.
- No. of Custrs: The total number of customers being supplied by means of a system, (being the average of the number of customers supplied

at the beginning and end of the financial year).

System	Load Factor	UFG *	System Length	Max Month	Total Conveyed	Convd. For Others	No. of Custrs
	%	%	kms	GJs	GJs	GJs	
Alfriston	47.61	-6.68	0.254	2509	14334	0	1
Ashhurst	63.32	1.27	16.157	1251	9505	0	240
Auckland Central	78.77	3.00	2458.040	1074475	10156757	67449	55332
Bruce McLaren	80.35	-8.46	28.297	19880	191676	0	129
Dannevirke	80.61	1.66	12.976	6985	67570	0	139
Drury	62.21	-3.89	7.496	6242	46601	0	27
Fielding	60.47	-0.66	94.672	42194	306196	0	2124
Foxton	63.96	2.41	32.708	6477	49715	0	455
Hastings	80.10	2.01	314.386	159185	1530004	0	4188
Hunua	68.19	-3.09	1.244	6442	52715	17960	8
Kakariki	69.99	-0.10	7.200	5336	44815	0	1
Kairanga	26.15	-6.93	1.480	1600	5020	0	6
Kingseat	59.56	-12.78	6.278	1622	11592	0	3
Levin	64.90	1.16	107.810	40227	313281	0	3862
Longburn	64.46	1.23	23.164	94700	732567	0	418
Mangaroa	46.27	-1.10	0.003	1808	10038	0	1
Mangatainoka	89.20	1.17	1.133	4761	50961	0	2
Oroua Downs	16.90	-7.03	3.143	2076	4211	0	4
Pahiatua	69.63	0.74	10.552	55789	466141	0	121
Palmerston North	56.58	4.52	361.276	141075	957819	0	15337
Pukekohe	77.38	-2.27	8.732	4301	39935	0	93
Ramarama	50.45	-1.17	0.400	1244	7531	0	2
Takapau	77.36	1.13	4.000	10622	98605	0	1
Tuakau	63.12	0.32	5.529	17191	130206	0	14
Waimauku	38.05	-4.53	0.353	537	2452	0	2
Waiuku	87.28	3.30	0.562	393	4116	0	1
Wellington	59.53	1.72	544.100	290603	2075970	133987	24173

Estimated figures are indicated by *, ^ and # (UFG % column above).

See Regulation 19: Use of estimated information in certain cases, for an explanation of how estimates have been calculated.

Regulation 18:

Schedule 1 Part 4 : Reliability Performance Measures.

2. Unplanned interruptions in distribution system:

(a) The following information is contained in the table below:

- **Unplanned Interruption Measure:** The measure of unplanned interruptions (other than those directly resulting from unplanned interruptions of a transmission system), calculated by the formula: a/b where a is the sum obtained by adding together the number of customer-hours lost during each interruption; and b is the total number of customers being supplied by means of the system.

(b) In respect of the conveyance of gas through a distribution system, there were no unplanned interruptions directly resulting from unplanned interruptions of a transmission system.

System	Unplanned Interruption Measure
Alfriston	0 #
Ashhurst	0 *
Auckland Central	0.0020 #
Bruce McLaren	0 #
Dannevirke	0 *
Drury	0 #
Fielding	0.0179 *
Foxton	0.0286 *
Hastings	0.1830 *
Hunua	0 #
Kakariki	0 *
Kairanga	0 *
Kingseat	0 #
Levin	0.0109 *
Longburn	0 *
Mangaroa	0 *
Mangatainoka	0 *
Oroua Downs	0 *
Pahiatua	0 *
Palmerston North	0.0094 *
Pukekohe	0 #
Ramarama	0 #
Takapau	0 *
Tuakau	0 #
Waimauku	0 #
Waiuku	0 #
Wellington	0.0024 ^

Estimated figures are indicated by *, ^ and #.

See Regulation 19: Use of estimated information in certain cases, for an explanation of how estimates have been calculated.

Regulation 19:

Use of estimated information in certain cases:

If any information (for Reg 17 or 18) is not available, the pipeline owner may use estimated information for that purpose and, in that case, (i) identify the information that has been compiled using estimated information; and (ii) state the methodology used to calculate the estimated information.

(1) UFG %:

In determining the unaccounted-for gas, the sales component includes a portion which is unbilled gas. This portion involves a small estimate for the number of days during the financial year where the billing reading dates do not correspond with the sales gate reading dates. This generally only affects domestic customers' sales, the estimate being based on the daily average usage of the preceding billing period. A computer programme is run monthly to compute this unbilled gas, for the preceding three months' periods, such that the oldest period then contains the smallest error.

(2) Unplanned Interruption Measure:

The customer-hours lost have been estimated in a number of ways:

(i) On systems where the number of customers affected and the length of the interruption have been recorded, but are not available for the full financial year, this data has been extrapolated such that it would then cover the full 12 month period. As the specific system involved has not been recorded, the estimated customer-hours lost in total has been apportioned across system(s) indicated by the local engineer as being the contributing system(s), the apportionment being on a pro-rata basis by system length.

This data has been shown by a #.

(ii) On systems where the number of customers affected has been recorded, but the length of each interruption has not been recorded, the local engineer has estimated the average length of the interruptions. The specific system involved is recorded.

This data has been shown by a ^.

(iii) On systems where the number of customers affected has been recorded, but the length of each interruption has not been recorded, the local engineer has estimated the average length of the interruptions. As the specific system involved has not been recorded, the estimated customer-hours lost in total has been apportioned across system(s) indicated by the local engineer as being the contributing system(s), the apportionment being on a pro-rata basis by system length.

This data has been shown by a *.

Certification by auditor in relation to financial statements

I have examined the attached financial statements prepared by Enerco New Zealand Limited dated 31 March 1997 for the purposes of regulation 6 of the Gas (Information Disclosure) Regulations 1997.

I certify that, having made all reasonable enquiry, to the best of my knowledge, those financial statements have been prepared in accordance with the requirements of the Gas (Information Disclosure) Regulations 1997.

C C Joyce
KPMG

On behalf of the Controller and Auditor-General

Certification of performance measures by auditor

I have examined the attached information, being:

- (a) Financial Performance measures specified in clause 1 of Part 2 of Schedule 1 of the Gas (Information Disclosure) Regulations 1997; and
- (b) Financial components of the efficiency performance measures specified in clause 2 of Part 2 of that schedule, and having been prepared by Enerco New Zealand Limited and dated 31 March 1997 for the purposes of regulations 15 and 16 of those regulations.

I certify that, having made all reasonable enquiry, to the best of my knowledge, that information has been prepared in accordance with the requirements of the Gas (Information Disclosure) Regulations 1997.

C C Joyce
KPMG

On behalf of the Controller and Auditor-General

