



**CITY OF VAUGHAN  
SPECIAL COUNCIL MINUTES  
MAY 29, 2012**

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**CITY OF VAUGHAN**  
**SPECIAL COUNCIL MEETING**

**TUESDAY, MAY 29, 2012**

**MINUTES**

**+/-3:00 P.M.**

Council convened in the Municipal Council Chamber in Vaughan, Ontario, at 2:26 p.m.

The following members were present:

Regional Councillor Gino Rosati, Chair  
Regional Councillor Michael Di Biase  
Regional Councillor Deb Schulte  
Councillor Tony Carella  
Councillor Rosanna DeFrancesca  
Councillor Marilyn Iafrate  
Councillor Alan Shefman  
Councillor Sandra Yeung Racco

**95. CONFIRMATION OF AGENDA**

MOVED by Regional Councillor Schulte  
seconded by Regional Councillor Di Biase

THAT the agenda be confirmed.

CARRIED

**96. DISCLOSURE OF INTEREST**

There was no disclosure of interest by any member.

**97. GREEN ENERGY ACT/SOLAR PROJECT – EXTENSION OF INVESTMENT PERIOD**

MOVED by Councillor Racco  
seconded by Councillor Carella

That the recommendation contained in the following report of the City Manager, the Commissioner of Finance and the Commissioner of Legal and Administrative Services/City Solicitor, dated May 29, 2012, be approved:

CARRIED

**Recommendation**

The City Manager, the Commissioner of Finance and the Commissioner of Legal and Administrative Services/City Solicitor recommend:

That the City's subscription for Vaughan Holdings Inc. shares, as set out in the this report, to facilitate Vaughan Holdings Inc. equity injection into PowerStream for their solar business, be extended to December 31, 2013, subject to the terms and conditions set out in this report.

**Economic Impact**

The City of Vaughan and Vaughan Holdings Inc. (VHI) and PowerStream's other shareholders approved an equity injection to a maximum of \$60M into PowerStream's solar business in December 2009. The City of Vaughan's and VHI's proportionate share is \$27.2M, which is based on VHI's 45.31% ownership in PowerStream. The equity injection is essentially a two step process, with the City of Vaughan purchasing additional shares in VHI to a maximum of \$27.2M and then VHI purchasing Class A common shares in PowerStream to a maximum of \$27.2M. Ultimately, the cash flow for the solar investment is coming from the City of Vaughan as an investment of its reserve balances. This investment is permitted under Regulation 438/97 to the Municipal Act and the City's Investment Policy.

The original forecasts for the solar investment anticipated that the City's and VHI's entire equity investment of \$27.2M would take place over the first two years (2010 and 2011), with dividend returns beginning as early as 2011 and continuing over the life of the investment (20 Years), ultimately providing the City with dividend income, and return of investment. To date, the City through VHI has invested only \$2.162 million. An extension of the agreement to 2013 would commit the remaining \$25M of the City's investment portfolio for another 2 years.

The revised forecast developed for the extension of the equity injection to December 31, 2013 projects dividends to begin in 2014 and continuing until 2034, with 100% repayment of the equity investment by 2020.

**Contribution to Sustainability**

Not applicable

**Communications Plan**

Not applicable

**Purpose**

The purpose of this report is to obtain Council approval, as shareholder, to extend the timeframe for the City of Vaughan's investment into PowerStream's Solar Photovoltaic (PV) project through the purchase of additional shares in Vaughan Holdings Inc.

**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.

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 Town'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 (see Attachment #1).

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."

#### **Current Request**

To date, VHI has made only three equity injections totaling approximately \$2.162 million of the \$27.2 million equity injection. PowerStream has stated that the popularity of the FIT program and uncertainty surrounding the October 2011 Provincial election created significant delays in the FIT contract approval process. The most recent PowerStream projections reviewed by VHI staff indicated that the full amount of the equity injections will take significantly longer than initially projected. As such, PowerStream recently sought approval from its shareholders to extend the timeframe for the equity injection. On November 3, 2011, the Board of Directors of VHI approved an extension to December 31, 2013, conditional upon the Council of the City of Vaughan acting as the Shareholder of VHI approving the amendments to the Subscription Agreement, and agreeing to continue to fund VHI's equity participation in PowerStream's Solar Initiative.

Based on the expected rate of return on the Solar business and the OPA contracts that PowerStream is expected to sign, it is recommended that the City agree to the extended timeline of the equity injection commitment for projects with a signed lease and viable FIT contract applications or executed asset purchase agreements that meet the agreed upon internal rate of return, to the end of 2013.

#### **Relationship to Vaughan Vision 2020**

Not applicable

#### **Regional Implications**

No Implications

#### **Conclusion**

Staff recommend that the City of Vaughan's subscription for Vaughan Holdings Inc. shares, to facilitate VHI's equity injection into PowerStream for their solar business, be extended to December 31, 2013 subject to the terms and conditions set out in this report.

#### **Attachments**

Attachment 1: Special Council December 16, 2009 – Green Energy Act Investment Opportunities

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

**98. CONFIRMING BY-LAW**

MOVED by Councillor Racco  
seconded by Councillor DeFrancesca

THAT By-law Number 86-2012, being a by-law to confirm the proceedings of Council at its meeting on May 29, 2012, be enacted.

CARRIED

**99. ADJOURNMENT**

MOVED by Councillor Carella  
seconded by

THAT the meeting adjourn at 2:28 p.m.

CARRIED

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Regional Councillor Rosati, Chair

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Jeffrey A. Abrams, City Clerk