

Agreed Upon Procedures Report



Project information	
Client	United Energy & Multinet Gas
Project Name	Post-Tax Revenue Model Agreed Upon Procedures
Filename	Proposed amended distribution post-tax revenue model - October 2014.XLSM
Reviewer	ZB / LB
Senior Reviewer	LB
Date	14-Nov-14

Legend	Description
1	Error
2	Potential Error
3	Non Consequential Best Practice Recommendation
Query	Query

Category	Raised	Outstanding
1	8	8
2	21	21
3	22	22
Query	5	5
Total	56	56

Finding Number	Worksheet	Location	Description	Issue	Parity Comment / Observation	Client Response	Resolved
1	Via Visual Basic Editor	General VBA	General VBA	3	No use of 'Option Explicit' or scoping. This is preferred best practice and will help identify/troubleshoot possible compile errors in code.		No
2	Via Visual Basic Editor	General VBA	General VBA	3	Very little scoping and error handling. Documentation is great though.		No
3	Via Visual Basic Editor	Module: Fix_Te_circular_reference	Sub Update_Te_and_Td	3	Methods employed are redundant and not needed, i.e. Activate, Select, Selection, etc. For example, this routine can be consolidated into two lines of code and completely bypassing any of these methods, as well as the Copy method. Also, the workbook appears to be in Automatic Calculation mode, so there would be no need to Calculate anything, as updating the cell will ripple down the dependency tree, thus tripping the calculation engine to update downstream accordingly.		No
4	Via Visual Basic Editor	Module: Opex_Row_Subroutine	Sub New_opex_row	3	Methods employed are redundant and not needed. Also, as long as the named range (row) used as a placeholder point is going to be static, this should be fine, but generally row headers are used for named ranges to identify locations on a worksheet. As a suggestion, tables could be used, then no matter where the object resides on the worksheet you would always know its exact location.		No
5	Via Visual Basic Editor	Module: Opex_Row_Subroutine	Sub New_opex_row	2	If the Input sheet is not active when this routine runs a run-time error will be produced. This is a simple fix, where the routine can be reduced to essentially a single line of code, without the potential for errors arising.		No
6	Via Visual Basic Editor	Module: Opex_Row_Subroutine	Sub New_adjustment1_row	2	If the Input sheet is not active when this routine runs a run-time error will be produced. This is a simple fix, where the routine can be reduced to essentially a single line of code, without the potential for errors arising.		No
7	Via Visual Basic Editor	Module: Opex_Row_Subroutine	Sub New_adjustment1_row	3	Methods employed are redundant and not needed. Also, as long as the named range (row) used as a placeholder point is going to be static, this should be fine, but generally row headers are used for named ranges to identify locations on a worksheet. As a suggestion, tables could be used, then no matter where the object resides on the worksheet you would always know its exact location.		No
8	Via Visual Basic Editor	Module: Opex_Row_Subroutine	Sub New_adjustment2_row	2	If the Input sheet is not active when this routine runs a run-time error will be produced. This is a simple fix, where the routine can be reduced to essentially a single line of code, without the potential for errors arising.		No

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9	Via Visual Basic Editor	Module: Opex_Row_Subroutine	Sub New_adjustment2_row	3	Methods employed are redundant and not needed. Also, as long as the named range (row) used as a placeholder point is going to be static, this should be fine, but generally row headers are used for named ranges to identify locations on a worksheet. As a suggestion, tables could be used, then no matter where the object resides on the worksheet you would always know its exact location.		No
10	Via Visual Basic Editor	Module: Smoothing_Subroutines	Sub Smooth_Total_Revenue_Master	3	Methods employed are redundant and not needed (e.g. Activate, Select).		No
11	Via Visual Basic Editor	Module: Smoothing_Subroutines	General	3	Parameters should be declared ByRef or ByVal explicitly.		No
12	Via Visual Basic Editor	Module: Smoothing_Subroutines	Sub Smooth_Total_Revenue_Master	2	WorksheetFunction implementation could result in a run-time error if no value is found, as no error handling is in place. Please review.		No
13	Via Visual Basic Editor	Module: Smoothing_Subroutines	Sub Smooth_Total_Revenue_Master	3	Conditions are used to dictate which of three routines will be employed, when this could be done with a single routine. This makes maintenance and error tracking / handling more complicated than necessary as a result.		No
14	Via Visual Basic Editor	Module: Smoothing_Subroutines	General VBA	3	No use of constants or common properties / values. These would alleviate the need for static values in routines and allow use across multiple procedures, where scoped appropriately.		No
15	Via Visual Basic Editor	Module: Quick_Access_Button_Subroutines	General VBA	3	Inefficient calling method: individual and custom routines to pass parameters which could otherwise be done more efficiently. The total number of routines is therefore manageable but larger than necessary.		No
16	Input	E2	Concatenated formula heading: "Input Variables - DNSP PTRM - version 3 (draft)"	3	This formula contains unnecessary concatenation: two text strings have been joined, which could have just been all part of one text string. Best practice point only.		No
17	Input	Rows 6:36	Opening Regulated Asset Base for 2008 (\$m Nominal)	3	It is noted that comments have been added in cells J6:R6 to assist end users in typing the appropriate inputs into the cells. However, these comments can be easily missed by end users As a suggestion, please consider using Data Validation (ALT + D + L) in the input cells to add an Input Message (second tab) that automatically pops up as end users click on a cell.		No
18	Input	I36	Comment	1	The reference in this comment is incorrect. The asset class referred to should be "30" not "50". Please amend.		No
19	Input	E39:G39	Comment	3	When the mouse is positioned over the cells, the comment is displayed as expected. However, the comment box is not large enough to display the whole message. Please expand.		No

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20	Input	E40, E74, E108, E142, E176, E185, E192, E199, E203, E229, E266, E300	Labels: "Year"	3	Consider right-aligning this text so it does not look like users should be putting years in the cells below.		No
21	Input	E41:E70, E75:E104, E109:E138, E143:E172, E267:E292, E301:E326	Referenced asset class names	3	It is suggested that when referenced cells are blank, the cell should appear to be blank rather than be displayed as "0". This may be achieved by =IF(Reference="", "", Reference) instead.		No
22	Input	G211:P211	Hidden formula checking for values to be entered	3	This formula is more complicated than necessary. A less than or equals inequality here (<=) could have halved the conditions assessed. Best practice point only.		No
23	Input	G212	Hidden caution	1	This formula appears erroneous. One of the checks is for the words "Year of update" in cells G211:P211 which is not possible. Further, the text refers to cell D14 (should this be H16?) on the "X factor" worksheet which is now called "X factors". Please review and amend accordingly.		No
24	Input	GF812	Final cell recognised by Excel	2	Whilst not an error of logic, it is noted that the "final" cell in this worksheet should be somewhere near cell BM327. However, the final cell recognised by Excel (CTRL + END) is cell GF812 (please note the horizontal and vertical scroll bars which highlight a "bloated" worksheet). This can be created by accidental formatting or can be a warning sign of a potential file corruption. Please delete columns BN:GF and rows 328:812 and then re-save the file. This should "re-size" the worksheet and prevent a potential file corruption.		No
25	WACC	G20:P20	Real Vanilla WACC	Query	We understand that regular vanilla WACCs typically exclude the tax effect (1-t) on the cost of debt, consistent with the treatment here. Please confirm that this is the case.		No
26	WACC	Row 21	Post-tax Nominal WACC	Query	Whilst it is acknowledged that the numbers in the current model are "dummy" values, it is noted that the cashflow derivation of this WACC is significantly different from the calculated value. Why is this? Should an element of the value of the imputation credits be included in the cashflow derivation? Please review.		No
27	WACC	Rows 21, 23	Post-tax and Pre-tax Nominal WACCs	Query	The relationship between pre- and post-tax costs of equity in these calculations are simplistic. It is acknowledged that rates are assumed to remain constant. Please confirm that this treatment is deliberate and deemed adequate.		No

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28	WACC	AZ149	Final cell recognised by Excel	2	Whilst not an error of logic, it is noted that the "final" cell in this worksheet should be somewhere near cell R36. However, the final cell recognised by Excel (CTRL + END) is cell AZ149 (please note the horizontal and vertical scroll bars which highlight a "bloated" worksheet). This can be created by accidental formatting or can be a warning sign of a potential file corruption. Please delete columns S:AZ and rows 37:149 and then re-save the file. This should "re-size" the worksheet and prevent a potential file corruption.		No
29	Assets	C11:C40, C42:C71, B76, B89, B102, B115, B128, B141, B154, B167, B180, B193, B206, B219, B232, B245, B258, B271, B284, B297, B310, B323, B336, B349, B362, B375, B388, B401, B414, B427, B440, B453, C88, C101, C114, C127, C140, C153, C166, C179, C192, C205, C218, C231, C244, C257, C270, C283, C209, C296, C222, C335, C348, C361, C374, C387, C400, C413, C426, C439, C452, B480, B493, B506, B519, B532, B545, B558, B571, B584, B597, B610, B623, B636, B649, B662, B675, B688, B701, B714, B727, B740, B753, B766, B779, B792, B805, B818, B831, B844, B857, C492, C505, C518, C531, C544, C557, C570, C583, C596, C609, C622, C635, C648, C661, C674, C687, C700, C713, C726, C739, C752, C765, C778, C791, C804, C817, C830, C843, C856, C869	Referenced asset class names	3	It is suggested that when referenced cells are blank, the cell should appear to be blank rather than be displayed as "0". This may be achieved by =IF(Reference="", "", Reference) instead.		No
30	Assets	P125:B1125	Distribution Transformers, Year 9	1	The penultimate argument of this formula refers to row 221 instead of 125. Please correct.		No

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31	Assets	G874:P877, G880:P880	Various	2	To avoid potential errors in alternative scenarios, it is recommended that one unique formula is used and copied across each row rather than two as here.		No
32	Assets	H880:P880	Summary of Asset Roll Forward Checks	1	The references to the Input sheet (row 7) have not been anchored correctly. Please review and amend accordingly.		No
33	Assets	ATE1000	Final cell recognised by Excel	2	Whilst not an error of logic, it is noted that the "final" cell in this worksheet should be somewhere near cell BI880. However, the final cell recognised by Excel (CTRL + END) is cell ATE1000 (please note the horizontal and vertical scroll bars which highlight a "bloated" worksheet). This can be created by accidental formatting or can be a warning sign of a potential file corruption. Please delete columns BJ:ATE and rows 881:1000 and then re-save the file. This should "re-size" the worksheet and prevent a potential file corruption.		No
34	Analysis	G10:BI11, G26:BI26, G48:BI48, G78:BI78	Various	2	To avoid potential errors in alternative scenarios, it is recommended that one unique formula is used and copied across each row rather than the two or more as here.		No
35	Analysis	BI81	Net Cash Flow to Debt, final period	Query	Should consideration be given to the Nominal Residual RAB (row 474 of the Assets worksheet) in the final period?		No
36	Analysis	G124:P124	EBSS Carryover	2	This formula references row 180 on the Input worksheet, which could be any Forecast and Maintenance Expenditure, not necessarily EBSS Carryover. Please review and amend accordingly.		No
37	Analysis	HW299	Final cell recognised by Excel	2	Whilst not an error of logic, it is noted that the "final" cell in this worksheet should be somewhere near cell BI132. However, the final cell recognised by Excel (CTRL + END) is cell HW299 (please note the horizontal and vertical scroll bars which highlight a "bloated" worksheet). This can be created by accidental formatting or can be a warning sign of a potential file corruption. Please delete columns BJ:HW and rows 133:299 and then re-save the file. This should "re-size" the worksheet and prevent a potential file corruption.		No
38	Forecast revenues	E13, E47, E80	Labels: "Year"	3	Consider right-aligning this text so it does not look like users should be putting years in the cells below.		No
39	Forecast revenues	E14:E39, E48:E73, E81:E106	Referenced sales type names	3	It is suggested that when referenced cells are blank, the cell should appear to be blank rather than be displayed as "0". This may be achieved by =IF(Reference="", "", Reference) instead.		No
40	Forecast revenues	F79, Q79, AB79, AM79, AX79, BI79, BT79, CE79, CP79, DA79	Various labels	2	These labels have been typed in rather than referenced. Ideally, these should be linked for consistency reasons in case other labels were to change.		No
41	Forecast revenues	Q81:BS106	Various Forecast Revenues	Query	Why are these calculations divided by 100? Is it because the units in cells Q46:BO46 are in c/kWh?		No

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42	Forecast revenues	ED205	Final cell recognised by Excel	2	Whilst not an error of logic, it is noted that the "final" cell in this worksheet should be somewhere near cell DK107. However, the final cell recognised by Excel (CTRL + END) is cell ED205 (please note the horizontal and vertical scroll bars which highlight a "bloated" worksheet). This can be created by accidental formatting or can be a warning sign of a potential file corruption. Please delete columns DL:ED and rows 108:205 and then re-save the file. This should "re-size" the worksheet and prevent a potential file corruption.		No
43	X factors	D25	Hidden caution	1	The error message in this caution contains the hard coded range "cells G210:P210". This message does not refer to the Inputs worksheet however and will not update if rows / columns are inserted / deleted in the other worksheet. Please review and amend accordingly.		No
44	X factors	D26	Hidden caution	2	The error message in this caution contains the hard coded range "Equity Raising Cost tab (cell Q54)". This message will not update if rows / columns are inserted / deleted in the other worksheet. Please review and amend accordingly.		No
45	X factors	G30:P34, F39:P39, F44:P44, F55:P55, F60:P60, F71:P71, F76:P76, F78:P78, F80:P80	Various	2	To avoid potential errors in alternative scenarios, it is recommended that one unique formula is used and copied across each row rather than the two or more as here.		No
46	X factors	D31	Label: "Return of Capital (regulatory depreciation)"	1	The label is slightly incorrect. Please change to "Return of Asset (regulatory depreciation)"		No
47	X factors	M33:P33	EBSS Carryover and Other Adjustments	1	The formula in the last four periods refers to the wrong row (125 rather than 128) of the Analysis worksheet. Please correct.		No
48	X factors	R39, R44, R55, R60, R71, R80	NPV unsmoothed	3	These formulae can be simplified (e.g. =SUMPRODUCT(G39:P39/G8:P8)) if need be.		No
49	X factors	AZ198	Final cell recognised by Excel	2	Whilst not an error of logic, it is noted that the "final" cell in this worksheet should be somewhere near cell AB87. However, the final cell recognised by Excel (CTRL + END) is cell AZX198 (please note the horizontal and vertical scroll bars which highlight a "bloated" worksheet). This can be created by accidental formatting or can be a warning sign of a potential file corruption. Please delete columns AC:AZ and rows 88:198 and then re-save the file. This should "re-size" the worksheet and prevent a potential file corruption.		No
50	Revenue summary	D8	Label: "Return of Capital (regulatory depreciation)"	1	The label is slightly incorrect. Please change to "Return of Asset (regulatory depreciation)"		No
51	Revenue summary	S12, S17, S21, S25	NPVs	3	These formulae can be simplified (e.g. =SUMPRODUCT(G12:P12/X factors!G8:P8)) if need be.		No

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52	Revenue summary	G57:P57, G60:P60, G64:P64, G66:P67, G70:P71, G74:P74, G82:P82, G85:P85 G89:P89, G92:P92, G96:P96, G99:P99	Various	2	To avoid potential errors in alternative scenarios, it is recommended that one unique formula is used and copied across each row rather than the two or more as here.		No
53	Revenue summary	BC199	Final cell recognised by Excel	2	Whilst not an error of logic, it is noted that the "final" cell in this worksheet should be somewhere near cell T99. However, the final cell recognised by Excel (CTRL + END) is cell BC199 (please note the horizontal and vertical scroll bars which highlight a "bloated" worksheet). This can be created by accidental formatting or can be a warning sign of a potential file corruption. Please delete columns U:BC and rows 100:199 and then re-save the file. This should "re-size" the worksheet and prevent a potential file corruption.		No
54	Equity raising cost	G7:P9, Q9, G13:P13, G22:P25, G33:P33	Various	2	To avoid potential errors in alternative scenarios, it is recommended that one unique formula is used and copied across each row rather than the two or more as here.		No
55	Equity raising cost	G9:Q9, G14:P14	Various	2	In order to allow for alternative scenarios, please include a division by zero error check in this formula.		No
56	Equity raising cost	AI392	Final cell recognised by Excel	2	Whilst not an error of logic, it is noted that the "final" cell in this worksheet should be somewhere near cell Q54. However, the final cell recognised by Excel (CTRL + END) is cell AI392 (please note the horizontal and vertical scroll bars which highlight a "bloated" worksheet). This can be created by accidental formatting or can be a warning sign of a potential file corruption. Please delete columns R:AI and rows 55:392 and then re-save the file. This should "re-size" the worksheet and prevent a potential file corruption.		No