

# Background

- The current Council has made economic development a key priority.
- The City was approached by Hydro One in the summer of 2015 with an unsolicited offer.
- Hydro One proposed building an Advanced Technology Hub in Orillia because of the desirable location and availability of its municipally-owned employment lands.
- Hydro One is looking to place facilities in areas where it is the electricity distributor, so it has requested to purchase the distribution assets of the Orillia Power Corporation.
  - The City was not looking to sell any portion of the Orillia Power Corporation.
    - Negotiations are currently ongoing.
    - There is no deal at this point.

***“Orillia City Council is looking very closely at the investment opportunity presented by Hydro One. The significant economic impact it presents for our community now and into the future doesn’t come along every day.”***

***Mayor Steve Clarke***

# The Opportunity

- Hydro One has offered to build an Advanced Technology Hub in Orillia on a large portion of the Horne Business Park in West Orillia.
- Hydro One would pay fair market value for any lands purchased from the City.
- The state-of-the-art facility would house technology for network monitoring and for coordinating emergency response with multiple North American organizations.
- Hydro One may construct other facilities in Orillia. Hydro One may consolidate some operations and logistics, as well as telecom management facilities, within this technology hub.
- Hydro One has made it clear that building an Advanced Technology Hub in Orillia hinges on Hydro One being the electrical service provider in Orillia. This entails Hydro One purchasing the distribution assets of Orillia Power. The City will confirm the price offered by Hydro One through an independent valuation to ensure it is the best deal for Orillia.

**Horne Business Park, West Orillia**

# Potential Economic Benefits



Direct short and medium term economic impact is estimated to be between \$200-million to \$300-million.



Includes construction of Advanced Technology Hub, Horne Business Park land purchase, taxes and jobs with associated economic spin-offs.



A significant number of highly-skilled jobs will be created. The number of jobs created will be dependent on Council's negotiations with Hydro One and the final construction build out.



A Technology Hub investment could lead to other technology companies locating in Orillia.



# A Strong Negotiating Position

## Why some details are not yet public

- The City is still in negotiations with Hydro One to get the best deal for Orillians.
- All details that can be shared with the public at this time have been shared.
- The details of the size and scope of the potential development and the number of jobs are still being negotiated.
- Speculating on the exact number of jobs could have an impact on negotiations.
  - **EXAMPLE:** If Council were to discuss publicly the potential number of jobs, it may limit the City's ability to negotiate for more jobs.
- Speculating on values of investment could have an impact on negotiations.
  - **EXAMPLE:** If Council were to discuss publicly the value of the Orillia Power Distribution Corporation, the City may not be able to negotiate the best possible sale price with Hydro One.

**Council informed the public about negotiations with Hydro One at the earliest opportunity.**

# What We Can Discuss... and WHY

## **Council's negotiating principles**



To ensure Orillians that Council is acting in their best interests and will only agree to a deal that benefits the City.

## **The initial opportunity presented by Hydro One**



Council wants the public to know the significant economic benefits a potential deal with Hydro One could bring to the City of Orillia.

## **Potential economic impact**



To inform the public about the potential of securing a significant number of jobs, investment and development opportunities for the City. This also signals to the broader market that Orillia is looking to become a "high-tech" City.

# What We Can't Discuss... and WHY

## **Value of the Orillia Power Distribution Corporation**



Discussing publicly could impact Council's ability to negotiate the best possible sale price with Hydro One.

## **Potential number of jobs**



Speculating could impact Council's ability to negotiate the largest buildings to house the largest number of employees.

## **Details on potential development**



The exact size, function and location of any potential development is still being negotiated.

## **What future rates would be for Orillians**



Council is currently negotiating multi-year rate stability on the distribution portion of the electricity bill. Exact rates will not be known until negotiations conclude. All rates have to receive Ontario Energy Board approval.

# The City will ONLY agree to a deal with Hydro One that...

- Provides real, short and long-term economic development benefits for the community through significant investment, including the creation of new, high-quality, knowledge-based jobs and the potential spin-off benefits;
- Sees Hydro One working with the City to protect Orillia Power Distribution jobs;
- A deal that ensures that the City of Orillia will retain ownership of the generation assets of Orillia Power, including the annual dividend;
- A deal that protects the interests of Orillia Power customers and the Orillia community;
- A deal that provides a multi-year window of price stability on the cost of electric distribution for our residents and businesses;
- A deal that recognizes the full value of the Orillia Power distribution system, which will be independently valued by a qualified third party;
- A deal that sustains the level of philanthropic support currently provided by Orillia Power Distribution to the community;
- A deal that provides significant value and ongoing financial/economic returns for the City.

# Orillia Power Corporation (OPC)

- The City of Orillia is the sole shareholder of the Orillia Power Corporation (OPC).
- OPC has a long and storied history in the community of generating and distributing electric power.
- OPC is made up of two main components: The Orillia Power Generation Corporation and the Orillia Power Distribution Corporation.



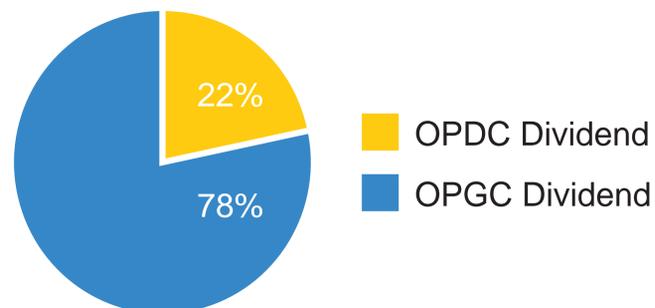
## Distribution

- Responsible for the installation and maintenance of the power lines running to homes and businesses in Orillia.
- Responsible for customer billing.
- Contributes a portion of the annual dividend paid to the City.



## Generation

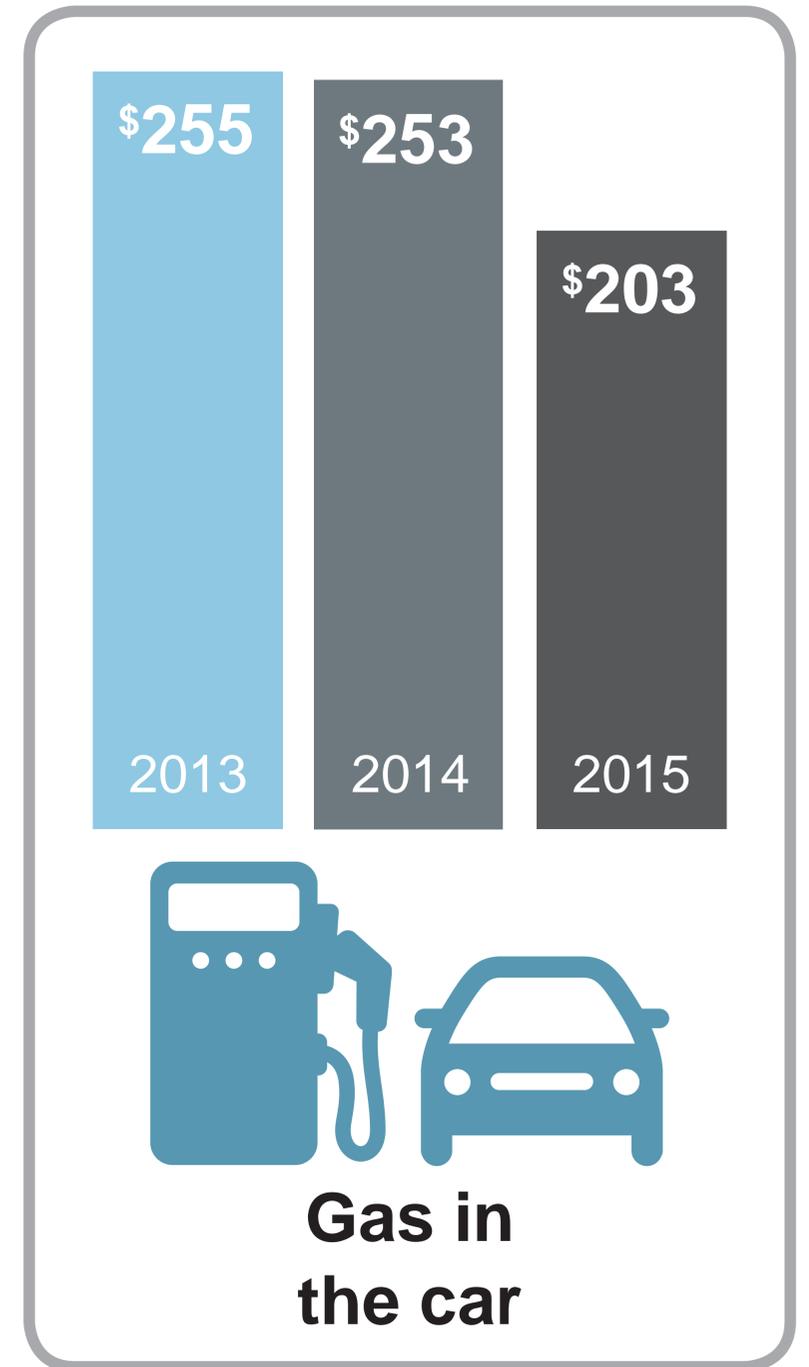
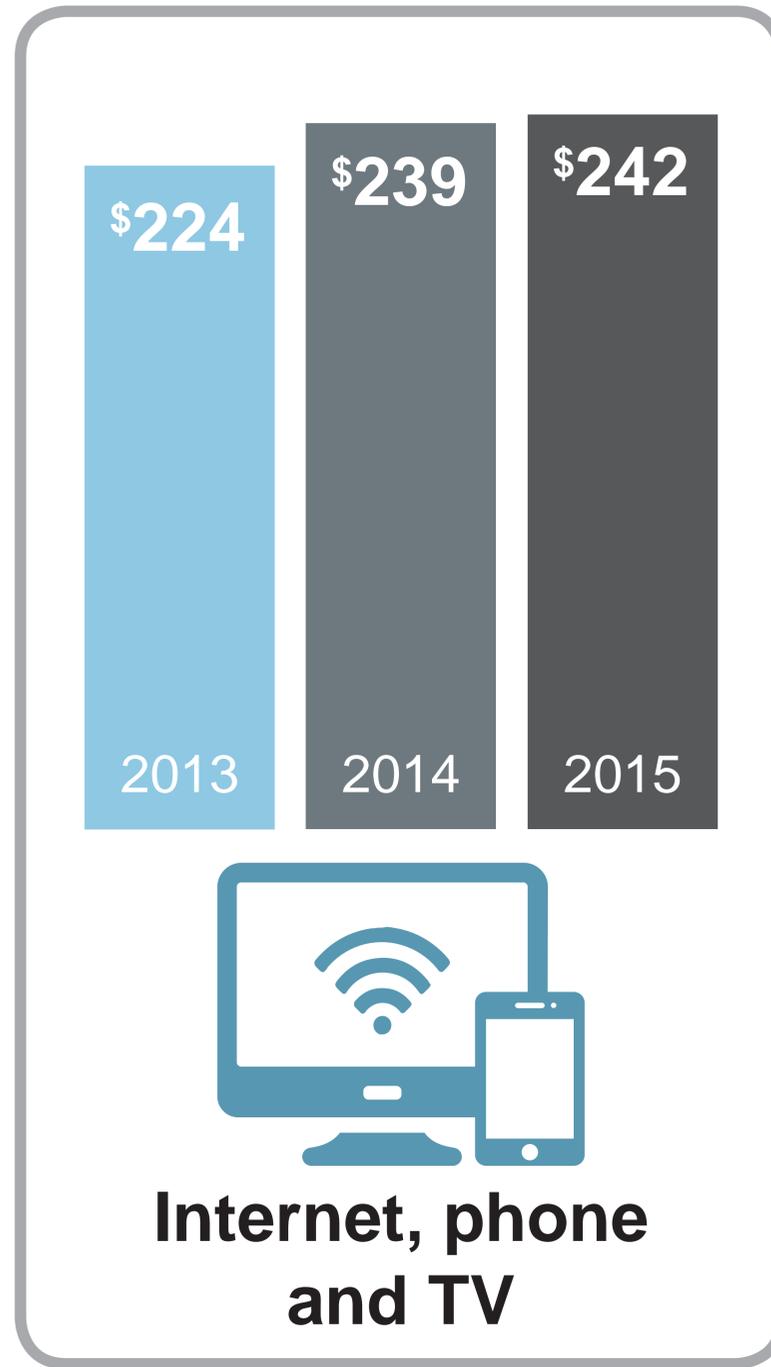
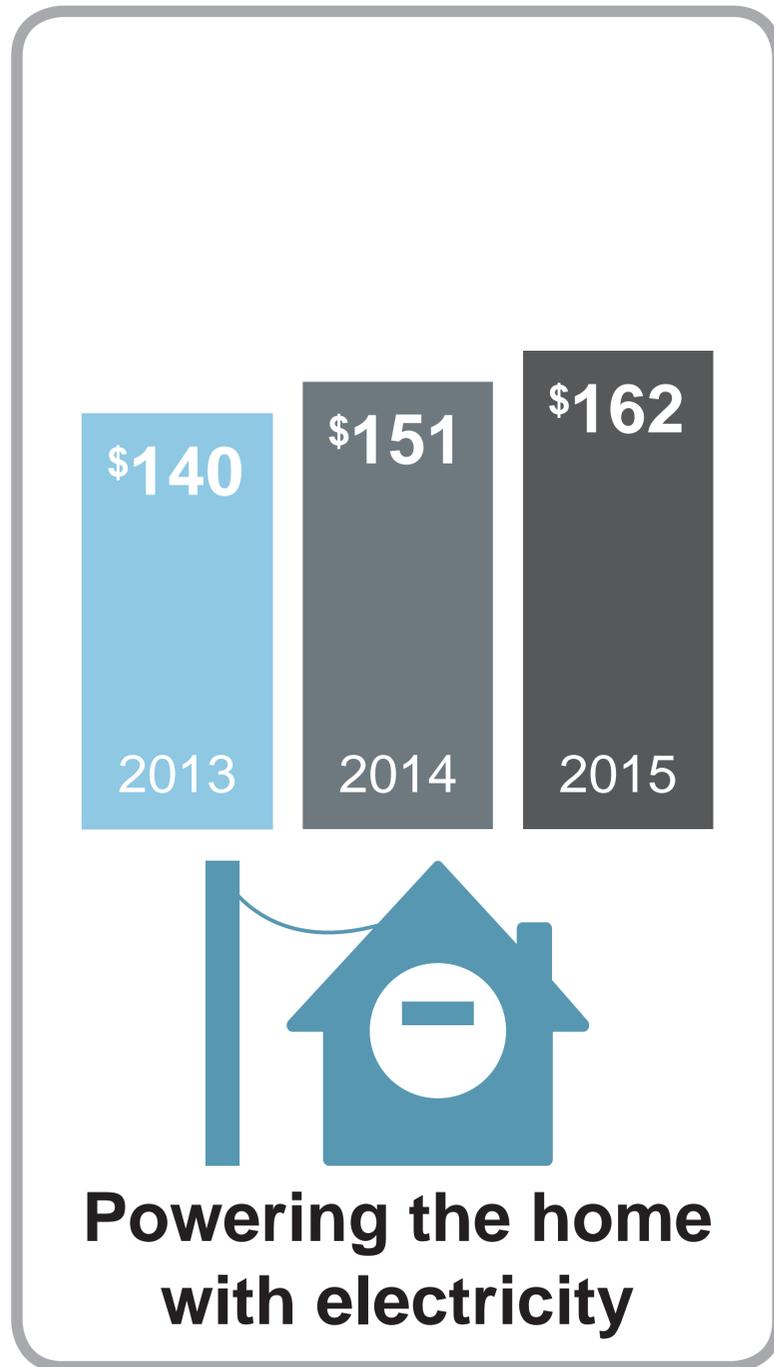
- Includes three hydroelectric generating stations that create power, which is sold on the open market.
- The “jewel” of Orillia Power, rich in heritage and innovation.
- Derives the most financial benefit for the City through annual dividends.



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

# The City will NOT sell Orillia Power Generation

# Comparing monthly household expenses



Sources: Environics Analytics Household Spend, base year 2009 adjusted by Consumer Price Index for Ontario from Statistics Canada (Table 326-0020).

# Things to Remember

- There is **NO deal** with Hydro One at this time.
- The City would not be considering the sale of the distribution assets of Orillia Power if it were not for the **extraordinary potential economic benefits** that may come from a deal.
- Council feels strongly that exploring this opportunity is the **responsible** thing to do on behalf of our City.

# What's Next?

- Negotiations will continue between the City of Orillia and Hydro One.
- Council will hold Hydro One to the negotiating principles in order to secure the best possible deal for Orillia.
- A final deal is expected to be brought to Council for consideration in the first half of 2016.
- Council will consider public feedback throughout the negotiations.
- City staff will respond to questions from the public, where possible.
- Visit [orillia.ca/techhub](http://orillia.ca/techhub) for updates throughout the process.

**Please leave any comments or questions you have on the comment sheets provided.**

# Visit Hydro One's Booth to Learn More

Richard Bertolo, Director – Value Growth

Rob Quail, Vice President – Customer Service

Carrie-Lynn Ognibene, Senior Advisor – Corporate Relations

Tammy O'Sullivan, Manager – Program Integration

Bill Smeaton, Superintendent – Distribution

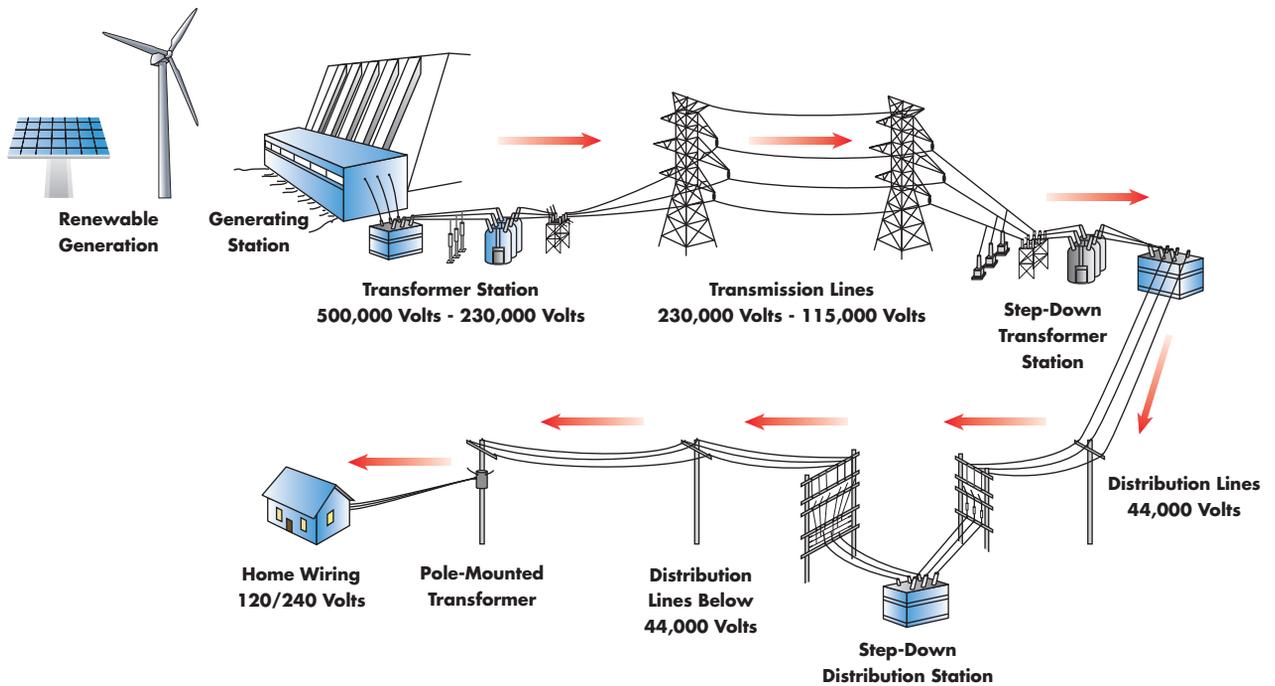


Partners in Powerful Communities

## Hydro One Networks Inc.

- One of North America's largest transmission and distribution businesses, regulated by the Ontario Energy Board (OEB)
- We are majority owned by the Province of Ontario, and governed within the broad legislative framework of the *Electricity Act* and the *OEB Act*
- We directly serve large industrial customers, local distribution companies and approximately 1.3 million customers across Ontario and employ more than 5000 highly skilled trades and professional workers
- We're a Sustainable Electricity Company™, a designation established by the Canadian Electricity Association

# Ontario's Electricity System



## Our Customer Commitments

1. We will provide you with a bill you can trust and understand.
2. We will provide you with a reliable supply of electricity.
3. We will make it easy to do business with us.
4. We will courteously and promptly work to resolve any issues you may have.
5. We will help you manage your electricity use.



## Customer Service Guarantees

We will credit your account \$50:

- if we miss an appointment with you
- if we don't connect your new service within 5 business days of all connection requirements being met
- if we don't return your phone call within one business day



# What Hydro One Delivery Charges pay for (2016)

**Preventing outages**  
(tree-trimming, replacing worn-out equipment, etc.)

48%

**Upgrading the system**  
(new or higher-rated equipment, connecting new customers)

18%

**Customer Service**  
(call centre, billing, meter reading)

11%

3.5%

11%

8.5%

**Administration**

**Information Technology**

**Responding to power outages**  
(storms, equipment failure, wildlife contact)