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**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

**SUBMITTED BY:** D. MCALPINE, CITY CLERK/DIRECTOR OF LEGISLATIVE AND COURT SERVICES 

**GENERAL MANAGER APPROVAL:** E. ARCHER, CMA, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES 

**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** C. LADD, CHIEF ADMINISTRATIVE OFFICER 

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**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 June 18, 2012 attached as Appendix "A" to Staff Report CLK011-13, be approved;
  - b) The non-consolidated financial statements of BHHI attached as Appendix "B" to Staff Report CLK011-13 for the financial year ended December 31, 2012, as approved by their Board of Directors, be accepted; and
  - c) The City of Barrie's auditor (Deloitte) be appointed as Accountants for BHHI and its subsidiary Barrie Hydro Energy Services Inc., until a successor is appointed, at a remuneration to be fixed by the Directors and the Directors be authorized to fix such remuneration.

**PURPOSE & BACKGROUND**

2. 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.
3. 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."
4. Barrie Hydro Distribution Inc. (BHDI) was merged with PowerStream Inc. effective January 1, 2009.

## ANALYSIS

### Financial Statements

5. 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).
6. As per the Non-consolidated Statement of Operating and Retained Earnings (Deficit), the net income of BHHI for the year ending December 31, 2012 was \$7,219,613. The accumulated surplus at year end was \$12,763,446, which is an improvement from an accumulated deficit of \$3,266,049 at December 31, 2011.

### Appointment of Accountants

7. 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 the City of Barrie's Request for Proposals from auditing firms. Utilizing the City's auditor as the accountants on behalf of BHHI and BHESI results in economic savings to the shareholder.
8. 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.

## ENVIRONMENTAL MATTERS

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

## ALTERNATIVES

10. 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.
11. 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

12. 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 the PowerStream solar initiative (maximum \$12.3M) is completed.

## LINKAGE TO 2010-2014 COUNCIL STRATEGIC PLAN

13. The recommendations included in this Staff Report are not specifically related to City Council's Strategic Plan.

APPENDIX "A"

Minutes of the BHHI Shareholder's Meeting held on June 18, 2012



**Shareholder's Meeting**  
Monday, June 18, 2012  
Council Chamber, 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 18, 2012.

The General Committee Meeting of Council held at 70 Collier Street, Barrie, Ontario on Monday, June 18, 2012 was called to order by Mayor, J. Lehman at 5:35 p.m.

Barrie Hydro Holdings Inc. Chairman R.A. Archer called the meeting to order at 5:36 p.m. and welcomed Council and staff to the Barrie Hydro Holdings Inc. Shareholder's meeting and the following were recorded as being present:

Barrie Hydro Holdings Inc.:

Board of Directors: Chairman, R.A. Archer.

Barrie Hydro Staff: President & Chief Executive Officer, E. Archer  
Treasurer, S. Ross  
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, L. Strachan  
Councillor, D. Shipley  
Councillor, B. Ward  
Councillor, P. Silveira  
Councillor, M. Prowse  
Councillor, J. Brassard  
Councillor, J. Robinson  
Councillor, A. Nuttall.

Regrets: Councillor, B. Jackson.

City of Barrie Staff: City Clerk, D. McAlpine  
Director of Economic Development, H. Kirolos  
Director of Internal Audit, S. Ross  
Financial Analyst, L. Jermey  
General Manager, Corporate Services, E. Archer  
General Manager of Infrastructure, Development and Culture, R. Forward.

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.

**Business**

Chair, R.A. Archer advised that the meeting is being held in accordance with *The Business Corporations Act*.

***Authorization to the Corporate Secretary – Standard BHHI Shareholder resolutions***

**BHHI-2012-S-01** Moved by: Councillor, D. Shipley  
Seconded by: Councillor, L Strachan

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 December 5, 2011;
- b) Receipt of the Non-consolidated Financial Statements of Barrie Hydro Holdings Inc. for the financial year ended December 31, 2011;
- c) Appointment of the City of Barrie's auditors 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

***Postponement/Subordination Agreements***

**BHHI-2012-S-02** Moved by: Councillor, D. Shipley  
Seconded by: Councillor, J. Robinson

Resolved, that The Corporation of the City of Barrie acting as sole Shareholder of Barrie Hydro Holdings Inc. authorize the Mayor and City Clerk be authorized to execute any postponement and/or subordination agreements that may be requested of the shareholder related to the promissory note, upon the recommendation of the BHHI Chief Executive Officer, BHHI Treasurer, City Treasurer and Legal Counsel on behalf of BHHI.

CARRIED

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**Adjournment**

**BHHI-2011-S-03** Moved by: Councillor, D. Shipley  
Seconded by: Councillor, L. Strachan

Resolved, that the Barrie Hydro Holdings Inc. Annual Shareholder's meeting now adjourn at 5:40 pm.

CARRIED

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

Dated: \_\_\_\_\_

**APPENDIX "B"**

**Financial Statements for the year ended December 31, 2012**

Non-consolidated financial statements of

**Barrie Hydro Holdings Inc.**

December 31, 2012

# **Barrie Hydro Holdings Inc.**

December 31, 2012

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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, 2012 and the non-consolidated statement of operations and deficit for the year then ended.

We have not performed an audit or a review engagement in respect of these 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, Chartered Accountants  
June 19, 2013

# Barrie Hydro Holdings Inc.

## Non-consolidated statement of operations and retained earnings

year ended December 31, 2012

(Unaudited - see Notice to Reader)

	2012	2011
	\$	\$
<b>Interest revenue</b>	<b>18,278</b>	<b>37,374</b>
Expenses		
Professional fees	14,057	4,750
Miscellaneous	498	1,387
	<b>14,555</b>	<b>6,137</b>
Income before undernoted item	3,723	31,237
Income in subsidiary companies	7,215,361	6,334,913
Income before income taxes	7,219,084	6,366,150
Income tax (recovery) expense	1,471	(962)
Net income	7,217,613	6,367,112
Deficit, beginning of year	(3,266,049)	(5,133,161)
Adjustment to accumulated surplus relating to PowerStream's adoption of IFRS	8,812,130	-
Dividends	-	(4,500,000)
Refundable tax	(248)	-
<b>Retained earnings (deficit), end of year</b>	<b>12,763,446</b>	<b>(3,266,049)</b>

# Barrie Hydro Holdings Inc.

## Non-consolidated balance sheet

as at December 31, 2012

(Unaudited - see Notice to Reader)

	2012	2011
	\$	\$
<b>Assets</b>		
Current		
Cash	1,265,595	455,242
Accounts receivable	1,344	430
Income taxes receivable	-	1,268
	<u>1,266,939</u>	<u>456,940</u>
Investment in Barrie Hydro Energy Services Inc.	326,081	352,550
Investment in PowerStream Inc.	<u>81,174,565</u>	<u>62,608,103</u>
	<u>82,767,585</u>	<u>63,417,593</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	13,995	4,749
Income taxes payable	451	-
Note payable - City of Barrie	<u>3,310,800</u>	<u>-</u>
	<u>3,325,246</u>	<u>4,749</u>
<b>Shareholder's equity</b>		
Share capital		
Authorized		
Unlimited common shares		
Stated		
1,000 common shares	66,678,893	66,678,893
Retained earnings (deficit)	<u>12,763,446</u>	<u>(3,266,049)</u>
	<u>79,442,339</u>	<u>63,412,844</u>
	<u>82,767,585</u>	<u>63,417,593</u>