Afternoon Energy Media Summary - May 15, 2018

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Date: Tue, 15 May 2018 15:05:11 -0400

Good afternoon,

Here is a roundup of today's news:

- Hydro One's investors show support for CEO's pay – *The Globe and Mail*
- *Raises for Hydro One board of directors to be reviewed: Wynne – The Globe and Mail*
- *Hydro One hikes dividend as profit jumps amid political onslaught in Ontario – Financial Post*
- *Hydro One first quarter profit up 33% - The Star*
- *Hydro One board members approved $25K raises for themselves – Global News*
- *Hydro rates should not be subsidized. It would be unfair to future generations – The Star (Op-Ed)*
- *Over 70% of Ontarians think carbon taxes are just a tax grab – Global News (Op-Ed)*
- *AMPCO Announces Doug Yates as new Chairman of the Board – Newswire*

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

May 15, 2018

- *@energyontario - Through the Smart Grid Fund, the Ministry of Energy is supporting innovative projects to help modernize Ontario's electricity distribution grids. Applications for the Smart Grid Fund are due June 25, 2018 at 9 am. Learn more at: ontario.ca/page/building-… @ ONenergy*

- *@CTVNorthernNews - @ ontario_liberal leader says it's unacceptable that Hydro One's board decided to give themselves pay increases and that's why her government pushed for a review. # news # ctvnews # ICYMI # onpoli # energy @ Kathleen_Wynne bit.ly/2jW7ULk*

- *@james_ogrady - I support burying hydro lines. Nothing has been done since 1998 ice storm to prevent it from happening again. We need to do a better job securing infrastructure, especially relating to energy and the delivery of it to Ontario homes. #onpoli #ottpoli @NepeanRiding @NepeanGreens*

- *@ACarterglobal - Horwath maintains that public control of @ HydroOne is key to lowering prices. Prices are set by arms length Ontario Energy Board. The two things are separate.*

- *@AM800News - Hydro One has become the big issue of the Ontario election campaign today following word that the board decided to give themselves a $25,000 pay hike this year. iheartradio.ca/am800/news/1.3…*

Hydro One's investors show support for CEO's pay
Tim Kiladze
The Globe and Mail
May 15, 2018

Early results show Hydro One Ltd. is expected to pass its annual 'say-on-pay' vote, despite political criticisms of its executive compensation practices in the run up to a June election.

Ninety-two per cent of shareholders who cast their votes ahead of Hydro One's annual general meeting on Tuesday voted in favour of the current pay plan. Hydro One's board directors are also expected to receive heavy shareholder approval, according to the company.

Exact totals are likely to be released late Tuesday after the votes cast in-person at the annual meeting are counted. However, it is common for large institutional shareholders that hold major ownership stakes to vote electronically ahead of time; day-of votes typically come from retail investors who own small positions, meaning they rarely skew the total.

Despite the expected approval, the 'say-on-pay' vote will not provide a complete picture of investors' views. The Ontario government is Hydro One's largest shareholder, with a 47 per cent stake, but it abstained from voting after originally stating that it would vote against the pay plan. The province later changed its mind when Hydro One's board chair David Denison said he would meet with shareholders to gather their input. At the time, Ontario Energy Minister Glenn Thibeault said the government was abstaining to give the board "the necessary time to re-examine the matter."

Hydro One's annual meeting was held on the same day that the company released its first-quarter profit, which rose to $222-million, 33 per cent higher than in the same period a year prior. The company also raised its quarterly dividend by 4.5 per cent to 23 cents per share.

As part of its earnings report, Hydro One revealed that the profit outlook stemming from its $4.4-billion acquisition of Avista Corp. has dimmed again, after the utility agreed to recent rate settlements with U.S. regulators that determine electricity pricing. The update comes after Hydro One already said changes to the United States' tax code would also dent profits. The acquisition is no longer expected to be accretive – or to add much value – in the short-term, according to Hydro One.

Until recently, Hydro One planned on growing in the U.S. as the North American electricity sector consolidates. This plan is still on the table, but on Tuesday management indicated the main drivers of earnings growth over the short-term might now come from consolidating local distribution companies in Ontario and finding more *cost savings. The latter has been a major initiative, and a successful one — but is often overlooked amid all the rhetoric around CEO pay.*

"Our organization is really just hitting its stride in terms of efficiencies," chief executive Mayo Schmidt said on a conference call to discuss the company's earnings on Tuesday.

[Raises for Hydro One board of directors to be reviewed: Wynne]
The Canadian Press
The Globe and Mail
May 15, 2018

Ontario's Liberal premier says it's unacceptable that Hydro One's board decided to give themselves pay increases and that's why her government pushed for a review of the utility's compensation package.

In late April, Kathleen Wynne's government called on the company, which was partially privatized in 2015, to review its compensation scheme, and said it would abstain from a vote on the matter at an annual meeting being held today.

The Liberals and Hydro One had said the review would focus on executive compensation — which includes at least $10.7 million in severance for the CEO, who earned a $6.2-million salary last year.

Today at an election campaign stop, Wynne says that review also includes board compensation, such as a $70,000 raise for the chair of the board and $25,000 raises for other board members.

Progressive Conservative Leader Doug Ford says those amounts are ridiculous for a part-time job that involves attending several meetings.

New Democrat Peter Tabuns says the NDP plan to buy back shares of Hydro One to return it to public control is the only way to stop millionaires from looking after themselves.

Hydro One chief executive Mayo Schmidt said Tuesday that he recognizes the electricity company has become a "lightning rod" for criticism.

"Politics around hydro as a commodity has been very high but really, unfortunately, the focus has come on Hydro One a good bit," Schmidt told analysts on a conference call ahead of the shareholders meeting.

"We're quite frankly looking forward to getting through the election. We don't have a view or a bias in that election ... but we're not losing our focus as an organization in the meantime."

As a private-sector, publicly traded corporation, Hydro One's compensation policies are determined by its board of directors.

Shareholder votes on compensation policies are considered to be non-binding on the board, although directors often take them into account for subsequent decisions.

Earlier, Hydro One announced it first-quarter profit rose to $222 million, which was up 33 *per cent from the same time last year. Hydro One's profit amounted to 37 cents per share, up from 28 cents per share in the first quarter of 2017.*

Revenue was $1.58 billion, or $875 million after excluding purchased power. That compared with 2017 first-quarter revenue of $1.66 billion, or $769 million net of purchased power.

Hydro One says its quarterly dividend will rise by one cent to 23 cents per share, payable June 29. It has paid a dividend of 22 cents per share since last June.

Ontario's election takes place June 7.

[Hydro One hikes dividend as profit jumps amid political onslaught in Ontario]
Geoff Zochodne
The Financial Post
May 15, 2018

Hydro One Ltd. said Tuesday that profit was up for its first quarter, an increase that comes as the company and its executive compensation practices have become a political football ahead of Ontario's June 7 election.

"Politics around hydro as a commodity has been very high, but, you know really, unfortunately, the focus has come on to Hydro One a good bit," said Mayo Schmidt, president and chief executive officer of Hydro One, during a conference call with analysts.

Toronto-based Hydro One reported net income attributable to common shareholders of $222 million for the quarter ended March 31, up nearly 33 per cent from a year ago. Hydro One also boosted its quarterly dividend by five per cent, to 23 cents per share, payable June 29.

The company, Ontario's largest electricity distribution and transmission utility, said the increase in profit was driven by the favourable impact of a regulatory decision on Hydro One's transmission rates, as well as the positive effects of colder weather and cost control.

But the company has not been able to escape the spotlight in Ontario's provincial election campaign, which the CEO admits Hydro will be glad to see end.

"We're quite frankly looking forward to … getting through the election," Schmidt said. "We don't have a view or a bias in that election, but the fact is that I think in our view would be, once we clear it and the hydro or electricity becomes less of a, let's say a lightning rod, that things will smooth out."

"But we're not losing our focus as an organization in the meantime," he added.

The CEO noted Hydro One has a governance agreement with the province, which he called a "shareholder, not a manager of the business." Even so, Hydro One's executive pay has been turned into a key campaign issue in the run-up to the provincial election.

Ontario Progressive Conservative Leader Doug Ford, who has been leading in the polls, has referred to Schmidt as the "$6 Million dollar man," and has vowed to remove him and the entire board of Hydro One if he is elected.

Schmidt earned approximately $6.2 million as president and CEO last year, and is entitled to millions in severance if he is terminated without cause, according to Hydro One's management information circular.

The Liberal government had said it would be abstaining from voting on the company's "say-on-pay" shareholder resolution at the company's annual general meeting on Tuesday. In response, Hydro One chair David Denison said the utility would seek additional advice, hold discussions with shareholders and review its current compensation practices.

On Tuesday, the company's compensation practices faced criticism again, after it came to light that, following a review of its peers, Hydro One's board had approved pay raises for itself. Effective Jan. 1, the annual retainer for regular directors was increased $25,000, to $185,000, and the chair's annual retainer was increased $70,000, to $330,000.

"The increase in directors' compensation will bring the Hydro One board closer to, but still below median of, this broader peer group," the company's management information circular said.

The actions of Hydro One have received particular scrutiny, as the company used to be solely owned by Ontario. The province's Liberal government began selling shares of Hydro One in 2015, with the utility now around 47 per cent government-owned, according to Bloomberg.

Schmidt said the company was managing to lower the cost of power for its customers by an average of 31 per cent over the next three years, and pointed to an Ontario electricity fee, the global adjustment — tied to electricity generation, not the transmission or distribution that Hydro One handles — as causing "certain strains" on customer budgets. Ontario's Liberal government implemented a plan last year to lower household power bills by an average of 25 per cent, partly by "refinancing" that global adjustment with borrowed money.

Meanwhile, Hydro One is also making headway in its $6.7-billion acquisition of U.S.-based energy company Avista Corp., with settlement agreements filed in Washington, Alaska and Idaho, in addition to the deal receiving anti-trust clearance and approvals from the U.S. Federal Energy Regulatory Commission and U.S. Federal Communications Commission.

"We're monitoring, we're running our business as investors would expect us to," Schmidt said.

Shares of Hydro One had gained about 1.2 per cent as of midday Tuesday, trading at around $19.52. The company's stock price is down nearly 13 per cent for the year.

Hydro One first quarter profit up 33%
The Canadian Press
The Globe and Mail
May 15, 2018

TORONTO—Hydro One says its first-quarter profit rose to $222 million, which was up 33 per cent from the same time last year.

That included $12 million related to its $6.7-billion acquisition of Avista, a U.S. energy company.

The Ontario utility's profit amounted to 37 cents per share, up from 28 cents per share in the first quarter of 2017.

Revenue was $1.58 billion, or $875 million after excluding purchased power.

That compared with 2017 first-quarter revenue of $1.66 billion, or $769 million net of purchased power.

Hydro One says its quarterly dividend will rise by one cent to 23 cents per share, payable June 29. It has paid a dividend of 22 cents per share since last June.

Hydro One board members approved $25K raises for themselves
David Shum
Global News
May 15, 2018

Hydro One's part-time board members, all of whom were appointed by the Liberal government in 2015, approved a $25,000 raise for their own jobs, including a $70,000 pay hike for the chair of the board.

The compensation policy, illustrated in a Management Information Circular ahead of the utility's Annual General Meeting (AGM) on Tuesday, showed board members had their executive salaries increased to $185,000 and the board chair, David Denison, boosted to $330,000.

The raise increases, effective since Jan. 1, 2018, occurred as Hydro One's share price was falling, according to the document.

"The increase in directors' compensation will bring the Hydro One board closer to, but still below median of, this broader peer group," the circular stated.

The peer group includes large Canadian utility, pipeline and storage companies, such as Pembina Pipline Corp., AltaGas Ltd., Fortis Inc., Keyera Corp. and TransAlta Corp.

Hydro One said last month it was reviewing its executive compensation arrangements at the urging of the Ontario Liberal government following the release of the utility's management information circular in March.

Energy Minister Glen Thibeault said in a statement released on Tuesday that the government was "dissatisfied with the specific proposals for executive compensation" and that "a review of the compensation model would be conducted relying on additional third party experts."

The Liberal candidate for Sudbury also said the government will abstain from Tuesday's AGM vote, which means a review of compensation will occur and that avoiding a no vote would eliminate "the risks that would flow from such a showdown and the consequent negative impact on Hydro One's shares."

Speaking at a campaign stop in Waterloo on Tuesday, Liberal leader Kathleen Wynne *said the review is beginning.*

"The minister of energy called the CEO of Hydro One, made it clear we were not happy with it, and we immediately looked for options," Wynne said.

"It's happening because we made it clear that we were not supportive, did not think that the compensation package that was brought forward was reasonable."

Progressive Conservative Leader Doug Ford vowed he would fire the CEO and board of directors at the partially privatized utility if his party is elected on June 7.

"Remember folks, if you can relate to this, a part-time job, they were making $160,000 and they gave themselves a pay increase of up to $185,000. Who does that?" Ford told reporters at a rally outside Hydro One headquarters in Toronto on Tuesday.

"This is a waste of taxpayers' money. This is the reason the board is going, the CEO is going. That's unacceptable."

Hydro One CEO Mayo Schmidt, who earned a $6.2-million salary last year, would be entitled to at least $10.7 million in severance if he were to be removed from his job by the board of directors.

Schmidt said Tuesday that he recognizes the electricity company has become a "lightning rod" for criticism.

"Politics around hydro as a commodity has been very high but really, unfortunately, the focus has come on Hydro One a good bit," Schmidt told analysts on a conference call ahead of the shareholders meeting.

"We're quite frankly looking forward to getting through the election. We don't have a view or a bias in that election … but we're not losing our focus as an organization in the meantime."

Hydro One was partially privatized in November 2015, with the province saying it planned to use the sale of shares to fund transit and infrastructure projects. By December 2017, the province had sold off 53 per cent of its stake in the company.

Ontario NDP Leader Andrea Horwath said her party would buy back Hydro One if elected into power and bring down the price of electricity.

"We cannot get the bills down if we don't have control of the utility. If the utility operates in the best interest of the shareholders and private interests, like that of the CEO, then we will not be able to have any impact on people's bills," Horwath said at a campaign stop in London.

"If we bring it back into public hands, we can make sure every single decision being made by the Hydro One utility is made in the best interest of Ontario families, businesses and industry."

The utility announced Tuesday its first-quarter profit rose to $222 million, which was up 33 per cent from the same period last year.

Hydro rates should not be subsidized. It would be unfair to future generations

Brady Yauch
May 15, 2018
The Star

Soaring electricity rates have become a financial burden to both households and businesses across Ontario. Rather than tackle the root causes of high hydro rates, policies like the recently passed Fair Hydro Plan — which offers residential electricity customers a 25 per cent reduction on their monthly hydro bills — create more problems than they solve.

A low-rate at-any-cost policy like the Fair Hydro Plan kicks the financial burden of today's hydro rates to future generations, undermines the regulatory system that is supposed to protect consumers from public utility excesses, supports further political intervention and divorces the cost of energy from the price that consumers pay for it. It also undercuts the hundreds of millions of dollars being spent annually on conservation programs. In short, it's a Band-Aid solution that, rather than helping heal the wounds that have been inflicted on the province's electricity sector, actually makes the cuts even deeper and the damage more long-lasting.

First, there's the simple fact that the lowering of today's rates is a mirage. There is no plan to lower the cost of generating and delivering power in Ontario. Instead, the difference between the cost of generating and delivering power to customers and the 25 per cent reduction being promised to ratepayers is accomplished through issuing debt that future ratepayers will be left to pay off. None of the costs of generating and delivering power have been reduced.

Early estimates from the province's Financial Accountability Office (FAO) show the Fair Hydro Plan rebates will "save" ratepayers $18.4 billion over the next decade, but those savings will ultimately cost future ratepayers $39.4 billion (the original amount plus $21 billion in interest). If interest rates move higher, as is increasingly looking likely, the costs of the deferral will only grow larger. The full amount of the next decade's "rebate" and tens of billions in interest costs won't be fully paid off until the 2040s.

In short, today's lower rates will cost ratepayers more in the long run and the risk that the cost of the deferral will be larger than is currently anticipated is significant.

Second, the Fair Hydro Plan destroys the credibility and mandate of the "independent" regulator, the Ontario Energy Board (OEB), which, in the wake of the collapse of Ontario Hydro, was tasked with protecting consumers from excesses that resulted in double-digit rate increases. Prior to the Fair Hydro Plan, the OEB ensured that the price consumers paid for electricity was based on the actual cost of generating and delivering that power.

But economic regulation has been thrown out the window, with the OEB now left to rubber-stamp demands from the province to set rates based on an artificial reduction, even though the regulator has in the past often blocked deferral of this kind by the electric utilities it regulates.

Unfortunately, this isn't the first policy that undermines the independence of the OEB, but rather the culmination of more than a decade of transferring nearly all decision-making in the electricity sector from independent agencies staffed by experts to political staffers at Queen's Park. The Fair Hydro Plan merely caps off this trend, making it clear to consumers and producers that the price they pay for power is increasingly a political *football rather than one based on real-world economics.*

Third, artificially lowering rates today undermines the province's spending of $2.2 billion on conservation programs. Any consumers who have spent either their own money or provincial subsidies on investments needed to reduce their energy consumption (and offset soaring hydro bills) are seeing the savings from those investments being whittled down. Consumers may lose interest looking for ways to more efficiently consume power now that their monthly hydro bill has been reduced by 25 per cent. While the province celebrates the need for conservation in the energy sector, the Fair Hydro Plan rebates offer the strongest incentive to customers not to conserve.

An electricity rate reduction that increases hydro bills for future Ontarians, divorces the price of electricity from the real-world cost of producing and delivering it, and works against the very conservation policies that consumers across the province have been told are good for the environment should hardly be celebrated.

Brady Yauch is the executive director and economist at the Consumer Policy Institute, a division of Energy Probe Research Foundation.

[*Over 70% of Ontarians think carbon taxes are just a tax grab*]
Scott Thompson
Global News
May 15, 2018

I think it is safe to say most Ontarians want to preserve the planet for the next generation.

However, in the ongoing, and sometimes contentious, environmental debate, there are many differing opinions on how to accomplish this, and that is healthy.

What is not healthy is when governments prey on citizens' sensitivities on an issue and use it for symbolic political gain instead of what is really good for the people.

In other words, using a green type program to raise money for other government expenditures that really don't help the environment or are not cost-effective to run is not healthy.

We have seen this over and over again with the Liberals' Green Energy Act. Ontario Liberal Leader Kathleen Wynne is borrowing money for this short-sighted plan to temporarily bring down your electricity rates to try to win the next election.

In fact, there are no shortage of experts (including the Ontario Financial Accountability Officer) who say the current Liberal plan is unsustainable on its current course.

So it is no wonder a new IPSOS poll says seven in 10 Ontarians think a carbon tax is just a big tax grab with no real benefit.

Wow! What does it say when average, environmentally minded Ontarians start to question the effectiveness of a green policy forced upon them?

It says Ontarians are now highly skeptical about government green plans and are no longer buying into the guilt trip pushed on them by those with a narrow (tree hugger) agenda and no fiscal responsibility.

That’s bad news for politics and even worse news for the environment.

Scott Thompson is the host of The Scott Thompson Show on Global News Radio 900CHML and a commentator for Global News.

AMPCO Announces Doug Yates as new Chairman of the Board
AMPCO
Newswire
May 15, 2018

TORONTO, May 15, 2018 /CNW/ - The Association of Major Power Consumers in Ontario (AMPCO) Board of Directors has appointed Doug Yates as its new Chairman.

"On behalf of AMPCO, I am pleased to welcome our new Chairman," said Colin Anderson, President of AMPCO. "Doug's extensive experience on the AMPCO Board of Directors will make him an asset to AMPCO members. His knowledge of industrial electricity policy and pricing will assist us in advancing our goal of maintaining and attracting investments and jobs to Ontario by improving our competitive standing."

Mr. Yates has over 30 years of experience in the automotive sector with General Motors. His experience in energy and environmental matters has allowed Mr. Yates to gain expertise in the technical realities of the electricity system and market, as well as in the environmental portfolio in Ontario, and elsewhere. Mr. Yates is also skilled at stakeholder and government relations.

"I am excited to lead AMPCO's Board as it advocates on behalf of large energy consumers in the province," said Yates. "Having been a member of the AMPCO Board for many years, I appreciate the thorough analytics and policy solutions it develops and I believe we are well positioned to continue our work to improve the sector."

AMPCO also wishes to acknowledge the retirement of Mark Passi from the AMPCO Chairman role and to thank him for his many years of exceptional service to the Association. "AMPCO thanks Mark for all that he has done for the Association and its members. He will be missed both professionally and personally by us all," said Anderson.

About AMPCO
AMPCO is a not-for-profit consumer interest advocacy organization. AMPCO's members represent Ontario's major industries: forestry, chemical, mining and minerals, steel, petroleum products, cement, automotive, industrial air, manufacturing and business consumers in general. AMPCO's members are major investors, major employers and a major part of communities in which they operate, across Ontario.

SOURCE AMPCO

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