

Electricity Invercargill Limited

Responses to:

Notice to Supply Information to the Commerce Commission – 16 March 2011

Notice to Supply Information to the Commerce Commission – 15 June 2011

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Electricity Invercargill Limited
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1	<div style="text-align: center;">  <p>COMMERCE COMMISSION</p> <p>Non-Exempt EDB Starting Price Adjustment Information Request Information Request Schedules</p> <table> <tr> <td>Company Name</td> <td>Electricity Invercargill Limited</td> </tr> <tr> <td>Reporting Date</td> <td>26 May 2011</td> </tr> <tr> <td>Disclosure Year Ended</td> <td>31 March 2010</td> </tr> </table> <p>Template updated 29 April 2011</p> </div>				Company Name	Electricity Invercargill Limited	Reporting Date	26 May 2011	Disclosure Year Ended	31 March 2010
Company Name					Electricity Invercargill Limited					
Reporting Date					26 May 2011					
Disclosure Year Ended					31 March 2010					
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Instructions for completing this workbook

- EDBs must complete Schedules A1 to A6. The information entered in those schedules will automatically flow to 'Schedule A - Required Information'.
- EDBs must also complete Schedule B (Term Credit Spread Differential Information) if applicable to them.
- Bolded terms in this workbook have the meanings specified in the *Commerce Act (Electricity Distribution Services Input Methodologies) Determination 2010*.
- For further assistance in interpretation, clause references to the *Determination* are supplied under the column 'Ref' in each schedule where applicable.
- In addition, the following specific definition applies in respect of Schedule A6:

Weighted average remaining useful life of relevant assets means the weighted average **remaining asset life** of all assets with an **initial RAB value** calculated by using the **initial RAB values** as weights.

	A	B	C	D	E	F
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2			EDB Name	Electricity Invercargill Limited		
3			Disclosure Year Ended	31 March 2010		
4		SCHEDULE A: REQUIRED INFORMATION				
5	row					
6	6			(\$000)	<i>Ref</i>	
7	7	Line revenue through prices		15,340	from A1	
8	8					
9	9	Other regulated income		66	from A1	
10	10					
11	11	Pass-through costs		124	from A1	
12	12					
13	13	Recoverable costs		4,032	from A1	
14	14					
15	15	Operating expenditure		4,402	from A1	
16	16					
17	17	Sum of opening RAB values—disclosure year 2010		56,516	from A3	
18	18					
19	19	Sum of depreciation		2,203	from A3	
20	20					
21	21	Sum of opening RAB values of assets with nil physical asset life at end of the disclosure year 2010		56	from A3	
22	22					
23	23	Sum of opening RAB values of disposed assets for the disclosure year 2010		25	from A3	
24	24					
25	25	Sum of opening RAB values of lost assets for the disclosure year 2010		—	from A3	
26	26					
27	27	Sum of closing RAB values of commissioned assets for the disclosure year 2010		2,987	from A3	
28	28					
29	29	Sum of closing RAB values of found assets for the disclosure year 2010		—	from A3	
30	30					
31	31	Positive permanent differences		292	from A6	
32	32					
33	33	Negative permanent differences		16	from A6	
34	34					
35	35	Discretionary discounts and customer rebates		—	from A6	
36	36					
37	37	Positive temporary differences		134	from A6	
38	38					
39	39	Negative temporary differences		13	from A6	
40	40					
41	41	Deferred tax balance relating to assets acquired in the disclosure year 2010		—	from A6	
42	42					
43	43	Tax depreciation for disclosure year 2010		2,348	from A6	
44	44					
45	45	Sum of regulatory tax asset values - first day of disclosure year 2010		22,665	from A6	
46	46					
47	47	Weighted average remaining useful life of relevant assets (years)		24	from A6	
48	48					

	A	B	C	D	F	G	H
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2				EDB Name	Electricity Invercargill Limited		
3				Disclosure Year Ended	31 March 2010		
4			SCHEDULE A1: REGULATORY INCOME AND EXPENSES				
5		row					
6	6	Income		(\$000)	(\$000)		<i>Ref</i>
7	7	Line revenue through prices			15,340		1.1.4
8	8						
9	9	Other regulated income			86		5.3.2(7)
10	10						
11	11	Costs and expenditure					
12	12	Pass-through costs			124		3.1.2(1)
13	13						
14	14	Recoverable costs			4,032		3.1.3
15	15						
16	16	General management, administration and overheads		1,985			from A2
17	17	plus System management and operations		992			from A2
18	18	plus Routine and preventative maintenance		439			from A2
19	19	plus Refurbishment and renewal maintenance		280			from A2
20	20	plus Fault and emergency maintenance		414			from A2
21	21	plus Other		292			from A2
22	22	Operating expenditure			4,402		1.1.4
23	23						

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66													EDB Name	Electricity Invercargill Limited	
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EDB Name **Electricity Invercargill Limited**
Disclosure Year Ended **31 March 2010**

SCHEDULE A3: REGULATORY ASSET BASE VALUES 2010

	Unallocated RAB *	RAB	Ref
	(\$000)	(\$000)	
Calculation of Initial RAB Values			
2009 disclosed assets - 'Total Regulatory Asset Base Value (Excluding FDC)' as of 31 March 2009		54,707	2009 disclosure reports
2009 modified asset values (adjusted for results of asset adjustment process)		54,707	Note 1
Adjustment to reinstate 2009 modified asset values to unallocated amounts	497		2.2.3(3)
Unallocated 2009 modified asset values		55,204	
<i>less (to the extent included in row 13)</i>			
Assets not used to supply electricity distribution services	-		1.1.4
Easement land	-		1.1.4
Non-qualifying intangible assets	-		2.2.2
Works under construction	-		2.2.2
Unallocated asset values excluded from unallocated 2009 modified asset values		-	1.1.4
<i>plus</i> FDC allowance of 2.45% (system fixed assets only)		1,330	2.2.3(1)(b)
Sum of opening RAB values—disclosure year 2010		56,534	from A5
RAB-related Information - Disclosure Year 2010			
Sum of depreciation		2,293	2.2.5(2)
Sum of opening RAB values of assets with nil physical asset life at end of the disclosure year 2010		56	2.2.9(3)
Sum of opening RAB values of disposed assets for the disclosure year 2010		25	1.1.4
Sum of opening RAB values of lost assets for the disclosure year 2010		-	1.1.4
Sum of closing RAB values of commissioned assets for the disclosure year 2010		2,987	from A5
Sum of closing RAB values of found assets for the disclosure year 2010		-	from A5

Note 1: '2009 modified asset values' are the values of **2009 disclosed assets** - 'Total Regulatory Asset Base Value (Excluding FDC)' contained in the **2009 disclosure reports** adjusted for the results of the **asset adjustment process**, being the asset register adjustments summarised in Schedule A4 with the resultant value adjustments then updated to 31 March 2009 by taking account of **unallocated depreciation** and revaluation in accordance with cl. 2.2.1(4) and (5) (and disposals if applicable) and excluding any finance during construction allowance of 2.45%.

* The 'unallocated RAB' is the total value of assets used wholly or partially to provide **electricity distribution services** as if no allowance were made for the allocation of costs to non-**electricity distribution services**.

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EDB Name **Electricity Invercargill Limited**
Disclosure Year Ended **31 March 2010**

SCHEDULE A4: ASSET ADJUSTMENT PROCESS

Summary of Engineer's Valuation Adjustments (at time asset enters regulatory asset register)

Asset adjustment process - adjustments	2004 * (\$000)	2005 (\$000)	2006 (\$000)	2007 (\$000)	2008 (\$000)	2009 (\$000)	Ref
Include load control relays							
Correct asset register errors for 2004 ODV assets							2.2.1(2)(a)
Insert details of asset or similar asset type							
Insert details of asset or similar asset type							
Insert details of asset or similar asset type							
	-						2.2.1(2)(b)
Correct asset register errors for 2005 – 2009 assets							
Insert details of asset or similar asset type							
Insert details of asset or similar asset type							
Insert details of asset or similar asset type							
		-	-	-	-	-	2.2.1(2)(b)
Re-apply an existing multiplier to 2004 ODV assets							
Insert details of asset or similar asset type							
Insert details of asset or similar asset type							
Insert details of asset or similar asset type							
	-						2.2.1(2)(c)
Re-apply a modified multiplier to 2004 ODV assets							
Insert details of asset or similar asset type							
Insert details of asset or similar asset type							
Insert details of asset or similar asset type							
	-						2.2.1(2)(d)
Re-apply optimisation or EV tests to 2004 ODV assets							
Insert details of asset or similar asset type							
Insert details of asset or similar asset type							
Insert details of asset or similar asset type							
	-						2.2.1(2)(e)
Total value of adjustments by disclosure year	-	-	-	-	-	-	

* Includes assets which first entered the regulatory asset register in a disclosure year prior to 2004.

SCHEDULE A5: ALLOCATION OF UNALLOCATED RAB VALUES 2010 (PUBLIC)

62 63 64 65 66 67 68 69 70 71 72 73 74 75 76 77 78 79 80 81 82 83 84 85 86 87 88 89 90 91 92 93 94 95 96 97 98 99 100	Allocation of Opening RAB Values		Percentage of value allocated to electricity distribution services using proxy allocator type	Percentage of value allocated to electricity distribution services using ACAM	Percentage of value allocated to electricity distribution services using ABAA	Percentage of value allocated to electricity distribution services using OVABAA	Value allocated			OVABAA allocation increase	Line Items
	Asset categories	Asset allocator					Arm's length deduction	Electricity distribution services	Non-electricity distribution services		
	Network Assets										
		Regulated service asset value directly attributable					55,634				
		Regulated service asset value not directly attributable	Allocators				-	-	-		
		Total regulated service asset value attributable					55,634				
	Non Network Assets										
		Regulated service asset value directly attributable					1				
		Regulated service asset value not directly attributable	Allocators	100.00%			881	18	899		
		Total regulated service asset value attributable					882				
	Asset Category 1										
		Regulated service asset value directly attributable									
		Regulated service asset value not directly attributable	Allocators								
		Total regulated service asset value attributable									
		Total regulated service asset value directly attributable					55,635				
		Total regulated service asset value not directly attributable					-	881	18	899	
		Total regulated service asset value					56,516				
							to A3				
	Allocation of Closing RAB Values - Commissioned Assets and Found Assets										
		Commissioned Assets									
		Regulated service asset value directly attributable					2,797				
		Regulated service asset value not directly attributable	Allocators	100.00%			190	1	191		
		Total regulated service asset value attributable					2,987				
							to A3				
	Found Assets										
		Regulated service asset value directly attributable					-				
		Regulated service asset value not directly attributable	Allocators				-	-	-		
		Total regulated service asset value attributable					-				
							to A3				

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2				EDB Name	Electricity Invercargill Limited		
3				Disclosure Year Ended	31 March 2010		
4			SCHEDULE A6: REGULATORY TAX INFORMATION				
5		row					
6	6		Tax Permanent Differences		(\$000)		<i>Ref</i>
7	7						
8	8		Income not included in regulatory profit / (loss) before tax but taxable	-	*		2.3.3(2)
9	9		Expenditure or loss in regulatory profit / (loss) before tax but not deductible	292	*		2.3.3(2)
10	10		Positive permanent differences			292	
11	11						
12	12		<i>* Provide descriptions and values for each category of item (further explanation can be provided in a separate note if necessary).</i>				
13	13		Subvention payment				
14	14						
15	15						
16	16						
17	17						
18	18		Income included in regulatory profit / (loss) before tax but not taxable	-	*		2.3.3(4)
19	19		Expenditure or loss deductible but not in regulatory profit / (loss) before tax	16	*		2.3.3(4)
20	20		Negative permanent differences			16	
21	21						
22	22		<i>* Provide descriptions and values for each category of item (further explanation can be provided in a separate note if necessary).</i>				
23	23		Easement Legal Costs				
24	24						
25	25						
26	26						
27	27						
28	28		Discretionary discounts and customer rebates			-	2.3.3(6)
29	29						
30	30		Tax Temporary Differences		(\$000)		<i>Ref</i>
31	31						
32	32		Income not included in regulatory profit / (loss) before tax but taxable	-	*		2.3.8(4)
33	33		Expenditure or loss in regulatory profit / (loss) before tax but not deductible	134	*		2.3.8(4)
34	34		Positive temporary differences			134	
35	35						
36	36		<i>* Provide descriptions and values for each category of item (further explanation can be provided in a separate note if necessary).</i>				
37	37		Value of Capital Contributions applied against assets in the Regulatory Asset Base but not in the Tax Asset Base				
38	38						
39	39						
40	40						
41	41						
42	42		Income included in regulatory profit / (loss) before tax but not taxable	-	*		2.3.8(5)
43	43		Expenditure or loss deductible but not in regulatory profit / (loss) before tax	13	*		2.3.8(5)
44	44		Negative temporary differences			13	
45	45						
46	46		<i>* Provide descriptions and values for each category of item (further explanation can be provided in a separate note if necessary).</i>				
47	47		Tax net loss on sale				
48	48						
49	49						
50	50						
51	51						
52	52		Deferred tax balance relating to assets acquired in the disclosure year 2010			-	2.3.7(3)
53	53						
54	54		Tax depreciation for disclosure year 2010			2,348	2.3.8(3)
55	55						
56	56		Tax Asset Value Information		(\$000)		
57	57						
58	58		Sum of regulatory tax asset values - first day of disclosure year 2010			22,665	2.3.9
59	59						
60	60		Weighted average remaining useful life of relevant assets (years)			24	defined
61	61						

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6	6	Term Credit Spread Differential Information (\$000 unless otherwise specified)																																																																																						
7	7	This schedule is only to be completed if at the date of the most recently published financial statements, the weighted average original tenor of the EDB's debt portfolio (both qualifying debt and non-qualifying debt) is greater than five years - refer cl. 2.4.9(2) of the EDB IMs.																																																																																						
8	8	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;">Issuing party (or other identifying information)</th> <th style="width: 10%;">Issue date</th> <th style="width: 10%;">Pricing date</th> <th style="width: 10%;">Original tenor (in years) *</th> <th style="width: 10%;">Coupon rate (%)</th> <th style="width: 10%;">Book value at issue date (NZD)</th> <th style="width: 10%;">Book value at date of financial statements (NZD)</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table>										Issuing party (or other identifying information)	Issue date	Pricing date	Original tenor (in years) *	Coupon rate (%)	Book value at issue date (NZD)	Book value at date of financial statements (NZD)																																																																						
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17	17	* Where qualifying debt is issued to a related party, the meaning of 'original tenor' of the qualifying debt has the meaning given in cl. 2.4.10(3) of the EDB IMs.																																																																																						
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Electricity Invercargill Limited

Directors Certificate

SCHEDULE D: FORM OF DIRECTORS' CERTIFICATE

We, Neil Douglas Boniface and Ross Lindsay Smith, being directors of Electricity Invercargill Limited (Electricity Invercargill) certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached Schedule A complies with the Commission's requirements in respect of the request for information, which was issued by notice in writing to Electricity Invercargill under section 53ZD of the Commerce Act 1986 on 16 March 2011.



Neil Douglas Boniface



Ross Lindsay Smith

8 July 2011

Electricity Invercargill Limited
Independent Assurance Report



INDEPENDENT AUDIT REPORT OF THE AUDITOR-GENERAL

To the Commissioners of the New Zealand Commerce Commission and the Directors of Electricity Invercargill Limited

The Auditor-General is the auditor of Electricity Invercargill Limited (the company). The Auditor-General has appointed me, Robert Harris, using the staff and resources of PricewaterhouseCoopers, to carry out the audit of the financial statements and statement of service performance of the company on her behalf.

PricewaterhouseCoopers has been engaged to provide an independent assurance report on behalf of the Auditor-General on the Schedule of Required Information (Schedules A to A6) for the regulatory period ended 31 March 2010 prepared by the company in accordance with the Commerce Commission's requirements issued by notice in writing to the company under section 53ZD of the Commerce Act 1986 on 16 March 2011 (the Notice).

Directors' and Auditors' Responsibilities

The company's Directors are responsible for ensuring that the information provided is prepared in accordance with the Notice and for such internal controls as the Directors determine are necessary to ensure the information provided is free from material misstatement, whether due to fraud or error.

We are qualified as an auditor, on behalf of the Auditor-General, as defined in the Notice. Our responsibility is to express an independent opinion on whether the information prepared by the company has been calculated, in all material respects, in accordance with the Notice for the regulatory period ended 31 March 2010.

Use of this Independent Assurance Report

This independent assurance report has been prepared solely for the Directors of the company and the Commissioners of the New Zealand Commerce Commission in accordance with the Notice. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Directors of the company and the Commissioners, or for any purpose other than that for which it was prepared.

Independence

In addition to the audit we have carried out assignments in the areas of the Electricity Distribution (Information Disclosure) Requirements 2008, the Commerce Act (Electricity Distribution Default Price Quality Path) Determination 2010 and in providing industry related advice, which are compatible independence requirements of the Auditor-General. Other than the audit and these assignments, we have no relationship with or interests in the Company.

Basis of Opinion

We conducted this assurance engagement in accordance with the Statement on Assurance Engagements 3100: Compliance Engagements (SAE 3100) with the objective of providing reasonable assurance on the company's compliance with the requirements of the Notice, in all material respects.

SAE 3100 requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance about whether the information as provided is free from material misstatement.



Considering materiality requires that we understand the factors that might influence the decisions of the intended users of the information in Schedules A to A6 when determining the nature and extent of our evidence-gathering procedures.

Our assurance engagement involves performing procedures to obtain sufficient and appropriate evidence in respect of the information in Schedules A to A6 and the overall compliance with the Notice. The procedures selected depend on judgement, including the assessment of the risks of material misstatement, whether due to fraud, error or other reasons. In evaluating those risks we consider the internal controls that are relevant to the company's provision of the information in Schedules A to A6 in order to design assurance procedures that are appropriate in the circumstances. We do not express an opinion on the effectiveness of the company's internal controls.

In relation to the Notice, our assurance procedures included examination, on a test basis, of evidence relevant to each item of information in Schedules A to A6. Specifically, our assurance procedures included examining, on a test basis, evidence to support the information in Schedules A to A6, examination of internally and externally generated documents and records relevant to the information, interviewing selected personnel, and such other procedures as we considered necessary.

These procedures included:

- reviewing the methodologies used in preparing the information in Schedules A to A6 and confirming that they are in accordance with the methodologies set out in the Commerce Act (Electricity Distribution Services Input Methodologies) Determination 2010 (IM determination) and the requirements set out in the Notice, and providing assurance that the underlying assumptions used are reasonable;
- testing whether the calculations are mathematically correct; and
- identifying key inputs to the information in Schedules A to A6 and reconciling or agreeing them to source documents and systems.

In performing the procedures noted above, we have placed reliance, when appropriate on the company's underlying systems and business records from which inputs were sourced for the preparation of the information in Schedules A to A6.

Opinion

In our opinion:

- the recorded evidence and explanations we have obtained are sufficient and appropriate to provide a basis for our independent opinion on the company's compliance with the Notice;
- where relevant, the information used in the preparation of the information in Schedules A to A6 has been properly extracted from the company's accounting records, sourced from its financial systems; and
- the information in Schedule A to A6 has been calculated by the company, in all material respects, in accordance with the Notice.

Our assurance engagement was completed on 8 July 2011 and our opinion is expressed as at that date.

A handwritten signature in blue ink, appearing to read 'Robert Harris', is written over a light blue horizontal line.

Robert Harris
PricewaterhouseCoopers
On behalf of the Auditor-General
CHRISTCHURCH, New Zealand

Electricity Invercargill Limited
Revenue Weights Information

Electricity Invercargill Limited	Electricity Distribution Business
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Distribution Revenue Weights (excluding transmission charges)		2010	2011
Estimated Proportion of Distribution Revenue Recovered via:			
Variable (throughput) unit charges (e.g. c/kwh)	%	0.65	0.66
Capacity or demand charges (e.g. \$/kva/day or \$/MW)	%	0	0
Fixed or other charges (e.g. \$/ICP, daily monthly or annual charges)	%	0.35	0.34
(to add to 100%)		100.0%	100.0%

Note: The quantities relating to each pricing year should relate to the quantities from the pricing year two years earlier. This means that for 2010 the quantities should cover the period 1 April 2008 to 31 March 2009. For 2011 the quantities should cover the period 1 April 2009 to 31 March 2010.