Toronto Hydro Corporation Report February 16, 2011

Addressed to the Executive Committee
from Lawrence D. Wilde, Vice President General Counsel and Corporate Secretary
Toronto Hydro Corporation

Annual Meeting – Toronto Hydro Corporation

Purpose

To comply with the requirements of subsection 94(1) of the *Business Corporations Act* (Ontario), R.S.O., c.B.16 (the "OBCA"), the directors of Toronto Hydro Corporation ("THC") are required to call an annual meeting of its shareholders (i.e. the City of Toronto) by no later than fifteen (15) months after holding the last preceding annual meeting. The last annual shareholder meeting for THC was held on July 6, 7 and 8, 2010.

The directors of THC therefore hereby submit and recommend that this report and attached shareholder resolution be reviewed by the Executive Committee and approved by the City Council at its next meeting.

Recommendations

It is recommended that:

(1) City Council, as the sole shareholder of THC, hold an annual shareholder meeting;

(2) approve and adopt the shareholder resolution attached in Appendix A to this report; and

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

Background

City Council, by the amendment and adoption of Clause 1 of Report No. 10 of the Strategic Policies and Priorities Committee, at its meeting of June 9, 10 and 11, 1999, authorized the incorporation of THC. The City of Toronto is the sole shareholder of THC.

THC is the parent of the following subsidiaries:

(1) Toronto Hydro-Electric System Limited, which distributes electricity; and

(2) Toronto Hydro Energy Services Inc., which provides street lighting and related ancillary services.

Annual Meeting

City Council, as sole shareholder of THC, is to consider the following items at this annual meeting:

(1) appointment of an auditor until the close of the next annual meeting or until a successor is appointed and authorization of the THC board of directors to fix the remuneration for the auditor for this period; and

(2) audited financial statements for the 2010 financial year and the auditor's report for that period.

Comments

(1) Appointment of Auditor and Authorization of THC Directors to Fix Remuneration

At the last preceding annual meeting, the shareholder resolved to appoint the incumbent auditor, Ernst & Young LLP, Chartered Accountants ("E&Y") 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.

E&Y has been the auditor of THC since THC's incorporation in 1999. In light of this, THC determined to proceed with an RFP for external audit services and on October 27, 2010 issued an RFP to E&Y, Deloitte, KPMG and PWC. On November 10th, THC received responses from E&Y, KPMG and PWC. On November 19th, the members of the THC Audit Committee together with the President and CEO and CFO of THC met with each of the respondents for oral presentations.

After review of the written proposals and oral presentations, a recommendation was made by the Audit Committee to the THC Board of Directors. At its meeting on November 26, 2010, the THC Board of Directors approved recommending to the Shareholder that it appoint KPMG as auditor for THC until the close of the next annual meeting of the shareholder, or until a successor is appointed. The directors of THC further recommended that City Council resolve and authorize the directors of THC to fix the auditor's remuneration for this period.

(2) Audited Financial Statements and Auditor's Report

Audited financial statements for the 2010 financial year, and related auditor's reports will, after approval by the THC Board of Directors on March 11, 2011, be delivered by THC to the Deputy City Manager and Chief Financial Officer for review. The audited financial statements and his comments will be presented to the Executive Committee at a later date.

Contact:

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List of Attachments:

Appendix A - Resolution of the Sole Shareholder - City of Toronto

Appendix A

Toronto Hydro Corporation
(the "Corporation")

Resolution of the Sole Shareholder - City of Toronto

Appointing Auditor

RESOLVED THAT:

KPMG LLP, Chartered Accountants, is hereby appointed the auditor of the Corporation to hold office until the close of the next annual meeting of the shareholder of the Corporation, or until a successor is appointed, at such remuneration as may be fixed by the directors and the directors are hereby authorized to fix such remuneration. The Corporation's directors are authorized to pass the requisite resolutions giving effect to the foregoing, and any and all such resolutions passed by the directors of the Corporation regarding same are hereby confirmed and ratified.

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The foregoing resolution is hereby consented to by sole shareholder of the Corporation pursuant to the *Business Corporation Act* (Ontario).

Dated as of this _____ day of _____, 2011

City of Toronto

_____
per: Cam Weldon
Deputy City Manager and
Chief Financial Officer

_____
per: Ulli Watkiss
City Clerk
Approved as to Form per: ____
Anna Kinastowski, City Solicitor

Authorized by Executive Committee Item No. ____ adopted by Council at its meeting of _____, 2011.

_____
per: Ulli Watkiss
City Clerk