

ALPINE ENERGY LIMITED

THRESHOLD COMPLIANCE STATEMENT

FOR THE ASSESSMENT DATE, 31 MARCH 2005

Pursuant to the Commerce Act (Electricity Distribution Thresholds) Notice 2004

17 May 2005

Contents

- 1) Disclosure of Information Required (Clause 7(1)(a)(i) – The Price Path Threshold)
- 2) Disclosure of Information Required (Clause 7(1)(a)(ii) – The Quality Threshold)
- 3) Disclosure of Information Required (Clause 7(1)(a)(iii) – SAIDI and SAIFI policies and procedures)
- 4) Auditor's Report on the Threshold Compliance Statement (Clause 7(1)(b))
- 5) Certification of the Threshold Compliance Statement (Clause 7(1)(c))

APPENDIX A – Information supporting the Price Path Threshold, Clause 5 (1) a

APPENDIX B – Information supporting the Price Path Threshold, Clause 5 (1) b

APPENDIX C – Price and Quantity Schedules for the Price Path Threshold

APPENDIX D – SAIDI and SAIFI Statistics

1. Disclosure of Information Required (Clause 7(1)(a)(i) – The Price Path Threshold)

Alpine Energy Limited does comply with all requirements of the price path threshold at the assessment date, 31 March 2005, as specified in the Commerce Act (Electricity Distribution Thresholds) Notice 2004.

Clause 5 (1) (a) The Notional Revenue of a distribution business at each assessment date (calculated in accordance with the numerator of the left-hand side of the following expression) is not to exceed the allowable Notional Revenue of the distribution business under the CPI-X price path at that assessment date (calculated in accordance with the denominator of the left-hand side of the following expression):

Test:	$\frac{NR_{2005}}{R_{2005}} \leq 1$
Result:	0.9660 < 1
Result:	Threshold is not breached

Since the base quantities were established at 31 March 2003 for the purposes of the first assessment of the price path threshold at 6 September 2003, Alpine Energy has changed its service levels as a result of the connection of a new major customer (effective from 19 April 2003) and the installation of additional assets for another major customer (effective from 1 September 2004). As a result, NR_{2005} and R_{2005} have been adjusted to include the additional services as if they had applied from 31 March 2003. Calculations are shown in Appendices A, B and C.

Clause 5 (1) (b) The Notional Revenue of a distribution business at any time during an assessment period is not to exceed the greater of the Notional Revenue of the distribution business at the assessment date on which that assessment period ends and the Notional Revenue of the distribution business at the previous assessment date under this clause (or, if the previous assessment date is the reference date, under clause 5 of the initial Notice).

Test:	$\frac{RMax_{01/04/04 - 31/03/05}}{Max(R_{2004}, NR_{2005})}$	≤ 1
Result:	0.9778	< 1
Result:	Threshold is not breached	

Income from major customers was adjusted during the assessment period ending 31 March 2005 in accordance with their contracts. Changes in revenue are shown in the table below.

Month	Site price changes			
	AL	FO	OP	SA
1/04/2004	\$0.00	\$71,811.00	\$114,097.80	-\$121,792
1/05/2004				
1/06/2004				
1/07/2004				
1/08/2004				
1/09/2004				
1/10/2004				
1/11/2004				
1/12/2004				
1/01/2005				
1/02/2005	\$1,974.00			
1/03/2005				

Alpine Energy's maximum revenue occurred after the 1st of February 2005, making

$$\text{Max}(NR_{01/04/04 - 31/03/05}) = NR_{2005}$$

Supporting evidence is presented in Appendices A, B and C.

Notional Revenue:

In accordance with the Gazette Notice, the following sources of revenue have been included in the calculation of Notional Revenue:

- Fixed and variable line function services

Excluded Services:

In accordance with the Gazette Notice the following sources of revenue have been excluded from the calculation of Notional Revenue:

- Non-conveyance revenues including:
 - Metering
 - Interest
 - Rent
 - Profit on sale of assets
- The value of assets vested in Alpine Energy Limited on behalf of customers.

Pass Through Costs:

In accordance with the Gazette Notice, the following components of transmission charges have been included in pass through costs:

- Connection charges
- Interconnection charges
- New investment charges
- Loss Rental Rebates

Local body rates applying to system fixed assets: lines, cables, equipment, substation land and substation buildings, and Electricity Commission levies have also been passed through in accordance with the Gazette Notice.

2. Disclosure of Information Required (Clause 7(1)(a)(ii) – The Quality Threshold)

Alpine Energy Limited does comply with all requirements of the quality threshold at the assessment date, 31 March 2005, as specified in the Commerce Act (Electricity Lines Thresholds) Notice 2004.

Clause 6 (1) (a) Interruption Duration

Test:	$SAIDI_{2005} \leq \left(\frac{SAIDI_{1999} + SAIDI_{2000} + SAIDI_{2001} + SAIDI_{2002} + SAIDI_{2003}}{5} \right)$		
Result:	68.63	<	88.20
Result:	SAIDI does not breach threshold		

Supporting evidence is presented in Appendix D.

Clause 6 (1) (b) Interruption Frequency

Test:	$SAIFI_{2005} \leq \left(\frac{SAIFI_{1999} + SAIFI_{2000} + SAIFI_{2001} + SAIFI_{2002} + SAIFI_{2003}}{5} \right)$		
Result:	0.97	<	1.10
Result:	SAIFI does not breach the threshold		

Supporting evidence is presented in Appendix D.

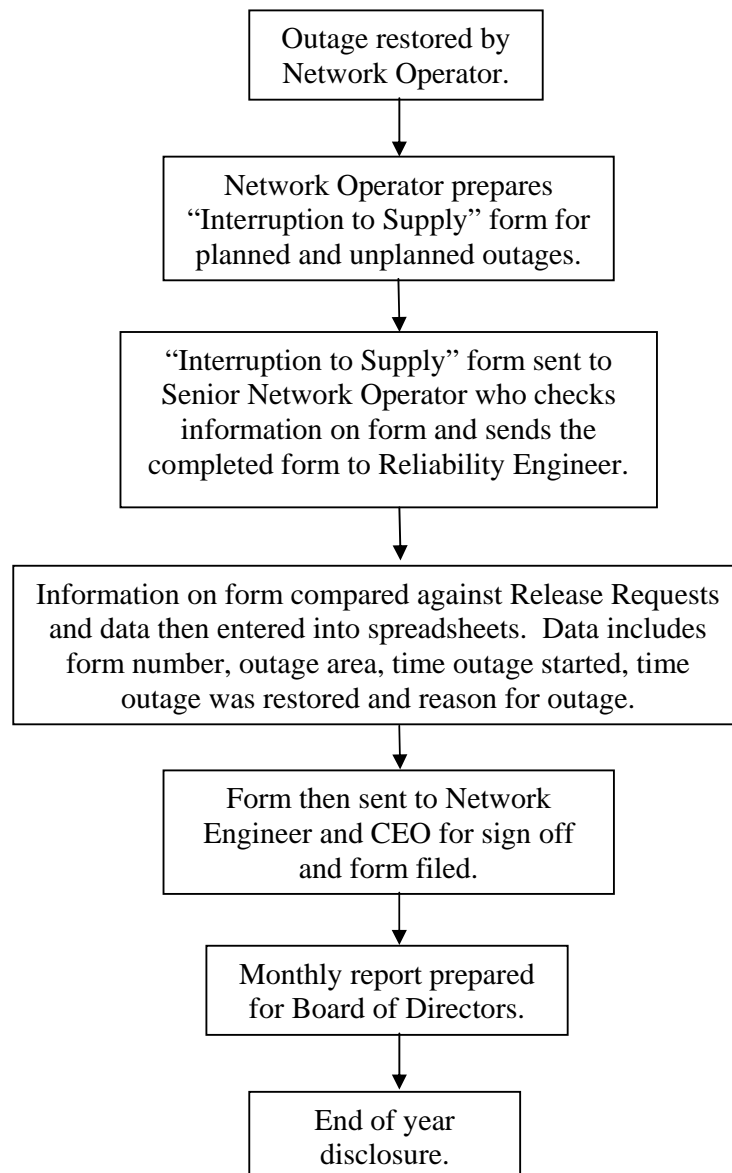
Clause 6 (1) (c) Customer Communication

As it is necessary to comply with this clause once during the 2 year period ending 31 March 2006, Alpine Energy will supply the required information for the assessment period ended 31 March 2006.

3. Disclosure of Information Required (Clause 7(1)(a)(iii) – SAIDI and SAIFI policies and procedures)

The following are the Policies and Procedures which Alpine Energy use for recording SAIDI and SAIFI statistics:

- All planned and unplanned outages 3.3kV and above are recorded.
- Outages less than 1 minute duration are still reported but do not affect SAIDI and SAIFI figures.
- Outages are recorded on an “Interruption to Supply” form by the Network Operator.
- The ICP data base is interrogated for customer numbers in the outage area.
- Monthly reports prepared for Board of Directors.



REPORT OF THE AUDITOR-GENERAL

To the readers of the threshold compliance statement of Alpine Energy Limited for the assessment period ended on 31 March 2005.

We have audited the attached statement, prepared by Alpine Energy Limited for assessment as at 31 March 2005 and dated 17 May 2005. The attached statement is a threshold compliance statement in respect of the price path threshold and the quality threshold, for the purposes of information requirements set out in clause 7 of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 ("the Notice"). In this report the attached statement is called "the threshold compliance statement".

Directors' Responsibilities

Directors of Alpine Energy Limited are responsible for the certification of the threshold compliance statement in accordance with the Notice.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and clause 7(1)(b) of the Notice require the Auditor-General to audit the threshold compliance statement. It is the responsibility of the Auditor-General to express an independent opinion on the threshold compliance statement and report the opinion to you.

The Auditor-General has appointed Maurice Noone of PricewaterhouseCoopers to undertake the audit.

Basis of Opinion – Price Path Threshold; Quality Threshold: SAIDI and SAIFI Statistics for the Assessment Period ended 31 March 2005.

We conducted the audit in accordance with the Auditor-General's Auditing Standards which include the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand.

The audit included examining, on a test basis, evidence relevant to the amounts and disclosures contained on pages 1 to 7 and Appendices A to D of the threshold compliance statement and which relate to:

- The price path threshold set out in clause 5 of the Notice;
- The SAIDI and SAIFI statistics for the assessment period ended on 31 March 2005 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice.

It also included an assessment of the significant estimates and judgements, if any, made by Alpine Energy Limited in the preparation of the threshold compliance statement and an assessment of whether the basis of preparation has been adequately disclosed.

We planned and performed the audit of the threshold compliance statement so as to obtain all the information and explanation which we considered necessary, including for the purpose of obtaining sufficient evidence to give reasonable assurance that the threshold compliance statement is free from material misstatements (whether caused by fraud or error), except that our work was limited in respect of the quality threshold: SAIDI and SAIFI statistics as explained below. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the threshold compliance statement.

Basis of Opinion – Quality Threshold: SAIDI and SAIFI Statistics for the Years Ended 31 March 1999, 2000, 2001, 2002 and 2003.

In relation to the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice. We have undertaken procedures to provide reasonable assurance that:

- The amounts and disclosures in the threshold compliance statement relating to those statistics have been correctly taken from the information disclosed by Alpine Energy Limited in accordance with the Electricity (Information Disclosure) Regulations 1999; and
- Those statistics have been calculated based on the source data provided to us. We have not performed audit procedures on the source data.

Relationship and Interests

In addition to the audit of the threshold compliance statement we have carried out other audit assignments for Alpine Energy Limited. This involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2005 as well as audit certificates pursuant to the Electricity Information Disclosure Requirements 2004. We have also carried out other professional advisory services. Other than these assignments we have no relationship with or interests in Alpine Energy Limited.

Opinions

Unqualified Opinion

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

Price Path Threshold

In our opinion, having made all reasonable enquiry, to the best of our knowledge the amounts or details set out in the threshold compliance statement relating to the price path threshold set out in clause 5 of the Notice and related information have been prepared in accordance with the Notice, and give a true and fair view of the performance of Alpine Energy Limited against that threshold for the assessment period ended on 31 March 2005.

Quality Threshold: SAIDI and SAIFI statistics

In our opinion, having made all reasonable enquiry, to the best of our knowledge:

- a) The SAIDI and SAIFI statistics for the assessment period ended on 31 March 2005 which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice and related information have been calculated or prepared in accordance with Alpine Energy Limited's policies and procedures for recording SAIDI and SAIFI statistics as disclosed in the threshold compliance statement, and fairly represent the performance of Alpine Energy Limited for the assessment period ended on 31 March 2005;

- b) The SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, which are relevant to those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice, have been correctly taken from the information disclosed by Alpine Energy Limited in accordance with the Electricity (Information Disclosure) Regulations 1999. Those statistics have been properly calculated based on the unaudited source data provided to us by Alpine Energy Limited.

Qualified Opinion

Our opinion is qualified as follows:

Quality Threshold: SAIDI and SAIFI statistics

The scope of our audit was subject to the following limitations:

- There is no independent evidence available for the period to support the completeness and accuracy of recorded faults; and
- Control over the completeness and accuracy of ICP data included in the SAIDI and SAIFI calculations is limited throughout the period.

Because of these limitations, there are no practical audit procedures that we could adopt to confirm independently that all outage and ICP data was properly recorded for the purposes of inclusion in the amounts or details set out in the quality threshold: SAIDI and SAIFI statistics.

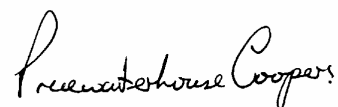
In these respects alone we have not obtained all the information and explanations that we have required.

Because of the potential effect of the limitations in the evidence available to us, we are unable to form an opinion as to whether the amounts or details set out in the quality threshold: SAIDI and SAIFI statistics for the assessment period ended on 31 March 2005, together with the SAIDI and SAIFI statistics for the years ended 31 March 1999, 2000, 2001, 2002 and 2003, give a true and fair view of the performance of Alpine Energy Limited against those parts of the quality threshold that are set out in clauses 6(1)(a) and 6(1)(b) of the Notice for the assessment period ended on 31 March 2005.

Our audit was completed on 17 May 2005 and our qualified and unqualified opinions are expressed as at that date.



Maurice Noone
On behalf of the Auditor-General
Christchurch, New Zealand
17 May 2005



PricewaterhouseCoopers

5. Certification of Threshold Compliance Statement

We, Ian James Bowan and Arthur Oliver Turner, being directors of Alpine Energy Limited certify that, having made all reasonable enquiry, to the best of our knowledge and belief, the attached threshold compliance statement of Alpine Energy Limited, and related information, prepared for the purposes of the Commerce Act (Electricity Distribution Thresholds) Notice 2004 complies with the requirements of that notice:

Clause 5(1)(a) – Threshold not breached

Clause 5(1)(b) – Threshold not breached

Clause 6(1)(a) – Threshold not breached

Clause 6(1)(b) – Threshold not breached



Director



Director

17 May 2005

Appendix A

Clause 5 (1) (a) NR 2005

Notional Revenue for the year ending 31 March 2005		
Term	Description	(\$)
$\sum P_{i,2005} Q_i$	Prices at 31 March 2005 multiplied by 31 March 2003 Base Quantities	25,932,278
K_{2005}	Transmission Charges for year ending 31 March 2005	7,909,788
	Rates for year ending 31 March 2005	64,480
	Electricity Commission Levies for year ending 31 March 2005	65,379
$NR_{2005} = \sum P_{2005} Q_i - K_{2005}$	Notional Revenue for the year ending 31 March 2005	17,892,631

R2004

Maximum Notional Revenue at the reference date which would not have caused the distribution business to breach the price path under the Initial Notice		
Term	Description	(\$)
$\sum P_{i,0} x Q_{i,0}^{(1)}$	Prices at 6 September 2003 multiplied by 31 March 2003 Base Quantities	25,159,571
C_{T2003}	Budget Transmission Charges for year ending 31 March 2004	7,507,000
C_{R2003}	Budget Rates for year ending 31 March 2004	60,000
R_{2004}	Maximum Revenue at 31 March 2004 that would not have caused a breach under the initial Notice	17,592,571

(1) Includes charges for new services supplied since 31 March 2003, for comparison purposes.

Note: All notation in the table above except R_{2004} comes from the Initial Notice.

R2005

Allowable Notional Revenue under CPI -X price path		
Term	Description	(\$)
X	X Factor Assigned to Alpine Energy	1%
R_{2004}	Maximum Revenue at 31 March 2004 that would not have caused a breach under the initial Notice	17,592,571
$(1 + \Delta CPI_{2005})$	Average change in Consumer Price Index over 2004	1.0229
$(1-X)$	1-X Factor Assigned	0.99
$R_{2005(1)}$	Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2005	17,815,530
R_C	Revenue from new assets for existing customer	706,636
R_{2005}	Total Allowable Notional Revenue under the CPI-X Price Path for the year ended 31 March 2005	18,522,166
NR_{2005} / R_{2005}	Expression must be less than or equal to 1 to avoid breaching 5(1)(a)	0.9660

$R_{2005(1)}$ - Notional revenue under CPI-X before addition of revenue from new assets for existing customer

ΔCPI_{2005}			
Numerator		Denominator	
$CPI_{Q1,2004}$	1115	$CPI_{Q1,2003}$	1098
$CPI_{Q2,2004}$	1124	$CPI_{Q2,2003}$	1098
$CPI_{Q3,2004}$	1131	$CPI_{Q3,2003}$	1103
$CPI_{Q4,2004}$	1141	$CPI_{Q4,2003}$	1111
Total	4511	Total	4410
ΔCPI_{2005}	2.29%		

Source: Statistics New Zealand All Groups SE9A Index
 ΔCPI_{2005} displayed to 3 significant figures

Alpine Energy Limited has maintained the same prices for customers not on individual contracts for the period 1 April 2004 to 31 March 2005. The price x quantity schedules are shown in Appendix C.

Appendix B

Clause 5 (1) (b)

R_{MAX}

Maximum Notional Revenue for the period 1 April 2004 to 31 March 2005.		
Term	Description	(\$)
$\Sigma P_{MAX} Q_i$	Maximum Price Between 1 April 2004 and 31 March 2005 multiplied by 31 March 2003 Base Quantities	25,932,278
K_{2005}	Transmission Charges for year ending 31 March 2005	7,909,788
	Rates Charges for year ending 31 March 2005	64,480
	Electricity Commission Levies for year ending 31 March 2005	65,379
R_{MAX}	Maximum Notional Revenue for 01/04/04 to 31/03/05	17,892,631

Notional Revenue during the period is not to exceed the maximum of the starting and ending Notional Revenue for the period		
Term	Description	(\$)
R_{MAX}	Maximum Notional Revenue for 01/04/04 to 31/03/05	17,892,631
$R_{2004} + R_C$	Maximum Revenue at 31 March 2004 that would not have caused a breach under the initial Notice plus revenue from new assets for existing customer	18,299,207
$Max(R_{2004} + R_C, NR_{2005})$	Maximum of the Notional Revenue that would not breach the Initial Notice and the Notional Revenue for the year ended 31 March 2005	18,299,207
$R_{MAX} / Max(R_{2004}, NR_{2005})$	If expression is greater than 1, Clause 5 (1) (b) is breached	0.9778

Revised Price x Quantity at first assessment date

Tariff or Fee	Description	Number of ICPs at 31/03/03	Day kWh	Night kWh	Total kWh	kW	Winter kWh	Transmission Tariff (Individual Customers Only)	Transmission and Distribution Charges					Notional Transmission Revenue (\$)	Notional Distribution Revenue (\$)		Total Revenue (\$)
								Fixed	Fixed			Day Variable (c/kwh)	Night Variable (c/kwh)		Fixed	Variable	P _{1,0} Q _{1,0}
									\$/year	\$/year	\$/kW/year						
Fixed Charges																	
LOW	Low Fixed Charge	362							36.50					-	13,213		13,213
008	Under 8 kVA	380							148.00					-	56,240		56,240
015	Under 15 kVA	25,852							211.00					-	5,454,772		5,454,772
360	3 x 60A	670							769.00					-	515,230		515,230
ASS	Over 15kVA Assessed	895				62,298			70.00	35.00				-	2,243,080		2,243,080
TN1	TOU 400V	143				29,539	29,354,220		80.00	71.00	4.60			-	3,459,003		3,459,003
TR1	TOU 400V Remote	2				1,130	1,859,772		80.00	79.00	4.60			-	174,980		174,980
TN2	11kV < 3000 kW	7				5,582	6,386,612		109.00	53.00	4.60			-	590,393		590,393
TR3	TOU 11kV > 3000 kW	1				4,228	5,067,377		109.00	60.00	4.60			-	486,888		486,888
IND	OP	1						25,080	119,579					25,080	119,579		144,659
IND	AL	1						232,916	104,372					232,916	104,372		337,288
IND	P - A	1						580,606	838,793					580,606	838,793		1,419,399
IND	P - B	1						215,654						215,654			215,654
IND	P - C	1							119,353						119,353		119,353
IND	P - D	1						330,566						330,566			330,566
IND	P - E	1						7,857						7,857			7,857
IND	P - F	1						39,888						39,888			39,888
IND	P - G	1							14,472						14,472		14,472
IND	P - H	1							12,150						12,150		12,150
IND ⁽¹⁾	SA	1						123,211	93,109					123,211	93,109		216,320
Variable Charges																	
Mass Market																	
LOW	Low Fixed Charge													-	-		-
Total kWh Low Fixed Charge			1,021,675	413,464	1,435,139							5.95	2.44	-	-	70,878	70,878
008	Under 8 kVA													-	-		-
015	Under 15 kVA													-	-		-
360	3 x 60A													-	-		-
ASS	Over 15kVA Assessed													-	-		-
Total kWh All other MM			238,368,114	96,465,590	334,833,704							3.77	0.26	-	-	9,237,288	9,237,288
Σ P_{1,0} Q_{1,0}																	
FO - New Assets (R _c)		1						200,295	506,341					200,295	506,341		706,636

New assets charge is not included in CPI-X calculations⁽²⁾

- (1) New charges applied from 19 April 2004, and have been included in the PxQ schedules for the first time for this assessment.
- (2) New assets installed with charges effective from 1 September 2004 are represented as an annual charge for the purposes of this schedule.

Appendix D

Year	SAIDI (Interruption Duration)			SAIFI (Interruption Frequency)		
	Class B	Class C	Total	Class B	Class C	Total
1999	10	57	67	0.1	1.2	1.3
2000	15	32	47	0.1	0.7	0.8
2001	8	68	76	0.1	1.3	1.4
2002	19	50	69	0.2	0.8	1.0
2003	20	162	182	0.1	0.9	1.0
	Five Year Average SAIDI		88.20	Five Year Average SAIFI		1.10
2005	11.83	56.80	68.63	0.09	0.88	0.97