

IN THE MATTER OF

motions by Hydro One Inc. and the Orillia Power Distribution  
Corporation

EB-2018-0171

July 2, 2018

Frank Kehoe intervenor presentation

## Ontario Energy Board 2018-0171

### Denial of the Approval of the sale to Hydro One

Frank Kehoe is an Intervenor and supports the Energy Board's decision to deny the sale of the Orillia's Power Distribution to Hydro One.

Hydro One is among the least productive electricity distributors in North America, and continues to throw bags of money at local councils, convincing them to sell their local distribution companies. In their pitch to local councils and to other boards, Hydro One says that costs and rates will go down because of efficiencies arising out of a sale transaction. Everyone will be better off, they say. For many this has proven to farthest from the truth..

Hydro One and its associated corporations have for almost four decades been seriously mismanaged and out of control in its spending partially related to improper energy projects and a multitude of unfulfilled promises made to municipalities, and other distribution utilities. The major expenditures are directly related to the many private sector contracts such as wind and solar projects and the lawsuits related to cancellation of contracts

**The debt of the provincial hydro corporation is massive** and the writer has been told by good sources that the Hydro One debt ranges from 10% to 18% of the total Ontario Provincial debt.

The Ontario Financial Authority have published that as of March 31 2018, the provincial consolidated debt is **\$348,787,584,038 billion dollars . (three hundred and forty eight point seven eight thousand million dollars )** It is some time since we have had an accurate provincial census so it is necessary to estimate the population of the Province of Ontario at thirteen million six hundred thousand (13,600,000) more or less. Using simple math, based on this population:

**Every man women and child in the province**

**has a provincially related debt amounting to \$25,600 per person.**

"Sad but true"

Hydro One and associated corporations that represent just anywhere from 10% to 18% of the provincial debt and by just using the 10% figure with rounding equals **34.878 billion dollars (thirty four point eight seven eight thousand million dollars)**

Forty percent of the provincial debt matures in the next four years. One can hope that we do not face another recession which would then force a massive increase in the interest debt payment.

#### Debt Conclusion

When you look at this debt and add the other factors such as the ongoing Hydro One contracts with the private sector and the 6.7 billion dollar purchase of the Avista Power Corporation in

the USA and dividends that will be required to stock holders of the 53% of Hydro One that has already been sold.

In referring to Bonnie Lysyk, the provincial Auditor General' report in 2015, she stated that Ontarians have paid \$37 billion more than the market price of electricity over 8 years and will pay another \$133 billion extra by the year 2032. She also stated that Hydro One is in rough shape with ever increasing numbers of power outages and aging equipment "at a very high rate of failing" that needs \$4.472 billion worth of repairs.

If the appeal 2018-0171 were to be overturned the Orillia electrical customers would be victimized by being sold off to n inefficient behemoth that cannot get its costs under control.

For a residential consumer in Orillia with a typical load of 736 kwh per month the results are tolerable In the frost ten years the consumer gets just under \$400 of cumulative savings. However, in the next ten years the Orillia consumer pays Hydro One an incremental \$2000. This information is taken from intervenor's EB-2017-0049.

Faced with a small benefit over ten years followed by a 52% to 78% rate increase, the approval such a sale is ludicrous. If the 2016 City Council were to recognize that their decision to sell would have such a serious effect on future Orillia generations, and how bad a dealt it is, they may never have approved it.

***See Provincial Debt Attachment.***

### **Promises made by Hydro One to Orillia City Council**

To best illustrate these promises made by Hydro One to the City Council that do not appear in the transfer sale document, I am attaching an information insert from the city and or Orillia Hydro Distribution Corporation mailed as part of the last Hydro bill to all Orillia electrical customers. The material contained in this insert, identifies the City's understanding of Hydro One's commitment to Orillia. Hydro One made no mention in the sale document of the existence of these statements.

### **Rights of Orillia Electrical Consumers to Rely on Their Predecessors Referendums**

On three occasions, within the municipal community of Orillia, Canadian democracy and the rule of law has been exercised. The legally conduced referendums have enshrined rights based on referendum outcomes. However, there is a rule of law that referendum outcomes can be changed or amended but these changes for the most part involve the same referendum process. It is the writer' opinion backed in

part by previous legislation, that the Orillia electrical utility, a legal body corporate company with the board of directors elected by the Orillia electorate. The writer clearly states that the City of Orillia used an obscure piece of legislation to enact an improper transfer of governance to the City of Orillia.

The key referendum appropriate to this sale, originates in an offer to purchase by the provincially owned utility H.E.P.C. Legislation, at the time, required that this be placed before the electorate in an amending referendum. The Orillia electorate, with a large majority, voted not to sell. The 2016 City Council however chose to ignore the former referendum decision made the decision to sell the distribution arm of the Orillia utility by a majority of five to four to Hydro One. It is the writer's conjecture that the electrical distribution sale is directly related to the financing of the 55 million dollar multiple use recreational center.

Frank Kehoe

304- 95 Matchedash St., N.,

Orillia, ON, L3V 4T9

Tel: 705-325-6608

Cell: 705-826-6608

Email: fm.kehoe@rogers.com

# Update: Status of Orillia Power Distribution Corporation



## Current Status

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

## Next Steps in the Process

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

## What's Included in the Potential Sale

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

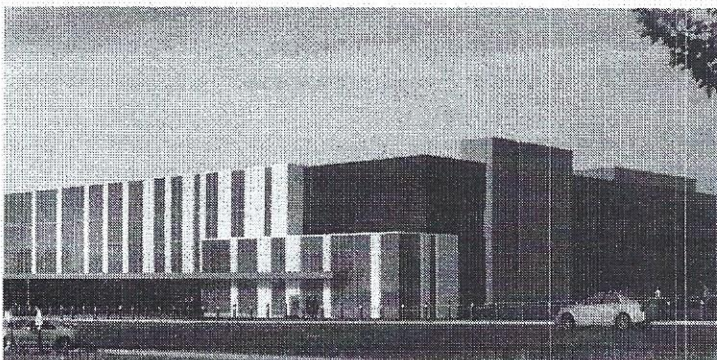
**The sale is related to the distribution portion ONLY of Orillia Power** – the poles and wires side of the business. The City of Orillia will remain in full ownership of the Orillia Power Generation Corporation, which accounts for the majority of the dividends to the City.

## Hydro One Facilities

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

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

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



Conceptual rendering of ISOC.

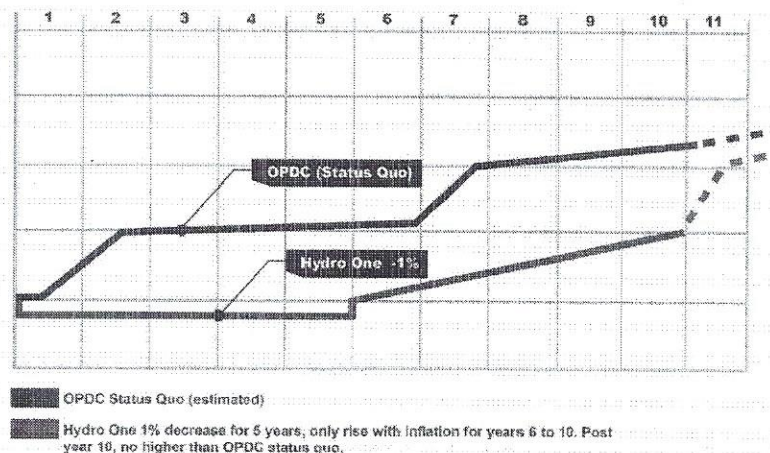
## Facts about Rates

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

Following the sale, **distribution rates (the 20-25% of the bill) would be reduced by 1% and frozen for 5 years, followed by only inflationary increases for years 6-10.**

Through the appeal process, Hydro One has clarified that after year 10, distribution rates will be no higher than the OPDC status quo. Distribution rate adjustments after year 10 would need to be reviewed and approved by the OEB.

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



## The Economic Benefits for Orillia

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

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

## Economic Benefits - Jobs at All Levels

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



## Your Hydro Service

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

As for service levels, Orillia is often compared to surrounding townships serviced by Hydro One. It is important to understand the distinction and challenges between servicing rural areas, such as the townships, versus urban areas, such as the City of Orillia. There are many hundreds of miles of wires and poles scattered over large distances in the surrounding townships, which impacts the distribution system and its ability to be restored promptly during and after a storm event. It takes Orillia Power workers 11 minutes to get from one end of Orillia to the other, with switches required to restore power located extremely close together. Orillia often has the ability for a quicker recovery than a rural setting.

## Investment in Orillia's Future

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

## How we got to where we are today

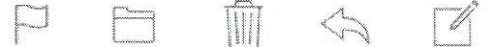
- September 2015 – Orillia Council announced it was entering into negotiations with Hydro One on an opportunity that would have Hydro One locating an Advanced Technology Hub in West Orillia and purchasing the Orillia Power Distribution Corporation.
- Council endorsed negotiations based on a set of principles.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

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



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

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



From: Michael Martin Kehoe >

To: Margaret Kehoe >

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## Provincial Debt

June 23, 2018 at 2:14 PM

### Ontario Financial Authority:

[https://www.ofina.on.ca/borrowing\\_debt/debt.htm](https://www.ofina.on.ca/borrowing_debt/debt.htm)

### 2018 Budget - Schedule of Debt (from the OFA):

See attached

### Summary of the Total Debt:

The Ontario government debt is the net amount of money the Government of Ontario has borrowed from the general public, institutional investors and public-sector bodies. As of March 31, 2018, the Ontario government's total debt is projected to be CDN\$348.79 billion. (see 2018 Budget attached to this email). The Debt-to-GDP ratio for 2017-2018 is 37.1% and interest on the debt is CDN\$11.97 billion, representing 8.0% of Ontario's revenue and its fourth-largest spending area.

### TV News & Newspaper Articles on the Provincial Debt:

<https://globalnews.ca/news/4251305/ontario-debt-explained/>

<https://toronto.ctvnews.ca/ontario-election-2018/a-breakdown-of-ontario-s-finances-heading-into-the-election-1.3960382>

<http://business.financialpost.com/opinion/jack-mintz-all-ontario-parties-are-in-denial-about-the-scariest-problem-debt>