

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF DECEMBER 10, 2013

Item 6, Report No. 17, of the Finance and Administration Committee, which was adopted, as amended, by the Council of the City of Vaughan on December 10, 2013, as follows:

By approving the following:

That the recommendation set out in Communication C13 from Interim City Manager, dated December 6, 2013, be approved as follows:

- 1. That the City's subscription for Vaughan Holdings Inc. shares, as set out in this report, to facilitate Vaughan Holdings Inc. equity injection into PowerStream for their Solar Photovoltaic (PV) business, be extended to December 31, 2014.***

**6 GREEN ENERGY ACT/SOLAR PROJECT – EXTENSION OF INVESTMENT PERIOD
TO DECEMBER 31, 2014**

The Finance and Administration Committee recommends approval of the recommendation contained in the following report of the Interim City Manager, dated December 2, 2013:

Recommendation

The Interim City Manager recommends:

1. That the Interim City Manager be directed to report back to the December 10, 2013 Council meeting with the Vaughan Holdings Inc. decision on extension to PowerStream's Solar Project – Extension of Investment Period.

Contribution to Sustainability

Not applicable

Economic Impact

The economic impacts related to this report will be provided at the Council meeting of December 10, 2013.

Communications Plan

Staff will communicate Council's decision to PowerStream Inc. following the December 10, 2013 Council Meeting.

Purpose

The purpose of this report is to provide notice to Council that a decision on the matter of PowerStream's Solar Project request for extension of Investment Period will be made by Vaughan Holdings Inc. and forwarded to the Council meeting of December 10, 2013, for Council's final decision.

Background - Analysis and Options

History

In 2009, PowerStream management mobilized a team to assess the opportunities offered to Local Distribution Companies (LDCs) by the Green Energy and Green Economy Act, 2009 in renewable generation and the Feed-in-Tariffs (FIT) program, and concluded that PowerStream should invest in a portfolio of solar generation projects.

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In September, 2009, PowerStream indicated that it was formulating a specific “ask” to its shareholders (Vaughan Holdings Inc., Markham Enterprises Corp. and Barrie Hydro Holdings Inc.) for approval of a funding mechanism that would allow PowerStream to invest in solar generation.

The \$150 million investment by PowerStream was to be funded through external debt (\$90 million) and shareholder equity (\$60 million) in accordance with the preferred debt to equity ratio of 60-40. The shareholders contributions were to be made in proportion to their existing interest in PowerStream. VHI's share of that equity injection was approximately \$27.2 million (45.315% of the \$60 million).

The equity injections were to be linked to PowerStream's signing of Ontario Power Authority (OPA) FIT contracts in 2010 and 2011. Therefore VHI's \$27.2 million of equity would be injected in tranches over those two years as FIT contracts were approved, with the shareholder's commitment to the equity injection to be reviewed at the end of 2011 if all the funds had not been spent.

VHI's investment in the PowerStream solar project was to be funded by the City's purchase of additional VHI shares. VHI would use the proceeds of the City's share purchase to then purchase an equal dollar amount of new “Class A” non-voting shares to be issued by PowerStream.

The VHI Board of Directors approved the equity injection in December 2009. Subsequently in 2009, the City of Vaughan approved the required equity injection from the City to VHI.

In the resolution passed by the VHI Board of Directors on December 15, 2009, it states that “Vaughan's investment in Class A shares may be made in tranches ... not more frequently than quarterly, until December 31, 2011. After that date, Vaughan shall review its commitment in respect of any part of its share of the Solar Equity Financing that has not been made.”

Subsequently, in May 2012 Vaughan Council approved that the City's subscription for VHI shares, to facilitate VHI's equity injection into PowerStream for their solar business, be extended for two years to December 31, 2013, subject to the terms and conditions set out in the report approved by Council.

At this time, as the first extension to December 31, 2013 is at an end, PowerStream is seeking a further extension of the subscription agreement for Class A shares, subject to the original upset limit of \$27.2 million. This second extension is proposed to continue until December 31, 2014 for the purposes of developing its solar PV program.

Regional Implications

Not applicable

Conclusion

Following the VHI meeting on December 4, 2013, the Interim City Manager will provide additional information and a recommendation based on VHI's decision regarding an extension to PowerStream's Solar Project – Extension of Investment Period to the Council meeting of December 10, 2013.

Attachments

Not applicable

Report prepared by:

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