

**Toronto Hydro Corporation Report  
May 18, 2018**

Addressed to the Executive Committee of City Council  
from Conrad Sheppard, Corporate Secretary  
Toronto Hydro Corporation

**2017 Annual Shareholder Meeting – Toronto Hydro Corporation**

**Purpose**

1. To comply with the requirements of subsection 94(1) of the *Business Corporations Act* (Ontario), R.S.O. 1990, c.B.16 (the "OBCA"), the directors of Toronto Hydro Corporation ("THC") are required to call an annual meeting of its shareholder (i.e. the City of Toronto) by no later than fifteen (15) months after holding the last preceding annual meeting.
2. To comply with the requirements of subsection 149(2) of the OBCA, the shareholder shall, at each annual meeting, appoint one or more auditors to hold office until the close of the next annual meeting. Pursuant to subsection 149(7) of the OBCA, the remuneration of an auditor appointed by the shareholder shall be fixed by the shareholder, or by the directors if they are authorized to do so by the shareholder.
3. To comply with the requirements of subsection 154(1) of the OBCA and section 9.7 of the City of Toronto's Amended and Restated Shareholder Direction Relating to Toronto Hydro Corporation (the "Shareholder Direction"), the directors of THC are required to place before each annual meeting of the shareholder:
  - (a) the financial statements required to be filed under the *Securities Act* (Ontario) and the regulations thereunder relating to: (i) the period that began immediately after the end of the last completed financial year and ended not more than six months before the annual meeting; and (ii) the immediately preceding financial year;
  - (b) the report of the auditor, if any, to the shareholders; and
  - (c) any further information respecting the financial position of THC and the results of its operations required by the articles, the by-laws or any shareholder direction.

THC therefore hereby submits and recommends that this report and attached documents be received by the Executive Committee and the attached shareholder resolution be approved by the City Council.

**Recommendations**

It is recommended that City Council, as the sole shareholder of THC:

- (1) hold an annual shareholder meeting;
- (2) approve and adopt the shareholder resolution attached in Appendix A to this report to re-appoint the auditor of THC to hold office until the close of the next annual meeting of the shareholder and to authorize the directors of THC to fix the auditor's remuneration;
- (3) receive for its information, the following documents:

- (a) Attachment 1 – Resolution of the Sole Shareholder - City of Toronto, Re-appointing Auditor;
- (b) Attachment 2 – Toronto Hydro Corporation 2017 Annual Report;
- (c) Attachment 3 – Toronto Hydro Corporation 2017 Annual Financial Report dated December 31, 2017 including THC's audited consolidated financial statements for 2017 and the auditor's report related thereto;
- (d) Attachment 4 – Toronto Hydro Corporation Annual Information Form for the Year Ended December 31, 2017;
- (e) Attachment 5 – Toronto Hydro Corporation 2017 Environmental Performance Report;
- (f) Attachment 6 – Toronto Hydro Corporation CEO and CFO Certification of Annual Filings;
- (g) Confidential Attachment 7 – Toronto Hydro Corporation Report to the Shareholder for the Year Ended December 31, 2017;
- (h) Confidential Attachment 8 – Toronto Hydro Corporation Non-Consolidated Financial Statements dated December 31, 2017;
- (i) Confidential Attachment 9 - Financial Statements of Toronto Hydro-Electric System Limited dated December 31, 2017;
- (j) Confidential Attachment 10 - Financial Statements of Toronto Hydro Energy Services Inc. dated December 31, 2017;
- (k) Attachment 11(a) - Executive Compensation Disclosure of Toronto Hydro Corporation for 2017 (Part 1);
- (l) Confidential Attachment 11(b) – Executive Compensation Disclosure of Toronto Hydro Corporation for 2017 (Part 2);
- (m) Attachment 12 – Toronto Hydro Corporation’s First Quarter Report dated March 31, 2018 including THC's unaudited consolidated financial statements for the first quarter of 2018; and
- (n) Attachment 13 - Statement of Remuneration and Expenses for Council Appointees for the Year Ended December 31, 2017.

(4) authorize and direct appropriate City officials to take the necessary action to give effect to the above.

### **Background**

The City of Toronto is the sole shareholder of THC.

THC is a holding company which wholly-owns two subsidiaries:

- (1) Toronto Hydro-Electric System Limited, which distributes electricity and engages in conservation and demand management (CDM) activities; and
- (2) Toronto Hydro Energy Services Inc., which provides street lighting and expressway lighting services in the City.

### **Comments**

#### **(1) Annual Shareholder Meeting**

The last annual shareholder meeting for THC was held on October 2, 3 and 4, 2017. The directors of THC are therefore to call THC’s next annual shareholder meeting by no later than January 1, 2019.

## **(2) Re-appointment of Auditor and Re-authorization of THC Directors to Fix Remuneration**

At the preceding annual shareholder meeting, the shareholder resolved to appoint KPMG LLP, Chartered Accountants, as the auditor for THC until the close of the next annual meeting of the shareholder, or until a successor is appointed, and further resolved and authorized the directors of THC to fix the auditor's remuneration.

KPMG LLP has been THC's auditor since 2011. The appointment of KPMG LLP as THC's auditor was the result of a request for proposals process undertaken by THC in late 2010. At its August 17, 2016 meeting the Audit Committee of THC approved an extension of the term of the Services Agreement with KPMG LLP to provide audit services to THC and its subsidiaries for audit years 2017, 2018 and 2019. At the March 7, 2018 THC meeting, it was resolved that the THC Board of Directors recommends to its sole shareholder that KPMG be appointed as the auditor of Toronto Hydro Corporation effective for the 2018 audit year or until the appointment of a successor auditor.

## **(3) Audited Financial Statements and Auditor's Report**

The following documents are attached to this report in compliance with the requirements of subsection 154(1) of the OBCA and Section 9.7 of the Shareholder Direction, which documents have also been previously delivered by THC to the Acting Chief Financial Officer for review:

- a) THC's audited consolidated financial statements for 2017 and the auditor's report related thereto;
- b) Toronto Hydro CEO and CFO Certification of Annual Filings; and
- c) THC's unaudited consolidated financial statements for the first quarter of 2018.

## **(4) Other Financial Information**

Section 9.2 of the Shareholder Direction requires THC to submit to the City CFO, within 60 days after the end of each fiscal quarter, a quarterly report in respect of the immediately preceding fiscal quarter, including quarterly financial statements. The following documents are confidential due to the security of the property of the City, and securities requirements arising from THC's status as an offering corporation under the OBCA, THC's status as a reporting issuer under the *Securities Act* (Ontario), R.S.O. 1990, c.S.5, and the application by the Ontario Securities Commission of National Instrument 51-102 (Continuous Disclosure Obligations).

- a) Toronto Hydro Corporation Report to the Shareholder for the Year Ended December 31, 2017;
- b) Toronto Hydro Corporation Non-consolidated Financial Statements dated December 31, 2017;
- c) Financial Statements of Toronto Hydro-Electric System Limited dated December 31, 2017 and 2016; and
- d) Financial Statements Toronto Hydro Energy Services Inc. dated December 31, 2017 and 2016.

## **(5) Executive Compensation**

Section 9.8 of the Shareholder Direction requires THC to submit to the City Executive Committee, through the City Manager's office and City CFO, certain executive compensation information for all of the officers of THC. THC's 2017 Executive Compensation Disclosure is being submitted in two parts. The first part contains information about Named Executive Officers that has been disclosed in THC's Annual Information Form, in accordance with National Instrument 51-102. The second part contains information about the remaining officers of the THC and is confidential as it contains personal information about identifiable individuals.

**(6) Additional Reports**

The following documents are attached to this report in compliance with Section 9.8 of the Shareholder Direction and the general requirement of paragraphs 154(1)(c) and 154(1)(d) of the OBCA:

- (a) THC's 2017 Annual Report;
- (b) THC's 2017 Environmental Performance Report;
- (c) THC's 2017 Annual Information Form; and
- (d) Statement of Remuneration and Expenses for Council Appointees for the Year Ended December 31, 2017.

**THC Contact**

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