

Minutes of the Seventeenth Annual Meeting of Beneficiaries

Held at	The Ellerslie Event Centre, 80-100 Ascot Avenue, Remuera, Auckland
Date & Time	Thursday, 25 October 2018 at 7.00 pm
Present	William Cairns (Chairman), Michael Buczkowski (Deputy Chairman), Paul Hutchison, Karen Sherry and James Carmichael 51 Beneficiaries registered their attendance
Staff in attendance	Helen Keir (Chief Operating Officer) and Kaylene Taylor (Executive Assistant)

APOLOGIES

Apologies were received and noted.

Entrust Chairman, Mr Cairns, opened the meeting at 7:00 pm and introduced Trustees.

Mr Cairns extended a warm welcome to all Entrust beneficiaries, Vector Directors, Simon Mackenzie, CEO of Vector, members of the Vector Executive Team, Entrust's accountants, auditors and legal advisors.

MINUTES

The minutes of the Sixteenth Annual Meeting of Beneficiaries held on 26 October 2017 and confirmed by the Trustees on 19 December 2017, were tabled and received.

YEAR IN REVIEW – ADDRESS FROM THE CHAIRMAN

Looking at the 2018 year in review, the Chairman noted it has been busy for Entrust, having distributed the \$350.00 dividend to a record number of beneficiaries.

There has also been new activity, as well as ongoing undergrounding, being funded from the Entrust Energy Solutions Programme.

Financial performance

This year the Trust received \$123.5 million in income. This comprised \$122 million from Vector in dividends and \$1.5 million in interest from funds on deposit.

For the year ended 30 June 2018, the total expenditure incurred by the Trust was \$3.2 million. This compares to \$3.5 million expenditure last financial year and \$4.2 million the previous year, a reduction of \$1 million in costs, over the past two years.

These savings demonstrate a strong focus on reducing costs which is continuing, however the cost of the 2018 Entrust election will result in additional costs this financial year.

An Unqualified Audit Certificate was issued on 24 August 2018.

The Entrust Dividend

In 2017 the dividend was paid to around 327,000 beneficiaries making it the largest dividend distribution in New Zealand, injecting nearly \$116 million to the Auckland economy when it is paid out.

As far as possible, Entrust try to pay people the way they want to receive their dividend, either by direct credit, cheque or to their power bill. That is a challenging task because around 43% of the people receiving the dividend change addresses or change their customer details every year.

This creates a high level of churn in the data so Entrust can't roll over the information from one year to the next but have to be extremely careful to ensure that the dividend is paid only to the rightful beneficiary.

Entrust also has a duty to ensure that every beneficiary who is entitled receives their dividend. On dividend day Entrust sends out around 120,000 cheques and make payments to 160,000 bank accounts and 40,000 power accounts.

Entrust conducts a brief but high-impact advertising campaign at dividend time so that people know this valuable material is in the mail. The advertising also helps Entrust reach anyone who is eligible but did not receive their dividend. They may have lost the mail or they have missed out because their name was incorrect or it wasn't on the roll. This particularly applies to people on pre-pay power who don't generally need to give their name to their electricity retailer.

The advertising means that in the first month of the dividend being paid Entrust typically take 10,000 calls from people needing help with their dividend.

Energy Solutions programme

As majority owner of Vector, Entrust has an agreement that commits the company to spend \$10.5 million every year on projects in the Entrust district.

This fund has historically been used for undergrounding projects in the Entrust district. However, as Entrust advised in 2015, the parameters around the fund were changed and extended to include new technology initiatives and was named the Energy Solutions Programme.

This change was made because Chorus had advised they would be reducing funding to underground their telephone lines and would only participate in undergrounding projects by exception. This meant there was no visual benefit to continuing to underground without Chorus support as there would be no visual benefit as telephone poles and wires would remain in place even if electricity lines were underground. Despite this a number of projects that had been previously committed to were completed during 2015 to 2017.

Trustees also undertook at the time to continue to lobby Chorus to support a full undergrounding programme and are delighted to announce that Chorus has committed to a full programme of undergrounding in the future.

Over the past year in addition to undergrounding, new energy solution initiatives have been rolled out including community generation and the Kawakawa Bay smart grid.

Undergrounding

In last financial year undergrounding projects were completed in:

- Massey Road (Mangere)
- Stack Street (Herne Bay)
- Morgan Street (Newmarket)
- Garnet Road (Westmere)
- Dominion Road (Mt Roskill) and Carbine Road (Mt Wellington)
- Franklin Road (Freemans Bay)

- Station Road (Otahuhu)
- Alba Road (Greenlane)
- Cowie Street (Newmarket) and Sarsfield Street (Herne Bay).

Vector has completed all the projects without any injury to field staff and again received positive customer feedback on completion of the projects.

Community generation

A new initiative this year is Community Generation which has seen a range of mobile generator units purchased for use in supporting vulnerable and medically dependent customers and community groups during planned outages or during a weather related outage. Sixty small generators have been purchased after consultation with the Auckland District Health Board to support dialysis and other typical medical assistance machines.

Additionally, six trailer and truck mounted mobile generator units have been purchased. Once these are operational, they will be used to provide power to community events in the Entrust District, through a connection directly into Vector's network.

Kawakawa Bay smart grid

Entrust and Vector have also committed to developing a smart grid solution at Kawakawa Bay. The network in this area is exposed to significant geographical challenges.

A microgrid consisting of a solar and battery system will reduce the outage times experienced by residents in Kawakawa Bay.

Vector is also actively involved in other innovations in the way power is supplied and is currently doing a lot of work on network resilience.

Resilience

Mr Cairns introduced Simon Mackenzie from Vector.

Simon Mackenzie, Vector's Chief Executive Officer, provided an overview regarding resilience and the April 2018 storm event.

Acknowledgments

I would like to acknowledge the commitment of our Trustees, our team and the assistance of our advisors.

APPOINTMENT OF AUDITORS

As recommended by the Trustees, it was

Moved: Peter Haynes

Seconded: John Slater

That Grant Thornton is re-appointed auditors of Entrust for the ensuing year.

Carried

The Chairman advised that Trustees rotate partners every few years within Grant Thornton so a different team is responsible for the Audit.

FIXING OF THE REMUNERATION OF THE AUDITOR

Moved: Guy King

Seconded: Tim Dixon

That, in accordance with Section 101(3) of the Electricity Industry Act 2010, the Trustees be authorised to fix the fees and expenses of the auditors for the ensuing year.

Carried

FORUM

The Chairman opened the meeting to questions from the floor. The following were noted:

Comment 1:

A beneficiary acknowledged and thanked Trustees and Vector Directors, Karen Sherry and James Carmichael for their work on the nominations committee of Vector in the choice of their two new Directors who started in February and just recently.

Question 2:

A beneficiary asked what criteria is used to decide which streets are going to be undergrounded.

Vector's Chief Networks Officer, Andre Botha, provided background and advised the criteria is published on the Vector website.

Question 3:

A beneficiary asked the Entrust Chairman to clarify statements of the possible sale of Entrust shares and Vector's assets. Do you mean you will not sell down any of the Vector Shares and will block any sale?

Entrust Chairman, William Cairns said Trustees were opposed to selling down any Vector shares. He advised that Vector is 75% owned by the Trust and 25% owned by the public. It is a good public partnership model and Entrust does not want to change it.

Question 4:

A beneficiary asked about recent media coverage relating to a proposed sale of Vector network assets by UBS and asked for clarification.

Entrust Deputy Chairman, Michael Buczkowski advised that Entrust has no knowledge of a proposal from UBS. The UBS proposal has never been discussed, it has never been on the table and Trustees only heard about this in the media.

Entrust Chairman, William Cairns said Entrust is not selling down Vector assets. Deputy Chairman, Michael Buczkowski agreed.

Question 5:

A beneficiary commented that last year the number of beneficiaries increased by 4000 and presume it is trending up, and asked how Trustees intended to increase the dividend?

Entrust Chairman, William Cairns said Entrust receives income from Vector and can only pay out the income that is received. Entrust is dependent on Vector and the Vector Board decides the dividend that will be paid.

Question 6:

A beneficiary expressed concerns about protecting Vector assets and asked if Trustees had received any briefings or any approaches about the purchase or sale of any of the network assets?

Entrust Chairman, William Cairns advised Entrust has not received any approaches or briefings.

Question 7:

A beneficiary asked Karen Sherry and James Carmichael as Vector directors, if they were opposed to any sale of the Vector network assets?

Trustee Directors, Karen Sherry and James Carmichael said they have no problem giving that assurance.

Question 8:

A beneficiary asked how much investigation was done into working with Auckland Transport on undergrounding power poles on arterial roads to accommodate double decker buses and reduce the risk of crash, injury and death for people.

Vector's Chief Networks Officer, Andre Botha advised that Vector work with Auckland Transport extensively on the upgrades needed for double decker buses and have coordinated a project on Dominion Road. Vector always evaluates their work plan and where it is possible and where there is funding available, Vector coordinates work.

Question 9:

A beneficiary commented that Blockhouse Bay suffers a lot of power outages, network failures and vertical cable disruption and asked if there was sufficient reinvestment into the network to ensure the resilience discussed earlier?

Vector's Chief Networks Officer, Andre Botha advised Vector goes to the Commerce Commission on five-year cycles for capex and opex spend to be approved. Vector spends significant funds on network maintenance and have been doing that consistently. Every two years Entrust gets an independent consultant to review Vector's network practices. DuPont had recently completed a review and the letter has been published on the website.

Question 10:

A beneficiary commented that in the DuPont Network Security report, the network is described as good. Given the Commerce Commission has fined Vector for excessive outages in 2015 and 2016 and has foreshadowed that there will be similar penalties for 2017 and 2018, are Trustees taking the consumer role seriously as there was no public comment from Entrust when the April storms occurred or when the Commerce Commission announced the penalties.

Entrust Deputy Chairman, Michael Buczkowski said the situation was complex and that the breach of SAIDI was primarily due to Vector no longer doing live line work, which had been stopped due to safety considerations. De-energising the electricity line before doing work extended the duration of the outage. Also, Auckland traffic was becoming more of an issue and meant it was taking longer for contractors to get to the location of the outage.

Vector's Chief Networks Officer, Andre Botha said the Commerce Commission's independent expert acknowledged, that in 2015 Vector would not have been able to achieve the SAIDI target due to the weather that year and also it takes a long time to get to faults due to road congestion in Auckland. There is not an issue with Vector's assets failing, but a breach of the time taken to restore outages.

Question 11:

A beneficiary commented that the C&R candidates have advertised heavily around Auckland in order to get re-elected and asked why it had been necessary to put tacky alterations onto the signs across the front.

Entrust Chairman, William Cairns advised this is a Entrust meeting and was not appropriate to respond to political questions, however Trustees would be happy to talk after the meeting.

Question 12:

A beneficiary expressed disappointment regarding the recent media reports regarding infighting and asked if Trustees would consider holding the AGM a lot earlier so that the public can hold Entrust accountable as to opposed to having it the day before voting closes.

Entrust Chairman, William Cairns advised Entrust has a June balance date and it takes time to get the accounts prepared. Traditionally the AGM has been held at this time.

A beneficiary responded, saying the timing gave no opportunity for the general public to ask questions when there is an important election taking place.

Entrust's Chairman thanked the beneficiary for his comments which were noted.

There being no further questions, the meeting closed at 8.06 pm.

Confirmed: *Waal*

Date: *12/2/19*