

# Backgrounder:

## Sale of OPDC to Hydro One Closes Sept. 1, 2020



### Key dates and decisions:

- September 2015 – Orillia Council announced it was entering into negotiations with Hydro One on an opportunity that would have Hydro One purchasing the Orillia Power Distribution Corporation and making significant investments in our community. With regulatory approvals, Hydro One planned to construct three new facilities within the Horne Business Park:
  - Ontario Grid Control Centre (already under construction)
- Future developments:
  - Provincial Warehouse
  - Regional Operations Centre
- 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 updated in detail about the transaction throughout the negotiations.
- Orillia Power Corporation 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, Orillia Power Corporation and Hydro One on Aug. 15, 2016.
- Hydro One filed their MAAD (Mergers, Acquisitions, Amalgamations and Divestitures) application with the Ontario Energy Board on Sept. 27, 2016, for approval for the acquisition of Orillia Power Distribution Corporation as required by the *Ontario Energy Board Act*.
- On April 12, 2018 the Ontario Energy Board (OEB) rendered their decision to deny the MAAD application.
- On April 16, 2018, a special meeting of Council was held to update Council on 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.
- On Aug. 23, 2018, the Ontario Energy Board denied the City of Orillia and Hydro One's appeal on the decision to deny the proposed acquisition of the Orillia Power Distribution Corporation (OPDC) by Hydro One.
- The Orillia Power Distribution Corporation and Hydro One refiled the MAAD application to the OEB for the sale of OPDC to Hydro One on Sept. 26, 2018.
- On Sept. 23, 2019, Hydro One Inc. announced it would be constructing a new primary Ontario Grid Control Centre in Orillia, demonstrating investment in Orillia.
- On April 30, 2020, the OEB rendered its decision to approve the MAAD application.
- The sale of OPDC to Hydro One officially closed on Sept. 1, 2020.

## How the City of Orillia met all of our negotiating principles:

Negotiating Principles	Outcomes
<p><b>Provides real, short and long-term economic development benefits for the community through significant investment, including the creation of new, highly-skilled, knowledge-based jobs and potential spin-off benefits.</b></p>	<ul style="list-style-type: none"> <li>✓ \$200 to \$300 million investment – one of the largest in the City’s history.</li> <li>✓ Construction of three buildings estimated at more than \$150 million.</li> <li>✓ The construction of the Primary Ontario Grid Control will require Hydro One to upgrade fibre optics in the area.</li> <li>✓ Employees at the Hydro One facilities will bring significant new dollars in payroll/incomes that could be injected into the Orillia economy year after year.</li> </ul>
<p><b>Provides a multi-year window of price stability on the cost of power distribution.</b></p>	<ul style="list-style-type: none"> <li>✓ Base distribution rates will be reduced by 1% and guaranteed for a period of five years followed by increases at less than inflation for years six to 10. Rates after year 10 would need to be reviewed and approved by the OEB. (Distribution accounts for approximately 20 per cent of the overall electricity bill. The remaining portion is set based on market costs at the provincial level).</li> </ul>
<p><b>Protects the interests of Orillia Power customers and the Orillia community.</b></p>	<ul style="list-style-type: none"> <li>✓ Rate reduction as noted above.</li> <li>✓ Hydro One urban service levels in areas similar to the City of Orillia are comparable to Orillia Power service levels.</li> <li>✓ Large annual increase to municipal tax assessment, economic development spin-off benefits; new, high-quality job creation.</li> </ul>
<p><b>Sees Hydro One working with the City to protect Orillia Power Distribution Corporation (OPDC) jobs.</b></p>	<ul style="list-style-type: none"> <li>✓ OPDC employees are moving to Hydro One at similar compensation, benefits, life insurance etc., provided by Hydro One with a one-year location guarantee.</li> </ul>
<p><b>The City of Orillia will retain ownership of Orillia Power Generation Corporation (OPGC), including the annual dividend.</b></p>	<ul style="list-style-type: none"> <li>✓ City retains complete ownership of Orillia Power Generation along with annual dividend to the City.</li> <li>✓ OPGC employees will not be transferred to Hydro One.</li> </ul>
<p><b>Recognizes the full value of the Orillia Power distribution system -- and that value will be independently valued by a qualified, third party.</b></p>	<ul style="list-style-type: none"> <li>✓ Repayment of \$9.8 million City loan and \$26.35 million purchase price for the shares of OPDC; validated by an accredited third party.</li> </ul>
<p><b>Sustains the level of philanthropic support provided by OPDC to the community.</b></p>	<ul style="list-style-type: none"> <li>✓ Hydro One will continue to participate in community events and economic development in the City of Orillia with its own programs.</li> </ul>
<p><b>Provides significant value and ongoing financial returns for the City.</b></p>	<ul style="list-style-type: none"> <li>✓ Approximately \$36 million will be deposited into a Legacy Fund and generate investment income for years to come.</li> <li>✓ Hydro One has committed \$250,000 in community investment funding to support local initiatives in Orillia. The City and Hydro One will work to determine partnership opportunities that will benefit the community.</li> </ul>