

# Electra

TRUST

## 2012 Annual Review

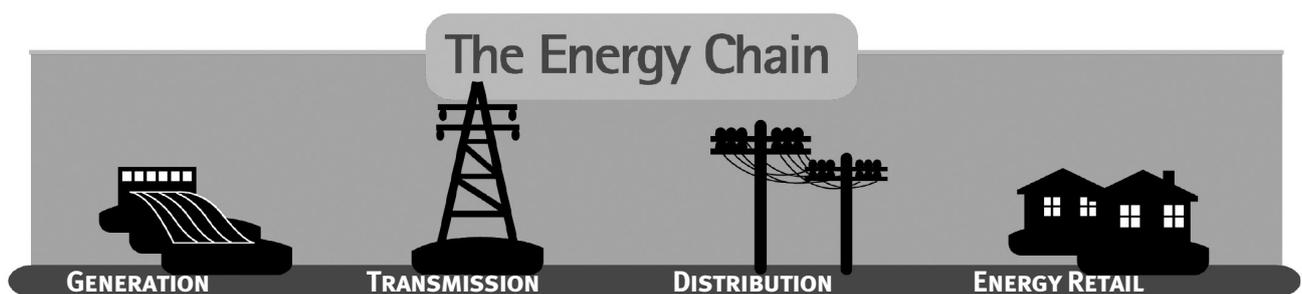
The Electra Trust is 100 percent owned by the 42,600 electricity consumers (beneficiaries) currently connected to the Electra network through Kapiti and Horowhenua.

The six elected Trustees hold the shares on behalf of the beneficiaries, ensure the terms of the Trust Deed are complied with, and ensure the benefits of ownership are distributed in the form of an annual sales discount.

The Trust appoints the Directors in Electra Limited which operates the lines network (including lines, transformers and sub-stations) and its five subsidiary commercial companies.

***More on Electra Trust: [www.electratrust.co.nz](http://www.electratrust.co.nz)***

## ***Where the Electra Network fits***



Contact  
Meridian  
Genesis  
Mighty River Power  
Trustpower

Transpower



Contact  
Meridian  
Genesis  
Energy On Line  
Trustpower  
Nova Energy  
Energy Direct  
Mighty River Power  
Power Shop  
Pulse Utilities NZ  
Simply Energy

## TRUSTEES' REPORT

To be submitted to the Annual Meeting of the beneficiaries of Electra Trust to be held on Friday 27 July 2012 at the Salvation Army Centre, Durham Street, Levin.

Your Trustees submit the Annual Review of the Trust, together with an overview of the Trust's expenses for the year ended 31 March 2012.

The positive outcome from a tough year has been the ability of Electra to again return a healthy sales discount to our consumers, equating to an average of one month's free power.

The economic downturn is being felt in many ways including reduced power usage, a lower rate of residential and business growth with fewer new power connections, and increasingly tight trading conditions.

Through careful stewardship the Electra Group managed to maintain its baseline earning power over the last year, with good returns from some of its subsidiaries.

Recognising the long term nature of the economic downturn, our Board has reviewed its entire operations through a strategic planning process and is taking steps to safeguard the core strength of Electra.

The Electra Trustees have been kept in the loop so that the governance and management arms of Electra are in tune with the way forward.

One of the responsibilities of the Trust, on behalf of consumers, is to approve the business and strategic direction of the Board through a Statement of Corporate Intent and that process for the next financial year has been completed.

Electra is one of the most efficient and cost-effective power lines companies in the country with one of the lowest fixed charge for delivering power and it is galling to see the scale of power bill increases over recent years.

While Transpower, the national transmission owner, has genuine reason for increasing its charges to pay for overdue network upgrades, it is more difficult to justify the increases by the big retailers who are intent on making big profits.

What is made worse for a consumer-owned lines company like Electra is that our costs are bundled up in the retailer bills and our consumers don't realise that our share of that bill is only around a third.

So far, all efforts to persuade the government and/or the retailers to transparently set out the separate billing charges so that consumers can see exactly where the costs lie have fallen on deaf ears.

There is one ray of hope. A line company in the far north has negotiated a billing separation deal with one of the big retailers, Meridian Energy.

Looking to the future, it is clear that after a comparatively stable electricity industry over the last 50 years, the pace of change is increasingly going to impact on companies like ours.

We have to plan for decreasing consumption as consumers move towards alternative technologies like solar power (where costs are rapidly falling), more use of energy efficiency programmes in homes and businesses, and a greater takeup of smart meters as consumers look for ways to manage household and business costs.

In terms of government intentions, it is probable that lines companies will again be put through the hoops as the recently-created Electricity Authority has foreshadowed an efficiency review of lines companies. Once again our Company will be involved in spending many thousands of dollars in responding to detailed questions, many of which have already been answered before.

Trustees are finding invaluable help in understanding the way forward through membership of the Energy Trusts of New Zealand umbrella group which twice a year updates its 22 member trusts at conferences.

We are regularly briefed by our Board and Chief Executive who keep us fully informed and we are fortunate to have their industry knowledge and talents.

I am indebted again to the support of my colleagues on the Trust who bring a wide range of knowledge and skills to our table and to our hard-working Secretary Heather Birrell.

Next year will see the 125<sup>th</sup> anniversary of New Zealand's first public electricity network, at Reefton, and it's worth noting that delivery of electric power in Kapiti-Horowhenua is 90 years old this year.

On behalf of Trustees:

Chris Turver JP

Chairman Electra Trust

### **OWNERSHIP REVIEW**

This is an important proposal for your attention. Please read the report on the Ownership Review on the next page and complete the voting paper.

## OWNERSHIP REVIEW

As you will see from the accompanying papers, the Electra Trust is putting forward a proposal not to hold a scheduled review next year of the current form of full consumer ownership.

Electra has been fully owned by the Kapiti-Horowhenua consumers since the Trust Deed was finalised in 1993.

Ownership reviews are required under the Trust Deed to allow consumers regular opportunities to consider other options including selling out, joint ventures, or amalgamation with other power companies.

The reviews are held at regular intervals and the next is scheduled for 2013.

Since 1993 there have been three ownership reviews, each showing increasingly heavy support for retaining full ownership of Electra.

The Electra Trust has considered whether another review is necessary against three factors:

- the last review in 2006 showed that 96.4 percent of those who voted wished to retain 100 percent consumer trust ownership of Electra
- there has been no detectable change in consumer opinion in Kapiti-Horowhenua since the last review and no proposal has come forward for any other form of ownership.
- it would cost approximately \$100,000 (with some effect on the annual discount) to commission the necessary discussion papers, hold public meetings, and poll all 42,600 consumers who are connected to the Electra distribution network

Legal advice was taken to ensure the appropriateness of this proposal and there is a safeguard for the future built into the recommendation.

Trustees ask that you carefully consider the accompanying papers and complete the voting paper.

On behalf of Trustees:  
Chris Turver JP  
Chairman Electra Trust

### **Proposal**

That the Electra Trust Deed is amended to revoke the need for full ownership review every 7 years as provided for in clause 4.7 of the Trust Deed.

### **Background**

When the Electra Trust was established in 1993 following the dissolution of the Horowhenua Electra Power Board it took ownership of the power lines network and assets on behalf of the residents of Kapiti and Horowhenua connected to the Electra lines network (the beneficiaries).

Under the Trust Deed, provision was made for the beneficiaries to determine at regular intervals whether the full consumer trust ownership model was appropriate, or whether other types of ownership should be considered, or whether the network should be sold.

Initially the ownership reviews were held every three years with a clear and growing beneficiary support for full consumer trust ownership. The last review was held after a seven year interval as instructed by the Trust Deed. In 1999 support for full consumer trust ownership had reached 89 per cent and in 2006 it had risen to 96.4 per cent of those who responded.

### **Present Position**

The next ownership review is due to be held in 2013 and, if there is to be any change to the automatic requirements for reviews, that change needs to be authorised at the 2012 Annual Beneficiary Meeting of the Electra Trust.

The Electra Trustees have assessed the position and found that the cost of mounting a formal ownership review is more than \$100,000 (which impacts on the annual discount); that because of the continuing strong support for continuation of full consumer trust ownership the number of beneficiaries responding is falling off; and that there is no detectable groundswell for any change to ownership.

The Electra Trustees support this proposal to end automatic ownership reviews for the reasons given but feel strongly that there must always be specific provision for beneficiaries to reconsider and propose making formal provision for discussion on ownership reviews at future Annual Beneficiary Meetings.

## NOTICE OF ANNUAL MEETING

Notice is hereby given that the annual meeting of beneficiaries of Electra Trust will be held at the Salvation Army Church Centre, 11 Durham Street, Levin, on Friday, 27 July 2012 commencing at 12 noon.

### ORDINARY BUSINESS

1. Presentation of the following:
  - (a) Annual Report
  - (b) Financial Statements for the year ended 31st March 2012
  - (c) Report of the Auditor
2. To record the election of two Trustees.
3. To fix the remuneration of the Trustees for the coming year. Trust beneficiaries are asked to consider, and if thought fit, to pass the following resolution:

*“THAT the remuneration of the Trustees remain unchanged and therefore the remuneration for the 12 months ending 31st March 2013 be an amount of \$69,500, such sum to be divided amongst the six trustees in such proportion and in such manner as they may agree.”*
4. To appoint an auditor for the Trust for the year ended 31st March 2013.

*“THAT the Controller and Auditor General or his appointee be appointed as auditor for the Trust”*
5. Authorise the Trustees to fix the remuneration of the Auditor of the Trust.

*“THAT the Trustees be authorised to fix the remuneration of the Auditor of the Trust.”*
6. Extraordinary Resolution (requires an affirmative vote of not less than 75%)

To direct the Trustees to amend the Trust Deed by removing Clause 4.7(b) and inserting Clause 4.8

*“THAT the 2012 Annual Beneficiary Meeting of the Electra Trust authorises the Trust to:*

*Revoke the automatic ownership review process in clause 4.7(b) of the Electra Trust Deed by deleting clause 4.7(b), and*

*Incorporate provision for discussion on ownership reviews to be held at future Annual Beneficiary meetings at seven yearly intervals, starting in 2019 as follows, as clause 4.8 of the Trust Deed:*

*“The Trustees shall procure that at the annual meeting of beneficiaries held in 2019 and at every seventh annual meeting of beneficiaries following that (the next being 2026) an ordinary resolution is put to Beneficiaries that the ownership structure should be reviewed. If this resolution is passed the Trustees must procure a review of the ownership of the Trust in accordance with the procedure set out in clauses 4.1 to 4.5.”*
7. To review and discuss the Code of Practice for the Electra Trust.
8. Report on the company’s compliance with the Statement of Corporate Intent.
9. To direct the Trustees as to:
  - adopting the annual report and financial statements of the Company for the year ended 31st March 2012
  - the recommended payment of a dividend of \$297,500 by Electra Limited for the year ended 31 March, 2012 to assist in meeting the expenses of the Trust
  - authorising the Directors of Electra Limited to fix the remuneration of the auditor of the Company.
10. Public forum.

By the order of the Trustees  
P H Birrell  
Trust Secretary

The Annual Report of Electra Trust, including the audited Financial Statements, is available on request from:  
 Electra Ltd, Cnr Bristol & Exeter Streets, Levin. Or telephone 06 368 7463 (Secretary).  
 Online at website: [www.electratrust.co.nz](http://www.electratrust.co.nz)

## Overview of Electra Trust's Expenses

	2012	2011
	\$	\$
Annual Report Expenses	36,634	36,598
Audit Fees	4,534	3,729
Bank Fees	150	163
Conference	5,217	6,522
Corporate Trustee Fees	5,750	6,770
Depreciation	525	-
ETNZ Levy	12,690	3,479
Legal Fees	4,535	689
Shareholder Meetings	860	995
Trust Secretary Expenses	50,803	53,622
Trustee Election Expenses	67,181	66,804
Nomination Expenses	20,173	19,856
Trustees' Expenses	2,360	2,162
Trustees' Fees (total of 6)	69,500	59,500
Trustees' Insurance	5,750	5,625
Website Expenses	437	-
	<b>\$287,099</b>	<b>\$266,514</b>

These expenses are covered by a Dividend of \$297,500 received from Electra Limited.

Details of the discount are contained in the Electra Annual Report.

## DIRECTORY

### TRUSTEES

C R Turver JP, *Chairman*      J M Keall  
 L R Burnell QSM                  R J Latham  
 A Chapman MNZM JP          G Sue JP

### SECRETARY

P H Birrell, BBS CA, Levin

### ADVISORY TRUSTEE

Public Trust, Wellington

### AUDITOR

Deloitte, Wellington,  
 on behalf of the  
 Controller and Auditor General

### SOLICITORS

Quigg Partners, Wellington

### WEBSITE

[www.electratrust.co.nz](http://www.electratrust.co.nz)

## TRUSTEES



C R Turver JP, *Chairman*



A Chapman MNZM JP



G Sue JP



L R Burnell QSM



R J Latham



J M Keall

# MINUTES OF THE EIGHTEENTH ANNUAL MEETING OF ELECTRA TRUST HELD FRIDAY 29 JULY 2011 AT 12 NOON AT THE SALVATION ARMY CHURCH CENTRE, DURHAM STREET, LEVIN

## PRESENT

Trustees: C Turver (Chairman), L Burnell, A Chapman, J Keall, R Latham, G Sue.  
Directors: P McKelvey (Chair of Electra Ltd), M Devlin, P Hamid, R Longuet, N Mackay, I Wilson.

43 beneficiaries

In attendance:

H Birrell (Secretary)  
J Yeoman (CEO Electra Ltd)  
Robert Gatward (Representing Public Trust as Advisory Trustee)  
Senior management Electra Ltd.

The Chairman welcomed everyone to the meeting and introduced the Trustees and Directors.

The Chairman advised beneficiaries that voting papers were available if they had not already voted by postal vote.

## APOLOGIES

Apologies were received from Martin Devlin (Director) and from Nathan Guy for lateness. RESOLVED THAT the apologies be accepted. Carried

## MINUTES

RESOLVED THAT the minutes of the previous Annual Meeting held on 30 July 2010, as circulated previously be taken as read, confirmed as a true and correct record and signed by the Chairman. Carried

## ANNUAL REPORT OF ELECTRA TRUST AND FINANCIAL STATEMENTS

The Chairman presented and spoke to the 2011 Report and the overview of the Financial Statements which had been circulated with the notice of meeting.

The Chairman put the motion seconded by L Burnell

RESOLVED THAT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE TRUST FOR THE YEAR ENDED 31 MARCH 2011 BE ADOPTED

The Chairman declared that 4644 postal votes for the motion and 31 against carried the motion.

## ELECTION OF TRUSTEES

The Chairman stated that in accordance with the Trust Deed, Lindsay Burnell and George Sue had retired by rotation and being eligible had been nominated for re-election.

The Chairman asked the returning officer Mrs V Wright, Company Secretary, to report on the Trustee election.

Mrs Wright read the results of the election and advised that the successful candidates from the Trustee election were Lindsay Burnell and George Sue. She declared L Burnell and G Sue to be elected Trustees under the terms of the Trust Deed of Electra Trust.

The Chairman congratulated Mr Burnell and Mr Sue.

## TRUSTEE REMUNERATION

The Chairman explained the reasons for the increase in fees. Electra Trustees would still be in the lower bracket of fees paid to Trustees, out of the 22 line company trusts.

Piers Hamid put the motion, seconded by D Pedley.

RESOLVED THAT THE REMUNERATION OF THE TRUSTEES BE INCREASED BY \$10,000 AND THEREFORE THE REMUNERATION FOR THE 12 MONTHS ENDING 31 MARCH 2012 BE AN AMOUNT OF \$69,500, SUCH SUM TO BE DIVIDED AMONGST THE SIX TRUSTEES IN SUCH PROPORTION AND IN SUCH MANNER AS THEY MAY AGREE.

The Chairman declared that 3335 postal votes for the motion and 1325 against carried the motion.

## APPOINTMENT OF AUDITOR

The Chairman put the motion, seconded by I Wilson.

RESOLVED THAT THE CONTROLLER AND AUDITOR GENERAL OR HIS APPOINTEE BE APPOINTED AS AUDITOR FOR THE TRUST.

The Chairman declared that 4617 postal votes for the motion and 59 against carried the motion.

## REMUNERATION OF AUDITOR

The Chairman put the motion, seconded by L Burnell

RESOLVED THAT THE TRUSTEES BE AUTHORISED TO FIX THE REMUNERATION OF THE AUDITOR OF THE TRUST.

The Chairman declared that 4498 postal votes for the motion and 171 against carried the motion.

## CODE OF PRACTICE

The Chairman asked the Advisory Trustee, Robert Gatward, to read the Public Trust's Annual Report to the Beneficiaries. This report confirmed that to the best of the Public Trust's knowledge the Trustees had complied with their obligations under the Trust Deed and the Code of Practice in all significant respects during the year ended 31 March 2011.

## STATEMENT OF CORPORATE INTENT

The Chairman reported that the Trustees had reviewed and monitored the Statement of Corporate Intent of the Company and that Trustees believed the Company had adhered to the document.

## ANNUAL REPORT AND FINANCIAL STATEMENT OF ELECTRA LIMITED

The Chairman invited Miss P McKelvey, Chair of Directors of Electra Limited, to speak to the Annual Report of the Company.

Miss McKelvey welcomed everyone to the meeting. The meeting was a very important one as it recognized the work of Electra Ltd over the year.

Miss McKelvey and John Yeoman, CEO highlighted the following points in a power point presentation:

- Coverage area of Electra Limited and where the company sits in the energy chain
- Key Facts on size, employees and price (Electra still 6th cheapest for price)
- Financial Performance - discount to consumers \$7.9million – invested \$6.3million in the network – profit before tax \$301,000
- Operation expenditure 4th lowest out of 29 line companies
- Network statistics
- Capital spend over next 10 years - \$55million
- Subsidiary companies function and details
- Industry update – Transpower significant upgrades to meet growing demand.

Questions from the floor included:

- Safety policies – live linework. Consumers were assured that Electra follows strict training and safety precautions
- Growth of assets was applauded but comments were made on the lower discount. A graph showed the discount has been very steady since 1997. It is necessary to retain some profits to ensure the network is maintained.
- Salary increases. Mainly from the new company Sky Communications where highly skilled technical engineers are required and it is necessary to meet the market price.

Miss McKelvey put the motion, seconded by P Hamid.

RESOLVED THAT THE MEETING DIRECTS THE TRUSTEES TO ADOPT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2011.

The Chairman declared that 4659 postal votes for the motion and 26 against carried the motion.

The Chairman thanked Miss McKelvey and John Yeoman for an excellent presentation of company information.

## DIRECTION TO THE TRUSTEES AS TO AUTHORISING THE PAYMENT OF A DIVIDEND

R Longuet put the motion, seconded by N Mackay.

RESOLVED THAT A DIVIDEND OF \$275,000 BE APPROVED.

The Chairman declared that 4552 postal votes for the motion and 109 against carried the motion.

## DIRECTION TO THE TRUSTEES AS TO AUTHORISING DIRECTORS TO FIX THE REMUNERATION OF THE AUDITOR OF THE COMPANY

P Hamid put the motion, seconded by I Wilson.

RESOLVED THAT THE DIRECTORS BE AUTHORISED TO FIX THE REMUNERATION OF THE AUDITOR OF THE COMPANY.

The Chairman declared that 4507 postal votes for the motion and 167 against carried the motion.

## PUBLIC FORUM

The Chairman called for questions or comments from the floor.

### Subsidiary Companies

A beneficiary asked why the company had subsidiary companies and did not just concentrate on the network and look after the customers. It was explained that it is the profits from the subsidiary companies that provide the income for the discount that consumers receive.

### Wind Power

The company was asked why they had not gone ahead with developing a wind power site. Mr Yeoman replied that after doing the research it was decided that it was not an economic business case for Electra at this time.

### Rebate

A beneficiary commented he would rather have his discount in cash instead of crediting to his power account.

Mr Hamid assured him that this was the most efficient way to distribute to the consumer both for tax and administration purposes.

## CLOSURE

The meeting closed at 1.00pm