



## STAFF REPORT ACTION REQUIRED

### Toronto Hydro Corporation - 2006 Annual General Meeting and Annual Audited Financial Statements

<b>Date:</b>	June 1, 2007
<b>To:</b>	Executive Committee
<b>From:</b>	City Manager
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### SUMMARY

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This report recommends the actions necessary to comply with the requirements of the *Business Corporations Act* (Ontario) for holding an annual general meeting of the shareholder of Toronto Hydro Corporation including receipt of the audited financial statements and appointment of the auditor.

#### RECOMMENDATIONS

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**The City Manager recommends that City Council:**

1. consider the Council meeting to be the Annual General Meeting of the Shareholder for Toronto Hydro Corporation by:
  - a. adopting the recommendations embodied in the Toronto Hydro Corporation report, dated May 4, 2007, forming Attachment 1 to this report, that appoints Ernst and Young as the auditor for Toronto Hydro Corporation and receives the report from the Chair of the Board of Directors; and
  - b. receiving the information report of the Deputy City Manager and Chief Financial Officer, dated May 14, 2007, "Toronto Hydro Corporation – Financial Statements", forming Attachment 2 to this report and receiving the financial statements forming Appendix A to that report; and
2. refer Attachment 2 to the Audit Committee for review.

## **FINANCIAL IMPACT**

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There are no financial implications that would result from the adoption of this report

## **EQUITY STATEMENT**

This report is limited to recommendations regarding approval of financial statements and the appointment of auditors, therefore an equity impact analysis is not applicable.

## **DECISION HISTORY**

Strategic Policies and Priorities Committee Report No. 10, Clause 1 as amended by City Council, adopted on June 9, 10 and 11, 1999, authorized the incorporation of Toronto Hydro Corporation.

## **ISSUE BACKGROUND**

In order to comply with the requirements of the OBCA, an annual meeting of the shareholders must be held within fifteen (15) months from the last preceding annual meeting. The last annual shareholder meeting for Toronto Hydro Corporation was held by City Council at its meeting of June 27, 28 and 29, 2006.

## **COMMENTS**

The report from Toronto Hydro Corporation requests that City Council consider the audited financial statements for the 2006 completed financial year and the auditor's report for that period. City Council is also requested to consider the unaudited financial statements for the first quarter of 2007.

Toronto Hydro Corporation also requests that City Council reappoint the incumbent auditors for the 2007 financial year and authorize the Directors of Toronto Hydro Corporation to fix the auditor's remuneration.

The shareholder review of Toronto Hydro Corporation's 2006 Annual Audited Financial Statements is set out in the information report of the Deputy City Manager and Chief Financial Officer, which is attached to this report as Attachment 2 and which should be considered as part of the Annual General Meeting agenda.

## **CONTACT**

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## **SIGNATURE**

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Shirley Hoy, City Manager

## **ATTACHMENTS**

Attachment 1 Toronto Hydro Corporation Report May 4, 2007

Appendix A Resolution of the City of Toronto (“the Shareholder”) To Appoint the Auditor of Toronto Hydro Corporation (the "Corporation")

Appendix B Report from Clare Copeland – Chairman of the Toronto Hydro Board of Directors dated April 30, 2007

Attachment 2 Report of Deputy City Manager and Chief Financial Officer dated May 14, 2007 entitled “Toronto Hydro Corporation – Financial Statements”

Appendix A Financial Statements of Toronto Hydro Corporation

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## Toronto Hydro Corporation – Financial Statements

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<b>Date:</b>	May 14, 2007
<b>To:</b>	Executive Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer

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### Disclosure of Financial Results:

Section 6.6 of the Shareholder Direction requires the Corporation to deliver its audited consolidated annual financial statements to the Shareholder within 120 days of its fiscal year end. These documents are filed with the City Clerk's office and are posted on the internet on the Toronto Hydro Corporation website ([www.torontohydro.com](http://www.torontohydro.com)) and via the SEDAR website for Canadian public securities documents.

The consolidated statements are public documents upon their release. The corporation's unconsolidated statements (relating to its subsidiary companies and the holding company) remain confidential.

The *Business Corporations Act*, Ontario ("OBCA") (s.94) requires that an annual meeting of shareholders be called no later than 15 months after the last preceding annual meeting. The last annual general meeting of the Corporation was held at the Council meeting of June 27, 28, and 29, 2006 (Policy and Finance Committee Report No. 5, Clause 7).

### Financial Results

For the fiscal year ended December 31, 2006, the Corporation generated a consolidated net income of \$92.4 million, similar to its 2005 performance (\$92.4 million), despite the winding-up of energy retailing activities.

Total consolidated assets totalled \$2.6 billion as at 2006 fiscal year end compared to \$2.8 billion for 2005. The decline is related to the wind-up of the energy retailing business.

During fiscal 2006, the City received interest payments of \$62.1 million, and Shareholder dividend payments totalling \$46.2 million.

Key consolidated results of Toronto Hydro Corporation (“the Corporation”) are as follows:

23

<b>Consolidated Financial Results of Toronto Hydro Corporation</b>		
<b>(\$ millions)</b>		
	<b>Year ended Dec 31, 2006</b>	<b>Year ended Dec 31, 2005</b>
	<b>Actual</b>	<b>Actual</b>
Net Income	\$92.4	\$92.4
Shareholder’s Equity	\$892.1	\$845.9
Total Assets	\$2,591.7	\$2,819.3
Cash at end of period	\$327.5	\$448.4
Dividends Paid to City	\$46.2	\$68.0
Interest Paid	\$62.1	\$66.7

#### Subsequent Events

On February 8, 2007, the Corporation announced the closing of the sale of its water heater assets to the Consumers' Waterheater Income Fund for \$40.8 million, which is subject to post-closing adjustments and transaction costs.

On March 1, 2007, the Corporation declared dividends totalling \$27.2 million, comprised of:

- (i) a \$6 million first quarterly dividend instalment as required under the Shareholder Direction, payable to the City of Toronto March 30, 2007;
- (ii) a \$21.2 million payment related to earnings in fiscal 2006.

In addition, the City received an interest payment on the Promissory Note of \$15 million on March 30, 2007, reflecting the revised interest rate (6.11% vs 6.8%) effective May 1 2006.

#### **CONTACT**

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#### **SIGNATURE**

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Joseph P. Pennachetti  
Deputy City Manager and Chief Financial Officer