

SCHEDULE "G"DISTCO EMPLOYEES TRANSFERRED AND COLLECTIVE AGREEMENTSEMPLOYEES TRANSFERRED TO DISTCO

ANSLEY, SHERRY
ARORA, HARBANS
BUDD, BRENDA
COLE, NEALE
DOYLE, THERESA
EVANS, CHRIS
FARRUGIA, DONNA
FORTIN, ROGER
GATEHOUSE, WOODROW
GOLUB, NIKO
HURLEY, PATRICK
LANGMAN, DEAN
LEE, JOSEPH
MARK, ROBERT
MARTIN, MARY ANNE
MATTHEWS, MATT
MATTINSON, JOHN
MCMILLAN, MAURICE
MCSORLEY, ALANNA
MISTAL, PATRICK
MORRIS, DAVID
MURRAY, LAWRENCE
MURRAY, GUY
ORSER, PAUL
REYNOLDS, MARY LOU
STACKHOUSE, WILLIAM
TAYLOR, SANDRA
THAXTER, SHELLEY
THOMPSON, JANEY
TUORILA, HELEN
UDELL, RITCHIE
WATSON, RIC
WESTGARTH, DONALD
WONCH, DARYL
WRIGHT, SUSAN
WRIGHT, ROBERT
ZWIERS, JEFFREY

COLLECTIVE AGREEMENTS

Collective Agreements for employees transferred to Distco

IBEW, Local 636 - Outside Employees Union Agreement - from September 1, 1999 to August 31, 2001.

IBEW, Local 636 - Inside Employees Union Agreement - from September 1, 1999 to August 31, 2001.

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SCHEDULE "H"

GENCO EMPLOYEES TRANSFERRED AND COLLECTIVE AGREEMENTS

EMPLOYEES TRANSFERRED TO GENCO

BEERS, MATT
BURKE, STEVE
BURNIE, BRIAN
FENWICK, DON
HAWKINS, DAVID
LISCOMBE, ROBERT
O'BRIEN, WILLIAM
VOLLIICK, BRUCE
WATTS, DANNY
YEATMAN, MALCOLM

COLLECTIVE AGREEMENTS

Collective Agreements for employees transferred to Genco

IBEW, Local 636 - Outside Employees Union Agreement - from September 1, 1999 to August 31, 2001.

BY-LAW NUMBER 2000-146 OF THE CITY OF ORILLIA**A BY-LAW TO DISSOLVE THE ORILLIA WATER, LIGHT AND POWER COMMISSION**

WHEREAS the Orillia Water, Light and Power Commission (the "Commission") was established by special legislation and is deemed to be a commission established under Part III of the Public Utilities Act (Ontario);


AND WHEREAS The Corporation of the City of Orillia (the "City") proposes to transfer the assets and undertaking under the control and management of the Commission and owned by the City to corporations incorporated pursuant to Section 142 and Section 145 of the Electricity Act, 1998 (Ontario);

AND WHEREAS upon the completion of the said transfer the Commission is no longer required.

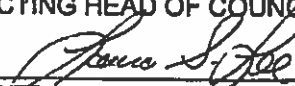
NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE CITY OF ORILLIA HEREBY ENACTS AS FOLLOWS:

1. THAT the City is authorized to accept a General Conveyance, Assignment and Bill of Sale from the Commission with respect to any assets which it owns, has registered title to, or uses to provide public utility services on behalf of the City.
2. THAT any By-laws heretofore passed by the City or any predecessor thereof establishing the Orillia Water, Light and Power Commission are hereby repealed.
3. THAT Chapter 524 of the City of Orillia Municipal Code is hereby repealed.
4. THAT the Commission is hereby dissolved and ceases to exist.
5. THAT this By-law shall take effect 12:00 a.m. November 1, 2000.

BY-LAW read a first, second and third time and finally passed this 16th day of October, 2000.



ACTING HEAD OF COUNCIL



CLERK

Orillia Water Light and Power Commission

c/o Commissioners:

Gord Pye
37 Dancy Drive
Orillia, ON
L3V 7M1

Frank Kehoe
304-95 Matchedash St. N.
Orillia, ON
L3V 4T9

Ken McLaughlin
217 Barrie Road
Orillia, ON
L3V 2P6

Dan Valley
66 Maple Drive
Orillia, ON
L3V 3W4

October 22nd, 2014

Mayor Angelo Orsi
Orillia City Centre
50 Andrew Street South, Suite 300
Orillia, ON
L3V 7T5

Dear Mayor Orsi,

Thank you for your letter dated October 15th, 2014.

To properly deal with your correspondence, it is necessary for you to comprehend certain facts:

Paragraph 1 (of your letter)

As mayor it must be explained to you that Bylaw 557 was enacted for the sole purpose of removing control of the electricity generation, distribution and administration from the hands of council at the time for good reason. The Orillia Water, Light and Power Commission is a municipal corporation operating under the provincial business corporation act.

The OWLP commissioners, had they been aware of Section 142 (attached) of the Electricity Act (1998), would have been, with the help and cooperation of council, been the authorized corporation to form these required corporations – not city council. In the forming of these corporations the elected commission could then maintain the intent of Bylaw 557 which was keeping an at-arms length relationship with council.

With a party (or parties) influencing council to thwart the existing bylaw and illegally act unilaterally keeping the elected commission in the dark and out of the total picture, the council

did not have the authority, nor did they make any attempt by referendum, to repeal Bylaw 557. **The municipal law is clear that any bylaw enacted by a referendum of the people could only be repealed or amended in the same manner it was enacted. This has been municipal law for close to 150 years.**

Mr. Mayor, I am somewhat amazed that you appear not to recognize the democratic power of the peoples' action. You can best relate this to (possible) outside influences having a direct impact on the decisions made by the elected council.

Once the utility was legally placed into corporations, which was a requirement of the legislation, then these corporations were to stand in the shoes of OWLP. To set up these corporations the party (or parties) doing so had to clearly state that they had the authority to make such a transfer, which clearly council, by itself, did not (as per Bylaw 557), as council's authority was taken away, on this matter, by a vote of the people. However, within the intent of the legislation, OWLP could not, by itself, set up the transfer bylaw as this required council, with negotiation with OWLP, to do so {see Section 145(1) - attached}.

Paragraph Two

It was never the intent of the commissioners to remain as active commission members until fourteen years later, having discovered that the commission were deceived and kept in the dark while the council manipulated this transfer. Upon inquiry, we recognized that Bylaw 557 was never legally extinguished by Bylaw 2000-146. There is no question that the council had lots and lots of legal representation. This, of course, is evident within the complexity of the transfer bylaw. But was this legal group made aware of the existence of the peoples' bylaw enacted by referendum?

Key Points

Item 1 – This is totally incorrect. The legislation only deals with the requirement of Section 142 and 145 of the act and the required transfer bylaw.

Item 2 – We agree, as long as the legislation is followed and council sees that their action did not follow the arms-length intent of Bylaw 557.

Item 3 – This is wrong information. I direct you to look at Section 142 of the Electricity Act.

Page Three

It is regrettable that you, Mr. Mayor, have been given this bad information or, it would appear, not being aware of the law regarding a plebiscite of the people.

The last paragraph has no meaning as the legal forming of the transfer bylaw and the set up of the corporations were meant to be a joint process by the elected commission and the elected council.

We would respectfully request that our letter of September 23rd, 2014 be appropriately answered and that we request that council initiate a negotiated settlement that will, we hope, correct the past council's actions. **The citizens of Orillia should never be exposed to this double-taxation process.**

Respectfully submitted,

Gord Pye, Chairman

Frank Kehoe, Commissioner

Ken McLaughlin, Commissioner

Dan Valley, Commissioner

Attachments:
Section 142 and 145

BY-LAW NUMBER 2001-48 OF THE CITY OF ORILLIA**A BY-LAW TO AMEND BY-LAW NUMBER 2000-144.**

WHEREAS the Council of the Corporation of the City of Orillia passed By-law Number 2000-144 on October 16, 2000;

AND WHEREAS Section 2.03 of By-law 2000-144 sets out the City's requirement to execute and deliver a Shareholder Declaration and Direction;

AND WHEREAS the said Shareholder Declaration and Direction form is set out in Schedule "B" attached to and forming part of By-law Number 2000-144;

AND WHEREAS section 15 of the Shareholder Declaration and Direction sets out that the Shareholder Declaration and Direction may be revised from time to time as circumstances require;

AND WHEREAS it is deemed expedient to amend the Shareholder Declaration and Direction;

NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE CITY OF ORILLIA HEREBY ENACTS AS FOLLOWS:

1. THAT the Shareholder Declaration and Direction be amended by deleting Clause 11(e) and inserting the following in lieu thereof:

"11(e)(1) Incur capital expenditures, make acquisitions, enter into strategic alliances or joint ventures which would involve an amount in an aggregate value, in any fiscal year, equal to 30% or greater of the consolidated net book value (Shareholder's equity) of the Corporation, as reflected in the Corporation's most recent audited consolidated financial statement.

11(e)(2) Make dispositions of assets of the Corporation or the Subsidiaries which would involve an amount in an aggregate value, in any fiscal year, equal to 15% or greater of the consolidated net book value (Shareholder's equity) of the Corporation, as reflected in the Corporation's most recent audited consolidated financial statement."

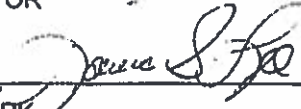
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2. THAT By-law Number 2000-144 be amended be deleting Schedule "B" and inserting the Shareholder Declaration and Direction in the form attached as Schedule "A" to this by-law.

BY-LAW read a first, second and third time and finally passed this 2nd day of April, A.D. 2001.



MAYOR



CLERK

SCHEDULE "A" TO BY-LAW NUMBER 2001-48 OF THE CITY OF ORILLIA**SCHEDULE "B"
Revised April 2, 2001****CITY OF ORILLIA
SHAREHOLDER DECLARATION AND DIRECTION****1. DEFINITIONS**

- (a) "Corporation" shall mean Orillia Power Corporation.
- (b) "Distco" shall mean Orillia Power Distribution Corporation.
- (c) "Genco" shall mean Orillia Power Generation Corporation.
- (d) "OBCA" shall mean the Business Corporations Act (Ontario) as amended or replaced from time to time.
- (e) "OEB" shall mean the Ontario Energy Board.
- (f) "Shareholder" shall mean the Corporation of the City of Orillia.
- (g) "Subsidiaries" shall mean Distco and Genco.

2. PURPOSE

The purpose of this Declaration is to define the framework for the governance of the Corporation and the Subsidiaries, and to establish policies and principles for their management. This Declaration is not intended to constitute a unanimous Shareholder Declaration under the OBCA except as provided in Paragraphs 7(c), 10 and 11.

3. AUTHORIZED BUSINESS ACTIVITIES

- (a) Subject to the requirements of the Energy Competition Act, the OEB , and all other applicable regulatory and governmental authorities, the Corporation and the Subsidiaries may engage in the following authorized business activities:
 - (1) Distributing electricity;
 - (2) Business activities that develop or enhance the ability of the Corporation or the Subsidiaries to carry on the activity set out in (1) above;
 - (3) Business activities the principal purpose of which is to use more effectively the assets of the distributor or an affiliate of the distributor including providing meter installation and reading services, and providing billing services;
 - (4) Generating electricity;

- (5) Providing telecommunications and fibre-optics services;
- (6) Participation in the Upper Canada Energy Alliance;
- (7) Providing services related to improving energy efficiency.

(b) Notwithstanding Paragraph 3(a)(5) above, the Board of Directors of the Corporation shall undertake a review of the commercial viability of the telecommunications and fibre-optics business formerly operated by the Orillia Water, Light and Power Commission on a priority basis in the first full fiscal year of the Corporation.

4. SUBSIDIARIES

- (a) Distco is a subsidiary of the Corporation and its principal business activity will be distributing electricity.
- (b) Genco is a subsidiary of the Corporation and its principal business activity will be generating electricity.

5. BOARD OF DIRECTORS OF THE CORPORATION

(a) Number of Directors

The Corporation shall be managed by the Board of Directors and the initial Board shall consist of 5 Directors to be elected by the Shareholder.

(b) Qualification of Directors

- (1) The Board of Directors should be composed of persons having the following desirable mix of complementary skills and experience:
 - (i) experience in company governance, corporate financial structuring, competitive market development, or corporate structural transitions;
 - (ii) experience in a regulated environment, a competitive wholesale or retail environment, a monopolistic service or utility, or the public sector;
 - (iii) skills in marketing, finance, human resources, communications, corporate and energy law, health and safety, or labour relations.
- (2) Non-residents of the City of Orillia may qualify as candidates for the Board of Directors.
- (3) No person shall serve as a Director while that person is a member of the Council of the Corporation of the City of Orillia.
- (4) No person shall serve as a Director while that person is an employee of the Corporation of the City of Orillia.

(c) Term

The term for each Director shall be as follows:

(1) Directors shall be elected for a term of 3 years on a rotational basis except for the initial 5 Directors who shall be elected as follows:

- (i) 1 for a 1 year term;
- (ii) for a 2 year term; and
- (iii) 2 for a 3 year term.

(2) Any Director may serve for any number of successive terms as determined by the Shareholder.

(d) Directors' Compensation

The compensation for Directors shall be determined by the Shareholder from time to time. The Chair may receive greater compensation than the other Directors.

(e) Chair and Vice-Chair

The Directors shall elect a Chair and Vice-Chair from amongst themselves.

6. BOARD OF DIRECTORS OF DISTCO AND GENCO

(a) Number of Directors

The Corporation is encouraged to minimize the number of Directors to be elected to the Boards of Distco and Genco. Each Board may consist of only 1 Director. The choosing of Directors for each Board shall be in compliance with the Affiliate Relationships Code as established by the OEB.

(b) Responsibilities

The Corporation shall ensure that the management of Distco and Genco, by their Boards of Directors, shall be subject to Shareholder Declarations of the Corporation which will effectively transfer all responsibility for such management to the Board of Directors of the Corporation and which will be consistent with this Shareholder Declaration.

(c) Qualification of Directors

- (1) No person shall serve as a Director while that person is a member of the Council of the Corporation of the City of Orillia.
- (2) No person shall serve as Director while that person is an employee of the Corporation of the City of Orillia.
- (3) Non-residents of the City of Orillia may qualify as candidates for the Board of Directors.

(4) Senior employees of Distco or Genco may qualify as candidates for the Board of Directors.

(d) Term

The term for each Director shall be as follows:

- (1) Directors shall be elected for a 1 year term;
- (2) Any Director may serve for any number of successive terms as determined by the Corporation.

(e) Directors' Compensation

The compensation for Directors shall be determined by the Corporation from time to time. Employees who also serve as Directors may not be entitled to any additional compensation.

7. FINANCIAL POLICIES

(a) Distco

The Shareholder expects that the Corporation through its Board of Directors will establish policies to maximize the return to the Shareholder to the extent permitted by the OEB over a transition period of 3 to 5 years.

(b) Genco

The Shareholder expects that the Corporation through its Board of Directors will establish policies to move to a profit maximization approach over a transition period of 3 to 5 years.

(c) Dividends

The declaration and payment of dividends by the Corporation shall require the approval of the Shareholder and such approval shall be obtained prior to January 31st in the year in which such dividends are to be paid.

8. SHAREHOLDER REPRESENTATIVE

The Shareholder hereby designates the Clerk of the Corporation of the City of Orillia as the legal representative of the Shareholder for purposes of communicating to the Board of Directors of the Corporation any consent or approval required by this Shareholder Declaration or by the OBCA.

9. DECISIONS OF THE SHAREHOLDER

Any consent or approval of the Shareholder required pursuant to this Shareholder Declaration or the OBCA shall require a Resolution or By-law of the Council of the

Shareholder passed at a meeting of the Council, and shall be communicated in writing signed by the Shareholder representative.

10. MATTERS REQUIRING SHAREHOLDER APPROVAL UNDER THE OBCA

Without Shareholder approval neither the Corporation nor the Subsidiaries shall:

- (a) Amend its Articles;
- (b) Make a new by-law, amend a by-law or repeal a by-law;
- (c) Amalgamate (unless amalgamation involves one or more subsidiaries), apply to continue as a corporation in another jurisdiction, merge, consolidate, or reorganize, or approve or effect any plan of arrangement, in each case whether statutory or otherwise;
- (d) Initiate proceedings to wind up, dissolve, or reorganize the corporation unless such reorganization is authorized under S.186 of the OBCA;
- (e) Create new classes of shares or reorganize, consolidate, subdivide or otherwise change its outstanding shares or alter the rights, privileges, restrictions and conditions of any share of the corporation;
- (f) Change the number of directors, unless the existing Articles permit the directors to specify the number of directors within the minimum and maximum number specified in the Articles;
- (g) Appoint or change the corporation's auditor;
- (h) Sell, lease or otherwise dispose of the assets or substantially all of the assets of the corporation; and
- (i) Initiate any action, undertaking, or agreement which requires the approval of the shareholders as otherwise specified.

11. OTHER MATTERS REQUIRING SHAREHOLDER APPROVAL

Without Shareholder approval neither the Corporation nor the Subsidiaries shall:

- (a) Enter into any retail business, including retailing electricity other than as authorized under Paragraph 3(a).
- (b) Change the compensation to be paid to Directors or provide any financial assistance, whether by loan, guarantee, or otherwise to any Director or Officer other than financial assistance or loans to Directors or Officers who are also employees of the Corporation or the Subsidiaries as part of a comprehensive employee benefit package.
- (c) Expand the service area for distributing electricity beyond the boundaries of the City of Orillia.

- (d) Issue, or enter into any agreement to issue, any shares of any class, or any securities convertible into shares of any class, of the Corporation or the Subsidiaries.
- (e)(1) ***Incur capital expenditures, make acquisitions, enter into strategic alliances or joint ventures which would involve an amount in an aggregate value, in any fiscal year, equal to 30% or greater of the consolidated net book value (Shareholder's equity) of the Corporation, as reflected in the Corporation's most recent audited consolidated financial statement. By-law 2001-48***
- (e)(2) ***Make dispositions of assets of the Corporation or the Subsidiaries which would involve an amount in an aggregate value, in any fiscal year, equal to 15% or greater of the consolidated net book value (Shareholder's equity) of the Corporation, as reflected in the Corporation's most recent audited consolidated financial statement." By-law 2001-48***
- (f) Enter into any agreement, commitment or investment that provides recourse to the assets of the Corporation or the Subsidiaries or creates any encumbrance, lien, security interest or recourse (hereinafter collectively referred to as "Liens") in favour of any third party in such assets in priority to the Shareholder other than:
- (1) Liens securing purchase money obligations incurred in the ordinary course of business (other than in relation to the borrowing of money) if the aggregate principal amount of such obligations does not exceed \$1,000,000.00 at any time in total for the Corporation and the Subsidiaries.
 - (2) Liens securing credit facilities created or incurred for the purpose of providing operating financing for day-to-day working capital requirements and liens securing trade debts or other liabilities incurred in the ordinary course of business (other than in relation to the borrowing of money) if the aggregate principal amount of any such obligations does not exceed in total for the Corporation and the Subsidiaries the equivalent of two months consolidated net expenses as reflected in the Corporation's most recent audited consolidated Financial Statements. Consolidated net expenses are defined to be the sum of consolidated cost of power distributed plus consolidated operating expenditures plus consolidated interest on long term debt plus consolidated income taxes.
 - (3) Liens securing credit facilities required by Distco to satisfy the Independent Market Operator's requirements for the acquisition of power except to the extent that such liens are required to secure past or existing defaults.
 - (4) Liens held by any government authority pursuant to law or that relate to obligations of the Corporation that are not due or delinquent.
- (g) Invest in funds in publicly-traded securities other than those eligible investments as prescribed by Ontario Regulation 438/97 made under the Municipal Act of Ontario as amended or replaced from time to time.

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12. REPORTING

The Board of Directors of the Corporation shall submit progress reports on its activities, and those of the Subsidiaries, semi-annually to the Council of the Shareholder. The Board may from time to time report to Council on major business developments or materially adverse results as the Board, in its discretion, considers appropriate, and such reports received may be considered by the Shareholder at an in-camera meeting of Council.

13. CONFIDENTIALITY

The Shareholder and the Directors and Officers of the Corporation and the Subsidiaries (each a "receiving party") will ensure that no confidential information of the Shareholder or the Corporation or the Subsidiaries is disclosed or otherwise made available to any person, except to the extent that:

- (a) Disclosure to a receiving party's employees or agents is necessary for the performance of any receiving party's duties and obligations under this or any other Shareholder Declaration;
- (b) Disclosure is required in the course of judicial proceedings or pursuant to law; or
- (c) The confidential information becomes part of the public domain (other than through unauthorized disclosure by the receiving party).

14. ENVIRONMENTAL MATTERS

The Board of Directors of the Corporation shall manage the Corporation and the Subsidiaries in a safe and environmentally responsible manner having regard to any recommendations made by the City of Orillia's Environmental Advisory Committee from time to time.

15. AMENDMENTS

This Shareholder Declaration may be revised from time to time as circumstances require and the Shareholder will consult with the Board of Directors of the Corporation prior to completing any revisions and will promptly provide the Board with copies of such revisions.

DATED AT Orillia, Ontario, this 24th day of October, 2000.

THE CORPORATION OF THE
CITY OF ORILLIA

"Maggie Buchanan"
Acting Mayor

"Laura S. Lee"
Clerk

BY-LAW NUMBER 2000-155 OF THE CITY OF ORILLIA**A BY-LAW TO AMEND BY-LAW NUMBER 2000-144**

WHEREAS Council of the Corporation of the City of Orillia passed By-law Number 2000-144 on October 16, 2000;

AND WHEREAS Section 4.10 of the said By-law authorized an exchange of shares between Holdco and the City;

AND WHEREAS such exchange of shares should include those shares of Distco and Genco issued to the City pursuant to Section 2.02 of the said By-law.

NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE CITY OF ORILLIA HEREBY ENACTS AS FOLLOWS:

1. WHENEVER used in this By-law, including the Recitals, unless the context otherwise requires the words and terms set out in Schedule "A" of By-law Number 2000-144 have the respective meanings ascribed to them in the said Schedule "A".


2. THAT Section 4.10 of By-law Number 2000-144 is hereby amended to read as follows:

"4.10 Transfers of Shares

As the City desires to continue the distribution, retailing and generation of electricity through Holdco, Distco and Genco, all of the common shares of Distco and Genco issued to the City pursuant to Sections 2.02, 4.03 and 4.04 of this By-law shall be transferred to Holdco by the City as of the Effective Date in exchange for the allotment and issuance by Holdco to the City of an additional 1,000 fully paid and non-assessable common shares of Holdco."

3. THIS By-law is passed pursuant to Subsection 145(1) of the Electricity Act.

BY-LAW read a first, second and third time and finally passed this 30th day of October, A.D. 2000.



ACTING HEAD OF COUNCIL



CLERK

BY-LAW NUMBER 2001-169 OF THE CITY OF ORILLIA

A BY-LAW TO AMEND BY-LAW NUMBER 2000-144 (TRANSFER OF ASSETS – ORILLIA POWER CORPORATION)

WHEREAS it is deemed expedient to amend By-law Number 2000-144 – Orillia Power Corporation.

NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE CITY OF ORILLIA HEREBY ENACTS AS FOLLOWS:

1. THAT Section 7.(c) of Schedule "B" of By-law Number 2000-144 be and is hereby repealed and replaced with the following:

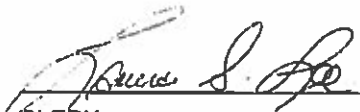
"7. (c) Dividends

The declaration and payment of dividends by the Corporation shall require the approval of the Shareholder and such approval shall be obtained at the annual Shareholders meeting, but no later than April 30th of the year in which such dividends are to be paid."

BY-LAW read a first, second and third time and finally passed this 19th day of November, A.D. 2001.



MAYOR



CLERK

BY-LAW NUMBER 2005-184 OF THE CITY OF ORILLIA

A BY-LAW TO AMEND BY-LAW NUMBER 2000-144 OF THE CITY OF ORILLIA
(TRANSFER OF ASSETS - ORILLIA POWER CORPORATION)

WHEREAS it is deemed expedient to amend By-law Number 2000-144.

NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE CITY OF ORILLIA HEREBY ENACTS AS FOLLOWS:

1. THAT Section 2 of Schedule D-2 of By-law Number 2000-144 be repealed and replaced with the following:

"2. Interest Rate

The interest rate applied to the promissory notes be the maximum allowed by the Ontario Energy Board (OEB) rate handbook. ~~The interest rate would be effective beginning January 1 of the year following the OEB handbook rate change.~~

2. THAT Section 2 of Schedule E-2 of By-law Number 2000-144 be repealed and replaced with the following:

"2. Interest Rate

The interest rate applied to the promissory notes be the maximum allowed by the Ontario Energy Board (OEB) rate handbook. The interest rate would be effective beginning January 1 of the year following the OEB handbook rate change."

BY-LAW read a first, second and third time and finally passed this 12th day of December, A.D. 2005.



MAYOR



CLERK

BY-LAW NUMBER 2006-27 OF THE CITY OF ORILLIA

A BY-LAW TO AMEND BY-LAW NUMBER 2000-144 OF THE CITY OF ORILLIA
(TRANSFER OF ASSETS - ORILLIA POWER CORPORATION)

WHEREAS it is deemed expedient to amend By-law Number 2000-144.


NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE CITY OF ORILLIA HEREBY ENACTS AS FOLLOWS:

1. THAT Section 5 (a) of Schedule "B" of By-law Number 2000-144 be repealed and replaced with the following:

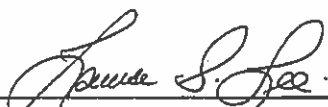
"(a) Number of Directors

The Corporation shall be managed by the Board of Directors that shall consist of not less than 5 Directors and not more than 7 Directors to be elected by the Shareholder."

BY-LAW read a first, second and third time and finally passed this 13th day of February, A.D. 2006.



MAYOR



CLERK

BY-LAW NUMBER 2006-67 OF THE CITY OF ORILLIA

A BY-LAW TO AMEND BY-LAW NUMBER 2000-144 OF THE CITY OF ORILLIA AS AMENDED TO ESTABLISH NEW TERMS FOR DIRECTORS OF ORILLIA POWER CORPORATION

WHEREAS the Corporation of the City of Orillia has previously made amendments to the Shareholder Declaration and Direction which forms Schedule "B" to By-law Number 2000-144;

AND WHEREAS it is deemed expedient to further amend By-law Number 2000-144 as amended.


NOW THEREFORE THE COUNCIL OF THE CORPORATION OF THE CITY OF ORILLIA HEREBY ENACTS AS FOLLOWS:

1. THAT Section 5.(c)(1) of By-law Number 2000-144 be amended by deleting the Section and replacing it with the following:

- (1) Directors shall be elected for a term of 3 years on a rotational basis except for the Directors who are first elected on or after May 1, 2006 who shall be elected as follows:
 - (i) 1 for a 1 year term;
 - (ii) 2 for a 2 year term; and
 - (iii) 2 for a 3 year term.

2. THAT this By-law and all previous amendments to By-law Number 2000-144 respecting the Shareholder Declaration and Direction shall constitute the written Declaration and Direction of the sole shareholder, the Corporation of the City of Orillia.

BY-LAW read a first, second and third time and finally passed this 1st day of May, A.D. 2006.


MAYOR


CLERK

ANNUAL SHAREHOLDER MEETING ORILLIA POWER CORPORATION

AGENDA

Monday, April 13, 2015
6:00 p.m.
City of Orillia Council Chamber

Call to Order

Approval of Minutes of April 14, 2014 Annual Meeting

Audited 2014 Consolidated Financial Statements Issued to Shareholder

Chair's Report

Shareholder Question Period

Adjournment

MINUTES OF THE 13th ANNUAL SHAREHOLDER MEETING

ORILLIA POWER COPORATION

April 14, 2014

Present: Shareholder – City of Orillia – Mayor & Council, City Clerk, Deputy Clerk, CAO
Board of Directors of Orillia Power Corporation – Larry Brooksbank, Ray Hayhurst, Aubrey Ford, Geoff Hewett, Sandy Grant
Director of Orillia Power Distribution – Tom Hussey
Keith McAllister – President & CEO, Orillia Power
Pat Hurley – Chief Financial Officer, Orillia Power
Helen Tuorila – Recording Secretary, Orillia Power

The 13th annual meeting of the shareholder of Orillia Power Corporation was held on Monday, April 14, 2014 in the Council Chamber of the City of Orillia commencing at 6:30 p.m.

The Vice-Chair of the Board chaired the meeting. The recording secretary of the Board recorded the minutes.

Motion #1 - It was moved by Councilor Paul Spears and seconded by Councilor Andrew Hill that the minutes of the April 22, 2013 annual meeting be approved. Motion was carried.

It was confirmed that the audited consolidated financial statements for the year ending December 31, 2013 were issued to the shareholder.

The Chairman gave a report on the operation of the Corporation for 2013.

The Board of Directors of Orillia Power Corporation recommended a 2013 dividend, subject to shareholder approval of \$1,600,000.

There was a shareholder question period.

There being no other business to come before the meeting, a motion was put forward by Councilor Paul Spears and seconded by Councilor Wayne Gardy that the meeting of the shareholder adjourn at 6:50 p.m.

April 8, 2015

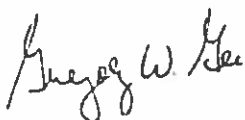
Mayor and Council
City of Orillia
50 Andrew St. S.
Orillia ON
L3V 7T5

Dear Mayor Clarke and Members of Council:

Re: 2015 Annual Shareholder Meeting

The Board of Directors of Orillia Power Corporation are pleased to submit the 2014 Audited Financial Statements as audited by Grant Thornton, Chartered Accountants, Orillia. Also enclosed – agenda, minutes of 2014 meeting and the 2015 presentation.

Respectfully submitted,



Greg W. Gee
Chair
Orillia Power Corporation

GWG:ht
Encl.



Orillia Power Corporation
Consolidated Financial Statements
December 31, 2014



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Independent auditor's report

Grant Thornton LLP
Suite 300
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Orillia, ON
L3V 5B8
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F (705) 326-0837
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To the Shareholder of Orillia Power Corporation

We have audited the accompanying consolidated financial statements of Orillia Power Corporation, which comprise the consolidated balance sheet as at December 31, 2014, and the consolidated statement of earnings and retained earnings and cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Orillia Power Corporation as at December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Chartered Accountants
Licensed Public Accountants

Orillia, Canada
March 26, 2015

Orillia Power Corporation

Consolidated Statements of Earnings and Retained Earnings

(In Thousands)

Year Ended December 31

	2014	2013
Revenue		
Sale of power	\$ 33,821	\$ 31,684
Distribution	8,038	7,851
Generation	6,642	6,607
Other (Note 3)	(180)	(203)
	<u>48,321</u>	<u>45,939</u>
Costs		
Power purchased	33,821	31,684
Operations, maintenance and administration	7,543	7,272
Amortization	1,662	1,576
	<u>43,026</u>	<u>40,532</u>
Earnings from operations	5,295	5,407
Interest income	80	80
Interest on long term debt	(982)	(991)
Earnings before payments in lieu of taxes	4,393	4,496
Payments in lieu of taxes (Note 12)	1,070	1,091
Net earnings	<u>\$ 3,323</u>	<u>\$ 3,405</u>
<hr/>		
Retained earnings, beginning of year	\$ 10,385	\$ 8,080
Net earnings	3,323	3,405
Dividends (Note 14)	<u>(1,600)</u>	<u>(1,100)</u>
Retained earnings, end of year	<u>\$ 12,108</u>	<u>\$ 10,385</u>

See accompanying notes to the consolidated financial statements.

Orillia Power Corporation Consolidated Balance Sheet

(In Thousands)

December 31	2014	2013
Assets		
Current		
Cash and cash equivalents	\$ 3,658	\$ 6,936
Receivables	4,808	4,173
Unbilled revenue	3,800	3,985
Payments in lieu of taxes recoverable	250	-
Inventory (Note 6)	526	618
Prepays	415	465
Future income tax asset (Note 12)	-	233
	<u>13,457</u>	<u>16,410</u>
Property and equipment (Note 3)	37,084	30,593
Intangible assets (Note 4)	146	137
Regulatory assets (Note 5)	408	342
Future income tax asset (Note 12)	1,142	1,492
	<u>\$ 52,237</u>	<u>\$ 48,974</u>
Liabilities		
Current		
Bank credit line (Note 18)	\$ 200	\$ 950
Payables and accruals	9,065	6,144
Payments in lieu of taxes payable	-	146
Current portion of long term debt (Note 8)	210	210
	<u>9,475</u>	<u>7,450</u>
Customer and retailer deposits	345	309
Employee future benefits (Note 7)	607	579
Regulatory liabilities (Note 5)	1,183	1,522
Long term debt (Note 8)	15,741	15,951
	<u>27,351</u>	<u>25,811</u>
Shareholder's Equity		
Capital stock (Note 9)	10,427	10,427
Contributed capital	2,351	2,351
Retained earnings	12,108	10,385
	<u>24,886</u>	<u>23,163</u>
	<u>\$ 52,237</u>	<u>\$ 48,974</u>

Commitments and Contingencies (Note 10 and Note 13)

On Behalf of the Board

 Director
  Director

See accompanying notes to the consolidated financial statements.

Orillia Power Corporation

Consolidated Statement of Cash Flows

(In Thousands)

Year Ended December 31	2014	2013
Increase (decrease) in cash and cash equivalents		
Operating		
Net earnings	\$ 3,323	\$ 3,405
Amortization	1,662	1,576
Future income tax (Note 12)	583	355
Employee future benefits	28	8
	<u>5,596</u>	<u>5,344</u>
Change in non-cash operating working capital (Note 11)	1,503	1,616
	<u>7,099</u>	<u>6,960</u>
Financing		
Long term debt repayment	(210)	(210)
Dividends (Note 14)	(1,600)	(1,100)
	<u>(1,810)</u>	<u>(1,310)</u>
Investing		
Net additions to property, equipment and intangible assets	(8,162)	(4,298)
Net (addition) reduction to regulatory assets	(66)	34
Net (reduction) to regulatory liabilities	(339)	(55)
	<u>(8,567)</u>	<u>(4,319)</u>
Net (decrease) increase in cash and cash equivalents	(3,278)	1,331
Cash and cash equivalents, beginning of year	<u>6,936</u>	<u>5,605</u>
Cash and cash equivalents, end of year	<u>\$ 3,658</u>	<u>\$ 6,936</u>

See accompanying notes to the consolidated financial statements.

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

1. Nature of operations

Orillia Power Corporation (the Company) was incorporated on October 26, 2000 under the *Business Corporations Act* (Ontario) and is wholly owned by the City of Orillia. The principal businesses of the Company are the distribution and generation of electricity. These businesses are granted license to operate and are regulated by the Ontario Energy Board (OEB).

As a waterpower generator supplying energy into the Provincial power grid, the Company receives rates for power produced based on the terms of fixed price contracts with the Ontario Power Authority under the Heritage Contract Initiative, which came into effect January 1, 2010.

The Company distributes electricity to the residents and businesses in the City of Orillia. The Company is regulated by the OEB under the authority of the Ontario Energy Board Act, 1998. The OEB prescribes license requirements and conditions to electricity distributors, which may include among other things, specified accounting records, regulatory accounting principles, separation of accounts for distinct businesses and guidelines for establishing just and reasonable rates.

2. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of all companies in which the Company has a controlling interest, which include Orillia Power Generation Corporation, Orillia Power Distribution Corporation, 2345997 Ontario Inc., 2346002 Ontario Inc., 2429106 Ontario Inc., 2429108 Ontario Inc. and 2429111 Ontario Inc., after the elimination of all intercompany transactions and balances.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Inventory

Inventory consists of repair parts, supplies and materials for maintenance and future capital expansion. The inventory is measured at the lower of the weighted average cost of similar items and net realizable value. Cost includes all acquisition costs incurred in bringing inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less any applicable selling expenses. The Company classifies rebates received from vendors as a reduction to the cost of inventory.

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

2. Summary of significant accounting policies (Continued)

Revenue recognition

The sale of power and distribution revenue attributable to the delivery of electricity to customers is recorded on the basis of regular meter readings using rates approved by the OEB and is recognized in the period that power is consumed. Customer usage since the date of the last meter reading to year end is estimated as unbilled revenue. Generation revenue is recognized in the period power is generated at rates established by the contracts with the Ontario Power Authority. Other revenue and interest income are recognized when earned.

Rate regulation

The rates of the Company's electricity distribution business are subject to regulation by the OEB, under the authority granted by the Ontario Energy Board Act (1998). The OEB is charged with the responsibility of approving or setting rates for the transmission and distribution of electricity, ensuring continued rate protection for rural and remote electricity consumers and the responsibility for ensuring that distribution companies fulfil obligations to connect and service customers.

The OEB regulates distribution rates under an Incentive Regulation Mechanism (IRM) process. This requires that all Ontario distributors periodically re-base distribution rates under a cost of service methodology. The Company re-based rates effective May 1, 2010 and is next scheduled to re-base rates effective May 1, 2016. A formulaic approach to establishing annual rates is utilized in years where a re-basing application has not been filed.

The OEB has the general power to include or exclude costs, revenues, losses or gains in the rates of a specific period, resulting in a change in the timing of accounting recognition from that which would have applied in an unregulated company. This change in timing gives rise to the recognition of regulatory assets and liabilities. These regulatory assets and liabilities reflect the fact that revenue and expenses are recognized in the financial statements in different periods consistent with their inclusion in rates, as directed by the regulator, than would be the case for an enterprise that is unregulated. Specific regulatory assets and liabilities recognized at December 31, 2014 are disclosed in Note 5.

The Company continually assesses the likelihood of recovery of each of its regulatory assets and believes that it is probable that its regulatory assets and liabilities will be factored into the setting of future rates. If future recovery through rates is no longer considered probable, the appropriate carrying amount will be written off in the period that the assessment is made.

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

2. Summary of significant accounting policies (Continued)

Property and equipment

Property and equipment are recorded at cost and include contracted services, materials, labour, engineering costs and overheads. Significant renewals and enhancements to existing assets are capitalized only if the service life of the asset is extended, reliability or productivity is improved above original design standards or associated operating costs are lowered. Maintenance and repair costs are expensed as incurred.

In the case of capital expenditures that become part of the distribution system or a generating station, expenditures are analysed to determine the appropriate componentization or asset classification and the amortization period is set at the estimated useful life for that asset category. When property and equipment is sold or scrapped, the cost of the asset and the related accumulated amortization is removed when identifiable from the accounts, with the resulting net gain or loss being included in operations for the year.

Intangible assets

Intangible assets represent computer applications software and land rights. These assets are carried at cost net of accumulated amortization.

Amortization

Property and equipment and intangible assets are amortized using the straight-line method over periods approximating their estimated useful lives as follows:

Land rights	5 years
Buildings	10-50 years
Sub-stations/sub-transmission lines	15-60 years
Generation stations	25-80 years
Distribution system	25-60 years
Smart meters	15 years
Other capital assets	5-20 years

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

2. Summary of significant accounting policies (Continued)

Fixed assets retirement obligations

Canadian generally accepted accounting principles require the Company to determine the fair value of the future expenditures required to settle legal obligations to remove fixed assets on retirement. If reasonably estimable, a liability is recognized equal to the present value of the estimated future removal expenditures. An equivalent amount is capitalized as an inherent cost of the associated fixed assets.

Some of the Company's assets may have asset retirement obligations. As the Company expects to use the majority of its fixed assets for an indefinite period, no removal date can be determined and, consequently, a reasonable estimate of the fair value of any asset retirement obligations cannot be made at the balance sheet date.

Corporate income taxes

Current Income Taxes

Under the Electricity Act, 1998, the Company is required to make payments in lieu of corporate taxes to Ontario Electricity Financial Corporation (OEFC). These payments are calculated in accordance with the rules for computing income and taxable capital and other relevant amounts contained in the Income Tax Act (Canada) and the Corporations Tax Act (Ontario) as modified by the Electricity Act, 1998 and related regulations.

Future Income Taxes

Future income taxes are provided for using the liability method and are recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Future income taxes are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Future income tax liabilities are generally recognized on all taxable temporary differences and future tax assets are recognized to the extent that it is more likely than not that they be realized from taxable profits available against which deductible temporary differences can be utilized. The carrying amount of future income tax assets is reviewed at each balance sheet date and reduced to the extent that all or part of the future income tax assets have not met the "more likely than not" criterion. Previously unrecognized future income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become more likely than not of being recovered from future taxable profits.

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

2. Summary of significant accounting policies (Continued)

Impairment of long-lived assets

Long-lived assets are tested for impairment when events or changes in circumstances indicate that their carrying amounts may not be recoverable. When indicators of impairment of the carrying value of the long-lived assets exist and the carrying value is greater than the fair value, an impairment loss is recognized to the extent that the fair value is below the carrying value. It is management's opinion that the long-lived assets are not exposed to any impairment and no impairment losses have been recognized.

Employee future benefits

Pension plan

The Company provides pension benefits for its employees through the Ontario Municipal Employees Retirement System (OMERS). This multi-employer pension plan provides pensions for employees of Ontario municipalities, local boards, public utilities and school boards. It is a contributory defined benefit pension plan financed by equal contributions from participating employers and employees and by investment earnings of the fund. The Company recognizes the expense related to this plan as contributions are made.

Employee future benefits other than pension plan

The Company provides life insurance benefits to employees hired prior to January 1, 2008 when they are no longer providing active service. The Company also provides certain health and dental benefits for eligible management employees who retire after September 1, 2013. This benefit is payable from retirement date to age 65. Employee future benefits expense is recognized in the period in which the employee renders services. Employee future benefits other than pension plans are recorded on an accrual basis. The accrued benefit obligation and current service costs are actuarially determined using the projected benefit method pro-rated on service and based on assumptions that reflect management's best estimate. The current service cost for a period is equal to the present value of expected future benefits attributed to employee's services rendered in the period.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions that the Company may undertake in the future. Significant accounting estimates include allowance for doubtful accounts, unbilled revenue, inventory obsolescence, estimated useful lives of property and equipment, accrued benefit obligations and remaining recovery (settlement) for regulated assets (liabilities). Actual results could differ from those estimates.

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

2. Summary of significant accounting policies (Continued)

Financial Instruments, hedges, and comprehensive income

The Company has made the following classifications for the purpose of measuring the value of the financial instruments:

- Cash and cash equivalents have been classified as "held for trading". They are initially measured at fair market value and the gains and losses resulting from the revaluation at fair value at the end of each period are recognized in net earnings.
- Receivables and unbilled revenue are classified as "loans and receivables". They are recorded at cost, which, upon their initial measurement, is equal to their fair value. Subsequent measurements of receivables are recorded at amortized cost which usually corresponds to the amount initially recorded less any allowance for doubtful accounts.
- Payables and accruals, customer and retailer deposits, bank credit line and long term debt are classified as "other financial liabilities". They are initially measured at fair value and the gains and losses resulting from their subsequent measurement at amortized cost, at the end of each period, are recognized in earnings.

Unless otherwise noted, it is management's opinion that they are not exposed to significant interest, currency or credit risks arising from its financial instruments.

The following is a discussion of principal risks and related mitigation strategies, related to financial instruments, that have been identified by the Company.

Credit risk

Financial instruments are exposed to credit risk as a result of the risk of the counter-party defaulting on its obligations. The Company monitors and limits its exposure to credit risk on a continuous basis. The Company provides reserves for credit risks based on the financial condition and short and long-term exposures to counterparties.

The carrying amount of receivables is reduced through the use of an allowance for doubtful accounts and the amount of the related impairment loss is recognized in the consolidated statement of earnings. Subsequent recoveries of receivables previously provisioned are credited to the consolidated statement of earnings.

Interest rate risk

The Company is exposed to interest rate risk in holding certain financial instruments. The Company's objective is to minimize net interest expense.

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

3. Property and equipment			<u>2014</u>	<u>2013</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 406	\$ -	\$ 406	\$ 406
Buildings	1,762	934	828	807
Sub-stations/sub-transmission lines	16,186	5,526	10,660	9,636
Generation stations	21,178	8,937	12,241	9,487
Distribution system	19,210	9,932	9,278	9,008
Other capital assets	7,492	3,821	3,671	1,249
	<u>\$ 66,234</u>	<u>\$ 29,150</u>	<u>\$ 37,084</u>	<u>\$ 30,593</u>

Beginning in 2013, the Company applied more detailed componentization to some of its assets and adjusted amortization rates in line with the estimated useful lives of the various asset components. As a result of this change, 2014 amortization expense and accumulated amortization are \$578 lower than they would have been without the change (2013 - \$545). In accordance with OEB requirements, the impact of the change in amortization rates in Orillia Power Distribution Corporation has been recorded as a \$646 reduction in other revenue and an equivalent increase in regulatory liabilities.

Included in generation stations is construction in process at a cost of \$619, for which amortization has not been taken, as these assets are not yet in use.

Included in other capital assets is construction in process at a cost of \$2,619, for which amortization has not been taken, as these assets are not yet in use. This expenditure relates to four solar installations that the Company has undertaken in the City of Orillia.

4. Intangible assets			<u>2014</u>	<u>2013</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land rights	\$ 67	\$ 63	\$ 4	\$ 2
Software	290	148	142	135
	<u>\$ 357</u>	<u>\$ 211</u>	<u>\$ 146</u>	<u>\$ 137</u>

Orillia Power Corporation
Notes to the Consolidated Financial Statements

(In Thousands)
 December 31, 2014

5. Regulatory assets and liabilities

As described in Note 2, the Company has recorded the following regulatory assets and liabilities:

	<u>2014</u>	<u>2013</u>
Regulatory assets		
Regulatory assets	\$ 308	\$ 342
Retail settlement variances	100	-
	<u>\$ 408</u>	<u>\$ 342</u>
Regulatory liabilities		
Regulatory liabilities	\$ 1,183	\$ 237
Retail settlement variances	-	1,285
	<u>\$ 1,183</u>	<u>\$ 1,522</u>

Retail settlement variances

The Company accounts for differences between amounts charged by the Independent Electricity System Operator (energy commodity costs, costs of market operation, wholesale market settlement charges) and Hydro One (transmission charges) and the amounts billed to customers by the Company based on the OEB approved rates in retail settlement variance accounts.

Other regulatory assets / liabilities

These accounts include amounts deferred as required by OEB guidelines, including changes to fixed asset useful lives, effective January 1, 2013. The net book value of stranded meters related to the deployment of smart meters remains in regulatory assets as per OEB guidance. Application to recover these costs will be included in the next cost of service application.

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

6. Inventory	<u>2014</u>	<u>2013</u>
Opening Balance	\$ 618	\$ 645
Inventory purchased	497	719
Inventory used in capital projects (capitalized)	(400)	(508)
Inventory used in operations & maintenance (expensed)	(104)	(142)
Inventory used in billable / recoverable projects	(83)	(95)
Inventory adjustment / other	(2)	(1)
Closing balance	<u>\$ 526</u>	<u>\$ 618</u>

7. Employee future benefits

Pension plan

Current service contributions to OMERS for 2014 were \$430 (2013 - \$402).

Employee future benefits other than pension plan

The Company measures its accrued benefits obligation for accounting purposes as at December 31 of each year. The latest actuarial valuation was performed as at December 31, 2014. Key economic assumptions used to determine the valuation are Consumer Price Index; 2.0% per annum, discount rate; 3.9% per annum and salary increase rate; 3.3%. A reconciliation of the Company's accrued benefits obligation is as follows:

	<u>2014</u>	<u>2013</u>
Employee future benefits obligation, beginning of year	\$ 579	\$ 571
Benefit expense	65	51
Benefit plan payments	(37)	(43)
Employee future benefits obligation, end of year	<u>\$ 607</u>	<u>\$ 579</u>

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

8. Long term debt

	<u>2014</u>	<u>2013</u>
Promissory note payable - City of Orillia Orillia Power Distribution	\$ 9,762	\$ 9,762
Promissory note payable - City of Orillia Orillia Power Generation	5,034	5,034
Debenture payable - Infrastructure Ontario	1,155	1,365
	<u>15,951</u>	<u>16,161</u>
Less: current portion of long term debt	210	210
	<u>\$ 15,741</u>	<u>\$ 15,951</u>

The promissory notes are payable to the City of Orillia, the shareholder, and bear interest for the current year at 6.25% per annum (2013 – 6.25%). The interest rate is reviewed annually. Payments of interest are required to be made quarterly on the last day of March, June, September and December. The promissory notes are due December 31, 2030. Under the terms of the notes, the City of Orillia can demand repayment of up to 20% of the original principal in a calendar year.

Orillia Power Distribution Corporation (OPDC), a wholly owned subsidiary of the Company, has entered into a financing arrangement with Ontario Infrastructure Projects Corporation (Infrastructure Ontario), to provide debenture financing for its smart meter infrastructure expenditures. On May 3, 2010 a debenture in the amount of \$2,100 was finalized based on a 10-year term and an annual interest rate of 4.39%. OPDC incurred \$57 (2013 - \$66) in interest expense to Infrastructure Ontario in 2014. Under the terms of the debenture, OPDC must make annual principal repayments of \$210 every year, until the debenture is retired in 2020. The repayment schedule is based on a semi-annual principal repayment of \$105 in May and November of each year. The financing arrangement grants Infrastructure Ontario a general security agreement against OPDC, in third priority behind the Toronto Dominion Bank and the City of Orillia.

9. Capital stock

Authorized:

The Company is authorized to issue an unlimited number of common shares.

	<u>2014</u>	<u>2013</u>
Issued:		
2,001 common shares	<u>\$ 10,427</u>	<u>\$ 10,427</u>

Orillia Power Corporation Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

10. Commitments

IESO prudential security

Purchasers of electricity in Ontario, through the Independent Electricity Systems Operator (IESO), are required to provide security to mitigate the risk of their default based on their expected activity in the market. The IESO could draw on these guarantees if the Company fails to make a payment required by default notice issued by the IESO. As at December 31, 2014, the Company has provided prudential support to the IESO in the form of a bank letter of credit in the amount of \$2,035 (2013 - \$2,035).

Donations

In 2012, the Company pledged to make a donation of \$1,250 payable over five years to the local hospital foundation. Total payments of \$750 have now been made towards this pledge.

11. Supplemental cash flow information	<u>2014</u>	<u>2013</u>
Change in non-cash operating working capital		
Receivables	\$ (635)	\$ 247
Unbilled revenue	185	(190)
Inventory	92	27
Prepays	50	(111)
Bank credit line	(750)	950
Payables and accruals	2,921	537
Payments in lieu of taxes	(396)	207
Customer and retailer deposits	36	(51)
	<u>\$ 1,503</u>	<u>\$ 1,616</u>
 Interest received	 \$ 84	 \$ 93
 Interest paid	 \$ 754	 \$ 994
 Payment in lieu of taxes paid	 \$ 884	 \$ 531

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

12. Future income tax asset and payments in lieu of taxes

Future income tax assets and liabilities are provided for temporary differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. The significant components of future income tax assets and liabilities are as follows:

Future income tax asset:

	<u>2014</u>	<u>2013</u>
Excess of tax basis of capital assets and intangibles over carrying value	\$ 962	\$ 1,291
Regulatory assets and liabilities	(28)	233
Non-capital loss carryforward	48	48
Employee future benefit obligation	160	153
	<u>\$ 1,142</u>	<u>\$ 1,725</u>

Disclosed on the balance sheet as follows:

Current	\$ -	\$ 233
Long term	1,142	1,492
	<u>\$ 1,142</u>	<u>\$ 1,725</u>

Provision for payments in lieu of taxes:

Current	\$ 487	\$ 736
Future	583	355
	<u>\$ 1,070</u>	<u>\$ 1,091</u>

The Company has a capital loss of \$31 that can be carried forward indefinitely.

13. Contingencies

In 2012, a legal proceeding was commenced against the Company related to damages to Bell Canada property. The Company has turned this matter over to its liability insurer and the matter is currently before the Ontario Superior Court of Justice. At this time, it is not possible to quantify the effect, if any, on the financial statements of the Company. Management does not believe that the outcome of this matter will have a material impact on the financial statements.

In relation to a 2013 motor vehicle accident, a legal proceeding has been commenced against the Company. This matter has been turned over to the Company's liability insurer and is currently before the Ontario Superior Court of Justice. At this time, it is not possible to quantify the effect, if any, on the financial statements of the Company. Management does not believe that the outcome of this matter will have a material impact on the financial statements.

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

13. Contingencies (Continued)

The Company experienced an equipment failure at the Swift generating station in 2014 and is seeking recovery through its property insurance policy. As at the balance sheet date, the Company had not completed or filed claim documents and management believes it is not possible to quantify the effect, if any, on the financial statements of the Company.

14. Related party transactions

Transactions involving the sale of electricity are in the normal course of operations and are measured at the exchange amount, which is equal to the fair value as prescribed by regulation. Transactions involving other services have been recorded in these financial statements at the carrying amounts, which were equal to historical cost or fair value. Fair values represent fees for equivalent services provided to third parties in the normal course of operations as prescribed by regulations. The Company had the following related party transactions:

	<u>2014</u>	<u>2013</u>
City of Orillia - shareholder		
Interest incurred	\$ 925	\$ 925
Dividend paid	1,600	1,100
Power sold	2,236	2,330
Other services sold	79	190
Purchases	106	120
Property taxes	67	64

Balances outstanding at December 31:

Due from the City of Orillia, included in receivables	\$ 293	\$ 206
Due to the City of Orillia, included in payables	239	21

During the year, Orillia Power Generation Corporation purchased one common share for ten dollars from the City of Orillia for each of 2429106 Ontario Inc., 2429108 Ontario Inc. and 2429111 Ontario Inc.

15. Public liability insurance

The Company is a member of the Municipal Electric Association Reciprocal Insurance Exchange (MEARIE), which was created on January 1, 1987. A reciprocal insurance exchange may be defined as a group of persons formed for the purpose of exchanging reciprocal contracts of indemnity or inter-insurance with each other through the same attorney. MEARIE has provided general liability insurance to the Company of \$34 million per occurrence.

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

16. Capital disclosures

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by controlling costs and establishing rates that maximize rate of return commensurate with the level of risk.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions, annual profitability and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company will adjust the amount of dividends paid to shareholders, subject to the constraints imposed by lending agreements. The Company is subject to quarterly reporting and bank review of its interest coverage and debt capitalization ratios, in relation to the bank credit line.

Consistent with others in the industry, the Company monitors capital on the basis of the debt-to-capital ratio. This ratio is calculated as long term debt divided by the sum of long term debt plus equity, as shown on the balance sheet. Equity consists of share capital, contributed capital and retained earnings. The debt-to-capital ratio at December 31, 2014 is 39% (2013 - 41%).

17. Future accounting pronouncements

International Financial Reporting Standards (IFRS)

The CICA has announced that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), effective January 1, 2011. The Canadian Accounting Standards Board (AcSB) subsequently released rulings that qualifying entities with rate-regulated activities have the option to defer their adoption of IFRS until annual periods beginning on or after January 1, 2015. The Company has elected to apply the deferral option.

IFRS will require increased financial statement disclosure. Although IFRS uses a conceptual framework similar to Canadian generally accepted accounting principles, there will be some differences in accounting policies, that will need to be addressed. The Company is currently in the process of implementing its plan for the adoption of IFRS, effective January 1, 2015. For 2015 reporting, the 2014 results will be restated under IFRS, for comparative purposes.

Orillia Power Corporation

Notes to the Consolidated Financial Statements

(In Thousands)
December 31, 2014

18. Bank credit line

Orillia Power Distribution Corporation, a wholly owned subsidiary of the Company, has a \$5,000 (2013 - \$5,000) operating loan agreement with its bank to fund working capital and prudential security requirements. Amounts outstanding at year end on the loan include a standby letter of credit in favour of the IESO for \$2,035 (2013 - \$2,035) and cash advances of \$200 (2013 - \$950). The operating loan is secured with a General Security Agreement on the assets of Orillia Power Distribution Corporation.

In 2014, Orillia Power Generation Corporation, a wholly owned subsidiary of the Company, established a \$5,000 operating loan agreement with its bank to fund working capital requirements. There was no balance outstanding at December 31, 2014. The operating loan is secured with a General Security Agreement on the assets of Orillia Power Generation Corporation.

14TH ANNUAL SHAREHOLDER MEETING APRIL 13, 2015



Our Agenda

- Approval of 2014 Minutes
- Audited 2014 Consolidated Financial Statements Issued to Shareholder
- Chair's Report
- Shareholder Question Period
- Motion to Adjourn



Our Mission

“Efficiently generate environmentally friendly energy and to deliver energy cost effectively to our customers, the citizens of Orillia.”



ORILLIA POWER CORPORATION -

Two distinct business units

- **Orillia Power Distribution Corporation (OPDC) with 13,400 customers – responsible for the “wires” and service delivery, fully regulated by many agencies such as Ontario Energy Board (OEB), Ontario Power Authority (OPA), Independent Electricity System Operator (IESO) and the Electrical Safety Authority (ESA).**
- **Orillia Power Generation Corporation (OPGC) – with 3 water power plants and 4 solar roof top installations. Water power plants include: Swift Rapids, Minden and Matthias – 15 MW total capacity. Roof top locations include: Barnfield Point, OPC Service Centre, Teletech/Nordia Building and Rotary Place . Our total peak capacity is 16MW, an increase of 1MW from 2013.**

Key Areas of Focus

- **Safety of our staff and the public**
- **Environmental protection**
- **Reliability of supply**
- **1st class customer service**
- **Positive impact on the economic development and betterment of our community**
- **Create value for our shareholder to ensure long term growth and stability of the organization**

Successful Generation Results for 2014

- Strong water flows resulted in revenues 6.7% above budget.
- 2014 production was above the 10-year average by 5.4% as a result of available water.

Generation Revenue 2001 - 2014



Generation Production 2001 - 2014



2014 Financial Results

Ref pg 2 "Consolidated Statements of Earnings and Retained Earnings"

- **Total OPC Revenue** (including power sold to customers) increased 5.2 % to \$48.3 Million: electricity costs + transmission + distribution business revenues. (\$45.9 Million in 2013)
- **Cost of Power purchased** (on behalf of OPDC customers) increased by \$2 Million or 6.7 % to \$33.8 Million (\$31.7 Million in 2013)
- **OPC Direct Operating Expenditures** increased by 3.7% to \$7.5 Million (\$7.3 Million in 2013)
- **Net Earnings:** \$3.3 Million (\$3.4 Million in 2013)
- **Return on equity:** 13.8% (15.5% in 2013)



2014 Financial Results

Ref page 3 "Consolidated Balance Sheet"

- Assets Book Value increased 6.7% to \$52.2 Million (\$49.0 Million in 2013)
- Shareholder Equity increased 7.4% to \$24.9 Million (\$23.2 Million in 2013)

Total Assets 2001 - 2014



Shareholder's Equity 2001 - 2014



2014 Distribution Rate Adjustments

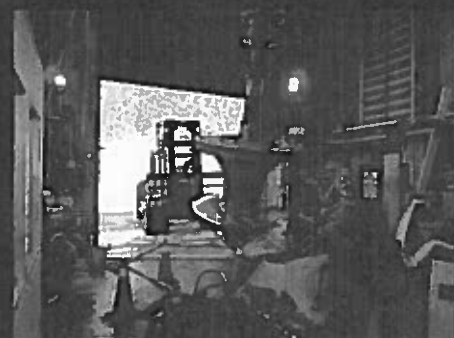
- Orillia recovers approximately 20% of a customer's energy bill to fund its distribution operations.
- Orillia bills the other 80% on behalf of other Provincial agencies for Commodity, Transmission, Market Operations and Regulatory.
- Bill impacts from changes in rates for typical residential bills (800 kWh per month) in 2014:
 - OPDC operations charges increased 1%
 - Provincial TOU RPP commodity charges increased 10%
 - Provincial transmission charges increased 6%
 - Provincial other regulatory charges decreased 13%
- Total bill impacts for 2014 increased 5%.

Major 2014 Operation Success Stories

- **Over 12 Years without a lost time injury!!!**
- **99.976% distribution service reliability**
- **81.7% of usable water flow turned to electricity**
- **100% of environmental & electrical safety requirements met**
- **100% compliance 2014 Electrical Safety Authority (ESA) Audit**
- **Exceeded OEB guidelines for telephone accessibility by 34.7%**

OPC is Committed to Multi-year Refurbishment Plans

- Installation of new switchgear at Swift Rapids GS
- Completion of a major overhaul of the Matthias GS turbine. Work commenced in 2013 and completed in early 2014
- Replacement of bearings and repair of cracked generator shaft at G2 at the Swift Rapids GS
- Replacement of G1 runner and the refurbishment of wicket gates at Minden GS



Capital Projects in the Community



James Street Rebuild & Multi-Year Voltage Conversion Project



Storm Work Recovery



Value to Community

- One of the most reliable distribution systems in the province (low outages & fast response).
- One of the lowest cost electrical bill to the average residential customer in Ontario.
- Provides local employment (50 staff).
- Accessible to our customers.
- Support local summer students & co-op programs.
- Actively involved in many community programs.

Conservation & Demand Management (CDM) Programs **saveONenergy™**

2011-2014 CDM Legacy Framework

- OPC's cumulative target was 15.05 GWh with an administration budget of \$700K for program delivery costs.
- Almost \$1M in incentives were paid to customers for CDM initiatives.



2015-2020 Conservation First (CF) Framework

- OPC's target (not cumulative) is 16.6 GWh with a budget of \$4.3M. The \$4.3M covers all program delivery costs, plus all customer incentives.
- LDCs are now required to submit a detailed 6-year CDM Plan outlining how the target will be met.

Giving Back to the City of Orillia

- OPC is focused on providing benefits to its stakeholders, balanced with strategic investments to upgrade aging assets and expand its business portfolio.
- OPC paid \$925,000 in annual interest payments and a \$1.6 Million dividend in 2014 to the City of Orillia.
- In 2014, OPC donated \$250,000 (third payment towards a \$1.25 million commitment) to the OSMH Foundation.
- \$300,000 towards a roof upgrade on City-owned building at 2 Hunter Valley Road.
- OPC recommends, subject to shareholder approval, that a dividend of \$1.1 Million be paid in 2015 to its sole shareholder, the City of Orillia.

Total Benefits to the Community Since Incorporation

- **As of tonight, since 2000, its year of incorporation, OPC will have provided:**
 - **\$37.1 Million** directly to the shareholder through interest and dividends (including tonight's proposal)
 - **\$4.325 Million** in large donations/gifts (Orillia Soldiers' Memorial Hospital Foundation, Lakehead University, 2 Hunter Valley Road Roof Replacement).

OPC Supports Many Community Projects

OPC support of community projects:

- **Kiwanis Children's Safety Village**
- **Steps for Life – walking for families of workplace tragedies**
- **Local charities – Cancer Society, Big Brothers/Big Sisters, Canada Day Festivities, Sharing Place Food Bank, Guardian Angels Food Bank, Couchiching Conservancy, Crime Stoppers, United Way, Air Cadets, Salvation Army, Habitat for Humanity, Couchiching Jubilee House, etc.**
- **Big Bike for Heart & Stroke**
- **Downtown Orillia Festival of Lights**
- **Local high school co-op work programs**
- **Annual secondary school awards**
- **Scholarships for Georgian College and Lakehead University**

Significant 2014 Distribution Customer Energy Conservation Preliminary Results

- **OPDC has EXCEEDED its energy savings target of 15,000 MW for the 2011-2014 conservation program.**
- **Stand 22nd (of 76) in demand savings OPA target of 3 MW by 2014 (OPDC 60% of target). Only 4 LDC's have achieved their target.**
- **35 connected MicroFIT (< 10 kw) & 11 connected Feed in Tariff (FIT) OPDC customers.**

What lies ahead for 2015 and beyond?

- OPC making significant capital investments in generation and distribution over the next 5 years, forecasting almost \$34.5 Million needed capital to upgrade aging facilities and improve public safety.
- OPDC will continue to focus on Conservation and Demand Management. The program includes a 6 year program that will bring \$4.3 Million of energy efficient upgrades and conservation programs for the customers of OPDC.
- Upgrades to the West Orillia distribution station are planned for 2015 - 2016 to increase reliability and provide capacity relief to other stations.
- OPGC continues to actively investigate renewable generation opportunities in both solar and water.

Energy Rates Looking Forward

- **Effective May 1, 2015... Bill impacts from changes in rates for typical residential bills (800 kWh per month):**
 - **Distribution operations charges decreasing 3%**
 - **Provincial TOU RPP commodity charges have not yet been announced by the OEB (7% increase expected)**
 - **Provincial Transmission charges are decreasing 8%**
 - **Provincial other regulatory charges are increasing 44%**

- **Total bills are likely to increase in 2015 but the final rate changes to the TOU RPP component have yet to be released. Expected increase on total bill of 6.6%.**

Our appreciation goes to all those that help in “Energizing our Community”!

- We appreciate the support we have received from the City of Orillia Council and staff, and we will continue to earn that support and to provide you with a Corporation that adds value to your community.
- OPC has an excellent group of people that make it possible for such great results. Our Board thanks them for their loyalty, dedication, hard work and overall care in serving Orillia customers.

13,400 CUSTOMERS

In reviewing our results for 2014, we feel confident that we have successfully delivered our Mission.

Our Mission

"Efficiently generate environmentally friendly energy and to deliver energy cost effectively to our customers, the citizens of Orillia."



416
927-2222
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29 TV-
POST MEDIA

37.1 MILLION CITY
4.325
41.425
AS OF APRIL 13TH 2015 SINCE
HOSPITAL LAKEHEAD UNIV.
HUNTER VALLEY ROOF DISPLACEMENT
41.425 MILLION
÷ 13,400 CUSTOMERS
= 3091.42
÷ 15 = 206.09 PER YEAR
PER YEAR PER CUSTOMER
÷ 12 = ON THE MONTHLY BILL PER MONTH
= 17.17 PER MONTH

Subject: Ontario Water Light and Power Commission
 From: ConsumerRelations (ConsumerRelations@ontarioenergyboard.ca)
 To: fm.kehoe@rogers.com;
 Cc: Karen.Nunno@ontarioenergyboard.ca; Varedian.Miller@ontarioenergyboard.ca;
 Date: Friday, August 1, 2014 9:33:24 AM

Dear Mr. Kehoe:

Thank you for your e-mail addressed to Karen Nunno at the Ontario Energy Board. Your e-mail was assigned file number 2014-0006481. Please reference this number when contacting the Board regarding this issue.

The Ontario Energy Board does not provide legal advice. The Ontario Energy Board operates in accordance with the Ontario Energy Board Act 1998. Attach is a brief historical outline of the Ontario Energy Board reflecting the Board's mandate. The Ontario Energy Board's findings are outline in their decisions. Board decisions are available on the Industry page of the Board's web site www.ontarioenergyboard.ca. To obtain decisions not on the web, please contact our Information Resource Centre at 416-440-7645 or toll free at 1-888-632-6273 ext. 645.

In response to your query about Mr. Ken McCan, Mr. Ken McCan was appointed to the Ontario Energy Board September 2000. The appointment expired April 2003.

I trust this information proves helpful.

Yours truly,

Velma Francis

Velma Francis
 Public Information Officer, Consumer Relations
 CONSUMER SERVICES
 1-877-632-2727
 consumerrrelations@ontarioenergyboard.ca

*LETTER AUG 31, 2000 RESIGNATION AUG 31/2000
 FROM CITY COUNCIL SPECIAL MEETING 2000-189*

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Subject: RE: Historical Questions F. Kehoe [OEB REF #1RE-2014-0383]
From: Andres Mand (Andres.Mand@ontarioenergyboard.ca)
To: fm.kehoe@rogers.com; BoardSec@ontarioenergyboard.ca; Andres.Mand@ontarioenergyboard.ca;
Date: Wednesday, August 13, 2014 1:37:30 PM

Margaret and Frank, thank you for your inquiry regarding some of the history surrounding the Orillia Light and Power Commission.

I have read your questions and can only answer question 3..

Your questions 1 & 2 are related the Electricity Act, the Ontario Energy Board Act and the Town of Orillia Act. These acts were instruments of the Provincial Government, and it would be best that you direct your questions to them, so that they can provide you with their intended impact on OLPC. I am not able to provide you with any insight of what the Government intended, in their legislation.

I am however, able to provide you with the information that you asked regarding Mr. Ken Mccan, and his effective date as a Board Member at the Ontario Energy Board..

Ken McCann was appointed a full-time member of the OEB in September 2000. He began his career with the International Brotherhood of Electrical Workers, where he was employed for 13 years. As the owner and operator of Ken McCann Electric Limited for 25 years, he has a total of 38 years of experience in the industrial, commercial and manufacturing environments. He was elected to the Orillia Water, Light and Power Board for two

terms from 1991 to 1997, and served as Chair in 1994 and 1997. Orillia's Citizen of the Year in 1988, Mr. McCann's nine years of municipal experience include serving as the mayor of Orillia from 1997 to 2000. Mr. McCann's current term expires in September 2003.

Andres Mand P Eng
Manager, Regulations and Liaison
Industry Operations and Performance Division

RECEIVED
SEP 23 2014
CLERK'S DEPT.

Orillia Water Light and Power Commission

c/o Commissioners:

Gord Pye
37 Dancy Drive
Orillia, ON
L3V 7M1

Frank Kehoe
304-95 Matchedash St. N.
Orillia, ON
L3V 4T9

Ken McLaughlin
217 Barrie Road
Orillia, ON
L3V 2P6

Dan Valley
66 Maple Drive
Orillia, ON
L3V 3W4

September 23rd, 2014

Mayor and Council
City of Orillia
50 Andrew Street South
Orillia, ON

RE: A DOCUMENT DATED APRIL, 2000 ENTITLED "RECOMMENDATIONS ON THE FUTURE OF ORILLIA HYDRO UTILITY BY THE BILL 35 TRANSITION COMMITTEE" *(Many of the recommendations that were previously never seen in this format by this commission, were to be negotiated. However the council decided to proceed in this format to go ahead with producing a bylaw which became Bylaw 2000-144 passed on April 17th, 2000 without input from this commission)*

Dear Mayor and Councillors,

The aforementioned somewhat confidential document was never, in anyway, adopted by this commission and it was only a month ago (August, 2014) that any member saw this document in its present form. It was thought to be a clear understanding that any and all recommendations, apart from those dictated specifically through legislation, would be negotiated with the commission. To be very clear, we, as commission members, do not aspire for any control in the day-to-day operation of the utility. We are, however, obligated with a fiduciary responsibility to defend the peoples' bylaw that kept the utility at arms' length of council. When this is finalized, the commission members will resign. This action does not reflect upon or have any bearing on council's appointment of dedicated people to the current board that were never party to past decisions of council.

There was never a single meeting or any direct discussion with the elected commission and the city officials or its self-appointed transition committee. The title page of the April, 2000

document indicates that a commissioner was present, which was never the case. The elected commission, for the most part, was kept oblivious in regards to this document. We, as a commission, would never have agreed to a transfer of any of the rights, powers and privileges to city council which would be in direct contravention of the intent of Bylaw 557 and the Town of Orillia Act, Section 11, Clause 1 and 2 (1915).

The intent of the peoples' Bylaw 557, that could only be amended by a vote of the people, was to ensure the following:

1. That all the powers, rights and privileges with regard to the government of the Orillia Power transmission or the generation, distribution and sale of electric power shall, while the bylaw appointing such commission remains in force, be exercised by the Orillia, Water Light and Power Commission and not by the council of the Corporation;
2. That rates for electrical energy were to, where possible, be kept low so as to keep Orillia as a magnet for attracting new industry and maintaining this advantage for its citizens (the owners);
3. To prevent any future council from selling this, the peoples' asset, to a profit corporation without first getting approval by a referendum voted upon by the people.

There were means within the provincial legislation dealing with the transfer to accomplish the process with the Orillia Water, Light and Power transferring this power and council forming the corporations that would replace and succeed the commission. The council, through negotiation, could then complete this agreed upon bylaw. However, it would appear that the city's hidden agenda, from the beginning, was to gain full control of the utility for its financial benefit and to become the self-appointed agent for the people.

The citizens, who are the electors, are the only true shareholders of the commission assets and profits from the corporations, not required for expansion or maintenance, or other reserve accounts, should be transferred to them – both in the form of reduced electrical rates and earned dividends. The new corporation should then have been allowed to have reserve accounts in the event of the city doing an annexation as well as to carry on with building and acquiring additional generation so as to create profit for the people.

As long as Bylaw 557 is in place the OWLP elected commission, without a subsequent election, are still in place and capable of carrying on a negotiated process benefiting both the shareholders and appointed representatives keeping the corporations at arm's length of council. The corporations would then "walk in the shoes" of OWLP.

The members of the commission would respectfully request the following:

1. Any and all information which would indicate that the OWLP Commission consented to this document without first being a party to a negotiated process prior to its adoption.
2. Information on the exact date that the city uses as their formal date of transfer;
3. The corporation documents and who swore the document that council had the authority to act for the formation of separate municipal corporations;

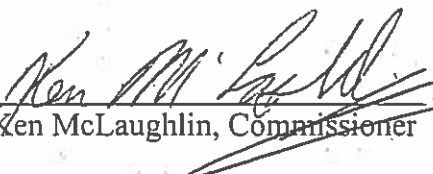
4. The reasons why the commission were left out of all the negotiations by a working committee for and on behalf of city council;
5. Did council, in all good conscience, not recognize that Resolution 2000-127 had a serious impact on all industrial, commercial and residential electrical customers in the city and may have negatively impacted on some industry that may have caused industry to move out of Orillia?
6. Is council aware that hydro rates in the province have increased as much as 300% to many customers in the period from implementation of Bill 35 to the present? With the implementation of wholesale rates of hydro, why was there no effort on the part of council to subsidize these increases using the profits from Orillia's generation company?
7. Will the city permit the elected OWLP Commission, as elected by the people through Bylaw 557, to use meeting room space at city hall so as to have a public commission meeting to provide shareholder input to be used in the negotiation to amend Bylaw 2000-144 and the three corporations formed, in part, by council?

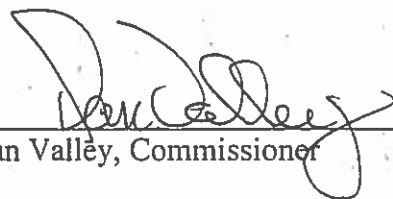
May we please have the courtesy of an early reply to this correspondence?

Respectfully submitted,


Gord Pye, Chairman


Frank Kehoe, Commissioner


Ken McLaughlin, Commissioner


Dan Valley, Commissioner

Attachments:

- Recommendations of the city appointed transition committee, dated April, 2000
- Peoples' Bylaw 557
- Section 11 of the Town of Orillia Act, 1915
- Resolution of City Council 2000-127, April 17th, 2000



ORILLIA CITY CENTRE
50 ANDREW ST. S., SUITE 300
ORILLIA, ON. L3V 7T5

TELEPHONE (705) 326-1177
FACSIMILE (705) 325-1612
Email: mayor@orillia.ca

Office of the Mayor

October 15, 2014

Mr. Gord Pye
Mr. Frank Kehoe
Mr. Dan Valley
Mr. Ken McLaughlin

Dear Sirs,

I am responding to your letter dated September 23, 2014 in which you expressed your concerns that Orillia Power Corporation was formed without proper regard to City by-law 557, that the commission was not consulted in the formation of Orillia Power Corporation, and that until a subsequent election the membership of the commission remains intact.

Let me begin by stating that the actions that you are now questioning occurred fourteen years ago, and I believe that the time to raise these concerns would have been during the transition in 2000. Although these actions were done long before my time on Council, I understand that lawyers from McCarthy Tetrault and Russell, Christie, Miller, Koughan, Winnitoy advised the City on the issue to ensure that the actions were taken legally.

There are two key points to consider when reviewing old by-laws and legislation:

1. From time to time by-laws and/or legislation are passed that have the effect of nullifying earlier by-laws and/or legislation. There is no requirement to repeal an outdated by-law; it just becomes outdated by the new by-law and therefore is unenforceable.
2. Ontario municipalities exist at the pleasure of the province. As such, provincial legislation takes precedence over any conflicting by-law of the municipality.

In 1998 the province made changes to the Electricity Act, which required the City (and not the Commission) to take certain actions in regards to Orillia Water Light and Power (OWLP) Assets. Any attempt to engage the Commission in any discussion would have been at the discretion of the City.

Mr. Gord Pye
Mr. Frank Kehoe
Mr. Dan Valley
Mr. Ken McLaughlin

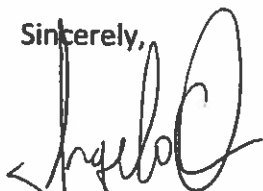
October 15, 2014

Subsequently, as you know, Orillia Power Corporation (OPC) and subsidiaries were formed, and the assets of OWLP were transferred to the new corporations. Further, the City took the action to repeal any by-law establishing OWLP, and to dissolve the Commission effective November 1, 2000 (by-law 2000-146, attached).

Although we are past the time of negotiating terms of reference for OPC, the City will always consider suggestions regarding the use of any of its assets, including OPC. The best way to provide these suggestions is in writing to Mayor and Members of Council.

Thank you for your continued interest in the assets of Orillia Power Corporation.

Sincerely,



Angelo Orsi
Mayor
City of Orillia

Copy to: Members of Council
 Robert Ripley, CFO

Encl.

