

Ted Emond

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Mr. Gord Pye,

Mr. Ken McLaughlin,

Mr. Frank Kehoe,

Mr. Dan Valley.

Dear Sirs:

Thank you for your December 29th, 2014 correspondence regarding "ELECTRICAL CHARGES ON THE BACKS OF ORILLIA CITIZENS." As I promised Mr. Kehoe when he and I met with Mr. Ripley, City of Orillia CFO, on this matter prior to holiday break I have reviewed the correspondence between you and the last Council as well as your December 29th letter and attachments and offer the following as my personal response to the issues you raise.

As is common practice among Ontario municipalities, a Council of the day is not bound by decisions of previous Councils, even if earlier decisions are based on referendums of the citizens.

More to the point, Section 14 of the *Municipal Act* states that a by-law is without effect to the extent of any conflict with a provincial or federal Act.

Ontario Government Bill 35 required Ontario Municipalities to separate municipal public utility distribution functions from generation functions, to purchase electricity for distribution at market price, sell generated electricity into the Ontario electricity grid, and forbids cross subsidies between generation and distribution functions.

Orillia City Council, as was its right, appointed a Bill 35 Transition Committee on which the OWLP had two representatives, Commissioner, Dan Valley, and General Manager, John Mattinson, the City had two representatives, Mayor McCann, and City Manager, Ian Brown. The legal counsel to the Transition Committee was Doug Christie, from Russell, Christie, Miller, Koughan, Winnitoy of Orillia and Don Gibson from McCarthy Tetrault of Toronto. The Transition Committee after due consideration made recommendations to City Council on the following matters pertaining to the future of electricity distribution and generation in the City of Orillia.

- The future ownership of the assets of the OWLP,
- The future Corporate Structure,

- The future Board of Directors including the number, eligibility, recruitment, terms of membership, limits on reappointments, and compensation of Directors along with issues requiring shareholder approval, and the timing of progress reports to City Council.
- The future business of the Power Corporation, including the review of the telecommunication initiative, capitilization of the Generation company and a shift from a rate minimization to a profit maximization approach, the capitization of the Distribution company and limits on the corporation entering into new retail businesses.

City Council adopted these recommendations April 17, 2000.

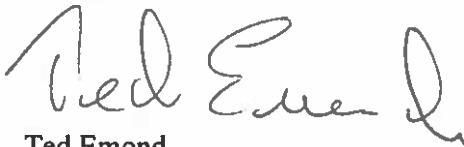
I believe that the composition of the Transition Committee allowed the OWLP Commissioners of the day adequate opportunity to express their opinions about transition matters. As the recommendation report to Council did not contain a dissenting opinion, I conclude that, at the time, the Transition Committee's recommendations represented the Committee's best efforts, as stated in the conclusion of report, "to balance the ratepayer's interest in minimizing increases in their hydro bills with the taxpayers' interest in growing the value of their assets and generating a return for the benefit of the community." Further it is my opinion that in the subsequent 15 years the operation of Orillia Power Corporation has effectively achieved these stated objectives. The taxpayers of Orillia have derived significant benefits from the annual OPC dividend to the City, including, but not limited to, contributions to Orillia Soldiers' Memorial Hospital expansion and Lakehead Univesity. The Orillia Power Corporation continues to explore opportunities to grow its generation assets so as to further maximize its profit and subsequent dividend to the City of Orillia.

Although you may disagree with the decisions taken 15 years ago, they were decisions well within the authority of the City to make. I further see no merit in attempting at this time to open a debate about matters that should have been raised and dealt with during the winter of 2000. Our City is facing a multitude of challenges and the current Council cannot not be diverted from dealing with these challenges by rehashing a 15 year ago decision of Council. As a result, I will suggest Council receive your correspondence as information.

With respect to your final point about the recommended changes in the compensation of the current Directors, Council at its December 15th meeting requested staff prepare a report regarding these recommendations along with a review of how OPC Directors are recruited and appointed by Council. That report will be received by Council before Council takes any action on the request for a change in the current compensation levels. I've forwarded that portion of your December 29th letter to staff for their review in preparing their report on this matter.

As a former elected Commissioner of the OWLP, I appreciate the foresight, time, energy and commitment of past Commissioners in creating and maintaining one of Orillia's greatest assets. Although the Province forced a change in the governance structure of our electricity utility, the assets continue to make a significant contribution to our community. We should be proud of what has been accomplished and continue to support Orillia Power Corporation's continuing efforts to contribute to our community.

Sincerely,



Ted Emond,

Councillor Ward 1, City of Orillia

Copy:

Mayor and Council,

Ms Gayle Jackson, CAO, City of Orillia

Mr. Bob Ripley, CFO, City of Orillia

Mr. Greg Gee, Chairman of the Board of Directors, OPC

Mr. Keith McAllister, CEO, OPC

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**Material distributed to the attendees at the open council meeting June 1, 2016
by Frank Kehoe
dealing with a negotiation between Hydro One and Orillia City Council
and the position of the last elected members of the former OWLP.**

AND

**A requirement of a full vote of the electors (citizens of Orillia)
before any decision is ratified.**

The attached material is assembled from various materials that I had in my possession related to the distribution arm of the public utility. The purpose of assembling this material was to try in the early stages of negotiation to thwart this council from entering into an agreement that if ratified would certainly destroy the major portion of Orillia's greatest asset, the power utility.

Citizens of Orillia have always put their trust in their elected commissioners. As part of that group the writer has served the municipality in this capacity with three terms on municipal council and nineteen (19) years as a commission chairman and commissioner of the Orillia Water. The writer was the second longest serving commissioner, second only to J.B. Tudhope. I feel obliged to bring forward information that is crucial to the public understanding of what is at stake in even considering selling the distribution arm to Hydro One.

The key to future electricity rates hinges on Orillia's ability to attract and keep an industrial base and the needed jobs in our community. Should the council in some misguided way choose to accept an offer from Hydro One to purchase the distribution arm then that offer, before it is ratified, must go to the people in the form of a referendum to be voted on by the eligible electors. This is the same process as the former Orillia Water Light and Power was formed. If council feels they have a right to circumvent this process then I would expect the majority of the citizens will introduce a class action to squash any bylaw proposed or I personally and members of the former commission may fund this legal challenge.

A former long time member of council commented to me on the MURF to say that there was no problem paying the massive cost of it as the sale of the Hydro Distribution would greatly off-set this cost. I firmly hope that this important issue is not in any way related to the MURF.

Citizens reading the material will be somewhat shocked to find that in paying their municipal tax bill it does not represent their total taxes. In addition to their municipal taxes they also will be contributing upwards of \$200.00 yearly on their hydro bill. For renters and fixed income citizens this added portion of their hydro bill becomes a serious burden.

Everyone is aware that there is no more OWLP. The utility is now broken up into three corporations with one or more appointed boards. As in the former item this was brought about by the province in amending the Electricity Act forcing the commissions across the province to now operate under the Corporations Act. There never was any reason for this change other than to put aside all transparency. Under the Corporations Act everything is now closed to the public unlike the rest of municipal processes where there is freedom of information for customers to access information. The three corporations must now operate in secrecy so an individual consumer can no longer track major expenses or transactions or have access to salaries and expenses of employees and board members.

In observing your provincial utility a great deal of press has flagged that the rate for Ontario consumers is among the highest in all North America and that there is a huge surplus of power that has to be discarded at ridiculously low prices. For example Hydro One's costs are something close to 14¢ per kWh and they must unload this surplus anywhere from 1.2¢ per kWh to 4¢ per kWh to US utilities. Ontario's industry that depends on reasonable cost for electricity are in all likelihood pulling up stakes in Ontario and relocating south of the border. The rationale for the surplus of power is related to the huge influx of private sector generation related to solar and wind turbines. The utilities across the province were not initially given this opportunity so it became strictly a private sector program. In the early years an individual or corporation could make application to Hydro One to construct such a facility and they would receive a firm contract for a 20 year period to purchase all of the power produced at 80¢ per kWh. So if you were an individual owning a qualified piece of land you could then go to the bank and borrow a million dollars and in a little over a month, after purchasing and installing the required equipment, they would be in business. A great number of people located both inside and outside of Canada made this investment and in a five year period the bank loan would be paid off and they had full ownership with a sweetheart return for another fifteen years. The cost of this over-supply of electrical energy I believe amounts to 1.6 billion dollars (sixteen hundred million dollars) twice a year. The interest is added to Hydro One's massive debt and transferred to you the consumer in the form of a rate increase. Many of the hydraulic plants are at present shut down and the water wasted by opening the dams.

Back in 1995 the Province set up the Advisory Committee on Competition in Ontario's Electric System. This was chaired by the Honourable Donald S. MacDonald. The utilities in our region met on several occasions and discussed how best to make recommendations to streamline and merge a number of utilities. I was the Chairman of the OWLP at the time and a day before I left on vacation the Chairman requested a move-up of the appropriate deadline. As both the Mayor and one member of the Commission were out of town I could not assemble the meeting that would be within the deadline set. I wrote the attached material based on previous discussion with other utilities on the plane going to Hawaii and faxed the material for staff to include in the presentation. As this matter directly relates to the selling of the distribution arm I am attaching it to the other materials. Since there is a mention within this material of a former altercation with Ontario Hydro I am including this as well. This was one of many altercations that the utility had with the former Ontario Hydro over the years. My attached letter with additional material was adopted in the Advisory Committee's Report. The legislature accepted the report however they sided more with the provincially owned utility Ontario Hydro. As a follow up the utilities formed alliances, a copy of many of these alliances were included in a letter of mine in The Packet January 2016. The purpose of these alignments meant that the utilities mentioned would continue their ownership but if required they could always, if a better process became available, terminate their alliance in future. There were huge financial advantages to these alliances and in the opinion of the writer they should have taken place by the now appointed board of directors as opposed to even considering selling off and crippling our Orillia utility and its future ability to again offer low electrical rates to its customers.

The additional material is a chronological condensed history of the utility, materials related to the provincial hydro salaries, comparisons of Ontario rates to other provinces, newspaper clippings that are self explanatory, letter sent to city council dated November 19, 2015, disclosure document to council November 19, 2015, a portion of the Public Utilities Act related to the vote of the Orillia electors who voted for the separation of electricity away from council, items 37(4) and 37(5) and 38(3) and 38(5) and 38(6) and 39 of the former Public Utilities Act, and the Municipal Act that eliminates freedom of information.

Respectfully Submitted

Frank Kehoe

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Frank Kehoe
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January 24, 1996

Hon. Donald S. Macdonald, P.C., C.C.
Chairman
The Advisory Committee on Competition
in Ontario's Electricity System
40 St. Clair Avenue West, Suite 401
Toronto, Ontario M4V 1M2

SUBMISSION

Mr. Chairman and Committee Members:

I am faxing this submission and sending 10 copies under separate cover. Presently I am on vacation in Hawaii and was not aware of your deadline until the day of my departure. Being unable to assemble the Orillia Water Light and Power Commission until after the deadline for submission, consider this letter my personal position and not necessarily the position of Orillia's Commission.

Staff were requested to prepare a more detailed position relative to the distribution function to be forwarded to your Task Group in order to meet the deadline. I have received this by fax today and have given my approval as have the other Commissioners.

However, by this letter, I am requesting that the Orillia Water, Light and Power Commission be afforded the opportunity to formally meet with your Task Group in either the scheduled Peterborough or Toronto meetings.

MY PERSONAL POSITION SHARED IN PART BY THE MAJORITY OF ELECTED PROVINCIAL COMMISSIONERS

Three and a half years ago at the annual meeting of District 2 of the Municipal Electrical Association, I voiced my concerns to the most senior executive, that industry in Ontario could not in this economic downturn take the outlandish, announced increases and if senior managements did not recognize this then a portion of Ontario's industry would be forced into bankruptcy or as seen, relocate south of the border. From the podium, the President's reply to me and the full group of represented utilities was that "all is 'OK', the bonds are still selling." I knew then what I had long suspected that Ontario Hydro was out of control.

Personally, I wrote every newspaper and radio station in the Province (see attached letter to the editor). The media coverage of these conditions and the public's reply prompted the Legislature to try to direct Hydro to bring costs under control. The N.D.P. government, on a separate issue, gave the Power Workers Union more power in dealing with Hydro management which had the unfortunate effect of blocking many of the necessary changes in many areas. Fortunately, the Conservative government

have now made the right moves to level this playing field with the retraction of labour Legislation.

Ontario Hydro have made some progress in downsizing but stopped short of meeting the appropriate numbers relative to other well run utilities. The salary ranges well exceed the private sector and are almost twice that of private utilities south of the border.

UNBUNDLING ONTARIO HYDRO

A recommendation to dismantle an out of control monopoly weighs heavy, however, to leave it in place effects to a large extent, hundreds of thousands of existing jobs and the future growth of Ontario's economy. The wherewithal to carry on in Ontario Hydro's place already exists in municipal hydro organizations. The political will to do what must be done, will in a large part, be determined by your Committee's recommendation and the timing of a smooth transition to a workable solution.

NOT A SOLUTION

The proposal to break Ontario Hydro into ten or more business units, each taking over the roll of municipal utilities is one that should not ever be a consideration. This would be the tail wagging the dog. The result of the idiocy of a move of this nature would forever be the demise of low power rates. Hydro could not now or ever compete with the private sector, let alone be compared to a well run small to medium size public utilities. Any consideration of this matter would defy business logic.

PRODUCTIVITY OF HYDRO

The productivity of Ontario Hydro amounts to only a fraction of the productivity of well run utilities. This in many cases is not necessarily the fault of the men or women in question but the fault of the union and its stewarts who will not let the men or women under their control be productive. The salary ranges are a third above utilities. The ratio of employees to customers I would estimate to be 40% higher in all but heavy urban areas which is almost certain to be higher again. (See comparison productivity studies).

THE ONTARIO HYDRO MONOPOLY MUST BE BROKEN UP

It is the writer's opinion that Ontario Hydro has been so mismanaged over the last two decades that management cannot comprehend the damage of high rates and the contributory roll that low electrical rates play in getting Ontario's economy rolling again.

ONTARIO HYDRO'S NEW ROLL

It is my recommendation that a new Ontario Hydro would be responsible only as a wholesale entity and be forced to compete on a cost basis to the grid corporation. Hydro would be the organization responsible for the export of electrical energy within the rules of N.A.F.T.A. The full retail responsibility would be handed over to the expanded municipal utilities. The generation, other than nuclear, be sold to municipal utilities, with the large plants over 100 MW going to the grid corporation, or in the interval,(rented not sold), to the private sector for its operation in direct competition on the grid. The research labs and equipment be assigned to the Universities, etc.

I do not believe it is possible to recover even 20% of the investment made in the nuclear power plants nor would I believe that any private sector organization would be remotely interested in these nuclear investments. For this reason, Ontario Hydro should continue to run the plants and market the energy on the grid together with looking for new and expanding markets south of the border. The smaller hydraulic plants should be sold off to municipally owned utilities who are prepared to refurbish and operate them. The larger hydraulic plants should be, for the time being, operated by Hydro or transferred to the grid corporation, or barring this, contracted and leased to the private sector to compete on the Provincial grid with a lease period of 40 to 60 years. The thermal plants that meet environment standards should be first offered for sale to municipal entities, or barring non-acceptance, be leased to the private sector.

THE WHOLESALE COST OF ELECTRICAL ENERGY

Ontario Hydro's costs to produce energy amounts to about 4.6 cents per kilowatt which is approximately 1.1 cents higher than it should be. Hydro sells a portion of energy to its direct customers at well below its cost. The remainder of usable energy is sold to municipal utilities at 6 cents to 6.5 cents per kilowatt. The utilities with 12,000 or more customers or large industrial users can at present purchase gas turbine units using aircraft engine technology and natural gas on a fixed long-term contract basis and produce the same electrical energy at 4 cents per kilowatt. If there is a steam host it could go to a combined cycle unit and lower the cost to 3.5 cents per kilowatt.

THE MONOPOLY PREVENT PROGRESS

The sole reason that more of gas turbine technology is not used is that Ontario Hydro, with its monopoly and massive surplus of energy, dictates a massive stand by charge when the gas turbine unit (less than 2% of the time) is taken down for service. If the monopoly were taken away from Ontario Hydro, municipal utilities, large hydro direct customers and the private sector could advantage themselves of this cheaper power and then there would be even a greater surplus of energy in Ontario for possible export to the U.S.A. The consumer will benefit greatly from lower rates which should in turn attract new industry and make existing industry more competitive.

THE GRID SYSTEM

The ownership to the grid system by the municipal utilities should be vested with the customers proportionally on their use of the grid. The wheeling charges and the buying and selling of energy should be by a private or crown corporation owned and controlled by the utilities under the direction of the Energy Board. The grid system should be that portion above 44,000 volts with some exceptions. The rates set by the grid company and Energy Board should reflect as close to power at cost, taking in consideration redevelopment and maintenance cost with all contracts for this service awarded to the private sector.

NEW ROLL OF MUNICIPAL UTILITIES

Recognize that the present number of utilities are far too many to take advantage of efficiency of operation and the inherent savings related to efficiency. The new boundaries must take into consideration not only the political existing boundaries but the size and location of energy producing plants, the transmission station locations and distribution systems, etc.

A CO-OP APPROACH

We in Orillia have had dialogue with other municipal utilities and township councils in our area and as a result of preliminary discussion, we find that a cooperative approach to arrive at maximum efficiency is a possible solution without having to give up political control. This approach would mean that within a co-op, the rates would vary as they do now. For this system to work in taking over Ontario Hydro's former rural distribution area there would have to be assurance that the existing rural rate structure of Hydro's four rates would be transferred to the utilities. Some, but not all of Ontario Hydro's personnel and equipment would be transferred to the new co-op providing they accepted the terms of transfer.

ONTARIO HYDRO'S 35 BILLION DOLLAR (35 THOUSAND MILLION DOLLAR) DEBT

The major portion of adjusted debt related to the nuclear plants with some leeway for proportionate adjustment would continue to be the responsibility of new downsized debureaucratized Ontario Hydro under the direction of the Energy Board with the ownership reconfirmed as the electrical customers of the Province of Ontario. The remainder of the debt related to the purchase of the grid and other assets, together with stranded assets, be paid for from the purchase by municipal utilities and the private sector based in part by depreciated costs. The remainder and major portion of debt be paid by the customer based on the metered cost of energy consumed. The end result of this process will result in an almost overnight reduction of rates to the end user.

BACKGROUND OF ORILLIA'S POWER SYSTEM

Orillia is historically unique as it has been producing Municipally owned Electrical Energy to its customers and shareholders for 108 years. Orillia's first hydraulic plant went into production in March of 1902 which was the second and the then largest municipally owned hydraulic plant in North America. Orillia in 1902 pioneered long distance transmission of electrical energy. Officials of Orillia assisted Sir Adam Beck in the negotiation and purchase of Hydro Electric Power Commission's first hydraulic plant at Big Chute. Orillia transported over its high tension lines the electrical energy from H.E.P.C. first constructed plant at Wasdell Falls. By special order in council, Orillia was granted the right to service its customers outside the municipal corporate limits for a 25 mile radius.

Orillia presently owns three hydraulic plants located at Swift Rapids on the Severn River, Minden located at Horseshoe Falls on the Gull River and Matthiasville on the South Muskoka River. There are four large diesel generators located in Orillia. Four additional sites are allocated for future development. Orillia was self sufficient in its electrical energy for the greater period up to the 1950's.

The Orillia rate payers rejected, by referendum, the selling of its plants to H.E.P.C. From its inception, Orillia stood as a model of efficiency that a large monopoly like Hydro could not statistically compete with.

Since inception, Orillia has at one time or another, held the record of cheapest electrical rates in North America, the first organization to generate and transmit power over long distance, the brightest lit main street in North America, and at present, stands as one of the best technologically equipped power producing organization in Ontario.

Immediately after the Legislature put a stop to Hydro's spiraling rate increases Orillia

led the Province of Ontario in rate reduction by passing on an average of 7% across the board decrease in power rates. In December we again paid out a dividend of a further 5-1/2% to all our customers. No utility in the Province came anywhere close to this record. Within this calendar year all plants will be completely refurbished and fully-automated.

The Orillia Is utility is completely free of debt. Orillia has the second lowest municipal power rates in Ontario, second only to Ft. Francis that purchases its power by a political agreement involving other things outside of power from Boise Cascade.

ORILLIA'S GOAL TO BE SELF-SUFFICIENT IN ELECTRICAL ENERGY

It is Orillia's intent to be again self-sufficient in electrical energy. It is my fervent hope that the existing obstacles preventing this can be cleared by your Committee's recommendations to the Legislature.

In conclusion, I wish to state as a citizen of the Province and as a long time elected Hydro Commissioner dating back to 1964, I have shared the belief of other commissions and citizens at large that Ontario Hydro ownership is with it customers and not the corporation or even the Legislature. Ontario Hydro's only goal was to supply power at cost. In less than two decades this concept eroded to the situation that we are now in. I further recognize that the private sector would appear to be cheaper, but in considering that the private sector would be subject to tax and would be required to pay a large dividend to its shareholders, any savings would soon be eroded and the associated cost of electrical energy would escalate.

Once the assets are sold to the private sector then the customer is the loser and future generations do not have the means or wherewithal to put it back in public ownership. Hydraulic power plants do not depreciate, except on the books. They must be looked at in terms of their money making capabilities to hold rates down. It must also be considered that Sir Adam Beck III must be developed or the consumer will lose this opportunity to American interests. This should be addressed as part of your recommendations.

The expansion of utility boundaries to absorb Ontario Hydro's rural territory is a part of the answer.

Let's enter the 21st century with the renewed goal of power at cost and legislate so as never to have out of control monopoly.

Yours truly,

Frank Kehoe

Letter to the Editor

The selling of Orillia's Hydro distribution arm to Hydro One is unconscionable.

The mismanagement of Hydro One over the past four decades must be a concern for Orillia citizens. If Hydro One gains control of the OPC distribution arm, there is a real risk that they will resell it to profit corporations so as to help to reduce the provincial deficit. Once sold there is no opportunity to ever regain any control over Orillia's greatest asset.

To the best of my knowledge, the negotiating group has never asked for an RFP (request for proposal) for anyone outside of Hydro One. The logical people that have a direct municipal interest are an organization called **Power Stream** that includes Barrie, Vaughan, Richmond Hill, Markham, Aurora, Penetang, New Tecumseh, urban portions of Tottenham, Beeton, Alliston, Bradford, West Gwillimbury and Thornton. In addition, they are a 50% owner of **Collus Power Stream** which includes Collingwood, Staynor, Thornbury and Creemore. Any merger with the aforementioned would give a tremendous economy of scale and in the negotiation would allow Orillia Power the right to disengage and not inhibit additional generation.

There is one other merger in process which I believe includes Mississauga, Brampton, Hamilton and St. Catherine's.

For Orillia to negotiate with Hydro One without having other RFP's makes no financial sense as the other mergers do not involve any direct sale and the Orillia Power without restrictions would stay intact.


Frank Kehoe

Nineteen year chairman and commissioner of the former Orillia, Water Light and Power (OWLP)

This January letter to the Editor in the Packet and Times did not include the fact that ownership to the distribution arm while merging with the afore mentioned would still be owned by the Orillia Utility and would represent a huge saving to it's customers.

Ontario Hydro out of control.

234 (6)

To the editor:

The Ontario Hydro organization and its associated costs are out of control and operating well beyond its original mandate of supplying electric power at cost.

As a member of a municipal hydro system, it is my hope that the public and the media will let Ontario Hydro know in no uncertain terms that their escalating rate increases to cover these and future inflated costs will no longer be tolerated.

At a recent meeting of municipal and Ontario Hydro officials, executive members of Ontario Hydro announced that there will be a double digit increase in the wholesale cost of electricity and that electricity customers can expect more double digit increases commencing as early as next year.

Ontario Hydro has announced an average rate increase of 11.8 per cent for 1991, on top of 8.6 per cent for this year. This increase is the tip of the iceberg.

The public must become aware of Ontario Hydro's present policies which put an added strain on the economy by increasing costs and which will undoubtedly encourage increased movement of industry south of the border. These policies will also force smaller companies into receivership, increase farm costs, not to mention, the effect on individuals, rural and urban residential customers living close or below the poverty line.

Ontario Hydro is grossly over-staffed in senior and middle management categories attributed in part to the empire building that took place in the 1970's and 1980's. To be efficient and in line with organizations in the real world, Ontario Hydro should have less than half the number of employees in its head office and geographic regions.

This utility appears reluctant to implement the recommendations of the CRESAP report or even consider the cost cutting recommendations of the Ontario Energy Board.

For years Ontario Hydro marketed and promoted electricity with horrendously expensive media marketing techniques so as to encourage the use of electrical energy.

The reverse is now the situation, as Hydro's new plan is conservation to encourage, even financing a switch to gas from electric heat.

This new 2.7 billion dollar plan is geared to try to save power equivalent to the output of six Darlington size reactors by the year 2000.

Ontario Hydro is planning a large public relations program to try and sell this conservation as well cushion the rate increases required in part to promote it.

The first public relations program involves 100 transport truck loads of light bulbs. Ontario Hydro plans to mail through Canada Post, a package of two 52 watt light bulbs to 3.6 million Ontario households together with coupons that will subsidize the purchase of compact fluorescent and halogen bulbs from selected firms.

The people who are not in the front line who dream up these programs are obviously not experiencing the effects of the recession, or seeing the

suffering and hardships of many of the electrical customers.

This type of program is an insult to the intelligence of Hydro customers whose increased rates will be used to support this obviously transparent subterfuge.

Surely, an 11.8 per cent increase in itself an incentive to save.

The goal of power at cost was the founding principle of this utility under the chairmanship of Sir Adam Beck in 1906.

This goal is not being met in view of the following facts:

Ontario Hydro's debt as of June 30, 1991 is 30 billion, 547 million dollars. (30,547,000,000.00) Compare this to the Province of Ontario's debt 9.7 billion dollars or Canada's National Debt of 400 hundred billion dollars. (One billion dollars equals one thousand million dollars.)

Ontario Hydro has 35,846 employees on staff (end of August, 1991). Many are paid at wage levels higher than 20 per cent over the private sector.

Executive salaries listed below are totally out of line in comparison to the public service and do not include the many fringe benefits, cost of limousines and chauffeurs, foreign travel, etc.

To be efficient and in line with organizations in the real world, Ontario Hydro should have less than half the number of managers and something over half of the number of employees in its head office and geographic regions.

The wage scale excluding benefits for Senior Executives per annum are as follows: Chairman - \$152,000 to \$528,000; President - \$257,000 to \$386,000; 13 Vice Presidents each at \$124,000 to \$292,000.

Poor financial forecasts have forced management to use and partially deplete reserves.

In business since 1906, Ontario Hydro has a debt of 84 per cent, meaning of all its assets, only 16 per cent are debt free. How is this going to be paid by an aging population?

Ontario Hydro gave pension settlement to its employees giving them indexed pensions at a cost of \$228 million dollars.

Ontario Hydro (June 17, 1991) renegotiated its uranium supply contracts with Rio Algom Ltd. at a cost of \$160

million dollars. (approximately \$30 per pound which is \$20 per pound over uranium available from Saskatchewan.)

Ontario Hydro agreed to provide \$65 million to the Northern Ontario Heritage Fund to fund economic diversification to Elliot Lake and Blind River in retiring their municipal debt.

Ontario Hydro is to spend \$25 million on hydraulic contracts in Elliot Lake area which were low priority items in their original plans.

Ontario Hydro has spent approximately \$25 million on intervenor funding for its environmental assessment of its 25 year plan.

The Darlington Project was estimated originally at \$2.07 billion. The cost is now estimated at \$13.5 billion and rising. Would this happen in the private sector?

Darlington is "probably the biggest management screw-up in the history of Canadian industry," said utilities analyst Tom Adams of Toronto's Energy Probe Research Foundation.

The current cost estimate is an increase of 4.7 per cent from the \$12.9 billion, 1990 forecast.

Darlington has turned into a massive sinkhole for Hydro spending. Its current price tag is more than 380 per cent greater, in real dollars, than the original estimate - and is still clumping. "The cost overrun on Darlington has been staggering, and is getting worse all the time," Adams says.

It would fill this newspaper if I were to list the waste and poor management decisions made by this utility.

When challenged by the writer, the sarcastic answer received from a Hydro Vice President was "The bonds are still selling".

After I pointed out the disastrous results that this out-of-control utility was contributing to the recession and the people's ability to pay, Allan Holt, President of Hydro responded that there is no intention to privatize any part of this organization.

Prior to writing this letter, I faced the fact that either I could sit back and do nothing or attempt to protest but I knew I would be powerless to initiate major changes without the power of the media and the public.

I have no affiliation with any provincial party, nor am I affiliated with any other group such as Energy Probe, Green Peace, etc. I am acting unilaterally and personally paying all the costs related to this letter to all the media.

By way of this letter I solicit through the media, you the energy consumers, individuals, businesses, municipal councils and municipal hydro commissions to write, telephone or fax your elected representatives in the Provincial Legislature with a copy to the Premier of Ontario and Chairman of Ontario Hydro, requesting them to bring this essential utility back to realistic control.

Without your help your Municipal Hydro Commissions are powerless to absorb any of the increase or the predicted 44 per cent increase over the next three years.

Frank Kehoe, Commissioner
Orillia Water Light and
Power Commission

A Chronological Condensed History of Orillia's Extraordinary Hydro Electric Utility and its Council-Controlled Demise

In November, 1898, Orillia Town Council had a public meeting to discuss a hydro generation proposal and present the facts such as:

1. To build a hydraulic generation plant, Orillia, if approved, would be only the second town in Canada to build a water powered generation plant with municipal ownership
2. Orillia would have to be a pioneer in long distance transmission as no other power plant in North America had ever tried such a feat and there was a strong possibility that this long transmission of 18 miles may not even work as planned
3. Orillia would be one of the first towns to introduce, in concert, street lighting powered by water generated electricity

In February, 1899, Orillia held a plebiscite and the people endorsed the proposal to build, on their own, a dam and power plant at Ragged Rapids on the Severn River and clear and build a transmission line through bush for 18 miles to Orillia. **86.7% of the electors gave positive support** to this proposal. The debentures for the project were to be all paid for from the generation revenue so as not to create a large tax burden on the people of Orillia.

When the proposal was presented to the Provincial Legislature they all laughed at the proposal, but at the same time, commended the town for its courage. The Provincial Secretary, Sir John Gibson, warned that the cost estimate of \$125,000 was much too low. However, legislative approval was given to Orillia. The plant was constructed at a cost of \$123,000 and Orillia took possession March 25th, 1902.

Four years later the Province of Ontario set up a crown corporation which was to be named the Hydro Electric Power Corporation (H.E.P.C.), referred to later as Ontario Hydro, to generate and sell power at cost. The C.E.O. of this project was Sir Adam Beck.

The town initially operated the plant, however, new councils decided that there should be little or no contingent funding, nor budget established for planned maintenance. The council then utilized these contingencies and profits for other non-related projects such as reducing the municipal tax burden.

In 1912, with an outcry from industry related to the mismanagement and the high number of outages of the generation, the town elected industrialists that included J.B. Tudhope and Erastus Long and other small industry leaders who recognized that the power asset, to work effectively, must be removed from council control. This new council then prepared a permanent bylaw to be approved by the citizens of Orillia and they ordered a referendum to decide this issue. On January 26th, 1913, the referendum passed to create a separate elected commission (corporation), free of council, to administer and run both the electricity and water. This was endorsed by

65.8% of the electors and became the peoples' Bylaw 557 forming the Orillia Water, Light and Power Commission that could not be changed, nor amended without approval by another referendum by the people.

In 1914, with the construction of the north branch of the Trent Canal, the Federal Government weighed the cost of bypassing the Ragged Rapids plant through a massive rock cut or, alternately, relocating the Orillia Power Plant downstream to Swift Rapids. With much negotiation with OWLP, the federal government chose the latter.

The Province of Ontario, in the Town of Orillia Act, 1915, brought in legislation and under Section 11 of the Act included the following:

"11(1) – subject to subsection 2, all the powers, rights and privileges with regard to the government of the Orillia Power Transmission plant or the generation, distribution and sale of electrical power and light heretofore or hereafter granted by any special Acts to the council or Corporation of the Town of Orillia 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.

11(2) – Nothing contained in this section shall divest the council of its authority with reference to providing the money required for such works, and the treasurer to the municipality shall, upon the certificate to the Commission, pay out any money so provided."

Ontario Hydro, in 1916, lobbied the Orillia Town Council to sell the electrical assets and the Swift Rapids Plant. The council looked on this as being a large financial win fall and they commenced to finalize an agreement to sell these assets to Ontario Hydro.

The Orillia Water, Light and Power Commission advised town council that they did not have the authority to negotiate nor transfer these assets without first going to the electors, which was the intent of Bylaw 557. and to any attempt to do this transfer, without the approval of the electorate, would be illegal. The town council called another referendum on May 22nd, 1916 and the electors responded to this by a majority of 86.7% who voted not to sell the assets.

In 1934, a third referendum was called for approval of O.W.L.P. to build a second generation plant at Minden and a power line to Orillia. The referendum covered a smaller plant (Minden #1) with having the rights to build a large plant at a later date to accommodate Orillia's population growth. The commission requested and received provincial approval and the Minden #1 plant, on the Gull River. The referendum was approved by 95.45% by the electors on July 20th.

A third hydro generation plant was voted on and approved on the South Muskoka River at Mathias. The plant was officially opened on July 6th, 1950 by Leslie M. Frost, Premier of Ontario whose father was a council member who initiated Bylaw 557 in 1912.

By 1952, with the industrial growth and larger population, there was a need to bring on additional Orillia generation. When this was contemplated and announced, Ontario Hydro

intervened and ran radio interviews, newspaper ads and editorial comments to attempt to prove that the Minden Plant #2 could never compete with the surplus generation now available in the Ontario Hydro system. Thousands of dollars was spent by Ontario Hydro to lobby the people of Orillia to vote against the project. On September 14th, 1953, the electors of Orillia, with lobbying from Ontario Hydro, voted against building Minden Plant #2 by a **small majority of 52.2%**. In hindsight, millions of dollars were lost to Orillia in not building the second Minden plant. It is worthy to note that Sir Adam Beck, who was now deceased, was always an ally of Orillia. But the new Ontario Hydro management had taken a different tact when dealing with the town.

As Orillia could no longer supply 100% of the supply required to tool its industry and customers, Orillia Water, Light and Power were forced to join the Ontario hydro bureaucracy under a long term contract that dictated new, and somewhat impossible, rules that the elected commission must operate by. These rules governed that the money the utility was able to borrow, denial of contingency funding, and not permit reserve accounts for additional generation. All expansion of Orillia's power system had to be approved by them and, if approved, come from borrowed money.

Despite all of the bureaucratic operational dictates flowing from Ontario Hydro, Orillia Water, Light and Power, prior to and through the duration of the hydro contract, had a unique history:

- From 1902 to 1907, the cheapest power rates for all of North America
- From 1908 to 1924, the cheapest power rates in all of Canada
- From 1925 to 1990, with the exception of a 6 year period, the lowest rates in Ontario, which, of course, included all Ontario Hydro customers.

During and at the end of World War I, with the town's electrical energy surplus, a massive number of industries moved into Orillia so that citizens could boast that Orillia had more industry within its borders than all of the remaining municipalities within Simcoe County.

In the early twentieth century Orillia had, for many years, sold its surplus electrical energy to H.C.P.C. for ridiculously low prices - from 1/16th of a cent to 1/3rd of a cent per kilowatt hour. This greatly assisted Ontario manufacturing sector throughout World War II.

At the time of the construction of the TransCanada Pipeline in Orillia Township (now Severn), Orillia Water, Light and Power, looking into the future, negotiated a possible hook-up on the high pressure side of the gas line and purchased a block of land abutting the pipeline at a location identified by pipeline officials where they would possibly, in the future, locate a boosting station. O.W.L.P. then located a sub-station on the adjacent property hoping, in future, to build a gas turbine unit or partner with TransCanada Pipeline for this additional generation.

Bill 35

When Bill 35 was introduced it was looked on, in part, as a sham which protected the then out-of-control provincial hydro utility saying that it would introduce competition and level the playing field between municipal utilities and their provincial counterparts. As the legislation

advanced the O.W.L.P. wanted to expand its operation and take over the Coldwater (Severn) and Brechin Utilities. When O.W.L.P. negotiated this purchase the provincial utility stepped in and increased the price, well above its value, and acquired both utilities as they did with the majority of the smaller utilities throughout the province. **So much for leveling the playing field.**

With Bill 35 the then mayor, Ken McCann, with the approval of council, set up what he called "The Transition Committee" to deal with the legislation. The commission trusted that this committee would not impact on the processes in place with the elected commission and would act appropriately within the intent of Bylaw 557. The elected commission were told that this legislation was a mandatory provincial act and all commissions in the province must adhere to this new process and that the O.W.L.P. Commission had little to no involvement in the process other than to accept that the council, under the legislation, were in charge of incorporating three new corporations that would now act in place of O.W.L.P. and the council was empowered to appoint representatives to act in a similar manner as the present elected commission.

Using secrecy, deceit and misinformation and, on occasion, outright untruths to the elected commission, so as to distort the process keeping commission members improperly informed and not including the commission as part of the process was morally wrong. The Transition Committee made no mention that the Orillia Water, Light and Power Commission was a corporation that the legislation of the Electricity Act (1998), Section 142 empowered the commission as a corporation to form the separate corporations and partner with council to negotiate an acceptable bylaw replacing the O.W.L.P.

Fourteen years later a commissioner, after being given, by accident, a copy of the April, 2000 Transition Committee report started doing research. Part of the research was looking at the bylaw council had enacted (Bylaw 2000-144). The new city bylaw was an out-and-out betrayal of the intent of the peoples' Bylaw 557. The council, in the bylaw, named council the only agent of the shareholders and created massive debt on the books from the former O.L.W. P. It is ironic that the O.W.L.P., at the time of the alleged transfer, was completely out of debt and had cash and recoveries of just over \$7 million. With one resolution of a former council, as written in the minutes of the regular council meeting dated April 17th, 2000, while Bylaw 557 was to prevent any council interference, the council decided, on their own, to proceed on the council's transition committee's recommendations. There were 13 recommendations adopted by unanimously council in a recorded vote. **The council members were: Shaw, Spears, Gardy, Morano, Evans, Lauer, Kirby, Buchanan and McCann.**

With one vote, that would become their unfortunate legacy, nine members of council in violation of Bill 557, set in motion the ultimate destruction of the Orillia Water, Light and Power Commission and, what was always to be at arm's length of council control, and answerable entirely to the citizens of Orillia by way of referendum, now became a highly revenue generating department for the city who was now able to take their profits at will and take back full control over the assets.

For 87 years the Orillia Water, Light and Power Commission operated as a corporation independent of council. The commission was owned by the municipality (citizens of Orillia) and the O.W.L.P. was answerable directly to the citizens. The commission meetings were

open to all citizens and the operation and all finances were audited annually and this audit was always made available to all Orillia citizens. The press attended most meetings and kept the citizens of Orillia well informed.

During the course of the 87 years operating under the name of O.W.L.P., the commission (corporation) was considered Orillia's greatest asset. Within the planning scope, that was soon to be implemented when monies became available, some of the projects were as follows:

1. Building Orillia's own Transmission Station

The commission was paying a much higher wholesale rate for energy purchased from Ontario Hydro that the cost could be reduced if the commission were to build its own transmission station and take its power directly from Ontario Hydro's 230,000 volt line instead of purchasing the power at 44,000 volts from Ontario Hydro's transmission station. The pay-back on this transmission station, if Orillia was to build it, would be less than ten years and at a cost in the range then of \$1 to \$1.5 million and would serve Orillia for many years and for any future annexation.

2. O.W.L.P. Growth Potential on Additional Power Sites

O.W.L.P. had the provincial legislation in place and the flood rights to three additional power sites:

- a) Minden #2 at Horseshoe Falls
- b) Cooks Falls on the South Muskoka River
- c) Crozier Falls on the South Muskoka River
- d) Sandy Gray on the Musquash River

The O.W.L.P. had spoken for generation sites at Farm Rapids on the Magnetewan River consisting of 5 additional power sites where the civil engineering costs of building dams (power stations) were advantageous. Negotiation had commenced with the First Nations and agreement could follow.

Ontario Hydro offered little to no care of how they operated their plants downstream from Orillia's Mathias Plant on the South Muskoka River. In order to increase capacity Orillia was prepared to purchase and redevelop these plants. Ontario Hydro, starved for energy, could have been forced to either develop them properly or sell them to Orillia Water, Light and Power.

Had the Bill 35 transfer been done in an honest and appropriate manner then certainly, by this date, the utility would be sitting with both a surplus of debt free energy and adequate reserve for the future, as well as paying dividends back to its shareholders, the municipality (the people of Orillia). All would benefit and the utility could continue to attract industry.

The Council's Transfer of the O.W.L.P. Assets into Three Corporations

It is important to recognize the effect that this transfer had on the people of Orillia. The council enacted the Bylaw 2000-144 and broke up the former assets of Orillia Water, Light and Power into three corporations, which was a requirement of the provincial legislation. But since O.W.L.P. was a corporation, they could have, if they had known at the time, set up these corporations so as to remain arm's length from council, as Bill 142 permitted it. This would then involve direct negotiations between the O.W.L.P. commission and city officials to jointly construct a bylaw that would still have abided by the provincial legislation. This did not occur as council had another confidential agenda and did not have any discussion, whatsoever, with the elected commissioners.

The new corporations, approved by council in Bylaw 2000-144, were as follows:

- 1) **Holdco**, the administrative arm, which would be a somewhat of a puppet of council, responsible for applying for rate increases and work through the Ontario Energy Board so as to produce as much revenue from rates as possible directly back to council
- 2) **Distco**, the corporation responsible for the distribution of hydro (the wire's company)
- 3) **Genco**, which would administer the power generation arm

When these three corporations were set-up, the certificates are all dated October 26th, 2000. There is now a name change from Bylaw 2000-144 to Orillia Power Generation Corporation (Genco), Orillia Power Corporation (Holdco), and Orillia Power Distribution Corporation (Distco). The corporation numbers are: 1446921, 1446922, 1446923.

To deal with this topic it is necessary to repeat that, at the time of O.W.L.P. was being dissolved, there was **\$7+ million in the bank and receivables, with absolutely no debt**. The elected commission has no idea as to where the money disappeared to, and with the disclosure clause, cannot get any answers. So what happened in this transition is that the city created debt and **Distco was to show that it now owed the City of Orillia \$9,762,000.00 (nine million, seven hundred and sixty-two thousand dollars) and a promissory note was issued under the following terms:**

1. Principal Amount
\$9,762,000.00
2. Interest Rate
7.5% per annum to December 31, 2005 and thereafter the interest rate will be changed for each subsequent 5 year period to be equal to 2% plus the annual rate paid by the Royal Bank of Canada (RBC) as set by the RBC head office in Toronto on December 31st of the year immediately preceding the commencement of each 5 year period on 270 day term deposits exceeding \$8,000,000.00 (such \$8,000,000.00 amount to be adjusted from time to time after December 31st, 2000 to reflect the impact of inflation as measured by the Consumer Price Index). For greater certainty on October 11, 2000 the rate paid by RBC on 270 day term deposit for \$8,000,000.00 was 5.5%.
3. Payment of Interest

Payments of interest shall be quarterly on the last days of March, June, September and December in each year. Interest shall commence to accrue on the date that the initial Performance Based Regulation rates for Distco become effective, and the first payment of interest shall become due on the first quarterly payment date next following the date that interest commences.

4. Due Date
The due date is December 31, 2030. Distco shall not have the right to prepay the principal in whole or in part.
5. Prepayment of Principal at Option of the City
The City, at its option, and upon giving to Distco at least 6 months written notice, may require the prepayment of up to 20% of the original principal amount of the Promissory Note on March 31st, in any calendar year.
6. Acceleration on Default
In the event that Distco defaults any payments due under this Note and such default not having been corrected within 30 days after the City, having given written notice to Distco of such default, then the City may demand immediate payment of all principal and interest due under the Promissory Note.

And Genco, a second promissory note of \$5,034,000.00

1. Princippal Amount
\$5,034,000.00
2. Interest Rate
7.5% per annum to December 31, 2005 and thereafter the interest rate will be changed for each subsequent 5 year period to be equal to 2% plus the annual rate paid by the Royal Bank of Canada (RBC) as set by the RBC head office in Toronto on December 31st of the year immediately preceding the commencement of each 5 year period on 270 day term deposits exceeding \$8,000,000.00 (such \$8,000,000.00 amount to be adjusted from time to time after December 31st, 2000 to reflect the impact of inflation as measured by the Consumer Price Index). For greater certainty on October 11, 2000 the rate paid by RBC on 270 day term deposit for \$8,000,000.00 was 5.5%.
3. Payment of Interest
Payments of interest shall be quarterly on the last days of March, June, September and December in each year commencing 2001. Interest shall commence to accrue November 1, 2000, and the first payment of interest shall become due December 31, 2000 for the 2 month period
4. Due Date
The due date is December 31, 2030. Genco shall not have the right to prepay the principal in whole or in part.

5. Prepayment of Principal at Option of the City

The City, at its option, and upon giving to Genco at least 6 months written notice, may require the prepayment of up to 20% of the original principal amount of the Promissory Note on March 31st, in any calendar year.

6. Acceleration on Default

In the event that Genco defaults any payments due under this Note and such default not having been corrected within 30 days after the City, having given written notice to Genco of such default, then the City may demand immediate payment of all principal and interest due under the Promissory Note.

Could you imagine doing this in the private sector and not being arrested for it? The elected commission might refer to this as "loan sharking". It becomes hard to believe, but one only has to ask for Bylaw 2000-144, from city hall to authenticate it.

Now, of course, there has to be some protection for the parties involved as too much information is contagious. So the city included, in the bylaw, a confidentiality clause:

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).**

As this report is lengthy, and the citizens can, on their own accord, access the full bylaw, (Bylaw 2000-144) at city hall, it will not be necessary to show the vast changes affecting both the running of the utility and the affect it has on the citizens in Orillia.

In summary, after the destruction of the O.W.L.P., it is necessary to show where, exactly, the money is coming from. In the aforementioned recorded vote, (by: Shaw, Spears, Gardy, Morano, Evans, Lauer, Kirby, Buchanan and McCann) contained 13 items. Item #10 reads as follows:

- 10. **With respect to the generation company's operations, Council approve the principle of moving from a rate minimization approach to a profit maximization approach over a transition period of three to five years.**

The Transition Committee maximization means a 15% increase in Orillia's electrical rates in the Year 2001 followed by 0.9% annual increase thereafter up to 2005. The Ontario Energy Board now controls the rate increases. The O.E.B., under Application EB2005-0061 represents another increase. In 2006, EB2006-0401; in 2007, EB2007-0565 – another increase; in 2008, EB2008-0851 – another increase; in 2009, EB2009-0273 – another increase; and so up until May 1st, 2014.

There appears to be another increase as the Orillia Power Corporation mentioned, in its meeting in council, a further increase of 1.1% on distribution charges and generation charges increasing by 6.4%.

In the last reporting, from Orillia Power, they reported to council that from its inception in 2000 (incorporation), it has paid the council coffers \$35.1 million through interest and dividends, together with \$3 million to Orillia Soldiers' Memorial Hospital and \$1 million to Lakehead University for campus development.

Since the math does not make sense, when you relate it to interest rates, council must have tapped other monies of which we are not aware. Within the articles of each of the three corporations there is a clause that reads as follows:

- “(1) *The rights and privileges, restrictions and conditions attaching to the common shares are as follows:*

 - (a) *Payments of Dividends: The holders of the common shares shall be entitled to receive dividends if, as and when declared by the board of directors of the Corporation out of the assets of the Corporation properly applicable to the payment of dividends in such amounts and payable in such manner as the board of directors may from time to time determine. Subject to the rights of the holders of any other class of shares of the Corporation entitled to receive dividends in priority to or concurrently with the holders of the common shares, the board of directors may, at its sole discretion, declare dividends on the common shares to the exclusion of any other class of shares of the Corporation.”*

It is time that the people concerned with the cost of their own electricity bill, make it known to council, and other citizens, that they of Orillia, are the true shareholders of Orillia Power and give clear direction to your council candidates that you want true transparency and not secrecy. It is also important to give your opinion on how this money is to be best spent.

Although the legislation dictated a process, where the council could be kept at arms length, the council of the day decided that they could get away with breaking the people's bylaw and substitute it with their own bylaw that not only crippled the utility, but expected to be paid additional dividends on top of the artificial debt. The people's bylaw is still alive, as is your last elected commission.

The investigation on the transfer of Orillia's power utility did not commence until one member of the commission was inadvertently given the city council's Bill 35 Transition Committee document covering the recommendations on the future of Orillia's hydro utility. The majority of the recommendations were adopted by city council on April 17th, 2000. The dissolving bylaw happened five months later in September of 2000. When the other members of the commission were made aware of it, they, having never seen this document in this format, decided to write mayor and council by letter dated September 23rd, 2014 and had it hand delivered. This letter was meant to go on the agenda of city council at its next meeting. However, for reasons unknown, two additional meetings elapsed and no member of city council has yet to see it.

In the interval, another document was discovered that, again, no member of the elected commission was aware of. This was Bylaw 2000-146, a bylaw to dissolve Orillia Water, Light and Power Commission dated October 16th, 2000. The bylaw reads as follows:

"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 THEREOFRE 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."

This bylaw alleges, again, partial distortion as the Orillia Water, Light and Power Commission was established by the council of the day and voted upon and passed by the electorate, as Bylaw 557, (Municipal Act and other legislation). The Municipal Act, since the bylaw was by referendum, requires that, for the bylaw to be amended or appealed, it would have to be done following the same process as it was enacted (another supporting vote of the electors).

The elected commission suspects that the purpose of Bylaw 2000-146 was to be able to swear that council had now acquired the authority to set up the three corporations under the Provincial Corporation Act without any transfer document originating from the commission. Item 1 of the bylaw makes mention of a "general conveyance, assignment and bill of sale from the commission". **The elected commission was the only party that could enact a legal transfer.** However, they would never put themselves in this position as this would be betraying the people's bylaw that they had a fiduciary obligation to protect for the citizens of Orillia.

I would expect that there is at least another 10,000 employees at \$90,000 or above.

Frank Kehoe



LETTERS TO THE EDITOR Salary incentives

Ontario Liberals are buying union votes at the hydro rate's and taxpayers' expense. A recently retired Ontario Power Generation (OPG) CEO made \$1,528,933 in 2015.

In 2014, at least 148 OPG and Hydro One employees made more than a quarter-million dollars a year and there were 12,500 OPG and Hydro One employees who made more than \$100,000 a year.

Since the Wynne Liberals have sold off 15% of Hydro One with the help of a \$111-million loan to OPG and Hydro One unions to buy stock in 2015, Hydro One salaries are no longer required to be published on the Sunshine List.

Premier Kathleen Wynne states the Liberals are selling off 60% of Hydro One and retaining 40%. OPG workers will get equivalent to 2.75% of their salary for 15 years in stock. Hydro One employees will get shares equivalent to 2.7% of their salary for 12 years in stock in exchange to support Wynne in the sale of Hydro One.

From the so-called 60% sale of Hydro One, Wynne says Ontario will make \$9 billion. Then she states \$5 billion will go back into Hydro One, so in reality, is Wynne selling Hydro One for \$4 billion? Or is the the money going back to pay the \$5 billion OPG and Hydro One are short in their pension fund?

Ontario hydro ratepayers and taxpayers are supposed to be putting in almost \$5 for every \$1 employees are putting into these unsustainable pension plans. Any way you look at it, the Ontario hydro rate and taxpayers end up on the losing end of this failed energy experiment.

On another note, Ontario taxpayers paid almost \$11 billion to export excess power off the grid in the first six months in 2015, while our rates continue to rise and we continue to overproduce hydro in Ontario while Quebec, Manitoba and the United States get free hydro or for pennies a kilowatt hour.

Ross Ayotte
Smiths Falls

246 (18)
PAKET SAT MAY 21/16

From: araymond@kingston.net
To: "Undisclosed-Recipient;"
Sent: 5/20/2016 10:33:52 P.M. Eastern Daylight Time
Subj: Hydro list

HYDRO LIST

Hydro rates going up this summer, Ontario Energy Board says OEB s milder

winter is to blame for rate hikes, which will add about \$3 to average monthly bill.

This is ridiculous! Only in Ontario would customers be penalized for reduce electricity consumption. We do the

things we are supposed to do: get smart meters, turn down the temperatur use the dryer dish washer on off

hours, turn off lights etc. and yet we still get screwed. So if we have a hot summer and consumption goes back

up again, will they reduce rates? Not a chance!! What other business, othe than this monopoly, could get away

Ontario Hydro

Share these electricity facts with your friends

G+1

2.3K

Hydro Consumption Study

Help us determine how smart meter billing rates compare to conventional rates by participating in our

Electricity Usage Study

No confidential data is required.

2014 Salaries Related to Ontario's Hydro Costs

Ever wonder why your electricity bill in Ontario has skyrocketed over the past decade? Well, a large portion of what you pay goes toward funding overpaid bureaucrats who only need to jack up your hydro rates to ensure the money can keep flowing into their bank accounts. How many overpaid public service workers does it take to make Ontario the province with the highest electricity rates (excluding PEI which imports most of its power)? Well, at least 148 who make more than a quarter million dollars per year and 12,500 who make more than \$100,000.

Note that the government sold off 15% of Hydro One in 2015. As a result of this, Hydro One salaries are no longer required to be published on the Sunshine Club list. Here are the 2013 Hydro Employees making \$250,000 plus.

Result 1 - 50 of 148

Bloated Organization	Overpaid Fat Cat	2014 Salary & Position Benefits
Ontario Power Generation	THOMAS MITCHELL	1,562,094 President & CEO
Ontario Power Generation	DONN W. HANBIDGE	1,211,952 Senior Vice President & Chief Financial Officer
Hydro One	CARMINE MARCELLO	745,208 President & Chief Executive Officer
Ontario Power Generation	GLENN JAGER	601,717 Chief Nuclear Officer
Ontario Power Generation	CHRISTOPHER GINTHER	533,255 Senior Vice President, Law, General Counsel & Chief Ethics Officer
Hydro One	SANDY STRUTHERS	521,635 Chief Operating Officer & Executive Vice President Strategic Planning
Ontario Power Generation	PIERRE F. TREMBLAY	514,123 President Canadian Nuclear Partners
Ontario Energy Board	ROSEMARIE LECLAIR	509,242 Chair & Chief Executive Officer
Ontario Power Generation	BRUCE BOLAND	491,297 Senior Vice President Commercial Operations & Environment
Hydro One	WAYNE SMITH	466,008 Senior Vice President, Operations
Ontario	SUKUMAR	

\$18.78 \$19.78
Lightshow Kaleidoscope...
 Shop Now

Lightshow Kal...
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Lightshow Kal...
 Shop Now

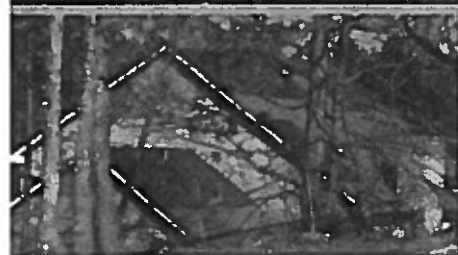
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Power Generation	MUTHUSWAMY	457,149	Shift Manager
Ontario Power Generation	PAUL PASQUET	456,947	Senior Vice President
Ontario Power Generation	MICHAEL ALLEN	453,405	Vice President Refurbishment Execution
Ontario Power Generation	WILLIAM ELLIOTT	454,194	Senior Vice President, Nuclear Engineering & Chief Nuclear Engineer
Ontario Power Generation	DIETMAR E. REINER	467,579	Senior Vice President, Nuclear Projects
Ontario Power Generation	ROBIN HEARD	435,227	Vice President Finance, Chief Controller & Chief Accounting Officer
Ontario Power Generation	MIKE MARTELLI	432,980	Senior Vice President Hydro Thermal Operations
Ontario Power Generation	SCOTT MARTIN	428,885	Senior Vice President Business & Administration Services
Ontario Power Generation	SEAN GRANVILLE	437,374	Senior Vice President
Ontario Power Generation	BARBARA KEENAN	424,279	Senior Vice President, People & Culture
Hydro One	MICHAEL WINTERS	405,933	Senior Vice President, Engineering & Construction
Ontario Power Generation	BRIAN DUNCAN	389,495	Senior Vice President Darlington
Ontario Power Generation	STEPHUN CLIVER	368,766	Chief Supply Officer
Hydro One	ROBERT CULTRARO	363,325	Senior Vice President, Pensions
Ontario Power Generation	KEN WILKINS	343,001	Authorization Training Supervisor
Hydro One	ALI SULEMAN	336,088	Vice President & Treasurer, Treasury & Risk
Ontario Power Generation	STEVE WOODS	330,171	Vice President
Ontario Power Generation	DAVID KAPOSI	330,021	Vice President Chief Investment Officer
Ontario Power	BRIAN MCGEE	327,267	Senior Vice President, Pickering



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Generation Ontario Power	RENZO MARCUZZI	326,877	Vice President Electricity Sales & Trading
Generation Ontario Energy Board	D. ALECK DADSON	324,244	Executive Advisor
Hydro One	JOSEPH AGOSTINO	321,617	Senior Vice President, General Counsel & Corporate Compliance Officer
Hydro One	PETER GREGG	309,721	Chief Operating Officer
Ontario Power Generation	CARLO CROZZOLI	308,094	Senior Vice President Corporate Business Development & Chief Risk Officer
Ontario Power Generation	FRANCESCO GUGLIELMI	319,516	Contract - Executive Advisor
Ontario Power Generation	STEPHEN RAMJIST	308,130	Vice President Fleet Operations & Maintenance
Ontario Power Generation	JOHN MAUTI	305,483	Vice President Business Planning & Reporting
Ontario Power Generation	IVAN ARSENAULT	306,195	Authorization Training Supervisor
Ontario Power Generation	ANDREW P. BARRETT	303,742	Vice President Regulatory Affairs
Ontario Power Generation	KEN GILBERT	303,096	Director Operations & Maintenance
Ontario Power Generation	JASON FITZSIMMONS	302,618	Vice President Health, Safety, Employee & Labour Relations
Norfolk Power Distribution	JODY MCEACHRAN	307,740	General Manager
Hydro One	MIKE PENSTONE	302,338	Vice President Planning
Ontario Power Generation	RICHARD GEOFROY	300,559	Control Room Shift Supervisor
Ontario Power Generation	SHAYN BALLAGH	300,459	Shift Manager
Ontario Power Generation	COLVIN RIVIERE	296,458	Control Room Shift Supervisor
Ontario Power Generation	JONG DEA KIM	296,444	Chief Information Officer

Power Generation	ROSS HENRY	295,520	Control Room Shift Supervisor
Ontario Power Generation	CHRIS HAWLEY	295,120	Authorization Training Supervisor
Ontario Power Generation	EDWARD SKREPNEK	294,260	Control Room Shift Supervisor

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Hydro Consumption Study

Help us determine how smart meter billing rates compare to conventional rates by participating in our

Electricity Usage Study

No confidential data is required.

2014 Salaries Related to Ontario's Hydro Costs

Ever wonder why your electricity bill in Ontario has skyrocketed over the past decade? Well, a large portion of what you pay goes toward funding overpaid bureaucrats who only need to jack up your hydro rates to ensure the money can keep flowing into their bank accounts. How many overpaid public service workers does it take to make Ontario the province with the highest electricity rates (excluding PEI which imports most of its power)? Well, at least 148 who make more than a quarter million dollars per year and 12,500 who make more than \$100,000.

Note that the government sold off 15% of Hydro One in 2015. As a result of this, Hydro One salaries are no longer required to be published on the Sunshine Club list. Here are the 2013 Hydro Employees making \$250,000 plus.

Result 51 - 100 of 148

Bloated Organization	Overpaid Fat Cat	2014 Salary & Benefits	Position
Ontario Power Generation	CATRIONA KING	293,380	Vice President Corporate Secretary & Executive Operations
Ontario Power Generation	PAUL J. BURKE	293,374	Vice President Integrated Revenue Planning
Hydro One	COLIN PENNY	293,573	Senior Vice President, Technology & Chief Information Officer
Hydro One	LAURA COOKE	291,713	Senior Vice President, Customer & Corporate Relations
Ontario Power Generation	MARTIN LOUGHEED	292,052	Shift Manager
Hydro One	JUDY MCKELLAR	292,737	Senior Vice President, People & Culture, Health & Safety
Ontario Power Generation	ROGER SCHRYER	288,767	Authorization Training Supervisor
Ontario Power Generation	PETER KING	288,816	Director Centre-Led Functional Area Manager Operations
Hydro One	KAREN NEWMAN	289,497	Vice President, Corporate Controller
Ontario Power	STEVE	288,334	Director Operations &

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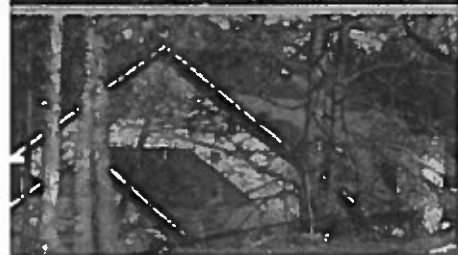
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Generation	GREGORIS		Maintenance
Ontario Power Generation	JOE SIRACUSA	288,329	Vice President Engineering & Technical Services
Ontario Power Generation	ROSS MCCORD	287,928	Manager, Operations Production
Ontario Power Generation	CHRISTOPHER QUIRT	286,522	Shift Manager
Hydro One	JOHN FRASER	287,060	Senior Vice President, Internal Audit
Ontario Power Generation	ANDY MOECK	284,930	Shift Manager
Ontario Power Generation	JAMES DINGLE	285,307	Control Room Shift Supervisor
Hydro One	SUSAN FRANK	284,615	Vice President, Regulatory
Ontario Power Generation	GÄ%RALD PARENT	283,791	Shift Manager
Ontario Energy Board	MARY ALDRED	285,404	General Counsel & Vice President- Legal Services & Strategic Policy
Ontario Power Generation	BRIAN SPEER	282,214	Shift Manager
Ontario Power Generation	ALAN SHIEVER	282,489	Vice President Learning & Development
Ontario Power Generation	LAURIE SWAMI	281,687	Senior Vice President Decommissioning & Waste
Ontario Power Generation	BARRY BOUCKLEY	280,294	Shift Manager
Ontario Power Generation	ZARIR KHANSAHEB	279,342	Manager, Operations Production
Ontario Power Generation	LORNE SHANTZ	280,941	Control Room Shift Supervisor
Ontario Power Generation	RON BAMBRICK	280,105	Authorization Training Supervisor
Ontario Power Generation	ROBERT JACKOWSKI	280,122	Assistant Operations Manager
Ontario Power Generation	JOSEPHINA ERZETIC	279,233	Vice President Corporate Business Development



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Ontario Power Generation	JOHN MCDONALD	278,407	Shift Manager
Ontario Power Generation	WILLIAM HYSON	277,872	Control Room Shift Supervisor
Ontario Power Generation	BRENDA MACDONALD	277,313	Vice President, Law
Ontario Power Generation	MARTIN DOBRESCU	276,523	Authorization Training Supervisor
Ontario Power Generation	RON HOSEIN	276,323	Shift Manager
Ontario Power Generation	DAVID MACDIARMID	275,600	Shift Manager
Ontario Power Generation	MARLENE RAMPHAL	291,177	Manager, Operations Production
Ontario Power Generation	BILL ROBINSON	273,866	Senior Vice President, Nuclear Projects
Hydro One	JONATHAN REBICK	275,929	Vice President Strategic Planning
Ontario Power Generation	PAUL SEGUIN	274,850	Assistant Operations Manager
Ontario Power Generation	JIM KEELING	274,577	Control Room Shift Supervisor
Ontario Power Generation	CRAIG WARDROP	274,582	Director Maintenance
Ontario Power Generation	PAUL SPEKKENS	273,980	Vice President, Science & Technology
Ontario Power Generation	RICHARD WAYTOWICH	273,106	Shift Manager
Ontario Power Generation	CHRIS SCOTT-DIXON	273,068	Shift Manager
Ontario Power Generation	NORM DOBRICH	273,249	Shift Manager
Ontario Power Generation	ALLAN GRACE	272,240	Control Room Shift Supervisor
Ontario Power Generation	ANDREW OWEN	272,073	Control Room Shift Supervisor
Ontario			Senior Regulations Analyst,

Power Generation	ANGELA WONG	271,393	Canadian/United States Regulatory Affairs
Ontario Power Generation	RICHIE JAMES	271,045	Unit 0 - Training Supervisor
Ontario Power Generation	WAYNE ROBBINS	269,744	Chief Nuclear Officer
Ontario Power Generation	BRYCE PHILLIPS	270,610	Senior Vice President, Pickering

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Result 101 - 148 of 148

Bloated Organization	Overpaid Fat Cat	2014 Salary & Benefits	Position
Ontario Power Generation	JEFFREY EATOCK	269,555	Shift Manager
Ontario Power Generation	MICHAEL GRIFFITHS	268,907	Control Room Shift Supervisor
Ontario Power Generation	HENRY EVANS	269,590	Authorized Nuclear Operator
Hydro One	PAUL TREMBLAY	269,064	Vice President, Urban Distribution Strategy & Operations
Hydro One	GARY SCHNEIDER	268,904	Vice President, Shared Services
Hydro One	ANDREW STENNING	268,572	Vice President, Stations And Operating
Ontario Power Generation	SEBASTIAN GIORGI	267,647	Authorization Training Supervisor
Ontario Power Generation	STEPHANIE SMITH	266,967	Manager, Plant Maintenance
Ontario Power Generation	SEAN LEACH	266,630	Authorization Training Supervisor
Ontario Power Generation	CAMERON SPENCE	266,190	Manager, Operations Production



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Hydro One	PAUL MARCHANT	265,440	President & Chief Executive Officer, Hydro One Telecom
Ontario Power Generation	DAVID ROGERS	265,029	Shift Manager
Ontario Energy Board	JULIE MITCHELL	267,166	Vice President, People, Culture & Business Solutions
Ontario Power Generation	GLENN TEMPLE	264,626	Vice President Real Estate & Services
Ontario Power Generation	DHANIRAM BHAGWANDIN	264,217	Control Room Shift Supervisor
Ontario Power Generation	LOUIE DESANTIS	263,505	Authorization Training Supervisor
Ontario Power Generation	DONALD SENIOR	262,607	Department Manager, Outage
Ontario Power Generation	ADNAN KHAN	262,531	Control Room Shift Supervisor
Ontario Power Generation	VAL BEVACQUA	262,073	Director, Used Fuel Operations
Ontario Power Generation	THOMAS SHAVER	262,279	Authorized Nuclear Operator
Ontario Power Generation	NICOLLE BUTCHER	260,502	Vice President Corporate Strategy & Planning
Ontario Power Generation	GARY KUNTZ	261,148	Authorization Training Supervisor
Ontario Power Generation	KATHLEEN CAREW	260,602	Control Room Shift Supervisor
Hydro One Brampton	REMY FERNANDES	260,956	President And Chief Executive Officer
Ontario Power Generation	DARYL GAUDRY	259,559	First Line Manager - Operating Units
Hydro One	MITCH OUELLETTE	260,856	Vice President Construction Services
Ontario Power Generation	KEVIN LINTNER	258,404	First Line Manager, Control/Mechanical
Hydro One	GIOVANNA BARAGETTI	257,153	Vice President - Corporate Tax
Ontario Power Generation	KERRY TOMPSON	257,165	Vice President Talent Management / Business Change



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Ontario Power Generation	ANDREW GALUSZKA	256,625	Control Room Shift Supervisor
Ontario Power Generation	NEELA D'SOUZA	256,071	Control Room Shift Supervisor
Ontario Power Generation	CRAIG HALKET	256,098	Vice President Total Rewards
Hydro One	FRANK D'ANDREA	256,330	Director - Outsourcing Services
Hydro One	TOM KYDD	256,519	Vice Presidents, Lines And Forestry
Ontario Power Generation	CHRISTOPHER DROST	254,662	Control Room Shift Supervisor
Ontario Power Generation	MIKE SAVAGE	254,365	Control Room Shift Supervisor
Ontario Energy Board	KENNETH QUESNELLE	256,170	Vice Chair
Ontario Power Generation	GORDON KIES	253,622	Authorization Training Supervisor
Ontario Power Generation	RICHARD JESSOP	253,863	Director
Ontario Power Generation	EDMUND DEVLIN	253,811	Control Room Shift Supervisor
Ontario Power Generation	FRASER GRANT	268,160	Manager, Operations Production
Ontario Power Generation	KEN LACIVITA	253,542	Director Trading & Origination
Ontario Power Generation	MARK KNUTSON	253,267	Senior Manager Plant Reliability
Ontario Power Generation	PETER GRAMMELHOFFER	252,537	Authorization Training Supervisor
Ontario Power Generation	CHRISTIAN RUNKOWSKI	253,135	Authorized Nuclear Operator
Ontario Power Generation	MATT PILIARIK	253,062	Authorized Nuclear Operator
Ontario Power Generation	ERIC MCCARTHY	251,837	Vice President Commercial Contracts
Ontario Power Generation	HOOSHANG ZADEH	250,601	Director Market Operations

Letter to the Editor The Packet

Date: August 19, 2016

This letter is in response to the interview with Mayor Steve Clarke by Andrew Phillips and the Mayors comment that council followed process on the city councils sale to Hydro One.

My reply to this process is instilled in the democratic rights and freedoms that we as Canadians enjoy in a democracy.

In the early years 1898 to 2012 the generation and distribution of Orillia's hydro was managed by an appointed body reporting to council. There was a clear understanding to Orillia citizens as well as the industrial people who backed all of the borrowing debentures that electrical rates alone was to pay for all costs with no money flowing out of the general revenue of the town. The council in 1911 however started to dip into the maintenance and reserve funds of the hydro triggering key industrialists and men of vision and some citizens of Orillia to remove the electricity arm away from all council involvement and have an elected body to represent the citizens ownership of the utility. To accomplish this task a group of industrialists met with the Premier of Ontario and Adam Beck (Minister responsible for Hydro Electric Power Commission of Ontario) to arrive at a binding process to keep the hydro arm out of the hands of town council. The Premier, and I would expect cabinet, made a requirement that if this matter was put in the form of a referendum of the eligible electorate then the province would support it. The 1912 Orillia council enacted the wording of this separate binding bylaw (557).

Deputy Returning Officers and Pole Clerks were appointed in seven polling sub-divisions and on the fourth day of January 1913 the electorate voted on the referendum. The referendum was carried by a clear majority of 401 eligible voters.

This is August 2016 and close to 104 years have elapsed and the only process that Governments can take to eliminate or retract or amend a referendum of the people is for the electorate (eligible voters) to retract it in the same manner as it was enacted. The referendum is still binding. No legislation has the power to over-ride this process. The legislature can try or give the impression that their legislation can over-ride a referendum but only the Orillia electorate (citizens) have this power.

The legislature as a whole must recognize that the distinguishing feature of a democracy is that Government derives its authority from its citizens.

The word democracy comes from two Greek words – "demos" (the people) and "kratos" (authority or power).

Direct democracy is defined as Government in which the citizens vote on laws. I am not a lawyer however, it is my opinion that the Provincial Legislature on its own lacks the authority to discard a legal referendum of the citizens. During the period of 1913 to the present the city has endeavoured to sell the electrical asset and each time a vote of the electorate rejected it.

The city is in receipt of its own legal opinion that supports the legality of the aforementioned but nevertheless this council appears to ignore it.

I am somewhat out of touch with the current value of the distribution arm but certainly know the path and relative cost of a new generation component to again make Orillia totally self-sufficient in electrical energy so as to give the electrical consumers hydro at $\frac{1}{3}$ to $\frac{1}{2}$ of what we are now paying. However this could never be accomplished without the distribution arm.

My rough calculations of Orillia's distributions true value which includes inventory, trucks, special equipment, poles, conductors, transformers, ten sub-stations, and smart meters installed together with the existing installed transformers, poles, cross-arms, conductors and appropriate hardware distribution lines, buildings and property holdings is in the range of 54 million dollars. I do not know the exact mileage of owned right-away land 66 feet in width that is currently owned but in my days on the commission it was in the range of 90 miles which is not included in the 54 million estimate.

The selling of Orillia's hydro distribution arm must be a decision of the true owners, the citizens of Orillia to approve or reject or amend any sale or changes of ownership.

Frank Kehoe

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**YOUR FORMER ELECTED O.W.L.P. COMMISSION MEMBERS
CLEARLY STATE THAT A REFERENDUM VOTE BY THE CITIZENS OF ORILLIA
MUST TAKE PLACE TO APPROVE OR REJECT
THE SALE OF ORILLIA'S HYDRO DISTRIBUTION ARM TO HYDRO ONE**

September 29th, 2016

A great deal of time has been spent to try to put together a more realistic value of the Orillia Electrical Distribution that is the subject of the sale. The figures, prices, and location maps are available to support the accuracy of the former commission findings.

- 1. Orillia in the calendar year 2015 had 13,400 metered hydro customers.**
- 2. On August 15, 2016 the city council called a special council meeting to consummate the sale of the Distribution Arm of the former utility. The price announced to the public was 26.35 million dollars.**
 - a. There was no public input dealing in any way with the true value of this asset nor were there any chances for outside people knowledgeable in the utility distribution to give input. For the most part the entire process was done in secretive negotiations. Some members of council interpret that with the two open meetings where the council would highlight what they called the major pluses presented by Hydro One was what they considered input which was certainly never the case. Some members of the negotiating team attempted to try to give rationale for considering a sale of this nature.**
 - b. No member of the negotiating team ever considered the serious effect that a sale would have on future electricity rates for this and future generations. The negotiating team at all times outlined to the public that this sale would have a major influence on creating many jobs and that the Hydro One promises were a deal of a lifetime. There was no mention what so ever that a sale of this nature would close all opportunity for any future benefit of Orillia creating additional generation or even introducing a link to other provincial distributors or even purchasing ties to Hydro Quebec and/or Manitoba Hydro.**

In a recent article by A. Raymond he outlined that based on the use of 1000 kw the average bill for Ontario customers was \$226.03. Based on a monthly use of 1000 kw in the Province of Quebec this would be \$67.89, that is 70% lower than in Ontario. If you lived in Manitoba and consumed the same 1000 kw your bill would be \$81.09, that is 64% lower than Ontario. Both provinces have the capacity, within their systems, to service distribution customers in Ontario.

This misguided process prompted the last elected commission to try to take action to prevent or delay the sale until the citizens could, by referendum, reject or support a sale of this nature. The former commission depended somewhat that the legislature would side on democracy and support a vote of the people but this was never the case.

The local news media sided on the side of the City of Orillia revenue advertising stream and refused to publish anything that might negatively affect this ongoing revenue. So the people of Orillia were kept in the dark on many hydro matters – except for press releases from the city.

IN ORDER FOR THE FORMER ELECTED COMMISSION TO ATTEMPT TO PULL TOGETHER WHETHER THE 26.35 MILLION DOLLAR SALE WAS REALISTIC WE HAD TO DEPEND A GREAT DEAL ON MEMORY.

Poles and Equipment:

One member of the former OWLP remembered that within the corporate boundaries of Orillia we had just over 5,700 hydro poles at the time of dissolution. In the sixteen years following dissolution there had to be at least 300 more so we used the figure of 6,000 as our guide. We then used the figure of \$2,000 as a realistic price for each pole in the system to round the price out at **12 million dollars (\$12,000,000)**. The cost range for just the poles, using for the most part western cedar, ranges from a low of \$964.00 for a 40' class 3 pole to a high of \$7,000.00 for an 80' (HI) pole plus the manpower and equipment required for installation. In addition, one must consider the cost of polymer insulators, inline switches, disconnects, mid span openers, SNC load interrupter switches, isolator special, air break switches on the 44 kVa, etc.

Conductors (Wires):

To arrive at an accurate figure, it was necessary to use Google Maps to plot the circuits in order to arrive at 22.3 miles or 36.3 km of wire and divide that process into the amount of 3/0 triplex accompanying the circuits equaling 5.4 km (3.3 miles) and the possible kilometer of single phase primary in the city 16.5 km (10 miles). This was an item that we knew would be challenged so we calculated the majority of the meterage to number 336 conductor at a present day cost of roughly \$3.50 a meter and tried to get a realistic count on the location of 556 conductor which a little more than \$5.00 a meter. In other locations we knew there were 500 MCM copper in a great deal of the underground together with a smaller percentage of 1/0 copper and 1/0 aluminum. The total arrived at was somewhat downsized to **\$11,715,000**.

Transformers:

The transformers in residential areas were again low-balled in price to show a mix of 60 (kVa) and 75 (kVa) transformers for a rough total of 1,676 at \$2,500 and \$3,000 each FOB Orillia. We did not put a labour figure related to this item as the pole-mounted transformers could be erected and wired in a matter of hours. But the pad mounted transformers would be wired taking approximately three days. The pad-mounted transformers were roughly the same cost, however, there was a civil component requiring the concrete pad supporting the transformer. So the figure of **\$5,000,000** covered the cost for residential areas only. However, throughout the city in commercial, industrial, and schools, there is higher capacity pad-mounted transformers. Estimated in the range of **\$500,000** total.

Sub-Stations:

In the Orillia distribution we have nine sub-stations (one now under re-construction) which includes property, civil component, metal clad, breakers, transformer and underground each with a minimum value of 1.5 million dollars for a total of **\$13,500,000**.

Smart Meters:

There are 13,400 meters Smart Meters installed with a value of **\$8,040,000**.

Inventory:

As the former commission had no access to this dollar value we had to make an educated guess which included all equipment: trucks, Bombardies, pole trailers, special line equipment, chipping machinery, saws, line equipment, protective gear, poles, transformers, conductors, buildings and landholdings and a multitude of other equipment and spare parts - so our realistic guess has a possible error upwards or downwards of \$1,000,000 for a total of **\$5,000,000**.

With the lack of freedom of information there was no way that former commission members could gain access to what is still remaining and the value associated with the former 90 miles of transmission lines to know what portions have been previously sold and what ownership is still included and forming part of the sale. It is not possible to arrive at the value nor is it possible to obtain what buildings and land holdings are also included in the sale to Hydro One.

The one thing that we are however positive about is that any sale at 26.35 million dollars is an absolute betrayal of the peoples' ownership of this electrical asset that has been such an integral part of our heritage serving Orillia for 118 years. The six council members who voted for discarding this Orillia heritage asset at a fraction of its value will, if the sale cannot be reversed, forever carry this guilt with generations to come now forcing Orillians into sky-rocketing electricity costs after the province instructs Hydro One to sell to the private sector.

To summarize the true value with only a portion of the true costs available we arrive at:

12,000,000.00	Poles
11,715,000.00	Conductors (Wires)
5,000,000.00	Transformers (Residential)
500,000.00	Transformers (Industrial, Commercial, Schools, etc.)
13,500,000.00	Sub-stations
8,040,000.00	Smart Meters
<u>5,000,000.00</u>	Inventory
55,755,000.00	(Fifty-five million, seven hundred and fifty-five thousand dollars)

For the mass of equipment purchased during the period that HST came into existence the total of some of those items above would increase by 13%, which may possible extend the total to approximately \$57,000,000.

It's unbelievable to note that our grossly incomplete estimate of \$55,755,000.00 (Fifty-five million, seven hundred and fifty-five thousand dollars) is \$29,405,000.00 (Twenty-nine million, four hundred and five thousand dollars) more than the council's sale price to Hydro One of \$26,350,000.00 (Twenty-six million, three hundred and fifty thousand dollars) that six draconian members of council approved.

This City of Orillia had hired a top municipal law firm to give them a legal opinion on how to revoke Bylaw 557 (1913). To quote this legal opinion, it reads: "The procedure for revoking all or part of Bylaw 557 is interesting. From what we know now, it would appear that the Bylaw could only be revoked (in whole or in part) in the same manner in which it was instituted, namely by a Bylaw approved with the consent of the electors (Public Utilities Act, Sections 39 and 45). Under the Ontario Municipal Board Act, the OMB has certain powers to waive the need of putting a subject to the vote of the electors, but this appears to be only in cases which concern the issue of debentures for financing purposes."

However, the 2016 Council chose to ignore this legal opinion and not put the question directly to the electorate who, by referendum in January 1913, put the question to the electorate who voted to remove the management and control from council to the then, OWLP separately elected commissioners. Regardless of any legislation, the Council were duty-bound to respect the legal standing of Bylaw 557 of their own citizens. They did not have the right to sell any portion of their proud asset without a majority referendum vote approving it. The elected commission feel that they have a fiduciary obligation to act on behalf of the electorate.

Mayor Clarke in the four-page advertisement in the local daily makes mention that the distribution charge is to be reduced by 1% for a five-year period. To put this in perspective people have to look at their hydro bill under Delivery, the average of which on the customer's bill is in the range of \$35.00 per month. So a 1% saving is equal to 35 cents per month times 12 months is a yearly savings of \$4.20. Don't spend it all in one store!!

When dealing with a full distribution asset the purchaser should be paying the full related cost – related to the distribution asset - and the “so-called” double-book value should not enter the picture as this is strictly an internal accounting document generally by accountants used for tax purposes. The assets of the utility, for the most part, appreciate yearly in relation to the cost increases of materials, labour, etc.

ELECTRICITY IN GENERAL

Our provincial governments are off the chart in dealing with electricity matters. Democracy is no longer headed with a now attitude of “my way or the highway”. Provincial Auditor General Bonnie Lysyk, in her December 2015 report, gave a scathing report relating to an ill-conceived disaster and the huge waste of taxpayers' dollars, chasing industry out of Ontario and creating now non-competitive electricity rates - which are now the highest in North America. Her report is only the tip of the iceberg.

It is time to now look at the situation from the standpoint of a small utility of 13,400 customers owned by the citizens of Orillia. This utility came into existence in 1898 with a vote of the electors. For the record, this is eight years before the Province created their own utility called Hydro Electric Power Commission Ontario (H.E.P.C.) under the brilliant leadership of Adam Beck. The Provincial utilities model was power at cost to the citizens of Ontario and, certainly within Adam Beck's reign, the utility lived up to this model, up to and including the early 1960's.

Orillia, however, built its first hydro generation plant on the Severn River some 18 miles away from Orillia which, at the time, pioneered long distance transmission. This was a model that soon would be copied across the continent. From its inception Orillia industrialists agreed to back the borrowing debentures. The electricity rates alone were meant to pay off the borrowed money. It was discovered however that the municipality started to now-dip and divert contingency and maintenance funds of the power project to fund other municipal projects.

Provincial Promise #1:

The industrialists and key citizens, which included the father of Premier Frost, set up a meeting with the Premier and Adam Beck and received an absolute commitment that if the Orillia Council would establish a by-law that would be voted on as a referendum (plebiscite) and if carried by a majority of its eligible voters to create an elected commission, separate and apart from Council control, then the province would support it.

This vote of the people (referendum) January 1913 approved the complete separation and the setting up of an electrical commission to be elected by the citizens to now administer the hydro generation, distribution and sale of electric power. This referendum did not extinguish the right of a future council to make amendments nor try to sell the utility, **but no such maneuver could ever happen without calling another referendum for the people to approve or reject any such move.**

Provincial Promise #2:

The Province of Ontario in the **Town of Orillia Act, 1915** brought in legislation and under Section 11 of The Act which included the following:

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“11(1) – subject to subsection 2, all the powers, rights and privileges with regard to the government of the Orillia Power Transmission plant or the generation, distribution and sale of electrical power and light heretofore or hereafter granted by any special Acts to the council or Corporation of the Town of Orillia 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.

11(2) – Nothing contained in this section shall divest the council of its authority with reference to providing the money required for such works, and the treasurer to the municipality shall, upon the certificate to the Commission, pay out any money so provided.”

This section has never been repealed. Now comes a sad day for democracy with an absolute betrayal of the citizens of Orillia and many other like municipalities when one or more provincial elected members secretly uses a brand new 225 page document of legislation described as an act to achieve fiscal savings and promote economic prosperity through public sector restructuring, streamlining and efficiencies and to implement other aspects of the government’s economic agenda (the short title of this act is the Savings and Restructuring Act 1996).

Our provincial leadership elite may still want to believe in abiding by democratic principles - they certainly profess that they do. In the case of electricity legislation, a small minority have shown themselves all too willing to violate their principles to gain or retain a certain power. So, in this new conspicuous act, certain draconian elected people secretly inserted a single clause to try to reverse the electoral power of the people of Orillia and other like municipalities who democratically cast their vote in a dually called and legal referendum to keep the people’s ownership by their elected representatives free of council involvement.

This oligarchy insertion into the new Savings and Restructuring Act Schedule M, Chapter 1, Item 33, page 172 introduces the following:

33. The Public Utilities is amended by adding the following section:

**By-law waiving
the assent of
the electors**

67. (1) A municipal corporation may pass a by-law to eliminate the requirement to obtain the assent of the electors before the corporation exercises a power under this Act.

Exception

(2) Subsection (1) does not apply to a municipal corporation exercising its power with respect to natural gas.

The insertion of this clause is a certain slap in the face and betrayal of the rights and freedoms of its citizens and represents a serious breach of democracy. This single clause is a betrayal of the absolute commitment and promise given Orillians and the legislation that was put in place to protect their utility.

Pursuant to Section 485, Section 482 came into force on January 1, 2003 and that is the date on which **section 67 of the Public Utilities Act was repealed.** This was after, of course, all the damage was done and the Electricity Act 1998 received royal assent.

The legislature as a whole must recognize that the distinguishing feature of a democracy is that government derives its authority from its citizens.

The word democracy comes from two Greek words “demos” (the people) and “kratos” (authority or power).

Direct democracy is defined as government in which citizens vote on laws. It is the writers' opinion that the provincial legislature, on its own, lacks the authority to alone discard legal referendums of its citizens.

With this single clause asserted in legislation and given royal assent it is the greatest distortion of fact that heads up as a background in the next piece of government legislation.

The Electricity Act 1998

Section 142 of the Act forces all municipal electric commissions to now incorporate and act under the Provincial Corporations Act. **The legislation appears to now give back the power to municipal councils and sadly corporations can now act in complete secrecy so there is no longer municipal transparency as the corporations do not fit into the legislation of freedom of information.**

New Ownership

The municipal corporation (**council**) or corporations that incorporate a corporation pursuant to this section shall subscribe for all of the initial shares issued by the corporation that are voting securities. 1998, c.15, Sched. A, s. 142 (4). The municipal council may, if not challenged, acquire, hold, dispose of and otherwise deal with shares of a corporation incorporated pursuant to this section that carries on business in the municipality. 2002, c. 1, Sched. A, s. 30. *(See Legislation attached).*

Not a local board, etc.

A corporation incorporated pursuant to this section shall be deemed not to be a local board, public utilities commission or hydro-electric commission for the purposes of any Act. 1998, c. 15, Sched. A, s. 142 (6).

This appears to now take away the people's democratic ownership and place it in the hands of some draconian members of council.

This legislation now gives the provincial utility Hydro One a simple opportunity to deal with municipal corporations (**councils**) to purchase the people's electrical corporations and merge them into Hydro One or package them up for an outside sale. This process has now been used to purchase multiple municipal utilities across the province.

The Drastic Financial Effect on Orillia's Electrical Consumers

As these former utilities are now corporations, the province has permitted them to create an alleged debt where no debt existed that will now pay alleged interest to the municipal council at a high rate of interest. The municipality can now dictate that they pay this interest over an exorbitant length of time before the electrical customers have any opportunity to pay off any of the principle. In the private sector, this is referred to as "loan sharking".

The second form of the municipal council benefits are now derived from the peoples' electricity bill of its consumers is a new corporation; dividends now payable to the municipality. For Orillians this amounts to \$1.1 million per year.

The third benefit to a municipal council is that they can derive an additional revenue of non-taxpayers from electrical customers who are renters and are required to pay their separate metered electricity.

Study of Orillia Electrical Customers

In the nineteen years that the writer was Chairman and Commissioner of Orillia's Public Utility I can say, with certainty, at the time of the alleged transfer to city council and their appointment their own selected Board of

Directors, the Orillia utility (O.W.L.P.) had close to \$7.2 million dollars in the bank and receivables and was absolutely free of all debt. The province allowed the newly formed corporations to create a debt payable to the municipal corporation of \$14,796,000 (fourteen million, seven hundred and ninety-six thousand dollars). \$9,762,000 of this figure related to distribution and \$5,034,000 was for generation. The initial borrowing rate was 7.5% which has now been reduced to, I believe, 6.5% - which is almost twice the borrowing rate of the city. The due date on this debt, where the utility customers can start to repay this alleged debt, is December 31, 2030 with no right to pre-pay any of the principle in whole or in part.

Corporation Dividends

The new corporations can now pay a dividend as part of the customers' electrical rates to the municipal corporation (city) equal to approximately \$1.1 million dollars yearly. The writer was able to obtain the following figures from a power corporation presentation to city council on April 13, 2015. In the report they show that Orillia council, over the fifteen-year period 2000 to 2015, received \$37,100,000 dollars together with paying the city share to the hospital and university for an additional \$4,325,000 dollars for a total of \$41,425,000 dollars. As there are 13,400 Orillia customers identified, the math to arrive at an average is \$41,425,000 dollars divided by 13,400 customers is therefore equal to \$3,091.42 per customer. This is of course for 15 years so we divide \$3,091.42 by 15 years and arrive at \$206.09 per electrical customer per year. However, some will be higher and some will be lower based on their electrical consumption. Of course, the \$206.09 that the electrical customer pays to the City in interest and dividends is subject to HST.

Where is the democracy in our political system?

Electricity is in a Crisis

The majority of Orillia's population is made up of seniors, young families, people in low wage jobs, unemployed people and indigenous people. The horrendous increases that have happened in the Hydro One billing includes on peak, mid peak, off peak, regulator charges and other charges now representing close to a 300% increase over and above that which the customers were paying before the province forced the utility to incorporate. This is a serious situation for the people. Many in our community now have to sacrifice food for hydro, especially in the cold winter months.

The appropriate course, of initial action, is for the provincial government to recognize that this situation is directly related to the mismanagement in the Ontario Hydro family of corporations, as well as the drastic mistakes made by the legislature on hydro matters. **As six members of Orillia council have chosen to sell the people's distribution arm of the citizen owned utility, the only apparent avenue open is full litigation to thwart this inappropriate sale until the electorate can exercise their democratic right to vote on another referendum on this important issue.**

Respectfully submitted,



Frank Kehoe
On behalf of the elected members of the former
Orillia Water Light & Power Commission
fm.kehoe@rogers.com

Attachment: Section 142 of the Electricity Act

Section 142 of The Electricity Act 1998

Incorporation of municipal electricity businesses

142. (1) One or more municipal corporations may cause a corporation to be incorporated under the *Business Corporations Act* for the purpose of generating, transmitting, distributing or retailing electricity. 1998, c. 15, Sched. A, s. 142 (1).

Holding companies

(1.1) A corporation that one or more municipal corporations caused to be incorporated under the *Business Corporations Act* after November 6, 1998 and before May 2, 2003 to acquire, hold, dispose of and otherwise deal with shares of a corporation that was incorporated pursuant to this section shall be considered to be a corporation incorporated pursuant to this section. 2004, c. 31, Sched. 11, s. 7.

Conversion of existing electricity businesses

(2) Not later than the second anniversary of the day this section comes into force, every municipal corporation that generates, transmits, distributes or retails electricity, directly or indirectly, shall cause a corporation to be incorporated under subsection (1) for the purpose of carrying on those activities. 1998, c. 15, Sched. A, s. 142 (2).

Two or more municipal corporations

(3) Two or more municipal corporations may incorporate a single corporation for the purpose of complying with subsection (2). 1998, c. 15, Sched. A, s. 142 (3).

Ownership

(4) The municipal corporation or corporations that incorporate a corporation pursuant to this section shall subscribe for all the initial shares issued by the corporation that are voting securities. 1998, c. 15, Sched. A, s. 142 (4).

Same

(5) A municipal corporation may acquire, hold, dispose of and otherwise deal with shares of a corporation incorporated pursuant to this section that carries on business in the municipality. 2002, c. 1, Sched. A, s. 30.

Not a local board, etc.

(6) A corporation incorporated pursuant to this section shall be deemed not to be a local board, public utilities commission or hydro-electric commission for the purposes of any Act. 1998, c. 15, Sched. A, s. 142 (6).

(7) Repealed: 2004, c. 23, Sched. A, s. 57.

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**

"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." **As per C01-2006-67**

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 governments 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 of the Subsidiaries to carry on the activity set out in (1) above;
 - (3) Business activities the principle 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 (Amended by C01-2006-27)~~

~~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.~~

(a) **Number of Directors (Amended by C01-2006-27)**

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.

(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, of 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: (amended by C01-2006-67)

- ~~(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) 2 for a 2 year term; and~~
 - ~~(iii) 3 for a 3 year term;~~

(amended by C01-2006-67)

- (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) 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 DIRECTIONS 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 or 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 (amended by C01-2001-169)~~

~~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.~~

(c) Dividends (amended by C01-2001-169)

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.

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 of the Subsidiaries as part of the 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) Incur expenditures, make acquisitions, dispose of assets of the Corporation or the Subsidiaries, enter into strategic alliances or joint ventures which would involve expenditures or would involved an amount in an aggregate value equal to 25% or greater of the consolidated book value of the consolidated assets of the Corporation, as reflected in the Corporation's most recent audited financial statements. (Amended by 2001-48)~~
- (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 consolidate net book value (Shareholder's equity) of the Corporation's most recent audited financial statement. **(Amended by C01-2001-48)**
- (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. **(Amended by C01-2001-48)**
- (f) Enter into any agreement, commitment of investment that provides recourse to the assets of the Corporation of the Subsidiaries of 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) in the aggregate principal amount of any such obligations does not exceed in total for the Corporation and the Subsidiaries the equivalent of two months consolidate 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 obligation 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.

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

Amended by:

By-law No.	2000-155	Oct 30, 2000
By-law No.	2001-48	Apr 2, 2001
By-law No.	2001-169	Nov 19, 2001
By-law No.	2005-184	Dec 12, 2005
By-law No.	2006-27	Feb 13, 2006
By-law No.	2006-67	May 1, 2006

SCHEDULE "C" – HOLDCO ASSETS AND HOLDCO LIABILITIES

HOLDCO ASSETS

\$50,000.00 cash.

Participation interest in the Upper Canada Energy Alliance.

HOLDCO LIABILITIES

NIL

The determination of the purchase price and the transfer of Holdco Assets is illustrated in Schedule "C-1" hereto.

SCHEDULE "C-1"
HOLDCO FINANCIAL SCHEDULE ILLUSTRATING TRANSFER

ASSETS

CURRENT ASSETS

Cash and short term investments 50,000

TOTAL PURCHASE PRICE \$50,000

LIABILITIES ASSUMED

CURRENT LIABILITIES

Accounts payable and accrued liabilities Nil

TOTAL LIABILITIES ASSUMED Nil

NET TRANSFER \$50,000

CONSIDERATION FOR TRANSFER

DEBT & EQUITY

Promissory Note issued to City of Orillia Nil
Common Shares issued to City of Orillia 50,000

SCHEDULE "D" – DISTCO ASSETS AND DISTCO LIABILITIES**DISTCO ASSETS**

All assets, interests, property, rights and undertaking, registered or unregistered, secured or unsecured, other than the Excluded Assets, the Holdco Assets and the Genco Assets, of the Commission and of the City held or used by either of them as at the Effective Date which relate to or have been used in connection with the distribution of electricity including, without limitation, the distribution system of the Commission and the assets listed hereunder.

1. Real Property Interests

All lands, premises, freehold and leasehold property, interest, easements, right-of-way, licences and rights to use or occupy real property whether registered or unregistered, liens, mortgages, charges, agreements, notice of agreements, debentures and security interest which create an interest in land and all other rights or interest therein, and fixtures thereon, which relate to or have been used in connection with the distribution of electricity by the Commission. For greater certainty the freehold interest in any lands owned by the City and used by the Commission for easements or rights-of-way are excluded except to the extent of such easements or rights-of-way.

2. Plant, Building, Fixtures

All plant, buildings, structures, erections, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment), terminal station, substations, transformers, vaults, sub-transmission lines, distribution lines, conduits, ducts, pipes, wires, rods, cables, fibres and other apparatus, devices, appliances and equipment, materials, works, poles, pipelines and fittings, meters, wherever situate including, without limitation, those situate on any of the lands, premises, leaseholds, easements, rights-of-way or interests whether registered or unregistered described in Paragraph 1 above or forming part thereof or otherwise, or located on property owned by the Commission, or the City, private property or public property, which relate to or have been used in connection with the distribution of electricity by the Commission.

3. Machinery and Equipment

All machinery and equipment, all vehicles including, without limitation, trailers and related vehicles equipment, all goods and chattels and other personal property, tools, handling equipment, furniture, furnishings and accessories which relate to or have been used in connection with the distribution of electricity by the Commission.

4. Computer Hardware and Software

All computer hardware and software, including, without limitation, system control and supervisory equipment (SCADA), all computer monitoring equipment and all rights under licences and other agreements or instruments relating to the distribution business of the Commission.

5. Accounts Receivable

All accounts receivable of the Commission including, without limitation, all customer and trade accounts, notes receivable, book debts and other debts due or accruing to the Commission and the benefit of all security and security deposits for such accounts and debts, which relate to or have been used in connection with the distribution of electricity by the Commission.

6. Cash and Securities

Except as specified in Schedules "C" and "E" hereto, all cash balances and short term debt instruments held by the Commission.

7. Contracts, Rights

The full benefit of all franchise, licence or management agreements and all other contracts, commitments, rights, choses in action, benefits, arrangements, understandings and agreements, written or oral, to which the City or the Commission is a party relating to the distribution business of the Commission including, without limitation the following:

- (a) all written or oral contracts, agreements, commitments, undertakings, rights and arrangements;
- (b) all forward commitments to the Commission for supplies or materials entered into in the usual and ordinary course of business whether or not there are any written contracts with respect thereto;
- (c) all collective agreements and contract of employment;
- (d) Upper Canada Energy Alliance Aggregation Agreement and Settlement Services Agreement as well as limited partnership interest in EnerConnect.

8. Goodwill

The goodwill of the Commission relating to the distribution of electricity including, without limiting the generality of the foregoing:

- (a) the exclusive right to represent itself as carrying on the distribution business in continuation of and in succession to the Commission and the right to use any words indicating that its business is so carried on; and
- (b) all records of sales, customers lists, customer data and supplier lists of or used by the Commission, which relate to or have been used in connection with the distribution of electricity by the Commission.

9. Licences and Permits

The full benefit of all licences, registrations, permits, consents, quotas, approvals, certificates, and other authorizations including, without limitation, the following:

- (a) the Transitional Distribution Licence (ED-1999-0084) issued to the Commission on April 1, 1999.
- (b) Industry Canada Radio Licence.

10. Intellectual Property

All of the right, title, benefit and interest of the Commission in and to all registered trade marks, trade names, brand names, patents and copyrights, all unregistered trade marks, trade names and copyrights and all patent applications, trade mark registration applications and copyright registration applications, both domestic and foreign, owned or made by the Commission which relate to or have been used in connection with the distribution of electricity by the Commission.

11. Know How

All patents, plans, designs, research data, copyrights, trade secrets and other proprietary know-how, processes, drawings, technology, unpatented blueprints, flow-sheets, equipment and parts lists and descriptions and related instructions, manuals, data, records and procedures relating to the distribution business of the Commission and any and all data owned or used by the Commission, and all licences, agreements and other contracts and commitments relating to any of the foregoing which relate to or have been used in connection with the distribution of electricity by the Commission.

12. Prepaid Expenses

All pre-paid expenses and deposits relating to the distribution business of the Commission the benefit of which will accrue to Distco.

13. Warranties

The full benefit of all warranties and warranty rights (implied, express or otherwise) against manufacturers, suppliers or sellers which apply to any of the Distco Assets and the net realizable value of any warranty claims relating to the Distco Assets outstanding as of the Effective Date.

14. Insurance Policies

The full benefit of all policies of insurance of the Commission relating to the Distco Assets and the distribution business of the Commission.

15. Records

All personnel records, inspection records and all other records, books, documents and data bases relating to Distco Employees, the Distco Liabilities and the Distco Assets as are in the possession or under the control of the Commission; and

DISTCO LIABILITIES

1. All of the debts, liabilities and obligations of the Commission or the City, including any contingent liabilities, related to, incurred or assumed by either of them as of the Effective Date in connection with the distribution of electricity, the distribution system of the Commission and the Distco Assets including, without limitation, all environmental reclamation and decommissioning liabilities of the Commission or the City.

The determination of the purchase price and the transfer of the Distco Assets and Distco Liabilities is illustrated in Schedule "D-1" hereto.

SCHEDULE "D-1"
DISTCO FINANCIAL SCHEDULE ILLUSTRATING TRANSFER

ASSETS

PROPERTY AND EQUIPMENT

Property and equipment 14,814,000

CURRENT ASSETS

Cash and short term investments 3,820,000

Accounts receivable 2,447,000

Unbilled revenue 543,000

Inventory 733,000

Other current assets 39,000

7,582,000

OTHER ASSETS

Development charges fund 246,000

TOTAL PURCHASE PRICE

\$22,642,000

LIABILITIES ASSUMED

CURRENT LIABILITIES

Accounts payable and accrued liabilities 2,339,000

OTHER LIABILITIES

Customer deposits 533,000

Development charges liability 246,000

779,000

TOTAL LIABILITIES ASSUMED

NET TRANSFER

\$19,524,000

CONSIDERATION FOR TRANSFER

DEBT & EQUITY

Promissory Note issued to City of Orillia 9,762,000

Common Shares issued to City of Orillia 9,762,000

19,524,000

SCHEDULE "D-2"
DISTCO PROMISSORY NOTE TERMS

1. Principal Amount

\$9,762,000.00

2. ~~Interest Rate (amended by C01-2005-184)~~

~~7.5% per annum to December 31, 2005 and thereafter the interest rate will be changed for each subsequent 5 year period to be equal to 2% plus the annual rate paid by the Royal Bank of Canada (RBC) as set by the RBC head office in Toronto on December 31st of the year immediately preceding the commencement of each 5 year period on 270 day term deposits exceeding \$8,000,000.00 (such \$8,000,000.00 amount to be adjusted from time to time after December 31, 2000 to reflect the impact of inflation as measured by the Consumer Price Index). For greater certainty on October 11, 2000 the rate paid by RBC on a 270 day term deposit for \$8,000,000.00 was 5.5%.~~

2. Interest Rate (amended by C01-2005-184)

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.

3. Payment of Interest

Payments of interest shall be quarterly on the last days of March, June, September and December in each year. Interest shall commence to accrue on the date that the initial Performance Based Regulation rates for Distco become effective, and the first payment of interest shall become due on the first quarterly payment date next following the date that interest commences.

4. Due Date

The due date is December 31, 2030. Distco shall not have the right to prepay the principal in whole or in part.

5. Prepayment of Principal At Option of the City

The City, at its option, and upon giving to Distco at least 6 months written notice may require the prepayment of up to 20% of the original principal amount of the Promissory Note on March 31st in any calendar year.

6. Acceleration on Default

In the event that Distco defaults in making any payments due under this Note and such default not having been corrected within 30 days after the City having given written notice to Distco of such default, then the City may demand immediate payment of all principal and interest due under the Promissory Note.

SCHEDULE "E" – GENCO ASSETS AND GENCO LIABILITIES

GENCO ASSETS

All assets, interests, property, rights and undertaking, registered or unregistered, secured or unsecured, other than in Excluded Assets, the Holdco Assets and the Distco Assets, of the Commission and of the City held or used by either of them as at the Effective Date which relate to or have been used in connection with the generation of electricity and other business activities carried on by the Commission including, without limitation, the assets listed hereunder.

1. Real Property Interests

Except as specified in Schedule "D" hereto, all lands, premises, freehold and leasehold property, interest, easements, rights-of-way, licences and rights to use or occupy real property whether registered or unregistered, liens, mortgages, charges, agreements, notice of agreements, debentures and security interests which create an interest in land and all other rights or interest therein, and fixtures thereon, which relate to or have been used in connection with the generation of electricity and other business activities carried on by the Commission. For greater certainty the freehold interest in any lands owned by the City and used by the Commission for easements or rights-of-way are excluded except to the extent of such easements or rights-of-way.

2. Plant, Building, Fixtures

Except as specified in Schedule "D" hereto, all plant, buildings, structures, erections, improvements, appurtenances and fixtures (including fixed machinery and fixed equipment), the Swift, Minden and Matthias hydraulic generating stations, diesel generating plant, sub-transmission lines and, without limitation, all plant, buildings and fixtures situated on any of the lands, premises, leaseholds, easements, rights-of-way or interests whether registered or unregistered described in Paragraph 1 above or forming part thereof or otherwise, or located on property owned by the Commission or the City, private property or public property, which relate to or have been used in connection with the generation of electricity and other business activities carried on by the Commission.

3. Machinery and Equipment

Except as specified in Schedule "D" hereto, all machinery and equipment, all vehicles including, without limitation, trailers and related vehicle equipment, all goods and chattels and other personal property, tools, handling equipment, furniture, furnishings and accessories, which relate to or have been used in connection with the generation of electricity and other business activities carried on by the Commission.

4. Computer Hardware and Software

Except as specified in Schedule "D" hereto, all computer hardware and software, including, without limitation, all computer monitoring equipment and all rights under licenses and other agreements or instruments relating to the generation business and other business activities carried on by the Commission.

5. Broadband Telecommunications Infrastructure and Equipment

All such equipment which relate to or have been used in connection with the broadband telecommunications business activities carried on by the Commission.

6. Accounts Receivable

Except as specified in Schedule "D" hereto, all accounts receivable of the Commission including, without limitation, all customer and trade accounts, notes receivable, book debts and other debts due to accruing to the Commission and the benefit of all security and security deposits for such accounts and debts, which relate to or have been used in connection with the generation of electricity and other business activities carried on by the Commission.

7. Cash and Securities

Except as specified in Schedules "C" and "D" hereto, all cash balances and short term debt instruments held by the Commission.

8. Contracts, Rights

Except as specified in Schedule "D" hereto, the full benefit of all franchise, license or management agreements and all other contracts, commitments, rights, choses in action, benefits, arrangements, understanding and agreements, written or oral, to which the City or the Commission is a party relating to the generation business and other business activities carried on by the Commission including, without limitation the following:

- (a) all written or oral contracts, agreements, commitments, undertakings, rights and arrangements;
- (b) all forward commitments to the Commission for supplies or materials entered into in the usual and ordinary course of business whether or not there are any written contracts with respect thereto;
- (c) all collective agreements and contracts of employment;
- (d) any agreements and rights pertaining to undeveloped hydraulic generation sites;
- (e) any agreements with the former Ontario Hydro for the wheeling and supply of power from the Swift and Minden Power Plants to Orillia

9. Goodwill

Except as specified in Schedule "D" hereto, the goodwill of the Commission including, without limiting the generality of the foregoing:

- (a) the exclusive right to represent itself as carrying on the generation business and other business activities in continuation of and in succession to the Commission and the right to use any words indicating that its business is so carried on; and

- (b) all records of sales, customers lists, customer data and supplier lists of or used by the Commission, which relate to or have been used in connection with the generation of electricity and other business activities carried on by the Commission.

10. Licences and Permits

Except as specified in Schedule "D" hereto, the full benefit of all licences, registrations, permits, consents, quotas, approvals, certificates, and other authorizations including, without limitation, the following:

- (a) The Transitional Generation Licence (EG-1999-0395) issued to the Commission on April 1, 1999.
- (b) Industry Canada Radio Licence.

11. Intellectual Property

Except as specified in Schedule "D" hereto, all of the right, title, benefit and interest of the Commission in and to all registered trade marks, trade names, brand names, patents and copyrights, all unregistered trade marks, trade names and copyrights and all patent applications, trade mark registration applications and copyright registration applications, both domestic and foreign, owned or made by the Commission which relate to or have been used in connection with the generation of electricity and other business activities carried on by the Commission.

12. Know How

Except as specified in Schedule "D" hereto, all patents, plans, designs, research data, copyrights, trade secrets and other proprietary know-how, processes, drawings, technology, unpatented blueprints, flow-sheets, equipment and parts lists and descriptions and related instructions, manuals, data, records and procedures relating to the generation business of the Commission and any and all data owned or used by the Commission, and all licences, agreements and other contracts and commitments relating to any of the foregoing which relate to or have been used in connection with the generation of electricity and other business activities carried on by the Commission.

13. Prepaid Expenses

Except as specified in Schedule "D" hereto, all pre-paid expenses and deposits relating to the generation business and other business activities carried on by the Commission, the benefit of which will accrue to Genco.

14. Warranties

The full benefit of all warranties and warranty rights (implied, express or otherwise) against manufacturers, suppliers or sellers which apply to any of the Genco Assets and the net realizable value of any warranty claims relating to the Genco Assets outstanding as of the Effective Date.

15. Insurance Policies

Except as specified in Schedule "D" hereto, the full benefit of all policies of insurance of the Commission relating to the Genco Assets and the generation business and other business activities carried on by the Commission.

16. Records

All personnel records, inspection records and all other records, books, documents and data bases relating to Genco Employees, the Genco Liabilities and the Genco Assets as are in the possession or under the control of the Commission.

GENCO LIABILITIES

1. Except as specified in Schedule "D" hereto, all of the debts, liabilities and obligations of the Commission or the City, including any contingent liabilities, related to, incurred or assumed by either of them as of the Effective Date in connection with the generation of electricity and other business activities carried on by the Commission, and the Genco Assets including, without limitation, all environmental reclamation and decommissioning liabilities of the Commission or the City.

The determination of the purchase price and the transfer of the Genco Assets and Genco Liabilities is illustrated in Schedule "E-1" hereto.

SCHEDULE "E-1"
GENCO FINANCIAL SCHEDULE ILLUSTRATING TRANSFER

ASSETS

PROPERTY AND EQUIPMENT

Property and equipment 6,265,000

CURRENT ASSETS

Cash and short term investments 1,000,000

Inventory 66,000

1,066,000

OTHER ASSETS

Insurance contingency investments fund 1,866,000

1,866,000

TOTAL PURCHASE PRICE

\$9,217,000

LIABILITIES ASSUMED

CURRENT LIABILITIES

Accounts payable and accrued liabilities 139,000

OTHER LIABILITIES

Reserve for insurance contingency 1,886,000

1,866,000

TOTAL LIABILITIES ASSUMED

\$2,025,000

NET TRANSFER

\$7,192,000

CONSIDERATION FOR TRANSFER

DEBT & EQUITY

Promissory Note issued to City of Orillia 5,034,000

Common Shares issued to City of Orillia 2,158,000

7,192,000

SCHEDULE "E-2"
GENCO PROMISSORY NOTE TERMS

1. Principal Amount

\$5,034,000.00.

2. Interest Rate Amended by C01-2005-184

~~7.5% per annum to December 31, 2005 and thereafter the interest rate will be changed for each subsequent 5 year period to be equal to 2% plus the annual rate paid by the Royal Bank of Canada (RBC) as set by the RBC head office in Toronto on December 31st of the year immediately preceding the commencement of each 5 year period on 270 day term deposits exceeding \$8,000,000.00 (such \$8,000,000.00 amount to be adjusted from time to time after December 31, 2000 to reflect the impact of inflation as measured by the consumer Price Index). For greater certainty on October 11, 2000 the rate paid by RBC on a 270 day term deposit for \$8,000,000.00 was 5.5%.~~

2. Interest Rate (Amended by C01-2005-184)

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.

3. Payment of Interest

Payments of interest shall be quarterly on the last days of March, June, September and December in each year commencing 2001. Interest shall commence to accrue November 1, 2000, and the first payment of interest shall become due December 31, 2000 for the 2 month period.

4. Due Date

The due date is December 31, 2030. Genco shall not have the right to prepay the principal in whole or in part.

5. Prepayment of Principal At Option of the City of Orillia

The City, at its option, and upon giving to Genco at least 6 months written notice may require the prepayment of up to 20% of the original principal amount of the Promissory Note on March 31st in any calendar year.

6. Acceleration on Default

In the event Genco defaults in making any payments due under this Note and such default not having been corrected within 30 days after the City having given written notice to Genco of such default then the City may demand immediate payment of all principal and interest due under the Promissory Note.

SCHEDULE "F"

EXCLUDED ASSETS AND EXCLUDED LIABILITIES

EXCLUDED ASSETS

NIL

EXCLUDED LIABILITIES

NIL

SCHEDULE "G"

DISTCO EMPLOYEES TRANSFERRED AND COLLECTIVE AGREEMENTS

EMPLOYEES 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 Septmebrer 1, 1999 to August 31, 2001.

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

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
VOLLIK, 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.

292.

BY-LAW NUMBER 2000-8 OF THE CITY OF ORILLIA

A BY-LAW TO AMEND CHAPTER 524 OF THE CITY OF ORILLIA MUNICIPAL CODE – WATER, LIGHT AND POWER COMMISSION – ANNUAL ALLOWANCE

WHEREAS it is deemed expedient to amend Chapter 524 of the City of Orillia Municipal Code – Water, Light and Power Commission – Annual Allowance.


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

1. THAT Section 524.1.2 Other Members – annual – exception Mayor of Chapter 524 of the City of Orillia Municipal Code be repealed and replaced with the following:


"524.1.2 Other Members – annual – exception Mayor

Each and every other member of the Orillia Water, Light and Power Commission shall be paid \$2,520 per annum, with the exception of the Mayor, whose remuneration of \$2,520 per annum will be paid directly to the City annually."

BY-LAW read a first, second and third time and finally passed this 17th day of January, A.D. 2000.



MAYOR



CLERK

The elected commission members were extremely well known in the city for their extensive public service to the community. These men were elected, at large, across the city.

Commissioner #1: Served 27 years on the Orillia Police Force and 10 years with the OPP. He served 5 years on the Police Services Board; 1 year as chairman, 2 years as vice-chairman. He served 7 years on the Orillia Fish and Game Club executive, 20 years as an Orillia Shriner, 4 years on the License Committee of City Council and he was born and raised in Orillia.

Commissioner #2: Businessman, developer and contractor. Heavy financial contributor to the hospital, Opera House, Friends of the Library, Knights of Columbus, Lighthouse, Salvation Army and St. Vince de Paul. Served 3 terms on Orillia Council and 19 years as Chairman and Commissioner of the Orillia Water, Light and Power Commission. Born in Orillia - 6th generation.

Commissioner #3: 30 years on the Orillia Fire Department; just under 5 years as Fire Chief. 5 years on the Board of Big Sisters, 3 years on the OWLP Commission, and extensive other community boards and sports activities.

Commissioner #4: 12 years on the hospital foundation; 6 years on the hospital board. 1 term on city council and 6 years on the Orillia Water, Light and Power Commission. Resident of Orillia since early primary school.

