

**Report to the Shareholder of Hydro Ottawa Holding Inc.
Rapport à l'actionnaire de la Société de portefeuille Hydro Ottawa inc.**

**and Council
et au Conseil**

Select Council meeting date. / Choisir la date de la reunion du Conseil municipal.

**Submitted on June 24, 2020
Soumis le 24 juin 2020**

**Submitted by
Soumis par:**

**Bryce Conrad, President and Chief Executive Officer, Hydro Ottawa Holding Inc. /
Président et chef de la direction de la Société de portefeuille Hydro Ottawa inc.**

Contact Person

Personne ressource:

**Bryce Conrad, President and Chief Executive Officer, Hydro Ottawa Holding Inc. /
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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2020-OCC-HOH-0001

SUBJECT: Hydro Ottawa Holding Inc. – 2019 Annual Report

**OBJET: Rapport annuel de 2019 de l'actionnaire de la Société de portefeuille
Hydro Ottawa inc.**

REPORT RECOMMENDATIONS

That Council:

- 1. Receive the Audited Consolidated Financial Statements of Hydro Ottawa Holding Inc. for the year ended December 31, 2019 as set out in the Annual Report at Document 1;**
- 2. Appoint KPMG LLP as the auditor for Hydro Ottawa Holding Inc. for the year ending December 31, 2020;**

3. **Approve the recommendation of the Nominating Committee of the Board of Directors of Hydro Ottawa Holding Inc., specifically,**
 - a. **that Council appoint the persons identified at Document 2 (immediately follows the report) to serve as a members of the Board of Hydro Ottawa Holding Inc. for the corresponding terms as specified; and**
 - b. **request that the Hydro Ottawa Holding Inc. Board of Directors elect Jim Durrell, C.M. as Chair of the Boards of Hydro Ottawa Holding Inc. and Hydro Ottawa Limited;**
4. **Approve the recommendation of the Board of Directors of Hydro Ottawa Holding Inc. (HOHI), specifically, that the City of Ottawa, as shareholder, authorize HOHI to make loans and advances to one of its joint venture entities, Zibi Community Utility, and/or to guarantee its debts; and**
5. **Authorize the Mayor and the City Clerk and Solicitor to sign a written resolution on behalf of the City of Ottawa as shareholder of Hydro Ottawa Holding Inc. setting out the resolutions approved by the City Council.**

RECOMMANDATIONS DU RAPPORT

Que le Conseil municipal :

1. **Reçoive les états financiers consolidés audités de la Société de portefeuille Hydro Ottawa inc. pour l'exercice clos le 31 décembre 2019 présentés dans son Rapport annuel, soit le document n° 1;**
2. **Nomme KPMG s.r.l. / S.E.N.C.R.L. comme auditeur de la Société de portefeuille Hydro Ottawa inc. pour l'exercice qui prendra fin le 31 décembre 2020;**
3. **Approuve la recommandation formulée par le Comité de nomination des membres du conseil d'administration de la Société de portefeuille Hydro Ottawa inc., plus précisément que le Conseil municipal :**
 - a. **nomme les personnes mentionnées dans le document n° 2 (ci-joint), afin qu'elles siègent au conseil d'administration de la Société de portefeuille Hydro Ottawa pour un mandat de la durée précisée ; et**

- b. **demande que le conseil d'administration de la Société de portefeuille Hydro Ottawa inc. élise Jim Durrell, C.M., comme président des conseils d'administration respectifs de la Société de portefeuille Hydro Ottawa inc. et d'Hydro Ottawa limitée;**
4. **Approuve la recommandation formulée par le conseil d'administration de la Société de portefeuille Hydro Ottawa inc. (« Hydro Ottawa »), plus précisément que la Ville d'Ottawa, à titre d'actionnaire, autorise Hydro Ottawa à consentir des prêts et des avances à l'une des coentreprises auxquelles elle participe, Zibi Community Utility, ou à garantir les dettes de cette coentreprise.**
5. **Autorise le maire et le greffier municipal et avocat général à signer au nom de la Ville d'Ottawa, en sa qualité d'actionnaire de la Société de portefeuille Hydro Ottawa inc. une résolution écrite énonçant les résolutions approuvées par le Conseil municipal.**

EXECUTIVE SUMMARY

Assumption and Analysis

Hydro Ottawa Holding Inc. (HOHI or Hydro Ottawa) was created as a result of the *Electricity Act, 1998*, which required all hydro utilities to operate as business corporations. Under this structure, Hydro Ottawa Holding Inc. is a for-profit company that continues to be wholly owned by the City of Ottawa, and is governed by an independent Board of Directors appointed by its shareholder.

Recommendation 1

Receive the Financial Statements

Under the Ontario *Business Corporations Act* and the terms of the Shareholder Declaration issued by the City of Ottawa, Hydro Ottawa is required to place before its shareholder, the City of Ottawa, annual financial statements relating to the corporation. Council is requested to receive the Audited Consolidated Financial Statements of Hydro Ottawa Holding Inc. for the year ended December 31, 2019 as set out in the Annual Report at Document 1.

Recommendation 2

Appoint an Auditor for the Corporation

Pursuant to Section 149 of the Ontario *Business Corporations Act*, the shareholder is also required to appoint an auditor for the corporation. Council is requested to appoint KPMG LLP as the auditor of Hydro Ottawa Holding Inc. for the year ending December 31, 2020.

Recommendation 3

Appoint Board Directors

The Shareholder Declaration for Hydro Ottawa Holding Inc. (HOHI) requires that members of the Boards of Directors for HOHI and its wholly-owned subsidiaries, including Hydro Ottawa Limited (HOL), be appointed by the City of Ottawa, with the exception of the President and Chief Executive Officer and the one HOL member of management appointed by HOHI to sit on the HOL Board. Council is requested to appoint the persons identified at Document 2 to serve on the HOHI Board for the corresponding terms as specified.

Recommendation 4

Authorize Hydro Ottawa to make loans and advances to one of its joint venture entities, Zibi Community Utility LP, and/or to guarantee its debts.

In 2017, Hydro Ottawa was invited to participate in the Zibi development project as a partner in a district utility that will serve the Zibi community. The Hydro Ottawa Holding Inc. (HOHI) Board was supportive given the energy and business growth opportunities for HOHI and its affiliates as contemplated in HOHI's 2016-2020 Strategic Direction presented to City Council in June 2016, and it approved a joint venture (Zibi Community Utility) between HOHI and the Zibi developer – Theia Partners (an offshoot of Windmill Developments) and Dream Unlimited (DRM-T) with HOHI owning 50%.

The Zibi developer has received all approvals for the construction project with a schedule that contemplates an 18-year project buildout. First occupancy of residential condominiums was achieved in Gatineau in 2018 and in Ottawa in early 2020. Two temporary thermal plants have been built to serve customers while design and construction of the permanent plant for the district energy system is underway.

As part of the financing for the construction project, the developer has been exploring various options including through sources such as the Federation of Canadian Municipalities (FCM) that provides loans and grants for municipal environmental

projects. Because Hydro Ottawa is solely owned by a municipal shareholder, it would have access to more favourable terms than the developer for a loan that could be used to fund the construction of the district energy system. Accordingly, a non-binding loan application has been submitted to the FCM for up to \$20M with Hydro Ottawa as the main applicant. If the FCM loan is approved for Hydro Ottawa, Hydro Ottawa would then in turn loan the FCM funds to Zibi Community Utility for the construction of the district energy system and/or guarantee its debts, and the developer would provide a letter of credit for 50% of the loan.

Sections 4.2(d) and (e) of the Shareholder Declaration respecting Hydro Ottawa, issued by the City of Ottawa, require the company to obtain prior written approval from the City of Ottawa in order to 'make directly or indirectly loans or advances in excess of fifty thousand dollars (\$50,000) and to give security for or guarantee debts in excess of \$50,000 to any Person, other than a Subsidiary'. Because Hydro Ottawa does not own more than 50% of the Zibi Community Utility (ZCU) joint venture, ZCU is not considered a subsidiary for the purposes of these provisions in the Shareholder Declaration. Hydro Ottawa is therefore requesting the City to provide its approval for HOHI to make loans or advances to ZCU and/or to guarantee its debts within carefully defined circumstances, namely: 1) with HOHI Board of Directors approval; and 2) a letter of credit for 50% of the loan from the developer.

The City's Chief Financial Officer / Treasurer and the General Manager, Planning, Infrastructure and Economic Development have reviewed this proposal and are supportive of the above recommendation.

Recommendation 5

Authorize the Mayor and the City Clerk and Solicitor to sign a Written Resolution

To satisfy the requirements of the Ontario *Business Corporations Act* and the terms of the Shareholder Declaration issued by the City of Ottawa, where an annual general meeting of the shareholder is not held, a written, signed resolution of the shareholder is necessary to approve all matters required to be dealt with at the annual general meeting. Council is requested to authorize the Mayor and the City Clerk and Solicitor to sign a written resolution on behalf of the City of Ottawa as shareholder of Hydro Ottawa Holding Inc. setting out the resolutions approved by City Council.

Financial Implications

Recommendation 1

In accordance with the Council-approved dividend policy, Hydro Ottawa will deliver a dividend of \$ 22.6 million to the City of Ottawa in 2020, surpassing the floor of \$20 million, and bringing cumulative dividends paid to \$284.6 million since 2005.

Public Consultation / Input

Notice of this meeting will be posted on the City's website as per Section 36 of the City's Procedure By-law.

SOMMAIRE

Hypothèse et analyse

La Société de portefeuille Hydro Ottawa inc. (« Hydro Ottawa ») a été créée à la suite de l'adoption de la *Loi de 1998 sur l'électricité*, qui obligeait toutes les compagnies d'électricité à exercer leurs activités en tant que sociétés par actions. Selon cette structure, la Société de portefeuille Hydro Ottawa inc. est une entreprise à but lucratif demeurant la propriété exclusive de la Ville d'Ottawa et elle est régie par un conseil d'administration indépendant dont les membres sont nommés par son actionnaire.

Recommandation n° 1

Recevoir les états financiers

En vertu de la *Loi sur les sociétés par actions* de l'Ontario et de la *Déclaration de l'actionnaire* émise par la Ville d'Ottawa, Hydro Ottawa doit présenter à son actionnaire, la Ville d'Ottawa, ses états financiers annuels. Le Conseil municipal est prié de recevoir les états financiers consolidés audités de la Société de portefeuille Hydro Ottawa inc. pour l'exercice clos le 31 décembre 2019 présentés dans son Rapport annuel, soit le document n° 1.

Recommandation n° 2

Nommer un auditeur pour la Société

En vertu de l'article 149 de la *Loi sur les sociétés par actions* de l'Ontario, l'actionnaire est également tenu de nommer un auditeur pour la Société. Le Conseil municipal est prié de nommer KPMG s.r.l. / S.E.N.C.R.L. comme auditeur de la Société de portefeuille Hydro Ottawa inc. pour l'exercice qui prendra fin le 31 décembre 2020.

Recommandation n° 3

Nommer les membres des conseils d'administration

En vertu de la *Déclaration de l'actionnaire* pour la Société de portefeuille Hydro Ottawa inc. (« Hydro Ottawa »), les membres des conseils d'administration respectifs d'Hydro Ottawa et de ses filiales à part entière, notamment Hydro Ottawa limitée, doivent être nommés par la Ville d'Ottawa, sauf le président et chef de la direction et le membre de la direction d'Hydro Ottawa limitée nommé par Hydro Ottawa pour siéger au conseil d'administration d'Hydro Ottawa limitée. Le Conseil municipal est prié de nommer les personnes mentionnées dans le document n° 2 afin qu'elles siègent au conseil d'administration d'Hydro Ottawa pour un mandat de la durée précisée.

Recommandation n° 4

Autoriser Hydro Ottawa à consentir des prêts et des avances à l'une des coentreprises auxquelles elle participe, Zibi Community Utility (ZCU), ou à garantir les dettes de cette coentreprise.

En 2017, la Société de portefeuille Hydro Ottawa inc. (« Hydro Ottawa) a été invitée à participer au projet d'aménagement Zibi, à titre de partenaire dans le cadre d'une coentreprise de services publics de quartier qui desservira la communauté Zibi. Le conseil d'administration d'Hydro Ottawa était favorable à cette participation en raison des possibilités en matière d'énergie et de croissance des activités pour la Société et ses filiales, comme celle-ci l'avait envisagé dans l'*Orientation stratégique 2016-2020* qu'elle a présentée au Conseil municipal en juin 2016. Le Conseil municipal a approuvé la participation d'Hydro Ottawa, à hauteur de 50 %, à une coentreprise (Zibi Community Utility) avec le promoteur de Zibi – Theia Partners (filiale de Windmill Developments) et Dream Unlimited (DRM-T).

Le promoteur de Zibi a obtenu toutes les approbations requises pour le projet de construction échelonné sur 18 ans. Les premiers occupants des copropriétés résidentielles ont emménagé à Gatineau en 2018 et à Ottawa au début de 2020. Deux centrales thermiques temporaires ont été construites pour servir les clients pendant la conception et la construction de l'installation permanente pour le système énergétique de quartier.

Pour financer le nouveau projet de construction, le promoteur a exploré diverses options, notamment le recours à des sources comme la Fédération canadienne des municipalités (FCM), qui offre des prêts et des subventions pour des projets environnementaux municipaux. Puisqu'Hydro Ottawa est la propriété exclusive d'un actionnaire municipal, elle bénéficierait de modalités plus favorables que celles auxquelles aurait accès le promoteur pour un prêt pouvant servir à financer la construction d'un système énergétique de quartier. En conséquence, à titre de demandeur principal, Hydro Ottawa a présenté à la FCM une demande de prêt non contraignante d'un montant maximal de 20 millions de dollars. En cas d'approbation de cette demande, Hydro Ottawa prêterait à Zibi Community Utility les fonds ainsi obtenus

pour la construction du système énergétique de quartier ou garantirait les dettes de cette coentreprise. Le promoteur fournirait une lettre de crédit pour un montant représentant 50 % du prêt.

En vertu des alinéas 4.2d) et e) de la *Déclaration de l'actionnaire* adoptée par la Ville d'Ottawa au sujet d'Hydro Ottawa, la Société est tenue d'obtenir l'approbation écrite préalable de la Ville pour consentir directement ou indirectement des prêts ou des avances d'un montant supérieur à cinquante mille dollars (50 000 \$) et garantir des dettes pour un montant supérieur à 50 000 \$ à toute personne autre qu'une filiale. Comme la participation d'Hydro Ottawa dans la coentreprise Zibi Community Utility n'est pas supérieure à 50 %, ZCU n'est pas considérée comme une filiale aux fins de l'application de ces dispositions de la *Déclaration de l'actionnaire*. En conséquence, Hydro Ottawa demande à la Ville de l'autoriser à consentir des prêts ou des avances à ZCU ou de garantir les dettes de cette coentreprise sous réserve de conditions bien définies, c'est-à-dire 1) avec l'approbation du conseil d'administration d'Hydro Ottawa et 2) moyennant une lettre de crédit du promoteur pour un montant représentant 50 % du prêt.

La cheffe des finances et trésorière ainsi que le directeur général de la Direction générale de la planification, de l'infrastructure et du développement économique de la Ville, qui ont examiné cette proposition, appuient la recommandation énoncée ci-dessus.

Recommandation n° 5

Autoriser le maire et le greffier municipal et avocat général à signer une déclaration écrite

Pour satisfaire aux exigences de la *Loi sur les sociétés par actions* de l'Ontario et de la *Déclaration de l'actionnaire* émise par la Ville d'Ottawa, si l'actionnaire ne tient aucune assemblée générale annuelle, une résolution écrite de l'actionnaire dûment signée est nécessaire pour approuver toutes les questions devant être traitées dans le cadre de ce type d'assemblée. Le Conseil municipal est prié d'autoriser le maire et le greffier municipal et avocat général à signer au nom de la Ville d'Ottawa en sa qualité d'actionnaire de la Société de portefeuille Hydro Ottawa inc., une résolution écrite énonçant les résolutions approuvées par le Conseil municipal.

Incidence financière

Recommandation n° 1

Conformément à la politique sur les dividendes approuvée par le Conseil municipal, Hydro Ottawa versera à la Ville d'Ottawa des dividendes de 22,6 millions de dollars en 2020. Ce montant, qui dépasse la valeur plancher établie à 20 millions, porte à 284,6 millions les dividendes cumulatifs versés depuis 2005.

Consultation publique – rétroaction

L'avis de convocation à cette assemblée sera affiché sur le site Web de la Ville conformément à l'article 36 du Règlement de procédure de la Ville.

BACKGROUND

Hydro Ottawa Holding Inc. was created as a result of the *Electricity Act*, 1998, which required all hydro utilities to operate as business corporations. Under this structure, Hydro Ottawa Holding Inc. is a for-profit company that continues to be wholly owned by the City of Ottawa, and is governed by an independent Board of Directors appointed by its shareholder.

DISCUSSION

Recommendation 1

Receive the Financial Statements

Under the Ontario *Business Corporations Act* and the terms of the Shareholder Declaration issued by the City of Ottawa, Hydro Ottawa Holding Inc. is required to place before its shareholder, the City of Ottawa, annual financial statements relating to the corporation.

The 2019 audited financial statements consolidate financial information relating to Hydro Ottawa Holding Inc. and its subsidiaries. These financial statements were approved by the Board of Directors of Hydro Ottawa Holding Inc. at its meeting on April 16, 2020. KPMG LLP (KPMG), the corporation's independent external auditor, has provided an unqualified opinion on the corporation's consolidated financial statements. KPMG's opinion states '*the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hydro Ottawa Holding Inc. as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards*'.

In its fourth year of performance under its *2016-2020 Strategic Direction*, which was presented to City Council in June 2016, Hydro Ottawa continued to show progress in the advancement of its five-year business strategy. Hydro Ottawa's consolidated net income in 2019 was \$32.5 million. While that was lower than in 2018, we remain on track relative to the cumulative net income commitment made in our 2016-2020 Strategic Direction. We delivered a consolidated return on equity of 7.0 per cent and in accordance with the Council-approved dividend policy, our 2019 performance yielded a \$22.6 million dividend to our shareholder, the City of Ottawa, surpassing the floor of \$20 million, and bringing cumulative dividends paid to \$284.6 million since 2005.

It is important to note that while we ended 2019 on course relative to Strategic Direction commitments, the COVID-19 pandemic will adversely impact our financial results in 2020 and quite possibly beyond. Distribution revenues in particular stand to be significantly reduced by decreased commercial consumption. The various electricity-related measures already rolled out as part of the provincial government's pandemic response also reinforce the reality that – as a provincially regulated utility – our results are consistently shaped by policy decisions.

We are carefully monitoring liquidity and other implications of the pandemic, mitigating against them by the means we can, and engaging with regulators and others on steps that will need to be taken at the provincial level. We are also fervently hoping for minimal impacts from the pandemic for all of our employees and customers, and for a resumption of more typical business operations and day-to-day living in the near future.

Details on Hydro Ottawa's financial results and business achievements in 2019 are documented in the corporation's Annual Report, which has been issued as Document 1 to this submission.

Recommendation 2

Appoint an Auditor for the Corporation

Pursuant to Section 149 of the Ontario *Business Corporations Act*, the shareholder is also required to appoint an auditor for the corporation.

In keeping with good governance practices, a request for proposals (RFP) for external audit services for Hydro Ottawa Holding Inc. and all wholly-owned subsidiaries was issued in 2015 for 2016 – 2018 audit engagements. Following a three-stage evaluation process overseen by a Selection Committee headed by the Chair of the Audit Committee, the firm of KPMG LLP was recommended to and endorsed by the Board of

HOHI for a three-year engagement (including two additional one-year options) commencing with the 2016 year-end.

Last year at this time, Council approved the first optional year of the recommended engagement. The Board and management continue to be satisfied with the firm's expertise and service quality, and Council is now being requested to approve the second optional year of the recommended engagement appointing KPMG LLP as the auditor of Hydro Ottawa Holding Inc. for the year ending December 31, 2020.

Recommendation 3

Appoint Board Directors

The Shareholder Declaration for Hydro Ottawa Holding Inc. (HOHI) requires that members of the Boards of Directors for HOHI and its wholly-owned subsidiaries, including Hydro Ottawa Limited (HOL), be appointed by the City of Ottawa, with the exception of the President and Chief Executive Officer and the one HOL member of management appointed by HOHI to sit on the HOL Board. The City considers candidates recommended by the Nominating Committee of the HOHI Board, but is not obliged to select these candidates.

Current Board Vacancies

The terms of five directors of the HOHI Board are expiring on June 30, 2020 (see Document 3 for current members of the Boards). These members have served effectively on the board of directors and have contributed to the continued success of the company. Two of the five HOHI Board directors are not eligible for reappointment given the Council-approved 'two consecutive term' limit established in 2014. Three of the five directors of the HOHI Board have only served one term and have expressed an interest in continuing to serve for another term. The second term of the current Chair of both the HOHI and HOL Boards, Jim Durrell, C.M., ICD.D, will also be expiring on June 30, 2021 and the incumbent can only be reappointed should Council choose to grant an extension.

Nominating Committee Recommendation 3a – Appointment of Directors

As per the selection process set out in the Shareholder Declaration for HOHI, the Nominating Committee of the Board of HOHI has reviewed the Board competency profile and the gaps that the term expirations would create in terms of breadth and depth of experience, knowledge and expertise, including at the level of Board leadership, and identified and evaluated potential candidates for appointment as directors to the Boards of HOHI and HOL. Given the prevailing extraordinary COVID-19

pandemic conditions that will continue to impact Hydro Ottawa operations for the foreseeable future, the Nominating Committee has determined that a level of continuity including in Board leadership is critical to the company at this juncture as it navigates through these disruptive and uncertain times to more normal conditions - whatever they ultimately consist of – and a new course and strategic plan. At this time, the Committee is recommending the appointment of a total of six candidates for terms as set out in Document 2, including that an exception be granted for an extension. The profiles of the recommended candidates are on file with the City Clerk and Solicitor for consultation by the Mayor and Members of Council. Updated profiles of all current members of both the HOHI and HOL Boards are posted on the Hydro Ottawa website at hydroottawa.com.

Nominating Committee Recommendation 3b – Election of the Chair of the Boards

As indicated above, the appointment of the current Chair of the Boards of Hydro Ottawa Holding Inc. (HOHI) and Hydro Ottawa Limited (HOL) will also expire on June 30, 2021.

Although City Council has not, by shareholder declaration, assumed the authority to appoint the Chair, it may recommend or request that the HOHI Board appoint a particular individual as Chair (shareholder declaration and organizing by-law provisions relating to the appointment of Chairs to the HOHI and HOL Boards are summarized below).

At this time, the Nominating Committee is recommending that City Council request that the HOHI Board elect Jim Durrell, C.M., ICD.D as Chair of both the HOHI and HOL Boards for the duration of his term as director until June 30, 2023.

Mr. Durrell is best-known for the significant contribution that he made as Ottawa's mayor from 1985 until retiring from public life in 1991. After leaving public office he was active in the private sector as a successful business executive as president and owner of Capital Dodge Chrysler Jeep FIAT until his retirement in December 2018. He has had a long time involvement with Ottawa sports franchises including the Ottawa Senators NHL organization and the CFL's Ottawa Rough Riders. He has served as a governor of the Canada's Sports Hall of Fame, as President of the Ottawa Sports Hall of Fame, and on the board of the Canada Centre of Ethics in Sport.

Mr. Durrell was appointed to the Hydro Ottawa Holding Inc. Board of Directors in July 2012. In July 2013 he was also appointed to the Board of Directors of Hydro Ottawa Limited and subsequently elected Chair of both Boards. He brings extensive

governance experience having served on the Board of Directors of the Business Development Bank of Canada and as the Chair of the Ottawa International Airport's Board of Directors. He continues to volunteer his time and enthusiasm to numerous charities and organizations in the Ottawa community, such as the Board of Governors of Carleton University, The Ottawa Hospital, the United Way/Centraide Ottawa Campaign Cabinet, the Salvation Army and the Kiwanis Club of Ottawa for over 30 years. In October 2006, he was appointed Chairman of the Ottawa Convention Centre, and in July 2011 was appointed by the Provincial Government to serve as Vice-Chair of the Police Services Board.

In December 2012, Mr. Durrell was appointed a member of the Order of Canada for his decades-long contributions to the City of Ottawa, as a businessman, mayor and committed volunteer. Also in 2012, he was awarded the Ottawa Chamber of Commerce's inaugural Lifetime Achievement Award, the Queen Elizabeth II Diamond Jubilee Medal, and the Order of Ottawa. In 2015 Mr. Durrell was the recipient of the Governor General's Caring Canadian Award (Sovereign's Medal for Volunteers), and in 2016 was awarded the Lifetime Achievement Award with Volunteer Ottawa.

Provisions relating to the appointment of Chairs to the HOHI and HOL Boards

The Shareholder Declarations for HOHI (passed by City Council in June 2006) and HOL (approved by the HOHI Board effective June 2006), and the organizing by-law for HOHI (approved by the HOHI Board April 2007) include the following provisions as these relate to the appointment of the Chairs for both boards:

- i. Chairs to be External – there is a requirement for the Chairs of HOHI and HOL to be external directors, i.e. not a member of City Council or an employee of the City and not otherwise an officer or employee of HOHI or its affiliates;
- ii. HOL Chair must be member of HOHI Board – the Chair of HOL can only be selected from the members of the Board of HOL who also serve on the Board of HOHI – this was done to ensure consistency of direction between the parent company and its subsidiary;
- iii. HOHI Chair is also a member of the HOL Board - the Chair of HOHI serves as a member of the HOL Board;
- iv. HOHI Board appoints HOHI Chair – the Chair of HOHI is appointed by the HOHI Board. This is consistent with good governance practices that recognize that the Chair needs to have the support of the Board of Directors;

- v. HOHI Board also appoints HOL Chair – to ensure consistency of direction between the parent company and its subsidiary, the HOHI Board also appoints the Chair of HOL;
- vi. HOHI and HOL Chairs need not be the same person – there is no requirement that the Chair of both HOHI and HOL Boards be the same individual;
- vii. Four-year term of office for HOHI and HOL Chairs – the term of office for the Chair of both HOHI and HOL is four years; and
- viii. City Council may recommend / request Chair – Although City Council has not, by shareholder declaration, assumed the authority to appoint the Chair, it may recommend or request that the HOHI Board appoint a particular individual as Chair.

Composition of the Nominating Committee

The Nominating Committee of HOHI is comprised of the Board Chair, Jim Durrell, C.M., ICD.D, the Mayor, Jim Watson, and the two members of the Council of the City of Ottawa who are directors of the Board of HOHI - Councillors Jan Harder and Jenna Sudds. The terms of reference for the Nominating Committee can be found in the charter attached at Document 4.

Director Selection Process and Criteria

In arriving at its recommendation, the Nominating Committee gave due regard to the requirements for the composition of the Boards of Directors of Hydro Ottawa Holding Inc. and Hydro Ottawa Limited, the selection criteria (attached at Document 5) set out in the Shareholder Declaration, as well as recruiting priorities identified through a board profile review conducted earlier this year to assess current board capacity versus the current and future governance needs of the corporation consistent with its strategic objectives. It also considered the COVID-19 pandemic situation and impacts to Hydro Ottawa operations for the foreseeable future, and the needs of the corporation in this regard.

Recommendation 4

Authorize Hydro Ottawa to make loans and advances to one of its joint venture entities, Zibi Community Utility LP, and/or to guarantee its debts

Zibi is a 4-million-square-foot remediation and redevelopment project that will see the transformation of unused industrial lands into a modern mixed-use (60% residential and 40% commercial/retail) community in the downtown cores of Ottawa and Gatineau. It straddles the Ontario and Quebec border on the Ottawa River and comprises a large

swathe of the Gatineau waterfront, as well as the Chaudière and Albert islands in Ottawa. It is intended to be a showcase world-leading green community, certified to the One-Planet framework - zero carbon and zero waste. The centerpiece will be a district energy system, leveraging green hydroelectricity and industrial waste heat from the Kruger manufacturing facilities in Gatineau.

In 2017, Hydro Ottawa was invited to participate in this project as a partner in a district utility that will serve the Zibi community. The Hydro Ottawa Holding Inc. (HOHI) Board was supportive given the energy and business growth opportunities for HOHI and its affiliates as contemplated in HOHI's 2016-2020 Strategic Direction presented to City Council in June 2016, and it approved a joint venture (Zibi Community Utility) between HOHI and the Zibi developer – Theia Partners (an offshoot of Windmill Developments) and Dream Unlimited (DRM-T) with HOHI owning 50%.

The Zibi developer has received all approvals for the construction project with a schedule that contemplates an 18-year project buildout. First occupancy of residential condominiums was achieved in Gatineau in 2018 and in Ottawa in early 2020. Two temporary thermal plants have been built to serve customers while design and construction of the permanent plant for the district energy system is underway.

As part of the financing for the construction project, the developer has been exploring various options including through sources such as the Federation of Canadian Municipalities (FCM) that provides loans and grants for municipal environmental projects. Because Hydro Ottawa is solely owned by a municipal shareholder, it would have access to more favourable terms than the developer for a loan that could be used to fund the construction of the district energy system. Accordingly, a non-binding loan application has been submitted to the FCM for up to \$20M with Hydro Ottawa as the main applicant. If the FCM loan is approved for Hydro Ottawa, Hydro Ottawa would then in turn loan the FCM funds to Zibi Community Utility for the construction of the district energy system and/or guarantee its debts, and the developer would provide a letter of credit for 50% of the loan.

Sections 4.2(d) and (e) of the Shareholder Declaration respecting Hydro Ottawa, issued by the City of Ottawa, require the company to obtain prior written approval from the City of Ottawa in order to 'make directly or indirectly loans or advances in excess of fifty thousand dollars (\$50,000) and to give security for or guarantee debts in excess of \$50,000 to any Person, other than a Subsidiary'. Because Hydro Ottawa does not own more than 50% of the Zibi Community Utility (ZCU) joint venture, ZCU is not considered a subsidiary for the purposes of these provisions in the Shareholder Declaration. Hydro

Ottawa is therefore requesting the City to provide its approval for HOHI to make loans or advances to ZCU and/or to guarantee its debts within carefully defined circumstances, namely: 1) with HOHI Board of Directors approval; and 2) a letter of credit for 50% of the loan from the developer.

The City's Chief Financial Officer / Treasurer and the General Manager, Planning, Infrastructure and Economic Development have reviewed this proposal and are supportive of the above recommendation.

Recommendation 5

Authorize the Mayor and City Clerk and Solicitor to Sign a Written Resolution

To satisfy the requirements of the Ontario *Business Corporations Act* and the terms of the Shareholder Declaration issued by the City of Ottawa, where an annual general meeting of the shareholder is not held, a written, signed resolution of the shareholder is necessary to approve all matters required to be dealt with at the annual general meeting. Council is requested to authorize the Mayor and the City Clerk and Solicitor to sign a written resolution on behalf of the City of Ottawa as shareholder of Hydro Ottawa Holding Inc. setting out the resolutions approved by the City Council.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Notice of this meeting will be posted on the City's website as per Section 77 of the City's Procedure By-law.

COMMENTS BY THE WARD COUNCILLOR(S)

This item is citywide.

ADVISORY COMMITTEE(S) COMMENTS

This section is not applicable to this report.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendations of this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk implications.

ASSET MANAGEMENT IMPLICATIONS

This section is not applicable to this report.

FINANCIAL IMPLICATIONSRecommendation 1

In accordance with the Council-approved dividend policy, Hydro Ottawa will deliver a dividend of \$22.6 million to the City of Ottawa in 2020 – the company’s highest annual dividend to date.

ACCESSIBILITY IMPACTS

There are no accessibility implications with respect to implementing the recommendations set out in this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications with respect to implementing the recommendations set out in this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

TERM OF COUNCIL PRIORITIES

This section is not applicable to this report.

SUPPORTING DOCUMENTATION

Document 1: 2019 Annual Report (including Audited Consolidated Financial Statements) of Hydro Ottawa Holding Inc. (issued separately)

Document 2: Recommended Appointments to the Hydro Ottawa Holding Inc. and Hydro Ottawa Limited Boards of Directors and Corresponding Terms (immediately follows the report)

Document 3: Current Members of the Boards of Directors (immediately follows the report)

Document 4: Nominating Committee Charter (immediately follows the report)

Document 5: Criteria for Selection of Directors (immediately follows the report)

DISPOSITION

The City Clerk and Solicitor to advise Hydro Ottawa Holding Inc. of the outcome of the City Council meeting.

Document 1

2019 Annual Report (including Audited Consolidated Financial Statements)
of Hydro Ottawa Holding Inc.

Issued separately

Document 2

Recommended Appointments to the
Hydro Ottawa Holding Inc. and Hydro Ottawa Limited
Board of Directors and Corresponding Terms

Name	Board	Term	Effective Date
Yaprak Baltacioglu	Hydro Ottawa Holding Inc.	Reappointment for 3 years	July 1, 2020
Kim Butler	Hydro Ottawa Holding Inc.	Reappointment for 3 years	July 1, 2020
Jim Durrell, C.M., ICD.D	Hydro Ottawa Holding Inc. and Hydro Ottawa Limited	Reappointment for 2 years	July 1, 2021
Jacqueline Gauthier	Hydro Ottawa Holding Inc.	Appointment for 2 years	July 1, 2020
Cyril Leeder	Hydro Ottawa Holding Inc,	Reappointment for 3 years	July 1, 2020
Paul McCarney	Hydro Ottawa Holding Inc.	Appointment for 3 years	July 1, 2020

Document 3Current Members of the BoardsHydro Ottawa Holding Inc.

Name	Member of the Board Since	End of Term
Yaprak Baltacioglu	July 1, 2018	June 30, 2020
Councillor Jenna Sudds	February 12, 2020	November 30, 2022 (serves while in office)
Kim Butler	July 1, 2018	June 30, 2020
Bryce Conrad	August 15, 2011	Ex officio
Dale Craig	October 1, 2013	June 30, 2020
Matt Davies	July 1, 2018	June 30, 2021
Jim Durrell, C.M., ICD.D	July 1, 2012 Chair since July 1, 2013	June 30, 2021
Councillor Jan Harder	December 1, 2014	November 30, 2022 (serves while in office)
Andrea C. Johnson	July 1, 2015	June 30, 2021
Cyril Leeder	July 1, 2017	June 30, 2020
Lori O'Neill	July 1, 2014	June 30, 2020

Hydro Ottawa Limited

Name	Member of the Board Since	End of Term
Bryce Conrad	August 15, 2011	Ex Officio
Jim Durrell, C.M., ICD.D	July 1, 2012 Chair since July 1, 2013	June 30, 2021
Guillaume Paradis	June 1, 2019	Serves while in position

Document 4**HYDRO OTTAWA HOLDING INC. (HOHI)****Nominating Committee (“NC”) Charter****1. Composition**

- a) The Nominating Committee (“NC”) of Hydro Ottawa Holding Inc. (“HOHI”) is a Board Committee which shall be comprised of up to 5 members of which:
- (i) A majority shall be external directors of HOHI;
 - (ii) One (1) shall be the Mayor of the City of Ottawa;
 - (iii) Until November 30, 2014, two members shall be members of the Council of the City of Ottawa who are members of the Board of Directors of HOHI (as long as the City of Ottawa remains as the sole shareholder of HOHI) and shall be reduced to one member effective December 1, 2014 in the event the Mayor of the City of Ottawa chooses to act as a Director;
 - (iv) One (1) shall be the Board Chair as an *ex officio* voting member.
- b) The following skill set is normally looked for in the selection of NC members:
- Previous Board experience
 - Familiarity with the legal and regulatory requirements of directorships and executive human resources management
 - Previous experience in the recruitment, selection, motivation, evaluation and leadership of directors and senior executives
 - Excellent interpersonal and conflict resolution skills

It is not necessary for any one member of the Committee to possess all of the skill set items. However, each skill set item (and parts thereof) should be present in the NC’s composition.

- c) The Chair of HOHI shall recommend, for HOHI Board approval, the members to serve on the NC.
- d) The Chair of the Nominating Committee shall be the Chair of the Board of Directors.

2. Terms of Reference

- a) The purpose of the Nominating Committee is to identify and evaluate potential candidates for appointment as Directors to the Boards of HOHI and its subsidiaries.
- b) The NC shall make recommendations to the Shareholder of HOHI and its subsidiaries regarding the appointment of candidates as Directors.
- c) For the purpose of carrying out items (a) through (c) in this section, the NC shall:
 - i. review with the Board, or the GMRC, the selection criteria for the appointment of Directors to the Boards of HOHI and its subsidiaries and any suggested changes to the selection criteria set out in the Shareholder Declaration;
 - ii. receive from the Board, or the GMRC, any selection criteria for the appointment of Directors to the Boards of HOHI and its subsidiaries in addition to those set out in the Shareholder Declaration;
 - iii. develop processes to identify, evaluate and nominate potential candidates for appointment as Directors to the Boards of HOHI and its subsidiaries in accordance with the requirements of the Shareholder Declaration;
 - iv. have the authority, in its sole discretion, to retain such outside consultants to help the NC identify candidates and to investigate their suitability for appointment as Directors; and
 - v. examine and report on any other matters necessary to meet the purposes of the Committee.

3. Operating Principles

The NC shall fulfill its responsibilities within the context of the following principles:

a) Conduct

The NC expects its Committee members and nominees for appointment to the Board of HOHI and its subsidiaries to operate in compliance with HOHI's Code of Business Conduct and policies and with all applicable laws and regulations governing HOHI.

b) Communications

The Chair and members of the NC expect to have direct, open and frank communications throughout the year with the Board, Management and other key NC advisors as applicable.

c) Committee Expectations and Information Needs

The NC shall communicate its expectations to the Board, Management and/or Governance and Management Resources Committee (“GMRC”) with respect to the nature, timing and extent of its information needs. The Committee expects that all reasonably required and available information (including minutes) relating to each matter to be dealt with by the NC at its meetings will be received from the Board, Management and/or the GMRC within a reasonable time frame in advance of each Committee meeting.

d) Reliance on Experts

In contributing to the NC's discharging of its duties under this Charter, each member of the NC shall be entitled to rely in good faith upon:

- i) the reports of HOHI represented to him or her by the Board Chair, the Chair of the GMRC, an officer of HOHI or in a written report of external advisors with respect to the recruitment and selection of Board members; and
- ii) any report of a lawyer, accountant, appraiser or other person whose profession lends credibility to a statement made by any such person.

e) In Camera Meetings

The members of the NC shall meet in private session as part of each meeting, (i.e., without Management present). The NC shall meet in private session as often as it deems necessary.

4. Operating Procedures

- a) The NC shall meet as circumstances dictate to carry out the responsibilities set out in its Terms of Reference. Meetings shall be held at the call of the Chair or upon the request of two (2) members of the Committee;
- b) a quorum shall be a majority of the members;

- c) in the absence of the Chair, the Committee members present shall appoint an Acting Chair;
- d) NC meeting agendas shall be the responsibility of the Chair of the Committee in consultation with the Board Chair, Committee members and Management;
- e) To assist the NC in discharging its responsibilities, the NC may, after consultation with the Board Chair, retain at the expense of HOHI, one or more persons having special expertise that will assist the NC in discharging its responsibilities; and
- f) The NC shall report to the shareholders its recommendations for the appointment of directors to the Boards of Directors of HOHI and its subsidiaries.

5. Limitations on Committee's Duties

In contributing to the Committee's discharging of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is to satisfy itself (but not to ensure) that the nominating policies, procedures and practices of HOHI (i) are being conducted effectively and in compliance with all applicable laws, statutes and regulations; (ii) are reasonable and appropriate in the circumstances given the nature of the organization and its strategy; and (iii) are sufficiently and accurately reported upon to the Board.

Document 5Criteria for Selection of DirectorsSection 3.6 of Shareholder Declaration

- i. The process used by the Nominating Committee shall be designed to ensure that each Director satisfies the following criteria:
 - Demonstrates integrity and high ethical standards
 - Has career experience and expertise relevant to HOHI's business purposes, financial responsibilities and risk profile
 - Demonstrates an appreciation of the fiduciary duties of a Director
 - Demonstrates well-developed listening, communicating and influencing skills
 - Demonstrates an interest in and a commitment to devote the time necessary so that the individual Directors can actively participate in Board and Committee discussions and debate
 - Demonstrates an understanding of the role of Hydro Ottawa as a service to local ratepayers
 - Demonstrates an understanding of the role of Hydro Ottawa as an asset of taxpayers

- ii. The process used by the Nominating Committee shall be designed to maintain a Board having the following competencies among one or more directors:
 - Strong business background
 - Strong financial background including financial accreditation
 - Industry sector experience in the areas of business of the subsidiary companies
 - Strategic planning and corporate stewardship experience
 - Competitive business experience
 - An awareness of the needs of the Corporation's customers
 - Public or private marketing financing experience
 - Board experience