



Remarks for Paul Truex
Guelph City Council
Monday, May 26, 2008

NOTE: DELIVERY MAY VARY FROM TEXT.

Madam Mayor, Members of Council:

On behalf of the Board of Directors of Guelph Hydro Inc. and Guelph Hydro Electric Systems Inc., I am pleased to introduce a recommendation to merge the assets of Guelph Hydro Electric Systems Inc. with those of Horizon Utilities.

We are supporting our recommendation with a comprehensive business case that was developed by senior management in both organizations with the support of several jointly retained technical, financial, and legal advisors.

The business case, supporting technical and financial reports, and a full set of legal agreements that have been approved by all three holding company Boards involved in the merger have been supplied to your independent professional advisors as input to your own due diligence.

We believe that the business case for the merger with Horizon is strong:

- Customer distribution rates are anticipated to decrease by an average of 20% when the merger integration is complete and rates reset in 2012. Savings accruing to Guelph customers are expected to total over \$40 million over a 10-year period.
- Enhanced environmental stewardship and CEP support will be ensured through the establishment of a corporate-wide conservation and demand management function located in Guelph.
- The City will own a significant interest (24.25%) in a regional utility serving over 280,000 customers with assets of \$0.5 billion.
- A significant Guelph presence will be maintained in the Southgate facility, where several functions that are critical to the viability of the merged utility will be located including Conservation and Demand Management, Information Systems, our GIS Mapping Services and Procurement.
- A strengthened utility will be a major provincial entity rather than a local one, much better able to influence the future of the industry than Guelph can now. This will be significant, as the reality of regulatory control is expected to increase substantially, placing an enormous burden of diligence on small utilities that may not be able to comply.

- And there are many other benefits that are detailed in the business case and that we have spoken to previously in our February 26 presentation to Council. Not the least of these is the support we will be able to provide to increased economic development in Guelph, through sustained reliability and the potential for increased dividends for investment.

There is one final element of this proposed merger that deserves separate comment, namely the impact of the proposed merger on the employee community in Guelph.

It is fair to say that this single concern- how best and most fairly to treat employees- has been central to all our discussions with Horizon to date.

In our merger process, we have followed two critical principles. The first is that employees must be the first to know of any significant developments in the merger process. To the best of our ability, both Horizon and Guelph have kept that commitment.

The second is that, with the exception of a few positions, employees who wish to have a job in the merged utility will have that opportunity.

In making that commitment, we have striven to be as honest and transparent with employees as we can. We have told them that we cannot necessarily guarantee them the same job or the same location. Some may have to change positions. Some will have to relocate. But, the bottom line is that all those who wish to stay with the new organization will likely have the opportunity to do so.

One caveat to this pledge, of course, is the intricacy of the respective union agreements. But our focus and intent remain the same, with management committed to doing all they can to work out these issues in an equally respectful and protective manner.

Those that may choose not to stay will be able to take advantage of very carefully developed voluntary retirement or separation packages that adhere to the highest possible standards of human resource practices.

Employees who remain with the merged organization will have enhanced career and professional development opportunities. Those who choose not to will be treated fairly and with respect.

While it is a little early in the process to determine exactly how many employees may choose to stay or go, our estimates at this stage are that employee relocation or re-positioning will be as minimal as is possible in a merged entity with over 450 employees.

I draw your attention to this important element of the merger because it is essential that we focus every bit as much on the human impact of our decisions as we do on the monetary and operational ones. I can tell you in all honesty that everything possible has been done to keep our employees at the forefront of our thinking and I am comfortable in recommending the merger to you, notwithstanding its human consequences.

When we last met, I asked Council to view this merger through three lenses. The first- a global, rather than local lens, because the future of the industry demands that we see beyond

our natural and immediate concerns of our own backyard and operate in a wider and more demanding arena.

The second lens is a long term view, rather than a short term one. In the short term, there will be challenges associated with bringing two exceptional organizations together. In the longer term, there will be significantly more challenges to Guelph if we do not.

The third lens involves seeing a broader scope of benefits beyond the payment of dividends. While dividends certainly have the potential to increase, with all the positive implications this means for the City of Guelph, there are many others, most of them directly associated with the impact on customers and their ability to pay for the rising costs of future energy.

Madame Mayor, members of Council.

We appreciate the complexities and nuances of the decision we are asking you to make. We also appreciate the time and energy that Council has invested to date to understand our industry better, to become familiar with our business issues and opportunities, and to engage the community in this strategic decision.

Guelph Hydro Electric Systems Inc. has developed an outstanding “brand presence” in this community and beyond. As with all well-established brands, we are known for our service, our quality and our reliability. And as with all organizations proud of their industry reputation, we recognize and are inspired by the efforts of our current employee community – and its predecessors – who have created this exceptional brand we know as GHESI.

Organizations spend years establishing a brand presence equal to ours, and we all know that many fail along the way - so a reluctance to do anything that will endanger the asset value of the brand we all value so highly is both logical and natural.

But at what time should an asset value be leveraged into benefits far in excess of what we can promise to deliver to this community in the years ahead if we were to stay with a “business as usual” model? Council’s very difficult decision is to determine the best possible time – and for that matter – an appropriate partner – to enter into a mutually beneficial business arrangement that leverages our brand, and our systems assets, and most importantly, leverages and protects our employee community in the best possible manner.

We believe the business case we have put forward demonstrates that now is the time, and that Horizon is the appropriate partner.

We recognize and appreciate that Council, with the help of your advisors, will consider this proposal very thoroughly. Our management team and our merger steering committee are available to help with this process as needed.

Thank you for your collective support and patience to date. We would be pleased to respond to any questions.