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ONTARIO ENERGY BOARD

April 16, 2018

Re File: EB-2018—0014

Request for intervener status re the file EB-2018—0014

We are 15-year residents of the City of Guelph and customers of Guelph Hydro and are property taxpayers.

We urge the Ontario Energy Board to order an oral hearing of this application based on the “No Harm” test. Evidence of this came last Friday when the OEB released a summary of the proposed merger of Alectra Utilities and Guelph Hydro Electric Systems Inc.

• **The purchase by Alectra Inc. of all the issued and outstanding shares of Guelph Hydro Electric Systems Inc., held by Guelph Municipal Holdings Inc.**

By way of explanation, Guelph Hydro is a financially sound profitable division of Guelph Municipal Holdings Inc. The Corporation had a sterling record of service and performance. GMHI is a wholly owned subsidiary of the City of Guelph Corporation.

In order to make our arguments clear, we have attached a recent report on why and how this happened.

Our principal objection lies in the conduct of a city appointed committee known as The Strategies and Options Committee, that conducted almost all of its business in closed-sessions. The public finally was informed 12 days before the council meeting to approve or disapprove the Alectra proposal to merger. This document was 245 pages long and only available online with the exception of a few hardcopies that were downloaded. We were fortunate to receive a hard copy.

This to us represents the height of suppression of the public's interest. On December 13 there were 22 delegates speaking just five minutes each, expressing their reasons for opposing the merger. In addition the City Clerk reported a protest petition of 76 residents.

There were seven representatives of Alectra that addressed the meeting. Council approved the merger in principle six hours later by a 10 to three vote.

Thank you,


John and Barbara Barker

Attachment – Edited from the post on guelphspeaks.ca April 14, 2018

HED -We have 14 days to intervene in the Guelph Hydro-Alectra merger deal now at the Ontario Energy Board

By Gerry Barker
April 16, 2018

Since last November, guelphspeaks.ca has questioned the merger between Alectra Inc. and Guelph Hydro. The proposal by the Strategies and Options Committee (SOC) was railroaded through council despite opposition from 22 delegates to council opposed to the proposal plus 76-email protests sent to the city clerk.

None of it mattered, as council approved in principal the merger agreement by a 10 to 3 vote in the early hours of the morning. That was December 13, 2017.

I have been informed that Alectra and Guelph Hydro submitted a written agreement to the Ontario Energy Board, (OEB) for final approval. A statement followed this that the details would be produced in the local Tribune twice-weekly paper. This week there was no such statement in the paper.

Also, the publicly paid "City News" carried in the Tribune had zero information, not even a news story.

Do you really believe the people affected have "Your Say" in this?

After all these months the truth is out. Before going into the details, it is important to remember, this merger was concluded in many secret, closed-session meetings that ignored the real feelings of the 55,000 Guelph Hydro customers. The December Hydro bills contained a small biased insert just days before the council vote.

They were never told the truth about how it would affect them.

The OEB has received a request from Guelph Hydro and Alectra Utilities to submit a written application to approve the merger. The OEB has acknowledged receipt of the request.

So, here's the current situation. We have just 14 days remaining to intervene and request an oral hearing with the OEB in which citizens, registered as interveners, can state their views,

If not, the OEB will accept the written submission of Alectra and Guelph Hydro and make a decision between the next six and 12 months.

After April 30, if we do not intervene, as is our right, the merger could be approved by the OEB.

This Mergers and Acquisitions program (MAADS) was initiated by the Kathleen Wynne government's 'recommending' absorption of small to medium sized community owned hydro distribution systems to create efficiencies.

This opened the floodgate for large power distribution corporations to fatten their portfolios at little capital cost or debt.

By June 7, that policy may be history with a change in government.

The rush here by Alectra-Guelph Hydro is to ensure its proposal is "grandfathered" regardless of the outcome of the election.

The OEB has invited interested parties to "Have Their Say" stating that is their right. The Board has stated that there are two types of applications:

A written application has already been submitted and an oral application in which members of the public can present their objections to the application by Alectra Utilities and Guelph Hydro.

But here's the catch: "You can become an active participant (called an intervener). Apply by April, 30, 2018 or the submitted written hearing will go ahead."

That seems clear enough but why did it take more than a month to reveal the written merger agreement that was received by the OEB on March 7, 2018?

Why did the City Solicitor, Christopher Cooper, side step my request in early March when requested, for a status report on the final agreement?

So the people directly affected by this merger agreement have just 14 days to apply for an intervener status at an OEB oral hearing.

Finally, here is the evidence that our Guelph Hydro Electric System is being given away with no cash consideration in exchange for a tiny 4.63 per cent of only 60 per cent of Alectra Utilities' profit. This corporation is a division of Alectra Inc.

It doesn't take rocket science to figure out that our citizen-owned power distribution system, serving 55,000 customers, worth an estimated \$300 million, is being exchanged for a tiny slice of Alectra Utilities' profits. Is this what the Wynne Liberals were counting on?

As activist, taxpayers and communicators, we want an open administration, accountability, and transparency in our city government. It was promised in 2014 but never delivered. We can charge city council for allowing this deal to reach this absolute level, the last line of defence, public participation.

Here is a capsule of the terms of the agreement as published by the OEB:

"Alectra Utilities Corporation and Guelph Hydro Electric Systems Inc. have asked the Ontario Energy Board to approve:

- The purchase by Alectra Inc. of all the issued and outstanding shares of Guelph Hydro Electric Systems Inc., held by Guelph Municipal Holdings Inc.**
- Transfer of Guelph Hydro Electric Systems Inc.'s distribution system to Alectra Utilities Corporation • Transfer of Guelph Hydro Electric Systems Inc.'s generation licence and rate orders to Alectra Utilities Corporation**
- Amendments to Alectra Utilities Corporation's electricity distribution licence to include Guelph Hydro Electric Systems Inc.'s service area**

The applicants say that the proposed amalgamation is expected to deliver savings to the customers of both utilities and that the rates of Alectra Utilities Corporation and Guelph Hydro Electric Systems Inc. will remain separate until 2029. The applicants also say that the costs of the proposed amalgamation will not be funded by ratepayers."
Let's dissect the terms as acknowledged by the OEB.

Whopper #1

Comment: First, it states this is a 'purchase' of all the issues and outstanding shares of Guelph Hydro Electric Systems Inc., held by Guelph Municipal Holding Inc. (GMHI).

It does not reveal the truth of the value of GMHI including shares that blew through more than \$60 million of shareholder funds (the people of Guelph) and its shares are essentially worthless without Guelph Hydro.

So, what is Alectra paying for these worthless GMHI shares? More importantly, who winds up owning the title of the Guelph Hydro Electric Corporation? It appears so far, it won't be the owners.

This GMHI information is confirmed by the independent audit by the accounting firm KPMG in which the GMHI audited consolidated statement showed the shareholder equity was worthless. But GMHI did control the financially healthy Guelph Hydro Electric Systems Inc.

This take-over of Guelph Hydro made by the former GMHI board of directors, chaired by the former mayor, posed a serious financial problem for council.

There are two assets helped by GMHI: The Guelph Junction Railroad and Guelph Hydro.

Guelph Hydro represented a solution and became the bargaining chip to get out of that budget debt.

This is how the merger cover-up began. The deal was not about Guelph Hydro, it was about the city administration divesting itself of an asset to get that \$60 million GMHI deficit off the city books.

That's why in February 2017, the Strategies and Options Committee removed the option of selling Guelph Hydro. This opened the door for this terrible deal to give Guelph Hydro away for a pittance and in one stroke clean up of the GMHI balance sheet for which the city was responsible.

The key word in this description of the take-over is Alectra assuming all the "issues" surrounding not only Guelph Hydro but also its 'controller' GMHI.

Whopper #2

The submitted agreement states that Guelph Hydro's distribution system is "transferred" to Alectra Utilities with no apparent cash consideration. Guelph Mayor Guthrie keeps saying that nothing is being given away. Well sir, you'd better check the agreement you and Alectra have already submitted to the OEB for approval. This isn't about semantics it's about real money.

Nowhere in this agreement summary released by the OEB does it mention the \$18.5 million special dividend that upon approval will be paid to the city. This dividend is already the property of the citizens of Guelph. It is part of the \$22 million cash reserves stated in the 2016 Guelph Hydro audited financial statements.

There is nothing more insulting than to be told the city is receiving the dividend that is nothing more than a subterfuge to disguise what is really happening. Our greatest asset, Guelph Hydro, is being sacrificed to cover-up the mistakes of the previous administration and current Guthrie administration

Now we know why this terrible deal, masquerading as something best for the 55,000 Guelph Hydro customers was conducted behind-closed doors to suppress public participation. The use of phony surveys, mis-information and town halls attended only by a handful of supporters to bolster the case, witnessed spending \$2.36 million to sell the proposal to the public.

Oh, the agreement states that the ratepayers will not fund the costs of the proposed amalgamation.

Was the OEB board informed before publishing this agreement summary that the citizens of Guelph have already spent \$2.36 million to fund this deal?

Here is more about the agreement now registered with the OEB.

"The applicants say that the proposed amalgamation is expected to deliver savings to the customers of both utilities and that the rates of Alectra Utilities Corporation and Guelph Hydro Electric Systems Inc. will remain separate until 2029. The applicants also say that the costs of the proposed amalgamation will not be funded by ratepayers.

That's Whopper #3

Your application to intervene should include the following as it applies to your feelings about the merger agreement:

"In assessing the application, the OEB will apply what is called a "No Harm Test". This means that the OEB will be considering whether customers would be harmed from the perspective of rates, reliability and quality of service in a merger. To pass the No Harm Test, evidence must be provided that rates and service levels would be equal to or better than what they would have been without a merger."

Well, we now know as revealed by the OEB release, that great harm has been done to the owners of the Guelph Hydro power distribution system such as losing ownership and control.

* The assets are being turned over to another operator with no encumbrances, who have made promises to provide equal or better rates and services, jobs and a green technology centre to be set up in the Guelph Hydro headquarters facility.

* We will lose 30 to 50 jobs if the agreement is approved and the green tech operation will have a staff of ten.

How can the OEB approve an agreement in which a financially sound and dividend paying corporation is being given away? It's a win-win for Alectra Utilities because the former Guelph Hydro will still supply those dividends that Alectra will be required to pay GMHI. It's just under another name.

We respectfully urge the OEB to order an oral hearing to give the stakeholder's an opportunity for the board members to understand how our excellent Guelph Hydro that has served us so well over the years is being given away.

Perhaps, the truth of how and why this merger agreement was created and executed can be questioned and find it is not in the best interests of the owners of the utility.

Please, Do No Harm.