



## CORPORATE SERVICES

### *Staff Report*

---

REPORT NO: COR 2022-017

TO: Council

SUBMITTED BY: Patrick Kelly CPA, CMA Director of Corporate Services / Treasurer

PREPARED BY: Patrick Kelly CPA, CMA Director of Corporate Services / Treasurer

REVIEWED BY: Sharon Chambers, CAO

DATE: April 25, 2022

SUBJECT: Project Grand River – Board Representation

---

#### RECOMMENDATION:

Whereas the proposed merger between Kitchener Power Corp. and Waterloo North Hydro Holding Corporation and their subsidiaries Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc. referred to as “Project Grand River” is anticipated to be finalized this year, the Council of the Township of Wilmot approves as follows:

THAT Arnold Drung, as recommended by PGR Joint Steering Committee, be appointed to serve as the independent board member on the new Holdco Board, representing the Townships of Wilmot, Wellesley and Woolwich; and further,

THAT the Mayor continue to serve on the KPC Board from June 1, 2022 until the date of the merger, and further,

THAT the Township of Wilmot support the recommended independent candidates for leadership roles on the New Holdco and Wiresco Boards of Directors.

#### SUMMARY:

This report provides Council with an overview of the proposed board composition as approved under the Merger Participation Agreement (MPA) and Unanimous Shareholders Agreement (USA).

## BACKGROUND:

On December 6, 2021, under Report COR 2021-041, Council approved the Township proceeding with the proposed merger between Kitchener Power Corp. (KPC) and Waterloo North Hydro Holding Corporation (WNHH) and their subsidiaries Kitchener-Wilmot Hydro Inc. and Waterloo North Hydro Inc.; in accordance with the provisions of the MPA and USA Agreements.

## REPORT:

Since Council approval to proceed with the proposed merger, staff have been working collaboratively with the other four (4) municipal shareholders, and the CEO's/CFO's of the local utility companies to finalize the MPA and USA agreements, as well as any incidental documentation, in order to submit a joint application (MAADs application) under the Ontario Energy Board Act 1998.

One significant component within the transition process is the establishment of a new board of directors for the merged entity. The recommendations for board composition have been developed by the current Board Chairs and Vice Chairs who serve on the PGR Joint Steering Committee (PGRJSC), with the WNHH members developing the City of Waterloo candidate recommendations, the KPC members developing the City of Kitchener candidate recommendations and the Townships CAO's developing the Townships candidate recommendation.

The recommendations have been developed based upon the Guiding Principles of Continuity, Competencies, Equity, Inclusion, Diversity and Belonging (EIDB).

Each current Board member was asked to indicate if they would be willing to serve on the new Boards and, for those members indicating they would, they were asked to do a self-assessment for each competency element. A Gap Analysis was then completed for each Board.

Following this process, the three (3) Township's held discussions to reach a consensus on the Independent Member candidate to represent the Township's on the HoldCo board. Based on those discussions and the new Board Competency Framework, staff are recommending that Council support the appointment of Mr. Arnold Drung to the New HoldCo board, effective the date of the merger.

Mr. Drung has been a member of the Waterloo North Hydro Holding Corporation Board of Directors since 2018. He has been President of Conestoga Meats for the past twenty (20) years, and resides with his family in the rural village of West Montrose.

Arnold has a good appreciation and understanding at both a personal and professional level for the hydro related priorities in rural communities and areas. Specifically, his focus on ensuring exceptional customer service delivery and response, as well as reliability of

distribution and the related capital investment that's required to ensure reliability is achieved, is appreciated.

Arnold has a strong business acumen, and holds a Masters in Business Administration (MBA) from Wilfrid Laurier University. In addition to the business acumen that he brings to the board table as the President of one of the largest industries and employers in the region, he has a solid background in regional economic development efforts having served as a board member and past Chair of the Waterloo Economic Development Corporation for many years. This background will serve us all well as the new hydro entity expands into other business areas, and also places greater efforts in the areas of clean technology and climate change initiatives.

Staff from all three (3) Townships are confident that Mr. Drung will continue to represent the rural interests in this role within the new Board.

Further the appointment of Mr. Drung, staff are supportive of the Project Grand River Joint Steering Committee (PGRJSC) recommendations of Rosa Lupo for Chair of the new HoldCo Board and Steve McCartney as Chair of the new WiresCo Board. Both individuals have significant experience serving on the board of directors for Kitchener Power Corp. and Waterloo North Hydro Holding Corporation.

#### ALIGNMENT WITH THE TOWNSHIP OF WILMOT STRATEGIC PLAN:

This report is aligned with the Strategic Plan goal of Responsible Governance through the action of Fiscal Responsibility. The Township's continued investment in the local hydro utility is a prudent business decision. The due diligence exercises undertaken through the board recruitment process are an example of responsible governance.

#### ACTIONS TOWARDS UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS:

This report and the proposed actions are consistent with the Sustainable Development Goals for Sustainable Cities and Communities, Responsible Consumption and Production, and Peace, Justice and Strong Institutions.

#### FINANCIAL CONSIDERATIONS:

There are no direct financial impacts to the Township through the board appointment process.

Income from Investments in Kitchener-Wilmot Hydro, and the new Merged Entity help to offset the overall levy requirement to fund municipal operations.

#### ATTACHMENTS:

- None