

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES & POLICY COMMITTEE MEETING ON OCTOBER 21, 2013
FROM:	MARTIN HAYWARD MANAGING DIRECTOR OF CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	PROPOSED PUBLIC EDUCATION, DIALOGUE, AND CONSULTATION PLAN FOR FUTURE OF LONDON HYDRO INC.

RECOMMENDATION

That, on the recommendation of the Managing Director of Corporate Services and City Treasurer, Chief Financial Officer, the attached Appendix 'A' public education, dialogue, and consultation Plan for future options of London Hydro Inc. **BE APPROVED** and the Civic Administration **BE AUTHORIZED** to move forward with implementation, including allocating a budget of up to \$75,000.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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September 2005 – Navigant Consulting Presentation and Report

September 12, 2007 – Board of Control (Subject: London Hydro Inc.)

June 18, 2008 – Board of Control (Subject: London Hydro Inc.)

June 10, 2013 – SPPC (Subject: London Hydro Strategic Refresh by Navigant Consulting and Martin Hayward)

BACKGROUND

On June 25, 2013, Council resolved that this matter **BE REFERRED** to staff to identify and report back to SPPC with a proposed public education, dialogue, and consultation process regarding all options for the future of London Hydro Inc. including the long term sustainable value for the Shareholder, prior to the Shareholder pursuing any course of action.

Previous council direction with respect to London Hydro (adopted June 18, 2008):

- a) Only examine in detail proposals that would see the head/regional office located in London;
- b) Report back on debt management strategy related to recapitalizing London Hydro; and
- c) A public meeting be held if a proposal for a merger with a head/regional office in London is developed, which can be recommended by the Board of Directors of London Hydro.

Council guidelines for asset sale proceeds (adopted November 21, 2011):

- a) A long-term view should be considered when contemplating an asset sale.
- b) The proceeds from the sale of an asset should not be used:
 - to reduce tax rate/budget pressure;
 - to provide a source of funding for a new asset that does not produce a return on investment; or,
 - to fund on-going/permanent expenditures

c) The proceeds from the sale of an asset **should be used** in the following priority order:

- Reduce debt, it being noted that reducing debt reduces current and future tax increases due to reduced interest costs;
- Invest in assets that produce a return on investment that considers the both the financial and non-financial (value adds); or,
- Invest the proceeds and use the interest to provide on-going contributions to economic development initiatives.

THE PLAN

Education:

- a) Develop a **Discussion Paper** to be made available on both the City of London and London Hydro websites. The Discussion Paper should include:
 - i. Industry overview/background, including regulatory environment and future direction.
 - ii. Who controls what aspects of the Local Distribution Company?
 - iii. London Hydro performance and why it is attractive to other investors.
 - iv. Strategic options available to the shareholder. Status quo, merge, acquire, sell (part or full), move to municipal service corporation.
 - v. What should Council do with the proceeds of the asset or income from the asset?
 - vi. Examples from other jurisdictions.
- b) Creation and distribution of **information pamphlets** and **posters** that highlight key points in the Discussion Paper. These will be made available to all hydro customers via insert into monthly billing process as well as at City of London facilities and libraries.
- c) Work with Media outlets to run a **coordinated series of stories or discussion forums** based on the information presented in the Discussion Paper.
- d) Use existing City of London **Social Media** vehicles (Facebook, twitter) to push out information from Discussion Paper to followers (10,741 and 8,584 respectively)

Dialogue:

- e) **Travelling Town Hall (x2)** provides an overview presentation of the Discussion Paper and facilitates a series of discussion tables to elicit feedback on key topics surrounding options and what to do with income or proceeds from the asset. This will be streamed live.
- f) **Social Media** posts will elicit responses that will be gathered and included into final report

Consultation:

- g) **Formal public opinion survey** to establish the level of knowledge of the issues in the community at large, and the public's opinion with respect to the investment opportunities and alternatives relating to London Hydro.
- h) **Focus Groups** - similar questions only targeting more detailed feedback from selected individuals representing a cross-section of the community that crosses socioeconomic and age barriers.

Report Back:

- i) **Data Analysis and Report Generation** – will include highlights of all materials created and distributed as well as provide a summary of all feedback received from all above vehicles

TIMELINE:

Discussion Paper	Oct 30/13- Dec 10/13
Information materials (pamphlets, posters)	Dec 10/13- Feb 2014
Media Outreach	Dec 10/13- Feb 2014
Travelling Town Hall (x2)	Feb 2014 – specific dates are to be determined
Public Opinion Survey and Focus Groups	Mar 2014
Data Analysis and Report Generation	Mar /14- April/14

COST: Implementation of all elements listed above will cost approximately **\$75,000.**

CONCLUSION

Implementation of the above Public education, dialogue and consultation plan will assist in:

- 1) Educating shareholders and the public about the energy sector in Ontario, including where it started and the direction that it is going. This includes topics such as: provincial government direction with LDC's; how rates are set and by whom.
- 2) Educating shareholders and the public about strategic options available to them in terms of future ownership, hold, merge, acquire, sell – full/partial, and the potential impact on the local economy. This includes examples of what other municipalities have done in the past as well as financial differences to the shareholder/municipality based on each one of the above options.
- 3) Dispelling any misconceptions that currently exist around which parties' control which aspects of the business, for example, Ontario Energy Board versus shareholder control over rates.
- 4) Obtaining feedback from the public on their future wishes regarding London Hydro.

Upon completion of implementation of the plan, civic administration will report back on the findings and results to Strategic Priorities and Policy Committee in late April 2014.

PREPARED AND SUBMITTED BY:
JON-PAUL MCGONIGLE BUSINESS PLANNING PROCESS MANAGER
RECOMMENDED BY:
MARTIN HAYWARD MANAGING DIRECTOR OF CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER

October 4, 2013
Attach.