



Information disclosure for the Maui gas transmission business for the disclosure year ending 31 December 2016

30 June 2017



Introduction

First Gas operates 2,500km of gas transmission pipelines (including the Maui pipeline), and more than 4,800km of gas distribution pipelines across the North Island. These gas infrastructure assets transport gas from Taranaki to major industrial gas users, electricity generators, businesses and homes, and transport around 20 percent of New Zealand's primary energy supply.

For further information on First Gas, please visit our website www.firstgas.co.nz.

Information disclosure

This document contains First Gas' annual information disclosure for the Maui gas transmission business, for the disclosure year ending on 31 December 2016, as required by the *Gas Transmission Information Disclosure Determination 2012* consolidating all amendments as of 24 March 2015 ("the Determination") issued by the Commerce Commission.

The following documents are provided with this disclosure:

- Schedules 1 – 10: Financial and technical schedules
- Schedules 14 – 15: Mandatory and voluntary explanatory notes
- Schedule 19: Director certification
- KPMG assurance report

Further information

For further information regarding this information disclosure, please contact:

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**GTB Information Disclosure Requirements
Information Templates
for
Schedules 1–10**

Company Name

First Gas Limited (Maui Pipeline)

Disclosure Date

30 June 2017

Disclosure Year (year ended)

31 December 2016

Templates for Schedules 1–10 excluding 5f–5g
Template Version 4.1. Prepared 24 March 2015

Company Name **First Gas Limited (Maui Pipeline)**For Year Ended **31 December 2016****SCHEDULE 1: ANALYTICAL RATIOS**

This schedule calculates expenditure, revenue and service ratios from the information disclosed. The disclosed ratios may vary for reasons that are company specific and, as a result, must be interpreted with care. The Commerce Commission will publish a summary and analysis of information disclosed in accordance with the ID determination. This will include information disclosed in accordance with this and other schedules, and information disclosed under the other requirements of the determination.

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

7 1(i): Expenditure Metrics

	Ratio of expenditure to quantity of gas delivered (\$ per TJ)	Ratio of expenditure to system length (\$ per km)
8 Operational expenditure	73	35,342
9 Network	19	9,300
10 Non-network	54	26,043
12 Expenditure on assets	26	12,574
13 Network	26	12,574
14 Non-network	-	-

17 1(ii): Service Intensity Measures

18		
19	Volume density	482
20		Quantity of gas delivered per km of system length (TJ/km)

21 1(iii): Composition of Revenue Requirement

	(\$000)	% of revenue
23	Operational expenditure	10,907
24	Pass through and recoverable costs excluding financial incentives and wash-ups	(970)
25	Total depreciation	7,897
26	Total revaluations	3,800
27	Regulatory tax allowance	4,647
28	Regulatory profit/(loss) including financial incentives and wash-ups	18,800
29	Total regulatory income	37,481

31 1(iv): Reliability

32		
33	Interruption rate	7.1288
		Interruptions per 100km of system length

Company Name **First Gas Limited (Maui Pipeline)**For Year Ended **31 December 2016****SCHEDULE 2: REPORT ON RETURN ON INVESTMENT**

This schedule requires information on the Return on Investment (ROI) for the GTB relative to the Commerce Commission's estimates of post tax WACC and vanilla WACC. GTBs must calculate their ROI based on a monthly basis if required by clause 2.3.3 of the ID determination or if they elect to. If a GTB makes this election, information supporting this calculation must be provided in 2(iii). GTBs must provide explanatory comment on their ROI in Schedule 14 (Mandatory Explanatory Notes).

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sch ref

2(i): Return on Investment**ROI – comparable to a post tax WACC**

Reflecting all revenue earned
Excluding revenue earned from financial incentives
Excluding revenue earned from financial incentives and wash-ups

CY-2	CY-1	Current Year CY
31 Dec 14	31 Dec 15	31 Dec 16
%	%	%
6.98%	5.89%	6.13%
6.98%	5.89%	6.13%
6.98%	5.89%	6.13%

Mid-point estimate of post tax WACC

25th percentile estimate
75th percentile estimate

6.85%	6.39%	5.80%
6.04%	5.58%	4.99%
7.66%	7.20%	6.61%

ROI – comparable to a vanilla WACC

Reflecting all revenue earned
Excluding revenue earned from financial incentives
Excluding revenue earned from financial incentives and wash-ups

7.76%	6.59%	6.72%
7.76%	6.59%	6.72%
7.76%	6.59%	6.72%

WACC rate used to set regulatory price path

7.44%	7.44%	7.44%
-------	-------	-------

Mid-point estimate of vanilla WACC

25th percentile estimate
75th percentile estimate

7.64%	7.08%	6.39%
6.83%	6.27%	5.58%
8.45%	7.89%	7.20%

2(ii): Information Supporting the ROI

(\$000)

Total opening RAB value

284,499

Opening RIV

284,499

Line charge revenue

37,199

Expenses cash outflow

9,937

plus Assets commissioned

6,355

less Asset disposals

-

plus Regulatory tax allowance

4,647

less Other regulated income

282

Mid-year net cash outflows

20,657

Term credit spread differential allowance

-

Total closing RAB value

286,757

less Adjustment resulting from asset allocation

-

less Lost and found assets adjustment

-

Closing RIV

286,756

ROI – comparable to a vanilla WACC

6.72%

Leverage (%)

44.0%

Cost of debt assumption (%)

4.77%

Corporate tax rate (%)

28.0%

ROI – comparable to a post tax WACC

6.13%

Company Name **First Gas Limited (Maui Pipeline)**
For Year Ended **31 December 2016**

SCHEDULE 2: REPORT ON RETURN ON INVESTMENT

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sch ref

2(iii): Information Supporting the Monthly ROI

Opening RIV

N/A

		(\$000)				
	Line charge revenue	Expenses cash outflow	Assets commissioned	Asset disposals	Other regulated income	Monthly net cash outflows
Month 1						-
Month 2						-
Month 3						-
Month 4						-
Month 5						-
Month 6						-
Month 7						-
Month 8						-
Month 9						-
Month 10						-
Month 11						-
Month 12						-
Total	-	-	-	-	-	-

Regulatory tax allowance

N/A

Term credit spread differential allowance

N/A

Closing RIV

N/A

Monthly ROI – comparable to a vanilla WACC

N/A

Monthly ROI – comparable to a post tax WACC

N/A

2(iv): Year-end ROI rates for comparison purposes

Year-end ROI – comparable to a vanilla WACC

6.54%

Year-end ROI – comparable to a post tax WACC

5.95%

* The year-end ROI values are comparable to the ROI reported in pre 2012 disclosures by GTBs and do not represent the Commission's current view on ROI.

2(v): Financial Incentives and Wash-Ups

Net recoverable costs allowed under incremental rolling incentive scheme

-

Other financial incentives

-

Financial incentives

-

Impact of financial incentives on ROI

-

Input methodology claw-back

-

Recoverable customised price-quality path costs

-

Other wash-ups

-

Wash-up costs

-

Impact of wash-up costs on ROI

-

Company Name **First Gas Limited (Maui Pipeline)**
For Year Ended **31 December 2016**

SCHEDULE 3: REPORT ON REGULATORY PROFIT

This schedule requires information on the calculation of regulatory profit for the GTB for the disclosure year. GTBs must complete all sections and must provide explanatory comment on their regulatory profit in Schedule 14 (Mandatory Explanatory Notes).
This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

7	3(i): Regulatory Profit		(\$000)
8	Income		
9	Line charge revenue	37,199	
10	plus Gains / (losses) on asset disposals	-	
11	plus Other regulated income (other than gains / (losses) on asset disposals)	282	
12			
13	Total regulatory income	37,481	
14	Expenses		
15	less Operational expenditure	10,907	
16			
17	less Pass-through and recoverable costs excluding financial incentives and wash-ups	(970)	
18			
19	Operating surplus / (deficit)	27,544	
20			
21	less Total depreciation	7,897	
22			
23	plus Total revaluations	3,800	
24			
25	Regulatory profit / (loss) before tax	23,447	
26			
27	less Term credit spread differential allowance	-	
28			
29	less Regulatory tax allowance	4,647	
30			
31	Regulatory profit/(loss) including financial incentives and wash-ups	18,800	
32			
33	3(ii): Pass-through and Recoverable Costs excluding Financial Incentives and Wash-Ups		(\$000)
34	Pass through costs		
35	Rates	388	
36	Commerce Act levies	472	
37	Industry Levies	11	
38	CPP specified pass through costs	-	
39	Recoverable costs excluding financial incentives and wash-ups		
40	Balancing gas costs	(1,841)	
41	Other recoverable costs excluding financial incentives and wash-ups	-	
42	Pass-through and recoverable costs excluding financial incentives and wash-ups	(970)	
43			
44	3(iii): Incremental Rolling Incentive Scheme		(\$000)
45		CY-1	CY
46		31 Dec 15	31 Dec 16
47	Allowed controllable opex		
48	Actual controllable opex		
49			
50	Incremental change in year		
51			
52		Previous years' incremental change	Previous years' incremental change adjusted for inflation
53	CY-5 31 Dec 11		
54	CY-4 31 Dec 12		
55	CY-3 31 Dec 13		
56	CY-2 31 Dec 14		
57	CY-1 31 Dec 15		
58	Net incremental rolling incentive scheme	-	
59			
60	Net recoverable costs allowed under incremental rolling incentive scheme	-	
61			
62	3(iv): Merger and Acquisition Costs		(\$000)
63			
64	Merger and acquisition expenditure		
65			
66	<i>Provide commentary on the benefits of merger and acquisition expenditure to the gas transmission business, including required disclosures in accordance with section 2.7, in Schedule 14 (Mandatory Explanatory Notes)</i>		
67			
68	3(v): Other Disclosures		(\$000)
69			
70	Self-insurance allowance		

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)

This schedule requires information on the calculation of the Regulatory Asset Base (RAB) value to the end of this disclosure year. This informs the ROI calculation in Schedule 2. GTBs must provide explanatory comment on the value of their RAB in Schedule 14 (Mandatory Explanatory Notes). This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

4(i): Regulatory Asset Base Roll Forward

for year ended	RAB 31 Dec 12 (\$000)	RAB 31 Dec 13 (\$000)	RAB 31 Dec 14 (\$000)	RAB 31 Dec 15 (\$000)	RAB 31 Dec 16 (\$000)
Total opening RAB value	299,736	295,513	294,885	290,850	284,499
less Total depreciation	7,285	7,373	7,571	7,773	7,897
plus Total revaluations	2,847	4,803	2,234	242	3,800
plus Assets commissioned	216	1,941	1,303	1,796	6,355
less Asset disposals	-	-	-	617	-
plus Lost and found assets adjustment	-	-	-	-	-
plus Adjustment resulting from asset allocation	-	-	-	-	-
Total closing RAB value	295,513	294,885	290,850	284,499	286,757

4(ii): Unallocated Regulatory Asset Base

	Unallocated RAB *	RAB
	(\$000)	(\$000)
Total opening RAB value	284,499	284,499
less Total depreciation	7,897	7,897
plus Total revaluations	3,800	3,800
plus Assets commissioned (other than below)	5,922	5,922
Assets acquired from a regulated supplier	-	-
Assets acquired from a related party	433	433
Assets commissioned	6,355	6,355
less Asset disposals (other than below)		
Asset disposals to a regulated supplier		
Asset disposals to a related party		
Asset disposals	-	-
plus Lost and found assets adjustment		
plus Adjustment resulting from asset allocation		-
Total closing RAB value	286,757	286,757

* The 'unallocated RAB' is the total value of those assets used wholly or partially to provide gas transmission services without any allowance being made for the allocation of costs to services provided by the supplier that are not gas transmission services. The RAB value represents the value of these assets after applying this cost allocation. Neither value includes works under construction.

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)

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sch ref

51					
52	4(iii): Calculation of Revaluation Rate and Revaluation of Assets				
53					
54	CPI _t				1,214
55	CPI _{t-4}				1,198
56	Revaluation rate (%)				1.34%
57					
58					
59		Unallocated RAB *	RAB		
60		(\$000)	(\$000)	(\$000)	(\$000)
61	Total opening RAB value	284,499		284,499	
62	less Opening value of fully depreciated, disposed and lost assets				
63	Total opening RAB value subject to revaluation	284,499		284,499	
64	Total revaluations		3,800		3,800
65					
66	4(iv): Roll Forward of Works Under Construction				
67					
68	Works under construction—preceding disclosure year				
69	plus Capital expenditure		3,134		3,134
70	less Assets commissioned	3,880		3,880	
71	plus Adjustment resulting from asset allocation	6,355		6,355	
72	Works under construction - current disclosure year		659		659
73					
74	Highest rate of capitalised finance applied				
75					

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 4: REPORT ON VALUE OF THE REGULATORY ASSET BASE (ROLLED FORWARD)

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sch ref

4(v): Regulatory Depreciation

	Unallocated RAB *		RAB	
	(\$000)	(\$000)	(\$000)	(\$000)
Depreciation - standard	7,897		7,897	
Depreciation - no standard life assets				
Depreciation - modified life assets				
Depreciation - alternative depreciation in accordance with CPP				
Total depreciation		7,897		7,897

4(vi): Disclosure of Changes to Depreciation Profiles

(\$000 unless otherwise specified)

Asset or assets with changes to depreciation	Reason for non-standard depreciation (text entry)	Depreciation charge for the period (RAB)	Closing RAB value under 'non-standard' depreciation	Closing RAB value under 'standard' depreciation

* Include additional rows if needed

4(vii): Disclosure by Asset Category

(\$000 unless otherwise specified)

	Pipes	Stations	Compressors	Main-line valves	Special crossings	Other network assets	Non-network assets	Total
Total opening RAB value	273,084	3,183	4,355	1,573	-	1,536	768	284,499
less Total depreciation	6,503	384	706	198	-	37	69	7,897
plus Total revaluations	3,647	43	58	21	-	21	10	3,800
plus Assets commissioned	6,355	-	-	-	-	-	-	6,355
less Asset disposals								-
plus Lost and found assets adjustment								-
plus Adjustment resulting from asset allocation								-
plus Asset category transfers								-
Total closing RAB value	276,583	2,842	3,707	1,396	-	1,520	709	286,757
Asset Life								
Weighted average remaining asset life	42.0	9.3	6.9	8.0	-	42.0	20.0	(years)
Weighted average expected total asset life	80.0	41.8	39.0	64.6	0.0	80.0	51.3	(years)

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 5a: REPORT ON REGULATORY TAX ALLOWANCE

This schedule requires information on the calculation of the regulatory tax allowance. This information is used to calculate regulatory profit/loss in Schedule 3 (regulatory profit).

GTBs must provide explanatory commentary on the information disclosed in this schedule, in Schedule 14 (Mandatory Explanatory Notes).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 14 of the ID determination.

5a(i): Regulatory Tax Allowance		(\$000)	
	Regulatory profit / (loss) before tax		23,447
plus	Total depreciation	7,897	
less	Tax depreciation	4,625	
Permanent differences:			
plus	Income not included in regulatory profit / (loss) before tax but taxable	-	*
	Expenditure or loss in regulatory profit / (loss) before tax but not deductible	1	*
less	Total revaluations	3,800	
	Income included in regulatory profit / (loss) before tax but not taxable	-	*
	Expenditure or loss deductible but not in regulatory profit / (loss) before tax	488	*
			(4,287)
Temporary differences:			
plus	Income not included in regulatory profit / (loss) before tax but taxable	-	*
	Expenditure or loss in regulatory profit / (loss) before tax but not deductible		*
less	Income included in regulatory profit / (loss) before tax but not taxable	-	*
	Expenditure or loss deductible but not in regulatory profit / (loss) before tax	-	*
			-
less	Notional deductible interest		5,834
	Regulatory taxable income		16,598
less	Utilised tax losses	-	
	Regulatory net taxable income		16,598
	Corporate tax rate (%)	28%	
	Regulatory tax allowance		4,647

* Workings to be provided in Schedule 14

5a(ii): Disclosure of Permanent and Temporary Differences

In Schedule 14, Box 5 and Box 6, provide descriptions and workings of items recorded in the asterisked categories in Schedule 5a(i).

5a(iii): Reconciliation of Tax Losses (\$000)

	Opening tax losses	-	
plus	Current period tax losses	-	
less	Utilised tax losses	-	
	Closing tax losses		-

5a(iv): Regulatory Tax Asset Base Roll-Forward

		(\$000)	
	Opening sum of regulatory tax asset values	45,917	
less	Tax depreciation	4,625	
plus	Regulatory tax asset value of assets commissioned	6,355	
less	Regulatory tax asset value of asset disposals	-	
plus	Lost and found assets adjustment	-	
plus	Adjustment resulting from asset allocation	-	
plus	Other adjustments to the RAB tax value	-	
	Closing sum of regulatory tax asset values		47,647

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 5b: REPORT ON RELATED PARTY TRANSACTIONS

This schedule provides information on the valuation of related party transactions, in accordance with section 2.3.7 and 2.3.8 of the ID determination.

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

5b(i): Summary—Related Party Transactions

(\$000)

Total regulatory income	250
Operational expenditure	2,704
Capital expenditure	434
Market value of asset disposals	-
Other related party transactions - recoverable income	2,765
Other related party transactions - recoverable costs	1,348

5b(ii): Entities Involved in Related Party Transactions

Name of related party	Related party relationship
Gas Services (Joint Venture)	Gas Services Joint Venture and First Gas Limited have some common ultimate owners
First Gas Limited	Owner of the Maui pipeline from 16 June 2016

* include additional rows if needed

5b(iii): Related Party Transactions

Name of related party	Related party transaction Type	Description of transaction	Value of transaction (\$000)	Basis for determining value
First Gas Limited	Sales	Gas Transmission services on the Maui pipeline	250	ID clause 2.3.8(2)(a)
Gas Services (Joint Venture)	Opex	Gas contracting services	2,704	ID clause 2.3.7(2)(b)
Gas Services (Joint Venture)	Capex	Gas contracting services	434	IM clause 2.2.11(5)e)
First Gas Limited	Sales	Gas purchased from Maui pipeline to settle accumulated excess operational imbalance on the Maui pipeline	2,765	ID clause 2.3.8(1)
First Gas Limited	Opex	Gas sold to Maui pipeline	1,348	ID clause 2.3.7(2)(c)(ii)

* include additional rows if needed

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 5c: REPORT ON TERM CREDIT SPREAD DIFFERENTIAL ALLOWANCE

This schedule is only to be completed if, as at the date of the most recently published financial statements, the weighted average original tenor of the debt portfolio (both qualifying debt and non-qualifying debt) is greater than five years.
 This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

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9

5c(i): Qualifying Debt (may be Commission only)

Issuing party	Issue date	Pricing date	Original tenor (in years)	Coupon rate (%)	Book value at issue date (NZD)	Book value at date of financial statements (NZD)	Term Credit Spread Difference	Cost of executing an interest rate swap	Debt issue cost readjustment
* include additional rows if needed						-	-	-	-

16

17

18

5c(ii): Attribution of Term Credit Spread Differential

19

20

Gross term credit spread differential

-

21

22

Total book value of interest bearing debt

23

Leverage

44%

24

Average opening and closing RAB values

25

Attribution Rate (%)

-

26

27

Term credit spread differential allowance

-

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 5d: REPORT ON COST ALLOCATIONS

This schedule provides information on the allocation of operational costs. GTBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any reclassifications. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

5d(i): Operating Cost Allocations		Value allocated (\$000s)			
		Arm's length deduction	Gas transmission services	Non-gas transmission services	OVABAA allocation increase (\$000s)
Service interruptions, incidents and emergencies					
	Directly attributable		89		
	Not directly attributable				-
	Total attributable to regulated service		89		
Routine and corrective maintenance and inspection					
	Directly attributable		2,511		
	Not directly attributable				-
	Total attributable to regulated service		2,511		
Asset replacement and renewal					
	Directly attributable		124		
	Not directly attributable				-
	Total attributable to regulated service		124		
Compressor fuel					
	Directly attributable		-		
	Not directly attributable				-
	Total attributable to regulated service		-		
Land management and associated activity					
	Directly attributable		146		
	Not directly attributable				-
	Total attributable to regulated service		146		
System operations					
	Directly attributable		1,374		
	Not directly attributable				-
	Total attributable to regulated service		1,374		
Network support					
	Directly attributable		779		
	Not directly attributable		758	2,181	2,939
	Total attributable to regulated service		1,537		
Business support					
	Directly attributable		2,245		
	Not directly attributable		2,881	12,125	15,006
	Total attributable to regulated service		5,126		
Operating costs directly attributable			7,268		
Operating costs not directly attributable		-	3,639	14,306	17,945
Operational expenditure			10,907		

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 5d: REPORT ON COST ALLOCATIONS

This schedule provides information on the allocation of operational costs. GTBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any reclassifications. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

		Value allocated (\$000s)				
		Arm's length deduction	Gas distribution services	distribution services	Total	OVABAA allocation increase (\$000s)
47	5d(ii): Other Cost Allocations					
48	Pass through and recoverable costs					
49	Pass through costs					
50	Directly attributable		871			
51	Not directly attributable		-	-	-	
52	Total attributable to regulated service		871			
53	Recoverable costs					
54	Directly attributable		(1,841)			
55	Not directly attributable		-	-	-	
56	Total attributable to regulated service		(1,841)			
57						
58	5d(iii): Changes in Cost Allocations* †					
59						
60						
61	Change in cost allocation 1					
62	Cost category					
63	Original allocator or line items		Original allocation			
64	New allocator or line items		New allocation			
65			Difference	-	-	
66	Rationale for change					
67						
68						
69						
70	Change in cost allocation 2					
71	Cost category					
72	Original allocator or line items		Original allocation			
73	New allocator or line items		New allocation			
74			Difference	-	-	
75	Rationale for change					
76						
77						
78						
79	Change in cost allocation 3					
80	Cost category					
81	Original allocator or line items		Original allocation			
82	New allocator or line items		New allocation			
83			Difference	-	-	
84	Rationale for change					
85						
86						
87	* a change in cost allocation must be completed for each allocator or component change that has occurred in the disclosure year. A movement in an allocator metric is not a change in allocator or component.					
88	† include additional rows if needed					

Company Name **First Gas Limited (Maui Pipeline)**
For Year Ended **31 December 2016**

SCHEDULE 5e: REPORT ON ASSET ALLOCATIONS

This schedule requires information on the allocation of asset values. This information supports the calculation of the RAB value in Schedule 4. GTBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any changes in asset allocations. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

7	5e(i): Regulated Service Asset Values	
8		Value allocated
9		(\$000s)
10		Gas transmission
11	Pipes	services
12	Directly attributable	276,583
13	Not directly attributable	-
14	Total attributable to regulated service	276,583
15	Stations	
16	Directly attributable	2,842
17	Not directly attributable	-
18	Total attributable to regulated service	2,842
19	Compressors	
20	Directly attributable	3,707
21	Not directly attributable	-
22	Total attributable to regulated service	3,707
23	Main-line valves	
24	Directly attributable	1,396
25	Not directly attributable	-
26	Total attributable to regulated service	1,396
27	Special crossings	
28	Directly attributable	-
29	Not directly attributable	-
30	Total attributable to regulated service	-
31	Other network assets	
32	Directly attributable	1,520
33	Not directly attributable	-
34	Total attributable to regulated service	1,520
35	Non-network assets	
36	Directly attributable	709
37	Not directly attributable	-
38	Total attributable to regulated service	709
39	Regulated service asset value directly attributable	286,757
40	Regulated service asset value not directly attributable	-
41	Total closing RAB value	286,757

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 5e: REPORT ON ASSET ALLOCATIONS

This schedule requires information on the allocation of asset values. This information supports the calculation of the RAB value in Schedule 4. GTBs must provide explanatory comment on their cost allocation in Schedule 14 (Mandatory Explanatory Notes), including on the impact of any changes in asset allocations. This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

42

43

5e(ii): Changes in Asset Allocations* †

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71

72

73

Change in asset value allocation 1

Asset category

Original allocator or line items

New allocator or line items

Rationale for change

Original allocation

New allocation

Difference

(\$000)

CY-1

Current Year (CY)

-

-

Change in asset value allocation 2

Asset category

Original allocator or line items

New allocator or line items

Rationale for change

Original allocation

New allocation

Difference

(\$000)

CY-1

Current Year (CY)

-

-

Change in asset value allocation 3

Asset category

Original allocator or line items

New allocator or line items

Rationale for change

Original allocation

New allocation

Difference

(\$000)

CY-1

Current Year (CY)

-

-

* a change in asset allocation must be completed for each allocator or component change that has occurred in the disclosure year. A movement in an allocator metric is not a change in allocator or compone

† include additional rows if needed

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 6a: REPORT ON CAPITAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of capital expenditure on assets incurred in the disclosure year, including any assets in respect of which capital contributions are received, but excluding assets that are vested assets. Information on expenditure on assets must be provided on an accounting accruals basis and must exclude finance costs.

GTBs must provide explanatory comment on their expenditure on assets in Schedule 14 (Explanatory notes to templates).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

7	6a(i): Expenditure on Assets		
8	Consumer connection	(\$000)	(\$000)
9	System growth		-
10	Asset replacement and renewal		3,685
11	Asset relocations		105
12	Reliability, safety and environment:		
13	Quality of supply	19	
14	Legislative and regulatory	-	
15	Other reliability, safety and environment	71	
16	Total reliability, safety and environment		90
17	Expenditure on network assets		3,880
18	Expenditure on non-network assets		-
19			
20	Expenditure on assets		3,880
21	plus Cost of financing		-
22	less Value of capital contributions		-
23	plus Value of vested assets		-
24			
25	Capital expenditure		3,880
26	6a(ii): Subcomponents of Expenditure on Assets(where known)		
27	Research and development		
28	6a(iii): Consumer Connection		
29	Connection types defined by GTB*	(\$000)	(\$000)
30			
31			
32			
33			
34			
35	* include additional rows if needed		
36	Consumer connection expenditure		-
37			
38	less Capital contributions funding consumer connection expenditure		
39	Consumer connection less capital contributions		-

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 6a: REPORT ON CAPITAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of capital expenditure on assets incurred in the disclosure year, including any assets in respect of which capital contributions are received, but excluding assets that are vested assets. Information on expenditure on assets must be provided on an accounting accruals basis and must exclude finance costs.

GTBs must provide explanatory comment on their expenditure on assets in Schedule 14 (Explanatory notes to templates).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

40	6a(iv): System Growth and Asset Replacement and Renewal		
41			
42		System Growth	Asset Replacement and Renewal
43	Pipes	(\$000)	(\$000)
44	Compressor stations		3,640
45	Other stations		35
46	SCADA and communications		10
47	Special crossings		
48	<i>Components of stations (where known)</i>		
49	Main-line valves		
50	Heating system		
51	Odourisation plants		
52	Coalescers		
53	Metering system		
54	Cathodic protection		
55	Chromatographs		
56	System growth and asset replacement and renewal expenditure	-	3,685
57	<i>less</i> Capital contributions funding system growth and asset replacement and renewal		
58	System growth and asset replacement and renewal less capital contributions	-	3,685
59			
60			
61	6a(v): Asset Relocations		
62	<i>Project or programme*</i>	(\$000)	(\$000)
63			
64			
65			
66			
67			
68	<i>* include additional rows if needed</i>		
69	All other projects or programmes - asset relocations	105	
70	Asset relocations expenditure		105
71	<i>less</i> Capital contributions funding asset relocations		
72	Asset relocations less capital contributions		105
73	6a(vi): Quality of Supply	(\$000)	(\$000)
74	<i>Project or programme*</i>		
75			
76			
77			
78			
79			
80	<i>* include additional rows if needed</i>		
81	All other projects or programmes - quality of supply	19	
82	Quality of supply expenditure		19
83	<i>less</i> Capital contributions funding quality of supply		
84	Quality of supply less capital contributions		19

Company Name **First Gas Limited (Maui Pipeline)**
For Year Ended **31 December 2016**

SCHEDULE 6a: REPORT ON CAPITAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of capital expenditure on assets incurred in the disclosure year, including any assets in respect of which capital contributions are received, but excluding assets that are vested assets. Information on expenditure on assets must be provided on an accounting accruals basis and must exclude finance costs.

GTBs must provide explanatory comment on their expenditure on assets in Schedule 14 (Explanatory notes to templates).

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

85	6a(vii): Legislative and Regulatory			
86	Project or programme*		(\$000)	(\$000)
87				
88				
89				
90				
91				
92	* include additional rows if needed			
93	All other projects or programmes - legislative and regulatory			
94	Legislative and regulatory expenditure			-
95	less	Capital contributions funding legislative and regulatory		
96	Legislative and regulatory less capital contributions			-
97				
98	6a(viii): Other Reliability, Safety and Environment			
99	Project or programme*		(\$000)	(\$000)
100				
101				
102				
103				
104				
105	* include additional rows if needed			
106	All other projects or programmes - other reliability, safety and environment		71	
107	Other reliability, safety and environment expenditure			71
108	less	Capital contributions funding other reliability, safety and environment		
109	Other reliability, safety and environment less capital contributions			71
110				
111	6a(ix): Non-Network Assets			
112	Routine expenditure			
113	Project or programme*		(\$000)	(\$000)
114				
115				
116				
117				
118				
119	* include additional rows if needed			
120	All other projects or programmes - routine expenditure			
121	Routine expenditure			-
122	Atypical expenditure			
123	Project or programme*		(\$000)	(\$000)
124				
125				
126				
127				
128				
129	* include additional rows if needed			
130	All other projects or programmes - atypical expenditure			
131	Atypical expenditure			-
132				
133	Expenditure on non-network assets			-

Company Name

First Gas Limited (Maui Pipeline)

For Year Ended

31 December 2016

SCHEDULE 6b: REPORT ON OPERATIONAL EXPENDITURE FOR THE DISCLOSURE YEAR

This schedule requires a breakdown of operational expenditure incurred in the disclosure year. GTBs must provide explanatory comment on their operational expenditure in Schedule 14 (Explanatory notes to templates). This includes explanatory comment on any atypical operational expenditure and assets replaced or renewed as part of asset replacement and renewal operational expenditure, and additional information on insurance.

This information is part of audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8.

sch ref

		(\$000)	(\$000)
7	6b(i): Operational Expenditure		
8	Service interruptions, incidents and emergencies	89	
9	Routine and corrective maintenance and inspection	2,511	
10	Asset replacement and renewal	124	
11	Compressor fuel	-	
12	Land management and associated activity	146	
13	Network opex		2,870
14	System operations	1,374	
15	Network support	1,537	
16	Business support	5,126	
17	Non-network opex		8,037
18			
19	Operational expenditure		10,907
20	6b(ii): Subcomponents of Operational Expenditure (where known)		
21	Research and development		-
22	Insurance		313

Company Name

First Gas Limited (Maui Pipeline)

For Year Ended

31 December 2016

SCHEDULE 7: COMPARISON OF FORECASTS TO ACTUAL EXPENDITURE

This schedule compares actual revenue and expenditure to the previous forecasts that were made for the disclosure year. Accordingly, this schedule requires the forecast revenue and expenditure information from previous disclosures to be inserted.

GTBs must provide explanatory comment on the variance between actual and target revenue and forecast expenditure in Schedule 14 (Mandatory Explanatory Notes). This information is part of the audited disclosure information (as defined in section 1.4 of the ID determination), and so is subject to the assurance report required by section 2.8. For the purpose of this audit, target revenue and forecast expenditures only need to be verified back to previous disclosures.

sch ref

7(i): Revenue

Target (\$000) ¹	Actual (\$000)	% variance
35,658	37,199	4%

Line charge revenue

7(ii): Expenditure on Assets

Forecast (\$000) ²	Actual (\$000)	% variance
-	-	-
-	-	-
3,021	3,685	22%
-	105	-
1,488	19	(99%)
100	-	(100%)
1,280	71	(94%)
2,868	90	(97%)
5,889	3,880	(34%)
3,265	-	(100%)
9,154	3,880	(58%)

Consumer connection

System growth

Asset replacement and renewal

Asset relocations

Reliability, safety and environment:

Quality of supply

Legislative and regulatory

Other reliability, safety and environment

Total reliability, safety and environment**Expenditure on network assets**

Expenditure on non-network assets

Expenditure on assets**7(iii): Operational Expenditure**

Forecast (\$000) ²	Actual (\$000)	% variance
113	89	(21%)
3,499	2,511	(28%)
1,690	124	(93%)
545	-	(100%)
117	146	25%
5,964	2,870	(52%)
1,986	1,374	(31%)
1,534	1,537	0%
6,026	5,126	(15%)
9,546	8,037	(16%)
15,510	10,907	(30%)

Service interruptions, incidents and emergencies

Routine and corrective maintenance and inspection

Asset replacement and renewal

Compressor fuel

Land management and associated activity

Network opex

System operations

Network support

Business support

Non-network opex**Operational expenditure****7(iv): Subcomponents of Expenditure on Assets (where known)**

Forecast (\$000) ²	Actual (\$000)	% variance
-	-	-

Research and development

7(v): Subcomponents of Operational Expenditure (where known)

Forecast (\$000) ²	Actual (\$000)	% variance
-	-	-
-	313	-

Research and development

Insurance

¹ From the nominal dollar target revenue for the pricing year disclosed under clause 2.4.3(3) of this determination

² from the CY+1 nominal dollar expenditure forecasts disclosed in accordance with clause 2.6.6 for the forecast period starting at the beginning of the disclosure year (the second to last disclosure of Schedules 11a and 11b)

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 8: REPORT ON BILLED QUANTITIES AND LINE CHARGE REVENUES

This schedule requires disclosure of the delivered quantities and number of offtake points for each type of connection on the GTB's network, and the energy delivered to these offtake points, for the disclosure year. It also requires the billed quantities and associated line charge revenues for each contract type used by the GTB, for the disclosure year.

sch ref

8(i): Billed quantities by contract type

Contract type	Billed quantities - Gas throughput billed*	Billed quantities - Reserved capacity billed*	Billed quantities - Overrun charges billed*	Billed quantities - Approved Nominations billed**	Billed quantities - Σ (Approved Nominations x distance) billed**	Add extra columns for additional billed quantities as necessary
	Units	Units	Units	TJ	TJ.km	
Standard				160947.89	15,988,536	
Add extra rows for additional contract types as necessary						
Totals for all contracts	-	-	-	160,947.89	15,988,536.40	

8(ii): Line charge revenues (\$000) by contract type

Contract type	Total line charge revenue in disclosure year	Gas throughput revenue*	Reserved capacity revenue*	Overrun charges revenue*	Approved Nominations revenue**	Σ (Approved Nominations x distance) revenue**	Add extra columns for additional line charge revenues as necessary	Notional revenue foregone from posted discounts (if applicable)
Standard	\$37,199				\$11,969	\$25,230		
Add extra rows for additional contract types as necessary								
Totals for all contracts	\$37,199	-	-	-	\$11,969	\$25,230		-

*Vector only

**MDL only

Company Name

First Gas Limited (Maui Pipeline)

For Year Ended

31 December 2016

SCHEDULE 9a: ASSET REGISTER

This schedule requires a summary of the quantity of assets that make up the network, by asset category and asset class.

sch ref

				Items at start of year (quantity)	Items at end of year (quantity)	Net change	Data accuracy (1-4)
7	Asset category	Asset class	Units				
8	Pipes	Protected steel pipes	km	309	309	-	4
9	Pipes	Special crossings	km	1	1	-	4
10	Stations	Compressor stations	No.	1	1	-	4
11	Stations	Offtake point	No.	15	15	-	4
12	Stations	Scraper stations	No.	2	2	-	4
13	Stations	Intake points	No.	7	7	-	4
14	Stations	Metering stations	No.			-	N/A
15	Compressors	Compressors—turbine driven	No.	2	2	-	4
16	Compressors	Compressors—electric motor driven	No.	-	-	-	N/A
17	Compressors	Compressors—reciprocating engine driven	No.	-	-	-	N/A
18	Main-line valves	Main line valves manually operated	No.	4	4	-	4
19	Main-line valves	Main line valves remotely operated	No.	4	4	-	4
20	Heating systems	Gas-fired heaters	No.	2	2	-	4
21	Heating systems	Electric heaters	No.	-	-	-	N/A
22	Odourisation plants	Odourisation plants	No.	-	-	-	N/A
23	Coalescers	Coalescers	No.	4	4	-	4
24	Metering systems	Meters—ultrasonic	No.	2	2	-	4
25	Metering systems	Meters—rotary	No.	-	-	-	N/A
26	Metering systems	Meters turbine	No.	1	1	-	4
27	Metering systems	Meters—mass flow	No.	-	-	-	N/A
28	SCADA and communications	Remote terminal units (RTU)	No.	12	12	-	4
29	SCADA and communications	Communications terminals	No.	-	-	-	N/A
30	Cathodic protection	Rectifier units	No.	12	12	-	4
31	Chromatographs	Chromatographs	No.	1	1	-	4

Company Name	First Gas Limited (Maui Pipeline)
For Year Ended	31 December 2016

SCHEDULE 9b: ASSET AGE PROFILE

This schedule requires a summary of the age profile (based on year of installation) of the assets that make up the network, by asset category and asset class.

[illegible]

Company Name

First Gas Limited (Maui Pipeline)

For Year Ended

31 December 2016

SCHEDULE 9c: REPORT ON PIPELINE DATA

This schedule requires a summary of the key characteristics of the pipeline network.

sch ref

7	Transmission system	System length (km) (at year end)	Weighted average pipe diameter (mm)	Max monthly quantity entering the system (TJ per month)	Max weekly quantity entering the system (TJ per week)	Total gas conveyed (TJ per year)	Gas conveyed for Persons not involved in the GTB (TJ per year)	Number of connection points
8	Maui Pipeline System	309	747	13,803	3,206	148,742	148,742	26
9								
10								
11								
12								
13								
14	Total	309						
15	Length by assigned location class (km)			Secondary location class				
16		Sensitive Use (S)	Industrial (I)	Heavy Industrial (HI)	Common Infrastructure Corridor (CIC)	Submerged (W)	Total (km) (at year end) *	Percentage of total
17	Primary location class Rural (R1) land	1	-	1	2	1	272.38	88.13%
18	Primary location class Rural Residential (R2) land	-	-	6	1	-	22.29	7.21%
19	Primary location class Residential (T1) land	7	1	-	-	-	14.42	4.66%
20	Primary location class High Density (T2) land							-
21	* The total km is not the same as the sum of the secondary location classes as a pipeline section may only have a primary location class.							

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 9d: REPORT ON DEMAND

This schedule requires a summary of the key measures of network demand for the disclosure year (number of new connections including, maximum monthly loads and total gas conveyed)

sch ref

9d(i): New Connections

Connection types defined by GTB	Number of new connections
Intake Point (excluding Bi-directional Points)	-
Offtake Point (excluding Bi-directional Points and Compressor Stations)	-
Bi-directional Point	-
Compressor Station	-
* include additional rows if needed	
Connections total	

9d(ii): Gas Volumes and Connections

Connection types defined by GTB	Intake volume (TJ)	Quantity of gas delivered (TJ)	Number of connection points
Intake Point (excluding Bi-directional Points)	147,268		7
Offtake Point (excluding Bi-directional Points and Compressor Stations)		142,382	17
Bi-directional Point	1,245	6,297	1
Compressor Station		63	1
* include additional rows if needed			
Total	148,513	148,742	26

9d(iii): Gas conveyed

	(TJ)
Intake volume (TJ)	148,513
Quantity of gas delivered (TJ)	148,677
Gas used in compressor stations (TJ)	63
Gas used in heating systems (TJ)	3
Change in line pack (TJ)	(45)
Vented gas (TJ)	
Unaccounted for gas (TJ)	(274)
Total gas conveyed (TJ)	148,742

9d(iv): Unaccounted for Gas

Transmission system	Gas entering the system (TJ)	Unaccounted for gas (TJ)	Unaccounted for gas (%)	Intake volume (TJ)	Interconnected system intake (TJ)	Interconnected intake systems (name)
Maui Pipeline	148,513	(275)	(0.19%)	147,268	1,245	Frankley Road
	-		-			
	-		-			
	-		-			
	-		-			
	-		-			
Total				147,268	1,245	

Company Name **First Gas Limited (Maui Pipeline)**
 For Year Ended **31 December 2016**

SCHEDULE 10a: REPORT ON NETWORK RELIABILITY AND INTERRUPTIONS

This schedule requires a summary of the key measures of network reliability (interruptions, compressor availability) for the disclosure year. GTBs must provide explanatory comment on their network reliability for the disclosure year in Schedule 14 (Explanatory Notes to Templates).

sch ref

10a(i): Interruptions and Reliability

Total number of planned interruptions

Service incidents and emergencies

Number of incidents

Unplanned interruptions in transmission systems

Description and cause of Interruption	Transmission systems affected	Date	Duration (hrs)
N/A			

*Add rows as necessary

Number of interruption or curtailment events:

due to insufficient capacity	<input type="text"/>
due to consumer flows exceeding approved quantities	<input type="text"/>
caused by equipment failure	<input type="text"/>
caused by third parties	<input type="text" value="22"/>
Total	<input type="text" value="22"/>

10a(ii): Compressor Availability

Compressor station code/name	Compressor unit ID	Number of hours the compressor ran	Number of hours compressor was available for service	Number of instances where the compressor failed to start	Number of instances where a compressor was required but unavailable for service
Mokau	Unit #1	1,234.00	8,680.00	2	1
Mokau	Unit #2	1,004.00	7,669.00	7	1

*Add rows as necessary

Company Name

First Gas Limited (Maui Pipeline)

For Year Ended

31 December 2016

SCHEDULE 10b: REPORT ON NETWORK INTEGRITY

This schedule requires a summary of the key measures of network integrity (product control, gas escapes, RTEs) for the disclosure year.

sch ref

7 Product control

8 Number of incidents relating to pressure

9 Number of incidents relating to gas specification

10 Number of incidents relating to odourisation

11

12 Response time to emergencies (RTE)

13 Proportion of emergencies responded to within 3 hours (%)

14 Average call response time (hours)

15 Number of emergencies

16

17 Gas leaks

18 Number of confirmed public reported gas escapes per system length (escapes/1000 km)

19 Number of confirmed gas leaks caused by a third party per system length (escapes/1000 km)

20 Number of gas leaks detected by the GTB

21 Number of gas leaks that did not result in disruption to supply

-

1

-

N/A

N/A

-

-

-

-

-

Company Name	First Gas Limited
For Year Ended	31 December 2016

Schedule 14 Mandatory Explanatory Notes

1. This schedule requires GTBs to provide explanatory notes to information provided in accordance with clauses 2.3.1, 2.4.20 and subclause 2.5.1(1)(e).
2. This schedule is mandatory—GTBs must provide the explanatory comment specified below, in accordance with clause 2.7.1. Information provided in boxes 1 to 12 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 GTBs to give additional explanation of disclosed information should they elect to do so.

Mandatory explanatory notes

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 ROI of 6.13% is higher than the mid-point estimate of post-tax WACC (5.80%) and lower than the 75th percentile estimate of post-tax WACC (6.61%).

All schedules and notes should be read in the context of the change of ownership during the regulatory period. Maui Developments Limited (MDL) owned the network for the period 1 January 2016 – 15 June 2016 and First Gas Limited owned the network for the period 16 June 2016 – 31 December 2016.

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 Schedule 3(i)
 - 5.2 information on reclassified items in accordance with subclause 2.7.1(2).

Box 2: Explanatory comment on regulatory profit

No material items have been included in other regulated income and there have been no reclassified items.

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

6. If the GTB 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 GTB.

Box 3: Explanatory comment on merger and acquisition expenditure

No merger and acquisition expenditure has been incurred during the disclosure year.

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)

The value of the regulatory asset base has been determined by rolling forward the initial regulatory asset base with allowance made for additions, disposals, depreciation and revaluation in accordance with the applicable Input Methodologies.

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

8. In the box below, provide descriptions and workings of the material permanent differences included in the following items, as recorded in the asterisked categories in 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

Permanent differences consist of immaterial non-deductible entertainment expenses.

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

9. In the box below, provide descriptions and workings of the material temporary differences included in the following items, as recorded in the asterisked categories in 5a(i) of Schedule 5a:
- 9.1 Income not included in regulatory profit / (loss) before tax but taxable
 - 9.2 Expenditure or loss in regulatory profit / (loss) before tax but not deductible
 - 9.3 Income included in regulatory profit / (loss) before tax but not taxable
 - 9.4 Expenditure or loss deductible but not in regulatory profit / (loss) before tax

Box 6: Temporary differences

Not applicable for this disclosure year.

Related party transactions: disclosure of related party transactions (Schedule 5b)

10. In the box below, provide descriptions of related party transactions beyond those disclosed in Schedule 5b including identification and descriptions as to the nature of directly attributable costs disclosed under subclause 2.3.7(2)(b).

Box 7: Related party transactions

A description of all related party transactions has been disclosed in Schedule 5b for the period of ownership by First Gas Limited (16 June 2016 – 31 December 2016).

Under the period of First Gas ownership, there were two pipelines owned by First Gas (the Maui pipeline and the ex- Vector transmission pipeline). Whilst these two pipelines have had common ownership from 16 June 2016, for the purposes of these information disclosures, transactions between these two pipelines have been treated as related party transactions.

Cost allocation (Schedule 5d)

11. 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 8: Cost allocation

For the period under MDL ownership, gas transmission services were the only business activity and all costs were directly attributable and allocated 100%.

For the period under First Gas ownership, an Accounting-based Allocation Approach (ABAA) has been applied in accordance with the Input Methodologies determination, to allocate not directly attributable costs during the period.

There have been no re-classifications of items in the disclosure year.

Asset allocation (Schedule 5e)

12. 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 9: Commentary on asset allocation

The GTB did not have any allocated RAB when owned by MDL (it was the only regulated supplier owned by MDL). For simplicity, First Gas has not allocated any RAB to the ex-MDL GTB. All of the assets are therefore 100% attributable to gas transmission services. There has been no reclassified items or changes to allocations.

For the disclosure year beginning 1 October 2017, we expect unallocated assets to be allocated across First Gas' regulated distribution and transmission businesses (both the Maui and ex-Vector pipelines). At that time, transition and acquisition activities will be complete and First Gas will have a more accurate view of the use of resources by each regulated business.

Capital Expenditure for the Disclosure Year (Schedule 6a)

13. In the box below, comment on expenditure on assets for the disclosure year, as disclosed in Schedule 6a. This comment must include-
- 13.1 a description of the materiality threshold applied to identify material projects and programmes described in Schedule 6a;
 - 13.2 information on reclassified items in accordance with subclause 2.7.1(2)

Box 10: Explanation of capital expenditure for the disclosure year

A materiality threshold applied to identify material projects and programmes for the period is \$0.5 million.

There have been no reclassified items.

Operational Expenditure for the Disclosure Year (Schedule 6b)

14. In the box below, comment on operational expenditure for the disclosure year, as disclosed in Schedule 6b. This comment must include-
- 14.1 Commentary on assets replaced or renewed with asset replacement and renewal operational expenditure, as reported Schedule 6b(i)
 - 14.2 Information on reclassified items in accordance with subclause 2.7.1(2)
 - 14.3 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 11: Explanation of operational expenditure for the disclosure year

There has been no operational expenditure on asset replacement and renewal.

There have been no reclassified items.

The only material atypical expenditure that is included in the schedule relates to the secondment of staff employed by Transact Limited (previously the commercial operator of the Maui pipeline) to First Gas Limited from 16 June 2016 to 31 December 2016. The value of those services is confidential. The purpose of the secondment was to ensure the smooth transition of the MDL GTB to First Gas Limited. The expenditure is included in Business Support opex.

Variance between forecast and actual expenditure (Schedule 7)

15. 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 12: Explanatory comment on variance in actual to forecast expenditure

We note that the temporary reduction in the volume of expenditure was due to conditions experienced during the regulatory period – the Maui pipeline was up for sale and subsequently less capital expenditure and operating expenditure was approved during the period.

We expect that expenditure will return to the levels indicated in our Asset Management Plan, now that the sale has been completed and First Gas is operating both transmission pipelines.

Information relating to revenues and quantities for the disclosure year

16. In the box below, please explain reasons for any material differences between target revenue disclosed before the start of the pricing year in accordance with clause 2.4.1 and subclause 2.4.3(3), and total billed line charge revenue for the disclosure year as disclosed in Schedule 8.

Box 13: Explanatory comment relating to revenue for the disclosure year

The differences in revenue figures can be attributed to the difference in pricing and disclosure years.

Our pricing years run from July to June for the MDL pipeline. The target line charge revenue of \$35,658 (in \$000) presented in Schedule 7(i) is our target revenue for the pricing year from July 2016 to June 2017; as previously disclosed in our Pricing Methodology and Price Changes Information Disclosure of May 2016.

As a comparison, our previously disclosed target revenue (in \$000) for the pricing year from July 2015 to June 2016 was \$40,415.

Our disclosure years run from January to December. Therefore, the revenues between pricing year forecasts in Schedule 7 and disclosure year actuals from Schedule 8 are not directly comparable with each other.

17. If prices or price category codes (as applicable) have been changed in a disclosure year, please explain in the box below the effect of this on the allocation of quantities and revenues between connection types or contract types (as applicable) disclosed in Schedule 9d(ii) and Schedule 8.

Box 14: Explanatory comment relating to changed prices or price category codes

We only have standard contracts for gas transmission services on the Maui pipeline and do not make any allocation of quantities and revenues to connection or contract types for pricing purposes. Therefore, changed prices cannot have any effect on such allocations.

The breakout of metered quantities between connection types in Schedule 9d(ii) is for informational purposes only and not relevant for our pricing.

Network Reliability for the Disclosure Year (Schedule 10a)

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

Box 15: Commentary on network reliability for the disclosure year

Interruptions are defined (narrowly) as:

“... the cessation of supply of gas for a period of 1 minute or longer...”.

None of the incidents that occurred during 2016 led to any cessation of supply. Therefore, using the definition provided by the Commerce Commission, we had no planned or unplanned interruptions.

Incidents are defined (widely) as:

“...any event, including a near miss, that has the potential to impact on the delivery of gas transmission services or the operations of the GTB”.

As a result of the sale of Vector Gas Limited and the Maui Pipeline to First Gas Limited during the disclosure year, a combination of systems were used to record incidents. Potentially relevant events were recorded in the Gas Control Log, the Risk and Incident Management System, the SAP Enterprise Resource Planning (ERP) system and the Maximo Enterprise Asset Management (EAM) System. These events may range from an unscheduled outage of a large production station due to a power failure, to a landowner fencing over the Maui pipeline without a permit.

First Gas notes that the total number of events classified as an “incident” during the disclosure year was 42. This includes 22 curtailment events (as described below), and 20 potentially relevant events recorded in the systems noted above.

Curtailments

Curtailment provisions and procedures are described in section 15 of the Maui Pipeline Operating Code (MPOC). During the year, there were 22 curtailment events that led to reductions in scheduled gas transmissions. All those events were caused by third parties.

Compressor failure

There were 9 instances during the disclosure year where a compressor failed to start. There was one instance where a compressor (either Mokau unit) was required but unavailable for service. This occurred when the compressor station’s standby power generator failed to start when the incoming street mains was lost. A technician was dispatched and the station availability restored within 2 hours 12 minutes.

Insurance cover

19. In the box below, provide details of any insurance cover for the assets, including-

- 19.1 The GTB's approaches and practices in regard to the insurance of assets, including the level of insurance;
- 19.2 In respect of any self insurance, the level of reserves, details of how reserves are managed and invested, and details of any reinsurance.

Box 16: Explanation of insurance cover

For the period under MDL ownership, insurance for assets held by MDL was obtained by the Maui joint venture partners in their own name. Thus, the costs for that insurance do not show up in MDL accounts and reports.

For the period under First Gas Limited ownership, there is insurance cover for a large number of group assets. These policies cover material damage, business interruption and contract works insurance. Insurance costs have been allocated to the Maui transmission business based on the businesses' share of total RAB forecasts.

Amendments to previously disclosed information

20. 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:

- 20.1 a description of each error; and
- 20.2 for each error, reference to the web address where the disclosure made in accordance with clause 2.12.1 is publicly disclosed.

Box 17: Disclosure of amendment to previously disclosed information

Not applicable.

Company Name First Gas Limited

For Year Ended 31 December 2016

Schedule 15 Voluntary Explanatory Notes

1. This schedule enables GTBs to provide, should they wish to-
 - 1.1 additional explanatory comment to reports prepared in accordance with clauses 2.3.1, 2.4.20, 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**Alignment of disclosure years**

First Gas notes that this information disclosure will be the final full year information disclosure for its ex-MDL gas transmission business. On 14 June 2017, the Commerce Commission confirmed that it will be aligning the disclosure years applicable to First Gas' distribution and transmission businesses to a 30 September year end, effective from 1 October 2017. This will see information disclosure years aligned with pricing years for all aspects of the business.

From 1 October 2017, First Gas intends to disclose consolidated transmission schedules for its ex-Vector and Maui gas transmission businesses, to align with the start of the next regulatory control period. We consider that this approach provides stakeholders with greater transparency of First Gas's transmission business going forward.

Regulatory tax asset base roll-forward

In previous years, because of an exemption, section 5a(iv) Regulatory Tax Asset Base Roll-Forward has not been completed. The exemption no longer applies and this section has been completed this disclosure year. As there was no opening sum of regulatory tax asset values, we have used the value advised by the Commerce Commission in their determination of the Maui pipeline in the default price-quality path (DPP) process 2017-2022.

Asset classes and categories

In some cases, the number of asset classes and asset categories included in Schedule 9a do not reflect the actual number of assets included in the Asset Management Plan (AMP). This is due to how the definitions included in the ID Determination have to be interpreted:

- a) The ID Determination does not define Scraper Station. First Gas has interpreted a Scraper Station to mean a station used for the prime purpose of PIG¹ launching/receiving. Therefore, 2 Scraper Stations are included in Schedule 9a. PIG launchers/receivers installed at stations that have another prime purpose e.g. Compressor Stations, have not been counted; and
- b) The ID Determination definition for Main-line valve "means any valves and ancillary devices in a dedicated station, installed for the purpose of stopping the flow of gas in a pipeline or lateral. This does not include instrumentation valves or valves installed in any other station type." Therefore, First Gas has counted eight Main-line valves in Schedule 9a in accordance with this definition. Main-line valves installed at stations that have another prime purpose e.g. Compressor stations, have not been counted.

Below is a summary of the changes to gas transmission assets during the period 1 January 2016 to 31 December 2016 that affect the asset categories and asset classes in Schedule 9.

Asset Category	Asset Class	Change Comments
Pipes	Protected steel pipes	<ul style="list-style-type: none"> In Schedule 9c changes to the Secondary class location categorisation has occurred following Safety Management Studies conducted on Maui system in 2016.
Pipes	Special crossings	<ul style="list-style-type: none"> Previous disclosure information for the Maui system did not report on any special crossings. First Gas has elected to report on Special crossings.
Stations	Offtake points	<ul style="list-style-type: none"> No change
Heating systems	Gas-fired heaters	<ul style="list-style-type: none"> No change
Metering systems	Meters – rotary	<ul style="list-style-type: none"> Nil
Main line valve	Remote operated	<ul style="list-style-type: none"> Upgrade to Okato MLV Control System to provide fully remote open and close facility 2016
Main line valve (MLV)	Manually operated	<ul style="list-style-type: none"> Okato MLV now fully remote open and close – reduced count of manually operated MLV by 1
Heating systems	Electric heaters	<ul style="list-style-type: none"> Nil
Metering systems	Meters turbine	<ul style="list-style-type: none"> No Change
SCADA and communications	Remote Terminal Units (RTUs)	<ul style="list-style-type: none"> Pirongia RTU previously not reported on MDL disclosures, RTU installed in 2011
Gas chromatographs	GC's	<ul style="list-style-type: none"> No Change
Coalescers	Coalescer	<ul style="list-style-type: none"> No change
Cathodic protection	Rectifier units	<ul style="list-style-type: none"> Additional rectifier installed at Mokau Compressor station. Previous incorrect reporting for Maui system reported 10 rectifier units.

¹ A PIG is a device used to inspect, clean and maintain pipelines.

Connections

The number of connection points and new connections in Schedules 9c and 9d refer to Physical Welded Points as defined in the MPOC. There were no new connections made in 2016.

Intake volume

Schedule 9d includes conditional formatting whereby cell I44 will change colour if the total intake volume in table 9d(iv) does not equal the total intake volume in table 9d(ii). The conditional formatting currently records this as being "false". This is because we have included 1,245 TJ in the adjacent "interconnected system intake" cell, to reflect the gas injected into the Maui Pipeline from the bi-directional "Frankley Road" connection. Consequently, cells I44 (Maui Pipeline Intake) + K44 (Interconnected Intake) = I24 (Total Intake Volume). This interconnected system intake was not populated in previous disclosures.

Unaccounted for gas

The number reported as Unaccounted For Gas (UFG) in Schedule 9d mostly represents metering and measurement error. In accordance with the provisions of the MPOC, all differences between Metered Quantities at a Welded Point and the sum of Approved Nominations at that point are allocated to the owner of that point (the Welded Party). Because we did not vent any gas from the Maui Pipeline, the UFG only represents the system-wide discrepancies between Metered Quantities entering and leaving the system and the change in line pack calculate from measured data.

Change in treatment of incident on Maui pipeline

First Gas is also required to complete a Compliance Statement prepared pursuant to section 11 of the *Gas Transmission Default Price-Quality Path Determination 2013* (the DPP Determination). The most recent Compliance Statement covered the Third Assessment Period for MDL, which was from 1 July 2015 to 30 June 2016. Clause 9 of the DPP Determination requires the GTB to provided information on "response time to emergencies" (RTE) and provides a quality assessment formula to establish whether this quality standard has been met. The Compliance Statement must state whether the clause 9 quality standards have been met.

In the most recent Maui Pipeline Compliance Statement, it was recorded that there was one emergency and that it was responded to within the required timeframe. The emergency was stated as being "a Pohokura Production Station (PPS) trip that lead to a critical contingency the same day [24 May 2016]". On reflection, it is considered that this event should not have been categorised as a Maui Pipeline emergency in the Compliance Statement.

Even though there was a PPS trip, this was just one of numerous Production Station facilities that experienced an outage because of power failures in the wider Taranaki region. Indeed, it was the critical contingency pressure threshold located at the Kapuni Gas Treatment Plant (not part of the Maui Pipeline) that was ultimately breached and that triggered the declaration of a critical contingency. Consequently, while the PPS outage on 24 May 2016 constituted an incident for Maui Pipeline information disclosure purposes (schedule 10a), it has not been recorded as an emergency (schedule 10b).

The single “Gas Quality” product control incident pertained to a potential brief hydrocarbon dewpoint excursion at the Pohokura Production Station (PPS). This occurred because of an emergency shutdown at the PPS after a power outage. As is required by the process set out in the MPOC, PPS personnel notified First Gas of the potential gas quality excursion who in turn notified all Maui Pipeline Shippers and Welded Parties.

Exemptions

We have been granted the following exemptions for this information disclosure:

- Exemption under clause 2.11.1 – First Gas been granted an exemption to provide a separate annual information disclosure for the ex-MDL pipeline for the MDL disclosure year ending 31 December 2016; and
- Exemptions from disclosing information in the following schedules due to the change in ownership of the Maui GTB during the disclosure period:
 - Schedule 5d(iii): Report on cost allocations;
 - Schedule 5e(ii): Report on asset allocations;
 - Schedule 14: Mandatory explanatory notes (box 11); and
 - Schedule 19: Certification for year-end disclosures.

Schedule 19 Certification for Year-end Disclosures

Clause 2.9.3

We, Philippa Dunphy and Richard Krogh, being directors of First Gas Limited certify that, having made all reasonable enquiry and incorporating information provided by Maui Development Limited for the period prior to the Maui pipeline acquisition on 15 June 2016, to the best of our knowledge-

- a) The information, prepared for the purposes of clauses 2.3.1, 2.3.2, 2.4.20, 2.5.1 and 2.7.1 of the Gas Transmission Information Disclosure Determination 2012 in all material respects complies with that determination; and
- b) The historical information used in the preparation of Schedules 8, 9a, 9b, 9c, 10a 10b and 14 has been properly extracted from the accounting and other records of Maui Development Limited and First Gas Limited sourced from applicable financial and non-financial systems, and that sufficient appropriate records have been retained as appropriate by Maui Development Limited and First Gas Limited.

This certification does not extend to cost allocations, asset allocations and related party transactions made by Maui Development Limited during the period prior to the acquisition on 15 June 2016.



Director

29 June 2017



Director



Independent Reasonable Assurance Report to the Directors of First Gas Limited and to the New Zealand Commerce Commission

Conclusion

We have concluded that, in all material respects, Schedules 1, 2, 3, 4, 5 (a-g), 6 (a-b), 7 and 14 (boxes 1 – 12) of the First Gas Limited (Maui pipeline) Gas Transmission Information Disclosure Requirements Information Templates (the 'schedules'), have been prepared, in accordance with the Commerce Commission Gas Transmission Information Disclosure Determination 2012 (consolidated in 2015) – 24 March 2015 and the related Reasons Paper and Input Methodologies (together 'the determination') for the year ended 31 December 2016.

Information subject to assurance

We have performed an engagement to provide reasonable assurance in relation to First Gas Limited's schedules for the year ended 31 December 2016.

Criteria

We have performed an engagement to provide reasonable assurance in relation to the Schedules 1, 2, 3, 4, 5 (a-g), 6 (a-b), 7 and 14 (boxes 1 – 12) prepared in accordance with the determination for the year ended 31 December 2016.

As far as appears from an examination of them, proper records to enable the complete and accurate compilation of the schedules as at 31 December 2016 have been kept by Maui Development Limited (for the period 1 January 2016 to 14 June 2016) and by First Gas Limited for the period 15 June 2016 to 31 December 2016.

As far as appears from examination, the information used in the preparation of the schedules as at 31 December 2016 has been properly extracted from Maui Development Limited (for the period 1 January 2016 to 14 June 2016) and from First Gas Limited's (for the period 15 June 2016 to 31 December 2016) accounting and other records and has been sourced, where appropriate, from Maui Development Limited and First Gas Limited's financial and non-financial systems.

Standards we followed

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* (ISAE (NZ) 3000) and Standard on Assurance Engagements SAE 3100 *Compliance Engagements*. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In accordance with those standards we have:

- used our professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the schedules are free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on the effectiveness of these controls; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.



How to interpret reasonable assurance and material misstatement

Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect a material misstatement when it exists.

Misstatements, including omissions, within the schedules are considered material if, individually or in the aggregate, they could reasonably be expected to influence the relevant decisions of the intended users taken on the basis of the schedules.

Use of this assurance Report

Our report should not be regarded as suitable to be used or relied on by any parties other than First Gas Limited and the New Zealand Commerce Commission in relation to section 2.8.1 of the determination for any purpose or in any context. Any party other than First Gas Limited or the New Zealand Commerce Commission who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than First Gas Limited and the New Zealand Commerce Commission for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

Our report is released to First Gas Limited and the New Zealand Commerce Commission on the basis that it shall not be copied, referred to or disclosed, in whole (save for First Gas Limited's own internal purposes) or in part, without our prior written consent.

Directors' responsibility for the schedules

The directors of the company are responsible for the preparation and fair presentation of the schedules in accordance with the determination. This responsibility includes such internal control as the directors determine is necessary to enable the preparation of the schedules that is free from material misstatement whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion to the directors on the preparation and presentation of the schedules in accordance with the determination.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusion.

Our independence and quality control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our firm has also provided audit, other assurance and non-audit services to First Gas Limited. Partners and employees of our firm may also deal with First Gas Limited on normal terms within the ordinary course of trading activities of the business of First Gas Limited. These matters have not impaired our independence as assurance practitioners for this assurance engagement. The firm has no other relationship with, or interest in, First Gas Limited.

KPMG
Auckland

29 June 2017