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OTAGO POWER LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1994

OTAGO POWER LIMITED**ELECTRICITY (INFORMATION DISCLOSURE) REGULATIONS 1994****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 1998.

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 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.

FINANCIAL INSTRUMENTS

Otago Power Limited has various financial instruments with off-balance sheet risk for the primary purpose of reducing its exposure to fluctuations in electricity spot market prices. While these financial instruments are subject to risk that market rates may change subsequent to acquisition, such changes would generally be offset by opposite effects on the items being hedged.

Otago Power Limited has entered into electricity price hedging contracts with electricity generators in order to minimise the risk of price fluctuations on the electricity spot market. Assets, Liabilities, and any unrealised Revenues and expenses associated with these instruments as at balance date are not recognised in the financial statements. Realised revenues and expenses are recognised in the statement of financial performance on maturity of the hedging contracts and are incorporated as part of the cost of wholesale electricity.

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 1998

	Generation		Network Operations		Energy Trading		Inter-Segment Elimination		Consolidation	
	31.03.98	31.03.97	31.03.98	31.03.97	31.03.98	31.03.97	31.03.98	31.03.97	31.03.98	31.03.97
Revenue: Energy Sales					23,564,767	19,778,253			23,564,767	19,778,253
Revenue: Line Charges			9,483,949	9,678,753			(9,483,949)	(9,678,753)		0
Revenue: Generation	3,020,696	3,699,219					(3,020,696)	(3,699,219)		0
Interest/Other Income	1,703	3,123	272,705	307,858	46,528	23,656			320,936	334,637
Less										
Operating Expenses	1,141,252	1,098,194	6,764,722	6,719,095	23,146,207	20,121,593	(12,504,645)	(13,377,972)	18,547,536	14,560,910
Bad Debts			22,584	3,749	83,476	59,764			106,060	63,513
Auditors Remuneration	4,041	4,041	16,165	16,165	6,736	6,736			26,942	26,942
Other Audit fees	777	825	3,109	3,300	1,296	1,375			5,182	5,500
Directors fees	12,600	12,600	50,400	50,400	21,000	21,000			84,000	84,000
Superannuation	5,546	6,029	46,187	55,424	13,821	14,294			65,554	75,747
Interest	12,290	103,907	8,899	75,243	-	-			21,189	179,150
Depreciation	402,329	405,479	1,278,518	1,286,132	49,028	57,520			1,729,875	1,749,131
Net Profit before Tax and Rebate	1,443,564	2,071,267	1,566,070	1,777,103	289,731	(480,373)	0	0	3,299,365	3,367,997
Rebates	312,500	505,000	312,500		305,000				930,000	505,000
Net Profit before Tax	1,131,064	1,566,267	1,253,570	1,777,103	(15,269)	(480,373)	0	0	2,369,365	2,862,997
Tax Expense	364,546	509,977	393,304	577,115	5,806				763,656	1,087,092
Net Profit after Tax	766,518	1,056,290	860,266	1,199,988	(21,075)	(480,373)	0	0	1,605,709	1,775,905
Dividend Expenses	276,741	276,741	195,627	195,627	4,772	4,772			477,140	477,140
Retained Earnings	489,777	779,549	664,639	1,004,361	(25,847)	(485,145)	0	0	1,128,569	1,298,765

Statement of Financial Position

For the year ended 31 March 1998

	Generation		Network Operations		Energy Trading		Inter-Segment Elimination		Consolidation	
	31.03.98	31.03.97	31.03.98	31.03.97	31.03.98	31.03.97	31.03.98	31.03.97	31.03.98	31.03.97
Total Shareholders Funds	19,076,831	19,289,230	17,851,960	16,853,832	461,122	487,843			37,389,913	36,630,905
These Funds are represented by:										
Fixed Assets	19,312,048	19,607,336	14,890,939	14,411,047	348,312	269,683			34,551,299	34,288,066
Investments										0
Current Assets	446,217	591,162	4,191,601	3,404,871	2,298,125	2,279,349	(839,061)	(972,204)	6,096,882	5,303,178
Total Assets	19,758,265	20,198,498	19,082,540	17,815,918	2,646,437	2,549,032	(839,061)	(972,204)	40,648,181	39,591,244
Less										
Term Liabilities										0
Current Liabilities	681,434	909,268	1,230,580	962,086	2,185,315	2,061,189	(839,061)	(972,204)	3,258,268	2,960,339
Total Liabilities	681,434	909,268	1,230,580	962,086	2,185,315	2,061,189	(839,061)	(972,204)	3,258,268	2,960,339
Net Assets in Excess of Liabilities	19,076,831	19,289,230	17,851,960	16,853,832	461,119	487,843			37,389,913	36,630,905

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 1998 year by \$38,589,196.

FINANCIAL PERFORMANCE MEASURES

	1998	1997	1996	1995
Accounting Return on Total Assets	5.33%	7.08%	10.22%	8.44%
Accounting Return on Equity	4.49%	5.49%	8.04%	6.64%
Accounting Rate of Profit	46.00%	5.56%	8.01%	6.63%

EFFICIENCY PERFORMANCE MEASURES

	1998	1997	1996	1995
Direct Line Costs per Kilometre	\$505.65	\$461.82	\$451.75	\$357.32
Indirect Line Costs per Electricity Customer	\$157.21	\$127.38	\$156.96	\$182.25

ENERGY DELIVERY EFFICIENCY PERFORMANCE MEASURES

	1998	1997	1996	1995
Load Factor	67.67%	64.8%	62.473%	62.129%
Loss Ratio	4.89%	6.55%	6.70%	6.563%
Capacity Utilisation	39.57%	36.56%	38.89%	38.50%

ODV Valuation for Line Business Assts	\$51,313,000	\$37,064,261	\$37,064,261	\$37,064,261
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STATISTICS

	1998	1997	1996	1995
	km's	km's	km's	km's
System Length	4039.68	4674.414	4659.053	4631.294
Broken down as follows:				

66kV	29.50	29.50	29.5	29.5
33kV	516.191	480.29	480.29	480.29
22kV	246.628	231.174	230.77	221.03
11kV	2812.686	2763.412	2748.455	2730.44
6.6kV	59.864	35.69	35.69	35.69
LV	374.811	1134.348	1134.348	1134.344
	<u>4039.68</u>	<u>4674.414</u>	<u>4659.053</u>	<u>4631.294</u>
Circuit Length (Overhead)				
66kV	29.50	29.50	29.5	29.5
33kV	515.882	480.29	480.29	480.29
22kV	246.628	231.174	230.77	221.03
11kV	2808.527	2763.412	2749.455	2730.44
6.6kV	58.565	35.69	35.69	35.69
LV	359.366	1118.903	1118.903	1118.899
	<u>4018.468</u>	<u>4658.969</u>	<u>4643.608</u>	<u>4615.849</u>
Circuit Length (Underground)				
33kV	.308	-	-	-
11kV	4.160	-	-	-
66kV	1.299	-	-	-
LV	15.445	15.445	15.445	15.445
	<u>21.212</u>	<u>15.445</u>	<u>15.445</u>	<u>15.445</u>

	1998	1997	1996	1995
Transformer Capacity	118164kVA	126463kVA	122713kVA	120295kVA
Maximum Demand	46760kW	46240kW	47726kW	46321kW
Total Electricity Supplied from the System	262850444kW	245285407kW	243684288kW	234973020kW
Total Electricity Conveyed through the System on behalf of other Persons	Nil	Nil	Nil	Nil
Total Customers	14480	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			
	1998	1997	1996	1995
Class A - being a planned interruption by Trans Power	0	0	1	2
Class B - being a planned interruption by any line owner (other than Trans Power)	289	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	153	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	0	3	0
Class E - being an unplanned interruption originating within works used, by the Corporation, for the generation of electricity	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
Class G - being an interruption not referred to in any of paragraphs (a) of (f) of this definition	0	0	0	0

	1998	1997	1996	1995
Total number of faults per 100 circuit kilometres of prescribed voltage electric line	8.2	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	0

Total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line together with a breakdown according to nominal line voltages	1998	1997	1996	1995
33kV	2.2	4.3	2.9	5.1
22kV	3.2	4.8	3.6	2.3
11kV	9.7	7.6	7.8	10.5
	8.2	6.9	6.8	9.2

INTERRUPTION INDICES**SAIDI**

	1998	1997	1996	1995
Class A - being a planned interruption by Trans Power	0	0	25.9	15.5
Class B - being a planned interruption by any line owner (other than Trans Power)	157.4	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	295.6	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	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	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
Class G - being an interruption not referred to in any of paragraphs (a) to (f) of this definition	0	0	0	0
The SAIDI for the total number of interruptions	453	196	200	202

INTERRUPTION INDICES

SAIFI

	1998	1997	1996	1995
Class A - being a planned interruption by Trans Power	0	0	0.11	0.15
Class B - being a planned interruption by any line owner (other than Trans Power)	1.16	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	2.20	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	0.27	0
Class E - being an unplanned interruption originating within works used, by the Corporation, for the generation of electricity	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
Class G - being an interruption not referred to in any of paragraphs (a) to (f) of this definition	0	0	0	0
The SAIFI for the total number of interruptions	3.4	1.7	2.2	2.4

INTERRUPTION INDICES

CAIDI

	1998	1997	1996	1995
Class A - being a planned interruption by Trans Power	0	0	240	104
Class B - being a planned interruption by any line owner (other than Trans Power)	135.3	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	134.1	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	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
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
Class G - being an interruption not referred to in any of paragraphs (a) to (f) of this definition	0	0	0	0
The CAIDI for the total number of interruptions	134	114	89	84

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

We, K.J. Lawson 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 1998.

Signed:
(Mr K.J. Lawson)

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 1998 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
7 August 1998

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 1998 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
7 August 1998

CERTIFICATION BY AUDITOR IN RELATION TO ODV VALUATION

We have examined the valuation report prepared by Ernst & Young and dated July 1998, which report contains valuations as at 31 March 1998.

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
7 August 1998

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.



