



Genesis Power Limited (Genesis): Shareholder Approval for Major Transaction

Date	12 August 2004	Priority	Urgent
Security level	Commercial: In Confidence	Reference	04-314-S82-19/JK

Minister	Action sought	Deadline
Minister for State Owned Enterprises	Approve recommendations and sign special shareholder resolution.	12 August 2004
Minister of Finance	Approve recommendations and sign special shareholder resolution.	12 August 2004
Associate Minister of Finance (Hon David Cunliffe)	This report is for your information.	N/A

Key issues

- Genesis has approached shareholding Ministers seeking approval to commit to a \$675 million revolving credit facility that will be primarily used to finance the construction of *e3p*.
- The facility qualifies as a major transaction under the Companies Act 1993. Genesis has approached shareholding Ministers seeking agreement to sign a special resolution approving the transaction.
- Ministers should consider Genesis' request in the context of Treasury report T2004/1465 which discusses a proposed risk sharing agreement between Genesis and the Crown that will enable *e3p* to be constructed.
- In order for Genesis to meet onward timing commitments to *e3p*'s contractors, it is necessary to consider the risk sharing agreement and financing proposal under urgency. If in agreement with the risk sharing and financing proposals, Genesis requires Ministerial commitment no later than 12 August 2004.

Contacts

Name	Role	First contact
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John Kidd	Senior Advisor - Energy, Land & Environment (CCMAU)	
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Ministers' comments

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12 August 2004

Minister for State Owned Enterprises
Minister of Finance

cc: Associate Minister of Finance (Hon David Cunliffe)

Genesis Power Limited (Genesis): Shareholder Approval for Major Transaction

Background

1. Genesis is in the final stages of being able to commit to Huntly *e3p*, a 385MW combined cycle gas turbine to be located adjacent to Genesis' existing Huntly facility.
2. Officials have been in discussions with Genesis concerning a risk sharing arrangement that, if approved by the government, would result in the Crown sharing a portion of the gas risk associated with *e3p*. Negotiations are now at a final stage. A separate Treasury report [T2004/1465 refers] discusses the proposed risk sharing agreement and recommends that the Ministers of Finance and Energy execute a Deed formalising the risk sharing agreement. The financing proposal should be considered in the context of T2004/1465.
3. Genesis' proposal is to finance *e3p* entirely with commercial debt. To this end, Genesis has negotiated a \$675 million revolving credit facility with Westpac Banking Corporation (Westpac) as syndicator. The Westpac facility qualifies as a major transaction under section 129 of the Companies Act 1993, and as such, Genesis requires shareholding Ministers to agree to sign a special resolution approving the transaction before it can commit.
4. The Westpac financing proposal was discussed in Treasury report T2004/1274 which concluded that:
 - with a gearing ratio of just 8.4%, Genesis is well placed to assume significant additional debt;
 - financing *e3p* entirely with debt does not result in Genesis' debt coverage ratios and banking covenants being threatened;
 - Westpac was selected by Genesis following a competitive tender process. The Westpac offer was confirmed to be the most attractive available to Genesis by an independent financial advisor.

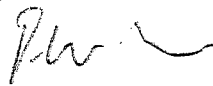
5. To ensure that *e3p* will be commissioned by December 2006, Genesis must commit to *e3p*'s contractors by 15 August 2004. To meet this deadline, Genesis must first commit to Westpac to confirm the financing arrangements for *e3p*. It is therefore recommended that Ministers sign the attached special resolution while considering committing to the risk sharing agreement, discussed in T2004/1465.
6. It is recommended that Ministers indicate their commitment no later than 12 August 2004 in order to enable Genesis to meet its onward commitment deadlines.

Recommendations

7. We recommend that you:
 - a. agree to sign and fax the attached special resolutions giving approval for Genesis to commit to a \$675 million revolving cash advances facility with Westpac Banking Corporation no later than 12 August 2004.



Michael Moore
Sector Manager - Energy, Land &
Environment (CCMAU)



David Taylor
Manager - Commercial Investments

Hon Mark Burton
Minister for State Owned Enterprises

Hon Dr Michael Cullen
Minister of Finance

GENESIS POWER LIMITED
("Company")

SPECIAL RESOLUTION APPROVING A MAJOR TRANSACTION

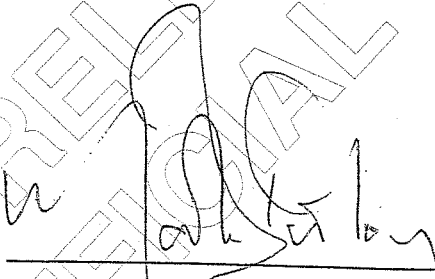
(Section 129 of the Companies Act 1993)

The Shareholders of Genesis Power Limited resolved as a special resolution in writing in accordance with section 122 of the Companies Act 1993 as follows:

To approve Genesis Power Limited entering into a Revolving Cash Advances Facility with Westpac Banking Corporation for up to \$675 million ("Facility") which gives rise to obligations over the term of the Facility the value of which is more than half the value of the assets of Genesis Power Limited before the Facility.

DATED: 12 August 2004

SIGNED



Hon Mark Burton
Minister for State Owned Enterprises



Hon Dr. Michael Cullen
Minister of Finance