



**Vector Limited**  
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## EXPLANATORY NOTE FOR INFORMATION DISCLOSURES<sup>1</sup>

### 2010 INFORMATION DISCLOSURES

We have prepared, published and publicly disclosed the 2010 disclosure information in respect of its financial statements, asset valuations, financial and efficiency performance measures and asset management information. This information has been prepared in accordance with the Electricity Distribution (Information Disclosure) Requirements 2008 (requirements).

### BASIS OF PREPARATION

The regulatory environment is undergoing a process of change and there is an ongoing period of uncertainty. Input methodologies are currently being developed by the Commerce Commission (Commission) and consulted on with interested parties, including electricity distribution businesses. These input methodologies will, when finally determined prior to 31 December 2010, provide a more certain basis for the operation of the regulatory regime and for regulatory decision making.

However, until these input methodologies are finalised and the mechanics of processes such as setting default price paths or customised price paths are clarified, it is very difficult to evaluate what the impact will be, particularly on the electricity distribution businesses covered by the price quality control framework. Indications from the Commission's draft determinations are that there will be a number of changes.

The Commission's proposals include:

- Changes to the calculation of the regulatory asset base;
- Changes to the regulatory treatment of tax;
- Changes to the determination of the allowable cost of capital; and
- Changes to the basis for allocating costs between businesses.

Where these changes end up will have a material impact on the future measurement of the return on investment (ROI) values. This means that ROIs disclosed historically, and in the 2010 disclosures, are not likely to be indicative of the ROIs that will be calculated in the future under the new regulatory regime.

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<sup>1</sup> Please note that this explanatory note does not form part of the audited information disclosures set out below.

Furthermore, it is unclear how the Commission will use these ROIs for the purposes of setting default price paths as the process to do this is also currently under consultation.

We expect reported ROIs to be volatile because the calculation includes an allowance for revaluation gains, determined by applying CPI inflation to the regulated asset base. The CPI, driving the revaluation gain adjustment to ROI, was 3.37% in 2008, 2.97% in 2009 and 2.05% in 2010. Removing the effect of the indexation of the regulatory asset base in 2010 would reduce the reported ROI to 8.4%.

The Commission will be setting starting prices for the default price path from 1 April 2012. This will follow the final determination of the relevant input methodologies and processes. The five year regulatory period for electricity distribution businesses commenced on 1 April 2010 and the Commission may apply clawback to that date when setting the prices to apply from 1 April 2012.<sup>2</sup>

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<sup>2</sup> Under clawback, the Commission may require the electricity distribution to lower its prices on a temporary basis in order to compensate consumers for some or all of any over recovery that occurred under the prices previously charged by the business, or to increase its prices to recover any shortfall.



# **Independent Assurance Report**

## **To the Directors of Vector Limited**

### **REPORT ON VECTOR LIMITED'S COMPLIANCE WITH THE ELECTRICITY DISTRIBUTION (INFORMATION DISCLOSURE) REQUIREMENTS 2008 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010**

KPMG is the auditor of Vector Limited (the company) engaged to provide an opinion on the compliance of the attached reports on pages 2 to 26 prepared by Vector Limited with the Commerce Commission's Electricity Distribution (Information Disclosure) Requirements 2008 (the Requirements) for the financial year ended 31 March 2010. In this independent assurance report the attached reports are called the 'disclosure information'.

#### **Respective Responsibilities**

The Board of Directors is responsible for preparing disclosure information which complies with the Requirements.

Clause 10 of the Requirements requires KPMG to provide an opinion that the disclosure information prepared by Vector Limited has complied in all material respects with the Requirements for the financial year ended 31 March 2010.

#### **Use of this Independent Assurance Report**

This independent assurance report has been prepared solely to provide assurance that the disclosure information prepared by Vector Limited complies with the Requirements for the financial year ended 31 March 2010. This independent assurance report is not intended to be used for any purposes, other than that for which it was prepared.

#### **Scope and Limitations of the Engagement**

We conducted the engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the New Zealand Institute of Chartered Accountants.

This independent assurance report provides assurance that the disclosure information prepared by Vector Limited complies with the Requirements. Vector Limited's Threshold Compliance Statement prepared pursuant to the Commerce Act (Electricity Lines Thresholds) Notice 2004 for the year ended 31 March 2010 has been subject to audit. The audit opinions on the financial statements of the company for the year ended 30 June 2010 and Threshold Compliance Statements of Vector Limited for the year ended 31 March 2010 were unqualified and were dated 27 August 2010 and 20 May 2010 respectively.

Our work has been planned and performed to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the disclosure information has been presented in all material respects in accordance with the Requirements. Material misstatements, whether caused by fraud or error, are differences or omissions of amounts and disclosures that





would affect a user's overall understanding of the disclosure information prepared by Vector Limited.

Because of the inherent limitations in 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 are not performed continuously throughout the financial year and the procedures performed in respect of Vector Limited's compliance with the Requirements are undertaken on a test basis, our engagement cannot be relied on to detect all instances where Vector Limited may not have complied with the Requirements. Our opinion has been formed on the above basis.

### **Basis of Opinion**

Our work in respect of any historical financial and non-financial amounts and disclosures that were audited under the financial statement and Threshold Compliance Statement audits has been limited to agreeing the amounts and disclosures to the underlying records and audited financial statements or Threshold Compliance Statements of Vector Limited.

Our work in respect of historical financial and non-financial amounts and disclosures that were not audited under the financial statement and Threshold Compliance Statement audits, has been planned and performed to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the disclosure information complies in all material respects with the Requirements.

In the case of prospective financial and non-financial information 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 2010 and the immediately preceding financial year, and that the prospective financial and non-financial information has been calculated based on unaudited source data provided by Vector Limited, whilst acknowledging it is likely that actual results will vary from those forecasted, since anticipated events frequently do not occur as expected (and these variations may be significant). We have not performed audit procedures on the source data.

### **Independence**

When carrying out the engagement we followed the independence requirements of the New Zealand Institute of Chartered Accountants. We also complied with the Independent auditor provisions on independence, as specified in clause 2(1) of the Requirements.

Our firm has also undertaken the annual audit of Vector Limited's financial statements and Threshold Compliance Statements and the regulatory audits of Vector Limited's gas businesses. Our firm has also provided other services to the company in relation to general accounting services. The firm has no other relationship with or interest in Vector Limited.





### **Unqualified Opinions**

We have obtained all the information and explanations we have required.

In our opinion, Vector Limited has:

- Kept proper records to enable the compilation of the disclosure information, as far as appears from our examination of those records;
- Prepared disclosure information for the financial year ended 31 March 2010 that complies with the Requirements;
- Presented the historical financial information included in reports FS1, FS2, FS3, AV1, AV2, AV3, MP2 and MP3 for the financial year ended 31 March 2010 that complies with the Requirements, in all material respects;
- Compiled the historical non-financial information included in reports MP1, MP2 and MP3 in accordance with the guidance issued pursuant to the Requirements, and has calculated the historical non-financial information based on unaudited source data; and
- Presented the prospective financial and non-financial information in reports AM1 and MP3 on a basis consistent with the regulatory accounting or technical measurement requirements used for disclosures for the financial year ended 31 March 2010 and the immediately preceding financial year, and has calculated the prospective financial and non-financial information based on unaudited source data.

Our audit was completed on 27 August 2010 and our opinion is expressed as at that date.

A handwritten signature in blue ink, appearing to read 'KPMG'.

Auckland



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### **SCHEDULE 13**

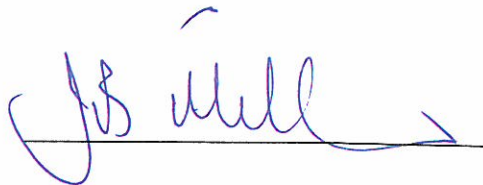
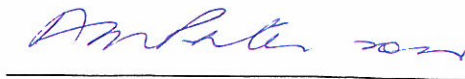
#### **FORM 1 - CERTIFICATE FOR DISCLOSED INFORMATION**

Pursuant to Requirement 11(1)

We, JAMES MILLER and AUSON PATERSON,  
directors of Vector Limited, certify that, having made all reasonable enquiry, to the  
best of our knowledge, the following attached audited information of  
Vector Limited prepared for the purposes of requirement 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 Allowance 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.

Signature of Directors:

Date: 26 August 2010

## **Commerce Commission**

Electricity Distribution (Information Disclosure) Requirements  
Report Schedules

Schedules 2 to 13

31 March 2010





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FS2 Regulatory Asset & Financing Statement

FS3 Regulatory Tax Allowance Calculation

AV1 Annual Regulatory Valuation Roll-forward Report

AV2 Regulatory Valuation Disclosure by Asset Class

AV3 System Fixed Assets Replacement Cost Roll-forward Report

AV4 Business Merger, Acquisition or Sale - Regulatory Asset Base Disclosure

MP1 Network Information

MP2 Performance Measures

MP3 Price & Quality Measures

AM1 Expenditure Forecasts and Reconciliation

## REPORT FS1: REGULATORY PROFIT STATEMENT

ref		Electricity Distribution Business:	Vector Group	
5		For Year Ended	2010	
6	<b>Income</b>			
7				(5000)
8	Net Line Charge Revenue Received	532,349		
9	plus Discretionary Discounts and Customer Rebates	-		FS1a
10	<b>Gross Line Charge Income</b>		532,349	
11				
12	Capital Contributions	20,361		
13	plus Net Value of Vested Assets	-		
14	<b>Total Capital Contributions and Vested Assets</b>		20,361	
15				
16	AC Loss Rental Rebates Received	8,418		
17	less AC Loss Rental Rebates Passed On	8,418		
18	<b>Net AC loss rental income (deficit)</b>		-	
19				
20				
21	<b>Other Income</b>	16,316		
22			16,316	
23				
24	<b>Total regulatory income</b>		569,026	
25				
26				
27	<b>Expenses</b>			
28				
29	Transmission Charges - Payments to Transpower	131,597		
30	plus Avoided Transmission Charges - payments to parties other than Transpower	13,129		
31	<b>Total Transmission Costs</b>		144,726	
32				
33	<b>Operational Expenditure:</b>			
34	General Management, Administration and Overheads	37,806		
35	System Management and Operations	2,091		
36	Routine and Preventative Maintenance	14,321		to AM1
37	Refurbishment and Renewal Maintenance	10,840		to AM1
38	Fault and Emergency Maintenance	15,831		to AM1
39	Pass-through Costs	5,186		
40	Other	4,048		
41	<b>Total Operational Expenditure</b>		90,122	to MP2
42				
43				
44	<b>Operational earnings</b>		334,177	
45				
46	Regulatory Depreciation of System Fixed Assets (incl. value of assets decommissioned)	75,223		from AV1
47	plus Depreciation of Non-System Fixed Assets (incl. value of assets decommissioned)	3,768		from AV1
48	<b>Total Regulatory Depreciation</b>		78,991	to FS3
49				
50				
51	<b>Earnings before interest and tax (EBIT)</b>		255,187	to FS3
52				
53	less Regulatory Tax Allowance		56,520	from FS3
54				
55	plus Indexed Revaluation (of System Fixed Assets)		42,033	from AV1
56	plus Revaluations of Non-System Fixed Assets		-	from AV1
57				
58	<b>Regulatory profit / loss (pre-financing and distributions)</b>		240,700	to MP2
59				
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>		-

75	<b>FS1b: Related party expenditure - summary</b>		<b>(\$000)</b>
76	Avoided Transmission Charges	-	
77	Operational Expenditure	6,700	
78	Subvention Payment	-	
79	Other related party expenditure	-	
80	<b>Total Related Party Expenditure</b>		6,700
81	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.		
82			
83			
84			

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	-	Notes to be provided separately
94	within expenditure category:	Select one	
95			
96	Material item amount 2	-	Notes to be provided separately
97	within expenditure category:	Select one	
98			
99	Material item amount 3	-	Notes to be provided separately
100	within expenditure category:	Select one	
101			
102	(further disclosures to be provided on separate page if required)		
103			

104	<b>FS1d: Vested Assets</b>		<b>(\$000)</b>
105	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		



**Vector Group**  
**Electricity Distribution Business**

**Supplementary Note:**

**FS1          Expenses**

Avoided Transmission Charges - payments to parties other than Transpower (Row 31) include payments of \$6.5 million made to MCo for voltage support.

**FS1 b          Additional Related Party Information**

The electricity distribution business has purchased vegetation management services of \$4.6 million (31 March 2009: \$5.1 million) from Tree Scape Limited, which is an associate company of the Vector group.

The electricity distribution business has purchased telecommunications services of \$2.1 million (31 March 2009: \$1.9 million) from Vector Communications Limited.



**REPORT FS2: REGULATORY ASSET AND FINANCING STATEMENT**

ref	Electricity Distribution Business:	Vector Group	
5		For Year Ended	2010
6			
7	<b>Capital Expenditure on System Fixed Assets (by primary purpose)</b>		(\$000)
8	Customer Connection	16,765	to AM1
9	System Growth	31,671	to AM1
10	Reliability, Safety and Environment	1,721	to AM1
11	Asset Replacement and Renewal	42,517	to AM1
12	Asset Relocations	21,342	to AM1
13	<b>Total Capital Expenditure on System Fixed Assets</b>	<b>114,016</b>	to AM1
14			
15			
16	<b>Capital Expenditure on Non-System Fixed Assets</b>	<b>1,646</b>	from AV1
17			
18			
19	<b>Capital works roll-forward (for System Fixed Assets)</b>		
20	Works Under Construction at Beginning of Year	68,780	
21	plus Total Capital Expenditure on System Fixed Assets	114,016	
22	less Assets Commissioned in Year	135,256	from AV1
23	<b>Works under construction at year end</b>	<b>47,540</b>	
24			
25			
26			
27	<b>Regulatory Investment Value calculation</b>		
28	System Fixed Assets: regulatory value at end of Previous Year	2,053,888	from AV1
29	Non-System Fixed Assets: regulatory value at end of Previous Year	13,862	from AV1
30	Finance During Construction Allowance (on System Fixed assets)	50,320	2.45%
31	<b>Total Regulatory Asset Base value at beginning of Current Financial Year</b>	<b>2,118,070</b>	
32	plus System Fixed Assets Commissioned in Year	135,256	from AV1
33	System Fixed Assets Acquired From (Sold to) a Non-EDB in Year	-	from AV1
34	Non-System Fixed Assets: Asset Additions	1,646	from AV1
35	<b>Regulatory Asset Base investment in Current Financial Year - total</b>	<b>136,902</b>	
36	<b>Regulatory Asset Base investment in Current Financial Year - average</b>	<b>68,451</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>2,186,521</b>	to MP2

## Note:

Works Under Construction at Beginning of year is excluding the portion of Wellington Works Under Construction included in 2009 closing balance disclosure. The 2009 Capital Works roll forward (for system Fixed Assets) did not provide for sale of Wellington Works Under Construction, hence opening balance is not equal to last years closing balance.





**REPORT FS3: REGULATORY TAX ALLOWANCE CALCULATION**

ref		Electricity Distribution Business:	Vector Group	
5			For Year Ended	2010
6				
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29				

**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	See separate note disclosure
42	
43	
44	
45	

48	FS3b: Financing assumptions (for Deductible Interest and Interest Tax Shield calculation)				
49					
50	Standard Debt Leverage Assumption (debt/total assets)		40%	%	
51					
52	Standard Cost of Debt Assumption		5.52%	%	
53					
54	Deductible Interest		48,280	\$000	to row 18
55					
56	Interest Tax Shield Adjustment		14,484	\$000	to MP2



**Vector Group**  
**Electricity Distribution Business**

**FS3a: Description of adjustments classified as "other"**

31-Mar-10

\$000

**Other Permanent Differences - Not Deductible**

Non deductible entertainment expenses	91
Non deductible legal and professional expenses	94
	<u>185</u>

**Other Temporary Adjustments - Current Period**

Provision for doubtful debts	4,521
Provision for employee entitlements and bonuses	2,404
Other provisions and accruals	3,114
	<u>10,039</u>

**Other Temporary Adjustments - Prior Period**

Provision for doubtful debts	1,215
Provision for employee entitlements and bonuses	2,804
Other provisions and accruals	2,878
Prior years' adjustments	(2,436)
	<u>4,461</u>

**Other Permanent Adjustment - Non Taxable**

Non deductible other capital expenses	(117)
	<u>(117)</u>



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

Electricity Distribution Business:		Vector Group					
For Year Ended:		2010					
Year of most recent ODV		2004					
		(\$000)					
		1	2	3	4	5	6
For Year Ending:		2005	2006	2007	2008	2009	2010
<b>System Fixed Assets</b>							
Regulatory Value at End of Previous Year*		1,858,396	1,963,660	2,098,037	2,195,934	2,386,398	2,053,888
plus							
Assets Commissioned		116,374	139,396	114,973	204,271	122,480	135,256
Gross Value of Vested Assets							
Assets Acquired from (Sold to) a Non-EDB							
Asset Additions		116,374	139,396	114,973	204,271	122,480	135,256
plus							
Indexed Revaluation		50,065	65,936	53,250	73,923	70,860	42,033
less							
Depreciation of System Fixed Assets		60,943	63,323	65,083	70,011	67,635	67,208
Regulatory Value of Assets Decommissioned		234	7,032	5,242	14,631	6,269	8,015
Regulatory Depreciation (Incl. value of assets decommissioned)		61,177	70,355	70,325	84,642	73,904	75,223
plus (minus)							
Acquisition of System Fixed Assets from another EDB		-	-	-	-	-	-
Sale of System Fixed Assets to another EDB		-	-	-	-	451,927	-
Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB		-	-	-	-	(451,927)	-
plus (minus)							
Net Increase (Decrease) Due to Changes in Asset Register Information					(3,038)		
<b>Regulatory Value of System Fixed Assets at Year End</b>		<b>1,963,660</b>	<b>2,098,037</b>	<b>2,195,934</b>	<b>2,386,398</b>	<b>2,053,888</b>	<b>2,155,954</b>
<b>Non-System Fixed Assets</b>							
Regulatory value at end of previous year		35,498	29,467	23,538	12,023	15,347	13,862
plus Asset Additions		397	(1,529)	(8,477)	7,768	3,739	1,646
plus Revaluations		-	-	-	-	-	-
less Depreciation (incl. value of assets decommissioned)		4,428	4,409	3,038	4,474	4,536	3,768
plus Net Acquisitions (Sales) of Non-System Fixed Assets from (to) an EDB		-	-	-	-	(680)	-
<b>Regulatory Value of Non-System Fixed Assets at Year end</b>		<b>29,467</b>	<b>23,538</b>	<b>12,023</b>	<b>15,347</b>	<b>13,862</b>	<b>11,740</b>
<b>Total Regulatory Asset Base Value (excluding FDC)</b>		<b>1,993,127</b>	<b>2,121,575</b>	<b>2,207,957</b>	<b>2,401,745</b>	<b>2,067,750</b>	<b>2,167,694</b>
* The commencing figure for completing this schedule is the most recent ODV value							
Note: Additional columns to be added if required							

## Notes to Annual Regulatory Valuation Roll-forward Report

<b>AV1a: Calculation of Revaluation Rate and Indexed Revaluation of System Fixed Assets</b>							
CPI as at date of ODV		928					
For Year Ended		2005	2006	2007	2008	2009	2010
CPI at CPI reference date		953	985	1010	1044	1075	1097
Revaluation Rate		2.69%	3.36%	2.54%	3.37%	2.97%	2.05%
System Fixed Assets: Regulatory Value at End of Previous Year		1,858,398	1,963,660	2,098,037	2,195,934	2,386,398	2,053,888
Indexed Revaluation of System Fixed Assets		50,065	65,936	53,250	73,923	70,860	42,033
<b>AV1b: Input for prior year Acquisitions (Sales) of Assets to (from) another EDB</b>							
For Year Ended		2005	2006	2007	2008	2009	2010
Acquisition of System Fixed Assets from another EDB							
Sale of System Fixed Assets to another EDB						451,927	
Net Acquisitions (Sales) of Non-System Fixed Assets from (to) an EDB						(680)	



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

		Electricity Distribution Business:	Vector Group
			For Year Ended: 2010
		<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 (per AVI)	
11	<b>System Fixed Assets</b>		
12			
13	Regulatory Value of System Fixed Assets (as per most recent ODV)	361,682	216,120
14		181,190	677,342
15	Cumulative roll-forward since most recent ODV:	218,121	110,588
16	Asset Additions	93,355	1,858,398
17	Induced Revaluation (of System Fixed Assets)		
18	less Regulatory Depreciation (of System Fixed Assets)		
19	Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB		
20	Net Increase (Decrease) Due to Changes in Asset Register Information		
21	Regulatory Value of System Fixed Assets at Year End		



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

ref	Electricity Distribution Business:	Vector Group	
5		For Year Ended:	2010
6	<b>System Fixed Assets - Replacement Cost</b>		
7			(\$000)
8	Replacement cost at end of previous year	3,473,258	
9			
10	Asset Additions	135,256	AV3a
11	Indexed Revaluation (of System Fixed Assets)	71,081	
12	less Replacement Cost of Assets Decommissioned	16,029	
13	Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB	-	from AV4
14	Net Increase (Decrease) Due to Changes in Asset Register Information	-	
15	Replacement cost of System Fixed Assets at year end	3,663,565	
16			
17			
18	<b>System Fixed Assets - Depreciated Replacement Cost</b>		
19			
20	Depreciated Replacement Cost at end of previous year	2,127,055	
21			
22	Asset Additions	135,256	AV3a
23	Indexed Revaluation (of System Fixed Assets)	43,530	
24	less Depreciation of Replacement Cost	64,507	
25	less Depreciated Replacement Cost of Assets Decommissioned	8,015	
26	Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB	-	from AV4
27	Net Increase (Decrease) Due to Changes in Asset Register Information	-	
28	Depreciated replacement cost of System Fixed Assets at year end	2,233,319	

**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	135,256	from AV1
39	plus Difference in Replacement Cost and Depreciated Replacement Cost values of Asset Additions	-	
40			
41	Asset Additions - Replacement Cost	135,256	
42			





**REPORT MP1: NETWORK INFORMATION**

(Separate report required for each Non-Contiguous Network)

ref	Electricity Distribution Business:	Vector Group	
6		For Year Ended: 2010	
7	Network Name:	Vector Group	
8	Disclosure:	Annual Disclosure - Requirement 6(1)	
9	<b>Circuit Length by Operating Line Voltage (at year end)</b>		
10		Overhead (km)	Underground (km)
11			Total (km)
12	> 66kV	26	65
13	50kV & 66kV	-	-
14	33kV	376	390
15	SWER (all SWER voltages)	-	-
16	22kV (other than SWER)	3	151
17	6.6kV to 11kV (Inclusive - other than SWER)	3,875	3,274
18	Low Voltage (< 1kV)	4,225	5,246
19	<b>Total circuit length (for Supply)</b>	<b>8,505</b>	<b>9,126</b>
20			<b>17,631</b>
21			to MP2
22	<b>Dedicated Street Lighting Circuit Length</b>	17	316
23			334
24	<b>Overhead Circuit Length by Terrain (at year end)</b>	(km)	(%)
25	Urban (only)	4,061	48%
26	Rural (only)	4,444	52%
27	Remote (only)	-	0%
28	Rugged (only)	-	0%
29	Rural & rugged (only)	-	0%
30	Remote & rugged (only)	-	0%
31	Unallocated overhead lines	-	0%
32	<b>Total overhead length</b>	<b>8,505</b>	<b>100%</b>
33			
34	<b>Transformer capacity (at year end)</b>		Previous Year
35	Distribution Transformer Capacity (EDB Owned)	3,852 MVA	3,823
36	Distribution Transformer Capacity (Non-EDB Owned, Estimated)	466 MVA	451
37	<b>Total Distribution Transformer Capacity</b>	<b>4,318</b> MVA (to MP2)	<b>4,274</b>
38			
39	Zone Substation Transformer Capacity	3,772 MVA	3,712
40			
41	<b>System Fixed Assets age (at year end)</b>		
42	Average Age of System Fixed Assets	22 Years	
43	Average Expected Total Life of System Fixed Assets	56 Years	
44	Average Age as a Proportion of Average Expected Total Life	39%	
45			
46	Estimated Proportion of Assets (by Replacement Cost) within 10 years of Total Life	15%	
47			
48			
49			
50			
51	<b>Electricity demand</b>	Maximum coincident system demand (MW)	Non-coincident Sum of maximum demands (MW)
52	GXP Demand	1,590	1,854
53	plus Embedded Generation Output at HV and Above	185	
54	<b>Maximum System Demand</b>	<b>1,775</b>	
55	less Net Transfers to (from) Other EDBs at HV and Above	1,775	
56	<b>Demand on system for supply to customers' Connection Points</b>	<b>1,775</b>	
57	less Subtransmission Customers' Connection Point Demand	57	83
58	<b>Maximum Distribution Transformer Demand</b>	<b>1,718</b>	
59			to MP2
60			
61	GXP Demand not Supplied at Subtransmission Level	202	
62	Embedded Generation Output - Connected to Subtransmission System	170	175
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>	<b>45</b>	
66			
67	<b>Five-Year System Maximum Demand Growth Forecast</b>	<b>2.1</b> % p.a.	
68			
69	<b>Electricity volumes carried</b>	(GWh)	
70	Electricity Supplied from GXPs	8,576	
71	less Electricity Exports to GXPs	-	
72	plus Electricity Supplied from Embedded Generators	106	
73	less Net Electricity Supplied to (from) Other EDBs	-	
74	<b>Electricity entering system for supply to customers' Connection Points</b>	<b>8,681</b>	
75	less Electricity Supplied to Customers' Connection Points	8,311	
76	<b>Electricity Losses (loss ratio)</b>	<b>370</b>	<b>4.3%</b> %
77			to MP2
78	Electricity Supplied to Customers' Connection Points	8,311	
79	less Electricity Supplied to Largest 5 Connection Points	451	
80	<b>Electricity supplied other than to Largest 5 Connection Points</b>	<b>7,860</b>	<b>95%</b> %
81			
82	<b>Load Factor</b>	<b>56%</b> %	
83			
84	<b>Number of Connection Points (at year end)</b>	<b>527,096</b> ICPs	to MP2
85			
86	<b>Intensity of service requirements</b>		
87	Demand Density (Maximum Distribution Transformer Demand / Total circuit length)	97 kW/km	
88	Volume Density (Electricity Supplied to Customers' Connection Points / Total circuit length)	471 MWh/km	
89	Connection Point Density (ICPs / Total circuit length)	30 ICP/km	
90	Energy Intensity (Electricity Supplied to Customers' Connection Points / ICP)	15,767 kWh/ICP	



**REPORT MP1: NETWORK INFORMATION**

(Separate report required for each Non-Contiguous Network)

Electricity Distribution Business:		Vector Group	
For Year Ended:		2010	
Network Name:	Vector Group - Auckland <small>(enter "Total Business" or name of network)</small>		
Disclosure:	Annual Disclosure - Requirement 6(1)		
<b>Circuit Length by Operating Line Voltage (at year end)</b>			
	Overhead (km)	Underground (km)	Total (km)
> 66kV	-	65	65
50kV & 66kV	-	-	-
33kV	46	256	303
SWER (all SWER voltages)	-	-	-
22kV (other than SWER)	3	151	154
6.6kV to 11kV (inclusive - other than SWER)	933	2,015	2,948
Low Voltage (< 1kV)	2,059	3,328	5,386
<b>Total circuit length (for Supply)</b>	<b>3,041</b>	<b>5,815</b>	<b>8,856</b>
<b>Dedicated Street Lighting Circuit Length</b>			
	5	210	215
<b>Overhead Circuit Length by Terrain (at year end)</b>			
	(km)	(%)	
Urban (only)	2,530	83%	
Rural (only)	511	17%	
Remote (only)	-	0%	
Rugged (only)	-	0%	
Rural & rugged (only)	-	0%	
Remote & rugged (only)	-	0%	
Unallocated overhead lines	-	0%	
<b>Total overhead length</b>	<b>3,041</b>	<b>100%</b>	
<b>Transformer capacity (at year end)</b>			
Distribution Transformer Capacity (EDB Owned)	2,474	MVA	2,458
Distribution Transformer Capacity (Non-EDB Owned, Estimated)	400	MVA	385
<b>Total Distribution Transformer Capacity</b>	<b>2,874</b>	<b>MVA (to MP2)</b>	<b>2,843</b>
Zone Substation Transformer Capacity	2,516	MVA	2,476
<b>System Fixed Assets age (at year end)</b>			
Average Age of System Fixed Assets	22	Years	
Average Expected Total Life of System Fixed Assets	58	Years	
Average Age as a Proportion of Average Expected Total Life	38%	%	
Estimated Proportion of Assets (by Replacement Cost) within 10 years of Total Life	12%	%	
<b>Electricity demand</b>			
	Maximum coincident system demand (MW)	Non-coincident Sum of maximum demands (MW)	
GXP Demand	987	1,214	
plus Embedded Generation Output at HV and Above	175		
<b>Maximum System Demand</b>	<b>1,162</b>		
less Net Transfers to (from) Other EDBs at HV and Above	-		
<b>Demand on system for supply to customers' Connection Points</b>	<b>1,162</b>		
less Subtransmission Customers' Connection Point Demand	56	73	
<b>Maximum Distribution Transformer Demand</b>	<b>1,106</b>		
GXP Demand not Supplied at Subtransmission Level	202		
Embedded Generation Output - Connected to Subtransmission System	170	175	
Net Transfers to (from) Other EDBs at Subtransmission Level Only	-	-	
<b>Estimated Controlled Load Shed at Time of Maximum System Demand (MW)</b>	<b>2</b>		
<b>Five-Year System Maximum Demand Growth Forecast</b>	<b>2.4</b>	% p.a.	
<b>Electricity volumes carried</b>			
	(GWh)		
Electricity Supplied from GXPs	5,911		
less Electricity Exports to GXPs	-		
plus Electricity Supplied from Embedded Generators	34		
less Net Electricity Supplied to (from) Other EDBs	-		
<b>Electricity entering system for supply to customers' Connection Points</b>	<b>5,945</b>		
less Electricity Supplied to Customers' Connection Points	5,713		
<b>Electricity Losses (loss ratio)</b>	<b>232</b>	<b>3.9%</b>	
Electricity Supplied to Customers' Connection Points	5,713		
less Electricity Supplied to Largest 5 Connection Points	360		
<b>Electricity supplied other than to Largest 5 Connection Points</b>	<b>5,352</b>	<b>94%</b>	
<b>Load Factor</b>	<b>58%</b>		
<b>Number of Connection Points (at year end)</b>	<b>319,078</b>	ICPs	
<b>Intensity of service requirements</b>			
Demand Density (Maximum Distribution Transformer Demand / Total circuit length)	125	kW/km	
Volume Density (Electricity Supplied to Customers' Connection Points / Total circuit length)	645	MWh/km	
Connection Point Density (ICPs / Total circuit length)	36	ICP/km	
Energy Intensity (Electricity Supplied to Customers' Connection Points / ICP)	17,904	kWh/ICP	



**REPORT MP1: NETWORK INFORMATION**

(Separate report required for each Non-Contiguous Network)

ref	Electricity Distribution Business:		Vector Group
6			For Year Ended: 2010
7	Network Name:	Vector Group -Northern & Lichfield (enter "Total Business" or name of network)	
9	Disclosure:	Annual Disclosure - Requirement 6(1)	
10	<b>Circuit Length by Operating Line Voltage (at year end)</b>		
11		Overhead (km)	Underground (km)
12	> 66kV	26	-
13	50kV & 66kV	-	-
14	33kV	330	133
15	SWER (all SWER voltages)	-	-
16	22kV (other than SWER)	-	-
17	6.6kV to 11kV (inclusive - other than SWER)	2,942	1,259
18	Low Voltage (< 1kV)	2,167	1,918
19	<b>Total circuit length (for Supply)</b>	<b>5,464</b>	<b>3,311</b>
20			<b>8,775</b>
21	<b>Dedicated Street Lighting Circuit Length</b>		
22		12	106
23			<b>118</b>
24	<b>Overhead Circuit Length by Terrain (at year end)</b>		
25		(km)	(%)
26	Urban (only)	1,531	28%
27	Rural (only)	3,933	72%
28	Remote (only)	-	0%
29	Rugged (only)	-	0%
30	Rural & rugged (only)	-	0%
31	Remote & rugged (only)	-	0%
32	Unallocated overhead lines	-	0%
33	<b>Total overhead length</b>	<b>5,464</b>	<b>100%</b>
34	<b>Transformer capacity (at year end)</b>		
35	Distribution Transformer Capacity (EDB Owned)	1,379 MVA	Previous Year 1,365
36	Distribution Transformer Capacity (Non-EDB Owned, Estimated)	66 MVA	65
37	<b>Total Distribution Transformer Capacity</b>	<b>1,445 MVA (to MP2)</b>	<b>1,430</b>
38			
39	Zone Substation Transformer Capacity	1,256 MVA	1,236
40			
41	<b>System Fixed Assets age (at year end)</b>		
42	Average Age of System Fixed Assets	21 Years	
43	Average Expected Total Life of System Fixed Assets	52 Years	
44	Average Age as a Proportion of Average Expected Total Life	41%	
45			
46	Estimated Proportion of Assets (by Replacement Cost) within 10 years of Total Life	19%	
47			
48			
49			
50			
51	<b>Electricity demand</b>		
52		Maximum coincident system demand (MW)	Non-coincident Sum of maximum demands (MW)
53	GXP Demand	604	640
54	plus Embedded Generation Output at HV and Above	10	
55	<b>Maximum System Demand</b>	<b>613</b>	
56	less Net Transfers to (from) Other EDBs at HV and Above	-	
57	<b>Demand on system for supply to customers' Connection Points</b>	<b>613</b>	
58	less Subtransmission Customers' Connection Point Demand	1	10
59	<b>Maximum Distribution Transformer Demand</b>	<b>613</b>	
60			
61	GXP Demand not Supplied at Subtransmission Level	-	
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>	<b>32</b>	
66			
67	<b>Five-Year System Maximum Demand Growth Forecast</b>	<b>1.5 % p.a.</b>	
68			
69	<b>Electricity volumes carried</b>		
70		(GWh)	
71	Electricity Supplied from GXPs	2,665	
72	less Electricity Exports to GXPs	-	
73	plus Electricity Supplied from Embedded Generators	72	
74	less Net Electricity Supplied to (from) Other EDBs	-	
75	<b>Electricity entering system for supply to customers' Connection Points</b>	<b>2,737</b>	
76	less Electricity Supplied to Customers' Connection Points	2,598	
77	<b>Electricity Losses (loss ratio)</b>	<b>138</b>	<b>5.1%</b>
78			
79	Electricity Supplied to Customers' Connection Points	2,598	
80	less Electricity Supplied to Largest 5 Connection Points	90	
81	<b>Electricity supplied other than to Largest 5 Connection Points</b>	<b>2,508</b>	<b>97%</b>
82			
83	<b>Load Factor</b>	<b>51%</b>	
84			
85	<b>Number of Connection Points (at year end)</b>	<b>208,018</b>	ICPs
86			
87	<b>Intensity of service requirements</b>		
88	Demand Density (Maximum Distribution Transformer Demand / Total circuit length)	70	kW/km
89	Volume Density (Electricity Supplied to Customers' Connection Points / Total circuit length)	296	MWh/km
90	Connection Point Density (ICPs / Total circuit length)	24	ICPs/km
91	Energy Intensity (Electricity Supplied to Customers' Connection Points / ICP)	12,491	kWh/ICP



## REPORT MP2: PERFORMANCE MEASURES

Electricity Distribution Business: Vector Group

For Year Ended: 2010

Performance comparators

	Previous Years:			Current Financial Year	
	Current Yr - 3	Current Yr - 2	Current Yr - 1		
<b>Operational expenditure ratio</b>					
Total Operational Expenditure		115	94	90	\$m From FS1
Replacement Cost of System Fixed Assets (at year end*)		4,274	3,797	3,664	\$m From AV3
Ratio (%)	Not defined	2.70%	2.46%	2.46%	%
<b>Capital expenditure ratio</b>					
Total Capital Expenditure on System Fixed Assets		159	130	114	\$m From FS2
Replacement Cost of System Fixed Assets (at year end*)		4,274	3,797	3,664	\$m From AV3
Ratio (%)	Not defined	3.72%	3.66%	3.11%	%
<b>Capital expenditure growth ratio</b>					
Capital Expenditure: Customer Connection and System Growth				48	\$m From FS2
Change In Total Distribution Transformer Capacity				44	MVA From MP1
\$/kVA	Not defined	Not defined	Not defined	1.094	\$/kVA
<b>Renewal expenditure ratio</b>					
Capital & Operational Expenditure: Asset Replacement, Refurbishment and Renewal				53	\$m From FS1 & 2
Regulatory Depreciation of System Fixed Assets				75	\$m From AV1
Ratio (%)	Not defined	Not defined	Not defined	71%	%
<b>Distribution Transformer Capacity Utilisation</b>					
Maximum Distribution Transformer Demand	2,216	2,176	1,656	1,718	MVA From MP1
Total Distribution Transformer Capacity (at year end*)	5,578	5,643	4,672	4,318	MVA From MP1
Ratio (%)	39.7%	38.6%	35.4%	39.8%	%
<b>Return on Investment</b>					
Regulatory Profit / Loss (pre-financing and distributions)		304	278	241	\$m From FS1
less Interest Tax Shield Adjustment		25	22	14	\$m From FS3
Adjusted Regulatory Profit	-	279	257	226	\$m From FS2
Regulatory Investment Value		2,368	2,212	2,187	\$m From FS2
Ratio (%)	Not defined	11.80%	11.60%	10.35%	%

\* If a Major or Asset Transfer with another EDB was entered into during the year, the calculations are calculated as time weighted averages.

Expenditure comparison table

	Expenditure metrics (\$ per):				
	Total circuit length (for Supply) (\$/km)	Electricity Supplied to Customers' Connection Points (\$/MWh)	Maximum coincident system demand (\$/MW)	Connection Point (\$/CP)	Distribution Transformer Capacity (EDB-Owned) (\$/MVA)
Capital Expenditure (\$ per)	6,560	14	65,168	219	30,023
Operational Expenditure (\$ per)	5,112	11	50,770	171	23,394

From FS2 & MP1

From FS1 & MP1



## REPORT MP2: PERFORMANCE MEASURES

ref	Electricity Distribution Business: Vector Group - Auckland				
	For Year Ended: 2010				
6	<b>Performance comparators</b>				
7	<b>Previous Years:</b>				<b>Current Financial Year</b>
8		<b>Current Yr - 3</b>	<b>Current Yr - 2</b>	<b>Current Yr - 1</b>	
9	<b>Operational expenditure ratio</b>				
10	Total Operational Expenditure				- \$m from FS1
11	Replacement Cost of System Fixed Assets (at year end*)				- \$m from AV3
12	Ratio (%)	Not defined	Not defined	Not defined	Not defined %
13	<b>Capital expenditure ratio</b>				
14	Total Capital Expenditure on System Fixed Assets				- \$m from FS2
15	Replacement Cost of System Fixed Assets (at year end*)				- \$m from AV3
16	Ratio (%)	Not defined	Not defined	Not defined	Not defined %
17	<b>Capital expenditure growth ratio</b>				
18	Capital Expenditure: Customer Connection and System Growth				- \$m from FS2
19	Change in Total Distribution Transformer Capacity				- MVA from MP1
20	\$/kVA	Not defined	Not defined	Not defined	Not defined \$/kVA
21	<b>Renewal expenditure ratio</b>				
22	Capital & Operational Expenditure: Asset Replacement, Refurbishment and Renewal				- \$m from FS1 & 2
23	Regulatory Depreciation of System Fixed Assets				- \$m from AV1
24	Ratio (%)	Not defined	Not defined	Not defined	Not defined %
25	<b>Distribution Transformer Capacity Utilisation</b>				
26	Maximum Distribution Transformer Demand	1,117	1,085	1,063	1,106 MW from MP1
27	Total Distribution Transformer Capacity (at year end*)	2,897	2,916	2,843	2,874 kVA from MP1
28	Ratio (%)	38.5%	37.2%	37.4%	38.5%
29	<b>Return on Investment</b>				
30	Regulatory Profit / Loss (pre-financing and distributions)				- \$m from FS1
31	less Interest Tax Shield Adjustment				- \$m from FS3
32	Adjusted Regulatory Profit	-	-	-	- \$m
33	Regulatory Investment Value				- \$m from FS2
34	Ratio (%)	Not defined	Not defined	Not defined	Not defined %
35	* If a Merger or Asset Transfer with another EDB was entered into during the year, the denominators are calculated as time-weighted averages.				
36	<b>Expenditure comparison table</b>	<b>Expenditure metrics (\$ per):</b>			
37		<b>Total circuit length (for Supply)</b>	<b>Electricity Supplied to Customers' Connection Points</b>	<b>Maximum coincident system demand</b>	<b>Distribution Transformer Capacity (EDB-Owned)</b>
38		(\$/km)	(\$/MWh)	(\$/MW)	(\$/MVA)
39	Capital Expenditure (\$) per				
40	Operational Expenditure (\$) per				
41					from FS2 & MP1
42					from FS1 & MP1





## REPORT MP2: PERFORMANCE MEASURES

		Electricity Distribution Business: Vector Group- Northern & Lichfield			
		For Year Ended: 2010			
Performance comparators		Previous Years:			Current Financial Year
		Current Yr - 3	Current Yr - 2	Current Yr - 1	
Operational expenditure ratio	Total Operational Expenditure				\$m from FS1
	Replacement Cost of System Fixed Assets (at year end*)				\$m from AV3
	Ratio (%)	Not defined	Not defined	Not defined	Not defined %
Capital expenditure ratio	Total Capital Expenditure on System Fixed Assets				\$m from FS2
	Replacement Cost of System Fixed Assets (at year end*)				\$m from AV3
	Ratio (%)	Not defined	Not defined	Not defined	Not defined %
Capital expenditure growth ratio	Capital Expenditure: Customer Connection and System Growth				\$m from FS2
	Change in Total Distribution Transformer Capacity				MVA from MP1
	\$/kVA	Not defined	Not defined	Not defined	Not defined \$/kVA
Renewal expenditure ratio	Capital & Operational Expenditure: Asset Replacement, Refurbishment and Renewal				\$m from FS1 & 2
	Regulatory Depreciation of System Fixed Assets				\$m from AV1
	Ratio (%)	Not defined	Not defined	Not defined	Not defined %
Distribution Transformer Capacity Utilisation	Maximum Distribution Transformer Demand	609	594	598	MVA from MP1
	Total Distribution Transformer Capacity (at year end*)	1,400	1,432	1,430	kVA from MP1
	Ratio (%)	43.5%	41.5%	41.8%	42.4% %
Return on Investment	Regulatory Profit / Loss (pre-financing and distributions)				\$m from FS1
	less Interest Tax Shield Adjustment				\$m from FS3
	Adjusted Regulatory Profit	-	-	-	\$m
	Regulatory Investment Value				\$m from FS2
	Ratio (%)	Not defined	Not defined	Not defined	Not defined %
Expenditure comparison table		Expenditure metrics (\$ per):			
		Total circuit length (for Supply) (\$/km)	Electricity Supplied to Customers' Connection Points (\$/MWh)	Maximum coincident system demand (\$/MW)	Distribution Transformer Capacity (EDB-Owned) (\$/MVA)
Capital Expenditure (\$) per					from FS2 & MP1
Operational Expenditure (\$) per					from FS1 & MP1

\* If a Merger or Asset Transfer with another EDB was entered into during the year, the denominators are calculated as time-weighted averages.



**Vector Group**  
**Electricity Distribution Business**

**Efficiency Performance Measures**

	<u>2010</u>	<u>2009<sup>1</sup></u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
a Direct line cost per kilometre	<b>\$2,443.53</b>	\$2,670.03 <sup>2</sup>	\$2,876.00	\$2,942.24	\$2,949.28	\$2,492.50
b Indirect line cost per consumer	<b>\$89.24</b>	\$81.65 <sup>3</sup>	\$78.40	\$91.70	\$79.28	\$90.99

*Note:*

<sup>1</sup>. Both direct line cost per kilometre and indirect line cost per consumer are calculated on the basis of time-weighted averages (due to sale of the Wellington network on 24 July 08).

<sup>2</sup>. Direct line cost per kilometre would be \$2,885.73 if kilometres were not calculated as time-weighted averages.

<sup>3</sup>. Indirect line cost per consumer would be \$89.41 if the number of consumers were not calculated as time-weighted averages.



**REPORT MP3: PRICE & QUALITY MEASURES**

(Separate report required for each Non-contiguous Network)

Electricity Distribution Business: **Vector Group**  
For Year Ended: **2010**Network Name: **Vector Group**  
Disclosure: **Annual Disclosure - Requirement 6(1)****QUALITY****Interruptions****Interruptions by class**

Class A	-	planned interruptions by Transpower
Class B	583	planned interruptions on the network
Class C	861	unplanned interruptions on the network
Class D	11	unplanned interruptions by Transpower
Class E	-	unplanned interruptions of network owned generation
Class F	-	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>1,455</b>	<b>Total of above</b>

**Interruption targets for Forecast Year**

Class B	446	planned interruptions on the network
Class C	1,215	unplanned interruptions on the network

**Average interruption targets for 5 Forecast Years**

Class B	446	planned interruptions on the network
Class C	1,215	unplanned interruptions on the network

**Class C interruptions restored within**

<3Hrs	>3hrs
585	276

**Faults****Faults per 100 circuit kilometres**

The total number of faults for Current Financial Year	11.43	In year	2010
The total number of faults forecast for the Forecast Year	16.12	In year	2011
The average annual number of faults forecast for the 5 Forecast Years	16.12	Average over years	2011-2015

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

	6.6kV & 11kV non-SWER	22kV non-SWER	SWER	33kV	50kV & 66kV	>66kV
Is this voltage part of the EDB system?	Yes	Yes	No	Yes	No	Yes
Current Financial Year	11.99	5.21	-	8.36	-	4.38
Forecast Year	16.93	5.21	-	12.27	-	3.29
Average annual for 5 Forecast Years	16.93	5.21	-	12.27	-	3.29

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

	6.6kV & 11kV non-SWER	22kV non-SWER	SWER	33kV	50kV & 66kV	>66kV
Underground	7.21	4.64	-	4.36	-	3.06
Overhead	16.03	34.40	-	12.50	-	7.68

**Reliability****Overall reliability**

Based on the total number of interruptions	SAIDI	SAIFI	CAIDI
	119.74	1.56	76.72

**Reliability by interruption class**

Class B	SAIDI	SAIFI	CAIDI
Class C	9.63	0.05	204.94
	57.15	0.97	58.84

**Targets for Forecast Year**

Class B	SAIDI	SAIFI	CAIDI
Class C	4.25	0.04	118.44
	109.76	1.62	67.74

**Average targets for 5 Forecast Years**

Class B	SAIDI	SAIFI	CAIDI
Class C	4.25	0.04	118.44
	109.76	1.62	67.74

**PRICES****Price information by Connection Point Class**

	Connection Point Class					
	Small Connection Points	Medium Connection Points	Large Connection Points	Largest 5 Connection Points	Total	
Gross line charge income (\$000)	335,552	65,044	120,759	10,994	532,349	from FS1
Electricity Supplied to Customers' Connection Points (MWh)	3,745,571	942,182	3,172,894	450,276	8,310,923	from MP1
Number of Connection Points (ICPs) at year end	490,832	30,651	5,602	10	527,096	from MP1
Unit Price (cents/kWh)	9.0	6.9	3.8	2.4	6.4	
Relative Unit Price Index	1.00	0.77	0.42	0.27	0.71	

**REPORT MP3: PRICE AND QUALITY (cont)****Notes to Price and Quality Measures**

00	<b>MP3a: Connection Point Class breakpoints</b>	
01		
02	<b>Connection Point Class breakpoints methodology</b>	kVA based breakpoints
03	<b>kVA based breakpoints - additional disclosure</b>	
04	Breakpoint between small and medium classes	15 kVA
05	Breakpoint between large and medium classes	69 kVA
06		



**REPORT MP3: PRICE & QUALITY MEASURES**

(Separate report required for each Non-contiguous Network)

Electricity Distribution Business: **Vector Group**  
For Year Ended: **2010**Network Name: **Vector Group- Auckland**  
Disclosure: **Annual Disclosure - Requirement 6(1)****QUALITY****Interruptions****Interruptions by class**

Class A	-	planned interruptions by Transpower
Class B	95	planned interruptions on the network
Class C	347	unplanned interruptions on the network
Class D	4	unplanned interruptions by Transpower
Class E	-	unplanned interruptions of network owned generation
Class F	-	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>446</b>	<b>Total of above</b>

**Interruption targets for Forecast Year**

Class B	95	planned interruptions on the network
Class C	433	unplanned interruptions on the network

**Average Interruption targets for 5 Forecast Years**

Class B	95	planned interruptions on the network
Class C	433	unplanned interruptions on the network

**Class C Interruptions restored within**

<3Hrs	>3hrs
247	100

**Faults****Faults per 100 circuit kilometres**

The total number of faults for Current Financial Year	10.9	in year	2010
The total number of faults forecast for the Forecast Year	13.1	in year	2011
The average annual number of faults forecast for the 5 Forecast Years	13.1	average over years	2011-2015

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

	6.6kV & 11kV non-SWER	22kV non-SWER	SWER	33kV	50kV & 66kV	>66kV
Is this voltage part of the EDB system?	Yes	Yes	No	Yes	No	Yes
Current Financial Year	12.01	5.21	-	4.63	-	-
Forecast Year	14.93	5.21	-	4.63	-	1.53
Average annual for 5 Forecast Years	14.93	5.21	-	4.63	-	1.53

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

	6.6kV & 11kV non-SWER	22kV non-SWER	SWER	33kV	50kV & 66kV	>66kV
Underground	7.34	4.64	-	2.34	-	3.06
Overhead	22.08	34.40	-	17.29	-	-

**Reliability****Overall reliability**

Based on the total number of interruptions	SAIDI	SAIFI	CAIDI
	63.95	0.92	69.78

**Reliability by Interruption class**

Class B	SAIDI	SAIFI	CAIDI
Class C	43.85	0.74	58.91

**Targets for Forecast Year**

Class B	SAIDI	SAIFI	CAIDI
Class C	68.20	1.13	60.40

**Average targets for 5 Forecast Years**

Class B	SAIDI	SAIFI	CAIDI
Class C	68.20	1.13	60.40

**PRICES****Price Information by Connection Point Class**

	Connection Point Class				
	Small Connection Points	Medium Connection Points	Large Connection Points	Largest 5 Connection Points	Total
Gross line charge income (\$000)	189,189	44,255	98,080	8,155	339,679
Electricity Supplied to Customers' Connection Points (MWh)	2,201,571	626,015	2,524,559	360,471	5,712,616
Number of Connection Points (ICPs) at year end	294,525	20,149	4,399	5	319,078
Unit Price (cents/kWh)	8.6	7.1	3.9	2.3	5.9
Relative Unit Price Index	1.00	0.82	0.45	0.26	0.69



**REPORT MP3: PRICE AND QUALITY (cont)****Notes to Price and Quality Measures**

59	<b>MP3a: Connection Point Class breakpoints</b>	
60		
61	<b>Connection Point Class breakpoints methodology</b>	KVA based breakpoints
62		
63	<b>kVA based breakpoints - additional disclosure</b>	
64	Breakpoint between small and medium classes	15 kVA
65	Breakpoint between large and medium classes	69 kVA
66		



**REPORT MP3: PRICE & QUALITY MEASURES**

(Separate report required for each Non-contiguous Network)

Electricity Distribution Business: **Vector Group**For Year Ended: **2010**Network Name: **Vector Group- Northern & Lichfield**Disclosure: **Annual Disclosure - Requirement 6(1)****QUALITY****Interruptions****Interruptions by class**

Class A	-	planned interruptions by Transpower
Class B	488	planned interruptions on the network
Class C	514	unplanned interruptions on the network
Class D	7	unplanned interruptions by Transpower
Class E	-	unplanned interruptions of network owned generation
Class F	-	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>1,009</b>	<b>Total of above</b>

**Interruption targets for Forecast Year**

Class B	2011	Current Financial Year +1
Class C	351	planned interruptions on the network
	782	unplanned interruptions on the network

**Average interruption targets for 5 Forecast Years**

Class B	2011-2015	Current Financial Year +1 to +5
Class C	351	planned interruptions on the network
	782	unplanned interruptions on the network

**Class C Interruptions restored within**

≤3Hrs	>3hrs
338	176

**Faults****Faults per 100 circuit kilometres**

The total number of faults for Current Financial Year	11.83	In year	2010
The total number of faults forecast for the Forecast Year	17.89	in year	2011
The average annual number of faults forecast for the 5 Forecast Years	17.89	average over years	2011-2015

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

	6.6kV & 11kV non-SWER	22kV non-SWER	SWER	33kV	50kV & 66kV	>66kV
Is this voltage part of the EDB system?	Yes	No	No	Yes	No	Yes
Current Financial Year	11.97	-	-	10.80	-	7.68
Forecast Year	18.33	-	-	17.27	-	7.68
Average annual for 5 Forecast Years	18.33	-	-	17.27	-	7.68

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

	6.6kV & 11kV non-SWER	22kV non-SWER	SWER	33kV	50kV & 66kV	>66kV
Underground	6.99	-	-	8.25	-	-
Overhead	14.11	-	-	11.83	-	7.68

**Reliability****Overall reliability**

Based on the total number of Interruptions	SAIDI	SAIFI	CAIDI
	205.41	2.55	80.54

**Reliability by interruption class**

Class B	SAIDI	SAIFI	CAIDI
Class C	21.80	0.11	201.23
	77.58	1.32	58.79

**Targets for Forecast Year**

Class B	SAIDI	SAIFI	CAIDI
Class C	9.73	0.08	128.20
	173.57	2.37	73.11

**Average targets for 5 Forecast Years**

Class B	SAIDI	SAIFI	CAIDI
Class C	9.73	0.08	128.20
	173.57	2.37	73.11

**PRICES****Price information by Connection Point Class**

	Connection Point Class				
	Small Connection Points	Medium Connection Points	Large Connection Points	Largest & Connection Points	Total
Gross line charge income (\$000)	146,364	20,789	22,679	2,839	192,670
Electricity Supplied to Customers' Connection Points (MWh)	1,544,000	316,167	648,335	89,805	2,598,307
Number of Connection Points (ICPs) at year end	196,307	10,502	1,204	5	208,018
Unit Price (cents/kWh)	9.5	6.6	3.5	3.2	7.4
Relative Unit Price Index	1.00	0.69	0.37	0.33	0.78

**REPORT MP3: PRICE AND QUALITY (cont)****Notes to Price and Quality Measures**

00	<b>MP3a: Connection Point Class breakpoints</b>	
01		
02	<b>Connection Point Class breakpoints methodology</b>	kVA based breakpoints
03	<b>kVA based breakpoints - additional disclosure</b>	
04	Breakpoint between small and medium classes	15 kVA
05	Breakpoint between large and medium classes	69 kVA
06		



### Subtransmission customers excluded from Distribution Transformer Capacity values

The distribution transformers of three subtransmission-supplied customers have been excluded from the Distribution Transformer Capacity fields (rows 35-36 of MP1) as per the requirements.

The excluded capacities include the following locations;

- the EBD-owned distribution transformers at the Lichfield Cheese Factory (20.45MVA) based in Vector's Lichfield region.
- the customer-owned distribution transformers at the Pacific Steel (80MVA) based in Vector's Auckland region.
- the customer-owned distribution transformers at Auckland International Airport Ltd (30MVA) based in Vector's Auckland region.

### Distribution Transformer Capacity Utilisation

Clause 17(4) of the Information Disclosure Requirements requires a note explaining which approach to 'Distribution Transformer Capacity Utilisation' calculation has been adopted. Vector's methodology for all years disclosed is consistent with the Electricity Distribution (Information Disclosure) Requirements 2008.

### Forecast methodology

Targets and forecasts submitted in the 'Annual disclosure' MP1 and MP3 documents are derived using the following methods (note that historical Wellington region statistics are excluded from these calculations);

- The interruption targets (rows 25-26 & 29-30 of MP3) are derived by listing the past 5 year's interruption frequency by network region and interruption class then taking the median of these values. To remain consistent, the 'Interruption targets for Forecast Year' (rows 25-26 of MP3) are equal to the 'Average interruption targets for 5 Forecast Years' (rows 29-30 of MP3).
- The forecast number of faults per 100 circuit kilometres (rows 38-39 of MP3) is derived by listing the network's fault frequency over the past 5 years, taking the median of these values and dividing by the total circuit length. For consistency, the forecast for the next reporting year (row 38 of MP3) is equal to the forecast for the next 5 years (row 39 of MP3).
- The forecast number of faults per 100 circuit kilometres by voltage type (rows 45-46 of MP3) are derived by listing the network's fault frequency by voltage level over the past 5 years, taking the median of these values and dividing by the circuit length of the appropriate voltage. For consistency, the forecast for the next reporting year (row 45 of MP3) is equal to the forecast for the next 5 years (row 46 of MP3).
- SAIDI and SAIFI forecasts (rows 62-63 & 66-67 of MP3) are consistent with Vector's Electricity Quality threshold targets. Specifically, they are the average SAIDI and SAIFI values for the Vector electricity network (excluding Transpower and the sold Wellington network) for the period from 1 April 2004 to 31 March 2009.

### Maximum Demand Growth Forecast

The maximum demand growth forecast values (row 67 of MP1) are based upon growth trends predicted by Vector's load forecast model. Inputs to this model include Council population growth predictions, historical trends and known future load centres. The load forecast is performed annually. A fuller description of Vector's forecast methodology is included within Vector's Asset Management Plan.



## REPORT AM1: EXPENDITURE FORECASTS AND RECONCILIATION

Electricity Distribution Business: **Vector Group**  
 For Year Ended **2010**  
 (\$000)

**A) Five year forecasts of expenditure**  
 From most recent Asset Management Plan

	Actual for Current Financial Year	Forecast Years					
		year 1	year 2	year 3	year 4	year 5	
for year ended	2010	2011	2012	2013	2014	2015	
Capital Expenditure: Customer Connection	16,765	17,500	18,500	19,000	19,700	20,000	from FS2
Capital Expenditure: System Growth	31,671	43,300	45,300	53,500	62,600	52,800	from FS2
Capital Expenditure: Reliability, Safety and Environment	1,721	4,500	5,800	5,900	4,300	3,800	from FS2
Capital Expenditure: Asset Replacement and Renewal	42,517	47,500	55,400	57,300	56,700	57,700	from FS2
Capital Expenditure: Asset Relocations	21,342	23,300	22,300	20,100	19,400	19,000	from FS2
<b>Subtotal - Capital Expenditure on asset management</b>	<b>114,016</b>	<b>136,100</b>	<b>147,300</b>	<b>155,800</b>	<b>162,700</b>	<b>153,300</b>	
Operational Expenditure: Routine and Preventative Maintenance	14,321	13,700	13,700	13,700	13,700	13,700	from FS1
Operational Expenditure: Refurbishment and Renewal Maintenance	10,840	11,800	11,800	11,800	11,800	11,800	from FS1
Operational Expenditure: Fault and Emergency Maintenance	15,831	14,900	14,900	14,900	14,900	14,900	from FS1
<b>Subtotal - Operational Expenditure on asset management</b>	<b>40,991</b>	<b>40,400</b>	<b>40,400</b>	<b>40,400</b>	<b>40,400</b>	<b>40,400</b>	
<b>Total direct expenditure on distribution network</b>	<b>155,007</b>	<b>176,500</b>	<b>187,700</b>	<b>196,200</b>	<b>203,100</b>	<b>193,700</b>	
<b>Overhead to Underground Conversion Expenditure</b>	<b>12,494</b>	<b>12,700</b>	<b>12,700</b>	<b>12,700</b>	<b>12,700</b>	<b>12,700</b>	

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).

"Asset Relocations" category includes Overhead to Underground Conversion Expenditure

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

	Actual for Current Financial Year (a)	Previous forecast for Current Financial Year (b)	% Variance (a)/(b)-1	
Capital Expenditure: Customer Connection	16,765	9,944	68.6%	from row 10
Capital Expenditure: System Growth	31,671	38,683	-18.1%	from row 11
Capital Expenditure: Reliability, Safety and Environment	1,721	5,680	-69.7%	from row 12
Capital Expenditure: Asset Replacement and Renewal	42,517	42,089	1.0%	from row 13
Capital Expenditure: Asset Relocations	21,342	18,876	13.1%	from row 14
<b>Subtotal - Capital Expenditure on asset management</b>	<b>114,016</b>	<b>115,272</b>	<b>-1.1%</b>	
Operational Expenditure: Routine and Preventative Maintenance	14,321	10,793	32.7%	from row 17
Operational Expenditure: Refurbishment and Renewal Maintenance	10,840	13,477	-19.6%	from row 18
Operational Expenditure: Fault and Emergency Maintenance	15,831	19,974	-20.7%	from row 19
<b>Subtotal - Operational Expenditure on asset management</b>	<b>40,991</b>	<b>44,244</b>	<b>-7.4%</b>	
<b>Total direct expenditure on distribution network</b>	<b>155,007</b>	<b>159,516</b>	<b>-2.8%</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): see a separate note





Table B from report AM1 compares the Actual for Current Financial Year expenditure against the previous forecast for the year by capital and operating expenditure categories. An explanation for variances more than 10% is provided below.

- The higher than forecast expenditure in the "Customer Connection" category (\$6.8m) was mainly due to a lower forecast for the year developed in anticipation of an economic slowdown reflecting through the building sector to customer connections. In reality the numbers of connections continued at a similar rate to last year and actual expenditure was higher than forecasted in line with the numbers of connections achieved.
- The actual expenditure in the "System Growth" category was well below forecast by (\$7.0m) due to the near completion of a number of large multi-year projects (i.e. zone substations at Clendon, Greenhithe, St Johns, Otara, Pt Chevalier) under budget. Two customer driven network reinforcement projects (Highbrook Stage 3D and the Tank Farm reticulation) did not eventuate. Both of these projects and the Quay St switchboard extension project were postponed. Another project contributing to the under-spend in 2009/10, was the Ponsonby/Chevalier 6.6kV upgrade project. This project was delayed due to a necessary scope change arising from the replacement of additional 6.6kV cables, the 110kV Liverpool/Quay St cable project was delayed pending the outcome of Transpowers NAaN project while delays were experienced in the construction of Hillsborough substation due to consenting issues. All these factors contributed to an expenditure of \$31.7m against a forecast of \$38.7m.
- The budget for "Reliability, Safety and Environment" category was underspent by \$4.0m. The Reliability, Safety and Environment classification is applied to targeted expenditure outside of the normal asset replacement process to address specific reliability, safety and environment concerns. The lack of extreme events and the low SAIDI meant that that there was little requirement for such asset performance improvements.
- The "Asset Relocations" category includes "Overhead to Underground Conversion" and "Asset Relocations" expenditure. The forecast for "Asset Relocations" was based on an anticipated downturn in the economy. To compensate for the anticipated commercial sector down-turn, the Government advanced a number of infrastructure projects. The resultant upswing of work accounted for the increase in relocations expenditure during the year. In particular expenditure on relocating network assets for the rail corridor (Ontrack \$2.5m) and motorway alterations (NZTA \$3.0m) was higher than forecast.
- Overall operational expenditure on asset maintenance was below forecast by \$3.3m due to cost efficiencies achieved and the settled weather. Part of the cost efficiency gains were due to new arrangements with suppliers and while these changes reduced overall costs they also led to some changes in allocation of costs between categories. The expenditure in the "Routine & Preventive Maintenance" category is \$3.5m above forecast, "Fault and Emergency" expenditure was \$4.1m below forecast and "Refurbishment and Renewal maintenance" was \$2.6m under forecast due to the above changes in cost and allocation.

