
TO:	GENERAL COMMITTEE
SUBJECT:	BARRIE HYDRO HOLDINGS INC. ANNUAL GENERAL MEETING MATTERS
PREPARED BY AND KEY CONTACT:	D. MCALPINE, CITY CLERK/DIRECTOR OF LEGISLATIVE AND COURT SERVICES, EXT. 4421 AND L. JERMEY, SUPERVISOR, FINANCIAL REPORTING AND POLICY
SUBMITTED BY:	D. MCALPINE, CITY CLERK/DIRECTOR OF LEGISLATIVE AND COURT SERVICES AND C. MILLAR, TREASURER/DIRECTOR OF FINANCE
GENERAL MANAGER APPROVAL:	C. MILLAR, ACTING GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES
CHIEF ADMINISTRATIVE OFFICER APPROVAL:	M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That, acting as sole shareholder in Barrie Hydro Holdings Inc. (BHHI), the following actions be authorized:
 - a) The minutes of the BHHI Shareholder's Meeting held on January 9, 2017, attached as Appendix "A" to Staff Report LCS012-17, be approved;
 - b) The Non-consolidated financial statements of BHHI attached as Appendix "B" to Staff Report LCS012011-17 for the financial year ended December 31, 2016, be accepted; and
 - c) The City of Barrie's auditor (Deloitte) be appointed as Accountants for BHHI for the next three years, to compile the annual Non-consolidated financial statements through a Notice to reader engagement, with remuneration to be fixed by the Directors through the City's agreement with its auditor (Deloitte).
2. That Councillor S. Trotter be appointed to the Board of Directors of Barrie Hydro Holdings Inc.

PURPOSE & BACKGROUND

3. In February, 1999, City Council directed that the City of Barrie retain ownership of the assets of the Barrie Public Utilities Commission and incorporate a Holding Company and other Affiliate corporations under the Ontario Business Corporations Act to operate Barrie's electrical distribution corporation (the Corporation) for the benefit of the citizens of Barrie.
4. In October, 2000, City Council directed, through Resolution 00-G-291, the establishment of a Holding Company and its related subsidiaries in accordance with the requirements of The Electricity Act, 1998. The Holding Company was named "Barrie Hydro Holdings Inc." and the subsidiaries were named "Barrie Hydro Distribution Inc." and "Barrie Hydro Energy Services Inc."
5. Barrie Hydro Distribution Inc. (BHDl) was merged with PowerStream Inc. effective January 1, 2009.

6. On January 31, 2017, PowerStream Inc. merged with Enersource and Horizon Utilities to create Alectra Utilities. On February 28, 2017, Alectra Utilities acquired Hydro One Brampton. Alectra Inc., through its subsidiary Alectra Utilities Corporation, serves approximately one million homes and businesses in the Greater Golden Horseshoe Area. Efficiencies expected over time will result in reducing pressure on customer distribution rates, improved customer service and system reliability and more robust emergency response capabilities for inclement weather.

ANALYSIS

Financial Statements

7. In accordance with section 2.04 of the Shareholders Agreement, the non-consolidated financial statements of Barrie Hydro Holdings Inc. (BHHI) have been submitted for acceptance by the shareholder (See Appendix "B" attached).
8. As per the Non-consolidated Statement of Operating and Retained Earnings (Deficit), the net income of BHHI for the year ending December 31, 2016 was \$4,625,556. The accumulated surplus at year end was \$29,837,302, which is an improvement from an accumulated surplus of \$25,217,386 at December 31, 2015.

Appointment of Accountants

9. Additionally, the Board of Directors recommends that the City of Barrie's auditors (Deloitte) be appointed as Accountants for BHHI and Barrie Hydro Energy Services Inc. Deloitte was the successful respondent to the City of Barrie's Request for Proposals from auditing firms, for next 3 years with an option for an additional two years.. Utilizing the City's auditor as the accountants on behalf of BHHI and BHESI results in economic savings to the shareholder. The statement of work in the City of Barrie's Request for Proposals for auditing services, included the Notice to Reader Engagement for the annual Non-consolidated financial statements of Barrie Hydro Holdings Inc.
10. The Shareholder is being asked to approve the appointment of the Accountant of the Corporation and its subsidiaries as provided in section 2.06 of the Shareholders Agreement. The engagement of the Accountant is to complete a Notice to Review by compiling the annual non-consolidated financial statements.

Appointment to the Board of Directors

11. The Board of Directors currently has a vacancy as a result of the resignation of Michael Prowse. As Steve Trotter has been appointed to fill the vacancy, it is recommended that he be appointed to the Board of Directors.

ENVIRONMENTAL MATTERS

12. There are no environmental matters related to the recommendation.

ALTERNATIVES

13. The non-consolidated financial statements of Barrie Hydro Holdings Inc. have been compiled by the Corporate Treasurer and reviewed by Deloitte. Acceptance by the Shareholder is required under the Shareholders Agreement, and as a result, no other alternatives are presented with respect to the financial statements.

14. The following alternative is available to the Shareholder in regard to the appointment of the accountants:

Alternative #1

The Shareholder could recommend that a Request for Proposals for accounting services for BHHI be issued. There are cost savings associated with a single accounting/auditing firm on behalf of each organization.

FINANCIAL

15. Barrie Hydro's dividend policy prior to the merger with PowerStream Inc. established a distribution of 30% of its net income after taxes to its Shareholder. However, a dividend declaration and related payment by Barrie Hydro Holdings Inc. to its Shareholder has been suspended until its commitment to fund its share of PowerStream equity drawdown requests have been completed. It should be noted that it has been Barrie Hydro's intent to pay the City back for the additional \$6.5M loan-turned-investment. Payment of dividends by Barrie Hydro to its Shareholder (the City of Barrie) is also limited by the amount of cash available after any other commitments or payments (loan payments and interest related to Hydro One Brampton acquisition, taxes, etc).

LINKAGE TO 2014-2018 STRATEGIC PLAN

16. The recommendations included in this Staff Report are not specifically related to the goals contained in 2014-2018 Strategic Plan.

APPENDIX "A"

Minutes of the BHHI Shareholder's Meeting held on January 9, 2017



Shareholder's Meeting
Monday, January 9, 2017
Sir Robert Barrie Room, City Hall, 70 Collier Street, Barrie

Minutes of the Annual Shareholder's Meeting of Barrie Hydro Holdings Inc. with its sole Shareholder, The Corporation of the City of Barrie, held at 70 Collier Street, Barrie, Ontario on Monday, January 9, 2017 in the Sir Robert Barrie Room.

The General Committee Meeting of Council held at 70 Collier Street, Barrie, Ontario on Monday, January 9, 2017 in the Sir Robert Barrie Room was called to order by Mayor Jeff Lehman at 5:57 p.m.

Barrie Hydro Holdings Inc. Chairman Jeff Lehman called the meeting to order at 5:57 p.m. He welcomed Council and staff to the Barrie Hydro Holdings Inc. Shareholder's meeting. The following were recorded as being present:

Barrie Hydro Holdings Inc.:

Board of Directors: Chairman, Jeff Lehman.

Barrie Hydro Staff: Vice-President/Deputy Chief Executive Officer, P. Elliott-Spencer
Legal Counsel, I. Peters
Treasurer, L. Jermey
Corporate Secretary, D. McAlpine.

Barrie Hydro Holdings Inc. Shareholder, The Corporation of the City of Barrie:

Council: Mayor, J. Lehman
Councillor, B. Ainsworth
Councillor, R. Romita
Councillor, D. Shipley
Councillor, B. Ward
Councillor, A. Prince
Councillor, A. Khan.

City of Barrie Staff: City Clerk/Director of Legislative and Court Services, D. McAlpine
Director of Legal Services, I. Peters
General Manager, Community and Corporate Services, P. Elliott-Spencer
Supervisor, Financial Reporting and Policy, L. Jermey.

A quorum being present and due notice of the meeting having been given, the Chair declared the meeting to be regularly constituted for the transaction of business. No declarations of conflict of interest were made.

Business

It was noted that the meeting was being held in accordance with *The Business Corporations Act*.

Authorization to the Corporate Secretary – Standard BHHI Shareholder resolutions

BHHI-2017-S-01

MOVED BY:	Councillor, D. Shipley
SECONDED BY:	Councillor, B. Ainsworth

Resolved, that The Corporation of the City of Barrie acting as sole Shareholder of Barrie Hydro Holdings Inc. authorizes the Corporate Secretary to sign standard Barrie Hydro Holdings Inc. shareholders resolutions with respect to:

- a) Adoption of the Minutes of the previous Barrie Hydro Holdings Inc. Shareholder Meeting held on November 30, 2015;
- b) Receipt of the Non-consolidated Financial Statements of Barrie Hydro Holdings Inc. for the financial year ended December 31, 2015;
- c) Appointment of the City of Barrie's auditor (Deloitte) as Accountants for Barrie Hydro Holdings Inc. until the next annual meeting or until a successor is appointed at a remuneration to be fixed by the Directors and that the Directors be authorized to fix such remuneration;
- d) Approval, sanctioning and confirmation of all acts, contracts, by-laws, proceedings, appointments, elections and payments enacted, made, done and taken by the Directors and Officers as the same are set out or referred to in the minutes of the meeting or in the financial statements.

CARRIED

Adjournment

BHHI-2017-S-02

MOVED BY:	Councillor, D. Shipley
SECONDED BY:	Councillor, B. Ainsworth

Resolved, that the Barrie Hydro Holdings Inc. Annual Shareholder's meeting now adjourn at 5:59 p.m.

CARRIED

Chairman

Secretary

Dated: _____

APPENDIX "B"

Financial Statements for the year ended December 31, 2016

Non-consolidated financial statements of

Barrie Hydro Holdings Inc.

December 31, 2016

Barrie Hydro Holdings Inc.

December 31, 2016

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Notice to Reader

On the basis of information provided by management, we have compiled the non-consolidated balance sheet of Barrie Hydro Holdings Inc. as at December 31, 2016 and the non-consolidated statement of operations and retained earnings for the year then ended.

We have not performed an audit or a review engagement in respect of these non-consolidated financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Deloitte LLP
Chartered Professional Accountants
Licensed Public Accountants
April 28, 2017

Barrie Hydro Holdings Inc.

Non-consolidated statement of operations and retained earnings year ended December 31, 2016

(Unaudited - see Notice to Reader)

	2016	2015
	\$	\$
Interest revenue	48,979	28,995
Expenses		
Professional fees	30,400	2,250
Miscellaneous	188	24
Interest and penalties	51	381
	30,639	2,655
Income before undernoted item	18,340	26,340
Equity earnings of government business enterprises	4,610,803	4,977,799
Income before income taxes	4,629,143	5,004,139
Income tax expense	3,587	5,210
Net income	4,625,556	4,998,929
Retained earnings, beginning of year	25,217,386	20,225,583
Refundable tax	(5,640)	(7,126)
Retained earnings, end of year	29,837,302	25,217,386

Barrie Hydro Holdings Inc.

Non-consolidated balance sheet

as at December 31, 2016

(Unaudited - see Notice to Reader)

	2016	2015
	\$	\$
Assets		
Current assets		
Cash	7,831,757	2,829,557
Due from related party	560	560
Accounts receivable	9,009	8,090
Income taxes receivable	-	7,152
	7,841,326	2,845,359
Investment in Barrie Hydro Energy Services Inc.	237,985	214,057
Investment in PowerStream Inc.	94,972,045	95,359,905
	103,051,356	98,419,321
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	12,535	2,542
Income taxes payable	2,126	-
Note payable - City of Barrie	-	6,520,500
	14,661	6,523,042
Shareholder's equity		
Share capital		
Authorized		
Unlimited common shares		
Stated		
1,100 (2015 - 1,000) common shares	73,199,393	66,678,893
Retained earnings	29,837,302	25,217,386
	103,036,695	91,896,279
	103,051,356	98,419,321