

## **BAY OF PLENTY ELECTRICITY CONSUMER TRUST**

C/o P O Box 404  
52 Commerce Street  
WHAKATANE

Telephone: (07) 307 2700

Fax: (07) 307 0922

July 1995

### **TRUSTEE'S REPORT FOR THE PERIOD 7 JULY 1994 TO 31 MARCH 1995**

I am pleased to be able to present the report on the Trust over the period 7 July 1994 to 31 March 1995.

In accordance with the establishment plan of the former Bay of Plenty Power Board, the Bay of Plenty Electricity Consumer Trust was formed on 7 July 1994. The Trust was formed to provide for energy related purposes for consumers of Bay of Plenty Electricity Limited and holds 5 million shares in Bay of Plenty Electricity Limited. This represents 25% of the issued share capital of the Company.

The Trust is administered under a Deed of Trust signed by the Company and by the five initial Trustees.

The initial Trustees of the Trust were appointed by the Board at the time of formation of the Trust were myself as Chairman, Des Butler, and Jim Parkinson as residents of Whakatane, Brian Ponting as a Kawerau resident and Jim Steele representing Opotiki. The terms of the Trust Deed required all Trustees to be resident within the Eastern Bay of Plenty region. With his departure to Auckland, Mr Parkinson was no longer eligible to remain as a Trustee. His vacancy has not been filled in the meantime. A replacement Trustee will be elected in October 1995.

The first election of Trustees is scheduled to take place 2 October 1995. It will be conducted by a postal ballot of all Bay of Plenty Electricity Limited consumers. Subsequent elections will be held annually. Each election two of the Trustee will retire from office by rotation but will be re-eligible for re-election.

For the 1995 elections, Des Butler and Jim Steele have indicated their willingness to retire but both will be offering themselves for re-election. Consumers will have the opportunity to nominate other candidates for election to the Trust if they wish. Nominations will be called for shortly.

Throughout the period under review, the Trust has not received any income and has operated on an advance of funds from Bay of Plenty Electricity Limited. The funds will be repayable when the Trust receives its own income. For the period 7 July 1994 to 31 March 1995 the Trust had excess expenditure over income of \$26,005. Details are provided in the financial statements which are available to all consumers.

The major source of the Trust's income is dividend income on the 5 million shares it holds in Bay of Plenty Electricity Limited. The Company's directors have proposed a dividend of 6.5 cents per share which will be paid to shareholders on 15 August 1995 following the approval of shareholders which is expected to be given at the Annual General Meeting on 14 August 1995. As a result of this dividend payout the Trust will receive \$325,000.

In terms of the Trust Deed, this income is to be distributed for energy related purposes. These purposes must relate to some aspect of the beneficial use, application or enjoyment of New Zealand's energy resources including:-

- a) Improvements to the safety of the general public by removing road and overhead hazards caused by above ground electricity support systems;
- b) Improvements to the supply of electricity to the general public in rural or remote areas by replacing inadequate or unreliable supply systems;
- c) Avoiding, remedying or mitigating any adverse effects of energy related activities on the environment;
- d) Promoting research into more efficient ways of producing and distributing electrical energy for the benefit of the general public including the awarding of research scholarships or prizes and the funding of research and development projects;
- e) The provision of financial assistance to enable persons to make better use of energy resources available to them or to subsidise the cost of such persons of existing supplies of energy.

In distributing funds for energy related purposes, the Trust Deed requires that the allocation of the funds must be for the benefit of consumers in the territory over which the former Bay of Plenty Electric Power Board supplied electricity pursuant to its supply licence; in other words, the former franchise area of the Board.

Consumers are invited to forward proposals for distribution of this income. In the meantime, Trustees are not rushing out to distribute the income. They feel it is much more prudent for them to retain the funds until worthwhile projects are identified within the medium term.

Since the formation of the Trust, Trustees have worked closely with the Company on a number of major issues and full support was given to the proposed merger between Bay of Plenty Electricity Limited and Rotorua Electricity Limited in October 1994. It was a significant issue and the Trust took professional advice from consultants before supporting the proposed amalgamation. Rotorua Electricity Trust who were the major shareholders did not support the proposal and the Trust decided to put its shares up for tender. Bay of Plenty Electricity submitted a bid but even though the Company's offer was considered to be a generous one, the Company was unsuccessful in its bid for these shares.

I am pleased to report that the relationship between the Trust and the Company is very good. This is not the case with many Trusts throughout the country.

Bay of Plenty Electricity also has another major shareholder in Power Supply Corporation Limited, a subsidiary of Fletcher Challenge Limited. In order to work together, for the benefit of both parties, a Shareholder's Agreement was entered into with Fletcher Challenge Limited. This Agreement gives the Trust 50% of the voting rights on any shares held by Fletcher Challenge Limited in excess of 25% and gives the Trust the first right of refusal in purchasing any shares made available for sale by Fletcher Challenge Limited. Similarly if the Trust wishes to sell its shares Fletcher Challenge has the first right of refusal. As part of the Shareholder's Agreement, the Trust has veto powers over the nomination of three Directors by Fletcher Challenge Limited.

During the share allocation process the Trust was invited to nominate a representative onto the Monitoring Committee to deal with any anomalies arising out of the share allocation process and I was privileged to be the Trust representative on that Committee.

The Trust has taken up membership of Energy Trusts of New Zealand, an organisation established for all electric power trusts. Membership costs the Trust \$750 per annum and provides a very useful forum for discussing mutual matters of concern with other Trustees from all parts of New Zealand.

The Trust has been fortunate in retaining the services of Neil Brennan as its Secretary/Treasurer. Neil's knowledge of the industry and his advice to Trustees has been of considerable benefit to Trustees in our deliberations.

On closing it is appropriate to pay tribute to the contribution made by Jim Parkinson to the Trust and to the electricity distribution industry generally over many many years. Jim and Marjorie have moved to Auckland, and on behalf of the Trust I wish them an extremely satisfying and continuing retirement in Auckland.

The Trust looks forward to an interesting year in evaluating proposals for the distribution of dividend income and looks forward to the input from consumers in this matter.

M.E. Law  
CHAIRMAN

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