

**Toronto Hydro Corporation Report
May 16, 2013**

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

2012 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.
4. To comply with the requirements of subsection 116(2) of the OBCA and sections 8.3 and 8.4 of the Shareholder Direction, THC is required to submit any by-law amendment to the shareholder for approval.

5. Section 9.2 of the Shareholder Direction requires the Board of Directors of THC to approve and submit to the City of Toronto's Deputy City Manager and Chief Financial Officer, a quarterly report in respect of the immediately preceding fiscal quarter.
6. Section 9.8 of the Shareholder Direction also requires THC to deliver to the City Executive Committee, through the City Manager's office and the City Chief Financial Officer, an annual report outlining THC's accomplishments during the fiscal year and its progress made towards certain principles as set out in the 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 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) approve and adopt the shareholder resolution attached in Appendix B to this report to approve the amended THC By-law No. 1.1.;
- (4) receive for its information, the following documents:
 - (a) THC's audited consolidated financial statements for 2012 and the auditor's report related thereto;
 - (b) THC's unaudited consolidated financial statements for the first quarter of 2013;
 - (c) THC's 2012 Annual Report;
 - (d) THC's 2012 Corporate Responsibility Report; and
 - (e) THC's 2012 Annual Information Form; and
- (5) 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 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 ancillary services.

Comments

(1) Annual Shareholder Meeting

The last annual shareholder meeting for THC was held on July 11, 12 and 13, 2012. The directors of THC are therefore to call THC's next annual shareholder meeting by no later than October 11, 2013.

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

At the last 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.

(3) Approval of Amended By-law No. 1.1

On **May 7 2013**, the shareholder adopted an Amended and Restated Shareholder Direction to THC. An amended By-law No. 1.1 will be brought forward for approval by the THC Board of Directors at its scheduled May 16, 2013 meeting, which amendments bring it into conformity with the Amended and Restated Shareholder Direction, amendments to the OBCA, laws of general application in Ontario and to remove provisions which are only applicable to corporations owned by multiple shareholders. The amended By-law No. 1.1 is attached to this report and hereby submitted to the shareholder for approval in accordance with subsection 116(2) of the OBCA and sections 8.3 and 8.4 of the Shareholder Direction.

(4) 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, which documents have also been delivered by THC to the Deputy City Manager and Chief Financial Officer for review:

- (a) THC's audited consolidated financial statements for 2012 and the auditor's report related thereto;
- (b) Toronto Hydro-Electric System Limited's audited financial statements for 2012 and the auditor's report related thereto;

(c) Toronto Hydro Energy Services Inc.'s unaudited financial statements for 2012 and the notice to reader related thereto; and

(d) THC's unaudited consolidated financial statements for the first quarter of 2013.

(5) Additional Reports

The following documents are attached to this report in compliance with the general requirement of paragraph 154(1)(c) of the OBCA and, in particular, in order to fulfill the reporting requirements under section 9.8 of the Shareholder Direction:

(a) THC's 2012 Annual Report;

(b) THC's 2012 Corporate Responsibility Report; and

(c) THC's 2012 Annual Information Form.

THC Contact

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Toronto Hydro Corporation
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List of Attachments

Appendix A - Resolution of the Sole Shareholder - City of Toronto, Re-appointing Auditor

Appendix B - Resolution of the Sole Shareholder – City of Toronto, Approving the Amended By-law No. 1.1 (including the Amended By-law No. 1.1 as Attachment 1 thereto)

Appendix A

Toronto Hydro Corporation
(the "Corporation")

2012 Annual Shareholder Meeting
Resolution of the Sole Shareholder - City of Toronto

Re-appointing Auditor

RESOLVED THAT, KPMG LLP, Chartered Accountants, is hereby re-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.

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 _____, 2013

City of Toronto

per: Roberto Rossini
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 _____, 2013.

per: Ulli Watkiss
City Clerk

Appendix B

Toronto Hydro Corporation
(the "Corporation")

2012 Annual Shareholder Meeting
Resolution of the Sole Shareholder - City of Toronto

Approving Amendments to By-law No. 1.1

RESOLVED THAT, the amended By-law No. 1.1 of the Corporation in the form attached hereto as Attachment 1 is hereby approved.

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 _____, 2013

City of Toronto

per: Roberto Rossini
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 _____, 2013.

per: Ulli Watkiss
City Clerk