



PETERBOROUGH UTILITIES GROUP

1867 Ashburnham Drive, PO Box 4125, Station Main
Peterborough ON K9J 6Z5

August 16, 2021

John Kennedy, City Clerk
City of Peterborough, City Hall
500 George St. N.
Peterborough, ON
K9H3R9

Dear Mayor and Councillors,

RE: City of Peterborough Holdings Inc. (COPHI) 2020 Annual Report

We are pleased to enclose the annual report for COPHI for the year ended December 31, 2020. The highlights as described in greater detail in the report are as follows:

- 1) Our primary goal of safety for the public and our employees was attained.
- 2) Our financial performance was not significantly impacted by our modified operations to address safety during the pandemic.
- 3) Financial results for the year met our expectations and plan for 2020. Net earnings for the year were \$34.5 million, including the one-time \$30 million impact from the sale of Peterborough Distribution Inc ("PDI").
- 4) The organization donated \$228,000 to the community in addition to its regular giving, to provide much needed support during the pandemic.
- 5) The sale of PDI was successfully concluded in the year with all the transaction's stated objectives achieved, with the exception of the Regional Centre, the progress of which is in the City's hands.

The City received \$60.1 million in 2020 from the PDI transaction and is expected to receive a final distribution of \$5.8 million in the upcoming months for a total of \$65.9 million. While this amount far exceeded our initial estimate, it was the result of distributions exceeding what the transaction yielded, as directed by the City. Return of this capital to the City will not allow the growth trajectory of the Company to continue.

- 6) During 2020, the City received from COPHI \$66 million in total distributions, comprised of \$5.9 million in regular annual dividends; and the first instalment of the special distributions of \$60.1 million related to the PDI sale.
- 7) No new generation developments were pursued in 2020 due to the uncertainty related to the City's decision making on reinvestment of the PDI sale proceeds. With the conclusion of the City's deliberations on reinvestment, the City's proposed framework and details to access any capital for reinvestment is of insufficient clarity to promote utilization of these funds. In the upcoming months we will provide greater input to the City to gain clarity on whether reinvestment is attainable.
- 8) Finally, we note, that the historic and current annual dividend level (2020 - \$5.9 million) paid to the City cannot be supported beyond the short-term without future growth. The historic dividend levels, and the present level of dividends have been supported by capital reinvestment and growth of the Company. As we have noted in this report, the continuation of this dividend level without growth, is in effect a long-term liquidation of the Company.

City Council is faced with several decisions in this matter, including whether to continue the current path of liquidation of the Company, or support for continued growth of the Company. In order to further Council's understanding of this issue, in the upcoming months we will be providing to Council the 20-year outlook for the business in its status quo state. We look forward to the discussion with you to ensure that your understanding is gained, and your expectations are aligned with the Company's capacity.

We are proud of the accomplishments of 2020 and we trust that you will find the 2020 Annual Report informative.

Yours truly,



John Stephenson
President and CEO
Peterborough Utilities Group



Nancy Brown Andison
Board Chair
City of Peterborough Holdings Inc.