Company Name	Alpine Energy Limited
For Year Ended	31 March 2023

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 9 December 2021. 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 2023 ROI-comparable to a post-tax WACC (reflecting all revenue earned) is 7.92%, similar to the prior year. This is 3% higher than the mid-point estimate of post-tax WACC for 2023.

High CPI numbers continued in 2023, resulting in another year of large revaluations ($17.8 million for 2023), increasing the closing RAB and therefore the ROI.

The net recoverable cost allowed under the incremental rolling incentive scheme disclosed in Schedule 2(v) represents the value disclosed in the Annual Compliance Statement for the assessment period ended 31 March 2023[1], prepared pursuant the Electricity Distribution Services Default Price Quality Path Determination 2020 (consolidated May 2020). This value does not represent the disclosures in Schedule 3(iii): Incremental Rolling Incentive Scheme.

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-

[1] https://www.alpineenergy.co.nz/__data/assets/pdf_file/0007/21130/Alpine-Energy-Limited-DPP-Annual-Compliance-Statement-2023_Final.pdf

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
The other income related to a Nexans Rebate in relation to cable purchases, amounting to $67k. No items were reclassified during the year.

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
We did not merge with nor acquire another regulated business and no items were reclassified.

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 value increased from $267 million to $293 million during the disclosure year. We once again had a year of high value assets commissioned ($19 million – in line with the prior year). Inflation also remained high this year, resulting in a revaluation adjustment of $18 million (PY: $16 million). As indicated in our Asset Management Plan, our network programme is expected to increase in the coming years, and we therefore expect to see the upward trend in our RAB value continue. No items have been reclassified during the current disclosure year.

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

We did not have any income which were not included in regulatory profit / (loss) before tax but taxable during this disclosure year.

The expenditure included in the regulatory profit / (loss) before tax but not deductible in the current year is shown below:

	$
Imputation credits on dividends received	364.19
Non-deductible entertainment	30,459.36
Non-deductible GST on entertainment	2,113.00

We did not have any income included in regulatory profit / (loss) before tax but not taxable or expenditure or loss deductible but not in regulatory profit / (loss) before tax.

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 $718k.

The closing balance is $862k and comprises of the following items:

	$
Accrued ACC	10,022.51
Annual Leave Provision	571,583.94
Long Service Leave Provision	148,100.57
Payroll accrual	132,648.11

The tax effect on the net movement of $145k is $40k.

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

In the current disclosure year (similar to prior years) business support costs are the only costs that required allocation and also the only costs which are not 100% directly attributable to the electricity distribution services.

Directly attributable business support costs are $284K and not directly attributable business support costs are $10.71 million. The total business support costs incurred which are not in relation to electricity distribution services are $550K.

Like the prior year, we used revenue as the proxy allocator for business support costs. Revenue from regulated versus non-regulated activities is deemed to be an accurate representation of the cost allocation as it reflects the output of the activities (and therefore the costs associated with it) closely.

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

In the current disclosure year (similar to prior years) non-network assets are the only assets that required allocation and also the only asset category which is not 100% directly attributable to the electricity distribution services.

Directly attributable non-network assets, amounting to $424K, are in relation to plant and equipment and includes items like drones which are used 100% for network purposes. The not directly attributable non-network assets include land and buildings, vehicles and computers and software, which is used by all departments, including non-electricity distribution services like metering and fibre departments. These therefore require allocation. The total non-network assets allocated to electricity distribution services are $16.4 million.

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 disclosure year was $28 million ($21 million when capital contributions are deducted) compared to $24 million ($21 million when capital contributions are deducted) during 2022.

We do not apply a materiality threshold to identify material CAPEX projects and programmes. All 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 this disclosure year.

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

Operational expenditure for this disclosure year was $25 million, compared to $22 million during 2022.

The total operating expenditure on asset replacement and renewal was $168K in the current disclosure year. The OPEX for asset replacement and renewal is mainly in relation to temporary maintenance on poles identified during outages or other work.

No items have been reclassified and no material atypical expenditure occurred during this disclosure year.

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

We have deemed any variance greater than 10% as a material variance and have provided commentary on those below. The forecast amounts were taken from the Asset Management Plan published at the start of the disclosure year. There were no re-classified items for either OPEX or CAPEX.

Consumer connections

The actual capital expenditure on consumer connections was 56% higher than the forecast. This variance is driven by the receipt of capital contributions for two large customer-initiated projects which were not included in our AMP forecasts. We underspent on our forecast consumer connection expenditure less capital contributions.

System growth

System growth capex was 16% higher than the forecast. An unforecast customer-initiated project drove the additional system growth expenditure.

Asset relocation

The actual capital expenditure on asset relocation was 100% lower than the forecast. Our forecast allowed for the undergrounding of three overhead lines. Two of these projects were reallocated as asset replacement projects, and the third project was reprioritised and did not proceed in this financial year.

Other reliability, safety, and the environment

The actual capital expenditure on other reliability, safety and environment was over forecast by 32%. A large reliability improvement project in Waimate accounts for this additional expenditure.

Non-network assets

The actual capital expenditure on non-network assets was 55% lower than forecast. The main reason for the underspend is that several information technology upgrades were not completed in the current disclosure year, including an upgrade to our billing and ICP lifecycle management system. These projects have been delayed until the roll-out of our new company strategy and specifically the automation of our core business processes.

Operational expenditure

Vegetation management

The actual vegetation management expenditure was 17% lower than forecast. At the time the budget is prepared, a best estimate of this expenditure is made, but the actuals are dependent on the volumes of work performed by the contractors when identifying issues with vegetation hazards on the network, and tree owners declaring 'no interest' in trees, which drives expenditure.

Routine and corrective maintenance and inspection

The actual operational expenditure on routine and corrective maintenance and inspections was 27% lower than forecast with less corrective maintenance work required due to no severe weather events during the year.

Asset replacement and renewal

The actual asset replacement and renewal expenditure was 44% lower than the forecast. At the time the budget is prepared, a best estimate of this expenditure is made, but the actuals are dependent on the volumes of work performed by the contractors when identifying issues with assets during planned or emergency work.

Non-network opex
The business support and system operations and network support are 14% lower than the forecast amount. The main driver for the lower non-network opex was vacant positions not being able to be filled during the year which led to lower labour and other associated costs.

It should be noted that the actual split between business support and system operations and network support is also different from the forecast amounts. We reviewed our regulatory classifications in Technology One during the 2022 disclosure year to ensure the classification into business support and system operation and network support is more accurate (i.e., ensuring all corporate cost centres are in business support and all cost centres in relation to asset planning, asset management etc. are included in system operations and network support), but the forecast amounts included in the AMP was not corrected.

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
Our actual revenue at $56 million was $1 million lower (2%) than the target revenue disclosed in our 2022 Pricing Methodology. This is not considered a material difference.

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
The total normalised SAIFI increased from 1.10 to 1.20 and the total normalised SAIDI decreased from 232.5 to 194.2.

It is important to note that the normalisation methodology used is as per the Input Methodologies and is inconsistent with the methodology employed in the Default Price-Quality Path disclosure.

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 We take our insurance cover for our vehicles and buildings (including substations) and have public liability insurance. We do not have insurance cover for our network (for example poles and lines) as the premiums are prohibitive and we do not self-insure.

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[2] 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

[2] 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 Limited

For Year Ended 31 March 2023

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 9 December 2021)

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

The nominal dollars capital expenditure forecast for 31 March 2023 represent the forecast actual capital expenditure the year ending 31 March 2023. The constant price for 31 March 2023 represents the forecast values as per the prior year AMP.

To derive the capital expenditure in nominal dollar terms, the constant price forecasts (using 2024 real dollars) were inflated by 3.3% for 2025, 2.4% for 2026, and 2.0% for the other years, based on forecasts by ANZ and the Reserve Bank of New Zealand (RBNZ). To derive the 10-year forecast, 3.3% for 2025, 2.4% for 2026, and 2.0% for the other years, as conservative inflationary rates. Therefore, the difference between nominal and constant expenditure forecasts is an inflationary impact of 3.3% in 2025, 2.4% in 2026, and 2.0% in the other years.

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

The nominal dollars operational expenditure forecast for 31 March 2023 represent the forecast actual operational expenditure the year ending 31 March 2023. The constant price for 31 March 2023 represents the forecast values as per the prior year AMP.
To derive the operational expenditure in nominal dollar terms, the constant price forecasts (using 2024 real dollars) were inflated by 3.3% for 2025, 2.4% for 2026, and 2.0% for the other years, based on forecasts by ANZ and the Reserve Bank of New Zealand (RBNZ). To derive the 10-year forecast, 3.3% for 2025, 2.4% for 2026, and 2.0% for the other years, as conservative inflationary rates. Therefore, the difference between nominal and constant expenditure forecasts is an inflationary impact of 3.3% in 2025, 2.4% in 2026, and 2.0% in the other years.

Company Name Alpine Energy Limited

For Year Ended 31 March 2023

Schedule 15 Voluntary Explanatory Notes

(In this Schedule, clause references are to the Electricity Distribution Information Disclosure Determination 2012 – as amended and consolidated 9 December 2021.)

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

<u>Schedule 10</u>

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. This limitation will be removed once we move to an ADMS system, which is planned to be implemented in the next two years.

We treat 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 26 May 2023, the Commission Commerce published an Information Disclosure Exemption to address the process by which EDBs' record and report 'successive interruptions' in Schedule 10.

The exemption is from the requirement that the assurance report required by clause 2.8.1 (1) of the ID Determination must take into account any issues arising out of an EDB's recording of SAIDI and 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 2023 disclosure year as they were for the 2022 disclosure year.