

EX26.12

Toronto Hydro Corporation Report May 18, 2017

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

2016 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 2016 Annual Report;
 - (c) Attachment 3 – Toronto Hydro Corporation 2016 Annual Financial Report dated December 31, 2016 including THC's audited consolidated financial statements for 2016 and the auditor's report related thereto;
 - (d) Attachment 4 – Toronto Hydro Corporation Annual Information Form for the Year Ended December 31, 2016;
 - (e) Attachment 5 – Toronto Hydro Corporation 2016 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, 2016;
 - (h) Confidential Attachment 8 – Toronto Hydro Corporation Consolidated Financial Statements dated December 31, 2016;
 - (i) Confidential Attachment 9 - Financial Statements of Toronto Hydro-Electric System Limited dated December 31, 2016;
 - (j) Confidential Attachment 10 - Financial Statements of Toronto Hydro Energy Services Inc. dated December 31, 2016;
 - (k) Attachment 11(a) - Executive Compensation Disclosure of Toronto Hydro Corporation for 2016 (Part 2);
 - (l) Confidential Attachment 11(b) – Executive Compensation Disclosure of Toronto Hydro Corporation for 2016 (Part 2);
 - (m) Attachment 12 – Toronto Hydro Corporation’s First Quarter Report dated March 31, 2017 including THC's unaudited consolidated financial statements for the first quarter of 2017;
 - (n) Attachment 13 - Statement of Remuneration and Expenses for Council Appointees for the Year Ended December 31, 2016.
- (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 12, 13, 14 and 15, 2016. The directors of THC are therefore to call THC’s next annual shareholder meeting by no later than October 11, 2017.

(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) 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 Deputy City Manager and Chief Financial Officer for review:

- a) THC's audited consolidated financial statements for 2016 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 2017.

(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.

- a) Toronto Hydro Corporation Report to the Shareholder for the Year Ended December 31, 2016;
- b) Toronto Hydro Corporation Internal Financial Statements dated December 31, 2016;
- c) Financial Statements of Toronto Hydro-Electric System Limited dated December 31, 2016 and 2015; and
- d) Financial Statements Toronto Hydro Energy Services Inc. dated December 31, 2016 and 2015.

(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 2016 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 (Continuous Disclosure Obligations). 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 the general requirement of paragraph 154(1)(d) of the OBCA:

- (a) THC's 2016 Annual Report;
- (b) THC's 2016 Environmental Performance Report;
- (c) THC's 2016 Annual Information Form; and

(d) Statement of Remuneration and Expenses for Council Appointees for the Year Ended
December 31, 2016.

THC Contact

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Toronto Hydro Corporation
(the "Corporation")

2016 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 _____, 2017

City of Toronto

per: Roberto Rossini
Deputy City Manager and
Chief Financial Officer

per: Ulli Watkiss
City Clerk
Approved as to Form per: Wendy Walberg
City Solicitor

Authorized by Executive Committee Item No. _____ adopted by Council at its meeting of _____, 2017.

per: Ulli Watkiss
City Clerk