

**Remarks by:
Gary McNamara, AMO President and
Mayor, Town of Tecumseh**

**March 9, 2015 at 9:45 a.m.
Fairmont Royal York Hotel, Imperial Room, Toronto
2015 EDA Annual General Meeting**

***AMO Perspective on Local Electricity Delivery
(Check Against Delivery)***

Thank you and good morning. It is a pleasure to be here with you today.

I have the privilege of serving as AMO's President and representing the Association's public policy interests, as well as serving as Mayor of Tecumseh, a shareholder of a local LDC. I am also the Chair of the Board of Essex Power.

So I am acutely aware of the variety of interests and concerns of the LDC community from all these vantage points.

Already today, you have heard from the provincial regulator and system operator, both of whom are critical players in the delivery of electricity at the macro level.

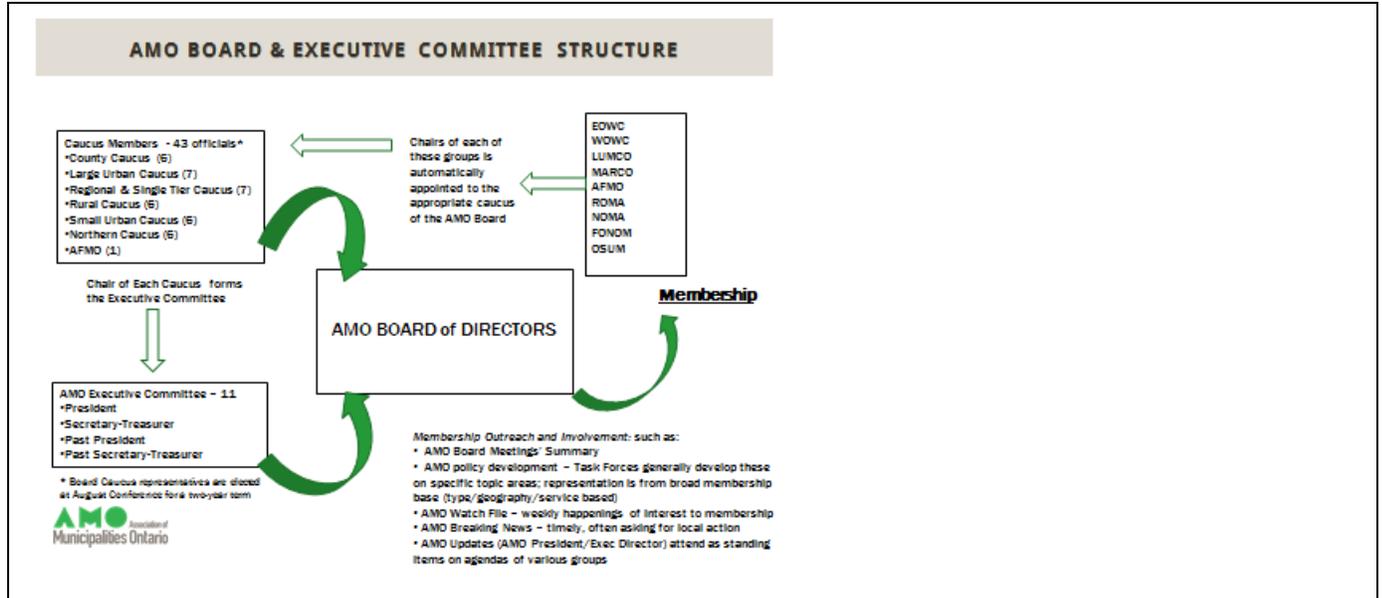
I would like to re-focus the discussion to the local level – local distribution companies and municipal governments are both primarily focused on serving our communities. Quality service, efficient service – these are part of the value equation of LDCs.

AMO represents nearly all of Ontario's 444 municipal governments.

AMO is not a thing ... or a head office for Ontario's municipal governments.

AMO is a meeting place for community leaders and municipal staff from the third order of government.

All of our communities are diverse. Every day, we each contend with local issues and circumstances. But at AMO, we come together to deal with the collective challenges that we all face.



Decisions are made by AMO’s 43-member Board of Directors – each representing the broad range of communities across the province.

It’s worth noting that not all of our interests converge all of the time.

But one thing we have learned is that we are stronger when we stand together. There is an African proverb that says – if you want to go fast, go alone; if you want to go far, go together.

I think ‘far’ is the better objective – one that also supports good public policy.

AMO works to have a productive relationship with the Ontario government. In part, that relationship is established by a Memorandum of Understanding that requires the Province to consult with us on matters that impact municipal governments.

Sometimes we make progress and sometimes it is tough. But we always keep on trying.

AMO works on a broad range of policy files. There are currently 30 different provincial priorities that directly relate to municipal government – some in response to our interests. And there is other legislation and initiatives that we must keep our eye on, because there could be significant impacts if the government doesn't take our advice.

As we approach provincial budget time, AMO is focused on ensuring that efforts to balance *their* books do not affect the financial well-being of our local governments.

MORE ABOUT AMO'S WORK

- Board sets its Strategic Objectives and Budget annually in the fall
- Look for the 2015 Strategic Objectives in the binder – both policy and corporate work
- Ontario – AMO Memorandum of Understanding
- Benefits of membership – financial and otherwise
- Several highlights...
 - Financial --- \$15m additional dollars resulting from Blue Box arbitration
 - Ongoing --- emergency services costs (interest arbitration; review standards of policing; 'double hatters')
 - Longer term --- municipal fiscal sustainability framework



Creating strong, sustainable communities is a key priority. That is also where the energy file comes in, as it touches our communities in myriad ways – from the bottom line of municipal operating costs, to its key role in economic development and land use planning.

On behalf of our members and with their input, AMO develops policy positions on energy conservation, local and distributed generation, energy efficiency, climate change and related issues. We have policy positions approved by our Board where there is a clear municipal interest and there is a general consensus.

Municipal governments play a unique role in the energy sector, as both shareholders and major customers of LDCs and consumers of energy.

As such, energy policy remains an important priority for our organization and our members. We must always consider these policies through the lens of these multiple roles and as community leaders.

We would ask the current Government to share this same “lens” as they consider a potential exit from the provincial distribution sector.

Ontarians and the Ontario electricity ratepayers are one in the same and we therefore need a true partnership with the Province, municipalities and our municipal LDC community to “reshape” Ontario’s distribution sector, generating maximum gains in efficiency for all Ontarians.

The Municipal LDC sector currently represents about 75% of the current distribution business in Ontario today, and provides these services at rates 40% less than those of the Provincial agency.

AMO would like to see customers who are not currently served by municipal LDCs, the remaining 25% of the market, given the opportunity to receive greater value and at lower rates. Our advice to the province – do not take us for granted and dismiss us as legitimate suitors for Hydro One assets.

ENERGY TASK FORCE

- **Purpose:**
 - To advise the Board of Directors on issues and potential strategies related energy conservation, local and distributed energy generation, in order to respond to emerging issues, policy and implementation options, and legislative/ regulatory changes
- **Recent Goals & Actions:**
 - Regional Energy Planning and municipal energy planning
 - Renewable energy siting and related issues
 - Energy conservation and demand management policy and programs
 - Enabling interested municipalities to develop local generation and co-generation facilities renewable energy and district energy facilities
 - Consider all municipal interests as consumers of energy, community leaders, and LDC shareholders

To guide the board in making decisions on energy policies, AMO relies on its Energy Taskforce.

The Energy Taskforce is made up of more than two dozen local elected officials, municipal staff, and AMO staff – a broad based cross-section of Ontario and a good community of interests itself. It plays a critical role in our energy policy development and it is where all the early discussions take place.

The taskforce also has the privilege of hearing from other stakeholders in the sector and the provincial and federal government on their policy initiatives.

The Taskforce has been pleased to work with the EDA and I'll touch on that shortly.

ENERGY INITIATIVES

- Input in to Large Energy Siting and local consultation
- Local Energy Planning
- Support for Project Green Light

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Over the past year, the taskforce has made some significant gains.

We were successful in helping to influence the new RFQ-RFP process for siting large energy projects to allow for a greater municipal voice.

The siting of wind energy in particular has been a priority concern for many municipalities.

We have also provided input on the renewed efforts towards regional energy planning. We believe this is a great step forward in providing a greater local voice. We are hopeful that it will, in turn, stimulate more robust local energy planning.

Local energy planning must incorporate the goals of municipal strategic plans and growth plans. We cannot fundamentally fulfil our vision for our communities without energy plans that also support that vision.

In that effort, LDCs should play a key role. We need your technical expertise. You can improve understanding of what is possible, how the system works and how the system can support our shared goals.

The Taskforce also did the heavy lifting for AMO when it came to working with the EDA and building a position of support for Project Green Light for AMO's Board of Directors.

Green Light demonstrates the sector taking initiative and being innovative to drive policy change that makes sense for Ontario.

As an aside – it's not surprising that you have come together to create this proposal. LDCs have demonstrated tremendous innovation in serving their communities, expanding their services and developing new business opportunities. It's the kind of creative energy that's needed for our times.

Green Light's proposal to incorporate Hydro One assets into the LDC structure dovetails into the work of the Premier's Advisory Council on Government Assets.

It would renew the LDC sector, while protecting public control of the energy distribution system. This would ensure that the best interests of the community are served, rather than simply the bottom line. I believe the customers of Hydro One will have a genuine and telling interest in

how the government eventually acts. We already know the power workers union has a strong stakeholder interest.

Project Green Light is a significant restructuring proposal for Ontario's LDCs and it represents a huge opportunity for our communities. You know our communities' needs. LDCs are closest on the ground to provide timely hydro services and are highly cost-effective compared to provincial services.

AMO strongly feels that any decision regarding the future of Ontario's electricity distribution sector must put the customer first. LDCs have a history of doing this and doing it well. The proposed shoulder-to-shoulder configuration of LDCs would be more cost-effective and provide for better customer response.

There are a lot of complex issues to resolve, including Hydro One's unfinanced debt, pension liabilities and higher costs. A process will be needed to allow for the transfer of these, in addition to the assets. There has been a lot of experience in the transfer of provincial services and while electricity is somewhat different, there is always a core checklist. The only way to successfully restructure Ontario's electricity distribution sector is to ensure municipal LDCs – which once again, represent three-quarters of the market and are the “lowest cost providers” – play a key and vital role.

Any deviation from this strategy puts customers at risk and fails to capture the true opportunities and natural synergies that exist for the Province to realize long term, sustainable and affordable distribution services.

AMO and the EDA are working cooperatively to share our point of view with the Province. When associations like ours find common ground on a policy position, we are a lot more credible and much harder to ignore.

We look forward to working with EDA's staff and Executive in moving forward.

In the meantime, AMO continues to plug away at other aspects of the policy file. Energy conservation policy is a top priority and another area where our interests overlap.

LOCAL AUTHORITY SERVICES (LAS)

Save Money, Make Money and Build Capacity

LAS Offers Services and Products which include...

- **Commodity Procurement** (Natural Gas, Electricity, and Fuel)
- **Energy Services** (Billing and Settlement for facilities, Energy Planning, LED Streetlight upgrades, Recreation Facility Lighting Upgrades, Energy Training)
- **Pooled Investment Service** (different investment tools with better rates for aggregated funds)
- **Administrative Services** (Group Benefits, Closed Meeting Investigations, Municipal Risk Management, Group Home & Auto Insurance and a new Water and Sewer Service Line Warranty Program)



LDCs have new targets to meet through the Province's new Conservation First Framework. As large energy consumers, municipal governments are eager to embrace Conservation and Demand Management programs. But capacity to implement these programs can be limited at the local level. We'd like to see a provincial focus on municipal conservation opportunities.

We also believe that energy pricing and billing needs to better reward behaviour that reduces total energy demand.

In addition to our policy work, AMO's business corporation, Local Authority Services, or LAS for short, provides municipal governments with co-operative business services.

This includes a wide range of energy services, including: energy planning and benchmarking, LED streetlight upgrades, energy workshops and shared purchasing. It also provides a Solar PV service that works with the FIT program.

Before I conclude, I'd like to acknowledge the work of EDA President and CEO Charlie Macaluso, who I understand hopes to retire after some 30 years in the energy sector.

Charlie has witnessed historic changes in Ontario's electricity system, and has played a guiding role in seeing the EDA evolve in the process.

During his career, the sector moved from a network of commissions to corporations. The number of LDCs has gone from some 350 different entities to the 70 or so we see today. He's worked hand in hand with the municipal sector – from far-reaching proposals such as Green Light to the frustrating issue of street-lighting.

Someday, Charlie, we'll persuade the province we don't need to set up a separate company just to change the light bulbs.

Thank you for your commitment to the energy sector and your hard work over the years.

Ontario's electricity system is highly complex. Few people recognize when they flick on the lights, just what it takes to deliver that power to them, the moment they need it. They only notice, frankly, when it's not there.

So, I'd like to thank all of you for everything you do to serve our communities so well.

We look forward to working with you to achieve our common goals.