ENE Issues

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Good morning all. See below for Energy messaging for today.

1. **Hydro One has acquired Avista**

Hydro One announced yesterday the $6.7B acquisition of a US energy company in the pacific northwest, called Avista. The company is primarily transmission/distribution, with some generation and natural gas.

Coverage has been business-focused and quite positive so far. NDP response has been to raise vague concerns about the new "multinational" nature of Hydro One. PCs have not yet publicly responded.

Our statement has not changed at this point from yesterday (this is it in KM form).

<u>Key messages:</u>

Ontario is pleased to see the announcement of today's proposed acquisition of Avista by Hydro One

- It is expected to deliver clear benefits for the company's customers, employees and shareholders – including all taxpayers given our government's position as the single largest shareholder in Hydro One.

In particular, we welcome the fact that this proposed acquisition will not impact the rates that Ontario customers pay.

Neither will it have any impact on local jobs.

As the single largest shareholder in Hydro One, the Ontario government would benefit from the company's receipt of additional regulated returns expected to begin in 2019.

Those benefits will be above and beyond the proceeds already attributed to the Ontario Trillium Trust as a result of the IPO and subsequent secondary offerings.

The potential for transactions of this sort was always considered and communicated as part of the Premier's Advisory Council on Government Assets.

In fact, one of the benefits of broadening the ownership of Hydro One was to unlock the potential for precisely this sort of transaction.

Similar acquisitions are increasingly common practice for Canadian-owned utilities. This includes, for example:

- Newfoundland and Labrador-based Fortis' purchase of Michigan-based ITC

- And Edmonton-based EPCOR Utilities' purchase of two U.S. water utilities.

It is to the shared benefit of Hydro One's customers, employees and shareholders to see the company strengthened and growing.

Our government's legislation that enabled the broadening of ownership of Hydro One and strengthened the Ontario Energy Board's regulatory process protects the interests of Ontario ratepayers.

While Ontario ratepayers will not be directly impacted by today's announcement, our government's Fair Hydro Plan, which came fully into effect on July 1, 2017 has lowered electricity bills by 25 per cent on average for all residential customers and as many as half a million small businesses and farms.

2. Fraser Institute released a report today about electricity price growth in Ontario

The report studies the change in electricity prices in Ontario over the last decade. It states that growth in Ontario has been twice that of other province, and lays the blame primarily on provincial policy choices. The report claims Toronto now has the most expensive electricity bills in Canada.

We are still reviewing the report and working on key messaging, but our response is likely to be similar to the following.

Key messages:

- The independent FAO did a report last fall on how energy costs in Ontario compared to the rest of the country.
- They found that the average Ontarian is actually in the middle of the pack when it comes to comparing our energy bills to our neighbours.
- That said, we heard from Ontarians that the cost of electricity was becoming too big a burden, and that's exactly why we acted.
- Our Fair Hydro Plan is now in effect, reducing electricity bills by 25% as of July 1st.
- This was a significant step, and is providing real relief across the province.
- But neither opposition party supported us in providing this relief.

3. Ottawa Citizen has an article from David Reevely arguing the plant closure in Tillsonburg is the failure of the Green Energy Act

Our statement on Tillsonburg remains unchanged (below). In addition to the language already in this statement, we would point to some of the ongoing success stories when it comes to green energy tech in this province, such as:

- Heliene in Sault Ste Marie (employs 75)
- Silfab in Mississauga (employs 235)
- CS Wind in Windsor (employs >125)

Statement

It is very disappointing to hear of the loss of jobs at Siemens' Tillsonburg plant. Our first concern is for the workers and families affected by the layoffs in this difficult time.

Today's announcement is reflective of one company's internal considerations. As made clear by Siemens, physical constraints on the Tillsonburg factory prevents them from adapting to meet the growing global demand for larger blades. These same limitations forced Siemens to close a similar factory in Denmark earlier this year. Other forces, including significant changes in the global market and uncertainty around U.S. tax policy, are factors as well.

While we are saddened by the news out of Tillsonburg, we are confident that as Ontario looks towards the future, green energy will remain an important part of both our electricity supply mix and our economy, supporting jobs and growth all across the province. Over the last decade, green energy has played a key role in completely eliminating dirty coal generation as a source of electricity in our province. The last coal plant was closed in 2014, marking the completion of what remains the biggest climate change initiative ever undertaken in North America. Along the way, our investments launched a modern clean tech industry in Ontario, an industry that continues to support tens of thousands of jobs across the province. Ontario will continue to be a green energy leader moving forward.