

NOW Magazine request/responses

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Hi Blane,

As promised, here are our proposed responses to the NOW Magazine request regarding the Avista acquisition. Please let us know if you have any edits. Deadline is this evening.

Can you please elaborate on what "regulated returns" means? Will there be any protections for Hydro One if Avista's operations run into trouble?

Any returns that Hydro One receives via ratepayers are regulated by the Ontario Energy Board – a quasi-judicial regulator whose mandate is to protect Ontario energy consumers. The government, as the primary shareholder of Hydro One, will benefit from efforts to modernize the company's operations and to find efficiencies, which are key drivers in this acquisition. Hydro One leadership, along with the company board, is responsible for continuing to make the company a profitable, customer-focused entity.

This deal has received some criticism because around 10% of Avista's energy supply comes from burning coal. Will Hydro One and the Ontario Government have the opportunity to shut down Avista's coal burning plants, if it chooses to do so?

You may have seen the Premier was asked about this last week. I would refer you to her statement:

So, as you all know, Ontario has shut down all of the coal-fired generation in the province. Hydro One has made a business decision to acquire a system, a company that has a small minority share in a, in a coal plant. Let me just say this, that you won't find another jurisdiction, pretty much around the world, that has gone as far in terms of renewable clean energy as Ontario. So I see this as a real validation of our opportunity to take that influence elsewhere. Avista is a company that has a large renewable portfolio. They have focused on clean energy. And I see, in this acquisition by Hydro One, an opportunity for the values that we share here in Ontario, the values that have led us to creating a pretty much pollution free electricity grid, an opportunity to spread that value system and to, you know, I know that Hydro One will be reviewing all of the, all of the operations once the transaction is completed. But, you know, we we are leading the way. I talked about leading the way in technology. We're leading the way in terms of reducing greenhouse gas emissions, in terms of cleaning up the air and having a clean electricity grid. This is a great opportunity for that value system to be shared in another jurisdiction.

What would you say to Ontarians that may be concerned that this deal, happening after a month after Hydro One asked the OEB for a rate increase, is evidence of a company that is just acting for its shareholders and not its ratepayers?

Hydro One is financing this deal with tools completely separate from the ratebase: an issuance of new shares, and taking on debt that will be repaid by new Avista revenues.

The OEB has a mandate to protect ratepayers while ensuring we have a reliable electricity system. In the last eight years, the OEB has reviewed over 100 major rate applications and reduced requested rate increases by an average of about 40 per cent.

Regardless of the outcome of the rate application, Hydro One customers will be seeing their bills go down this summer due to the Fair Hydro Plan, which came fully into effect on July 1, 2017. Electricity bills are being lowered by 25 per cent on average for all residential customers and as many as half a million small businesses and farms. Many of Hydro One's customers are in remote and rural communities, and will see greater reductions – some in the range of 40 to 50 per cent.

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