



City of
Peterborough

To: Members of the Committee of the Whole

From: Allan Seabrooke, Chief Administrative Officer

Meeting Date: September 11, 2017

Subject: Report CAO17-009
Peterborough Solar Projects Corporation Financing

Purpose

A report to approve the City of Peterborough Holdings Inc. recommendation that the City pledge its non-voting shares in Peterborough Solar Projects Corporation (PSPC) as required by the lenders to the project.

Recommendations

That Council approve the recommendations outlined in Report CAO17-009 dated September 11, 2017, of the Chief Administrative Officer, as follows:

- a) That the City of Peterborough pledge to The Canada Life Assurance Company as Agent for the Lenders in the Credit Agreement with Peterborough Utilities Inc.(PUI), the City's non-voting shares in Peterborough Solar Projects Corporation to provide PUI's Lenders recourse only to those shares in the event of a default by PUI;
- b) That the Mayor and the City Clerk are authorized to execute the Securities Pledge Agreement and any other documents related to this Pledge and the Credit Agreement, as required;
- c) That the City's Share Certificate in Peterborough Solar Projects Corporation be delivered to The Canada Life Assurance Company as Agent for the Lenders or their nominees.

Budget and Financial Implications

There are no direct budget and financial implications to the City by pledging its shares in Peterborough Solar Projects Corporation to The Canada Life Assurance Company as Agent. The sole recourse of the Agent in the event of a PUI default to the Lenders, is the pledged shares.

Completed projects will provide further value to City of Peterborough Holdings Inc. (COPHI) which will support dividend distribution to the City from COPHI, however, the Credit Agreement does prohibit distributions of cash or other assets by PUI to anyone, including COPHI. unless certain financial tests and other conditions are met. COPHI asserts that PUI has done the financial modeling and believes it will continue to be able to meet the financial tests and other conditions and will be able to continue its payments to COPHI and other affiliated companies. These restrictions are standard for such financings and already pre-exist in lending arrangements for all past projects of PUI.

Background

Council Reference

Council approved the expenditure by Peterborough Solar Projects Corporation for multiple ground mount solar projects in June 2017, through Report CAO17-006 dated June 19, 2017, for an estimated cost of \$24.991 million.

Financing of the Project

City of Peterborough Holdings Inc., through its wholly-owned subsidiary company Peterborough Utilities Inc. (PUI), is in the final stages of securing financing for the PSPC project. They have been successful in securing long-term fixed rate debt for multiple projects by combining the debt requirements of PSPC (\$25 million), with the finalization of the long-term financing of the recently completed London Street project (\$37 million).

Additionally, the financing provides a further \$13 million for future liquidity, corporate and potential development needs of PUI, bringing the total loan value to \$75 million. The financing provides twenty year stable fixed rate financing for PUI and its projects, in advance of anticipated interest rate escalation in the market. It also provides greater long-term cashflow stability to PUI through the lending terms, which ultimately provides flexibility to PUI and COPHI to maintain and grow its distributions to the City.

The Canada Life Assurance Company as Agent for the Lenders requires both the City and PUI to pledge their shares in PSPC to ensure that, in the unlikely instance of default, they can access the assets in the PSPC. It is not an unusual request from a lender.

The City does not normally have direct shares in a COPHI project; however, the structure of the PSPC is unique in that the City owns 51% of the shares in non-voting shares. This was done to enable COPHI to attain a Provincial contract. Because of this

structure, the City is required to pledge its shares to enable the financing to proceed for this project.

The pledging of the shares is project specific and does not expose the City to any other risk or payment to the Agent, beyond its shares in PSPC.

Summary

A condition of financing for the PSPC project is that the City pledges its non-voting shares. Pledging the shares will enable COPHI staff to complete the financing for the project.

Submitted by,

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Chief Administrative Officer

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