



THE CORPORATION OF THE TOWNSHIP OF RAMARA

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MINUTES

TOWNSHIP OF RAMARA

MONDAY, MAY 29, 2000

The special meeting scheduled for the month of May of the Council of the Township of Ramara was held in the Council Chambers with the following members and staff in attendance:

Deputy Mayor	Dan McMillan
Councillor	Marilyn Brooks
Councillor	John Ferguson
Councillor	Nadir Jamal
Councillor	Neal Snutch
Councillor	Norm Whitney

Absent	Mayor	Thomas Garry
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Assistant to the CAO/Clerk Secretary, Clerk's Dept.	Janice McKinnon Cathy Wainman
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1. OPENING OF THE MEETING

Deputy Mayor McMillan opened the meeting at 7:00 p.m.

2. DISCLOSURE OF INTEREST

None

3. PUBLIC MEETINGS

3.1 Doug Christie, of Russell, Christie, Miller, Koughan, Winnitoy, addressed Council with respect to how Ramara-Brechin Hydro currently operates and the changes that will affect the utility after November 7, 2000. Currently Ramara-Brechin Hydro is operated as a Commission under the Public Utilities Act. It is not for profit and the savings are passed on to the customers either by building up reserves, rebates or reduced rates. The Public Utilities Act currently regulates Ontario Hydro. Ontario Hydro was not well managed and created a huge debt.

After November 7, 2000 the Public Utilities Act will no longer apply. The Ontario Energy Board (OEB) and the Energy Competition Act will come into effect. Ontario Hydro is being broken down into three different companies:

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1. a generation corporation;
2. a services, transmitting or distribution corporation; and
3. a financial corporation.

Certain debt has been assigned to the generation and services corporations and the balance of \$21 billion, being the stranded debt, to the financial corporation.

The distribution companies will operated on a for profit basis. Generation companies will also operate on a for profit basis, but don't have to . Profit based companies will be taxed on profits and the taxes will be used to pay down the stranded debt.

Distribution will no longer be regulated by Ontario Hydro and will be regulated by the OEB. The OEB is similar to the Ontario Municipal Board (OMB) in that it is for the protection of the consumers. A distributor must be incorporated as a company.

Basically the Ramara-Brechin Hydro Commission has three options:

1. Sell;
2. Keep and incorporate;
3. Merge or Amalgamate with another small company.

The decision to sell, keep or amalgamate will be based on public issues and business issues. The primary concern with respect to the public issues will be the impact to the customer and whether or not the rates will increase, the impact on local employment and the quality of service. The quality of service will be controlled by the OEB as they will be setting service standards. If the utility is sold it is legally up to Council how the proceeds of the sale are applied. If the utility is sold after November 7, 2000 there is a 33% tax payable on the sale price which will be applied to the stranded debt.

The business issues to consider in keeping the utility are a more complex market place, costly software, services will have to be purchased from larger utilities, and the OEB will have to approve the rates that you can charge. Therefore distributors will become more competitive. You will be financially penalized if standards are not met. It is estimated that in order for a utility company to be kept it would need at least 75,000 customers to make the company operate in the red.

A utility requires the approval of the OEB in order to sell. The OEB determines if the sale is in the best interest of its customers. There are very few buyers for the utility and therefore a "buyers" market, the major buyer being Ontario Hydro Services Company (or Hydro One). The longer a deal is left the more bargaining power for the purchaser and the tougher it will be to deal with the OEB as they are going to be flooded with applications.

A decision to keep the company would involve incorporating a company, setting up a Board of Directors and there will also be legal and accounting complexities.

With respect to mergers and amalgamations, the smaller utilities have less say and bargaining powers. Basically you would have shares in the company and minority shares are not worth very much.

Deputy Mayor McMillan thanked Mr. Christie for his comments and asked if there were any members of the public with any questions or comments.

Paul Roddick (2707 Stephen Drive, Mara Shores Estates) questioned/commented on the following:

1. What is the utility worth?
2. Is the public utility financed by Ramara taxpayers? Are you not setting a precedence by selling off utilities?
3. Mr. Christie commented that Council has the legal right to decide where the proceeds of the sale would be applied.

Deputy Mayor McMillan responded in that the appraisal on the utility is confidential at this time as we will be entering negotiations and that the hydro utility only affects the residents within the Brechin service area..

Councillor Jamal questioned the tax implications to a buyer or with a merger. Mr. Christie responded that there are no tax implications for a buyer or a merger due to restructuring, but a business type of merger will be taxed.

Councillor Jamal questioned why is Ontario Hydro buying up the smaller utilities when they are in debt. Mr. Christie responded that it is cheaper to provide service to a hamlet or village area then to the rural areas and if they can buy up the hamlet and village areas then this will keep the overall costs down.

Councillor Ferguson asked that if a deal was struck prior to November 7, 2000, but it takes longer to close the deal, would we still be taxed and what if a deal is held up by the OEB. Mr. Christie said that there are rumors that the legislation may change if certain stages are met by certain dates and also if there is enough back log in the fall it will pressure the government to extend dates. There could be 100 sales of this nature.

Councillor Jamal claimed that it was unfair for the government to provide such a short time frame and it has put the municipality under pressure. Maybe it would be better to wait and sell after the deadline to get a better price. Mr. Christie responded with the fact that if you wait until after the deadline you would have to incorporate, run the company and when you find out that you cannot meet the required standards and are forced to sell it puts the buyer in an even better bargaining position.

Morley Graham stated that Ontario Hydro is not the only buyer, what about the OWLP. Mr. Christie stated that if we want to sell to another utility we should be approaching them.

Councillor Jamal commented again that we were given such a short time to go through this process. Mr. Christie stated that the legislation was passed in November, 1998 and that the utilities have had 2 years to go through the process, however, the government did not anticipate the complexity of the process and the rules are constantly being set and changing.

Councillor Whitney asked if there have been any completed sales and Mr. Christie attested that he completed the first sale of a utility in the Province and the application was submitted to the OEB in October, 1999, approved in March, 2000 and the sale closed in April, 2000. The Board had a lot of problems with the first application, because they were trying to establish the guidelines. Once the guidelines are set the approval process will be much quicker.

Councillor Jamal questioned what would be the fair market value of Ramara Brechin Hydro. Mr. Christie responded that our appraisal would determine that figure. When determining fair market value of the utility it is based on the potential earnings over a 10 year period. There may not be many buyers out there so you have to get out and find them.

Deputy Mayor McMillan closed the public meeting and advised that Council will take the various comments into consideration prior to making any decision.

Veltri Subdivision - request received to extend draft plan approval for 3 months.

RESOLUTION NUMBER CR.171.2000

MOVED BY: BROOKS

SECONDED BY: WHITNEY

THAT we request the County of Simcoe to extend the draft approval for the Veltri Plan of Subdivision 43T81017, Part of Lot 10, Conc. 3 (Mara) for an additional 3 month period.

CARRIED.

4. BILLS AND CONFIRMATION BYLAW

RESOLUTION NUMBER CR.172.2000

MOVED BY: WHITNEY

SECONDED BY: BROOKS

THAT Bylaw 2000.39, a Bylaw to Confirm the Proceedings of Council at the meeting held on the 29th day of May, 2000, be considered read a first, second and third time and finally passed.

CARRIED.

5. ADJOURNMENT

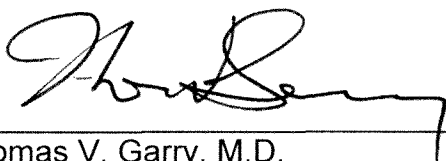
RESOLUTION NUMBER CR.173.2000

MOVED BY: FERGUSON

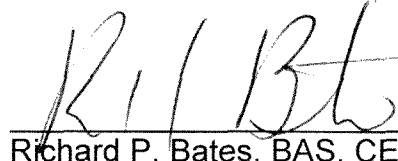
SECONDED BY: SNUTCH

THAT we now adjourn at 7:50 p.m. until June 12, 2000 at 7:00 p.m.

CARRIED.



Thomas V. Garry, M.D.
Mayor



Richard P. Bates, BAS, CET
CAO/Clerk