



City of
Peterborough

To: **Members of Committee of the Whole**

From: **Allan Seabrooke, Chief Administrative Officer**

Meeting Date: **February 22, 2016**

Subject: **Report CAO16-005**
Peterborough Distribution Inc. Divestment Update

Purpose

A report to inform Council that representatives of Peterborough Utilities Group will attend the February 22, 2016 Special Committee of the Whole to provide an update on a potential transaction involving the acquisition of Peterborough Distribution Inc. (PDI) by Hydro One Inc. (Hydro One). In addition, approval to initiate a public process to receive constituent input on the sale of PDI to Hydro One is requested.

Recommendations

That Council approve the recommendations outlined in Report CAO16-005, dated February 22, 2016, of the Chief Administrative Officer, as follows:

- a) That Report CAO16-005, and presentation by Peterborough Utilities Group, providing an update on a potential transaction involving the sale of PDI to Hydro One be received for information;
- b) That staff be directed to initiate a public process to receive constituent input on the sale of PDI to Hydro One.

Budget and Financial Implications

There are no direct budget or financial implications to receiving this report and proceeding with a public process to receive constituent input on the sale of PDI to Hydro One. There will, however, be substantial financial implications should an eventual transaction occur involving the sale of PDI to Hydro One.

Background

In recent years, the Provincial Government has identified \$1.2 - \$1.35 billion in savings that can be achieved through industry consolidation. The industry is inefficient and electricity rates are too high, impacting Ontario's competitiveness. Rates are highly regulated by an independent body, the Ontario Energy Board (OEB). As rates are regulated, the need for Municipal and Provincial ownership is being challenged.

In 2015, the Province announced several changes that have prompted utility consolidation across the Province. The OEB has also announced changes that will facilitate consolidation, and leave stand-alone utilities with less future value and prospects for its current owners.

In the long term, inaction will see value decline to municipal owners. Early voluntary action by municipalities to address these industry conditions will capture the best monetary value, and non-monetary value (rates, service and employment) and additional community benefits.

In light of this shifting landscape, City of Peterborough Holdings Inc. (COPHI) and a Joint Steering Committee comprised of COPHI and City representation have undertaken an investigation to assess the opportunity for disposition of its regulated business, PDI.

Negotiations were initiated with Hydro One, the predominant market player in the Ontario market. Representatives of Peterborough Utilities Group will provide Council with an industry background; recent developments; the potential future for PDI; an update on a potential transaction; and seek approval to initiate a public process to review the option of a sale of PDI to Hydro One.

Submitted by,

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