



MEDIA RELEASE

10 October 2006

There are no 'missing millions'

The recent advertisements and news items initiated by the Eastern Bay Power Society regarding the distribution of Eastern Bay Energy Trust funding and the so-called 'missing millions' is a deliberate misrepresentation of the facts, which cannot go unchallenged.

As the elected representatives of the 23,876 electricity consumers in the Eastern Bay, the Trustees run the Trust in full accordance with the Trust Deed, the Trustee Act and the Electricity Amendment Act. This means that all income, expenditure and distributions to consumers are fully audited, and reported in the Annual Report and at the Trust's AGM.

What the Power Society has conveniently omitted to add is that when the Trust was formed in 1994 it held just 25% of the shares in the former Bay of Plenty Electricity. The bulk of the shares were distributed to local consumers, many of whom sold their shares for quick cash. In 1999 the Trust purchased a further 52.3% of shares (including many of those sold by local consumers) back from the American owners UNL, to retain ownership in the Eastern Bay. This purchase cost \$33.9 million. These millions are certainly not 'missing', but were used to increase the Trust's shareholding in lines company Horizon Energy Distribution Limited to the current 77.3%. The dividends from these shares form the bulk of the Trust's annual income.

The Trustees have a fiduciary duty to maintain and enhance the value of the Trust Fund. Because of the current legislative environment within the electricity industry (for example the drastic drop in value of Vector shares resulting from regulation), it would be unwise for the Trust Fund to be confined to the electricity industry. For this reason, and to ensure the long-term future of the Trust Fund, the Trustees have also developed an investment portfolio including stocks and bonds, and ownership of subsidiary companies providing jobs for local people, and energy efficiency measures throughout the Eastern Bay. Profits from this investment portfolio also contribute to the Trust Fund.

The Power Society is trying to tell the Trustees how to run the Trust. The Trustees are elected by the consumers, and must make their decisions in the best interests of ALL consumers.

The protocol agreement with the Power Society allows for regular meetings to discuss distributions and other issues. The Power Society did not attend the meeting called in July, or the Trust's AGM.

The Power Society is trying to force the Trust to issue rebates. The Trustees have a duty to consult with ALL beneficiaries, not just the Power Society. There are many groups of consumers, and ALL have the right to have their say. It would be wrong for the Trustees to allow themselves to be bullied by any individual pressure group with a political agenda.

The Trustees have publicly stated several times over the past few months, that they will consult with ALL of the Trust's beneficiaries about the distributions programme and how the Trust Fund should be distributed. Although informal consultation is ongoing as part of the Trust's protocol with local authorities and other key stakeholders, a formal consultation process involving ALL of the Trust's beneficiaries is timed to start in February. Due to the widespread boundaries of the Trust's region, it is important that the process is carefully planned, and fine-tuning of the logistics for this massive exercise is now taking place.

Distributions to date:

The Eastern Bay Energy Trust is unique in New Zealand in that its funds must be distributed for energy related purposes. A total of \$18.7 million has been distributed to the Trust's beneficiaries over the past 10 years. Over \$10 million has been distributed to community organisations under the categories aged; arts/culture; churches; community groups; community events; district councils; education; health, marae, sport; welfare/safety.

A further \$5 million has been distributed through the Trust's retrofit insulation programme, which has direct benefits to consumers in energy savings and health, and which is now being copied throughout New Zealand.

Almost \$1 million has been used to place overhead power lines underground; almost \$500,000 for energy efficiency - saving power and money for consumers; and almost \$500,000 was distributed for flood relief following the two civil emergencies since July 2004. The need for skilled and experienced workers in the electricity supply industry has resulted in the Trust allocating over \$250,000 for industry education and training, and almost \$250,000 has been used to assist Horizon Energy with the purchase of two truck-mounted generators, and other uneconomic projects in remote areas. The remaining \$1.2 million has been approved for a variety of proactive energy related projects initiated by the Trust, including electricity safety, free electric blanket testing, generation investigation, and advocacy on behalf of consumers.

For further information contact

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