Vector Limited
101 Carlton Gore Road
PO Box 99882, Newmarket,
Auckland, New Zealand
www.vector.co.nz
Corporate Telephone
+64-9-978 7788
Corporate Facsimile
+64-9-978 7799

EXPLANATORY NOTE FOR INFORMATION DISCLOSURES[1]

2011 INFORMATION DISCLOSURES

We have prepared, published and publicly disclosed the 2011 disclosure information in respect of Vector's electricity distribution business. This information has been prepared in accordance with the Electricity Distribution (Information Disclosure) Requirements 2008 ("the Requirements").

REGULATORY UNCERTAINTY

The regulatory environment is undergoing a process of change and there is an ongoing period of regulatory uncertainty. As part of the change process the Commerce Commission ("the Commission") determined input methodologies in December 2010. While these input methodologies have effect until successfully challenged, they are currently subject to legal challenge by way of merits review applications to the High Court. The relevant hearings are not likely to be held until 2012.

The Commission has yet to develop and implement its approach to setting starting prices. It is our view that this mechanism should be defined as an input methodology, with the inherently greater certainty that process would provide. In addition, the approach to setting starting prices is, in our view, a critical and integral part of the regulatory package without which it is not possible to reasonably assess the impact of the other input methodologies on the business.

The five year regulatory period for electricity distribution businesses commenced on 1 April 2010. Starting prices for the default price path, when reset, will apply from 1 April 2012. The Commission has provisionally indicated that it does not intend to apply clawback in respect of the period from 1 April 2010 until prices are reset on 1 April 2012.[2]

BASIS OF PREPARATION

Input methodologies relevant to information disclosure have been developed in respect of:

- Cost allocation;
- Asset valuation;

---

[1] Please note that this explanatory note does not form part of the audited information disclosures set out below.

[2] 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.

- Treatment of taxation; and
- Cost of capital.

However, the Commission has yet to develop revised information disclosure requirements that align with the input methodologies. In the interim, the 2011 information disclosures have been prepared under the existing requirements.

Given that these disclosures are not prepared on basis consistent with the input methodologies, they are of limited value in assessing the performance of the business. The disclosure reports have little relevance for the determination of starting prices that will apply from 1 April 2012, as this is determined with reference to 2010 results restated to align with the input methodologies and projected profitability that is also aligned with the input methodologies.

Disclosure under the input methodologies would include the following key differences, relative to the current information disclosure requirements:

- The treatment of capital contributions, affecting both revenue recognition and regulated asset base value;

- The definition of pass through and recoverable costs;

- The approach to accounting for tax, i.e the deferred tax approach rather than the cash tax approach;

- Use of the accounting based allocation approach, rather than the avoidable cost allocation method, for the allocation of non-directly attributable costs;

- Inclusion of adjustments to the opening regulated asset base value permitted under the input methodologies; and

- Different assumptions for leverage and different mechanisms for estimating the risk free rate and the value of the debt premium.

As we have previously noted, there is inherent volatility in the reported ROI measure due to the inclusion of the allowance for revaluation gains. This is determined by applying CPI inflation to the regulated asset base. The CPI value of 4.47% in 2011 compares with 2.05% in 2010. This flows directly into a 1.89% increase in reported ROI between the two years. The 2011 CPI value reflects a step change due to the change in GST rate introduced in 1 October 2010. Removing the effect of the GST increase from the CPI (which would be required if information disclosure was aligned with the input methodologies) would result in the reported ROI reducing to 10.32%, comparable to the ROI in 2010 of 10.35%. Removing the effect of the indexation of the regulatory asset base in 2011 would reduce the reported ROI to 8.05%.[3]

[3] No adjustment has been made for the effect of historical revaluations.

KPMG

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 2011

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 28 prepared by Vector Limited with the Commerce Commission's Electricity Distribution (Information Disclosure) Requirements 2008 (the Requirements) for the financial year ended 31 March 2011. 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 2011.

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 2011. 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* and the Standard on Assurance Engagements (New Zealand) 3100: *Compliance Engagements* 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 Annual Compliance Statement in respect of the default price-quality path prepared for the period 31 March 2011 for the purposes of clause 11 of the *Commerce Act (Electricity Distribution Default Price-Quality Path) Determination 2010* ("the Determination") has been subject to audit. The audit opinions on the financial statements of the company for the year ended 30 June 2011 and Annual Compliance Statement of Vector Limited for the year ended 31 March 2011 were unqualified and were dated 26 August 2011 and 30 June 2011 respectively.

KPMG

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 Annual Compliance Statement audit has been limited to agreeing the amounts and disclosures to the underlying records and audited financial statements or Annual Compliance Statement 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 Annual 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 2011 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 Annual 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.

KPMG

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 2011 that complies with the Requirements;
- Presented the historical financial information included in reports FS1, FS2, FS3, AV1, AV2, AV3, AV4, MP2 and MP3 for the financial year ended 31 March 2011 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 2011 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 26 August 2011 and our opinion is expressed as at that date.

KPMG.

Auckland

Vector Limited
101 Carlton Gore Road
PO Box 99882, Newmarket,
Auckland, New Zealand
www.vector.co.nz
Corporate Telephone
+64-9-978 7788
Corporate Facsimile
+64-9-978 7799

SCHEDULE 13
FORM 1 - CERTIFICATE FOR DISCLOSED INFORMATION

Pursuant to Requirement 11(1)

We, Michael Stiassny and Alison 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: 25 August 2011

Commerce Commission

Electricity Distribution (Information Disclosure) Requirements
Report Schedules

Schedules 2 to 13

31 March 2011

Table of Contents

Instructions
FS1 Regulatory Profit Statement
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					
5			Electricity Distribution Business:	Vector Group	
			For Year Ended	2011	
6	**Income**				
7				($000)	
8		Net Line Charge Revenue Received	538,136		
9	*plus*	Discretionary Discounts and Customer Rebates	-		FS1a
10		**Gross Line Charge Income**		538,136	
11					
12					
13		Capital Contributions	24,683		
14	*plus*	Net Value of Vested Assets	-		
15		**Total Capital Contributions and Vested Assets**		24,683	
16					
17		AC Loss Rental Rebates Received	11,688		
18	*less*	AC Loss Rental Rebates Passed On	11,688		
19		**Net AC loss rental income (deficit)**		-	
20					
21					
22		**Other Income**	13,987		
23				13,987	
24					
25		**Total regulatory income**		**576,806**	
26					
27					
28	**Expenses**				
29					
30		Transmission Charges - Payments to Transpower	132,409		
31	*plus*	Avoided Transmission Charges - payments to parties other than Transpower	10,099		
32		**Total Transmission Costs**		142,508	
33					
34		**Operational Expenditure:**			
35		General Management, Administration and Overheads	42,398		
36		System Management and Operations	3,898		
37		Routine and Preventative Maintenance	15,159		to AM1
38		Refurbishment and Renewal Maintenance	10,315		to AM1
39		Fault and Emergency Maintenance	13,148		to AM1
40		Pass-through Costs	6,791		
41		Other	431		
42		**Total Operational Expenditure**		92,140	to MP2
43					
44					
45	**Operational earnings**			**342,158**	
46					
47					
48		Regulatory Depreciation of System Fixed Assets (incl. value of assets decommissioned)	79,274		from AV1
49	*plus*	Depreciation of Non-System Fixed Assets (incl. value of assets decommissioned)	7,954		from AV1
50		**Total Regulatory Depreciation**		87,228	to FS3
51					
52					
53	**Earnings before interest and tax (EBIT)**			**254,930**	to FS3
54					
55	*less*	**Regulatory Tax Allowance**		51,895	from FS3
56					
57	*plus*	**Indexed Revaluation (of System Fixed Assets)**		96,301	from AV1
58	*plus*	**Revaluations of Non-System Fixed Assets**		-	from AV1
59					
60	**Regulatory profit / loss (pre-financing and distributions)**			**299,336**	to MP2

REPORT FS1: REGULATORY PROFIT STATEMENT (cont)

Notes to Regulatory Profit Statement

69	**FS1a: Discretionary Discounts: Customer Rebates and other line charge adjustments**		($000)
70	Customer Rebates	-	
71	Line Charge Holidays and other Discretionary Discounts	-	
72	**Total Discretionary Discounts and Customer Rebates**		-

75	**FS1b: Related party expenditure - summary**		($000)
76	Avoided Transmission Charges	-	
77	Operational Expenditure	7,549	
78	Subvention Payment	-	
79	Other related party expenditure	-	
80	**Total Related Party Expenditure**		7,549
81			
82	*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*		
83	*and forms part of this Schedule.*		
84			

87	**FS1c: Operational Expenditure notes**	($000)	
88			
89	**Merger and Acquisition Expenses**		
90	Merger and Acquisition Expenses (not to be included in Operational Expenditure)	-	
91			
92	**Material items (if greater than 10% of the Operational Expenditure line item)**		
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			

106	**FS1d: Vested Assets**		($000)
107	Consideration Paid for Vested Assets		-

110	**FS1e: Reclassified items in Operational Expenditure**		($000)
111	Value of items which have been reclassified since previous disclosure (if greater than 10% of any affected line item)		1,475
112	Previous classification:	Other	
113	New classification:	System Management and Operations	
114			
115			($000)
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			($000)
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 $6.3 million made to the Energy Clearing House for voltage support.

FS1 b Additional Related Party Information

The electricity distribution business has purchased vegetation management services of $5.1 million (31 March 2010: $4.6 million) from Treescape Limited, which is an associate company of the Vector group.

The electricity distribution business has purchased telecommunications services of $2.4 million (31 March 2010: $2.1 million) from Vector Comminications Limited.

REPORT FS2: REGULATORY ASSET AND FINANCING STATEMENT

ref				
5		Electricity Distribution Business:	Vector Group	
6		For Year Ended	2011	
7	**Capital Expenditure on System Fixed Assets (by primary purpose)**		($000)	
8	Customer Connection	25,749		to AM1
9	System Growth	31,098		to AM1
10	Reliability, Safety and Environment	2,587		to AM1
11	Asset Replacement and Renewal	56,101		to AM1
12	Asset Relocations	17,057		to AM1
13	**Total Capital Expenditure on System Fixed Assets**		132,592	to AM1
14				
15				
16	**Capital Expenditure on Non-System Fixed Assets**		17,040	from AV1
17				
18				
19	**Capital works roll-forward (for System Fixed Assets)**			
20	Works Under Construction at Beginning of Year	47,540		
21	*plus* Total Capital Expenditure on System Fixed Assets	132,592		
22	*less* Assets Commissioned in Year	134,464		from AV1
23	**Works under construction at year end**		45,668	
24				
25				
26	**Regulatory Investment Value calculation**			
27	System Fixed Assets: regulatory value at end of Previous Year	2,155,954		from AV1
28	Non-System Fixed Assets: regulatory value at end of Previous Year	11,740		from AV1
29	Finance During Construction Allowance (on System Fixed assets)	52,821		2.45%
30	**Total Regulatory Asset Base value at beginning of Current Financial Year**		2,220,515	
31				
32	*plus* System Fixed Assets Commissioned in Year	134,464		from AV1
33	System Fixed Assets Acquired From (Sold to) a Non-EDB in Year	-		from AV1
34	Non-System Fixed Assets: Asset Additions	17,040		from AV1
35	Regulatory Asset Base Investment in Current Financial Year - total	151,504		
36	**Regulatory Asset Base investment in Current Financial Year - average**		75,752	
37				
38	*plus (minus) where a merger or acquisition has taken place within the year*			
39	**Adjustment for merger, acquisition or sale to another EDB**		-	from AV4
40				
41	**Regulatory Investment Value**		2,296,267	to MP2

REPORT FS3: REGULATORY TAX ALLOWANCE CALCULATION

ref					
5		Electricity Distribution Business:	Vector Group		
6		For Year Ended	2011		
7				($000)	
8		**Earnings before interest and tax (EBIT)**		254,930	*from FS1*
9					
10	*add*	Total Regulatory Depreciation	87,228		*from FS1*
11		Other Permanent Differences - not deductible	1,410		
12		Other Temporary Adjustments - Current Period	(6,904)		
13				81,734	
15	*less*	Non Taxable Capital Contributions and Vested Assets	3,745		
16		Tax Depreciation	91,502		
17		Deductible Discretionary Discounts and Customer Rebates	-		
18		Deductible Interest	60,530		*from row 53*
19		Other Permanent Differences - Non Taxable	-		
20		Other Temporary Adjustments - Prior Period	7,903		
21				163,680	
22					
23		**Regulatory taxable income for Year**		**172,984**	
24					
25	*less*	Tax Losses Available at Start of Year	-		
26		**Net taxable income**		**172,984**	
27					
28		Statutory Tax Rate	30%		
29		**Regulatory Tax Allowance**		**51,895**	*to FS1*

Note:
In May 2010 the Government announced that capital contributions received on or after 21 May 2010 would be taxed. Vector received $24.6m of capital contributions during the year. Non taxable contributions received prior to 21 May 2010 amounted to $3.7m. Using the spreading method, the taxable capital contribution income in the current year is $2.1m.

Notes to Regulatory Tax Allowance Calculation

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

41

42 The Electricity Distribution Business is to provide descriptions of items recorded in the four "other" categories above (explanatory
43 notes can be provided in a separate note if necessary).

44

45 See separate note disclosure.

46

47

48

49

52 **FS3b: Financing assumptions (for Deductible Interest and Interest Tax Shield calculation)**

53

54	Standard Debt Leverage Assumption (debt/total assets)	40%	%	
55				
56	Standard Cost of Debt Assumption	6.59%	%	
57				
58	Deductible Interest	60,530	$000	*to row 18*
59				
60	Interest Tax Shield Adjustment	18,159	$000	*to MP2*

Vector Group
Electricity Distribution Business

FS3a: Description of adjustments classified as "other"

	31-Mar-11 $000
Other Permanent Differences - Non Deductible	
Non deductible entertainment expenses	90
Non deductible legal and professional expenses	1,320
	1,410
Other Temporary Adjustments - Current Period	
Provision for doubtful debts	3,829
Provision for employee entitlements and bonuses	6,809
Other provisions and accruals	1,303
Capital contributions	(18,845)
	(6,904)
Other Temporary Adjustments - Prior Period	
Provision for doubtful debts	4,521
Provision for employee entitlements and bonuses	2,404
Other provisions and accruals	3,114
Prior years' adjustments	(2,136)
	7,903

REPORT AV1: ANNUAL REGULATORY VALUATION ROLL-FORWARD REPORT

Electricity Distribution Business: Vector Group

For Year Ended: 2011

Year of most recent ODV: 2004

ref		ODV Year + 1	ODV Year + 2	ODV Year + 3	ODV Year + 4	ODV Year + 5	ODV Year + 6	($000) ODV Year + 7	
10	For Year Ending	2005	2006	2007	2008	2009	2010	2011	
11	**System Fixed Assets**								
12	**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	2,155,954	to FS2
13	*plus*								
14	Assets Commissioned	116,374	139,396	114,973	204,271	122,480	135,256	134,464	to FS2
15	Gross Value of Vested Assets								to FS1
16	Assets Acquired from (Sold to) a Non-EDB								to FS2
17	**Asset Additions**	116,374	139,396	114,973	204,271	122,480	135,256	134,464	
18	*plus*								
19	**Indexed Revaluation**	50,065	65,936	53,250	73,923	70,860	42,033	96,301	to FS1
20	*less*								
21	Depreciation of System Fixed Assets	60,943	63,323	65,083	70,011	67,635	67,208	70,988	
22	Regulatory Value of Assets Decommissioned	234	7,632	5,242	14,681	6,289	8,015	8,286	
23	**Regulatory Depreciation (incl. value of assets decommissioned)**	61,177	70,955	70,325	84,692	73,924	75,223	79,274	to FS1
24									
25	*plus (minus)*								
26	Acquisition of System Fixed Assets from another EDB	-	-	-	-	-	-	-	from AV4
27	*less* Sale of System Fixed Assets to another EDB	-	-	-	-	451,927	-	-	from AV4
28	**Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB**	-	-	-	-	(451,927)	-	-	
29									
30	*plus (minus)*								
31	**Net Increase (Decrease) Due to Changes in Asset Register Information**				(3,038)				
32									
33	**Regulatory Value of System Fixed Assets at Year End**	1,963,660	2,098,037	2,195,934	2,386,398	2,053,888	2,155,954	2,307,445	
34									
35	**Non-System Fixed Assets**								
36	**Regulatory value at end of previous year**	33,498	29,467	23,538	12,023	15,347	13,862	11,740	
37									
38	*plus* Asset Additions	397	(1,520)	(8,477)	7,798	3,730	1,646	17,040	to FS2
39	*plus* Revaluations	-							to FS1
40	*less* Depreciation (incl. value of assets decommissioned)	4,428	4,409	3,038	4,474	4,536	3,768	7,954	to FS1
41	*plus* Net Acquisitions (Sales) of Non-System Fixed Assets from (to) an EDB	-	-	-	-	(680)	-	-	from AV4
42	**Regulatory Value of Non-System Fixed Assets at Year end**	29,467	23,538	12,023	15,347	13,862	11,740	20,826	
43									
44									
45	**Total Regulatory Asset Base Value (excluding FDC)**	1,993,127	2,121,575	2,207,957	2,401,745	2,067,750	2,167,694	2,328,271	
46									
47									
48	** The commencing figure for completing this schedule is the most recent ODV value*								
49									

Notes to Annual Regulatory Valuation Roll-forward Report

AV1a: Calculation of Revaluation Rate and Indexed Revaluation of System Fixed Assets

CPI as at date of ODV: 928

ref	For Year Ended	2005	2006	2007	2008	2009	2010	2011	
63	CPI at CPI reference date	953	985	1010	1044	1075	1097	1146	
64	**Revaluation Rate**	2.69%	3.36%	2.54%	3.37%	2.97%	2.05%	4.47%	
66	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	2,155,954	
67	**Indexed Revaluation of System Fixed Assets**	50,065	65,936	53,250	73,923	70,860	42,033	96,301	to FS1, AV1

AV1b: Input for prior year Acquisitions (Sales) of Assets to (from) another ELB

($000)

ref	For Year Ended	2005	2006	2007	2008	2009	2010	2011
72	Acquisition of System Fixed Assets from another EDB							
73	Sale of System Fixed Assets to another EDB					451,927		
74	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: 2011

Subtotals by Asset Class (for System Fixed Assets)

($000)

ref		Subtransmission	Zone Substations	Distribution & LV Lines	Distribution & LV Cables	Distribution Substations and Transformer	Distribution Switchgear	Other System Fixed Assets	Total for System Fixed Assets (per AV1)	
11	**System Fixed Assets**									
12										
13	Regulatory Value of System Fixed Assets (as per most recent ODV)	361,682	216,120	181,190	677,342	219,121	110,588	93,355	**1,858,398**	from AV1
14										
15	***Cumulative roll-forward since most recent ODV:***									
16	Asset Additions								967,214	from AV1
17	Indexed Revaluation (of System Fixed Assets)								452,367	from AV1
18	*less:* Regulatory Depreciation (of System Fixed Assets)								515,569	from AV1
19	Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB								(451,927)	from AV1
20	Net Increase (Decrease) Due to Changes in Asset Register Information								(3,038)	from AV1
21	**Regulatory Value of System Fixed Assets at Year End**								**2,307,445**	from AV1

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

ref				
5		Electricity Distribution Business:	Vector Group	
		For Year Ended:	2011	
6	**System Fixed Assets - Replacement Cost**			
7			($000)	
8		**Replacement cost at end of previous year**	3,663,565	
9				
10		Asset Additions	134,464	AV3a
11		Indexed Revaluation (of System Fixed Assets)	163,641	
12	less	Replacement Cost of Assets Decommissioned	16,641	
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**	**3,945,029**	
16				
17				
18	**System Fixed Assets - Depreciated Replacement Cost**			
19				
20		**Depreciated Replacement Cost at end of previous year**	2,233,319	
21				
22		Asset Additions	134,464	AV3a
23		Indexed Revaluation (of System Fixed Assets)	99,756	
24	less	Depreciation of Replacement Cost	68,225	
25	less	Depreciated Replacement Cost of Assets Decommissioned	8,417	
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**	**2,390,897**	
29				
30				

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

Notes to Price and Quality Measures

40	**AV3a: New Asset Additions**			
41				
42		Asset Additions - Depreciated Replacement Cost	134,464	from AV1
43	plus	Difference in Replacement Cost and Depreciated Replacment Cost values of Asset Additions	-	
44				
45		**Asset Additions - Replacement Cost**	134,464	
46				

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

Electricity Distribution Business: Vector Group

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

As at (date):

Proportion of year following transfer of assets: 0%

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
Replacement Cost (RC)								-
less Depreciation								-
Depreciated Replacement Cost (DRC)	-	-	-	-	-	-	-	-
less Optimisation adjustment								-
Optimised Depreciated Replacement Cost (ODRC)	-	-	-	-	-	-	-	-
less Economic Value Adjustment (EVA)								-
Most recent ODV value	-	-	-	-	-	-	-	-

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)	
Regulatory Value of System Fixed Assets (as per most recent ODV)	-			
Cumulative roll-forward since most recent ODV:				
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				
RAB Value of Transferred Assets at Transfer Date				
	-		-	
Acquisition of Assets from Another EDB	-	-		to AV9
Sale of Assets to Another EDB	-	-		to AV9
RAB Value of Transferred Assets at Transfer Date	-			
"p" factor (proportion of year following transfer of assets)	0%			
Adjustment for merger, acquisition or sale to another EDB		-		to IS32

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	
Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB - RC		-	to AV9
Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB - DRC		-	to AV9

Signed by: Selling Entity

Acquiring Entity

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

Electricity Distribution Business: Vector Group

ref

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

8 As at (date):

9 Proportion of year following transfer of assets: 0%

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
14 Replacement Cost (RC)								-
16 *less* Depreciation								-
17 **Depreciated Replacement Cost (DRC)**	-	-	-	-	-	-	-	-
19 *less* Optimisation adjustment								-
20 **Optimised Depreciated Replacement Cost (ODRC)**	-	-	-	-	-	-	-	-
22 *less* Economic Value Adjustment (EVA)								-
23 **Most recent ODV Value**	-	-	-	-	-	-	-	-

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)	
28 Regulatory Value of System Fixed Assets (as per most recent ODV)	-			
30 ***Cumulative roll-forward since most recent ODV:***				
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 **RAB Value of Transferred Assets at Transfer Date**	-		-	
38 Acquisition of Assets from Another EDB	-	-		to AV1
39 Sale of Assets to Another EDB	-	-		to AV1
42 RAB Value of Transferred Assets at Transfer Date	-			
43 "p" factor (proportion of year following transfer of assets)	0%			
44 **Adjustment for merger, acquisition or sale to another EDB**		-		to FS2

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	
49 Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB - RC		-	to AV2
50 Net Acquisitions (Sales) of System Fixed Assets from (to) an EDB - DRC		-	

53 Signed by: Selling Entity

55 Acquiring Entity

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

Electricity Distribution Business: Vector Group

ref

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

7

8 As at (date):

9 Proportion of year following transfer of assets 0%

10

11

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 transform	Distribution switchgear	Other System Fixed Assets	Total for System Fixed Assets
13									
14	Replacement Cost (RC)								-
15									
16	*less* Depreciation								-
17	**Depreciated Replacement Cost (DRC)**	-	-	-	-	-	-	-	-
18									
19	*less* Optimisation adjustment								-
20	**Optimised Depreciated Replacement Cost (ODRC)**	-	-	-	-	-	-	-	-
21									
22	*less* Economic Value Adjustment (EVA)								-
23	**Most recent ODV Value**	-	-	-	-	-	-	-	-

24

25

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	***Cumulative roll-forward since most recent ODV:***				
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	**RAB Value of Transferred Assets at Transfer Date**	-		-	
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	**Adjustment for merger, acquisition or sale to another EDB**		-		to FS2
45					
46					

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
51				
52				
53	Signed by: Selling Entity			
54				
55				
56	Acquiring Entity			
57				

KPMG

REPORT MP1: NETWORK INFORMATION

(Separate report required for each Non-Contiguous Network)

ref			
6		Electricity Distribution Business:	Vector Group
		For Year Ended:	2011
7	Network Name:	Vector Group	*(enter "Total Business" or name of network)*
	Disclosure:	Annual Disclosure - Requirement 6(1)	

ref		Circuit Length by Operating Line Voltage (at year end)	Overhead (km)	Underground (km)	Total (km)	
12		> 66kV	26	71	97	
13		50kV & 66kV	-	-	-	
14		33kV	378	390	768	
15		SWER (all SWER voltages)	-	-	-	
16		22kV (other than SWER)	3	155	158	
17		6.6kV to 11kV (inclusive - other than SWER)	3,851	3,319	7,170	
18		Low Voltage (< 1kV)	4,203	5,324	9,527	
19		**Total circuit length (for Supply)**	**8,461**	**9,259**	**17,720**	*to MP2*
21		**Dedicated Street Lighting Circuit Length**	**17**	**335**	**352**	

ref		Overhead Circuit Length by Terrain (at year end)	(km)	(%)
24		Urban (only)	4,135	49%
25		Rural (only)	4,326	51%
26		Remote (only)	-	0%
27		Rugged (only)	-	0%
28		Rural & rugged (only)	-	0%
29		Remote & rugged (only)	-	0%
30		Unallocated overhead lines	-	0%
31		**Total overhead length**	**8,461**	100%

ref		Transformer capacity (at year end)			*Previous Year*
35		Distribution Transformer Capacity (EDB Owned)	3,902	MVA	3,852
36		Distribution Transformer Capacity (Non-EDB Owned, Estimated)	467	MVA	466
37		**Total Distribution Transformer Capacity**	**4,369**	MVA *(to MP2)*	**4,318**
39		Zone Substation Transformer Capacity	3,925	MVA	3,772

ref		System Fixed Assets age (at year end)		
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%	%
46		Estimated Proportion of Assets (by Replacement Cost) within 10 years of Total Life	16%	%

ref		Electricity demand	Maximum coincident system demand (MW)	Non-coincident Sum of maximum demands (MW)	
53		**GXP Demand**	1,710	1,896	
54	*plus*	Embedded Generation Output at HV and Above	12		
55		**Maximum System Demand**	1,722		
56	*less*	Net Transfers to (from) Other EDBs at HV and Above	-		
57		***Demand on system for supply to customers' Connection Points***	1,722		
58	*less*	Subtransmission Customers' Connection Point Demand	51	86	
59		**Maximum Distribution Transformer Demand**	1,671		*to MP2*
61		GXP Demand not Supplied at Subtransmission Level	208		
62		Embedded Generation Output - Connected to Subtransmission System	-	-	
63		Net Transfers to (from) Other EDBs at Subtransmission Level Only	-	-	
65		**Estimated Controlled Load Shed at Time of Maximum System Demand (MW)**	-		
67		**Five-Year System Maximum Demand Growth Forecast**	**1.9**	% p a	

ref		Electricity volumes carried	(GWh)		
70		Electricity Supplied from GXPs	8,589		
71	*less*	Electricity Exports to GXPs	-		
72	*plus*	Electricity Supplied from Embedded Generators	90		
73	*less*	Net Electricity Supplied to (from) Other EDBs	-		
74		***Electricity entering system for supply to customers' Connection Points***	8,679		
75	*less*	Electricity Supplied to Customers' Connection Points	8,289		*to MP2*
76		**Electricity Losses (loss ratio)**	**390**	**4.5%**	%
78		Electricity Supplied to Customers' Connection Points	8,289		
79	*less*	Electricity Supplied to Largest 5 Connection Points	506		
80		**Electricity supplied other than to Largest 5 Connection Points**	**7,783**	**94%**	%
82		**Load Factor**	**58%**	%	
84		**Number of Connection Points (at year end)**	**531,185**	ICPs	*to MP2*

ref		Intensity of service requirements		
87		Demand Density (Maximum Distribution Transformer Demand / Total circuit length)	94	kW/km
88		Volume Density (Electricity Supplied to Customers' Connection Points / Total circuit length)	468	MWh/km
89		Connection Point Density (ICPs / Total circuit length)	30	ICP/km
90		Energy Intensity (Electricity Supplied to Customers' Connection Points / ICP)	15,605	kWh/ICP

REPORT MP1: NETWORK INFORMATION
(Separate report required for each Non-Contiguous Network)

ref		
6	Electricity Distribution Business:	Vector Group
	For Year Ended:	2011
7	Network Name:	Vector Group - Auckland (enter "Total Business" or name of network)
	Disclosure:	Annual Disclosure - Requirement 6(1)
9		

Circuit Length by Operating Line Voltage (at year end)

ref		Overhead (km)	Underground (km)	Total (km)	
12	> 66kV	-	71	71	
13	50kV & 66kV	-	-	-	
14	33kV	46	255	301	
15	SWER (all SWER voltages)	-		-	
16	22kV (other than SWER)	3	155	158	
17	6.6kV to 11kV (inclusive - other than SWER)	923	2,043	2,966	
18	Low Voltage (< 1kV)	2,034	3,368	5,402	
19	**Total circuit length (for Supply)**	**3,006**	**5,892**	**8,898**	to MP2
20					
21	**Dedicated Street Lighting Circuit Length**	**5**	**216**	**221**	
22					

Overhead Circuit Length by Terrain (at year end)

ref		(km)	(%)
24	Urban (only)	2,484	83%
25	Rural (only)	522	17%
26	Remote (only)	-	0%
27	Rugged (only)	-	0%
28	Rural & rugged (only)	-	0%
29	Remote & rugged (only)	-	0%
30	Unallocated overhead lines	-	0%
31	**Total overhead length**	**3,006**	100%
32			
33			

Transformer capacity (at year end)

ref				Previous Year
35	Distribution Transformer Capacity (EDB Owned)	2,506	MVA	2,474
36	Distribution Transformer Capacity (Non-EDB Owned, Estimated)	401	MVA	400
37	**Total Distribution Transformer Capacity**	**2,907**	MVA (to MP2)	**2,874**
38				
39	Zone Substation Transformer Capacity	2,646	MVA	2,516
40				

System Fixed Assets age (at year end)

ref			
42	Average Age of System Fixed Assets	22	Years
43	Average Expected Total Life of System Fixed Assets	58	Years
44	Average Age as a Proportion of Average Expected Total Life	38%	%
45			
46	Estimated Proportion of Assets (by Replacement Cost) within 10 years of Total Life	13%	%
47			
48			
49			
50			

Electricity demand

ref			Maximum coincident system demand (MW)	Non-coincident Sum of maximum demands (MW)	
53		**GXP Demand**	**1,125**	**1,279**	
54	*plus*	Embedded Generation Output at HV and Above	3		
55		**Maximum System Demand**	**1,128**		
56	*less*	Net Transfers to (from) Other EDBs at HV and Above	-		
57		***Demand on system for supply to customers' Connection Points***	**1,128**		
58	*less*	Subtransmission Customers' Connection Point Demand	50	72	
59		**Maximum Distribution Transformer Demand**	**1,078**		to MP2
60					
61		GXP Demand not Supplied at Subtransmission Level	208		
62		Embedded Generation Output - Connected to Subtransmission System	-	-	
63		Net Transfers to (from) Other EDBs at Subtransmission Level Only	-	-	
64					
65		**Estimated Controlled Load Shed at Time of Maximum System Demand (MW)**	-		
66					
67		**Five-Year System Maximum Demand Growth Forecast**	**2.2**	% p.a	
68					

Electricity volumes carried

ref			(GWh)		
70		Electricity Supplied from GXPs	5,941		
71	*less*	Electricity Exports to GXPs	-		
72	*plus*	Electricity Supplied from Embedded Generators	28		
73	*less*	Net Electricity Supplied to (from) Other EDBs	-		
74		***Electricity entering system for supply to customers' Connection Points***	5,969		
75	*less*	Electricity Supplied to Customers' Connection Points	5,712		to MP2
76		**Electricity Losses (loss ratio)**	**257**	**4.3%**	%
77					
78		Electricity Supplied to Customers' Connection Points	5,712		
79	*less*	Electricity Supplied to Largest 5 Connection Points	412		
80		**Electricity supplied other than to Largest 5 Connection Points**	**5,300**	**93%**	%
81					
82		**Load Factor**	**60%**	%	
83					
84		**Number of Connection Points (at year end)**	**321,553**	ICPs	to MP2
85					

Intensity of service requirements

ref			
87	Demand Density (Maximum Distribution Transformer Demand / Total circuit length)	121	kW/km
88	Volume Density (Electricity Supplied to Customers' Connection Points / Total circuit length)	642	MWh/km
89	Connection Point Density (ICPs / Total circuit length)	36	ICP/km
90	Energy Intensity (Electricity Supplied to Customers' Connection Points / ICP)	17,764	kWh/ICP

KPMG

REPORT MP1: NETWORK INFORMATION
(Separate report required for each Non-Contiguous Network)

ref			
6		Electricity Distribution Business:	Vector Group
		For Year Ended:	2011
7	Network Name:	Vector Group - Northern & Lichfield	*(enter "Total Business" or name of network)*
	Disclosure:	Annual Disclosure - Requirement 6(1)	

ref		Circuit Length by Operating Line Voltage (at year end)	Overhead (km)	Underground (km)	Total (km)	
12		> 66kV	26	-	26	
13		50kV & 66kV	-	-	-	
14		33kV	332	135	467	
15		SWER (all SWER voltages)	-	-	-	
16		22kV (other than SWER)	-	-	-	
17		6.6kV to 11kV (inclusive - other than SWER)	2,928	1,276	4,204	
18		Low Voltage (< 1kV)	2,169	1,956	4,125	
19		**Total circuit length (for Supply)**	**5,455**	**3,367**	**8,822**	*to MP2*
21		**Dedicated Street Lighting Circuit Length**	**12**	**119**	**131**	

ref		Overhead Circuit Length by Terrain (at year end)	(km)	(%)
24		Urban (only)	1,651	30%
25		Rural (only)	3,804	70%
26		Remote (only)	-	0%
27		Rugged (only)	-	0%
28		Rural & rugged (only)	-	0%
29		Remote & rugged (only)	-	0%
30		Unallocated overhead lines	-	0%
31		**Total overhead length**	**5,455**	100%

ref		Transformer capacity (at year end)			*Previous Year*
35		Distribution Transformer Capacity (EDB Owned)	1,396	MVA	1,379
36		Distribution Transformer Capacity (Non-EDB Owned, Estimated)	66	MVA	66
37		**Total Distribution Transformer Capacity**	**1,462**	MVA *(to MP2)*	**1,445**
39		Zone Substation Transformer Capacity	1,279	MVA	1,256

ref		System Fixed Assets age (at year end)		
42		Average Age of System Fixed Assets	22	Years
43		Average Expected Total Life of System Fixed Assets	52	Years
44		Average Age as a Proportion of Average Expected Total Life	42%	%
46		Estimated Proportion of Assets (by Replacement Cost) within 10 years of Total Life	21%	%

ref		Electricity demand	Maximum coincident system demand (MW)	Non-coincident Sum of maximum demands (MW)	
53		**GXP Demand**	**585**	**622**	
54	*plus*	Embedded Generation Output at HV and Above	9		
55		**Maximum System Demand**	**594**		
56	*less*	Net Transfers to (from) Other EDBs at HV and Above	-		
57		***Demand on system for supply to customers' Connection Points***	**594**		
58	*less*	Subtransmission Customers Connection Point Demand	1	14	
59		**Maximum Distribution Transformer Demand**	**593**		*to MP2*
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	-	-	
65		**Estimated Controlled Load Shed at Time of Maximum System Demand (MW)**	-		
67		**Five-Year System Maximum Demand Growth Forecast**	**1.2**	%p.a	

ref		Electricity volumes carried	(GWh)		
70		Electricity Supplied from GXPs	2,648		
71	*less*	Electricity Exports to GXPs	-		
72	*plus*	Electricity Supplied from Embedded Generators	62		
73	*less*	Net Electricity Supplied to (from) Other EDBs	-		
74		***Electricity entering system for supply to customers' Connection Points***	**2,710**		
75	*less*	Electricity Supplied to Customers' Connection Points	2,577		*to MP2*
76		**Electricity Losses (loss ratio)**	**133**	**4.9%**	%
78		Electricity Supplied to Customers' Connection Points	2,577		
79	*less*	Electricity Supplied to Largest 5 Connection Points	94		
80		**Electricity supplied other than to Largest 5 Connection Points**	**2,483**	**96.4%**	%
82		**Load Factor**	**52%**	%	
84		**Number of Connection Points (at year end)**	**209,632**	ICPs	*to MP2*

ref		Intensity of service requirements		
87		Demand Density (Maximum Distribution Transformer Demand / Total circuit length)	67	kW/km
88		Volume Density (Electricity Supplied to Customers' Connection Points / Total circuit length)	292	MWh/km
89		Connection Point Density (ICPs / Total circuit length)	24	ICP/km
90		Energy Intensity (Electricity Supplied to Customers' Connection Points / ICP)	12,293	kWh/ICP

REPORT MP2: PERFORMANCE MEASURES

Electricity Distribution Business: Vector Group

For Year Ended: 2011

Performance comparators

	Previous Years: Current Yr - 3	Current Yr - 2	Current Yr - 1	Current Financial Year		
Operational expenditure ratio						
Total Operational Expenditure	115	94	90	92	$m	from FS1
Replacement Cost of System Fixed Assets (at year end)*	4,274	3,797	3,664	3,945	$m	from AV3
Ratio (%)	2.70%	2.46%	2.46%	**2.34%**	%	
Capital expenditure ratio						
Total Capital Expenditure on System Fixed Assets	159	139	114	133	$m	from FS2
Replacement Cost of System Fixed Assets (at year end)*	4,274	3,797	3,664	3,945	$m	from AV3
Ratio (%)	3.72%	3.66%	3.11%	**3.36%**	%	
Capital expenditure growth ratio						
Capital Expenditure: Customer Connection and System Growth	-	-	48	57	$m	from FS2
Change in Total Distribution Transformer Capacity	-	-	44	51	MVA	from MP1
$/kVA	Not defined	Not defined	1,094	**1,115**	$/kVA	
Renewal expenditure ratio						
Capital & Operational Expenditure: Asset Replacement, Refurbishment and Renewal	-	-	53	66	$m	from FS1 & 2
Regulatory Depreciation of System Fixed Assets	-	-	75	79	$m	from AV1
Ratio (%)	Not defined	Not defined	71%	**83.8%**	%	
Distribution Transformer Capacity Utilisation						
Maximum Distribution Transformer Demand	2,176	1,656	1,718	1,671	MW	from MP1
Total Distribution Transformer Capacity (at year end)*	5,643	4,672	4,318	4,369	kVA	from MP1
Ratio (%)	38.6%	35.4%	39.8%	**38.2%**	%	
Return on Investment						
Regulatory Profit / Loss (pre-financing and distributions)	304	278	241	299	$m	from FS1
less Interest Tax Shield Adjustment	25	22	14	18	$m	from FS3
Adjusted Regulatory Profit	279	257	226	281	$m	
Regulatory Investment Value	2,368	2,212	2,187	2,296	$m	from FS2
Ratio (%)	11.80%	11.60%	10.35%	**12.24%**	%	

** If a Merger or Asset Transfer with another EDB was entered into during the year, the denominators 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 ($/MW)	Connection Point ($/ICP)	Distribution Transformer Capacity (EDB-Owned) ($/MVA)	
Capital Expenditure ($) per	8,444	18	86,894	282	38,348	from FS2 & MP1
Operational Expenditure ($) per	5,200	11	53,508	173	23,614	from FS1 & MP1

REPORT MP2: PERFORMANCE MEASURES

Electricity Distribution Business: Vector Group - Auckland
For Year Ended: 2011

Performance comparators

ref.		Previous Years: Current Yr - 3	Current Yr - 2	Current Yr - 1	Current Financial Year		
9	**Operational expenditure ratio**						
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**	%	
14	**Capital expenditure ratio**						
15	*Total Capital Expenditure on System Fixed Assets*	-	-	-	-	$m	*from FS2*
16	*Replacement Cost of System Fixed Assets (at year end*)*	-	-	-	-	$m	*from AV3*
17	**Ratio (%)**	Not defined	Not defined	Not defined	**Not defined**	%	
19	**Capital expenditure growth ratio**						
20	*Capital Expenditure: Customer Connection and System Growth*	-	-	-	-	$m	*from FS2*
21	*Change in Total Distribution Transformer Capacity*	-	-	-	-	MVA	*from MP1*
22	**$/kVA**	Not defined	Not defined	Not defined	**Not defined**	$/kVA	
24	**Renewal expenditure ratio**						
25	*Capital & Operational Expenditure: Asset Replacement, Refurbishment and Renewal*	-	-	-	-	$m	*from FS1 & 2*
26	*Regulatory Depreciation of System Fixed Assets*	-	-	-	-	$m	*from AV1*
27	**Ratio (%)**	Not defined	Not defined	Not defined	**Not defined**	%	
29	**Distribution Transformer Capacity Utilisation**						
30	*Maximum Distribution Transformer Demand*	1,085	1,063	1,106	1,078	MW	*from MP1*
31	*Total Distribution Transformer Capacity (at year end*)*	2,916	2,843	2,874	2,907	kVA	*from MP1*
32	**Ratio (%)**	37.2%	37.4%	38.5%	37.1%	%	
34	**Return on Investment**						
35	*Regulatory Profit / Loss (pre-financing and distributions)*	-	-	-	-	$m	*from FS1*
36	*less Interest Tax Shield Adjustment*	-	-	-	-	$m	*from FS3*
37	*Adjusted Regulatory Profit*	-	-	-	-	$m	
38	*Regulatory Investment Value*	-	-	-	-	$m	*from FS2*
39	**Ratio (%)**	Not defined	Not defined	Not defined	**Not defined**	%	

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

Expenditure comparison table

ref.		Expenditure metrics ($ per): Total circuit length (for Supply) ($/km)	Electricity Supplied to Customers' Connection Points ($/MWh)	Maximum coincident system demand ($/MW)	Connection Point ($/ICP)	Distribution Transformer Capacity (EDB-Owned) ($/MVA)	
47	**Capital Expenditure ($) per**	-	-	-	-	-	*from FS2 & MP1*
48	**Operational Expenditure ($) per**	-	-	-	-	-	*from FS1 & MP1*

REPORT MP2: PERFORMANCE MEASURES

Electricity Distribution Business: Vector Group - Northern & Lichfield
For Year Ended: 2011

Performance comparators

	Previous Years: Current Yr - 3	Previous Years: Current Yr - 2	Previous Years: Current Yr - 1	Current Financial Year		
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**	$/MVA	
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	594	598	613	593	MW	*from MP1*
Total Distribution Transformer Capacity (at year end)*	1,432	1,430	1,445	1,462	kVA	*from MP1*
Ratio (%)	41.5%	41.8%	42.4%	**40.6%**	%	
Return on Investment						
Regulatory Profit / Loss (pre-financing and distributions)	-	-	-	-	$m	*from FS3*
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**	%	

** If a Merger or Asset Transfer with another EDB was entered into during the year, the denominators 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 ($/MW)	Connection Point ($/ICP)	Distribution Transformer Capacity (EDB-Owned) ($/MVA)	
Capital Expenditure ($) per	-	-	-	-	-	*from FS2 & MP1*
Operational Expenditure ($) per	-	-	-	-	-	*from FS1 & MP1*

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

ref		
6	Electricity Distribution Business	Vector Group
	For Year Ended	2011
7	Network Name	Vector Group
	Disclosure	Annual Disclosure - Requirement 6(1)

QUALITY

Interruptions

Interruptions by class

ref			
14	Class A	2	planned interruptions by Transpower
15	Class B	853	planned interruptions on the network
16	Class C	1,205	unplanned interruptions on the network
17	Class D	1	unplanned interruptions by Transpower
18	Class E	-	unplanned interruptions of network owned generation
19	Class F	-	unplanned interruptions of generation (non-network)
20	Class G	-	unplanned interruptions caused by other electricity industry participant
21	Class H	-	planned interruptions caused by other electricity industry participant
22	Total	2,061	Total of above

ref	Interruption targets for Forecast Year	2012	Current Financial Year +1
25	Class B	446	planned interruptions on the network
26	Class C	1,236	unplanned interruptions on the network

ref	Average interruption targets for 5 Forecast Years	2012-2016	Current Financial Year +1 to +5
29	Class B	446	planned interruptions on the network
30	Class C	1,236	unplanned interruptions on the network

ref	Class C interruptions restored within	≤3Hrs	>3hrs
33		707	498

Faults

Faults per 100 circuit kilometres

ref				
37	The total number of faults for Current Financial Year	15.70	in year	2011
38	The total number of faults forecast for the Forecast Year	16.19	in year	2012
39	The average annual number of faults forecast for the 5 Forecast Years	16.19	average over years	2012-2016

Fault Information per 100 circuit kilometres by Voltage and Type

ref		6.6kV & 11kV non-SWER	22kV non-SWER	SWER	33kV	50kV & 66kV	>66kV
43	Is this voltage part of the EDB system?	Yes	Yes	No	Yes	No	Yes
44	Current Financial Year	16.88	3.80	-	8.73	-	3.11
45	Forecast Year	17.21	5.06	-	10.29	-	4.14
46	Average annual for 5 Forecast Years	17.21	5.06	-	10.29	-	4.14

Fault Information per 100 circuit kilometres by Voltage and Type

ref		6.6kV & 11kV non-SWER	22kV non-SWER	SWER	33kV	50kV & 66kV	>66kV
50	Underground	7.98	3.87	-	6.16	-	2.84
51	Overhead	24.54	-	-	11.37	-	3.84

Reliability

ref	Overall reliability	SAIDI	SAIFI	CAIDI
55	Based on the total number of interruptions	123.95	1.24	99.78

ref	Reliability by interruption class	SAIDI	SAIFI	CAIDI
58	Class B	20.39	0.10	211.41
59	Class C	102.76	1.14	89.87

ref	Targets for Forecast Year	SAIDI	SAIFI	CAIDI
62	Class B	5.86	0.04	144.00
63	Class C	108.11	1.62	66.94

ref	Average targets for 5 Forecast Years	SAIDI	SAIFI	CAIDI
66	Class B	5.86	0.04	144.00
67	Class C	108.11	1.62	66.94

PRICES

Price information by Connection Point Class

ref		Connection Point Class: Small Connection Points	Medium Connection Points	Large Connection Points	Largest 5 Connection Points	Total	
76	Gross line charge income ($000)	335,766	67,061	124,576	10,733	536,136	from FS1
77	Electricity Supplied to Customers' Connection Points (MWh)	3,639,618	949,402	3,193,770	506,511	8,289,301	from MP1
78	Number of Connection Points (ICPs) at year end	483,600	41,621	5,954	10	531,185	from MP1
79	Unit Price (cents/kWh)	9.2	7.1	3.9	2.1	6.5	
80	Relative Unit Price Index	1.00	0.77	0.42	0.23	0.70	

REPORT MP3: PRICE AND QUALITY (cont)

Notes to Price and Quality Measures

89	**MP3a: Connection Point Class breakpoints**		
90			
91	**Connection Point Class breakpoints methodology**	kVA based breakpoints	
92			
93	**kVA based breakpoints - additional disclosure**		
94	Breakpoint between small and medium classes	15	kVA
95	Breakpoint between large and medium classes	69	kVA
96			

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

ref		
6	Electricity Distribution Business:	Vector Group
	For Year Ended:	2011
7	Network Name:	Vector Group - Auckland
	Disclosure:	Annual Disclosure - Requirement 6(1)
9		
10	**QUALITY**	
11		
12	**Interruptions**	
13	**Interruptions by class**	
14	Class A	1 planned interruptions by Transpower
15	Class B	278 planned interruptions on the network
16	Class C	459 unplanned interruptions on the network
17	Class D	- unplanned interruptions by Transpower
18	Class E	- unplanned interruptions of network owned generation
19	Class F	- unplanned interruptions of generation (non-network)
20	Class G	- unplanned interruptions caused by other electricity industry participant
21	Class H	- planned interruptions caused by other electricity industry participant
22	**Total**	738 **Total of above**
23		
24	**Interruption targets for Forecast Year**	**2012** **Current Financial Year +1**
25	Class B	95 planned interruptions on the network
26	Class C	457 unplanned interruptions on the network
27		
28	**Average interruption targets for 5 Forecast Years**	**2012-2016** **Current Financial Year +1 to +5**
29	Class B	95 planned interruptions on the network
30	Class C	457 unplanned interruptions on the network
31		
32	**Class C interruptions restored within**	≤3Hrs >3hrs
33		291 168
34		
35	**Faults**	
36	**Faults per 100 circuit kilometres**	
37	The total number of faults for Current Financial Year	14.31 in year 2011
38	The total number of faults forecast for the Forecast Year	13.88 in year 2012
39	The average annual number of faults forecast for the 5 Forecast Years	13.88 average over years 2012-2016
40		
41	**Fault Information per 100 circuit kilometres by Voltage and Type**	

42		6.6kV & 11kV non-SWER	22kV non-SWER	SWER	33kV	50kV & 66kV	>66kV
43	Is this voltage part of the EDB system?	Yes	Yes	No	Yes	No	Yes
44	Current Financial Year	16.15	3.80	-	4.32	-	2.84
45	Forecast Year	15.65	5.06	-	4.65	-	2.84
46	Average annual for 5 Forecast Years	15.65	5.06	-	4.65	-	2.84
47							
48	**Fault Information per 100 circuit kilometres by Voltage and Type**						

49		6.6kV & 11kV non-SWER	22kV non-SWER	SWER	33kV	50kV & 66kV	>66kV
50	Underground	7.88	3.87	-	2.36	-	2.84
51	Overhead	34.46	-	-	15.19	-	-
52							
53	**Reliability**						

54	**Overall reliability**	**SAIDI**	**SAIFI**	**CAIDI**
55	Based on the total number of interruptions	75.00	0.87	85.74
56				
57	**Reliability by interruption class**	**SAIDI**	**SAIFI**	**CAIDI**
58	Class B	7.83	0.05	143.10
59	Class C	67.15	0.82	81.90
60				
61	**Targets for Forecast Year**	**SAIDI**	**SAIFI**	**CAIDI**
62	Class B	0.68	0.01	67.86
63	Class C	68.73	1.13	60.71
64				
65	**Average targets for 5 Forecast Years**	**SAIDI**	**SAIFI**	**CAIDI**
66	Class B	0.68	0.01	67.86
67	Class C	68.73	1.13	60.71
68				
69				
70	**PRICES**			
71				
72	**Price information by Connection Point Class**			
73				

74		*Connection Point Class*				
75		Small Connection Points	Medium Connection Points	Large Connection Points	Largest 5 Connection Points	Total
76	**Gross line charge income ($000)**	188,753	45,525	102,417	8,285	344,980
77	**Electricity Supplied to Customers' Connection Points (MWh)**	2,134,687	629,974	2,535,802	412,111	5,712,574
78	**Number of Connection Points (ICPs) at year end**	296,646	20,395	4,507	5	321,553
79	**Unit Price (cents/kWh)**	**8.8**	**7.2**	**4.0**	**2.0**	**6.0**
80	**Relative Unit Price Index**	1.00	0.82	0.46	0.23	0.68
81						

REPORT MP3: PRICE AND QUALITY (cont)

Notes to Price and Quality Measures

89	**MP3a: Connection Point Class breakpoints**	
90		
91	**Connection Point Class breakpoints methodology**	kVA based breakpoints
92		
93	**kVA based breakpoints - additional disclosure**	
94	Breakpoint between small and medium classes	15 kVA
95	Breakpoint between large and medium classes	69 kVA
96		

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

ref

6 Electricity Distribution Business: Vector Group
For Year Ended: 2011

7 Network Name: Vector Group - Northern & Lichfield
Disclosure: Annual Disclosure - Requirement 6(1)

9

10 **QUALITY**

11

12 **Interruptions**

13 **Interruptions by class**

14 Class A	1	planned interruptions by Transpower
15 Class B	575	planned interruptions on the network
16 Class C	746	unplanned interruptions on the network
17 Class D	1	unplanned interruptions by Transpower
18 Class E	-	unplanned interruptions of network owned generation
19 Class F	-	unplanned interruptions of generation (non-network)
20 Class G	-	unplanned interruptions caused by other electricity industry participant
21 Class H	-	planned interruptions caused by other electricity industry participant
22 **Total**	1,323	Total of above

23

24 **Interruption targets for Forecast Year**	2012	Current Financial Year +1
25 Class B	351	planned interruptions on the network
26 Class C	779	unplanned interruptions on the network

27

28 **Average interruption targets for 5 Forecast Years**	2012-2016	Current Financial Year +1 to +5
29 Class B	351	planned interruptions on the network
30 Class C	779	unplanned interruptions on the network

31

32 **Class C interruptions restored within**	≤3Hrs	>3hrs
33	416	330

34

35 **Faults**

36 **Faults per 100 circuit kilometres**

37 The total number of faults for Current Financial Year	16.74	in year	2011
38 The total number of faults forecast for the Forecast Year	17.86	in year	2012
39 The average annual number of faults forecast for the 5 Forecast Years	17.86	average over years	2012-2016

40

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

42	6.6kV & 11kV non-SWER	22kV non-SWER	SWER	33kV	50kV & 66kV	>66kV
43 Is this voltage part of the EDB system?	Yes	No	No	Yes	No	Yes
44 Current Financial Year	17.39	-	-	11.57	-	3.84
45 Forecast Year	18.32	-	-	13.92	-	7.68
46 Average annual for 5 Forecast Years	18.32	-	-	13.92	-	7.68

47

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

49	6.6kV & 11kV non-SWER	22kV non-SWER	SWER	33kV	50kV & 66kV	>66kV
50 Underground	8.15	-	-	13.34	-	-
51 Overhead	21.42	-	-	10.84	-	3.84

52

53 **Reliability**

54 **Overall reliability**	SAIDI	SAIFI	CAIDI
55 Based on the total number of interruptions	199.04	1.81	110.20

56

57 **Reliability by interruption class**	SAIDI	SAIFI	CAIDI
58 Class B	39.65	0.16	247.16
59 Class C	157.39	1.64	95.98

60

61 **Targets for Forecast Year**	SAIDI	SAIFI	CAIDI
62 Class B	13.81	0.09	157.35
63 Class C	168.59	2.36	71.54

64

65 **Average targets for 5 Forecast Years**	SAIDI	SAIFI	CAIDI
66 Class B	13.81	0.09	157.35
67 Class C	168.59	2.36	71.54

68

69

70 **PRICES**

71

72 **Price information by Connection Point Class**

73

74 *Connection Point Class*

75	Small Connection Points	Medium Connection Points	Large Connection Points	Largest 5 Connection Points	Total
76 **Gross line charge income ($000)**	147,013	21,536	22,159	2,448	193,156
77 **Electricity Supplied to Customers' Connection Points (MWh)**	1,504,931	319,428	657,968	94,400	2,576,727
78 **Number of Connection Points (ICPs) at year end**	186,954	21,226	1,447	5	209,632
79 **Unit Price (cents/kWh)**	**9.8**	**6.7**	**3.4**	**2.6**	**7.5**
80 **Relative Unit Price Index**	1.00	0.69	0.34	0.27	0.77

81

REPORT MP3: PRICE AND QUALITY (cont)

Notes to Price and Quality Measures

89	**MP3a: Connection Point Class breakpoints**		
90			
91	**Connection Point Class breakpoints methodology**	kVA based breakpoints	
92			
93	**kVA based breakpoints - additional disclosure**		
94	Breakpoint between small and medium classes	15	kVA
95	Breakpoint between large and medium classes	69	kVA
96			

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; and
- 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 is consistent with the Electricity Distribution (Information Disclosure) Requirements 2008.

Forecast methodology

Targets and forecasts submitted in the MP1 and MP3 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); and

- SAIDI and SAIFI targets (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 historic Wellington outages) for the period from 1 April 2004 to 31 March 2009.

Maximum demand growth forecast

The maximum demand growth forecast (row 67 of MP1) is 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. Vector's Asset Management Plan also incorporates these predictions.

Treatment of the Southdown cogeneration plant

The Southdown cogeneration plant which feeds into Transpower's Otahuhu-Henderson 220kV circuit has historically been treated as a notionally embedded generator in the Auckland region. Vector reviewed this in 2011 and concluded that, for the purposes of reporting actual physical quantities of GXP demand and electricity volumes carried, the physical rather than the contractual arrangement should be reported.

As a consequence, the Auckland and full network 'GXP Demand' value (row 53 of MP1) has increased by the value of Southdown's generation (relative to previous year's reporting). The 'embedded generation output' value (row 54 of MP1) has decreased by the same amount. This has no net effect on the 'maximum system demand' figure (row 55 of MP1).

The treatment in the financial data remains the same as in previous years.

REPORT AM1: EXPENDITURE FORECASTS AND RECONCILIATION

Electricity Distribution Business: Vector Group

For Year Ended: 2011

($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	
9	*for year ended*	2011	2012	2013	2014	2015	2016	
10	Capital Expenditure: Customer Connection	25,749	21,600	22,000	22,200	22,400	22,500	*from FS2*
11	Capital Expenditure: System Growth	31,098	55,500	50,600	45,000	41,000	43,100	*from FS2*
12	Capital Expenditure: Reliability, Safety and Environment	2,587	3,400	4,000	3,800	3,200	2,800	*from FS2*
13	Capital Expenditure: Asset Replacement and Renewal	56,101	55,900	63,200	62,700	59,500	59,800	*from FS2*
14	Capital Expenditure: Asset Relocations	17,057	25,800	21,600	19,400	19,100	18,500	*from FS2*
15	**Subtotal - Capital Expenditure on asset management**	**132,592**	**162,200**	**161,400**	**153,100**	**145,200**	**146,700**	
16								
17	Operational Expenditure: Routine and Preventative Maintenance	15,159	19,600	19,800	19,700	19,900	19,900	*from FS1*
18	Operational Expenditure: Refurbishment and Renewal Maintenance	10,315	11,600	12,000	11,900	11,900	11,000	*from FS1*
19	Operational Expenditure: Fault and Emergency Maintenance	13,148	13,000	13,100	13,100	13,200	13,300	*from FS1*
20	**Subtotal - Operational Expenditure on asset management**	**38,622**	**44,200**	**44,900**	**44,700**	**45,000**	**44,200**	
21								
22	**Total direct expenditure on distribution network**	**171,214**	**206,400**	**206,300**	**197,800**	**190,200**	**190,900**	
23								
24	**Overhead to Underground Conversion Expenditure**	7,716	17,300	13,400	12,600	12,600	12,600	

26 *The Electricity Distribution Business is to provide the amount of Overhead to Underground*
27 *Conversion Expenditure included in each of the above Expenditure Categories (explanatory*
28 *notes can be provided in a separate note if necessary).*

30

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	
32					
33					
34	Capital Expenditure: Customer Connection	25,749	17,500	47.1%	*from row 10*
35	Capital Expenditure: System Growth	31,098	43,300	-28.2%	*from row 11*
36	Capital Expenditure: Reliability, Safety and Environment	2,587	4,500	-42.5%	*from row 12*
37	Capital Expenditure: Asset Replacement and Renewal	56,101	47,500	18.1%	*from row 13*
38	Capital Expenditure: Asset Relocations	17,057	23,300	-26.8%	*from row 14*
39	**Subtotal - Capital Expenditure on asset management**	**132,592**	**136,100**	**-2.6%**	
40					
41	Operational Expenditure: Routine and Preventative Maintenance	15,159	13,700	10.6%	*from row 17*
42	Operational Expenditure: Refurbishment and Renewal Maintenance	10,315	11,800	-12.6%	*from row 18*
43	Operational Expenditure: Fault and Emergency Maintenance	13,148	14,900	-11.8%	*from row 19*
44	**Subtotal - Operational Expenditure on asset management**	**38,622**	**40,400**	**-4.4%**	
45					
46	**Total direct expenditure on distribution network**	**171,214**	**176,500**	**-3.0%**	
47					
48					

49 **Explanation of variances**

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

51

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

53
54
55
56
57
58
59
60
61
62
63

Table B of report AM1 compares actual expenditure for the current year against the previously forecasted expenditure for that year, split by capital and operating expenditure. An explanation for variances more than 10% is provided below.

Customer connection

The variance in relation to actual customer connection expenditure of $25.7 million compared to the forecast expenditure of $17.5 million is due to higher levels of expenditure for new connection work, disconnections, substation upgrade requests, subdivision activity (especially on the Northern network) and relocation requests from customers. The forecasts were set during uncertain economic times where it was difficult to predict levels of activity for these types of works. Actual activity proved to be higher than expected.

System growth

Actual expenditure in the "System Growth" category was below forecast by $12.2 million due to the following reasons.

Network reinforcement

Expenditure incurred on upgrading the transformers at the Liverpool substation was $2 million less than forecasted as at 31 March 2011. The purchase of land for a future substation in Newmarket did not proceed ($2.5 million) while network reinforcements at Warkworth, Orewa and Remuera were deferred due to a reduction in demand against forecast ($2.5 million).

Large customer projects

A number of large customer projects ($5 million) forecasted in 2011 are now expected to occur in future periods as agreed with customers.

Reliability, safety and environment

The forecast was under-spent by $1.9 million as there has been a reduced need for some asset performance improvements.

Asset replacement and renewal

The forecast was over spent by $8.6 million. This was due to the acceleration of the Transpower Wairau Valley project and the Sandringham cable replacement project as well as an increase in the cost of reactive asset replacement projects.

Asset relocations

Expenditure on the larger relocations was similar to last year's expenditure. However, expenditure on the smaller relocations projects increased, reflecting greater activity by the Council. The overhead improvement programme was approximately $5 million below forecast due to project deferrals.

Routine and preventative maintenance / Refurbishment and renewal maintenance

The expenditure in "Routine and Preventative Maintenance" was $1.4 million over the forecast while the expenditure in the "Refurbishment and Renewal Maintenance" category was $1.4 million below the forecast. This was in part due to some activities being re-categorised between the two groupings when comparing to the forecast and due to the re-prioritisation of some activities.

Fault and emergency maintenance

Fault and emergency maintenance was $1.7 million below the forecast as there were less faults than forecast during the period.