



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 C. MILLAR, TREASURER/DIRECTOR OF FINANCE, EXT. 5130
SUBMITTED BY:	D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES 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 individual 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:
 - a) Councillor, A. Kungl.
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 10, 2019, attached as Appendix "A" to Staff Report CCS001-20, be approved;
 - b) The non-consolidated financial statements of BHHI attached as Appendix "B" to Staff Report CCS001-20 for the financial year ended December 31, 2019, 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 2019 by-election, the shareholder is required to appoint Councillor A. Kungl to the Board of Directors.
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, 2019 was \$5,282,218. The accumulated surplus at year end was \$80,119,217, which is an improvement from an accumulated surplus of \$79,461,999 at December 31, 2018.
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. The option was exercised to extend Deloitte's term for 2020.
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 Reader by compiling the annual non-consolidated financial statements.

ENVIRONMENTAL AND CLIMATE CHANGE IMPACT MATTERS

16. There are no environmental and/or climate change impact matters directly related to the recommendation.

ALTERNATIVES

17. The non-consolidated financial statements of Barrie Hydro Holdings Inc. have been compiled by the Corporate Treasurer and a Notice to Reader 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.
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.
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"



Shareholder's Meeting

Monday, June 10, 2019

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 10, 2019 in the Sir Robert Barrie Room.

The General Committee Meeting of Council held at 70 Collier Street, Barrie, Ontario on Monday, June 10, 2019 in the Sir Robert Barrie Room was called to order by Mayor Jeff Lehman at 5:01 p.m.

Barrie Hydro Holdings Inc. Chairman Jeff Lehman called the Barrie Hydro Holdings Inc. Shareholder's meeting to order at 5:01 p.m. The following were recorded as being present:

Barrie Hydro Holdings Inc.:

Board of Directors: Chairman, Jeff Lehman
C. Riepma
K. Aylwin
D. Shipley
B. Ward
R. Thomson
G. Harvey
J. Harris

Regrets: N. Harris
S. Morales
M. McCann.

Barrie Hydro Staff: President/ Chief Executive Officer, M. Prowse
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, D. Shipley
Councillor, B. Ward
Councillor, R. Thomson
Councillor, G. Harvey
Councillor, J. Harris

Regrets: Councillor N Harris
Councillor S. Morales
Councillor M. McCann.

City of Barrie
Staff:

Acting General Manager of Infrastructure and Growth Management, A. Miller
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*.

Appointment of Directors of Barrie Hydro Holdings Inc.

D. McAlpine, Corporate Secretary described the requirement to appoint the Directors of Barrie Hydro Holdings Inc. and the length of the term.

BHHI-2019-S-01

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

That the following 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.

CARRIED

Authorization to the Corporate Secretary – Standard BHHI Shareholder resolutions

BHHI-2019-S-02 MOVED BY: Councillor, B. Ward
SECONDED BY: Councillor, D. Shipley

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 June 4, 2018;
- b) Receipt of the Non-consolidated Financial Statements of Barrie Hydro Holdings Inc. for the financial year ended December 31, 2018;
- c) Confirmation of the appointment of the City of Barrie's auditor (Deloitte) as Accountants for Barrie Hydro Holdings Inc. for 2017 to 2019, 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

Adjournment

BHHI-2019-S-03 MOVED BY: Councillor, B. Ward
SECONDED BY: Councillor, D. Shipley

That the Barrie Hydro Holdings Inc. Annual Shareholder's meeting now adjourn at 5:14 p.m.

CARRIED

Chairman

Secretary

Dated: _____

APPENDIX "B"
Financial Statements for the year ended December 31, 2019

DRAFT AS AT MARCH 11, 2020

Non-consolidated financial
statements of
Barrie Hydro Holdings Inc.

December 31, 2019

Draft



Notice to Reader	1
Non-consolidated statement of operations and retained earnings	2
Non-consolidated balance sheet	3

Draft



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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, 2019 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 financial statements and, accordingly, we express no assurance thereon.

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

Chartered Professional Accountants
Licensed Public Accountants

Draft

Barrie Hydro Holdings Inc. DRAFT AS AT MARCH 11, 2020

Non-consolidated statement of operations and retained earnings

Year ended December 31, 2019

(Unaudited - see Notice to Reader)

	2019 \$	2018 \$
Revenue		
Dividend income	8,808,773	8,060,230
Interest revenue	42,727	89,181
Change in fair value of derivative financial instrument	(22,592)	(8,836)
	8,828,908	8,140,575
Expenses		
Administration fees	100,000	100,000
Interest and penalties	55,243	97,386
Professional fees	6,691	12,834
Miscellaneous	1,111	676
	163,045	210,896
Income before undernoted item	8,665,863	7,929,679
Equity earnings of investees	(6,949)	(5,020)
Income before income taxes	8,658,914	7,924,659
Income taxes	3,376,696	3,048,689
Net income	5,282,218	4,875,970
Retained earnings, beginning of year	79,461,999	79,426,862
Dividend refund	2,875,000	3,009,167
Dividends paid	(7,500,000)	(7,850,000)
Retained earnings, end of year	80,119,217	79,461,999



Barrie Hydro Holdings Inc. DRAFT AS AT MARCH 11, 2020

Non-consolidated balance sheet

As at December 31, 2019

(Unaudited - see Notice to Reader)

	2019	2018
	\$	\$
Assets		
Current assets		
Cash	493,165	454,607
Accounts receivable	1,810	12,258
	<u>494,975</u>	<u>466,865</u>
Investment in Alectra Inc.	182,102,578	182,102,578
Investment in Barrie Hydro Energy Services Inc.	228,134	235,083
Derivative financial asset	9,936	32,528
	<u>182,835,623</u>	<u>182,837,054</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,600	3,500
Income taxes payable	421,108	80,588
Due to related parties	256,440	260,709
Bank loan	2,310,000	3,305,000
	<u>2,991,148</u>	<u>3,649,797</u>
Deferred tax liability	26,525,865	26,525,865
	<u>29,517,013</u>	<u>30,175,662</u>
Shareholder's equity		
Share capital		
Authorized		
Unlimited common shares		
Stated		
1,100 common shares	73,199,393	73,199,393
Retained earnings	80,119,217	79,461,999
	<u>153,318,610</u>	<u>152,661,392</u>
	<u>182,835,623</u>	<u>182,837,054</u>

Approved by

_____, Director

_____, Director