

**REPORT AM1: EXPENDITURE FORECASTS AND RECONCILIATION**

Electricity Distribution Business: **Waipa Networks**

For Year Ended **2011**  
(\$'000)

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

	Actual for Current Financial Year	Forecast Years					
		year 1	year 2	year 3	year 4	year 5	
		2012	2013	2014	2015	2016	
<i>for year ended</i>	2011	2012	2013	2014	2015	2016	
Capital Expenditure: Customer Connection	1,402	1,947	1,947	1,947	1,999	1,999	from FS2
Capital Expenditure: System Growth	445	65	325	260	195	844	from FS2
Capital Expenditure: Reliability, Safety and Environment	1,617	1,932	2,427	1,872	1,650	1,466	from FS2
Capital Expenditure: Asset Replacement and Renewal	393	842	842	842	842	598	from FS2
Capital Expenditure: Asset Relocations	76	-	234	234	234	234	from FS2
<b>Subtotal - Capital Expenditure on asset management</b>	<b>3,934</b>	<b>4,786</b>	<b>5,775</b>	<b>5,155</b>	<b>4,920</b>	<b>5,141</b>	
Operational Expenditure: Routine and Preventative Maintenance	1,950	1,567	1,567	1,567	1,567	1,567	from FS1
Operational Expenditure: Refurbishment and Renewal Maintenance	120	146	146	146	146	146	from FS1
Operational Expenditure: Fault and Emergency Maintenance	493	451	451	451	451	451	from FS1
<b>Subtotal - Operational Expenditure on asset management</b>	<b>2,564</b>	<b>2,164</b>	<b>2,164</b>	<b>2,164</b>	<b>2,164</b>	<b>2,164</b>	
<b>Total direct expenditure on distribution network</b>	<b>6,498</b>	<b>6,950</b>	<b>7,939</b>	<b>7,319</b>	<b>7,084</b>	<b>7,305</b>	
Overhead to Underground Conversion Expenditure	331						

*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	1,402	2,415	-41.9%	from row 10
Capital Expenditure: System Growth	445	210	112.1%	from row 11
Capital Expenditure: Reliability, Safety and Environment	1,617	1,368	18.2%	from row 12
Capital Expenditure: Asset Replacement and Renewal	393	130	202.5%	from row 13
Capital Expenditure: Asset Relocations	76	-		from row 14
<b>Subtotal - Capital Expenditure on asset management</b>	<b>3,934</b>	<b>4,123</b>	<b>-4.6%</b>	
Operational Expenditure: Routine and Preventative Maintenance	1,950	1,500	30.0%	from row 17
Operational Expenditure: Refurbishment and Renewal Maintenance	120	174	-31.1%	from row 18
Operational Expenditure: Fault and Emergency Maintenance	493	440	12.1%	from row 19
<b>Subtotal - Operational Expenditure on asset management</b>	<b>2,564</b>	<b>2,114</b>	<b>21.3%</b>	
<b>Total direct expenditure on distribution network</b>	<b>6,498</b>	<b>6,237</b>	<b>4.2%</b>	

**Explanation of variances**

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

**Capital Expenditure**

With fewer new customer connections resources were reallocated to:

- \* incremental upgrade of an aged feeder (system growth)
- \* improving reliability via various projects
- \* speeding up asset replacement
- \* relocation of existing assets as required by councils

**Operation Expenditure**

- \* the backlog in preventative maintenance was cleared
- \* this reduced the need for renewal maintenance
- \* fault maintenance is by its nature event driven and unpredictable.