Company Name	Alpine Energy
For Year Ended	31 March 2021

Schedule 14 Mandatory Explanatory Notes

(Guidance Note: This Microsoft Word version of Schedules 14, 14a and 15 is from the Electricity Distribution Information Disclosure Determination 2012 – as amended and consolidated 3 April 2018. Clause references in this template are to that determination)

1. This schedule requires EDBs to provide explanatory notes to information provided in accordance with clauses 2.3.1, 2.4.21, 2.4.22, and subclauses 2.5.1(1)(f),and 2.5.2(1)(e).

2. This schedule is mandatory—EDBs must provide the explanatory comment specified below, in accordance with clause 2.7.1. Information provided in boxes 1 to 11 of this schedule is part of the audited disclosure information, and so is subject to the assurance requirements specified in section 2.8.

3. Schedule 15 (Voluntary Explanatory Notes to Schedules) provides for EDBs to give additional explanation of disclosed information should they elect to do so.

Return on Investment (Schedule 2)

4. In the box below, comment on return on investment as disclosed in Schedule 2. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 1: Explanatory comment on return on investment

The 2021 ROI-comparable to a post-tax WACC is 6.50%, a decrease from 12.61% in the prior year. The resulting year-end ROI comparable to a vanilla WACC is 6.83%.

The decrease in ROI is due to the decrease in revenue to $59.3 million compared to $78.4 million in 2020.

Regulatory Profit (Schedule 3)

5. In the box below, comment on regulatory profit for the disclosure year as disclosed in Schedule 3. This comment must include-

   5.1 a description of material items included in other regulated income (other than gains / (losses) on asset disposals), as disclosed in 3(i) of Schedule 3

   5.2 information on reclassified items in accordance with subclause 2.7.1(2).

Box 2: Explanatory comment on regulatory profit

Our regulated income for 2021 is $59.3 million which is a decrease of $19.1 million compared to regulated income for the previous year.

No items were reclassified.

Merger and acquisition expenses (3(iv) of Schedule 3)

6. If the EDB incurred merger and acquisitions expenditure during the disclosure year, provide the following information in the box below-

   6.1 information on reclassified items in accordance with subclause 2.7.1(2)

   6.2 any other commentary on the benefits of the merger and acquisition expenditure to the EDB.

Box 3: Explanatory comment on merger and acquisition expenditure
Not applicable. Alpine Energy did not merge with nor acquire another regulated business.

Value of the Regulatory Asset Base (Schedule 4)

7. In the box below, comment on the value of the regulatory asset base (rolled forward) in Schedule 4. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 4: Explanatory comment on the value of the regulatory asset based (rolled forward)

Our RAB increased in value from $228 million to $237 million during the disclosure year.

For 2021 we had more assets commissioned than we had in 2020 ($15 million in 2021 compared to $12 million in 2020).

Major projects for the year included:

- Fourth Street11kV OHUG
- TIM Dawson Street OHUG
- Lilybank Road, Tek#25486 move for MDC
- Fraser & Brockley Road Timaru
- TIM Mahoney's Hill Pole

There were no regulatory disposals during the year.

Alpine has continued to review the categorisation of RAB assets into Information Disclosure headings as part of a change to a new asset management system.

Regulatory tax allowance: disclosure of permanent differences (5a(i) of Schedule 5a)

8. In the box below, provide descriptions and workings of the material items recorded in the following asterisked categories of 5a(i) of Schedule 5a-

   8.1 Income not included in regulatory profit / (loss) before tax but taxable;

8.2 Expenditure or loss in regulatory profit / (loss) before tax but not deductible;

8.3 Income included in regulatory profit / (loss) before tax but not taxable;

8.4 Expenditure or loss deductible but not in regulatory profit / (loss) before tax.

Box 5: Regulatory tax allowance: permanent differences
Income not included in regulatory profit / (loss) before tax but taxable: nil

Expenditure or loss in regulatory profit / (loss) before tax but not deductible:

	$
Non Deductible Consulting	205,525.77
Non Deductible Entertainment	14,559.68
Non Deductible Legal Expenditure	220,302.37
Non-deductible GST on entertainment	4,499.00
Non-deductible incentive payment	60,000.00
Non-deductible Tax Fees	4,974.90

Income included in regulatory profit / (loss) before tax but not taxable: nil

Expenditure or loss deductible but not in regulatory profit / (loss) before tax: nil

Regulatory tax allowance: disclosure of temporary differences (5a(vi) of Schedule 5a)

9. In the box below, provide descriptions and workings of material items recorded in the asterisked category 'Tax effect of other temporary differences' in 5a(vi) of Schedule 5a.

Box 6: Tax effect of other temporary differences (current disclosure year)
The opening balance of the temporary differences was $799k.

The closing balance is $257k and comprises of the following items:

	$
Accrued ACC	6,129.90
Annual Leave Provision	513,367.95
General Provision for Sponsorship	500.00
Insurance Accrual Not Derived	-399,722.68
Long Service Leave Provision	136,479.89

The tax effect on the net movement of negative $543k is negative $152k.

Cost allocation (Schedule 5d)

10. In the box below, comment on cost allocation as disclosed in Schedule 5d. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 7: Cost allocation
This is the third year that Alpine applied activity based cost allocations to their operating expenditure.

A proxy allocator was used based on the percentage of time attributed to non-regulated versus regulated business. The value of costs totalling $8,594k (98%) was allocated to electricity distribution services that is not directly attributable.

Asset allocation (Schedule 5e)

11. In the box below, comment on asset allocation as disclosed in Schedule 5e. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 8: Commentary on asset allocation
This is the third year that Alpine applied activity based asset allocations to the regulatory asset base.

A head count proxy allocator has been used to allocate between Electricity Distribution Services and Non-Electricity distribution services. The value of $65,210k (56%) was allocated as an Electricity Distribution Service that is not directly attributable.

All other assets were allocated as directly attributable.

Capital Expenditure for the Disclosure Year (Schedule 6a)

12. In the box below, comment on expenditure on assets for the disclosure year, as disclosed in Schedule 6a. This comment must include-

    12.1 a description of the materiality threshold applied to identify material projects and programmes described in Schedule 6a;

    12.2 information on reclassified items in accordance with subclause 2.7.1(2).

Box 9: Explanation of capital expenditure for the disclosure year

Capital expenditure for this period was $15.5 million in Schedule 6a, compared to $13.2 million during 2020.

We do not apply a materiality threshold to identify material CAPEX projects and programmes. All of our CAPEX spend is given a project number within our accounting system, Technology One, against which forecast expenditure and actual expenditure is set. The materiality of our CAPEX projects is based on impact of the project on the network, resource availability, etc. not a monetary threshold.

No items have been reclassified during the period.

Operational Expenditure for the Disclosure Year (Schedule 6b)

13. In the box below, comment on operational expenditure for the disclosure year, as disclosed in Schedule 6b. This comment must include-

    13.1 Commentary on assets replaced or renewed with asset replacement and renewal operational expenditure, as reported in 6b(i) of Schedule 6b;

    13.2 Information on reclassified items in accordance with subclause 2.7.1(2);

    13.3 Commentary on any material atypical expenditure included in operational expenditure disclosed in Schedule 6b, a including the value of the expenditure the purpose of the expenditure, and the operational expenditure categories the expenditure relates to.

Box 10: Explanation of operational expenditure for the disclosure year
OPEX for this period is $20.0 million (in Schedule 6b), compared to the OPEX spend in 2020 of $21.3 million.

- **service interruptions and emergencies** $2.3 million
- **vegetation management** $742 thousand
- **routine and corrective maintenance and inspection** $2.8 million
- **asset replacement and renewal** $285 thousand
- **non-network** $13.8 million

No items have been reclassified this period.

2021 Information Disclosure data was captured against activities in TechOne against tasks.

No material atypical expenditure occurred during this period.

Variance between forecast and actual expenditure (Schedule 7)

14. In the box below, comment on variance in actual to forecast expenditure for the disclosure year, as reported in Schedule 7. This comment must include information on reclassified items in accordance with subclause 2.7.1(2).

Box 11: Explanatory comment on variance in actual to forecast expenditure
Revenue

Our actual revenue at $59.3 million was $0.6m (or 1%) more than our target revenue of $58.8 million.

Capital Expenditure

The forecast values reported in Schedule 7 are based on the Forecast at nominal prices in Schedule 11 to 13 included in the Asset Management Plan.

Figure 1: Variance between the forecast CAPEX and actual CAPEX

7(ii): Expenditure on Assets	Forecast ($000) [2]	Actual ($000)	% variance
Consumer connection	2,000	5,343	167%
System growth	1,557	240	(85%)
Asset replacement and renewal	10,992	10,881	(1%)
Asset relocations	620	1,606	159%
Reliability, safety and environment:			
Quality of supply	580	–	(100%)
Legislative and regulatory	–	–	–
Other reliability, safety and environment	835	902	8%
Total reliability, safety and environment	1,415	902	(36%)
Expenditure on network assets	16,584	18,971	14%
Expenditure on non-network assets	1,539	564	(63%)
Expenditure on assets	18,123	19,535	8%

This budget is an estimate as it is dependent on the number of consumer connection applications, as well as the quantum of work associated with these applications. As detailed below, in a number of cases where expenditure was planned under different expenditure categories, large Customer Connection applications on the same part of the network resulted in a change in expenditure category due to a change in the primary driver for the expenditure.

System Growth – There are several reasons why this category was under spent as listed below:

- Required changes in the working circumstances under the various levels of COVID, leading to project delays
- $300k of underground cable upgrades was deferred to the following financial year to be included in a much larger project
- $200k relates to the ripple cell upgrade at Studholme GXP which is dependent on a Transpower upgrade now planned for 2025/26
- $500k relates to overhead line projects which forms part of larger overhead line Replacement & Renewal expenditure
- $150k relates to new RMU installations that became part of large Customer Connection projects

Asset Relocations – per definition is expenditure where third parties have requested that we re-locate assets. The budget was based on the undergrounding of Dawson Street in the Port. However, this project was delayed due to additional Customer work to enable a supply to the area in the Port where the timber is stored ready for export. The design had implications for the Dawson Street undergrounding and was subsequently delayed until an agreement and contract with the Port had been finalised.
Quality of Supply – Expenditure in this area was planned around the automation of field reclosers and the installation of new ring main units (RMU) to allow more network

flexibility and allow remote control capability. Before we could expend any money we have been researching the industry and consulting with various suppliers before a decision could be made on a specific type of plant. This process was delayed due to higher priorities on other projects that were competing for the same resources. A few RMU projects were completed on units earmarked for Quality of Supply expenditure, but since the primary driver changed to Asset Replacement & Renewal, the expenditure was captured under the latter rather than under Quality of Supply.

The variance for Expenditure on network assets is 14% or $2,387 and the variance on Expenditure on non-network assets is 63 % or ($975k) This is due to there being more of an emphasis on system growth and Asset replacement and renewal over the year.

The overall expenditure is within expectations and has moved between the categories as we adapt to the changing priorities throughout the period.

Operational Expenditure

Figure 2: Variance in OPEX spending

7(iii): Operational Expenditure

Service interruptions and emergencies	2,142	2,328	9%
Vegetation management	849	742	(13%)
Routine and corrective maintenance and inspection	3,060	2,765	(10%)
Asset replacement and renewal	306	285	(7%)
Network opex	6,357	6,120	(4%)
System operations and network support	4,254	5,243	23%
Business support	8,172	8,594	5%
Non-network opex	12,426	13,837	11%
Operational expenditure	18,783	19,957	6%

Vegetation Management – Vegetation and the impact this has on our network reliability continues to be a high focus area for us. Increased costs related to traffic management based on increased requirements by NZTA and Regional Councils for the management of work along roads is the main contributor to this over expenditure.

System Operations & Network Support – The over expenditure in this category is mainly contributable to the changes in the work environment under the various levels of COVID lockdown. Working from home had its initial challenges which affected productivity and the fact that less time was spent on capital projects resulted in a higher operational cost.

Again, the expenditure has moved between the categories due to change of priorities throughout the disclosure year.

There were no re-classified items for either OPEX or CAPEX

Information relating to revenues and quantities for the disclosure year

15. In the box below provide-

15.1 a comparison of the target revenue disclosed before the start of the disclosure year, in accordance with clause 2.4.1 and subclause 2.4.3(3) to total billed line charge revenue for the disclosure year, as disclosed in Schedule 8; and

15.2 explanatory comment on reasons for any material differences between target revenue and total billed line charge revenue.

Box 12: Explanatory comment relating to revenue for the disclosure year
Actual line charge revenue 1% above budget.

Network Reliability for the Disclosure Year (Schedule 10)

16. In the box below, comment on network reliability for the disclosure year, as disclosed in Schedule 10.

Box 13: Commentary on network reliability for the disclosure year

Alpine Energy's Class B SAIDI performance was 87.55 SAIDI minutes, the limit for the 5 year Default Price Quality Path (DPP) period ending 2025 is 824.87.

Class C SAIDI performance was 108.68 SAIDI minutes, above the unplanned target of 91.88 and below the unplanned SAIDI limit of 124.71.

Alpine Energy's Class B SAIFI performance was 0.26, the limit for the 5 year Default Price Quality Path (DPP) period ending 2025 is 3.4930.

Class C SAIFI performance was 0.97, below the unplanned SAIFI limit of 1.1970.

It is important to note that:

(i) the difference between the target and actual does not amount to the SAIDI limit under Default Price Quality Path (DPP)

(ii) the normalisation methodology used here is as per the Input Methodologies and is inconsistent with the methodology employed in DPP.

Insurance cover

17. In the box below, provide details of any insurance cover for the assets used to provide electricity distribution services, including-

17.1 The EDB's approaches and practices in regard to the insurance of assets used to provide electricity distribution services, including the level of insurance;

17.2 In respect of any self-insurance, the level of reserves, details of how reserves are managed and invested, and details of any reinsurance.

Box 14: Explanation of insurance cover Alpine takes out insurance cover for its vehicles and buildings (including substations) and has public liability insurance. The Company does not insure our network, for example poles and lines as the premiums are prohibitive.

Amendments to previously disclosed information

18. In the box below, provide information about amendments to previously disclosed information disclosed in accordance with clause 2.12.1 in the last 7 years, including:

    18.1 a description of each error; and

    18.2 for each error, reference to the web address where the disclosure made in accordance with clause 2.12.1 is publicly disclosed.

Box 15: Disclosure of amendment to previously disclosed information

In preparing the 2023 information disclosures, we identified material errors in the previously disclosed information. The errors are in relation to the calculation of depreciation as disclosed in Schedule 4: *Report on value of the regulatory asset base (rolled forward)* for disclosure years 2014 to 2022. As a result of these errors, the revaluations and opening and closing values of the regulatory asset base for these disclosure years were also incorrect.

The error is due to a calculation error in the RAB roll forward workbooks, erroneously calculating depreciation, with the largest impact on assets commissioned pre-2010.

The errors have a flow-on impact on the following schedules, which are linked to the disclosures in Schedule 4:

- Schedule 1: Analytical ratios
- Schedule 2: Report on return on investment
- Schedule 3: Report on regulatory profit
- Schedule 5a: Report on regulatory tax allowance
- Schedule 5e: Report on asset allocations
- Schedule 14: Mandatory explanatory notes

We have restated the disclosures from 2014 to 2022 at the same time we prepared the 2023 disclosures. The Commerce Commission granted us an exemption[1] to extend our submission date for 2023 information disclosures to 30 November 2023 to ensure that all the previous disclosures could be corrected at the same time.

We also obtained new independent assurance reports and director' certificates for each of the impacted years (2014 – 2022).

A full summary of the previously disclosed financial information, the restated financial information and the variances have been included as a separate schedule for ease of reference and understandability. Refer to Appendix B: *Impact of restatements*.

The restated disclosures have been uploaded to:https://www.alpineenergy.co.nz/corporate/disclosures/information-disclosures2

[1] https://comcom.govt.nz/__data/assets/pdf_file/0025/328831/Electricity-Distribution-ID-Exemption-Alpine-Energy-Limited-Extension-to-the-deadlines-for-year-ending-disclosures-30-August-2023.pdf

Company Name	Alpine Energy
For Year Ended	31 March 2021

Schedule 14a Mandatory Explanatory Notes on Forecast Information

(In this Schedule, clause references are to the Electricity Distribution Information Disclosure Determination 2012 – as amended and consolidated 3 April 2018.)

1. This Schedule requires EDBs to provide explanatory notes to reports prepared in accordance with clause 2.6.6.

2. This Schedule is mandatory—EDBs must provide the explanatory comment specified below, in accordance with clause 2.7.2. This information is not part of the audited disclosure information, and so is not subject to the assurance requirements specified in section 2.8.

Commentary on difference between nominal and constant price capital expenditure forecasts (Schedule 11a)

3. In the box below, comment on the difference between nominal and constant price capital expenditure for the current disclosure year and 10 year planning period, as disclosed in Schedule 11a.

Box 1: Commentary on difference between nominal and constant price capital expenditure forecasts

To derive the capital expenditure in nominal dollar terms the constant price forecasts were inflated by approximately 1.5% per annum, on a straight-line basis, to derive the 10–year forecast,1.5% was selected as a conservative inflationary rate based on New Zealand Treasury 10-year outlook. Therefore the difference between nominal and constant expenditure forecasts is an inflationary impact of 1.5% per year.

Commentary on difference between nominal and constant price operational expenditure forecasts (Schedule 11b)

4. In the box below, comment on the difference between nominal and constant price operational expenditure for the current disclosure year and 10 year planning period, as disclosed in Schedule 11b.

Box 2: Commentary on difference between nominal and constant price operational expenditure forecasts

To derive the operational expenditure in nominal dollar terms the constant price forecasts were deflated by approximately 1.5% per annum, on a straight-line basis, to derive the 10–year forecast. The expenditure is reducing to reflect the expected efficiency gains per annum that will be found by improvements to our processes and practices. We expect to share these benefits with customers by reducing our operating expenditure, in real terms, over the next 10 years. Therefore the difference between nominal and constant operational expenditure forecasts is a reduction of 1.5% per year.

Company Name	Alpine Energy
For Year Ended	31 March 2021

Schedule 15 Voluntary Explanatory Notes

(In this Schedule, clause references are to the Electricity Distribution Information Disclosure Determination 2012 – as amended and consolidated 3 April 2018.)

1. This schedule enables EDBs to provide, should they wish to-

    1.1 additional explanatory comment to reports prepared in accordance with clauses 2.3.1, 2.4.21, 2.4.22, 2.5.1 and 2.5.2;

    1.2 information on any substantial changes to information disclosed in relation to a prior disclosure year, as a result of final wash-ups.

2. Information in this schedule is not part of the audited disclosure information, and so is not subject to the assurance requirements specified in section 2.8.

3. Provide additional explanatory comment in the box below.

Box 1: Voluntary explanatory comment on disclosed information

We have a significantly higher level of confidence in the figures reported in 2021 than we have had at previous reported years. This is due to the implementation of Technology One in 2017 and continued data cleansing to derive schedules 9a and 9b. This relates specifically to the quality of information rather than the physical change of assets.

Network reliability is compliant with quality requirements under the default price-quality path, however there are inherent limitations in the ability of Alpine Energy to collect and record the network reliability information required to be disclosed in Schedule 10(i) to 10(iv). Consequently, there is no independent evidence available to support the accuracy and completeness of recorded faults and control over the accuracy and completeness of installation control point ('ICP') data included in the SAIDI and SAIFI calculations is limited throughout the year.

Alpine treats successive interruptions in the following way:

a. Relates directly to that initial interruption. These would usually be reported as a separate outage, if however the original outage was classed as unknown it is updated as if the following fault can be confirmed to have caused the original.
b. Occurs as part of the process of restoring supply of electricity lines services following that initial interruption. - In this situation the outage would be recorded as part of the original fault, the cause would be the same for both, but where ICP's go off more than once they would be reported as such to keep the SAIFI correct.

Exemption related to Schedule 10 - Network reliability and note on director certification

On 17 May 2021, the Commission Commerce released a document:
To: All suppliers of electricity distribution services as regulated under Part 4 of the Commerce Act 1986: titled, Information Disclosure exemption: Disclosure and auditing of reliability information within Schedule 10.

The Commission granted all EDBs an exemption for the 2021 disclosure year, subject to the condition at paragraph 7 of the letter, from:

- the requirement that the assurance report required to be procured by clause 2.8.1(1) of the ID determination in respect of the information in Schedule 10 of the ID determination must take into account any issues arising out of the EDB's recording of SAIDI, SAIFI and number of interruptions due to successive interruptions.

The Directors of Alpine Energy Limited note that they have not been provided a comparable exemption from:

- the requirement that the certificate required by clause 2.9.2 of the ID determination in respect of clause 2.5.1(1)(f), the information in Schedule 10 of the ID determination, must take into account any issues arising out of the EDB's recording of SAIDI, SAIFI and number of interruptions due to successive interruptions.

The Directors of Alpine Energy Limited certify that:

Alpine Energy Limited has continued to treat successive interruptions in the same way for the 2021 disclosure year as they were for the 2019 disclosure year.