



Backgrounder:

Community Investment Opportunity with Hydro One

The City of Orillia is exploring an unsolicited opportunity by Hydro One that would provide significant economic development benefits for the City – potentially one of the largest investments in Orillia’s recent history. This deal could see a majority of the 42-acre Horne Business Park in West Orillia used for a North American Advanced Technology Hub; contributing \$200 to \$300-million in near-term economic impact, including construction of a number of facilities, creation of a significant number of highly-skilled, knowledge-based jobs, and telecommunications upgrades within the City.

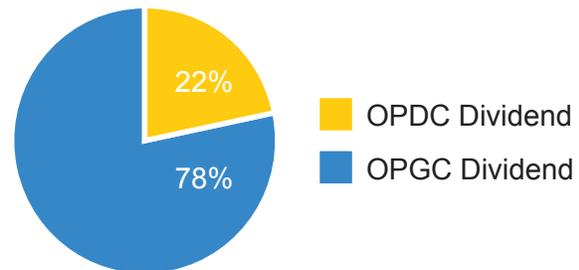
The opportunity presented by Hydro One includes the acquisition of the Orillia Power Distribution Corporation (OPDC), a subsidiary of the Orillia Power Corporation (OPC). The Orillia Power Generation Corporation (OPGC), whose business includes three hydroelectric generating stations, will not be affected and will continue to be owned by the City of Orillia, including the annual dividend it provides the City.

Orillia Power Distribution Corporation (OPDC)

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

Orillia Power Generation Corporation (OPGC)

Owns and operates three hydroelectric generating stations.



From 2011 to 2014, only 22% of the dividend paid to OPC has come from OPDC. The larger 78% has come from OPGC

OPGC will NOT be affected and will continue to be owned by the City of Orillia, including its dividend which provides the greatest benefit to the City.

Economic development is a top priority of this Council, and the decision to proceed with negotiations with Hydro One reflects this commitment.

City Council will **only** agree to a deal that meets the following principles:

- Provides real, near and long-term economic development benefits for the community through significant investment, the creation of new, highly-skilled jobs and potential spin off benefits.
- Sees Hydro One working with the City to protect OPDC jobs.
- Ensures the Orillia Power Generation Corporation, including its annual dividend, remains a City of Orillia asset.
- Protects the interests of OPC customers and the Orillia community.
- Provides a multi-year window of stable pricing on the cost of power for Orillia customers.
- Recognizes the full value of the Orillia Power Distribution Corporation, to be determined 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.

Orillia is in a strong position entering these negotiations - any deal with Hydro One has to meet each of the above principles or there will be no deal.

The City is only entering into negotiations at this time – no deal has been signed. Over the coming months, the City will be exploring this opportunity in greater detail, while Hydro One carries out its own due diligence. A deal may be agreed to, but only after thorough scrutiny by the City of Orillia.

What These Negotiations Are and What They are Not

What They Are	What They Are Not
✓ The City is entering into negotiations to examine in greater detail the unsolicited opportunity presented by Hydro One. A deal may be agreed to, but only after thorough scrutiny by the City of Orillia.	✗ A deal has NOT been finalized or signed with Hydro One.
✓ Hydro One approached the City and the Orillia Power Corporation (OPC) with an unsolicited opportunity.	✗ The City of Orillia was NOT looking to sell OPC.
✓ As part of the potential deal, Hydro One would be purchasing OPDC. OPGC and its annual dividend will not be affected.	✗ The City is NOT selling OPGC, and will NOT lose the dividend it provides.
✓ Council is considering a significant economic development opportunity, which could be transformative for Orillia.	✗ The City of Orillia will NOT sell OPDC without receiving significant economic investment in return.
✓ Hydro One will work with the City to protect OPDC jobs.	✗ We will NOT move forward with a deal unless Hydro One agrees to work with the City to protect OPDC jobs.
✓ Council will ensure a multi-year window of price stability on the cost of power distribution.	✗ A deal will NOT move forward unless multi-year stable pricing on the cost of power distribution for customers is guaranteed.
✓ Hydro One must sustain the level of philanthropic support provided by OPDC to Orillia.	✗ Support for community groups will NOT be negatively impacted.
✓ Orillia is in a strong position entering these negotiations and we will negotiate with Hydro One to bring forward the best possible deal for the Orillia community.	✗ Hydro One is NOT dictating the terms of the negotiations.