

2016 STRATEGIC PLAN



Orangeville Hydro 2016 Strategic Plan

1. About Our Strategic Plan

Strategic planning is a process that deals with the objectives of an organization and allocates resources to the achievement of those objectives. Orangeville Hydro developed its first formal strategic plan in November 2001 and has revised it periodically since then. The plan is a "living" document and is used as a guide to assist the management, staff and Board of Directors in the forward planning of the Company.

The plan is reviewed annually by management and the Board of Directors to ensure it remains current in an evolving electricity marketplace and that the identified strategic directions are followed. This revised version of the Strategic Plan reflects the results of a review of the Renewed Regulatory Framework for Electricity and incorporating a scorecard to be used in measuring performance and achieving corporate targets.

2. Background

As early as 1885, the Town of Orangeville was supplied with electric power from a plant located at the corner of Mill Street at Church Street. C. W. Watson eventually purchased the plant and after operating it for 3 years, merged his interests with those of James Pickering of Shelburne to form the Dufferin Light and Power Company. This company went into liquidation, was sold, and became the Pine River Light and Power Company. The Town of Orangeville purchased this company and on November 20, 1916 established the Orangeville Hydro-Electric Commission with 114 customers.

In 1925, Dr. G. H. Campbell was quoted as saying that it was because of Orangeville Hydro that such industries as Dods Knitting Mill had located themselves in Orangeville. Again in 1937, Dr. Campbell said that Orangeville Hydro was the Town's greatest asset and was running debt free.

From November 20, 1916 until October 2, 2000, Orangeville Hydro operated as a not-for-profit electric distribution utility, serving the electrical needs of the customers in the Town of Orangeville.

The *Energy Competition Act, 1998* required local distribution utilities like Orangeville Hydro to become incorporated according to the Ontario *Business Corporations Act* by November 7, 2000. Hence on October 2, 2000, the Town of Orangeville passed a by-law transferring all assets and liabilities of the Orangeville Hydro-Electric Commission to Orangeville Hydro Limited. Orangeville Hydro Limited is considered a "local distribution company" or a "wires company". The Town of Orangeville and the Town of Grand Valley amalgamated in 2009 and wholly own this company. Orangeville Hydro Limited is licensed by the Ontario Energy Board to operate as an electricity distribution company within the current boundaries of the Town of Orangeville and the boundaries of the Town of Grand Valley.

As at December 2015, 21 full-time staff serves about 11,909 customers. The staff completes almost all of the work internally including billing, collecting, administration, finance, construction of new and upgraded lines, and maintenance.

The electrical distribution system consists of 209 kilometers of circuits at the following voltages:

- 44,000 volts, 27,600 volts, 12,470 volts, and 4,160 volts. Yearly distribution revenues are about \$4.8 million. The overall value of the Strategic Plan is based on three critical statements. The vision statement, mission statement, and values statement are written corporate commitments that legitimize the plan by setting the future direction of the Company, stating what it will do to get there, and how it will get there based on a set of fundamental principles it follows in business. The statements are presented below.

3. Vision Statement

To be acknowledged as a leader among electric utilities in the areas of safety, reliability, customer service, customer satisfaction, sustainability, financials, and performance.

4. Mission Statement

To provide safe, reliable, efficient delivery of electrical energy while being accountable to our shareholders.....the citizens of Orangeville and Grand Valley.

While we must operate as a business and be profitable for our shareholders, our main reason for existing is to provide safe, reliable, and economic electricity services to the people of the Town of Orangeville and the Town of Grand Valley. That is what distinguishes us from other large, remotely owned and controlled power companies.

5. Values Statement

To continue into the future as a profitable electricity distribution enterprise the following principles are core features of our Company:

We value professionalism and safety in our service and our work;

We value people - our customers, employees, board members, and shareholders;

We value our community - its environment and its economic progress;

We value integrity, honesty, respect, and communications;

We value local control, local accountability, local employment, and local purchasing; and

We value easy accessibility to our ratepayers.

6. SWOT Analysis

As we face the future, in a drastically changing setting for all electric utilities, the following is a quick analysis of where Orangeville Hydro currently stands in term of our corporate strengths, weaknesses, opportunities and threats ("SWOT").

6a. Strengths

We have positive relationships with our shareholders - the people of Orangeville and Grand Valley, individual customers and their elected representatives.

We have a core of high quality employees, effective management, and solid relations between the staff and the Board of Directors. In addition we have a strong, well - maintained physical plant (lines, transformers etc.).

We have a high level of quality customer service and customer satisfaction, based on survey results.

We have a strong relationship with local organizations, including the Home Builders Association, Dufferin Board of Trade (DBOT), the County of Dufferin, Social Services and service clubs.

6b. Weaknesses

We have limited land for development, as our territory is bound by Hydro One.

We have an aging work force, with many in management eligible to retire within the next 5 years. This could mean a loss of expertise for the organization.

OHL has risk-averse shareholders – they are focused on optimizing current business.

6c. Opportunities

We have an opportunity to maintain a high standard of service for our customers, contribute to the welfare of our local community and earn a profit that will remain for local benefit rather than remote corporate gain.

We can help our customers and Shareholders to "become more knowledgeable" regarding effective purchase and use of electricity.

Future legislation may allow us to pursue other business opportunities through our LDC thereby making more efficient use of our resources.

Investigate growth and potential new development within the Grand Valley service area.

6d. Threats and Uncertainties

The government has enacted legislation to encourage fewer LDCs and enable the opportunity for private investment and sales. Because of our excellent financial picture, lean staffing, and efficient operation, we are a desirable target to be purchased by other LDCs and private organizations.

The potential forecasted provincial energy cost increases may cause an increase in the number of customers to default on their bill payments.

Revenue recovery is based on approval from the Ontario Energy Board. Their expectations and requirements are continually changing, creating risk for revenue recovery.

There are increased expectations of keeping up with technological advances, impending grid defection, climate change and cyber terrorists that need to be considered.

6e. Capability

Orangeville Hydro places tremendous value on its highly skilled staff and the importance of ensuring that the Company provides appropriate training and acquires outside expertise when needed to continue to successfully meet the challenges of the evolving electricity market, and to maintain a high level of operational performance.

7. Strategic Business Plan

We will use the following strategies to overcome our weaknesses and threats and capitalize on our strengths and opportunities. These strategies will also be in harmony with our corporate values, our vision, our mission statement and our approach to a balanced scorecard.

Safety

We will continue to seek new ways to further communicate and promote a safety culture to our employees, our customers, and our community both inside and outside the workplace.

Responsibility	Orangeville Hydro Board of Directors Orangeville Hydro Management Orangeville Hydro Staff
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Customer Focus

We will continually engage and inform our customers and shareholders. We will evolve our methods to better understand our customers’ needs and preferences.

Responsibility	Orangeville Hydro Board of Directors Orangeville Hydro Management
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With the tools that we provide the customers, we will educate our customers to give them a better understanding and control over their electricity usage and reduce their environmental footprint.

Responsibility	Orangeville Hydro Board of Directors Orangeville Hydro Management
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Financial Performance

We will maximize financial viability by realizing efficiencies and maintaining prudent cost savings.

Responsibility	Orangeville Hydro Management
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We will continue to investigate mergers, amalgamations, acquisitions and divestitures (MAAD) to gain further efficiencies.

Responsibility	Orangeville Hydro Board of Directors Shareholders
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We will continue to maintain just and reasonable rates for our customers while providing a reasonable return for our shareholders.

Responsibility	Orangeville Hydro Management
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We will investigate feasible opportunities to grow the business.

Responsibility	Orangeville Hydro Board of Directors Orangeville Hydro Management
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Operational Effectiveness

We will continue to leverage the benefits of the CHEC membership. We will encourage CHEC to lobby to reduce response requirements by the regulatory entities.

<u>Members</u>	<u>Number of Customers</u>
Centre Wellington	6,815
Collus/PowerStream	16,616
InnPower	16,337
Lakefront	10,230
Lakeland	13,345
Midland	7,122
Niagara-on-the-Lake	9,032
Orangeville	11,840
Orillia	13,493
Ottawa River Power	10,892
Renfrew	4,270
Rideau St Lawrence	5,972
Wasaga	13,214
Wellington North	3,725
West Coast Huron	3,851
Total Customers	146,754

Responsibility	Orangeville Hydro Management
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We will continue to network with other boards to develop and share best practices.

Responsibility	Orangeville Hydro Board of Directors Orangeville Hydro Management
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We will continue to develop strategies to maintain our system reliability

Responsibility	Orangeville Hydro Management
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We will investigate areas that are within our control to reduce or curtail costs in order to achieve continuous improvement and cost performance to better utilize resources.

Responsibility	Orangeville Hydro Management
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We will retain a distribution system plan that evaluates our asset plan and capital expenditures to enhance the overall value of the organization.

Responsibility	Orangeville Hydro Management
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We will invest heavily in our staff and rely on them to help us accomplish our goals. The following activities are included in the implementation of our Human Resource strategy:

- ***We will keep our people informed;***
- ***We will make sure our people understand what we expect from them and why they are important to the organization;***
- ***We will support our people by providing them with information, tools, equipment, standard policies procedures and training;***
- ***We will utilize a pay-for-performance model for the management team and attempt to link their compensation with their performance and the performance of the company***
- ***We will continue to carry out our succession plan***

Responsibility	Orangeville Hydro Management (Lead) Orangeville Board of Directors
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Public Policy Responsiveness

We will accommodate renewable energy and advance with technology. We will continue to deliver conservation and demand management programs to be effective and cost efficient.

Responsibility	Orangeville Hydro Management
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We will deliver obligations mandated by pertinent government legislation and regulatory requirements.

Responsibility	Orangeville Hydro Management
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