



**STAFF REPORT
ACTION REQUIRED
with Confidential Attachments**

Revised Shareholder Direction to Toronto Hydro Corporation

Date:	April 8, 2013
To:	Executive Committee
From:	City Manager
Wards:	City-wide
Reason for Confidential Information:	This report involves the security of property belonging to the City and its wholly-owned corporation.
Reference Number:	

SUMMARY

This report recommends the adoption of an Amended and Restated Shareholder Direction for Toronto Hydro Corporation ("THC") to update the reporting procedures and improve the accountability of the Corporation to the City.

Due to the large number of separate amendments to the document, it is recommended that City Council adopt the attached restated Shareholder Direction rather than considering each amendment separately. The attachments to this report should remain confidential as they involve the security of property of the City and its wholly-owned corporation.

RECOMMENDATIONS

The City Manager recommends that:

1. City Council approve the Amended and Restated Shareholder Direction to Toronto Hydro Corporation set out in Confidential Attachment 1 to this report, subject to any modifications deemed necessary by the City Solicitor;

2. City Council request that the Board of Directors of Toronto Hydro Corporation amend its By-law No. 1.1 to bring it into conformity with the Amended and Restated Shareholder Direction to Toronto Hydro Corporation set out in Confidential Attachment 1 to this report and thereafter submit the amended By-law No. 1.1 to the Shareholder for approval;
3. Municipal Code Chapter 169, Officials, City and Municipal Code Chapter 3, Accountability Officers, be amended to reflect the delegations to the respective City Officers under the Amended and Restated Shareholder Direction;
4. City Council direct that Confidential Attachment 1, being the Amended and Restated Shareholder Direction to Toronto Hydro Corporation, be made public following City Council's approval of the document at a time satisfactory to the City Solicitor following the completion of appropriate regulatory filings;
5. City Council direct that Attachments 2 and 3, being a summary description of amendments to the current Shareholder Direction to Toronto Hydro Corporation and a comparison document indicating the recommended changes to the Shareholder Direction, remain confidential in their entirety in accordance with the *City of Toronto Act, 2006* as they involve the security of property of the City and its wholly-owned corporation; and
6. the City Solicitor be authorized to introduce any Bills to Council to amend Municipal Code, Chapter 3, Accountability Officers, and Municipal Code, Chapter 169, Officials, City, and any other Bills which may be necessary to implement the recommendations contained in this report.

Financial Impact

There are no financial implications from adoption of the recommendations in this report.

DECISION HISTORY

City Council, at its meeting held on April 12 and 13, 2011, directed the City Manager to conduct a review of THC's Shareholder Direction during consideration of Item EX4.8, the Toronto Hydro Corporation Annual General Meeting and audited annual financial statements.

City Council also directed, in Item EX6.8 adopted at its meeting held on June 14 and 15, 2011, that the City Manager report to the Executive Committee on amendments to the Shareholder Direction and possible amendments to the Municipal Code to allow the Auditor General broader access to the books and records of Toronto Hydro Corporation.

The Shareholder Direction continues to set out the qualifications for citizen members, their term and the remuneration paid to citizen members for as it did previously in accordance with Council's Public Appointments Policy it adopted in Clause 2, Policy and Finance Committee Report 7, at its meeting held on September 25, 26 and 27, 2006. The remuneration policy for THC's board was set by City Council in its adoption of Clause 8

of Policy and Finance Committee Report 7 at its meeting held on July 19, 20, 21 and 26, 2005. The structure of THC's Board was most recently amended by City Council at its meeting held on April 12 and 13, 2011 by adoption of Item EX4.7. The individual compensation of THC executives is to be reported as directed by City Council in its adoption of Item EX21.19 at its meeting held on July 11, 12 and 13, 2012. The addition of a City Councillor to the compensation committee of the THC board and the circulation of its Annual Information Form with its annual financial statements was directed by City Council in its adoption of Item EX4.8 at its meeting held on April 12 and 13, 2011.

ISSUE BACKGROUND

City Council, by the amendment and adoption of Strategic Policies and Priorities Committee Report No. 10, Clause 1, on June 9, 10 and 11, 1999, authorized the incorporation of Toronto Hydro Corporation under the *Business Corporations Act (Ontario)* (OBCA). The City is the sole shareholder of Toronto Hydro Corporation.

THC is a holding company with two principal subsidiaries: Toronto Hydro-Electric System Limited, which is responsible for the distribution of electricity throughout the City and is regulated by the Ontario Energy Board, and Toronto Hydro Energy Services Inc., which provides energy management services and certain street lighting services, consolidated billing services and owns and operates certain street lights in the City.

The City's Shareholder Direction to Toronto Hydro Corporation became effective upon the incorporation of the corporation on July 1, 1999. It was later amended in 2002, 2004, 2006 and 2007.

COMMENTS

The Amended and Restated Shareholder Direction to Toronto Hydro Corporation appended as Confidential Attachment 1 to this report contains revisions to the document intended to update definitions, modernize and improve THC's reporting requirements to the City reflecting reporting practices applied to other City corporations, increase transparency and accountability to the City, and implement recent Council decisions such as requiring the annual reporting of executive compensation.

A summary of the recommended changes to the existing Shareholder Direction to Toronto Hydro Corporation is appended as Confidential Attachment 2, and a comparison showing changes between the current and recommended Shareholder Directions is appended as Confidential Attachment 3.

Toronto Hydro Corporation staff and staff of the City Auditor General's Office, and the Corporate Finance and Legal Services Divisions were consulted during preparation of the attached revised Shareholder Direction.

CONTACT

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SIGNATURE

Joseph P. Pennachetti,
City Manager

ATTACHMENTS

- Confidential Attachment 1: Recommended Amended and Restated Shareholder Direction to Toronto Hydro Corporation
- Confidential Attachment 2: Summary Description of Amendments to the Current Shareholder Direction to Toronto Hydro Corporation
- Confidential Attachment 3: Comparison Between Approved and Recommended Shareholder Directions to Toronto Hydro Corporation