

**Consolidated as of December 8, 2017.**

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

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**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.

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**Open Meeting - 6:30 p.m.**

**Closed Meeting Summary**

Disclosure of Pecuniary Interest and General Nature Thereof

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**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

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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**

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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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**ENERGIZING**  
TOMORROW

**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 or 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:**

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

**Call:**

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

**On-line:**

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Email: [info@metSCO.ca](mailto:info@metSCO.ca)  
Website: [metSCO.ca](http://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 Ota, MBA, P.Eng.

METSCO Energy Solutions  
Suite 215; 2550 Matheson Blvd.East,  
Mississauga, ON, L4W 4Z1  
Phone: 905-232-7300  
Cell: 416-473-6751  
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Address:

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Website: [metSCO.ca](http://metSCO.ca)

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**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)
<b>Total</b>	<b>\$220.6M</b>	<b>\$249.2M</b>	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.

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## Ontario Centres of Excellence

TORONTO

([Website](#))



Ontario Centres of  
Excellence

Where Next Happens

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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  
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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

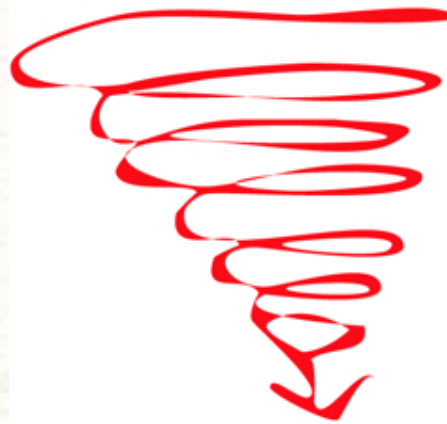
# GUELPH HYDRO

- 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

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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

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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

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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

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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

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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

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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

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**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**