

REPORT AM1: EXPENDITURE FORECASTS AND RECONCILIATION

Electricity Distribution Business: **Waipa Networks**
 For Year Ended **2010**
 (\$000)

A) Five year forecasts of expenditure

From most recent Asset Management Plan

for year ended	Actual for Current Financial Year	Forecast Years					
		year 1	year 2	year 3	year 4	year 5	
		2010	2011	2012	2013	2014	
Capital Expenditure: Customer Connection	1,251	2,675	2,675	2,675	2,675	2,675	from FS2
Capital Expenditure: System Growth	302	110	110	110	110	240	from FS2
Capital Expenditure: Reliability, Safety and Environment	1,186	603	603	603	603	603	from FS2
Capital Expenditure: Asset Replacement and Renewal	678	130	130	130	130	130	from FS2
Capital Expenditure: Asset Relocations	146	-	-	-	-	-	from FS2
Subtotal - Capital Expenditure on asset management	3,563	3,518	3,518	3,518	3,518	3,648	
Operational Expenditure: Routine and Preventative Maintenance	1,915	1,189	1,189	1,189	1,189	1,189	from FS1
Operational Expenditure: Refurbishment and Renewal Maintenance	149	126	126	126	126	126	from FS1
Operational Expenditure: Fault and Emergency Maintenance	448	429	429	429	429	429	from FS1
Subtotal - Operational Expenditure on asset management	2,513	1,744	1,744	1,744	1,744	1,744	
Total direct expenditure on distribution network	6,076	5,262	5,262	5,262	5,262	5,392	
Overhead to Underground Conversion Expenditure	504						

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

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

	Actual for Current Financial Year (a)	Previous forecast for Current Financial Year (b)	% Variance (a)/(b)-1	
Capital Expenditure: Customer Connection	1,251	2,675	-53.2%	from row 10
Capital Expenditure: System Growth	302	110	174.3%	from row 11
Capital Expenditure: Reliability, Safety and Environment	1,186	1,154	2.8%	from row 12
Capital Expenditure: Asset Replacement and Renewal	678	822	-17.6%	from row 13
Capital Expenditure: Asset Relocations	146	-		from row 14
Subtotal - Capital Expenditure on asset management	3,563	4,761	-25.2%	
Operational Expenditure: Routine and Preventative Maintenance	1,915	1,314	45.8%	from row 17
Operational Expenditure: Refurbishment and Renewal Maintenance	149	133	12.3%	from row 18
Operational Expenditure: Fault and Emergency Maintenance	448	429	4.5%	from row 19
Subtotal - Operational Expenditure on asset management	2,513	1,876	34.0%	
Total direct expenditure on distribution network	6,076	6,637	-8.5%	

Explanation of variances

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

After a number of years on steady demand from property developers 2009/10 saw a sudden and dramatic reduction as this market all but disappeared causing the Customer Connection expenditure to be underspent by 53.2% (\$1,424,000)

System Growth expenditure was overspent by 174.3% (\$192,000) due to an unanticipated cable constraint being upgraded in Queen Street Cambridge on Cambridge Town feeder and a portion of aerial line being upgrade along Racecourse Road Cambridge on Tamahere feeder.

Asset Replacement and Renewal expenditure was underspent by 17.6% (\$144,000) because the aerial lines in Ngahape Road Waikeria and Te Puti Kawhia which were originally assessed as requiring major reconstruction were maintained to ensure continued performance requirements are met.

Asset Relocations were not budgeted for 2009/10 because significant projects are generally driven by District Councils and Transit NZ activity, at the time the AMP is prepared the Company was not aware of any committed projects. During 2009/10 there were three road realignments resulting in asset relocations.

Routine and Preventative Maintenance was overspent by 45.8% (\$601,000) due to field staff employed on creating new customer connections in previous years being employed to eliminate the backlog in the preventative maintenance programme.

Refurbishment and Renewal Maintenance was overspent by 12.30% (\$16,000) due to field staff employed on creating new customer connections in previous years being employed to eliminate the backlog in the preventative maintenance programme.