

Minutes of the Eighteenth Annual Meeting of Beneficiaries

Held at	The Ellerslie Event Centre, 80-100 Ascot Avenue, Remuera, Auckland
Date & Time	Thursday, 24 October 2019 at 7.00 pm
Present	William Cairns (Chairman), Michael Buczkowski (Deputy Chairman), Alastair Bell, Paul Hutchison and Karen Sherry 31 Beneficiaries registered their attendance
Staff in attendance	Helen Keir (Chief Operating Officer) and Kaylene Taylor (Executive Assistant)

Entrust Chairman, Mr Cairns, opened the meeting at 7.00 pm and introduced Trustees.

APOLOGIES

Apologies were received and noted.

Mr Cairns extended a warm welcome to all Entrust beneficiaries, Vector Directors, Simon Mackenzie, CEO of Vector, members of the Vector Executive Team, Entrust's auditors, accountants, and legal advisors.

MINUTES

The minutes of the Seventeenth Annual Meeting of Beneficiaries held on 25 October 2018 and confirmed by the Trustees on 12 February 2019, were tabled and received.

YEAR IN REVIEW – ADDRESS FROM THE CHAIRMAN

Looking at the 2019 year in review, the Chairman noted it has been busy for Entrust, having distributed the \$350 dividend to a record number of beneficiaries. There had also been new activity, as well as ongoing undergrounding, funded from the Entrust Energy Solutions Programme.

Financial performance

The Trust received \$123.5 million income in FY18-19. This comprised \$122 million from Vector in dividends and \$1.5 million in interest from funds on deposit.

For the year ended 30 June 2019, the total expenditure incurred by the Trust was \$3.9 million, compared to \$3.2 million expenditure last financial year.

Entrust will continue to focus on reducing costs, however in the financial year to 30 June 2019, the cost of the October 2018 Entrust election which occurs every three years and increased legal fees both contributed to an increase in costs.

An Unqualified Audit Certificate was issued on 23 August 2019.

The Entrust Dividend

In September 2018 a dividend of \$350 was paid to around 331,000 beneficiaries. Although not in the period being reported on, the September 2019 dividend was \$360 and paid to 336,000 beneficiaries, making it the largest dividend distribution in New Zealand and injecting nearly \$120 million to the Auckland economy.

As far as possible, Entrust try to pay beneficiaries the way they want to receive their dividend, either by direct credit, cheque or to their power bill. That is a challenging task because around 46% of the people receiving the dividend change address or change their customer details every year.

This creates a high level of churn in the data so Entrust can't roll over the information from one year to the next but have to be extremely careful to ensure that the dividend is paid only to the rightful beneficiary.

Entrust conducts a brief but high-impact advertising campaign at dividend time so people know this valuable material is in the mail. The advertising also helps Entrust reach anyone who is eligible but did not receive their dividend. They may have lost their mail or have missed out because their name was incorrect or it wasn't on the roll. This particularly applies to people on pre-pay power who don't generally need to give their name to their electricity retailer.

Energy Solutions programme

As majority owner of Vector, Entrust has an agreement that commits the company to spend \$10.5 million every year on projects in the Entrust district.

This fund has historically been used for undergrounding projects in the Entrust district. However, as Entrust advised in 2015, the parameters around the fund were changed and extended to include new technology initiatives and was named the Energy Solutions Programme.

Undergrounding

Undergrounding remains a key part of the Energy Solutions Programme. Entrust reported last year that the ability to deliver large-scale undergrounding projects had been significantly impacted as Chorus had reduced funding to underground their telephone lines.

This would have meant there would be no visual benefit to undergrounding as telephone poles and wires would remain in place even if electricity lines were underground, however Entrust are delighted to advise that Chorus has reviewed their decision and will continue to support undergrounding, particularly large scale, suburban undergrounding projects.

In the last financial year undergrounding projects were completed in:

- Franklin Road (Freemans Bay)
- Station Road (Otahuhu)
- Alba Road (Greenlane)
- St Georges Road (Avondale)
- Sarsfield Street (Herne Bay)
- Dominion Road (Mt Eden)
- Rahiri Road (Mt Eden)
- Taurarua Terrace (Parnell)
- Brown Street (Ponsonby)
- Windsor Street (Parnell)
- Walmer Road (Pt Chevalier)

Vector has completed all the projects without any injury to field staff and again received positive customer feedback on completion of the projects.

Entrust also thank Chorus for their support and are also delighted to advise that a new large scale undergrounding project in Mt Albert is underway.

Community generation

As reported last year in a new initiative, a range of mobile generators units have been purchased to support vulnerable and medically dependent customers and community groups during planned outages or during a weather related outage.

Sixty small generators have been used extensively to support essential appliances of vulnerable and medically dependent customers, while six trailer and truck mounted generators are also in service and now being used to support wider community groups during network contingencies and planned outages through connecting directly into Vector's network.

Kawakawa Bay smart grid

Entrust and Vector have also committed to developing a smart grid solution at Kawakawa Bay with the project being on track for completion later this year.

The network in this area is exposed to significant geographical challenges. A microgrid consisting of a solar and battery system will reduce the outage times experienced by residents in Kawakawa Bay.

Entrust expects this smart grid solution to improve the resilience of the supply at Kawakawa Bay with the commissioning to take place early next year.

Vector's activity over the past year

Mr Cairns introduced Simon Mackenzie from Vector.

Simon Mackenzie, Vector's Chief Executive Officer, provided an overview of key activity in the past year including the status of the Government's electricity price review and the impact of growth in Auckland on the network.

Acknowledgments

The Chairman acknowledged the commitment of Trustees, the Entrust team and the assistance of Entrust's advisors.

APPOINTMENT OF AUDITORS

As recommended by the Trustees, it was resolved that Grant Thornton is re-appointed auditors of Entrust for the ensuing year.

Moved: Guy King

Seconded: Peter O'Brien

Carried

A beneficiary said \$40,500 spend for Grant Thornton audit costs was fine but asked Trustees to explain why other auditors were engaged during the year at a cost of over \$200k.

The Chairman advised the cost of auditing the accounts was correct, and other costs related to various tax and accounting advice that was required during the year, some of which was due to new IRD reporting requirements.

FIXING OF THE REMUNERATION OF THE AUDITOR

It was resolved that, in accordance with Section 101(3) of the Electricity Industry Act 2010, the Trustees be authorised to fix the fees and expenses of the auditors for the ensuing year.

Moved: Vaughn Davis

Seconded: Tim Dixon

Carried

FORUM

The Chairman opened the meeting to comments and questions from the floor.

Question 1:

A beneficiary asked if Trustees could verify an article in the New Zealand Herald that \$1.7 billion has been distributed to beneficiaries since the establishment of the Trust.

Entrust Chairman, William Cairns said he couldn't verify the \$1.7 billion number as being the exact amount, but it sounded right. The Trust has been going for nearly 20 years and in the last year \$120 million has gone into the economy.

Question 2:

A beneficiary asked if Entrust will be reporting dividend amounts to IRD next year so beneficiary tax returns are assessed correctly to include the dividends, like other public companies have to do.

Entrust Chairman, William Cairns advised Trustees are working with IRD on this matter given there is a challenge in that Entrust does not hold beneficiary IRD numbers.

Question 3:

A beneficiary asked for an update regarding the Commerce Commission.

Entrust Chairman, William Cairns asked Vector's Chief Executive Officer, Simon Mackenzie to respond. Mr Mackenzie advised that Vector is entering into the regularity reset period which is critical in setting the allowable revenue for Vector for the next 5 year period which comes into effect 1 April 2020.

As part of the process Vector is required to submit and identify what Vector needs to spend on the network in capital terms, on operations to maintain and enhance the network and other items such as cyber security.

Question 4:

A beneficiary asked why Vector had been fined by the Commerce Commission.

Vector's Chief Executive Officer, Simon Mackenzie explained the fine was related to quality standards, known as SAIDI measures. This had been a challenge for Vector as it was becoming increasingly difficult for faults crews to move around Auckland in busy traffic to get to the faults to return the power to customers in the timeframe that is was set by the Commission many years ago. As a result of this, Vector did not meet the targets for that regulatory period and was fined.

Question 5:

A beneficiary asked if Entrust have monitored the Commerce Commission's review and practices and how any issues are being addressed as through an association the Trust belonged to, namely Energy Trusts of New Zealand, there was a watch on the Commerce Commission and liaison to ensure Trustees were looking after the beneficiaries in that regard. He asked what Entrust had done this past year individually as a Trust or through Energy Trusts of New Zealand.

Entrust Chairman, William Cairns advised Trustees receive regular updates from Vector on regulatory matters.

Entrust Deputy Chairman, Michael Buczkowski, advised that Trustees regularly submit to the Commerce Commission and other regulatory authorities on matters that impact beneficiaries. In regard to Energy Trusts of New Zealand, Mr Buczkowski said as some members were regulated and others weren't, Entrust had decided to focus on submitting with Vector so messaging was not diluted by other non-regulated Trusts.

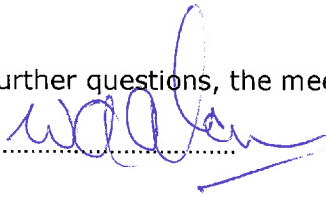
Question 6:

A beneficiary asked if Trustees take external advice on fees that Trustees are paid and if there have been any external reviews on Trustee remuneration.

Entrust Chairman, William Cairns advised that Trustee fees have not gone up since 2008 and that if Trustees were going to review the fees an external review would be done.

There being no further questions, the meeting closed at 7.42 pm.

Confirmed:



Date:

10/12/19