

Orangeville Hydro 2013 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 20 full-time staff serves about 11,600 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 160 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 million.

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 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.

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, 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, Chamber of Commerce, and the County of Dufferin and Social Services

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 a risk-averse shareholder – 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 benefits rather than remote corporate gain.

We can help our customers and Shareholder 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.

Through the merger of Orangeville Hydro and Grand Valley Energy, we have created new development opportunities.

6d. Threats and Uncertainties

Because of our excellent financial picture, lean staffing, and efficient operation, we are a desirable target to be purchased by larger LDCs.

As a relatively small utility, we face the threats of being "steamrolled" as large utility corporations exert more pressure on government to enact legislation which discourages local customer ownership of utilities. We will suffer from a lack of "clout" with the provincial government and the OEB.

The recent economic slowdown and forecasted provincially imposed rate increases of 46% may cause a larger 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.

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, and our mission statement and our approach to a balanced scorecard.

Safety

Although we have won numerous safety awards in the past, much of which is due in large part to staff input, we continue to seek new ways to further communicate and promote safety to our employees, our customers, and our community.

Responsibility	Orangeville Hydro Management
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Customer Focus

We will continue to inform customers and shareholders and keep them informed. We will make every effort to develop methods to understand our customers' needs and preferences.

Responsibility	Orangeville Hydro Board of Directors Orangeville Hydro Management
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We will continue to network with other boards to develop and share best practices. We will also keep the Board informed but our main focus will be on the customers' needs.

Responsibility	Orangeville Hydro Board of Directors Orangeville Hydro Management
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Financial Performance

We will maintain our financial viability and optimize our investments ensuring they are prudent and grow the business as a public good.

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 Shareholder
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We will continue to maintain just and reasonable rates for our customers and avoid any rate instability, while providing a reasonable return for our shareholders.

Responsibility	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	6,697
Collus	16,311
Innisfil	15,874
Lakefront	9,869
Lakeland	9,685
Midland	6,999
Orangeville	11,467
Orillia	13,200
Parry Sound	3,488
Rideau St Lawrence	5,984
Wasaga	12,582
Wellington North	3,661
West Coast Huron	3,769
Total	119,586

Responsibility	Orangeville Hydro Management
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We will develop strategies to improve our system reliability meeting our system quality objectives.

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 procedures and training;***
- ***We will compensate them well and attempt to link their compensation with their performance and the performance of the company; and***
- ***We will utilize a pay-for-performance model for the management team.***

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

We will accommodate renewable energy and advance with smart grid 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 government legislation and regulatory requirements in an accurate and prompt fashion.

Responsibility	Orangeville Hydro Management
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