



STAFF REPORT

TO: Committee of the Whole

FROM: George Vadeboncoeur, CAO

SUBJECT: Future of Wasaga Distribution Inc. and Wasaga Resource Services Inc.

DATE: October 4, 2016

RECOMMENDATION

That Committee of the Whole recommend to Council that it begin a public consultation process on the future ~~disposition~~ (*amended by Council*) of Wasaga Distribution Inc. and Wasaga Resources Services Inc. based on the analysis and recommendations prepared by the Board of Directors of the two corporations commencing with a presentation of the Board Report to Council at the October 25th Council meeting.

BACKGROUND

On January 19, 2016 Committee of the Whole had an education session conducted by the Board of Directors of Wasaga Distribution Inc. and Wasaga Resources Inc. on the future of small electricity distribution companies (LDC) in Ontario with the assistance of Mark Rodger, a partner at a Borden Ladner Gervais LLP, who is a solicitor specializing in the Ontario electricity sector with significant 25 years' experience in electric utility transactions. This was organized so that Council, as the owner of Wasaga Beach's LDC, could be informed on the changes that are occurring in the electricity sector. The education session was closed to the public as members of Council were being provided information that included legal advice subject to solicitor client privilege.

On January 26th, 2016 Council met in Closed Session to consider the information provided to members of Council on the 19th and passed a motion giving direction to the CAO to oversee a process to be undertaken by the Board of Directors of Wasaga Distribution Inc. and Wasaga Resource Services Inc. with the assistance of Mark Rodger to explore various options for a possible future transaction involving the two companies. The options to be considered include: maintaining the status quo, selling the utility (in whole or in part) merging the utility with another electric utility, and whether any possible transaction should be done through a "sole source" or a competitive solicitation process. The two Boards struck a sub-committee to oversee the process and worked with Mr. Rodger and Dr. Lawrence Murphy (of Henley International) on the analysis and economic valuation of the business.

On May 17th Committee of the Whole in Closed Session received an update on the work of the Board of Directors on the range of options identified above. The presentation was made by the Co-Chairs of the Sub-Committee with the assistance of Mr. Rodger and Dr. Murphy.

On July 26th Committee of the Whole in Closed Session received the final report of the Sub-Committee, which also included an analysis of the projected economic value of Wasaga Distribution Inc. The report which the Committee received contained analysis of the possible transaction options noted (including the status quo scenario) along with the valuation and a recommendation from the Board of Directors of the two companies.

DISCUSSION

Members of Council and the undersigned have had two months to consider the analysis and recommendations and the writer is of the view that Council should make a decision on next steps. Committee has options in this regard:

1. Do nothing – ask that Wasaga Distribution Inc. and Wasaga Resources Inc. continue business as usual.
2. Release a redacted version of the report to the public without the recommendation from the Board of Directors and seek public input on the report, before deciding next steps. Certain legal and highly commercially sensitive information contained in the report would remain confidential and not disclosed to the public (such as the economic valuation of the utility).
3. Release a redacted version of the report publicly with the recommendation and seek public input on the report and recommendation, before deciding next steps.

In considering the three options, the writer is of the opinion that the best option is number three, releasing a redacted version of the report with the recommendations and engaging the public on the report before Council decides on next steps.

All the options outlined above - maintaining status quo, sale option (in whole or in part), a merger and whether a transaction would be pursued on a sole source or competitive solicitation basis are analyzed in detail in the context of today's rapidly evolving electricity distribution market in Ontario. From this review, the Boards of Directors have made a recommendation to Council. Council, being the sole shareholder of the two companies has a decision to make based on what it believes is the best interest of the residents, businesses, taxpayers and the Town as sole shareholder, both now and into the future, as it pertains to the delivery of regulated electrical distribution services in Wasaga Beach.

The public engagement process would commence with the presentation of the report at the October 25th Council meeting, followed by a formal public meeting and information session to consider input from the public on the report and recommendations. The writer would work with the Communications Department to implement an on-line communication strategy to engage the public and obtain input similar to what has been done for other major initiatives.

Respectively Submitted,

George Vadeboncoeur
Chief Administrative Officer