



 Ask us anything.



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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 displays 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'. A laptop keyboard is visible in the upper left background.

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:

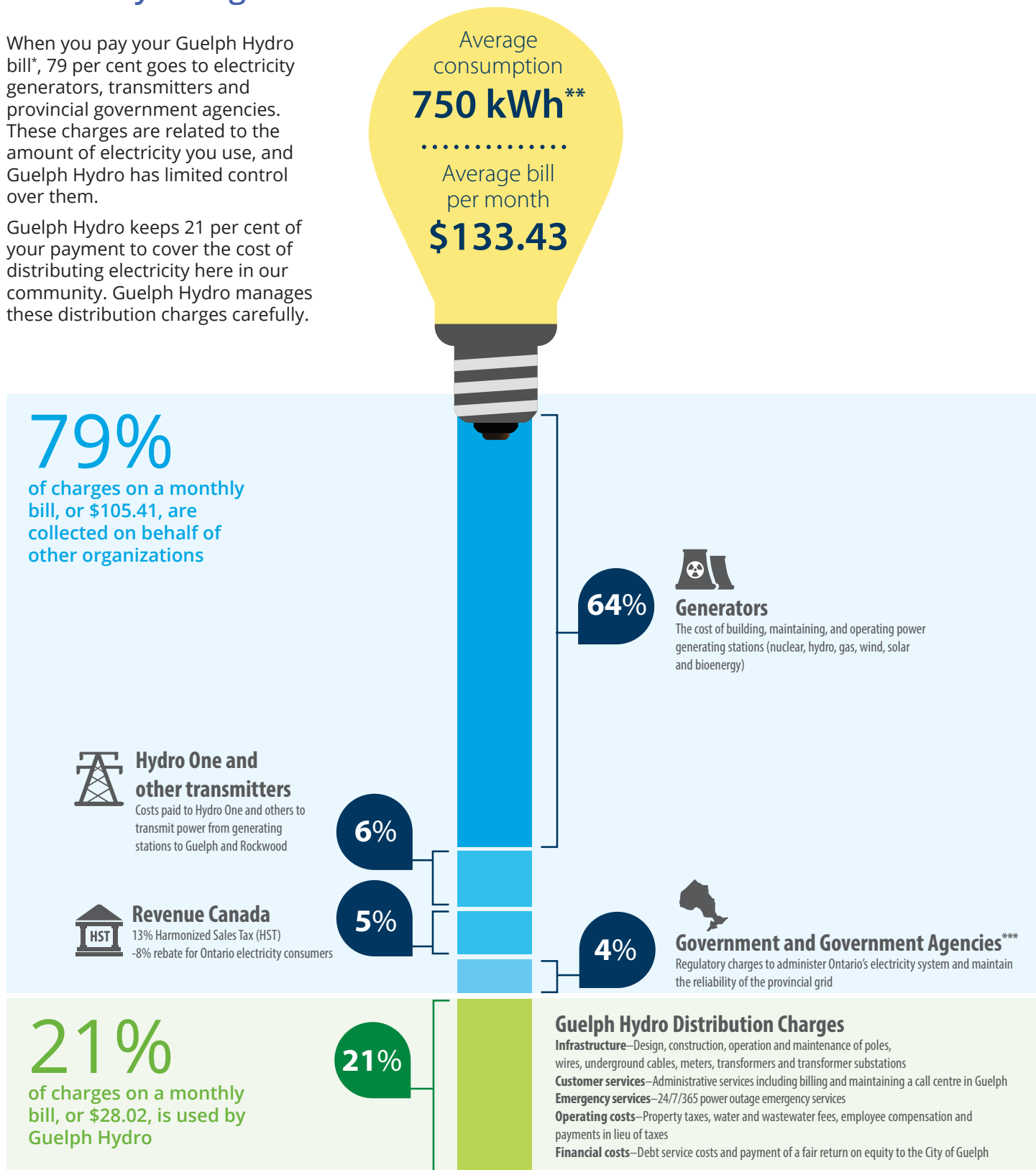
- To protect the interests of consumers with respect to prices and the adequacy, reliability and quality of electricity service.
- To promote economic efficiency and cost effectiveness in the generation, transmission, distribution, sale and demand management of electricity and to facilitate the maintenance 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

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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.



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