



**Information Disclosure prepared according to  
Subpart 3 of Part 4A of the Commerce Act 1986**

**For the Year Ended 31 March 2012**

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## **INTRODUCTION**

These Information Disclosure Reports are submitted by Horizon Energy Distribution Limited pursuant to subpart 3 of Part 4A of the Commerce Act 1986 in accordance with:

- The Electricity Information Disclosure Requirements issued 31 March 2004, consolidating all amendments to 31 October 2008;
- The Electricity Distribution (Information Disclosure) Requirements 2008,
- The Electricity Information Disclosure Handbook (as amended 31 October 2008); and
- The Handbook for Optimised Deprival Valuation of System Fixed Assets of Electricity Lines Businessess (30 August 2004)

# REPORTS

## REPORT FS1: REGULATORY PROFIT STATEMENT

| ref |                 | Electricity Distribution Business: | Horizon Energy |  |
|-----|-----------------|------------------------------------|----------------|--|
|     |                 | For Year Ended                     | 2012           |  |
| 5   |                 |                                    |                |  |
| 6   | <b>Income</b>   |                                    |                |  |
| 7   |                 |                                    |                |  |
| 8   |                 |                                    |                |  |
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| 26  |                 |                                    |                |  |
| 27  |                 |                                    |                |  |
| 28  | <b>Expenses</b> |                                    |                |  |
| 29  |                 |                                    |                |  |
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| 60  |                 |                                    |                |  |

**REPORT FS1: REGULATORY PROFIT STATEMENT (cont)**

**Notes to Regulatory Profit Statement**

|    |  |   |                |
|----|--|---|----------------|
| 69 | <b>FS1a: Discretionary Discounts: Customer Rebates and other line charge adjustments</b> |   | <b>(\$000)</b> |
| 70 | Customer Rebates   | - |                |
| 71 | Line Charge Holidays and other Discretionary Discounts                                   | - |                |
| 72 | <b>Total Discretionary Discounts and Customer Rebates</b>                                |   | <b>-</b>       |

|    |  |       |                |
|----|--|-------|----------------|
| 75 | <b>FS1b: Related party expenditure - summary</b> |       | <b>(\$000)</b> |
| 76 | Avoided Transmission Charges                     | 121   |                |
| 77 | Operational Expenditure                          | 2,275 |                |
| 78 | Subvention Payment                               | -     |                |
| 79 | Other related party expenditure                  | 4,258 |                |
| 80 | <b>Total Related Party Expenditure</b>           |       | <b>6,654</b>   |

*N.B.: The additional Related Party information that is required to be disclosed in accordance with Section 3 of the Information Disclosure Handbook is to be disclosed by way of a separate note to this Schedule and forms part of this Schedule.*

|     |  |       |  |
|-----|--|-------|--|
| 87  | <b>FS1c: Operational Expenditure notes</b>   |       | <b>(\$000)</b>   |
| 88  |  |       |  |
| 89  | <b>Merger and Acquisition Expenses</b>   |       |  |
| 90  | Merger and Acquisition Expenses (not to be included in Operational Expenditure)      | -     |  |
| 91  |  |       |  |
| 92  | <b>Material items (if greater than 10% of the Operational Expenditure line item)</b> |       |  |
| 93  | Material item amount 1   | 1,202 | <i>Notes to be provided separately</i>                                   |
| 94  | within expenditure category:   |       | General Management, Administration and Overheads                         |
| 95  |  |       |  |
| 96  | Material item amount 2   | 1,155 | <i>Notes to be provided separately</i>                                   |
| 97  | within expenditure category:   |       | Refurbishment and Renewal Maintenance                                    |
| 98  |  |       |  |
| 99  | Material item amount 3   | 1,406 | <i>Notes to be provided separately</i>                                   |
| 100 | within expenditure category:   |       | System Management and Operations   |
| 101 |  |       |  |
| 102 |  |       | <i>(further disclosures to be provided on separate page if required)</i> |
| 103 |  |       |  |

|     |                                      |  |                |
|-----|--------------------------------------|--|----------------|
| 106 | <b>FS1d: Vested Assets</b>           |  | <b>(\$000)</b> |
| 107 | Consideration Paid for Vested Assets |  |                |

|     |   |            |                |
|-----|---|------------|----------------|
| 110 | <b>FS1e: Reclassified items in Operational Expenditure</b>  |            | <b>(\$000)</b> |
| 111 | Value of items which have been reclassified since previous disclosure (if greater than 10% of any affected line item) |            |                |
| 112 | Previous classification:  | Select one |                |
| 113 | New classification:   | Select one |                |
| 114 |   |            |                |
| 115 |   |            | <b>(\$000)</b> |
| 116 | Value of items which have been reclassified since previous disclosure (if greater than 10% of any affected line item) |            |                |
| 117 | Previous classification:  | Select one |                |
| 118 | New classification:   | Select one |                |
| 119 |   |            |                |
| 120 |   |            | <b>(\$000)</b> |
| 121 | Value of items which have been reclassified since previous disclosure (if greater than 10% of any affected line item) |            |                |
| 122 | Previous classification:  | Select one |                |
| 123 | New classification:   | Select one |                |
| 124 |   |            |                |

*to be repeated as required for multiple reclassifications*

|  |  |     |  |
|--|--|-----|--|
|  | <b>FS1c: Operational Expenditure notes</b>   |     | <b>(\$000)</b>                         |
|  | <b>Material items (if greater than 10% of the Operational Expenditure line item)</b> |     |  |
|  | Material item amount 1   | 716 | <i>Notes to be provided separately</i> |
|  | within expenditure category:   |     | Fault and Emergency Maintenance        |

## REPORT FS1b: RELATED PARTY NOTE

Electricity Distribution Business: **Horizon Energy**  
For Year Ended **2012**

The following transactions were carried out with related parties:

### **a) Transactions between the Horizon Energy Distribution Limited and Horizon Energy Investments Limited**

Horizon Energy Investments Limited is a 100% owned subsidiary of Horizon Energy Distribution Limited ("Horizon Energy"). Horizon Energy Investments Limited is a New Zealand registered company.

Horizon Energy Investments Limited provided distribution network capital and maintenance services to Horizon Energy. These services are purchased on an arms length basis at commercial terms and conditions that are available to third parties.

Purchase of contracting services including the construction of network assets from Horizon Energy Investments Limited

|  | (\$000) |
|--|---------|
| <i>Capital Expenditure</i>                           |         |
| Subtransmission Assets                               | 661     |
| Zone Substations                                     | 289     |
| Distribution and LV Lines & Cables                   | 567     |
| Distribution substations and Transformers            | 824     |
| Distribution Switchgear                              | 796     |
| Other System Fixed Assets                            | 1,120   |
|  | 4,258   |
| <i>Transmission Costs</i>                            |         |
| Avoided Transmission Charges                         | 121     |
| <i>Operational Expenditure</i>                       |         |
| Maintenance on System Fixed Assets                   | 2,275   |
| Payables owing to Horizon Energy Investments Limited | 867     |

### **b) Contributions received by Horizon Energy Distribution Limited**

Horizon Energy Distribution Limited is controlled by the Eastern Bay Energy Trust (EBET) which owns 77.29 % of the Company's shares.

|   | (\$000) |
|---|---------|
| <i>EBET Contributions</i>                           |         |
| Contributions Received towards Staff Training       | 1       |
| Services Supplied by Horizon Energy to EBET         | 9       |
| Contributions received towards Undergrounding Works | 330     |
|   | 340     |

## REPORT FS2: REGULATORY ASSET AND FINANCING STATEMENT

| ref | Electricity Distribution Business:  | Horizon Energy |                |
|-----|---|----------------|----------------|
| 5   |   | For Year Ended | 2012           |
| 6   |   |                |                |
| 7   | <b>Capital Expenditure on System Fixed Assets (by primary purpose)</b>          |                | <b>(\$000)</b> |
| 8   | Customer Connection   | 186            | to AM1         |
| 9   | System Growth   | 710            | to AM1         |
| 10  | Reliability, Safety and Environment   | 1,859          | to AM1         |
| 11  | Asset Replacement and Renewal   | 2,178          | to AM1         |
| 12  | Asset Relocations   |                | to AM1         |
| 13  | <b>Total Capital Expenditure on System Fixed Assets</b>                         | <b>4,933</b>   | to AM1         |
| 14  |   |                |                |
| 15  |   |                |                |
| 16  | <b>Capital Expenditure on Non-System Fixed Assets</b>                           | <b>1,190</b>   | from AV1       |
| 17  |   |                |                |
| 18  |   |                |                |
| 19  | <b>Capital works roll-forward (for System Fixed Assets)</b>                     |                |                |
| 20  | Works Under Construction at Beginning of Year                                   | 1,060          |                |
| 21  | plus Total Capital Expenditure on System Fixed Assets                           | 4,933          |                |
| 22  | less Assets Commissioned in Year  | 4,034          | from AV1       |
| 23  | <b>Works under construction at year end</b>                                     | <b>1,960</b>   |                |
| 24  |   |                |                |
| 25  |   |                |                |
| 26  | <b>Regulatory Investment Value calculation</b>                                  |                |                |
| 27  | System Fixed Assets: regulatory value at end of Previous Year                   | 96,612         | from AV1       |
| 28  | Non-System Fixed Assets: regulatory value at end of Previous Year               | 698            | from AV1       |
| 29  | Finance During Construction Allowance (on System Fixed assets)                  | 2,367          | 2.45%          |
| 30  | <b>Total Regulatory Asset Base value at beginning of Current Financial Year</b> | <b>99,677</b>  |                |
| 31  |   |                |                |
| 32  | plus System Fixed Assets Commissioned in Year                                   | 4,034          | from AV1       |
| 33  | System Fixed Assets Acquired From (Sold to) a Non-EDB in Year                   | -              | from AV1       |
| 34  | Non-System Fixed Assets: Asset Additions  | 1,190          | from AV1       |
| 35  | Regulatory Asset Base investment in Current Financial Year - total              | 5,224          |                |
| 36  | <b>Regulatory Asset Base investment in Current Financial Year - average</b>     | <b>2,612</b>   |                |
| 37  |   |                |                |
| 38  | plus (minus) where a merger or acquisition has taken place within the year      |                |                |
| 39  | <b>Adjustment for merger, acquisition or sale to another EDB</b>                | <b>-</b>       | from AV4       |
| 40  |   |                |                |
| 41  | <b>Regulatory Investment Value</b>  | <b>102,288</b> | to MP2         |

## REPORT FS3: REGULATORY TAX ALLOWANCE CALCULATION

| ref | Electricity Distribution Business: |   | Horizon Energy      |
|-----|------------------------------------|---|---------------------|
|     |                                    |   | For Year Ended 2012 |
| 5   |                                    |   |                     |
| 6   |                                    |   |                     |
| 7   |                                    |   | (\$000)             |
| 8   |                                    | <b>Earnings before interest and tax (EBIT)</b>          | 10,924              |
| 9   |                                    |   | <i>from FS1</i>     |
| 10  | <i>add</i>                         | Total Regulatory Depreciation                           | 4,210               |
| 11  |                                    | Other Permanent Differences - not deductible            | 10                  |
| 12  |                                    | Other Temporary Adjustments - Current Period            | 309                 |
| 13  |                                    |   | 4,529               |
| 15  | <i>less</i>                        | Non Taxable Capital Contributions and Vested Assets     | 822                 |
| 16  |                                    | Tax Depreciation  | 2,842               |
| 17  |                                    | Deductible Discretionary Discounts and Customer Rebates | -                   |
| 18  |                                    | Deductible Interest                                     | 2,381               |
| 19  |                                    | Other Permanent Differences - Non Taxable               | -                   |
| 20  |                                    | Other Temporary Adjustments - Prior Period              | 684                 |
| 21  |                                    |   | 6,729               |
| 22  |                                    |   | <i>from row 53</i>  |
| 23  |                                    | <b>Regulatory taxable income for Year</b>               | <b>8,724</b>        |
| 24  |                                    |   |                     |
| 25  | <i>less</i>                        | Tax Losses Available at Start of Year                   | -                   |
| 26  |                                    | <b>Net taxable income</b>                               | <b>8,724</b>        |
| 27  |                                    |   |                     |
| 28  |                                    | Statutory Tax Rate                                      | 28%                 |
| 29  |                                    | <b>Regulatory Tax Allowance</b>                         | <b>2,443</b>        |
|     |                                    |   | <i>to FS1</i>       |

### Notes to Regulatory Tax Allowance Calculation

|    |  |
|----|--|
| 36 | <b>FS3a: Description of adjustments classified as "other"</b>  |
| 37 |  |
| 38 | The Electricity Distribution Business is to provide descriptions of items recorded in the four "other" categories above (explanatory notes can be provided in a separate note if necessary). |
| 39 |  |
| 40 |  |
| 41 | Line 11 includes: Non- deductible Entertainment expenses \$5k, Other expenses \$1k, Professional fees \$4k.  |
| 42 | Lines 12 & 20: Temporary differences arising from provisions opening balance 1 April 2011 \$684k, Temporary differences arising from provisions closing balance 31 March 2012 \$309k         |
| 43 |  |
| 44 |  |
| 45 |  |

|    |  |       |                  |
|----|--|-------|------------------|
| 48 | <b>FS3b: Financing assumptions (for Deductible Interest and Interest Tax Shield calculation)</b> |       |                  |
| 49 |  |       |                  |
| 50 | Standard Debt Leverage Assumption (debt/total assets)  | 40%   | %                |
| 51 |  |       |                  |
| 52 | Standard Cost of Debt Assumption   | 5.82% | %                |
| 53 |  |       |                  |
| 54 | Deductible Interest  | 2,381 | \$000            |
| 55 |  |       | <i>to row 18</i> |
| 56 | Interest Tax Shield Adjustment   | 667   | \$000            |
|    |  |       | <i>to MP2</i>    |



**REPORT AV1: ANNUAL REGULATORY VALUATION ROLL-FORWARD REPORT**

|     |   |  |  |  |  |  |  |  |
|-----|---|--|--|--|--|--|--|--|
| ref | Electricity Distribution Business: <b>Horizon Energy Distribution Limited</b> |  |  |  |  |  |  |  |
| 5   | For Year Ended: <b>2012</b>   |  |  |  |  |  |  |  |
| 6   | Year of most recent ODV: <b>2004</b>  |  |  |  |  |  |  |  |
| 7   |   |  |  |  |  |  |  |  |
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**Notes to Annual Regulatory Valuation Roll-forward Report**

|    |   |        |        |        |        |        |        |        |        |
|----|---|--------|--------|--------|--------|--------|--------|--------|--------|
| 57 | <b>AV1a: Calculation of Revaluation Rate and Indexed Revaluation of System Fixed Assets</b> |        |        |        |        |        |        |        |        |
| 58 | CPI as at date of ODV   | 928    |        |        |        |        |        |        |        |
| 59 |   |        |        |        |        |        |        |        |        |
| 60 | For Year Ended  | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | 2011   | 2012   |
| 61 | CPI at CPI reference date   | 953    | 985    | 1010   | 1044   | 1075   | 1097   | 1146   | 1164   |
| 62 | Revaluation Rate  | 2.69%  | 3.36%  | 2.54%  | 3.37%  | 2.97%  | 2.05%  | 4.47%  | 1.57%  |
| 63 |   |        |        |        |        |        |        |        |        |
| 64 | System Fixed Assets: Regulatory Value at End of Previous Year                               | 75,290 | 77,273 | 79,241 | 81,197 | 85,658 | 87,184 | 88,452 | 96,612 |
| 65 | Indexed Revaluation of System Fixed Assets  | 2,028  | 2,595  | 2,011  | 2,733  | 2,543  | 1,784  | 3,951  | 1,517  |

|    |  |      |      |      |      |      |      |      |      |
|----|--|------|------|------|------|------|------|------|------|
| 68 | <b>AV1b: Input for prior year Acquisitions (Sales) of Assets to (from) another ELB</b> |      |      |      |      |      |      |      |      |
| 69 |  |      |      |      |      |      |      |      |      |
| 70 | For Year Ended   | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| 71 | Acquisition of System Fixed Assets from another EDB                                    |      |      |      |      |      |      |      |      |
| 72 | Sale of System Fixed Assets to another EDB   |      |      |      |      |      |      |      |      |
| 73 | Net Acquisitions (Sales) of Non-System Fixed Assets from (to) an EDB                   |      |      |      |      |      |      |      |      |

**REPORT AV2: REGULATORY VALUATION DISCLOSURE BY ASSET CLASS**  
(for System Fixed Assets)

|     |  |                  |                         |                          |   |                         |                           |  |          |
|-----|--|------------------|-------------------------|--------------------------|---|-------------------------|---------------------------|--|----------|
| ref | Electricity Distribution Business: <b>Horizon Energy</b>             |                  |                         |                          |   |                         |                           |  |          |
| 6   |  |                  |                         |                          |   |                         |                           | For Year Ended: <b>2012</b>                |          |
| 7   |  |                  |                         |                          |   |                         |                           |  |          |
| 8   |  |                  |                         |                          |   |                         |                           |  |          |
| 9   |  |                  |                         |                          |   |                         |                           |  |          |
| 10  | <b>Subtotals by Asset Class (for System Fixed Assets)</b>            |                  |                         |                          |   |                         |                           | (\$000)                                    |          |
|     | Subtransmission  | Zone Substations | Distribution & LV Lines | Distribution & LV Cables | Distribution Substations and Transformers | Distribution Switchgear | Other System Fixed Assets | Total for System Fixed Assets<br>(per AV1) |          |
| 11  | <b>System Fixed Assets</b>   |                  |                         |                          |   |                         |                           |  |          |
| 12  | Regulatory Value of System Fixed Assets (as per most recent ODV)     |                  |                         |                          |   |                         |                           | 75,290                                     | from AV1 |
| 13  | 5,014  | 5,625            | 24,113                  | 16,061                   | 14,134                                    | 6,062                   | 4,281                     |  |          |
| 14  | <b>Cumulative roll-forward since most recent ODV:</b>                |                  |                         |                          |   |                         |                           |  |          |
| 15  | Asset Additions  |                  |                         |                          |   |                         |                           | 26,841                                     | from AV1 |
| 16  | Indexed Revaluation (of System Fixed Assets)                         |                  |                         |                          |   |                         |                           | 19,164                                     | from AV1 |
| 17  | less Regulatory Depreciation (of System Fixed Assets)                |                  |                         |                          |   |                         |                           | 27,806                                     | from AV1 |
| 18  | Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB     |                  |                         |                          |   |                         |                           | -  | from AV1 |
| 19  | Net Increase (Decrease) Due to Changes in Asset Register Information |                  |                         |                          |   |                         |                           | 4,682                                      | from AV1 |
| 20  | <b>Regulatory Value of System Fixed Assets at Year End</b>           |                  |                         |                          |   |                         |                           | <b>98,170</b>                              | from AV1 |
| 21  |  |                  |                         |                          |   |                         |                           |  |          |

**REPORT AV3: SYSTEM FIXED ASSETS REPLACEMENT COST ROLL-FORWARD REPORT**

|     |  |                |
|-----|--|----------------|
| ref | Electricity Distribution Business: <b>Horizon Energy</b>               |                |
| 5   | For Year Ended: <b>2012</b>  |                |
| 6   | <b>System Fixed Assets - Replacement Cost</b>                          |                |
| 7   | (\$000)  |                |
| 8   | <b>Replacement cost at end of previous year</b>                        | 197,452        |
| 9   |  |                |
| 10  | Asset Additions  | 4,034          |
| 11  | Indexed Revaluation (of System Fixed Assets)                           | 3,101          |
| 12  | less Replacement Cost of Assets Decommissioned                         | 965            |
| 13  | Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB       | -              |
| 14  | Net Increase (Decrease) Due to Changes in Asset Register Information   | -              |
| 15  | <b>Replacement cost of System Fixed Assets at year end</b>             | <b>203,622</b> |
| 16  |  |                |
| 17  |  |                |
| 18  | <b>System Fixed Assets - Depreciated Replacement Cost</b>              |                |
| 19  |  |                |
| 20  | <b>Depreciated Replacement Cost at end of previous year</b>            | 96,612         |
| 21  |  |                |
| 22  | Asset Additions  | 4,034          |
| 23  | Indexed Revaluation (of System Fixed Assets)                           | 1,517          |
| 24  | less Depreciation of Replacement Cost                                  | 3,494          |
| 25  | less Depreciated Replacement Cost of Assets Decommissioned             | 498            |
| 26  | Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB       | -              |
| 27  | Net Increase (Decrease) Due to Changes in Asset Register Information   | -              |
| 28  | <b>Depreciated replacement cost of System Fixed Assets at year end</b> | <b>98,171</b>  |

**REPORT AV3: SYSTEM FIXED ASSETS REPLACEMENT COST ROLL-FORWARD REPORT (cont)**

**Notes to Price and Quality Measures**

|    |  |              |
|----|--|--------------|
| 36 | <b>AV3a: New Asset Additions</b>   |              |
| 37 |  |              |
| 38 | Asset Additions - Depreciated Replacement Cost   | 4,034        |
| 39 | plus Difference in Replacement Cost and Depreciated Replacement Cost values of Asset Additions | -            |
| 40 |  |              |
| 41 | <b>Asset Additions - Replacement Cost</b>  | <b>4,034</b> |
| 42 |  |              |

**REPORT AV4: BUSINESS MERGER, ACQUISITION OR SALE - REGULATORY ASSET BASE DISCLOSURE**

Electricity Distribution Business: Horizon Energy Distribution Limited

ref  
6 **Disclosure required? (YES or NIL DISCLOSURE):** NO DISCLOSURE REQUIRED

As at (date): 31/03/2012

Proportion of year following transfer of assets 0%

12 **PART 1: Most recent ODV valuation of System Fixed Assets transferred**

(\$000)

|    | Subtransmission                                      | Zone substations | Distribution & LV Lines | Distribution & LV Cables | Distribution substations and transformers | Distribution switchgear | Other System Fixed Assets | Total for System Fixed Assets |
|----|--|------------------|-------------------------|--------------------------|---|-------------------------|---------------------------|-------------------------------|
| 13 |  |                  |                         |                          |   |                         |                           |                               |
| 14 | Replacement Cost (RC)                                |                  |                         |                          |   |                         |                           |                               |
| 15 |  |                  |                         |                          |   |                         |                           |                               |
| 16 | less Depreciation                                    |                  |                         |                          |   |                         |                           |                               |
| 17 | <b>Depreciated Replacement Cost (DRC)</b>            | -                | -                       | -                        | -   | -                       | -                         | -                             |
| 18 |  |                  |                         |                          |   |                         |                           |                               |
| 19 | less Optimisation adjustment                         |                  |                         |                          |   |                         |                           |                               |
| 20 | <b>Optimised Depreciated Replacement Cost (ODRC)</b> | -                | -                       | -                        | -   | -                       | -                         | -                             |
| 21 |  |                  |                         |                          |   |                         |                           |                               |
| 22 | less Economic Value Adjustment (EVA)                 |                  |                         |                          |   |                         |                           |                               |
| 23 | <b>Most recent ODV value</b>                         | -                | -                       | -                        | -   | -                       | -                         | -                             |

26 **PART 2: Valuation disclosure for transferred assets by Asset Class (at transfer date)**

(\$000)

|    | Total for System Fixed Assets  | Non-System Fixed Assets | Total RAB value (excl. FDC) |
|----|--|-------------------------|-----------------------------|
| 27 |  |                         |                             |
| 28 | Regulatory Value of System Fixed Assets (as per most recent ODV)     | -                       |                             |
| 29 |  |                         |                             |
| 30 | <b>Cumulative roll-forward since most recent ODV:</b>                |                         |                             |
| 31 | Asset Additions  |                         |                             |
| 32 | Indexed Revaluation (of System Fixed Assets)                         |                         |                             |
| 33 | less Regulatory Depreciation (of System Fixed Assets)                |                         |                             |
| 34 | Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB     |                         |                             |
| 35 | Net Increase (Decrease) due to Changes in Asset Register Information |                         |                             |
| 36 | <b>RAB Value of Transferred Assets at Transfer Date</b>              | -                       | -                           |
| 37 |  |                         |                             |
| 38 | Acquisition of Assets from Another EDB                               | -                       | to AV1                      |
| 39 | Sale of Assets to Another EDB  | -                       | to AV1                      |
| 40 |  |                         |                             |
| 41 |  |                         |                             |
| 42 | RAB Value of Transferred Assets at Transfer Date                     | -                       |                             |
| 43 | "p" factor (proportion of year following transfer of assets)         | 0%                      |                             |
| 44 | <b>Adjustment for merger, acquisition or sale to another EDB</b>     | -                       | to FS2                      |

47 **PART 3: Rolled-forward Replacement Cost values for System Fixed Assets transferred**

(\$000)

|    | RC & DRC values of System Fixed Assets at transfer date                | RAB value of acquired/(sold) assets |        |
|----|--|-------------------------------------|--------|
| 48 |  |                                     |        |
| 49 | Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB - RC  | -                                   | to AV3 |
| 50 | Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB - DRC | -                                   | to AV3 |

Signed by: Selling Entity

Acquiring Entity

**REPORT AV4: BUSINESS MERGER, ACQUISITION OR SALE - REGULATORY ASSET BASE DISCLOSURE**

Electricity Distribution Business: Horizon Energy Distribution Limited

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Disclosure required? (YES or NIL DISCLOSURE): NO DISCLOSURE REQUIRED

As at (date): 31/03/2012  
 Proportion of year following transfer of assets: 0%

**PART 1: Most recent ODV valuation of System Fixed Assets transferred**

|  | Subtransmission | Zone substations | Distribution & LV Lines | Distribution & LV Cables | Distribution substations and transformers | Distribution switchgear | Other System Fixed Assets | Total for System Fixed Assets |
|--|-----------------|------------------|-------------------------|--------------------------|---|-------------------------|---------------------------|-------------------------------|
| Replacement Cost (RC)                                |                 |                  |                         |                          |   |                         |                           |                               |
| less Depreciation                                    |                 |                  |                         |                          |   |                         |                           |                               |
| <b>Depreciated Replacement Cost (DRC)</b>            | -               | -                | -                       | -                        | -   | -                       | -                         | -                             |
| less Optimisation adjustment                         |                 |                  |                         |                          |   |                         |                           |                               |
| <b>Optimised Depreciated Replacement Cost (ODRC)</b> | -               | -                | -                       | -                        | -   | -                       | -                         | -                             |
| less Economic Value Adjustment (EVA)                 |                 |                  |                         |                          |   |                         |                           |                               |
| <b>Most recent ODV value</b>                         | -               | -                | -                       | -                        | -   | -                       | -                         | -                             |

**PART 2: Valuation disclosure for transferred assets by Asset Class (at transfer date)**

|  | Total for System Fixed Assets | Non-System Fixed Assets | Total RAB value (excl. FDC) |
|--|-------------------------------|-------------------------|-----------------------------|
| Regulatory Value of System Fixed Assets (as per most recent ODV)     | -                             |                         |                             |
| <b>Cumulative roll-forward since most recent ODV:</b>                |                               |                         |                             |
| Asset Additions  |                               |                         |                             |
| Indexed Revaluation (of System Fixed Assets)                         |                               |                         |                             |
| less Regulatory Depreciation (of System Fixed Assets)                |                               |                         |                             |
| Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB     |                               |                         |                             |
| Net Increase (Decrease) due to Changes in Asset Register Information |                               |                         |                             |
| <b>RAB Value of Transferred Assets at Transfer Date</b>              | -                             |                         | -                           |
| Acquisition of Assets from Another EDB                               | -                             | -                       | to AV1                      |
| Sale of Assets to Another EDB  | -                             | -                       | to AV1                      |
| RAB Value of Transferred Assets at Transfer Date                     | -                             |                         |                             |
| "p" factor (proportion of year following transfer of assets)         | 0%                            |                         |                             |
| <b>Adjustment for merger, acquisition or sale to another EDB</b>     |                               | -                       | to FS2                      |

**PART 3: Rolled-forward Replacement Cost values for System Fixed Assets transferred**

|  | RC & DRC values of System Fixed Assets at transfer date | RAB value of acquired/(sold) assets |
|--|---|-------------------------------------|
| Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB - RC  | -   | -                                   |
| Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB - DRC | -   | -                                   |

Signed by: Selling Entity   
 Acquiring Entity

**REPORT AV4: BUSINESS MERGER, ACQUISITION OR SALE - REGULATORY ASSET BASE DISCLOSURE**

Electricity Distribution Business: Horizon Energy Distribution Limited

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**Disclosure required? (YES or NIL DISCLOSURE):** NO DISCLOSURE REQUIRED

As at (date): 31/03/2012  
 Proportion of year following transfer of assets: 0%

**PART 1: Most recent ODV valuation of System Fixed Assets transferred**

|  | Subtransmission | Zone substations | Distribution & LV Lines | Distribution & LV Cables | Distribution substations and transformers | Distribution switchgear | Other System Fixed Assets | Total for System Fixed Assets |
|--|-----------------|------------------|-------------------------|--------------------------|---|-------------------------|---------------------------|-------------------------------|
| Replacement Cost (RC)                                |                 |                  |                         |                          |   |                         |                           | -                             |
| <i>less</i> Depreciation                             |                 |                  |                         |                          |   |                         |                           | -                             |
| <b>Depreciated Replacement Cost (DRC)</b>            | -               | -                | -                       | -                        | -   | -                       | -                         | -                             |
| <i>less</i> Optimisation adjustment                  |                 |                  |                         |                          |   |                         |                           | -                             |
| <b>Optimised Depreciated Replacement Cost (ODRC)</b> | -               | -                | -                       | -                        | -   | -                       | -                         | -                             |
| <i>less</i> Economic Value Adjustment (EVA)          |                 |                  |                         |                          |   |                         |                           | -                             |
| <b>Most recent ODV value</b>                         | -               | -                | -                       | -                        | -   | -                       | -                         | -                             |

**PART 2: Valuation disclosure for transferred assets by Asset Class (at transfer date)**

|  | Total for System Fixed Assets | Non-System Fixed Assets | Total RAB value (excl. FDC) |
|--|-------------------------------|-------------------------|-----------------------------|
| Regulatory Value of System Fixed Assets (as per most recent ODV)     | -                             |                         |                             |
| <b>Cumulative roll-forward since most recent ODV:</b>                |                               |                         |                             |
| Asset Additions  |                               |                         |                             |
| Indexed Revaluation (of System Fixed Assets)                         |                               |                         |                             |
| <i>less</i> Regulatory Depreciation (of System Fixed Assets)         |                               |                         |                             |
| Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB     |                               |                         |                             |
| Net Increase (Decrease) due to Changes in Asset Register Information |                               |                         |                             |
| <b>RAB Value of Transferred Assets at Transfer Date</b>              | -                             |                         | -                           |
| Acquisition of Assets from Another EDB                               | -                             | -                       | to AV1                      |
| Sale of Assets to Another EDB  | -                             | -                       | to AV1                      |
| RAB Value of Transferred Assets at Transfer Date                     | -                             |                         |                             |
| "p" factor (proportion of year following transfer of assets)         | 0%                            |                         |                             |
| <b>Adjustment for merger, acquisition or sale to another EDB</b>     |                               | -                       | to FS2                      |

**PART 3: Rolled-forward Replacement Cost values for System Fixed Assets transferred**

|  | RC & DRC values of System Fixed Assets at transfer date | RAB value of acquired/(sold) assets |
|--|---|-------------------------------------|
| Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB - RC  | -   | -                                   |
| Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB - DRC | -   | -                                   |

Signed by: Selling Entity

Acquiring Entity

# REPORT MP1: NETWORK INFORMATION

(Separate report required for each Non-Contiguous Network)

|     |  |   |   |
|-----|--|---|---|
| ref | Electricity Distribution Business:   | Horizon Energy  |   |
| 6   |  | For Year Ended:   | 2012  |
| 7   | Network Name:  | Horizon Energy <small>(enter "Total Business" or name of network)</small> |   |
| 9   | Disclosure:  | Annual Disclosure - Requirement 6(1)                                      |   |
| 10  | <b>Circuit Length by Operating Line Voltage (at year end)</b>                                | <b>Overhead</b>   | <b>Underground</b>                                |
| 11  |  | <b>(km)</b>   | <b>(km)</b>                                       |
| 12  | > 66kV   |   |   |
| 13  | 50kV & 66kV  |   |   |
| 14  | 33kV   | 174   | 4   |
| 15  | SWER (all SWER voltages)   | 63  |   |
| 16  | 22kV (other than SWER)   |   |   |
| 17  | 6.6kV to 11kV (inclusive - other than SWER)  | 1,456   | 186   |
| 18  | Low Voltage (< 1kV)  | 226   | 261   |
| 19  | <b>Total circuit length (for Supply)</b>   | <b>1,919</b>  | <b>451</b>  |
| 20  |  |   | <b>2,370</b>                                      |
| 21  | <b>Dedicated Street Lighting Circuit Length</b>  | -   | 18  |
| 22  |  |   | 18  |
| 23  | <b>Overhead Circuit Length by Terrain (at year end)</b>                                      | <b>(km)</b>   | <b>(%)</b>  |
| 24  | Urban (only)   | 229   | 12%   |
| 25  | Rural (only)   | 1,038   | 54%   |
| 26  | Remote (only)  | 164   | 9%  |
| 27  | Rugged (only)  | 391   | 20%   |
| 28  | Rural & rugged (only)  |   | 0%  |
| 29  | Remote & rugged (only)   | 96  | 5%  |
| 30  | Unallocated overhead lines   |   | 0%  |
| 31  | <b>Total overhead length</b>   | <b>1,919</b>  | <b>100%</b>                                       |
| 32  |  |   |   |
| 33  |  |   |   |
| 34  | <b>Transformer capacity (at year end)</b>  |   | <b>Previous Year</b>                              |
| 35  | Distribution Transformer Capacity (EDB Owned)  | 227 MVA   | 226   |
| 36  | Distribution Transformer Capacity (Non-EDB Owned, Estimated)                                 | 78 MVA  | 78  |
| 37  | <b>Total Distribution Transformer Capacity</b>   | 305 MVA (to MP2)  | 304   |
| 38  |  |   |   |
| 39  | Zone Substation Transformer Capacity   | 88 MVA  | 88  |
| 40  |  |   |   |
| 41  | <b>System Fixed Assets age (at year end)</b>   |   |   |
| 42  | Average Age of System Fixed Assets   | 27 Years  |   |
| 43  | Average Expected Total Life of System Fixed Assets   | 52 Years  |   |
| 44  | Average Age as a Proportion of Average Expected Total Life                                   | 51.8% %   |   |
| 45  |  |   |   |
| 46  | Estimated Proportion of Assets (by Replacement Cost) within 10 years of Total Life           | 8.70% %   |   |
| 47  |  |   |   |
| 48  |  |   |   |
| 49  |  |   |   |
| 50  |  |   |   |
| 51  | <b>Electricity demand</b>  | <b>Maximum coincident system demand (MW)</b>                              | <b>Non-coincident Sum of maximum demands (MW)</b> |
| 52  |  |   |   |
| 53  | <b>GXP Demand</b>  | 88  | 95  |
| 54  | <i>plus</i> Embedded Generation Output at HV and Above                                       | 5   |   |
| 55  | <b>Maximum System Demand</b>   | 93  |   |
| 56  | <i>less</i> Net Transfers to (from) Other EDBs at HV and Above                               |   |   |
| 57  | <b>Demand on system for supply to customers' Connection Points</b>                           | 93  |   |
| 58  | <i>less</i> Subtransmission Customers' Connection Point Demand                               | 13  | 22  |
| 59  | <b>Maximum Distribution Transformer Demand</b>   | 80  |   |
| 60  |  |   |   |
| 61  | GXP Demand not Supplied at Subtransmission Level   | 29  |   |
| 62  | Embedded Generation Output - Connected to Subtransmission System                             | -   |   |
| 63  | Net Transfers to (from) Other EDBs at Subtransmission Level Only                             | -   |   |
| 64  |  |   |   |
| 65  | <b>Estimated Controlled Load Shed at Time of Maximum System Demand (MW)</b>                  |   |   |
| 66  |  |   |   |
| 67  | <b>Five-Year System Maximum Demand Growth Forecast</b>                                       | 0.0 % p.a.  |   |
| 68  |  |   |   |
| 69  | <b>Electricity volumes carried</b>   | <b>(GWh)</b>  |   |
| 70  | Electricity Supplied from GXPs   | 445   |   |
| 71  | <i>less</i> Electricity Exports to GXPs  |   |   |
| 72  | <i>plus</i> Electricity Supplied from Embedded Generators                                    | 112   |   |
| 73  | <i>less</i> Net Electricity Supplied to (from) Other EDBs                                    |   |   |
| 74  | <b>Electricity entering system for supply to customers' Connection Points</b>                | 557   |   |
| 75  | <i>less</i> Electricity Supplied to Customers' Connection Points                             | 534   |   |
| 76  | <b>Electricity Losses (loss ratio)</b>   | 23  | 4.1% %  |
| 77  |  |   |   |
| 78  | Electricity Supplied to Customers' Connection Points   | 534   |   |
| 79  | <i>less</i> Electricity Supplied to Largest 5 Connection Points                              | 280   |   |
| 80  | <b>Electricity supplied other than to Largest 5 Connection Points</b>                        | 254   | 48% %   |
| 81  |  |   |   |
| 82  | <b>Load Factor</b>   | 69% %   |   |
| 83  |  |   |   |
| 84  | <b>Number of Connection Points (at year end)</b>   | 24,636 ICPs   |   |
| 85  |  |   |   |
| 86  | <b>Intensity of service requirements</b>   |   |   |
| 87  | Demand Density (Maximum Distribution Transformer Demand / Total circuit length)              | 34 kW/km  |   |
| 88  | Volume Density (Electricity Supplied to Customers' Connection Points / Total circuit length) | 225 MWh/km  |   |
| 89  | Connection Point Density (ICPs / Total circuit length)                                       | 10 ICP/km   |   |
| 90  | Energy Intensity (Electricity Supplied to Customers' Connection Points / ICP)                | 21,688 kWh/ICP  |   |

## REPORT MP2: PERFORMANCE MEASURES

| ref | Electricity Distribution Business:                   |   | Horizon Energy  |  |                           |
|-----|--|---|---|--|---------------------------|
| 5   |  |   |   |  |                           |
| 6   | Performance comparators                              |   | For Year Ended: 2012  |  |                           |
| 7   |  | Previous Years:   |   | Current Financial Year                   |                           |
| 8   |  | Current Yr - 3  | Current Yr - 2  | Current Yr - 1                           |                           |
| 9   | <b>Operational expenditure ratio</b>                 |   |   |  |                           |
| 10  |  | Total Operational Expenditure   | 7   | 7  |                           |
| 11  |  | Replacement Cost of System Fixed Assets (at year end*)  | 174   | 180                                      |                           |
| 12  |  | <b>Ratio (%)</b>  | 4.03%   | 3.82%                                    |                           |
| 13  |  |   | 3.46%   | 3.40%                                    |                           |
| 14  | <b>Capital expenditure ratio</b>                     |   |   |  |                           |
| 15  |  | Total Capital Expenditure on System Fixed Assets  | 3   | 3  |                           |
| 16  |  | Replacement Cost of System Fixed Assets (at year end*)  | 174   | 180                                      |                           |
| 17  |  | <b>Ratio (%)</b>  | 1.72%   | 1.91%                                    |                           |
| 18  |  |   | 3.00%   | 2.42%                                    |                           |
| 19  | <b>Capital expenditure growth ratio</b>              |   |   |  |                           |
| 20  |  | Capital Expenditure: Customer Connection and System Growth  |   | 0  |                           |
| 21  |  | Change in Total Distribution Transformer Capacity   |   | 2  |                           |
| 22  |  | <b>\$/kVA</b>   | Not defined   | 147                                      |                           |
| 23  |  |   |   | 86                                       |                           |
| 24  |  |   |   | 4,691                                    |                           |
| 25  | <b>Renewal expenditure ratio</b>                     |   |   |  |                           |
| 26  |  | Capital & Operational Expenditure: Asset Replacement, Refurbishment and Renewal   |   | 2  |                           |
| 27  |  | Regulatory Depreciation of System Fixed Assets  |   | 3  |                           |
| 28  |  | <b>Ratio (%)</b>  | Not defined   | 64%                                      |                           |
| 29  |  |   |   | 43%                                      |                           |
| 30  | <b>Distribution Transformer Capacity Utilisation</b> |   |   |  |                           |
| 31  |  | Maximum Distribution Transformer Demand   | 67  | 69                                       |                           |
| 32  |  | Total Distribution Transformer Capacity (at year end*)  | 293   | 295                                      |                           |
| 33  |  | <b>Ratio (%)</b>  | 22.8%   | 23.5%                                    |                           |
| 34  |  |   |   | 22.7%                                    |                           |
| 35  |  |   |   | 26.2%                                    |                           |
| 36  | <b>Return on Investment</b>                          |   |   |  |                           |
| 37  |  | Regulatory Profit / Loss (pre-financing and distributions)  | 11  | 9  |                           |
| 38  |  | less Interest Tax Shield Adjustment   | 1   | 1  |                           |
| 39  |  | Adjusted Regulatory Profit  | 10  | 9  |                           |
| 40  |  | Regulatory Investment Value   | 90  | 92                                       |                           |
| 41  |  | <b>Ratio (%)</b>  | 11.09%  | 9.44%                                    |                           |
| 42  |  |   |   | 11.46%                                   |                           |
| 43  |  |   |   | 9.12%                                    |                           |
| 44  |  | * If a Merger or Asset Transfer with another EDB was entered into during the year, the denominators are calculated as time-weighted averages. |   |  |                           |
| 45  | <b>Expenditure comparison table</b>                  | <b>Expenditure metrics (\$ per):</b>  |   |  |                           |
| 46  |  | Total circuit length (for Supply) (\$/km)   | Electricity Supplied to Customers' Connection Points (\$/MWh) | Maximum coincident system demand (\$/MW) | Connection Point (\$/ICP) |
| 47  |  |   | Distribution Transformer Capacity (EDB-Owned) (\$/MVA)        |  |                           |
| 48  |  | Capital Expenditure (\$) per  | 2,584   | 11                                       | 65,969                    |
| 49  |  | Operational Expenditure (\$) per  | 2,925   | 13                                       | 74,675                    |

**REPORT MP3: PRICE & QUALITY MEASURES**  
(Separate report required for each Non-contiguous Network)

Electricity Distribution Business: **Horizon Energy Distribution Limited**

For Year Ended: **2012**

Network Name: **Horizon Energy**  
Disclosure: **Annual Disclosure - Requirement 6(1)**

**QUALITY**

**Interruptions**

**Interruptions by class**

|              |            |  |
|--------------|------------|--|
| Class A      | 4          | planned interruptions by Transpower                                      |
| Class B      | 56         | planned interruptions on the network                                     |
| Class C      | 117        | unplanned interruptions on the network                                   |
| Class D      | 34         | unplanned interruptions by Transpower                                    |
| Class E      | -          | unplanned interruptions of network owned generation                      |
| Class F      | 1          | unplanned interruptions of generation (non-network)                      |
| Class G      | -          | unplanned interruptions caused by other electricity industry participant |
| Class H      | -          | planned interruptions caused by other electricity industry participant   |
| <b>Total</b> | <b>212</b> | <b>Total of above</b>  |

**Interruption targets for Forecast Year**

|         | 2013 | Current Financial Year +1              |
|---------|------|--|
| Class B | 20   | planned interruptions on the network   |
| Class C | 125  | unplanned interruptions on the network |

**Average interruption targets for 5 Forecast Years**

|         | 2013-2017 | Current Financial Year +1 to +5        |
|---------|-----------|--|
| Class B | 20        | planned interruptions on the network   |
| Class C | 121       | unplanned interruptions on the network |

**Class C interruptions restored within**

|  | ≤3Hrs | >3hrs |
|--|-------|-------|
|  | 100   | 17    |

**Faults**

**Faults per 100 circuit kilometres**

|   |      |                    |           |
|---|------|--------------------|-----------|
| The total number of faults for Current Financial Year                 | 6.43 | in year            | 2012      |
| The total number of faults forecast for the Forecast Year             | 5.00 | in year            | 2013      |
| The average annual number of faults forecast for the 5 Forecast Years | 4.50 | average over years | 2013-2017 |

**Fault Information per 100 circuit kilometres by Voltage and Type**

|   | 6.6kV & 11kV non-SWGR |    | 22kV non-SWGR |    | SWGR | 33kV | 50kV & 66kV | >66kV |
|---|-----------------------|----|---------------|----|------|------|-------------|-------|
|   | Yes                   | No | Yes           | No | Yes  | Yes  | No          | No    |
| Is this voltage part of the EDB system? |                       |    |               |    |      |      |             |       |
| Current Financial Year                  | 6.82                  |    |               |    |      | 2.80 |             |       |
| Forecast Year                           | 5.00                  |    |               |    |      | 2.00 |             |       |
| Average annual for 5 Forecast Years     | 4.50                  |    |               |    |      | 2.00 |             |       |

**Fault Information per 100 circuit kilometres by Voltage and Type**

|             | 6.6kV & 11kV non-SWGR |          | 22kV non-SWGR |          | SWGR        | 33kV     | 50kV & 66kV | >66kV    |
|-------------|-----------------------|----------|---------------|----------|-------------|----------|-------------|----------|
|             | Underground           | Overhead | Underground   | Overhead | Underground | Overhead | Underground | Overhead |
| Underground | 2.69                  |          |               |          |             | -        |             |          |
| Overhead    | 7.35                  |          |               |          |             | 2.87     |             |          |

**Reliability**

**Overall reliability**

|  | SAIDI  | SAIFI | CAIDI |
|--|--------|-------|-------|
| Based on the total number of interruptions | 174.62 | 2.24  | 77.99 |

**Reliability by interruption class**

|         | SAIDI  | SAIFI | CAIDI |
|---------|--------|-------|-------|
| Class B | 12.27  | 0.15  | 81.26 |
| Class C | 162.35 | 2.09  | 77.75 |

**Targets for Forecast Year**

|         | SAIDI  | SAIFI | CAIDI  |
|---------|--------|-------|--------|
| Class B | 20.00  | 0.10  | 200.00 |
| Class C | 125.00 | 1.70  | 73.53  |

**Average targets for 5 Forecast Years**

|         | SAIDI  | SAIFI | CAIDI  |
|---------|--------|-------|--------|
| Class B | 20.00  | 0.10  | 200.00 |
| Class C | 121.00 | 1.70  | 71.18  |

**PRICES**

**Price information by Connection Point Class**

|   | Connection Point Class  |                          |                         |                             | Total   |            |
|---|-------------------------|--------------------------|-------------------------|-----------------------------|---------|------------|
|   | Small Connection Points | Medium Connection Points | Large Connection Points | Largest 5 Connection Points |         |            |
| <b>Gross line charge income (\$000)</b>                           | 14,021                  | 5,927                    | 6,104                   | 2,952                       | 29,004  | from FS1   |
| <b>Electricity Supplied to Customers' Connection Points (MWh)</b> | 129,956                 | 60,166                   | 64,011                  | 280,178                     | 534,311 | from (MP1) |
| <b>Number of Connection Points (ICPs) at year end</b>             | 21,045                  | 3,253                    | 333                     | 5                           | 24,636  | from MP1   |
| <b>Unit Price (cents/kWh)</b>                                     | 10.8                    | 9.9                      | 9.5                     | 1.1                         | 5.4     |            |
| <b>Relative Unit Price Index</b>                                  | 1.00                    | 0.91                     | 0.88                    | 0.10                        | 0.50    |            |



## REPORT MP3: PRICE AND QUALITY (cont)

### Notes to Price and Quality Measures

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#### MP3a: Connection Point Class breakpoints

##### Connection Point Class breakpoints methodology

kVA based breakpoints

##### kVA based breakpoints - additional disclosure

- Breakpoint between small and medium classes
- Breakpoint between large and medium classes

20 kVA

69 kVA

**REPORT AM1: EXPENDITURE FORECASTS AND RECONCILIATION**

Electricity Distribution Business: **Horizon Energy**  
 For Year Ended **2012**  
 (\$'000)

**A) Five year forecasts of expenditure**

*From most recent Asset Management Plan*

| ref |   | Actual for Current Financial Year | Forecast Years |               |               |               |               |          |
|-----|---|-----------------------------------|----------------|---------------|---------------|---------------|---------------|----------|
|     |   |                                   | year 1         | year 2        | year 3        | year 4        | year 5        |          |
|     |   |                                   | 2012           | 2013          | 2014          | 2015          | 2016          |          |
| 8   | <i>for year ended</i>   |                                   |                |               |               |               |               |          |
| 10  | Capital Expenditure: Customer Connection  | 186                               | 720            | 720           | 720           | 720           | 720           | from FS2 |
| 11  | Capital Expenditure: System Growth  | 710                               | 711            | 1,116         | 3,234         | 1,127         | 1,346         | from FS2 |
| 12  | Capital Expenditure: Reliability, Safety and Environment  | 1,859                             | 3,114          | 2,268         | 880           | 1,979         | 2,684         | from FS2 |
| 13  | Capital Expenditure: Asset Replacement and Renewal  | 2,178                             | 3,572          | 4,263         | 3,620         | 4,315         | 2,938         | from FS2 |
| 14  | Capital Expenditure: Asset Relocations  | -                                 | 18             | 18            | 18            | 18            | 18            | from FS2 |
| 15  | <b>Subtotal - Capital Expenditure on asset management</b>   | <b>4,933</b>                      | <b>8,135</b>   | <b>8,385</b>  | <b>8,472</b>  | <b>8,159</b>  | <b>7,706</b>  |          |
| 17  | Operational Expenditure: Routine and Preventative Maintenance   | 1,155                             | 1,058          | 970           | 969           | 958           | 1,105         | from FS1 |
| 18  | Operational Expenditure: Refurbishment and Renewal Maintenance  | 373                               | 860            | 990           | 762           | 1,209         | 1,164         | from FS1 |
| 19  | Operational Expenditure: Fault and Emergency Maintenance  | 716                               | 677            | 677           | 677           | 677           | 677           | from FS1 |
| 20  | <b>Subtotal - Operational Expenditure on asset management</b>   | <b>2,244</b>                      | <b>2,595</b>   | <b>2,637</b>  | <b>2,408</b>  | <b>2,844</b>  | <b>2,946</b>  |          |
| 22  | <b>Total direct expenditure on distribution network</b>   | <b>7,177</b>                      | <b>10,730</b>  | <b>11,022</b> | <b>10,880</b> | <b>11,003</b> | <b>10,652</b> |          |
| 24  | <b>Overhead to Underground Conversion Expenditure</b>   | <b>329</b>                        |                |               |               |               |               |          |
| 26  | <i>The Electricity Distribution Business is to provide the amount of Overhead to Underground Conversion Expenditure included in each of the above Expenditure Categories (explanatory notes can be provided in a separate note if necessary).</i> |                                   |                |               |               |               |               |          |

**B) Variance between Previous Forecast for the Current Financial Year, and Actual Expenditure**

| ref |  | Actual for Current Financial Year (a) | Previous forecast for Current Financial Year (b) | % Variance (a)/(b)-1 |             |
|-----|--|---------------------------------------|--|----------------------|-------------|
| 34  | Capital Expenditure: Customer Connection                       | 186                                   | 168  | 10.8%                | from row 10 |
| 35  | Capital Expenditure: System Growth                             | 710                                   | 714  | -0.6%                | from row 11 |
| 36  | Capital Expenditure: Reliability, Safety and Environment       | 1,859                                 | 4,078  | -54.4%               | from row 12 |
| 37  | Capital Expenditure: Asset Replacement and Renewal             | 2,178                                 | 1,910  | 14.0%                | from row 13 |
| 38  | Capital Expenditure: Asset Relocations                         | -                                     | -  | Not defined          | from row 14 |
| 39  | <b>Subtotal - Capital Expenditure on asset management</b>      | <b>4,933</b>                          | <b>6,870</b>                                     | <b>-28.2%</b>        |             |
| 41  | Operational Expenditure: Routine and Preventative Maintenance  | 1,155                                 | 1,376  | -16.0%               | from row 17 |
| 42  | Operational Expenditure: Refurbishment and Renewal Maintenance | 373                                   | 516  | -27.7%               | from row 18 |
| 43  | Operational Expenditure: Fault and Emergency Maintenance       | 716                                   | 608  | 17.7%                | from row 19 |
| 44  | <b>Subtotal - Operational Expenditure on asset management</b>  | <b>2,244</b>                          | <b>2,500</b>                                     | <b>-10.3%</b>        |             |
| 46  | <b>Total direct expenditure on distribution network</b>        | <b>7,177</b>                          | <b>9,370</b>                                     | <b>-23.4%</b>        |             |

**Explanation of variances**

*Distribution Business must provide a brief explanation for any line item variance of more than 10%*

*Explanatory notes (can be provided in a separate note if necessary):*

**Capital expenditure:**  
 Customer Connection: Costs are dependent on customer behaviour and with low growth the plan number is small.  
 Reliability, Safety and Environment: \$1.2M of reliability and safety work was deferred largely due to issues around communications to sites and around \$300k of savings were made through design and installation improvements.  
 Asset Replacement and Renewal: Some re categorisation from Reliability once detail design was done.

**Operational expenditure maintenance:**  
 Routine and Preventative: Condition assessment information gained during the year allowed more targeted approach and has shifted the timeframes for work  
 Refurbishment and Renewal: Some work was delayed as the review of asset inspection data took place.  
 Fault and Emergency: A number of significant weather events caused expenditure to exceed budget.



## ***Independent Auditors' Report***

To the Directors of Horizon Energy Distribution Limited

### ***Assurance Report Pursuant to reporting on the disclosure information***

We have completed the assurance engagement in respect of the compliance of Horizon Energy Distribution Limited (the Company) for the purposes of information requirements set out in clauses 3, 4(1), 6(1) and 7(5) of the Electricity Distribution (Information Disclosure) Requirements 2008 ("the Requirements") for the year ended 31 March 2012. In this report the attached reports are called "the disclosure information".

### ***Directors' Responsibilities***

The Directors are responsible for the Company's compliance with the Requirements.

### ***Auditors' Responsibilities***

Our responsibility is to express an opinion on whether the Company has complied, in all material respects, with the Requirements for the year ended 31 March 2012 and report our opinion to you.

Our engagement has been conducted in accordance with ISAE (NZ) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information and SAE 3100 *Compliance Engagements* to provide reasonable assurance that the Company has complied with the Requirements for the year ended 31 March 2012.

### ***Historical financial information included in reports FS1, FS2, FS3, AV1, AV2, AV3, AV4, MP2, MP3 and AM1***

Our procedures included examination, on a test basis, of evidence relevant to the historical amounts and disclosures contained in reports FS1, FS2, FS3, AV1, AV2, AV3, AV4, MP2, MP3 and AM1 of the disclosure information.

It also included an assessment of the significant estimates and judgements, if any, made by the Company in the preparation of the disclosure information.

We planned and performed our examination of the disclosure information so as to obtain all the information and explanations which we considered necessary, including for the purpose of obtaining sufficient evidence to give reasonable assurance that the disclosure information has been prepared and presented in accordance with the Requirements in all material respects. In forming our opinion we also evaluated the overall adequacy of the presentation of supporting information and explanations in the disclosure information.

### ***Historical non-financial information included in reports MP1, MP2 and MP3***

In relation to the historical non-financial information for the year ended 31 March 2012 which is disclosed pursuant to clause 6(1) of the Requirements, we have undertaken procedures to provide reasonable assurance that the amounts and disclosures in reports MP1, MP2 and MP3 have been:

- compiled in accordance with guidance issued pursuant to the Requirements; and
- calculated based on the source data provided by the Company. We have not performed audit procedures on the source data.



***Prospective financial and non-financial information included in reports MP3 and AM1***

Our work has been limited to assessing whether the information has been presented on a basis consistent with the regulatory accounting or technical measurement requirements used for disclosures for the financial year ended 31 March 2012 and the immediately preceding financial year, and that the information has been calculated based on source data provided by the company. We have not performed audit procedures on the source data.

We acknowledge that it is likely that actual results will vary from those forecasted, since anticipated events frequently do not occur as expected (and those variations may be significant).

***Use of Report***

This report has been prepared for the Company's Directors in accordance with the Requirements and is provided solely to assist you in establishing that compliance requirements have been met. Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Company's Directors, or for any purpose other than that for which it was prepared.

***Inherent Limitations***

Because of the inherent limitations of evidence gathering procedures it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement were not performed continuously throughout the period and were undertaken on a test basis, our assurance engagement cannot be relied on to detect all instances where the Company may not have complied with the Requirements. The opinion expressed in this report has been formed on the above basis.

***Relationship and Interests***

We have no relationship with or interests in the Company other than in our capacities as auditors under the Companies Act 1993, independent accountants providing an assurance opinion on the disclosure information and the Default Price-quality Path compliance statement, and in the provision of other professional advisory and taxation services. We are not aware of any relationships between our firm and the Company that, in our professional judgment, may reasonably be thought to impair our independence.

***Opinions***

***Unqualified Opinions***

We have obtained all the information and explanations we have required. In our opinion:

- the disclosure information for the financial year ended 31 March 2012 complies with the Requirements; and
- proper records to enable the complete and accurate compilation of the disclosure information have been kept by the Company.

***Historical financial information included in reports FS1, FS2, FS3, AV1, AV2, AV3, AV4, MP2, MP3 and AM1***

In our opinion, having made all reasonable enquiry, to the best of our knowledge the historical financial information set out in the disclosure information in reports FS1, FS2, FS3, AV1, AV2, AV3, AV4, MP2, MP3 and AM1 has been presented in all material respects in accordance with the Requirements.



***Historical non-financial information included in reports MP1, MP2 and MP3***

In our opinion, having made all reasonable enquiry, to the best of our knowledge the historical non-financial information included in reports MP1, MP2 and MP3 relating to the year ended 31 March 2012 in accordance with clause 6(1) of the Requirements has been:

- a) compiled in accordance with guidance issued pursuant to the Requirements; and
- b) calculated based on the unaudited source data provided by the Company.

***Prospective financial and non-financial information included in reports MP3 and AM1***

In our opinion, having made all reasonable enquiry, to the best of our knowledge the prospective financial and non-financial information included in reports MP3 and AM1 in accordance with clauses 6(1) and 7(5) of the Requirements has been:

- a) presented on a basis consistent with the regulatory accounting or technical measurement requirements used for disclosures for the 31 March 2012 financial year; and
- b) calculated based on the unaudited source data provided by the Company.

The assurance engagement was completed on 7 November 2012 and our unqualified opinions are expressed as at that date.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, flowing script.

PricewaterhouseCoopers  
16 November 2012

Auckland

**CERTIFICATE FOR DISCLOSED INFORMATION**  
**Pursuant to Requirements 11(1)**

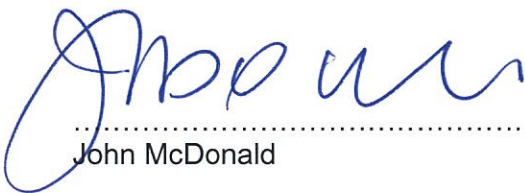
We, Robert Tait and John McDonald, directors of Horizon Energy Distribution Limited certify that, having made all reasonable enquiry, to the best of our knowledge, the following attached audited information of Horizon Energy Distribution Limited prepared for the purposes of requirements 3, 4, 6 and 7(5) of the Commerce Commission's Electricity Distribution (Information Disclosure) Requirements 2008 complies with those requirements:

- (i) Report FS1: Regulatory Profit Report;
- (ii) Report FS2: Regulatory Asset and Financing Report;
- (iii) Report FS3: Regulatory Tax Allowances Report;
- (iv) Report AV1: Annual Regulatory Valuation Roll-Forward Report;
- (v) Report AV2: Valuation Disclosure by Asset Class (for System Fixed Assets);
- (vi) Report AV3: System Fixed Assets Replacement Cost Roll-Forward Report;
- (vii) Report AV4: Merger or Acquisition Regulatory Asset Base Disclosure;
- (viii) Report MP1: Network Information Report;
- (ix) Report MP2: Performance Measures Report;
- (x) Report MP3: Price and Quality Report; and
- (xi) Report AM1: Expenditure Forecasts and Reconciliation.

Date: 5 November 2012



.....  
Robert Tait



.....  
John McDonald

**STATUTORY DECLARATION FOR PUBLICLY DISCLOSED INFORMATION**  
**Pursuant to Requirement 13(1)**

I, **Robert Tait** of Tauranga, being a director of **Horizon Energy Distribution Limited**, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public by **Horizon Energy Distribution Limited** under the Commerce Commission's Electricity Distribution (Information Disclosure) Requirements 2008.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.

Declared at: Auckland on 5 November 2012



.....

Robert Tait

before me: Anya Varejchina

**Anya Varejchina**  
**Solicitor**  
**Auckland**

A Solicitor of the High Court of New Zealand