



**STAFF REPORT  
ACTION REQUIRED  
Confidential Attachment**

**Reasons for confidentiality**

1. This report involves the security of property belonging to the City or one of its local boards.

**Enwave Capital Call - Funding Source**

<b>Date:</b>	January 2, 2007
<b>To:</b>	Executive Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2007\Internal Services\CF\Ec07002Cf – et (AFS #2882)

**SUMMARY**

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The City owns 43% of Enwave Energy Corporation (“Enwave”), with Council having previously resolved to maintain its shareholding at this level.

(Council, February 4, 2003, Report No. 1, Clause 7 of the Policy and Finance Committee <http://www.toronto.ca/legdocs/2003/agendas/council/cc030204/pof1rpt/cl007.pdf>).

Enwave’s district cooling business includes its Deep Lake Water Cooling project (“DLWC”), and is a growing business. During its developmental phase, for project financing purposes Enwave has required periodic infusions of equity capital (in addition to bank debt), which have been satisfied through requests of its shareholders for additional investment capital (“capital calls”). A final capital call in support of DLWC is anticipated to be issued in February 2007. This report recommends that the City fund its participation in this capital call from the “Strategic Infrastructure Partnership Reserve Fund Account”.

**RECOMMENDATIONS**

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**The Deputy City Manager and Chief Financial officer recommends that:**

Council direct that the Deputy City Manager and Chief Financial Officer fund the City’s participation in an anticipated 2007 Enwave Energy Corporation (“Enwave”) capital call

(amount identified in confidential Attachment 1 to this report) from the City's "Strategic Infrastructure Partnership Reserve Fund Account".

## **FINANCIAL IMPACT**

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Approval of the recommendation embodied in this report will result in an increased City financial investment in Enwave and retention of the current shareholding at 43%. The recommended source of funds is the Capital Strategic Infrastructure Partnership Reserve Fund Account, which will have a sufficient balance in 2007 to fund this investment, and so will not result in any increase in City debt. The related dollar amounts are outlined in confidential Attachment 1 to this report.

## **DECISION HISTORY**

The City is a 43% shareholder in Enwave Energy Corporation. The other shareholder is BPC Penco Corporation, a wholly-owned subsidiary of OMERS. Council had previously resolved to maintain its ownership share at 43%. (Council meeting of February 4, 2003, Report No. 1, Clause 7 of the Policy and Finance Committee <http://www.toronto.ca/legdocs/2003/agendas/council/cc030204/pof1rpt/cl007.pdf>).

Although DLWC became operational in 2004, the development of related distribution infrastructure and marketing of the entire capacity is anticipated to continue through to 2009. During the developmental phase, Enwave has required periodic infusions of equity capital, in addition to bank debt, for project financing purposes. The need for equity capital has been satisfied through requests of the shareholders for additional investment capital ("capital calls"). Council participation in Enwave's capital calls has helped support the development of Enwave's district cooling business, and the creation of the related positive environmental benefits of DLWC.

The Strategic Infrastructure Partnership Reserve Fund Account was created in July 2006, and is to be funded from the one-time proceeds from the divestiture of the City's investment in the promissory note of Toronto Hydro Corporation. The purpose of the account is to fund "the City's major tax-supported strategic infrastructure programs (such as Spadina Subway Extension or rail transit elsewhere in the City, and Waterfront Redevelopment), in partnership with other orders of governments, and major strategic tax-supported environmental capital projects with external funding partners". The recommended use of these funds falls within this purpose.

## **ISSUE BACKGROUND**

In accordance with its reporting requirements under the Shareholder Agreement, Enwave submits an annual multi-year business plan to the Deputy City Manager and Chief Financial Officer. Its current (2007) business plan was received on December 5, 2006, and indicates the planned issuance of a final capital call in support of DLWC in February, 2007.

The actual issuance of the capital call will be subject to Enwave Board approval, following which the City will be provided with notice, and will have ten business days to participate. However, participation is already required in order to fulfil the previous Council direction to maintain a 43% shareholding.

In order to be prepared to respond in a timely manner with respect to participation, and given Council scheduling, it is prudent for Council to decide on a source of funding in advance of the issuance of the capital call.

## **COMMENTS**

This report recommends that the City source funds to participate in the impending Enwave capital call from the “Strategic Infrastructure Partnership Reserve Fund Account”, the amount of which is outlined in confidential Attachment 1 to this report.

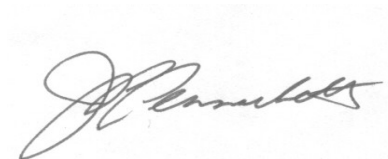
Pursuing the funding recommendations of this report would allow the City, as shareholder, to both fulfil previous Council direction to maintain its 43% shareholding, and to be consistent with Council’s ongoing support for DLWC. To date, Council has already participated in the majority of Enwave capital calls. In combination with the City’s relationship as a DLWC customer at both Metro Hall and Old City Hall, and the agreement with Enwave that allows for the use of Toronto Water infrastructure for the purposes of DLWC (the “Energy Transfer Agreement”), funding the current capital call would signal the City’s continuing support for DLWC to the community and to Enwave’s other investors.

As Enwave’s district cooling business is growing and has demonstrated increasingly positive financial results, Enwave will soon be able to support DLWC internally, and therefore no further capital calls are projected.

## **CONTACT**

Len Brittain, Director, Corporate Finance  
Tel: (416) 392-5380; Fax: (416) 397-4555; E-mail: lbrittai@toronto.ca

## **SIGNATURE**



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Joseph P. Pennachetti  
Deputy City Manager and Chief Financial Officer

## **ATTACHMENTS**

Confidential Attachment