



Report to the Auckland Energy Consumer Trust

Overhead Improvement Programme

Financial Year 2008/09

September 2009

1 Introduction

Under the terms of the New Deed Recording Essential Operating Requirements, Clause 4.3 requires the Company to provide a written report to the Trust on the operation of the Overhead Improvement Programme. This report sets out in detail the operation of the undergrounding programme in compliance with the terms of the deed.

2 The Overhead Improvement Programme

The Overhead Improvement Programme commenced in 2001. The Minimum Undergrounding Investment was set at \$10M - with this to be increased by a PPI adjustment in subsequent years. After considering the adjustment, there was no increase applied until the 2005/06 year. The new Deed Recording Essential Operating Requirements reset the base Minimum Undergrounding Investment to \$10.5M in 2005.

As a result the Minimum Undergrounding Investment amounts for each year are:

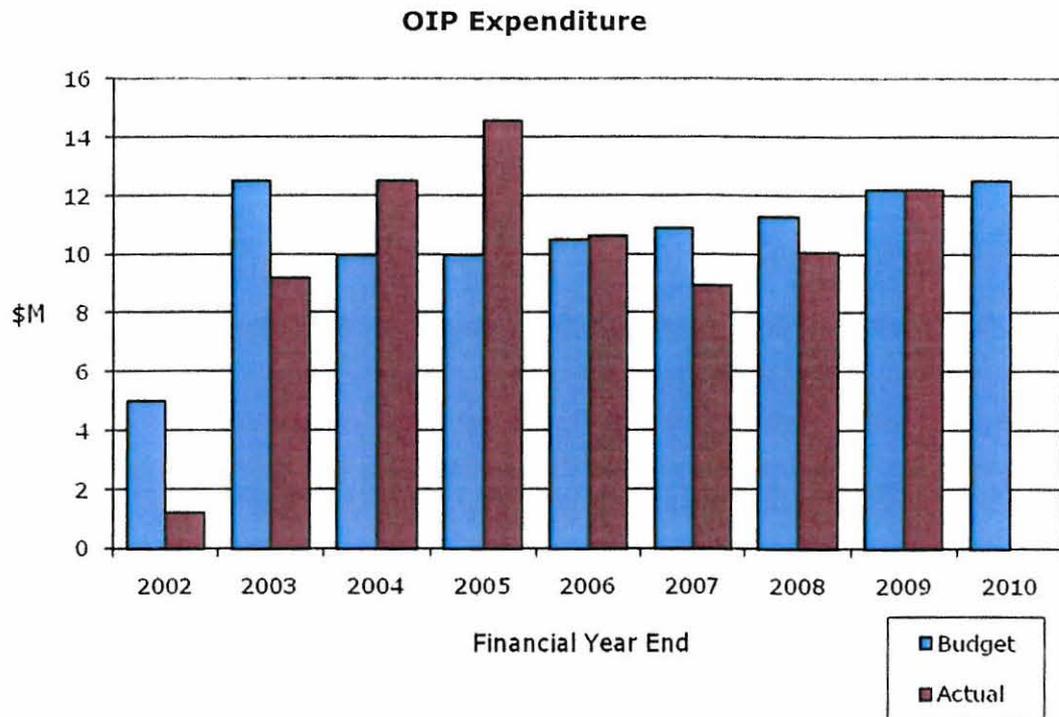
Year ending March	2002	\$5.0M	(part year)
Year ending June	2003	\$12.5M	(15 month period)
Year ending June	2004	\$10.0M	
Year ending June	2005	\$10.0M	
Year ending June	2006	\$10.5M	
Year ending June	2007	\$10.9M	
Year ending June	2008	\$11.2M	
Year ending June	2009	\$12.2M	
Year ending June	2010	\$12.5M	(Budgeted)

3 Expenditure of the Undergrounding Investment

The actual expenditure in undergrounding throughout each year of this programme is summarised in the table below:

	Minimum Undergrounding Investment	Actual Expenditure	Difference
2001/02	\$5M	\$1.239M	(\$3.761M)
2002/03	\$12.5M	\$9.201M	(\$3.299M)
2003/04	\$10M	\$12.509M	\$2.509M
2004/05	\$10M	\$14.551M	\$4.551M
2005/06	\$10.5M	\$10.517M	\$0.017M
2006/07	\$10.9M	\$8.937M	(\$1.963M)
2007/08	\$11.2M	\$10.084M	(\$1.156M)
2008/09	\$12.2M	\$12.213M	\$0.013M

The amount of investment on undergrounding for the year 2008/09 was \$12.213M. With this, the actual expenditure over the past five years is \$56.302M – an average of \$11.260M each year. As the average over the five year period is now less than Minimum Undergrounding Investment, the actual expenditure for this period needed to match or exceed the Minimum Undergrounding Investment amount in order to satisfy the undergrounding obligations required by the deed.



4 Achievements of the Overhead Improvement Programme

As with previous years, we have sought to maximise the effectiveness of the undergrounding funding by focussing on undergrounding of large areas, providing an opportunity for economies of scale. Projects of this size have also proven useful in providing partnering opportunities with other key infrastructure owners including councils (footpaths and streetlights), Chorus / Telecom (telephone lines and poles) and other utilities.

We have undertaken seven large scale projects in this manner:

- (a) Papatoetoe (2003);
- (b) Rosebank (2004);
- (c) Glen Innes (2005);
- (d) Weymouth (2005);
- (e) Howick (2007);
- (f) Orakei (2008) ; and
- (g) Sandringham (completed in September 2009)

Approximately 80% of the total expenditure has been dedicated to the large scale projects.

The remaining expenditure has been used in developing a number of smaller scale projects where and when good opportunities have arisen. While some of these projects have been driven by customer demand for improved amenity value of the streetscape, other small scale projects have captured synergies with Council footpath replacement programmes, local town centre precinct upgrades, road realignments, and with other Vector initiated projects – such as underground feeder cable reinforcements and pole replacements (where possible).

5 Projects Constructed During the 2008/09 Year

In the 2008/09 financial year, Vector commenced large scale undergrounding works in Sandringham. This project will be completed in September 2009 and is the seventh large scale project undertaken through the current programme.

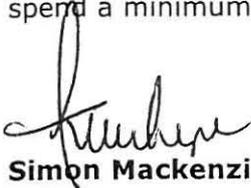
There were also a number of smaller projects completed during the year. These were; Cremorne Street (Herne Bay), Gt. North Road (Grey Lynn), Shelley Beach Parade (Cockle Bay), Alpers Ave (Newmarket), Merton Road (St. Johns), Titoki Street and Maunsell Road (Parnell), Bradford Street (Parnell), and Bradbury Road (Howick).

A sample of before and after photographs from these project areas have been included as Appendix 1 of this report.

6 Summary

Expenditure for the Overhead Improvement Programme during 2008/09 was on target for the year. The Minimum Undergrounding Investment has been satisfied.

The Minimum Undergrounding Investment for the 2009/10 year is \$12.5M, after application of the PPI index. To maintain compliance with the New Deed Recording Essential Operating Requirements which considers Vector's average undergrounding expenditure over the last five years, we will need to spend a minimum of \$12.5M.


Simon Mackenzie
Chief Executive Officer

**APPENDIX 1:
Vector Overhead Improvement Programme 2008/09**



Shelley Beach Parade, Cockle Bay



Alpers Ave, Newmarket



Alpers Ave, Newmarket



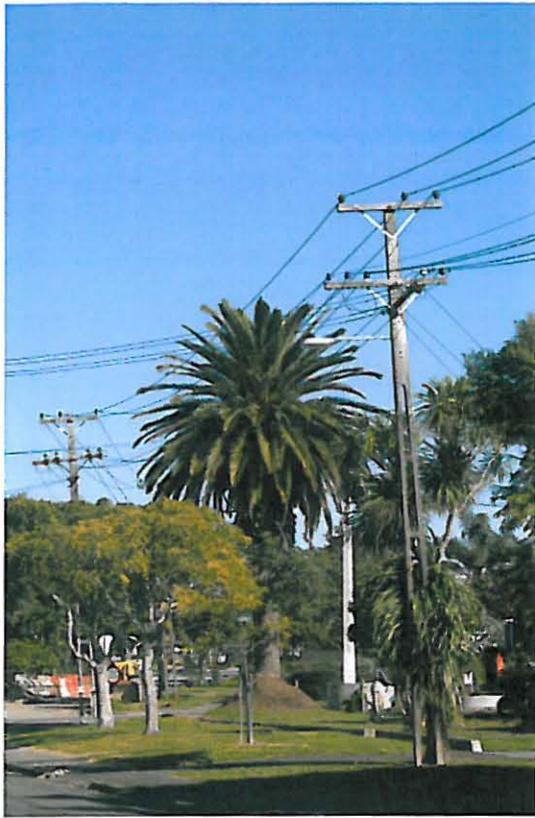
Eden View Road – Sandringham



Duncan Ave, Sandringham



Marne Road, Sandringham



Kiwitea Street, Sandringham



Parry Street, Sandringham



Sandringham Road, Sandringham