



TO: GENERAL COMMITTEE

SUBJECT: BARRIE HYDRO HOLDINGS INC. ANNUAL GENERAL MEETING MATTERS

PREPARED BY AND KEY CONTACT: D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES, EXT. 4421 AND C. MILLAR, TREASURER/DIRECTOR OF FINANCE, EXT. 5130

SUBMITTED BY: D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES AND C. MILLAR, TREASURER/DIRECTOR OF FINANCE

GENERAL MANAGER APPROVAL: D. MCALPINE, 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., the following individuals be appointed to the Board of Directors of Barrie Hydro Holdings Inc. for a term of office to expire at the Annual General Meeting to be held in 2022:
 - Mayor, J. Lehman
 - Councillor, C. Riepma
 - Councillor, K. Aylwin
 - Councillor, D. Shipley
 - Councillor, B. Ward
 - Councillor, R. Thomson
 - Councillor, N. Harris
 - Councillor, G. Harvey
 - Councillor, J. Harris
 - Councillor S. Morales
 - Councillor, M. McCann.

2. 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 June 4, 2018, attached as Appendix "A" to Staff Report CCS003-19, be approved;
 - b) The non-consolidated financial statements of BHHI attached as Appendix "B" to Staff Report CCS003-19 for the financial year ended December 31, 2018, be received (subject to approval from the Board of Directors); and

- c) The City of Barrie's auditor (Deloitte) be reconfirmed as Accountants for BHHI, 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).

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. (BHDI) 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 Inc. On February 28, 2017, Alectra acquired Hydro One Brampton. On January 2, 2019, Guelph Hydro merged with Alectra.
7. Alectra Inc., through its subsidiary Alectra Utilities Corporation, serves over one million homes and businesses in the Greater Golden Horseshoe Area. Efficiencies achieved through the various mergers have resulted in reducing pressure on customer distribution rates, improved customer service and system reliability as well as more robust emergency response capabilities for inclement weather.

ANALYSIS

Appointment of Board of Directors

8. The Board of Directors of Barrie Hydro Holdings Inc. has traditionally been comprised of the members of Council. Due to the changes in Council resulting from the 2018 Municipal Election, the shareholder is required to appoint the Board of Directors at an Annual General Meeting.
9. In accordance with Section 119 (4) of the Ontario Business Corporations Act, Directors hold office for a term expiring not later than the close of the third annual meeting of the shareholders. As a result, the recommendation is to appoint all members of Council to the Board for a term expiring at the 2022 Annual General Meeting. At that meeting, the Directors can be re-appointed for the remainder of the Council term of office.

Financial Statements

10. 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). The acceptance of the Financial Statements is recommended to be conditional upon the Board of Directors approval. The Board will be meeting immediately following the AGM to consider the statements.
11. As per the Non-consolidated Statement of Operating and Retained Earnings (Deficit), the net income of BHHI for the year ending December 31, 2018 was \$4,875,970. The accumulated surplus at year end was \$79,461,999, which is an improvement from an accumulated surplus of \$79,426,862 at December 31, 2017.

12. As a result of the amalgamation to create Alectra Inc (“Alectra”) and the subsequent merger with Guelph Hydro, BHHI control has been reduced. Instead of owning 20.5% of PowerStream, BHHI now owns 8.37% of Alectra and a 20.5% ownership of a ring fenced solar portfolio.

Re-confirming the Appointment of Accountants

13. Additionally, the Board of Directors recommends that the City of Barrie’s auditors (Deloitte) be re-confirmed 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 the 2017 to 2019 years with an option for an additional two years.
14. 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.
15. The Shareholder is being asked to reconfirm the previous motion concerning 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.

ENVIRONMENTAL MATTERS

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

ALTERNATIVES

17. 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.
18. There is an alternative available to the Shareholder in regard to the re-confirmation of the appointment of the accountants. The Shareholder could recommend that the accountant not be reconfirmed. A three year agreement with Deloitte with options for an additional two year term was executed by the City of Barrie in 2017. There are cost savings associated with a single accounting/auditing firm on behalf of each organization.

FINANCIAL

19. Barrie Hydro’s dividend policy was updated in 2018 to reflect the following:
 - a) A minimum cash balance of \$100K be maintained in BHHI bank account;
 - b) On a quarterly basis or after receipt of cash payments from Alectra, BHHI declare a dividend and allocate net proceeds (Cash payment from Alectra less cost for loan payments and other expenses, less minimum cash balance of \$100K) to the City of Barrie;
 - c) For the next 10 years (ending December 2028), a total of \$650K of the annual BHHI dividend should be allocated to the City of Barrie’s working Capital, to repay the \$6.5 million equity injection.
 - d) The remaining annual BHHI dividend should be allocated 80% to the Community Benefit Reserve and 20% to the Tax Capital Reserve.

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18. By declaring and allocating dividends quarterly, any excess cash is transferred from Barrie Hydro over to the City of Barrie, where the funds can be more efficiently utilized through investments or working capital needs.
 19. 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 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 2018-2022 STRATEGIC PLAN

20. The recommendations included in this Staff Report are not specifically related to the goals contained in 2018-2022 Strategic Plan.

APPENDIX "A"

Minutes of the BHHI Shareholder's Meeting held on June 4, 2018



Shareholder's Meeting

Monday, June 4, 2018

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, June 4, 2018 in the Sir Robert Barrie Room.

The General Committee Meeting of Council held at 70 Collier Street, Barrie, Ontario on Monday, September 25, 2017 in the Sir Robert Barrie Room was called to order by Mayor Jeff Lehman at 5:30 p.m.

Barrie Hydro Holdings Inc. Chairman Jeff Lehman called the Barrie Hydro Holdings Inc. Shareholder's meeting to order at 5:30 p.m. The following were recorded as being present:

Barrie Hydro Holdings Inc.:

Board of Directors: Chairman, Jeff Lehman.

Barrie Hydro Staff: President/ Chief Executive Officer, M. Prowse
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, S. Trotter
Councillor, A. Khan
Councillor, S. Morales
Councillor, M. McCann.

City of Barrie Staff: Chief Administrative Officer, M. Prowse
City Clerk/Director of Legislative and Court Services, W. Cooke
Director of Finance/Treasurer, C. Millar
General Manager of Community and Corporate Services, D. McAlpine
Supervisor of 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.



Alectra Inc. Shareholders' Amending Agreement No. 1

BHHI-2018-S-03 MOVED BY: Councillor, A. Khan
SECONDED BY: Councillor, B. Ainsworth

That the Mayor and City Clerk be authorized to execute the Alectra Inc. Shareholders' Amending Agreement No. 1 on behalf of The Corporation of the City of Barrie.

CARRIED

Adjournment

BHHI-2018-S-04 MOVED BY: Councillor, A. Khan
SECONDED BY: Councillor, B. Ainsworth

That the Barrie Hydro Holdings Inc. Annual Shareholder's meeting now adjourn at 5:35 p.m.

CARRIED

Chairman

Secretary

Dated: _____



APPENDIX "B"

Financial Statements for the year ended December 31, 2018