

IBEW – 1

Reference(s): Ex. B/T2/S1

What is the primary objective of the proposed consolidation?

Response:

1 The scope of the OEB's consideration, in reviewing a Mergers, Acquisitions, Amalgamations
2 and Divestitures ("MAADs") Application, will be to apply the no harm test, as identified in the
3 *Handbook to Electricity Distributors and Transmitter Consolidations* (the "Handbook").

4
5 Applicants are required to provide evidence to demonstrate the impact of the proposed
6 transaction with respect to the OEB's first two statutory objectives to:

- 7 • Protect consumers with respect to prices and the adequacy, reliability and quality of
8 electricity service; and
- 9 • Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a
10 financially viable electricity industry.

11
12 Consistent with the foregoing, the Applicants believe that the amalgamation of Alectra Utilities
13 and Guelph Hydro is consistent with, and demonstrates the benefits of, voluntary consolidation
14 within the electricity sector in Ontario. The Applicants anticipate realizing real cost synergies
15 and operational efficiencies, as well as benefits from economies of scale. The OEB has
16 acknowledged that, "*consolidation also enables distributors to address challenges in an evolving*
17 *electricity industry*¹."

18
19 The proposed consolidation will also promote the objectives of the OEB's *Renewed Regulatory*
20 *Framework for Electricity Distributors – A Performance Based Approach*. Therefore, the
21 proposed consolidation not only meets the Board's "no harm" test, but also provides material
22 benefits for customers, as well as for the attainment of the OEB's statutory objectives.

23
24 Please also see the Applicants' response to Interrogatory IBEW-11.

¹ Handbook, p1

IBEW – 2

**Reference(s): Ex. B/T2/S1
Ex. B/T5/S1**

Please confirm that under the Applicants' proposals it is possible that ratepayers will not receive any benefit associated with the merger savings until ten years from the completion of the consolidation.

Response:

1 The OEB's evaluation of the Application is on the basis of the no harm test. The OEB identified
2 this as the test to be satisfied for this type of application, both in its *Report of the Board: Rate*
3 *Making Associated with Distributor Consolidations* (EB-2014-0138) and in the *Handbook to*
4 *Electricity Distributor and Transmitter Consolidations* (the "Handbook").

5 Alectra Utilities' and Guelph Hydro's ratepayers will benefit immediately from the proposed
6 amalgamation; during the rebasing deferral period and following the rebasing deferral period.
7 Consistent with the Handbook, the Applicants have identified a rebasing deferral period of ten
8 years.

9
10 As identified in the Applicant's response to Interrogatory B-Staff-20 a), during the rebasing
11 deferral period, Alectra Utilities' Guelph Rate Zone's rates would be set through the OEB's Price
12 Cap Incentive Regulation. As a result, two cost of service rate applications would be avoided,
13 which, in the absence of the amalgamation proposal, would have been filed with the OEB in
14 2020 (for 2021 distribution rates) and in 2025 (for 2026 distribution rates) by Guelph Hydro.

15
16 Between cost of service applications, utilities are subject to the OEB's Incentive Regulation
17 Mechanism ("IRM") cycle. Other things remaining equal, distribution rate increases are
18 necessarily higher in a cost of service test year than distribution rates changes in the IRM period
19 because of the need to incorporate, among other things, capital expenditures ("capex") in
20 ratebase for the capex spent in the Incentive Regulation Mechanism ("IRM") period.

21
22 In Guelph Hydro's case, without the amalgamation proposal, approximately \$60MM in gross
23 capex would need to be examined for inclusion in ratebase by the OEB in Guelph Hydro's 2021

1 electricity distribution rate application. Absent this amalgamation proposal, a similar pattern
2 would prevail in the 2022–2026 rate plan term.

3
4 Guelph Hydro's experience from its two previous cost of service rates applications has shown
5 that rate increases averaged between 5% and 6% in those cost of service periods. Guelph
6 Hydro anticipates distribution rate increases in the 2021 and 2026 cost of service test years to
7 average between 5% and 6%, as a result of the underlying pattern of distribution expenses, for
8 which relief would be sought, are not expected to be markedly different from the previous two
9 cost of service rebasing periods. The absence of these two rebasings, during the rebasing
10 deferral period, as a result of the amalgamation, translates to savings for customers.

11
12 Also consistent with the above-mentioned OEB requirements, the Applicants have included an
13 Earnings Sharing Mechanism ("ESM") in the Application. During years six to ten of the rebasing
14 deferral period, if the Applicants over earn by 300 basis points, above the regulated ROE, a
15 50:50 sharing of the overearnings would be triggered between the utility and its customers.

16
17 Finally, as identified in the Applicants' response to Interrogatory B-Staff-7 and B-Staff-10, the
18 Applicants have quantified synergy savings to be realized as a result of the amalgamation of
19 \$40.88MM.

IBEW – 3

Reference(s): Ex. B/T5/S1/P2

Which specific "redundant roles in centralized and back office functions" are the Applicants referring to? How many positions will the Applicants declare redundant? What workforce restructuring and alignment are the Applicants contemplating?

Response:

- 1 Please also see the Applicants' responses to Interrogatories B-Staff-7 and PWU-4.
2
3 While exact numbers of redundant centralized roles and workforce restructuring have not been
4 finalized, the Applicants expect that the majority of the 30 positions assumed to be redundant
5 from across Guelph Hydro will be addressed largely through retirements and a targeted
6 Voluntary Separation Program ("VSP"), though some attrition is also anticipated. Redundancies
7 arising in centralized and back office functions are estimated to be from the Executive Office,
8 Human Resources, Information Systems, Control Room, Customer Care and Credit and
9 Collections.
10
11 Please also see the Applicant's responses to Interrogatory B-Staff-11, where the Applicants
12 have identified seven vacancies at Guelph Hydro, as at June 22, 2018. These vacancies are
13 also expected to be synergies, as part of these 30 positions, in functions such as the Control
14 Room and SCADA; Engineering, Information Systems and GIS; Credit and Collections; and
15 Customer Service and Billing.

IBEW – 4

Reference(s): p. 1 Letter from Keizer to Ms. Walli March 7, 2018

The covering letter states the Application is reflective of the terms of the proposed consolidation - resulting from many months of negotiations – as approved by the Applicants' respective shareholders and principals.

- a) Please explain the extent to which the LDC customers, those most impacted by this transaction, were engaged regarding the proposed consolidation discussions and how their views impacted the negotiations;**
- b) Did the LDCs specifically undertake surveys or focus groups related to the proposed transaction and the rate proposals that form part of the Application? If not, why not? If so, please provide all materials related to these engagement activities;**
- c) How were the proposals embodied in the Application impacted by customer engagement?**
- d) Please provide all communication provided to date to the LDCs' customers regarding the proposed transaction.**

Response:

- 1 a) According to the OEB's *Handbook to Electricity Distributor and Transmitter*
2 *Consolidations* (p. 9 and 10), the OEB considers the degree of public consultation to be
3 irrelevant for the purpose of "no harm" test. The OEB explicitly directed applicants and
4 stakeholders not to file the details of public consultation prior to the filing of the
5 application.
6
7 Nevertheless, in response to the question posed as provided in the City of Guelph Staff
8 Report GMHI-2017-1 to Guelph City Council as Shareholder of Guelph Municipal
9 Holdings Inc., dated December 13, 2017, the City of Guelph developed and activated a
10 long-term, multi-phase public engagement and communication program called
11 *Energizing Tomorrow*. The overarching goal of the program was "to ensure people have
12 a voice when it comes to the future of Guelph Hydro." This endeavor was among the
13 most comprehensive public engagement initiatives the City of Guelph has undertaken.

1 The extent to which Guelph Hydro's customers were engaged regarding the proposed
2 consolidation discussions and how their views impacted the negotiations are provided in
3 an Engagement Findings Presentation and Community Education and Engagement
4 Report that were submitted to Guelph City Council on December 13, 2017, and
5 attached to this response as Attachments 1 and 2.

6
7 The process that ultimately led to the proposed amalgamation was initiated by the City
8 of Guelph and represented a fundamental change in the direction of Guelph Hydro. As a
9 result, City of Guelph appropriately conducted stakeholder engagement. Alectra Utilities
10 was selected by the City of Guelph to proceed with negotiations. Given the nature of the
11 process, Alectra Utilities could not engage stakeholders within its rate zones specifically
12 on the merger negotiations. Having been formed through a series of mergers and
13 acquisitions itself, Alectra Utilities' negotiation and merger with Guelph Hydro is
14 consistent with Alectra Utilities' broadly communicated strategic direction.

15
16 b) Yes, as part of its multi-phase *Energizing Tomorrow* community engagement program,
17 the City of Guelph conducted surveys, focus groups, community stakeholder
18 consultations and public information sessions as detailed in the following:

- 19 • Polling questions and telephone survey questions as well as the presentation and
20 public discussion paper that were used at public open houses and community
21 consultation sessions during Phase One of the community engagement program are
22 attached to this response as Attachments 3 and 4, respectively.
- 23 • The Engagement Findings Presentation and Community Education and
24 Engagement Report that were submitted to Guelph City Council on December 13,
25 2017 and attached to this response, as mentioned above, as Attachments 1 and 2.

26
27 Summary of Surveys, Focus Groups, Community Stakeholder Consultation and Public
28 Information Sessions / Open Houses

- 29 • Phase One – October 2016 to February 2017
 - 30 ○ Telephone survey
 - 31 ○ Two online surveys
 - 32 ○ Three public open houses – 2 in Guelph, 1 in Rockwood
 - 33 ○ Community Stakeholder Consultations

- 1 ▪ Community organizations – Presentations and focus group
- 2 conversations
- 3 ▪ Guelph Chamber of Commerce and Downtown Guelph Business
- 4 Improvement Association – Presentation and focus group
- 5 conversation
- 6 ▪ Large Guelph Hydro industrial customers – Presentation and
- 7 discussion
- 8 ▪ Guelph Hydro employees – Presentations, question and answer
- 9 sessions and discussions
- 10 ▪ Guelph Wellington Seniors Association – Presentation and
- 11 discussion
- 12
- 13 • Phase Two – February to October 2017
- 14 ○ Eight pop-up information tables at recreation centres, the library, Home
- 15 Depot, Evergreen Seniors' Centre, Stone Road Mall and the Guelph
- 16 Farmers' Market.
- 17
- 18 • Phase Three - October to November 2017
- 19 ○ Telephone survey (statistically valid polling)
- 20 ○ Online survey
- 21 ○ Open house information sessions – 2 in Guelph, 1 in Rockwood
- 22 ○ Two pop-up information table sessions
- 23 ○ Community stakeholder briefing sessions
- 24 ▪ Our Energy Guelph
- 25 ▪ eMerge
- 26 ○ Transition Guelph
- 27 ○ Guelph Chamber of Commerce
- 28 ○ Guelph Wellington Seniors Association
- 29 ○ Guelph Neighbourhood Support Coalition
- 30 ○ Downtown Guelph Business Association
- 31 • Guelph Hydro large customer briefing sessions

c) Customer input materially impacted the proposals embodied in the transaction and therefore this Application in the following ways:

- **Decision-Making Criteria**

In Phase One of the *Energizing Tomorrow* community engagement program, community input was sought on the decision-making criteria to be used by the Strategies and Options Committee in evaluating four options for Guelph Hydro.



Decision-Making Criteria

Results indicated that 68% of respondents to two online and one telephone poll supported the decision-making criteria.

- **Consideration of Four Options**

During Phase One of the *Energizing Tomorrow* community engagement program, the City of Guelph also sought input on the four options being considered:

- Buy another utility
- Sell all or part of Guelph Hydro to a public or private organization
- Merge with another utility
- Maintain full ownership.

1 Data collected through telephone and online polls, public open houses, community
2 stakeholder outreach, focus groups, the *Energizing Tomorrow* Web site and social
3 media indicated that many said “no” to privatization and sale.

4
5 Based on Phase One public input and the Strategies and Options Committee’s
6 thorough analysis of all options, Guelph City Council directed the Strategies and
7 Options Committee to explore the marketplace and learn how maintaining full
8 ownership of Guelph Hydro compared with opportunities to merge with other
9 publicly-owned utility companies. City Council decided not to explore options to sell
10 Guelph Hydro.

11
12 • **Residents Supportive of the Benefits of a Merger**

13 In Phase One of the *Energizing Tomorrow* community engagement program, survey
14 respondents indicated that the most important criteria to be used in evaluating
15 options and making a decision were:

- 16 1. Rates – Protect consumers with respect to electricity distribution rates;
17 supply electricity efficiently and cost-effectively.
- 18 2. Service – Meet or exceed current quality, safety and reliability of service.
- 19 3. Community Planning – Support long-term community planning and
20 economic development.
- 21 4. Environment – Encourage the use and generation of electricity from
22 renewable sources; continue or enhance conservation and demand
23 management programs.
- 24 5. Local Jobs – Preserve and provide local jobs.

25
26 After more than a year of ongoing community education and engagement, a
27 statistically valid telephone survey (N=500), conducted in November 2017, was the
28 largest source of scientific data from the community. This survey indicated that 80%
29 of respondents were aware that Guelph City Council was considering a merger of
30 Guelph Hydro and that residents were supportive of the benefits of the Guelph
31 Hydro/Alectra merger, as it relates to the top-ranked decision-making criteria: rates,
32 customer service, local jobs, community planning, environmental sustainability and
33 local jobs.

1
2 This input, along with other community engagement findings identified in the
3 following materials, was considered by Guelph City Council in rendering its decision
4 to proceed with the merger of Guelph Hydro and Alectra Utilities:

- 5
- 6 • The Phase 1 Community Engagement Report, which is attached to this
 - 7 response as Attachment 5.
 - 8 • The Engagement Findings Presentation and Community Education and
 - 9 Engagement Report that were submitted to Guelph City Council on December
 - 10 13, 2017 and attached herewith as Attachments 1 and 2.
 - 11

12 d) All of the communications and collateral materials provided to Guelph Hydro customers,
13 along with the Phase Three survey questions, are contained in the Engagement
14 Findings Presentation and Community Education and Engagement Report that were
15 submitted to Guelph City Council on December 13, 2017. They are attached to this
16 response as Attachments 1 and 2.

17

18 The Phase One *Energizing Tomorrow* polling questions and telephone survey
19 questions, as well as the presentation and public discussion paper that were used at
20 public open houses and community consultation sessions, are attached to this response
21 as Attachments 3 and 4, respectively.

22

23 In addition, the following methods and channels were used to communicate to Guelph
24 Hydro customers:

- 25
- 26 • *Energizing Tomorrow*, City of Guelph and Guelph Hydro Web sites
 - 27 • Educational video and video message
 - 28 • Media releases sent out in February, June, September and October 2017
 - 29 • Newspaper, video and Web advertising
 - Social media

**IBEW- 4 ATTACHMENT 1
PHASE 3 - COMMUNITY
ENGAGEMENT FINDINGS
DECEMBER 2017**



ENGAGEMENT FINDINGS

OCTOBER 2016-
NOVEMBER 2017

A summary of public
engagement
activities and findings

MULTI-PHASE PROCESS

Phase 1

Raise awareness of process; seek public input on priorities, decision-making criteria

Phase 2

Raise awareness of two scenarios Council directed SOC to further explore: merge and maintain full ownership

Phase 3

Measure awareness and support for components of proposed Guelph Hydro-Alecetra merger

Phase 4

If Council approves merger, help customers, employees understand what to expect during regulatory process

PHASE ONE

DECISION-MAKING CRITERIA



Value for Customers

- Protect consumers with respect to electricity distribution rates
- Meet or exceed current quality, safety and reliability of service
- Meet or exceed current customer service standards
- Maintain or enhance service and systems through innovation and technology

Value for Community

- Continue or enhance conservation and demand management programs
- Support development of provincial smart grid
- Encourage use and generation of electricity from renewable sources
- Advocate for local interests among regulators, industry and other levels of government
- Provide local jobs

Value for the City of Guelph

- Realize the best financial return and overall value
- Supply electricity efficiently and cost-effectively
- Contribute capital funds for reinvestment
- Support long-term community planning and economic development

PHASE ONE

KEY FINDINGS

- 68% of respondents supported the decision-making criteria
- Most important criteria:
 - Rates
 - Service
 - Community planning
 - Environment
 - Local jobs
- Many said 'no' to privatization and sale

PHASE TWO

ACTIVITIES

- Pop-up information tables
- Energizingtomorrow.ca
- Educational video
- Municipal websites and social media
- Local media relations
- Guelph Hydro bill insert
- Guelph Hydro employees communications

PHASE THREE ACTIVITIES

- Telephone consultation survey
- Web survey
- Open houses
- Pop-up information tables
- Community stakeholder outreach
- Municipal websites and social media

PHASE THREE

ACTIVITIES (Continued)

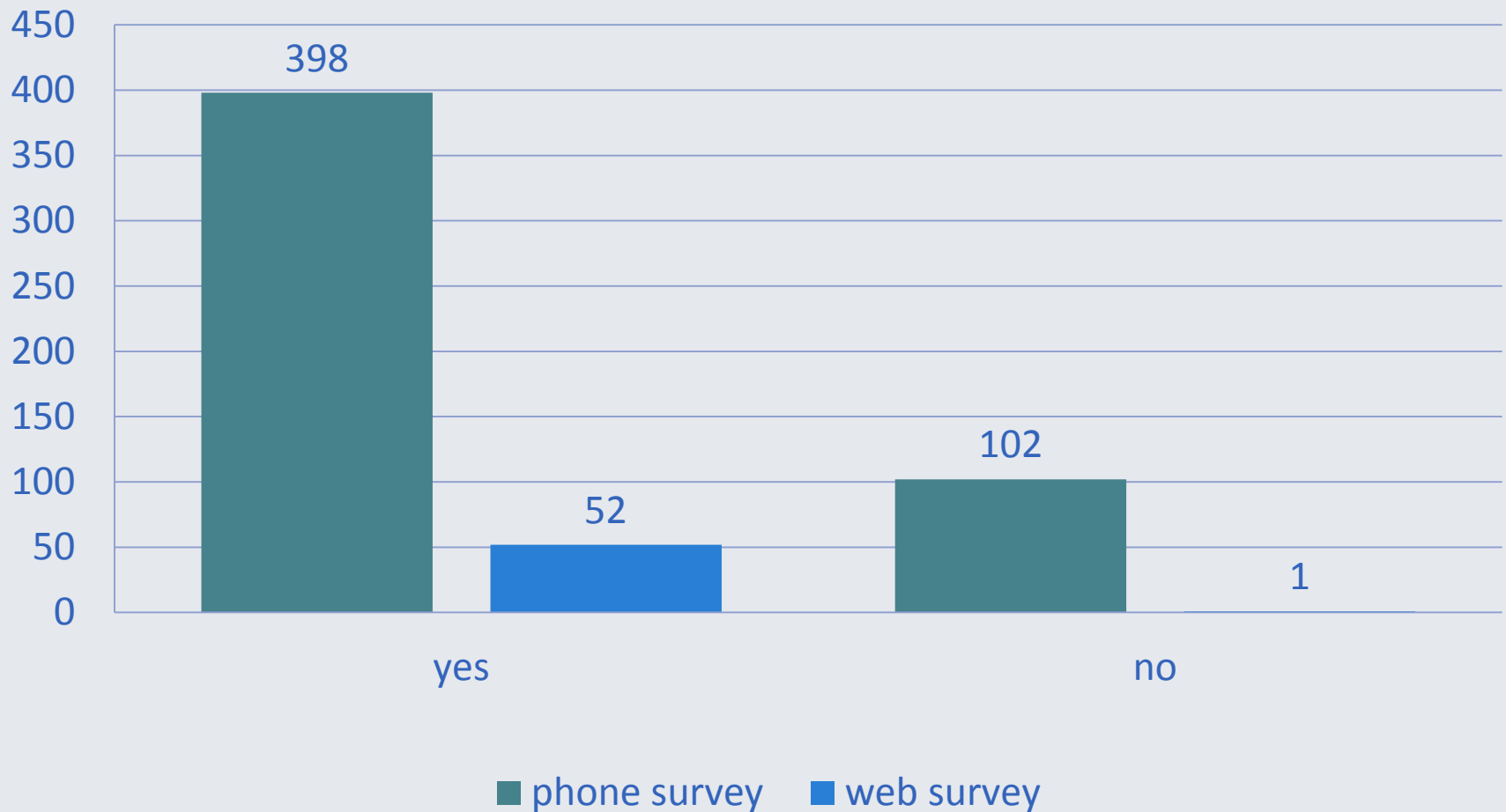
- Local advertising and paid social
- Media relations and public announcements
- Editorial
- Dedicated community email address / phone line
- Energizing Tomorrow booklet (Updated version)
- Energizingtomorrow.ca

PHASE THREE

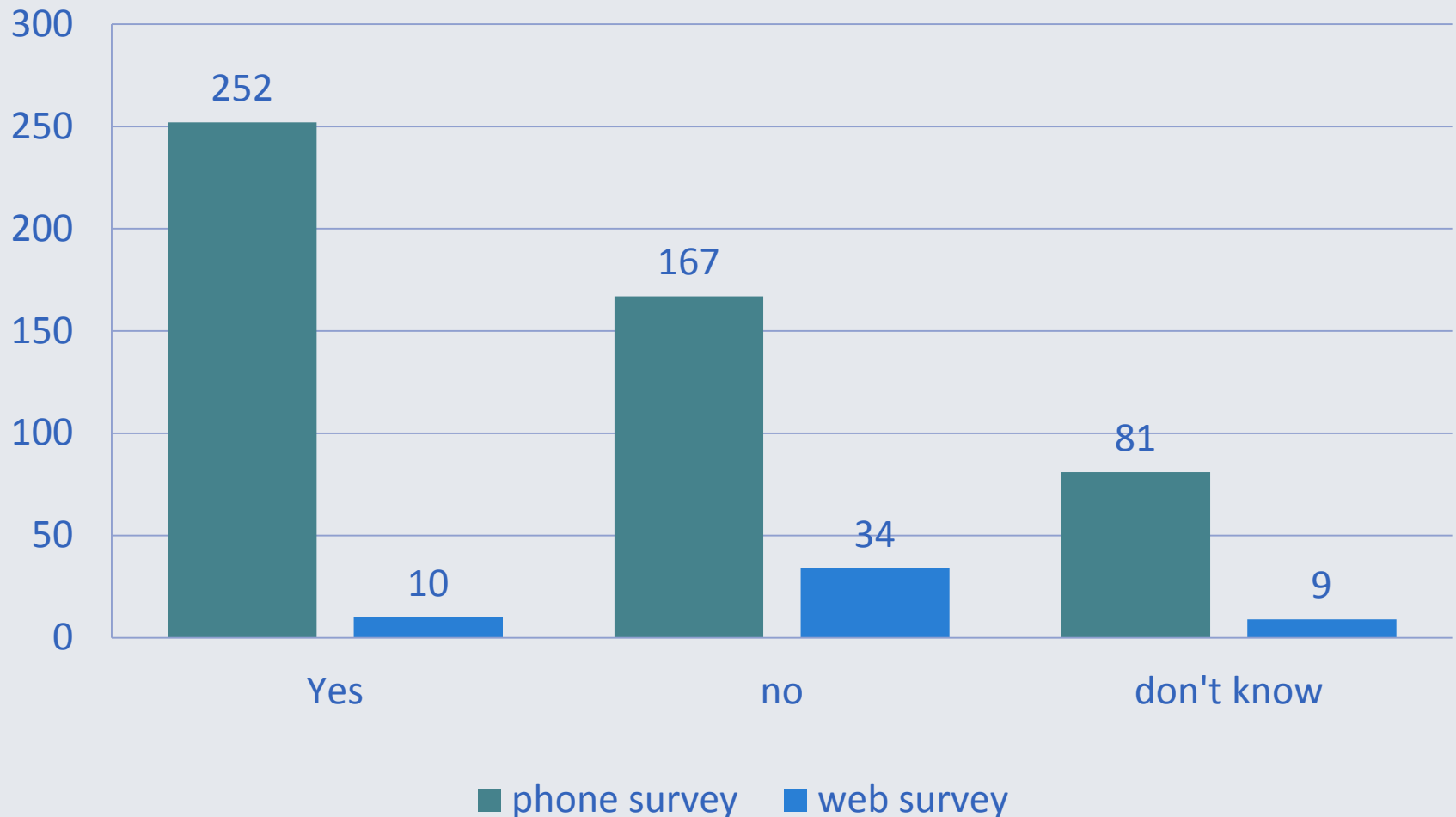
KEY FINDINGS - THEMES

- People support the benefits of the merger
- Residents value:
 - Lower rates
 - High-quality service
 - Local jobs
 - Environmental sustainability
 - Information and transparency

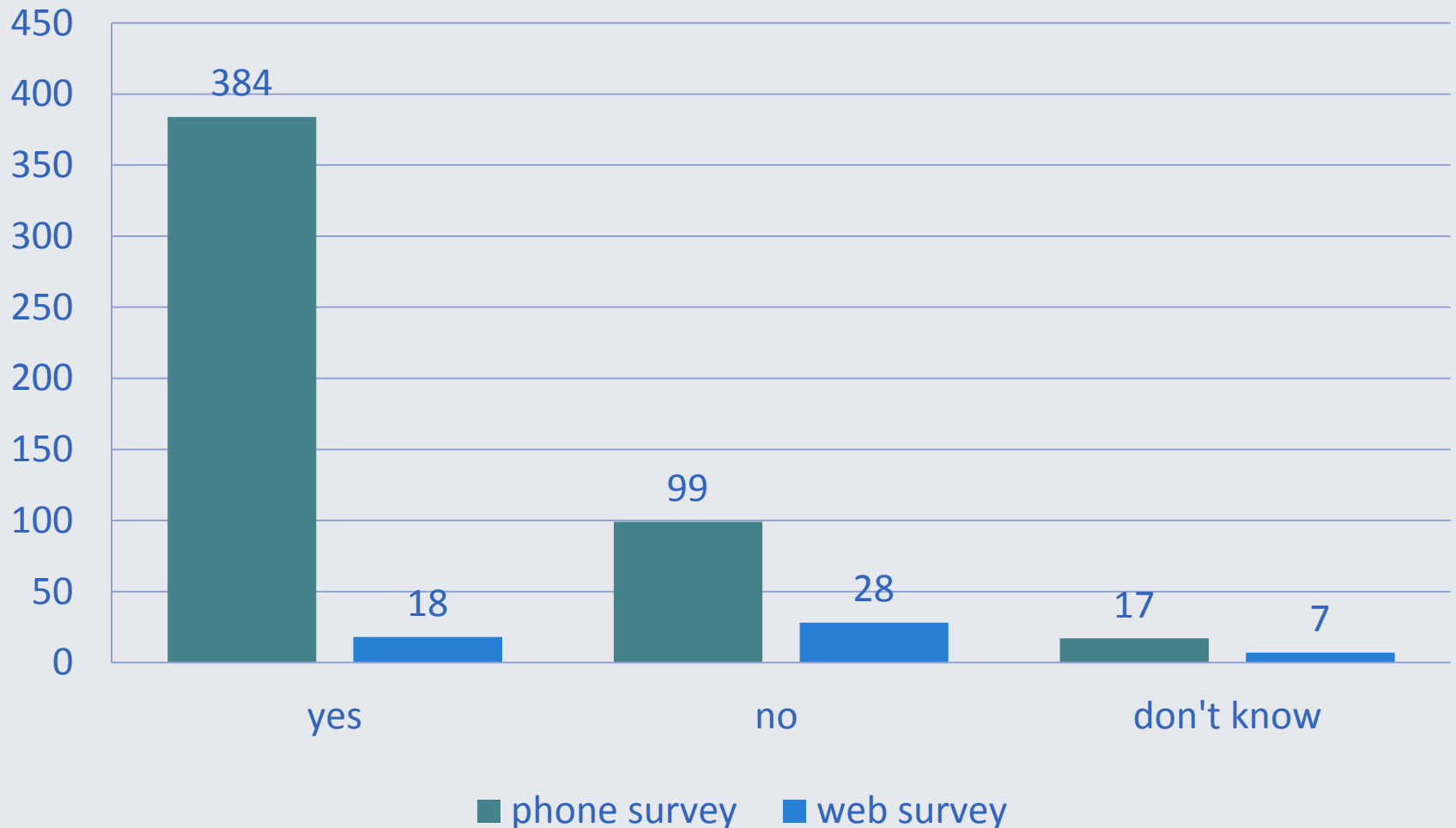
Q1. "ARE YOU AWARE OF GUELPH HYDRO'S CURRENT MERGER NEGOTIATIONS WITH ALECTRA?"



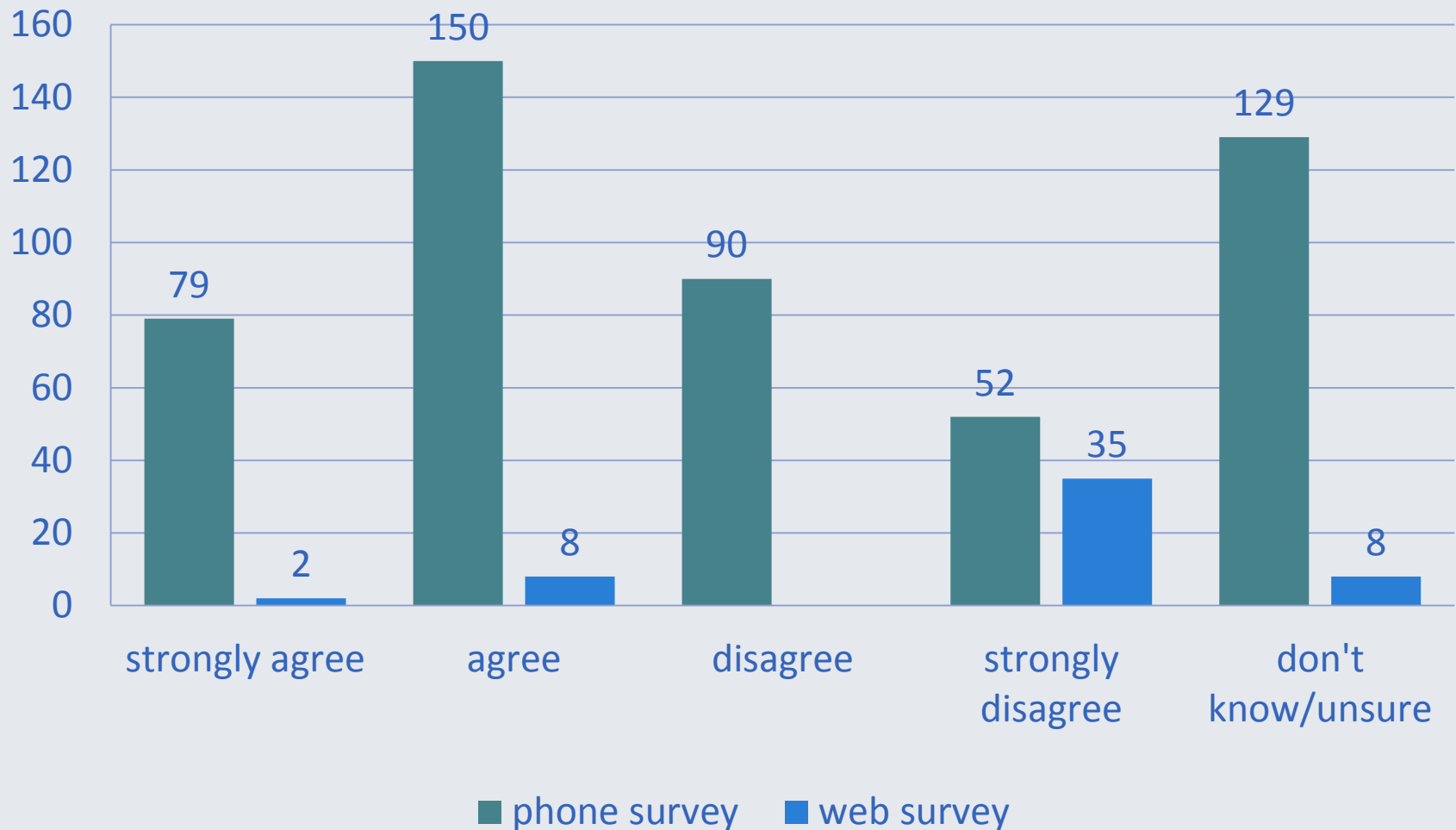
Q2. "WOULD YOU SUPPORT A MERGER OF GUELPH HYDRO AND ALECTRA IF IT RESULTS IN MORE MODERATE DISTRIBUTION RATE INCREASES THAN WOULD OCCUR IF GUELPH HYDRO REMAINED A STANDALONE UTILITY?"



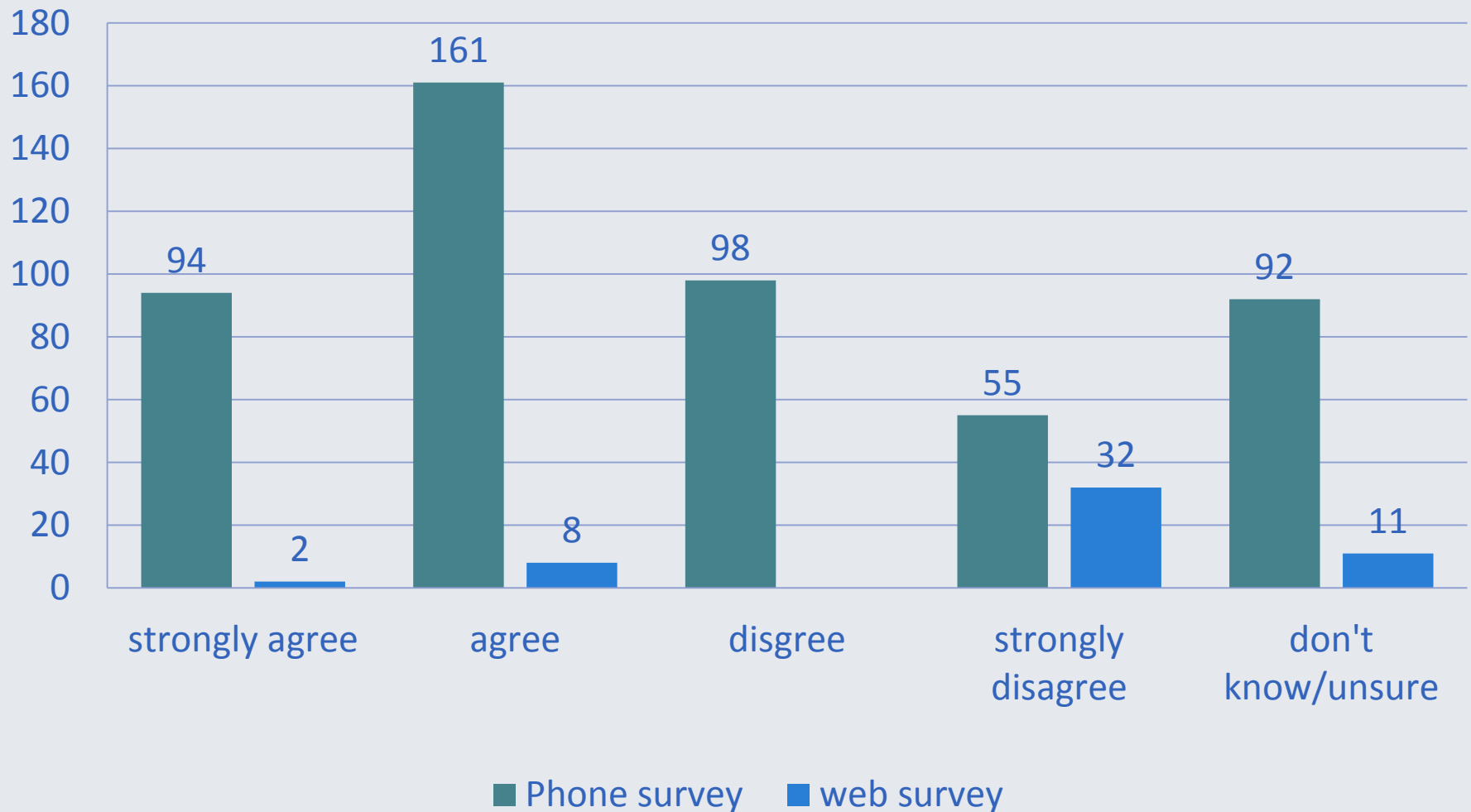
Q3. "WOULD YOU SUPPORT A MERGER OF GUELPH HYDRO AND ALECTRA IF IT WILL MAINTAIN AND GENERATE NEW LOCAL JOBS IN GUELPH?"



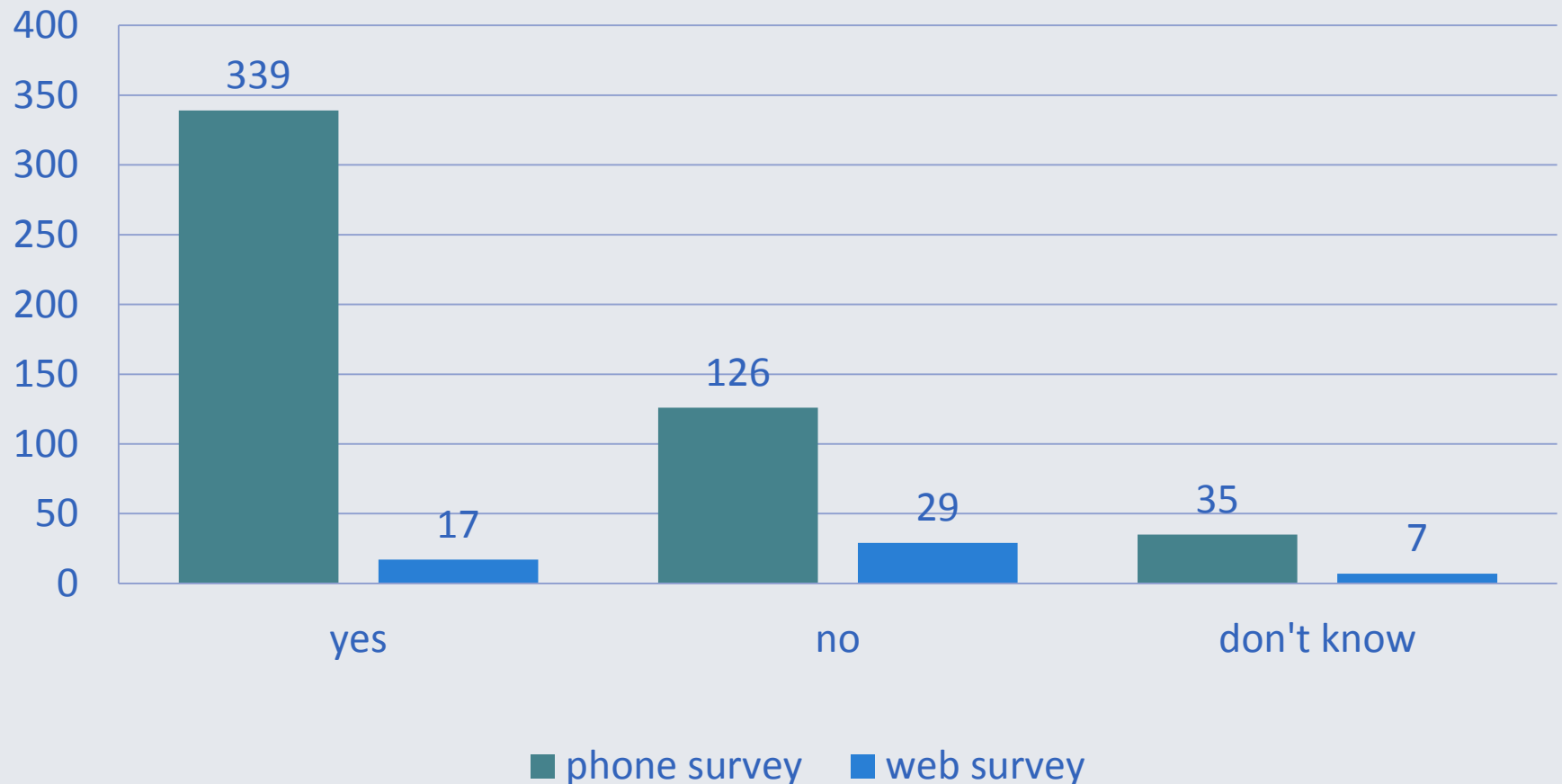
Q4. "GIVEN THIS, DO YOU STRONGLY AGREE, AGREE, DISAGREE OR STRONGLY DISAGREE THAT SERVICE WOULD REMAIN THE SAME OR IMPROVE UNDER A GUELPH HYDRO-ALECTRA MERGER?"



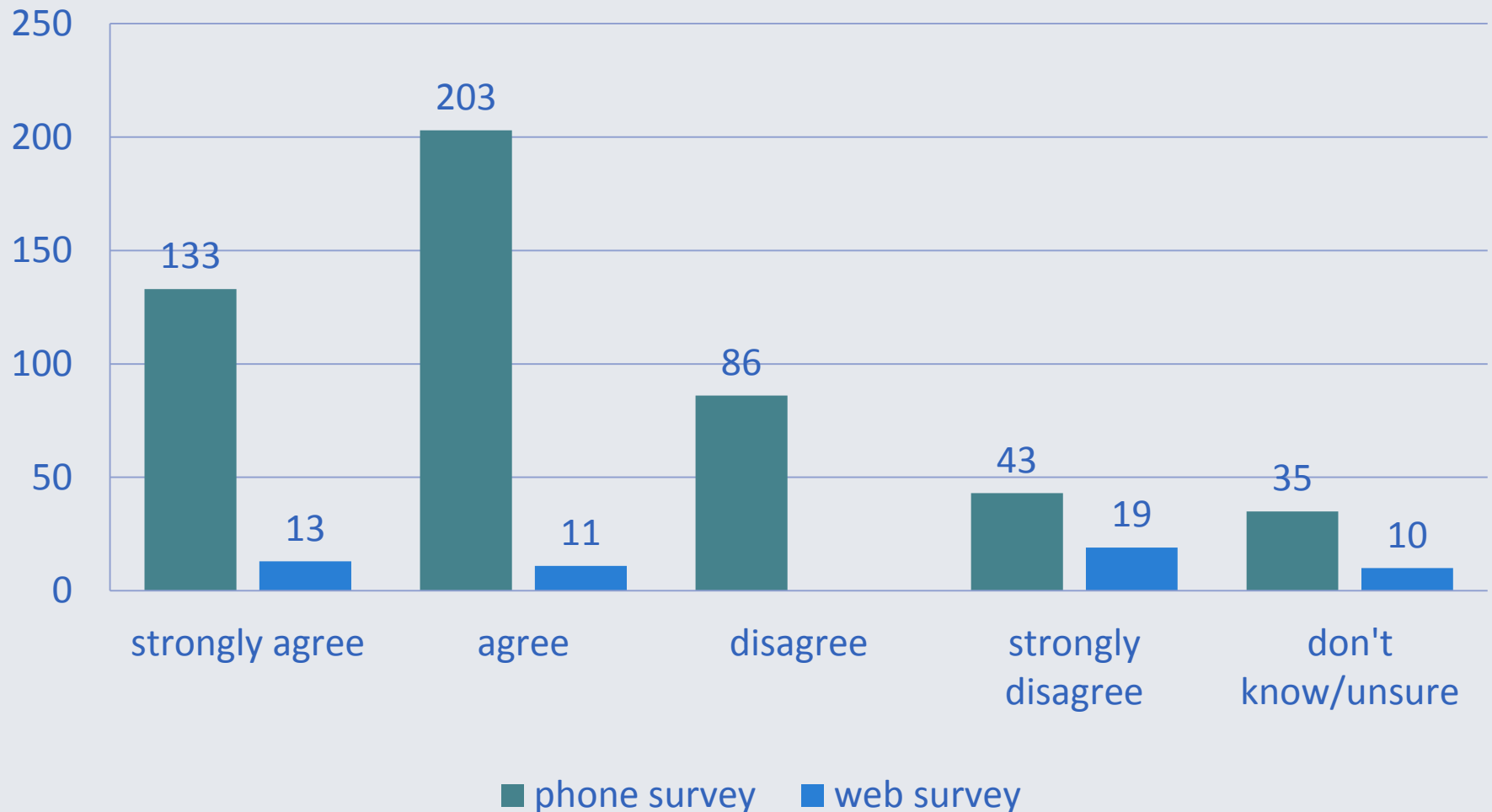
Q5. "DO YOU STRONGLY AGREE, AGREE, DISAGREE OR STRONGLY DISAGREE THAT THE PROPOSED INVESTMENT RESOURCES WOULD RESULT IN INNOVATION FOR THE LOCAL ELECTRICITY DISTRIBUTION SYSTEM?"



Q6. "WOULD YOU SUPPORT A MERGER OF GUELPH HYDRO AND ALECTRA IF IT MEANT DIVIDENDS TO THE CITY OF GUELPH WOULD INCREASE AND THAT MONEY COULD BE INVESTED BACK INTO THE COMMUNITY?"



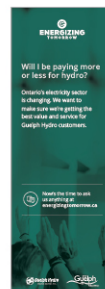
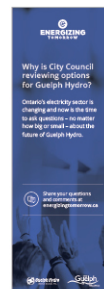
Q7. "WOULD YOU SAY THAT YOU STRONGLY AGREE, AGREE, DISAGREE OR STRONGLY DISAGREE THAT THE ESTABLISHMENT OF A GREEN ENERGY & TECHNOLOGY CENTRE IS A GOOD DIRECTION FOR GUELPH?"



COLLATERAL



Bill inserts



Booklet



Newspaper ads

ENERGIZING TOMORROW

Value for customers

- Lower rates with no rate increases
- Guaranteed service with no interruptions
- Guaranteed service with no interruptions
- Guaranteed service with no interruptions

Value for community

- Guaranteed service with no interruptions
- Guaranteed service with no interruptions
- Guaranteed service with no interruptions
- Guaranteed service with no interruptions

Value for the City

- Guaranteed service with no interruptions
- Guaranteed service with no interruptions
- Guaranteed service with no interruptions
- Guaranteed service with no interruptions

Learn more, ask questions, take your city to energizetomorrow.ca

ENERGIZING TOMORROW

Maintain full ownership

Positive	Negative
Guaranteed service with no interruptions	Guaranteed service with no interruptions
Guaranteed service with no interruptions	Guaranteed service with no interruptions
Guaranteed service with no interruptions	Guaranteed service with no interruptions
Guaranteed service with no interruptions	Guaranteed service with no interruptions

Learn more, ask questions, take your city to energizetomorrow.ca

ENERGIZING TOMORROW

Buy other electricity utilities

Positive	Negative
Guaranteed service with no interruptions	Guaranteed service with no interruptions
Guaranteed service with no interruptions	Guaranteed service with no interruptions
Guaranteed service with no interruptions	Guaranteed service with no interruptions
Guaranteed service with no interruptions	Guaranteed service with no interruptions

Learn more, ask questions, take your city to energizetomorrow.ca

ENERGIZING TOMORROW

Sell to a public or private organization

Positive	Negative
Guaranteed service with no interruptions	Guaranteed service with no interruptions
Guaranteed service with no interruptions	Guaranteed service with no interruptions
Guaranteed service with no interruptions	Guaranteed service with no interruptions
Guaranteed service with no interruptions	Guaranteed service with no interruptions

Learn more, ask questions, take your city to energizetomorrow.ca

ENERGIZING TOMORROW

Merge with other utilities

Positive	Negative
Guaranteed service with no interruptions	Guaranteed service with no interruptions
Guaranteed service with no interruptions	Guaranteed service with no interruptions
Guaranteed service with no interruptions	Guaranteed service with no interruptions
Guaranteed service with no interruptions	Guaranteed service with no interruptions

Learn more, ask questions, take your city to energizetomorrow.ca

ENERGIZING TOMORROW

Understanding Electricity Charges

79% of electricity costs are for the grid

21% of electricity costs are for the utility

Learn more, ask questions, take your city to energizetomorrow.ca

Guelph Hydro begins merger talks with Alectra

After more than a year of gathering community input and conducting industry research Guelph Hydro is negotiating a merger with Alectra.

Better Rates
A merger helps keep rates lower than standing alone.

Reliable Service
Service would be the same or better. Local crews would respond to local calls and have more support during storms or emergencies.

Community Investment
Increased annual dividend means the City would have more money to invest back into our community.

Environmental Sustainability
As part of a merger, Alectra would establish a Green Energy & Technology Centre in Guelph.

Local Jobs
Good jobs are staying in our community and new jobs are coming. Guelph Hydro's current headquarters would become a regional operations hub.

Learn more. Ask us anything.
energizetomorrow.ca

ENERGIZING TOMORROW **Guelph Hydro** **Guelph**

Handout

ENERGIZING TOMORROW

Better Rates

When it comes to hydro, we know affordable rates are important for residents and businesses.

Distribution rates won't go down after a merger, but they'll go up less than they would if Guelph Hydro continued operating alone.

Customer savings **Lower costs**

If approved by Guelph City Council, the Ontario Energy Board (OEB) will evaluate the merger to ensure that Guelph customers are protected.

Learn more about the merger at energizetomorrow.ca

ENERGIZING TOMORROW **Guelph Hydro** **Guelph**

ENERGIZING TOMORROW

Environmental Sustainability

Environmental sustainability and innovation are both key features of the Guelph Hydro-Alectra merger.

Alectra is an innovation and sustainability-focused company with a track record of success in conservation and demand management and provincial smart-grid development projects.

Alectra is committed to energy conservation and environmental sustainability in Guelph.

New Green Energy & Technology Centre will position Guelph as a leader in green technology solutions.

Learn more about the merger at energizetomorrow.ca

ENERGIZING TOMORROW **Guelph Hydro** **Guelph**

ENERGIZING TOMORROW

Local Jobs

A Guelph Hydro-Alectra merger will benefit the community by ensuring good paying jobs remain in Guelph. The merger will bolster the local economy by generating new jobs at a new Green Energy & Technology Centre.

Guelph would become a Southwest Ontario Operations Hub.

Guelph will be home to Alectra's new Green Energy & Technology Centre.

An increase in local jobs will bring significant economic benefits to our community.

Alectra is a strong cultural fit for the City of Guelph and current Guelph Hydro employees.

Learn more about the merger at energizetomorrow.ca

ENERGIZING TOMORROW **Guelph Hydro** **Guelph**

Poster boards

Bookshelf Theatre ad

Question

Will I be paying more or less for hydro?

Ask us anything.

ENERGIZING TOMORROW

Ontario's electricity sector is changing.

It's time to review options for Guelph Hydro.
Learn more, ask questions, get in touch.

energizetomorrow.ca

Guelph Hydro **Guelph**

What will
the future of
local hydro
look like?



Customer savings
Green energy
and innovation
Local jobs

energizingtomorrow.ca



What will
the future of
local hydro
look like?



Customer savings
Green energy
and innovation
Local jobs

energizingtomorrow.ca



The future of
hydro looks
different.



energizingtomorrow.ca



Pull-up banners

Have your say about a Guelph Hydro merger



Customer savings • Reliable service • Local jobs

energizingtomorrow.ca




Social media

**ENERGIZING
TOMORROW**

Why is City Council
reviewing options for
Guelph Hydro?

Ontario's electricity sector is
changing and now is the time
to ask questions - no matter
how big or small - about the
future of Guelph Hydro.

Share your questions
and comments at
energizingtomorrow.ca



**Ask us anything at
energizingtomorrow.ca**

**Ontario's electricity
sector is changing.**

Ask us anything about
the future of Guelph Hydro

ENERGIZINGTOMORROW.CA

Ask us anything about
the future of Guelph Hydro

ENERGIZINGTOMORROW.CA

Ontario's electricity sector is changing. Share your questions
and comments about Guelph Hydro at energizingtomorrow.ca

Web ads

COMMUNICATIONS RESULTS

Media Relations	<ul style="list-style-type: none">• Stories: 46• Reach: 11,507,004
Advertising	<ul style="list-style-type: none">• Ads: 17• Impressions: 1,932,290
Social Media	<ul style="list-style-type: none">• Posts: 303• Impressions: 699,937
Online Videos	<ul style="list-style-type: none">• Videos: 2• Views: 43,390
Customer Bill Inserts	<ul style="list-style-type: none">• Inserts: 2• Reach: 50,000
Email Updates	<ul style="list-style-type: none">• Subscribers: 52

ENGAGEMENT RESULTS

Telephone Survey	<ul style="list-style-type: none">• Phase 1 Survey: n=260• Phase 2 Survey: n=500
EnergizingTomorrow.ca	<ul style="list-style-type: none">• Unique Visitors: 6,200• Phase 1 Poll: 160• Phase 3 Poll: 53
Open Houses	<ul style="list-style-type: none">• Sessions: 6• Attendees: 109
Pop-up Information Tables	<ul style="list-style-type: none">• Sessions: 10• Engagements: 242
Stakeholder Briefings	<ul style="list-style-type: none">• Guelph Hydro: 16 organizations• City of Guelph: 7 organizations

FINAL TAKE-AWAYS

- The research shows Guelph Hydro customers support the benefits of a Guelph Hydro-Alectra merger
- Guelph Hydro customers are eager for the City and Guelph Hydro to share the details of the transaction
- Overall, customer response throughout the asset review process has been moderate; there has been neither overwhelming movement against or for the Guelph Hydro-Alectra merger

QUESTIONS



Ask us anything

ENERGIZINGTOMORROW.CA

**IBEW- 4 ATTACHMENT 2
PHASE 3 – COMMUNITY EDUCATION
AND ENGAGEMENT REPORT
DECEMBER 2017**

GUELPH HYDRO ASSET REVIEW

COMMUNITY EDUCATION AND ENGAGEMENT REPORT

November 28, 2017

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Executive Summary

The City of Guelph launched the municipal public asset review of Guelph Hydro in October 2016. This also marked the start of Guelph's multi-phase community engagement initiative called Energizing Tomorrow.

The first phase of the campaign was designed to raise awareness about the review and seek input on the criteria that would guide decision-making for the future of Guelph Hydro. Phase One community engagement findings showed support for the decision-making criteria being used to evaluate options for Guelph Hydro: rates, customer service, community planning, environmental sustainability and local jobs.

Following preliminary industry research, analysis and public engagement, Guelph City Council decided in February 2017 to consider how a merger with a publicly-owned utility compared with maintaining full ownership of Guelph Hydro.

The second phase of the Energizing Tomorrow campaign was focused on raising community awareness about the process, and informing the community that City Council would consider a possible Guelph Hydro merger in late 2017.

The City of Guelph announced on October 18, 2017 it would enter merger negotiations with Alectra, a municipally-owned utility. A merger with Alectra would keep downward pressure on rates, resulting in distribution rate increases that are more moderate than they would be if Guelph Hydro remained a standalone utility. And following the merger, Alectra would establish a Southwest Ontario Operations Hub and new Green Energy and Technology Centre (GRE&T Centre) at Guelph Hydro's current headquarters, keeping jobs in the community. As a shareholder, the City of Guelph would continue to receive annual dividends while customers would benefit from increased investments towards innovation.

Since the Guelph Hydro-Alectra merger announcement, the City of Guelph held open houses, pop-up information tables in public spaces, stakeholder consultations, conducted telephone and web surveys, and held Guelph Hydro employee town halls and other public engagement activities.

At the time of Phase Three engagement, the City was not in a position to disclose specific details about the negotiations that were underway (this information became public in the December 13, 2017 report to City Council). The City engaged the public on what it could disclose at the time, which included a high-level description of the key benefits and commitments that was announced on October 18, 2017.

Phase Three Community Feedback Highlights

- Most people are aware the City is considering a Guelph Hydro merger.
- Overall, the community supports the benefits of the merger.
- Rates are a priority for residents.
- Customers want high-quality, reliable service in the local area. There are questions about whether Guelph would be a priority as part of a larger utility.
- Residents want local control and a voice over hydro decisions in the community.
- The community wants to keep jobs in Guelph. Some question whether jobs will leave the city in the long-term.
- Residents care about environmental sustainability and the proposed Green Energy & Technology Centre is generally well-received. Some community members want more details about the Centre.
- Community members want more specific information about the proposed merger.

The December 13, 2017 report to City Council as shareholder of Guelph Hydro, along with its attachments, summarize the outcomes of the City's discussions with Alectra and provide information the public has been asking for.

Introduction

About Energizing Tomorrow

In October 2016, when the City of Guelph launched its review of Guelph Hydro, one of the first steps it took was to develop a community education and engagement plan.

Unlike most other cities exploring options for their local utility companies, Guelph initiated its education and engagement activities before a proposed transaction was being considered by City Council.

The long-term, multi-phase Energizing Tomorrow initiative was deliberately designed to give people time to learn about the process and considered options, and offer meaningful opportunities to participate.

Engagement Objectives

- **Design a process with integrity:** Ensure the community has opportunities to provide input from the onset of the process.
- **Encourage meaningful engagement:** Through digital communications and direct engagement, drive awareness and participation.
- **Gather actionable input:** Leverage the engagement initiative to ensure the views of the community are reflected in decisions.
- **Maintain public confidence:** Earn the public's trust by conducting meaningful engagement.

Engagement Principles

- Transparent and accountable
- Clear language and messages
- Timely
- Authentic
- Inclusive
- Easy to participate
- Focused on the public interest

Community Engagement: Four Phases

People's expectations of engagement continue to increase as they want to be included in the decisions that stand to impact them.

Given the importance of the electricity distribution company for all community members, the City of Guelph designed and activated a multi-phased community engagement initiative to seek public input throughout the asset review process, which includes four community consultation phases:

- **Phase One** (October 2016 – February 2017): Raise awareness of process and seek public input on priorities and decision-making criteria.
- **Phase Two** (February – October 2017): Raise awareness of City Council's February decision and of the two scenarios that would be examined closely from this point forward: maintain full ownership and merge in greater detail.
- **Phase Three** (October – December 2017): Measure awareness and support for the benefits and commitments of the proposed Guelph Hydro-Alectra merger.
- **Phase Four** (December 2017 - TBD): If Guelph City Council approves the merger, the City of Guelph will continue to help customers, and employees understand what to expect throughout the regulatory process and until the merger is complete.

Phase Three: October to November 2017

After more than a year of ongoing community education and engagement, Phase Three engagement findings clearly show that most people in Guelph and Rockwood are aware that the Guelph City Council is considering a merger, and most people support the benefits of the proposed merger.

Through a statistically valid telephone survey of Guelph and Rockwood Guelph Hydro customers (November 2017), the City learned 80% of respondents were aware of the asset review process.

This high level of awareness can be attributed to the community engagement and awareness activities in Phase One and Phase Two.

Community feedback from previous phases of the process is presented later in this report.

Phase Three Community Engagement Findings

The following data reflects feedback collected from a subset of the population in the City of Guelph and Rockwood who engaged in the community engagement process from October 18, 2017 to November 28, 2017.

People Support the Benefits of the Merger

The telephone survey (N=500) is the largest source of scientific data from the community, and indicates that residents are supportive of the benefits of the Guelph Hydro-Alectra merger as it relates to the top-ranked decision-making criteria: rates, customer service, local jobs, community planning, environmental sustainability and local jobs.

There has been no strong public movement against or for the Guelph Hydro-Alectra merger through the extensive community engagement process, especially since the merger announcement on October 18, 2017. This lack of strong sentiment in the community could be the reason for modest participation in Phase Three open house events and some other community engagement activities.

There are some in the community who have concerns about the transaction, which are reflected in the key findings below.

Rates

From the very beginning of the asset review process, people said rates are most important. People are concerned about the cost of hydro.

When asked about the expected impact the merger would have on rates, just over 50% said they were in favour of the merger – compared to 33.4% who said no and 16.2% who did not have a response.

Some in the community question whether rates won't increase as much by merging with Alectra and want more information from the City of Guelph on how rates will be protected post-merger.

Customer Service

Reliable service is important for hydro customers in Guelph and Rockwood. When provided with information about the service commitments Alectra has agreed to, respondents are largely in favour of the local service that would be provided post-merger.

Many in the community are satisfied with the current level of service from Guelph Hydro and some question whether Alectra would prioritize customers in Guelph given the size of the utility.

Local Jobs

Guelph residents want assurances that local jobs will remain post-merger.

When told operations-type jobs would remain in the community following the merger, respondents were supportive of the transaction.

Some in the community are skeptical on whether jobs will remain in the community long-term.

Environmental Sustainability

Guelph residents want to continue to lead in developing and implementing environmentally-sustainable solutions. When provided with details about the proposed GRE&T Centre, most people who participated in the community engagement process were supportive.

Some residents have asked for more information about the GRE&T Centre as the concept is still in its early phases. It should also be noted that some residents are concerned about the GRE&T Centre's feasibility and cost due to previous questions about Guelph's experience with district energy.

Local Control and Influence

In Phase One, the City heard the community was opposed to a sale and to privatization, and wanted to maintain local control. In Phase Three, after people understood City Council had already decided not to sell or privatize Guelph's local utility, fewer concerns were raised in the community.

A small number of community members have questioned whether, as a small shareholder, the City of Guelph would have less influence or control over hydro matters in the city. There is an opportunity to provide the community with more information about how the City of Guelph will continue to have a say over hydro decisions that affect customers in Guelph (NOTE: At the time of the Phase Three engagement, governance details were not yet public given that negotiations were underway).

Information and Transparency

During merger negotiations, the City has not been able to share all details about the proposed merger. Some people have commented on the fact that they would like more information in order to form an opinion about the merger.

As the process continues, it will be important for the City of Guelph to share more details about the proposed merger, including details about local control and influence.

For some, the desire for more information has resulted in questions about transparency. Some reported they would like more details about Alectra and the potential downside of a merger.

Phase Three Survey Results

There are two data sets from the polling on the benefits of the Guelph Hydro-Alectra merger: the Oraclepoll Research telephone consultation survey (N=500) and the Energizing Tomorrow unscientific online poll (N=53).

The telephone poll features eight questions designed to show how customers feel about the proposed transaction. Oraclepoll Research—an independent Canadian market research firm—designed and administered the poll.

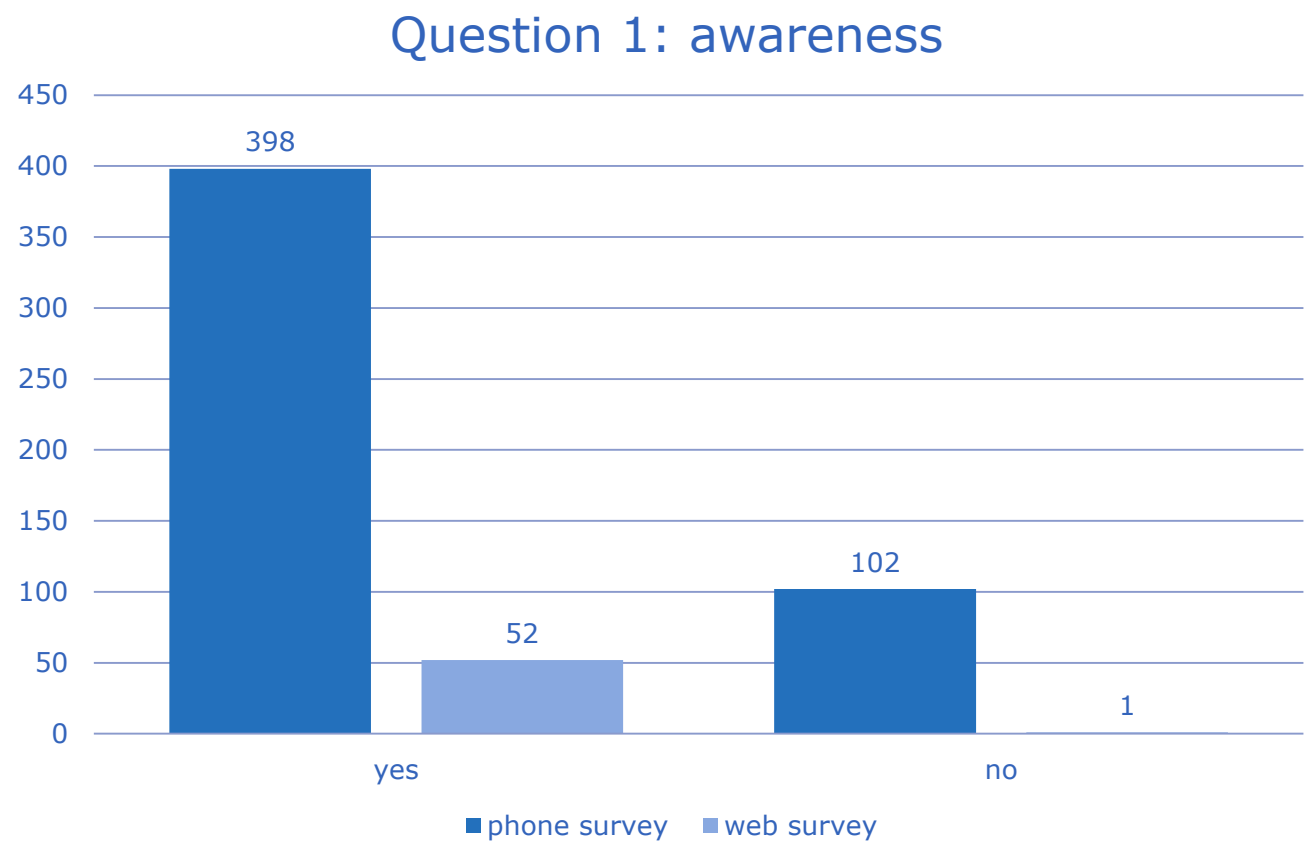
Respondents were randomly selected using random digit dialing among Guelph and Rockwood residents. Both landlines and cellphone numbers made up part of the sample. In total, 500 interviews were completed yielding statistically robust findings. A sample size of 500 people produces results which can be considered accurate within ± 4.4 percentage points, 19 times out of 20.

Respondents of the scientific telephone survey were in favour of the merger's benefits, based on the decision-making criteria.

On the other hand, the online poll received a modest number of responses – 53 as of November 15, 2017. The vast majority of the 53 respondents to the online poll are opposed to the merger.

Phone and Web Survey Results

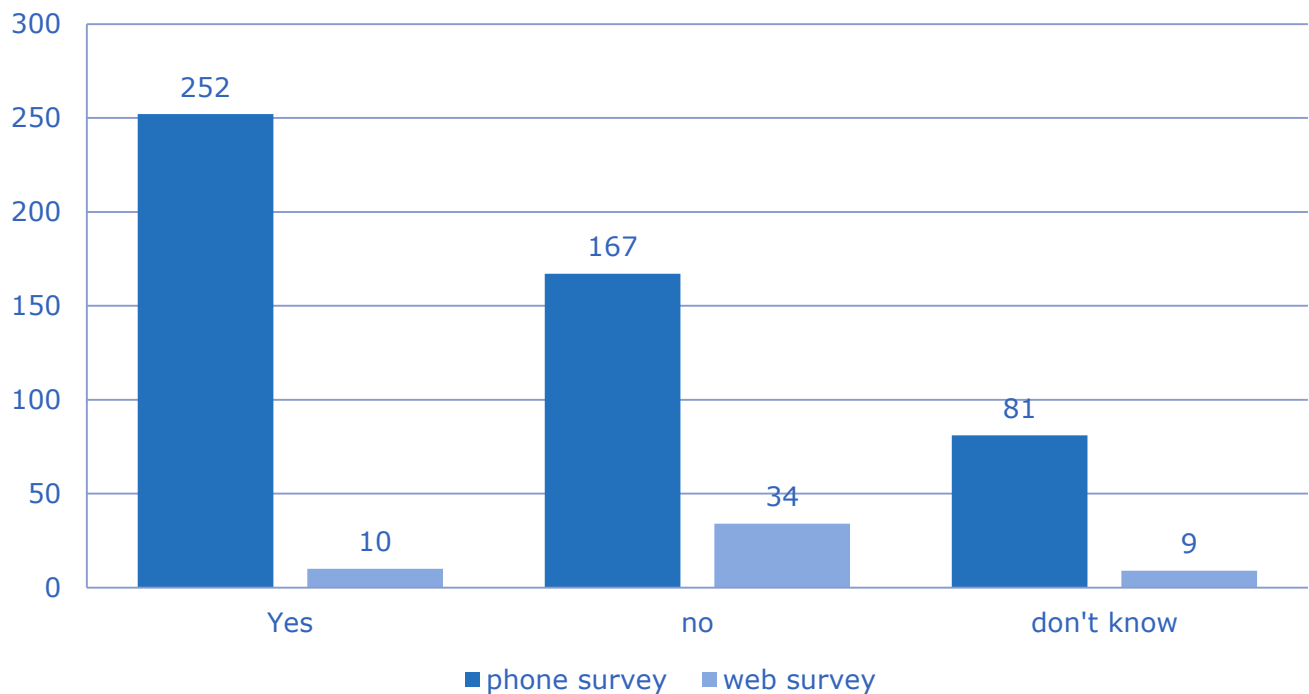
Question 1: Are you aware of Guelph Hydro's current merger negotiations with Alectra?



Question 2: Through community engagement, residents told the City that keeping distribution rates low was the most important decision-making criteria when deciding on the future of Guelph Hydro. Distribution rates won't go down in either case (merge or stand alone.) But customers will see more moderate distribution rate increases if Guelph Hydro merges with Alectra.

Would you support a merger of Guelph Hydro and Alectra if it results in more moderate distribution rate increases than would occur if Guelph Hydro remained a standalone utility?

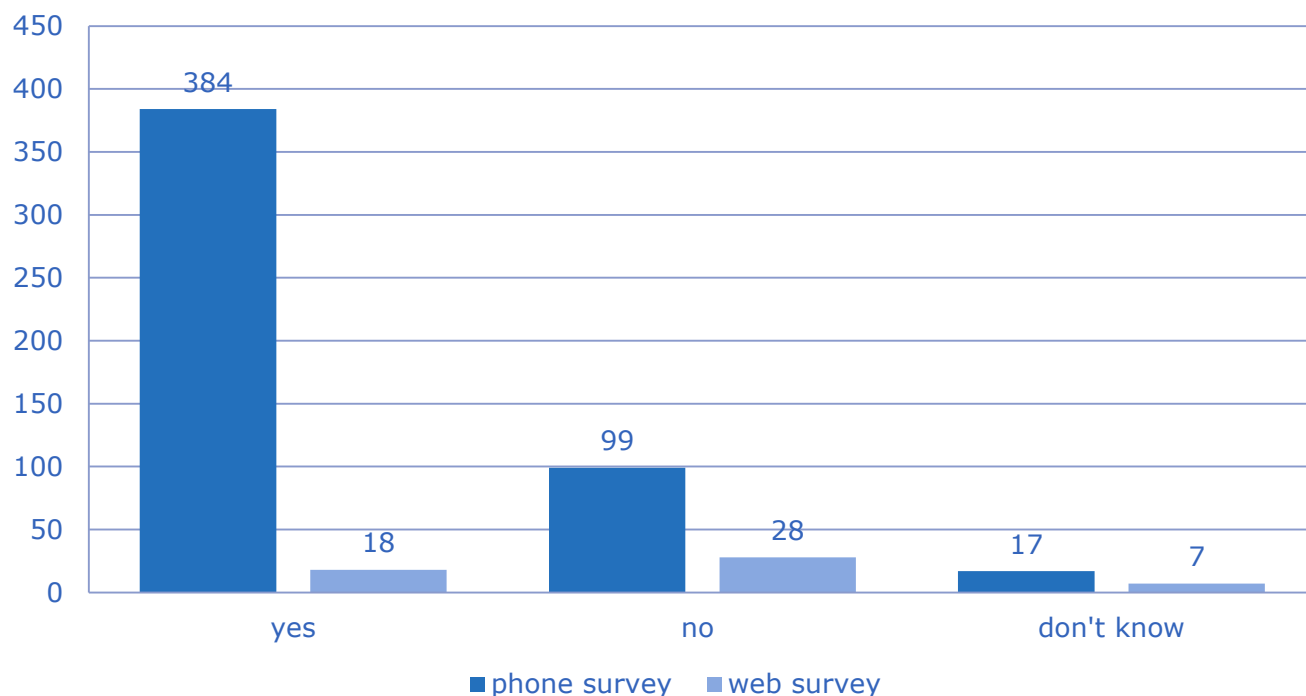
Question 2: rates



Question 3: Guelph residents also reported that keeping and providing jobs in Guelph is important when determining the future of Guelph Hydro. In the proposed Guelph Hydro-Alectra merger, local crews would be maintained and would still respond to local calls, which means jobs would stay in the community. Further, the merger would bring more jobs with the creation of a new Green Energy & Technology Centre.

Would you support a merger of Guelph Hydro and Alectra if it will maintain and generate new local jobs in Guelph?

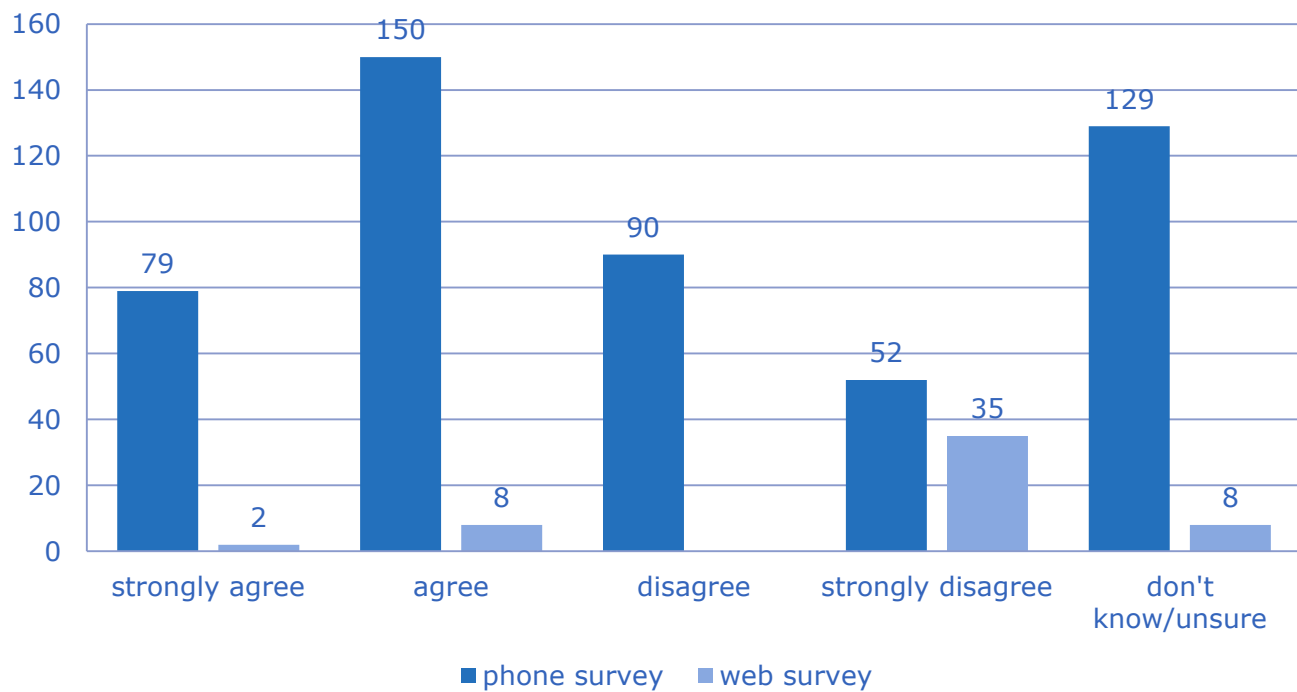
Question 3: jobs



Question 4: Guelph residents and businesses said that reliable service is important in determining the future of Guelph Hydro. Under a Guelph Hydro-Alectra merger, local crews would continue delivering the quality service it does right now, and Guelph Hydro crews would be supported by a larger contingent of skilled workers during emergencies such as severe storms. In short, service and outage response times would be the same or better.

Do you strongly agree, agree, disagree or strongly disagree that service would remain the same or improve under a Guelph Hydro-Alectra merger?

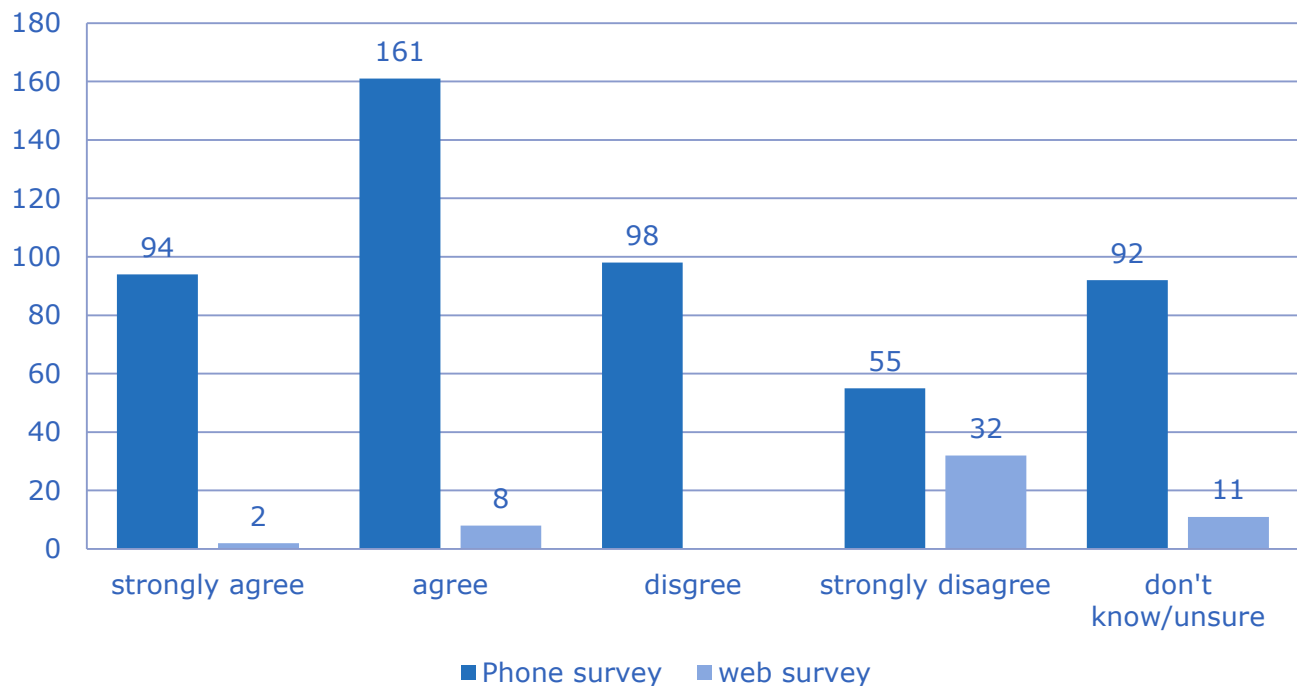
Question 4: service



Question 5: Innovation was another priority area that residents identified. In the deal that has been presented to council, a merger with Alectra would provide investment resources to maintain sustainable local electricity distribution infrastructure and to ensure that it keeps up with advances in technological innovation.

Do you strongly agree, agree, disagree or strongly disagree that the proposed investment resources would result in innovation for the local electricity distribution system?

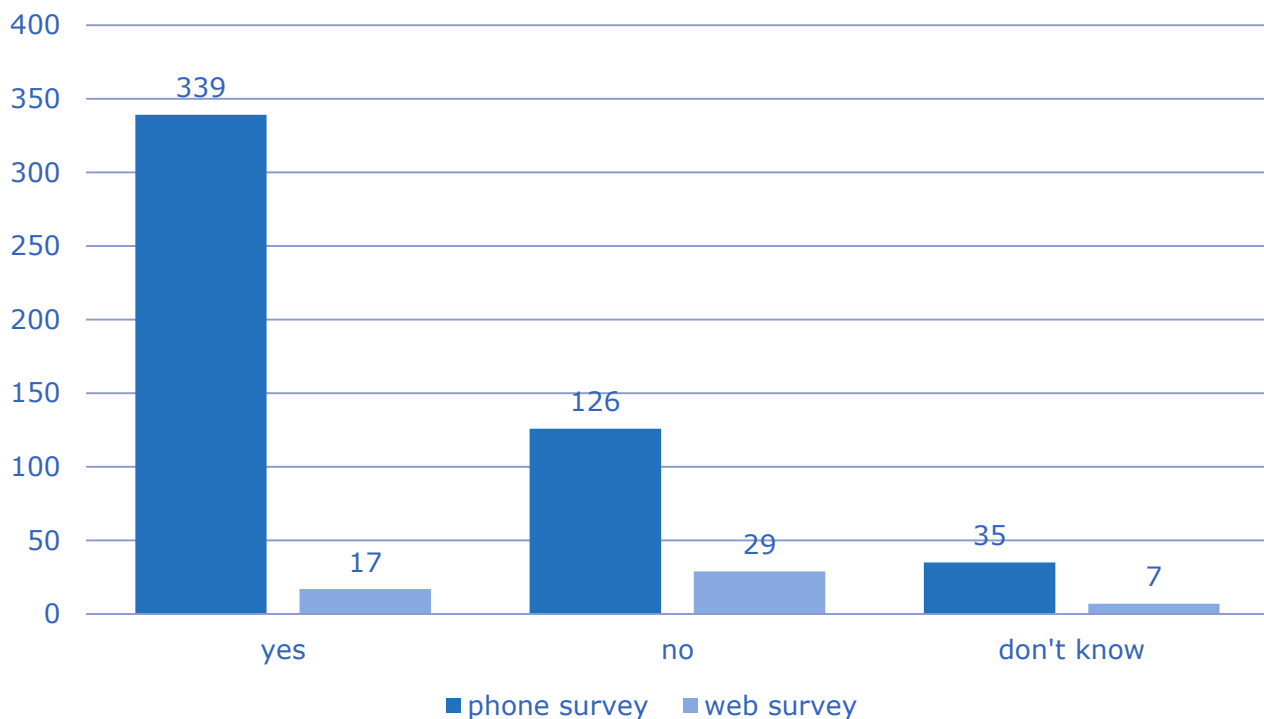
Question 5: innovation



Question 6: Guelph residents said continuing to receive annual dividends from their local electricity utility is important. In a Guelph Hydro-Alectra merger, the City of Guelph would own part of a larger public utility and, as such, would receive higher annual dividends. In turn, the City could use that money to invest back into the community.

Would you support a merger of Guelph Hydro and Alectra if it meant dividends to the City of Guelph would increase and that money could be invested back into the community?

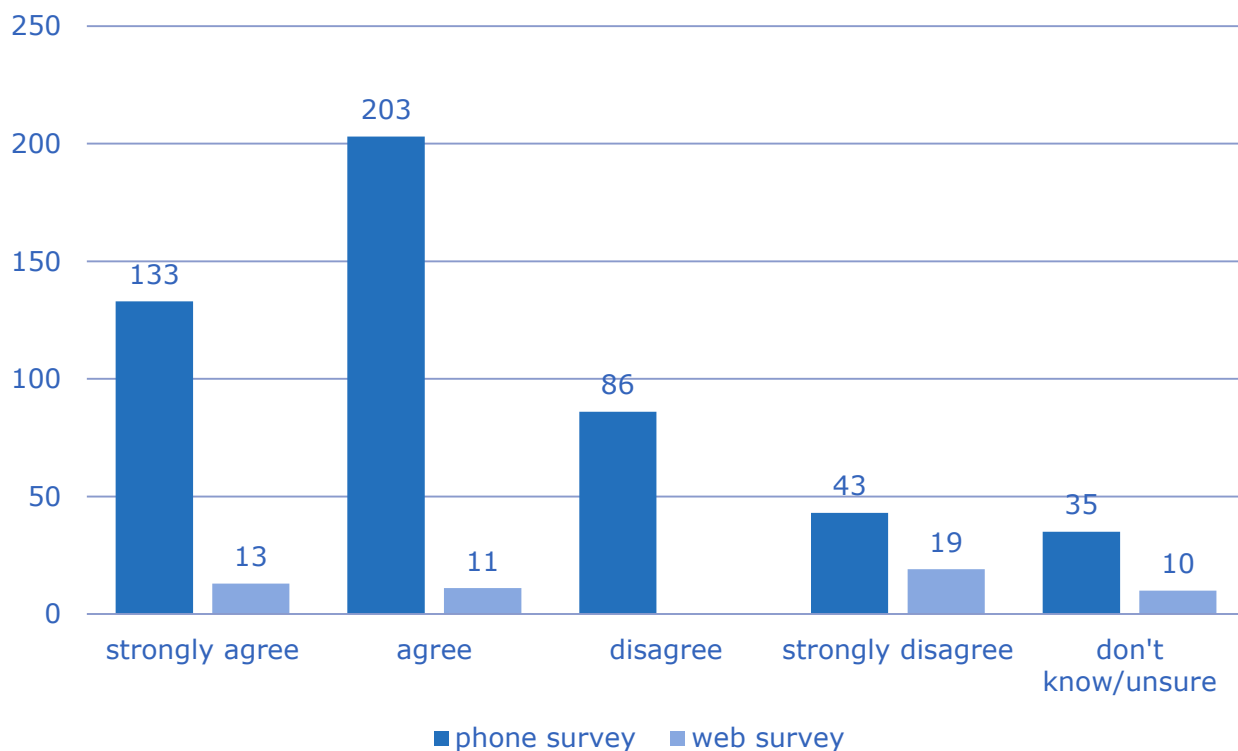
Question 6: dividends



Question 7: Finally, residents said that the environment was a key area to consider. Both Guelph Hydro and Alectra are already focused on conservation, renewable energy, and environmental sustainability. As part of the proposed merger, Alectra would establish a new Green Energy & Technology Centre in Guelph that would help position Guelph as a leader in green technology solutions.

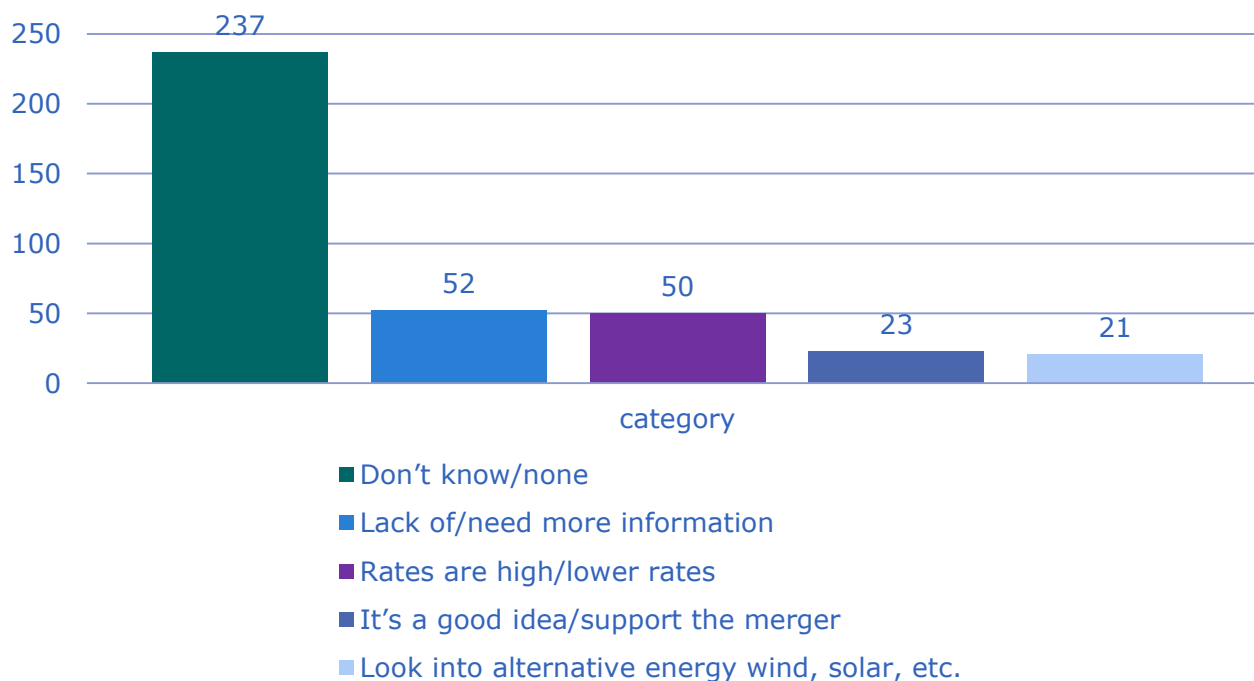
Would you say that you strongly agree, agree, disagree or strongly disagree that the establishment of a Green Energy & Technology Centre is a good direction for Guelph?

Question 7: GRE&T



Question 8: Do you have any final comments or is there anything you would like City Council as shareholder of Guelph Hydro to consider as it makes a decision about the proposed Guelph Hydro-Alectra merger?

Comments: phone survey



Comments: web survey

Twenty-two respondents (44%) did not leave any additional comments. The following themes emerged in the responses of the 31 (56%) of people who provided additional comments.

More Information - several respondents reported the outcomes of a merger mentioned in this survey are beneficial; however, individuals want more evidence to show that these promises will be fulfilled. For example, respondents report wanting more evidence that their rates will not increase.

Transparency - Several respondents reported they feel the City of Guelph has not provided enough information to the public about the merger. As such, individuals feel the City is not being transparent. Several respondents noted that holding a public vote on this would make the process feel more transparent.

Acquisition -Several respondents reported fear that the size of Alectra means the merger would be more like an acquisition and the needs of Guelph residents would be forgotten.

Phase Three Engagement Participation

The City of Guelph considered all community and Guelph Hydro feedback collected through the following engagement activities from October 18, 2017 to November 28, 2017.

Phase Three Engagement Activity	Participation
Oraclepoll Research Telephone Survey November 7 to 13, 2017	N=500 adult (18+) permanent residents of the City of Guelph (N=465) and Rockwood (N=35) Margin of error of +4.4%, 19 times out of 20
Web survey (unscientific) November 9 to 16, 2017	53 completed polls
Open Houses	Guelph Session 1: 15 attendees Guelph Session 2: Eight attendees Rockwood: two attendees
Pop-up Information Tables	Guelph Farmers Market: 50 engagements Stone Road Mall: 42 engagements
Email updates	52 email subscribers
Community Stakeholder Briefings	Our Energy Guelph eMerge Transition Guelph Guelph Chamber of Commerce Guelph Wellington Seniors Association Guelph Neighbourhood Support Coalition Downtown Guelph Business Association
Email and Telephone	23 messages

Phase Three Engagement Activity	Participation
Guelph Hydro Large Customer Briefings	11 organizations: <ol style="list-style-type: none"> 1. Canadian Solar Solutions 2. Hematite Manufacturing 3. Owens Corning Canada 4. Polycon Industries 5. University of Guelph 6. Wellington Catholic District School Board 7. Upper Grand District School Board 8. AOC Resins 9. Blount 10. Melitron 11. Narmco
Guelph Hydro Employee Town Hall Meetings	One town hall meeting

More details about the reach and results of these activities is provided in Appendix A.

Phase Three Community Engagement Activities

Telephone Consultation Survey

As outlined in the previous section, the City of Guelph retained Oraclepoll Research to conduct a telephone public opinion survey among a randomly-selected, representative sample of N=500 adult (18+) permanent residents of the City of Guelph and neighbouring Rockwood.

The eight-question survey asked participants to rate the features of the Guelph Hydro-Alectra merger, based on the top decision-making criteria that were informed by Phase One community engagement.

The survey took place from November 7, 2017 to November 13, 2017.

Web Survey

To provide those who were not randomly-selected for the telephone poll with the chance to respond to a similar survey, the City of Guelph made an online version of the poll available for anyone to respond to on the Energizing Tomorrow website.

The questions were based on the Oraclepoll Research telephone survey.

The results of the online poll cannot be considered statistically valid and cannot be directly compared to those from the telephone survey as the sample is not representative of the general population and is subject to self-selection bias.

Open Houses

The City held a public open house in Rockwood (November 6, 2017) and two public open houses in Guelph (November 7, 2017 and November 9, 2017).

Attendees were invited to complete and submit comment cards, which included the same survey from the Energizing Tomorrow website and the telephone survey.

The City of Guelph promoted the open houses through local print, radio and online news outlets, print advertising, social media and the City's website.

Pop-up Information Tables

Communications staff from the City of Guelph and Guelph Hydro organized two pop-up information sessions at the Guelph Farmers' Market (October 28, 2017) and Stone Road Mall (November 2, 2017).

Similar to the approach in Phase Two, the pop-up information tables were intended to reach people who would not necessarily attend a town hall meeting or open house and—as such—were in keeping with the Strategies and Options Committee's guiding principles to be inclusive and to make the process easy to access.

Community Stakeholder Outreach

The City of Guelph has and is engaging the following community organizations as part of Phase Three consultation:

- Our Energy Guelph
- eMerge
- Transition Guelph
- Guelph Chamber of Commerce
- Guelph Wellington Seniors Association
- Guelph Neighbourhood Support Coalition
- Downtown Guelph Business Association

Municipal Websites and Social Media

The City of Guelph posted messages/banners on the City and Guelph Hydro's websites/social media channels, along with links to the Energizing Tomorrow website. In addition, The Mayor of Guelph informed residents about the Guelph Hydro-Alectra merger with a [short video](#) on social media channels and the Energizing Tomorrow website.

The Mayor also wrote a [blog post](#) that featured seven key facts about the Guelph Hydro-Alectra merger. Members of City Council also shared information about the proposed merger on their blogs and social media channels.

Local Advertising and Paid Social Media

Local print and web advertisements drove participation in engagement activities.

Paid social posts on Facebook and Twitter to raise awareness and drive traffic to the Energizing Tomorrow website, the online poll, open houses and pop-up information tables.

Media Relations and Public Announcements

Hosted a news conference at Guelph City Hall on October 18, 2017 to announce the City's intention to pursue a merger with Alectra.

Ongoing media relations to drive traffic to the Energizing Tomorrow website and public participation at the open houses and pop-up engagement tables.

Editorial

Robert Bell, Vice-Chair of the Guelph Hydro Board of Directors and Co-Chair of the Strategies and Options Committee, submitted an [op-ed](#) that appeared in the Guelph Mercury Tribune and on [guelphtoday.com](#). It focused on the Committee's rationale for recommending City Council approve a merger with Alectra.

Dedicated Community Email Address and Telephone Line

The [Energizing Tomorrow email address and telephone line](#) continued throughout Phase Three, and will be active for the duration of the asset review process.

Energizing Tomorrow Booklet: Updated Version

To complement the website information, the City of Guelph published an updated version of the Energizing Tomorrow booklet that includes key details about the Guelph Hydro-Alectra merger.

The booklets were distributed at open houses, and to Guelph Hydro employees.

Large Customer Email Updates and Information Sessions

Guelph Hydro sent the media release announcing the proposed merger with Alectra along with background information to 45 large customers and invited them to attend one of three Customer Information Sessions. The following customers attended the information sessions:

- Canadian Solar Solutions
- Hematite Manufacturing
- Owens Corning Canada
- Polycon Industries
- University of Guelph
- Wellington Catholic District School Board
- Upper Grand District School Board
- AOC Resins
- Blount
- Melitron
- Narmco

Bill Insert and On-bill Message

A third Energizing Tomorrow bill insert, as well as a message on bills, were included with 50,000 Guelph Hydro bills (distribution from November 15, 2017 to December 10, 2017).

Call Centre Scripting

Guelph Hydro Customer Service staff was coached to continue referring questions to the Energizing Tomorrow website.

Guelph Hydro Employee Town Hall Meetings

Guelph Hydro conducted an employee Town Hall meeting on October 18, 2017 to discuss the announcement of the proposed merger with Alectra and answer questions. Union representatives were briefed just prior to the Town Hall meeting.

The merger announcement was streamed live to Guelph Hydro employees

Employees also received an information package including a news release, fact sheet, questions and answers, and backgrounders.

An employee Town Hall meeting is also scheduled to share and discuss the information in the December 13 report to City Council.

Guelph Hydro Department Meetings and Senior Briefing Sessions

A series of department meetings were conducted by Pankaj Sardana, Chief Executive Officer of Guelph Hydro, to provide information and respond to employee questions and concerns. A second series of department meetings will take place in December 2017.

Guelph Hydro Senior Team members are being kept up to date in weekly briefing sessions.

Guelph Hydro Employee E-blasts

Employees have received frequent e-blasts providing updates along with links to media coverage, the Mayor's blog, videos, the community engagement schedule, the online poll, etc.

E-blast updates will continue to be sent out as new information becomes available.

Employee Communications Channels

Face-to-face at Town Hall meetings, department meetings conducted by Pankaj Sardana, or individual discussions.

Dedicated voicemail and email address: mergerquestions@guelphhydro.com.

Question box for anonymous, hard copy questions – no questions submitted.

Energizing Tomorrow website.

More information about the reach of these activities is presented in Appendix A

Phase One Summary: October 2016 to February 2017

Phase One Education and Engagement Findings

Buy, sell, merge or maintain ownership

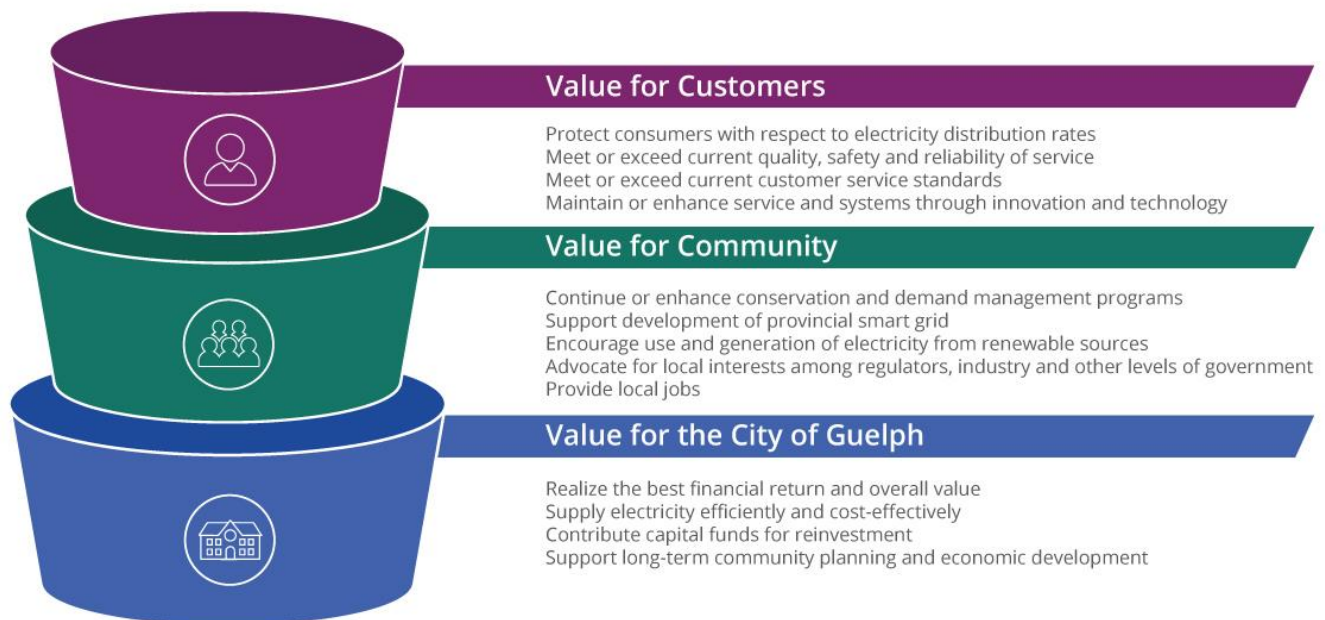
During the first phase of the process, City Council explored whether to buy other utilities, sell Guelph Hydro, merge with other utilities or maintain full ownership of Guelph Hydro.

The Strategies and Options Committee presented preliminary industry research and analysis, outlining the possible risks and benefits associated with each option.

Before making any decision, City Council considered whether the community supported the criteria being used to evaluate the options for Guelph Hydro.

Seeking input about decision-making criteria

Phase One community engagement was focused on raising awareness about the process, and seeking input on the decision-making criteria that would be used to evaluate the options for Guelph Hydro.



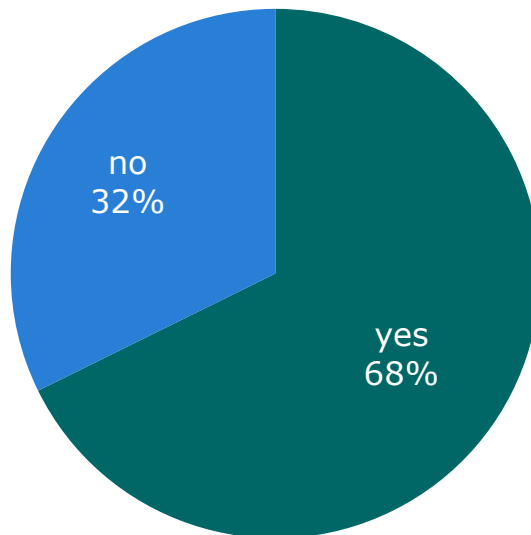
Top Decision-making Criteria

Across all sets of data, which includes two online surveys, a telephone survey, and comments received at open houses, questions and comments received on the Energizing Tomorrow website and social media, the five most important criteria, in priority order, were:

- **Rates** – protect consumers with respect to electricity distribution rates; supply electricity efficiently and cost-effectively.
- **Service** – meet or exceed current quality, safety and reliability of service.
- **Community Planning** – support long-term community planning and economic development.
- **Environment** - encourage use and generation of electricity from renewable sources; continue or enhance conservation and demand management programs.
- **Local Jobs** – preserve and provide local jobs.

Support for Decision-making Framework

Participants were asked whether the City is “right” in giving equal consideration to Guelph Hydro customers, the City of Guelph as shareholder and the community as a whole:



Key Themes

Based on all submitted questions, comments and survey responses from all engagement activities, the following five key themes were identified:

Rates – top concern of participants, which includes frustration at current electricity rates in the province, as well as concerns about the impact a potential transaction could have on rates.

Efficient and reliable service - people want to ensure Guelph Hydro's positive track record of efficient and reliable service is preserved.

Potential transaction – large segment of participants want to maintain local control and public ownership; low-level of support for sale, especially with a privately-owned utility; no support for Guelph Hydro to buy other utilities; if a merger is considered, respondents prefer other utilities in the region and those who are "like-minded" with Guelph Hydro.

Environmental sustainability – the use and generation of electricity from renewable sources, as well as energy conservation programs, were important to a notable segment of participants.

Public information sharing – people want more information about the options being considered, such as financial analyses; participants want the City to continue seeking public input throughout the asset review process.

Phase One Outcome

Based on Phase One public input and the Strategies and Options Committee's thorough analysis of all options, City Council directed Guelph's Strategies and Options Committee to explore the marketplace and learn how maintaining full ownership of Guelph Hydro compares with opportunities to merge with other publicly-owned utility companies. Council decided not to explore options to sell Guelph's local electricity utility company.

Phase One community engagement activities

Phase One Engagement Activity	Participation
Energizingtomorrow.ca	<p>Information about asset review, options being considered by the City of Guelph and the Strategies and Options Committee and the decision-making criteria.</p> <p>Questions/comments feature that allows people to have their say.</p> <p>Dedicated email address and telephone line for people to make inquiries and seek more information.</p> <p>56 comments/questions</p>
Web Survey	<p>Three-question survey on public website to seek input on the decision-making criteria.</p> <p>Open house participants provided with comment cards that included the three polling questions.</p> <p>160 completed polls</p>
Telephone Survey	<p>Telephone survey to seek input on the decision-making criteria from 260 randomly-selected residents of the City of Guelph and Rockwood.</p>
Open Houses	<p>City of Guelph (two sessions): 70 attendees</p> <p>Rockwood (one session): 14 attendees</p>
Community Stakeholder Consultations	<p>Community organizations</p> <p>Local business associations</p> <p>Large Guelph Hydro industrial customers</p> <p>Guelph Hydro employees</p> <p>Guelph Wellington Seniors Association</p>

Phase One Engagement Activity	Participation
Guelph Hydro Large Customer Information Sessions	<p>Canadian Solar Solutions</p> <p>City of Guelph</p> <p>Hematite Manufacturing</p> <p>Hitachi Construction Truck Manufacturing Ltd.</p> <p>Linamar Corporation</p> <p>Magna</p> <p>Owens Corning Canada LP</p> <p>Polycon Industries</p> <p>Union Gas</p> <p>University of Guelph</p>
Guelph Hydro Employee Town Halls	<p>Guelph Hydro conducted two employee town halls to discuss and seek input on the asset review process (October 25, 2016 and December 13, 2016).</p>
Guelph Hydro Bill Insert	<p>50,000 Guelph Hydro customers received a bill insert in January 2017 outlining all the options being considered (buy, sell merge or maintain ownership) and encouraged people to visit the Energizing Tomorrow website to learn more and ask us anything.</p>
Websites and Social Media	<p>The City of Guelph posted messages/banners on the City and Guelph Hydro's websites/social media channels, along with links to the Energizing Tomorrow website.</p> <p>The Mayor of Guelph informed residents about the asset review and the Energizing Tomorrow website through a blog post</p> <p>Members of City Council were also encouraged to share information about the asset review and informed the public about the open house events on their blogs and social media channels.</p>

Phase One Engagement Activity	Participation
Local Media Relations	The City of Guelph engaged local media with news releases and interviews to raise awareness and drive public participation in the engagement initiative.
Local Advertising and Paid Social Media	<p>The City produced and placed print and digital advertisements with Guelph Today, Mercury Tribune, The Wellington Advertiser and SNAPd Guelph.</p> <p>The City targeted Facebook and Twitter users residing in Guelph through paid social media posts to drive traffic to the Energizing Tomorrow website.</p>
Energizing Tomorrow Booklet	To complement the website information, the City of Guelph published an Energizing Tomorrow booklet with all key details about the public asset review, the decision-making criteria and framework. The booklets were shared during open house events and are available for download online.

Phase Two Summary: February to October 2017

Phase Two Community Engagement Activities

Comparing a merger with maintaining full ownership

In February 2017, Guelph City Council considered the Strategies and Options Committee's initial research and analysis alongside preliminary community feedback and decided not to further explore options to sell Guelph's local electricity utility company.

City Council directed the committee to further explore the marketplace and learn how maintaining full ownership of Guelph Hydro would compare with opportunities to merge with other publicly-owned utility companies.

The overall community education and engagement objective in Phase Two was to maintain awareness of the process and inform people that City Council was considering a possible merger.

Phase Two engagement activity	Description and participation
Pop-up Information Tables	<p>City and Guelph Hydro staff answered questions at eight pop-up information tables at recreation centres, the library, Home Depot, Evergreen Seniors' Centre, Stone Road Mall, and the Farmers' Market.</p> <p>Approximately 150 people visited the tables. The most common questions were:</p> <ul style="list-style-type: none">• What will happen to my rates?• Who is the possible merger partner?• Why are we considering a merger?• Is a merger a good idea?• When is City Council making a decision?
Energizingtomorrow.ca	Responded to questions/comments received through the website, email and phone number.

Educational Video	<p>On behalf of the Strategies and Options Committee, the communications team developed an educational video that was released in September 2017.</p> <p>The illustrated video explains the salient and transformative changes underway in the electricity sector, and highlights that the City of Guelph is exploring options, including a merger, for Guelph Hydro.</p> <p>The City of Guelph shared the video with Guelph Hydro employees, and with the public via social media, websites and a combination of paid and earned placement.</p> <p>As of November 20, 2017, the video has received 40,171 views.</p>
Municipal Websites and Social Media	<p>Through the City of Guelph’s communications team, the Strategies and Options Committee leveraged the City of Guelph and Guelph Hydro websites, Facebook and Twitter accounts to encourage close to 50 thousand followers to learn more, ask questions and get involved in the decision-making process.</p>
Local Media Relations	<p>The City of Guelph continued to raise awareness and drive public participation through local media and public announcements in February, June, September and October.</p>
Guelph Hydro Employee Communications	<p>Continued answering questions from Guelph Hydro employees and providing as much information as possible about the process.</p>
Guelph Hydro Bill Insert	<p>In August and September 2017, 50,000 Guelph Hydro customers received a second bill insert asking, “Does a merger make sense for Guelph Hydro?” and inviting them to submit comments and questions on the website.</p>

More details about the reach and results of these activities is provided in Appendix A.

Next Steps

Commitment to ongoing community engagement

From the start of the asset review for the future of Guelph Hydro, the City of Guelph and the Strategies and Options Committee's goal was to ensure people are informed and have an opportunity to provide input at each step of the process.

The City will continue sharing the information from the December 13, 2017 report to Council with community stakeholders, invite people to learn more and ask us anything as City Council prepares to make its final decision.

If Guelph City Council approves the merger, the City will continue to provide residents, businesses, and Guelph Hydro employees with information throughout the regulatory process and until the merger is complete.

At any time, community members can visit energizingtomorrow.ca to learn more about the asset review and to submit comments and questions.

Appendix A

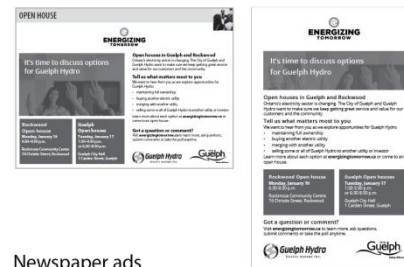
Communications Collateral



Bill inserts



Booklet



Newspaper ads



Bookshelf Theatre ad



Handout

ENERGIZING TOMORROW

Who approves changes to utilities in Ontario? Hydro One, the largest utility provider in Ontario, is the only utility that can make changes to the way it provides electricity to its customers. This means that if you want to make changes to the way you use electricity, you need to work with Hydro One. This is why it's important to know what Hydro One is doing and how it affects you. Learn more about the changes and how you can get involved.

Value for customers

- Energy customers will receive electricity at a lower cost.
- Customers will have a choice of electricity providers.
- Customers will have a choice of electricity providers.

Value for community

- Customers will have a choice of electricity providers.
- Customers will have a choice of electricity providers.
- Customers will have a choice of electricity providers.

Value for the City

- Customers will have a choice of electricity providers.
- Customers will have a choice of electricity providers.
- Customers will have a choice of electricity providers.

Maintain full ownership

Positive	Negative
<ul style="list-style-type: none"> No negative investment impact No negative impact on the City's financial position No negative impact on the City's financial position 	<ul style="list-style-type: none"> Electricity distribution costs may go up if the City is not able to negotiate with the utility Electricity distribution costs may go up if the City is not able to negotiate with the utility Electricity distribution costs may go up if the City is not able to negotiate with the utility

Buy other electricity utilities

Positive	Negative
<ul style="list-style-type: none"> Large-scale of electricity could create a more competitive market Large-scale of electricity could create a more competitive market Large-scale of electricity could create a more competitive market 	<ul style="list-style-type: none"> It would be difficult for the City to buy other utilities It would be difficult for the City to buy other utilities It would be difficult for the City to buy other utilities

Sell to a public or private organization

Positive	Negative
<ul style="list-style-type: none"> City of Guelph could potentially sell the utility to a public or private organization City of Guelph could potentially sell the utility to a public or private organization City of Guelph could potentially sell the utility to a public or private organization 	<ul style="list-style-type: none"> City of Guelph could potentially sell the utility to a public or private organization City of Guelph could potentially sell the utility to a public or private organization City of Guelph could potentially sell the utility to a public or private organization

Merge with other utilities

Positive	Negative
<ul style="list-style-type: none"> City of Guelph could merge with other utilities City of Guelph could merge with other utilities City of Guelph could merge with other utilities 	<ul style="list-style-type: none"> City of Guelph could merge with other utilities City of Guelph could merge with other utilities City of Guelph could merge with other utilities

Understanding Electricity Charges

When you pay your electricity bill, you are paying for the electricity you use. The bill is made up of several parts, including the cost of the electricity you use, the cost of the distribution system, and the cost of the transmission system. The bill is also made up of several other parts, including the cost of the electricity you use, the cost of the distribution system, and the cost of the transmission system. The bill is also made up of several other parts, including the cost of the electricity you use, the cost of the distribution system, and the cost of the transmission system.

Poster boards

Ask us anything at energizingtomorrow.ca

Ontario's electricity sector is changing.

Ask us anything about the future of Guelph Hydro

ENERGIZINGTOMORROW.CA

Ask us anything about the future of Guelph Hydro

ENERGIZINGTOMORROW.CA

Have your say about a Guelph Hydro merger

Customer savings • Reliable service • Local jobs

energizingtomorrow.ca

Web ads

Social media

Communications Reach and Results

Media Relations Phase One (October 2016 to February 2017)

News Outlet	Headline	Date	Reach
CTV Kitchener	Guelph Hydro should be sold or merged, committee concludes	February 2, 2017	305,000
Guelph.ca	Committee brings recommendations on future of Guelph Hydro to City Council	February 15, 2017	N/A
Guelph Today	City to look into merging Guelph Hydro with other utilities	February 16, 2017	21,000
GuelphMercury.com	City says no to selling Guelph Hydro, merger still on table	February 16, 2017	77,000
Guelph Today	Initial recommendation calls for closer look at merging or selling Guelph Hydro	February 3, 2017	21,000
GuelphMercury.com	Go-ahead sought to find sale, merger deal for Guelph Hydro	February 3, 2017	77,000
GuelphMercury.com	Public input critical to city's consideration of a Guelph Hydro sell-off	January 20 2017	77,000
GuelphMercury.com	Public asked views on Guelph Hydro's future	January 18 2017	77,000
Simcoe.com	Simcoe and York residents will save through hydro merger: Barrie mayor	January 17, 2017	61,000
Brampton Guardian	Enersource, PowerStream, Horizon, Hydro One Brampton set to flip the switch on	January 16, 2017	228,600

News Outlet	Headline	Date	Reach
	massive merger		
CTV News	Expand? Merge? Sell? Guelph Hydro holds open house	January 16, 2017	824,000
GuelphMercury.com	City meeting this week to discuss future of Guelph Hydro	January 15, 2017	77,000
CTV News	Future of Guelph Hydro subject of open houses this week	January 14, 2017	824,000
GuelphMercury.com	Ten stories that told the tale of Guelph city hall this year	December 29, 2016	77,000
GuelphMercury.com	Barbs fly as council discusses plan to shelve Guelph's holding company	October 25, 2016	77,000
GuelphMercury.com	City seeks public opinion on Guelph Hydro's future as it considers sale, merger	October 25, 2016	77,000
CTV News	City of Guelph considering possible sale of Guelph Hydro	October 24, 2016	824,000
Guelph.ca	City of Guelph to explore options for its energy assets	October 24, 2016	N/A
Sub-total:			3,724,600

Media Relations Phase Two (February to October 2017)

News Outlet	Headline	Date	Reach
CBC News	Merge, buy, stand alone? Waterloo North Hydro looks at ownership options	August 14, 2017	871,000
GuelphMercury.com	Guelph moving ahead with possible hydro merger	June 14, 2017	77,000

News Outlet	Headline	Date	Reach
Guelph Today	Does size matter when it comes to Guelph Hydro?	June 14, 2017	21,000
CTV News	The future of Guelph Hydro is still unclear	June 13, 2017	824,000
Guelph.ca	Guelph moving ahead with possible hydro merger	June 14, 2017	27,000
Waterloo Chronicle	Selling Waterloo North Hydro off the table	June 8, 2017	8,000
GuelphMercury.com	Council to decide whether to continue exploring Guelph Hydro merger options	June 5 2017	77,000
Guelph.ca	Guelph City Council to discuss further research into possible Guelph Hydro Mergers	June 2, 2017	27,000
Guelph Today	Guelph City Council to further discuss possible hydro merger	June 1, 2017	21,000
CTV News Kitchener	Waterloo North Hydro may look to merge with another utility	June 1, 2017	74,000
Waterloo Chronicle	Waterloo North Hydro exploring possible sale, merger, or keeping with the status quo	March 31, 2017	8,000
GuelphMercury.com	2 members gone from committee eyeing Guelph Hydro's future	March 28, 2017	77,000
GuelphMercury.com	City says no to selling Guelph Hydro, merger still on table	February 17, 2017	77,000

News Outlet	Headline	Date	Reach
Guelph.ca	City Council votes to explore merging Guelph Hydro with publicly-owned utilities	February 16, 2017	27,000
Sub-total Phase Two:			2,189,000

Media Relations Phase Three (October to November 2017)

News Outlet	Headline	Date	Reach
GuelphMercury.com	Is the proposed merger of Guelph Hydro and Alectra the real deal?	November 28, 2017	77,000
Guelph Today	City Council to vote on Guelph Hydro Merger	November 23, 2017	21,000
GuelphMercury.com	City of Guelph conducting phone survey on proposed hydro merger	November 7, 2017	77,000
Guelph Speaks	For a kiss and a promise, we may give Guelph Hydro away to Alectra Inc.	November 6, 2017	4,000
Guelph Hydro Online News	An Open Letter to Guelph Hydro Customers	November 5, 2017	N/A
GuelphMercury.com	Local control will be lost in hydro merger	November 3 2017	77,000
GuelphMercury.com	Customers stand to win with Guelph Hydro-Alectra merger	November 2 2017	77,000
Guelph Speaks	Who owns Alectra and why is it in such a hurry to scoop up Guelph Hydro?	November 2, 2017	4,000

News Outlet	Headline	Date	Reach
Stoney Creek News	Hamilton sees higher dividends and opportunities in proposed Alectra merger with Guelph, says Mayor Fred Eisenberger	October 31, 2017	53,877
The Hamilton Spectator	Mayor sees big dividend in Alectra merger with Guelph	October 28, 2017	209,000
CBC News	Have your say on proposed Guelph Hydro merger starting Saturday	October 27, 2017	871,000
GuelphMercury.com	City of Guelph seeking feedback on proposed hydro merger	October 27 2017	77,000
Hamilton News	Hamilton sees higher dividends and opportunities in proposed Alectra merger with Guelph, says Mayor Fred Eisenberger	October 24, 2017	9,000
Insauga	Hydro Company Alectra Begins Merger Talks with Guelph Hydro	October 25, 2017	13,000
GuelphMercury.com	Vote no to Guelph Hydro merger	October 25, 2017	77,000
Stoney Creek News	Alectra Utilities officials enter negotiations to merge with Guelph Hydro	October 23, 2017	53,877
Brampton Guardian	Brampton and Mississauga electricity provider seeks another merger	October 23, 2017	209,604
Waterloo Region Record	Guelph Hydro looking to merge with Alectra	October 20, 2017	140,000
Guelph Today	Market Squared: A sale by any other name?	October 20, 2017	21,000

News Outlet	Headline	Date	Reach
570 News	Guelph Hydro begins merger talks with Alectra	October 19, 2017	60,000
TheRecord.com	Guelph Hydro to vote on joining up with 2nd largest municipally-owned utility in North America	October 19 2017	50,000
The Waterloo Region Record	Guelph Hydro to vote on joining up with the 2nd largest municipally owned utility in North America	October 19, 2017	171,000
Hamilton News	Alectra Utilities officials enters negotiations to merge with Guelph Hydro	October 18, 2017	9,000
GuelphMercury.com	Guelph Hydro to make announcement on its future this afternoon	October 18, 2017	77,000
CBC News	Guelph Hydro pursues merger with North America's second largest utility	October 18 2017	871,000
GuelphMercury.com	City announces start of merger negotiations between Guelph Hydro, Alectra Inc.	October 18, 2017	77,000
Waterloo Chronicle	Waterloo North Hydro exploring possible sale, merger, or keeping with the status quo	October 18, 2017	31,746
Flamborough Review	Alectra Utilities officials enter negotiations to merge with Guelph Hydro	October 18, 2017	24,000
CTV News Kitchener	Guelph Hydro starting merger talks with Alectra	October 18, 2017	74,000

News Outlet	Headline	Date	Reach
Electrical Business	Will Guelph Hydro merge with Alectra?	October 18, 2017	20,000
Guelph.ca	Guelph Hydro begins merger talks with Alectra Inc.	October 18, 2017	N/A
CTV News (Total Broadcast Reach)	A merger is being negotiated between Guelph Hydro and Mississauga-based Energy Company Alectra. Guelph's Mayor says the plan comes with big benefits.	October 18 – 19, 2017	2,057,300
Sub-total phase three:			5,593,404
Total Reach all three phases:			11,507,004

Guelph Hydro Bill Inserts

Guelph Hydro bill inserts distributed to 50,000 customers in January, August and November.

Print Advertising

News Outlet	Reach	Number of Ads	Total Reach
Guelph Mercury Tribune, City News Pages	77,000	12	1,155,000

Twitter

Results of 245 posts between October 2016 and November 16, 2017. Impressions = number of times the posts/ads were shown to people.

Impressions	391,842
Paid Impressions	54,144
Engagements	3,208
Paid Engagements	475
Total Impressions	445,986
Total Engagements	3,683

Facebook

Results of 53 posts between October 2016 and November 17, 2017.

Reach = the number of people who saw the posts/ads (same people saw more than one ad).

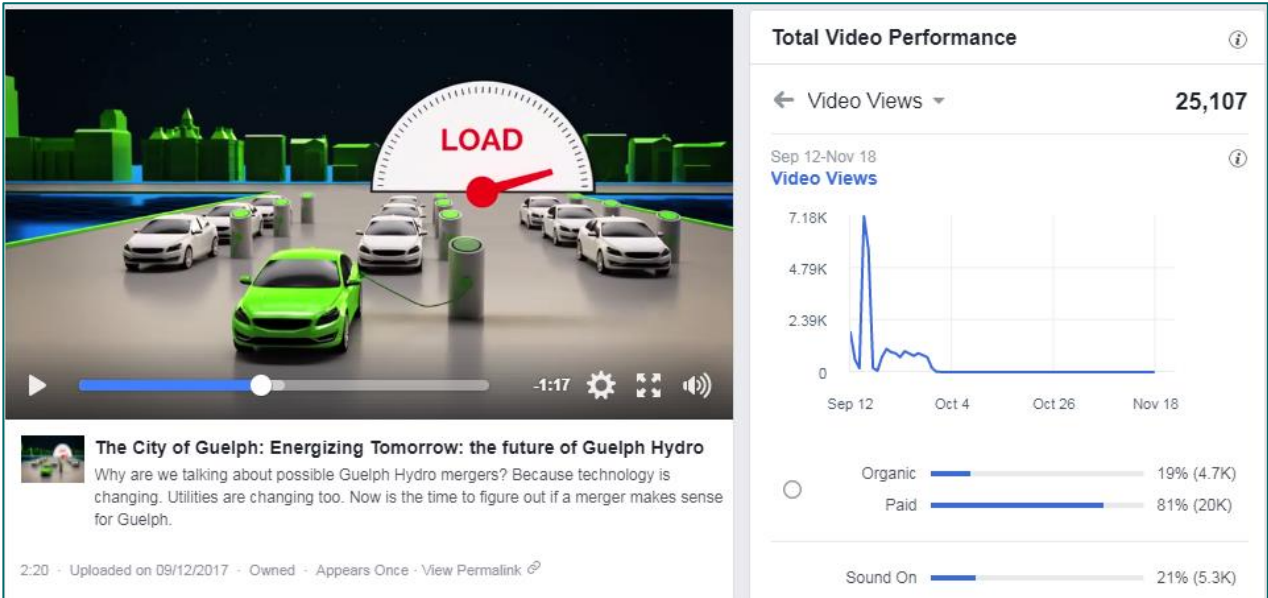
Impressions	159,632
Paid Impressions	47,266
Reach	98,748
Paid Reach	32,004
Total Impressions	223,360
Total Reach	136,428
Total Users Engaged	2,293
Total Engagements	3,441

Paid promotion of open house events

Five posts from October 26, 2016 to November 9, 2017.

Total Reach	Total Responses
30,591	131

Educational Video



Channel	Views
YouTube	172
Facebook (paid promotion)	25,107
Twitter (paid promotion)	14,892
TOTAL:	40,171

Mayor of Guelph – Video Message



Channel	Views
YouTube	201
Facebook (paid promotion)	3,018
TOTAL:	3,219

Video Advertising

Channel	September 2017	November 2017
Intrigue Media Screens (Estimated Traffic)	125,700	125,700
Cineplex Pre-show (Estimated Attendance)	16,354	23,007
TOTAL:	142,054	148,707

Website Advertisements

Channel	Impressions	Clicks
Guelphtoday.com December 2016	75,849	810
Guelphtoday.com September 2017	87,634	232
Theweathernetwork.com September 2017	38,532	81
Guelphtoday.com October-November 2017	284,514	650
TOTAL:	486,529	1,773

Energizing Tomorrow Website Analytics

Phase One (October 2016 to February 2017)

Popular Pages	Views
Questions and Answers	3,693
Options	1,540
Facts	1,538
Have your say	980
Process	977

Across all pages, the average time on site is 3 minutes and 36 seconds.

Sources of Traffic

Direct	1,487 (49%)
Social Media	155 (5%) The majority (59%) of social media referrals came from Facebook, while the other 41% of social media referrals came from Twitter
Organic Search	745 (24%)
Referral	682 (22%) Most people were referred to the site from guelphhydro.com (37%) and guelphtoday.com (28%). Other sources of referral traffic are: guelphmercury.com (8%), guelph.ctvnews.ca (6%), and kitchener.ctvnews.ca (5%)

New vs. Returning Users:

Of the 2,782 people who visited energizingtomorrow.ca from October 24, 2016 to February 15, 2017, 1,931 (69%) visited the website once. 851 users visited the website more than once during that time period.

Phase Two (February to October 2017)

Popular Pages	Views
Changing Times	1,778 These users came directly from the educational video
Questions and Answers	1,679
Facts	789
Options	693

Across all pages, the average time on site is 2 minutes and 27 seconds.

Source of Traffic:

Direct	1,448 visits (44%)
Social Media	652 (20%) Most social media traffic came from Facebook (74%), the rest came from Twitter
Organic Search	613 (19%)
Referral	408 (12%). Most visitors were referred from guelphhydro.com or guelphtoday.com

New vs. Returning Users

Of the 2,415 people who visited energizingtomorrow.ca from February 16 and October 17, 2017, 1,715 (71%) visited the website once in this period; however, they may have visited the website in the previous period. 700 users visited the site more than once during this time period, and they also may have visited the website before February 16, 2017.

Phase Three (October to November 2017)

Popular Pages	Views
Question and Answers	1,965
Options	726
Have Your Say survey	166 Survey completed by 53 people (21%)

Across all pages, the average time on site is 2 minutes and 19 seconds.

Source of Traffic:

Most people are referred to the survey.

Out of 67 direct visits to the survey, 35 visitors (52%) who visited the “Have Your Say” survey were referred to the survey by a Public Notice on the City of Guelph website (19 visitors), Twitter (12 visitors), Guelph Today (two visitors), or Facebook (one visitor). The remaining 48% of visitors came to the survey without referral.

Most visitors come to the site directly or from Google. Out of 2,190 visits to the website, 886 (40%) were either from Google or directly visiting the site. 663 visits (29%) were

referred to the website by Guelph Today or a public notice and the remaining 31% of visits were referred to the website by Facebook or Twitter.

New vs. Returning Users:

Of the 1,656 people who visited energizingtomorrow.ca from October 18, 2017 to November 15, 2017, 1,185 (71.6%) visited the website once during these period; however, they may have visited the website before October 18. 471 users visited the website more than once during this time period.

Behaviour Flow Results (Phase 3):

Over half of people that visit the homepage do not visit other pages. Of the 2,190 visits to energizingtomorrow.ca, 1,700 visits started with a visit to the homepage of energizingtomorrow.ca. From those visits, 1,200 (55.5%) people immediately left the website after viewing the homepage.

Of the 1,700 visits to the homepage, 212 (13%) people went from the homepage to the options page and after viewing the Options page, 50% of people took no further action.

Once the survey was launched on November 9, 19 people (12%) proceeded from the homepage to the "Have Your Say" survey. Most people who completed the survey took no further action on the website.

Total unique visitors (Phases 1, 2, and 3): 6,200 people.

IBEW- 4 ATTACHMENT 3 PHASE 1 – PRESENTATION TO COMMUNITY STAKEHOLDERS

IT'S TIME TO REVIEW OUR OPTIONS

Ontario's electricity distribution sector is changing. We want to make sure we're getting the best value and service for Guelph Hydro customers, the City of Guelph and our community.

WHAT ARE WE DOING?

We are researching the risks and benefits associated with:

- Maintaining full ownership
- Buying another electricity utility
- Selling all or part to a public or private organization
- Merging with another utility

WHY?

Because

- it's our responsibility to make sure we keep getting great service and value for Guelph Hydro customers and our community

WHY NOW?

Because

- the energy landscape is changing as utilities across Ontario make changes
- We must rise to meet increasing customer expectations
- Preparing for more frequent and severe storms requires continuous and increasing investment
- We can take advantage of new developments and technologies

WHY NOW?

Premier Wynne quoted in Toronto Star—Nov. 19, 2016:

“People have told me that they’ve had to choose between paying their electricity bill and buying food or paying the rent. That is unacceptable to me.”

While the Premier was short on specifics about what will be done to bring (electricity) rates down, she suggested there could be streamlining of the more than 70 local electricity utilities operating in Ontario to find efficiencies.

WHY NOW?

Key reports supporting consolidation have been issued:

*Renewing Ontario's Electricity Distribution Sector:
Putting the Consumer First* by the Ontario Distribution
Sector Review Panel (2012)

*Striking the Right Balance: Improving Performance and
Unlocking Value in the Electricity Sector in Ontario* by the
Premier's Advisory Council on Government Assets
(2015)

WHAT IS THE PROCESS?

The City of Guelph established a Strategies and Options Committee to make recommendations to Guelph City Council regarding which course of action will provide the best long-term value for Guelph Hydro customers, our community and the City of Guelph.

- Phase One – initiate community engagement; research and develop criteria; explore options; provide high-level recommendations to Council
- Phase Two – initial Council decision whether to investigate market to identify feasible options or maintain full ownership; continue community engagement

WHAT IS THE PROCESS?

- Phase Three – Council decision whether to pursue preliminary negotiations or maintain full ownership; continue community engagement
- Phase Four – Council decides whether to approve a business transaction and request Ontario Energy Board approval, or maintain full ownership

WHAT ARE THE OPTIONS?

Guelph City Council will decide whether to maintain ownership, buy another electricity utility, sell to a public or private organization, or merge with another utility.

Preliminary research is based on previous electricity utility transactions and consolidations across Ontario.

In all cases, the Ontario Energy Board will continue to set rates for Guelph and Rockwood.

MAINTAINING FULL OWNERSHIP

Guelph Hydro could continue operating as it does today, wholly-owned by the City of Guelph, and make continuous improvements such as small acquisitions and collaborative business arrangements (e.g. shared services and/or a cooperative model to realize economies of scale.)

Positive	Negative
<ul style="list-style-type: none">• No major acquisition investment required• No implementation costs• Preserve existing community presence• Retain local jobs• Guelph Hydro continues to maintain control of its local electricity distribution assets• Guelph Hydro maintains current influence over local distribution rates and infrastructure upgrades• Current dividend payments continue in the short term	<ul style="list-style-type: none">• Electricity distribution rates may go up• Guelph Hydro customers may not get the same services people get from larger utility companies• Guelph Hydro may be less able to invest in system maintenance, upgrades, major back office systems and new technologies• Guelph Hydro may be less able to continue to find new efficiencies• Dividends to the City could decrease• Guelph Hydro equity value might not increase

BUY

Guelph Hydro would acquire all or part of one or more other electricity distribution utilities and would continue to be wholly-owned by the City of Guelph.

Positive	Negative
<ul style="list-style-type: none">• Larger scale of operations could create efficiencies and have positive impact on electricity distribution rates• Larger utility could invest more in system maintenance and upgrades• Likely to increase dividends to City• Likely to increase equity value of Guelph Hydro• Guelph may maintain influence over local electricity distribution assets• Larger utility would have a stronger position if negotiating future consolidation	<ul style="list-style-type: none">• It would be difficult for the City of Guelph and Guelph Hydro to raise the substantial cash investment required to buy a utility that could achieve the potential benefits• Market values for electric utility companies are currently high, increasing cost of acquisition• Potential job redundancies

SELL TO PUBLIC OR PRIVATE ORGANIZATION

The City of Guelph could sell some or all of Guelph Hydro shares to another party or parties.

Positive	Negative
<ul style="list-style-type: none">• City of Guelph would receive substantial cash that could fund ongoing community investments• Depending on the details of the transaction, other potential benefits include:<ul style="list-style-type: none">• Lower electricity distribution rates• Improved services• Access to better financing rates, and more capacity to invest in system maintenance and upgrades• Administration and operational efficiencies	<ul style="list-style-type: none">• City of Guelph would no longer receive annual dividend• Potential loss of local operations and/or responsiveness• Some transfer tax may apply to cash received (private)• Guelph Hydro would no longer influence local distribution rates or infrastructure upgrades• Guelph Hydro would not participate in future consolidation negotiation(s)• Potential job redundancies

MERGE

Guelph Hydro would merge with one or more utilities, and their respective shareholders (including the City of Guelph) would take proportional ownership interests in the new merged utility.

Positive	Negative
<ul style="list-style-type: none">• Cash investment not likely required• Potential positive impact on electricity distribution rates• Increased scale of operations could create efficiencies• Access to better financing rates, and more capacity to invest in system maintenance and upgrades• Retain some community presence, local operations and responsiveness• Could participate in future consolidation• Likely increase to dividend payments• Likely increase in equity value	<ul style="list-style-type: none">• Potential discord between merged partners• Potential challenges with employee retention, productivity and engagement during transition and implementation• Guelph Hydro would have less influence on local distribution rates and infrastructure upgrades• Potential job redundancies

IMPORTANT CONSIDERATIONS

About electricity rates

- About **20%** of the charges on an average residential bill are related to Guelph Hydro's costs of distributing electricity to the community.
- 80% of the bill goes to generators, transmitters, government agencies and sales taxes
- The Ontario Energy Board (OEB) will continue to monitor and set electricity rates in the public interest regardless of which ownership arrangement exists in Guelph.

IMPORTANT CONSIDERATIONS

Any proposal to buy, sell or merge electricity utility assets must be approved by the OEB. That means the proposal must show it will not have an adverse effect on ratepayers based on the following objectives:

- To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service
- To promote economic efficiency and cost effectiveness
- To promote electricity conservation and demand management
- To facilitate the implementation of a smart grid in Ontario
- To promote the use and generation of electricity from renewable energy sources

DECISION-MAKING CRITERIA

In addition to meeting the Board's statutory requirements, we developed Guelph-specific criteria to evaluate potential transactions.

We will continue treating Guelph Hydro employees with fairness and respect, and engage in open, honest communication with community and industry stakeholders.

Ultimately, the selected option should provide value to Guelph Hydro customers, the shareholder (the City of Guelph) and the community as a whole.

DECISION-MAKING CRITERIA

Value for customers

Protect consumers with respect to electricity distribution rates

Meet or exceed current quality, safety and reliability of service

Meet or exceed current customer service standards

Maintain or enhance service and systems through innovation and technology

Value for community

Continue or enhance conservation and demand management programs

Support development of provincial smart grid

Encourage use and generation of electricity from renewable sources

Advocate for local interests among regulators, industry and other levels of government

Provide local jobs

Value for the City

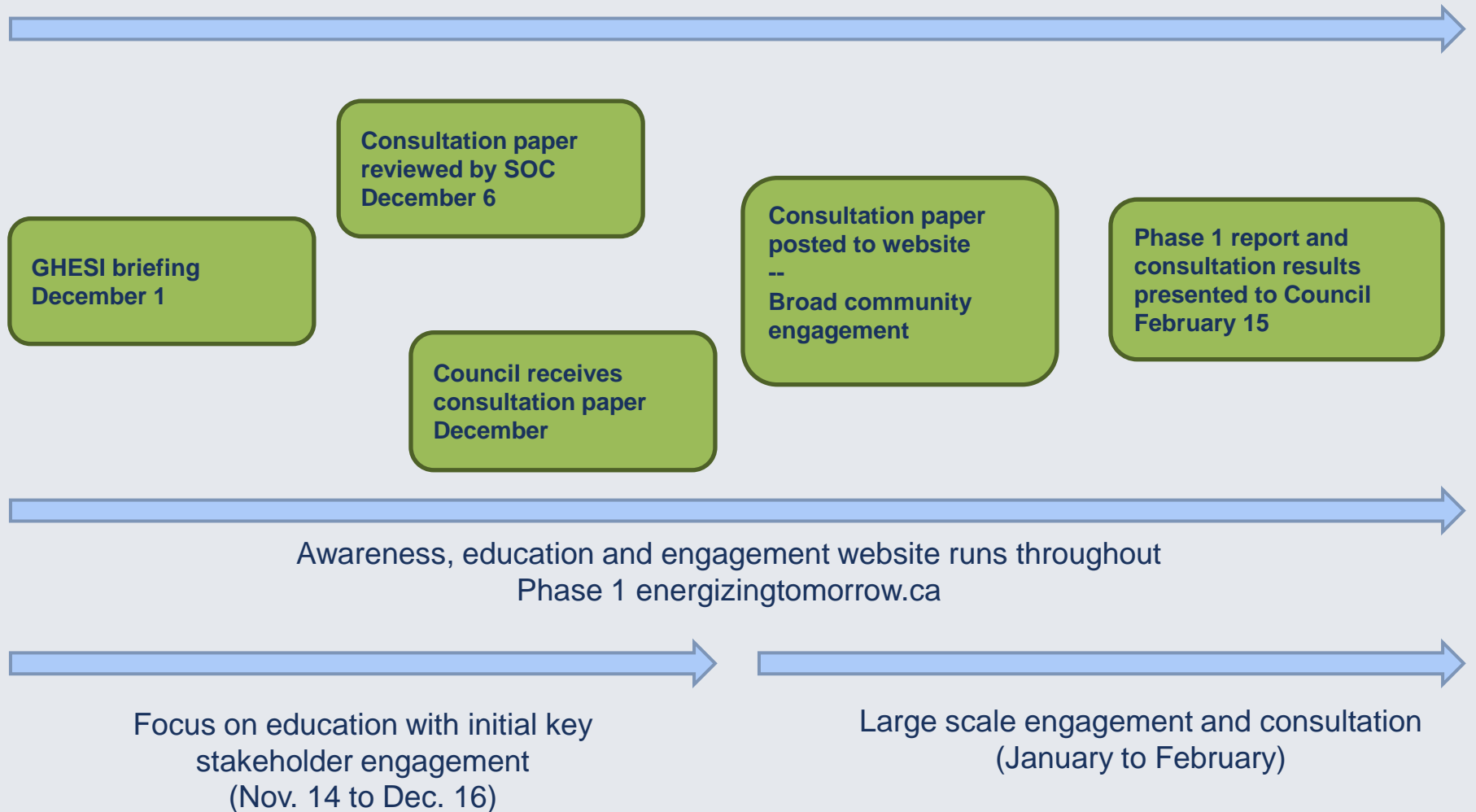
Realize the best financial return and overall value

Supply electricity efficiently and cost-effectively

Contribute capital funds for reinvestment

Support long-term community planning and economic development

SOC SHORT-TERM ROADMAP NOVEMBER TO FEBRUARY 15



COMMUNITY PARTICIPATION

A community engagement strategy has been developed, and activities include:

- Website engagement: Q & A and digital engagement opportunities
- Public information and feedback sessions in Guelph and Rockwood
- Public meetings of Guelph City Council
- Key stakeholder and customer focus group sessions including:
 - Internal City of Guelph and Guelph Hydro stakeholders
 - Business community
 - GHESI employee meetings
 - Rockwood customers
 - Large Guelph Hydro customers

STAKEHOLDERS

- Council (Guelph & Rockwood)
- GHESI
 - Senior Team
 - Board
 - Employees
 - Retirees
- City of Guelph Employees
- Community Organizations
- Downtown BIA
- Guelph Chamber of Commerce
- Guelph Hydro Customers:
 - Large
 - Commercial
 - Residential (Guelph and Rockwood)
- Guelph Wellington Seniors Association (GWSA)
- Key Community Mobilizers
- Older Adults
- Strategies and Options Committee (includes community members)
- Unions
 - IBEW
 - Professional Engineers
 - Other Unions

QUESTIONS

IBEW- 4 ATTACHMENT 4 PHASE 1 DISCUSSION PAPER



 Ask us anything.



energizingtomorrow.ca



Ontario's energy landscape is changing.

It's time to review options
for Guelph Hydro.



Many Ontario cities have consolidated their electricity distribution companies.

The provincial government continues to encourage electricity utilities to reduce duplication, manage costs and modernize service.

With utilities consolidating across Ontario, now is the time to think about future opportunities for Guelph Hydro.

Small and mid-sized utilities like Guelph Hydro are under pressure to keep rates affordable while looking for ways to:

- meet changing customer expectations
- cover costs of delivering safe, reliable electricity service
- invest in local infrastructure expansions, maintenance and upgrades
- fund major office system upgrades
- take advantage of modern technologies
- improve the resiliency of the electrical grid to minimize damage from more frequent and severe storms

To make sure we keep getting the best value and service for Guelph Hydro customers, the City of Guelph and our community, we are researching the risks and benefits associated with:

- Maintaining full ownership
- Buying another electricity utility
- Merging with another utility
- Selling some or all of Guelph Hydro to a public or private organization

A regular asset management review is a common business practice designed to ensure assets are achieving maximum value. The City of Guelph manages all of its assets to ensure reliable service and to enhance decision making and sustainable planning.

Like any asset management review, we must consider the current value (based on market conditions) and the impact any transaction could have on dividends paid to the City of Guelph.

What is the process?

The pace of the process is designed to be flexible to respond to market conditions.

Phase One - underway

- Research the risks and benefits associated with buying, selling, merging, sharing services and maintaining full ownership.
- Begin community consultation to ensure the principles and criteria we use to make a decision are aligned with our community values and priorities.
- On February 15, 2017, present research findings, initial community feedback and recommendations to Guelph City Council for consideration.

Phase Two

- If City Council decides to maintain full ownership, the exploration process would end at this point.
- If Guelph City Council decides not to maintain full ownership, the committee would conduct more specific research, engage industry and community stakeholders, and make a recommendation to City Council.
- If approved by Guelph City Council, the committee would pursue the option(s) with the most potential benefit for Guelph Hydro customers, the community and the City of Guelph.

Phase Three

- In mid-2017, Guelph City Council would consider the committee's recommendation and decide whether to maintain full ownership or pursue specific business transactions with other electricity utility companies and/or investors.
- The City and Guelph Hydro would begin negotiations with potential buyers, sellers and/or partners, continue engaging community and industry stakeholders, and evaluate potential transactions using agreed upon criteria and conditions.

Phase Four

- If negotiations are successful, Guelph City Council could decide whether to approve the business transaction in late 2017 or earlier.
- If Guelph City Council approves the business transaction, the Ontario Energy Board would review the details of the agreement to ensure it protects the interests of electricity customers.

What are the options?

The committee is not considering or negotiating a specific business transaction at this time. The committee has researched utility consolidations and business transactions in Ontario's electricity sector to describe the possible results associated with each option. In all cases, the Ontario Energy Board will continue to set electricity rates for Guelph and Rockwood.



Maintain full ownership

Guelph Hydro could continue operating as it does today, wholly-owned by the City of Guelph, and make continuous improvements such as small acquisitions and collaborative business arrangements (e.g. shared services and/or a cooperative model to realize economies of scale).

Positive	Negative
<ul style="list-style-type: none">No acquisition investment requiredNo implementation costsPreserve existing community presenceRetain local jobsGuelph Hydro continues to maintain control of its local electricity distribution assetsGuelph Hydro maintains current influence over local distribution rates and infrastructure upgradesCurrent dividend payments continue in the short term	<ul style="list-style-type: none">Electricity distribution rates may go up to meet increasing regulatory and capital requirementsGuelph Hydro customers may not get the same services people get from larger utility companiesGuelph Hydro may be less able to invest in system maintenance, upgrades, office systems and new technologiesGuelph Hydro may be less able to continue to find new efficienciesDividends to the City could decreaseGuelph Hydro equity value might not increase



Buy other electricity utilities

Guelph Hydro could acquire all or part of one or more other electricity distribution utilities and would continue to be wholly-owned by the City of Guelph.

Positive	Negative
<ul style="list-style-type: none">Larger scale of operations could create efficiencies and have positive impact on electricity distribution ratesLarger utility could invest more in system maintenance and upgradesLikely to increase dividends to CityLikely to increase equity value of Guelph HydroGuelph may maintain influence over local electricity distribution assetsLarger utility would have a stronger position if negotiating future consolidation	<ul style="list-style-type: none">It would be difficult for the City of Guelph and Guelph Hydro to raise the substantial cash investment required to buy a utility that could achieve the potential benefitsMarket values for electric utility companies are currently high, increasing cost of acquisitionPotential job redundancies



Sell to a public or private organization

The City of Guelph could sell some or all of Guelph Hydro shares to another party or parties:

- another electricity distribution utility or municipality
- a strategic investor with existing active electricity distribution operations
- a financial investor that owns infrastructure assets but does not operate them
- a corporation such as Hydro One (combination of private and public ownership)

Positive	Negative
<p>City of Guelph could receive substantial cash for reinvestment</p> <p>Depending on the details of the transaction, other potential benefits include:</p> <ul style="list-style-type: none">• Lower electricity distribution rates• Improved services• Access to better financing rates, and more capacity to invest in system maintenance and upgrades• Administration and operational efficiencies	<p>City of Guelph would no longer receive annual dividend</p> <p>Potential loss of local operations and/or responsiveness</p> <p>Some transfer tax may apply to cash received (private)</p> <p>Guelph Hydro would no longer influence local distribution rates or infrastructure upgrades</p> <p>Guelph Hydro would not participate in future consolidation negotiation(s)</p> <p>Potential job redundancies</p>



Merge with other utilities

Guelph Hydro could merge with one or more utilities and their respective shareholders (including the City of Guelph) would take proportional ownership interests in the new merged utility.

Positive	Negative
<p>Cash investment not likely required</p> <p>Potential positive impact on electricity distribution rates</p> <p>Increased scale of operations could create efficiencies</p> <p>Access to better financing rates and more capacity to invest in system maintenance and upgrades</p> <p>Retain some community presence, local operations and responsiveness</p> <p>Could participate in future consolidation</p> <p>Likely increase to dividend payments</p> <p>Likely increase in equity value</p>	<p>Potential discord between merged partners</p> <p>Potential challenges with employee retention, productivity and engagement during transition and implementation</p> <p>Guelph Hydro would have less influence on local distribution rates and infrastructure upgrades</p> <p>Potential job redundancies</p>

The background image is a teal-tinted photograph of a person's hand pointing at a tablet. The tablet screen shows a bar chart with several bars of increasing height. The x-axis labels are 'ilove4', 'ilove4s', 'ilove5', 'ilove5s', 'ilove6', 'ilove6s', and 'ilove6ps'. The y-axis has a label 'Statistics First-quarter'. In the background, a laptop keyboard is partially visible.

Approving changes to utilities in Ontario

Any plan to buy, sell or merge electricity utility assets must be approved by the Ontario Energy Board. That means the proposal must demonstrate it will not have an adverse effect on ratepayers based on the Board's statutory objectives or what is known as the No Harm Test.

What is most important to you?

In addition to meeting Ontario Energy Board requirements, we've added Guelph-specific criteria.

Ultimately, the selected option should provide value to Guelph Hydro customers, the shareholder (the City of Guelph) and the community as a whole.

Value for customers

Protect consumers with respect to electricity distribution rates

Meet or exceed current quality, safety and reliability of service

Meet or exceed current customer service standards

Maintain or enhance service and systems through innovation and technology



Value for community

Continue or enhance conservation and demand management programs

Support development of provincial smart grid

Encourage use and generation of electricity from renewable sources

Advocate for local interests among regulators, industry and other levels of government

Provide local jobs



Value for the City

Realize the best financial return and overall value

Supply electricity efficiently and cost-effectively

Contribute capital funds for reinvestment

Support long-term community planning and economic development



We will continue treating Guelph Hydro employees with fairness and respect, and engage in open, honest communication with community and industry stakeholders.

Tell us what matters most to you at energizingtomorrow.ca



Background

Utilities consolidating across Ontario

In 1996, Ontario had 307 separate electricity utilities. Today, that number is closer to 70 because many cities have consolidated their electric distribution companies to reduce duplication and manage the increasing cost of delivering power to customers.

Provincial policy initiatives continue to encourage local electricity utility companies to explore new ways to manage costs and modernize electricity services to benefit their customers.

Applications subject to Ontario Energy Board approval

- Enersource, Horizon and PowerStream currently have an application before the Ontario Energy Board for approval to merge, and for the merged entity to acquire Hydro One Brampton. Two of the merger partners—Horizon and PowerStream—are themselves the products of previous mergers.
- Hydro One currently has an application before the Ontario Energy Board to acquire Orillia Power.
- Peterborough Distribution has approved a sale to Hydro One.
- The Town of Midland is considering selling Midland Power.
- Wasaga Distribution is considering retaining, merging or selling the utility.
- The Town of Collingwood is accepting bids for its remaining 50 per cent stake in Collus PowerStream.

Ontario Energy Board No Harm Test

Any plan to buy sell or merge electricity utility assets must be approved by the Ontario Energy Board. That means the proposal must show it will not have an adverse effect on ratepayers based on the Board's statutory objectives:

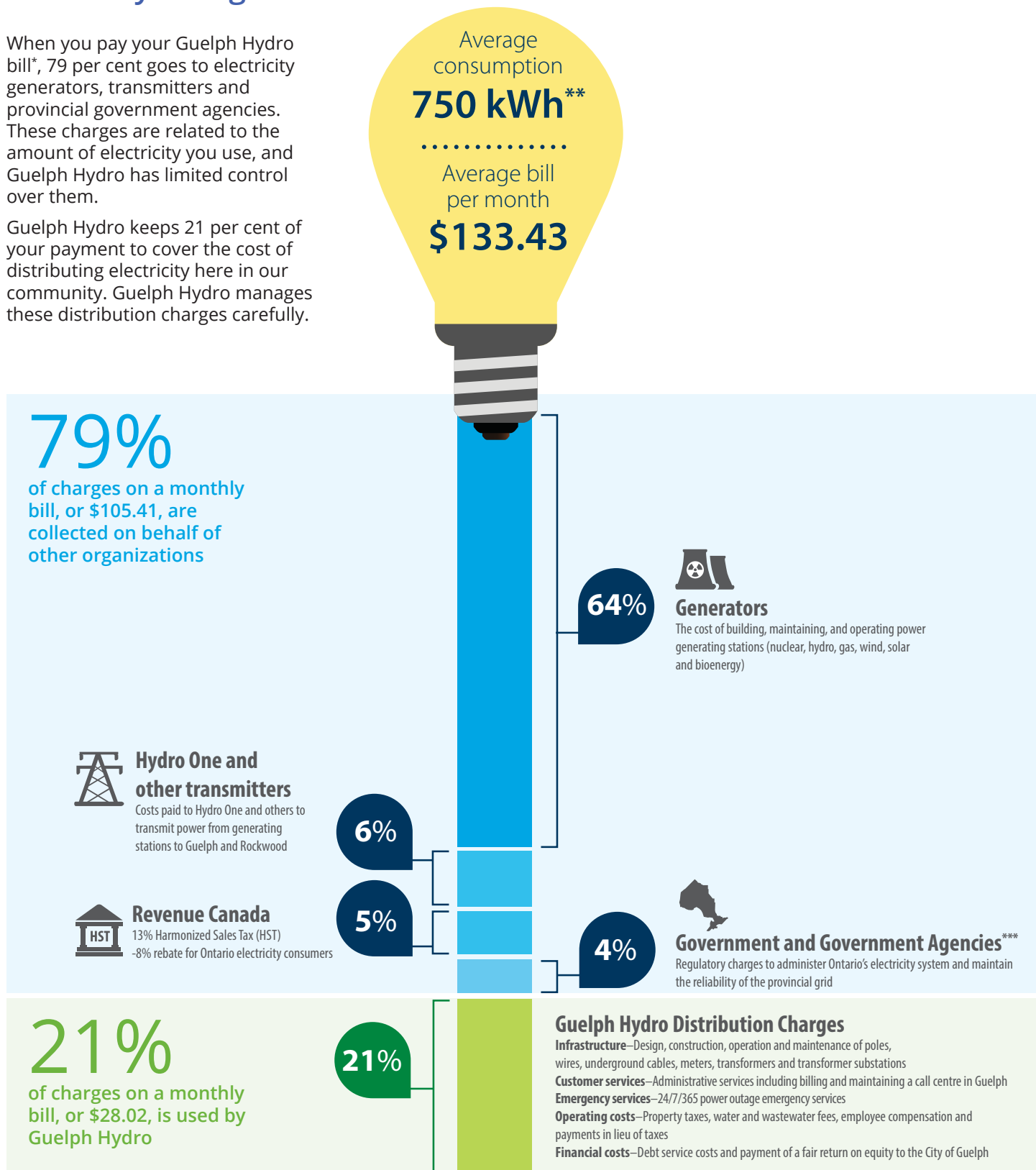
- To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.
- To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.
- To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances.
- To facilitate the implementation of a smart grid in Ontario.
- To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

Learn more about the Ontario Energy Board No Harm Test in the *Handbook to Electricity Distributor and Transmitter Consolidations*.

Understanding Electricity Charges

When you pay your Guelph Hydro bill*, 79 per cent goes to electricity generators, transmitters and provincial government agencies. These charges are related to the amount of electricity you use, and Guelph Hydro has limited control over them.

Guelph Hydro keeps 21 per cent of your payment to cover the cost of distributing electricity here in our community. Guelph Hydro manages these distribution charges carefully.



Any changes to Guelph Hydro distribution rates must be approved by the Ontario Energy Board.

* Charges for water, waste water and storm water fees are not included in these calculations

** Source: Ontario Energy Board—Based on an average residential customer on the Regulated Rate Plan paying Time-of-Use rates for 750 kilowatt hours of electricity—2016

*** Ontario Ministry of Energy, Ontario Energy Board, Independent Electricity System Operator

Who is involved in future
plans for Guelph Hydro?



Strategies and Options Committee

energizingtomorrow.ca

Guelph City Council established a Strategies and Options Committee to investigate how to get the best value and service for Guelph Hydro customers, the City of Guelph and our community.

- Derrick Thomson, Chief Administrative Officer, City of Guelph (Co-Chair)
- Pankaj Sardana, Chief Executive Officer, Guelph Hydro Electric Systems Inc. (Co-Chair)
- Bob Bell, Board Member, Guelph Hydro Electric Systems Inc.
- Mark Goldberg, Community Member
- Richard Puccini, Community Member

Guelph Hydro Electric Systems Inc.

guelphhydro.com

Guelph Hydro is the electricity distribution utility that delivers a safe, reliable, affordable supply of electricity to more than 54,000 customers in Guelph and Rockwood. Guelph Hydro is wholly owned by the City of Guelph. Guelph Hydro is regulated by the Ontario Energy Board and, according to its 2015 Ontario Energy Board scorecard, Guelph Hydro exceeded industry performance in terms service quality, customer satisfaction, bill accuracy and system reliability.

The City of Guelph

guelph.ca

The City of Guelph is ultimately Guelph Hydro's sole shareholder, and City Council has the authority to make decisions about the future direction of Guelph Hydro. The Strategies and Options Committee will report to Guelph City Council and seek approval for each phase of its work.

Ontario Energy Board

ontarioenergyboard.ca

The Ontario Energy Board is an independent and impartial public agency. As the regulator, the Ontario Energy Board makes sure electricity and natural gas companies in Ontario follow the laws and rules.

The Ontario Energy Board sets electricity rates and measures how well Ontario's electricity distributors are performing each year. The Ontario Energy Board's goal is to promote a sustainable and efficient energy sector that provides consumers with reliable energy services at a reasonable cost.



energizingtomorrow.ca

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Alternate formats are available upon request in accordance with the *Accessibility for Ontarians with Disabilities Act, 2005*.

IBEW- 4 ATTACHMENT 5 PHASE 1 – COMMUNITY ENGAGEMENT REPORT JANUARY-FEBRUARY 2017



Preliminary Report: Phase 1 Community Engagement

City of Guelph
Strategies and Options Committee
Public Energy Asset Review

January 30, 2017



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Executive Summary

- The City of Guelph is reviewing its public energy assets to ensure Guelph Hydro is achieving maximum value for the City of Guelph, hydro customers and all community members.
- The City of Guelph launched a community engagement initiative to seek public input on the four options being considered (maintain full ownership, merge, sell and buy), as well as for the criteria used to evaluate any potential transaction. The purpose of the community engagement initiative is also to share information and answer questions from the public.
- Phase 1 community engagement activities:
 - **Public website - [Energizing Tomorrow](#)**
 - Information about asset review, options being considered and decision-making criteria.
 - Questions/comments feature.
 - Dedicated email address and telephone line.
 - **Community engagement poll**
 - Three-question poll on public website to seek input on the decision-making criteria.
 - Open house participants provided with comment cards that included the three polling questions.
 - **Pollara telephone consultation survey**
 - Telephone survey to seek input on the decision-making criteria from 260 randomly-selected residents of the City of Guelph and Rockwood.
 - **Public open houses**
 - City of Guelph (two sessions).
 - Rockwood (one session).
 - **Stakeholder consultations**
 - Community organizations.
 - Local business associations.
 - Large Guelph Hydro industrial customers.
 - Guelph Hydro employees.
 - Guelph Wellington Seniors Association.

- Phase 1 engagement findings:
 1. **Top decision-making criteria** – across all sets of polling data, which includes two online polls and a Pollara telephone consultation survey, the five most important criteria, in priority order, are:
 2. **Rates** – protect consumers with respect to electricity distribution rates; supply electricity efficiently and cost-effectively.
 3. **Service** – meet or exceed current quality, safety and reliability of service.
 4. **Community Planning** – support long-term community planning and economic development.
 5. **Environment** - encourage use and generation of electricity from renewable sources; continue or enhance conservation and demand management programs.
 6. **Local Jobs** – preserve and provide local jobs.
- **Support for decision-making framework** – participants were asked whether the City is “right” in giving equal consideration to Guelph Hydro customers, the City of Guelph as shareholder and the community as a whole:
 - Yes: 67.7 per cent.
 - No: 32.3 per cent.
- **Key themes** - based on all submitted questions, comments and survey responses from all engagement activities, the following five key themes have been identified:
 1. **Rates** – top concern of participants, which includes frustration at current electricity rates in the province, as well as concerns about the impact a potential transaction could have on rates.
 2. **Efficient and reliable service** - people want to ensure Guelph Hydro’s positive track record of efficient and reliable service is preserved.
 3. **Potential transaction** – though phase 1 engagement questions focused on decision-making criteria and did not include questions about options, some respondents voiced early opinions about the potential for a transaction. A large segment of those who commented want to maintain local control and public ownership, and there is low-level support for a sale, especially with a privately-owned utility. There is no support among those who commented for Guelph Hydro to buy other utilities. If a merger is considered, those who commented prefer other utilities in the region and those who are “like-minded” with Guelph Hydro.
 4. **Environmental sustainability** – the use and generation of electricity from renewable sources, as well as energy conservation programs, were important to a notable segment of participants.
 5. **Public information sharing** – people want more information about the options being considered, such as financial analyses; participants want the City to continue seeking public input throughout the asset review process.

Introduction

A regular asset management review is a common business practice designed to ensure publicly-owned organizations, such as Guelph Hydro, are achieving maximum value for the City of Guelph, residential and industrial hydro customers, as well as all community members.

Municipalities across Ontario are conducting similar reviews, or have completed transactions, for their local electricity utility companies. These asset reviews and transactions are happening largely because provincial policy initiatives encourage local electricity utility companies to reduce duplication, better manage costs and modernize service to benefit customers. For utilities of all sizes, numerous Ontario municipalities have found consolidation, whether through mergers, sales or acquisitions, to be the best way forward to achieving greater efficiencies and modernizing services.

To make the best choice for the future direction of Guelph Hydro, Guelph City Council created the Strategies and Options Committee to provide recommendations and citizen input to City Council, which has the ultimate authority to make decisions about Guelph Hydro. The Committee, comprised of five members from the City, Guelph Hydro and the public at large, reviewed the feasibility of four options:

- Maintain full ownership.
- Buy other electricity distribution utilities.
- Sell to a public or private organization.
- Merge with other utilities.

The following is a list of decision-making criteria the City of Guelph of the Strategies and Options Committee sought public input on:

Value for Customers:

- Protect consumers with respect to electricity distribution rates.
- Meet or exceed current quality, safety and reliability of service.
- Meet or exceed current customer service standards.
- Maintain or enhance service and systems through innovation and technology.

Value for Community:

- Continue or enhance conservation and demand management programs.
- Support development of provincial smart grid.
- Encourage use and generation of electricity from renewable sources.
- Advocate for local interests among regulators, industry and other levels of government.

- Provide local jobs.

Value for the City of Guelph:

- Realize the best financial return and overall value.
- Supply electricity efficiently and cost-effectively.
- Contribute capital funds for reinvestment.
- Support long-term community planning and economic development.

At every phase, the City of Guelph and the Strategies and Options Committee remain committed to providing information and ensuring community members and Guelph Hydro customers have a voice in the decision-making process for the future of Guelph Hydro.

Community Engagement

Citizens' expectations of engagement continue to increase as they want to be included in the decisions that stand to impact them. Given the importance of the electricity distribution company for all community members, the City of Guelph designed and activated a community engagement initiative to seek public input on the four options being considered in Phase 1, as well as the decision-making criteria the Strategies and Options Committee will use to evaluate any potential transaction. The purpose of the initiative is also to make information about the asset review process readily available to the public and to answer questions from community members.

From the onset of the public asset review, the following objectives, engagement principles for the Energizing Tomorrow program and methodology have guided the City of Guelph with its community engagement process.

Objectives

1. **Design a process with integrity:** Ensure the community has opportunities to provide input from the onset of the process.
2. **Encourage meaningful engagement:** Through digital communications and direct engagement, drive awareness and participation.
3. **Gather actionable input:** Leverage the engagement initiative to ensure the views of the community are reflected in decisions.
4. **Maintain public confidence:** Earn the public's trust by conducting meaningful engagement.

Energizing Tomorrow Guiding Principles

- Transparent and accountable.
- Clear language and messages.
- Timely.
- Authentic.
- Inclusive.
- Easy to participate.
- Focused on the public interest.

Community Engagement Activities

The overarching approach for the City of Guelph's community engagement initiative at Phase 1 was to inform, engage and seek input from as many residents, hydro customers and stakeholders as possible about the decision-making criteria and framework through a mix of in-person and digital activities.

The following is a list and details for Phase 1 community engagement activities from October 24, 2016 to January 20, 2017:

Energizing Tomorrow Website:

Ask us Anything (questions and comments)

- The City of Guelph launched [Energizing Tomorrow](#), a website designed to provide community members with a channel to learn more about the asset review process, options being considered and decision-making criteria for any potential transaction.
- The City of Guelph created a website feature that allows visitors to [submit comments and questions](#) that are displayed for public viewing. The public can also view the City of Guelph's responses to each question.
- **Timing:** Launched on October 24, 2016 and will be active for the duration of the asset review.

Energizing Tomorrow:

Dedicated Email Address and Telephone Line

- The City of Guelph created a [dedicated email address and telephone line](#) for people to ask questions and receive more information.
- **Timing:** Launched on October 24, 2016 and will be active for the duration of the asset review process.

Energizing Tomorrow Website: Your Voice Matters (three-question poll)

- To better understand what's important to residents as the City of Guelph explores different options for Guelph Hydro, the City launched a [three-question poll](#) on the Energizing Tomorrow website for Phase 1:
- Question 1: Participants are asked to select their top three criteria from a list of 13 that they want City Council to consider when reviewing options for Guelph Hydro.
- Question 2: Participants are asked to respond "yes" or "no" on whether they agree with the decision-making framework that gives equal consideration to Guelph Hydro customers, the City of Guelph as shareholder and the community as a whole. If participants respond "no," they have an opportunity to describe what they believe is missing from the criteria.
- Question 3: Open-ended question providing participants with an opportunity to submit additional input on what they would like City Council and/or the Strategies and Options Committee to consider as part of the asset review.
- See *Appendix A* for polling questions.
- **Timing:** Launched on December 23, 2016.

Public Open Houses: Guelph and Rockwood

- The City held a public open house in Rockwood and two public open houses in Guelph.
- Attendees were asked to complete and submit comment cards, which included the same three-question polling questions from the Energizing Tomorrow website.
- **Timing:** Rockwood – January 16, 2017 (one session); Guelph – January 17, 2017 (two sessions).

Presentation to the Guelph Hydro Electric Systems Inc. Board of Directors

- As Co-Chair of the Strategies and Options Committee, Pankaj Sardana briefed the Guelph Hydro Electric Systems Inc. Board of Directors about the asset review process and the work of the Committee up until December 1, 2016.
- **Timing:** December 1, 2016.

Pollara Telephone Consultation Survey

- Through Pollara, the City of Guelph conducted an Automated Interactive Voice Response (IVR) survey among a randomly-selected, representative sample of N=260 adult (18+) permanent residents of the City of Guelph and neighbouring Rockwood.
- The one-question survey asked participants to indicate the level of priority they feel for each of seven decision-making criteria listed in the survey (major priority, moderate priority, minor priority, not a priority at all and don't know/unsure).
- **Timing:** January 18, 2017.

Community Stakeholder Outreach

- At this initial stage, the City of Guelph briefed and sought input from several community organizations:
 1. eMERGE Guelph.
 2. Downtown Guelph Business Association.
 3. Guelph Chamber of Commerce.
 4. Transition Guelph.
 5. Guelph Wellington Seniors Association.
- **Timing:** December 19, 2016 to January 18, 2017.

Guelph Hydro Large Customer Information Sessions

- At this initial stage, Guelph Hydro briefed and sought input from several large customers:
 1. Canadian Solar Solutions.
 2. City of Guelph.
 3. Hematite Manufacturing.
 4. Hitachi Construction Truck Manufacturing Ltd.
 5. Linamar Corporation.
 6. Magna.
 7. Owens Corning Canada LP.
 8. Polycon Industries.
 9. Union Gas.
 10. University of Guelph.
- **Timing:** December 19, 2016 and January 9, 2017.

Guelph Hydro Employee Town Halls

- Guelph Hydro conducted two employee town halls to discuss and seek input on the asset review process.
- **Timing:** October 25, 2016; December 13, 2016.

Community Awareness Activities

The City of Guelph and Guelph Hydro designed and activated a communications strategy to raise awareness of the asset review and to drive traffic and engagement to the Energizing Tomorrow website and in-person community consultation events.

The following lists Phase 1 community awareness activities from October 24, 2016 to January 20, 2017.

City of Guelph and Guelph Hydro Websites and Social Media Channels

- Messages/banners posted on City of Guelph and Guelph Hydro websites/social media channels, along with links to the Energizing Tomorrow website.
- **Timing:** November 2016 to January 2017.

Amplified Social Media Posts

- Targeted Facebook and Twitter users residing in Guelph through paid social media posts to drive traffic to the Energizing Tomorrow website.
- **Timing:** November 2016.

Local Advertisements

- Print and digital advertisements with Guelph Today, Mercury Tribune, The Wellington Advertiser and snapd Guelph.
- **Timing:** December 2016 to January 2017.

Media Relations

- Issued news releases for key events, including the launch of the Strategies and Options Committee and the Energizing Tomorrow website, as well as for the public open houses and the start of the Pollara telephone consultation survey.
- Participated in media interviews regarding key events, including the launch of the Strategies and Options Committee and the Energizing Tomorrow website, as well as for the public open houses.
- **Timing:** October 2016 to January 2017.

Guelph Hydro Customer Bill Inserts

- Enclosed inserts about the public asset review and the Energizing Tomorrow website with Guelph Hydro customer bills.
- **Timing:** January 2017.

Energizing Tomorrow Booklet

- To complement the website information, the City of Guelph published an [Energizing Tomorrow booklet](#) with all key details about the public asset review and the decision-making criteria and framework. The booklets were shared during open house events and are available for download online.
- **Timing:** November 2016 – ongoing.

City of Guelph Mayor's Blog

- The Mayor of Guelph informed residents about the asset review and the Energizing Tomorrow website through a [blog post](#).
- **Timing:** October 24, 2016.

Guelph City Councillors Social Media

- Members of City Council shared information about the asset review and informed the public about the open house events on their blogs and social media channels.
- [Councillor James Gordon Blog](#)
- [Guelph Mayor and City Council Twitter \(list\)](#)
- **Timing:** October 2016 – ongoing.

Methodology

For the findings within this preliminary engagement report, the City of Guelph considered all community feedback collected through the following engagement activities from October 24, 2016 to January 20, 2017:

- Pollara telephone consultation survey
 - N=260 adult (18+) permanent residents of the City of Guelph (N=236) and Rockwood (N=24).
 - Margin of error of +6.1%, 19 times out of 20.
- Engagement poll (three questions)
 - Polls completed on the Energizing Tomorrow website.
 - Polls completed by attendees at public open houses in the City of Guelph and Rockwood; these polls were entered into the online poll feature.
 - 160 completed polls.
- Public open houses
 - Rockwood: 14 attendees.
 - Guelph (afternoon session): 45 attendees.
 - Guelph (evening session): 25 attendees.

- Energizing Tomorrow website
 - Ask us Anything (questions and comments).
 - 56 comments/questions.
- Guelph Hydro Large Customer Information Sessions
 - Meetings with 10 participants.
- Community Stakeholder Outreach
 - Meetings with five stakeholder groups.
 - 35 participants in total.
- Energizing Tomorrow Dedicated Email and Telephone Line
 - Four received messages.
- Guelph Hydro Employee Town Halls
 - Two town hall meetings.

It is important to note the data reflects feedback collected from a subset of the population in the City of Guelph and Rockwood who engaged in the process by attending open houses and stakeholder meetings, submitting questions and comments on the Energizing Tomorrow website, completing the three-question poll (online or in-person at the open houses) or by participating in the randomly-selected telephone consultation survey. From the feedback collected through these channels, the City of Guelph has identified key themes for City Council and the Strategies and Options Committee to consider as part of the asset review process.

Phase 1 Community Engagement Findings

The findings for Phase 1 of the community engagement initiative are presented in two sections:

1. **Polling results on the decision-making criteria:** Results from the public poll (Energizing Tomorrow website; completed polls from the public open houses) and the Pollara telephone consultation survey.
2. **Key themes:** Summary of key themes gathered from all Phase 1 community engagement activities.

Polling Results on the Decision-making Criteria

There are three data sets from the polling on the Strategies and Options Committee's decision-making criteria for the future of Guelph Hydro:

1. **Energizing Tomorrow online poll – Version 1** (December 23, 2016 to January 9, 2017). This includes the original list of 11 criteria for participants to select their top three choices.
2. **Energizing Tomorrow online poll – Version 2** (January 9, 2017 to January 20, 2017). This includes a revised list of 13 criteria for participants to select their top three choices. This data set also includes completed written polls from the public open houses that were submitted into the online polling feature.
3. **Pollara Telephone Consultation Survey** (January 18, 2017). The format for the telephone consultation survey required modifications to how participants rate the criteria. Instead of selecting their top three, participants were asked to score each criteria based on level of importance for them (major priority, moderate priority, minor priority, not a priority at all and don't know/unsure).

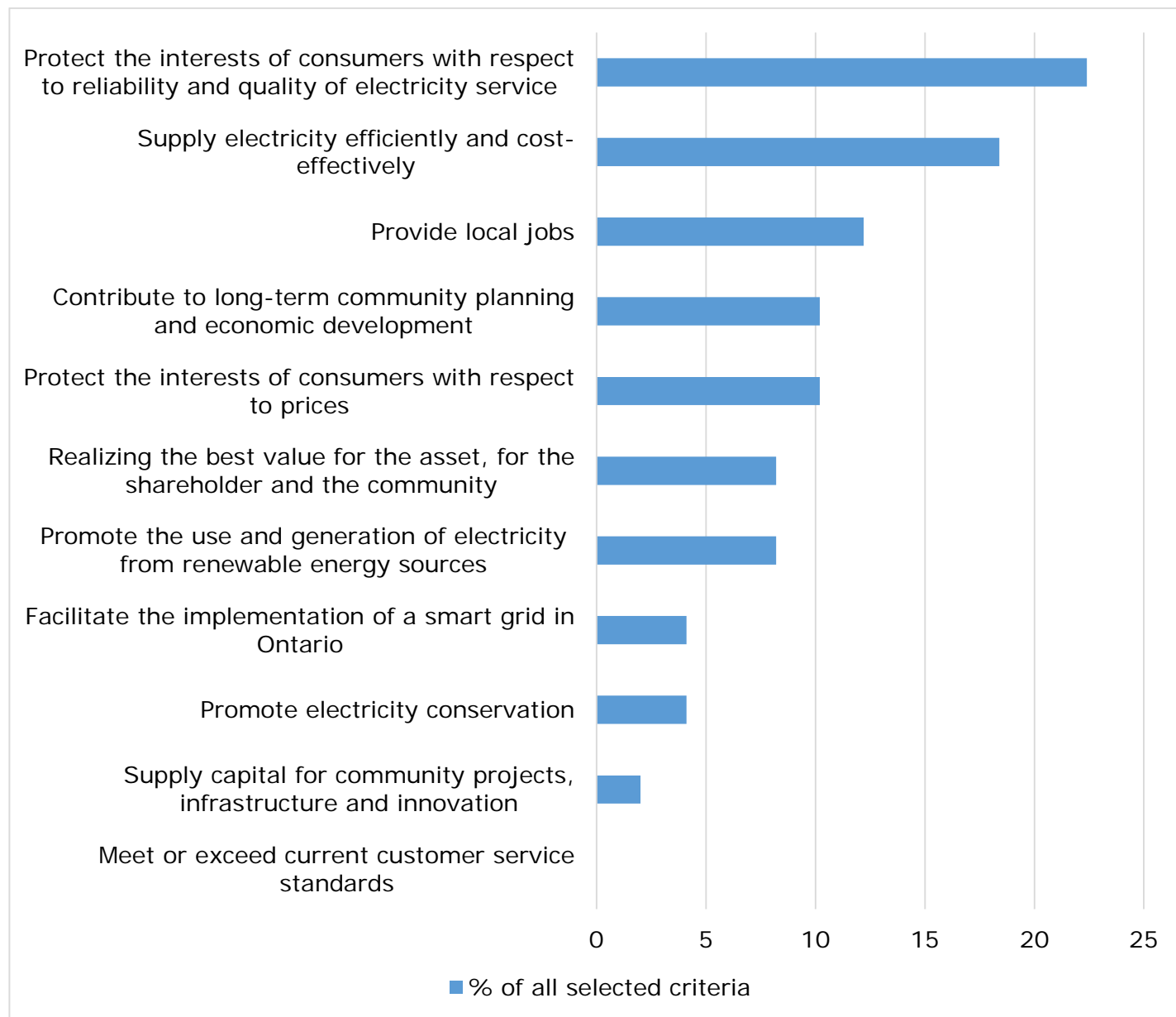
Based on the results from the three aforementioned polls, we have identified the following five criteria that respondents most often selected as being important to consider for any potential transaction (in priority order):

1. **Rates:** Protect consumers with respect to electricity distribution rates; supply electricity efficiently and cost-effectively.
2. **Service:** Protect consumers with respect to electricity distribution rates; supply electricity efficiently and cost-effectively.
3. **Community Planning:** Support long-term community planning and economic development.
4. **Environment:** Encourage use and generation of electricity from renewable sources; continue or enhance conservation and demand management programs.
5. **Local Jobs:** Preserve and provide local jobs.

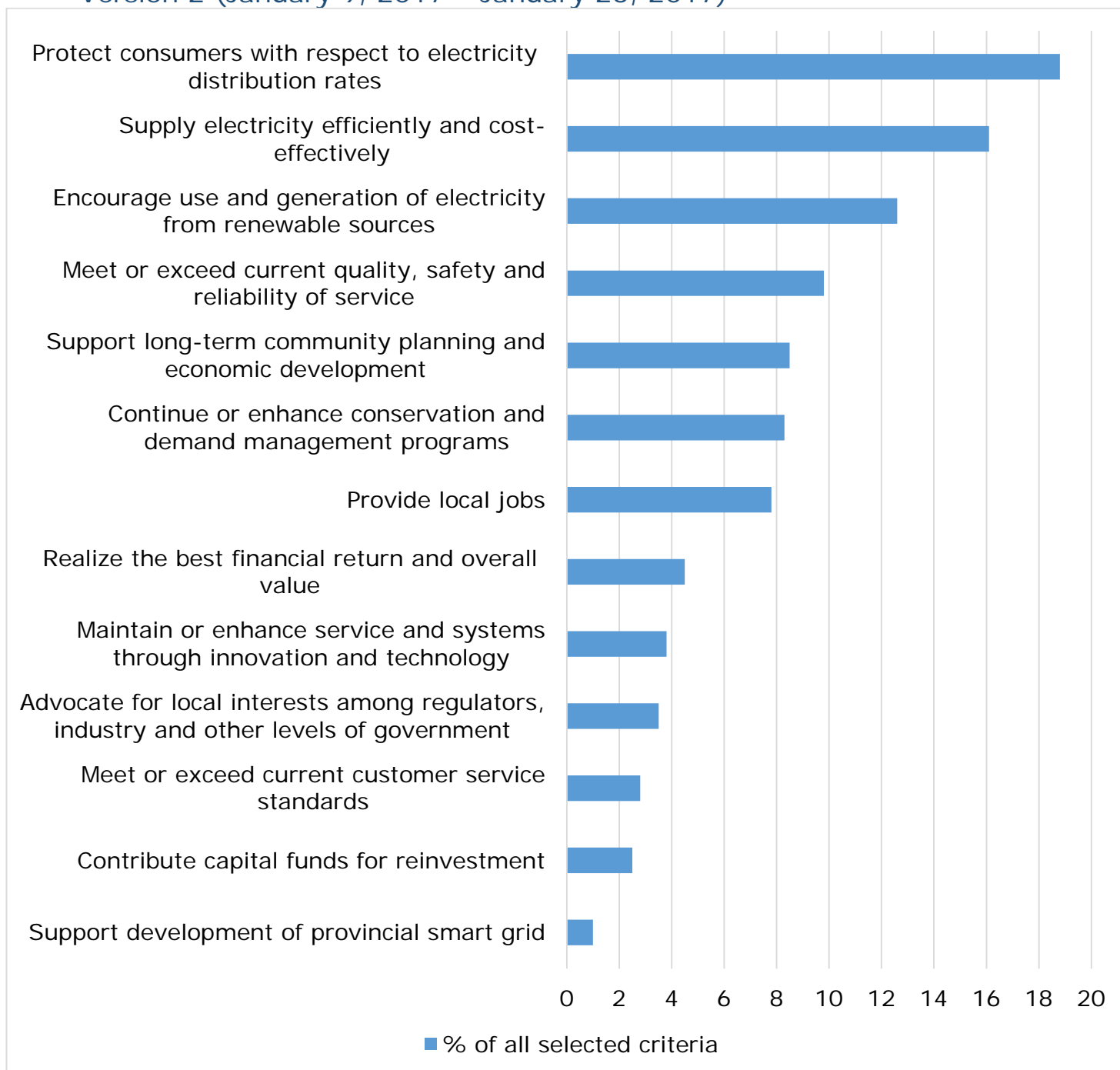
The following charts provide a breakdown of the rated criteria by data set.

Energizing Tomorrow Online Poll:

Version 1 (December 23, 2016 – January 9, 2017)

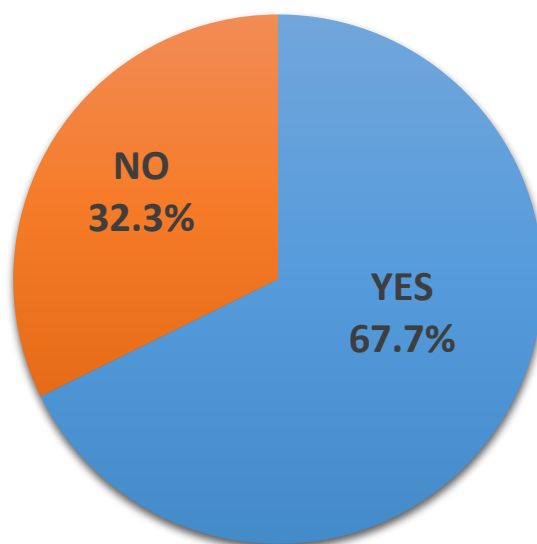


Energizing Tomorrow Online Poll: Version 2 (January 9, 2017 – January 23, 2017)



Energizing Tomorrow Online Poll: Overall Framework (December 23, 2016 – January 20, 2017)

In the Energizing Tomorrow online poll and submitted comment cards from the public open houses, participants were asked whether “the decision-making criteria give equal consideration to Guelph Hydro customers, the City of Guelph as shareholder, and the community as a whole. In your opinion, is this right (yes or no)? If not, what or who have we missed?”



Among the 32.3 per cent who selected no, here is a selection of the suggestions from respondents on what the City of Guelph and Strategies and Options Committee could consider as part of the decision-making criteria:

- Maintaining local control of Guelph Hydro is important to a notable segment of respondents.
- Many respondents who value local control think it is best achieved through maintaining full public ownership. And if full public ownership is not an option, many respondents would want to see local control as part of any potential transaction.
- Guelph Hydro employees should also be considered as part of the decision-making criteria.
- The environment should be included as a criteria for the decision-making process.
- Guelph Hydro customers should be prioritized as they are currently paying for service and would be most impacted by any rate and service changes.

Pollara Telephone Consultation Survey (January 18, 2017)

QA1: How about...? Ensuring high-quality, safe, responsive, and reliable service?

- **Major priority: 77 per cent.**
- Moderate priority: 10 per cent.
- Minor priority: 10 per cent.
- Not a priority at all: <1 per cent.
- Don't know: 2 per cent.
- Total priority: 87 per cent.
- Total not a priority: 11 per cent.
- N size: 260.

QA2: How about...? Preserving and providing local jobs?

- **Major priority: 62 per cent.**
- Moderate priority: 26 per cent.
- Minor priority: 9 per cent.
- Not at all a priority: <1 per cent.
- Don't know: 2 per cent.
- Total major/moderate priority: 88 per cent.
- Total minor/not a priority: 10 per cent.
- N size: 260.

QA3: How about...? Achieving the best financial return for the community and for reinvestment?

- **Major priority: 54 per cent.**
- Moderate priority: 34 per cent.
- Minor priority: 7 per cent.
- Not at all a priority: 1 per cent.
- Don't know: 4 per cent.
- Total major/moderate priority: 88 per cent.
- Total minor/not a priority: 8 per cent.
- N size: 260.

QA4: How about...? Improving infrastructure through innovation and technology?

- **Major priority: 51 per cent.**
- Moderate priority: 35 per cent.
- Minor priority: 8 per cent.
- Not at all a priority: 2 per cent.
- Don't know: 3 per cent.
- Total major/moderate priority: 87 per cent.
- Total minor/not a priority: 10 per cent.
- N size: 260.

QA5: How about...? Supporting long-term community planning in the local area?

- **Major priority: 65 per cent.**
- Moderate priority: 22 per cent.
- Minor priority: 9 per cent.
- Not at all a priority: 2 per cent.
- Don't know: 2 per cent.
- Total major/moderate priority: 87 per cent.
- Total minor/not a priority: 11 per cent.
- N size: 260.

QA6: How about...? Encouraging conservation and the generation of electricity from renewable energy sources?

- **Major priority: 51 per cent.**
- Moderate priority: 26 per cent.
- Minor priority: 17 per cent.
- Not at all a priority: 3 per cent.
- Don't know: 3 per cent.
- Total major/moderate priority: 76 per cent.
- Total minor/not a priority: 20 per cent.
- N size: 260.

QA7: How about...? Ensuring that electricity is supplied efficiently and cost-effectively, while protecting consumers with respect to electricity distribution rates?

- **Major priority: 72 per cent.**
- Moderate priority: 23 per cent.
- Minor priority: 2 per cent.
- Not at all a priority: 1 per cent.
- Don't know: 2 per cent.
- Total major/moderate priority: 94 per cent.
- Total minor/not a priority: 4 per cent.
- N size: 260.

Key Themes

Based on all submitted questions, comments and survey responses from all engagement activities, the following five key themes have been identified:

1. Rates
2. Efficient and Reliable Service
3. Potential Transaction
4. Environmental Sustainability
5. Public Information Sharing

Rates

- Across all engagement forums, electricity distribution rates were identified as the top concern.
- Some participants used the community engagement process as a platform to voice concern and frustration about the rising cost of electricity in the City of Guelph – and the province.
- Actual experiences or knowing about the experiences of others who faced high bills and service issues with Hydro One, especially in rural areas, have made some participants, at this early stage, skeptical about any potential deal with the utility.
- A notable segment of participants expressed concern about the impact a potential transaction would have on electricity distribution rates. Some doubt privatization or an acquisition by a larger, outside utility will create economies of scale that would make any significant difference with rates.
- While efficient and reliable service is most important to large industrial customers, increased rates would be a significant factor for companies that are looking to expand.

Efficient and Reliable Service

- It is evident there is a strong sense of pride among participants about Guelph Hydro. People generally believe the utility is well-managed, reliable, provides efficient service and offers competitive rates compared to other municipalities. People want to ensure Guelph Hydro's positive track record of efficient and reliable service is preserved.
- For large industrial customers, efficient and reliable service are the most important criteria, given how critical energy is for business operations.
- Some question whether bigger means better, meaning would a larger utility be able to provide comparable service to what Guelph Hydro customers currently enjoy.

Potential Transaction

- While engagement questions were focused on the decision-making criteria, participants used the platform to voice early opinions on the potential for a transaction.
- Of those who commented on a potential transaction, most expressed support for maintaining local control and public ownership of Guelph Hydro. They want the City to continue benefiting from annual dividends from Guelph Hydro.
- Many participants who voiced support for maintaining local control and public ownership also expressed concerns about selling Guelph Hydro.
- The general feeling is that a sale would provide the City of Guelph with short-term financial benefits while taking away longer-term dividends from Guelph Hydro.
- There is concern about privatization with several participants referencing the Ontario government's partial privatization of Hydro One as an example of what the City of Guelph should avoid.
- If the City were to pursue a merger, participants prefer a combination with other regional utilities and with those that share the same values as Guelph Hydro, such as a commitment to conservation and environmental sustainability. There is significant concern about transactions, including mergers, with a private utility.
- Based on gathered input, the option to buy other electricity distribution utilities has no support. Participants recognize that buying other utilities is impractical and would increase Guelph Hydro's debt load.

Environmental Sustainability

- A notable segment of respondents expressed support for ensuring the City of Guelph supports the use and generation of electricity from renewable sources, as well as for energy conservation programs.
- There is a feeling that maintaining local control would better position Guelph Hydro to meet the expectations some in the community have regarding environmental sustainability, such as renewable energy. If the City were to pursue a merger, some have indicated they would prefer "like-minded" utilities, especially those who are committed to renewable energy sources and environmental sustainability.

Public Information Sharing

- Some participants have expressed appreciation for the early community engagement.
- Some participants have requested that the City of Guelph provide more information about the options being considered, such as financial analyses for each, as well as more financial data on the projected capital requirements for modernizing Guelph Hydro's infrastructure and service.

- A small segment of participants have requested more information on why the City of Guelph is reviewing its options for Guelph Hydro now – some have questioned the “urgency” of the review.
- It is evident that participants want the City of Guelph to continue sharing information and engaging the public throughout the asset review process.

Next Steps: Commitment to Ongoing Community Engagement

From the onset of the asset review for the future of Guelph Hydro, the City of Guelph and the Strategies and Options Committee’s goal was to ensure people are informed and have an opportunity to provide input at each step of the process. For this reason, the City of Guelph activated a community engagement initiative at this early stage to seek citizen input on the decision-making criteria, framework and initial thoughts on the four options being considered.

If the asset review progresses beyond Phase 1, which is expected to be determined at the special meeting of Guelph City Council on February 15, 2017, the City will continue to seek public input throughout the process.

At any time, community members can visit www.energizingtomorrow.ca to learn more about the asset review and to submit comments and questions.

Appendix A:

Community Engagement Polling Questions

Online Engagement Polling Questions – Version 1:
(December 23, 2016 to January 9, 2017)

1. As City Council explores options, which of the following criteria do you feel are most important? Please select your top three.
 - Protect the interests of consumers with respect to prices.
 - Protect the interests of consumers with respect to reliability and quality of electricity service.
 - Promote electricity conservation.
 - Facilitate the implementation of a smart grid in Ontario.
 - Promote the use and generation of electricity from renewable energy sources.
 - Provide local jobs.
 - Supply capital for community projects, infrastructure and innovation.
 - Meet or exceed current customer service standards.
 - Contribute to long-term community planning and economic development.
 - Supply electricity efficiently and cost-effectively.
 - Realizing the best value for the asset for the shareholder and the community.
2. The decision-making framework gives equal consideration to Guelph Hydro customers, the City of Guelph as shareholder, and the community as a whole. In your opinion, is this framework right? If not, what or who have we missed? Yes or No?
3. Is there anything else you would like the City and/or the Committee to keep in mind as we continue this process?

Online Engagement/Public Open Houses Engagement Questions –
Version 2:
(January 9, 2017 to January 20, 2017)

1. As City Council explores options, which of the following criteria do you feel are most important? Please select your top three.
 - Protect consumers with respect to electricity distribution rates.
 - Meet or exceed current quality, safety and reliability of service.
 - Meet or exceed current customer service standards.
 - Maintain or enhance service and systems through innovation and technology.
 - Continue or enhance conservation and demand management programs.
 - Support development of provincial smart grid.
 - Encourage use and generation of electricity from renewable sources.
 - Advocate for local interests among regulators, industry and other levels of government.
 - Provide local jobs.
 - Realize the best financial return and overall value.
 - Supply electricity efficiently and cost-effectively.
 - Contribute capital funds for reinvestment.
 - Support long-term community planning and economic development.
2. The decision-making criteria give equal consideration to Guelph Hydro customers, the City of Guelph as shareholder, and the community as a whole. In your opinion, is this right? If not, what or who have we missed? Yes or No?
3. Is there anything else you would like the City and/or the Committee to keep in mind as we continue this process?

IBEW – 5

Reference (s): Ex. B/T2/S1/p. 2
Ex. B/T5/S1/ p.1

The evidence states that over the course of the 10 year rebasing deferral period, customers will benefit from rates that are lower than they would have been had the status quo. How will Guelph Hydro's customers benefit in the first ten years of the rebasing deferral period with respect to rates? How will Alectra's customers benefit in the first ten years of the rebasing deferral period with respect to rates?

Response:

1 Please see the Applicants' response to Interrogatory IBEW-2, which addresses Guelph Hydro
2 customers' benefits during the rebasing deferral period with, respect to rates.

3
4 Alectra Utilities' customers are currently in the original rebasing deferral period, and, as such,
5 will not be subject to the rebasing of the four predecessor utilities that would have otherwise
6 been undertaken under that *status quo* scenario.

7
8 The scope of the OEB's consideration, in reviewing an application, will be to apply the no harm
9 test, as outlined in the *Handbook to Electricity Distributors and Transmitter Consolidations* (the
10 "Handbook").

11
12 Applicants are required to provide evidence to demonstrate the impact of the proposed
13 transaction with respect to the OEB's first two statutory objectives to:

- 14 • Protect consumers with respect to prices and the adequacy, reliability and quality of
15 electricity service; and
16 • Promote economic efficiency and cost effectiveness and to facilitate the maintenance of a
17 financially viable electricity industry.

18
19 Further, at page 4 of the Handbook, the OEB stated that: "*If the proposed transaction has a
20 positive or neutral effect on the attainment of these objectives, the OEB will approve the
21 application.*" [emphasis added]

1 During the rebasing deferral period, Alectra Utilities' current customers will be neutral with
2 respect to rates, as a result of this transaction, i.e., there will be no change in rates for current
3 Alectra Utilities' customers as a result of this amalgamation. Alectra Utilities' current customers'
4 rates will continue to be based on the individual rate zones' rate plans, i.e., Custom IR for the
5 Horizon Utilities RZ until 2019 and Price Cap Incentive Regulation ("IR") for 2020 and beyond;
6 all three other rate zones according to Price Cap IR.

IBEW – 6

Reference (s): Ex. B/T2/S1/p. 2
Ex. B/T5/S1/ p.1

The evidence further states that customers will benefit indirectly from synergies/savings during the deferral period. Please provide a detailed list of the specific areas where these synergies/savings are expected to occur. Please indicate when these synergies/savings are expected to occur.

Response:

- 1 For a breakdown identifying departmental areas where synergies are expected and the
- 2 anticipated timelines for when these synergies are expected to occur, please see the Applicants'
- 3 response to Interrogatory B-Staff-7 c), Interrogatory B-Staff-10 and Interrogatory B-Staff-12.

IBEW – 7

**Reference (s): Ex. B/T2/S1/p. 2
Ex. B/T5/S4/p.1**

The evidence states that it is the Applicants' submission that the proposed consolidation meets the Board's "no harm" test. The evidence states that the proposed transaction will positively impact the customers of the Parties with respect to the price and the adequacy, reliability and quality of the electrical service. How specifically will the proposed transaction improve the reliability and quality of the electrical service as opposed to the status quo? How exactly will Guelph Hydro customers benefit from being served by a larger utility? Please confirm Alectra will maintain the seven existing service centres at the same staffing levels for each centre and if any of these positions are being reviewed for "synergies" or "redundancies".

Response:

The Applicants believe that the merger will lead to the following operational and customer-focused aspects:

- Access to existing local resources, together with supplemented resources that are geographically diversified when responding to major outage events. This has been shown to be extremely effective as both Alectra Utilities' and Guelph Hydro's resources have been called upon to assist in several Ontario and US major outages to facilitate rapid recovery of areas that have had massive outages. Geographic diversity occurs because not all operational crews and areas are affected in the same way, with the same level of intensity, or would face the same weather conditions. Similar deployment of supplementary resources would occur with any major outage in Guelph – increasing resource complements, reducing restoration times for customers and thereby reliability. That is:
 - Having local crews responding to local outages;
 - The ability to have access to additional support (e.g., line crews, forestry crews, etc.) in the cases of high impact localized storms; and
 - Risk mitigation through geographic diversity of resources.
- Improvements in the overall customer experience by leveraging best practices of both utilities and the ability to draw upon multiple call centres, together with a firm commitment to maintain or improve local reliability.

- 1 • A commitment to local infrastructure upgrades identified in Guelph Hydro's
2 distribution system plan, which, over time, will be optimized as part of a
3 comprehensive distribution system plan for Alectra Utilities.
- 4 • Preserving and enhancing community presence by maintaining the existing
5 operational centre for a minimum of 10 years.
- 6 • Planning for and leading industry change with business continuity planning, with a
7 significantly larger balance sheet, and with a depth of talented human resources that
8 understand the need for innovation. This has been and will continue to be Alectra
9 Utilities' belief that a utility that comes together will be stronger for its customers and
10 for its shareholders.

IBEW – 8

Reference (s): Ex. B/T2/S1/p/4

Please provide copies of the requests for Tax Rulings from the Ministry of Finance.

Response:

- 1 Please see the Applicants' response to Interrogatory B-Staff-1.

IBEW – 9

Reference (s): Ex. B/T2/S1/p/4

Please explain how being the largest municipally owned-LDC in Ontario necessarily benefits the customer base.

Response:

1 The size of resultant LDC, in and of itself, is not specifically how customers benefit from
2 consolidation. It is through the increased business scale, that provides the opportunity for
3 efficiency gains that are beneficial to the customer base. The existing utilities operate in the
4 current performance based regulatory framework; one which incents LDCs to find efficiency
5 gains that are ultimately beneficial to the customer base.

6
7 The merger of Guelph Hydro and Alectra Utilities has an opportunity for both operating and
8 capital efficiencies, particularly in administrative, procurement, “back office” and IT functions.
9 The adoption of Customer Information Systems (“CIS”) is an example of this. Alectra Utilities is
10 currently consolidating its own CIS. Guelph Hydro would eventually need to replace its current
11 CIS system, but, by adopting Alectra Utilities’ CIS system, it would save the initial capital costs
12 as well as drive down OM&A cost per customer.

13
14 Another example of an efficiency, directly attributable to Alectra Utilities’ size and scale, arises
15 from lower overall borrowing costs. Currently, Alectra Utilities (and by extension its customer
16 base) benefits from one of the lowest long-term and short-term borrowing costs in Ontario. As a
17 stand-alone entity, Guelph Hydro cannot achieve these same low borrowing costs as there is an
18 inherent “illiquidity” premium on long-term and short-term financing for Guelph Hydro’s debt.
19 The merger will result in Guelph Hydro’s customers benefitting from lower overall borrowing
20 costs simply by virtue of becoming part of Alectra Utilities’ financing structure.

21
22 The efficiency gains from the scale and lower unit cost of operation are ultimately for the benefit
23 of the customer base under the OEB’s incentive rate making framework.

IBEW – 10

Reference (s): Ex. B/T6/S1/p.1

How will transition costs impact the total anticipated savings? How do the applicants arrive at a total anticipated savings of \$37.0MM in operating costs and \$3.8MM in avoided capital costs. How do the Applicants arrive at the figure of \$4.0MM for sustained operating, maintenance and administration in light of \$24.2MM in payroll reductions. Clarify how the payroll reductions will be made.

Response:

- 1 The \$14.2MM in transition costs are built into the business case which lowers the anticipated
- 2 savings by this amount.
- 3 The total operating savings for the ten years is \$47.6MM, offset by additional ongoing costs of
- 4 \$10.6MM for total savings of \$37MM. Please also see Board Staff-12 c) for further information.
- 5 The total avoided capital costs for the ten years are for reductions in Fleet and IT equipment.
- 6 The \$24.2MM in payroll reductions represents the cumulative total savings of \$27.9MM over the
- 7 ten-year sit-out period minus payroll transition costs of \$3.7MM.
- 8 The \$4MM in sustained savings in year five and beyond represents an annual savings of \$5MM
- 9 offset by \$1MM increase in costs.
- 10 The payroll reductions will be made through retirement, natural attrition and a targeted voluntary
- 11 separation program.
- 12 Please also see the Applicants' response to Interrogatory B-Staff-12 for additional information.

IBEW – 11

Reference (s): Ex. B/T4/S3/P.1

Please provide copies of all presentations and reports made to each relevant municipal council (those involved in the consolidation) regarding the merger

Response:

- 1 Please see the reports provided as IBEW-11 Attachment 1. There was also a presentation
- 2 made to the Council of the City of Guelph in a closed session on December 13, 2017. This
- 3 presentation has not been disclosed, as it is subject to solicitor and client privilege.

IBEW- 11 ATTACHMENT 1 GUELPH MUNICIPAL COUNCIL REPORTS

City Council as
Shareholder of Guelph Municipal Holdings
Inc.
Meeting Agenda



Consolidated as of December 8, 2017.

Wednesday, December 13, 2017 – 5:00 p.m.
Council Chambers, Guelph City Hall, 1 Carden Street

Please turn off or place on non-audible all electronic devices during the meeting.

Please note that an electronic version of this agenda is available on
guelph.ca/agendas.

Authority to move into closed meeting

That the Council of the City of Guelph now hold a meeting that is closed to the public, pursuant to the Municipal Act, to consider:

C-GMHI-2017.5 Decision regarding the merger of Guelph Hydro with Alectra – Closed
Section 239 (2) (f) of the Municipal Act related to advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

Open Meeting - 6:30 p.m.

Closed Meeting Summary

Disclosure of Pecuniary Interest and General Nature Thereof

Items for Discussion:

The following items have been extracted from the Committee of the Whole Consent Report and the Council Consent Agenda and will be considered separately. These items have been extracted either at the request of a member of Council or because they include a presentation and/or delegations.

CON-GMHI-2017.6 Decision regarding the merger of Guelph Hydro with Alectra – Open
(Staff Memo and Att-8)

Presentation:

Derrick Thomson, Chief Administrative Officer
Jane Armstrong, Chair, GHESI Board of Directors

Tara Sprigg, General Manager, Communications and Customer Service
Troy MacDonald, Financial Advisor, Grant Thornton
Ron Clark, Aird & Berlis, Legal Advisor, GMHI

Delegations:

Norm Loberg, Chair, Alectra Inc.
Richard Puccini (presentation)
Dr. Ron East
David Estill
Steve Dyck
Paul Costello
Diane Hurst
Donna Jennison
George Kelly
Colleen Pearse
Dan Bertens, Guelph Hydro Electric Services Inc.
Mark Goldberg (presentation)
Francis Papillon
Mike Nagy
John T. F Gerry Barker
Cynthia Bragg
Bill McLellan
Jonathan Webb
Brian Manninger, IBEW Local 636
Jon Peddie
RoseMary Peddie
Isseiah Berhane
Todd Ernst, Director, Greater Toronto Airports Authority
Rossana Broderick
John Reinders
Janice Folk-Dawson
Erik Veneman
Krista Perry
Tom Chessell, Vice President , Power Workers' Union
Barry Ward, Councillor, City of Barrie
Jeff Lehman, Mayor, City of Barrie
Brian Bentz, President and CEO, Alectra Inc.

Correspondence:

Mel & Lily Briant
Paul Fair
Mark MacInnis
Jan Henderson
Robert Barron
Marg Harbin
Susan Watson
Michael Driscoll
Richard Chaloner

Gerry Barker (Petition with 73 signatures)

Recommendation:

1. That the Guelph Municipal Holdings Inc. ("GMHI") Report GMHI-2017-12 titled "Decision regarding merger of Guelph Hydro with Alectra" be approved.
2. That the draft resolutions presented in Attachment 1 of staff report GMHI-2017-12, be adopted.
3. That the CEO of GMHI report back to Council as shareholder of GMHI in Spring 2018 with an update on the implementation of the transaction with Alectra.

By-laws

Resolution to adopt the By-laws (Councillor Downer).

By-law Number (2017)-20236	A by-law to authorize and approve the execution of definitive merger and other agreements and all acts necessary to effect the associated transactions between the City of Guelph, GMHI, Guelph Hydro, Envida, Alectra Inc., Alectra Utilities Corporation and other parties.
By-law Number (2017)-20237	A by-law to confirm the proceedings of the meeting of Guelph City Council held December 13, 2017.

Adjournment

MEMO

DATE December 13, 2017

TO **Mayor and Council**

FROM Barbara Swartzentruber

DIVISION Strategy, Innovation, and Intergovernmental Services

DEPARTMENT Office of the Chief Administrative Officer

SUBJECT Revisions and Additions to the December 13 GMHI Shareholder Agenda

The purpose of this memo is to provide Members of Council with details regarding minor changes to the agenda material distributed on December 1 as well as provide context to the additional documents that were not originally noted in the staff report.

In addition, Attachment 8 – GHESI Board Endorsement that was noted as forthcoming in Report GMHI-2017-12 has been enclosed with the consolidated agenda package.

Additional documents included with memo to Council

The additional documents attached with this memo are to provide greater transparency to the public regarding a number of the closed meeting documents. These documents include:

1. Introductory Slide to be presented by Derrick Thomson, GMHI CEO, and Jane Armstrong, GHESI Board Chair.
2. Summary of Key Merger Terms related to the Merger Participation Agreement and the Unanimous Shareholder Agreement
3. Technical Fairness Opinion letter from METSCO Energy Solutions Inc. related to the Technical Due Diligence report.
4. Memorandum from Aird & Berlis highlighting key components of the Legal Due Diligence report.

Amended documents in the open agenda

Attachment 2 - Advisors' Presentation

Minor grammatical edits have been made to Attachment 2 of the open report related to the slide deck provided by Grant Thornton. In addition, slide #22 – Closing adjustments - have been updated from \$18.2M to \$18.5M and the total amount for the merger adjusted from \$249.9M to \$249.2M. An updated slide has been included with the consolidated agenda.

Attachment 3 - GRE&T Centre Strategic Business Plan

On page 41 of Attachment 3 of the GRE&T Centre Strategic Business Plan, a placeholder was initially inserted to include a quote in the Benchmark Examples. However, the material was not expanded upon and thus the segment was omitted. Corrected pages have been included with the consolidated agenda.

Should you have any questions regarding these documents, I welcome you to contact me.

Barbara Swartzentruber
Executive Director

Strategy, Innovation, and Intergovernmental Services
Office of the Chief Administrative Officer

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E Barbara.Swartzentruber@guelph.ca

Guelph Municipal Holdings Inc.

GUELPH
MUNICIPAL
HOLDINGS INC.

An Overview

Overview

Acknowledgement and strength of proposal

How did we get here?

- The Journey (September 2016 – December 2017)
- The team:
 - City staff
 - GHESI
 - Independent Advisors
- Valuable contributions, advice and recommendations from the Strategies and Options Committee

Final Staff Recommendation was developed with consideration to:

- Decision-making criteria has been fulfilled
 - Value for customers
 - Value for community
 - Value for the City
- Requirements of the Negotiating Mandate provided by Council have been met

Overview

Acknowledgement and strength of proposal

- Guelph Hydro - high performing, well-respected utility
- Preserving the value that Guelph Hydro has provided to our community
- Special thanks and appreciation to Guelph Hydro and City of Guelph management, and to the members of the Strategies and Options Committee

SUMMARY OF KEY MERGER TERMS as at December 6, 2017

Merger Participation Agreement

1. The parties to the Merger Participation Agreement (“MPA”) will be Guelph Hydro, GMHI, Alectra Utilities Corporation (“AUC”, Alectra’s electricity distribution company) and Alectra Inc. (AUC’s parent company, and together with AUC, “Alectra” for simplicity). The MPA is expected to be entered into in February 2018, once all shareholder approvals are in place.
2. The MPA contemplates that, following Ontario Energy Board (“OEB”) approval of a Mergers, Acquisitions, Amalgamations and Divestitures (“MAADs”) application (see Item 10 below) and certain other closing conditions, GMHI will transfer all of Guelph Hydro’s shares to Alectra Inc. In return, GMHI will receive shares in Alectra Inc. Guelph Hydro and AUC will amalgamate, and Guelph Hydro’s debt will be transferred to Alectra Inc.
3. GMHI’s shares in Alectra will reflect a 4.63% ownership interest. Among other things, this percentage interest determines what share of Alectra’s dividends GMHI will receive.
4. Guelph Hydro will pay GMHI a special distribution of \$18.5 million immediately prior to closing, without adversely affecting its regular annual dividend.
5. A Southwest Ontario Operations Centre will be preserved at the location of Guelph Hydro’s current offices with a minimum commitment of 10 years, including a senior employee based in Guelph to oversee local operations
6. Guelph Hydro employs about 130 people. About 30 positions are expected to be addressed through attrition, voluntary retirement or voluntary separation wherever possible. Of the remaining 100 positions, about 70 existing positions have been identified as needing to remain in Guelph, subject to material new regulatory or legislative requirements or changes affecting electricity distribution companies in Ontario generally. The balance of 30 positions would be offered relocation opportunities starting in 2019, with the majority of moves happening between 2020 and 2022. Those individuals who do not accept a relocation will be eligible for a voluntary retirement or voluntary separation wherever possible.
7. Alectra will establish a GRE&T Centre in Guelph, with a minimum commitment of 8 years, as a platform for supporting transformation in the electricity industry by accelerating integrated energy solutions. The GRE&T Centre will have 8 to 10 new full-time positions, with \$5 million in capital spending in the first 3 to 5 years of the merger, and \$3 million in annual operating spending within 2 years of the merger. The GRE&T Centre will prioritize opportunities in Guelph and Alectra’s overall service territory.
8. Envida Community Energy’s (“Envida’s”) assets, other than its Eastview and Southgate assets, will be transferred to the City for further disposition. GMHI will then sell Envida’s shares to Guelph Hydro, and Guelph Hydro and Envida will then amalgamate, which will bring the Eastview and Southgate assets into Guelph Hydro. Guelph Hydro’s subsequent amalgamation with AUC will then bring the Eastview and Southgate assets into Alectra. Tax losses, the financial benefit of which cannot be realized in Envida, will also be transferred to Guelph Hydro and then to Alectra, where a financial benefit might be realizable, in which case the financial benefit will be shared between Alectra and GMHI on a 50/50 basis.

9. From execution to close, GMHI must remain exclusive to Alectra, and Alectra must inform GMHI of negotiations involving regulated businesses over \$25 million or non-regulated businesses over \$50 million.
10. For the merger to close, approval by the OEB of a MAADs application will be required. This approval is dependent on the parties demonstrating that the proposed merger satisfies the “no harm” test.
11. Alectra will meet or exceed service standards and reliability for electricity distribution companies in Guelph Hydro’s current service territory.
12. Alectra will support the Guelph Climate Change Office, the Guelph Chamber of Commerce and the Guelph Economic Development Office, similar to its activities in all of its municipalities.
13. The Guelph Hydro brand will be used for one year following the merger.
14. The Merger Participation Agreement also includes extensive representations and warranties by the parties, other covenants and closing conditions, and indemnity provisions.

Unanimous Shareholders’ Agreement

1. The parties to the Unanimous Shareholders’ Agreement will be the municipal governments of Barrie, Hamilton, Markham, Mississauga, St. Catharines, Vaughan and now also Guelph, a subsidiary of Ontario Municipal Employees Retirement System (OMERS), the holding companies through which the foregoing entities hold their interest in Alectra Inc. (now including GMHI), and Alectra Inc. itself. The Unanimous Shareholders’ Agreement is expected to be entered into in January 2019, when the merger closes, dependent on OEB approval of the MAADs application.
2. Alectra’s dividend policy provides for a target dividend of 60% of net income, subject to the provisions of the *Business Corporations Act* (Ontario). These dividends are projected to exceed dividends under the “maintain full ownership” option by \$10.1 million.
3. GMHI will receive one permanent seat on Alectra’s Board of Directors, and will have the right to appoint an independent director.
4. Certain fundamental decisions will require shareholder approval.
5. GMHI (and all other Alectra holding companies other than Enersource) may transfer up to a 10% ownership interest to specified Canadian financial institutions. Sales of shares by shareholders are subject to rights of first offer. Issuances of new shares by Alectra are subject to pre-emptive rights. GMHI (and several other shareholders) have the right to lend money to Alectra subject to specified conditions. Tax indemnities are in place to impose the burden of tax impacts, if any, arising from share transfers on the entity triggering them.
6. Alectra will not harmonize distribution rates for its predecessor electricity distribution companies (including Guelph Hydro) until the differences between such rates is immaterial, subject to OEB approval.

December 07, 2017

Mr. Pankaj Sardana
Chief Executive Officer,
Guelph Hydro Electric Systems Inc.
395 Southgate Drive, Guelph, ON, N1G 4Y1

Dear Mr. Sardana:

**Re: Proposed Guelph Hydro Electric System Inc. & Alectra Utilities Merger – Fairness
Opinion (Technical)**

METSCO Energy Solutions Inc. (METSCO, we) understand that Guelph Hydro Electric System Inc. (GHESI) and Alectra Utilities Corporation (Alectra) propose to enter into a merger transaction (Transaction), which upon implementation would result in formation of a single amalgamated OEB licensed entity for electricity distribution.

You have asked us to provide an opinion to confirm if the proposed Transaction is fair to the shareholders and customers of GHESI, from a technical point of view, based on our evaluation of the design, construction and operating condition of Alectra's distribution system assets.

In reaching our opinion, we have reviewed the Distribution System Plans (DSPs) and Asset Condition Assessment (ACA) Reports, submitted to the Ontario Energy Board by the four distribution companies – Power Stream Inc., Enersource Hydro Mississauga Inc., Horizon Utilities Corporation and Hydro One Brampton Networks Inc. – which have recently merged together to form Alectra, with the intent of identifying any obvious or hidden risks related to design, construction or operating condition of Alectra Utilities fixed assets, that can have potentially adverse impacts on GHESI's shareholders and customers. More specifically, the focus of our review was to confirm:

- (a) that the design, construction, and operating condition of Alectra's distribution system assets are generally in compliance with the applicable regulatory requirements, and no abnormally high investments, other than those already identified in the DSPs, are anticipated in the foreseeable future to bring the distribution system into compliance;
- (b) that the design, construction, and operating condition of Alectra's distribution system assets are aligned with the best utility practices and do not present risk of premature asset impairment or failures under anticipated operating conditions;
- (c) that the regulatory fixed assets owned by Alectra are "usable" and "in use" for electricity distribution and the risk of these assets getting stranded in service is low in the foreseeable future;

Address:

METSCO Energy Solutions
#215; 2550 Matheson
Blvd. E, Mississauga,
ON, L4W 4Z1

Call:

Phone: 905-232-7300
Cell: 416-473-6751
Fax: 905-232-7405

On-line:

Email: info@metSCO.ca
Website: metSCO.ca

- (d) that the proposed level of Alectra's capital investments planned and approved into system renewal, system service, system access, and general plant is aligned with the system needs and is prioritized based on the needs;

In preparing our opinion, we have assumed and relied on the accuracy and completeness of the information provided in the DSPs and we have not independently verified the accuracy of such information. We have not reviewed Alectra's asset registers and records or conducted a physical inspection or inventory count of the fixed assets, nor have we assumed any responsibility for any such review or inspection. We have not performed an independent condition assessment of the assets. We are not legal, tax, financial or accounting advisors and we have not performed any business valuation or asset valuation assessment.

This opinion is intended solely for the benefit of GHESI and its shareholders and may not be relied upon by any third party. This opinion must be read in conjunction with our full report – "Independent Third-Party Review of Alectra Utilities' Distribution System Plans", which is attached herewith.

Based on and subject to the foregoing, it is our opinion that the Transaction is fair from a technical point of view to GHESI and its shareholders.

Yours Truly:



Shawn Otal, MBA, P.Eng.

METSCO Energy Solutions
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Mississauga, ON, L4W 4Z1
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On-line:

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Website: metSCO.ca

M E M O R A N D U M

TO: Guelph City Council

FROM: Ron Clark

DATE: December 6, 2017

RE: Project Mercury - Legal Report

A. Introduction

Aird & Berlis LLP has been retained by Guelph Municipal Holdings Inc. ("**GMHI**") on behalf of itself, the Corporation of the City of Guelph (the "**City**") and Guelph Hydro Electric Systems Inc. ("**GHESI**") to provide the legal services and advice in relation to:

1. Legal risks and considerations related to the merger of GHESI with Alectra Utilities Corporation ("**AUC**") and the issuance to GMHI of shares in the capital of Alectra Inc. ("**Alectra**") (collectively, the "**Transactions**");
2. Preparation and negotiation of a merger participation agreement (the "**MPA**") and a unanimous shareholders agreement (the "**Unanimous Shareholders Agreement**") to implement the Transactions, and effecting certain pre-closing transactions related to assets of Envida Community Energy Inc.; and
3. Legal due diligence on Alectra and AUC (the "**Due Diligence**").

B. Scope of Engagement

In the course of our engagement we have prepared and negotiated drafts of each of the following:

1. The MPA, pursuant to which the Transactions will be completed; and
2. The Unanimous Shareholders Agreement which, as of the effective date of the Transactions, will govern the relationship between GMHI and the City, on the one hand, and existing municipal and direct shareholders of Alectra, on the other hand, following its amalgamation with GHESI.

Each of the foregoing documents is, as of the date of this report, substantially complete.

C. Conclusions

Consistent with the mandate given to Aird & Berlis LLP by the City, GMHI, and GHESI, and based upon the foregoing documents, our conclusions are as follows:

1. The Merger Participation Agreement and the Unanimous Shareholders Agreement are in a form that are typical for arrangements such as the Transactions.

2. The legal risks to the City and GMHI associated with the Transactions are within range of what is typical in arrangements such as the Transactions.
3. The Merger Participation Agreement and the Unanimous Shareholders Agreement are drafted in a way that adequately protects the interests of the City and GMHI.
4. Significant (though not final) due diligence has been completed by us with respect to contractual, litigation, environmental, real property, regulatory, governance and other matters related to Alectra and AUC and no information has come to our attention that would cause us to reconsider the conclusions set out above.

Transaction Summary: Comparing Standalone to Merger

Financial Position	Standalone	Merger	Commentary
Equity Value at Closing	\$129.4M	\$129.4M	Current equity value – same under either scenario. Growth in equity value in a merger with Alectra should be more robust than on a standalone basis due to scale and significant innovation investment
Closing Adjustments	N/A	\$18.5M	To compensate GHESI for its more favourable expected Net Debt and working capital positions relative to Alectra
Incremental Dividends	N/A	\$10.1M	Guelph's estimated incremental dividends as a result of incremental synergies and share of original Alectra synergies
Standalone Dividends (20 years from 2019-2038)	<u>\$91.2M</u>	<u>\$91.2M</u>	Base dividends same under either scenario (calculated as greater of \$3M or 50% of Net income)
Total	\$220.6M	\$249.2M	Guelph is better off financially under a merger with Alectra than on a standalone basis with ~\$29 in additional cash through closing adjustments and dividends, as well as greater potential equity value appreciation.

Ontario Centres of Excellence

TORONTO

([Website](#))



The purpose of the Ontario Centres of Excellence (OCE) is to drive the development of Ontario's economy by helping create new jobs, products, services, technologies and businesses.

OCE, a not-for-profit program, was formally established in 1987 with seven independent centres that evolved and amalgamated into the Ontario Centres of Excellence Inc. in 2004.

In partnership with industry, OCE co-invests to commercialize innovation originating in the province's publicly funded colleges, universities and research hospitals. It also supports and invests in early-stage projects, where the probability of commercial success and potential total return on innovation are substantial. Another expanding focus for OCE is the development of the next generation of innovators through our entrepreneurship fellowships and programs for students and youth across Ontario.

Its efforts are focused on sectors of the economy with the greatest potential to drive Ontario's future prosperity and global competitiveness: energy and environment (including water); advanced manufacturing; advanced health technologies; and information, communications technologies and digital media.

Funded by the Government of Ontario, OCE fosters the training and development of the next generation of innovators and entrepreneurs and is a key partner with Ontario's industry, universities, colleges, research hospitals, investors and governments. OCE is committed to advancing a whole-of-government approach as a means of streamlining funding application processes for companies and entrepreneurs.



Toronto-based solar energy start-up, Morgan Solar, is working to perfect an optical technology that will make solar panels significantly less expensive. The technology traps and directs sunlight for solar panels in a single component, while current designs require complex and expensive mirrors, optical components and chemicals.

Their solar panel, called the Sun Simba, achieves one of the industry's highest reported sunlight to electricity conversions in the most compact form to date. It also uses very few materials, making it light, easy to put together and inexpensive.

OCE works directly with academia and industry to bring prospective partners together to turn ideas into income. OCE deploys an experienced 40-person team of Business Development Managers to all corners of the province. They find out what is needed by industry and literally explore the halls and labs of academe to find out about the latest breakthroughs from researchers. Together, they work through OCE's tailored programs to commercialize innovations, transfer technologies and develop promising talent.



395 Southgate Drive
Guelph, ON N1G 4Y1
Telephone (519) 822-3017
Fax (519) 836-1055
www.guelphhydro.com

December 5, 2017

Guelph City Council
Guelph City Hall
1 Carden Street
Guelph ON N1H 3A1

Dear Councillors,

Re: Letter from Guelph Hydro Electric Systems Inc. (GHESI) Board
to Council as Shareholder of GMHI

The GHESI Board of Directors endorses the work undertaken by the City Council, the Strategies and Options Committee, City of Guelph staff, and GHESI management to evaluate strategies and options for the future of GHESI to ensure customers, the City, and the community continue to benefit from the exemplary service and value that Guelph Hydro Electric Systems Inc. provides.

We appreciate the collaborative approach undertaken by City of Guelph staff and GHESI management in this endeavor.

The GHESI Board, having had the opportunity to review the business case for the proposed merger of GHESI and Alectra Utilities Corporation (Alectra) and supporting documentation as presented in Council material for the December 13, 2017 Council Meeting recommends proceeding with the proposed merger and the execution of all necessary documentation to give effect thereto.

At the GHESI Board Meeting held on December 5, 2017, the GHESI Board of Directors passed the attached resolution.

Sincerely,

A handwritten signature in blue ink, appearing to be 'S. Jane F. Armstrong'.

S. Jane F. Armstrong
Chair
Guelph Hydro Electric Systems Inc.

CC: GHESI Board of Directors
GMHI Strategies and Options Committee

**RESOLUTIONS OF THE DIRECTORS OF
GUELPH HYDRO ELECTRIC SYSTEMS INC. ("GHESI")**

The following resolutions, signed by the directors of GHESI, are hereby passed pursuant to the provisions of the *Business Corporations Act* (Ontario) (the "**Act**"):

WHEREAS The Corporation of the City of Guelph (the "**City**") is the sole shareholder of Guelph Municipal Holdings Inc. ("**GMHI**");

AND WHEREAS, pursuant to a shareholder declaration executed by the City, dated October 24, 2016 (the "**GMHI Shareholder Declaration**"), GMHI requires the approval of the City for certain actions with respect to GMHI and its subsidiaries;

AND WHEREAS GMHI is the sole shareholder of each of GHESI, Envida Community Energy Inc. ("**Envida**") and GMHI Development Corporation;

AND WHEREAS, pursuant to a shareholder declaration executed by the City on October 24, 2016, and by GMHI on October 25, 2016 (the "**GHESI Shareholder Declaration**"), GHESI requires the approval of the City and GMHI for certain actions with respect to GHESI;

AND WHEREAS GMHI and GHESI intend to enter into a merger participation agreement, with each of Alectra Inc. ("**Alectra**") and Alectra Utilities Corporation, substantially in the form of the draft merger participation agreement previously presented to the directors of GHESI (the "**Merger Participation Agreement**");

AND WHEREAS GMHI intends to sell to GHESI the debt owed to it by Envida pursuant to and as set out in a debt transfer agreement (the "**Envida Debt Agreement**"), substantially in the form previously presented the directors of GHESI (the "**Envida Debt Transaction**");

AND WHEREAS GMHI intends to sell to GHESI all of the issued and outstanding shares it holds in Envida, pursuant to and as set out in a share purchase agreement (the "**Envida Share Purchase Agreement**"), substantially in the form previously presented to the directors of GHESI, in consideration for which GHESI will issue additional shares to GMHI (the "**Envida Share Purchase Transaction**");

AND WHEREAS, pursuant to the terms and conditions of articles of amalgamation, substantially in the form of the draft articles of amalgamation previously presented to the directors of GHESI ("**Envida Articles of Amalgamation**" and together with the Merger Participation Agreement, the Envida Debt Agreement and the Envida Share Purchase Agreement, the "**Principal Agreements**"), and in accordance with Section 177(1) of the Act, Envida and GHESI intend to amalgamate and continue as Guelph Hydro Electric Systems Inc. ("**GHESI Amalco**") (the "**Amalgamation**", and together with the Envida Debt Transaction and the Envida Share Purchase Transaction, the "**Envida Transactions**");

AND WHEREAS, following the completion of the Envida Transactions, pursuant to the terms and conditions of the Merger Participation Agreement, GMHI will sell all of the issued and outstanding shares in the capital of GHESI Amalco to Alectra in exchange for shares in the capital of Alectra (the "**Share Transaction**", and together with the other transactions contemplated by the Merger Participation Agreement and the Envida Transactions, the "**Transactions**");

AND WHEREAS GHESI (or GHESI Amalco, as applicable) will, after execution of the Merger Participation Agreement, be required to satisfy various conditions precedent prior to the closing of the Transactions (the “**Closing**”) and enter into, execute and deliver various agreements and documents with respect to each of the Merger Participation Agreement and the Envida Transactions (the “**Transaction Documents**”), all as further contemplated therein;

AND WHEREAS Section 9.01 of the GMHI Shareholder Declaration requires the approval of the City, and Section 10.01 of the GHESI Shareholder Declaration requires the approval of the City and GMHI, for GHESI to (i) enter into the Merger Participation Agreement and carry out the Share Transaction, (ii) authorize the Envida Transactions, and (iii) otherwise authorize, approve and carry out Transactions;

NOW THEREFORE BE IT RESOLVED THAT:

- (a) GHESI hereby recommends to the City and GMHI that they authorize GHESI to enter into the Principal Agreements and the Transaction Documents, and to carry out the Transactions, subject (as applicable) to the approval of the Ontario Energy Board; and
- (b) Subject to the approval of the City and GMHI and (as applicable) the Ontario Energy Board:
 - (i) GHESI hereby authorizes and approves entry into the Principal Agreements and the Transactions Documents;
 - (ii) GHESI hereby authorizes and approves the Transactions;
 - (iii) GHESI hereby authorizes and directs the Chief Executive Officers (each a “**CEO**”) of GHESI and GHESI Amalco, or each such officer’s designate, for and on behalf of each such corporation to execute and deliver each of the Principal Agreements and the Transaction Documents, with such amendments to such Principal Agreements as may be acceptable to the City Solicitor in his discretion; and
 - (iv) GHESI hereby authorizes and directs the CEO, or the CEO’s designate, to do all such other things or acts necessary to effect the Transactions, or otherwise to carry out the intention of this resolution, the doing of any such other act or thing by such person being conclusive evidence of such determination.

Guelph Hydro Asset Review

The case for evaluating the Sale Option

Guelph Council 13 Dec.2017

Richard Puccini

Asset Review....purpose and guidelines

- Review past performance and market trends and **establish the best ongoing use of our community's hydro asset**
- **Evaluate three options** for the future of Guelph Hydro
 - . Retain full ownership
 - . Merge
 - . Sell

Asset Review....progress to date

- **At a Feb. progress review meeting Council decided (by 7-5 vote) to drop the Sale option**

Council direction was to retain strong local control and perhaps consider a small geographic merger or increased shared services.....this decision meant no further discussion of a Sale would be permitted

- **In October, Council decided to begin merger negotiation with Alectra**

Council recognized that in Ontario's future electricity marketplace retaining full (or significant) local control is not viable. It is now proposed that a mega-merger is the necessary path forward

But is giving our hydro asset to Alectra in a Merger really better than selling the asset to a qualified bidder (possibly Alectra) in a Sale process?

Due diligence requires that the Feb. Council decision not to evaluate the Sale option must be reversed and the sale option must be assessed before a final decision to merge

Evaluating all Options.....Report Card

Criteria:	Retain	Mega-Merger	Sale
Current Employees	A	B	B
New Jobs/Investment	C	B	B
Electricity Rates for Residents	B	B+	A
Reliable Service	A	A	A
Green Future for Community	C	A	A
Financial Return to Guelph	B	C	A

Summary: Future marketplace means retaining full ownership is not a long term solution. The Sale of our Asset appears far better than this Mega-merger

Next Steps.....due diligence requires

- Commitment to complete the assessment of the three original Asset Review options.....Retain vs Merge vs Sale
- Motion to reverse the Feb. decision (by one of the seven Councillors who voted NO to the evaluation of the Sale option)
- Detailed comparison of the three original options

estimate only 4 to 6 weeks is required to properly complete the Guelph Hydro Asset Review as the first two options and valuation of our asset are now well understood

WHY MERGE WITH ALECTRA?

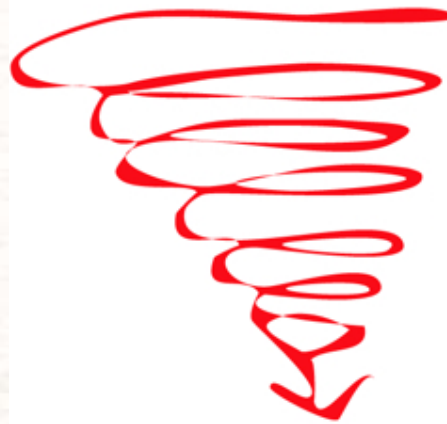
Mark Goldberg
Community Member
Strategies and Options Committee

GUELPH HYDRO

- Well run, reliable, responsive
- One of the most valuable City assets
- Business model is changing
- Asset value is at risk

ITS NOT BUSINESS AS USUAL

- Homes and businesses don't just buy but also generate and sell electricity
- Consumers demand innovations like net metering, battery storage walls, microgrids
- The “Death Spiral”



Strategies and Options For Guelph Hydro

1. Do Nothing – Riskiest option
2. Sell – Off the table
3. Buy another utility- Can't afford to
4. Merge

Potential Merger Partners

- Some were not ready
- Some were not the right fit
- Alectra is ideal!

Why ALECTRA?

1. It is owned by 6 other Ontario municipalities:
 - Same core values
 - Big enough collectively to innovate/ avoid death spiral
2. Excellent deal for Guelph financially:
 - electricity distribution rates will be frozen for 8 years
 - dividends will increase.
3. Service and reliability maintained with SW Ops Centre

Why ALECTRA?

4. We will have a permanent seat on Alectra's Board
5. The GRE&T Centre will help us pursue our Community Energy Initiative goals
6. The merger will likely stimulate economic development
 - through GRE&T Centre spinoff companies
 - by attracting large industry interested in stability and quality of life

CONCLUSION

ALECTRA
IS Guelph's IDEAL
MERGER PARTNER

Correspondence Received Regarding:

Decision regarding the merger of Guelph Hydro with Alectra

As residents of Guelph for many years, we have concerns and questions regarding this merger.

- Will we have representation as a city as well as a say on any decision making?
- Is Alectra entirely a public utility?
- Why are we rushing to make a decision on such an important matter?
- There are many more unanswered questions? There is no rush. STOP!

The future of our city is at stake!

Please be transparent and give residents of Guelph more details.

BIGGER IS NOT BETTER!

Thanks for your consideration.

Mel & Lily Briant

I am not for this merger at this time. I feel it is too rushed and would prefer it be decided after the next election.

Paul Fair

Lots of propaganda saying "your voice matters", if it matters, listen to the citizens and vote no.

Wait until the election and have a referendum if our voice matters.

Mark MacInnis

I am against your plans for Hydro. Leave it alone!

Jan Henderson

With regards to the merger with Alectra, I oppose the deal. Keep this essential public service in the hands of Guelph. If you don't, in future you will end up with no say in electrical service, and the price is guaranteed to go up. Privateering is legalized piracy, and; economic warfare. The power industry is creating a monopoly in restraint of trade.

Your protection of our local power company will be in the community's long term interest.

Yours very sincerely,

Robert Barron

Mayor Guthrie and City Councillors,

After taking advantage of the opportunity to read about the proposed merger and listen to the Facebook meeting tonight, I'm more frustrated than ever.

My first impression of the material available to the public was that it provided an optimistic forecast to sell the idea to the public. As you know, we didn't have any true facts until last week, and, any questions I submitted or read from others, were answered very predictably. It's as if the small print was missing.

During the Facebook meeting, the CAO mentioned that they've worked on this for about 14 months. If I had studied it for that long, perhaps I might feel this could end up being a good move for Guelph. I have no way of knowing. At this point, I see very little evidence that this is a good plan for the city.

The decision to sell or merge Guelph Hydro is a huge one, and, from an outsider's perspective, it's been made by a small committee whose membership changed part way through the process. Other than the CAO, I recognize only one member of the committee. (Mr. Sardana, whose opinion and integrity I respect). A great deal of the process was done behind closed doors, which, while sometimes necessary, is not conducive to encouraging public trust. The secretive loss of millions on DE, and subsequent silence on its failure, created a significant trust issue. It came to mind as a possible motivation for considering the merger as a way to remedy the problems and debts that we are left with.

I disagree that we'll be left behind if we don't race to get on board with this. I see the green energy part of the agreement as a carrot to entice Guelph. We have enough expertise and enthusiasm for green technology to go it alone and lead if we choose. I don't see great benefit in giving up control of a very successful utility in return for a one time dividend and loss of jobs. If, in the future, things change, I believe Guelph Hydro will still be a desirable partner.

It's not long since the public strongly rejected the sale of Guelph Hydro. A merger is different, but, still represents a loss of control, and a loss of jobs for this city. From what I have read, the loss is greater than the potential gains. Please vote no on this proposal.

Thank-you
Regards,
Marg Harbin

Dear Mayor Guthrie and Members of Guelph City Council:

I wish to express my concern about the proposed Guelph Hydro merger with Alectra.

It's not clear to me that City Council or staff have articulated the fundamental principles which would act as a compass for making this very important decision.

What are our priorities as a community? Is it just about lower rates and customer service, or are other things such as decision-making autonomy, preserving local jobs and responding to climate change more important? How can we know if this is a "good deal" if we haven't even defined what is most valuable to us as a community.

If this is simply about hydro rates and customer service, I am unconvinced that this merger will deliver benefits.

Jay Shepherd provides an excellent expert analysis in his "Open Letter to Guelph Hydro Customers":

<https://jayshepherdwriting.wordpress.com/2017/11/05/energy-20-an-open-letter-to-guelph-hydro-customers/>

If what is important to us is autonomy in decision-making and preserving local jobs, we will sacrifice both with this merger.

In fact, it appears to me that this merger is really no different than a sale - we are simply being reimbursed with stock and a signing bonus dividend rather than a cash windfall. All the arguments made against the sale of Guelph Hydro appear to apply in this case.

Most importantly, Guelph Hydro will no longer be a public utility. We will be public shareholders in a private corporation which is driven by the bottom line - not other priorities.

Lastly, my perception is that there has been a general discomfort in the community with how this merger has been promoted. Many citizens feel that staff and some members of Council have been co-opted as an extension of Alectra's marketing arm in the way they have championed the merger. While it is staff's job to make recommendations to Council, the rationale for these recommendations needs to be transparent and evidence-based. Staff needs to provide Council and citizens with an objective assessment of the pros and cons so Council can make an informed decision as to whether or not to support or oppose a recommendation.

For the reasons stated above. I wish to register my opposition to the proposed merger with Alectra.

Sincerely,
Susan Watson

I have grave concerns that we are on the verge of giving away a valuable asset to our community.

Mergers are thinly veiled, unfunded takeovers. The proposed up front payment of \$18.5 million is scant bait to give away an asset of more than \$220 million. The present value of the annual dividends, after we deduct the expected dividends if Guelph Hydro remained independent, will never recover the value that GH represents.

The loss of local jobs and the elimination of local control are negatives that directly affect the nature and economic health of our community.

I strongly advise that this merger not be approved.

Michael Driscoll. P.Eng., MBA

Mayor Guthrie
and City Councillors
City Hall, Guelph, ON

Dear Mayor Guthrie & City Councillors:

Re: Proposed Merger between Guelph Hydro and Alectra Inc.

Some councillors will remember that I came to council in 2008 to ask that administration to reject the proposed merger between the then Horizon, as it was not a prudent use of the city owned asset. These are different times and there are additional issues to consider some 10 years later. However I believe that council will be doing a disservice to the people of Guelph, who are the owners of Guelph Hydro, by accepting this offer at this time. There are simply too many unanswered questions to assess the terms of the merger and for residents of Guelph to make informed and educated decisions on whether or not this is a wise use of one of the city's most valuable assets.

Guelph Hydro has served us well, it provides a dividend each year which supports the operating budget of the city and helps to keep our property taxes reasonable. The dividend this year, some \$3 million is a 10.6% return on investment – an extremely good return on investment. Guelph Hydro is one of the more efficient local utilities and has an 89% customer satisfaction rate. It is local and responds to the needs of its current customer base of 55,000 plus. This customer base will definitely grow, as Guelph is a Places to Grow community and we anticipate an addition 50 – 60,000 new residents over the next few years, and of course that will mean new businesses and industries to serve the growing community who will require infrastructure to support their businesses – including electricity.

What do we know about Alectra Inc.? It is a new company, formed under the Ontario business corporations act in January 2017, made up of a number of municipal utilities. Some of these utilities have allied companies, but we have no information on them.

Alectra has close to a million customers and Guelph will be one of the smaller shareholders.

Do we have in place small shareholder protection, or will Guelph have little or no say on the direction and development of this new corporation? If Alectra plans to grow, according to its long term vision, why would it be in the interests of Guelph to be a shrinking part of a large enterprise>

There will be two call centres: one in St. Catharines and the other in Vaughan – how will this enhance the speed and quality of service to Guelph based customers?

What were the other options that were considered by the city staff tasked with exploring this possible merger? Where are the reasons for not choosing one of those other potential partners or mergers?

Why are they not available for Guelph residents to do their own due diligence?

We are all aware that the energy sector will be changing radically over the next 10 – 20 years; experts in the sector call it the 'death spiral', that large companies will not be nimble enough to respond to these changes, the question then is – why would we merge with the second largest utility company in north America with huge investments in 'old technology' when we need to be preparing for transformative change in the sector?

Surely the key questions are:

Is this the best strategic fit for the City of Guelph and is this the best option available to us?

I would suggest, with due respect, that it is the obligation of council to provide the people of Guelph more and balanced information and to take the time necessary to consider these very important questions before putting at risk this valuable, publicly owned asset.

Sincerely yours,
Richard Chaloner

**Are you in favour of city council merging Guelph Hydro
with a private corporation?**

Submitted by Gerry Barker

By signing this petition, you will send a message to city council not to approve the pending agreement between the city-owned Guelph Hydro and Alectra Inc. to be decided by city council on December 13, 2017.

We the undersigned, urge Guelph City Council to reject any merger agreement to takeover Guelph Hydro to Alectra Inc., in return for an unknown share of Alectra Inc. profits.

Petitioners must be residents of the City of Guelph and 18 years or older.

[73] Signatures Received

Original Available in the City Clerk's Office

Special City Council as Shareholder of Guelph Municipal Holdings Inc. Meeting Agenda



**Wednesday, February 15, 2017 – 6:00 p.m.
Council Chambers, Guelph City Hall, 1 Carden Street**

Please turn off or place on non-audible all electronic devices during the meeting.

Please note that an electronic version of this agenda is available on guelph.ca/agendas.

Call to Order – 6:00 p.m.

Disclosure of Pecuniary Interest and General Nature Thereof

Guelph Municipal Holdings Inc.: Strategies and Options

GMHI-2017.1 Assessment of Strategies and Options Relating to Guelph Hydro

Presentation:

Strategies and Options Committee Phase 1 Report – Derrick Thomson, Chief
Administrative Officer

(Presentation to be provided under separate cover)

Recommendation:

1. That the Strategies and Options Committee (the "SOC") of Guelph Municipal Holdings Inc. ("GMHI") further examine the following options for Guelph Hydro Electric Systems Inc. ("Guelph Hydro"):
 - (a) Sale of all or part of Guelph Hydro to one or more interested purchasers;
and,
 - (b) Merger of Guelph Hydro with one or more other local electricity
distribution companies ("LDCs").
2. That in carrying out Recommendation 1, the SOC:
 - (a) conduct an environmental scan of potential transaction partners and
potential transactions, with the assistance of an independent advisor, in

- order to compare the sale and merger options against maintaining full ownership;
- (b) enter into preliminary discussions with potential transaction partners to discover whether a sale or merger could satisfy the decision-making criteria adopted by the SOC; and
 - (c) continue its public and stakeholder engagement to inform its work,

but, without receiving further Council direction, SOC shall not make commitments to any potential transaction partner, whether binding or not, apart from entering into confidentiality agreements and other ancillary agreements to complete its preliminary assessment of a potential transaction.

3. That the SOC report back to Council by mid-2017 with the results of the examination and a recommendation regarding next steps.

Adjournment

To	Council as the Shareholder of GMHI
Service Area	Guelph Municipal Holdings Inc.
Date	February 15, 2017
Subject	Assessment of Strategies and Options Relating to Guelph Hydro
Report Number	GMHI-2017-01

Recommendations:

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3. That the SOC report back to Council by mid-2017 with the results of the examination and a recommendation regarding next steps.

Report:

Background

The City of Guelph (the “City”), through GMHI, established the SOC to investigate buy, sell, merge and maintain full ownership options for Guelph Hydro. The SOC replaced the former Mergers and Acquisitions Committee.

On October 24, 2016, the SOC presented a report to Council as shareholder of GMHI, outlining the objectives of the SOC and presenting an overview of the SOC’s engagement and communications strategy. At that time, the SOC informed Council that it planned to make recommendations to Council early in 2017.

In this report, the SOC presents its work to date (Phase 1), with recommendations for next steps (Phase 2). Specifically, this document outlines:

1. Guelph Hydro’s current environment;
2. The long-term options for Guelph Hydro (buy, sell, merge, maintain full ownership);
3. The decision-making criteria developed by the SOC for assessing options;
4. Preliminary financial modelling work;
5. Public and stakeholder engagement results;
6. An assessment of the options against the decision-making criteria;
7. The Guelph Hydro board’s support for the work of the SOC; and
8. Recommended next steps.

For reference, the SOC has the following members:

1. Derrick Thomson, CAO, City of Guelph (Co-Chair)
2. Pankaj Sardana, CEO, Guelph Hydro (Co-Chair)
3. Bob Bell, Board Vice Chair, Guelph Hydro
4. Mark Goldberg, Entrepreneur-in-Residence, Innovation Guelph
5. Richard Puccini, Former Managing Director and Consultant, Dillon Consulting

The SOC is supported by City and Guelph Hydro staff and by a financial consultant and communications and engagement advisors.

Guelph Hydro’s Current Environment

Guelph Hydro is a financially and operationally sound LDC with an exemplary employee community, fully capable of meeting near-term challenges in the electricity marketplace. As a result, the SOC can operate from a position of strength in assessing and pursuing appropriate options for the future of Guelph Hydro, as

Guelph Hydro's Current Environment

Guelph Hydro is a financially and operationally sound LDC with an exemplary employee community, fully capable of meeting near-term challenges in the electricity marketplace. As a result, the SOC can operate from a position of strength in assessing and pursuing appropriate options for the future of Guelph Hydro, as Guelph Hydro is a valuable and attractive distribution utility that enjoys a high level of customer satisfaction.

In considering the long-term value and future of Guelph Hydro, it is important to note that regulators, policymakers, industry experts and LDCs across North America are all increasingly concerned about the approaching changes in the electricity industry that are challenging existing utility business models.

The SOC has explored the drivers of change in the LDC sector and their potential impacts on Guelph Hydro. These changes fall into the following two categories, both of which should be considered in evaluating options for Guelph Hydro:

1. Policy and industry environment (government policy and regulation, LDC consolidation)
2. Advances in technology (renewables, distributed generation, energy storage, energy automation and control, electrified transportation)

The SOC believes it is essential to address these emerging challenges proactively and, while it can proceed from a position of strength, ensure the ongoing strength of electricity distribution in Guelph and Rockwood by preparing now to meet the challenges ahead.

The question facing Guelph Hydro today is not whether a change in its historically successful business model will be required, but rather what new form it will take, how rapidly it will have to alter course, and how to ensure Guelph Hydro has the technical resources and the financial capacity to transform in order to thrive in the long term.

Policy and industry environment

There has been considerable consolidation activity among Ontario LDCs. The expanded financial and management resources and geographic scale of now larger LDCs helps to allow these new LDCs to respond more effectively to changes in the industry in the medium- to long-term. The Province of Ontario has been encouraging such activity and is expected to continue to do so in the future.

In 1996, Ontario had 307 LDCs, the majority of which were owned and operated by Ontario municipalities, and regulated by Ontario Hydro.

Today there are about 70 LDCs, and this number is expected to be closer to 60 LDCs once active mergers and acquisitions are completed in the next few months. Between 1996 and 2001, Hydro One bought 89 LDCs, absorbing 88 of them and establishing Brampton Hydro as a separate subsidiary. Larger LDCs were created when their municipal owners were amalgamated, as in the case of Chatham-Kent Hydro, Greater Sudbury Hydro, Hamilton Hydro, Hydro Ottawa and Toronto Hydro. Other LDCs merged with neighbouring ones, such as the merger of Vaughan, Richmond Hill and Markham to form PowerStream.

Following the release of the Ontario Distribution Sector Review Panel report in December 2012 (http://www.energy.gov.on.ca/en/files/2012/05/LDC_en.pdf) and the report of the Premier's Advisory Council on Government Assets in April 2015 (<https://www.ontario.ca/page/improving-performance-and-unlocking-value-electricity-sector>), and with the general policy direction of the Government of Ontario and the Ontario Energy Board (the "OEB"), there has been significant consolidation activity in the Ontario distribution sector, driven in part by a desire to expand financial and management resources in response to rapid changes in the electricity industry. Recent and current merger and sale transactions are listed below; summary terms of selected transactions appear in Attachment A.

Recent merger activity

1. In December 2016, the OEB approved an application by Enersource, Horizon and PowerStream to merge and for the merged entity to acquire Hydro One Brampton, to form a combined LDC named Alectra. (Two of the merger partners – Horizon and PowerStream – are themselves the products of previous mergers.)
2. In 2016, Oshawa Power, Whitby Hydro and Veridian entered into a Memorandum of Understanding ("MOU") with a view to negotiating a merger agreement. Also in 2016, Kenora Hydro and Thunder Bay Hydro did the same.
3. In December 2016, Chatham-Kent based Entegrus Powerlines and St. Thomas Energy announced that they plan to merge.
4. Erie Thames Powerlines and Goderich Hydro are also considering a merger.

Recent sales activity

1. In 2014, Cambridge and North Dumfries Hydro bought Brant County Power to form Energy+, which is owned by the municipalities of Cambridge and North Dumfries.
2. Hydro One bought Norfolk Power in 2013 and Woodstock Hydro and Haldimand County Hydro in 2014. It currently has an application before the OEB to acquire Orillia Power. In December 2016, Peterborough City Council approved the sale of Peterborough Distribution Inc. to Hydro One.
3. In November 2016, Midland Town Council authorized preparation of a Request for Proposals and Confidential Information Memorandum for the sale of Midland Power. Also in 2016, the Town of Collingwood issued a closed Request for Proposals for the sale of its 50% interest in Collus PowerStream.
4. The Town of Wasaga Beach is considering the sale of Wasaga Distribution.

Climate Change Action Plan

The Government of Ontario's five-year *Climate Change Action Plan 2016-2020* (http://www.applications.ene.gov.on.ca/ccap/products/CCAP_ENGLISH.pdf) also bears heavily on transformation in the electricity sector. Elements of the plan that have a bearing on the electricity industry include:

1. Electrification of transportation, including electric vehicles and electric vehicle charging stations
2. Reducing emissions from buildings by switching from fossil fuels to electricity and using net-zero technologies
3. Increasing the use of renewable generation for clean manufacturing
4. Acting on opportunities to make government operations carbon neutral

Advances in technology driving changes in consumer behaviour

The major technological drivers of transformational change in the electricity sector and their potential to change consumer behaviour and challenge the existing utility business model were outlined in the Guelph Hydro 2016-2018 Strategic Plan, and are illustrated in the diagram in Attachment B.

The following excerpt from a report by the Deloitte Center for Energy Solutions (*Beyond the math: Preparing for disruption and innovation in the U.S. electric power industry*, <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/energy->

[resources/us-enr-beyond-the-math.pdf](#)) provides some context for some of the advances highlighted in the illustration:

The electric power industry could soon be facing its most disruptive period of change since the commercialization of electricity in the 19th century. The time is ripe for significant transformation because the potential for dramatic disruption to the existing electricity operating model is coming not from one direction, but from many—demand, technology, regulation, new products, and new competitors.

The single most powerful force, however, is likely the wave of energy-related technologies that are breaking long-established boundaries—most critically, the lines that separate electricity providers from customers. Distributed generation, for instance, is turning the tables on traditional business models by enabling many customers to produce and consume their own electricity, as well as to sell excess production to electric companies. In parallel, increasingly intelligent hardware and software systems are allowing consumers and businesses to smartly manage and thus significantly shift and reduce their electricity consumption. Continuing advancements in energy storage also have the potential to alter the traditional electricity customer/supplier relationship. In the not-too-distant future, homes and businesses may rely on energy storage units, fed by local renewable sources and distributed generation, as their primary sources of power.

These fast-paced technological changes, when added to the gathering forces of moderating demand, extreme weather, and costly regulation, are starting to shake the foundation of the traditional electricity operating model: the provision of safe, reliable, and affordable electricity to customers in exchange for steady, predictable returns. And when affordability and reliability are called into question, so too are the efficacy and viability of the current electric sector value proposition.

Threat or opportunity?

Although Ontario LDCs are just beginning to feel the impact from these disruptive forces, change is taking place at a more rapid pace in other jurisdictions. In many markets, the intensity of these disruptive changes is already having a transformational impact (for example, Hawaii, Nevada, California and New York). This fact has important implications when considering the long-term strategies and future purpose, role and positioning of LDCs like Guelph Hydro.

The SOC believes the speed and magnitude of the changes facing the industry will require LDCs to expand from the traditional “poles and wires” business model to take on new and different roles.

The emerging impacts of technological advances and changes in consumer behavior coupled with the current policy environment and ongoing consolidation of the LDC sector in Ontario, have led the SOC to recommend further examination of the sell and merge options in order to ensure that Guelph and Rockwood are positioned for success in the future electricity marketplace.

Description of the Options for Guelph Hydro

The options for the future of Guelph Hydro that the SOC has investigated are:

1. **Buy.** Guelph Hydro would acquire all or part of one or more other LDCs and would continue to be wholly-owned and controlled by the City. Current Guelph Hydro ratepayers would continue to be Guelph Hydro ratepayers (although Guelph Hydro’s name could change to reflect its broader geographic service area).
2. **Sell.** The City would sell all or part of Guelph Hydro to another party or parties, such as another LDC, a strategic investor (an investor with existing active electricity distribution operations), or a financial investor (an investor such as a pension fund that invests in infrastructure assets but does not operate them). In the case of a sale of part of Guelph Hydro, current Guelph Hydro ratepayers would continue to be Guelph Hydro ratepayers. In the case of a sale of all of Guelph Hydro, current Guelph Hydro ratepayers could become ratepayers of the acquirer.
3. **Merge.** Guelph Hydro would merge with one or more LDCs, and their respective shareholders (including the City) would take proportional ownership interests in the new merged utility. Current Guelph Hydro ratepayers would become ratepayers of the new merged utility.
4. **Maintain full ownership.** Guelph Hydro would continue operating as it does today, wholly-owned by the City. It would consider entering into collaborative business arrangements with other LDCs, building on work done to date by GridSmartCity (<http://gridsmartcity.com/>).

These options could occur in combination, concurrently or over time. For example, two LDCs could merge and buy a third LDC concurrently, or two LDCs could merge and their owners could sell to a third party sometime in the future.

Common to all options is that the OEB would continue to regulate Guelph Hydro's distribution rates (or any successor's under the buy, sell or merge options). OEB approval of any buy, sell or merge transaction based on its "no harm" test would also be required before the transaction is completed.

Assessment Criteria

Decision-making criteria

In the work it is doing, the SOC is seeking to achieve value for customers (Guelph Hydro ratepayers), the community, and the City (both as shareholder with an economic interest and as a policy maker with a broad public policy interest), in addition to meeting OEB requirements, within the context of the overriding goal of continuing to supply critical energy to Guelph Hydro customers.

The SOC's decision-making criteria are based on the OEB's "no harm" test discussed below and the guiding principles adopted by the SOC (Attachment E). The criteria are presented in the discussion paper (Attachment D), which is summarized in the presentation to community stakeholders (Attachment C).

The SOC has gathered community feedback about the decision-making criteria in the hopes of understanding what is most important to the community before considering potential changes to Guelph Hydro's business model. Engagement findings are presented in Attachment F and are discussed in brief below.

The decision-making criteria are:

1. Value for customers
 - a. Protect consumers with respect to electricity distribution rates
 - b. Meet or exceed current quality, safety and reliability of service
 - c. Meet or exceed current customer service standards
 - d. Maintain or enhance service and systems through innovation and technology
2. Value for the community
 - a. Continue or enhance conservation and demand management programs
 - b. Support development of provincial smart grid
 - c. Encourage use and generation of electricity from renewable sources
 - d. Advocate for local interests among regulators, industry and other levels of government
 - e. Provide local jobs

3. Value for the City of Guelph

- a. Realizing the best financial return and overall value
- b. Supply electricity efficiently and cost-effectively
- c. Contribute capital funds for reinvestment
- d. Support long-term community planning and economic development

Guelph Hydro and the City will continue treating Guelph Hydro employees with fairness and respect, and engage in open, honest communication with all industry and community stakeholders.

Preliminary assessments of the options against some of these criteria are included in the discussion paper (Attachment D). Following the financial advisory and stakeholder consultation work that has ensued, the preliminary assessments made in the discussion paper have been substantially affirmed by the SOC.

The SOC believes that all the options, properly executed, could satisfy the decision-making criteria and meet the conditions for OEB approval.

Ontario Energy Board approval mandatory for any transaction

Under the buy, sell and merge options, approval from the OEB is required to complete a transaction. That approval would be sought through a Merger, Acquisition, Amalgamation and Divestiture (MAAD) application. A MAAD application is started upon execution of legally binding agreements between the parties. Generally six to nine months are required before the OEB decision is received. If the OEB approves the transaction, the transaction would then be completed.

In assessing a MAAD application, the OEB applies its “no harm” test as described in its *Handbook to Electricity Distributor and Transmitter Consolidations*. The “no harm” test assesses whether a proposed transaction will have an adverse effect on the attainment of the OEB’s statutory objectives under the *Ontario Energy Board Act*, specifically:

1. To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.
2. To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.
3. To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer’s economic circumstances.

-
4. To facilitate the implementation of a smart grid in Ontario.
 5. To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

The OEB would continue to regulate distribution rates regardless of the outcome of a MAAD application.

For more information, see: <http://www.ontarioenergyboard.ca/OEB/Industry>.

Financial criteria

Financial considerations are included in the decision-making criteria. Ultimately, the selected option should provide value to Guelph Hydro ratepayers in the form of equal or lower distribution rates than the alternatives, and value to the City (and therefore indirectly to its taxpayers) in the form of equal or higher financial returns from electricity distribution.

In the event the buy, sell or merge options are pursued, some of the financial considerations could be satisfied because a new, larger LDC could rationalize business and distribution infrastructure, realize economies of scale, and borrow at lower cost. Maintaining full ownership and exploring collaborative business arrangements with other LDCs could also achieve some of these benefits but in a more limited way. Depending on the option pursued, there will be associated transaction and implementation costs. Any such costs will need to be more than offset by other financial benefits for the option to make sense from a financial perspective.

Availability of financial resources is also a consideration. The buy option requires available money, while the sell option creates it. Proceeds from a sale of Guelph Hydro could be dedicated to the City's strategic priorities or invested in a fund for use over time, or both. Either the City or Guelph Hydro would need to borrow money to fund an acquisition, as surplus cash is not immediately available. As the SOC understands that neither the City nor Guelph Hydro has appetite for significant borrowing, it recommends against the buy option. Moreover, as LDCs have been attracting premium pricing, it is not opportune to buy at this time.

While not strictly a financial criterion, the City's degree of control over Guelph Hydro will vary across the options. Under the buy and maintain full ownership options, control would be retained. Under the sell (in whole) option, control would

be given up. Under the merge and sell (in part) options, control would be diluted, as there would be more than one shareholder.

Criteria as negotiating objectives

Whether and how well a specific option meets a criterion will depend in significant measure on what outcomes the SOC achieves through commercial negotiations. If the SOC is unable to arrive at outcomes that can satisfy the decision-making criteria, it will not recommend a transaction.

As such, the decision-making criteria can also be cast as negotiating objectives. These negotiating objectives would be put forward in discussions with potential transaction partners.

Financial Modelling

The SOC has retained Henley International (Henley) to provide initial financial advisory services. Henley has been actively involved in the electricity distribution business since the beginning of the restructuring of the Ontario electricity market, and has worked with over 40 LDCs. Henley built and applied a financial model to benchmark the comparative financial impacts of potential transactions. Because specific transaction partners and specific transactions are not yet on the table, Henley populated the financial model with indicative parameters. As the SOC engages potential transaction partners about specific potential transactions in the next phase of its work, it will populate the model with “real” parameters to provide more definitive financial information in support of SOC assessments and Council decision-making.

Public and Stakeholder Engagement

The goal of public and stakeholder engagement has been to ensure stakeholders and the community at large are well informed of the work the SOC is conducting in exploring available options and to understand the values of the community.

For Phase 1 the engagement approach was designed to allow people to participate in whichever way is most convenient and comfortable for them. The City began engagement very early in the project, well before any transactions are considered, to understand community values ahead of any further exploration. The SOC’s commitment to engaging early and often goes beyond the engagement efforts seen in other municipalities.

The questions asked of the community were consistent regardless of the approach and were accompanied by thorough educational components to ensure participants could provide informed feedback. The SOC asked the community about what

decision-making criteria were most important to them, whether the SOC's decision-making framework was right, and whether there was anything the SOC should keep in mind as it explored options.

In-person engagement included:

- Three public open houses, one in Rockwood in the evening, and two in Guelph, one in the evening and one in the afternoon
- Presentations and focus group conversations with three community organizations and the Downtown Guelph BIA and the Guelph Chamber of Commerce
- Presentations and group discussions with large customers of Guelph Hydro and the Guelph Wellington Seniors' Association
- Town hall presentations and Q&A sessions with Hydro employees

Other engagement included:

- The Energizing Tomorrow website (<http://energizingtomorrow.ca/>) which included a Q&A platform
- An online poll on the Energizing Tomorrow website
- A random selection telephone survey (conducted in Guelph and Rockwood) designed to generate a quick-read and the initial opinions of people who may have not chosen to voluntarily participate in other engagement activities

All engagement was promoted widely using a comprehensive communications strategy to encourage a range of awareness and participation with our diverse community.

The findings of engagement are presented in Attachment F. Five key themes were identified:

1. **Rates.** Rates were a top concern of participants in engagement, which includes frustration at current electricity rates in Ontario and concerns about the impact a potential transaction could have on rates.
2. **Efficient and reliable service.** People want to ensure Guelph Hydro's positive track record of efficient and reliable service is preserved.
3. **Potential transaction.** Though Phase 1 engagement questions focused on decision-making criteria and did not include questions about options, some respondents nonetheless used the platform to voice early opinions about the potential for a transaction. At this stage in the process, a large segment of those who commented want to maintain local control and public ownership, and there is low-level support for a sale, especially with a privately-owned

utility. There is no support for Guelph Hydro to buy other utilities. If a merger is considered, participants prefer other utilities in the region and those who are “like-minded” with Guelph Hydro.

4. **Environmental sustainability.** The use and generation of electricity from renewable sources, as well as energy conservation programs, were important to a notable segment of participants.
5. **Public information sharing.** People want more information about the options being considered, such as financial analysis. Participants want the City to continue seeking public input throughout the asset review process.

Appropriate and meaningful community education and engagement is planned for all phases of the project.

Options Assessment

The SOC’s current assessment of the options using its decision-making criteria appears in Table 1: Assessment of Options against Decision-making Criteria.

Note that the summary assessments made in the “MAINTAIN” (maintain full ownership) column refer to anticipated outcomes in the long term if no action is taken, and not to the situation in the short term. The noted threats (where the assessment is shown as “Challenged”) would arise due to external impacts and changes to the industry environment in which Guelph Hydro operates, and not in any way due to a lack of dedication and service on the part of Guelph Hydro employees.

Table 1: Assessment of Options against Decision-making Criteria

	BUY	SELL	MERGE	MAINTAIN
Value to customers				
Electricity prices	Could decrease somewhat	Should decrease somewhat	Should decrease somewhat	Status quo prices
Quality, reliability	Preserved	Preserved	Preserved	Preserved
Customer service	Preserved	Preserved	Preserved	Challenged
Innovation, tech	Enhanced	Enhanced	Enhanced	Challenged
Value to the community				
Conservation	Preserved	Preserved	Preserved	Preserved
Smart grid	Preserved	Preserved	Preserved	Preserved
Renewables	Preserved	Preserved	Preserved	Preserved
Advocacy	Enhanced	Challenged	Enhanced	Challenged
Local jobs	Depends on specifics	Depends on specifics	Depends on specifics	Preserved
Value to the City				
Best value	Pay to buy now, increase dividends over time	Get paid to sell now, lose dividends over time	Should increase dividends over time	Status quo dividends
Cost-effectiveness	Enhanced	Enhanced	Enhanced	Challenged
Contribute capital	Challenged	Enhanced	Challenged	Challenged
Econ development	Preserved	Depends on specifics	Depends on specifics	Preserved

Guelph Hydro Board's Support for the Work of the SOC

A letter of support for the work of the SOC to date from Jane Armstrong, chair of Guelph Hydro's board, is attached as Attachment G.

Recommendations

The SOC has considered all the information available to it which is summarized in this report.

While maintaining full ownership remains an option in the short term, it does not address the long-term challenges and opportunities facing Guelph Hydro in Ontario's evolving electricity distribution market. The SOC is of the opinion that options which enhance Guelph Hydro's ability to meet those challenges and thrive on those opportunities must be explored more fully to determine if there is a potential transaction that could satisfy all the decision-making criteria.

The buy option is not recommended due to lack of appetite, and possibly ability, by the City and Guelph Hydro to borrow sufficient capital for a significant LDC purchase. Moreover, the purchase prices for LDCs are currently elevated and thus, it is not opportune to buy at this time.

The sell and merge options, properly negotiated and executed, provide an opportunity for Guelph Hydro to enhance its financial, performance and other outcomes for ratepayers, the City, and other stakeholders, while providing the tools necessary to meet the long-term challenges and embrace the opportunities facing the industry.

As a result, it is the recommendation of the SOC that Council authorize it to further examine the sell and merge options within the parameters of the decision-making criteria adopted by the SOC.

Next Steps

If Council approves the recommendations presented in this report, the SOC will proceed with the program of work for Phase 2 described below.

Public and stakeholder engagement

The SOC would continue asking community stakeholders what matters most, and would report results to Council.

Environmental scan

The SOC's work in this Phase would begin with an environmental scan conducted with the assistance of an independent advisor, which would assist in identifying potential transaction partners. The environmental scan would assess the interest of nearby LDCs, other LDCs, and industry consolidators known to be active in Ontario to enter into a sale or merger transaction with Guelph Hydro. Coupled with the environmental scan would be a news release in appropriate media channels to help ensure all potentially interested transaction partners are identified.

Market engagement

The SOC anticipates that the results of the environmental scan would support the start of more detailed discussions with one or more potential transaction partners.

The SOC would engage with potential partners that have been identified by the results of the environmental scan as likely to meet the decision-making criteria. The process would be initiated by the SOC chairs and any necessary advisors entering into discussions with the potential partners to explore more deeply whether the

criteria could be met. These discussions would occur within the context of a confidentiality agreement between the parties and would involve preliminary reciprocal due diligence and discussions to assess the likelihood of the parties agreeing on mutually acceptable terms.

Reporting back to Council

The SOC anticipates reporting to the Guelph Hydro board and then to Council by mid-2017 with recommendations regarding further next steps, based on the foregoing market engagement.

Such further next steps could include negotiation of an MOU with appropriate partners. Such an MOU would be expected to address general transaction structure, negotiation of valuation, due diligence procedures, transaction timetable, exclusivity, termination (including expiry), and confidentiality. Such an MOU, with supporting rationale, would be presented to Council as shareholder for further approval prior to execution.

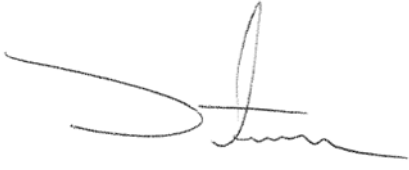
If such an MOU is approved by Council, the City and Guelph Hydro would participate in comprehensive due diligence and negotiation of final legal documentation. The final agreement and a supporting business case would be presented to Council for further approval prior to execution. During the due diligence and negotiation process, the parties would undertake the preparatory work for a MAAD application to the OEB.


Partners for a specific transaction should be identified by the end of June 2017 if the City's intention is to complete a transaction within the current term of Council.

ATTACHMENTS:

- A – Summary Terms of Selected Transactions
- B – Disruptions to Existing Utility Business Model
- C – Presentation to Community Stakeholders
- D – Discussion Paper
- E – Guiding Principles
- F – Engagement Report
- G – Letter from Jane Armstrong, Chair of the Guelph Hydro Board

Strategies and Options Committee
Guelph Municipal Holdings Inc.

Per:  _____
Derrick Thomson, Co-Chair


Per: _____
Pankaj Sardana, Co-Chair

ATTACHMENT A – SUMMARY TERMS OF SELECTED TRANSACTIONS

Alectra (merger and acquisition) (approved by OEB)

Enersource, Horizon and PowerStream are amalgamating, and the amalgamated entity is acquiring Hydro One Brampton for \$607 million with a five-year anti-flip provision. The shareholders of Enersource, Horizon and PowerStream are receiving proportionate interests in the amalgamated entity and broadly proportionate board representation, with governance subject to a unanimous shareholders' agreement.

Existing OEB rate orders are being transferred to the amalgamated entity with rate rebasing being deferred 10 years. The business plan shows that existing facilities will be retained but that is not guaranteed. Considerable savings in personnel costs are anticipated.

For more information,

see: http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/search/rec?sm_udf10=EB-2016-0025&sortd1=rs_dateregistered&rows=200

Orillia Power (sale to Hydro One) (currently before OEB)

Hydro One will pay \$26 million in cash for Orillia Power's shares and will assume \$15 million in Orillia Power debt.

In the first five years, distribution rates will be reduced by 1%. In the following five years, distribution rates will align with the rate of inflation.

Active Orillia Power employees will be offered continued employment in the City of Orillia for one year.

In a separate but related deal, Hydro One paid \$3 million for 16 acres of city land, where it plans to establish an advanced technology hub. Hydro One's investment could reach \$300 million, including \$150 million for construction of three buildings.

For further information,

see: http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/search/rec?sm_udf10=EB-2016-0276&sortd1=rs_dateregistered&rows=200

Peterborough (sale to Hydro One) (not yet before OEB)

Peterborough will receive net cash proceeds of \$50 million to \$55 million, after paying debt, taxes and other sale-related costs.

In the first five years, distribution rates will be reduced by 1%. In the following five years, distribution rates will align with the rate of inflation.

All existing employees will be offered employment with a one-year service and location guarantee as well as recognition of past service for seniority purposes. Existing staff will also benefit from local and province-wide positions available with Hydro One.

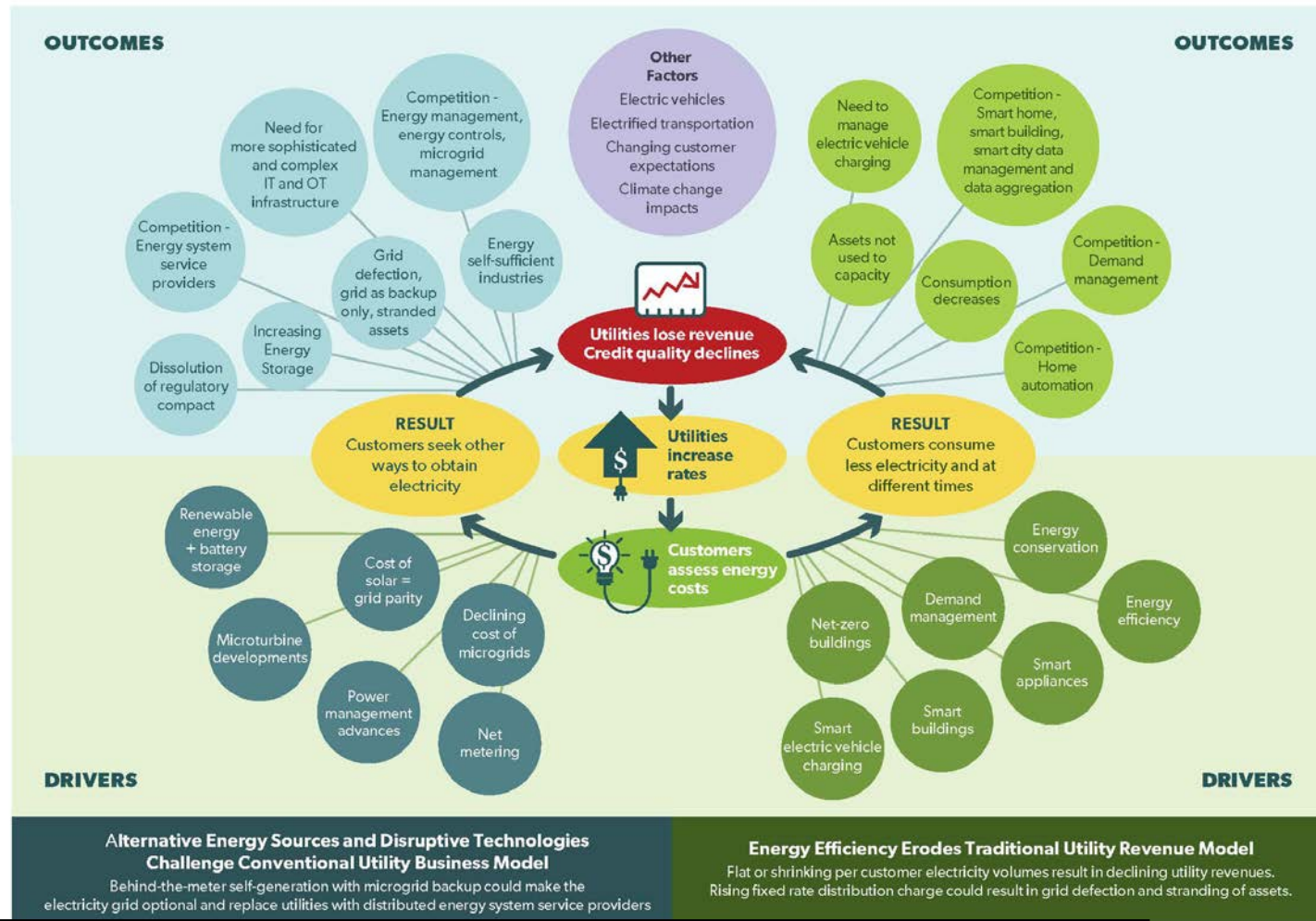
Hydro One will locate a new Regional Operations Centre and a new Fleet Maintenance Garage in Peterborough. These new facilities are expected to create 30 new jobs. They are expected to bring economic activity of between \$100 million and \$150 million over the next five years.

For further information,

see: <http://www.peterboroughutilities.ca/Assets/PUSI+Assets/Documents/Corporate/CoPHI+PDI+Sale+Recommendation+Letter.pdf>

ATTACHMENT B – DISRUPTIONS TO EXISTING UTILITY BUSINESS MODEL

Disruptions to the Existing Utility Business Model



ATTACHMENT C – PRESENTATION TO COMMUNITY STAKEHOLDERS

IT'S TIME TO REVIEW OUR OPTIONS

Ontario's electricity distribution sector is changing. We want to make sure we're getting the best value and service for Guelph Hydro customers, the City of Guelph and our community.

WHAT ARE WE DOING?

We are researching the risks and benefits associated with:

- Maintaining full ownership
- Buying another electricity utility
- Selling all or part to a public or private organization
- Merging with another utility

WHY?

Because

- it's our responsibility to make sure we keep getting great service and value for Guelph Hydro customers and our community

WHY NOW?

Because

- the energy landscape is changing as utilities across Ontario make changes
- We must rise to meet increasing customer expectations
- Preparing for more frequent and severe storms requires continuous and increasing investment
- We can take advantage of new developments and technologies

WHY NOW?

Premier Wynne quoted in Toronto Star—Nov. 19, 2016:

“People have told me that they’ve had to choose between paying their electricity bill and buying food or paying the rent. That is unacceptable to me.”

While the Premier was short on specifics about what will be done to bring (electricity) rates down, she suggested there could be streamlining of the more than 70 local electricity utilities operating in Ontario to find efficiencies.

WHY NOW?

Key reports supporting consolidation have been issued:

*Renewing Ontario's Electricity Distribution Sector:
Putting the Consumer First* by the Ontario Distribution
Sector Review Panel (2012)

*Striking the Right Balance: Improving Performance and
Unlocking Value in the Electricity Sector in Ontario* by the
Premier's Advisory Council on Government Assets
(2015)

WHAT IS THE PROCESS?

The City of Guelph established a Strategies and Options Committee to make recommendations to Guelph City Council regarding which course of action will provide the best long-term value for Guelph Hydro customers, our community and the City of Guelph.

- Phase One – initiate community engagement; research and develop criteria; explore options; provide high-level recommendations to Council
- Phase Two – initial Council decision whether to investigate market to identify feasible options or maintain full ownership; continue community engagement

WHAT IS THE PROCESS?

- Phase Three – Council decision whether to pursue preliminary negotiations or maintain full ownership; continue community engagement
- Phase Four – Council decides whether to approve a business transaction and request Ontario Energy Board approval, or maintain full ownership

WHAT ARE THE OPTIONS?

Guelph City Council will decide whether to maintain ownership, buy another electricity utility, sell to a public or private organization, or merge with another utility.

Preliminary research is based on previous electricity utility transactions and consolidations across Ontario.

In all cases, the Ontario Energy Board will continue to set rates for Guelph and Rockwood.

MAINTAINING FULL OWNERSHIP

Guelph Hydro could continue operating as it does today, wholly-owned by the City of Guelph, and make continuous improvements such as small acquisitions and collaborative business arrangements (e.g. shared services and/or a cooperative model to realize economies of scale.)

Positive	Negative
<ul style="list-style-type: none">• No major acquisition investment required• No implementation costs• Preserve existing community presence• Retain local jobs• Guelph Hydro continues to maintain control of its local electricity distribution assets• Guelph Hydro maintains current influence over local distribution rates and infrastructure upgrades• Current dividend payments continue in the short term	<ul style="list-style-type: none">• Electricity distribution rates may go up• Guelph Hydro customers may not get the same services people get from larger utility companies• Guelph Hydro may be less able to invest in system maintenance, upgrades, major back office systems and new technologies• Guelph Hydro may be less able to continue to find new efficiencies• Dividends to the City could decrease• Guelph Hydro equity value might not increase

BUY

Guelph Hydro would acquire all or part of one or more other electricity distribution utilities and would continue to be wholly-owned by the City of Guelph.

Positive	Negative
<ul style="list-style-type: none">• Larger scale of operations could create efficiencies and have positive impact on electricity distribution rates• Larger utility could invest more in system maintenance and upgrades• Likely to increase dividends to City• Likely to increase equity value of Guelph Hydro• Guelph may maintain influence over local electricity distribution assets• Larger utility would have a stronger position if negotiating future consolidation	<ul style="list-style-type: none">• It would be difficult for the City of Guelph and Guelph Hydro to raise the substantial cash investment required to buy a utility that could achieve the potential benefits• Market values for electric utility companies are currently high, increasing cost of acquisition• Potential job redundancies

SELL TO PUBLIC OR PRIVATE ORGANIZATION

The City of Guelph could sell some or all of Guelph Hydro shares to another party or parties.

Positive	Negative
<ul style="list-style-type: none">• City of Guelph would receive substantial cash that could fund ongoing community investments• Depending on the details of the transaction, other potential benefits include:<ul style="list-style-type: none">• Lower electricity distribution rates• Improved services• Access to better financing rates, and more capacity to invest in system maintenance and upgrades• Administration and operational efficiencies	<ul style="list-style-type: none">• City of Guelph would no longer receive annual dividend• Potential loss of local operations and/or responsiveness• Some transfer tax may apply to cash received (private)• Guelph Hydro would no longer influence local distribution rates or infrastructure upgrades• Guelph Hydro would not participate in future consolidation negotiation(s)• Potential job redundancies

MERGE

Guelph Hydro would merge with one or more utilities, and their respective shareholders (including the City of Guelph) would take proportional ownership interests in the new merged utility.

Positive	Negative
<ul style="list-style-type: none">• Cash investment not likely required• Potential positive impact on electricity distribution rates• Increased scale of operations could create efficiencies• Access to better financing rates, and more capacity to invest in system maintenance and upgrades• Retain some community presence, local operations and responsiveness• Could participate in future consolidation• Likely increase to dividend payments• Likely increase in equity value	<ul style="list-style-type: none">• Potential discord between merged partners• Potential challenges with employee retention, productivity and engagement during transition and implementation• Guelph Hydro would have less influence on local distribution rates and infrastructure upgrades• Potential job redundancies

IMPORTANT CONSIDERATIONS

About electricity rates

- About **20%** of the charges on an average residential bill are related to Guelph Hydro's costs of distributing electricity to the community.
- 80% of the bill goes to generators, transmitters, government agencies and sales taxes
- The Ontario Energy Board (OEB) will continue to monitor and set electricity rates in the public interest regardless of which ownership arrangement exists in Guelph.

IMPORTANT CONSIDERATIONS

Any proposal to buy, sell or merge electricity utility assets must be approved by the OEB. That means the proposal must show it will not have an adverse effect on ratepayers based on the following objectives:

- To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service
- To promote economic efficiency and cost effectiveness
- To promote electricity conservation and demand management
- To facilitate the implementation of a smart grid in Ontario
- To promote the use and generation of electricity from renewable energy sources

DECISION-MAKING CRITERIA

In addition to meeting the Board's statutory requirements, we developed Guelph-specific criteria to evaluate potential transactions.

We will continue treating Guelph Hydro employees with fairness and respect, and engage in open, honest communication with community and industry stakeholders.

Ultimately, the selected option should provide value to Guelph Hydro customers, the shareholder (the City of Guelph) and the community as a whole.

DECISION-MAKING CRITERIA

Value for customers

Protect consumers with respect to electricity distribution rates

Meet or exceed current quality, safety and reliability of service

Meet or exceed current customer service standards

Maintain or enhance service and systems through innovation and technology

Value for community

Continue or enhance conservation and demand management programs

Support development of provincial smart grid

Encourage use and generation of electricity from renewable sources

Advocate for local interests among regulators, industry and other levels of government

Provide local jobs

Value for the City

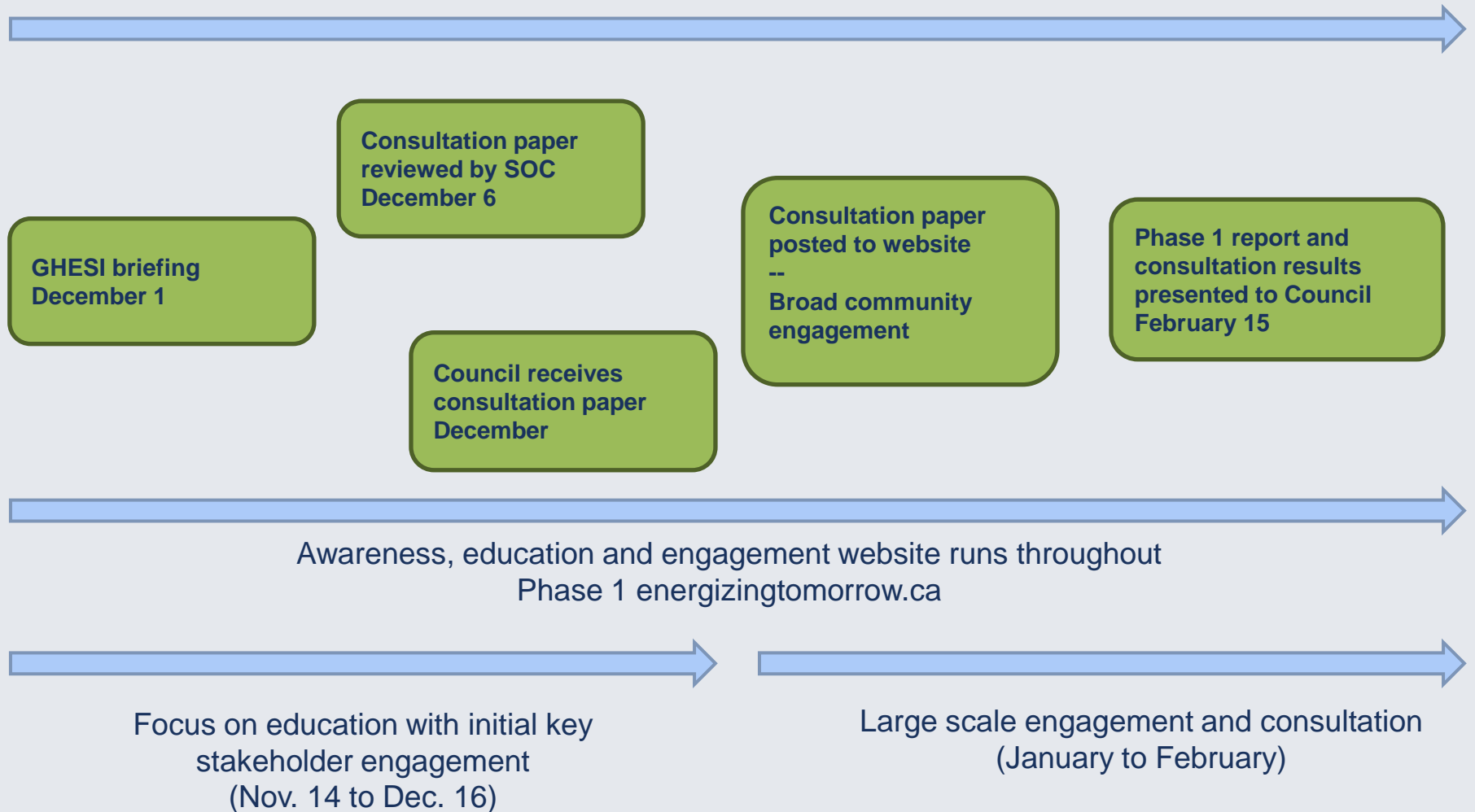
Realize the best financial return and overall value

Supply electricity efficiently and cost-effectively

Contribute capital funds for reinvestment

Support long-term community planning and economic development

SOC SHORT-TERM ROADMAP NOVEMBER TO FEBRUARY 15



COMMUNITY PARTICIPATION

A community engagement strategy has been developed, and activities include:

- Website engagement: Q & A and digital engagement opportunities
- Public information and feedback sessions in Guelph and Rockwood
- Public meetings of Guelph City Council
- Key stakeholder and customer focus group sessions including:
 - Internal City of Guelph and Guelph Hydro stakeholders
 - Business community
 - GHESI employee meetings
 - Rockwood customers
 - Large Guelph Hydro customers

STAKEHOLDERS

- Council (Guelph & Rockwood)
- GHESI
 - Senior Team
 - Board
 - Employees
 - Retirees
- City of Guelph Employees
- Community Organizations
- Downtown BIA
- Guelph Chamber of Commerce
- Guelph Hydro Customers:
 - Large
 - Commercial
 - Residential (Guelph and Rockwood)
- Guelph Wellington Seniors Association (GWSA)
- Key Community Mobilizers
- Older Adults
- Strategies and Options Committee (includes community members)
- Unions
 - IBEW
 - Professional Engineers
 - Other Unions

QUESTIONS

ATTACHMENT D – DISCUSSION PAPER



 Ask us anything.



energizingtomorrow.ca



Ontario's energy landscape is changing.

It's time to review options
for Guelph Hydro.



Many Ontario cities have consolidated their electricity distribution companies.

The provincial government continues to encourage electricity utilities to reduce duplication, manage costs and modernize service.

With utilities consolidating across Ontario, now is the time to think about future opportunities for Guelph Hydro.

Small and mid-sized utilities like Guelph Hydro are under pressure to keep rates affordable while looking for ways to:

- meet changing customer expectations
- cover costs of delivering safe, reliable electricity service
- invest in local infrastructure expansions, maintenance and upgrades
- fund major office system upgrades
- take advantage of modern technologies
- improve the resiliency of the electrical grid to minimize damage from more frequent and severe storms

To make sure we keep getting the best value and service for Guelph Hydro customers, the City of Guelph and our community, we are researching the risks and benefits associated with:

- Maintaining full ownership
- Buying another electricity utility
- Merging with another utility
- Selling some or all of Guelph Hydro to a public or private organization

A regular asset management review is a common business practice designed to ensure assets are achieving maximum value. The City of Guelph manages all of its assets to ensure reliable service and to enhance decision making and sustainable planning.

Like any asset management review, we must consider the current value (based on market conditions) and the impact any transaction could have on dividends paid to the City of Guelph.

What is the process?

The pace of the process is designed to be flexible to respond to market conditions.

Phase One - underway

- Research the risks and benefits associated with buying, selling, merging, sharing services and maintaining full ownership.
- Begin community consultation to ensure the principles and criteria we use to make a decision are aligned with our community values and priorities.
- On February 15, 2017, present research findings, initial community feedback and recommendations to Guelph City Council for consideration.

Phase Two

- If City Council decides to maintain full ownership, the exploration process would end at this point.
- If Guelph City Council decides not to maintain full ownership, the committee would conduct more specific research, engage industry and community stakeholders, and make a recommendation to City Council.
- If approved by Guelph City Council, the committee would pursue the option(s) with the most potential benefit for Guelph Hydro customers, the community and the City of Guelph.

Phase Three

- In mid-2017, Guelph City Council would consider the committee's recommendation and decide whether to maintain full ownership or pursue specific business transactions with other electricity utility companies and/or investors.
- The City and Guelph Hydro would begin negotiations with potential buyers, sellers and/or partners, continue engaging community and industry stakeholders, and evaluate potential transactions using agreed upon criteria and conditions.

Phase Four

- If negotiations are successful, Guelph City Council could decide whether to approve the business transaction in late 2017 or earlier.
- If Guelph City Council approves the business transaction, the Ontario Energy Board would review the details of the agreement to ensure it protects the interests of electricity customers.

What are the options?

The committee is not considering or negotiating a specific business transaction at this time. The committee has researched utility consolidations and business transactions in Ontario's electricity sector to describe the possible results associated with each option. In all cases, the Ontario Energy Board will continue to set electricity rates for Guelph and Rockwood.



Maintain full ownership

Guelph Hydro could continue operating as it does today, wholly-owned by the City of Guelph, and make continuous improvements such as small acquisitions and collaborative business arrangements (e.g. shared services and/or a cooperative model to realize economies of scale).

Positive	Negative
<ul style="list-style-type: none">No acquisition investment requiredNo implementation costsPreserve existing community presenceRetain local jobsGuelph Hydro continues to maintain control of its local electricity distribution assetsGuelph Hydro maintains current influence over local distribution rates and infrastructure upgradesCurrent dividend payments continue in the short term	<ul style="list-style-type: none">Electricity distribution rates may go up to meet increasing regulatory and capital requirementsGuelph Hydro customers may not get the same services people get from larger utility companiesGuelph Hydro may be less able to invest in system maintenance, upgrades, office systems and new technologiesGuelph Hydro may be less able to continue to find new efficienciesDividends to the City could decreaseGuelph Hydro equity value might not increase



Buy other electricity utilities

Guelph Hydro could acquire all or part of one or more other electricity distribution utilities and would continue to be wholly-owned by the City of Guelph.

Positive	Negative
<ul style="list-style-type: none">Larger scale of operations could create efficiencies and have positive impact on electricity distribution ratesLarger utility could invest more in system maintenance and upgradesLikely to increase dividends to CityLikely to increase equity value of Guelph HydroGuelph may maintain influence over local electricity distribution assetsLarger utility would have a stronger position if negotiating future consolidation	<ul style="list-style-type: none">It would be difficult for the City of Guelph and Guelph Hydro to raise the substantial cash investment required to buy a utility that could achieve the potential benefitsMarket values for electric utility companies are currently high, increasing cost of acquisitionPotential job redundancies



Sell to a public or private organization

The City of Guelph could sell some or all of Guelph Hydro shares to another party or parties:

- another electricity distribution utility or municipality
- a strategic investor with existing active electricity distribution operations
- a financial investor that owns infrastructure assets but does not operate them
- a corporation such as Hydro One (combination of private and public ownership)

Positive	Negative
<p>City of Guelph could receive substantial cash for reinvestment</p> <p>Depending on the details of the transaction, other potential benefits include:</p> <ul style="list-style-type: none">• Lower electricity distribution rates• Improved services• Access to better financing rates, and more capacity to invest in system maintenance and upgrades• Administration and operational efficiencies	<p>City of Guelph would no longer receive annual dividend</p> <p>Potential loss of local operations and/or responsiveness</p> <p>Some transfer tax may apply to cash received (private)</p> <p>Guelph Hydro would no longer influence local distribution rates or infrastructure upgrades</p> <p>Guelph Hydro would not participate in future consolidation negotiation(s)</p> <p>Potential job redundancies</p>



Merge with other utilities

Guelph Hydro could merge with one or more utilities and their respective shareholders (including the City of Guelph) would take proportional ownership interests in the new merged utility.

Positive	Negative
<p>Cash investment not likely required</p> <p>Potential positive impact on electricity distribution rates</p> <p>Increased scale of operations could create efficiencies</p> <p>Access to better financing rates and more capacity to invest in system maintenance and upgrades</p> <p>Retain some community presence, local operations and responsiveness</p> <p>Could participate in future consolidation</p> <p>Likely increase to dividend payments</p> <p>Likely increase in equity value</p>	<p>Potential discord between merged partners</p> <p>Potential challenges with employee retention, productivity and engagement during transition and implementation</p> <p>Guelph Hydro would have less influence on local distribution rates and infrastructure upgrades</p> <p>Potential job redundancies</p>

The background image is a teal-tinted photograph of a person's hand pointing at a bar chart on a tablet. The chart has several bars of increasing height, labeled from left to right as 'ilove4', 'ilove4s', 'ilove5', 'ilove5s', 'ilove6', 'ilove6s', and 'ilove6ps'. The text 'Statistics First-quarter' is visible in the top left corner of the chart area. In the background, a laptop keyboard is partially visible.

Approving changes to utilities in Ontario

Any plan to buy, sell or merge electricity utility assets must be approved by the Ontario Energy Board. That means the proposal must demonstrate it will not have an adverse effect on ratepayers based on the Board's statutory objectives or what is known as the No Harm Test.

What is most important to you?

In addition to meeting Ontario Energy Board requirements, we've added Guelph-specific criteria.

Ultimately, the selected option should provide value to Guelph Hydro customers, the shareholder (the City of Guelph) and the community as a whole.

Value for customers

Protect consumers with respect to electricity distribution rates

Meet or exceed current quality, safety and reliability of service

Meet or exceed current customer service standards

Maintain or enhance service and systems through innovation and technology



Value for community

Continue or enhance conservation and demand management programs

Support development of provincial smart grid

Encourage use and generation of electricity from renewable sources

Advocate for local interests among regulators, industry and other levels of government

Provide local jobs



Value for the City

Realize the best financial return and overall value

Supply electricity efficiently and cost-effectively

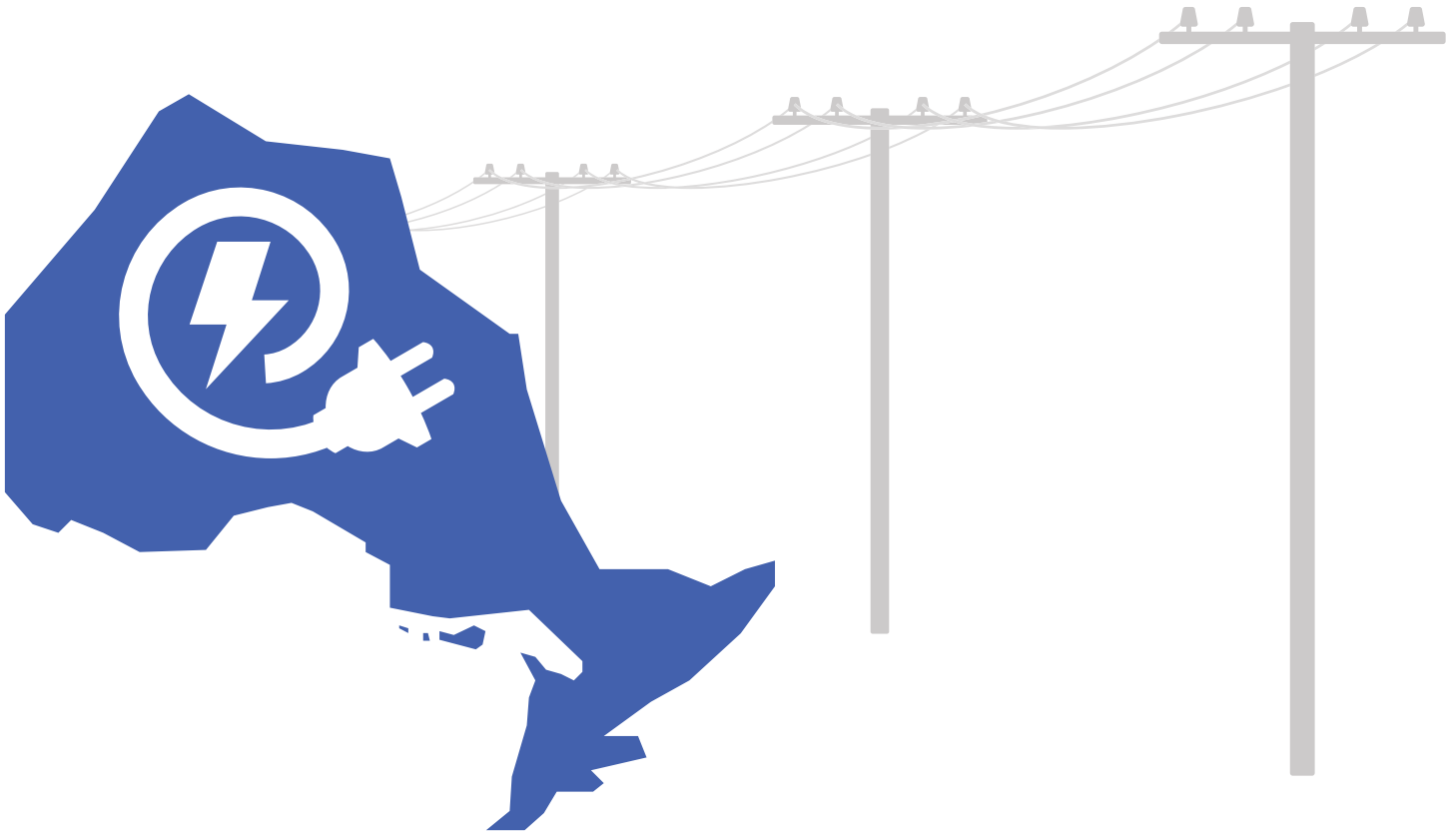
Contribute capital funds for reinvestment

Support long-term community planning and economic development



We will continue treating Guelph Hydro employees with fairness and respect, and engage in open, honest communication with community and industry stakeholders.

Tell us what matters most to you at energizingtomorrow.ca



Background

Utilities consolidating across Ontario

In 1996, Ontario had 307 separate electricity utilities. Today, that number is closer to 70 because many cities have consolidated their electric distribution companies to reduce duplication and manage the increasing cost of delivering power to customers.

Provincial policy initiatives continue to encourage local electricity utility companies to explore new ways to manage costs and modernize electricity services to benefit their customers.

Applications subject to Ontario Energy Board approval

- Enersource, Horizon and PowerStream currently have an application before the Ontario Energy Board for approval to merge, and for the merged entity to acquire Hydro One Brampton. Two of the merger partners—Horizon and PowerStream—are themselves the products of previous mergers.
- Hydro One currently has an application before the Ontario Energy Board to acquire Orillia Power.
- Peterborough Distribution has approved a sale to Hydro One.
- The Town of Midland is considering selling Midland Power.
- Wasaga Distribution is considering retaining, merging or selling the utility.
- The Town of Collingwood is accepting bids for its remaining 50 per cent stake in Collus PowerStream.

Ontario Energy Board No Harm Test

Any plan to buy sell or merge electricity utility assets must be approved by the Ontario Energy Board. That means the proposal must show it will not have an adverse effect on ratepayers based on the Board's statutory objectives:

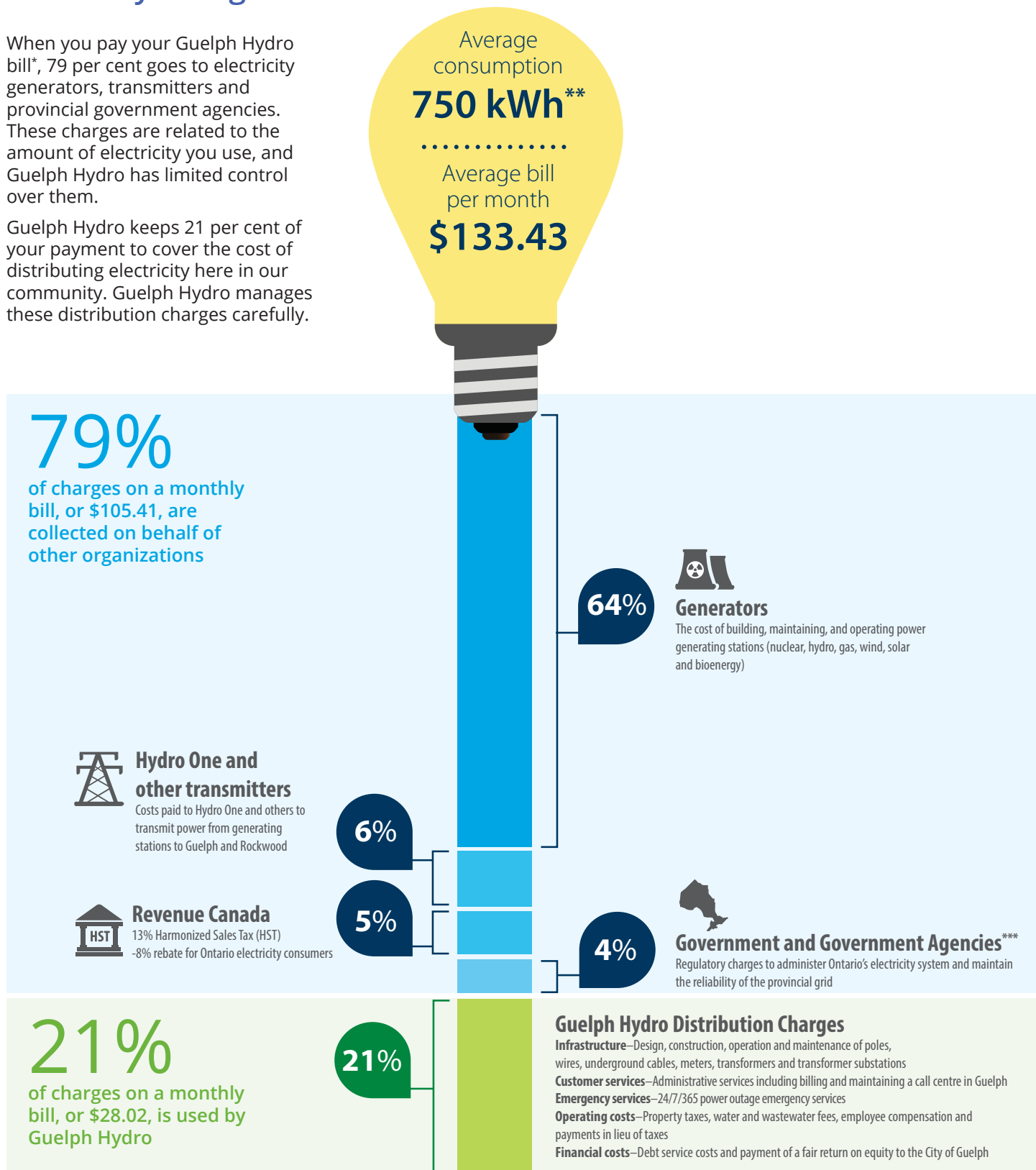
- To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.
- To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance of a financially viable electricity industry.
- To promote electricity conservation and demand management in a manner consistent with the policies of the Government of Ontario, including having regard to the consumer's economic circumstances.
- To facilitate the implementation of a smart grid in Ontario.
- To promote the use and generation of electricity from renewable energy sources in a manner consistent with the policies of the Government of Ontario, including the timely expansion or reinforcement of transmission systems and distribution systems to accommodate the connection of renewable energy generation facilities.

Learn more about the Ontario Energy Board No Harm Test in the *Handbook to Electricity Distributor and Transmitter Consolidations*.

Understanding Electricity Charges

When you pay your Guelph Hydro bill*, 79 per cent goes to electricity generators, transmitters and provincial government agencies. These charges are related to the amount of electricity you use, and Guelph Hydro has limited control over them.

Guelph Hydro keeps 21 per cent of your payment to cover the cost of distributing electricity here in our community. Guelph Hydro manages these distribution charges carefully.



Any changes to Guelph Hydro distribution rates must be approved by the Ontario Energy Board.

* Charges for water, waste water and storm water fees are not included in these calculations

** Source: Ontario Energy Board—Based on an average residential customer on the Regulated Rate Plan paying Time-of-Use rates for 750 kilowatt hours of electricity—2016

*** Ontario Ministry of Energy, Ontario Energy Board, Independent Electricity System Operator

Who is involved in future
plans for Guelph Hydro?



Strategies and Options Committee

energizingtomorrow.ca

Guelph City Council established a Strategies and Options Committee to investigate how to get the best value and service for Guelph Hydro customers, the City of Guelph and our community.

- Derrick Thomson, Chief Administrative Officer, City of Guelph (Co-Chair)
- Pankaj Sardana, Chief Executive Officer, Guelph Hydro Electric Systems Inc. (Co-Chair)
- Bob Bell, Board Member, Guelph Hydro Electric Systems Inc.
- Mark Goldberg, Community Member
- Richard Puccini, Community Member

Guelph Hydro Electric Systems Inc.

guelphhydro.com

Guelph Hydro is the electricity distribution utility that delivers a safe, reliable, affordable supply of electricity to more than 54,000 customers in Guelph and Rockwood. Guelph Hydro is wholly owned by the City of Guelph. Guelph Hydro is regulated by the Ontario Energy Board and, according to its 2015 Ontario Energy Board scorecard, Guelph Hydro exceeded industry performance in terms service quality, customer satisfaction, bill accuracy and system reliability.

The City of Guelph

guelph.ca

The City of Guelph is ultimately Guelph Hydro's sole shareholder, and City Council has the authority to make decisions about the future direction of Guelph Hydro. The Strategies and Options Committee will report to Guelph City Council and seek approval for each phase of its work.

Ontario Energy Board

ontarioenergyboard.ca

The Ontario Energy Board is an independent and impartial public agency. As the regulator, the Ontario Energy Board makes sure electricity and natural gas companies in Ontario follow the laws and rules.

The Ontario Energy Board sets electricity rates and measures how well Ontario's electricity distributors are performing each year. The Ontario Energy Board's goal is to promote a sustainable and efficient energy sector that provides consumers with reliable energy services at a reasonable cost.



energizingtomorrow.ca

energizingtomorrow@guelph.ca

519-822-1260 x 3481

TTY 519-826-9771

Alternate formats are available upon request in accordance with the *Accessibility for Ontarians with Disabilities Act, 2005*.

ATTACHMENT E – GUIDING PRINCIPLES

Any transaction that is being explored by the Strategies and Options Committee must support the following commitments to safety, transparency, customers, the community, Guelph Hydro employees, and the City as shareholder of Guelph Hydro.

COMMITMENT TO SAFETY

The transaction must:

- Ensure that the **safety, security and wellness** of Guelph Hydro employees, contractors, and customers as well as the general public will remain as the top priority

COMMITMENT TO TRANSPARENCY

The transaction must:

- Ensure that all **communications** efforts to and from all stakeholders will be open and transparent and adhere to the following principles:
 - Clear, authentic, responsive, accurate, timely, complete, inclusive, easily accessible and in adherence with all applicable privacy laws and regulations

COMMITMENT TO CUSTOMERS AND THE COMMUNITY

The transaction must:

- Ensure that the Ontario Energy Board's "**no harm test**" is met
- Ensure **competitive distribution rates** now and in the future
- Ensure **service reliability and outage response times** will be maintained at or exceed current levels
- Ensure **customer service** levels will continue to meet or exceed existing customer service standards
- Provide opportunities to further enhance **customer services**
- Provide opportunities to further improve the quality and efficiency of **administrative and support functions**

-
- Provide enhanced access to **capital investment**
 - Ensure adequate investment will be maintained so that **local electricity distribution infrastructure** will be sustainable; will be maintained and upgraded on an ongoing basis to meet best practice design standards, optimum life cycle replacement standards and capacity expansion requirements for growth; and will have the capacity to keep pace with advances in technology
 - Provide new opportunities to adopt **best practices** in all functional areas
 - Provide expanded opportunities for **innovation** and for continuing to adopt **new technologies** to support customer centric services that meet future expectations (ex. smart grid, smart home, electric vehicles, distributed generation, mobile access)
 - Create new opportunities for **savings** through efficiencies and economies of scale/geography
 - Ensure responsiveness to the **local community's planning, economic development, social and environmental needs** will be maintained (Guelph and Rockwood)
 - Preserve a **local community presence** and ensure the knowledge about and understanding of the community will be maintained (Guelph and Rockwood)
 - Ensure that leadership in **energy conservation** will be maintained

COMMITMENT TO GUELPH HYDRO EMPLOYEES

The transaction must:

- Continue Guelph Hydro's caring and respectful employee culture by ensuring that the skills and experience of all **employees** are valued and that employees are treated fairly and in a responsible fashion
- Ensure compliance with provisions of current **union collective agreements** and applicable Ontario labour laws and legislation

COMMITMENT TO THE CITY OF GUELPH AS SHAREHOLDER

The transaction must:

- Maximize **shareholder value** now and in the future
- Create a **stronger voice** with the public, the regulator, governments and the industry
- Ensure protection of the **environment** and support for **community goals** will be maintained
- Ensure ongoing **compliance** with all legislative and regulatory laws, rules and regulations, including compliance with all existing contractual agreements

ATTACHMENT F – ENGAGEMENT REPORT



Preliminary Report: Phase 1 Community Engagement

City of Guelph
Strategies and Options Committee
Public Energy Asset Review

January 30, 2017



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Executive Summary

- The City of Guelph is reviewing its public energy assets to ensure Guelph Hydro is achieving maximum value for the City of Guelph, hydro customers and all community members.
- The City of Guelph launched a community engagement initiative to seek public input on the four options being considered (maintain full ownership, merge, sell and buy), as well as for the criteria used to evaluate any potential transaction. The purpose of the community engagement initiative is also to share information and answer questions from the public.
- Phase 1 community engagement activities:
 - **Public website - [Energizing Tomorrow](#)**
 - Information about asset review, options being considered and decision-making criteria.
 - Questions/comments feature.
 - Dedicated email address and telephone line.
 - **Community engagement poll**
 - Three-question poll on public website to seek input on the decision-making criteria.
 - Open house participants provided with comment cards that included the three polling questions.
 - **Pollara telephone consultation survey**
 - Telephone survey to seek input on the decision-making criteria from 260 randomly-selected residents of the City of Guelph and Rockwood.
 - **Public open houses**
 - City of Guelph (two sessions).
 - Rockwood (one session).
 - **Stakeholder consultations**
 - Community organizations.
 - Local business associations.
 - Large Guelph Hydro industrial customers.
 - Guelph Hydro employees.
 - Guelph Wellington Seniors Association.

- Phase 1 engagement findings:
 1. **Top decision-making criteria** – across all sets of polling data, which includes two online polls and a Pollara telephone consultation survey, the five most important criteria, in priority order, are:
 2. **Rates** – protect consumers with respect to electricity distribution rates; supply electricity efficiently and cost-effectively.
 3. **Service** – meet or exceed current quality, safety and reliability of service.
 4. **Community Planning** – support long-term community planning and economic development.
 5. **Environment** - encourage use and generation of electricity from renewable sources; continue or enhance conservation and demand management programs.
 6. **Local Jobs** – preserve and provide local jobs.
- **Support for decision-making framework** – participants were asked whether the City is “right” in giving equal consideration to Guelph Hydro customers, the City of Guelph as shareholder and the community as a whole:
 - Yes: 67.7 per cent.
 - No: 32.3 per cent.
- **Key themes** - based on all submitted questions, comments and survey responses from all engagement activities, the following five key themes have been identified:
 1. **Rates** – top concern of participants, which includes frustration at current electricity rates in the province, as well as concerns about the impact a potential transaction could have on rates.
 2. **Efficient and reliable service** - people want to ensure Guelph Hydro’s positive track record of efficient and reliable service is preserved.
 3. **Potential transaction** – though phase 1 engagement questions focused on decision-making criteria and did not include questions about options, some respondents voiced early opinions about the potential for a transaction. A large segment of those who commented want to maintain local control and public ownership, and there is low-level support for a sale, especially with a privately-owned utility. There is no support among those who commented for Guelph Hydro to buy other utilities. If a merger is considered, those who commented prefer other utilities in the region and those who are “like-minded” with Guelph Hydro.
 4. **Environmental sustainability** – the use and generation of electricity from renewable sources, as well as energy conservation programs, were important to a notable segment of participants.
 5. **Public information sharing** – people want more information about the options being considered, such as financial analyses; participants want the City to continue seeking public input throughout the asset review process.

Introduction

A regular asset management review is a common business practice designed to ensure publicly-owned organizations, such as Guelph Hydro, are achieving maximum value for the City of Guelph, residential and industrial hydro customers, as well as all community members.

Municipalities across Ontario are conducting similar reviews, or have completed transactions, for their local electricity utility companies. These asset reviews and transactions are happening largely because provincial policy initiatives encourage local electricity utility companies to reduce duplication, better manage costs and modernize service to benefit customers. For utilities of all sizes, numerous Ontario municipalities have found consolidation, whether through mergers, sales or acquisitions, to be the best way forward to achieving greater efficiencies and modernizing services.

To make the best choice for the future direction of Guelph Hydro, Guelph City Council created the Strategies and Options Committee to provide recommendations and citizen input to City Council, which has the ultimate authority to make decisions about Guelph Hydro. The Committee, comprised of five members from the City, Guelph Hydro and the public at large, reviewed the feasibility of four options:

- Maintain full ownership.
- Buy other electricity distribution utilities.
- Sell to a public or private organization.
- Merge with other utilities.

The following is a list of decision-making criteria the City of Guelph of the Strategies and Options Committee sought public input on:

Value for Customers:

- Protect consumers with respect to electricity distribution rates.
- Meet or exceed current quality, safety and reliability of service.
- Meet or exceed current customer service standards.
- Maintain or enhance service and systems through innovation and technology.

Value for Community:

- Continue or enhance conservation and demand management programs.
- Support development of provincial smart grid.
- Encourage use and generation of electricity from renewable sources.
- Advocate for local interests among regulators, industry and other levels of government.

- Provide local jobs.

Value for the City of Guelph:

- Realize the best financial return and overall value.
- Supply electricity efficiently and cost-effectively.
- Contribute capital funds for reinvestment.
- Support long-term community planning and economic development.

At every phase, the City of Guelph and the Strategies and Options Committee remain committed to providing information and ensuring community members and Guelph Hydro customers have a voice in the decision-making process for the future of Guelph Hydro.

Community Engagement

Citizens' expectations of engagement continue to increase as they want to be included in the decisions that stand to impact them. Given the importance of the electricity distribution company for all community members, the City of Guelph designed and activated a community engagement initiative to seek public input on the four options being considered in Phase 1, as well as the decision-making criteria the Strategies and Options Committee will use to evaluate any potential transaction. The purpose of the initiative is also to make information about the asset review process readily available to the public and to answer questions from community members.

From the onset of the public asset review, the following objectives, engagement principles for the Energizing Tomorrow program and methodology have guided the City of Guelph with its community engagement process.

Objectives

1. **Design a process with integrity:** Ensure the community has opportunities to provide input from the onset of the process.
2. **Encourage meaningful engagement:** Through digital communications and direct engagement, drive awareness and participation.
3. **Gather actionable input:** Leverage the engagement initiative to ensure the views of the community are reflected in decisions.
4. **Maintain public confidence:** Earn the public's trust by conducting meaningful engagement.

Energizing Tomorrow Guiding Principles

- Transparent and accountable.
- Clear language and messages.
- Timely.
- Authentic.
- Inclusive.
- Easy to participate.
- Focused on the public interest.

Community Engagement Activities

The overarching approach for the City of Guelph's community engagement initiative at Phase 1 was to inform, engage and seek input from as many residents, hydro customers and stakeholders as possible about the decision-making criteria and framework through a mix of in-person and digital activities.

The following is a list and details for Phase 1 community engagement activities from October 24, 2016 to January 20, 2017:

Energizing Tomorrow Website:

Ask us Anything (questions and comments)

- The City of Guelph launched [Energizing Tomorrow](#), a website designed to provide community members with a channel to learn more about the asset review process, options being considered and decision-making criteria for any potential transaction.
- The City of Guelph created a website feature that allows visitors to [submit comments and questions](#) that are displayed for public viewing. The public can also view the City of Guelph's responses to each question.
- **Timing:** Launched on October 24, 2016 and will be active for the duration of the asset review.

Energizing Tomorrow:

Dedicated Email Address and Telephone Line

- The City of Guelph created a [dedicated email address and telephone line](#) for people to ask questions and receive more information.
- **Timing:** Launched on October 24, 2016 and will be active for the duration of the asset review process.

Energizing Tomorrow Website: Your Voice Matters (three-question poll)

- To better understand what's important to residents as the City of Guelph explores different options for Guelph Hydro, the City launched a [three-question poll](#) on the Energizing Tomorrow website for Phase 1:
- Question 1: Participants are asked to select their top three criteria from a list of 13 that they want City Council to consider when reviewing options for Guelph Hydro.
- Question 2: Participants are asked to respond "yes" or "no" on whether they agree with the decision-making framework that gives equal consideration to Guelph Hydro customers, the City of Guelph as shareholder and the community as a whole. If participants respond "no," they have an opportunity to describe what they believe is missing from the criteria.
- Question 3: Open-ended question providing participants with an opportunity to submit additional input on what they would like City Council and/or the Strategies and Options Committee to consider as part of the asset review.
- See *Appendix A* for polling questions.
- **Timing:** Launched on December 23, 2016.

Public Open Houses: Guelph and Rockwood

- The City held a public open house in Rockwood and two public open houses in Guelph.
- Attendees were asked to complete and submit comment cards, which included the same three-question polling questions from the Energizing Tomorrow website.
- **Timing:** Rockwood – January 16, 2017 (one session); Guelph – January 17, 2017 (two sessions).

Presentation to the Guelph Hydro Electric Systems Inc. Board of Directors

- As Co-Chair of the Strategies and Options Committee, Pankaj Sardana briefed the Guelph Hydro Electric Systems Inc. Board of Directors about the asset review process and the work of the Committee up until December 1, 2016.
- **Timing:** December 1, 2016.

Pollara Telephone Consultation Survey

- Through Pollara, the City of Guelph conducted an Automated Interactive Voice Response (IVR) survey among a randomly-selected, representative sample of N=260 adult (18+) permanent residents of the City of Guelph and neighbouring Rockwood.
- The one-question survey asked participants to indicate the level of priority they feel for each of seven decision-making criteria listed in the survey (major priority, moderate priority, minor priority, not a priority at all and don't know/unsure).
- **Timing:** January 18, 2017.

Community Stakeholder Outreach

- At this initial stage, the City of Guelph briefed and sought input from several community organizations:
 1. eMERGE Guelph.
 2. Downtown Guelph Business Association.
 3. Guelph Chamber of Commerce.
 4. Transition Guelph.
 5. Guelph Wellington Seniors Association.
- **Timing:** December 19, 2016 to January 18, 2017.

Guelph Hydro Large Customer Information Sessions

- At this initial stage, Guelph Hydro briefed and sought input from several large customers:
 1. Canadian Solar Solutions.
 2. City of Guelph.
 3. Hematite Manufacturing.
 4. Hitachi Construction Truck Manufacturing Ltd.
 5. Linamar Corporation.
 6. Magna.
 7. Owens Corning Canada LP.
 8. Polycon Industries.
 9. Union Gas.
 10. University of Guelph.
- **Timing:** December 19, 2016 and January 9, 2017.

Guelph Hydro Employee Town Halls

- Guelph Hydro conducted two employee town halls to discuss and seek input on the asset review process.
- **Timing:** October 25, 2016; December 13, 2016.

Community Awareness Activities

The City of Guelph and Guelph Hydro designed and activated a communications strategy to raise awareness of the asset review and to drive traffic and engagement to the Energizing Tomorrow website and in-person community consultation events.

The following lists Phase 1 community awareness activities from October 24, 2016 to January 20, 2017.

City of Guelph and Guelph Hydro Websites and Social Media Channels

- Messages/banners posted on City of Guelph and Guelph Hydro websites/social media channels, along with links to the Energizing Tomorrow website.
- **Timing:** November 2016 to January 2017.

Amplified Social Media Posts

- Targeted Facebook and Twitter users residing in Guelph through paid social media posts to drive traffic to the Energizing Tomorrow website.
- **Timing:** November 2016.

Local Advertisements

- Print and digital advertisements with Guelph Today, Mercury Tribune, The Wellington Advertiser and snapd Guelph.
- **Timing:** December 2016 to January 2017.

Media Relations

- Issued news releases for key events, including the launch of the Strategies and Options Committee and the Energizing Tomorrow website, as well as for the public open houses and the start of the Pollara telephone consultation survey.
- Participated in media interviews regarding key events, including the launch of the Strategies and Options Committee and the Energizing Tomorrow website, as well as for the public open houses.
- **Timing:** October 2016 to January 2017.

Guelph Hydro Customer Bill Inserts

- Enclosed inserts about the public asset review and the Energizing Tomorrow website with Guelph Hydro customer bills.
- **Timing:** January 2017.

Energizing Tomorrow Booklet

- To complement the website information, the City of Guelph published an [Energizing Tomorrow booklet](#) with all key details about the public asset review and the decision-making criteria and framework. The booklets were shared during open house events and are available for download online.
- **Timing:** November 2016 – ongoing.

City of Guelph Mayor's Blog

- The Mayor of Guelph informed residents about the asset review and the Energizing Tomorrow website through a [blog post](#).
- **Timing:** October 24, 2016.

Guelph City Councillors Social Media

- Members of City Council shared information about the asset review and informed the public about the open house events on their blogs and social media channels.
- [Councillor James Gordon Blog](#)
- [Guelph Mayor and City Council Twitter \(list\)](#)
- **Timing:** October 2016 – ongoing.

Methodology

For the findings within this preliminary engagement report, the City of Guelph considered all community feedback collected through the following engagement activities from October 24, 2016 to January 20, 2017:

- Pollara telephone consultation survey
 - N=260 adult (18+) permanent residents of the City of Guelph (N=236) and Rockwood (N=24).
 - Margin of error of +6.1%, 19 times out of 20.
- Engagement poll (three questions)
 - Polls completed on the Energizing Tomorrow website.
 - Polls completed by attendees at public open houses in the City of Guelph and Rockwood; these polls were entered into the online poll feature.
 - 160 completed polls.
- Public open houses
 - Rockwood: 14 attendees.
 - Guelph (afternoon session): 45 attendees.
 - Guelph (evening session): 25 attendees.

- Energizing Tomorrow website
 - Ask us Anything (questions and comments).
 - 56 comments/questions.
- Guelph Hydro Large Customer Information Sessions
 - Meetings with 10 participants.
- Community Stakeholder Outreach
 - Meetings with five stakeholder groups.
 - 35 participants in total.
- Energizing Tomorrow Dedicated Email and Telephone Line
 - Four received messages.
- Guelph Hydro Employee Town Halls
 - Two town hall meetings.

It is important to note the data reflects feedback collected from a subset of the population in the City of Guelph and Rockwood who engaged in the process by attending open houses and stakeholder meetings, submitting questions and comments on the Energizing Tomorrow website, completing the three-question poll (online or in-person at the open houses) or by participating in the randomly-selected telephone consultation survey. From the feedback collected through these channels, the City of Guelph has identified key themes for City Council and the Strategies and Options Committee to consider as part of the asset review process.

Phase 1 Community Engagement Findings

The findings for Phase 1 of the community engagement initiative are presented in two sections:

1. **Polling results on the decision-making criteria:** Results from the public poll (Energizing Tomorrow website; completed polls from the public open houses) and the Pollara telephone consultation survey.
2. **Key themes:** Summary of key themes gathered from all Phase 1 community engagement activities.

Polling Results on the Decision-making Criteria

There are three data sets from the polling on the Strategies and Options Committee's decision-making criteria for the future of Guelph Hydro:

1. **Energizing Tomorrow online poll – Version 1** (December 23, 2016 to January 9, 2017). This includes the original list of 11 criteria for participants to select their top three choices.
2. **Energizing Tomorrow online poll – Version 2** (January 9, 2017 to January 20, 2017). This includes a revised list of 13 criteria for participants to select their top three choices. This data set also includes completed written polls from the public open houses that were submitted into the online polling feature.
3. **Pollara Telephone Consultation Survey** (January 18, 2017). The format for the telephone consultation survey required modifications to how participants rate the criteria. Instead of selecting their top three, participants were asked to score each criteria based on level of importance for them (major priority, moderate priority, minor priority, not a priority at all and don't know/unsure).

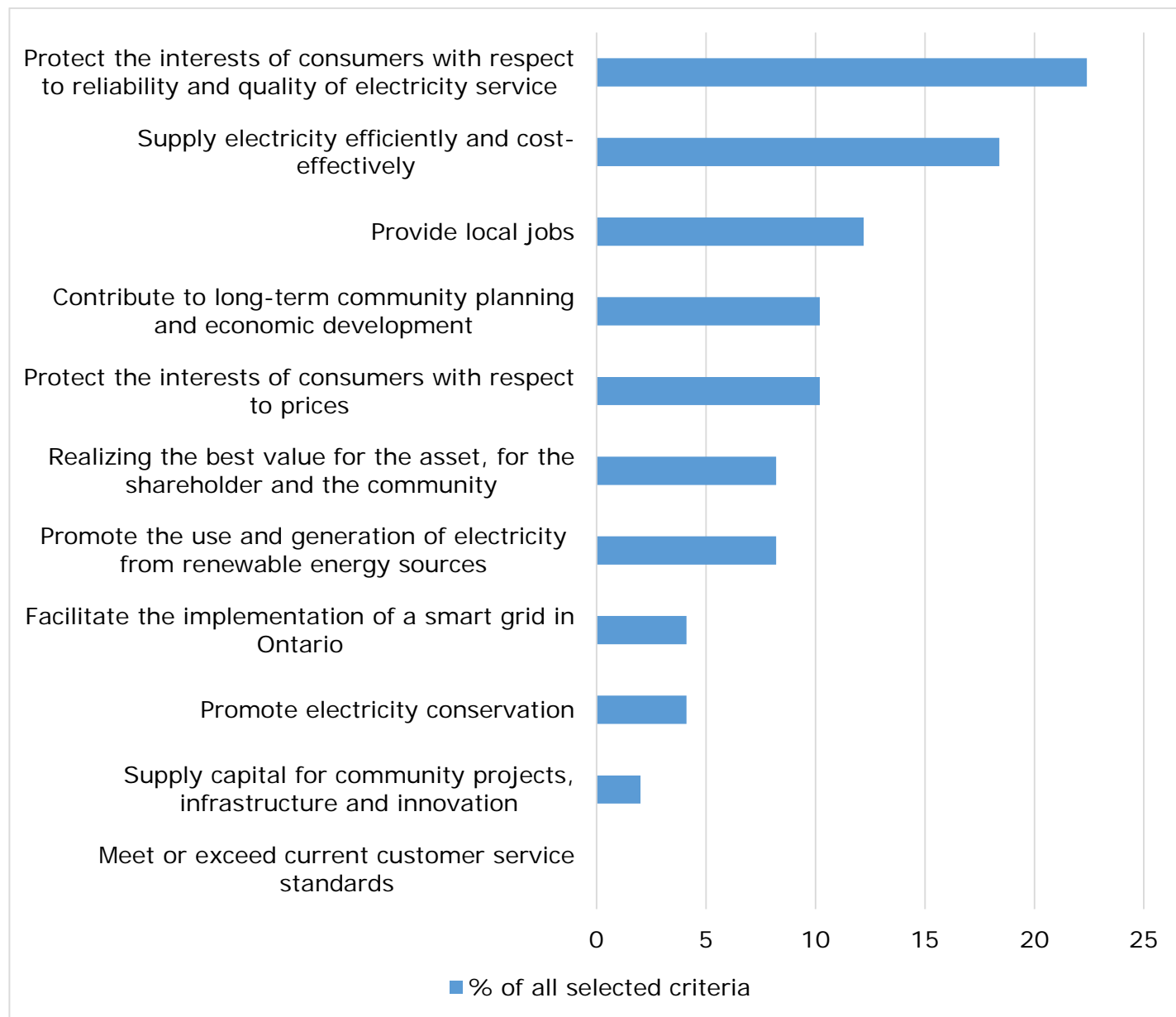
Based on the results from the three aforementioned polls, we have identified the following five criteria that respondents most often selected as being important to consider for any potential transaction (in priority order):

1. **Rates:** Protect consumers with respect to electricity distribution rates; supply electricity efficiently and cost-effectively.
2. **Service:** Protect consumers with respect to electricity distribution rates; supply electricity efficiently and cost-effectively.
3. **Community Planning:** Support long-term community planning and economic development.
4. **Environment:** Encourage use and generation of electricity from renewable sources; continue or enhance conservation and demand management programs.
5. **Local Jobs:** Preserve and provide local jobs.

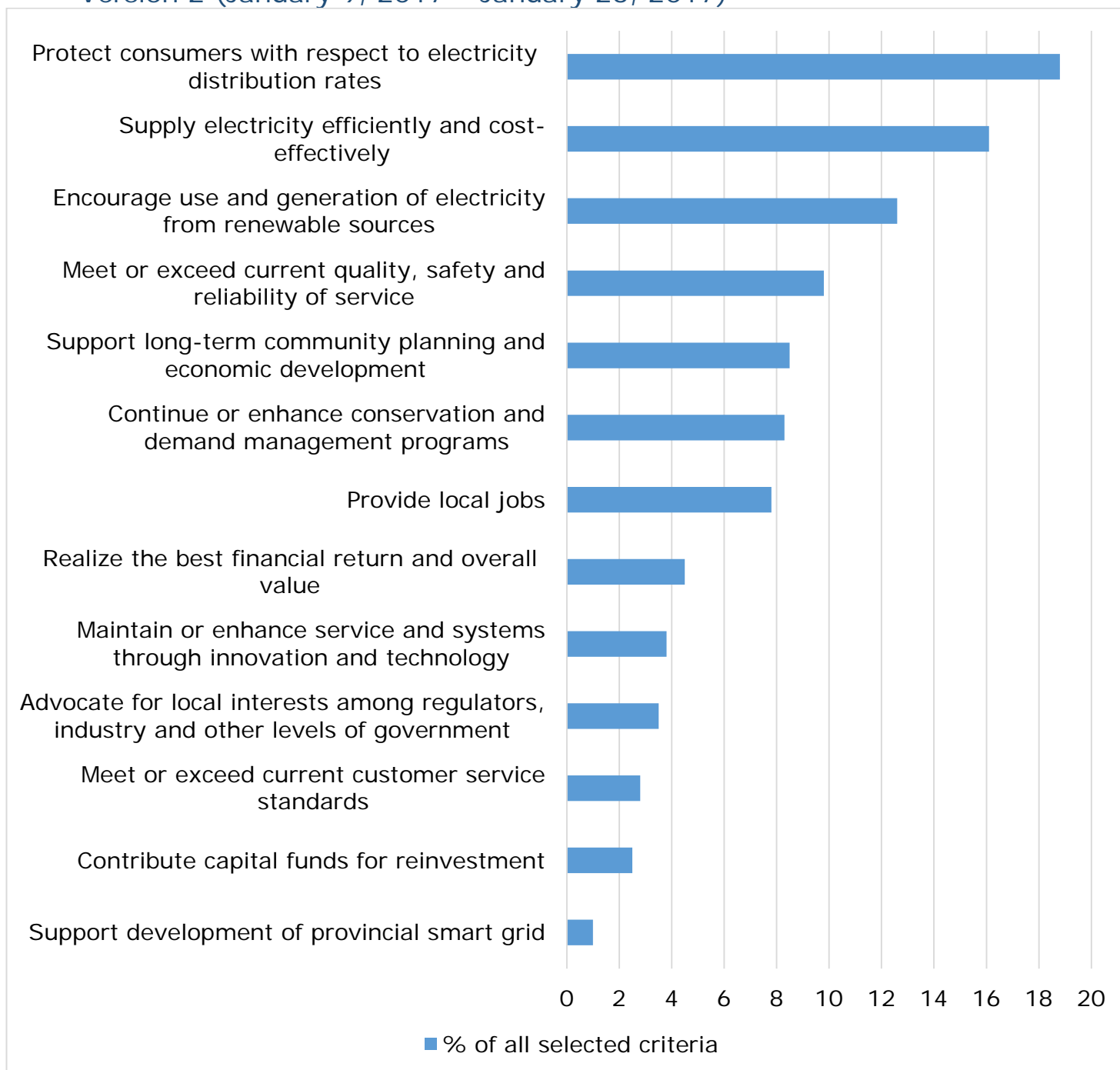
The following charts provide a breakdown of the rated criteria by data set.

Energizing Tomorrow Online Poll:

Version 1 (December 23, 2016 – January 9, 2017)

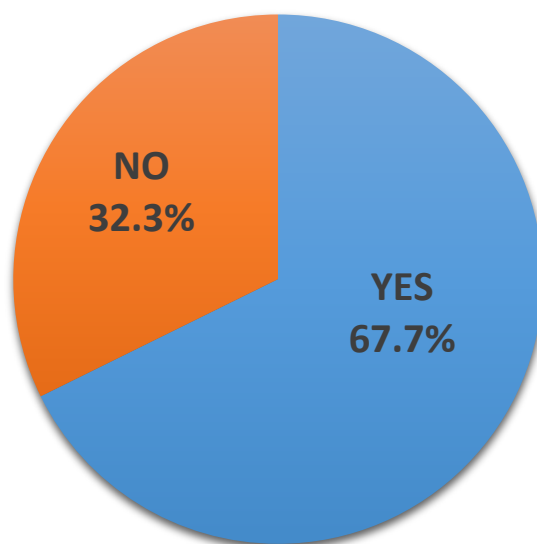


Energizing Tomorrow Online Poll: Version 2 (January 9, 2017 – January 23, 2017)



Energizing Tomorrow Online Poll: Overall Framework (December 23, 2016 – January 20, 2017)

In the Energizing Tomorrow online poll and submitted comment cards from the public open houses, participants were asked whether “the decision-making criteria give equal consideration to Guelph Hydro customers, the City of Guelph as shareholder, and the community as a whole. In your opinion, is this right (yes or no)? If not, what or who have we missed?”



Among the 32.3 per cent who selected no, here is a selection of the suggestions from respondents on what the City of Guelph and Strategies and Options Committee could consider as part of the decision-making criteria:

- Maintaining local control of Guelph Hydro is important to a notable segment of respondents.
- Many respondents who value local control think it is best achieved through maintaining full public ownership. And if full public ownership is not an option, many respondents would want to see local control as part of any potential transaction.
- Guelph Hydro employees should also be considered as part of the decision-making criteria.
- The environment should be included as a criteria for the decision-making process.
- Guelph Hydro customers should be prioritized as they are currently paying for service and would be most impacted by any rate and service changes.

Pollara Telephone Consultation Survey (January 18, 2017)

QA1: How about...? Ensuring high-quality, safe, responsive, and reliable service?

- **Major priority: 77 per cent.**
- Moderate priority: 10 per cent.
- Minor priority: 10 per cent.
- Not a priority at all: <1 per cent.
- Don't know: 2 per cent.
- Total priority: 87 per cent.
- Total not a priority: 11 per cent.
- N size: 260.

QA2: How about...? Preserving and providing local jobs?

- **Major priority: 62 per cent.**
- Moderate priority: 26 per cent.
- Minor priority: 9 per cent.
- Not at all a priority: <1 per cent.
- Don't know: 2 per cent.
- Total major/moderate priority: 88 per cent.
- Total minor/not a priority: 10 per cent.
- N size: 260.

QA3: How about...? Achieving the best financial return for the community and for reinvestment?

- **Major priority: 54 per cent.**
- Moderate priority: 34 per cent.
- Minor priority: 7 per cent.
- Not at all a priority: 1 per cent.
- Don't know: 4 per cent.
- Total major/moderate priority: 88 per cent.
- Total minor/not a priority: 8 per cent.
- N size: 260.

QA4: How about...? Improving infrastructure through innovation and technology?

- **Major priority: 51 per cent.**
- Moderate priority: 35 per cent.
- Minor priority: 8 per cent.
- Not at all a priority: 2 per cent.
- Don't know: 3 per cent.
- Total major/moderate priority: 87 per cent.
- Total minor/not a priority: 10 per cent.
- N size: 260.

QA5: How about...? Supporting long-term community planning in the local area?

- **Major priority: 65 per cent.**
- Moderate priority: 22 per cent.
- Minor priority: 9 per cent.
- Not at all a priority: 2 per cent.
- Don't know: 2 per cent.
- Total major/moderate priority: 87 per cent.
- Total minor/not a priority: 11 per cent.
- N size: 260.

QA6: How about...? Encouraging conservation and the generation of electricity from renewable energy sources?

- **Major priority: 51 per cent.**
- Moderate priority: 26 per cent.
- Minor priority: 17 per cent.
- Not at all a priority: 3 per cent.
- Don't know: 3 per cent.
- Total major/moderate priority: 76 per cent.
- Total minor/not a priority: 20 per cent.
- N size: 260.

QA7: How about...? Ensuring that electricity is supplied efficiently and cost-effectively, while protecting consumers with respect to electricity distribution rates?

- **Major priority: 72 per cent.**
- Moderate priority: 23 per cent.
- Minor priority: 2 per cent.
- Not at all a priority: 1 per cent.
- Don't know: 2 per cent.
- Total major/moderate priority: 94 per cent.
- Total minor/not a priority: 4 per cent.
- N size: 260.

Key Themes

Based on all submitted questions, comments and survey responses from all engagement activities, the following five key themes have been identified:

1. Rates
2. Efficient and Reliable Service
3. Potential Transaction
4. Environmental Sustainability
5. Public Information Sharing

Rates

- Across all engagement forums, electricity distribution rates were identified as the top concern.
- Some participants used the community engagement process as a platform to voice concern and frustration about the rising cost of electricity in the City of Guelph – and the province.
- Actual experiences or knowing about the experiences of others who faced high bills and service issues with Hydro One, especially in rural areas, have made some participants, at this early stage, skeptical about any potential deal with the utility.
- A notable segment of participants expressed concern about the impact a potential transaction would have on electricity distribution rates. Some doubt privatization or an acquisition by a larger, outside utility will create economies of scale that would make any significant difference with rates.
- While efficient and reliable service is most important to large industrial customers, increased rates would be a significant factor for companies that are looking to expand.

Efficient and Reliable Service

- It is evident there is a strong sense of pride among participants about Guelph Hydro. People generally believe the utility is well-managed, reliable, provides efficient service and offers competitive rates compared to other municipalities. People want to ensure Guelph Hydro's positive track record of efficient and reliable service is preserved.
- For large industrial customers, efficient and reliable service are the most important criteria, given how critical energy is for business operations.
- Some question whether bigger means better, meaning would a larger utility be able to provide comparable service to what Guelph Hydro customers currently enjoy.

Potential Transaction

- While engagement questions were focused on the decision-making criteria, participants used the platform to voice early opinions on the potential for a transaction.
- Of those who commented on a potential transaction, most expressed support for maintaining local control and public ownership of Guelph Hydro. They want the City to continue benefiting from annual dividends from Guelph Hydro.
- Many participants who voiced support for maintaining local control and public ownership also expressed concerns about selling Guelph Hydro.
- The general feeling is that a sale would provide the City of Guelph with short-term financial benefits while taking away longer-term dividends from Guelph Hydro.
- There is concern about privatization with several participants referencing the Ontario government's partial privatization of Hydro One as an example of what the City of Guelph should avoid.
- If the City were to pursue a merger, participants prefer a combination with other regional utilities and with those that share the same values as Guelph Hydro, such as a commitment to conservation and environmental sustainability. There is significant concern about transactions, including mergers, with a private utility.
- Based on gathered input, the option to buy other electricity distribution utilities has no support. Participants recognize that buying other utilities is impractical and would increase Guelph Hydro's debt load.

Environmental Sustainability

- A notable segment of respondents expressed support for ensuring the City of Guelph supports the use and generation of electricity from renewable sources, as well as for energy conservation programs.
- There is a feeling that maintaining local control would better position Guelph Hydro to meet the expectations some in the community have regarding environmental sustainability, such as renewable energy. If the City were to pursue a merger, some have indicated they would prefer "like-minded" utilities, especially those who are committed to renewable energy sources and environmental sustainability.

Public Information Sharing

- Some participants have expressed appreciation for the early community engagement.
- Some participants have requested that the City of Guelph provide more information about the options being considered, such as financial analyses for each, as well as more financial data on the projected capital requirements for modernizing Guelph Hydro's infrastructure and service.

- A small segment of participants have requested more information on why the City of Guelph is reviewing its options for Guelph Hydro now – some have questioned the “urgency” of the review.
- It is evident that participants want the City of Guelph to continue sharing information and engaging the public throughout the asset review process.

Next Steps: Commitment to Ongoing Community Engagement

From the onset of the asset review for the future of Guelph Hydro, the City of Guelph and the Strategies and Options Committee’s goal was to ensure people are informed and have an opportunity to provide input at each step of the process. For this reason, the City of Guelph activated a community engagement initiative at this early stage to seek citizen input on the decision-making criteria, framework and initial thoughts on the four options being considered.

If the asset review progresses beyond Phase 1, which is expected to be determined at the special meeting of Guelph City Council on February 15, 2017, the City will continue to seek public input throughout the process.

At any time, community members can visit www.energizingtomorrow.ca to learn more about the asset review and to submit comments and questions.

Appendix A:

Community Engagement Polling Questions

Online Engagement Polling Questions – Version 1:
(December 23, 2016 to January 9, 2017)

1. As City Council explores options, which of the following criteria do you feel are most important? Please select your top three.
 - Protect the interests of consumers with respect to prices.
 - Protect the interests of consumers with respect to reliability and quality of electricity service.
 - Promote electricity conservation.
 - Facilitate the implementation of a smart grid in Ontario.
 - Promote the use and generation of electricity from renewable energy sources.
 - Provide local jobs.
 - Supply capital for community projects, infrastructure and innovation.
 - Meet or exceed current customer service standards.
 - Contribute to long-term community planning and economic development.
 - Supply electricity efficiently and cost-effectively.
 - Realizing the best value for the asset for the shareholder and the community.
2. The decision-making framework gives equal consideration to Guelph Hydro customers, the City of Guelph as shareholder, and the community as a whole. In your opinion, is this framework right? If not, what or who have we missed? Yes or No?
3. Is there anything else you would like the City and/or the Committee to keep in mind as we continue this process?

Online Engagement/Public Open Houses Engagement Questions –
Version 2:
(January 9, 2017 to January 20, 2017)

1. As City Council explores options, which of the following criteria do you feel are most important? Please select your top three.
 - Protect consumers with respect to electricity distribution rates.
 - Meet or exceed current quality, safety and reliability of service.
 - Meet or exceed current customer service standards.
 - Maintain or enhance service and systems through innovation and technology.
 - Continue or enhance conservation and demand management programs.
 - Support development of provincial smart grid.
 - Encourage use and generation of electricity from renewable sources.
 - Advocate for local interests among regulators, industry and other levels of government.
 - Provide local jobs.
 - Realize the best financial return and overall value.
 - Supply electricity efficiently and cost-effectively.
 - Contribute capital funds for reinvestment.
 - Support long-term community planning and economic development.
2. The decision-making criteria give equal consideration to Guelph Hydro customers, the City of Guelph as shareholder, and the community as a whole. In your opinion, is this right? If not, what or who have we missed? Yes or No?
3. Is there anything else you would like the City and/or the Committee to keep in mind as we continue this process?

ATTACHMENT G – LETTER FROM GUELPH HYDRO BOARD CHAIR



January 25, 2017

Guelph City Council
Guelph City Hall
1 Carden Street
Guelph ON N1H 3A1

Dear Councillors,

Re: Letter from GHESI Board to Council as Shareholder of GMHI

The Board of Directors of Guelph Hydro Electric Systems Inc. (GHESI) would like to acknowledge the City of Guelph for taking the pro-active step of establishing the Strategies and Options Committee to explore opportunities for GHESI in light of the rapidly changing landscape in which our local distribution company operates.

We agree that during this time of industry transformation, it makes good business sense to carefully evaluate strategies and options to ensure customers, the City of Guelph and the community are getting the best long-term value from this important City asset and that opportunities to ensure a strong future for our utility, in whatever form that might take, are considered.

GHESI is a high performing local distribution company well recognized by its peers with a strong customer service record and reputation within our community. It is important to note that these achievements and the value that GHESI brings to our shareholder, our customers and the community today are due in large part to the exemplary work and dedication of our employee community and management team. We wish to ensure that our company continues to be well-positioned to respond to the many potential changes that may impact our future.

We recognize the work accomplished by the Strategies and Options Committee, thus far, in establishing guiding principles, decision-making criteria and success factors that will be used in assessing options and we applaud the Strategies and Options Committee for their commitment to engaging the public and the community in all phases of the evaluation process.

We believe that as we embark on a closer examination of potential options for GHESI that greater involvement of the GHESI Board is necessary and appropriate. Any significant decision impacting the future of GHESI will require the approval of the GHESI board. We acknowledge and have been well served by the excellent work of the GHESI representatives on the Strategies and Options Committee to date, however we submit that it makes good sense and that the process will benefit from greater participation of the industry and subject matter experts who serve as independent members of the GHESI Board as the process proceeds to the next phase.

We support the recommendations of the Strategies and Options Committee contained in their February 15, 2017 Report to Council as Shareholder of Guelph Municipal Holdings Inc. (GMHI), to further examine the options of sale or merger and we look forward to increased representation and participation as we embark on the next steps in this process.

Sincerely,

A handwritten signature in black ink, appearing to be 'S. Jane F. Armstrong', with a stylized, sweeping line.

S. Jane F. Armstrong
Chair
Guelph Hydro Electric Systems Inc.

CC: GHESI Board of Directors
GMHI Strategies and Options Committee

City Council as Shareholder of Guelph Municipal Holdings Inc. Meeting Agenda

Consolidated as of June 9, 2017



**Tuesday, June 13, 2017 – 4:00 p.m.
Council Chambers, Guelph City Hall, 1 Carden Street**

Please turn off or place on non-audible all electronic devices during the meeting.

Please note that an electronic version of this agenda is available on guelph.ca/agendas.

Changes to the original agenda have been highlighted.

Authority to move into closed meeting

That the Council of the City of Guelph now hold a meeting that is closed to the public, pursuant to the Municipal Act, to consider:

C-GMHI-2017.1 Environmental Scan regarding Guelph Hydro Merger Options

Section 239 (2) (f) of the Municipal Act related to advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

Open Meeting: – 6:30 p.m.

Disclosure of Pecuniary Interest and General Nature Thereof

Closed Meeting Summary

Guelph Municipal Holdings Inc.: Strategies and Options

GMHI-2017.2 Environmental Scan regarding Guelph Hydro Merger Options (see memo)

Presentation:

Derrick Thomson, Chief Administrative Officer -presentation

Jane Armstrong, GHESI Board Chair – presentation

Tara Sprigg, General Manager Corporate Communications - presentation

Troy MacDonald, Financial Advisor GMHI, Grant Thornton - presentation

Ron Clark, Solicitor, Aird & Berlis, Solicitor for GMHI - presentation

Delegations:

None at this time

Recommendation:

1. THAT the Strategies and Options Committee (the "SOC") of Guelph Municipal Holdings Inc. ("GMHI") be directed to conduct further discussions, engage in further due diligence, and prepare preliminary business cases to assess potential mergers between Guelph Hydro Electric Systems Inc. ("Guelph Hydro") and potential merger partners.
2. THAT the SOC continue its communications and community engagement to inform its work.
3. THAT the SOC report back to Council in early fall 2017 with the results of further discussions and due diligence, communications and community engagement and preliminary business case, including recommendations regarding next steps.

Adjournment

INTERNAL MEMO



DATE June 9, 2017

FROM Derrick Thomson, Chief Administrative Officer

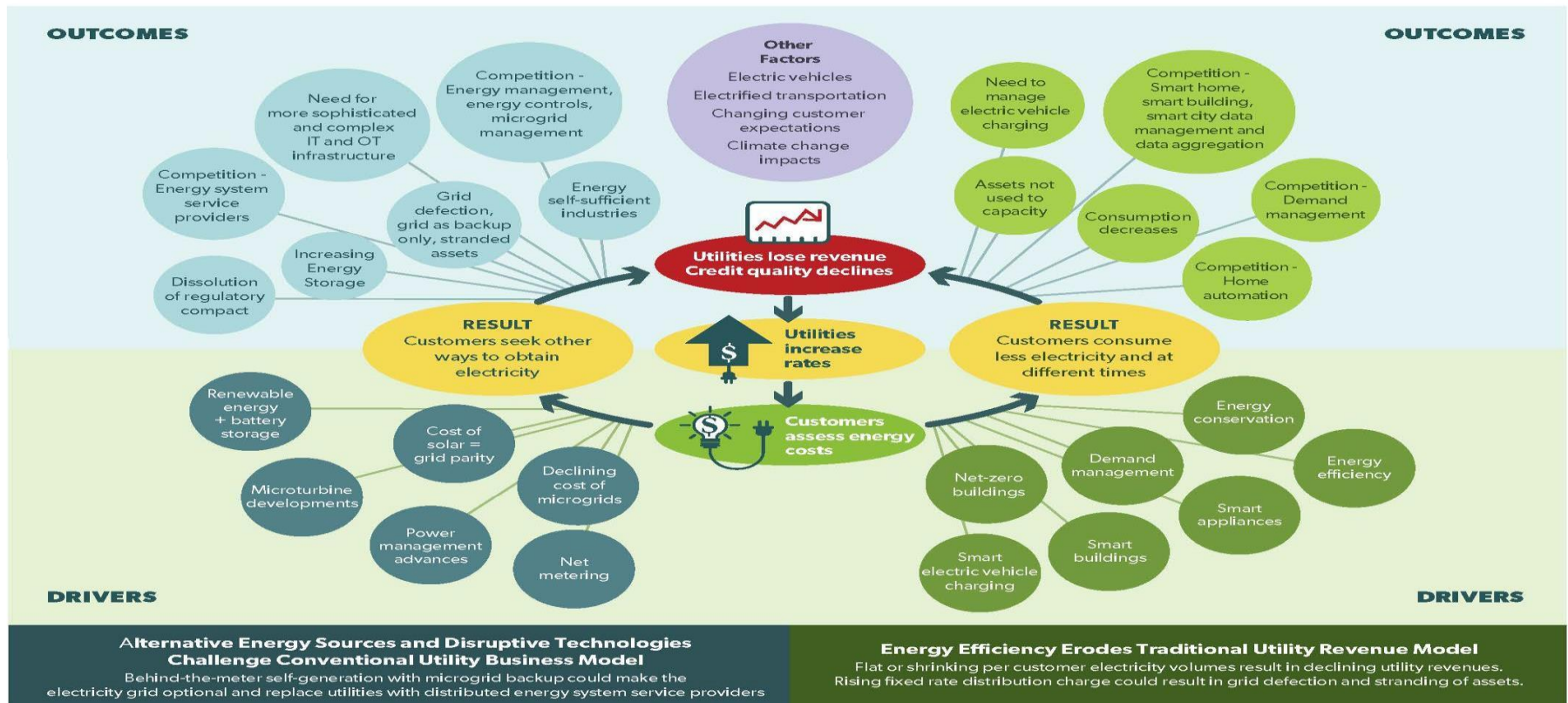
SUBJECT Addendum to Report GMHI 2017-03

Please find attached a one-page addition to Attachment B to Report GMHI 2017-03, to be inserted immediately after Slide 5 in that attachment.

Derrick Thomson
Chief Administrative Officer

Strategic Rationale

Disruptions to the Existing Utility Business Model



City Council as Shareholder of Guelph Municipal Holdings Inc.



Meeting Agenda

Tuesday, June 13, 2017 – 4:00 p.m.
Council Chambers, Guelph City Hall, 1 Carden Street

Please turn off or place on non-audible all electronic devices during the meeting.

Please note that an electronic version of this agenda is available on guelph.ca/agendas.

Authority to move into closed meeting

That the Council of the City of Guelph now hold a meeting that is closed to the public, pursuant to the Municipal Act, to consider:

C-GMHI-2017.1 Environmental Scan regarding Guelph Hydro Merger Options

Section 239 (2) (f) of the Municipal Act related to advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

Open Meeting: – 6:30 p.m.

Disclosure of Pecuniary Interest and General Nature Thereof

Closed Meeting Summary

Guelph Municipal Holdings Inc.: Strategies and Options

GMHI-2017.2 Environmental Scan regarding Guelph Hydro Merger Options

Presentation:

Derrick Thomson, Chief Administrative Officer -presentation

Jane Armstrong, GHESI Board Chair – presentation

Tara Sprigg, General Manager Corporate Communications - presentation

Troy MacDonald, Financial Advisor GMHI, Grant Thornton - presentation

Ron Clark, Solicitor, Aird & Berlis, Solicitor for GMHI - presentation

Delegations:

None at this time

Recommendation:

1. THAT the Strategies and Options Committee (the "SOC") of Guelph Municipal Holdings Inc. ("GMHI") be directed to conduct further discussions, engage in further due diligence, and prepare preliminary business cases to assess potential mergers between Guelph Hydro Electric Systems Inc. ("Guelph Hydro") and potential merger partners.
2. THAT the SOC continue its communications and community engagement to inform its work.
3. THAT the SOC report back to Council in early fall 2017 with the results of further discussions and due diligence, communications and community engagement and preliminary business case, including recommendations regarding next steps.

Adjournment

TO	Guelph City Council as the Shareholder of GMHI
SERVICE AREA	GUELPH MUNICIPAL HOLDINGS INC.
DATE	June 13, 2017
SUBJECT	ENVIRONMENTAL SCAN REGARDING GUELPH HYDRO MERGER OPTIONS
REPORT NUMBER	GMHI-2017-03

RECOMMENDATION:

- 1. THAT the Strategies and Options Committee (the "SOC") of Guelph Municipal Holdings Inc. ("GMHI") be directed to conduct further discussions, engage in further due diligence, and prepare preliminary business cases to assess potential mergers between Guelph Hydro Electric Systems Inc. ("Guelph Hydro") and potential merger partners.**
- 2. THAT the SOC continue its communications and community engagement to inform its work.**
- 3. THAT the SOC report back to Council in early fall 2017 with the results of further discussions and due diligence, communications and community engagement and a preliminary business case, including recommendations regarding next steps.**

REPORT:

Background

The City of Guelph (the "City"), through GMHI, established the SOC to investigate buy, sell, merge and maintain full ownership options for Guelph Hydro.

On October 24, 2016, the SOC presented a report to Council as shareholder of GMHI, outlining the objectives of the SOC and presenting an overview of the SOC's engagement and communications strategy.

On February 15, 2017, the SOC presented a report to Council as shareholder of GMHI further detailing the options, community engagement results and the decision-making criteria developed by the SOC for assessing the proposed options. Council directed the SOC to conduct an environmental scan for potential mergers with publicly-owned utility companies, and return to Council with the results and recommendations for next steps.

This report presents the results of the scan, and recommendations on the proposed process going forward.

For reference, the SOC has the following members:

- Derrick Thomson, CAO, City of Guelph (Co-Chair)
- Jane Armstrong, Board Chair, Guelph Hydro (Co-Chair)
- Bob Bell, Board Vice Chair, Guelph Hydro
- Mark Goldberg, Community Member
- Douglas Auld, Community Member

The SOC is supported by City and Guelph Hydro staff, and by financial (Grant Thornton), legal (Aird & Berlis) and communications and engagement (NATIONAL) advisors.

Environmental Scan

Objectives

The objectives of the environmental scan were to use available market information, industry intelligence and discussions with potential merger partners to determine potential merger partners to examine more closely (if any), and what approach to follow in so doing.

The scan covered 14 Local Distribution Companies ("LDCs") near Guelph Hydro's service territory and assessed the interest, readiness and appropriateness of those LDCs to enter into a merger transaction with Guelph Hydro.

Confidentiality

In support of the environmental scan and the SOC's work, Guelph Hydro has entered into a series of Non-Disclosure Agreements with potential merger partners. The Non-Disclosure Agreements prohibit the disclosure of confidential information by Guelph Hydro, its affiliates (including GMHI and the City), and representatives thereof (including councillors).

Disclosing the names could cause harm to the other parties who may not yet have direction to proceed or have discussed these opportunities with all of their stakeholders.

Disclosing the names of potential partners could also cause commercial harm to Guelph as the City is still exploring several opportunities; Guelph has not agreed to exclusive, detailed negotiations with potential partner(s).

If, in the fall, Council directs the SOC to pursue the next phase of the process, details about potential merger partner(s) will be shared with the public.

Decision-making criteria and other considerations

In conducting the scan, the SOC applied the decision-making criteria presented in the February 15, 2017 report to City Council.

Value for customers

- Protect consumers with respect to electricity distribution rates
- Meet or exceed current quality, safety and reliability of service
- Meet or exceed current customer service standards
- Maintain or enhance service and systems through innovation and technology

Value for community

- Continue or enhance conservation and demand management programs
- Support development of provincial smart grid
- Encourage use and generation of electricity from renewable sources
- Advocate for local interests among regulators, industry and other levels of government
- Provide local jobs

Value for the City of Guelph

- Realize the best financial return and overall value
- Supply electricity efficiently and cost-effectively
- Contribute capital funds for reinvestment
- Support long-term community planning and economic development

The criteria and principles also include a commitment to continue treating Guelph Hydro employees with fairness and respect, and engage in open, honest communication with community and industry stakeholders.

Other Considerations

Taking into account community feedback and Shareholder direction, the SOC also considered the following factors:

Holistic view of benefit for Guelph stakeholders

It was agreed that it was important to maintain a holistic view of benefit for Guelph stakeholders to ensure all perspectives were considered in evaluation of the merger option.

Degree of control/significant influence and Shareholder Agreements

Control could mean owning the majority of shares in the company. In a multi-shareholder situation, control could also mean no party has control. The strength of the shareholder's agreement will likely be the most important consideration.

A shareholders' agreement documents shareholder rights and obligations, and explains how key decisions will be made. The agreement typically explains which kinds of decisions may require greater levels of approval, such as super-majority or unanimous approvals.

Deal certainty and likelihood of success

Deal certainty refers to the counterparty's engagement and commitment to the merger process, and how likely they are to support a merger with a good business case.

Multi-party mergers

It was also agreed that the process needs to consider possible multi-party mergers, should those opportunities arise and demonstrate merit.

Comparison to maintaining full ownership

The merger options considered need to demonstrate clear value for Guelph Hydro customers, the City and the community, as compared to maintaining full ownership.

Legislated requirements

As noted in the SOC's February 15, 2017 report to Council, the Ontario Energy Board (the "OEB") would also need to approve any proposed merger transaction pursuant to a Mergers, Acquisitions, Amalgamations and Divestitures ("MAADs") application, under which it would apply its "no harm" test. Moreover, the OEB would continue to regulate any merged utility.

Process considerations:

Direct or competitive

Direct engagement with merger candidates was preferred to a formal competitive process. Direct engagement is more aligned with the exploratory nature of the process, and comparing options to maintaining full ownership.

Election timing

The upcoming municipal election was a significant timing consideration for all parties involved.

Cost effective

The process needs to be cost effective while getting Council the information they require to decide how to proceed.

Stakeholder engagement

To ensure all perspectives are considered, stakeholders in Guelph and the potential merger targets' communities will be engaged.

Merger partner

Potential merger partners need clarity on the process, and may limit the information they share in advance of formal, exclusive negotiations.

More information

With strong merger candidates, Council will need more information to assess the merits and concerns of each candidate.

Preliminary business cases:

A proposed next step is the development of a preliminary business case with potential merger partners. Preliminary business cases would address:

Core values and strategic rationale

The SOC would identify the core values of the potential merger partners and assess the strategic rationale for the respective mergers.

High-level financial analysis

Working from financial forecasts provided by the potential merger partners, a financial analysis would determine the impact on shareholders and ratepayers of the respective parties. Shareholder impacts would address dividends, promissory note interest and return on investment. Ratepayer impacts would address customer rates.

Operations and synergies

The SOC would develop a high-level understanding of the potential synergies and operational impacts.

Governance

The SOC would engage in discussions regarding key governance issues and the key terms of a shareholder agreement to understand the degree of alignment between the parties.

Strategy

The SOC would determine the potential business strategy of a merged entity. Matters such as operations, growth, customer experience, non-regulated operations, future consolidation, and people would be addressed.

Process

The SOC would investigate the decision-making requirements and timing of each potential merger to determine if they can be aligned with the City's own process.

Risk

The SOC will identify the risks of each potential merger and potential mitigation of those risks.

Evaluation

The SOC will evaluate the potential merger partners using community-supported decision-making criteria.

Recommendation

The SOC may recommend one or more potential merger candidates.

The preliminary business cases would not address:

- formal valuations;
- detailed rate strategy / analysis;
- a Memorandum of Understanding;
- detailed legal agreements;
- detailed due diligence;
- organizational structure matters;
- detailed governance matters;
- leadership recommendations;
- detailed operational matters; and
- full non-regulated strategy.

Communications and Community Engagement

Since February, the committee has updated its community and industry stakeholders about the decision-making process, the criteria being used to evaluate potential merger opportunities, and opportunities to learn more, ask questions or provide comments.

If City Council decides to continue exploring potential mergers, the SOC will announce this decision and continue its ongoing education and engagement efforts. Between now and the fall, the committee will continue using a multi-channel communications and engagement approach to:

- encourage people to learn more about Ontario's changing energy landscape
- inform people about the process being used to evaluate options for the future direction of Guelph Hydro
- invite people to ask questions and provide comments

If, in the fall, Council directs the SOC to pursue the next phase of the process, details about potential merger partner(s) will be shared with the public. At that time, the SOC will seek public input on the proposed merger. More public and stakeholder engagement will occur to generate that input.

Proposed Timeline

Phase 1 (Complete)

Explore options, begin community consultation, present findings and recommendations to Guelph City Council in early 2017.

Phase 2 (March to June)

Scan the industry for potential merger partners. Consider publicly-owned utility companies likely to provide value to Guelph Hydro customers, the City and the community.

(June to fall) If City Council votes to explore further: engage specific targets, develop a preliminary business case and financial analysis, outline impact on shareholders rate payers, discuss governance, compare to maintaining full ownership, and make recommendation to City Council.

Phase 3 (fall to winter)

If Council decides to pursue a merger: enter into memorandum of understanding, announce the parties involved, continue community engagement, begin exclusive negotiations, conduct financial, legal, operational and regulatory due diligence, develop merger and shareholder agreements, finalize rate impact and make recommendation to City Council.

Phase 4 (late 2017 to 2018)

If City Council approves the transaction: submit a MAADs application to the OEB for approval, develop implementation plan and establish leadership and governance of the new utility. Following OEB approval the transaction would close, the parties would enter into the shareholders' agreement, and the merger would be given full legal effect.

Recommended Next Steps

Given the potential cost of developing complete business cases with multiple parties, the SOC recommends developing preliminary business cases with the most promising candidates and making a recommendation to Council in early fall 2017. This approach is a cost effective way to provide Council with more information while being fair and respectful to potential merger partners.

The Guelph Hydro board affirmed the recommendations made at the outset of this report at its May 29, 2017 board meeting.

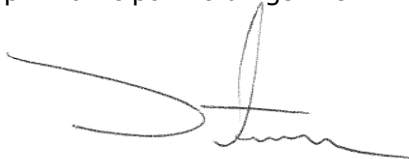
ATTACHMENTS:

A – SOC Presentation to Council

B – SOC Advisors' Presentation to Council

Strategies and Options Committee
Guelph Municipal Holdings Inc.

Per:



Derrick Thomson, Co-Chair

ATTACHMENT A – SOC PRESENTATION TO COUNCIL

STRATEGIES AND OPTIONS COMMITTEE



Shareholder

Update

June 13, 2017

CO-CHAIRS INTRODUCTORY REMARKS

- Purpose of Shareholder meeting:
 - Provide an update on the work of Strategies and Options Committee (SOC) and its advisors, and seek Shareholder direction on recommended next steps
- Previous Shareholder meetings:
 - October 24, 2016: Confirmation of SOC's objectives
 - February 15, 2017: Completion of Phase 1: Assessment of Options –SOC was directed to conduct an environmental scan of potential merger partners
- June 13, 2016:
 - Completion of Phase 2: Environmental Scan
 - Communications and Engagement Update
 - Report from Consultants – Grant Thornton and Aird & Berlis
- New SOC community member: Mr. Douglas Auld
- SOC Co-Chair – Jane Armstrong, Chair of the Guelph Hydro (GHESI) Board
 - Board resolution in support of recommendations

RECOMMENDATIONS

- THAT the Strategies and Options Committee (the “SOC”) of Guelph Municipal Holdings Inc. (“GMHI”) be directed to conduct further discussions, engage in further due diligence, and prepare preliminary business cases to assess potential mergers between Guelph Hydro Electric Systems Inc. (“Guelph Hydro”) and potential merger partners
- THAT the SOC continue its communications and community engagement to inform its work
- THAT the SOC report back to Council in early fall 2017 with the results of the further discussions and due diligence, communications and community engagement, and a preliminary business case , including recommendations regarding next steps



COMMUNICATIONS AND ENGAGEMENT UPDATE

ENGAGEMENT PRINCIPLES





PHASE 2 COMMUNICATIONS AND ENGAGEMENT

March to fall

PHASE 2: MARCH TO JUNE

Activity	Detail
Communicate and update in advance of June 13 City Council Meeting	<ul style="list-style-type: none">• Website update on key developments and next steps• Social media update• Written update to stakeholder groups• Update Guelph Hydro employees and Union representatives• Update communications toolkit for Councillors

JUNE TO FALL

Activity	Detail
Energizing Tomorrow website	<ul style="list-style-type: none">• Announce Council decision• Post links on Guelph Hydro and City web sites• Promote <i>Ask Us Anything</i> feature• City staff to respond to inquiries
Guelph Hydro Employees	<ul style="list-style-type: none">• Town hall Q&A after City Council meeting
Stakeholder Update	<ul style="list-style-type: none">• Update stakeholders about Council decision• Encourage questions and feedback
Media Relations	<ul style="list-style-type: none">• News release summarizing Council decision• Participate in media interviews
Social Media	<ul style="list-style-type: none">• Use City and Guelph Hydro channels• Post updates about the process• Promote <i>Ask Us Anything</i> feature



PHASE 3 COMMUNICATIONS AND ENGAGEMENT

Fall-winter 2017

FALL 2017

Activity	Detail
Communicate and update in advance of fall City Council Meeting	<ul style="list-style-type: none">• Social media update• Written update to stakeholder groups• Update/meet with Guelph Hydro employees and Union representatives• Update communications toolkit for Councillors• Advertise/promote upcoming community engagement activities

FALL 2017

Activity	Detail
Energizing Tomorrow website	<ul style="list-style-type: none">• Announce Council decision• Post links on Guelph Hydro and City web sites• Promote <i>Ask Us Anything</i> feature• City staff to respond to inquiries
Guelph Hydro Employees	<ul style="list-style-type: none">• Town hall Q&A after City Council meeting
Stakeholder Update	<ul style="list-style-type: none">• Update stakeholders about Council decision• Encourage questions and feedback
Media Relations	<ul style="list-style-type: none">• News release summarizing Council decision• Participate in media interviews
Social Media	<ul style="list-style-type: none">• Use City and Guelph Hydro channels• Post updates about the process• Promote <i>Ask Us Anything</i> feature



IF COUNCIL DECIDES TO
PROCEED

FALL 2017

Activity	Detail
Energizing Tomorrow website	<ul style="list-style-type: none">• Share info about MOU on the website, focus on process, next steps and timing• <i>Ask Us Anything</i> feature• Inform residents of community engagement activities in the fall/winter
Guelph Hydro Employees	<ul style="list-style-type: none">• Town hall Q&A after City Council meeting
Media Relations	<ul style="list-style-type: none">• Joint media event to announce MOU• CEOs, Chairs and Mayors from respective jurisdictions to participate• Ongoing updates throughout Phase 3
Social Media	<ul style="list-style-type: none">• Use City and Guelph Hydro Channels to update people about the process, next steps, timing• Promote community engagement activities

IF WE GET TO A PROPOSED TRANSACTION



WINTER 2017

Activity	Detail
Communicate and engage all stakeholder groups in advance of City Council Meeting	<ul style="list-style-type: none"><li data-bbox="724 454 1825 629">• Website update on key information about the proposed transaction, community engagement activities, upcoming Council decision<li data-bbox="724 644 1516 758">• Update/meet with Guelph Hydro employees/Union reps<li data-bbox="724 772 1362 822">• Update to stakeholder list<li data-bbox="724 836 1816 886">• Update communications toolkit for Councillors<li data-bbox="724 901 1561 1015">• Advertise and promote community engagement activities<li data-bbox="724 1029 1709 1143">• Social media updates with specifics about proposed transaction

WINTER 2017

Activity	Detail
Guelph Hydro employees	<ul style="list-style-type: none">• Employee town hall Q & A before and after Council meeting
Public/stakeholder meetings Guelph and Rockwood	<ul style="list-style-type: none">• Present information about the proposed transaction, upcoming Council decision• Encourage information sharing among community networks
Pop-up Engagement	<ul style="list-style-type: none">• information kiosk at one or more community events
Telephone/online poll	<ul style="list-style-type: none">• Gather community input in advance of Council decision

QUESTIONS



Ask us anything

ENERGIZINGTOMORROW.CA

ATTACHMENT B – SOC ADVISORS’ PRESENTATION TO COUNCIL



AIRD & BERLIS LLP
Barristers and Solicitors

Guelph Municipal Holdings Inc. Guelph Hydro Electric Systems Inc.

Environmental Scan Report



June 13, 2017

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Project Background

Project Background

Council Direction

City Council directed the Strategies and Options Committee ("SOC") to (a) conduct an environmental scan of potential transaction partners and potential transactions, with the assistance of independent advisors, in order to compare merger options against maintaining full ownership; (b) enter into preliminary discussions with potential transaction partners to discover whether a merger could satisfy the decision-making criteria adopted by the SOC; and (c) continue its public and stakeholder engagement to inform its work.

Advisors' Role

Grant Thornton ("GT") and Aird & Berlis ("A&B") were engaged as independent financial advisor and legal advisor, respectively, by Guelph Municipal Holdings Inc. ("GMHI") to advise on the potential merger of Guelph Hydro Electric Systems, Inc. ("GHESI", "Guelph" or "Guelph Hydro") as noted above.

Strategic Rationale

Why Consider Merger Alternatives?

As determined in Phase 1, Ontario's energy landscape is changing, and mid-sized utilities like Guelph Hydro are looking for better ways to:

- Meet customer expectations;
- Take advantage of modern technologies;
- Cover costs of delivering safe, reliable electricity service;
- Fund local infrastructure maintenance and upgrades; and
- Prepare and respond to more frequent and severe storms.

Provincial policy initiatives also encourage local electricity utility companies to reduce duplication, manage costs and modernize service to benefit customers. With utilities consolidating across the province, it was agreed that Guelph Hydro should explore its opportunities to determine how best to move forward.

Project Background

Environmental Scan Process

The primary components of the environmental scan included the following:

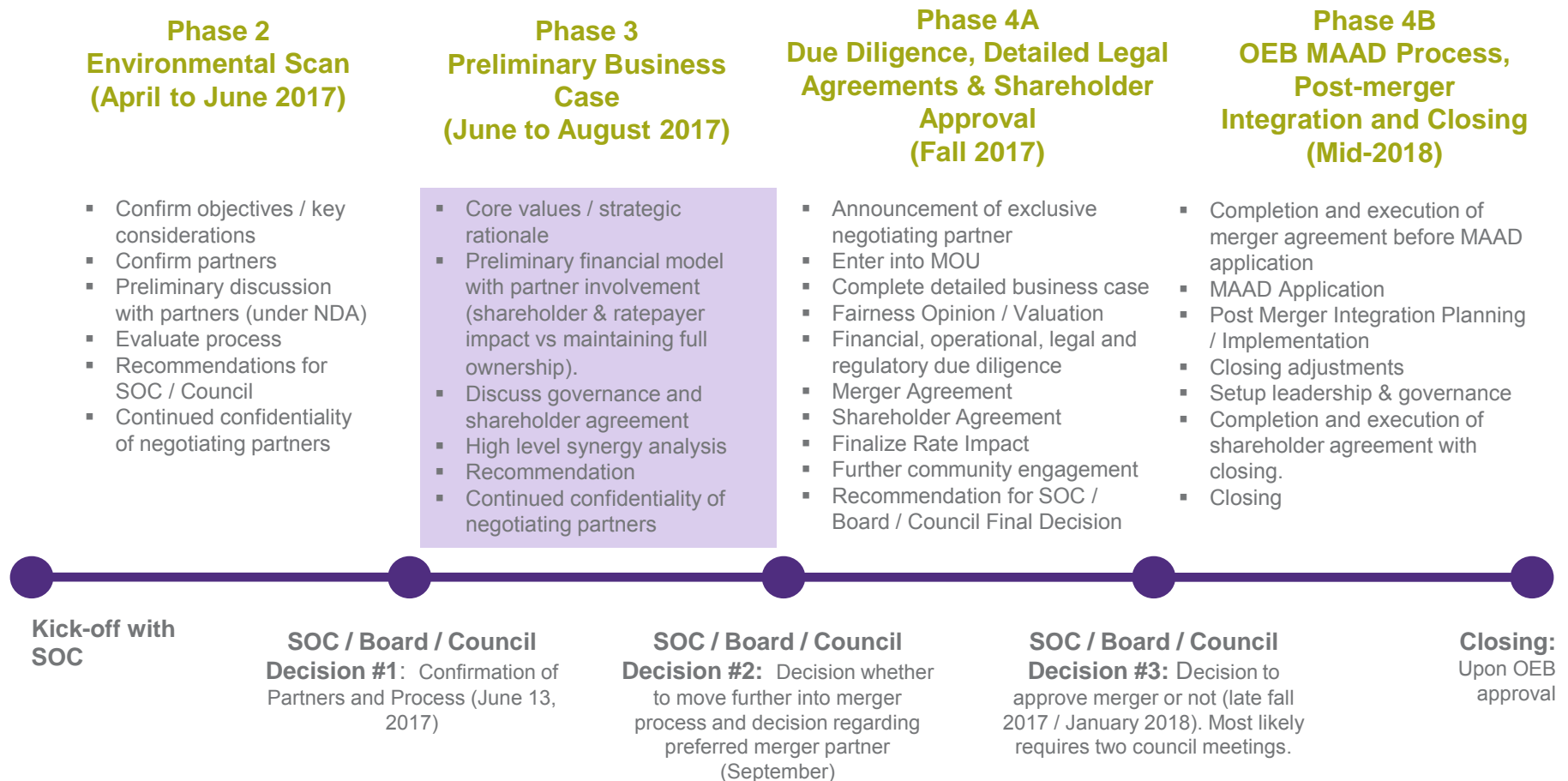
- Identification of potential merger partners;
- Research and analysis on potential merger partners, including direct discussions with the identified partners to understand their fit, viability and interest in mergers;
 - Non-disclosure agreements were entered into with the potential merger partners;
 - The participants in the meetings generally included municipal representatives and utility CEOs.
 - The agenda for the meetings included understanding shareholder perspectives / engagement on mergers; governance; operational matters; financial matters and rate structures / strategy.

Project Background

Environmental Scan Process (continued)

- Evaluation of merger partners relative to the Phase 1 decision-making criteria and other considerations (relative level of ownership / control and location of potential merger partners);
- Selection of merger partners that warrant further consideration;
- Development of merger process alternatives based on the lessons from the environmental scan and GMHI's objectives, criteria and decision-making process; and
- Development of a recommendation.

Executive Summary - Possible Process Timeline





Partner Identification & Evaluation

Potential Partner Selection Process

Identification

To develop an initial partner list, it was agreed that partners should be neighbouring LDCs that are municipally-owned to align with GMHI's objectives.

Evaluation

It was agreed that research and analysis of each partner would be undertaken, as well as direct discussions with each partner. The partners would then be evaluated using the decision-making criteria developed in Phase 1 (summarized on the next page), as well as other considerations.

Merger Partner Evaluation Criteria adopted by SOC

Decision-Making Criteria adopted by SOC – Phase 1

Value for **Customers**

- Protect customers with respect to electricity distribution rates (in addition to OEB protection).
- Meet or exceed current quality, safety and reliability of service.
- Meet or exceed current customer service standards.
- Maintain or enhance service and systems through innovation and technology.

Value for the **Community**

- Continue or enhance conservation and demand management programs.
- Support development of provincial smart grid.
- Encourage use and generation of electricity from renewable sources.
- Advocate for local interests among regulators, industry and other levels of government.
- Provide local jobs.

Value for the **City of Guelph**

- Realizing the best financial return and overall value.
- Supply electricity efficiently and cost-effectively.
- Contribute capital funds for reinvestment.
- Support long-term community planning and economic development.

Continue treating Guelph Hydro employees with fairness and respect, and engage in open, honest communication with community and industry stakeholders

Other Considerations

Holistic View of Benefit for Guelph Stakeholders

It was agreed that it was important to maintain a holistic view of benefit for Guelph Stakeholders to ensure all perspectives were considered in evaluation of the merger option.

Control / Significant Influence

The concept of control or significant influence was discussed in the February 15th council meeting. Control could mean in excess of 50% ownership or at least a very significant shareholding (say greater than 35-40%). In a multi-shareholder situation, control could also mean no party has control. We would expect that the strength of the shareholder's agreement will be the most important consideration. While it was not established as a formal requirement, it has been identified as important and therefore used in the evaluation.

Other Considerations (continued)

Shareholders' Agreement

- A Shareholders' Agreement is a legal contract between shareholders that documents how key decisions will be made.
- The Shareholders' Agreement could differ in a multi-shareholder context vs a single shareholder context.
 - In a single shareholder context, it functions like a "constitution" that provides direction from the shareholder to the corporation on matters like guiding principles, objectives, types of business, dividend policy, reporting to shareholders, etc.
 - In a multi-shareholder context, in addition to being a constitutional document, it functions as an agreement between the parties that sets out and binds how they will make decisions together, including governance, dividend policy, reporting, sale of shares and other key decisions
- The Shareholders' Agreement and the governance structure are a key component of control and influence over a company. It can override rights that a shareholder would have just by their percentage ownership.

Other Considerations (continued)

Deal Certainty & Likelihood of Success

Deal Certainty refers to the engagement and commitment to the merger process of the counterparty and the likelihood that they will support a merger with a good business case. Likelihood of Success expands that concept to also consider the ability of the entity to be part of a successful merger with Guelph post-completion.

Multi-party Mergers

It was also agreed that the process needs to consider possible multiple party mergers, should those opportunities arise and demonstrate merit.

Comparison to maintaining full ownership

The merger options considered need to demonstrate clear value for Guelph relative to maintaining full ownership.

Other Considerations (continued)

Confidentiality

It is critical that the identities of the partners remain confidential for the following reasons:

1. Disclosing the names of the partners could cause commercial harm to Guelph as these negotiations are not yet exclusive;
2. Disclosing the names could cause harm to the other parties who may not have discussed this with all of their stakeholders yet; and
3. Non-disclosure agreements have been signed with these parties.



Process Recommendation

Background

Process Components

Building from the Phase 1 work and the Phase 2 Environmental Scan, the process is expected to include the following components:

- development of a business case that compares the merger option to maintaining full ownership (i.e. Phase 3); and
- entry into a memorandum of understanding ("MOU") to enable detailed transaction negotiations, including legal agreements, due diligence and further work on the business case (i.e. Phase 4).

Council will be asked for further direction after each Phase and no commitments will be made without Council direction to do so.

Outcomes from Environmental Scan

The environmental scan has identified partners that warrant further consideration and more information for Council to support their determination of a preferred partner, if any.

Key Considerations

During the environmental scan, the following key process considerations were identified and discussed:

- **Direct or competitive:** It was agreed that direct engagement with merger partners was preferred to a formal competitive process, as it was more aligned with the exploratory nature of the Guelph process and comparison to maintaining full ownership;
- **Election timing:** It was agreed that the upcoming municipal election was a significant timing consideration for all parties involved;
- **Cost effective:** It was agreed that the process needs to be designed to be cost effective while still getting Council the information they require to decide how to proceed;
- **Stakeholder engagement:** The GHESI and potential partner stakeholders should be regularly engaged to ensure all perspectives are considered;
- **Merger partner:** It is recognized that the potential merger partners will want clarity on the process and may have a limit to their engagement while they are not protected by any commitment to exclusivity with Guelph; and
- **More information:** It was recognized that with more than one strong partner, more information is needed for Council to help them assess the merits and concerns of each candidate.

Process Decisions

Based on these considerations, the following decisions are recommended:

- ***Two-step business case:*** Phase 3 should be modified to undertake a higher level business case with the recommended merger partners and then get direction from Council, which can be followed by a more detailed business case with the preferred merger partner;
- ***Report back in early fall:*** Once the first step business case is complete, then it can be brought back to Council in the early fall for direction; and
- ***Process timeline:*** The process timeline can be refined in the early fall once there is direction from the Council and clarity on the preferred merger partner with a goal to ensure it fully considers the 2018 municipal election timing.

As it is too costly to undertake detailed work with more than one party, this approach is believed to best balance getting the information required for Council with cost effectiveness and being fair and respectful to the merger partners.

Preliminary Business Case

It's expected that the business case that compares the merger partners to maintaining full ownership would consist of the following components:

- **Core Values & Strategic Rationale:** A separate discussion with each merger partner would be undertaken to identify the core values of the merged entity and the strategic rationale for undertaking the merger to determine if there is alignment with the potential merger partner and Guelph;
- **High Level Financial Analysis:** Working from financial forecasts provided by each merger partner, a financial analysis would be prepared that determines the shareholder impact (i.e. dividends, promissory note interest and return on investment) and ratepayer impact of a proposed merger with GHESI and the respective partner;
- **Operations & Synergies:** A working session would be held with each merger partner to develop a high level understanding of the potential synergies, key due diligence matters and operational impact of a merger with GHESI and the respective partner;
- **Governance:** A separate discussion with each merger partner would be undertaken regarding key governance concepts and the key terms of a shareholder agreement to understand where the parties are aligned and where they differ relative to Guelph's position on the matters;

Preliminary Business Case (continued)

- **Strategy:** The potential strategy of the merged entity would be discussed with each respective merger partner to understand the level of alignment between the parties, including operations, growth, customer experience, non-regulated operations, future consolidation and people;
- **Process:** The decision-making process and requirements would be discussed with each party to determine if it can be aligned with the Guelph process;
- **Risk Considerations & Mitigation:** The risks of a merger with each partner will be identified as well as potential mitigations of those risks;
- **Evaluation:** A more detailed evaluation of each merger partner relative to the decision-making criteria will be conducted; and
- **Recommendation:** A recommendation regarding which merger partner is best for Guelph relative to the decision-making criteria will be proposed.

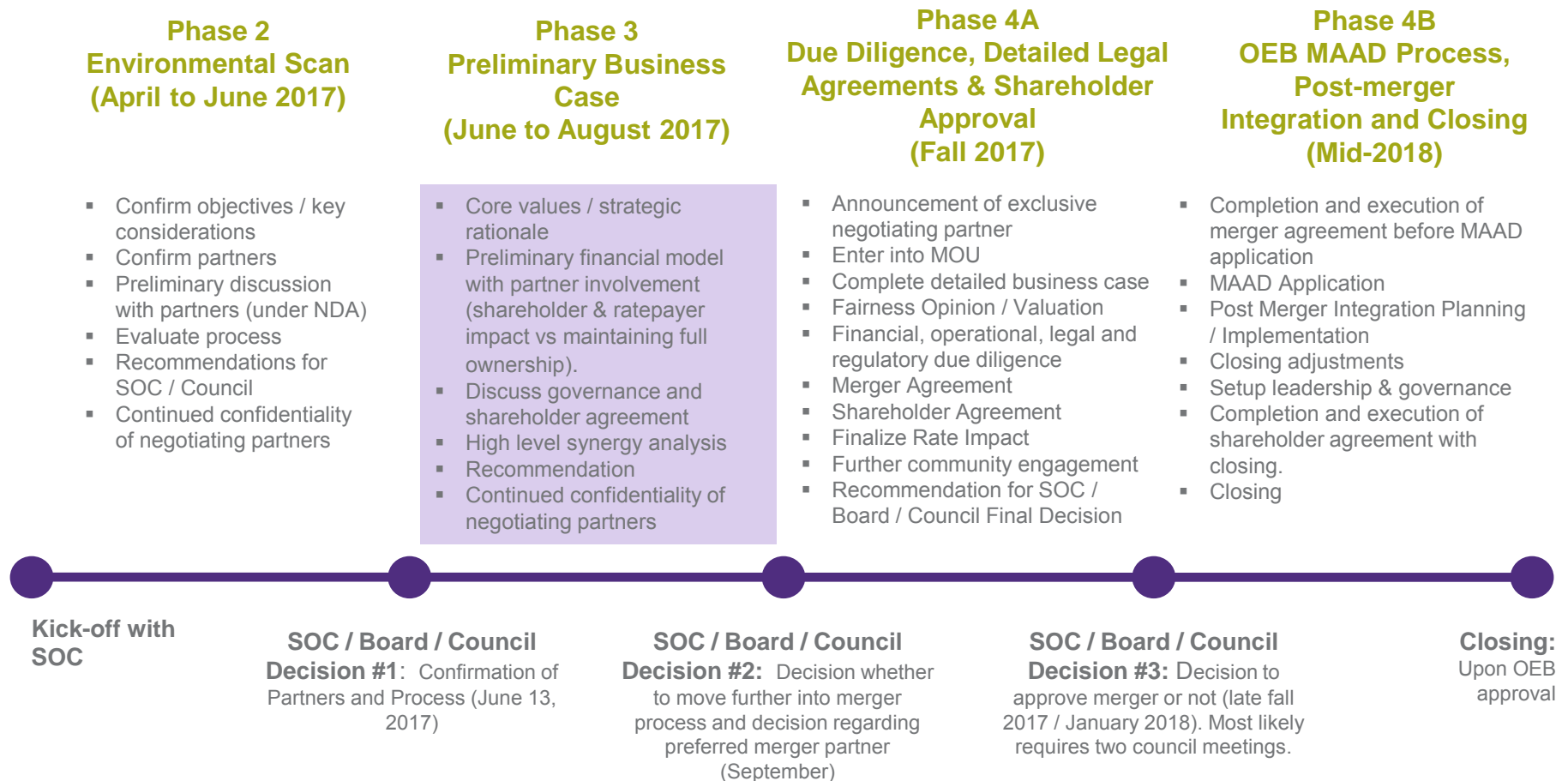
It's expected that much of this would be achieved through a working session with each merger partner and follow up discussions.

Business Case (continued)

The Preliminary Business Case would not include the following:

- formal fairness opinion / valuations;
- detailed rate strategy / analysis;
- a Memorandum of Understanding;
- detailed legal agreements;
- detailed due diligence;
- organizational structure matters;
- detailed governance matters;
- leadership recommendations;
- detailed operational matters; and
- full non-regulated strategy.

Possible Process Timeline



Next Steps – Process

- Direction from Council regarding the environmental scan recommendations;
- Discuss process and requirements with preferred merger partners and commence preliminary business case analysis; and
- Provide update to community on process and next steps, subject to confidentiality considerations regarding merger partner information.

IBEW – 12

Reference (s): Ex. B/T4/S3/P.1

Did Guelph city council approve the transaction based on the "no harm" test? If not, what was the approval based on? Did Guelph approve the merger on the basis of increased dividends or on the basis of benefits to LDC ratepayers?

Response:

- 1 Guelph City Council approved the transaction after being presented with analysis on how the no
- 2 harm test would be met, and included information on the benefits to LDC ratepayers as well as
- 3 the projected dividends. Accordingly, on this basis, the Applicants believe that Guelph City
- 4 Council approved the transaction, not only on the basis of the transaction satisfying the no harm
- 5 test, but also on the benefits that are expected to flow to the community and customers.

IBEW – 13

Reference (s): Ex. B/T5/S2/P.1

Please provide all assumptions used to create Figure 15 – Comparison of Status Quo v. Post Consolidation OM&A.

Response:

- 1 Please see the Applicants' responses to Interrogatories B-Staff-7 and B-Staff-12.

IBEW – 14

Reference (s): Ex. B/T6/S1/P.5

Please provide all assumptions used to create the Table “Customer Benefits Distribution Revenue Trends”.

Response:

- 1 Please see the Applicants’ responses to Interrogatories B-Staff-20 a) and B-Staff 17.

IBEW – 15

Reference (s): Ex. B/T6/S2/P.1

The aggregate consolidation costs are estimated to be \$14.3 MM. Please set out a schedule that provides details of these cost estimates with the inclusion of all assumptions. Please explain how these costs will be recovered over the deferral rebasing period. Please indicate the process being proposed as to how the OEB will determine the prudence of these costs.

Response:

- 1 Please see the Applicants' response to Interrogatory B-Staff-12 for the details regarding the cost
- 2 estimates and assumptions.
- 3
- 4 As per the Report of the Board entitled: *Rate-Making Associated with Distributor Consolidation*,
- 5 the purpose of establishing the rebasing deferral period is to allow the net savings of a
- 6 consolidation to accrue to a distributor's shareholder(s) for an extended period, i.e., to allow the
- 7 savings/synergies, achieved as a result of the merger, to at least offset the transaction costs
- 8 incurred by Applicants. The resulting net synergies (negative in the first years, positive
- 9 thereafter) accrue to the shareholders. The Applicants do not propose that transaction costs will
- 10 be recovered in rates, and no OEB prudence review process has been proposed.

IBEW – 16

Reference (s): Ex. B/T7/S1/p.1

The evidence states that during the rebasing deferral period Alectra may apply for rate adjustments using the Board’s ICM (Incremental Capital Module) as may be necessary and in accordance with applicable Board policies with respect to eligibility for, and the use of the ICM. Please explain how the ICM would work.

Response:

1 During the rebasing deferral period, Alectra Utilities will operate individual rate zones (“RZ”)
2 (based on the predecessor utilities).
3

4 As indicated in the *Handbook to Distributor and Transmitter Consolidations* and in the report
5 of the Board entitled *Rate-making Associated with Distributor Consolidations*, issued July 23,
6 2007 (the “2007 Report”), as well as the subsequent report issued on March 26, 2015 (the
7 “2015 Report”), a distributor may apply for an Incremental Capital Module (“ICM”) that includes
8 normal and expected capital investments during the rebasing deferral period. The ICM is only
9 available to distributors under the Price Cap Incentive Rate-setting option. The Enersource,
10 PowerStream and Brampton rates zones and Guelph Hydro are under the Price Cap IR plan
11 term. The Horizon Utilities rate zone will migrate to the Price Cap Incentive Rate (“IR”) plan term
12 beginning in 2020.
13

14 In order to be eligible for incremental capital, an ICM claim must be incremental to a distributor’s
15 capital requirements within the context of its financial capacities underpinned by existing rates;
16 and satisfy the eligibility criteria of materiality, need and prudence set out in section 4.1.5 of the
17 *Report of the Board – New Policy Options for the Funding of Capital Investments* (EB-2014-
18 0219) issued on September 18, 2014 (“the ACM Report”). Distributors proposing amounts for
19 recovery by way of an ICM must be assessed by the OEB through a hearing, and include
20 comprehensive evidence to support the need for the incremental capital.

IBEW – 17

Reference (s): Ex. B/T7/S1/p.1

Do the Applicants believe it is more appropriate to take the savings that result from the merger and flow those savings to the municipalities for other purposes outside the electricity sector, rather than flowing those savings back to the electricity sector and the electricity ratepayers? If so, please explain why.

Response:

1 The Applicants believe that it is most important to operate the utility in the safest and most
2 reliable manner possible. The savings that result from the merger form part of the financial
3 benefit to customers and to the shareholders. For their part, the shareholders of Alectra (which
4 will include the City of Guelph following OEB approval of this transaction) set a shareholder
5 direction for the Company, which direction includes a dividend policy. How each municipality
6 spends its dividend is firmly within the purview of each municipality. Municipalities may choose
7 to re-invest their dividend into the electricity sector, or may choose to invest their dividend
8 outside the electricity sector.

9 In addition to the preceding, the OEB requires that Applicants identify an earnings sharing
10 mechanism in years 6 through 10 of the rebasing deferral period. To the extent that savings
11 from the merger, and organic and non-organic growth are achieved such that Alectra Utilities'
12 return on equity is 300 basis points higher than the OEB's regulated ROE, an earnings sharing
13 mechanism will be triggered. In this instance, 50% of the earnings, above the aforementioned
14 300 basis points deadband, would flow back customers and hence back into the sector.