

Central Hawke's Bay Consumer Power Trust

Annual Public Meeting held:
2:00pm, Wednesday 27th July 2016
at the Waipukurau Club, Russell Street, Waipukurau

MINUTES OF MEETING

1: PRESENT:

CHB Consumer Power Trust:

Alistair Setter (Chairman), Tim Gilbertson (Trustee), Kate Laugesen (Trustee), Marcus Peacock (Trustee), Angus Mabin (Trustee, representing Silver Fern Farms), George Williams (Trustee, representing CHB District Council), Vicki Winlove (Executive Assistant)

Centralines (Board of Directors):

Jon Nichols (Chairman of the Board), Wendie Harvey, Nick Story, Ian Walker,

Centralines:

Ken Sutherland (CEO Unison), Len Gould (General Manager), Kevin Corkery (Operations Manager), Brent Muggerridge (Company Accountant), Julie Collins (Executive Assistant), James Burne, Gareth Fergusson, Olwen Williams

Public:

Julian Tan (Audit New Zealand), Sam Robinson, Arthur Rowlands, Clint Deckard, Trevor LeLievre, Tony Murphy, John Kyle, Lindsay Smith, Richard Dakins, Nicky Harper, Shirley Duthie, Brian and Lorraine Setter.

2: APOLOGIES:

Peter Butler (Trustee, in his capacity as His Worship the Mayor)

3: MINUTES OF PREVIOUS MEETING (WEDNESDAY 29th JULY 2015):

It was resolved that the Minutes of the Central Hawke's Bay Consumer Power Trust Annual Public Meeting held on Wednesday 29th July 2015, a copy having been circulated prior to the meeting, were taken as read and accepted as a true and accurate record.

Sam Robinson / Arthur Rowlands
CARRIED

4: MATTERS ARISING:

There were no matters arising.

The matter concerning Mr Arthur Rowlands has been satisfied and the matter is now closed.

5: TRUSTEES ANNUAL REPORT AND FINANCIAL STATEMENTS (YEAR ENDED 31 MARCH 2016):

It was resolved that the Trustees Annual Report and audited Financial Statements for the Year Ended 31 March 2016 were accepted as correct.

Sam Robinson / Olwyn Williams
CARRIED

5: APPOINTMENT OF AUDITOR:

The Chairperson moved the resolution for the re-appointment of the Auditor, being Pricewaterhouse Coopers.

Alistair Setter / Sam Robinson
CARRIED

6: CHAIRPERSON'S REPORT:

The Chairman, Mr Alistair Setter, congratulated Centralines on a fantastic year end result. The profit, targets achieved, SCI and lack of faults were outstanding. Alistair acknowledged the management and staff and thanked them for their professionalism and dedication in providing such a high skilled service over an extensive network.

Alistair discussed how health and safety is of paramount importance to the Trust and workplace safety is taken very seriously by the Trustees. The Trust is firmly behind management and the Board of Directors in ensuring that everyone is thinking about the risks, how to mitigate them and to operate in a safe manner, not only for the safety of oneself, but for the safety of other staff, consumers and livestock.

Alistair acknowledged retiring Board Chairman Sam Robinson. Throughout his 10 year tenure, Sam has provided excellent governance through a lot of change and ensured that Centralines was left in a firm financial position to look forward to the future. Alistair wished Sam all the best for his future endeavours with the RWSS.

Alistair also acknowledged past Trust Chairperson, Sarah von Dadelszen for her 12 year service to the Board. Sarah provided great leadership to the Trust and also ensured the company was left in a strong financial position.

Alistair also paid thanks to his fellow Trustees for their continuing service in governing a consumer owned asset worth in excess of \$65,000,000.

The Trust is looking forward to the year ahead and to the future with new technologies, different regulations, landscape changes and the potential RWSS all on horizon. Centralines is in a fantastic position to take advantage of these opportunities and fully backs management and the Board of Directors.

7: TRUSTEES REMUNERATION:

The Board moved the resolution for the Trustees Remuneration for the 2016/17 year remain the same as the 2015/16 year.

Sam Robinson / Arthur Rowlands
CARRIED

8: GENERAL BUSINESS:

- (a) Lindsay Smith queried how Centralines set their tariffs between different categories of users and asked whether the Trustees see the calculations or review the setting of tariff rates between categories of consumers and whether the Trustees approve of any cross subsidisation between consumer classes. Alistair explained that the setting of the tariffs is a management function however the Trust expect the Board and management to apply fair and reasonable pricing amongst the consumers in line with industry standards. Alistair then introduced Len Gould,

Centralines' Commercial Manager to give reply. Len gave reference to a previous query he had addressed in the difference in proportion between commercial and mass market with the anomaly being that the Centralines network is only a small number of commercial users versus the number of mass market. When the numbers are presented at a summary level they look distorted but on taking out the two largest commercial users, the percentages are considerably closer and to a level management are comfortable with and at a level that there is no cross subsidisation. It was then asked if consumers could see those figures of which Len confirmed they will look at doing however there are challenges around doing this due to the commercial sensitivity of the two largest users. Ken Sutherland, Centralines CEO then gave reply that pricing methodologies are disclosed to the pricing regulator and that both the Electricity and Commerce Commissions are involved in this process. Alistair confirmed that management will continue to assist in a large user group obtaining an RFP (request for pricing) to take their energy retailers.

ACTION: Len to continue working with Lindsay and the RWUG with their RFP and to provide more specific data on tariff pricing.

- (b) A member of the public questioned whether the Trust has looked at privatising Centralines. Alistair confirmed that ownership reviews are undertaken every five years with the last review undertaken two years ago. It was a detailed investigation and included asking the consumer's opinion. The report was reviewed by the Trust who were, and still are, of the opinion that the best option is to remain consumer owned. The next ownership review is to be undertaken in three years time.
- (c) Clint Deckard of Ashley Clinton made reference to the Centralines Statement of Corporate Intent 2012 into the investigation of providing fibre broadband in Central Hawke's Bay and questioned whether the Trust still had an interest in this area and a willingness to provide. Alistair confirmed that the detailed feasibility study was undertaken about three years ago and a proposal was put forward to the Trust of which was rejected as it did not stack up. The investigation has not, and will not be reinitiated. The Trust is fully supportive of seeing broadband and mobile services reticulated throughout Central Hawke's Bay and recommend the avenue that Clint now takes is to lobby RBI and the Government.
- (d) Tony Murphy questioned Centralines charges for solar users and the fairness in targeting just solar users (as opposed to all alternative users including those who use gas and wet backs etc) and whether Centralines simply followed Unisons lead on the charge. Jon Nichols, Chair of the Board of Directors, gave reply confirming that Centralines alone gave it serious thought; the Board understood it fully and signed off the pricing policy. Alistair confirmed that solar has been a topic of discussion at recent Trust meetings and that alternative energy users are well represented by Trustee Tim Gilberston and that fair and comparable pricing for all consumers is of upmost importance to the Trust. The Trust is also mindful that new technologies are coming and it will be a moving fest for some time. Ken then discussed the art of finding a balance across a variety of users and the need to ensure cross subsidisation wasn't happening for those that can't afford to install such technologies. He also emphasised that Centralines is not anti-solar and that Centralines is currently researching solar technologies that may be better suited to remote locations.
- (e) Tony then questioned why Centralines haven't made any submissions to the Electricity Authority on various issues and Jon confirmed that as Centralines belong to the ENA they do tend to talk with a united voice however it was discussed and resolved at today's Board meeting that Centralines should and will have their own voice on specific issues in the market place.
- (f) A member of the public questioned why in the Centralines accounts, deposits of \$3,000,000 at call are only receiving 1-1.5%. Brent Muggeridge, Company Accountant explained that those funds were at balance date, and that it is a revolving account as those funds are only ever in for

a short period between term deposits. The same member of the public questioned whether it was a “lazy” balance sheet with no debt plus \$3.4 million. Alistair advised that the Trust and Board made an active decision several years ago to build up a reserve of funds for the development of the RWSS of which will turn the balance sheet into more efficient one. If the dam was fall over the Trust would then need to look at capital management.

No further general business.

Alistair thanked the public for attending and for their contributions. He also reiterated that the Trustees are available to any consumer for any issues they may have.

MEETING CLOSED: 2:40pm

SIGNED:

Alistair Setter (Chairman)

Date