



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

SUBMITTED BY: D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

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. (BHHI), the following actions be authorized:
 - a) The minutes of the BHHI Shareholder’s Meeting held on May 25, 2021, attached as Appendix “A” to Staff Report CCS001-22, be approved;
 - b) The non-consolidated financial statements of BHHI attached as Appendix “B” to Staff Report CCS002-22 for the financial year ended December 31, 2021, be received (subject to approval from the Board of Directors); and
 - c) The City of Barrie’s auditor be appointed as Accountants for BHHI, to compile the annual Non-consolidated financial statements through a Compilation (formerly Notice to Reader) engagement, with remuneration to be fixed by the Directors through the City’s agreement with its auditor.

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.
5. 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.

6. 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 reduced pressure on customer distribution rates, improved customer service and system reliability as well as more robust emergency response capabilities for inclement weather. The dividends received by Barrie Hydro Holdings Inc. have been higher than would have been anticipated if it had remained a stand-alone Local Distribution Company.
7. 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.

ANALYSIS

Financial Statements

8. 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 prior to the AGM to consider the statements.
9. As per the Non-consolidated Statement of Operations and Retained Earnings, the net income of BHHI for the year ending December 31, 2021 was \$6,970,721. The accumulated surplus at year end was \$81,931,252, which is an improvement from an accumulated surplus of \$81,126,598 at December 31, 2020.

Re-confirming the Appointment of Accountants

10. Additionally, the Board of Directors recommends that the City of Barrie's auditors be appointed as Accountants for BHHI and Barrie Hydro Energy Services Inc. The City of Barrie is in the process of issuing a Request for Proposals from auditing firms. It is anticipated that the award will be made in late summer.
11. 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, will include the Compilation (formerly Notice to Reader) Engagement for the annual Non-consolidated financial statements of Barrie Hydro Holdings Inc.
12. 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 Compilation Engagement by compiling the annual non-consolidated financial statements.

ENVIRONMENTAL AND CLIMATE CHANGE MATTERS

13. There are no environmental or climate change matters directly related to the recommendation.

ALTERNATIVES

14. The non-consolidated financial statements of Barrie Hydro Holdings Inc. have been compiled by the Corporate Treasurer and a Compilation engagement completed 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.

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15. There is an alternative available to the Shareholder in regard to the appointment of the accountants. The Shareholder could recommend that the City's auditor not be appointed as the Accountant for BHHI. There are cost savings associated with a single accounting/auditing firm on behalf of each organization.

FINANCIAL

16. 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.
17. 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.

LINKAGE TO 2018-2022 STRATEGIC PLAN

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

APPENDIX "A"



Shareholder's Meeting
Tuesday, May 25, 2021
Via Virtual Meeting

Minutes of the Annual Shareholder's Meeting of Barrie Hydro Holdings Inc. with its sole Shareholder, The Corporation of the City of Barrie, held via a virtual meeting on Tuesday, May 25, 2021.

The General Committee Meeting of Council held via a virtual meeting on Tuesday, May 25, 2021 was called to order by Mayor Jeff Lehman at 5:29 p.m.

Barrie Hydro Holdings Inc. Chairman Jeff Lehman called the Barrie Hydro Holdings Inc. Shareholder's meeting to order at 5:29 p.m. The following were recorded as being present:

Barrie Hydro Holdings Inc.:

Board of Directors: Chairman, Jeff Lehman
C. Riepma
K. Aylwin
A. Kungl
B. Ward
R. Thomson
N. Harris
G. Harvey
J. Harris
S. Morales.

Regrets: M. McCann.

Barrie Hydro Staff: President/ Chief Executive Officer, M. Prowse
Treasurer, M. Mifsud
Legal Counsel, I. Peters
Corporate Secretary, D. McAlpine.

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

Council: Mayor, J. Lehman
Councillor, C. Riepma
Councillor, K. Aylwin
Councillor, A. Kungl
Councillor, B. Ward
Councillor, R. Thomson
Councillor N Harris
Councillor, G. Harvey
Councillor, J. Harris
Councillor S. Morales

Regrets: 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

Director of Legal Services, I. Peters
General Manager of Community and Corporate Services, D. McAlpine.

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-2021-S-01 MOVED BY: Director, B. Ward
SECONDED BY: Director, R. Thomson

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 May 25, 2020;
- b) Receipt of the Non-consolidated Financial Statements of Barrie Hydro Holdings Inc. for the financial year ended December 31, 2020;
- c) Confirmation of the appointment of the City of Barrie's auditor (Deloitte) as Accountants for Barrie Hydro Holdings Inc., 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); and
- 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 as are set out or referred to in the minutes of the meeting or in the financial statements.

CARRIED

Amended and Restated Alectra Inc. Unanimous Shareholders Agreement

BHHI-2021-S-02 MOVED BY: Director, B. Ward
SECONDED BY: Director, R. Thomson

- 17. That the recommendation of the Board of Directors of Alectra Inc., Report to the Board of Directors of Barrie Hydro Holdings Inc. dated May 25, 2021 and Confidential Staff Report CCS003-21 with respect to amendments to the Unanimous Shareholders Agreement for Alectra Inc., be received.



- 18. That the amendments to the Alectra Inc Unanimous Shareholder Agreement (the "USA") dated January 1, 2019 substantially in the form of the Amended and Restated Shareholder Agreement described within Report to the Board of Directors of Barrie Hydro Holdings Inc. dated May 25, 2021 and Confidential Staff Report CCS003-21, be approved.
- 19. That the Mayor and City Clerk be authorized to approve such further non-material revisions to the Amended and Restated Shareholder Agreement for Alectra Inc., as they in their discretion consider advisable.
- 20. That the Mayor and City Clerk be authorized to execute and deliver the Amended and Restated Shareholder Agreement for Alectra Inc.

CARRIED

Adjournment

BHHI-2021-S-03

MOVED BY: Director, B. Ward
SECONDED BY: Director, R. Thomson

That the Barrie Hydro Holdings Inc. Annual Shareholder's meeting now adjourn at 5:39 p.m.

CARRIED

Chairman

Secretary

Dated:_____



APPENDIX "B"

Financial Statements for the year ended December 31, 2021