



## **Mayor Steve Clarke's Address**

### **City of Orillia will be home of Hydro One Advanced Technology Hub**

Aug. 15, 2016

Good morning and thank you for coming.

Just shy of a year ago I stood in this exact same spot alongside my fellow Councillors and announced to our community that Council would be exploring a potentially transformative opportunity with Hydro One that would spark significant new economic development opportunities for Orillia.

After almost a full year of negotiations between the City and Hydro One, we are pleased to announce those negotiations have been successful. Hydro One intends to build a new Advanced Technology Hub within the Horne Business Park in West Orillia.

The development plans, which require Ontario Energy Board approval, include three new buildings – a backup Ontario Grid Control Centre slash Integrated Systems Operation Centre, a Provincial Warehouse and a Regional Operations Centre. This development on approximately 36 acres of land, with an estimated construction cost of more than 150 million dollars will bring approximately 200 to 300 million dollars in near-term economic impact – one of the largest investments ever in Orillia's history.

As part of the deal, the City of Orillia has sold the distribution portion of Orillia Power – the lines and wires side of the business. The Orillia Power Generation Corporation remains untouched and the City of Orillia retains full ownership of the jewel of Orillia Power.

Hydro One made it clear from the beginning that it would only invest in a community in which it owned the local distribution assets.

The City of Orillia has a proud history when it comes to electrification. In 1902, Ragged Rapids on the Severn River was the first municipally-owned hydraulic plant in all of North America to transmit electricity long distance. This proud history of generating electricity continues today and is thriving with our three hydroelectric generating stations.

And, I want to make it perfectly clear that Hydro One acquiring the distribution assets of Orillia Power has no impact whatsoever on the generating side of the business.

Today is a tremendous day in the City of Orillia's history. Today we take another big step in putting Orillia on the map as a leader in the electricity industry.

This deal has Hydro One planning to locate an industry-leading North American hub within our City limits. As a result, our community will get a state-of-the-art facility that will serve as a back-up grid control centre for the entire province and house technology for network monitoring and for coordinating emergency response with multiple organizations across the continent. Along with this development comes new high-quality, high-paying jobs, increased annual municipal tax assessment, and the ability to attract new businesses to Orillia.

Today's decision of Council is as momentous as past Council decisions on the annexation of West Orillia, welcoming OPP General Headquarters, and establishing Georgian College and Lakehead University in Orillia.

Council and the City's Hydro One Transition Team have worked diligently to ensure this deal is in the best interest of all Orillians. It is no secret that today's decision was not unanimous. Some of my fellow Councillors believe strongly that this decision should have been made by the people of Orillia. I am here to say that would not have been possible.

As with ALL commercial transactions, an element of confidentiality is required. We could not have shared with the community all of the details you would have needed to make an educated decision. That is why you elected this Council as your representatives – to make these types of tough decisions. To look at all the facts, ask the difficult questions, weigh the pros and cons and take action.

We have been as open and transparent throughout this entire process as we were able to be.

At the earliest opportunity in this process, I stood before you and explained what Council's negotiating principles were. We held two formal public consultations which enabled the public to ask questions and provide comments and feedback on the opportunity – every one of those questions were answered to the greatest extent possible.

I have spoken to dozens of local community groups about the opportunity and answered questions. I attended many of my fellow Councillors Ward Meetings throughout the year to discuss the opportunity with you. All of the information we were able to provide has been readily available on the City's website and through local media.

As mentioned previously, at the outset of this process Council clearly laid out what its negotiating principles were. These principles needed to be met or there would be no deal. I am pleased to say we have met ALL of those principles.

This deal presents significant economic development potential, increased municipal tax assessment, new high-quality, knowledge-based jobs, many other jobs and spin-off benefits for our community.

Power Distribution employees will be transferred to Hydro One and will receive a one-year location guarantee. Compensation, pensions, benefits, and life insurance for these employees will continue with similar terms provided by Hydro One.

As noted up front, there is NO element of the deal that would see any sale or acquisition of Orillia Power Generation. OPGC remains under sole ownership of the City of Orillia, including its annual dividend, which accounts for the majority of the overall dividend paid by Orillia Power to the City.

Hydro One has agreed to lower distribution rates by 1% and then guarantee that rate for a period of five (5) years following the deal closing. It's really important to note that this is on the distribution part of your bill, which accounts for approximately 20% of your overall utility bill. The remaining part of your bill will continue to evolve as it would no matter who owned the distribution.

We also negotiated preserving a little known, but great benefit to City of Orillia residents known as the Wheeling Agreement. Since the early 1990s the City of Orillia receives approximately \$700,000 a year in rate savings for Orillia customers because of OPGC's sale of power into the Hydro One grid. This agreement remains intact.

Hydro One has purchased the distribution shares of Orillia Power for a premium purchase price of 26.35 million dollars— more than twice their current book value.

Hydro One will also contribute \$250,000 towards a community project to be jointly selected with the City. Hydro One will continue to participate in community events and economic development in the City of Orillia through its own programs.

Lastly, all of the proceeds from the deal, which is approximately 36 million dollars will be deposited into a Legacy Fund as approved by Council. The annual return on this investment will likely be greater than the OPDC portion of the annual dividend, and will continue to flow for years to come.

It is important to note, that because electricity distribution is a regulated industry, this deal requires final approval by the Ontario Energy Board. This process can take up to one year to complete. So for Orillia Power customers and those driving by the Horne Business Park you are not likely to see any change in the near future.

I said in my initial announcement that it is Council's responsibility to ensure that our past is honoured, that we improve our present situation and we put things in place to ensure a prosperous future. Today's decision of Council certainly does all of this.

Thank you.