



## FAQ – Investment Opportunity with Hydro One

Updated January 2016

### Why is the City entering into negotiations with Hydro One? What is in it for Orillia?

Hydro One approached the City with an unsolicited opportunity in the summer. The decision to proceed with negotiations was based on an initial analysis of the opportunity and an assessment of the potential investment from Hydro One as part of the deal.

This opportunity has the potential of contributing \$200-\$300 million in near-term economic development impact and a significant number of highly-skilled, knowledge-based jobs. Exploring this opportunity and what it could mean for investment and economic impact in Orillia is the responsible thing for Council to do. The right deal could be transformative by attracting new investment in a unique, state-of-the-art Advanced Technology Hub located on a large portion of the Horne Business Park in West Orillia.

It is important to remember that the Orillia Power distribution system is a well-performing asset and is in strong operational and financial health, which means that OPDC will continue with business as usual, even if there is no deal with Hydro One. The generation side of Orillia Power is not for sale and will not be a part of any potential deal. We are, and will remain, in a strong position throughout these negotiations – any deal with Hydro One has to meet each of our principles or there will be no deal.

### What is an advanced technology hub? What makes it unique and state-of-the-art?

The details of Hydro One's proposed Advanced Technology Hub will be discussed in more detail throughout the negotiation process, however based on the initial opportunity presented by Hydro One, the proposed Advanced Technology Hub in Orillia would be an industry-leading hub in North America. It would house technology for network monitoring and for coordinating emergency response with multiple organizations across the continent. In addition, Hydro One may consolidate some operations and logistics, as well as telecom management facilities within this innovative hub.

### What will happen to my electricity rates if a deal goes through?

Electricity rates in Ontario are going up. Whether it's Orillia Power, Hydro One, or someone else owning the City's distribution system, rates will rise. However, Orillia Council is in a unique position to negotiate with Hydro One multi-year rate stability on the distribution portion of the utility bill, which accounts for approximately 22 per cent of your total bill. In other municipalities where Hydro One has acquired the electric distribution companies, they have offered a slight reduction in the distribution cost and frozen that level for five years; Orillia Council is negotiating a similar benefit. Visit the Ontario Energy Board's website [ontarioenergyboard.ca](http://ontarioenergyboard.ca) to learn more about electricity rates.

### **What will happen to service levels if we sign a deal with Hydro One?**

At the public information session on Jan. 12, 2016, Hydro One representatives made it very clear that the people serving Orillia today from Orillia Power will likely be the same people serving you should a deal go through. Orillia is often compared to our surrounding townships serviced by Hydro One. It's important to understand the distinction and challenges between servicing rural areas, such as the townships, versus urban areas, such as Orillia. Rural areas experience much more inclement and extreme weather compared to urban centres, which impacts the distribution system and its ability to be restored promptly during and after a storm event. It takes Orillia Power workers 11 minutes to get from one end of Orillia to the other, with switches required to restore power located extremely close together. Orillia has the ability for a quick recovery; rural settings do not. Ultimately, the service activity would remain the same within Orillia's boundaries should Hydro One acquire the distribution side of Orillia Power.

### **Hydro One doesn't have the best reputation when it comes to customer service. How will this be addressed?**

At the public information session on Jan. 12, Hydro One officials recognized past shortcomings, citing the 2013 billing system rollout that had as many as 10 per cent of their customers experiencing billing issues and Hydro One not having the customer service capacity to handle all of the complaints. However, through a series of ongoing improvements,

Hydro One's 2015 billing accuracy rose to 99.7 per cent, and 85 per cent of customers said they were "satisfied" or "very satisfied" with Hydro One's level of customer service. Rob Quail, Vice President of Customer Service for Hydro One, vowed to everyone at the public information session that Hydro One is improving and will continue to improve. Learn more about Hydro One customer service at [hydroone.com](http://hydroone.com).

### **What happens to existing Orillia Power Corporation employees if Hydro One purchases the distribution side of the business?**

We will continue to work with Hydro One throughout the negotiation process on protecting Orillia Power Distribution jobs. As was discussed at the information session, if Hydro One proceeds to bring the number of buildings it is suggesting to Orillia, the staffing of those buildings will follow. The generation side of Orillia Power will not be impacted by any potential deal.

### **What will the City do with the money if a deal is struck?**

In the event that Council concludes a deal with Hydro One for the sale of the Orillia Power Distribution Corporation (OPDC), the proceeds of the sale will be invested into a (perpetual) legacy fund with the One Investment Program. The legacy fund will be a segregated fund containing investments in the common shares of companies having a long history of paying dividends. On an annual basis, the City would draw 95 per cent of the income earned on the initial proceeds of sale. This leaves the initial proceeds of the sale, plus 5 per cent of



each subsequent year's income, as the principal amount in the fund. Because the principal will be growing each year, it is expected that the income earned on the principal will grow each year. Based on initial calculations (depending on the final sale price of OPDC, which is still being negotiated), the City may achieve more on the legacy fund than what it is currently received through the annual dividend provided by the distribution portion of Orillia Power. Investing the proceeds into the "OPDC Legacy Fund" removes the temptation of future Councils to simply spend the principal amount on a future project.

### **What assurances do residents have that the City will not sell off the generation portion of Orillia Power at a later date?**

Hydro One is not in the business of power generation. Council has made it very clear that it has no intention of parting with the generation assets of Orillia Power, which are rich in heritage and innovation and considered the jewel of Orillia Power Corporation. The City derives a larger portion of its annual dividend payment from the generation side of the business. The City is looking to work with Orillia Power to enhance and grow the generation side of the business in order to make it stronger and more profitable in the future on behalf of Orillians.

### **How is the City ensuring the interests of Orillia are being represented in discussions?**

Hydro One approached the City confidentially with this unsolicited opportunity. The City deals with confidential matters on a regular basis

and is obliged to respect the confidential nature of those dealings. Council will examine the facts presented, take into account the questions and concerns expressed by the public, and will weigh the potential benefits. A deal will only move forward if it is positive for the City and results in significant job creation, community investment and development.

### **When will we find out if a deal is struck?**

The City's transition team and Council continue to negotiate a deal with Hydro One that is in the best interests of Orillia. Council will be guided by its principles, and Hydro One must meet all of the principles or there will be no deal. Council is committed to keeping Orillians informed throughout the process. The City anticipates more information being available on a potential deal in the spring of 2016.