Afternoon Energy Media Summary - August 10, 2017

From: "Demetriades, Natasha (ENERGY)" <natasha.demetriades@ontario.ca>
To: "@ENERGY All" <energy-all2@msgov.gov.on.ca>
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Note: Due to an off-site staff meeting, today's afternoon media summary is being sent out early.

Good Afternoon,

Here is a roundup of the day's news:

- Hydro One's takeover of Avista is a big negative for Ontarians – Financial Post
- Woodstock Hospital electricity prices soar – Canada Free Press

Please see below **Today in Twitter** for news articles.

August 10, 2017
Today in Twitter

- **National Post @nationalpost** : Parker Gallant: Hydro One's takeover of Avista is a big negative for Ontarians http://ow.ly/ieCN30ejjmW
- **Ottawa Wind Concerns @northgowerwind** : Parker Gallant on the @HydroOne U.S. Avista purchase @CFRAOttawa w @CFRASnow after 12
- **Ont Rivers Alliance @OntarioRivers** : Ontario energy minister says hydro talks with Quebec still underway.
- **ECO Strategy @ecostrategy** : Hold the Date: September 22-24th for Green Energy Doors Open GEDO17 @ an Ontario location near you #GEDO17 #ONpoli
- **CW Magazine @CommonWealthMag** : Pricing hints on Hydro-Quebec power: Leaked Ontario contract indicates cost could be high.
- **Tom Adams @tomadamsenergy** : Ontario energy experts deeply concerned about secret Quebec-Ontario energy deal

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Hydro One's takeover of Avista is a big negative for Ontarians
Financial Post
August 10, 2017
Financial Post

Parker Gallant: Thibeault and Wynne believe it's wrong for the province to borrow $4 billion to reacquire Hydro One shares, but OK for Hydro One to borrow $5.1 billion while diluting the province's interest in it

On March 28th, a few weeks after Ontario Premier Kathleen Wynne and Energy Minister Glenn Thibeault held their press conference about the "Fair Hydro Plan," Andrea Horwath, leader of the NDP, delivered a motion to the Ontario legislature calling for a buy-back of Hydro One. The motion failed and later resulted in Thibeault calling the NDP motion "short on details and long on hollow promises." He noted that many of the NDP's proposals "rely on a vague and yet-to-be-determined 'expert panel' that will be convened in the future." Buying back $4 billion in Hydro One shares is costly, the energy minister added, and "will not take one cent off electricity bills. What it will do is send billions to the stock market instead of making much needed infrastructure investments in communities across Ontario."

Fast forward to July 19th, when Thibeault was beside himself with excitement because Hydro One will be paying US$5.3 billion ($6.7 billion) to purchase Avista, a much smaller electricity and natural gas utility headquartered in Spokane, Wash., 3,200 kilometres from Toronto. Hydro One offered a 24-per-cent premium on the traded value of the stock price over its July 18th closing and, based on Avista's 2016 annual profit, it will take Hydro One 38 years to recoup the $6.7-billion price tag. Thibeault's press release announcing the takeover carried this obtuse claim: "It is to the shared benefit of Hydro One's customers, employees and shareholders to see the company strengthened and growing." He also stated that, "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."

Based on that press release, and the requirement to get shareholder approval, we must assume Thibeault gave his blessings to the acquisition and dilution of the province's holdings, which will decline from 49 per cent to 44 per cent . He presumably also blessed Hydro One's borrowing program , which will add US$2.6 billion ($3.7 billion) in new debt, not including another $1.4 billion via a convertible debenture paying 12 per cent per annum in interest prior to its conversion to common shares.

Thibeault and Wynne believe it's wrong for the province to borrow $4 billion, as the NDP suggested, to reacquire Hydro One shares, but OK for Hydro One to borrow $5.1 billion while diluting the province's interest in it. The privatization of Hydro One and dilution of the province's shareholding keep its debt off of the province's balance sheet.

So, is the acquisition all that Thibeault and Hydro One's CEO, Mayo Schmidt, claim it is or is the spin meant to distract ratepayers into believing the takeover will lessen pressure on future rate increases? Let's examine a few facts:

— The acquisition of Avista will result in Hydro One's debt (short and long term) increasing by 46 per cent, or $5.1 billion, to reach in excess of $16 billion. Should interest rates increase Hydro One will submit an application to the Ontario Energy Board (OEB) for a rate increase, an accepted OEB process.

— Hydro One's 2017 first-quarter report notes it currently has five rate applications awaiting approval by the OEB and plans to file another nine rate applications over the next four years.

— Washington, where Avista's electricity ratepayers are located, pays the second-lowest rates of any state on average, with all-in residential rates of 9.43 cents/kWh as of April 2017. Only Louisiana can claim lower rates at an average of 9.35 cents/kWh (U.S. rates expressed in U.S. currency).

— Based on the information in Avista's 2016 annual report, it appears the all-in cost of a kilowatt-hour delivered to its ratepayers was 8.68 cents/kWh.

— Hydro One, on the other hand, has the highest rates in Canada and in most of North America. It is difficult to see how Washington ratepayers will see any benefit from this acquisition. Based on the data supplied by Hydro One to the OEB for 2015 , its average cost of a kilowatt-hour was almost double Avista's at 17 cents/kWh.

It is difficult to believe several of the claims in Hydro One's July 19th news release. As an example, it states the acquisition of Avista "will be accretive to earnings per share in the midsingle digits in the first full year of operation." Politicians and regulators in Washington may be tougher than those in Ontario when Hydro One seeks a rate increase! It gains increases in Ontario from the OEB and via political tampering, which recently resulted in a requirement that taxpayers pick up a part of Hydro One's bad debt allocations via the Ontario Electricity Support Program.

Another quote is also a stretch: "Efficiencies through enhanced scale, innovation, shared IT systems and increased purchasing power provides cost savings for customers and better customer service, complementing both organization's commitment to excellence." This claim comes from the company that had the distinction of being singled out by Ontario's ombudsman for issuing over 100,000 faulty hydro bills . Moreover, last October Global TV found Hydro One had almost 226,000 clients in arrears, which represented 20 per cent of all its residential clients and 40 per cent of all ratepayers in arrears in the province.

Ratepayers and taxpayers should view the Hydro One takeover of Avista as negative. To re-purpose Thibeault's comment to the NDP leader, this action "will not take one cent off electricity bills."

Woodstock Hospital electricity prices soar

Canada Free Press
August 10, 2017
Canadian Taxpayers Federation

Documents obtained by the Canadian Taxpayers Federation (CTF) reveal a dramatic increase to the cost of electricity to the Woodstock Hospital since 2012.

The documents, obtained under the Freedom of Information Act, show that in the last five years, bills for the hospital rose from $1.03 million to $1.65 million. That's a 60 per cent increase.

"The more the hospital has to spend keeping their lights on, the fewer resources they have for patients," said CTF Ontario Director, Christine Van Geyn. "This is yet another example of how the Ontario government's failed energy policies are hurting communities across the province."

Ontario has seen dramatic increases to the cost of electricity, with bills for residential consumers more than doubling in the last decade.

"Families across the province all feel the pain of rapid increases to the cost of electricity when they pay their home electricity bill. But what many people don't think about is the cost of the Ontario government's failed electricity policy to the institutions we all rely on, like the Woodstock Hospital," continued Van Geyn. "Instead of paying more than $619,871for higher electricity bills, that money could have paid for 77 hip replacements. That's what Ontario families expect hospitals to spend money on, rather than wasting money on this government's hydro rip-off."

The documents detailing Woodstock Hospital's electricity bills can be found HERE . The release can be viewed HERE .

The Canadian Taxpayers Federation is currently running a campaign opposing the Green Energy Act and cap-and-trade at StopHighEnergyBills.ca