

# Orillia Power Distribution Corporation Status Update

Public Meeting of Council  
May 17, 2018



# Welcome

- **Gayle Jackson**, Chief Administrative Officer, City of Orillia
- **Grant Hipgrave**, Interim President & CEO, Orillia Power
- **Greg Gee**, Chair, Orillia Power
- **Jennifer Ruff**, Manager of Communications, City of Orillia



# Purpose of this Meeting

- Provide factual information regarding key aspects of the sale.
- Provide an update on the Ontario Energy Board (OEB) file for the sale of the Orillia Power Distribution Corporation (OPDC).
- Provide an opportunity for the public to ask questions.



# Facts

- Orillia Power Generation Corporation will **NOT** be sold.
- The City does have the legal authority to sell OPDC.
  - There is no requirement to hold a referendum.
- OPDC dividend stream will be replaced with a perpetual Legacy Fund generating approximately \$1 million per year to be used for municipal purposes.
  - Generation dividend remains intact.



# Facts

- Distribution Rates **WILL BE** lower if the sale of OPDC is successful.
- Hydro One Investments **ARE** dependent on the sale of OPDC.
- 100-300 employees of all levels will occupy the three buildings at any given time.
  - All Orillia Power Distribution employees will be retained.



# Negotiating Principles

- Provides real, short and long-term economic development benefits for the community through significant investment, including the creation of new, highly-skilled, knowledge-based jobs and potential spin-off benefits.
- Provides a multi-year window of price stability on the cost of power distribution.



# Negotiating Principles

- Protects the interests of Orillia Power customers and the Orillia community.
- Sees Hydro One working with the City to protect OPDC jobs.
- The City of Orillia will retain ownership of Orillia Power Generation Corporation (OPGC), including the annual dividend.



# Negotiating Principles

- Recognizes the full value of the Orillia Power distribution system - and that value will be independently valued by a qualified, third party.
- Sustains the level of philanthropic support provided by OPDC to the community.
- Provides significant value and ongoing financial returns for the City.



# Background

- 2015
  - City approached by Hydro One.
  - Council announced entering into negotiations and endorsed negotiation principles.
  - Entered into negotiations.
- 2016
  - Four Open House meetings and numerous community group meetings.
  - Orillia Power Corporation independent Board of Directors voted in favour of deal.
  - Council voted in favour of the deal and agreements were signed.
  - MAAD (Mergers, Acquisitions, Amalgamations and Divestitures) Application filed with the OEB.



# Current Status

- 2018
  - OEB denied the MAAD application.
    - OEB highlighted concern regarding distribution rates after year 10.
    - Based on uncertainty of year 11, OEB could not reach the conclusion that there will be no harm.
  - A motion to the OEB to review and revise decision has been filed regarding the “No Harm Test”.
    - Year 11 is outside of normal MAAD application.
    - Hydro One appeal clarifies – 10 years of lower rates and guarantee beyond (no higher than OPDC status quo).
    - To pursue commercial best efforts as required in signed agreements.
  - Awaiting decision from OEB.



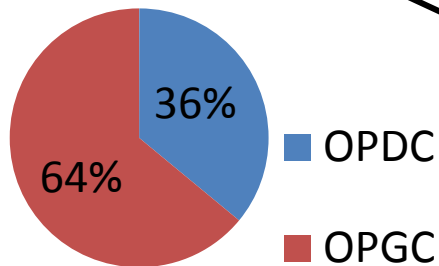
# Generation/Distribution



- Includes three hydroelectric generating stations and several solar installations.
- Electricity output is sold into the provincial power grid.



- Responsible for the installation and maintenance of the power lines running to homes and businesses in Orillia.
- Responsible for customer billing.

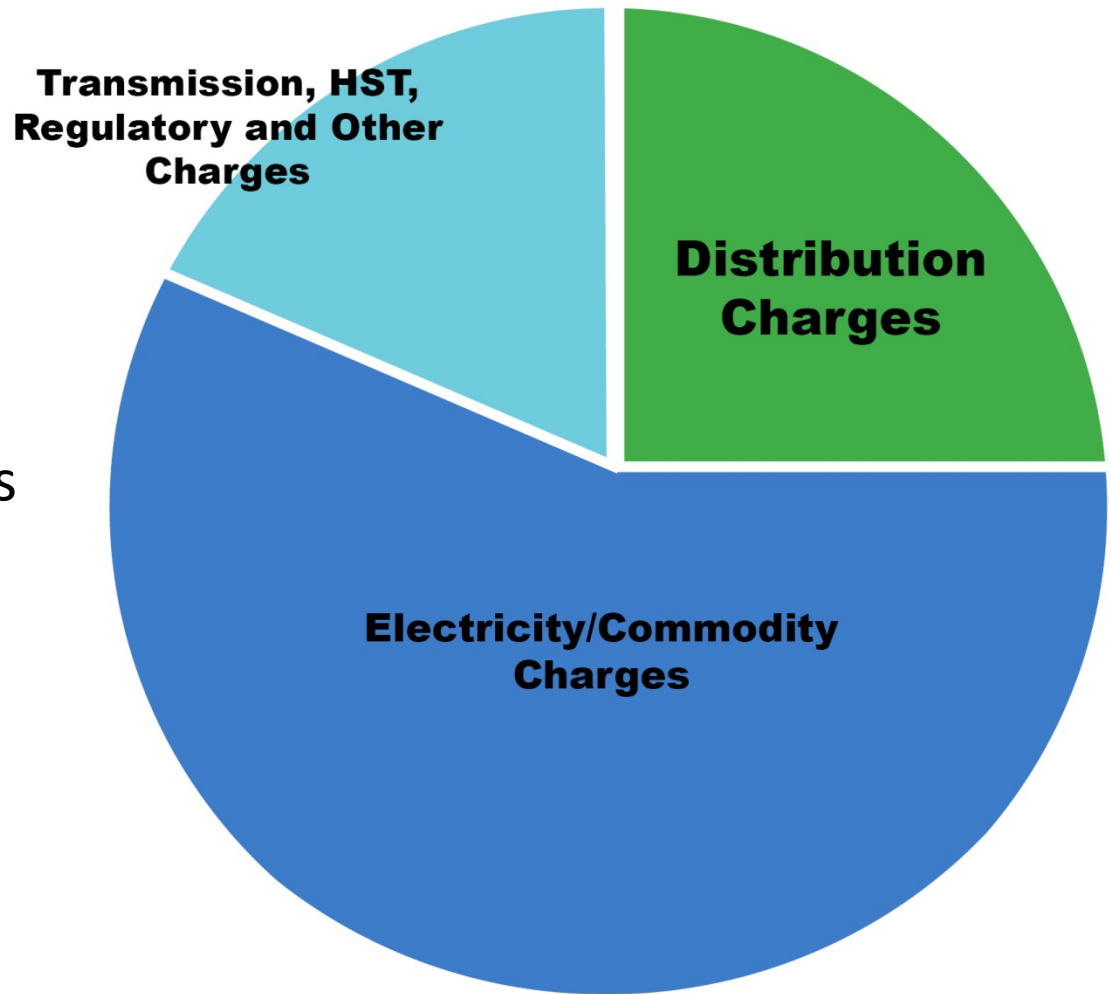


2012-2017, **only 36%** of the dividends paid to OPC has come from the OPDC.

**The City is not selling Orillia Power Generation**

# Typical Household Monthly Bill

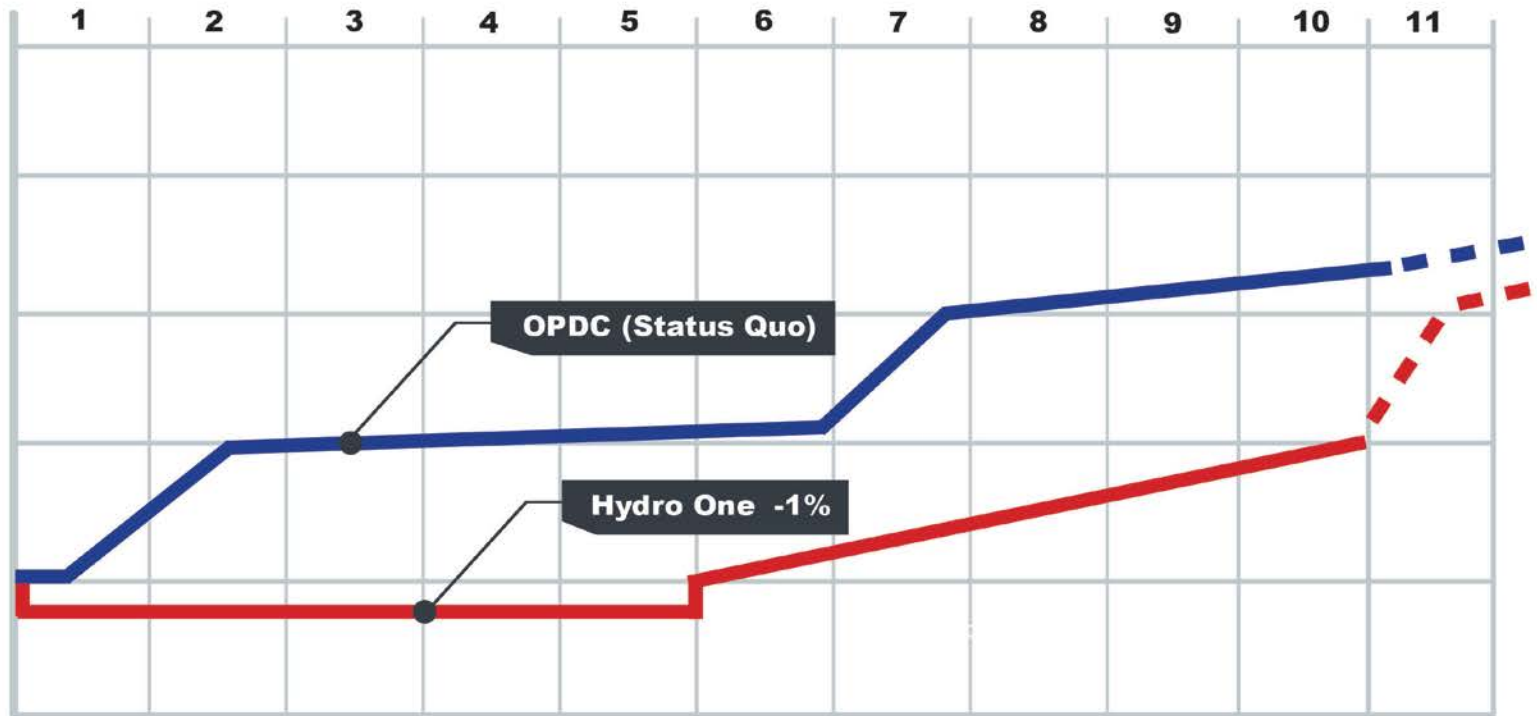
- Distribution charges cover the cost of building, maintaining and running the electrical system within the City. This represents 20-25% of a typical household monthly bill.
- **75-80% of your bill remains the same regardless of the distributor (OPC or Hydro One).**



# Distribution Rates

- **Sale to Hydro One**
  - Distribution rates **reduced by 1% and frozen for 5 years**, followed by only inflationary increases for years 6-10.
  - Distribution rate adjustments after year 10 would need to be reviewed and approved by the OEB.
  - Hydro One appeal clarifies – post year 10 will be no higher than OPDC status quo.
  - **10 years of lower rates and guarantee beyond**
- **Status Quo (OPDC)**
  - OPDC would be required to file Cost of Service rate applications with the OEB twice over that same 10 year period.
  - OPDC estimates that distribution rate increases would be required over the 10 year period and beyond.

# Distribution Rates



■ OPDC Status Quo (estimated)

■ Hydro One 1% decrease for 5 years, only rise with inflation for years 6 to 10. Post year 10, no higher than OPDC status quo.

**10 years of lower rates and  
guarantee beyond**

# Who Owns What and When

## Before Sale

### City Owns

- Orillia Power **Generation**
- Orillia Power **Distribution**
  - Valued at \$41m:
  - Debt:
    - Demand Note from the City \$10m
    - Commercial Debt \$5m
  - Equity
    - Shares Valued at \$26m

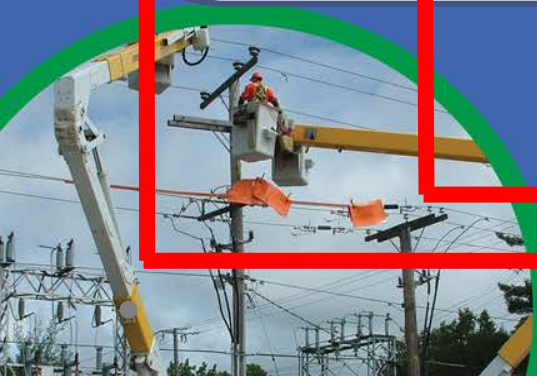
## After Sale

### City Owns

- Orillia Power **Generation**
  - Continues to generate dividends
- \$36m Legacy Fund
  - \$10m from **returned** Demand Note
  - \$26m **payment** for OPDC shares
  - Will generate estimated \$1m return annually

### Hydro One Owns

- Shares of OPDC
- Commercial Debt of \$5m



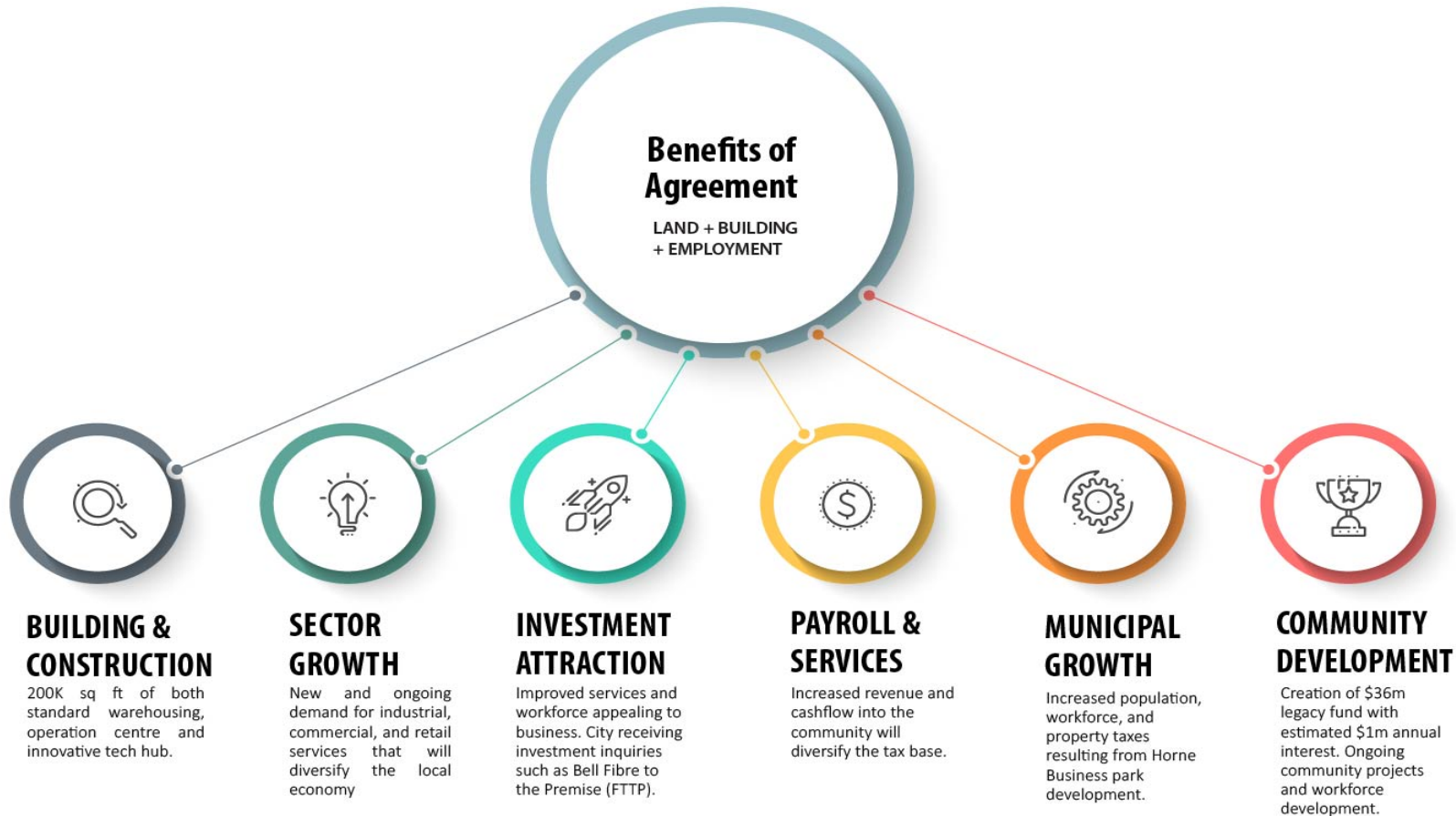
# Hydro One Facilities

- Hydro One, subject to OEB approval, proposes to build three facilities in Orillia.
  - Back-up Ontario Grid Control Centre/Integrated Systems Operation Centre (ISOC)
    - 16 acres already purchased
    - Preliminary design and engineering completed for the building
    - Construction of buildings contingent on OEB approval
  - Regional Operations Centre and Provincial Warehouse
    - 10 acres each
    - Land and buildings contingent on OEB approval



# Hydro One Facilities

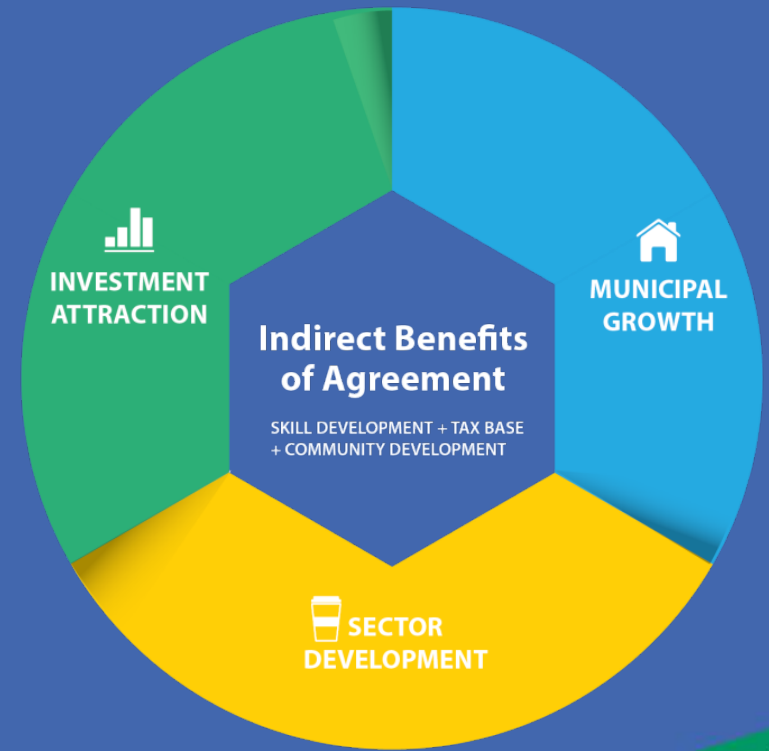
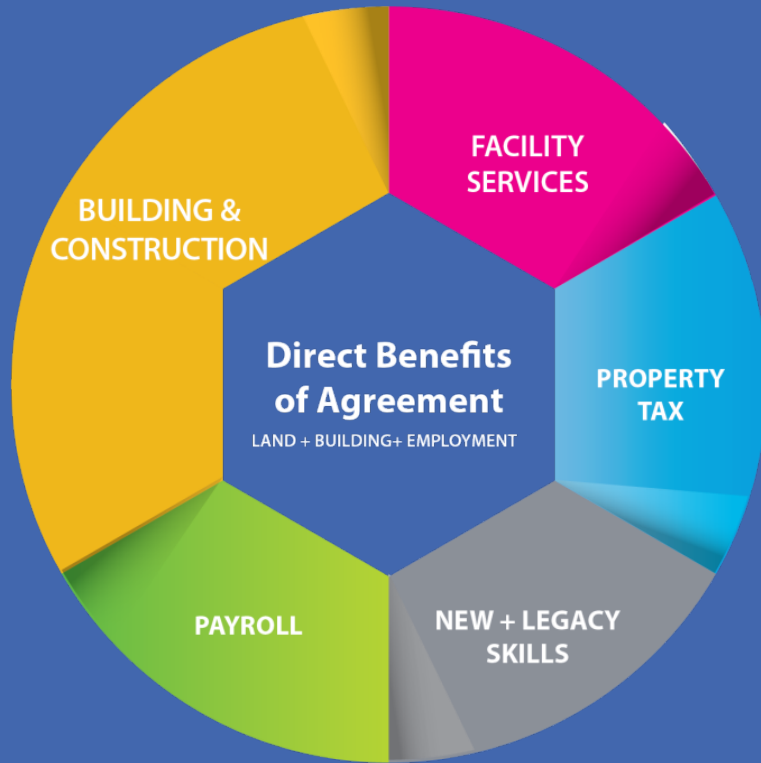




# \$200-300M Economic Impact for Orillia



# Economic Development Opportunity



TRANSFORMATIONAL TO ORILLIA



# Staying Informed

- Fifth Public Meeting (January, June, September 2016, May 2018)
- Up-to-date Project Webpage [orillia.ca/techhub](http://orillia.ca/techhub)
- Orillia Power Bill Insert
- News Releases (posted online)
- Social Media posts
- Weekly City Bulletin Board
- Information at Orillia City Centre
- Mayor's community presentations
- Newspaper coverage (articles, columns)
- Newspaper wraps
- Radio interviews
- TV interviews and panel discussion
- YouTube Videos



### Community Investment with Hydro One

- ✓ ECONOMIC DEVELOPMENT BENEFITS
- ✓ NEW JOBS COMING TO ORILLIA
- ✓ LOWER DISTRIBUTION DELIVERY RATES
- ✓ HOW THIS BENEFITS YOU!

#### TWO PUBLIC INFORMATION SESSIONS

(For City of Orillia residents and business owners)

**Thursday, September 29, 2016**  
Orillia City Centre, Council Chamber  
50 Andrew St. S.  
2 - 4 p.m. or 7 - 9 p.m.

Visit [orillia.ca/techhub](http://orillia.ca/techhub) for more information or contact the Mayor's Office at 705.335.3843.



# Questions?

- Questions addressed to the panel from the microphone (*wireless mic available if needed*).
- Please provide your name and whether you are currently an Orillia Power customer or Hydro One customer.
- One question per person (can line up again to ask a second question.)

