

# Update: Status of Orillia Power Distribution Corporation



## Current Status

On April 12, 2018, the City of Orillia received notification that the Ontario Energy Board (OEB) denied the application for the sale of the Orillia Power Distribution Corporation (OPDC). As part of the contractual agreement of the sale to seek OEB approval, the City and Hydro One have filed a motion to review and revise the OEB's decision. This motion, also referred to as an appeal, is currently before the OEB and we await next steps.

## Next Steps in the Process

If the appeal is successful, the transition from OPDC to Hydro One will take several months and all customers will receive advanced notification of milestones in the process (i.e. closing, integration and billing).

## What's Included in the Potential Sale

The sale includes the purchase of all shares of OPDC for \$26 million and the assumption of approximately \$15 million of debt (\$10 million repaid to the City and \$5 million to commercial debt), for a total transaction of \$41 million. The City will deposit \$36 million into a Legacy Fund, which will generate approximately \$1 million in interest per year to be used for municipal purposes.

**The sale is related to the distribution portion ONLY of Orillia Power** – the poles and wires side of the business. The City of Orillia will remain in full ownership of the Orillia Power Generation Corporation, which accounts for the majority of the dividends to the City.

## Hydro One Facilities

**Subject to OEB approvals**, Hydro One intends to build three facilities within the Horne Business Park in West Orillia. This potential investment includes building:

- Back-up Ontario Grid Control Centre/Integrated Systems Operation Centre (ISOC) on 16 acres of land.
- Provincial Warehouse on 10 acres of land.
- Regional Operations Centre on 10 acres of land.

Hydro One's three buildings will be a combined 165-210k sq. ft. For perspective, the combined Hydro One facilities will be about 1.5 to 2.5 times the size of Rotary Place or Lakehead University. Construction cost of the three buildings is estimated at more than \$150 million.



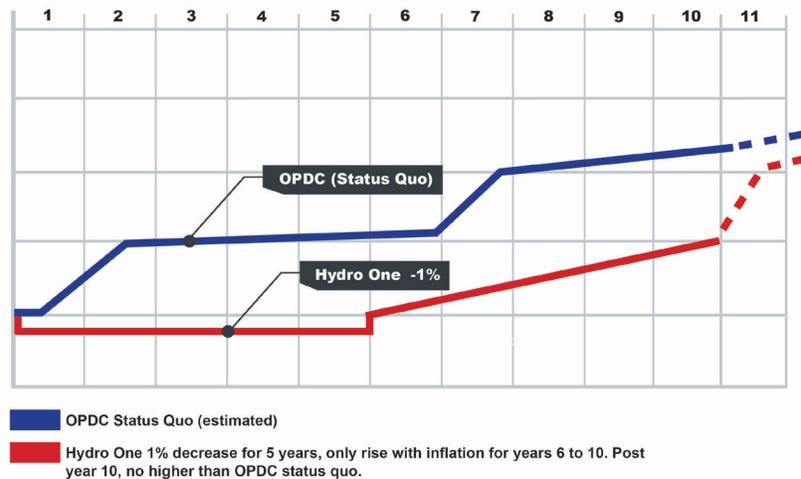
Conceptual rendering of ISOC.

## Facts about Rates

The sale to Hydro One will affect approximately 20-25% of your power bill - known as "distribution rates". The remainder of your bill remains the same regardless of the distributor (Orillia Power or Hydro One).

Following the sale, **distribution rates (the 20-25% of the bill) would be reduced by 1% and frozen for 5 years, followed by only inflationary increases for years 6-10.** Through the appeal process, Hydro One has clarified that after year 10, distribution rates will be no higher than the OPDC status quo. Distribution rate adjustments after year 10 would need to be reviewed and approved by the OEB.

If the sale is not approved, OPDC would be required to file for a distribution rate increase (known as a Cost of Service rate application) with the OEB at least twice over that 10 year period. It is estimated that distribution rates would increase by an average annual rate of 2-4% over the next 10 year period. Distribution rates will be lower if the sale of OPDC to Hydro One is successful. See graph below.



## The Economic Benefits for Orillia

If the sale of OPDC goes forward, the short-term economic impact of the construction of the buildings and related activity is anticipated to **inject \$200 to \$300 million into the Orillia economy**. Once all the facilities are operational, significant new dollars in payroll/incomes will be injected into the Orillia economy year after year. This will result in economic spin-offs through the creation of new jobs and additional spending in housing construction, retail, restaurants, personal services (i.e. dentists, taxis), schools and colleges, and many other fields throughout the Orillia economy similar to when the Ontario Provincial Police (OPP) came to Orillia.

This economic development opportunity would create improved infrastructure for other businesses and open up opportunities to entice investment in related businesses and suppliers. The opportunity has already generated significant investment with large corporations interested in investing/partnering in the City of Orillia such as Bell's Fibre investment.

## Economic Benefits - Jobs at All Levels

Pending OEB approval, the three Hydro One buildings in the Horne Business Park will house anywhere from 100-300 employees at any given time. In the beginning, there will be many positions that will be filled through transfers; however, there will still be other opportunities through new positions in the warehouse, maintenance, administration, etc. Similar to the OPP, more and more of these jobs will be filled locally over time. Lakehead University and Georgian College are already looking at program development to help facilitate future job training.



### Your Hydro Service

If the sale is finalized, you can expect the same great service. The same staff currently serving Orillia as Orillia Power will continue with Hydro One. All OPDC employees are guaranteed employment and receive a one-year location guarantee with Hydro One.

As for service levels, Orillia is often compared to surrounding townships serviced by Hydro One. It is important to understand the distinction and challenges between servicing rural areas, such as the townships, versus urban areas, such as the City of Orillia. There are many hundreds of miles of wires and poles scattered over large distances in the surrounding townships, 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 often has the ability for a quicker recovery than a rural setting.

### Investment in Orillia's Future

An investment by a municipality to facilitate economic development opportunities is common and often includes investment in the form of land or financial assistance in some manner. The City has previously made significant investments to facilitate economic development opportunities such as building and leasing a call centre to attract and retain hundreds of jobs and donating land and grants totaling \$10 million to attract Lakehead University. To date, the net cost for the sale of OPDC is approximately \$1 million. The anticipated cost to the City for the OEB appeal process is \$18,000. If successful, the short-term economic impact of this investment is estimated at \$200 to 300 million.

## How we got to where we are today

- September 2015 – Orillia Council announced it was entering into negotiations with Hydro One on an opportunity that would have Hydro One locating an Advanced Technology Hub in West Orillia and purchasing the Orillia Power Distribution Corporation.
- Council endorsed negotiations based on a set of principles.
- Council held two formal public consultations (January 2016 and June 2016) to enable the public to ask questions and provide comments.
- Mayor Clarke spoke to dozens of community groups about the opportunity and numerous ward meetings were held throughout the year with this topic being discussed.
- Council members were briefed in detail about the transaction throughout the negotiations.
- Orillia Power Corporation's independent Board of Directors voted unanimously in favour of the deal on Aug. 12, 2016.
- Council voted in favour of the deal and agreements were signed by the City of Orillia and Hydro One on Aug. 15, 2016.
- On Sept. 29, 2016, Council held two open house meetings regarding the deal to enable the public to ask questions and provide comments.
- Hydro One filed their MAAD (Mergers, Acquisitions, Amalgamations and Divestitures) application with the OEB on Sept. 27, 2016, for approval for the acquisition of OPDC as required by the Ontario Energy Board Act.
- On April 12, 2018, the City of Orillia received notification that the OEB denied the application for the sale of OPDC to Hydro One Inc.
- On April 16, 2018, a special meeting of Council was held to provide Council with the next steps moving forward.
- On May 2, 2018, the City of Orillia and Hydro One Inc. filed an appeal to the OEB to review and revise their decision.
- On May 17, 2018, Council held a public meeting regarding the status of sale of OPDC to enable the public to ask questions and provide comments.

## Watch the video: "Mayor Talks Transformation: What Potential Sale of OPDC Means for Orillia"



[www.youtube.com/TheCityofOrillia](http://www.youtube.com/TheCityofOrillia)

**For more information, visit [orillia.ca/techhub](http://orillia.ca/techhub) or contact the Mayor's Office at 705-325-2447.**