Hydro One AIF (Top 5 Earners)
Ministry of Energy
Key Messages/Questions and Answers
Author: Issues and Media
Version: *March 28, 2018*
Last reviewed/updated by: Comms/IGS/SNAP

KEY MESSAGES

- **As a publicly-traded entity, Hydro One is no longer required to report salaries or benefits earned after December 31, 2014 under the *Public Service Salary Disclosure Act.***

- **Hydro One must disclose the total compensation levels of the CEO, CFO and three other highest-paid executives of the corporation each year. This information is available to the public as it is posted on SEDAR.**

- **Hydro One posted its Annual Information Form to SEDAR on March 29 2018, including the statement of executive compensation for its top 5 earners.**

OR

- **Hydro One released its Management Information Circular in advance of its May 15, 2018 Annual General Meeting, including the statement of executive compensation for its top 5 earners.**

- **Following recommendations from the Premier's Advisory Council on Government Assets, the government broadened the ownership of Hydro One in order to create lasting public benefits and ongoing public protections.**

- **The final anticipated share offering of Hydro One was completed in May 2017.**

- **Rates continue to be set by the Ontario Energy Board (OEB), an independent regulatory with a mandate to protect the interests of consumers.**

    - **In its latest decision on transmission rates, the OEB capped the portion of incentive plan costs that ratepayers are responsible for at 10% of base salary, finding that as these incentives plans are primarily designed to deliver increased shareholder value the costs of these plans should largely be funded by Hydro One's shareholders and not Ontario ratepayers.**
    - **This decision resulted in a reduction to Hydro One's revenue requirement, and savings to ratepayers of $15M in both 2017 and 2018.**

- **The Province will remain the largest shareholder in Hydro One and is prohibited by law from selling its voting securities in Hydro One if this would reduce the Province's ownership below 40 per cent.**

- **The government currently holds approximately 47.4 per cent of Hydro One's common shares.**

    - **Assuming Hydro One completes the acquisition of Avista, including full execution of its equity issuance, in 2018, the Province expects this would bring its ownership to 42.3 per cent.**

- **The Province has exceeded its objective to raise $9 billion in gross proceeds and other revenue benefits from broadening the ownership of Hydro One.**

QUESTIONS AND ANSWERS

Q1. Why are Hydro One employees not captured by the Sunshine List?

Only public sector employees are included on the Sunshine List.

As a publicly-traded entity, Hydro One is no longer required to report salaries or benefits earned after December 31, 2014 under the PSSDA.

Hydro One is required to disclose the total compensation levels of the CEO, CFO and three other highest-paid executives of the corporation each year. This information is available to the public online. Top executive salaries are posted on SEDAR in the Management Information Circular.

As an Ontario Business Corporation Act (OBCA) company subject to Canadian Securities law, Hydro One continues to comply with rigorous governance requirements that include:

- Disclosure of board-approved annual financial statements along with quarterly updates;
- CEO and CFO Certifications and Associated Controls certifying that there are no misrepresentations in the annual or quarterly materials;
- Shareholders' meetings requirements and rules;
- Disclosure requirements with respect to management circulars (including information about senior management, such as share ownership, any indebtedness to the company and any interest in material transactions) as well as compensation circulars (executive compensation disclosures including shares awarded, perks and incentives).

Q2. Ontarians are struggling to pay their electricity bills and yet Hydro One executives are paying themselves massive salaries. How can you possibly justify this?

In connection with the initial public offering of Hydro One which took place in November 2015, the Province entered into the Governance Agreement with Hydro One, in which the Province has committed to engage in the business and affairs of Hydro One as an investor and not as a manager.

As a publicly traded company with an independent board of directors and management team, Hydro One's Board is responsible for the company's approach to executive compensation. Hydro One's Management Information Circular which is available on its website, provides details on compensation and incentive payments.

As detailed in the Management Information Circular, Hydro One's executive compensation program seeks to provide total compensation opportunities that are market competitive and attract, retain, motivate and reward highly qualified executives with the skills necessary to deliver on its corporate strategy, grow its business and increase shareholder value.

Should you require more information about the company's compensation framework, I would suggest you connect with Hydro One directly.

Q3. Are electricity consumers footing the bill for Hydro One's exorbitant executive salaries?

The electricity rates charged by Hydro One continue to be regulated by the Ontario Energy Board (OEB.) The OEB is an independent regulator with a mandate to protect the interests of consumers with respect to prices and reliability, as well as ensuring a financially viable electricity industry.

In the OEB's September 2017 decision on Hydro One's 2017-18 Transmission Rate Application the OEB capped the portion of Hydro One's recently implemented executive compensation incentive plans that Hydro One ratepayers are required to fund to 10% of base salaries.

The OEB found that as the incentive plans were primarily designed to deliver increased shareholder value, the costs associated with these plans should largely be borne by Hydro One's shareholders and not Ontario ratepayers. This decision resulted in a reduction to Hydro One's revenue requirement, and savings to ratepayers of $15M in both 2017 and 2018.

The government understands that rising electricity rates are an issue for consumers, which is why we implemented Ontario's Fair Hydro Plan (OHFP), to ensure that the costs of rebuilding the system are shared more evenly.

The OFHP has lowered electricity bills by 25 per cent for the typical residential consumer, and will hold increases to the rate of inflation for four years. As many as half a million small businesses and farms are also benefitting from a reduction. Lower-income Ontarians and those living in eligible rural communities are receiving even greater reductions, as much as 40 to 50 per cent.

Taken together, these changes have delivered the single largest reduction to electricity rates in Ontario's history.

Q4. Will the government consider reversing the sale of Hydro One?

The Province committed to the largest investment in public infrastructure in the Province's history through Moving Ontario Forward, to which it has committed the net proceeds from broadening the ownership of Hydro One.

With the completion of the final transaction in May 2017, the Province has exceeded its objective to raise $9 billion in gross proceeds and other revenue benefits through broadening the ownership of Hydro One.

Net proceeds from the May 2017 Hydro One share offering will be dedicated to the Trillium Trust, as was the case with the previous two offerings, to help fund the much needed infrastructure projects such as transit and transportation.

Maximizing the value of provincial assets is part of our plan to create jobs, grow our economy and help people in their everyday lives.