

Central Hawke's Bay Consumer Power Trust

Annual Public Meeting held:
3:00pm, Thursday 28 July 2022
at Centralines, 17 Coughlan Road, Waipukurau

MINUTES OF MEETING

1: PRESENT:

CHB Consumer Power Trust Trustees:

Alistair Setter (Chair), Dr Karen Middelberg, Callum Gray, Libby Tosswill, Laura Billings, Vicki Winlove (Executive Assistant).

Centralines (Board of Directors):

Dr Ian Walker (Chairman of the Board), Len Gould, Tony Gray, Fenton Wilson, Julie Collins (Executive Assistant).

Centralines (Staff):

Ken Sutherland (CEO), Jason Larkin (General Manager), Wayne Withey (Operations Manager), Brent Muggeridge (Company Accountant), Kim Parker (Unison), Wilmor Atienza, Pete Barakat, Kimberley Booth, Devon Brown, James Burne, Josh Ross, Stu Smith, Ken Taylor, John Te Amo, Bex Whitiri, Olwen Williams.

Public:

Her Worship the Mayor Alex Walker, Doug Tait (Central Hawke's Bay District Council CEO), Councillor Kelly Annand, Chris Webby (Audit NZ), Pete Bengston, John Kyle, Dr Trevor Le-Lievre, Wayne Smith.

2: APOLOGIES:

Sarah von Dadelzsen
Derek Walker
Marcus Peacock
Tony Murphy
Nigel Hamilton
Shelley Burne-Field
Kathryn Bayliss

3: MINUTES OF PREVIOUS MEETING (TUESDAY 26 JULY 2021):

It was resolved the Minutes of the Central Hawke's Bay Consumer Power Trust Annual Public Meeting held on Monday 26 July 2021, a copy having been circulated prior to the meeting, were taken as read and accepted as a true and accurate record.

*Dr K Middleberg / A Walker / All in favour
CARRIED*

4: MATTERS ARISING:

There were no matters arising.

5: CORRESPONDANCE:

Letter received from Shelley Burne-Field dated 28 July 2022. Refer to attached (Appendix 1).

6: CONSOLIDATED FINANCIAL STATEMENTS (YEAR ENDED 31 MARCH 2022):

It was resolved the audited consolidated Centralines and Central Hawke's Bay Consumer Power Trust Financial Statements for the Year Ended 31 March 2022 were accepted as correct.

*C Gray / L Tosswill / All in favour
CARRIED*

7: APPOINTMENT OF AUDITOR:

Alistair Setter moved the resolution not to appoint an auditor for the 2022-23 financial year and to request the Office of the Auditor General to make an auditor appointment on the Trust's behalf.

*A Setter / L Billings / All in favour
CARRIED*

8: TRUSTEES REMUNERATION:

Alistair Setter moved that there is to be no change to the Trustees remuneration for the 2022/23 year.

*Dr I Walker / A Walker / All in favour
CARRIED*

9: CHAIRPERSON'S REPORT:

It has been a big year for both the Trust and Company. The Trust obtained exempt status through the High Court who hereby approved the change of Trust Deed to elect all seven Trustees. An election was held last year which saw the retirement of George Williams, the replacement of Catie Avery and the election of Laura Billings and Tony Murphy. Thank you to both George and Catie for their contribution to the Trust and for their advocacy on behalf of the consumers.

One of the core functions of the Trust is to oversee the assets of Centralines. The Trust owns 100% of the shares in Centralines and it is the Trust's responsibility to provide good stewardship of Centralines on behalf of the Consumers. During the year this new building was commissioned. Well done to the Board, Management and Staff who made it happen. It is a fantastic asset to the community and something all Central Hawke's Bay can be proud of.

Last year Centralines paid two discounts to Consumers through their power accounts and donated \$149,000 to 63 community charitable organizations. This year, the Trust have requested the community contributions be increased to \$200,000 going forward. The company is in a solid financial position to be able to do this with over \$2 million in profits last year. The success of the company is due to the professionalism of the Centralines staff who keep the electricity lines network going to meet consumer expectations of a consistent and reliable power supply. Thank you to the Centralines Board of Directors, management team and Unison for having the right process in place to achieve this.

Dr Ian Walker and Derek Walker have retired from the Centralines Board of Directors. Thank you for your stewardship and contribution to Centralines over an extended period. Also thanks to our auditor, Chris Webby of Audit New Zealand.

The electricity distribution industry is a complicated industry with climate change being a key issue along with the electrification of energy and outgoing of fossil fuels meaning there will be more demand on the network. Consumers will be demanding more from Centralines with two way power, distributed power, even commercial grade generation. We are confident that we have the right Directors, Managers and Staff to handle these challenges.

Every year the Trust issue a letter of expectation to the Board outlining the Trust's expectations of the Company. There is a strong focus on growth, and we want Centralines to be able to take advantage of these opportunities with the idea that this will come back to benefit consumers through charitable contributions, dividends, discounts and reliability of power supply.

Lastly thank you to the Trustees for their professionalism and stewardship of the Company on behalf of consumers.

10: GENERAL BUSINESS:

Water Storage Infrastructure (Kathryn Bayliss):

Kathryn was unable to attend today's meeting but wanted noted that she felt Centralines should not be investing into water storage infrastructure and should focus on its core business of power distribution.

Community Funding Application Process (Shelley Burne-Field):

Alistair tabled a letter from Shelley as correspondence questioning how applications for public funding are assessed.

Alistair discussed that a sponsorship application form is available on the Centralines website along with the funding criteria guidelines. There are four sponsorship and donation intakes per financial year to ensure an even spread of sponsorship across our community. Requests more than 25% of the annual budget or more than three years sponsorship are assessed at Board level.

Working Relationship with Council:

Following the discussion at last year's APM around the working relationship between Council and the Trust, Alistair confirmed the Trust has had good dialogue with the Council over the past twelve months. Changing the Trust Deed was never to oust the Council, but to aid the company in regulatory management for the benefit of consumers. The Trust would like to continue honouring the spirit of the original Trust Deed by allowing the Council a say in governance matters however this path forward is yet to be set.

Wise Water Use CHB Petition (Dr Trevor Le-Lievre):

Dr Trevor Le-Lievre acknowledged the great work the staff, management, directors, and trustees have done to maintain the lines network to a high standard while running a commendable profit. Trevor also acknowledged what a great 'bricks and mortar' asset the new building is for the community.

Trevor is spokesperson for a local environmental group 'Wise Water Use CHB'. On the 17 March 2022, Trevor presented a petition to the Trustees on behalf of Wise Water Use CHB asking the Trustees to remove reference to 'investment in water security' from the statement of corporate intent. Trevor noted he was pleased to see specific reference to investment in water security has been removed.

Trevor discussed how water security in Central Hawke's Bay is controversial with heartfelt views on both sides of the debate. Trevor noted that statement of corporate intent retains the reference to 'regional infrastructure that can support economic growth' and questioned whether the Trust felt that was something the Company should be channelling community derived profits into? Trevor felt that community infrastructure projects for the wider community should be the function of central Government

or private enterprise and requested the Trust give this some consideration and look to return profits to consumers through dividends and discounts.

Alistair replied that within the Letter of Expectation, the Trustees expect the Board of Directors to investigate growth opportunities. Business cases need to be profitable and of benefit to the consumers. A company needs to focus on growth to ensure they keep moving forward, not backwards. A number of lines companies that have grown (ie Eastland Group and Unison) now have major benefits for their consumers or beneficiaries. This is the model that that Trustees would like to follow. If a growth opportunity fits within the core business model (ie solar), is profitable and shows a return over time, then the Trustees would be in support of it.

Trevor then questioned whether the Trust would look to move into power generation when core business is distribution. Alistair replied that the Trustees employ a Board of Directors with the appropriate skill sets to identify and investigate business opportunities and the Trustees do not want to influence that.

Alistair thanked Trevor for presenting the Wise Water Use petition and for voicing their opinion.

Trevor noted it would be good to see more consumers attend these types of meetings. Alistair replied that the APM is publicly advertised within the CHB Mail.

Trevor then questioned what the Trust's dividend policy was following the \$905 dividend paid in 2018 and \$400 paid in 2020. Alistair explained that these were the first dividends ever to be paid to beneficiaries and reiterated that if the Company makes a profit, they can give back to consumers via dividends. This statement of corporate intent does not foresee any dividends but that is up for discussion between the Trust and Company. Due to the significant cost in doing a consumer dividend distribution, larger and less often (every few years) is preferred by the Trust. Ken Sutherland noted that applying an annual discount as the primary vehicle in returning profits to beneficiaries is more tax efficient.

Trevor questioned what the repayment schedule was for paying for this building and whether this generation of consumers will end up forfeiting dividends or will repayment be smoothed over a number of years. Alistair noted this is currently under advisement with the Board. Ken added that this building is a long term asset and it does not impact on the company's ability to do discounts or distributions.

Trevor questioned the timing around providing the financials before the APM and requested they be released at least 10 working days prior to a meeting to allow more time to digest the information contained. Alistair noted that every year the Trust comes up against very tight timeframes to have the three sets of financials audited (company, trust and consolidated). There is considerable work undertaken by numerous parties over a short space of time with a regulatory process that must be followed. Alistair noted the Trustees view the company annual report 3-4 weeks ahead of the meeting however they are not approved until they are passed at the annual general meeting and therefore cannot be distributed before this. Alistair agreed that this does make it hard for better to raise issues with the financials at the APM however the Trust's door is always open to discuss any issues consumers may have, as is the Office of the Auditor General for any significant issues. Ken noted that the compressed timeframes to undertake the audit this year and last have been more challenging due to Covid.

Trevor was inquisitive as to why the Trust don't have a representative on the Board. Alistair replied that it is something the Trust has considered, and there are pro's and con's for each. There is a delineation between the Trust and the Board and the Trust are confident that that have the best, highly skilled professionals around the Board table who are free of influence from the Trust. The Board and Trust have an excellent working relationship and the Trust are regularly keep informed through quarterly reports, annual strategic planning sessions with a set governance calendar.

No further general business.

MEETING CLOSED: 3.39pm

SIGNED:

Alistair Setter (Chair)

Date

CORRESPONDANCE - APPENDIX 1:

28 July 2022

Please include this letter in its entirety in the CHB Consumers Power Trust AGM 2022 Minutes as correspondence

Kia Ora Koutou

Ko Shelley Burne-Field
toku ingoa.
No Takapau ahau.

Ngā mihi tino nui ki a koutou to the staff of Centralines. Thank you for keeping the lights on - and thanks for your beautiful smiles in the latest Statement of Corporate Intent photos. I urge you to think about making a Xmas Calendar as a fundraiser.

Ngā mihi ki a koutou to the CHB Consumers Power Trust members for the work you put in to keep our Trust and the Lines Company open and transparent and of benefit to us, the community shareholders. Thank you Alistair for your excellent work as Chair.

Ngā mihi maioha also to the Board of Directors and thank you for this year's Statement of Corporate Intent.

Community Sponsorship

Firstly is the community sponsorship amount which has increased this year to a very significant amount of \$200,000. Well done in sponsoring a range of organisations. It's great that a list of the funded organisations are now on the Centralines website.

Question:

1. Could you outline for the public the current process of how the funding applications are assessed?
2. Is there a panel whose members are close to the community? A scoring sheet? Criteria?

Suggestions:

- A. In the interests of transparency for the significant new amount of \$200,000 per year, perhaps a new process could be considered? A more open process?
- B. A community consumer panel could be appointed? People with knowledge of the community, including the local Taiwhenua. And not the same old same old people either. Legitimacy of process. Checks and balances.
- C. At the least, in the interests of transparency, the amounts to each funded organisation needs to be listed. Even the shady Pokie trusts have to list amounts online in dollar terms.

Transparency and Information

Second, is a call for Trust minutes and other information to be more transparent and accessible for the public. This has improved over the past few years but could be much better.

Question:

3. How could meetings be live-streamed online in the near future for public viewing? (Surely a \$10m build has been future-proofed for current technology?)

Suggestions:

- D. That the Trust meeting minutes and AGM minutes should be available online, easily accessed and in good time so that the public can remain informed.
- E. That a simple Calendar of meetings for the year be available. This can include Trust meetings, AGM, and also any other important dates for consultations.
- F. That Trust meetings be live-streamed online.
- G. That the Board of Directors also put out a Calendar of meeting dates annually, and perhaps a summary sheet of the key points of those meetings.

Continuing on with Transparency...\$200,000 payment

I've read about this payment in the local newspapers.

The optics are terrible. Lack of transparency. Lack of public consultation. Conflict of interest which contravenes the Institute of Directors Conflict of Interest guidelines.

Question:

- 4. Was the decision to pay TWSLtd \$200,000 made at a Board of Directors meeting? What date?
- 5. What form did the payment take? Was it a grant? A loan? Sponsorship? What return on the investment can Shareholders expect?

Suggestion:

- H. Please be more publicly accountable. Centralines profits are not Monopoly money for Directors to throw around. The \$200,000 could have paid for all our pensioner power accounts for a year.
- I. Any significant 'investment' must gain the approval of the Trust and Consumers. Directors - do better please.

Accounting standards

The Company has made a decision to use the RDR because The Trust now falls into a non-publicly accountable Tier 2.

Question:

- 6. What definition of not-publicly accountable have you used? In other words, why do you believe Centralines (The Company) is not publicly accountable in regards to accounting standards?
- 7. What is the benefit to the shareholder in electing to use the RDR or Reduced Disclosure Regime?

Ngā mihi maioha ki a koutou

Shelley Burne-Field