

TECT

Consumer Information Session

4 & 7 March 2021



A Look Back

TAURANGA ELECTRIC POWER BOARD

IMPORTANT MATTERS RE-
CEIVE ATTENTION.

A meeting of the Tauranga Electric Power Board was held in the Borough Council Chambers on Saturday last. Present: Messrs T. Lochhead (Chairman), J. Hume, J. M. Darragh, W. A. Bennett, W. J. Griffin and H. J. Gill.



History of TECT

- 84 million shares were issued in the newly formed Trustpower
- Local community decided to take 50% for themselves.
- Remainder put in a trust (TECT) for the benefit of current and future generations.
- 100% of electricity consumers in the TECT district (Tauranga/Western BOP region) were TECT beneficiaries.
- Today it is around 59% and decreasing.

History of TECT

E. The benefits which the Trustees derive through their ownership of the assets of the Trust Fund will be made available directly or indirectly as the Trustees in their discretion decide to Consumers.

(d) By carrying out or causing to be carried out or funding in whole or in part (whether by way of Consumer distribution, loan, investment, the underwriting of project liabilities, the giving of financial support or otherwise) the carrying out of projects or other community initiatives which in the opinion of the Trustees will benefit Consumers.


Amended 10/12/2002

- (c) By carrying out or causing to be carried out works which in the opinion of the Trustees will benefit Consumers such as:
- (i) Improvements to the safety of Consumers by removing road and overhead hazards caused by above ground electricity supply support systems in the District;
 - (ii) Avoiding, remedying or mitigating any adverse effects of energy related activities on the Environment;
 - (iii) Promoting research into more efficient ways of producing and distributing electrical energy for the benefit of Consumers in the District including the awarding of research scholarships or prizes and the funding of research and development projects;
 - (iv) Subsidising the installation of the means of supply of energy to Consumers which would otherwise be uneconomic.

History of TECT

‘Termination Date’ means the earlier of 1 January 2072 and the date upon which the Trustees resolve that the Trust be wound up in accordance with clause 14 provided however that if the perpetuity period restrictions cease to apply to this Trust or are amended to permit the Trust to continue beyond 1 January 2073, this definition shall be amended so that the Termination Date shall be the date beyond which the Trust may not continue;

History of TECT

The logo for Tauranga Energy Consumer Trust, with "Tauranga Energy" in a grey sans-serif font and "Consumer Trust" in a larger, bold grey sans-serif font, separated by a red circular graphic element.

*Established
21 December 1993*

Common Trustees



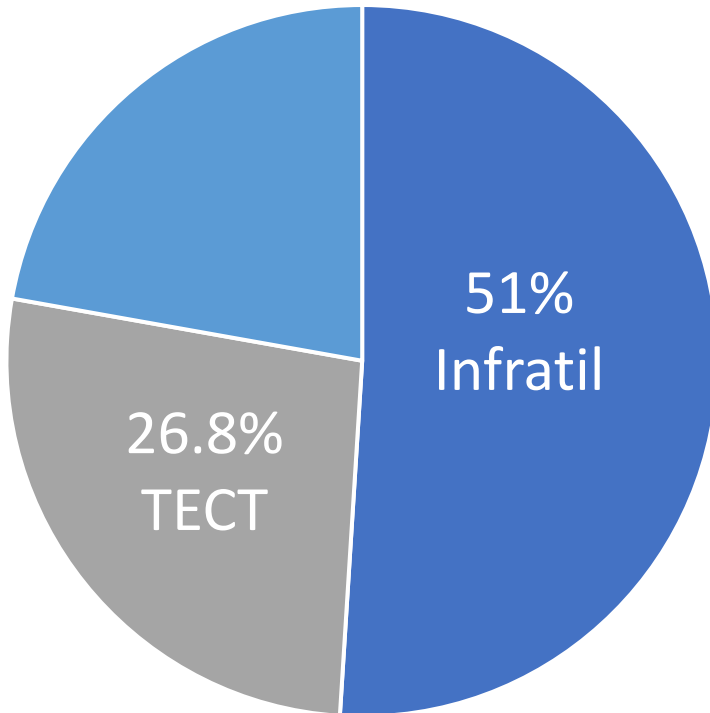
**TECT Charitable
Trust**

*Established
27 March 2002*

TECT's relationship with Trustpower

1

Shareholder



2

Trust beneficiaries



Must be a Trustpower customer in Western Bay of Plenty/Tauranga



Generation



≈ 80% of EBITA

Retail



≈ 20% of EBITA

Trustpower announcement

Business

Trustpower looks to sell retail arm

This could have large implications for shareholders.

By **Calida Stuart-Menteath**

Thu, 28 Jan 2021





Generation



New Company

Retail

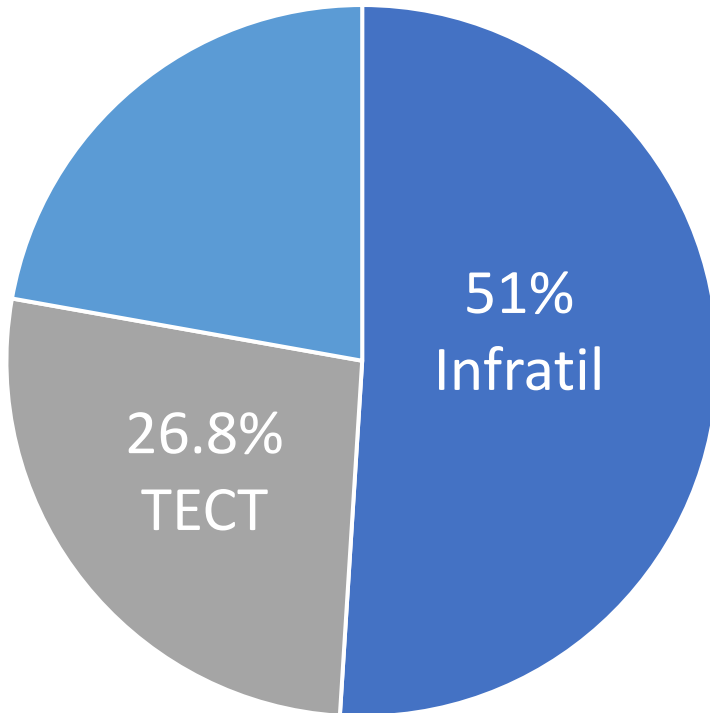


The Effect on TECT

1

Shareholder

Trustpower Generation



2

Trust beneficiaries



**Trustpower is changing,
so TECT must change
too.**



Trustee considerations

Trustees **must act** as a result of Trustpower's potential sale of its retail business:

- **to do nothing would be inconsistent with their duties** – Trustees must actively consider impact of potential sale on TECT, and options available
- on a sale, unless TECT restructures:
 - TECT's purpose would be frustrated
 - rebates could no longer be paid to retail consumers - trust deed doesn't contemplate purchase of retail business by third party

Trustees have therefore prepared a restructuring proposal for public consultation and (subject to that consultation) High Court review

Trustee considerations

Consultation process does not involve a vote - Trustees cannot delegate their decision-making responsibility (consumers can voice their opinion in consultation process)

Some options aren't available:

- stopping the sale - TECT is only a 26.8% Trustpower shareholder
- winding up TECT and distributing capital to consumers – inconsistent with purpose for which TECT established.
 - TECT set up as a long term Trust and all decisions need to balance the rights of current beneficiaries and future generations, to ensure fairness to all.

Key Principles

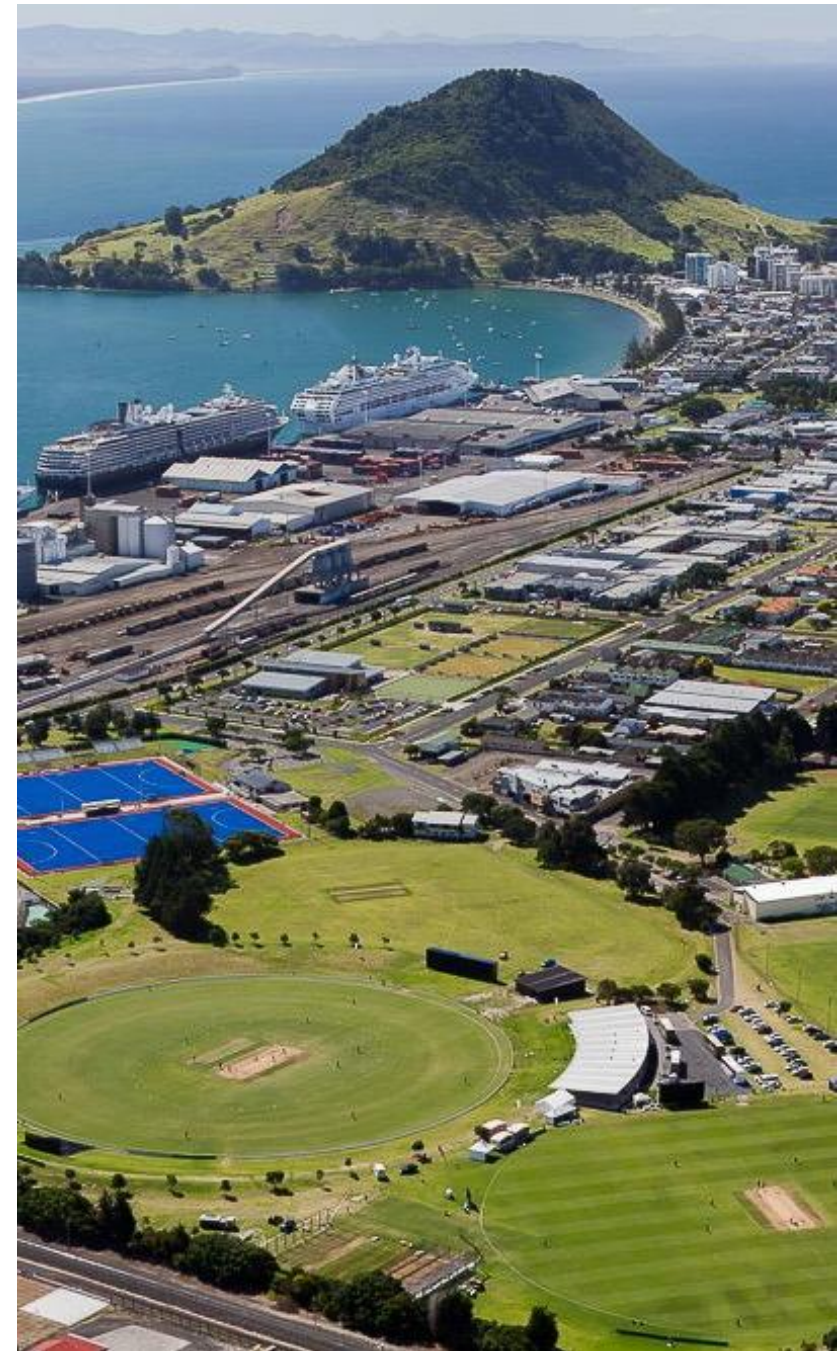
In considering options for a new structure for TECT and the transition to it, Trustees have been guided by four key principles:

- **TECT's purpose** – the purpose and intent that TECT was created for.
- **Maintaining TECT's capital** – so that the Trust can continue for future generations.
- **Legal obligations and Trustee duties** – doing nothing is not an option.
- **Fairness** – current beneficiaries and future generations all benefit.



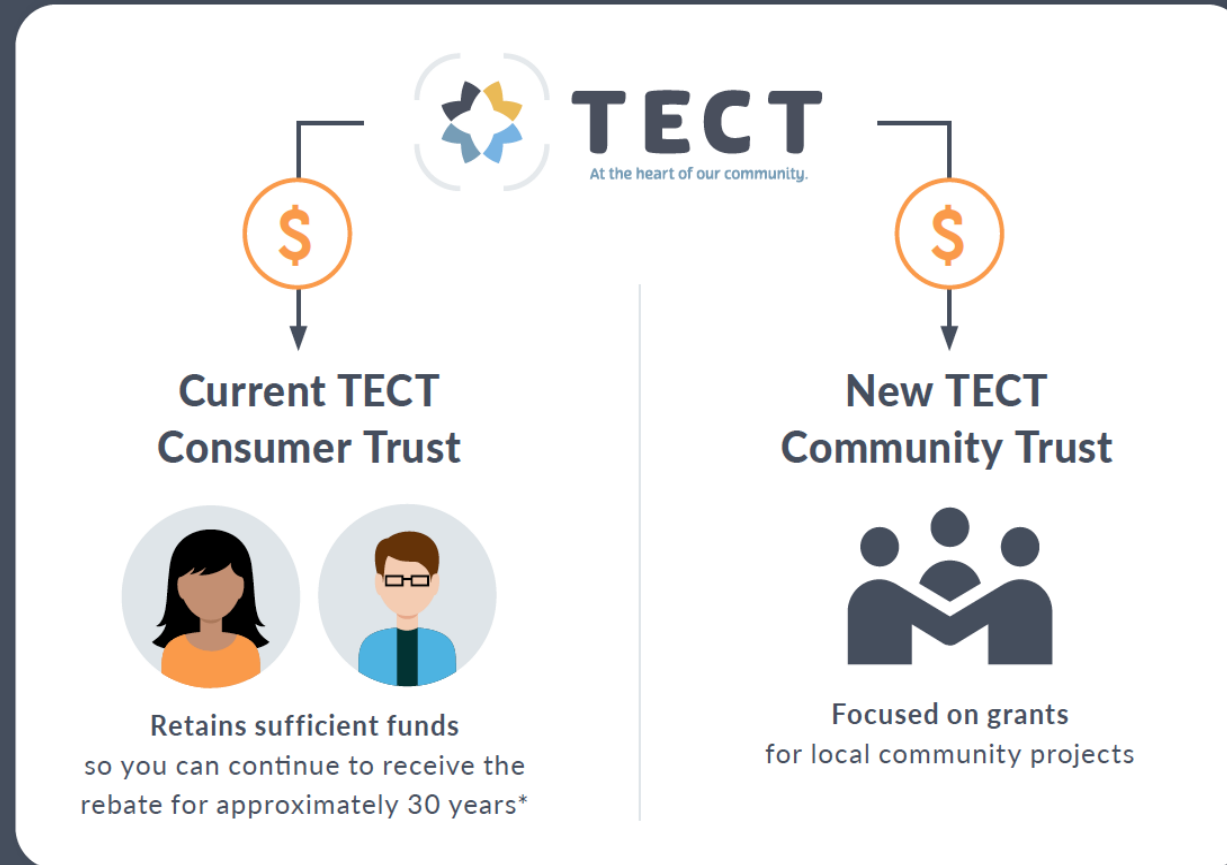
Is the rebate protected?

Yes, the TECT rebate is protected under the proposed new structure. Existing beneficiaries will continue to receive it for approximately 30 years.



Proposed changes to TECT

How TECT **needs to change** to protect your rebate and continue to benefit the local community.



*If the conditions set out in the CIM are met

Proposed changes to TECT - Rebate

The rebate will be \$500 for the first ten years, increase to \$600 in 2030 and increase further to \$700 in 2040 (to account for inflation).

Rebates will be paid on the usual six-monthly TECT cycle.

To receive the rebate, current beneficiaries must remain a customer of Trustpower or the buyer of the Retail Business, in the district. If you leave, the rebate stops.

New customers and the current customers of the new business **do not** become beneficiaries.

As at 31 December 2050, TECT must be wound up and its remaining assets to go to the new TECT Community Trust.

Who will not get a rebate?

The following groups will not receive a rebate:

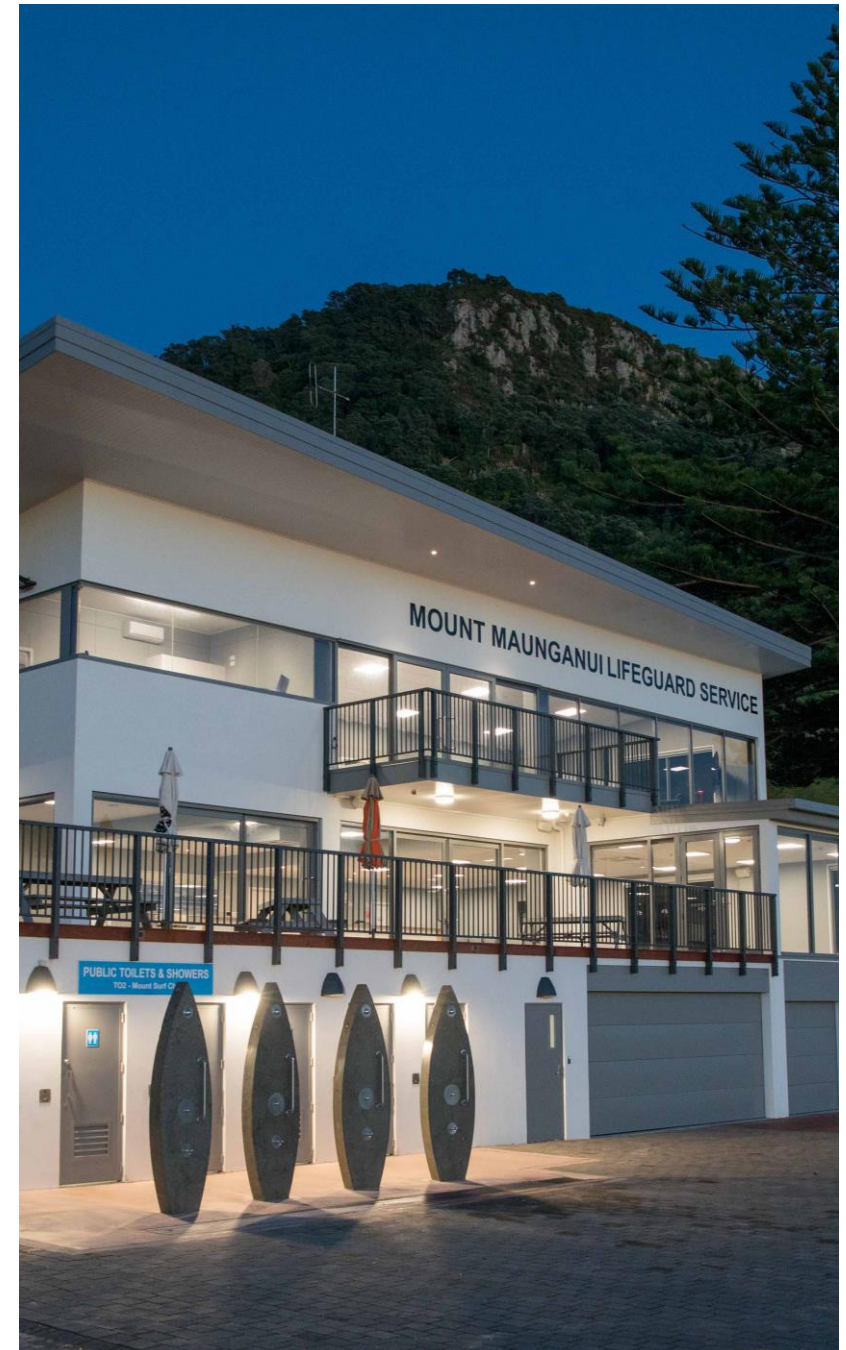
- The existing customers of the buyer of Trustpower's retail business, whether in Tauranga and Western Bay of Plenty or elsewhere.
- New customers of the buyer of Trustpower's retail business, whether in Tauranga and Western Bay of Plenty or elsewhere.

TECT Assets

TECT has developed a solution that will transfer TECT's current assets to the TECT Community Trust.

The funds required in the TECT Consumer Trust to pay the rebate will be accounted as a loan from the TECT Consumer Trust to the TECT Community Trust.

The amount and structure has been developed using customer information from Trustpower and financial modelling from KPMG and Findex.



TECT Governance

The voters from the Tauranga / Western BOP electoral rolls, will elect six trustees to the new TECT Community Trust.

Option to appoint an additional two trustees, to contribute specialist skills and diversity.

Trustees will automatically be appointed to the TECT Consumer Trust.

The current TECT trustees will become the inaugural trustees, and will then be elected on the same four year term cycles as they are currently.

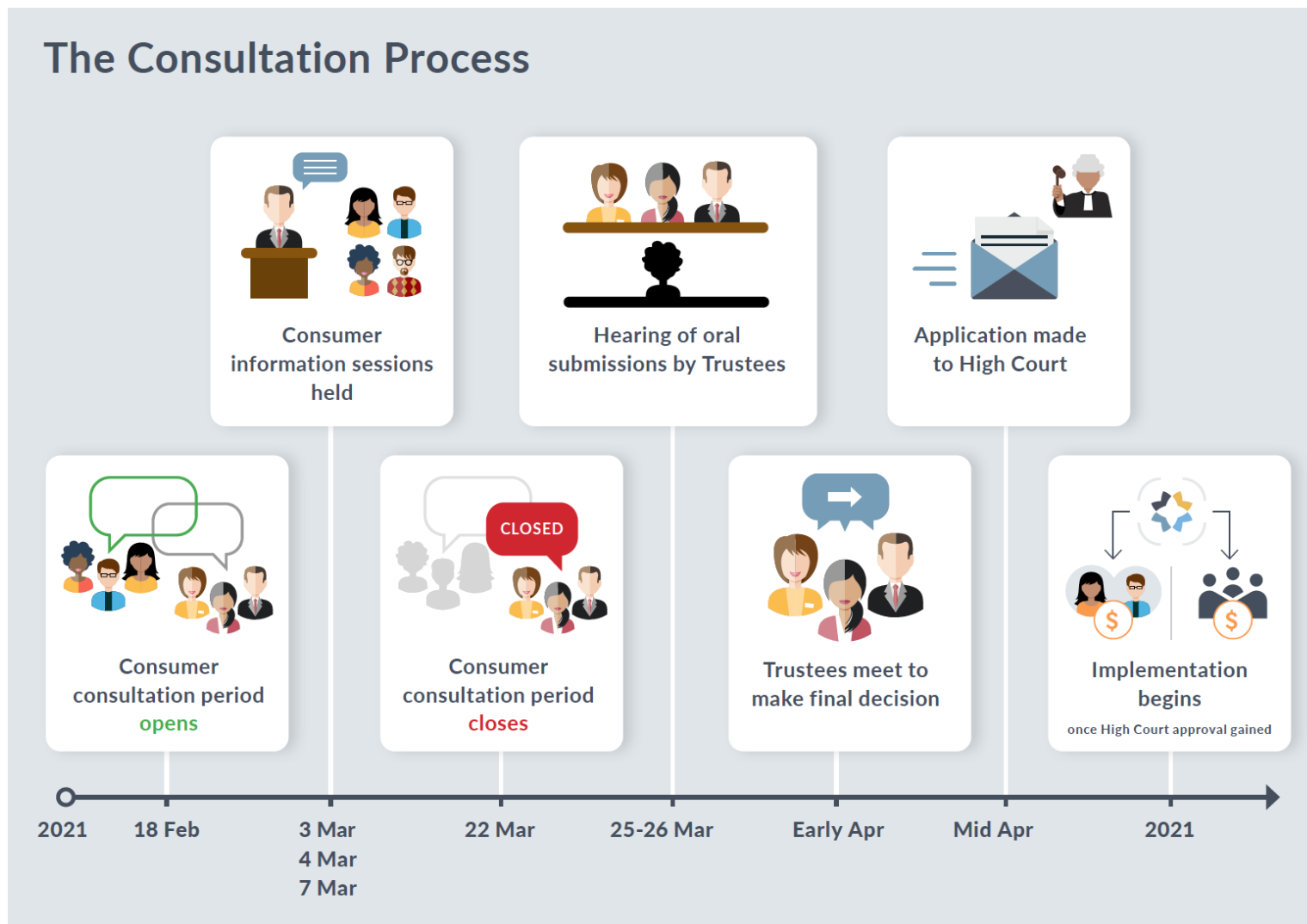
The terms of appointment of trustees are staggered so that three trustees retire every two years. The next election will be held in 2022.

Other options that have been ruled out

In considering options for the future of TECT, Trustees have also carefully considered and ruled out the following, based on clear legal advice:

1. Stop Trustpower selling the retail business
2. Continue with the status quo
3. TECT remains unchanged and simply makes the customers of the new company the beneficiaries of TECT
4. Wind up TECT and pay out beneficiaries.

Next steps | The consultation process



Summary

1. Trustpower is proposing to sell its retail business
2. TECT must change
3. The proposal
 - a. The rebate has been protected for current beneficiaries
 - b. A new community trust will be established to benefit future generations
4. Trustees must take proposal to consumers, and then to High Court

Q&A

Thank you



TECT