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ENERCO NEW ZEALAND LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE GAS (INFORMATION
DISCLOSURE) REGULATIONS 1997

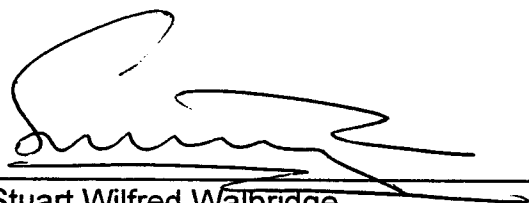
**Regulation 32 (2) CERTIFICATION OF FINANCIAL STATEMENTS,
PERFORMANCE MEASURES, AND STATISTICS DISCLOSED BY PIPELINE
OWNERS OTHER THAN NATURAL GAS CORPORATION**

We, GEORGE GORDON HENDERSON GILMOUR and STUART WILFRED WALBRIDGE, 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.



George Gordon Henderson Gilmour



Stuart Wilfred Walbridge

31 July 1998

ENERCO NEW ZEALAND LIMITED

**Public Disclosure as Required by the Gas
(Information Disclosure) Regulations 1997**

For the Year Ended 31 March 1998

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 ended 31 March 1998

Gas (Information Disclosure) Regulations 1997 - Regulation 6

Financial Statements by Pipeline Owners

Statements of Financial Performance

For the Year ended 31 March 1998

	Distribution		Retail	
	1998 \$'000s	1997 \$'000s	1998 \$'000s	1997 \$'000s
Revenue	77,551	68,045	161,672	151,839
Expenses	48,437	44,917	160,102	148,373
Surplus Before Taxation	<u>29,114</u>	<u>23,128</u>	<u>1,570</u>	<u>3,466</u>
Taxation Expense	11,619	7,888	518	1,182
Net Surplus After Taxation Attributable to Parent Company Shareholders	<u>17,495</u>	<u>15,240</u>	<u>1,052</u>	<u>2,284</u>

**Statements of Financial Position
As at 31 March 1998**

	Distribution		Retail	
	1998 \$'000s	1997 \$'000s	1998 \$'000s	1997 \$'000s
Equity	263,520	265,317	12,182	9,428
Non Current Liabilities				
Deferred Tax	4,000	381	2,237	33
Long Term Payable	-	-	4,496	4,805
<u>Total Non Current Liabilities</u>	<u>4,000</u>	<u>381</u>	<u>6,733</u>	<u>4,838</u>
Current Liabilities				
Trade Creditors	7,098	8,898	15,364	13,975
Employee Entitlements	740	1,807	76	252
Provision for Dividend	15,590	4,129	841	619
Bank Overdrafts and Short Term Debt	42,813	29,532	-	-
<u>Total Current Liabilities</u>	<u>66,241</u>	<u>44,366</u>	<u>16,281</u>	<u>14,846</u>
<u>Total Liabilities and Equity</u>	<u>333,761</u>	<u>310,064</u>	<u>35,196</u>	<u>29,112</u>

**Statements of Financial Position
As at 31 March 1998 - continued**

	Distribution		Retail	
	1998 \$'000s	1997 \$'000s	1998 \$'000s	1997 \$'000s
Fixed Assets				
Land and Buildings	9,900	9,900	-	-
Distribution Network and Equipment	276,267	266,575	-	-
Fixtures and Fittings	4,815	2,942	499	410
Motor Vehicles	2,238	2,274	232	317
Work In Progress	17,303	5,571	-	-
Total Fixed Assets	<u>310,523</u>	<u>287,262</u>	<u>731</u>	<u>727</u>
Long Term Assets				
Long Term Debtors	4,496	4,805	9,355	10,949
Enerco Trustee Company and Others	163	160	17	22
Total Long Term Assets	<u>4,659</u>	<u>4,965</u>	<u>9,372</u>	<u>10,971</u>
Current Assets				
Trade Debtors	8,436	10,128	24,714	16,747
Inventories	3,091	3,259	-	-
Tax Refund	7,052	4,450	379	667
Total Current Assets	<u>18,579</u>	<u>17,837</u>	<u>25,093</u>	<u>17,414</u>
Total Assets	<u>333,761</u>	<u>310,064</u>	<u>35,196</u>	<u>29,112</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 1998.

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

The avoided cost methodology 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 cost 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 and Buildings	14 Years
Buildings	20 Years
Distribution Network and Equipment	80 Years
Motor Vehicles	5 Years
Fixtures and 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 business areas, internal transactions between business areas have not been eliminated.

Regulation 15 - Disclosure of Financial and Efficiency Measures: Schedule 1, Part 2.

1	Financial Performance Measures	1998	1997
a)	Accounting return on total assets, being earnings before interest and tax, divided by average total funds employed	12.22%	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:	12.00%	9.94%
b)	Accounting return on equity, being net profit after tax, divided by average total shareholders funds.	6.62%	6.45%
c)	Accounting rate of profit (including revaluations), calculated in accordance with the following formula:	9.51%	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.

The calculation above for 1997 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 revaluations were excluded for the above calculation the accounting rate of profit for 1997 would have been 6.40%.

Cash tax paid by Enerco in 1998 was \$6,993,000 as compared to \$12,676,000 in 1997, which is primarily the reason for the increase in the accounting rate of profit for 1998.

2	Efficiency Performance Measures	1998	1997
a)	Direct Line Costs per km	\$2,328	\$4,207
b)	Indirect Line costs per customer	\$202	\$163

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

Enerco 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 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, revenues and costs for the gas distribution and energy retailing activities.

The Avoidable Cost Methodology

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

The avoidable cost methodology 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 costs and revenues for the core business.

The costs that have been incurred by the gas distribution business 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 business.

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 by the non-core business.

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 assets have been allocated to the distribution business on the basis of its requirements as a stand alone basis, 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 one business unit to another these have been consistently treated 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	
	96-97	97-98	96-97	97-98	96-97	97-98
	%	%	%	%	kms	kms
Alfriston	47.61	42.39	-6.68	-8.93	0.254	0.254
Ashhurst	63.32	63.04	1.27	-0.26	16.157	16.157
Auckland Central	78.77	80.08	3.00	3.48	2458.040	2635.228
Bruce McLaren	80.35	74.02	-8.46	0.73	28.297	43.515
Dannevirke	80.61	83.25	1.66	-0.51	12.976	12.976
Drury	62.21	61.66	-3.89	-1.49	7.496	7.496
Fielding	60.47	64.90	-0.66	1.78	94.672	94.672
Foxton	63.96	70.47	2.41	-0.48	32.708	32.708
Hastings	80.10	84.46	2.01	1.41	314.386	327.027
Hunua	68.19	63.86	-3.09	-3.01	1.244	1.785
Kakariki	69.99	66.22	-0.10	0.06	7.200	7.200
Kairanga	26.15	27.84	-2.76	-12.55	1.480	1.480
Kingseat	59.56	26.29	-12.78	-6.84	6.278	6.278
Levin	64.90	64.79	1.16	1.88	107.810	107.810
Longburn	64.46	51.14	1.23	2.75	23.164	23.164
Mangaroa	46.27	58.24	-1.10	0.00	0.003	0.003
Mangatainoka	89.20	77.78	1.17	3.08	1.133	1.133
Oroua Downs	16.90	13.96	1.74	-7.51	3.143	3.143
Pahiatua	69.63	64.28	0.74	0.52	10.552	10.552
Palmerston North	56.58	60.64	4.52	3.57	361.276	365.390
Pukekohe	77.38	75.33	-2.27	-0.47	8.732	9.526
Ramarama	50.45	46.66	-1.17	-1.98	0.400	0.400
Takapau	77.36	68.95	1.13	-1.39	4.000	4.000
Tuakau	63.12	72.73	0.32	2.30	5.529	5.529
Waimauku	38.05	52.26	-4.53	-5.02	0.353	0.353
Waiuku	87.28	78.32	3.30	0.79	0.562	0.562
Wellington	59.53	63.67	1.72	3.45	544.100	562.345

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.

System	Max Month		Total Conveyed		Conv. For Others	
	96-97	97-98	96-97	97-98	96-97	97-98
	GJ	GJ	GJ	GJ	GJ	GJ
Alfriston	2509	2463	14334	12530	0	0
Ashhurst	1251	1343	9505	10159	0	0
Auckland Central	1074475	1062753	10156757	10212377	67449	106979
Bruce McLaren	19880	20557	191676	182590	0	21504
Dannevirke	6985	6592	67570	65854	0	0
Drury	6242	5796	46601	42888	0	0
Fielding	42194	40026	306196	311703	0	0
Foxton	6477	5919	49715	50053	0	0
Hastings	159185	164082	1530004	1663043	0	0
Hunua	6442	11510	52715	88205	17960	27511
Kakariki	5336	4752	44815	37759	0	0
Kairanga	1600	1004	5020	3354	0	0
Kingseat	1622	811	11592	2559	0	0
Levin	40227	41519	313281	322779	0	0
Longburn	94700	49667	732567	304803	0	0
Mangaroa	1808	1802	10038	12593	0	0
Mangatainoka	4761	4650	50961	43401	0	0
Oroua Downs	2076	3107	4211	5203	0	0
Pahiatua	55789	55824	466141	430589	0	0
Palmerston North	141075	128236	957819	933155	0	0
Pukekohe	4301	4589	39935	41483	0	0
Ramarama	1244	1546	7531	8656	0	0
Takapau	10622	11269	98605	93246	0	0
Tuakau	17191	15917	130206	138920	0	0
Waimauku	537	1873	2452	11747	0	0
Waiuku	393	351	4116	3299	0	0
Wellington	290603	270279	2075970	2064929	0	0

System	No. of Custrs	
	96-97	97-98
Alfriston	1	1
Ashhurst	240	241
Auckland Central	48910	55987
Bruce McLaren	106	128
Dannevirke	139	145
Drury	28	28
Fielding	2124	2132
Foxton	455	457
Hastings	4188	4206
Hunua	8	8
Kakariki	1	1
Kairanga	6	6
Kingseat	3	3
Levin	3862	3840
Longburn	418	427
Mangaroa	1	1
Mangatainoka	2	2
Oroua Downs	4	4
Pahiatua	121	125
Palmerston North	15337	15597
Pukekohe	93	93
Ramarama	2	2
Takapau	1	1
Tuakau	14	14
Waimauku	2	2
Waiuku	1	1
Wellington	24173	24925

Notes:

- a) There was a volume of gas previously disclosed in 96-97 as conveyed for others in Wellington. This was incorrect, and has been removed.
- b) There were customer numbers previously disclosed in 96-97 for Auckland Central and Bruce McLaren, that were not the year average but were as at 31 March 1997. These have been corrected.

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 (within Distribution System)** 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.

- **Unplanned Interruption Measure (resulting from Transmission interruptions)** The measure of unplanned interruptions 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.

System	Unplanned Interruption Measure (within Distribution System)		Unplanned Interruption Measure (resulting from Transmission interruptions)	
	96-97	97-98	96-97	97-98
Alfriston	0 #	0	0	0
Ashhurst	0 *	0	0	0
Auckland Central	0.0022 #	0.0022	0	0
Bruce McLaren	0 #	0	0	0
Dannevirke	0 *	0.0138 ^	0	0
Drury	0 #	0	0	0
Fielding	0.0179 *	0.0009 ^	0	0
Foxton	0.0286 *	0	0	0
Hastings	0.1830 *	0.2089 ^	0	0
Hunua	0 #	0	0	0
Kakariki	0 *	0	0	0
Kairanga	0 *	0	0	0
Kingseat	0 #	0	0	0
Levin	0.0109 *	0.0018 ^	0	24.0000 ^
Longburn	0 *	0	0	0
Mangaroa	0 *	0	0	0
Mangatainoka	0 *	0	0	0
Oroua Downs	0 *	0	0	0
Pahiatua	0 *	0.0240 ^	0	0
Palmerston North	0.0094 *	0.0031 ^	0	2.8852 ^
Pukekohe	0 #	0	0	0
Ramarama	0 #	0	0	0
Takapau	0 *	0	0	0
Tuakau	0 #	0	0	0
Waimauku	0 #	0	0	0
Waiuku	0 #	0	0	0
Wellington	0.0024 ^	0.0050 ^	0	0

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.

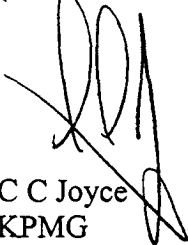
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Certification by auditor in relation to financial statements

I have examined the attached financial statements prepared by Enerco New Zealand Limited and dated 31 July 1998 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

6 August 1998



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 July 1998 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.

A handwritten signature in black ink, appearing to read 'C C Joyce', written over the printed name and firm name.

C C Joyce
KPMG

On behalf of the Controller and Auditor-General

6 August 1998

