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October 18, 2018

Via Electronic Filing and overnight mail

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX: 1088
SALEM OR 97308-1088

RE: Docket No. UM 1897 – In the Matter of
HYRDO ONE LIMITED, Application for Authorization to Exercise Substantial Influence over the Policies and Actions of AVISTA CORPORATION.

Attached for filing are the following Exhibits:
UM 1897 Exhibit 800-803 Muldoon
UM 1897 Exhibit 900 Anderson

/s/ Kay Barnes
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CASE: UM 1897
WITNESS: MATT MULDOON

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 800

Sur-rebuttal Testimony

October 18, 2018

Qualifications

Q. Are you the same Matt Muldoon whose Witness Qualification Statement was provided as Exhibit Staff/201?

A. Yes.

Q. What is the purpose of your testimony?

A. Staff offers context and analysis in response to elements of the Hydro One Limited (Hydro One or Applicant) and Avista Corporation (Avista or Company) Rebuttal Testimony and Exhibits (Rebuttal Testimony) filed on October 4, 2018, and the Reply Testimony of the Alliance of Western Energy Consumers' (AWEC) and the Oregon Citizen's Utility Board (CUB) filed on September 20, 2018. Staff's final written testimony in this proceeding offers:

A. An outlook regarding a number of concerns addressed herein;

B. Discussion of areas in the Stipulated Commitments where the Applicant, Company, and hired consultants, collectively the "Proponents," propose approaches that do not yet satisfy reasonable concerns;

C. Address proposed Stipulated Commitment changes by the Applicant and Company provided in their Rebuttal Testimony, and commitments that were agreed to in Washington that are not contested;

D. Response to testimonies of Hydro One's other witnesses, AWEC and CUB;

E. Recommendation that the Commission use available time in the current schedule to maximally inform its decision; and

F. Review of the Oregon standards required for approval.

Q. Did you prepare exhibits in support of your reply testimony?

A. Yes. I prepared the following exhibits:

Exhibit Staff/801 – WUTC Summary of Changes to Commitments in WA.[1]
Exhibit Staff/802 – News and Other Cited Materials.
Exhibit Staff/803 – Responses to Data Requests (DR).

Optimistic Outlook on Several Former Concerns

Q. Why is Staff more optimistic since its Reply Testimony with respect to the Proposed Transaction?

A. First, most Stipulated Commitments are already proving resilient when confronted with changes in operating environment for Hydro One. As an example, the financial Stipulated Commitments regarding common equity portion of capital structure, credit ratings and dividends will continue to perform as designed, for the most part, impervious to change in leadership in Ontario.

It is telling that neither Staff nor Proponents see a need for major revision to the 115 Stipulated Commitments—this is because a strong set of commitments were meticulously reviewed, and agreed upon in Oregon. As further grounds for Staff's optimism that remaining issues can be resolved, Staff points to three issues that were approached differently in Oregon's Stipulated Commitments: First Mortgage Bonds as a means for debt financing, liquidity, and comprehensive hold harmless provisions. The Stipulated Commitments in each of these areas are complex, and carefully crafted.

1 Washington Utilities and Transportation Commission (WUTC, UTC, or WA UTC).

In each of the three above examples, Hydro One was receptive to an issue of concern to Oregon and internalized that problem and worked toward solutions that did not impair Hydro One's ability to function efficiently, but adequately addressed Staff's and other Parties' concerns in Oregon.

Therefore, it is not unreasonable, given Mr. Scarlett's and Mr. Lopez's expressed willingness to work on this problem further, to expect that a similarly effective approach could be identified in the governance arena.

Q. What other enhancement did Hydro One offer to the Stipulated Commitments?

A. The Proponents offer a new Commitment No. 116 in an attempt to help prevent any new directives, legislation, policies, or rules in Ontario from negatively affecting Avista and its customers. New Commitment 116 offers remedy for when the Provincial relationship affects Hydro One's compliance with Stipulated Commitments. And it offers the addition of keeping the Commission informed of such activity in Ontario, which the Commission might not otherwise be aware of. Staff values the regular updates that Hydro One has made in response to Administrative Law Judge Patrick Power's Bench Request of June 14, 2018.

Q. What is a second reason for optimism?

A. As of the publication of this testimony, the majority of the Hydro One senior management team (assembled under former Hydro One Chief Executive Officer (CEO) Mayo Schmidt) that Staff was comfortable with, and was expecting to transform Hydro One into a larger, more valuable international utility holding company, have remained with Hydro One to date.

Further, Thomas Woods, Chair of the BOD for Hydro One states that: "I, as well as the entire Board, have a fiduciary duty to Hydro One itself to make strategic business decisions that are in the best interests of Hydro One, including in the recruitment and retention of senior executives and managers."[2]

Q. Considering a third factor important for Oregon, are Hydro One's senior management teams, its board of directors (BOD), and Provincial leadership all communicating in support of the Proposed Transaction?

A. That appears to be coalescing now, based in part on the testimonies of Paul Dobson, Acting President and CEO for Hydro One, other key executives of Hydro One, and Thomas Woods, Chair of the BOD for Hydro One. As Staff explained in Reply Testimony, Provincial general communications and messaging not inconsistent with Hydro One communications to Standard and Poor's (S&P) and Moody's Investor Service (Moody's) are important for establishing that Hydro One is operating in a constructive regulatory environment.

Chair Woods also states that Hydro One remains committed to the merger. For Staff, it is important that the Hydro One BOD and Senior

[2] See Hydro One/2300 Woods/10 at lines 17-19.

Management are sharing a common strategic vision for Hydro One, and correspondingly, success at Avista.

Q. In Exhibit No. Staff/600 you indicated that Staff believes the Province has a financial incentive to see the Proposed Transaction completed. Is that still true?

A. Yes. Absent unusual action or communication by the Province articulating more immediate or more pressing concerns, Staff believes it is in the Province's long-run financial interest to support the Proposed Transaction because the Province, as Hydro One's largest investor, benefits through increased cash flows through dividends with Hydro One owning Avista. For Hydro One, the acquisition of Avista is a low-risk, higher-returning alternative to fixed income and other like investments. Just as Canadian Companies like Fortis, and Ontario pension funds investing in U.S. utilities, generate higher returns, the Province can realize a higher return through Hydro One acquisition of Avista than through incremental like-sized activity in Ontario. All of these reasons should make success at Avista important to the Province.

However, it is also reasonable to posit that not every political entity wants to and is in the position to defer satisfaction today for a stronger financial future 10-years from now, which brings us to the concerns related to the Province's immense influence over Hydro One and whether the Stipulated Commitments are strong enough to separate and protect Avista from its future parent when and where necessary.

Q. Do you find anything encouraging in Hydro One Acting President and CEO Paul Dobson's testimony?

A. Yes. Jack Welch, CEO of General Electric Corporation (GE) from April 1981 to September 2001, is quoted as saying, "Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion." Hydro One executives must do the same to make this acquisition a benefit for Avista customers.

Staff appreciates Mr. Dobson's upcoming trip to articulate Hydro One's vision for Avista. His sharing on how investors fit into the equation and how Oregon customers will be better off through completion of the proposed transaction is important. Although Mr. Dobson emphasizes that: A) Hydro One remains committed to the merger, and B) the Strategic rationale for the merger remains,[3] he should explain how and in what concrete ways the acquisition will benefit Avista's Oregon customers. Staff agrees that Hydro One's success as a parent *could* enhance resources, synergies and opportunities for Avista and its customers, including higher credit ratings and reduced cost of capital, but is dependent on Hydro One's senior management team's ability to drive its strategic vision and for the Stipulated Commitments to be strong enough to create separation of Avista from Hydro One.

Q. Are there other factors that are positive at this time?

[3] See Hydro One/1400 Dobson/3.

A. Yes. As Mr. Lopez recaps, Hydro One has addressed liquidity concerns that now allow Hydro One to better support enforcement of the Stipulated Commitments from a financial perspective.[4]

Reinforcing Avista Governance

Q. Although parties in Washington agree that they have achieved sufficient reinforcement of governance commitments, does Staff concur that the revised language presented by the Proponents in Oregon is an acceptable remedy that addresses Avista governance concerns?

A. No. Staff proposes alternative language for Commission consideration beyond that offered by Proponents. While Staff agrees that the existing Stipulated Commitments are well constructed and robust, Avista Governance is one area that must be improved.

Staff's approach is a proactive control that protects Avista ratepayers. This contrasts with Proponent's reactive remedy approach that: A) presumes that the Commission would become aware that extraordinary influence was being exerted, B) presumes that that influence is not deployed strategically in phases to the Avista board, and redirection of Avista priorities takes place in another, and C) that said strategic change could be readily undone at any time. Again, Staff prefers defenses that are active and deter harm to ratepayers, as proposed in Ms. Anderson's Surrebuttal Testimony. For

[4] See Hydro One/2500 Lopez/6 at lines19-20.

example, Staff's proposed language further enhances the independence of the Avista BOD.

Q. How can the Oregon parties move forward?

A. James Scarlett, Hydro One Executive Vice President (VP) and Chief Legal Officer, indicates that Hydro One agrees that it is appropriate for the Commission to consider the need for additional commitments or amendments to the 115 Stipulated Commitments. But he approaches Stipulated Commitment 5 with newly offered commitment 116, which he testifies is a solution that allows Hydro One executives and Board confidence that they can deliver on their obligations while still assuring the Northwest state commissions that Avista will experience improvements paired with continuing independence. Hydro One will need to move beyond the language of commitment 116, closer in alignment with Staff's governance proposal, to gain Staff confidence that a stronger governance commitment has been achieved.

Q. Does Mr. Scarlett criticize Staff's prior testimony?

A. Yes. Similar to Mr. Woods, Mr. Scarlett argues that Staff oversimplifies complex processes and events in Ontario.[5] Largely, the Proponents have trouble seeing the risks expressed by Staff realized. But, Staff would point out, that they also heartily dismissed the risks identified in Staff's very first set of testimony in this docket that Provincial influence could negatively affect the

[5] See Hydro One/2400 Scarlett 3.

Proposed Transaction and/or Avista, or be too fickle and volatile to predict. The most recent events in Ontario have confirmed that very risk, and we have seen the impacts of such events in declining credit ratings for Hydro One and swift removal of its entire Board. Mr. Lopez takes a better approach, stating that Hydro One "could consider alternative additional provisions designed to address concerns about the Province's relationship with Hydro One, even though we do not believe they are necessary."[6]

Staff wants certainty that its concerns and Oregon approval criteria of a net benefit are met. The Proponents want certainty that they can effectively operate Avista post transaction to meet their responsibilities. These goals are not mutually exclusive. Staff proposes that the Commission provide direction to the Companies with regard to the necessary changes to Stipulated Commitments it expects.

Q. Does Staff, after reading Mr. Scarlett's testimony, still believe the same risks are present regarding Provincial influence?[7]

A. Yes. Although Mr. Scarlett claims that the "spirit of the law," meaning the Governance Agreement, was largely followed when the Hydro One board was removed, it is now clear that not all steps in the Governance Agreement need to be followed down to the "letter of the law," and that the Province has tremendous influence over the board and CEO because it can simply use *political pressure* to demand change, rather than formal procedures. Further,

6 See Hydro One/2500 Lopez/8 at lines 6-7.
7 See Hydro One/2400 Scarlett/5.

with regard to the CEO's departure, Staff point is that Schmidt's ultimate motivation for resigning was based on pressure externally applied—that the largest shareholder of the company would not support him. This influence is what Staff guards against in enhancement of Stipulated Commitment 5. The argument is that the influence of the province is SO GREAT that it is able to carry out its wishes despite the Governance Agreement protections in place, and current governance commitments. In addition, the power of this particular shareholder to create new laws that directly affect or displace the Governance Agreement should be very concerning.

Q. Does Staff view the reaffirmation of the Governance Agreement the same way as Mr. Scarlett?[8]

A. No. Staff understands that Hydro One's new board will set the strategic direction for Hydro One's executive team, but sees limited protection for Avista ratepayers from reaffirmation of the Governance Agreement. Again, the Governance Agreement only limits the Province's ability to intervene in Hydro One affairs *without legislative action*.[9]

Q. Does Mr. Scarlett confirm that he, as Executive VP of Hydro One now, will make Avista and its ratepayers a topmost priority?

A. No. Mr. Scarlett does not speak to the importance of providing clear and direct benefits to Oregon natural gas customers. By contrast, he clearly identifies his role and duty to first see to Hydro One's success, in whatever

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[8] See Hydro One/2400 Scarlett/9.

[9] Hydro One Response to Staff DR 34 Attachment A, Governance Agreement.

form that may be. In his most recent testimony, he exclaims: “Hydro One is investing more than $5 billion US in Avista. Hydro One must control the selection of the majority of Avista’s post-merger board in order to ensure that its substantial investment results, over the long-term, in financial benefits *to the shareholders of Hydro One* . . . .”[10]

If future goals are in conflict, Mr. Scarlett is clear that Hydro One’s needs are a priority over Avista’s. Staff sees this as a further confirmation of the need for a stronger, more proactive Commitment 5.

Q. Do you agree that potential separation of Avista from Hydro One (as a result of proposed changes to Commitment 5) is necessarily credit negative, as indicated by Mr. Scarlett and other Hydro One witnesses?[11]

A. Not necessarily. Separation has a positive flip-side too—there is also the possibility that Avista’s ratings will be shielded because of Avista’s independence from Hydro One. For example, rating agencies recently did not downgrade Avista despite their perceived problems with Hydro One after the elections.

Looking long-term, the greater worry is accumulation of debt at the parent causing downward pressure on credit ratings for Avista, absent sufficiently strong commitments. Commissioners may look to Standard and Poor’s and Moody’s concerns addressing this same issue in general rate

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10 See Hydro One/2400 Scarlett/17 (emphasis added).

11 See Hydro One/2400 Scarlett/18.

case filings by Cascade Natural Gas Corporation over the past 5 years. The concern is that future acquisitions can place additional debt at the parent level – separating conditions are not strong enough to prevent this potential parental debt from needing to be currently recognized as a notch downward pressure on Cascade credit ratings.

<u>General Improvement of Stipulated Conditions</u>

Q. Given that some time has passed and other state commissions have refined language in their commitments, are there any uncontroversial updates or corrections from Washington that should be applied to the Oregon Stipulated Conditions, or other updates specific to Oregon?

A. Yes. As an example, since the Stipulation was filed, Avista may decide to use a different software than ABB's SENDOUT gas analytics software, which is listed in the Stipulated Commitments.[12] Staff asks that Avista propose a minor correction in its next testimony that reflects current Avista planned software, or allows for flexibility to match Avista's decision of software's where applicable, without change to monetary impact.

Q. Did Acting Chief Financial Officer (CFO) Lopez discuss any new commitments proposed by Hydro One?

A. Yes. CFO Lopez introduces proposed new commitment 116:

> *In the event of the enactment or adoption of any legislation, rule, policy, or directive by government at any level or by any governmental entity or official in Canada (a "Legislative Action") that affects Avista's operations because of Avista's corporate relationship with Hydro One,*

[12] This software is addressed in Stipulated Commitment 32.

or affects Hydro One's compliance with any commitment in this stipulation, any of the parties to this proceeding may petition the Commission at any time to consider whether the Commission should amend its final order, and neither Hydro One nor any of its subsidiaries, including Avista, will oppose initiation of such a proceeding.

Hydro One will report to the Commission any such Legislative Action in Canada that, in Hydro One's reasonable judgement, affects Avista's operations because of Avista's corporate relationship with Hydro One, or affects Hydro One's compliance with any commitment in this stipulation, as soon as practicable after it is publicly announced as being effective by the government or governmental entity or official.

Nothing in this Commitment 116 shall be interpreted to limit the positions or arguments that Avista or Hydro One may take or advance in any such proceeding, including the right to argue that a petition presents insufficient grounds or evidence. Prior to filing a petition with the Commission under this Commitment 116, a party must provide Hydro One and Avista at least 30 days advance written notice and an opportunity to meet and confer about resolutions other than filing with the Commission under this commitment. Nothing in this commitment is intended to restrict the rights of the parties to petition the Commission concerning its order(s) in this docket, or to limit the authority of the Commission.

Staff finds this Proponent-proposed new commitment 116 helpful.

Q. Why does Staff not reproduce Proponent's proposed improvements to Stipulated Commitment 5 here?

A. Staff considers and rearticulates improvements to Stipulated Commitment 5, addressing Avista Governance, in Exhibit No. Staff/900.

Q. What improvements to stipulated commitments did Washington Parties achieve?

A. Changes articulated by WUTC Staff in Washington are provided as Exhibit No. Staff/801. The updated terms of settlement in Washington make the following changes to stipulated conditions in Washington:

Executive Management: Requirement for approval of Hydro One for any hiring, dismissal or replacement of the CEO is struck. Rather, the Avista BOD shall make such decision on its own, not subject to review of Hydro One or another Hydro One affiliate (other than Avista). This is an adoption of Oregon Commitment No. 4. – *No change is required here*.

Avista Employee Compensation: will now be set by the Avista BOD and is not subject to change by Hydro One or Hydro One's BOD. This component is offered possibly more concisely without loss of effect by Mr. Lopez as an addition to Oregon Stipulated Commitment 4.[13]

Designation of Independent Directors: Avista and Hydro One shall consult with each other prior to the designation of any Independent Directors. Staff appreciates that this provision is offered by Mr. Lopez, but still looks for additional reinforcement.[14]

Commission Enforcement of Commitments: Hydro One and its subsidiaries don't just "understand," but now "agree" that the Commission has authority to enforce these agreements. And the scope of these commitments includes Hydro One specifically. This change picks up Oregon Stipulated Commitment 111. *No change is needed*.

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13 See Hydro One/2500 Lopez 14.

14 See Hydro One/2500 Lopez 12.

Venue for Enforcement of Commission Enforcement: Hydro One and all of its affiliates (including Avista) agree to Washington State Court Jurisdiction and the application of Washington law for Washington commitment enforcement. The qualifying word "relevant" is struck. Staff proposes the following modification of Oregon Stipulated Commitment No. 112:

112. Submittal to State Court Jurisdiction for Enforcement of Commission Orders

Current: Avista and Parent will file with the Commission prior to closing the Proposed Transaction an affidavit affirming that Avista and Parent will submit to the jurisdiction of Oregon courts for enforcement of violations of these commitments and subsequent Commission orders affecting Avista and Parent.

Staff Proposed: *Avista, and Hydro One, on behalf of itself and its subsidiaries in the post-close corporate structure between Hydro One and Avista (as those companies in between may change over time), will each file with the Commission prior to closing the Proposed Transaction an affidavit affirming that they will submit to the jurisdiction of the Oregon courts for enforcement of violations of the Stipulated Commitments, the Commission's orders adopting the Stipulated Commitments, and agree to the application of Oregon law with respect to such matters.*

This change proposes that Oregon Parties adopt Washington agreed upon language that adopted and refined the language in Oregon Stipulated Commitment 112. Staff appreciates the Washington parties' efforts hereon.

Commitments are Binding: Hydro One and its subsidiaries between Hydro One and Avista as they change over time are all bound by the commitments. Washington partially adopts Oregon Stipulated Commitment 110. *No change is required*.

Prorating of Low Income Weatherization Funds: Such funds can be prorated on a monthly basis – *not applicable in Oregon*.

Proposed New Oregon Commitment 116 is identified in Washington as new commitment 82. It contains like language and intent as offered in Oregon.[15] Staff appreciates this language adopted by Washington parties and offered now in Oregon.

Delegation of Authority now restricts replacement of independent directors if Ontario exercises its rights as shareholder of Parent, uses legislative authority or acts in a way that results in Ontario appointing nominees to the Hydro One BOD such that Provincial BOD members would constitute a majority, then parental authority to replace an independent director with an employee, or executive would be suspended while that condition was present. Mr. Scarlett offers this protection in Oregon as an enhancement to Stipulated Commitment No. 5.[16] Staff believes this is moving in the right direction, but additional work is needed.

Q. Turning back to Oregon, what enhancement does Hydro One propose to Stipulated Commitment 4?

A. Mr. Lopez indicates that Hydro One offers the following language clarifying that Avista's BOD will address compensation decision for Avista employees:

> *Any decisions regarding Avista employee compensation shall be made by the Avista Board consistent with the terms of the Merger Agreement between Hydro One and Avista, and current market*

[15] See Hydro One/2500 Lopez/13.

[16] See Hydro One/2400 Scarlett/14.

> *standards and prevailing practices of relevant U.S. electric and gas utility benchmarks. The determination of the level of any compensation (including equity awards) approved by the Avista Board with respect to any employee in accordance with the foregoing shall not be subject to change by Hydro One or the Hydro One Board.*

Staff appreciates this improvement and the clarification of intent it memorializes.[17]

Q. Is Oregon still able to exercise the "Most Favored Nation" clause agreed to in the Commitments?

A. Yes. Oregon will still be able to incorporate improved or additional commitments and related language within a short window after filings/decisions at other state commissions, as articulated in Stipulated Commitment No. 115.

Review of Concentric Energy Advisors' Rebuttal Testimony

Q. Please provide Staff's observations on Concentric Energy Advisors, Inc. (Concentric) Rebuttal Testimony.

A. Staff disagrees with a number of elements of the Rebuttal Testimony of John Reed, President and CEO of Concentric.

Q. Please elaborate.

A. Mr. Reed complains that Staff's proposed enhancement of Avista Governance in Stipulated Commitment 5 would make "Avista less responsive to the shareholders of Hydro One and less responsive to the shareholders of Avista." In other words, Mr. Reed criticizes Staff's approach for being *effective*

[17] See Hydro One/2500 Lopez/14.

in addressing the problem of how to preserve Avista's independence and continuity to protect Oregon ratepayers.

Further, Staff categorically rejects Mr. Reed's implication that commitments not implemented elsewhere should not be considered here. Mr. Reed seems to forget that Oregon is pointed to for its innovation in ring fencing and robust merger commitments.[18]

Q. Does Staff agree with the comments of Mr. Reed regarding Provincial communications?

A. No. Mr. Reed does not appreciate the need for general messaging from political leadership and regulators that is consistent with the communications by a regulated investor owned utility (IOU), persuading S&P and Moody's that the utility operates in a constructive regulatory environment – a key input for rating decisions regarding IOUs.[19,20]

Q. Do you agree with Mr. Reed's assessment that the Commission should worry that overly strong commitments will impair Avista's credit ratings?[21]

A. No. Mr. Reed's statements continue to be contrary to common sense. Mr. Reed fails to note that rating agencies, at the announcement of the Proposed

18 See former speaking schedules and presentations of former Chair (Now Senator) Lee Beyer, and Former Chair Baum, on the topic of Merger and Acquisition Protections and Ring Fencing.

19 See Hydro One/2600 Reed/20.

20 For unbiased validation of Staff's position, Commissioners may pick several general rate cases of jurisdictional energy utilities including Avista in the past decade and review the Company's testimony regarding the relative importance of regulatory climate to credit ratings. Each testimony is generally accompanied by corroborating documentation from S&P and Moody's.

21 See Hydro One/2600 Reed/4.

Transaction, expected that the acquisition of Avista by Hydro One would raise Avista's credit ratings at execution. Staff urges the Commission to read the statements from rating agencies that have been provided to the Commission in response to Judge Power's Bench Request. The tone of communications from credit rating agencies has gone from strongly positive to much less optimistic.

Q. Do you agree with the concept of "downward bias" as introduced by witness Reed?

A. No. That rating agencies are forward looking is no guarantee that persistent work by senior management will quickly advance credit ratings.[22] Portland General Electric Company's (PGE) recent experience with regard to improving credit ratings is a good example of how much effort can be required over an *extended period of time* to increase ratings.

Q. How does Staff evaluate the materials provided by witness Shipman?

A. While "regulated utilities" is admittedly listed minutely on page 67 of the material provided, little information is brought to bear regarding rating of IOUs.[23] A more informative source would be a look at how IOU's ratings are impacted by S&P and Moody's assessment of the IOU's regulatory environment.

Q. Does Staff agree with witness Reed regarding foreign ownership?

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22 See Concentric/2601 Reed 12.

23 See Hydro One/2601 Attachment C, at page 67.

A. No. Mr. Reed fails to observe that the Province is a governmental entity with the power to create or change laws that directly impact Hydro One in a myriad of ways, as opposed to a foreign private investor. Further, Ontario leadership demonstrated these very abilities, and even exerted influence without needing to actually invoke legislative powers.[24]

Q. Does Staff agree with witness Reed that the fact that Hydro One's credit ratings are higher than Avista's currently is the best way to look at, and identify, good prospective parent companies?

A. No. Hydro One is articulating that it would be a good parent for Avista in comparison to other potential parent companies. That means that when Hydro One's credit ratings drop, the comparison between Hydro One and Berkshire Hathaway and other potential parent companies becomes less favorable.[25] To put it another way, association with Berkshire Hathaway *immediately aided and continues to bolster* PacifiCorp's credit ratings.[26] There are other potential parent companies in the market that could benefit Avista that do not come weighed down with foreign political baggage.

Q. Does Staff agree with witness Reed that there are no assumptions in non-consolidation opinions?

A. No. Considering non-consolidation opinions in Dockets Nos. UM 1209, UF 4218, UM 1206, UM 1283, and UM 1804, one observes varying

[24] See Hydro One/2600 Reed/21.

[25] See Hydro One/2600 Reed/26.

[26] MidAmerican Energy division of Berkshire Hathaway, Inc. reached a definitive agreement with Scottish Power to acquire its subsidiary PacifiCorp on May 24, 2005.

assumptions built into the non-consolidation opinion by the assessing attorney or law firm, including that the utilities will abide by all applicable laws and regulations; thus, Mr. Reed appears to misunderstand non-consolidation opinions.

The Commission has confirmed this very concern, in its most recently approved ORS 757.511 docket, including that "the conditions cannot mitigate the risk that the [Applicant] will not abide by one or more of the conditions."[27] Similarly, AWEC's expert witness highlighted the same concern when asked whether a non-consolidation opinion provides "any real protection for ratepayers," testifying in this docket that: "The question of whether the assets and the liabilities of Avista will be substantively consolidated with those of Olympus Holding Corp, Hydro One or its affiliates is inherently fact-specific. The non-consolidation opinion has standard assumptions and qualifications, which if not true, render the legal opinion meaningless."[28]

Q. How does Staff summarize Concentric's Rebuttal Testimony?

A. Staff found it surprisingly off target. There are important solutions that could potentially be crafted in the time still available in this proceeding, but Concentric did not contribute useful analysis in this round of testimony that could move the Parties closer to a resolution. Moreover, Concentric was unable to identify that assessment of regulatory environment is a key factor in rating investor owned publicly traded utilities. There is a need for Hydro One

[27] Docket No. UM 1804, Order No. 17-526 at 15 (Dec. 28, 2017).
[28] Docket No. UM 1897, Reply Testimony of Bradley G. Mullins at 21 (Feb. 12, 2018).

to recover and enhance credit ratings, but Concentric was unable to articulate how this would be accomplished.

Review of AWEC Reply Testimony

Q. Please discuss the earlier Reply Testimony of Brad Mullins on behalf of AWEC.

A. AWEC was surprised by the immediate retirement of the Hydro One CEO and resignation of the Hydro One BOD following elections in Ontario.

Q. Does AWEC support the merger its Oregon Reply Testimony and in the WUTC proceeding?

A. Yes. With the incremental reinforcement of Stipulated Commitments as articulated in Washington and provided in this Oregon docket as Exhibit No. Staff/801, AWEC continues to support the Proposed Transaction.[29] AWEC finds Stipulated Commitments will hold ratepayers harmless and are still effective, once enhanced by updates in Washington.[30]

Q. In Washington's proceeding on the Proposed Transaction, what did AWEC work to improve?

A. AWEC advocated for: A) Allowing Avista to use market based compensation to attract and retain executives when the Avista BOD finds that approach more likely to be effective compared to alternatives; B) Addressing that a reasonable person could conclude that Ontario currently exercises effective control over Hydro One; and C) Recognizing

[29] See AWEC/100 Mullins.
[30] See AWEC/100 Mullins//5-6.

that the Province did NOT precisely follow its governance agreement and the steps therein when it removed the entire Hydro One BOD. To reinforce Stipulated Commitments with regard to observations B and C above, AWEC supported bolstering Commitment 5 in addition to including a new Commitment 116 (as labeled in Oregon).

Q. And with the inclusion of reinforcing provisions incorporated in the WUTC proceeding and reproduced here in Exhibit No. Staff/801, does AWEC now support the Proposed Transaction?

A. Yes. Contingent upon the WUTC's adoption of the commitments contained in Washington's initial All-Party Settlement, the additional commitment related to Avista Employee Compensation and other language reinforcements, AWEC has now supported the Proposed Transaction in both Oregon and Washington proceedings.

Q. What is Staff's assessment of AWEC's testimony?

A. Staff still sees stronger Avista Governance in Condition 5 necessary to meet Oregon's approval criteria.

<u>Review of CUB Reply Testimony</u>

Q. Please discuss the Reply Testimony of CUB.

A. CUB, like Staff, lost confidence in the efficacy of the Governance Agreement for Hydro One in Ontario that is supposed to restrict the Province to the role of a large investor rather than an owner, observing that the Province could easily pass laws that impact Hydro One and its strategic vision, as well as clear the Board without following every step described in the terms of the Governance Agreement.[31]

Q. How did CUB use the analogy of Black Swans to address low-probability, high-impact events?

A. Prior to the actual discovery of black colored swans off the coast of Australia, black swans were considered creatures of fantasy, even if theoretically possible. Similarly, CUB had accepted—based on assertions in Hydro One testimony and in discourse—that the Province was adequately separated from Hydro One governance and management though the Governance Agreement. Therefore while possible, rapid departure of Hydro One's CEO and BOD at the whim of a political leader or due to political change was presented to the parties in this proceeding as *exceedingly unlikely*. Similarly, CUB expected that the terms included in legal documents would be strictly followed and enforced.[32] By contrast, as it turns out, such concerns were not at all fantasy. They were real, and they transpired.

Q. Does CUB discuss that Mayo Schmidt "resigned" from his position under significant political pressure?

A. Yes.[33] CUB also questioned whether Hydro One had Ontario's support to expand internationally.[34]

Q. What was CUB's recommendation?

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31 See CUB/200 Gehrke-Jenks/2.
32 See CUB/200 Gehrke-Jenks/8.
33 See CUB/200 Gehrke-Jenks/9.
34 See CUB/200 Gehrke-Jenks/12.

A. CUB asked the Commission not to approve the Proposed Transaction.[35]

Q. What is Staff's assessment of CUB's testimony?

A. Staff finds that CUB has great institutional knowledge before this Commission and has participated in numerous past mergers that have been highly complex. It is unwise to ignore CUB's assessment without close consideration of the risks that it has identified and the impacts to Avista that it has raised.

Making Full Use of the Current Schedule

Q. Does Hydro One CFO Lopez identify the very latest date for completion of the Proposed Transaction?

A. Yes. That date is March 29, 2019.[36]

Q. Does the current schedule with the Commission making a decision on or before December 15, 2018 imperil the Proposed Transaction or put undue pressure on the financing thereof?

A. No.

Q. Mr. Reed shares that he "cannot conceive of any development that will transpire between now and when the Commission will need to act …." Is Mr. Reed's opinion a good cause for haste?

A. No. The schedule allows for further observation of whether the Province, faced with myriad responsibilities, could chose to prioritize immediate local concerns, or address political necessities that might not be compatible with

[35] See CUB/200 Gehrke-Jenks/16.
[36] See Hydro One/2500 Lopez/16.

Hydro One international growth, affecting Avista. Exercising caution and utilizing the current schedule to the maximum allows the Commissioners to consider communications and actions of Provincial leadership in the time available before the Commission's decision on December 15, 2018.

Hydro One Chair Woods and its BOD must also try to find the right balance that satisfies all pertinent criteria for Hydro One compensation. This is not a trivial task. Miscalculation could impair the attraction and retention of persons able to execute at the international performance level envisioned by Hydro One that is necessary for Hydro One to be the parent with higher credit ratings that drive Avista credit improvements and bring benefits of synergies across the border to a very small segment of natural gas customers.

Q. In its Reply Testimony, Staff articulated several new concerns. Has Staff asked for information from the Applicant on these issues?

A. Yes. Staff has asked numerous follow up DRs, which Hydro One has no direct answers to, but has kept open for update as soon as there is something to report. However, Hydro One has provided updates to the Bench Request of June 14, 2018 as new or updated information has become available. Therefore, Staff does not have significant new information to assess at this time.

Q. Is the reinforcement of Stipulated Conditions as described herein and in Ms. Anderson's Surrebuttal Testimony necessary?

A. Yes. The final package of Oregon commitments must be strong enough to protect against another Black Swan event in the future. It is up to the

Commission to assess the risks raised in the sets of supplemental testimony and determine whether the Stipulated Commitments are robust enough to ensure that the legal standard of the Proposed Transaction resulting in a "net benefit" to Avista *Oregon* customers over the current Avista status quo, is met. Staff recommends, at minimum, the governance commitment be strengthened.

Oregon Approval Criteria

Q. All parties have focused on Avista and Hydro One corporate matters, but what is the primary focus for the Oregon Commissioners?

A. The primary focus is Oregon natural gas ratepayers, regardless of how small this segment may be within the entire Proposed Transaction (for example, as compared to Washington), and Oregonians in general.

Q. Please restate the Oregon approval criteria.

A. Hydro One's application is governed by ORS 757.511. The applicant bears the burden of showing that Commission approval of the application will "serve the public utility's customers and is in the public interest."[37] In 2001, the Commission determined that "serve the public utility's customers" requires that the applicant meet a higher standard than no harm, and articulated a two-step analysis for the approval of future transactions under ORS 757.511:

- First, the Commission must make the assessment that the utility's customers will be served, which means that the transaction will provide *a net benefit to the utility's customers*.[38]

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[37] ORS 757.511(4)(a).

[38] *In the* Matter *of a Legal Standard for Approval of Mergers*, Docket No. UM 1011, Order No. 01-778 at 11 (Sept. 4, 2001).

- Second, the Commission must also find that granting the application is in the public interest, meaning that it will cause no-harm to the public at large, specifically, “the proposed transaction may *not impose a detriment to Oregon citizens as a whole*.”[39]

The legislature gave the Commission discretion in its assessment of whether a net benefit will result from a proposed merger or acquisition—such a determination depends on the facts and total set of concerns of each individual case.[40] Further, a comparator is used to determine if the legal standard is met. The Commission measures benefits by comparing the transaction as proposed in the application to the continued prudent and well-managed operation of the regulated utility.[41]

Conclusion

Q. Has Hydro One’s senior management team largely stayed intact since the departure of former CEO Schmidt?

A. Yes. Jason Fitsimmons, Hydro One’s Chief Corporate Affairs and Consumer Care Officer filled the vacancy left by Hydro One Executive VP Ferio Pugliese.[42] With execution of the Proposed Transaction, Staff sees the potential for positive outcomes for Avista more likely with a Hydro One senior management team selected for their abilities to contribute effectively to this effort.

Q. Is it hard to attract and retain an elite team with demanding skill sets?

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39 *Id.* at 11 (emphasis added).

40 *Id.* at 11.

41 *In* the *Matter of MidAmerican Energy Holdings Company Application for Authorization to Acquire Pacific Power & Light*, Order No. UM 1209, Order No. 06-082 at 3 (Feb. 24, 2006).

42 Hydro one has provided Jason Fitsimmons’ curriculum vitae (CV) in response to Staff DR 312.

A. Yes. Mr. Woods and the Hydro One board have a challenging task of balancing many concerns to arrive at compensation solutions that meet all legal, political, and functional requirements as the Board works through appropriate compensation packages. If Hydro One's BOD gets it wrong, we may see yet another Black Swan event, which is disruptive to the vision for Avista improvement, including the Hydro One-emphasized benefits of improved credit ratings, access to capital, and cost savings from efficiencies flowing from the parent.

Q. Does the Province have to think like a long-term investor, meaning, in a way that is strategically beneficial and healthy for Avista and that Staff would expect a parent company to do?

A. No. Since June, it should now be fairly evident that the Province has other concerns and responsibilities that are more immediate and higher priority than making economically sound, long-run investments in international utilities that take time for benefits to be fully realized. Sufficiently divergent Provincial priorities could continue to cause problems for Hydro One's long-term expansion vision and, as a result, the corresponding synergies and benefits that are supposed to accrue to Avista as a result of the acquisition.

Q. Why does Staff urge the Commission to use the full schedule set for this proceeding?

A. Staff urges the Commission to make full use of the available time in the schedule before the Commission's decision by December 15, 2018 because it allows a two month window for the Commission to make note of any additional material events. Further, unlike Washington, the Oregon Commission does not face a hard statutory deadline, and could request additional time if needed.

Q. What does Staff recommend with regard to the Oregon governance commitment?

A. The target would be an approach to Avista governance that allows the Applicant and Company to achieve essential operational requirements, is proactive enough that it is an effective deterrent to problems (regardless of political changes in Ontario over time), and robust enough that CUB can still find a net benefit for Oregon ratepayers and no harm to Oregonians.

Q. What is Staff's position at this time?

A. Staff recommends very few changes to the Stipulated Commitments in this testimony beyond updates to address a possible software change, incorporation of the improved language refined in Washington, improvements offered by Hydro One and Avista in their rebuttal testimony, and adjustments to the governance provision—see Ms. Anderson's testimony—which is deficient in providing deterrence inclusive to application of Provincial power.

Q. Does this conclude your testimony?

A. Yes.

CASE: UM 1897
WITNESS: MATT MULDOON

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 801

Updated Terms of Settlement in WA

Exhibits in Support
Of Sur-rebuttal Testimony

October 18, 2018

List of Updated Terms of the Settlement, as of October 4, 2018
WUTC Docket U-170970 – Exhibit McGuire / CRM-2

Modification to WUTC Commitment 2

Executive Management:

Avista will seek to retain all current executive management of Avista, subject to voluntary retirements that may occur. This commitment will not limit Avista's ability to determine its organizational structure and select and retain personnel best able to meet Avista's needs over time. The Avista board retains the ability to dismiss executive management of Avista and other Avista personnel for standard corporate reasons.~~(subject to the approval of Hydro One Limited ("Hydro One") for any hiring, dismissal or replacement of the CEO)~~ Any decision to hire, dismiss or replace the Chief Executive Officer of Avista shall be within the discretion of the Avista Board of Directors, and shall not require any approval of Hydro One or any of its affiliates (other than Avista), notwithstanding anything to the contrary in the merger agreement, and its exhibits and attachments, between Hydro One and Avista.

Avista Employee Compensation: Any decisions regarding Avista employee compensation shall be made by the Avista Board consistent with the terms of the Merger Agreement between Hydro One and Avista, and current market standards and prevailing practices of relevant U.S. electric and gas utility benchmarks. The determination of the level of any compensation (including equity awards) approved by the Avista Board with respect to any employee in accordance with the foregoing shall not be subject to change by Hydro One or the Hydro One Board.

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Modification to WUTC Commitment 3

Board of Directors:

After the closing of the Proposed Transaction, Avista's board will consist of nine (9) members, determined as follows: (i) two (2) directors designated by Hydro One who are executives of Hydro One or any of its subsidiaries; (ii) three (3) directors who meet the standards for "independent directors" - under section 303A.02 of the New York Stock Exchange Listed Company Manual (the "Independent Directors") and who are residents of the Pacific Northwest region, to be designated by Hydro One (collectively, the directors designated in clauses (i) and (ii) hereof, the "Hydro One Designees"), subject to subject to the provisions of Clause 2 of Exhibit A to the Merger Agreement; (iii) three (3) directors who as of immediately prior to the closing of the Proposed Transaction1 are members of the Board of Directors of Avista, including the Chairman of Avista's Board of Directors (if such person is different from the Chief Executive Officer of Avista); and (iv) Avista's Chief Executive Officer (collectively, the directors designated in clauses (iii) and (iv) hereof, the "Avista Designees"). Avista and Hydro One shall consult with each other prior to the designation of any Independent Directors. The initial Chairman of Avista's post-closing Board of Directors shall be the Chief Executive Officer of Avista as of the time immediately prior to closing for a one year term. If any Avista Designee resigns, retires or otherwise ceases to serve as a director of Avista for any reason, the remaining Avista Designees shall have the sole right to nominate a replacement director to fill such vacancy, and such person shall thereafter become an Avista Designee.

The term "Pacific Northwest region" means the Pacific Northwest states in which Avista serves retail electric or natural gas customers, currently Alaska, Idaho, Montana, Oregon and Washington.

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Modification to WUTC Commitment 30 (Drawing from OPUC Commitments 110-112)

Commitment 30 – Commission Enforcement of Commitments

Hydro One and its subsidiaries, including Avista, understand and agree that the Commission has authority to enforce these commitments in accordance with their terms. If there is a violation of the terms of these commitments, then the offending party may, at the discretion of the Commission, have a period of thirty (30) calendar days to cure such violation. The scope of this commitment includes the authority of the Commission to compel the attendance of witnesses from Olympus Holding Corp. and its affiliates, including Hydro One, with pertinent information on matters affecting Avista. Hydro One, Olympus Holding Corp. and its subsidiaries waive their rights to interpose any legal objection they might otherwise have to the Commission's jurisdiction to require the appearance of any such witnesses.

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Modification to WUTC Commitment 31 (Drawing from OPUC Commitments 110-112)

Commitment 31 – Submittal to State Court Jurisdiction for Enforcement of Commission Orders

Hydro One, on behalf of itself and its subsidiaries in the post-close corporate structure between Hydro One and Avista (as those companies in between may change over time), and Avista ~~Olympus Holding Corp., on its own and its subsidiaries' behalf, including Avista's,~~ will file with the Commission prior to closing the Proposed Transaction an affidavit affirming that they ~~it~~ will submit to the jurisdiction of ~~the relevant~~ State of Washington courts for enforcement of the Commission's orders adopting these commitments and subsequent orders affecting Avista, and will agree to the application of Washington law with respect to such matters.

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Modification to WUTC Commitment 33 (Drawing from OPUC Commitments 110-112)

Commitment 33 – Commitments Binding

Hydro One, its subsidiaries in the post-close corporate structure between Hydro One and Avista (as those companies in between may change over time) ~~Olympus Holding Corp. and its subsidiaries, including~~ and Avista, acknowledge that the commitments being made by them are fully binding only upon them and their successors in interest and upon their affiliates, except where specifically noted, and their successors in interest. Hydro One and Avista are not requesting in this proceeding a determination of the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions referenced in the commitments, and the parties in appropriate proceedings may take such positions regarding the prudence, just and reasonable character, rate or ratemaking treatment, or public interest of the investments, expenditures or actions as they deem appropriate.

If Hydro One or any other entity in the chain of Avista's ownership determines that Avista or any other entity has failed to comply with an applicable Commitment, the entity making such determinations shall take all appropriate actions to achieve compliance with the Commitment

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Modification to WUTC COMMITMENTS 67 AND 70

(TIMING OF FUNDING FOR CERTAIN LOW-INCOME PROGRAMS).

The following language will be added to Commitments 671 and 702. For Commitment 70, add the words "energy efficiency" before "Advisory Committee".

1) Commitment 67 provides,

"Funding for Low-Income Participation in New Renewables: Hydro One will arrange funding totaling $5,000,000 over a period of up to ten (10) years for the purpose of funding one or more renewable generation project(s) to benefit Avista's low-income customers. The types of projects that may be funded include, but are not limited to, on site renewable energy installations such as photovoltaic equipment, community solar projects, and other renewable energy equipment, in which the benefits will be directed to Avista's low-income customers. The funds will be paid into a separate account to be managed and disbursed by Avista at the direction of its Energy Assistance Advisory Group (which includes third-party advisors such as The Energy Project, Public Counsel, Commission Staff, and low-income agencies as well as Avista). The Energy Assistance Advisory Group will determine the project selection (which includes design and implementation). Eligible costs may include project construction, consulting costs, and reasonable administration costs required for the coordination of renewable energy projects.

2) Commitment 70 provides,

Low Income Weatherization: Avista commits and Hydro One agrees that Avista commits, to continue Avista's existing weatherization programs, described in Schedules 90 and 190.

Funding will be made available for eligible projects as they are identified and approved by the Advisory Committee throughout the 10 year timeframe of the commitments; provided, however, that funding will be made available, at a minimum, on a pro rata basis over the period (i.e., one-tenth of the total each year), but need not occur any more frequently than on a pro rata basis over the 10 year period. Funding commitments may be made at any time during the 10 year period.

For example, if no funding is approved by the Advisory Committee until the third year of the 10-year period, up to [$1.5 million for Commitment 67 / $1.2 million for Commitment 70] must be made available in the third year. Nothing in this provision shall be interpreted to preclude payment of funding in installments over time for large projects that are approved early in the 10-year period. For example, a $5 million project could be approved in Year 3 [under Commitment 67] with $1.5 million due in Year 3 and $0.5 million per year due each year for the next seven years, assuming no funding had been made available under Commitment 67 in Year 1 or Year 2.

Hydro One will arrange funding of $4,000,000 over 10 years to fund low income weatherization in Washington. This funding is over and above existing funding for low-income weatherization.

For both existing funding and the new Hydro One funding, 20 percent of the funds may be used for “direct” project coordination costs and 10 percent for “indirect” general overhead costs of administering the weatherization program.

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New WUTC Commitment 82

In the event of the enactment or adoption of any legislation, rule, policy, or directive by government at any level or by any governmental entity or official in Canada (a “Legislative Action”) that affects Avista’s operations because of Avista’s corporate relationship with Hydro One, or affects Hydro One’s compliance with any commitment in this stipulation, any of the parties to this proceeding may petition the Commission at any time for a re-hearing that re-opens the record in Docket U-170970 to consider whether the Commission should change its final order, and neither Hydro One nor any of its subsidiaries, including Avista, will oppose initiation of such a proceeding.

Hydro One will report to the Commission any such Legislative Action in Canada that, in Hydro One’s reasonable judgement, affects Avista’s operations because of Avista’s corporate relationship with Hydro One, or affects Hydro One’s compliance with any commitment in this stipulation, as soon as practicable after it is publicly announced as being effective by the government or governmental entity or official.

Nothing in this Commitment 82 shall be interpreted to limit the positions or arguments that Avista or Hydro One may take or advance in any such proceeding, including the right to argue that a petition presents insufficient grounds or evidence. Prior to filing a petition with the Commission under this Commitment 82, a party must provide Hydro One and Avista at least 30 days advance written notice and an opportunity to meet and confer about resolutions other than filing with the Commission under this commitment. Nothing in this commitment is intended to restrict the rights of the parties to petition the Commission concerning its order(s) in this docket, or to limit the authority of the Commission.

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Modification to WUTC DELEGATION OF AUTHORITY, CLAUSE 2

Shareholder shall have the unfettered right to designate, remove and replace the Shareholder Designees as directors of the Surviving Corporation with or without cause or notice at its sole discretion, subject to the requirement that (i) two (2) of such directors are executives of Parent or any of its Subsidiaries and (ii) three (3) of such directors are Independent Directors who are residents of the Pacific Northwest Region, while such requirement is in effect (subject in the case of clause (ii) hereof to Shareholder determining, in good faith, that it is not able to appoint an Independent Director who is a resident of the Pacific Northwest Region in a timely manner, in which case Shareholder may replace any such director with any person, including an employee or executive of Parent or any of its Subsidiaries, on an interim basis, not exceeding six months, provided that Shareholder Designees who are employees or executives of Parent or any of its Subsidiaries shall in no case constitute a majority of the directors of the Surviving Corporation, after which time Shareholder shall replace any such interim director with an Independent Director who is a resident of the Pacific Northwest Region);. If, at any time a circumstance arises, and during the pendency of any such circumstance, whereby the Province of Ontario (“Ontario”) exercises its rights as a shareholder of Parent, uses legislative authority or acts in any other manner whatsoever, that results, or would result, in Ontario appointing nominees to the board of directors of Parent that constitute, or would constitute a majority of the directors of such board, then Parent’s authority to replace an Independent Director with an employee or executive on an interim basis is suspended for the pendency of such circumstance.

CASE: UM 1897
WITNESS: MATT MULDOON

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 802

News Investors Seeing

Exhibits in Support
Of Sur-rebuttal Testimony

October 18, 2018

News Investors Seeing.

AltaGas to Sell Majority Stake in AltaGas Canada through IPO

by Nephele Kirong – S&P Global Market Intelligence – Oct. 10, 2018

AltaGas Canada Inc. **filed** a **preliminary prospectus** for a **planned initial public offering**, as **part** of **parent AltaGas Ltd.'s strategy** to **reshape** the **company** with a **focus on natural gas and U.S. utilities**.

AltaGas Canada is a **natural gas distribution utility company providing rate-regulated utility service in British Columbia**. In connection with the **IPO**, the **company will acquire** from **AltaGas and** its other **subsidiaries** rate**-regulated natural gas distribution utility assets in Alberta** and **Nova Scotia**, minority **interests in entities providing natural gas** to the town of **Inuvik**, **Northwest Territories**, **contracted wind power** assets **near Dawson Creek**, **British Columbia**, and a **10% indirect interest** in **hydroelectric power facilities in northwest British Columbia**.

"We are moving forward boldly, reshaping the company with a focus on Gas and U.S. Utilities, as well as optimizing our operating business through our **asset monetization plan**, which includes the IPO of [AltaGas Canada]," AltaGas Chairman and interim co-CEO David Cornhill said in a Sept. 13 statement.

At IPO closing, **AltaGas expects** to **hold** a **minority interest** of **approximately 37% to 45% in AltaGas Canada**, **as well as three nominees on AltaGas Canada's seven-member board**.

AltaGas expects to **raise approximately C$2.5 billion**, **or US$1.9 billion**, from **IPO** proceeds, the **sale of noncore midstream and power assets** and the **monetization** of its **35% interest in** the **Northwest hydro facilities**.

With these assets sales, **AltaGas** will **have approximately US$1.1 billion remaining on its bridge facility**. The company is **aiming for total repayment** of its **outstanding bridge facility** in the **fourth quarter**, with the **final step involving term debt and hybrid securities issuances**.

The IPO, expected to close in late October to early November, is being jointly led by RBC Capital Markets, TD Securities Inc. and J.P. Morgan Securities Canada Inc. Completion of the IPO is subject to, and **conditional upon**, the receipt of all **necessary approvals**, **including regulatory approvals**

Avista, Hydro One Extend Merger End Date by Six Months

by Rick Adair – Clearing Up – Sep. 21, 2018

Avista notified Toronto-based **Hydro One** on Sept. 19 that it was **extending the date for completing** their **merger** to **March 29, 2019**, but the companies said in a statement that they "continue to expect to close the transaction in the fourth quarter of 2018." Under their merger agreement, the end date was set to Sept. 30, 2018, with **either party** granted the **right to unilaterally extend** it by **up to six months**.

Prior to the **departure** of **Hydro One's CEO and board** in July following a June shakeup in Ontario's government, **state regulators** generally set Aug. 21 as the date for rendering a **final decision on** the **merger**. Afterward, this was **reset to Dec. 14** by **Washington and Oregon**.

The **Idaho PUC** opted to wait for both a new Hydro One CEO and board to be seated before setting the new schedule. However, the commission was persuaded by Avista and Hydro One to allow a **new timetable** to be established as soon as the new board was appointed, arguing that the choice of a new CEO could take a significant amount of time, and that the new board could keep matters in hand.

The Idaho timetable, adopted Sept. 11, calls for an **Oct. 16 settlement conference** and a **technical hearing** that **starts Nov. 26**. **Supplemental testimony from** the **utilities** is **due Sept. 24.**

The utilities also requested a final order by Dec. 14, 2018, "in order to parallel with other state jurisdictions, and enable the merger to close by the end of the year," an IPUC staff memo noted.

Formulating a new schedule for the Idaho jurisdiction was delayed after a customer group refused to help reset the procedural schedule, but the **commission ordered** parties on Aug. 31 to "meet and confer" to develop one.

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Avista, Hydro One Extend End Date of $5.3B Merger Deal

by Nephele Kirong – S&P Global Market Intelligence – Sep. 20, 2018

Avista Corp. **and Hydro One** Ltd. decided to **extend** the **end date** of their pending $**5.3 billion merger deal to March 29, 2019,** according to a Sept. 19 news release.

Under their merger agreement, the **original end date was Sept. 30**, **but both parties have** the **right** to **extend that date by up to six months**. Despite the extension, the companies continue to expect to close the transaction in the fourth quarter of 2018.

On Sept. 18, the Idaho Public Utilities announced a new schedule to process the pending merger. The previous procedural schedule was disrupted by the abrupt resignation of Hydro One CEO Mayo Schmidt and the replacement of its board of directors in July.

Oregon and Washington regulators also extended their deadlines to decide on the deal to Dec. 14.

Avista Executives to Receive $18 Million Payout on Day of Sale

by Becky Kramer – The Spokesman-Review – Sep. 25, 2018
http://www.spokesman.com/stories/2018/sep/25/avista-executives-to-receive-18-million-payout-on-/

Thirteen of **Avista's top executives will receive** about **$18 million** in **immediate payouts if** the Spokane-based **utility** is **sold** to **Hydro One** Ltd., of Toronto.

The **payouts** are **part of** the "**change of control**" **agreements** the **executives received when** they were **promoted** to **Avista's top management**.

The agreements are **legal contracts** and are **common at publicly traded companies**. They are intended to keep the executives focused on running the business in the event of a sale or merger, said **Karen Feltes**, **Avista's senior vice president** and **chief human resource officer**.

The $18 million represents the **value of stock options previously awarded** to the **executives as part** of their **annual compensation**, Feltes said.

The stock options are awarded based on Avista's performance, and they **typically vest over** a **three-year period**. But on the day the **sale** of Avista is final, executives would receive their outstanding stock awards in a **lump-sum payment**, she said. **After** the **sale**, **Avista** would be a subsidiary of Hydro One and would **no longer have** its **own stock**.

Scott Morris, Avista's chairman and chief executive, would be the largest recipient. His **stock awards** are **valued at $5.85 million**, according to documents filed with the U.S. Securities and Exchange Commission.

Some **opponents of** the **sale** have **said Avista executives** will **receive $50 million when** the **sale goes through**. But that's not entirely accurate, Feltes said. The $50 million refers to the way the broader value of Avista's change of control contracts must be reported to federal regulators, she said. **But** the **remaining** value – about **$32 million** to the 13 executives – **wouldn't necessarily be paid at** the **time of sale**.

Under the change of control agreements, Avista executives are eligible for payouts **above the initial $18 million if** they **lose** their **job or** their **duties** are **reduced within three years after** a **sale or** a **merger** of the company, **unless** they're **fired**.

Since Avista wouldn't be a **publicly traded** company **after** the **sale**, the **executive officers' duties** would be **diminished**. **So** they could **qualify** for a **larger payout under** the scope of the **change of control agreements**, **Feltes said**.

However, **Hydro One** officials have said they **want** to **keep Avista's top five executives after** the **sale**. **As** an **incentive** for those executives to remain, the **change of control agreement** was **extended for them**, Feltes said. **They can qualify for** the

payouts beyond the **three-year time frame after** the **sale**, **provided** they **give** a **six**-**month notice**.

The **overall value** of **Morris' change of control contract** is **$17 million**, according to documents filed with the **SEC**. The contract includes the **day-one payout** of **$5.85 million**, **plus $6.4 million** in **severance pay**, **$33,000** in **health care benefits** and up to **$25,000** in **job-search assistance**, if he looked for other work.

A $4.7 million payment Avista would make to the **Internal Revenue Service** also **is included in** the **$17 million value** of **Morris' contract**. The IRS payment gets **reported in** the **value of** the **contract**, **even though Morris doesn't get that money and it doesn't reduce his tax bill**, Feltes said.

Change of control payments are **included in** the **sale transaction costs**. **Shareholders pay** for **those costs**, which are **not included in utility customers' rates**, **Feltes said**.

Source: Avista Corporation

Avista Corp – Q3 2018 Earnings Conference Call and Webcast
Co. Press Release – **S&P Global Market Intelligence** – Oct. 7, 2018

Avista Corp. (NYSE: AVA) will hold its **quarterly conference call and webcast** to discuss third quarter 2018 results on **Wednesday, Nov. 7, 2018**, at **10:30 a.m. Eastern Standard Time**. A news release with third quarter 2018 earnings information will be issued at 7:05 a.m. Eastern Standard Time on Nov. 7, 2018.

This **call** can be **accessed on Avista's website at** www.avistacorp.com, or you can **listen** to the call **by dialing (888) 771-4371**, Confirmation number 47676604.

A **replay** of the call will be available through Nov. 14, 2018. **Call (888) 843-7419**, **Confirmation number 4767 6604**# to listen to the replay. The webcast will be archived for one year on the Avista Corp. Web site at www.avistacorp.com.

Avista Corp. is an energy company involved in the production, transmission and distribution of energy as well as other energy-related businesses. Avista Utilities is the operating division that provides electric service to 383,000 customers and natural gas to 349,000 customers. Its service territory covers 30,000 square miles in eastern Washington, northern Idaho and parts of southern and eastern Oregon, with a population of 1.6 million. Alaska Energy and Resources Company is an Avista subsidiary that provides retail electric service in the city and borough of Juneau, Alaska, through its subsidiary Alaska Electric Light and Power Company. Avista stock is traded under the ticker symbol "AVA." For more information about Avista, please visit www.avistacorp.com.

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Avista Merger Deal Still Supported by Washington Parties

by Rick Adair – Clearing Up – Oct. 12, 2018

All parties to a May **settlement before** the **Washington UTC** that **supports** Toronto-based **Hydro One's acquisition of Avista** continue to support the proposed merger despite the departure of Hydro One's CEO and board of directors in July after the province of Ontario's political intervention. This **renewed support** resulted from existing ring-fencing provisions, together with recent **additional** terms that bulk up **protection from Canadian political interference** an "interesting turn of events" with "little impact."

Avista Merger Deal Changes Quell Washington Ontario Concerns.

Despite the **departure** of **Hydro One's CEO and** its **board of directors**, **support** for the Toronto-based utility's **acquisition** of Avista **remains strong in Washington state**.

Parties to a settlement signed in May supporting the merger **renewed** their **support** for the proposed **$5.3 billion** acquisition **in testimony filed with** the **Washington UTC** earlier this month, **despite** the **leadership shakeup**.

The **departures followed** a **June sweep** of the **province's government**, whose **leader Rob Ford made Hydro One executive pay** a **campaign issue**. **Ontario** is the **biggest shareholder** of the **company**, which was **once** a **crown corporation**.

WUTC staff characterized this as "an interesting turn of events," but said it had "little impact" on its assessment of the proposed merger, according to Chris McGuire, assistant director of energy regulation in the commission's Regulatory Services Division, in testimony filed Oct. 4.

McGuire said the events do **not** "**present material risks to Avista and** its **ratepayers**," because agreement provisions and the commission's jurisdiction over decisions regarding Avista insulate the company and its ratepayers from actions Ontario might take.

"This is true even if the province were to gain majority or complete control of Hydro One," he added.

Further, McGuire said, recent discussions by settlement parties with Avista and Hydro One "with the goal of strengthening protections" have resulted in "**new and revised conditions,**" as well as a modification in its delegation of authority.

"Staff supports these revisions, and remains fully supportive of the settlement," he said.

The revisions include **new terms requiring Hydro One** to **report any governmental action in Canada affecting Avista**, which **then allows** a **settlement party to petition** the **commission** to **change** its **final order** in the merger proceeding.

In addition, the amended delegation-of-authority terms "create a failsafe mechanism **protecting Avista in** the **event** of a **provincial takeover of** the **Hydro One board**," McGuire noted. **If Ontario gained control of Hydro One**, he said, "**Hydro**

One would **automatically lose** its **ability** to **replace**, **even temporarily**, any of the **independent board members with** its **own executives** or **employees**."

Also, the **updated settlement terms** bolster provisions for providing low-income customers with benefits from new renewables generation and weatherization, and **give Avista's board sole power over employee compensation and** the **company's CEO**, **striking Hydro One's authority in these matters**.

The **new terms also** "**make explicit** the fact that **Hydro One must submit** to the **jurisdiction of Washington state**" **in complying with settlement terms**, he said, noting that the agreement previously referred only to the holding company formed for the transaction and its subsidiaries.

Joining WUTC staff in its renewed support for the merger were the original settlement's other parties – **Washington's public counsel**, which represents Avista customers; industrial advocacy group **A**lliance of **W**estern **E**nergy **C**onsumers; low-income advocacy group The **Energy Project**; environmental groups **Sierra Club** and the **NW Energy Coalition**; and the **Washington** and **Northern Idaho District Council** of **Laborers**.

Since Ontario ousted Hydro One's CEO and board, the **only opposition** to the merger so far has been in the **Oregon** proceeding, by the Oregon **C**itizens' **U**tility **B**oard.

Final orders in the proposed merger from regulators in **Washington**, **Oregon** and **Idaho** are expected **in December**.

CUB Nixes Avista Merger, Cites Issues with 'Whims of Foreign Politics'

by Rick Adair – Clearing Up – Sep. 28, 2018

Citing concerns that "there are **no limits** on the **legislative authority** of **Ontario** to **pass laws** that may **affect Hydro One**," the **C**itizens' **U**tility **B**oard of Oregon said it "**no longer supports** the **acquisition** of **Avista**" **by** the company. CUB was stirred to this after **Hydro One**'s CEO and board of directors departed in July **following** a June **shakeup** of Ontario's government, the company's biggest shareholder. Meanwhile, **Oregon PUC staff** said it **couldn't provide** a **definitive analysis** of the situation **until things settled down**, and utility interest group **Al**liance of **W**estern **E**nergy **C**onsumers said it **could support** the **deal**, **provided adequate safeguards** are **in place**.

CUB Reverses Position on Avista Merger, Cites Concerns with Ontario

Hydro One's CEO and board of directors departed in July following a June shakeup of the province's government, whose leader **Rob Ford** made **Hydro One executive pay** a **campaign issue**. Ontario is the biggest shareholder of the company, which was once a crown corporation.

While a new board has been selected the search for a permanent CEO is still underway. Before the shakeup, CUB had signed on to an all-party stipulation supporting Hydro One's proposed $5.3 billion acquisition of Avista, which was submitted to the Oregon PUC in May [UM 1897]. But CUB reversed course in its Sept. 20 comments, filed in response to recent testimony where Hydro One assured stakeholders that adequate safeguards were in place to protect Avista customers.

"**CUB cannot envision any appropriate ring-fencing** provisions on Ontario's authority over Hydro One to **adequately protect Avista's Oregon customers** in a manner that comports with the commission's **no-harm** mandate," the consumer group stated. "CUB does not believe it is in the public interest for Avista to be owned by a utility controlled by the whims of foreign politics."

It called the July shakeup of the board a "**black swan**," recounting the story of how the birds were once viewed as non-existent and a metaphor for the impossible, until they were discovered in the 17th Century.

"This illustrative tale goes to show that even farfetched ideas viewed as impossible may actually occur," CUB said.

"**Recent political intervention** at **Hydro One** was **unexpected**, and its consequences are far-reaching for the company and its management. CUB did not expect Hydro One to experience such a significant operation and management change."

CUB said that **since Canada** is a "stable **democracy with** strong **property rights**," it had **assumed Hydro One** was **not subject** to **government interference**, and was **convinced** by the company that **Ontario** was **not involved in** its **management**.

'CUB does not believe it is in the public interest for Avista to be owned by a utility controlled by the whims of foreign politics.'

However, the "actions of Doug Ford's government have demonstrated to CUB that Hydro One is subject to interference from the province of Ontario, despite Hydro One and Avista's claims to the contrary. This is troubling."

For its part, OPUC staff said it needed additional time to provide a definitive analysis of Avista and Hydro One's recent testimony, "given the continuously changing events in Ontario and at Hydro One, more of which Staff expects will continue to unfold in the coming months."

To illustrate its point, staff noted, "We have new understandings now that we did not have even two weeks ago, such as the fact that the Hydro One CEO and the chair of the [board of directors] would not be the same person. Instead, the province has now nominated the new Hydro One board chair, splitting off some of the authority from the former Hydro One CEO role, allowing more direct control by the Province over Hydro One."

Staff recommended OPUC take **no action until** it can "**analyze** the **stability** of **Hydro One as** a **parent**, and **potential impacts to Avista**."

However, the industrial advocacy group **Alliance** of **Western Energy Consumers** noted in its comments that, while it had all along expressed concern about the potential for Ontario to exercise influence over Hydro One's board, it **still believed** that the **merger could proceed**, provided the new board and CEO can demonstrate Hydro One remains committed to the merger and its commitments, **subject to additional commitments**.

AWEC's sole recommendation was to change the proposed Avista board composition from four directors designated by Avista and five by Hydro One, to one where **Hydro One** is **barred from having** a **majority on** the **board**, "**even on** a **temporary basis**."

The group also noted the **commission** has "**wide discretion** to **craft appropriate remedies**" and should exercise it if "political circumstances in Ontario become problematic, and are imposing costs onto ratepayers due to hydro One's failure to fund improvements or prudently manage Avista."

The **docket's schedule** next calls for the utilities to file rebuttal testimony by Oct. 4; intervenor replies to the rebuttals by Oct. 18; final utility testimony by Oct. 31; and cross-examination statements by Nov. 7. Nov. 15 is reserved for a hearing, if requested, and Dec. 15 is the target date for the commission's final decision.

Hydro One Files New Application to Acquire Orillia Power

by Selene Balasta – **S&P Global Market Intelligence** – September 27, 2018

Hydro One Inc. **filed** a **new application** with the **Ontario Energy Board**, seeking approval **to acquire Orillia Power** Distribution Corp. **from** the city of **Orillia**, **Ontario**, in a deal valued at **C$41.3 million**.

The **board previously rejected and upheld** its **rejection** of the proposed acquisition, **maintaining** that **Hydro One failed to demonstrate** "that it is reasonable to expect that the **underlying cost structures** to serve the **customers** of **Orillia Power** will be **no higher than** they **otherwise would have been**, **nor** that they will **underpin future rates paid by these customers**."

Hydro One said the new application would still comply with the board's merger and acquisitions policies "while **better articulating** the demonstration of **'no harm'** to **Orillia Power and Hydro One customers in** the **short and long**-**term**."

Under the **deal**, first announced on Aug. 15, 2016, **Hydro One** will **pay** the city of **Orillia C$26.35 million** and **assume** C**$14.9 million** of **debt and regulatory liabilities**.

Hydro One and the **city of Orillia** also **signed separate facilities** and **land purchase agreements for** the **construction** of a **technology hub**, which would consist of a **backup grid control center**, **warehouse** and **regional operations center in Orillia**'s Horne Business Park, following the closing of the Orillia Power transaction.

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Ontario Ends Tailpipe Emissions Tests for Private Vehicles

by Gene Laverty – S&P Global Market Intelligence – Sep. 28, 2018

Ontario is **dropping** an **annual emissions**-**testing program** on **private vehicles** in an effort to **cut costs** and increase its focus on reducing pollution from heavy-duty vehicles.

The provincial government announced it was **canceling** the need for the tests under its **Drive Clean program**, effective April 1, 2019, a move it claims will **save C$40 million annually** for drivers. After a 30-day consultation period, Ontario plans to introduce changes to the program to **increase scrutiny** of **heavy trucks** and other **commercial vehicles**. **Premier Doug Ford** said in a Sept. 28 statement that the program will **do** a **better job** of **targeting large polluters**.

The action is the latest in a series of actions Ford's government has taken to reverse what it considered onerous climate change mitigation programs introduced by the previous government. **Since** its **election** in June, **Ford's Progressive Conservative party** has **cut renewable energy contracts**, **axed** a **cap-and-trade** emissions scheme, **ended subsidies** for **electric vehicles** and **dropped** a **tax on natural gas**. The Drive Clean program was initiated by a previous Progressive Conservative government.

Hydro One Restores Service to Over 220,000 Customers Impacted by Severe Weather Including a Tornado, 130,000 Remain Without Power

Co. Press Release – **S&P Global Market Intelligence** – Sep. 22, 2018

Left: **Severe thunderstorms** that **started Friday** afternoon and moved quickly across the province along with a tornado in eastern **Ontario** have **caused power outages** to **about 350,000 Hydro One customers**.

Hydro One crews were out in full force and have restored power to more than half of the customers affected by the storm, with **130,000 customers currently without power**. The **tornado** has **caused extensive damage** to our **transmission system** and **equipment in** the **Ottawa area**, which is affecting Hydro Ottawa. This area is a major focus of the restoration effort, which is expected to take several days. **Elsewhere** across the province, crews are facing damage from **downed power lines, trees** and **snapped poles**.

"We have made significant progress despite the weather, but there is still a lot of work to be done," said Greg Kiraly, Chief Operating Officer, Hydro One. "We have every available crew working to restore power to customers affected by this devastating storm and tornado. We expect **customers in** the **hardest hit areas will be without power for several days** and want to thank our customers for their patience during this time. We have a full contingent of crews out working to get their lights back on."

All crews, which include damage assessors, line maintainers, foresters and technicians, have been mobilized to respond to outages. As power restoration work is completed in one area, associated crews are dispatched to new areas needing their attention. **Hydro One** is also **receiving assistance from neighboring utilities**.

Customers looking for information on power outages can call 1-800-434-1235, download the free Hydro One power outage app or visit www.HydroOne.com/stormcenter. Customers can also register to receive proactive personalized text or email alerts about power outages. Hydro One is the first utility in Canada to offer this service. Customers can register for Outage Alerts online at www.HydroOne.com/MyAccount.

Hydro One reminds all customers to **restock their 72- hour emergency preparedness kit**. The kit should contain:

1. Windup or battery-powered flashlight
2. Windup or battery-powered radio
3. Batteries for your flashlight and radio
4. Water (recommend 2 litres per person/day)
5. Canned or dried food that won't spoil
6. Manual can opener
7. Cash and any medical items you require
8. Blanket
9. Candles and matches
10. First Aid Kit
11. Portable charger for cell phone

About Hydro One Omitted

–

Idaho PUC Approves New Schedule for Hydro One/Avista Merger Case

by Usman Khalid – S&P Global Market Intelligence – Sep. 19, 2018

The **Idaho Public Utilities Commission** approved a **new schedule to process the pending merger between Hydro One Ltd. and Avista Corp.**

The **previous** procedural **schedule** was **disrupted by** the **abrupt resignation** of **Hydro One CEO Mayo Schmidt and** the **replacement of** its **board of directors** in **July under** an **agreement with** the **Ontario government**. **Hydro One appointed** the **new board Aug. 14**.

The **new schedule** requires the **companies** to **submit** their **supplemental testimony by Sept. 24**, followed by a **settlement conference Oct. 16**. The PUC **staff and** other **intervenors** can **file** their **testimony Nov. 1**, and **rebuttal testimony** is **due Nov. 14**. The **PUC** will start a **technical hearing Nov. 26**, according to a Sept. 18 press release.

Avista serves approximately 130,000 electric customers and 82,000 natural gas customers in Idaho.

The **$5.3 billion transaction** also **needs approval from Oregon and Washington** regulators, **who** previously **extended** their **deadlines to decide** on the merger **to Dec. 14**.

The companies expect the transaction to close by the end of 2018.

Ontario Moves to Scrap Green-Energy Laws

by Gene Laverty – S&P Global Market Intelligence – Sep. 21, 2018

Ontario's government introduced legislation that **would repeal** the **Green Energy Act**, which was **introduced by** its **predecessor** in an effort **to mitigate** the **effects** of **climate change**.

The **legislation**, which was **introduced Sept. 20**, seeks to "**fully strike the Green Energy Act** from the province's books," according to a statement. The government claims **repealing** the **act**, **which allowed feed-in tariffs** and spawned numerous **wind and solar** energy **projects**, will reduce consumer electricity costs and give regional governments more control over power plant siting. The repeal act was tabled by the Progressive Conservative government led by **Premier Doug Ford**, which **has** a **majority** of **votes to ensure** its **passage**.

Since his **election** in June, **Ford** has worked at **dismantling climate change-focused programs** of the previous government, which the premier blames for soaring electricity prices in Ontario. Ford's government has so far **canceled 758 electricity contracts** for claimed savings of C$790 million, **replaced executives** and the **board** at province-controlled **Hydro One** Ltd. and **dropped** a **tax on natural gas consumption**.

The **legislation** aims to **give municipalities** and **other regional governing bodies** the **final say in power plant siting**. "The Green Energy Act allowed the previous government to trample over the rights of families, businesses and municipalities across rural Ontario," Minister of Infrastructure Monte McNaughton said in the statement. "We believe the people of Ontario should have the final say about what gets built in their communities."

–

Ontario Hits Green Again

by Julien Dumoulin-Smith Bank of America – Merrill Lynch (BAML) – Sep. 21, 2018

Ontario's new gov't under Premier Doug Ford took its next step towards renewable energy: to cancel the Green Energy Act. We see this similarly as cancellation of renewable contracts earlier in July: Not impacting generating facilities like PEGI's.

Another blow to wind in Ontario? PEGI still optimistic

On **19 September**, **Ontario's new government** under **Premier Doug Ford** took **another step** in **meeting** its **campaign promises** to change the province's energy sector: **filing legislation to repeal** the **Green Energy and Green Economy Act of 2009 (Green Energy Act** or **Act**). The Act was established to promote renewable energy and its connection to both transmission and distribution systems, conservation, and smart grid implementation. Its cancellation impacts the build of future projects to come.

This is **in addition to** the **cancellation of 758 renewable energy contracts** for **projects** that were **in** the **pre-construction phase** and had **not fulfilled critical milestones for commercial operation**, which occurred **earlier this summer** and is claimed by the Ontario Government to save $790mn.

Overall, Premier Doug **Ford's campaign committed to reducing electricity rates by roughly 12%** after rates rose significantly in the years prior. These steps have been part of a broader effort that **began with** the **removal of** the **Hydro One board** of **directors and CEO**, following campaign promises by the new administration to do so. **Even with** the **cancellation** of the **Green Energy Act** for future projects, **we still expect overhang reconciling** the **-12% reduction in rates with** the **energy cost saving steps taken**.

Contracts seem alright, but we still highlight curtailment

Similar to earlier legislation this summer, this Green Energy Act legislation is **not** seen as **having** a long-term **impact** on the validity of **contracts** already extended **for operating projects**. In fact, Pattern Energy reiterated that it does not expect any of its Ontario assets – including one iROFO project still under development – to be impacted.

Similar to our interpretation before, we see this as potentially being viewed by the market in a slightly negative light, but believe the structure of the contracts for the electricity delivery should still persist. We **still draw attention** to the structure of Ontario's renewable contracts: **Take or Pay**, meaning **projects** are **paid by** the **government whether or not electricity is generated**. Considering the uniquely **high** compensation levels for **curtailment payments**, we still perceive risk in contracts when it comes to curtailment specifically. Based on 2017 curtailment figures, we note that **PEGI**'s (**Pattern Energy Group**) **four wind plants** - South Kent, Grand Renewable, Armow, and K2 - received $132/MWh for 382MW of capacity on average, assuming a 40% capacity factor during curtailment; meanwhile 2017 mid-peak time-of-use (TOE) electricity rates were $133/MWh, and on-peak prices were $156/MWh. Given the **premium prices customers** are **paying on already high FIT prices**, we remain alert on the topic of curtailment payments.

Background on bill inflation: Electricity in Ontario

Ontario has supported renewables through a number of programs at a cost, including FiT 1.0 and LRP I. FiT 1.0 rewarded contracts of C$135/MWh in 2011 and before, while LRP I was a competitive process that rewarded wind assets contracts of C$85.94/MWh in 2016. Meanwhile, the onshore wind LCOE benchmark in Canada has dropped to around C$55/MWh. We highlight a **large discrepancy between old contracts and** the **cost of new build** (see green data points in figure below).

We also highlight that retail rates increased significantly in 2010 through 2016. While they have come down somewhat, **retail power prices** are **still far above wholesale power prices**, which generally decreased through the same time. **Expensive renewable contracts** are not the only culprit to blame for high retail rates, but are **one target** the government is addressing **in decreasing retail prices**.

We see this as another step Premier Ford's administration is taking to reach its promise of lowering electricity bills and cutting the Hydro One bill specifically by 12%. Ontario's high retail rates have been a topic of debate, and we have seen the Ontario government take drastic measures already to decrease retails power prices, including:

September 2016: The **government-run competitive auction LRP II** (**Large Renewable Procurement**) was **cancelled**.

July 2017: The previous administration issued the **Fair Hydro Plan** to **reduce retail rates by 25%.**

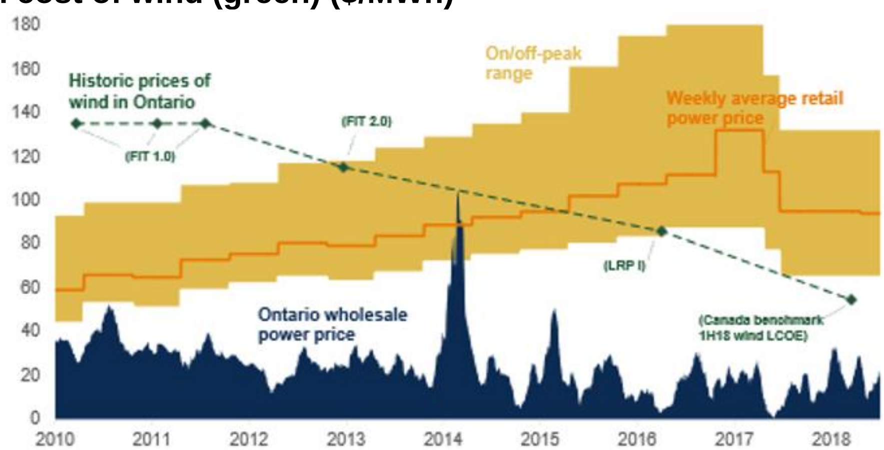
July 2018: Under the **new government**, the small **18MW White Pines Wind Project** was **cancelled**.

July 2018: Premier Ford's government announced **Hydro One CEO Mayo Schmidt** is **retiring** from the company, effective **immediately**. The **Board** of Directors is also being **removed**. Both of these changes are expected to complete by August 15.

July 2018: **Ontario** to **cancel 758 renewable contracts** to reduce rates

September 2018: **Ontario introduces legislation** to **end** the **Green Energy Act**

Exhibit 1: Ontario retail rates (orange), wholesale power prices (blue), and general trend in cost of wind (green) ($/MWh)



CASE: UM 1897
WITNESS: MATT MULDOON

PUBLIC UTILITY COMMISSION OF OREGON

STAFF EXHIBIT 803

Responses to Staff DR's

Exhibits in Support Of Sur-rebuttal Testimony

October 18, 2018

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/17/2018
CASE NO.:	UM 1897	WITNESS:	James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 310(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

Please provide each revised compensation package for each key executive shown on Hydro One's website as displayed now, and as executives change (whether in person or title), showing salary and total annual compensation, each time a new compensation package is accepted.

RESPONSE:

Nothing to report at this time.

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/4/2018
CASE NO.:	UM 1897	WITNESS:	James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 311(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

Please provide links to the web posting of key executive compensation information by Hydro One or by the Province of Ontario each time web content on this topic is updated.

RESPONSE:

Nothing to report at this time.

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/4/2018
CASE NO.:	UM 1897	WITNESS:	James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 312(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

Please provide the full curriculum vitae (CV) of Jason Fitsimmons, Chief Corporate Affairs and Customer Care Officer for Hydro One. Please also provide the full CV and position for each replacement member of Hydro One's senior leadership team, should a vacancy occur and be filled going forward.

RESPONSE:

Please find a copy of Jason Fitzsimmons' CV attached hereto as Staff_DR_312(H1) Attachment A.

Jason Fitzsimmons

Chief Corporate Affairs and Customer Care Officer, Hydro One Limited

483 Bay Street

South Tower, 8th floor

Toronto, Ontario

M5G 2P5

Email: Jason.fitzsimmons@hydroone.com

Professional Experience:

Chief Corporate Affairs and Customer Care Officer
Hydro One
September 2018 - Present

Responsible for Government Relations, Public Affairs, First Nations and Customer Operations including communications and branding strategies for an integrated transmission and distribution utility serving 1.3 million customers. Management of all aspects of Government Relations including public policy and major projects. Management of First Nations relationships and partnership for engagement on major transmission projects and resolution of outstanding title disputes. Management of corporate social responsibility, customer relations and customer operations ranging from large transmission account management to rural residential customers.

Vice President Employee & Labour Relations
Hydro One
2016 -2018

Responsible for the development and implementation of strategies for the management of labour & employee relations for a workforce of 8,000 employees. Management of HR practices and policies to promote the value of employees and ensure legislative compliance. Development of collective bargaining strategies, coordination and oversight of the negotiation of collective agreements involving unions with provincial bargaining rights in a highly unionized workforce. Accountability for all employment related issues including grievance arbitration, court proceedings and human rights tribunals. Development and implementation of strategies, programs and organizational risk governance.

Chief Negotiations Officer
Ontario Hospital Association
2015-2016

Responsible for the development and implementation of human resource and labour strategies on behalf of 147 independent hospital corporations. Development and advocacy with government on public policy related to all aspect of employment, health care funding and workforce planning.
Lead negotiator acting for hospitals in labour negotiations with 7 major health care unions with collective agreements covering 100,000 employees. Development and advocacy with government on public policy related to all aspect of employment, health care funding and workforce planning.

Vice President Health & Safety, Labour and Employee Relations
Ontario Power Generation
2013-2015

Responsible for the development and implementation of strategies for the management of labour & employee relations for a workforce of 10,000 employed in nuclear, hydro, and fossil generation. Establishment of health and safety strategic frameworks including management systems, governance, policy and programs. Collaborated with industry across Canada and the U.S on health and safety strategy and policy including regulatory change. Development of collective bargaining strategies, coordination and oversight of the negotiation of collective agreements involving unions with provincial bargaining rights in a highly unionized workforce. Oversight of all labour and employment related issues including grievance arbitration, court proceedings and human rights tribunals. Development and implementation of strategies, programs and organizational risk governance. Development of submissions and representation before Ontario's energy tribunal.

Vice President Human Resources and Employee Safety
Ontario Power Generation (Nuclear Division)
2009 -2013

Responsible for the all aspects of Human Resources and Employee Safety for 2 of Canada's largest nuclear generation facilities. Accountable for talent management programs, executive succession planning and development. Development and implementation of workforce planning strategies to predict future supply and demand for a highly technical workforce. Oversight of health and safety management systems, risk management and reporting. Participated internationally with nuclear industry on systemic work force challenges and development of best practices.

Director /Manager Labour Relations
Ontario Power Generation
2002 -2009

Responsible for the management of labour relations. Management of collective bargaining, labour and employment compliance issues, contract interpretation and disputes before labour tribunals. Ensuring compliance with legislation and regulation. Advocacy with industry and government on labour reform. Development of strategies to promote positive working relationship with unions and to facilitate productivity initiatives and successful completion of large scale projects. Acted on behalf of the corporation in tribunal disputes.

Labour Relations Consultant
Ontario Power Generation
1999 -2002

Responsible for research and economic analysis to support collective bargaining strategies. Legal research on case law pertaining to labour disputes and advisor to legal counsel. Support to management teams on resolution of workplace disputes and advice on projects.

Human Resource Consultant
Ontario Hydro (Darlington Nuclear Generating Station)
1996 – 1999

Responsible for supporting all aspects of Human Resource related inquires on compensation, benefits, and pension. Supporting managers with employee issues, conducting workplace audits and investigations. Conducting analysis on workplace trends to inform business planning.

Notable Experience

- Advisor to the Premier's Advisory Council on Pension and Labour Relations
- Advisor to Government on broader public sector compensation
- Demerger of Ontario Hydro - Crown Corporation
- Divestiture of Bruce Nuclear Generating Station
- New ventures - Brighton Beach LLP and Portlands Energy LLP
- Transition of Armed Tactical Security Services from Municipal Police Services

Professional Designation / Education

Certified Human Resources Professional (CHRP) – Human Resource Professional of Ontario

University of Toronto, 2003 – Certificate in Strategic Human Resource Management

Queens University, 2005 – Certificate in Organizational Effectiveness.

Rotman School of Business 2013 – Directors Human Resource Program

Memberships and Boards:

Executive Director –Board of Directors Electrical Power Sector Construction Association

Human Resource Professionals Association of Ontario – HRPAO

Advisory Panel Member – Ryerson University, Centre for Labour and Management Relations

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Oregon	DATE PREPARED:	10/01/2018
CASE NO.:	UM 1897	WITNESS:	Scott Morris / James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Casey Fielder / Adele Pantusa
TYPE:	Data Request	DEPT:	Avista / Hydro One
REQUEST NO.:	Staff – 313(H1)	TELEPHONE:	(509) 495-4916 / (416) 345-6310
		EMAIL:	casey.fielder@avistacorp.com / apantusa@hyrdoone.com

REQUEST:

Please consider the attached article for accuracy: "Avista Executives to Receive $18 Million Payout on Day of Sale" by Becky Kramer of The Spokesman-Review published on Sep. 25, 2018. Please explain whether Hydro One and Avista find this article factually accurate, and provide a narrative explanation clarifying where Hydro One or Avista find that certain information needs correction or augmentation to provide more accurate or complete understanding.

RESPONSE:

Avista:

For articles such as this, Avista provides a range of information to inform the story, and the editorial staff at the publication makes the final decision about what content is included for its readers. In our view, the article is generally accurate, and the content reported is accurate in the context of the interview during which it was discussed. The merger proxy filed in Oct. 2017 serves as a source document for the information.

For additional clarification, the Value of Accelerated Equity (the $18 million referenced) is governed by the Long-Term Incentive Plan but is labeled and included in the change in control amounts and table in the proxy. Additionally, in some instances, use of the phrase "stock options" refers to performance stock awards.

Hydro One:

Hydro One agrees with Avista.

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Oregon	DATE PREPARED:	10/01/2018
CASE NO.:	UM 1897	WITNESS:	Scott Morris / James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Casey Fielder / Adele Pantusa
TYPE:	Data Request	DEPT:	Avista / Hydro One
REQUEST NO.:	Staff – 314(H1)	TELEPHONE:	(509) 495-4916 / (416) 345-6310
		EMAIL:	casey.fielder@avistacorp.com / apantusa@hyrdoone.com

REQUEST:

Please consider the attached article for accuracy: "Avista Sale Includes Protections against Canadian Government Influence and Rate Hikes, Consultant Says" by Becky Kramer of The Spokesman-Review published on Sep. 25, 2018. Please explain whether Hydro One and Avista find this article factually accurate, and provide a narrative clarifying where Hydro One or Avista find that certain information needs correction or augmentation to provide more accurate or complete understanding.

RESPONSE:

Avista:

For articles such as this, Avista provides a range of information to inform the story, and the editorial staff at the publication makes the final decision about what content is included for its readers. In our view, the article is generally accurate. The content reported is accurate in the context of the interview during which it was discussed.

For additional clarification, the amount noted that Washington and Idaho electric and natural gas customers would receive per month as a part of the proposed rate credits is a blended amount, providing a combined total for both electric and natural gas rate credits. Additionally, five of nine board members on the proposed new Avista board would be independent of Avista and Hydro One.

Hydro One:

Hydro One agrees with Avista.

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	Oregon	DATE PREPARED:	10/01/2018
CASE NO.:	UM 1897	WITNESS:	Scott Morris / James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Casey Fielder / Adele Pantusa
TYPE:	Data Request	DEPT:	Avista / Hydro One
REQUEST NO.:	Staff – 314(H1)	TELEPHONE:	(509) 495-4916 / (416) 345-6310
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RESPONSE:

Avista:

For articles such as this, Avista provides a range of information to inform the story, and the editorial staff at the publication makes the final decision about what content is included for its readers. In our view, the article is generally accurate. The content reported is accurate in the context of the interview during which it was discussed.

For additional clarification, the amount noted that Washington and Idaho electric and natural gas customers would receive per month as a part of the proposed rate credits is a blended amount, providing a combined total for both electric and natural gas rate credits. Additionally, five of nine board members on the proposed new Avista board would be independent of Avista and Hydro One.

Hydro One:

Hydro One agrees with Avista.

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/17/2018
CASE NO.:	UM 1897	WITNESS:	Chris Lopez
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 318(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

Please provide copies of all communications from August 1, 2018 going forward between Hydro One Directors, and S&P or Moody's credit rating agencies.

RESPONSE:

The Hydro One directors have not had any communications from August 1, 2018 with S&P or Moody's credit rating agencies in respect of Hydro One.

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/17/2018
CASE NO.:	UM 1897	WITNESS:	James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 321(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

Please provide all public statements by Province of Ontario leadership and regulators (available to Hydro One from August 1, 2018 going forward) expressing support or reservations regarding the Proposed Transaction.

RESPONSE:

To the best of Hydro One's knowledge, no such statements have been made.

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/17/2018
CASE NO.:	UM 1897	WITNESS:	James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 322(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

Please provide all public statements by Province of Ontario leadership and regulators (available to Hydro One from August 1, 2018 going forward) expressing support or reservations regarding independence and continuity of Avista Northwest U.S. operations.

RESPONSE:

To the best of Hydro One's knowledge, no such statements have been made.

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/17/2018
CASE NO.:	UM 1897	WITNESS:	James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 323(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

Please provide all public statements by Province of Ontario leadership and regulators (available to Hydro One from August 1, 2018 going forward) expressing support or reservations for mutually beneficial cooperation between Avista and Hydro One post Proposed Transaction.

RESPONSE:

To the best of Hydro One's knowledge, no such statements have been made.

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/17/2018
CASE NO.:	UM 1897	WITNESS:	James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 324(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

Please provide all public statements by Province of Ontario leadership and regulators (available to Hydro One from August 1, 2018 going forward) expressing confidence in Hydro One Senior Leadership Team in place, or need for additional adjustment thereto.

RESPONSE:

Hydro One is aware of the following two articles that contain statements that are responsive to this request:

1. An August 15, 2018 article from the Toronto Star, attached hereto as Staff_DR_324(H1) Attachment A, states that the Hon. Greg Rickford (Minister of Energy, Northern Development and Mines and Minister of Indigenous Affairs) declined to comment on the Avista deal, instead pointing out that the new Board will "make responsible business decisions to that end."

2. The Province of Ontario's press release announcing the Hydro One Accountability Act from August 15, 2018, a copy of which is attached hereto as Staff_DR_324(H1) Attachment B.

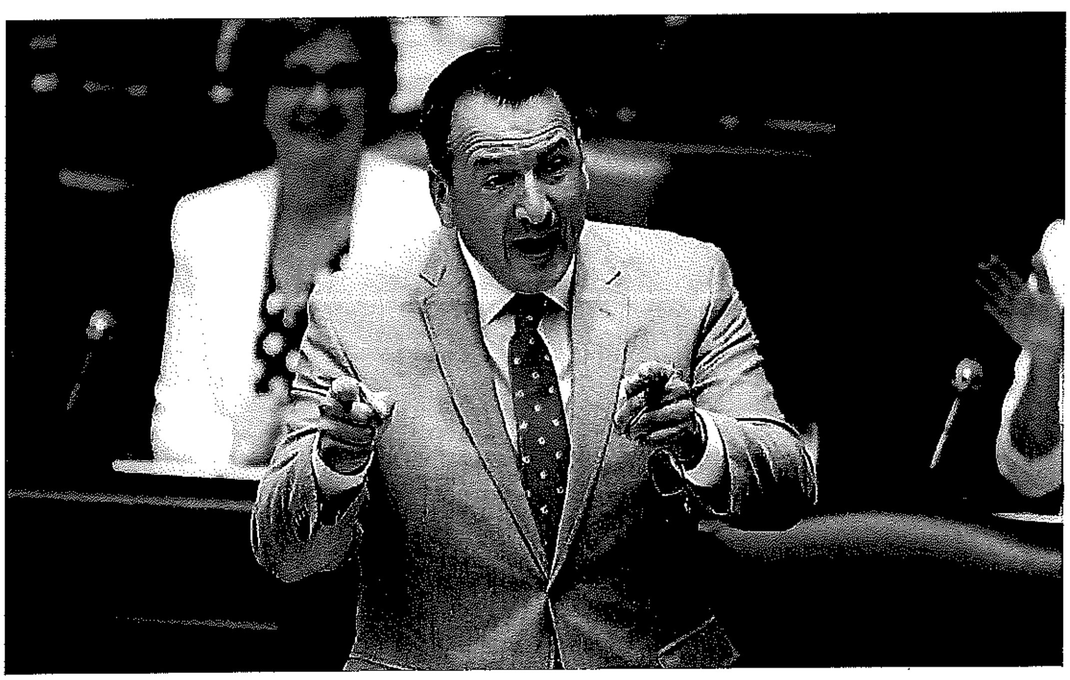
THE STAR

Hydro One given six months to trim executive pay

By **ROB FERGUSON** Queen's Park Bureau
Wed., Aug. 15, 2018

The new chair of the board at Hydro One is set to clean house and cut pay in the executive suite following the July ouster of CEO Mayo Schmidt, says Premier Doug Ford.

Ford, who mockingly nicknamed Schmidt "the six-million-dollar man" during the spring election campaign, told reporters Wednesday that Hydro One has been given six months to trim "generous pay packages" at the former Crown corporation still owned 47 per cent by Ontario taxpayers.



Conservative Energy Minister Greg Rickford says the government is responding to "the excesses" of the previous government in ordering Hydro One pay cuts. (ANDREW FRANCIS WALLACE / TORONTO STAR)

Leading the new board is interim chair Tom Woods, a veteran investment banker with 37 years at CIBC who rose to chief financial officer and vice-chairman.

"He will recruit a new long-term senior management team for the company, a team that will respect the people of Ontario," Ford said.

The development comes as Hydro One searches for a new chief executive without firm salary guidelines in place. Neither Ford nor Energy Minister Greg Rickford would say how low pay packets should go.

"We are sending a clear message to the entire energy sector that, for our government, respect for the people, respect for the ratepayers comes first," said Rickford.

Critics have warned government meddling in pay levels for a publicly traded company like Hydro One will send a chill through the business community, and make it hard to attract and retain top talent. The company issued the same caution in its latest securities findings.

So far, only one of Schmidt's key team — customer care and corporate affairs executive vice-president Ferio Pugliese, formerly of WestJet — is leaving Hydro One for a new position elsewhere. In 2017, company filings show he was paid a base salary of $525,000 with short-term and long-term incentives boosting his annual compensation to $1.95 million.

His departure was announced Tuesday in a Hydro One conference call with investment industry analysts after the company's new board was appointed and the latest quarterly earnings of $200 million released, up from $117 million in the same period last year.

Under new legislation passed earlier this summer, which came into effect this week, the provincial government retains the power to control board, CEO and senior executive salaries until the end of 2022. Any changes in executive pay at Hydro One require 30 days public notice.

"These measures are practical responses to the excesses that we saw under the previous government," said Rickford.

Ford promised to cut hydro rates 12 per cent but has not yet made a substantial dent in customers' bills.

limbo amid concerns from regulators about turnover in senior leadership in the Toronto executive suite.

Rickford declined to comment on the hazy future of the deal, which if aborted will result in Hydro One paying a kill fee of $103 million (U.S.).

"There's no space for political commentary," he told reporters, adding the new board will "make responsible business decisions to that end."

Rob Ferguson is a Toronto-based reporter covering Ontario politics. Follow him on Twitter: @robferguson1

REPORT AN ERROR JOURNALISTIC STANDARDS ABOUT US

Read more about: Hydro One, Doug Ford

News Release

Ontario Acts to Improve Accountability and Transparency at Hydro One

August 15, 2018 4:00 P.M. | Office of the Premier

TORONTO — Ontario is taking action to ensure greater transparency and accountability at Hydro One by proclaiming into force the substantive requirements under the Hydro One Accountability Act, 2018.

"We promised to clean up the hydro mess, and I am so proud to say that is exactly what we have done. Today is a good day for Ontario, because it is a new day for Hydro One," said Premier Doug Ford. "Hydro One is turning over a new page, with an opportunity to re-earn the confidence of Ontario and ensure Ontario's electricity system is working for the people, as our government continues to work to bring your hydro bills down."

On July 11, the Premier, in keeping with the promises he made to Ontarians during the election, announced the departure of the previous Hydro CEO, to be followed by the departure of the Hydro One Board. On August 14, Hydro One announced the departure of its previous Board of Directors along with the appointment of a new Board comprised of four provincial nominees along with six nominees chosen by other investors.

"Our government was elected on a promise to take immediate action to address issues with respect to compensation and governance at Hydro One," said Greg Rickford, Minister of Energy, Northern Development and Mines. "Promise made, promise kept."

The Hydro One Accountability Act, 2018 introduces a number of important changes to address executive and board compensation at the utility. Among other elements, the act requires the board of Hydro One to establish a new executive compensation framework within six months, in consultation with the Province and its five other largest shareholders. This compensation framework will be subject to approval by Management Board of Cabinet.

The act also requires Hydro One to comply with certain public disclosure requirements with respect to executive compensation and any future changes to the compensation framework. Hydro One will be required to publish a record of executive compensation amounts on its website annually, along with any proposed changes to its compensation policies.

A consequential amendment to the Ontario Energy Board Act, 1998, has also been proclaimed into force. This amends the rate-setting provisions under that act to exclude compensation paid to Hydro One executives from the calculation of consumer electricity rates.

"There are thousands of hardworking men and women who work at Hydro One. They care about our province and they are proud of what they do," said Premier Ford. "These people had nothing to do with the decisions Hydro One executives made in the past. But I hope all of them share our confidence in Hydro One's future."

"We are taking action to restore the public's faith in our electricity system," Minister Rickford said. "By enhancing transparency and accountability at Hydro One, we are sending a clear message to the entire energy sector that for our government, respect for the people comes first."

Background Information

- Ontario Proclaims into Force Legislation on Hydro One Governance

Media Contacts

Simon Jefferies
Premier's Office
Simon.Jefferies@ontario.ca

Brayden Akers
Minister's Office
Brayden.Akers@ontario.ca
416-816-9383

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/17/2018
CASE NO.:	UM 1897	WITNESS:	James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 325(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

Please provide all public statements by Province of Ontario leadership and regulators (available to Hydro One from August 1, 2018 going forward) regarding steps to meet and progress on achieving promised hydro rate reductions.

Note that Staff has heard senior Hydro One leadership clarify that Hydro One does not set Hydro rates.

RESPONSE:

To the best of Hydro One's knowledge, no such statements have been made.

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/17/2018
CASE NO.:	UM 1897	WITNESS:	James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 326(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

Please provide both hard and electronic copy of each benefit, cost, risk assessment ordered by Province of Ontario leadership and regulators (available to Hydro One going forward) regarding: A) Hydro One cash flows, dividend streams and corporate valuation with and without execution of the proposed transaction, starting July 1, 2018, and B) Return of Hydro One to Crown Corporation status – inclusive of cost for Hydro One share purchases, starting July 1, 2018.

RESPONSE:

Hydro One does not have any such records.

Please also refer to Hydro One's response to Data Request PUC Staff_319(H1).

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/17/2018
CASE NO.:	UM 1897	WITNESS:	James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 327(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

A) Please provide copies of articles published in the Toronto Star, The Globe and Mail, the Toronto Sun and the National Post when Hydro One finds said articles contain: A) Material information or communication regarding Hydro One, its senior leadership, its directors, or the Proposed Transaction, or B) Material statements about Hydro One by senior Provincial leadership or regulators regarding Hydro One, Avista or the Proposed Transaction.

B) Please explain whether Hydro One and Avista find each material article factually accurate, and provide a narrative explanation clarifying where Hydro One or Avista find that certain information needs correction or augmentation to provide more accurate or complete understanding.

RESPONSE:

A) The files attached in Staff_DR_327(H1) Attachments A through D are a collection of articles published in the paper editions of the Toronto Star, The Globe and Mail, The Toronto Sun and National Post that contain material information or involve Hydro One, its senior leadership, directors or the proposed Avista transaction; it also includes any articles with statements by senior Provincial leadership or regulators regarding the same transaction.

B) Hydro One was quoted accurately in all articles, but we provide no comment on the assertions of other parties.

Articles Published in the Globe and Mail

Title: Report finds more women in Canada's boardrooms; Despite the increase in gender diversity at TSX-listed companies, there is still much room for improvement at the executive level
Date: Mon Sep 17 2018
Page: B2
Byline: ALEXANDRA POSADZKI

The number of women occupying seats in the boardrooms of Canada's large, publicly listed companies is inching higher, but gender diversity is stagnating at the executive level, according to a new report.

Women occupied 16.4 per cent of the board seats at Toronto Stock Exchange-listed companies at the end of July, up about two percentage points from a year ago, according to a report published on Friday by law firm Osler Hoskin & Harcourt LLP.

But the number of female executive officers remains virtually unchanged since 2015, when Canadian securities regulators introduced a "comply or explain" policy. The rules require companies to disclose each year the number of women in executive positions and on their boards. The Osler report is based on those disclosures.

Women occupied, on average, 15.8 per cent of the executive officer positions at TSX-listed companies, up marginally from 15 per cent, where it has sat for the past three years.

Andrew MacDougall, a partner at Osler who specializes in corporate governance matters, says it is harder to effect change at the executive level than in the boardroom. "These are people you're bringing up through your organization, so you need to have a plan that's going to develop leaders within the organization," Mr. MacDougall said. "You aren't going to have the same degree of turnover in your senior executive ranks" as in the board of directors.

But even at the board level, the pace of change has been slow - moving from 11 per cent in the first year to 12 per cent in the second year and 14 per cent in the third. At the current rate, it will take decades before women hold 50 per cent of the board seats at large public companies, Mr. MacDougall said.

Camilla Sutton, president and chief executive of Women in Capital Markets, said she expects the Ontario Securities Commission to introduce further rules to speed up the process.

"As we have seen over the last several years, progress is slow, and the attempts to drive change to date have not yielded the results we would have hoped," she said.

Currently, companies are not required to set formal targets for board diversity or have a board diversity policy in place - those who do not have them are only asked to explain why.

But the OSC has said it is mulling various options to accelerate change, including forcing public companies to set targets for the number of women in director positions and executive roles or increasing board turnover by setting limits on how long directors can serve.

However, even term limits would not guarantee that available board seats go to women. In the first half of 2018, about 32.3 per cent of the newly created or vacated board seats went to women.

Several women were named directors at Hydro One after the utility's entire board and CEO resigned under pressure from Ontario's Progressive Conservative government. Lawyer Cherie Brant, former Weyerhaeuser executive Anne Giardini, interim Canada Post CEO Jessica McDonald, and Melissa Sonberg, executivein-residence at McGill University's Desautels Faculty of Management, were appointed to Hydro One's board this year.

Title: HYDRO ONE NAMES EX-CIBC EXECUTIVE AS CHAIRMAN
Date: Sat Sep 8 2018
Page: B3

Hydro One Ltd. says former Canadian Imperial Bank of Commerce executive Tom Woods has been named permanent chairman of its board of directors.

Mr. Woods has been serving in the job on an interim basis since Aug. 14. The board of directors at the utility, as well as its chief executive, resigned earlier this year amid pressure from Ontario's Progressive Conservative government.

Title: Hydro One names new board, paving way for CEO search
Date: Wed Aug 15 2018
Page: B1
Byline: SHAWN JEFFORDS

A new board of directors is in place at Hydro One Ltd. just more than a month after the partly privatized utility's chief executive and entire board resigned amid pressure from Ontario's Progressive Conservative government.

Ten new directors were named on Tuesday as replacements for the company's previous 14-member board. Former CIBC executive Tom Woods will serve as the interim board chair until the position can be filled permanently.

"This highly-qualified board has strong governance and industry experience and brings with them significant electricity, business and capital markets expertise," acting CEO Paul Dobson said in a statement. "Their oversight will help us to build on the positive momentum the company has achieved since being privatized in 2015."

During a conference call with shareholders, Mr. Dobson stressed the board will remain "fully independent" from the government and will begin work with the management team to find a new CEO. The board will also begin to examine executive compensation, he said.

Former CEO Mayo Schmidt retired and the utility's board resigned abruptly in July after reaching an agreement with the new Tory government.

Mr. Schmidt had become a lightning rod for resentment over rising electricity rates during the spring election campaign. Premier Doug Ford had labelled the CEO "the six-milliondollar man" and promised to fire the executive if elected. After reaching the agreement that saw Mr. Schmidt leave the utility, Mr. Ford declared that he'd made good on his pledge.

"The CEO of hydro is gone," Mr. Ford said at the time. "The board is gone. We're turning the page when it comes to hydro rates."

Under the deal reached with the Tories, Mr. Schmidt was not entitled to the $10.7-million severance he would have been entitled to if he'd been removed by the board and instead received a $400,000 lump-sum payment in lieu of all postretirement benefits. The Opposition noted, however, that Mr. Schmidt qualified for incentives and stock options worth at least $9-million upon retirement. Ford spokesman Simon Jefferies said on Tuesday that the new board at the utility marked progress in the government's plan on the hydro file.

"Renewed leadership at Hydro One is an important first-step towards making hydro rates more affordable for families and job-creators," he said in a statement.

Mr. Ford has promised to slash hydro rates by a further 12 per cent, but has yet to move on policy to implement the reduction.

The Tories have, however, passed omnibus legislation that in part grants the government authority to approve executive compensation at Hydro One.

The bill requires the Hydro One board of directors to establish a new compensation framework for the CEO and board of directors in consultation with the province and the partially privatized utility's five largest shareholders.

Hydro One was partially privatized in November, 2015, and by December, 2017, the province had sold off 53 per cent of its stake.

In addition to Mr. Woods, the Province of Ontario, Hydro One's largest shareholder, named lawyer Cherie Brant, former OMERS executive Blair Cowper-Smith and former BMO executive Russel Robertson to the board.

The six directors nominated by Hydro One's ad hoc nominating committee are former Weyerhaeuser executive Anne Giardini, former New Brunswick Power CEO David Hay, Alignvest Capital Management managing partner Timothy Hodgson, Canada Post interim CEO Jessica McDonald, former Sappi Fine Papers CEO William Sheffield and Melissa Sonberg, executive-in-residence at McGill University's Desautel Faculty of Management.

The utility's new board was named on Tuesday as the company reported a second-quarter profit of $200-million, or 33 cents a diluted share, up from a profit of $117-million, or 20 cents a diluted share, in the same quarter a year earlier.

Revenue for the three months ended June 30 totalled $1.48-billion, up from $1.37-billion in the same quarter last year.

On an adjusted basis, Hydro One said it earned 32 cents a diluted share, up from an adjusted profit of 20 cents a diluted share a year ago.

Title: Ford's beer plan: The free market gets shelved; Doug Ford's plan amounts to a type of corporate welfare that conservatives would normally rail against
Date: Sat Aug 11 2018
Page: B4
Byline: STEVE MAICH
A business writer in Toronto and.the former editor of Canadian Business magazine

Some bad ideas are well intentioned but dumb.

They're good-faith attempts to use the weight of the state to fix some problem or other, but end up failing or falling victim to unintended consequences. Make too many of these mistakes and voters will eventually get sick of your excuses and kick you out.

Then there are the bad ideas that aren't really ideas at all.

They're slogans. These are branding exercises that don't really solve problems; they're intended to send messages. They are always wasteful, often patronizing and usually short-lived.

Make a habit of them and voters will eventually realize you were never fit to govern in the first place.

This is a story about the latter kind. It's a story about the plan of Ontario's new Progressive Conservative government to bring back the golden days of $1 beer, fulfilling the pledge Doug Ford made last May, in the waning days of his campaign for premier.

"For too long, beer consumers have been forced to pay inflated prices for beer in order to increase the profits of big corporations," Mr. Ford said, at the time.

And now, this imagined injustice will be rectified in time for the Labour Day bender/weekend.

True free-market conservatives should have smelled trouble as soon as Mr. Ford alluded to a dark conspiracy between bureaucrats and corporations to drain the wallets of hard-working drinkers. But, to many of the party's supporters, it sounded as if it were another tax cut. Not the smartest tax cut, perhaps, given the size of the provincial deficit and the clear costs that alcohol abuse imposes on the healthcare and legal systems. (But all tax cuts are good, right?) Then, Mr. Ford took office and revealed the details, and surprise! It's not a tax cut. It's a rule change, wrapped in a subsidy program, inside a price-fixing scheme.

Back in 2008, the Liberal government raised the minimum price for a can of beer from $1.00 to $1.06 as part of their efforts to encourage "a culture of moderation." In the years since, this socalled social-reference pricing has gradually increased to $1.25 a can, including a host of embedded taxes. So now, the lowest price in Ontario for a case of 24 cans is a little over $30, about half of which goes straight to government. Ford's plan is to roll that minimum price back to ABuck-A-Beer TM.

But just because brewers are allowed to charge less, doesn't mean anybody can stay in business doing it. Thanks to inflation, $1 in 2008 is now equal to about $1.16 and the industry's margins vary widely. Molson Coors, for example, made a pretax profit margin of a little under 12 per cent in Canada last year. A 20-per-cent price cut is an invitation for companies to give up much of their bottom line, which is why a long line of independent brewers instantly said they want no part of the plan.

So how can the government get a few brewers to play ball?

With money, of course. Officials have said there will be "incentives" such as prime shelf space at provincial liquor stores, limited-time discounts and free advertising to encourage brewers to cut prices or launch new bargain brands. They say these are not financial incentives, which is risible. Free advertising is a subsidy.

Reserved prime shelf space is a subsidy. If this all sounds like the kind of hare-brained, market-distorting corporate-welfare program that conservatives would normally rail against, that's because it is.

There are a lot of ways freemarket conservatives might want to reform the beer business. Maybe the province should stop trying to legislate "moderation" and scrap the minimum price altogether. You could easily argue that beer is overtaxed and add one more cut to the pile of tax relief already promised during the election. But this plan doesn't do any of that. Instead, we have a new Progressive Conservative government, facing years of budget deficits ahead, which has already cut back poverty-reduction and school-repair programs in the name of austerity, using public resources to give drinkers a price cut.

Why? Because, beer! Conservative politicians love to talk about open markets, free enterprise and small government. Yet, two of Mr. Ford's first acts were to interfere in the governance of Hydro One, a publicly traded electricity distributor in which the province owns a minority stake, and to use his bully pulpit to coerce beer companies into cutting their own margins.

Imagine how different the province and the country might be if we elected governments that understood and adhered to true free-market principles. It never hurts to dream. For now, Ontarians will have slightly cheaper booze to help numb our senses while we wait.

Title: Ford's Hydro One conduct is disconcerting; Ontario Premier harshly criticized high rates during campaign, but seemed to overlook other crucial points
Date: Mon Aug 13 2018
Page: B4
Byline: ANITA ANAND
J.R. Kimber Chair in Investor Protection and Corporate Governance at the University of Toronto

The composition of a public corporation's board of directors is not usually affected by government elections. At Hydro One Ltd., however, the election of Premier Doug Ford occasioned a complete turnover of the board. Mr. Ford threatened that the province of Ontario, a 47-per-cent shareholder of Hydro One, would fire the board of directors and chief executive. In the spirit of the prevailing governance agreement between the province and Hydro One, directors agreed to resign once they were assured that the province would follow an orderly process for selecting the new directors.

Mr. Ford sought to rein in high hydro rates, which he harshly criticized on the campaign trail.

But he seemed to have overlooked two points: First, the Ontario Energy Board, not Hydro One, determines Ontario's hydro rates. Second, replacing the entire governance structure of Hydro One was sure to damage the corporation.

And that it has. After the removal of the board and CEO, Hydro One shares dropped to an all-time low of $18.57, down from a 52-week peak of $23.35. Shaving billions of dollars off Hydro One's market cap has hardly benefited the corporation, its shareholders or the people of Ontario.

Referring to CEO Mayo Schmidt as the "six-million dollar man," Mr. Ford seemed to have misunderstood the compensation structure under which Mr. Schmidt was retained. Mr. Schmidt's base salary, which was competitive with comparable corporations, was about $1-million, and he was to be provided with additional incentives if aggressive targets were met. Our politicians have a moral responsibility to not tell false stories. Did Mr. Ford genuinely believe that Mr. Schmidt's take-home salary was $6-million dollars, and that a new CEO acting under new, lower-paid directors would bring hydro rates down? Let's go back to basic corporate law for a moment. Board members must act honestly and in good faith with a view to the best interests of the corporation.

Every decision that the board makes, including a CEO's compensation, must be made in accordance with this duty. This rule does not allow the board to prioritize the interests of any one stakeholder over all others. The board's duty to the corporation has nothing to do with the "public interest."

Now, one could make the argument, weak though it is, that the new premier had a mandate from the electorate to replace the Hydro One board. Herein lies the potential conflict of public corporations with governments as controlling shareholders. It is difficult for boards of these entities to act in the corporation's best interests and to maximize shareholder value when the leader of the day steps into the boardroom and demands that the board alter its decisions for the benefit of the ever-so-nebulous "public interest." That is exactly what has happened at Hydro One.

Under the new Urgent Priorities Act: Governing compensation of Hydro One executives, the company's board must consult with the province and the other five largest shareholders to develop a new compensation structure for the board and senior management. The structure must be approved by the management board of the cabinet.

They can issue "directives" restricting total annual compensation with which the board is required to comply. Whether this legislation will positively impact hydro rates is unclear. In my view, it is unlikely.

Of course, it is not uncommon for large, activist shareholders to engage with boards of public companies either on a friendly or hostile basis. The difference here is that the Ford government acted not as a controlling shareholder using applicable corporate law mechanisms, but as a political overseer granting itself the ability to implement mandatory "directives," something that shareholders in a public corporation surely cannot do.

The Ford government has said that, "we will be clear with the new board that the company needs to operate in a way that respects the public interest." But the public interest is not an objective with which shareholders qua shareholders are (or should be) concerned. Nor is it a concern that boards of public companies are legally bound to address.

The bottom line is that the province had already expressly accepted significant, though not unlimited, rights as a shareholder of Hydro One under the governance agreement. The Ford government chose not to pursue its rights under that agreement, but instead to exercise legislative authority. This conduct is disconcerting: once a government decides that it can use its power to usurp a corporation's governance, what are the limits on such conduct? What is to prevent the province from intervening in any arm's length or independent corporation based on its unilateral determination of the "public interest"? Consider gas distributors, securities regulators, energy providers and others. Can the province simply fire boards and CEOs through legislative fiat regardless of whether it owns shares in these entities? The rule of law would say no.

Mr. Ford claims that his is the government "for the people".

This claim is illogical and incorrect: All elected governments in this country are "for the people" by virtue of the democratic process. Moreover, let us not be lured into believing that Hydro One is a public corporation like all others. It is not. Rather, it is a public corporation in which the largest shareholder is acting as a political overlord, not a shareholder seeking to maximize the value of its investment.

Title: U.S. regulators flag worries over Hydro One raising Avista rates
Date: Mon Aug 13 2018
Page: B1
Byline: DAVID MILSTEAD

U.S. regulators, concerned about the forced departures of Hydro One Ltd. chief executive Mayo Schmidt and the company's board in July, are now questioning whether the utility will try to make up for a possible decline in Ontario revenue by raising rates for customers of Avista Corp.

The public utility commission in Washington state, where Avista serves just less than 400,000 gas and electric customers, is evaluating the protections Hydro One agreed to earlier this year in order to get its acquisition of Avista approved.

Hydro One said in July, 2017, it would pay $6.7-billion to buy Avista, which is based in Spokane, Wash. and operates in five western U.S. states, in its first major foray into the United States. The company hoped to have regulatory approvals from state regulators by now, but the leadership change has thrown a spanner in the works. Investors had bid Avista up close to the US$53 offer price, but the shares have closed below US$51 since mid-July, indicating some degree of investor skepticism the deal will be completed amid shifting political winds in Ontario.

The utilities and regulators struck their "settlements," the legal term for such agreements, before Doug Ford became Ontario Premier and fulfilled a campaign promise to oust Hydro One's leadership.

Now, the focus is on Mr. Ford's promise to cut utility rates 12 per cent in Ontario. The government has not given much detail as to how it intends to do that, and whether it will affect the rates Hydro One can charge.

And while Hydro One had pledged a series of measures to allow a degree of independence to Avista's leadership after the takeover, U.S. regulators across Avista's service territory seem poised to question all of Hydro One's promises.

The Washington Utilities and Transportation Commission "is evaluating the so-called 'ring-fencing' provisions proposed in the settlement ... and whether those provisions are sufficient to protect consumers in the event of Hydro One revenue shortfalls," spokeswoman Kate Griffith said.

"The commission will gather more information about these provisions during the October evidentiary hearing."

Washington was among several U.S. states that postponed hearings or pushed back approval timelines in the days after Hydro One reported on July 11 that its board had resigned and Mr. Schmidt had retired. Idaho regulators postponed an evidentiary hearing scheduled for July 23, and Washington and Oregon regulators acknowledged they could no longer meet Hydro One's request for Aug. 14 approval.

Washington and Oregon have now set Dec. 14 as a goal for approval, while Idaho will finalize its schedule after Hydro One has a new board and CEO in place, spokesman Matt Evans said. Hydro One has said it hopes to have a new board announced by Aug. 15.

"Hydro One remains committed to Avista and will continue to work with Avista towards achieving regulatory approval for the merger," the company said in a statement last week, when asked about regulators' broader concerns. "As part of the deal, Hydro One and Avista have made governance and financial ring-fencing commitments that provide assurances and protections to Avista customers, employees, communities and subsidiaries."

The ring-fencing commitments relate to, as examples, the independence of Avista directors after the acquisition, restrictions on Hydro One's ability to pledge Avista's assets as collateral for its borrowing and a promise that Avista's customers will be held harmless "from any business and financial risk exposures" associated with Hydro One or its affiliates.

Documents in the Washington regulatory process, though, show how the departures of Mr. Schmidt and the board have created unease among regulators about Hydro One's word.

After Mr. Schmidt's departure, Lisa Gafken, a Washington State assistant attorney-general and chief of the public counsel unit that represents utility consumers, told the commission: "... [B]efore entering into its order in this matter, the commission should determine whether the 'noise' in fact has no meaningful impact in Washington, despite the dramatic turn of events."

Mr. Evans, the Idaho spokesman, said the state commission "would be interested in determining the impact on ratepayers in Idaho" of the Ontario government's desire to reduce rates in the province and would like to see Hydro One's testimony on the matter "prefiled" in writing so the company can be questioned on it in a public hearing, with cross-examination and questioning from commissioners.

Michael Grant, the chief administrative law judge for the Public Utility Commission of Oregon, declined to comment on the specifics of what his state's regulators will examine. Avista has approximately 100,000 natural gas customers in the eastern part of the state. "A lot will be determined on what the parties say in their testimony, and of course the commission will be looking at everything it can to make sure this transaction results in net benefits to customers and doesn't harm the ratepayers of Avista here in Oregon."

Regulators note the agreements they've struck with Avista have "most favoured nation" language that says if the utilities agree to a certain condition in one state, each state can apply the same.

Title: Ontario utility plugs into U.S. market amid hydro price uncertainty
Date: Fri Aug 10 2018
Page: B1
Byline: SHAWN McCARTHY

Ontario Power Generation Inc. is pursuing expansion in the United States as the Crown-owned utility faces uncertainty over Premier Doug Ford's pledge to cut electricity rates.

OPG announced on Thursday that it is purchasing Eagle Creek Renewable Energy LLC - which owns 63 small hydroelectric stations in13 states - for US$298million, marking the provincially owned utility's first expansion outside the province.

OPG reached the deal to buy New Jersey-based Eagle Creek from Desmairais family-controlled Power Corp. of Canada and Claridge Inc., the private-investment firm of Stephen Bronfman, and their partner, U.S.-based Hudson Clean Energy Partners LP.

"By expanding our core business with this purchase, OPG is capitalizing on a new growth opportunity by making an investment in a strategic set of hydroelectric assets that will produce an attractive return for our shareholder, the Province of Ontario," OPG CEO Jeff Lyash said on Thursday.

"This acquisition will be financed without the use of taxpayer funds and will have no impact on Ontario's electricity customers," he said.

Instead, the provincially owned corporation will finance the deal with debt through its existing credit arrangements.

OPG's acquisition comes just weeks after the new Progressive Conservative provincial government cancelled 759 renewable-energy contracts in the name of cost reduction.

One of those projects - White Pines Wind - had finalized its contract and was midway through construction when Mr. Ford ordered it shut down.

His government complained the final approval was given by the Independent Electricity System Operator after the provincial election campaign commenced.

Ontario Energy Minister Greg Rickford defended the cancellations, saying they would help the government achieve Mr. Ford's promise to cut power costs by 12 per cent.

The government has yet to spell out how it will honour that 12-per-cent pledge, and the uncertainty is hanging over the entire electricity sector, and particularly over OPG, which has for years been saddled with politically motivated directives from the government of the day.

The corporation was founded in 1999, when former premier Mike Harris broke up the heavily indebted Ontario Hydro into a series of operations that include OPG and transmission giant Hydro One Ltd., whose chief executive officer and board was forced to resign this summer by the Ford government over high salaries and the sharp run-up in electricity prices over the past decade.

OPG "is not the master of its own fate," said Tom Adams, an industry consultant who appears frequently at regulatory hearings. "It has repeatedly been given marching orders that a straight-ahead business would never undertake."

In order to cut costs for customers, the government could order the Ontario Energy Board to reduce the rate of return earned by OPB. Or, it could redirect OPG's stream of dividend, water rental fees and tax revenue from government coffers back to the ratepayers, although that would drive up the provincial deficit.

Mr. Lyash acknowledged he is aware of Mr. Ford's promise, but has had no indication whether it will affect OPG's operation.

"I worry about it a bit, but all of our earnings go to the government as our shareholder," Mr. Lyash said in an interview.

"So you're best off continuing to keep the commercial pressures on OPG so we run most efficiently and deliver that net income to our shareholder. Where the shareholder decides to point that net income, that's their call."

The provincial corporation paid around $800-million to the province last year in dividends, taxes and water rental charges.

The provincial utility is currently undertaking a $12.8-billion, 10-year refurbishment of the Darlington nuclear facility, which has four reactors with capacity to generate 3,500 megawatts of power.

Mr. Adams questioned OPG's foray into the United States, saying it may prove a distraction when the company must deliver the Darlington project on time and on budget.

"Anything that distract attention away - no matter how legitimate - is potentially very costly and I would think ill-advised."

Title: EYE ON EQUITIES
Date: Fri Jul 27 2018
Page: B6
Byline: GILLIAN LIVINGSTON

AIMIA (AIM-TSX)

CLOSE $3.44, UP 5C/

In light of the proposed deal for Aimia Inc.'s Aeroplan program, Industrial Alliance Securities is reviewing the stock. "With the lack of clarity on the specific cash and value of other investments remaining if Aimia agrees to the sale of the Aeroplan program, we are putting our recommendation and target price Under Review," analyst Neil Linsdell said.

Target: His rating is "speculative buy" and his target is $3.25. The median is $2.75.

FAIRFAX FINANCIAL (FFH-TSX)

CLOSE $724, UP $4.99

National Bank of Canada is initiating coverage on Fairfax Financial Holdings Ltd. with a strong rating. "We expect Fairfax to deliver consistent double-digit return on equity over the long term," analyst Jaeme Gloyn said.

Target: He started coverage with an "outperform" rating and a target price of $850, which expects a total return of about 20.1 per cent, including the company's 1.4 per cent dividend. The median target price is $755.

HYDRO ONE (H-TSX)

CLOSE $18.93, DOWN 19C/

The resignation of Hydro One Ltd.'s chief executive and board after pressure from the Ontario government will be an overhang on the stock, Credit Suisse analyst Andrew Kuske said. "We regard the uncertainty associated with recent government activism around Hydro One as translating into a major overhang and a discounted valuation."

Target: He downgraded Hydro One to "underperform" from "neutral" and reduced his target to $19 from $22. The median is $23.

NEW GOLD (NGD-AMEX)

CLOSE $1.45, DOWN 37C/

Performance at New Gold Inc.'s Rainy River mine continues to falter, "which was the primary driver to the downward production guidance revisions and increased costs guidance," and that has led to a downgrade by Credit Suisse analyst Anita Soni.

Target: She downgraded New Gold to "underperform" from "neutral" and cut her target price to US$1.60 from US$2.20. The median is US$2.96.

LOBLAW (L-TSX)

CLOSE $69.63, UP $1.10

Loblaw Cos. Ltd. posted betterthan-expected results and dealt with severe cost pressures, and Desjardins Securities boosted its target. "Loblaw management is steering a steady course in extremely challenging conditions.

The better deployment of capital, combined with the return of excess capital to shareholders, appears to be the new norm," analyst Keith Howlett said.

Target: He kept his "buy" rating and raised his price target to $77 from $76. The median is $76.

Title: Ontario's hydro system needs real market forces
Date: Thu Jul 26 2018
Page: B4
Byline: DAN MOULTON

Consultant at Crestview Strategy and former senior adviser to Ontario's minister of energy

Ontario's electricity system plays a decisive role in the province's politics. We saw the policy choices of the previous Liberal government bear themselves out in the recent election - a story we have seen in many previous elections. As a province, we tend to look at the policy area through a rather narrow lens, focusing on the particular whims and choices of the government of the day and how they impact prices. But Ontario's new government has an opportunity to move beyond these incremental decisions, to allow market forces to truly determine the future of our system and put real, sustained downward pressure on electricity prices.

After decades of successive meddling, and at the long-time insistence of the technocrat class, Ontario could well be on track to reforming the wholesale electricity market and implementing a competitive capacity auction.

Auctions are used in neighbouring U.S. jurisdictions to put an end to directives from politicians and policy makers in how electrons are generated. Instead, they simply allow the market operator (in Ontario's case, the Independent Electricity System Operator) to issue a call for bids on a specific amount of new power needed - and the cheapest source wins. No more tinkering or social engineering by ideologues or populists, for better or worse. And it's perhaps the only sure-fire bet to ensure future procurements or price mechanisms don't saddle us all with overpriced energy and higher hydro bills.

A capacity market will put an end to government edicts and contracts, an end to Liberal governments making sole-sourced agreements with global green firms or smoothing out system debt to try and win an election. It will put an end to the practice of past Tory governments freezing prices, permitting brownouts to plague our economy, and locking into expensive 40-year contracts with non-utility generators. In fact, the estimated benefits to Ontario electricity consumers are upward of $5.2-billion over the next decade.

To be clear, capacity markets don't mean forgoing innovation in green power or a return to dirty coal plants. We can continue to outlaw coal-fired electricity generation (as Ontario currently has done), and there is no reason to believe that carbon-intensive generation sources would beat out solar and wind for the lowest price, anyway. In fact, wind, solar and energy-storage projects have plummeted in price per megawatt in recent years, and will play an essential role in creating and using power within the local communities of tomorrow.

But a capacity market will mean getting the politics and politicians out of power planning. Allowing elected officials to plan the electricity supply mix is like to asking the Minister of Health to perform surgery. Energy is the only portfolio in which governments have marched so far into the day-to-day weeds, it has become almost too difficult to find a way out. Pulling back and allowing market forces to determine the future supply mix and grid evolution is bold, and will take courage.

To be clear, this involves asking politicians to lay down an enormous area of provincial control in everyday lives in a policy area emphatically at the core of the Ontario ethos, our province being one of the first jurisdictions in the world to light our streets with electricity. Policy control in electricity matters, providing our leaders a lever on an issue we all care about deeply, at the end of the day has fuelled economic prosperity, but at great cost. Moving to a capacity market will provide efficient means for further, greater future prosperity.

Showy acts such as firing the chief executive of Hydro One or shuffling the leadership at provincially owned electricity agencies and regulators can be early political victories for a government that promised hard, fast change. But establishing a system for the long term is far more difficult. By committing to market reform and a capacity auction, a model used well throughout U.S. jurisdictions with lower electricity prices, we can place politicians out of the way of innovation and tie their hands on price controls or further tinkering.

Ontario's new Energy Minister, Greg Rickford, has a choice on his hands: Will he prefer market forces in Ontario's electricity system, or will he favour continued government tinkering? The choice perhaps isn't quite so binary - but the lessons of past government interventions in the system tell us that his choice will largely divide this way, and regardless of his pick, the consequences could be important to our next provincial election - approximately 1,400 days from now.

Title: Hydro One told state regulators Ontario political intervention would not be a threat
Date: Wed Jul 25 2018
Page: B1
Byline: DAVID MILSTEAD

In a May meeting, faced with questions from Washington State regulators over the degree to which Ontario politicians could interfere or even replace Hydro One's leadership, CEO Mayo Schmidt reassured the regulators they had little to worry about.

They are worried now. The jarring turn of events - Mr. Schmidt's abrupt departure this month, coupled with that of Hydro One's board of directors - has made the state's Utilities and Transportation Commission (UTC) question what the change means for its residents served by Avista Corp., Hydro One's merger target.

Hydro One's failure to foresee its political peril helped prompt the state of Washington to announce Friday it was delaying its consideration of the Avista deal by four months. The move kills Hydro One's goal of getting regulatory approval sealed by August.

In the notice that UTC issued on Friday, it remarked the past testimony "came sharply into focus" when Mr. Schmidt and the Hydro One board resigned July 11 and said "other uncertainties will continue to be present ... that may be material to our decision whether to approve the proposed transaction, with or without condition, or deny the transaction." (Asked to comment for this story, a spokeswoman for the utilities commission pointed to Friday's official order.)

Washington State's Public Counsel Unit - an office of the state Attorney-General that represents Washington's utility customers - had filed a letter with the UTC asking for the four-month delay allowed by law. And the contrast between Mr. Schmidt's soothing words, in official testimony before the UTC, and the jarring departure of Hydro One's Toronto leadership was a major reason.

In her letter, Lisa Gafken, a Washington State assistant attorney-general and chief of the Public Counsel Unit, cited testimony by Mr. Schmidt before the UTC that the Province of Ontario "was not in a position to terminate the CEO" and that, Mr. Schmidt said, it would be a "high bar to change the entire board and yet an even higher bar to bring back another yet fully independent Board of Directors."

Hydro One's general counsel, Jamie Scarlett, told the UTC that political "noise" in Ontario "shouldn't have a big impact down here."

Ms. Gafken said in her letter that both Mr. Schmidt and Mr. Scarlett "expressed extreme confidence in Ontario's political developments and their impact on Hydro One. Yet, Mr. Schmidt was a casualty of these developments ....

[B]efore entering into its order in this matter, the commission should determine whether the 'noise' in fact has no meaningful impact in Washington, despite the dramatic turn of events."

Asked about the May comments, Hydro One released this statement to The Globe and Mail on Tuesday: "Hydro One remains committed to Avista and will continue to work with Avista towards achieving regulatory approval for the merger. As part of the deal, Hydro One and Avista have made governance and financial ring-fencing commitments that provide assurances and protections to Avista customers, employees, communities and subsidiaries." Mr. Schmidt could not be reached for comment on Tuesday.

The comments from Mr. Schmidt and Mr. Scarlett were in response to queries from David Danner, chairman of the UTC, in a May 22 hearing on the Avista acquisition.

"I'm just trying to get a handle on what kind of volatility, if any, we're stepping into," he told the executives. "Motley Fool warned investors to pay attention because 'policy shifts and promises of retribution could impact the stock of the company.' So this agreement between the province and Hydro One is very important.

And even though it says that Ontario can't take part in the management, I wanted to just dig down a little bit into the agreement and see."

"The board of directors currently today, of course, is fully independent of the Province and they act commercially," Mr. Schmidt testified in response.

"And as I mentioned, the Province has not weighed in on any matters associated with the commercial operations of the organization ... we have a contract with the province that they in fact will operate as a shareholder but not a manager of the business."

Mr. Schmidt acknowledged that, under a governance agreement between the province and Hydro One, the province had the right to remove the board. But, he said, the five largest shareholders, aside from the province, "would in fact be the selectors of the new board of directors that would be fully independent. So that really is the protection in addition to other [protections] that Avista has from the Province of Ontario."

In the separation arrangement that has since been crafted between the province and Hydro One, the utility has yielded to the Ford government the right to pick four of 11 directors. Last week, Ontario nominated Thomas (Tom) Woods, a 37-veteran of Canadian Imperial Bank of Commerce and Wood Gundy who serves on multiple corporate and charitable boards, as the first of its four nominees.

Mr. Scarlett told the UTC in May the governance agreement "is very intentionally and carefully crafted to control the power of a major shareholder," with a board-replacement process "that's meant to make it difficult for the Province to weigh in at the board. It would have to be something dramatic, and even then the new board itself would have to be at the same standard of independence as the board that currently sits."

"So it's in a very kind of carefully thought-through and structured arrangement done intentionally because the Province was selling the deal to the public," he continued, referring to Ontario's partial divestiture of Hydro One through an initial public offering in 2015. "And if they went out to public investors and the investors thought that the Province was going to be able to meddle or fiddle around in the business of Hydro One, the view was the deal would not have been successful, nor would they be able to assemble the management team led by Mayo Schmidt, because no one wanted to work for [a] Crown corporation, to be blunt."

Title: Hydro One shakeup delaying planned acquisition of Avista
Date: Sat Jul 21 2018
Page: B2
Byline: DAVID MILSTEAD

The mass resignations at Hydro One Ltd. are causing multiple stumbling blocks in the company's proposed acquisition of U.S. utility Avista Corp., as state regulatory commissions are postponing their decisions, and states that already blessed the deal are mulling revisiting their approvals.

The problems kill the chances of meeting the Aug. 14 deadline Hydro One and Avista initially requested from regulators for all the approvals.

Hydro One said in a statement on Friday that it has not requested any time extensions for the U.S. utility regulators to issue their decisions. "However," it added, "we expect there will be a delay to accommodate the additional processes the commissions will require. ... Hydro One remains very committed to its merger with Avista."

Avista operates or owns utility companies in the states of Alaska, Washington, Oregon, Montana and Idaho. Hydro One's purchase of the company requires approvals not only at the federal level in the United States, but also with the states' utility regulators. With the companies' requested deadline approaching, Hydro One and Avista had either gained some sort of conditional approval, or at least entered into settlement agreements laying out specific promises, with the states.

In Washington state, regulators on Friday postponed their decision deadline by four months, to December, as allowed by law, while they ask the utilities for new filings on the impact of the Hydro One leadership transition. The state of Idaho has indefinitely postponed its final, most important hearing, scheduled for Monday. Now the state says it wants new Hydro One management in place before it even sets a new date. Ontario and Hydro One are aiming for Aug. 15 to appoint a new board. Meanwhile, a lawyer for Hydro One sent a letter on Wednesday to regulators in Alaska, which had approved the transaction with conditions, asking them not to revisit their decision.

Hydro One cited multiple safeguards in their agreements with state regulators. "Avista and Hydro One explain in this letter why the commission's order ... does not need to be reopened in response to the recent developments concerning the management of Hydro One," the letter said. Montana, which gave final approval on July 10, the day before Hydro One announced CEO Mayo Schmidt and its entire board would leave, is exploring how to take another look at the merger, said Bowen Greenwood, the communications director for the state's Public Service Commission.

"It's our understanding right now that we don't have the authority to unilaterally reopen the docket, but we're exploring whether we can send them a letter asking them to show cause why there shouldn't be further action," Mr. Greenwood said. The state's commission meets next on Tuesday.

Idaho's Public Utilities Commission had planned to hold a "technical hearing" on Monday in which the companies and some critics would "address concerns and issues raised in public comments and testimony provided to [the] commission."

The Idaho PUC said on Thursday the hearing is postponed indefinitely. "Once new leadership is in place at Hydro One," it said in its statement, it "expects the parties to meet for a hearing conference, to propose a new procedural timeline for the case."

"I'd hate to speculate on a timeline, going forward," Matt Evans, the Idaho PUC's public information officer said on Friday. "The new [Hydro One] board maybe needs some time to review the settlement proposal and the merger itself."

Alaska has statutory requirements for merger approval, so its regulatory commission issued its order on June 4, with a handful of conditions. Hydro One must now assure the state that the management transition will not affect its promises on how Avista's Alaska Electric Light and Power Co. will be managed. Because the approval was conditional, the case docket is technically still open, says Grace Salazar, media liaison and chief of the Alaska regulatory commission's consumer protection and information section. As part of Wednesday's letter to Alaska regulators, Hydro One and Avista offered an additional commitment: Any decisions regarding Avista employee compensation will be based on the merger agreement and "current market standards and prevailing practices of relevant U.S. electric and gas utility benchmarks" and "shall not be subject to change by Hydro One or the Hydro One board."

Oregon regulators had required Hydro One to update them on management issues resulting from the Ontario election. Hydro One sent an outline of recent developments on Wednesday.

Title: Ford off to strong start in spat with Ottawa; To understand why the Premier isn't prioritizing the same issues as the PM, we must spotlight the archetypal PC voter
Date: Mon Jul 16 2018
Page: A4
Byline: JOHN IBBITSON

In these opening weeks, Ontario Premier Doug Ford's team has moved swiftly to implement a populist, socially conservative agenda. You may hate that agenda, but this is a focused, capable government. It is also the ideological antithesis of Justin Trudeau's Liberals in Ottawa, which is why the animus between the two is deep and personal.

That animus revealed itself on Friday, when Immigration Minister Ahmed Hussen and Ontario's new Social Services Minister Lisa MacLeod clashed over asylumseekers who have been entering Canada illegally and then, in many cases, moving to Toronto or Ottawa.

Mr. Hussen accused the Ford government of stigmatizing these new arrivals by calling them queue-jumpers, saying such language is "not Canadian, and it's very dangerous."

Ms. MacLeod fought back, saying she "won't be bullied" by her federal counterpart. The minister particularly objected to "him calling me un-Canadian, which I take great offence to."

I don't think I've ever seen a provincial government in such open conflict with the federal government so quickly after taking power. Here is the reason why the two don't get along: You might have noticed two words that never appeared in the PCs' throne speech on Thursday: "environment" and "Indigenous." Neither issue holds any interest for this government, which is swiftly reversing the previous Liberal government's efforts to fight climate change, and which has no minister solely dedicated to Indigenous affairs.

To understand why this government is so indifferent to environmental and Indigenous issues, you must understand the archetypal Ford Nation voter. That voter is male; almost half of all men but only a third of all women voted Progressive Conservative, according to an exit poll conducted by the research and government relations firm One Persuasion. He is about 55, the age by which people were decidedly more likely to vote Conservative than NDP or Liberal in the last election. He probably doesn't have a university degree, for voters with higher levels of education were more likely to support the NDP or Liberals than the Conservatives.

According to the election results, he lives in a suburb. (Yes, the Conservatives took the rural ridings, but they also took most suburban ridings, where two-thirds of Ontarians live.)

He may well be a new Canadian, for many ridings with large numbers of immigrant voters went Conservative.

According to other polling data, he doesn't care about global warming or about recognizing the rights of Indigenous Canadians.

He just doesn't. He does care about the time and cost of his commute to work, how much his hydro has gone up and how much the government is spending on everyone except him.

He doesn't like all the sex talk in the curriculum. He wishes schools worried more about facts and less about values. He thinks governments should support the police and not worry so much about racial discrimination.

Mr. Ford gets this voter. This is his "little guy." He governs for this voter, which is why getting rid of the CEO and board of Hydro One, slashing the gas tax, dismantling green energy initiatives, cutting government spending, scrapping the new sex-ed curriculum and increasing police powers are top priorities. The farther you are from this voter, the farther you are from the Ford government.

But here's the thing: Fighting global warming is a major priority for the Trudeau government, as are promoting the rights of Indigenous Canadian, women and sexual minorities.

And the same voter who supported Doug Ford in June supported Justin Trudeau in 2015. Many suburban Ontario ridings now have Liberal MPs and Tory MPPs.

So who speaks for that voter now?

We may get an early sense as the border-crossing issue unfolds.

Do Ontario voters, especially immigrant voters, see these refugee claimants as economic migrants trying to game the system? Or do they see the Ford government's impatience toward asylum-seekers as racist, anti-immigrant dogwhistling?

And when the Trudeau government imposes a carbon tax on Ontario as punishment for the Ford government abandoning the fight against global warming, will Ontario voters see that a federal tax grab, or as a measured response to the environmental vandals at Queen's Park?

Given that the provincial election was barely a month ago, the Ford government may have a better sense of the mood of the province today. Tomorrow, who knows?

Title: Ontario's Premier delivers on populist promises, but fiscal plans remain a puzzle
Date: Sat Jul 14 2018
Page: A9
Byline: ADAM RADWANSKI

There was no acknowledgment of being on the traditional territory of the Mississaugas of the New Credit First Nation, the way there was in virtually every address from Ontario's government in recent years, to start Thursday's Speech from the Throne.

As the Lieutenant-Governor worked through the text, there was talk of "trusting the taxpayer," and fixing "a system that too often seems tilted in the direction of insiders and the elite."

And most tellingly, when it was over, two guests emerged quickly from the legislature to triumphantly command large media scrums. There was Mike McCormack, the old-school head of Toronto's police union, who had just heard that police provincewide will be liberated from "onerous restrictions that treat those in uniform as subjects of suspicion and scorn." And there was Charles McVety, Ontario's most prominent evangelical conservative leader, basking in the speech's reiteration that the new sex-education curriculum is being pulled out of schools.

It's safe to say this is not Kathleen Wynne's Ontario, any more.

Most changes in government bring new tone, new priorities, new power players. It's hard to imagine a single Ontarian thought that wouldn't be the case when Doug Ford replaced Ms. Wynne as Premier.

But with the legislature now sitting, a couple of weeks after the Progressive Conservatives were sworn in, we are starting to get a sense of what the new culture looks like. It will greatly please many of Mr. Ford's supporters. It may also surprise some who cast ballots for his party, after an election campaign in which the Tories left how they would govern to interpretation.

It was never clear, during that race, how Mr. Ford intended to balance his party's fiscal conservatism - toward which he nodded with promises to eliminate the province's deficit, albeit without cutting a single job - and the nostalgia-inducing populism that involved promising billions of dollars in tax cuts and expenditures to restore past glories.

How to resolve that contradiction has been a subject of debate among provincial Tories. One argument is that most voters implicitly understood that Mr. Ford would have to focus primarily on fiscal responsibility before getting to the fun stuff. The other is that most voters don't much care about deficits, and his key to success is quickly delivering on his people-pleasing promises.

If that remains his government's central tension, Thursday's mission statement - coming after a busy first couple of weeks for the new government - provided clues which way it's tipping.

Even in an unusually short Throne Speech, the deficit got strikingly few words - far fewer than in Ms. Wynne's after the previous election. It did promise a commission of inquiry into government finances and a "line-byline audit," although both might be punts. It also said the timeline for returning to balance would be "modest," and later Finance Minister Vic Fedeli wouldn't specify whether that meant before the end of the government's fouryear term.

About as many words were devoted to scrapping the province's cap-and-trade program, and fighting carbon pricing in all forms. Potentially expensive campaign commitments, including new health-care and transit funding, were repeated. And the speech pointedly listed those who will be "respected," with the implication that they weren't under the Liberals - municipalities that oppose green-energy projects, parents who know best how their kids should be taught, front-line workers.

Some of this respect is already being conveyed with decisions - the cancellation of hundreds of wind- and solar-energy contracts, with attempted legal action by developers likely to follow - that may provide savings but could have unintended financial consequences.

Successfully pushing the CEO of Hydro One to step down in deference to anger over his salary - a political win - has already had a negative (if possibly temporary) bottom-line impact by causing the province's shares in the energy utility to dive.

And then there are cases, such as stopping in its tracks police oversight legislation that passed through the legislature before the election, that don't have much to do with money but still signal priorities.

It's possible the Tories are trying to quickly peg off policies important to core constituencies before getting to more cumbersome lifting. It may even be that they intend to use flashy stuff as cover for concurrently starting cost-cutting.

But at a certain point, it might be a good idea to take a government seriously when it tells us about itself - in a Throne Speech, or when Tories insist Mr. Ford's "For the people" campaign line was more than a slogan.

Every government tries to serve people, of course, but each one can't help but cater to some more than others.

Mr. Ford and many of his supporters believed Ms. Wynne was too beholden to do-gooding downtowners: condescendingly telling Ontarians what was good for them, policing language and publicly shaming those who didn't buy into progressive policies rammed down their throats, rather than listening to day-today concerns.

Liberals and many others will now believe Mr. Ford's definition of "the people" is also unrepresentative, with too much room for those with backward-looking values. But they'd better get used to it. Odds are that the likes of Mr. McVety and Mr. McCormack will be seen plenty around Queen's Park the next four years.

Title: Ford used legislative threat to oust Hydro One CEO, board; Ontario PC government drafted legislation to scrap executive contracts at the utility
Date: Fri Jul 13 2018
Page: A1
Byline: ANDREW WILLIS

Ontario Premier Doug Ford ousted the board of directors and CEO at Hydro One Ltd. by threatening to rip up executive employment contracts at the utility, an aggressive approach that is expected to make it difficult to draft a new leadership team.

Mr. Ford's PC government drafted legislation shortly after being elected that would have scrapped existing agreements between Hydro One and senior executives such as then-CEO Mayo Schmidt, according to Ontario government sources who are not authorized to speak to the media.

Faced with the potential loss of stock options and other equity compensation that are currently worth about $9-million, Mr. Schmidt opted to retire on Wednesday with a $400,000 lump-sum payment, while the 14-member board resigned. One source said the government used the nuclear option, telling Mr. Schmidt and the board members to negotiate or see their contracts shredded. The draft legislation was draconian, according to another government source, who said elements of the new policy are expected to be introduced by the PCs as part of their campaign to bring down electricity rates.

During the recent provincial election, Mr. Ford harshly criticized Mr. Schmidt's pay package, linking compensation at the utility to rising power costs and promising to fire the "$6-million man." Under his contract, Mr. Schmidt was entitled to more than $10-million in severance.

Hydro One executives declined to comment on the circumstances surrounding his departure and the board's resignation. When asked about the compensation paid to Mr. Schmidt, government spokesman Simon Jefferies said: "Premier Doug Ford and the government for the people will always put the ratepayers and taxpayers first. When the Minister of Energy accepted the CEO of Hydro One's resignation, it was ensured that ratepayers would be protected."

The leading candidate for the top job at Hydro One is current Toronto Hydro CEO Anthony Haines, according to government sources. Regulatory filings show Mr. Haines earned $1.1-million last year. Meanwhile, Paul Dobston, Hydro One's chief financial officer, is the acting CEO.

Hydro One and Toronto Hydro had no comment on their respective leaders.

The Energy Ministry said Wednesday that it would table legislation to increase "transparency and accountability" at Hydro One in the coming legislative session. The government is expected to propose sweeping changes to the way the utility pays its top executives. The package will include the disclosure of compensation for as many as 20 top executives; currently, Hydro One and other public companies only disclose the pay packages for their top five employees. The government is also expected to cap CEO pay at levels typically seen at provincially owned agencies - even though the province partly privatized Hydro One in 2015 and currently owns just a 47-per-cent stake.

For its part, Hydro One announced Wednesday that it plans to name a new board with 10 members, plus the new CEO, and has set a deadline of Aug. 15 for announcing candidates. The government will name four of those directors, while a group comprised of the utility's largest institutional shareholders, including Mackenzie Financial Corp., Bank of Nova Scotia and CI Investment Inc., will nominate the other six.

But the prospect of joining the board or hiring a new CEO while the rules are being rewritten will make recruitment difficult.

"We see this move as creating a great amount of uncertainty for the stock," said a report from analyst Robert Kwan at RBC Dominion Securities Inc., who downgraded his target price on Hydro One to $21 from $25. "Questions include: Who will be the next CEO? And with the government's eye on compensation, will the board be able to attract a suitable candidate?" Hydro One's stock price closed Thursday down more than 3 per cent at $19.46 on the Toronto Stock Exchange, after declining steadily from approximately $22 during the election campaign. Investment banking analysts said turmoil among its leadership could scupper Hydro One's planned $6.7-billion takeover of U.S. utility Avista Corp., which was announced a year ago.

"We believe the resignation of the CEO [and] board is a negative development, particularly given that Hydro One is likely in the late innings of the regulatory approval process for the Avista deal," said Ben Pham at BMO Nesbitt Burns Inc.

CIBC World Markets Inc. analyst Robert Catellier also cut his target price on Hydro One shares, to $20.50, and said in a note to clients that the decision to replace the CEO and board "indicates the government is willing to meddle. Just as worrisome is the possibility that the government meddles with the company's rates in some form, potentially impacting earnings."

Title: Hydro One shares slide on news of board, CEO departures; Analyst downgrades, political uncertainty weigh on stock price following Ontario's move to force out CEO, board
Date: Fri Jul 13 2018
Page: B1
Byline: DAVID BERMAN

Bay Street analysts downgraded their views for Hydro One Ltd. and investors drove down the utility's share price in response to the Ontario government's extraordinary move to push out the board and chief executive officer Mayo Schmidt.

After markets closed Wednesday, Hydro One announced that its entire board of directors will resign by midAugust and the CEO would retire immediately. The move was in response to threats by Ontario Premier Doug Ford to displace the board and Mr. Schmidt, whom he derided in the June election campaign as the company's "$6-million man," a reference to his compensation last year.

The leadership shakeup at Hydro One, which runs much of the province's electrical transmission network, fulfills one of Mr. Ford's campaign promises. But the market reacted badly, causing Hydro One shares to fall 6.2 per cent to a record low in early trading on Thursday before paring losses late to end down 3.2 per cent.

The decline knocked nearly $390million off Hydro One's market capitalization, giving the provincial government - which owns 47 per cent of the company - a paper loss of about $180-million in one day.

While analysts remain largely upbeat about the long-term prospects of Hydro One - which the previous Liberal government partly divested through an initial public offering in 2015 - they have raised concerns about political uncertainty and further government moves that could cut the company's profitability, which could weigh on the utility's valuation.

Four analysts downgraded the stock. RBC Dominion Securities lowered its recommendation to "sector perform" from "outperform."

Similarly, Credit Suisse lowered its recommendation to "neutral" from "outperform" previously, arguing that political interference is going to be a drag on the stock's perception by the market.

Laurentian Bank Securities and Industrial Alliance Securities also lowered their ratings to the equivalent of a hold.

"In our view, we believe Hydro One's shares will de-rate" - or begin to trade at a lower valuation relative to earnings - "and suffer from a potentially long-term 'Ontario overhang,' " Credit Suisse analyst Andrew Kuske said in a note.

Robert Catellier, an analyst at CIBC World Markets, also raised concerns in a note that slashed the 12-month target price on the stock to $20.50 from $24 previously - a nearly 15-per-cent reduction.

"While the transition will occur through a more orderly process than we had feared, it indicates the government is willing to meddle. Just as worrisome is the possibility that the government meddles with the company's rates [what it charges consumers for electricity] in some form, potentially impacting earnings and upside from incentive rate-making," Mr. Catellier said in a note.

He also raised concerns about Hydro One's planned acquisition of Avista, a U.S. energy utility that has not yet received all the necessary regulatory approvals.

Even filling the vacant CEO seat may be difficult, given that any prospective executive now faces possible intervention from the utility's biggest stakeholder.

"While someone will be motivated to take the CEO role, we view this vacancy as one that may be difficult to fill under the confines implied by the Progressive Conservative rhetoric on executive compensation," Mr. Catellier added.

Nonetheless, some analysts do see an upside.

"Investors will likely view the management changes as positive. But the enthusiasm will ultimately depend on the new makeup of the board of directors and who is chosen as the new CEO," David Galison, an analyst at Canaccord Genuity, said in a note.

The company is about to get a new 11-member board of directors, which is to include four nominees from the government, six from a committee of large shareholders and the new chief executive.

Mr. Galison, who has a 12month price target of $22 on the share price, added he was not surprised by the retirement of Mr. Schmidt following the planned acquisition of Avista Corp., a deal he blames for the weak share price in recent months. The addition of Avista - a mid-sized utility supplying natural gas and electricity to 740,000 customers in the Northwestern United States - was part of Mr. Schmidt's long-term strategy to build a leading North American utility.

Mr. Galison added: "Despite other things, the impacts from the recent U.S. tax reform combined with the settlement agreements to complete the acquisition have eliminated the potential earnings accretion from the acquisition. Investors were also likely unhappy with the acquisition, seemingly reflected in the shares declining 16 per cent to a low of $18.93 from $22.53 on July 19, 2017," the date the Avista deal was announced.

Frederic Bastien, an analyst at Raymond James, is more enthusiastic about Hydro One over the longer term, given its efforts at controlling costs and improving operational efficiency: He has an "outperform" recommendation on the stock, with a 12-month price target of $24. However, he believes investors should brace themselves for a challenging period.

"While we maintain our constructive stance on Hydro One, the uncertainty surrounding a new board and CEO will likely weigh on the stock in the nearterm," he said in a note.

But a sell-off, he believes, is ultimately a buying opportunity.

"We advise investors to look beyond the noise and capitalize on the opportunity to add to positions near all-time lows in a company with solid long-term fundamentals," Mr. Bastien said.

With a file from Andrew Willis

HYDRO ONE (H)

CLOSE: $19.52, DOWN 65C/

Title: Retiring Hydro One CEO can get $9-million compensation package, Globe analysis reveals
Date: Fri Jul 13 2018
Page: A9
Byline: DAVID MILSTEAD

Ontario Premier Doug Ford's assertion that Hydro One's retiring CEO will get "no severance" overlooks cash payments of about $9-million the utility will pay him for his stock, bonuses and other compensation.

In addition, Hydro One will pay its 14 directors about $4.9-million for their stock holdings, which they were required to keep as long as they were directors - tenures that are ending, en masse, in the coming weeks.

The numbers come from a Globe analysis of stock ownership records, the company's proxy circular to shareholders and an agreement between the provincial government and Hydro One that set the terms of departure for the board and CEO Mayo Schmidt.

The compensation for Mr. Schmidt is in addition to the $400,000 payment in lieu of postretirement benefits and allowances that Hydro One announced on Wednesday. While Mr. Schmidt will not receive any of the termination payments in his employment agreement, retiring allows him to keep lucrative stock awards he has received during his tenure as CEO. (Stock awards are shares given to an executive as part of his total compensation.) Had he resigned, he would have forfeited them.

That distinction between retirement and resignation illustrates the importance of the terms of departure in the contract of a modern CEO - and undercuts the narrative that Mr. Schmidt is leaving with $400,000 and will not be entitled to severance.

Under the departure agreement, Mr. Schmidt can get a cash payment to compensate him for stock awards he would have lost had he resigned. At Wednesday's closing price of $20.17, the settlement would be in the neighbourhood of $8.2-million.

The agreement also says Hydro One will pay Mr. Schmidt half of his 2018 target bonus, an amount paid out if the company achieves certain goals. While that bonus number is not disclosed, his 2017 target bonus was $1.32-million, suggesting Mr. Schmidt's 2018 payout is $660,000 or more.

Hydro One will also pay Mr. Schmidt his accrued pension benefits, which were $162,729 at the end of 2017. Mr. Schmidt added almost $90,000 to his pension in 2017, meaning that number now could top $200,000.

In a statement, Simon Jefferies, a spokesman for Premier Doug Ford, reiterated "there will be no severance" and said the stock awards "will be paid out over time. If he had continued to serve as the CEO of Hydro One his stock [awards] would have only expanded - and under this Government's watch, that won't happen." Hydro One has not commented for this story.

As with many of today's executives, Mr. Schmidt's salary - $1.2-million in the most recent disclosures -- is a small portion of overall pay.

The company estimated his 2017 compensation at $6.2-million, most of which was long-term stock awards.

Hydro One had granted Mr. Schmidt nearly 450,000 share awards and 500,000 stock options since his 2015 arrival at the helm of the company. These numbers include a large award in March of this year, when Hydro One gave Mr. Schmidt the 500,000 options and more than 150,000 share awards, worth about $4-million in total. The company did not disclose those awards in its proxy sent to shareholders late that month, presumably because they were granted after the close of the past fiscal year.

Mr. Schmidt, like other company executives, has participated in a range of long-term stock plans at Hydro One. As is typical, the company awards the shares, but the executives cannot sell them in the open market. Instead, they "vest," or become fully owned and saleable as the executives continue their employment or hit certain performance requirements. Only 50,000 of Mr. Schmidt's stock awards had vested; the unvested shares depended on continued employment or Hydro One meeting certain performance goals by the end of 2018 or later.

However, retiring means Mr. Schmidt could retain the stock awards and watch them vest on their original schedules and terms, according to Hydro One's circular.

The departure agreement between Ontario and Hydro One says Mr. Schmidt's unvested stock awards "may be cash-settled" at a specified (and undisclosed) price. Stock records show Mr. Schmidt had 243,621 performance share awards and 163,105 restricted shares, which would be worth $8.2-million at Wednesday's close of $20.17. (This total doesn't include another 50,042 shares that had already vested, of which Mr. Schmidt had not yet taken ownership.)

Hydro One cancelled Mr. Schmidt's stock options as part of the departure agreement. They were estimated to be worth about $866,000 in March when they were granted, but Hydro One's declining share price on Thursday cut nearly 30 per cent of their value, The Globe estimates.

Hydro One pays some or all of its director fees in the form of stock awards, which must be held until a director leaves the board (hence the term "deferred share unit"). The agreement between Ontario and Hydro One calling for their departures has triggered their ability to sell the shares.

Hydro One will settle the deferred share unit holdings of the 14 directors - 243,664, in total - for about $4.9-million, according to the terms of the agreement.

In 2017, Hydro One paid its directors $2.47-million in fees and travel expenses; they accepted a total of $1.92-million of those payments in Hydro One deferred share units.

Title: Ontario Premier kneecaps Hydro One; Ford has pushed out a competent board, likely to be replaced by second-rate talent
Date: Thu Jul 12 2018
Page: A5
Byline: ANDREW WILLIS

Welcome to the new Hydro One Ltd., a massive utility soon to be run by a second-rate CEO and a board of directors that is under the thumb of the Ontario government.

That's the future of the province's electrical transmission network, as Premier Doug Ford's election promise to replace the Hydro One board triggered the resignation of all 14 directors and the "retirement" of chief executive Mayo Schmidt on Wednesday.

Welcome to a province where politicians cannot resist tinkering in partly privatized companies, in a country that has an extraordinarily difficult time getting pipelines and other critical energy infrastructure built.

What did Premier Ford just accomplish at Hydro One? He threw a wrench into the workings of a utility with a $12-billion market capitalization, a strong board and a proven CEO in Mr. Schmidt, who turned the nearly bankrupt Saskatchewan Wheat Pool into a successful global agribusiness before joining the electrical utility.

You can accuse Hydro One directors of being tone-deaf when it comes to compensation - the board gave themselves and the CEO a hefty raise in the run-up to an Ontario election, pay hikes they should have known would generate political sparks. But otherwise, this was an experienced leadership team.

So the Premier has, in essence, pushed out the board and the CEO. Who will he recruit to replace them? He's likely to get second-tier talent.

The new directors will have to be willing to bow to the wishes of a minority shareholder in Queen's Park. After taking the company public in 2015, the Ontario government only owns 47 per cent of Hydro One. That means a public company carrying power to Canada's industrial heartland may wind up stuffed with political hacks, picked for their Conservative pedigrees rather than their business skills.

The next Hydro One boss only gets the job if he or she is willing to work for significantly less than market rates.

At $6.2-million annually, Mr. Schmidt made far more last year than most voters in Ontario. At a time when provincial electricity rates were soaring, Mr. Ford turned Hydro One's "$6-million man" into a political punch line that he rode right into the Premier's office. It was clever politics.

Lost in the election campaign was the fact that executive pay at Hydro One has next to no impact on electricity rates. The price of power reflects years of policy decisions about nuclear and renewable generation facilities.

There was also scant attention paid to compensation for CEOs at comparable Canadian utilities, such as Emera Inc. and Fortis Inc.

They made considerably more than Mr. Schmidt last year.

Hydro One shareholders understood that Mr. Schmidt's compensation was a non-issue. At the annual meeting this spring, after the Ontario government decided to abstain from voting in Hydro One's annual say-on-pay referendum, the rest of the utility's owners voted 92 per cent in favour of the company's executive-compensation plan.

In a move that speaks to his character, or a wish to avoid further mud-slinging from the Premier, Mr. Schmidt departs Hydro One with a $400,000 lump-sum payment. He chose to forgo a severance payment that could have run to more than $10-million, although it appears he does get to keep millions of dollars in restricted shares.

At no point in the Ontario election campaign, or since taking office, has Premier Ford articulated a coherent strategy for lowering electricity rates in Ontario. His predecessors - of all political stripes - have consistently bungled the energy portfolio, then opted to kick the problem down the road by borrowing money and artificially lowering the cost of power for consumers.

A Hydro One board stuffed with Premier Ford's apologists and a CEO plucked from the bargain bin are not going to solve Ontario's woes, nor drive better performance at the utility. Institutional investors have already figured this out - Hydro One shares started selling off when the political uncertainty set in.

The people of Ontario, the folks that Mr. Ford says drive his decisions, are going to realize that new, weaker leaders at Hydro One are no cure for what ails the province. They'll know it because their monthly electricity bills are going to remain stubbornly high until political leaders take real action on problems that were decades in the making.

Title: Hydro One board, CEO step aside under pressure; Ontario Premier Ford, who targeted Mayo Schmidt and company during election campaign, welcomes announcement of leadership change at electrical utility
Date: Thu Jul 12 2018
Page: A1
Byline: JUSTIN GIOVANNETTI

The entire board of Hydro One Ltd. is resigning and chief executive officer Mayo Schmidt has announced his immediate retirement, succumbing to pressure from Ontario Premier Doug Ford for new leadership at the electrical utility.

Mr. Schmidt became a repeated target for Mr. Ford during the Ontario election campaign as the Progressive Conservative Leader courted an electorate unhappy with expensive electricity. At numerous campaign events, Mr. Ford promised to fire Mr. Schmidt, whom he dubbed the "$6million man," as well as the company's board, immediately after entering the premier's office.

"I'm happy to say today, the CEO and the board of Hydro One, they're gone, they're done. We're going to turn a new corner," Mr. Ford said Wednesday.

"I'm proud to announce ... that the severance for the CEO was zero, absolutely zero."

Despite Mr. Ford's assurance that the board is already gone, the new board is not going to be fully in place until Aug. 15. Mr. Schmidt will not receive severance pay, but he will collect $400,000 in a lump-sum payment in lieu of postretirement benefits and allowances, and holds share units that were worth more than $7-million as of Dec. 31. Hydro One did not reply to questions about the value of any pension Mr. Schmidt might collect.

In a news release on Wednesday, the company said it had agreed to "the orderly replacement of the board of directors" after discussions with the new government. The Ontario government owns 47 per cent of the utility, which controls much of Ontario's electrical-transmission system and was partly privatized by former premier Kathleen Wynne. The government retains the ability to force out the board if it wants to.

The new Premier, who was sworn in nearly two weeks ago, said that discontent with electricity rates was the leading issue he encountered while campaigning. He promised bills would be coming down.

Under the agreement struck between the Ontario government and Hydro One, Mr. Schmidt's retirement was immediate on Wednesday. The utility also promised to consult with the province on all "future matters of executive compensation."

The Ford government will also be introducing a bill in the legislature's next sitting to increase "transparency and accountability" at Hydro One, according to a statement from the province's Energy Ministry.

Hydro One's level of compensation for its executives flared up earlier this year when The Globe and Mail first reported that the company's board had approved changes to the chief executive's compensation package. Those changes increased the amount of severance Mr. Schmidt would be owed if he was fired after the board was replaced or if the government passed a law limiting his compensation.

Under the new rules, Mr. Schmidt would be eligible to receive about $10.7-million if he were terminated by a change brought to the company through government interference.

Both Mr. Ford and Ms. Wynne said the changes to compensation were "unacceptable." Despite those objections, 92 per cent of the company's shareholders approved the new compensation plan in May.

After the company's shareholders voted in favour of increasing Mr. Schmidt's compensation, Hydro One chair David Denison said that he believed the CEO's pay was "appropriate" for the utility, which is currently in the midst of completing a deal to expand into the United States and has further ambitions to expand in Canada.

The company has also objected to Mr. Ford's allegations in the past that Hydro One was linked to the increase in electricity prices. Those rates are set by a public body, the Ontario Energy Board.

One Wednesday, Mr. Denison said that the agreement to replace the board and Mr. Schmidt was in the best interest of Hydro One and would provide the "stability and clarity" for the company's governance and management structure in the future.

The utility's board will now be replaced by 10 new directors, four of whom will be named by the government. The new board will find Mr. Schmidt's replacement.

Mr. Ford wouldn't explain when asked by reporters why Mr. Schmidt had forgone his severance.

"My friends, I said we were going to do this and we did it," he said, directing questions to Hydro One.

NDP energy critic Peter Tabuns called on Mr. Ford to release the details of the deal with Mr. Schmidt and the company's board, including the full cost.

"Doug Ford needs to tell people what kind of backroom deal he worked out with Mayo Schmidt to get him to walk away," Mr. Tabuns said in a statement.

Title: New Ford government outlines short-term agenda; PC's immediate concerns include bringing an end to the York University strike, scrapping cap-and-trade
Date: Wed Jul 11 2018
Page: A7
Byline: JUSTIN GIOVANNETTI

Ontario's new Progressive Conservative government has unveiled a short-term agenda that is not in line with promises made by Premier Doug Ford on the campaign trail, focusing instead on ending the months long strike at York University and dismantling the previous Liberal government's environmental programs.

The Tories have set three priorities for the Ontario Legislature, which begins sitting this week for the first time with Mr. Ford in the premier's chair. First on the list will be scrapping the cap-and-trade system on carbon emissions, ending the university strike and cancelling a new wind-power project.

Long-touted measures that were promised to be at the top of the agenda, including the firing of Hydro One's chief executive and the scrapping of the sex education curriculum, were missing.

Todd Smith, the new government's House Leader, said the Tories will eventually keep all their campaign pledges, but not in the quick turnaround promised for some.

"What we're talking about today are these three priority areas that we have to deal with because of the time sensitivity involved in these key issues," Mr. Smith, who is also the Minister of Government and Consumer Services, told reporters on Tuesday.

"More is potentially possible, so stay tuned. We are going to live up to all of the promises that we made during the campaign," he said, adding that the government has not abandoned its promise to open up beer and wine sales to corner stores.

New Democrat MPP Peter Tabuns said the Tories were operating with "backroom deals and closed government" by moving forward with a number of policies that were not publicly announced or debated beforehand.

"It's an indication of a government that doesn't like to do business in public, that doesn't want to be transparent, that likes backroom dealing. I suspect this isn't just a new government finding its feet, this is the style of this government," Mr. Tabuns said.

Along with legislating an end to cap-and-trade, Mr. Smith said the Tories will work to prevent a future government from imposing a carbon price in Ontario.

He could not provide details on how that would be accomplished or whether the government would reimburse companies that were required to spend $2.8-billion on now worthless carbon credits.

The Tories have said they will go to court, along with Saskatchewan, to stop the federal government from requiring every province to set a price on carbon emissions.

While running for office, Mr. Ford repeatedly vowed that his first act as Premier would be to fire CEO Mayo Schmidt and the board of Hydro One. He labelled Mr. Schmidt the "six-million-dollar man" after the chief executive got a raise that pushed his salary to $6.2-million. Mr. Ford also blamed Mr. Schmidt's leadership of the partially privatized electrical transmission company for Ontario's increasingly hydro prices.

"You can take this to the bank, the CEO is gone and the board is gone," Mr. Ford said during a news conference in April.

Mr. Smith said the government is working on his firing.

"We are taking that issue very seriously, and while it might not be the first on the list of things that we've accomplished, we did get down to work right away," he said.

The new Tory government has already frozen the hiring and salaries of public servants, cancelled millions of dollars in green-energy rebates for people and businesses and changed the eligibility for free pharmaceuticals under a program known as OHIP-plus.

The legislature will meet on Wednesday to elect a speaker.

The Lieutenant-Governor will deliver the Speech from the Throne on Thursday. In its rare summer sitting, Queen's Park will move back-to-work legislation to end a strike that has been continuing at York University since March.

The government also wants to cancel the White Pines Wind Project in Eastern Ontario. The project to build nine wind turbines in Prince Edward County has been going through the approvals process since 2010. A local group is opposed to the turbines and warns that they will harm the rural character of the region.

Title: What the new PC government means for business in Ontario
Date: Fri Jun 8 2018
Page: A10
Byline: JOSH O'KANE, RACHELLE YOUNGLAI, VICTORIA GIBSON

When Ontario's Progressive Conservative government takes office in a few weeks, it will do so on a platform that includes dismantling many Liberal business initiatives, scrapping a plan to further raise the minimum wage and eliminating the cap-and-trade system of providing incentives for reducing greenhouse gases.

Premier-designate Doug Ford, who campaigned on a pro-business platform, now faces a business community eager to learn exactly how that future may unfold.

While he promised a fully costed platform by the end of the election campaign, Mr. Ford did not deliver one before the polls opened Thursday. So while his promise to "cut red tape" for businesses and "the little guy" is fuelling some optimism, leaders in many sectors are waiting for concrete details of how the new government will achieve its goals, such as reducing costs for businesses while servicing Ontario's ballooning debt.

"In the absence of good planning, potentially, Ford is going to start cutting everything just because it looks like it might have some Liberal smell on it, and there might not be a great plan to replace that," said Sean Stephens, chief executive of Treefrog Inc., a Newmarket-based digital marketing and technology firm.

Craig Alexander, the Conference Board of Canada's outgoing chief economist, warned Thursday that immediate reactions from financial markets will be less meaningful than how markets react once the new government unveils more detailed budget plans. Ontario's economic growth is expected to slow, and he said the incoming government will have to address how technological changes are affecting the province's labour market and competitiveness.

"The next government will need to focus policies on areas that will boost productivity, increase competitiveness and help support the future of jobs. This is easy to say but hard to do," Mr. Alexander said.

The credit-rating agency DBRS currently has an investmentgrade rating on Ontario's debt.

Paul LeBane, a vice-president with DBRS, said he expected deficits to remain wide in the coming years, but despite Mr. Ford's intention to reduce taxes, he could raise them down the line if problems emerge.

(The party has promised to lower the corporate tax rate to 10.5 per cent from 11.5 per cent.) Mr. Ford's own business acumen was alleged to be lacklustre in a lawsuit filed this month by Renata Ford - the widow of his late brother, former Toronto mayor Rob Ford - and some are questioning gaps in some of his business policies.

While the PCs have made some strong declarations about the province's energy policy - along with tossing out the cap-andtrade program, Mr. Ford has threatened to fire the chief executive and board of partly privatized utility Hydro One Ltd. - some in the energy sector feel uncertain about their future.

"Customers are contacting us and they are concerned with how the cap-and-trade program is going to go on," said Anthony D'Agostino, director of commodity markets at RBC Capital Markets.

Mr. Ford has also promised to bring forward a "minimum-wage tax credit" to offset income taxes for those in that bracket, while putting the brakes on the Liberals' plan to raise the minimum wage to $15 next year.

"That will disadvantage in excess of 1.5 million workers in the province who are looking forward to earning $15 an hour as of Jan. 1," said Chris Buckley, president of the Ontario Federation of Labour. The OFL, which supported the New Democrats during the election, is fearful that the PC government may roll back many of the gains it fought for. "The labour movement will hold Doug Ford's feet to the fire."

Leaders in the marijuana and technology sectors - two areas that have the potential to become major contributors to Ontario's economy - are showing mild, if cautious, optimism as they wait for details about the Ford-governed future.

The Ford premiership has the potential to herald a less-regulated marijuana retail environment, which in turn could let producers sell directly from their own production sites.

The Council of Canadian Innovators, a vocal Ontario-based trade group representing the tech industry, noted in a policy-summary document last month that the PC platform offered little in terms of innovation strategy or support for domestic tech companies, which regularly compete with global tech giants. But in an e-mail Thursday, executive director Ben Bergen said he was hopeful that the government "will work closely with Ontario's technology companies and help them access more of the capital, customers and talent they need to scale and grow globally."

Many business leaders hope for a dialogue - and details - as soon as the government settles in.

"I expect a PC government to reach out very quickly to the business sector," said James White, senior management of business development at Wellmaster Pipe and Supply Inc. in Tillsonburg, Ont., and an active member of the Canadian Manufacturers & Exporters industry association.

Title: Next move on Hydro One will test Ford's populist promises
Date: Mon Jun 11 2018
Page: B2
Byline: TIM KILADZE

Doug Ford ran for premier as a populist, but now that his Progressive Conservatives have been elected, no one seems to know how the future leader will govern. What he does with Hydro One Ltd. may offer the first clue.

Early in the campaign, Mr. Ford vowed to fire the utility's chief executive officer and replace its board of directors in his first days as premier. The Tory Leader made an issue of Mayo Schmidt's $6.2-million pay package: "You can take this to the bank, the CEO is gone and the board is gone."

That message may have resonated with voters sick of rising electricity costs. But Mr. Ford omitted that the province can exert only so much influence over the $12-billion company, because its power is constrained by a governance agreement set in place when the province took Hydro One public.

Under the existing rules, the government has no right to fire Mr. Schmidt. It can replace the existing directors, but a committee of independent shareholders can influence who the new nominees are. And the replacement directors "must meet the same qualification and independence standards" as any other director.

In other words, political hacks aren't welcome.

Hydro One's largest independent shareholders, which include Investors Group, Bank of Nova Scotia's investment management arm and Fidelity Investments, either declined to comment or did not return requests for comment on Friday.

However, investors signalled their approval for the CEO at Hydro One's annual meeting in April by voting 92 per cent in favour of his pay package.

The real test of Mr. Ford's populism, then, will be whether he still tries to boot the board despite these constraints, simply to keep his campaign promise, or whether he puts his focus on other measures that will have a more meaningful impact on Ontario's economy.

If he does try to kick out the directors, Hydro One's share price will likely sink because independent investors are averse to political meddling of this kind. Any drop will hurt the province because it remains a 47per-cent owner. The utility's shares have already suffered from the uncertainty during the campaign, down 7 per cent since Mr. Ford first made his bold pledge.

Removing the board would also catch the eye of U.S. state regulators, five of which Hydro One needs approval from for its pending $4.4-billion acquisition of American utility Avista Corp., based in Washington State.

If regulators were to block the deal, Hydro One could be left stranded amid a quickly consolidating industry, an argument Mr. Schmidt made in the late stages of the campaign.

"Timing for Hydro One is critical," he said in an interview, referring to his plan to transform the utility into a North American powerhouse. "If the industry consolidates and we stand on the sidelines, what we end up with is an Ontario company with a high fence around ourselves - which isn't the path to success for ourselves, our province or Canadians."

If the deal does not close, the utility is at risk of having to pay a break fee of $103-million to Avista, a sum worth many multiples of the CEO's annual salary.

On Friday, Mr. Ford said he is focused for now on working with his transition team to name his cabinet. This team includes Conservatives such as former federal foreign minister John Baird. The transition is expected to take three weeks, and Hydro One will remain in limbo until it is complete.

Come July, Mr. Ford's cabinet may help him realize that turmoil at Hydro One is at odds with one of the big themes of the Progressive Conservative campaign. During his victory speech on Thursday evening, the premier-designate declared that Ontario is open for business - reiterating a slogan of his from the campaign trail.

But putting a cloud of uncertainty over a $12-billion public company, whose shareholder list includes some of the world's largest blue-chip money managers, doesn't send the best message to anyone looking to invest in the province.

Title: Finding common ground between CEOs and Ford; Ontario Conservatives need to solve problems that bedeviled predecessors
Date: Sat Jun 9 2018
Page: B9
Byline: ANDREW WILLIS

The day before the Ontario election, former prime minister Stephen Harper took the stage at a conference in Alberta to warn that Canada's brand is suffering in international circles. He also put in a plug for Doug Ford.

The ex-federal Conservative leader admitted his bias - he described Mr. Ford as a friend.

Then, he rhymed off a depressingly long list of reasons business leaders are steering clear of Canada - uncertainty over trade with the United States, rising taxes and mounting deficits, an inability to execute on major projects such as pipelines. During his speech in Calgary, Mr. Harper told Ontario-based members of the Canadian Venture Capital & Private Equity Association to get home in time to vote Conservative, to send a message that Canada is open for business.

Message received: Mr. Ford won a comfortable majority on Thursday. The question now is whether a populist Ontario premier can find common ground with CEOs who may be relieved that the Tories won, but remain skeptical of the leader's ability to deliver on campaign promises of stability and future prosperity.

For the business crowd, electing a Conservative government in the country's industrial heartland is significant if only because it prevented NDP politicians from taking power and implementing pro-union policies that many saw as increasing labour costs, while at the same time hiking taxes on the wealthy.

Mr. Ford swept into office on his everyman credentials. He won the leadership of his party because of - rather than in spite of - his lack of ties to Bay Street.

Ontario's last Conservative premier to win an election, Mike Harris, came to office in much the same fashion.

It's somewhat ironic that Mr. Harris, who now hangs his hat at law firm Fasken Martineau DuMoulin LLP, recently began an outreach program aimed at introducing Mr. Ford to business leaders.

The balancing act facing Mr. Ford is staying true to his antiestablishment roots while at the same time convincing domestic and foreign investors to put capital to work in Ontario, rather than any number of equally attractive places to stand and grow.

To lead a province that's scoring points for economic growth, Premier Ford will need to solve problems that have been building over generations.

Success for the next Premier means bringing down the cost of electricity over time - and you don't do that simply by sacking the board at CEO at Hydro One Ltd., as Mr. Ford proposed as a populist candidate.

Success comes from unsnarling clogged transit routes in the Toronto region - and Mr. Ford had few solutions on this front during his time on city council.

And to emerge a winner, Ontario's Conservative Premier-designate has to find common cause with a Liberal Prime Minister and keep the U.S. border open for two-way trade.

From Bay Street's point of view, a successful relationship also means ensuring the Premier-to-be resists any impulse to bash big business and big banks.

It means curbing any plans Mr. Ford and his team may have to revisit what are perceived as anti-business policies from previous regimes, such as provincial capital taxes that weighed heavily on financial institutions, and were only eliminated after years of lobbying.

The first sign of how business will be done under the Conservatives in Ontario will come when a cabinet is named. From all reports, Mr. Ford listens.

The team he assembles will become his links to the business community.

Mr. Ford swept into office accompanied by newly minted MPs with solid business leadership credentials. Rod Phillips ran a number of companies, including the provincially owned Ontario Lottery and Gaming Corp.; Peter Bethlenfalvy is a successful investment banker who also headed credit rating agency DBRS; and Caroline Mulroney built a solid career on Bay Street prior to entering politics - she's more than her sterling Tory family name.

There's a path forward that sees the Ontario's Premier-designate burnishing Canada's brand for business. It requires Mr. Ford to get past his own bluster, and begin solving issues that bedeviled his predecessors.

Title: Squeezed by Liberal labour reforms, employers hope for stability under PCs
Date: Sat Jun 9 2018
Page: B7
Byline: SARAH EFRON, RACHELLE YOUNGLAI

Ontario's planned hike to a $15 minimum wage will likely soon be quashed as Doug Ford and his Progressive Conservatives get ready to run the country's most populous province.

Mr. Ford has promised to keep the minimum mandatory rate at $14 an hour, while allowing subsequent increases at the rate of inflation. He has also said he will eliminate provincial income taxes for those earning the minimum wage.

The mandatory hourly rate increased to $14 from $11.60 in January and was due to climb to $15 next year. The labour policy from the outgoing Liberal government angered businesses across the province who said the pace of the increase - nearly 30 per cent in 15 months - was way too fast.

Now, many Ontario entrepreneurs say they are relieved to see the end of the Liberal government that they perceived as unfriendly to business.

"It really did put us in a bad position," Shalini Sheth, who co-owns Surati Sweet Mart food factory in the Toronto suburb of Scarborough, said of the minimum-wage hike. "We're definitely not against people getting a raise, but the speed at which it was implemented was too fast."

Ms. Sheth said she can allocate the money she was planning to use for the next wage hike for other purposes. "We're looking at adding more equipment, and in turn adding more people to run that equipment."

On top of anxiety over wage hikes, companies said they felt squeezed by the Liberals' Fair Workplaces, Better Jobs Act (Bill 148), which required paid personal-emergency days and paying temporary workers the same amount as full-time employees doing the same job, among other measures.

"It seemed to come in so fast and it was all done from our perspective for political gain," said Chris Wilcox, general manager of a chain of Quickie convenience stores in the Ottawa area.

"It was like a steady drip, drip, drip. There was a change to vacation pay, a whole host of things.

Individually, I don't think we objected to many of them. It's just that they all seemed to come at once and it was just too much to adapt to all at the same time," he said.

As with many entrepreneurs, Mr. Wilcox isn't necessarily expecting that much of the legislation in place will be changed, but he's hoping for some stability.

During the campaign, Ford didn't address many details about Ontario's labour laws, although he did vow a slight reduction in the provincial small-business tax rate, to 3.2 per cent from 3.5 per cent.

Mr. Wilcox said he is not so much happy that the Conservatives won, but relieved to avoid the prospects of an NDP government, which he says would have increased regulations and followed through on the Liberals' minimum-wage hike. "This is an exciting opportunity for us to get back in expansion mode again," he said, saying he will hold Mr. Ford to his promise of allowing convenience stores to sell beer and wine.

The Liberals' higher minimum wage was implemented during a period of robust economic growth in Ontario. The province's jobless rate is the lowest in nearly two decades and wages are starting to rise. But it's not just the minimum-wage hike that pushed Ontario's average hourly rate up 4.7 per cent to $27.39 over May of last year.

Higher-paid sectors, such as natural resources, saw an increase of 20 per cent and finance was up 6 per cent.

Meanwhile, the average hourly rate in a sector dominated by minimum-wage workers - accommodation and food services - was up by 8.6 per cent to $16.28. Another low-paid sector - retail and wholesale trade saw the rate increase 7.6 per cent to $21.40.

Although businesses said they had to cut hours and jobs and raise prices to offset higher labour costs, the numbers are not showing a correlation between the minimum-wage increase and job losses.

Accommodation and food services has continued to create positions, adding 6,100 last month, according to the jobs report released by Statistics Canada on Friday. That sector has expanded by 8.5 per cent over May of last year. Employment in retail and wholesale trade has declined by 0.6 per cent over the same period.

Economists say it is too soon to see the effect of the minimum-wage hike on job creation.

"It's way too early to judge that," said Benjamin Tal, deputy chief economist with CIBC.

Ontario premier-designate Doug Ford and his Progressive Conservative government will face no shortage of economic challenges, ranging from immediate concerns to more structural issues that have stymied policy makers across the developed world.

DEBT Ontario's debt has skyrocketed. The province's net debt will hit $325billion this fiscal year, according to projections, or nearly double where it was a decade ago.

The situation could get worse. The Tories promised billions in new spending but never released a fully costed platform, casting doubt over how they would fund their plans. Mr. Ford has said he would run deficits for the first two or three fiscal years, but did not indicate the size of the shortfalls.

TRADE UNCERTAINTY

Rising U.S. protectionism is an especially critical matter to Ontario.

The province's trade with the United States in 2016 amounted to 49 per cent of its GDP - second only to New Brunswick in percentage terms, but by far the most in total dollars.

"[Ontario's] industries are some of the industries that would be most vulnerable to protectionism - most notably autos and metals," said Douglas Porter, chief economist at Bank of Montreal. "That's a pretty clear danger over the near term to the Ontario economy."

HOUSING

Despite a raft of new regulations, housing and rental prices in the Greater Toronto Area remain historically steep. The Tories made scant mention of housing in their platform but vowed to "increase the supply of affordable housing" in the GTA without touching the environmentally sensitive Greenbelt. They would also maintain rent control "for existing tenants" in the province.

HYDRO

Electricity prices have surged, frustrating both households and businesses alike. Mr. Ford has vowed to fire the chief executive of Hydro One, despite not having the authority to do so. The Tories have also pledged to cut hydro rates by returning the company's dividend payments to taxpayers and by shifting the cost of conservation programs onto provincial books. Those two moves, however, would cost roughly $800-million a year.

Title: The coming chaotic battle for the soul of a Doug Ford government
Date: Sat Jun 9 2018
Page: A12
Byline: ADAM RADWANSKI

Doug Ford's victory was no fluke.

Not in the way that those horrified by the prospect of a right-wing populist in the Ontario premier's office imagined it would be.

In the final days of the province's election campaign, it was easy to explain away a looming majority government for Mr. Ford's Progressive Conservatives. If they squeaked one out, it would be because of a favourable electoral map, vote-splitting among their opponents, low voter turnout - not because Ontarians really wanted them in power.

Oh, but they did. When the ballots had been tallied on Thursday night, the Tories had topped 40 per cent of the popular vote, more than Kathleen Wynne's Liberals needed for a majority four years ago. They had done so in an election with 58 per cent voter turnout, the highest in Ontario this century. More total ballots had been marked in their favour, at over 2.3 million, than for any party in this province's history.

If only Mr. Ford's mandate were as clear in purpose and expectations as in numbers, what comes next would be a lot easier to predict.

Instead, the manner in which the PCs won all those votes means his new government will immediately launch into a chaotic struggle to find its soul - factions of conservatives battling for the ear of a premier without a defined agenda, trying to persuade him what that mandate really is.

Here is what we know about Mr. Ford's policy priorities, from the campaign: He wants to cut taxes on corporate and personal income and fuel. He wants to increase spending on health care and infrastructure and (so far as one can tell) by further using provincial funds to relieve energy ratepayers. He intends to do all this and much more while steering the budget back to balance, without cutting a single publicsector job.

In other words, he has conveyed no priorities at all, because he has displayed no willingness to choose between incompatible things. So why did so many Ontarians support him?

Partly, it was because of who he is not.

Mr. Ford is not Kathleen Wynne. All changes in government are course corrections of some sort, and in this one, voters clearly wanted a personality change from a Liberal Premier they found technocratic, scolding, and disconnected from day-today realities. The PC Leader, wearing ignorance of government's intricacies as an anti-elite badge of honour, could not have struck a sharper contrast.

Mr. Ford is also not a New Democrat. He would not have won a personality contest against NDP Leader Andrea Horwath, who emerged as his main opponent when the Liberal vote collapsed. But candidate controversies and an advertising blitz by both the Tories and Liberals helped reinforce discomfort with the NDP's brand - perceived amateurism and radicalism, bad memories of the Bob Rae era - while the Tories showcased star candidates to place more focus on their party than its leader.

But Mr. Ford did not just lead his party to victory by default with those turnout numbers.

He may have had unusually high negatives for an opposition leader, as many polls showed, but he also has an odd populist's ability to make some voters fervently believe he is on their side, committed to tackling their struggles. Attend one of his rallies, accompany PC candidates knocking on doors, and you would hear variations of "He's my guy because he gets it."

In that, his vagueness was likely a key ingredient. Not so much the ability to cherrypick from specific policy promises, overlooking the implausibility of implementing them all; the rally crowds tended to be least raucous during the small portions of his speeches in which he itemized tax cuts.

But as he circled around to the same slogans - "For the people," "Help is on the way" - it was possible to project onto him an understanding of what those coddled elites in the other parties just didn't get.

To cash-poor suburbanites finding it impossible to get ahead despite working hard, he would make life more affordable. For those lamenting the loss of stable, well-paying jobs in manufacturing or other sectors undergoing upheaval, he would make Ontario open for business again. For communities where the local hospital was overstretched, he would end hallway medicine.

If other premiers had failed to grasp the importance of some local infrastructure project, he'd get 'er done. For those nostalgic for the values of yore, he would make schools get back to the basics on math and sex-education, restore respect for police, bring back buck-a-beer. To more business minded sorts, he would focus on government living within its means.

Indulging all these expectations without acknowledging hard choices may have been an act of cynicism. It's hard to see it any other way, when it comes to political professionals - many of them veterans of Stephen Harper's federal Conservatives - who staffed his campaign headquarters.

They were preoccupied with getting Mr. Ford to election day, and now others will figure out how to steer his government.

But with Mr. Ford, it's perhaps more genuine - which is not necessarily more encouraging. By many accounts and appearances, he is eager to be liked, and has a difficult time saying no. He may really believe that through force of personality, a no-nonsense focus on running government like a family business, he can make everyone happy. He knows less than probably any leader of a major party in any Ontario election about how Queen's Park works.

And so we are now set for an epic contest among those who know more - members of his caucus, new government staffers, lobbyists and interest groups and PC eminences grises - to educate and try to persuade him which policies he must pursue and which he can set aside.

Fiscal conservatives in the PC ranks will try to persuade him that so long as he delivers on a few articles of faith - fire the high-paid head of Hydro One, go to war with Justin Trudeau on carbon taxes - voters will tolerate putting off some promises in order to get the books in order, especially if he says the Liberals cooked them. More populist adherents to his personal brand, rather than the party's, will probably tell him voters don't care much about deficits and he should focus on deliverables tangible in their day-to-day lives. (For tea-leaf readers, Mr. Ford has already announced Dean French - a Ford-Nation sort who served as campaign chair, and tangled with the political pros in PC HQ - as his chief of staff.)

But it will be more complicated than that, as the Tories are confronted with the incredible array of lingering decisions and ever-emerging challenges facing the country's second-largest government - a transitioning economy, infrastructure and social-service strains caused by a growing and aging population, and others.

A common theory in PC circles is that Ontario is about to see a more empowered cabinet than it has in ages. With Mr. Ford lacking a concrete agenda, ministers could have great leeway to craft their own, so long as they're moderately savvy about persuading him their preferred policies fit his broad goals.

That could be good. Among the complaints about Ms. Wynne's government, from those who worked in or with it, was that decisions were constantly bogged down in the Premier's Office. Mr. Ford's could be more nimble and encouraging of initiative.

It could also be a mess. Cabinet could break down in competing agendas; ministers could push through dumb ideas that turn into boondoggles. Every bureaucrat who has been sitting on policies they could not sell to other governments, every lobbyist with a half-baked scheme to peddle, is about to see an opportunity.

So much of this, in the end, will depend on Mr. Ford.

Credit where it is due: He proved more adaptable this spring than many who knew him predicted. Based on his stint at Toronto's city hall, he was expected to be too stubborn and convinced of his genius to take advice and show discipline while leading a party. Instead, despite being awash in controversies - from candidate imbroglios to a lawsuit from his brother's widow that served as a reminder of the mayhem that follows his family - he resolutely stuck to script every day.

But spending a month reading the same lines off a teleprompter, offering scant opportunity for media or anyone else to elicit an unscripted word, is a far cry from the pressure and fluidity of running a government. There should be no way now for Mr. Ford to avoid making hard choices, to leave so much ambiguity that supporters can will him into being whatever they consider his best self.

It's time to reckon with what they wanted, in such large numbers, and whether he can deliver it.

Title: A best-case scenario for the Ford years
Date: Sat Jun 9 2018
Page: O10

It's probably too early to look for silver linings.

Ontario's election was - there's no overstating it - a depressing shambles. A sober, centrist province got the choice of a populist blowhard, a far-left union ideologue and a cynical, exhausted premier.

The worst of the lot won. Doug Ford is premier-to-be. We said he is unfit for the job, and that remains true. From his bullying personality to his lying to his simplistic mind to his ignorance of government, Mr. Ford has all the makings of a poor political leader for the province.

And yet. And yet... If we accept that despair is no good, and that, howl as we might, Mr. Ford will lead the government, maybe it would not be too self-indulgent to allow ourselves a wishful glance ahead at the next four years in search of a prospect that isn't all gloom.

We offer this not in a spirit of prediction, but of hope. The following scenario is not to be expected, but to be worked for.

After all, even majority governments are accountable.

Imagine with us, then.

The PCs magnanimously extend recognized party status to the Liberals, who fell one seat short. Ontario has a relatively high eight-seat threshold, governments are entitled to lower it, and in this case it's warranted. About one in five Ontario voters cast a ballot for the Liberals; giving the party speaking time during Question Period and funding for research is the fair thing to do, and the Tories do it.

That gives the Liberals the footing to reorient themselves toward the centre. Kathleen Wynne has announced her resignation as leader, after running the party way to the left and subsequently into the ground. Her replacement begins the valuable work of rediscovering moderation and fiscal sense.

The NDP, always an effective peanut gallery, thrive in the role of Official Opposition. Their social conscience, comfort with high dudgeon and willingness to swing for the fences rhetorically make Mr. Ford sweat during Question Period.

A young, diverse New Democratic caucus finds its voice at Queen's Park, led by Toronto's Bhutila Karpoche, the first Tibetan elected to public office in Canada, and by all accounts an impressive person. Federal NDP Leader Jagmeet Singh's brother, Gurratan Singh, develops a reputation as something other than Jagmeet Singh's brother.

Meanwhile, NDP leader Andrea Horwath makes the difficult decision to step down before the next election. She led the party to a bonanza of 40 seats and second place this week, but she has also lost three straight elections and squandered a historic chance to form government this time against manifestly awful competition. Bravely, she acknowledges a new leader is needed to take the party over the hump.

The PC government - remember, we're trying to be upbeat here - is led by a smart, technocratic cabinet staffed by the likes of veteran MPP Christine Elliott and ex-banker Peter Bethlenfalvy, while Mr. Ford largely contents himself with symbolic battles such as firing the head of Hydro One. The Premier realizes he's in over his head; he gets bored by the details of governing and delegates aggressively. His ugly fights with the press are unavoidable but at least distract him from trying to run the province.

The party moves slowly on the public-service layoffs and program cuts it will need to balance its budgets. Mr. Ford didn't specify what he would cut on the campaign trail, promising vague "efficiencies," but those efficiencies will amount to livelihoods and benefits lost. To avoid strikes and social discord, and given that it has no mandate for anything specific, the government realizes caution is necessary.

Helping to fill their budgetary gap and freeing Mr. Ford from a campaign promise, the courts uphold the federal carbon tax. Ottawa will soon impose a carbon price on provinces without one and return the revenue to provincial coffers, but Mr. Ford has vowed to fight the feds in court. Luckily for the climate, the economy and the province's books, he loses.

Of course, Mr. Ford could upend all of the above. Reputations for sagacity have been lost many times by predicting that hot-headed populists will behave themselves in office.

But hope springs eternal in the human breast. And despite the evidence provided by the election campaign, Ontario is a sane, decent place with a strong economic base that is hard to knock off its moorings. With a little luck (okay, maybe more than a little), Canada's biggest province could escape the next four years more or less unscathed.

Title: ONTARIO ELECTION 2018 IT'S FORD; Progressive Conservatives romp to comfortable majority as NDP forms the official opposition
Date: Fri Jun 8 2018
Page: A1
Byline: JUSTIN GIOVANNETTI

Doug Ford's Progressive Conservatives have swept Ontario, riding a wave of discontent to a majority victory on Thursday night while the New Democrats took advantage of a Liberal implosion to form the official opposition for the first time in a generation.

The decisive result was a remarkable feat for Mr. Ford, a brash and unconventional leader who became the head of his party only in March after the resignation of former leader Patrick Brown. Portraying himself as an anti-politician, Mr. Ford promised to slash taxes, reduce waste and look out for "the little guy," echoing the message he and his late brother Rob brought to their tumultuous time in Toronto municipal politics.

The Tories unseated Liberals across the province, winning several Toronto ridings in which the party had not been competitive for decades, and will send 76 MPPs to Queen's Park. The NDP is expected to send 40 and the Liberals seven, one short of official party status. Green Party Leader Mike Schreiner won his party's first seat in Guelph.

Voter turnout - unofficially at 57.2 per cent - was the highest in a decade as Ontarians faced a stark choice about the future for the province.

"My friends, help is here," Mr. Ford said in his victory speech at Tory headquarters in Etobicoke. "Tonight, we have sent a clear message to the world: Ontario is open for business."

He vowed to respect the province's taxpayers.

"A new day has dawned in Ontario: a day of opportunity, a day of prosperity and a day of growth.

We're going to turn this province around."

"We will make sure Ontario is the greatest place on earth to live, to do business and to raise a family.

And we will make Ontario once again the engine of Canada," Mr. Ford said.

The Tories took a sizable lead in the popular vote with 40.5 per cent, the New Democrats came second with 33.6 per cent, and the Liberals received 19.5 per cent.

The mood was sombre at Liberal headquarters when Ms. Wynne, who held onto her seat but resigned as leader of the party, emerged to speak to supporters.

"I love every single one of you," she said, congratulating Mr. Ford on his victory. "This is not a concession speech - I conceded days ago. This is my chance to say thank you for allowing me to be Premier, allowing me to connect with so many of you the last five years."

The NDP, a longtime also-ran, had been eyeing victory for the first time since Bob Rae's NDP was defeated in 1995. Leader Andrea Horwath said she was in the election to win. Ms. Horwath, who has been at the helm of the NDP for nine years, was re-elected in Hamilton Centre. Her party, which enjoyed strong union support, won most urban ridings in Ontario's southwestern rust belt.

"New Democrats rejected the politics of fear and cynicism," Ms. Horwath said in Hamilton on Thursday night. "We rejected that.

And we put a vision for a better future at the heart of our campaign.

And Ontarians have responded like never before."

Mr. Ford will enter the premier's office with little experience in government, having served only one term as a Toronto city councilor, from 2010 to 2014. He entered the PC leadership race after Mr. Brown's middle-of-the-night resignation amid allegations of sexual misconduct, and won the leadership in March. He then tossed his party's electoral plan and adopted a shoot-from-thehip style that has put him in charge of Canada's most populous province and the country's economic engine.

His pared-down platform included almost $10-billion in new spending, but no firm details on how the party would pay for it. He vowed fiscal restraint, but told voters he would slash income taxes, reduce the provincial gas tax by 10 cents a litre and scrap the province's cap-and-trade policy for reducing carbon emissions.

Appealing to his populist base, he also said he would fire the head of Hydro One—the $6-million man, he called him—and reduce the minimum price of a bottle of beer to $1, both of which were heavily featured at rallies he held around the province.

Ontarians started the 29-day election campaign on May 9 looking to toss the most unpopular premier in the province's modern history. What began as a two-way race between Mr. Ford and Ms. Wynne almost immediately became a contest between the PCs and a surging NDP, offering Ontarians a stark choice for the direction of the province. As the PCs stumbled, with police investigating continuing nomination scandals, and a reversal of Mr. Ford's promise to release a fullycosted platform, voters rallied behind Ms. Horwath and her vow to create comprehensive drug, childcare and dental plans. The PCs' 15 point lead began to evaporate.

Mr. Ford was outgunned in the campaign's two main debates, falling back on sloganeering as Ms. Horwath and Ms. Wynne pushed their detailed visions for the future.

Finally, just days before the vote, the widow and children of Rob Ford filed a lawsuit alleging that Doug Ford was a negligent business manager at the family's firm, Deco Labels and Tags Inc., costing them millions from Rob Ford's estate. He said the allegations are "false and without merit." None of it seemed to matter.

"Obviously there was a drive for change and the GTA was convinced by Ford's populist language," said Andrea Lawlor, a political science professor at the University of Western Ontario.

"While people flirted with the NDP, they just didn't trust them enough at the end of the day to take over the province."

The Tory victory will have widespread implications for Canada's federal government. In addition to the promise to tear up Ontario's cap-and-trade system, Mr. Ford has called carbon taxes "a scam." He has indicated he will join Saskatchewan, and perhaps Alberta if that province's conservative party wins power next year, in a legal battle to stop the federal Liberal government's requirement that all provinces implement a form of carbon pricing.

He's also resisted the federal push to consider a national pharmacare program.

Title: ONTARIO ELECTION 2018 IT'S FORD; In historic rout, Wynne resigns as Liberal leader as party falls short of official party status
Date: Fri Jun 8 2018

Page: A1
Byline: JILL MAHONEY

The Ontario Liberal Party suffered one of the worst political defeats in the province's modern history, ending 15 years of majority rule.

The Liberals fell short of official party status, with just seven seats, less than the eight required to maintain extra funding in the legislature.

After her party's fate became clear, Kathleen Wynne, who took the unusual move of conceding the election last weekend, resigned as Liberal Leader after five years in the Premier's Office.

"It is the right thing to do," she said through tears.

"There is another generation, and I am passing the torch to that generation."

The party's collapse demonstrates voters' intense fatigue and appetite for change. Many Liberal cabinet ministers were defeated, including Finance Minister Charles Sousa, Attorney-General Yasir Naqvi and Education Minister Indira Naidoo-Harris.

Despite a volatile campaign, the Liberal defeat was not unexpected with recent public-opinion polls showing the party lagging in distant third place. In admitting last weekend that she wouldn't be premier, Ms. Wynne called on Ontarians to vote Liberal to prevent either of her rivals from forming a majority government, a strategy that failed.

Campaign co-chair Tim Murphy called it a "disappointing and difficult night" but said Ms. Wynne's victory in Don Valley West was a silver lining.

Mr. Murphy said the party's long reign had created an "insurmountable" appetite for change among voters. "It's time for renewal and soulsearching but we've got four years to do it," he said.

Ms. Wynne, who took over from Dalton McGuinty in 2013, entered the campaign as an intensely disliked leader who had been the country's most unpopular premier for almost two years.

Some Liberal candidates ran without using Ms. Wynne's image or name on their signs. Others didn't even put the word Liberal in their campaign materials.

At Mr. Sousa's election headquarters in Mississauga, supporters gathered in silent disbelief as news of the PC majority win began to trickle in.

In an interview, Mr. Sousa proudly referred to the Liberals' budget accomplishments but said: "I think we did so much, all at once."

Alex Gregory, a long-time supporter of Mr. Sousa, said Ms. Wynne's decision to concede the election early was the wrong move for the party. "I don't think it worked the way she wanted it to."

Volunteers for Ms. NaidooHarris were on the verge of tears while waiting for their candidate to arrive at a local bar. "It is tough to go door-to-door and hear Kathleen Wynne is the problem," said Tiauna Munroe-Crooks, 20.

St. Catharines MPP Jim Bradley, who was trying to become the longest-serving member of the Ontario Legislature in history, lost his seat to the NDP's Jennie Stevens. "The provincial vote for change was very overwhelming, so we're really not surprised," Mr. Bradley said.

The Liberals faced widespread public anger, including for soaring electricity prices and the privatization of Hydro One. In addition, a host of scandals damaged the party's brand, including the cancellation of two gas-fired electricity plants that eventually led to the conviction earlier this year of Mr. McGuinty's chief of staff, David Livingston, for unauthorized use of a computer and attempted mischief.

"There was a headwind," said Nelson Wiseman, a political science professor at the University of Toronto. "There's 15 years of baggage there."

Despite the challenges Mr. McGuinty left behind, Ms. Wynne's Liberals won a nine-seat majority in the 2014 election after major gaffes from then-PC leader Tim Hudak.

Several of Ms. Wynne's most prominent cabinet ministers opted not to run for re-election this time, including Eric Hoskins, Deb Matthews, Liz Sandals and Brad Duguid.

Under Ontario rules, political parties need eight seats to maintain official party status in the legislature. With less than that, parties lose research funding and the right to ask questions in Question Period.

However, an even more critical disadvantage is that with so few seats, the Liberals risk losing their standing as a relevant force in the province, Prof. Wiseman said.

"The Liberals will be fighting for their lives politically," he said.

The last major decimation of an Ontario governing party was in 1923, when the United Farmers of Ontario went from 44 seats to just 17.

WITH REPORTS FROM MOLLY HAYES, VICTORIA GIBSON, SIMONA CHIOSE AND NADINE YOUSIF

Title: Economy needs a man with a plan; Ontarians are taking a risky bet with populist Doug Ford's PCs offering a bit of Donald Trump to counter, well, Donald Trump
Date: Fri Jun 8 2018
Page: A10
Byline: BARRIE McKENNA

Ontario has voted for more of what it doesn't need - economic uncertainty.

The province is taking a risky bet with populist Doug Ford's Progressive Conservatives, who are offering a bit of Donald Trump to counter, well, Donald Trump.

Mr. Ford is promising U.S.-style tax cuts as an answer to the U.S. President's protectionism.

"Make no mistake about it, we're going to go after them full tilt - on reducing our taxes, making ourselves more competitive," Mr. Ford vowed in the waning days of the campaign.

"We will go down to the street at the border and put up that big sign I've been talking about and tell our neighbour: 'Ontario is open for business.' " As with Mr. Trump, Mr. Ford hasn't fretted too much about policy details or where the money will come from to pay for more than $7-billion in promised relief on corporate and personal income taxes, carbon pricing and hydro rates.

Mr. Ford's For the People election platform is remarkably thin on economics for a business-friendly party that has been itching to take back Queen's Park for 15 years.

Beyond simplistic slogans, Mr. Ford has offered no indication that he has a comprehensive plan to deal with the big threats hanging over the province's economy, including chronic fiscal deficits, sluggish growth, uncompetitive electricity rates and an escalating tariff war with the U.S. that threatens its vital auto and steel industries.

That lack of detail will compound the economic uncertainty as the province ushers in a Ford government.

His platform is filled with tax breaks and spending priorities, but his only nod to fiscal responsibility is a vague plan to find $5.6-billion a year in spending "efficiencies."

That's small comfort for a province that is facing rising interest rates and deficits totalling $32-billion over the next six years, based on the Liberal government's last budget.

Mr. Ford's promise of corporate tax breaks may temper fears in the business community about Ontario falling too far behind the U.S., which last year brought in a sweeping tax overhaul designed to get companies to invest at home and repatriate manufacturing.

At best, the proposed reduction in the corporate tax rate to 10.5 per cent from 11.5 per cent is a partial response to the growing competitive challenge facing businesses in the province. Mr. Trump's recently imposed tariffs on steel and aluminum (plus more threatened on cars) take direct aim at Canada's manufacturing heartland, concentrated in Ontario. The tariffs will hit harder in the province than elsewhere, disrupting integrated cross-border supply chains and putting future investments at risk.

More damaging is the longer-term uncertainty created by Mr. Trump's aggressive trade posture. The failure so far of Canadian and Mexican negotiators to reach a deal with the U.S. on reworking the North American free-trade agreement casts a long shadow over Ontario, which accounts for half of Canadian exports. Particularly vulnerable are manufacturers, including automakers and their vast network of parts suppliers who depend on an open Canada-U.S. border.

Mr. Ford can put up as many rhetorical open-for-business signs as he likes, but it may not be enough to lift the investment cloud created by the U.S. assault on the rulesbased global trading system.

His plan to "clean up the hydro mess" is similarly heavy on slogans and symbols, but short on workable solutions.

Mr. Ford says he'll fire the chief executive of partly privatized Hydro One, even though he doesn't have the direct power to do that.

He's promising to cut hydro bills by 12 per cent by shifting energy conservation programs onto the province's balance sheet, but makes no mention of rolling back the Liberal's earlier taxpayer-funded hydro rebates.

Even without the trade challenges, Ontario was already facing a slower-growth future that will limit the province's ability to respond to future economic shocks, such as another recession.

Ontarians may not have been thrilled with their choices in this election. They may like the economic aftershock even less.

Articles Published in the Toronto Sun

Title: Those Hydro One exec salaries
Date: July 17th, 2018

Ontario's new Progressive Conservative government has introduced legislation that, if passed, would give it sweeping new powers over executive compensation at Hydro One.

The bill, dubbed the Urgent Priorities Act, was introduced Monday by Energy Minister Greg Rickford and would give the government authority to approve executive compensation at the utility.

The act also requires the Hydro One board of directors to establish a new compensation framework for the CEO and board of directors in consultation with the province and the partially-privatized utility's five largest shareholders.

The bill would also require Hydro One to publish any proposed changes to compensation at least 30 days prior to the date it seeks approval from the government.

Title: Hydro One again facing uncertainty; Board resigns for 2nd time in 16 years
Date: July 16th, 2018

The future of Ontario's partially privatized utility is again uncertain after political intervention prompted the resignation of the company's board 16 years after another mass departure.

Hydro One's 14-member board resigned en masse last week after the sudden retirement of CEO Mayo Schmidt, labelled "the six-million-dollar man" on the campaign trail by Premier Doug Ford for his hefty compensation.

The premier made it clear that he wanted changes, including reduced electricity rates and lower compensation for the CEO - even though 92% of shareholders other than the province supported Hydro One's executive compensation approach.

However, the move will come with costs of its own.

Political interference and a lower pay package will make it more difficult to attract a quality chief executive and directors willing to serve, said Jeremy Rosenfield of Industrial Alliance Securities.

"It's clearly going to have to be somebody who will be able to work with the province and I believe many CEOs will not accept the level of potential political interference that would be required to take this role."

A Ford spokesman declined to confirm a published report that the government threatened to rip up the board's executive employment contracts unless they negotiated their departures.

In addition to dealing with a large activist investor, the new board faces uncertainty about what the new government actually intends to do with its investment, since no strategy was outlined in the campaign, Rosenfield added.

Schmidt, who earned a $6.2-million salary last year, became a lightning rod for resentment during the election over rising electricity rates in the province. He would have been entitled to at least $10.7 million in severance if he were to be removed from his job by the board of directors, according to the company's annual shareholders report released on March 29.

According to a statement from Hydro One, Schmidt will not be entitled to severance, and will instead receive a $400,000 lump sum payment in lieu of all post-retirement benefits. But he still stands to earn millions from deferred stock options.

Schmidt's compensation was comparable to the heads of large private utilities like Fortis Inc., Atco Ltd. and Emera Inc. but more than 10 times the payout to Canadian electrical utilities in Quebec and British Columbia.

The government will select four board members. A committee of the outgoing board, working with its largest shareholders, will name six others with the new CEO making up the 11th member. The transition to a new board is expected to be completed by Aug. 15.

Title: Clean bill on energy; Ford's deal with Hydro One's CEO makes sense
Date: July 15th, 2018

Premier Doug Ford needs to learn the most basic lesson of governing in the wake of the controversy over his removal of Hydro One CEO Mayo Schmidt, and the utility's governing board, as he promised during the provincial election.

It's this: Just tell the truth. The whole truth.

By gilding the lily when the Progressive Conservative government first announced these moves last week, Ford turned what appears to be a sensible and defendable deal for hydro consumers and taxpayers into a needless early distraction for his government.

That occurred when Ford initially announced that Schmidt was leaving his post for $400,000 in retirement benefits, as opposed to the $10.7 million severance deal Hydro One's tone-deaf board of directors approved last year.

Ford had promised to fire what he called Hydro One's "Six-Million-Dollar Man" (Schmidt earned $6.2 million last year) and its governing board, if he won the election.

Subsequently, the Globe and Mail revealed Schmidt will retain Hydro One stock valued at up to $9 million, plus an annual pension and other benefits, that will bring him close to the $10.7 million he would have received in severance.

That said, the deal itself is sensible and defendable.

Schmidt is getting money and benefits already owed to him, provided for in his contract with Hydro One for 2016, 2017 and the portion of 2018 when former premier Kathleen Wynne and the Liberals were 47% owners of the utility.

Thus, Ford is simply cleaning up a mess handed to him by the Liberals.

By Schmidt agreeing to retire, and as part of the overall deal negotiated with Hydro One, there will be an orderly transition of power to a new CEO and board of directors (10 instead of the current 14) more in line with Ford's goals of streamlining government, fiscal restraint and lower executive salaries.

This as opposed to a protracted fight over Schmidt's severance pay which would have created further uncertainty and damaged Hydro One's stock price far more than it has been by the mini-flap over Schmidt's retirement.

Also, with Schmidt retiring, Hydro One avoids having to pay out severance deals to several other senior executives at the utility, who had similar provisions in their contracts, which in total would have exceeded Schmidt's settlement.

Finally, the current board of directors has agreed to retroactively roll back their salaries to Jan. 1, 2018, prior to the controversial, retroactive raises they recently voted for themselves, and will receive no further pay as of June 30, while co-operating with the Ford government to install the new board of directors by Aug. 15.

As for NDP leader Andrea Horwath's criticism about the size of Schmidt's retirement package, she was going to buy back the 53% of Hydro One, now owned by the private sector if she became premier.

Under that scenario, the value of Hydro One shares, and thus the cost to Ontarians, would have skyrocketed, which is what happens when a government with a theoretical ability to raise an unlimited amount of money through taxation, telegraphs that it wants to buy back all of Hydro One.

In any event, Ford has far more serious financial issues to deal with in the electricity sector, where Wynne and the Liberals committed blunder after blunder.

Ideally, Ford will restore the power of the Ontario auditor general and the other independent, non-partisan officers of the legislature to examine Hydro One's books, which they lost, over their objections, when Wynne sold majority control of it to the private sector.

Ford should also adopt the auditor general's calculations of the true state of Ontario's finances, meaning the province is in far more debt than the Wynne government claimed, because of the unorthodox public accounting methods the Liberals used to pay for such things as Wynne's Fair Hydro Plan.

Since the Progressive Conservatives intend to honour the temporary, 25% reduction in electricity bills in Wynne's plan - plus add a further 12% cut financed by the province's annual dividend from Hydro One - they should be honest with the public about the true state of Ontario's finances.

Because honesty is the best policy.

Title: Out The Door; 'Six-million-dollar' CEO leaving Hydro One
Date: July 12th, 2018
Page: A6
Byline: Antonella Artuso

Hydro One's six-million-dollar man is out the door.

Premier Doug Ford promised during the election campaign that Hydro One CEO Mayo Schmidt - he called them the "millionaires club" - would go even if he had to replace the entire Hydro One board to get it done.

At the end of the business day Wednesday, Hydro One announced Schmidt would be retiring effective immediately and that board members would leave on a staggered basis over the next month to allow for an orderly replacement process.

"I'm happy to say we kept our promise," Ford said Wednesday. "I'm happy to say today the CEO and the board of Hydro One - they're gone, they're done."

Schmidt was paid almost $6.2 million last year, up $1.7 million from $4.5 million in 2016.

Tory MPP Vic Fedeli, who has since been promoted to Finance Minister, told the Toronto Sun in March that Ford was "livid over this," and determined to rein in executive compensation.

Schmidt will leave with the $400,000 severance package he is entitled to under Ontario labour law based on his time on the job, rather than the $10.7-million golden parachute called for in his contract.

Hydro One crafted its own farewell plan under the threat of PC government legislation to remove Schmidt and the board.

Board members are forfeiting pay from June 30 on, and retroactively rolling back salaries to Jan.1, essentially working for free from here on until they're replaced, a senior Conservative source said.

A search is underway for a replacement CEO, someone the Conservatives expect will earn far less than Schmidt.

"this is a top priority for the government," the source said.

NDP MPP Peter Tabuns called on Ford to release all details of his "deal" with the board including any costs.

"Doug Ford needs to tell people what kind of backroom deal he worked out with Mayo Schmidt to get him to walk away, and if he's going to replace the board with his own high-priced insiders," Tabuns said in a statement.

A majority share of Hydro One was sold off by the Kathleen Wynne Liberals to help fund other government priorities, although the Ontario government remained the single largest shareholder.

The corporation has explained that senior management pay hikes reflected improved customer service, substantial savings for ratepayers and the work involved in acquiring giant U.S. utility Avista Corporation.

"I would like to express thanks on behalf of the entire board of directors and the employees of Hydro One to Mayo Schmidt for his many contributions to the Company," a statement from Hydro One Chair David Denison said. "He has exhibited strong and effective leadership throughout his tenure as CEO in guiding the transformation of Hydro One to a publicly traded company."

Ford said he heard a steady stream of complaints about the high price of hydro from residents and businesses during last month's provincial election.

When asked whether removing the upper management tier of Hydro One would create noticeable savings for hydro customers, Ford said it was part of a government money-saving plan that included cancelling the Green Energy Act and stopping wind farms.

Title: Ford's short but daunting to-do list; Scrapping carbon tax is just the beginning
Date: June 25th, 2018
Page: A3
Byline: Antonella Artuso

Premier-designate Doug Ford takes office Friday with a new cabinet, a majority of the 124 newly elected MPPs and a short but daunting to-do list.

The Tories provided that list when asked what Ontarians should expect.

NUMBER ONE: "Put more money in your pocket. Scrap the carbon tax, reduce gas prices by 10 cents per litre, and give real tax relief to lower-and middle-class families."

Dan McTeague, of Gas-Buddy.Com, said consumers will definitely notice the drop in price at the pumps.

"An average family using 70 litres a week would save $350-plus (a year). For that same family that's a week or two of groceries," McTeague said. "Diesel prices, too, would drop as delivery of goods would be cheaper and allow us a better chance to compete with bordering U.S. state cost advantages ... and that's just for starts."

One of the key ways to reduce that price is eliminating the Kathleen Wynne government's cap-and-trade program, a move that NDP MPP Gilles Bisson said will be anything but easy.

"Mark my words - what he is attempting to do with the cap-and-trade cancellation has the potential to be larger than the boondoggle we call the gas plants scandal," he said. "You've got all kinds of people that have purchased credits in order to be compliant ... and these people may sue... and I think there's a potential that this thing could end up costing us far more money than he realizes."

The end of the program also means the loss of about $2.5 billion in annual revenue and the green energy rebates that it funded, he said.

Don Peat, a spokesman for Toronto Mayor John Tory, said he hopes the premier-designate realizes how important it is that cap-andtrade proceeds that had been earmarked to retrofit Toronto Community Housing buildings be replaced with funds from other provincial sources.

NUMBER TWO: "Clean up the hydro mess.

Fire the $6-million man running Hydro One and lower your hydro bills by 12%."

Firing Hydro One CEO Mayo Schmidtz without cause is expected to come with a $10.7-million penalty.

The reaction to Ford's win has been muted from Hydro One.

"The board of directors, along with the leadership team at Hydro One, will continue to engage with our largest shareholder and discuss matters that are important to our customers and investors," David F. Denison, chair of the board of Hydro One, said in an e-mail Saturday.

The Ontario government is its largest shareholder.

NUMBER THREE: "Create good jobs. Send the message that Ontario is 'open for business'and bring quality jobs back to Ontario by lowering taxes, stabilizing hydro bills and cutting job-killing red tape."

Ford will be competing with U.S. President Donald Trump on this one, and the premier-designate is already trying to work any American connections to reverse aluminum and steel tariffs and prevent what is now just a threat, auto tariffs.

NUMBER FOUR: "Restore accountability and trust. Order a line-by-line audit of government spending to bring an end to the culture of waste and mismanagement in government."

The City of Toronto budgeted $3.5 million to bring in outside auditors at former mayor Rob Ford's request on a $10.6-billion operating budget in 2011.

Ford has said he and his brother saved the city $1 billion, although the city's auditor general reported $16 million in savings conclusively linked to the service efficiency consultants.

NUMBER FIVE: "Cut hospital wait times. End hallway health care by creating 15,000 new longterm care beds over the next five years and adding $3.8 billion in new support for mental health, addictions and housing."

While Ford hasn't taken office yet, he already renewed negotiations with the province's doctors and has Dr. Ruben Devlin, the former hospital CEO who oversaw the creation of the province's first "digital hospital," on his transition team, suggesting he is focused on modernizing and reforming the health-care system.

Natalie Mehra, executive director of the Ontario Health Coalition, said Ford's commitment to long-term and mental-health care, while important, won't end hallway medicine or shorten long waits for surgeries and tests.

The government must open more hospital beds - ICU beds, critical beds, acute care, surgical and chronic care beds - and fully staff operating rooms and ramp up MRIs, she said.

"Everyone else can afford it, so can we," she said.

Title: Liberals' shocking mess; Leave behind a financial train wreck for PCs to clean up
Date: June 13th, 2018
Page: A4
Author: Lorrie Goldstein

It won't be long before the Ontario Liberals, aided and abetted by the liberal media, start blaming the Progressive Conservatives for the financial mess they've left us in after 15 years in power.

You can already see it happening in some smug media commentary, gleefully predicting premier-designate Doug Ford and the PCs are going to be a disaster.

In reality, outgoing premier Kathleen Wynne and the Liberals are the disaster - and they have created massive fiscal problems that will take decades, if ever, to correct.

Today, let's examine the biggest financial train wreck the Liberals have left us to address - the skyrocketing cost of electricity due to the idiotic way they blundered into green energy.

According to a report by Ontario's Financial Accountability Office, the per-unit cost of solar power to Ontario ratepayers as the Liberals leave office is a staggering $480 per megawatt hour (MWh), wind $173/MWh, biofuels $131/MWh.

That compares to $69/MWh for nuclear power and $58/MWh for hydro.

(Hat tip to Jeffrey Simpson for referencing these numbers in a recent Globe and Mail column.) The Liberals saddled us with these outrageous costs for green energy despite repeated warnings from two auditors general, starting just two years after they passed the Green Energy Act in 2009.

From 2011 on, the Liberals were repeatedly told that by ignoring the advice of their own energy experts, they were forcing hydro residential and business ratepayers into paying billions of dollars more for renewable energy than was needed to reach the Liberals' green energy targets.

In 2015, Auditor General Bonnie Lysyk pegged this added cost at $9.2 billion over 20 years, with Ontario hydro consumers paying 3½ times the U.S. average for solar power, twice the average for wind power.

To be clear, Lysyk didn't say the Liberals were wasting $9.2 billion by buying green energy over cheaper forms of power.

She said they overpaid $9.2 billion for green energy because they ignored expert advice that the contracts they were handing out to green energy developers were extravagant and unnecessary to meet the government's goal of eliminating coal-fired electricity, to reduce pollution and greenhouse gases.

Combined with other Liberal electricity blunders documented by Lysyk (such as the gas plants scandal, doubling smart meter costs, turning Hydro One into one of Canada's least reliable large electricity distributors) the impact on hydro prices was devastating.

They soared to the highest in Canada.

Between 2008 and 2016, average residential electricity costs increased by 71% in Ontario, compared to 34% across Canada, according to Lakehead University economics professor Livio Di Matteo in a recent report for the Fraser Institute.

In 2016, Toronto residents were paying $720 annually more for electricity than the average Canadian.

Between 2010 and 2016, electricity costs for large industrial users in Toronto increased 53% and in Ottawa 43%, compared to a Canadian average of 14%.

That led to the loss of 75,000 manufacturing jobs between 2008 and 2015 alone.

Ford and the PCs can be faulted for not explaining during the election how bad things are.

Alarmingly, Ford promised to continue Wynne's Fair Hydro Plan, using unconscionable levels of new hydro debt to temporarily lower electricity prices by 25% before sending them into the stratosphere, as well as promising a further 12% cut.

But it was the Liberals who created this mess, for which we'll be paying for decades to come.

Title: GOLD FOR GRITS; Outgoing Liberal MPPs to get severance packages
Date: June 13th, 2018
Page: A5
Author: Antonella Artuso

Ontario voters issued 38 pink slips to returning provincial Liberal MPPs, and will now pay millions in severance.

Those departing MPPs are owed parting gifts of at least $6.1 million in total, the Toronto Sun estimates based on the MPPs' 36 consecutive best earning months and years of service.

Severance packages ranged from about $67,000 for a parliamentary assistant with four years or less experience to about $249,000 for a longterm cabinet minister with more than eight years service.

Christine Van Geyn, Ontario director of the Canadian Taxpayers Federation, said these severance packages are more than what the average Ontarian voter makes in a year.

"Politicians who were roundly rejected by voters are now getting a golden handshake, paid for by those same voters who rejected them," Van Geyn said.

Another 12 Liberal MPPs quit in the leadup to the campaign, splitting more than $2.6 million in severance.

The total severance for the 50 Liberal MPPs who were either defeated, quit or retired in the dying days of their government will hit at least $8.7 million.

Politicians in Ontario are eligible for severance even if they resign their seat, and this needs to be re-examined in terms of fixed election dates, Van Geyn said.

"The idea of severance is that it is supposed to protect you if you unexpectedly lose your job - not if you quit or if you are fired for doing a terrible job," she said. "Yet there are cabinet ministers who were fired by voters or who chose not to run again who are getting six figures in go-away-pay."

Former PC Leader Patrick Brown and PC MPP Michael Harris, both forced to quit by their own party shortly before the election due to sexual misconduct allegations, would be eligible for severance packages as well.

Three NDP MPPs also bowed out in the final six months before the June 7 election.

On top of this, hundreds of Liberal staffers will also be eligible for packages, and MPPs and staffers maintain their benefits for the length of the severance period.

It's expected that hundreds of Liberal staffers will be let go as a result of the Grits losing not only the election but also official party status.

The Clerk's Office for the Ontario Legislative Assembly has yet to produce a global figure for how much severance it will pay out because of the dramatic changeover in the 2018 campaign.

After the 2014 election, 18 departing MPPs shared about $2.8 million in severance, the Canadian Taxpayers Federation estimated at the time.

The base salary for an Ontario MPP is $116,500, a parliamentary assistant makes $133,216 and a cabinet minister earns $165,850.

Ontario MPPs have not had an increase in their base salaries since their wages were frozen at the height of the 2009 recession.

At one time, Ontario MPPs were eligible for "gold-plated" pensions but the current plan is considered quite modest.

Premier-designate Doug Ford said during the election campaign that he intended to fire Hydro One CEO Mayo Schmidt, who's eligible for a golden parachute of $10.7 million if canned by a new Ontario government.

DEPARTING LIBERALS
RE-ELECTED: Kathleen Wynne, Michael Coteau, John Fraser, Michael Gravelle, Mitzie Hunter, Nathalie Des Rosiers and Marie-France Lalonde DEFEATED: Laura Albanese, Granville Anderson, Yvan Baker, Chris Ballard, Lorenzo Berardinetti, Jim Bradley, Bob Chiarelli, Mike Colle, Dipika Damerla, Bob Delaney, Steven Del Duca, Vic Dhillon, Joe Dickson, Han Dong, Kevin Flynn, Ann Hoggarth, Dr. Helena Jaczek, Sophie Kiwala, Jeff Leal, Harinder Malhi, Amrit Mangat, Christina Martins, Bill Mauro, Kathryn McGarry, Eleanor McMahon, Ted McMeekin, Peter Milczyn, Reza Moridi, Indira Naidoo-Harris, Yasir Naqvi, Arthur Potts, Dr. Shafiq Qaadri, Lou Rinaldi, Charles Sousa, Glenn Thibeault, Daiene Vernile, Soo Wong and David Zimmer.
RESIGNED: Michael Chan, Grant Crack, Tracy MacCharles, Brad Duguid, Dr. Erik Hoskins, Monte Kwinter, Dave Levac, Deb Matthews, Glen Murray, Liz Sandals, Mario Sergio, Harinder Takhar

Title: Outlier Ford tapped into future fear; Rise of populism in Ontario election fuelled by economic anxiety: Pollster
Date: June 10th, 2018

Surprise outcomes in elections where Trump, Trudeau and Macron, along with the Brexit and U.K. election votes, were no accident.

According to Canadian pollster Nik Nanos, small numbers are fuelled by economic anxiety rather than a massive populist wave. Outsiders who are anti-establishment and tap into that anxiety are doing much better than traditional politicians.

Nanos, the author of Age of Voter Rage, plans on following up his book with a look at the recent Ontario provincial election and what led Doug Ford to his majority PC government. What were the similarities in Ontario's election versus the U.S., U.K. and other elections held worldwide? "One of the similarities has to do with the overall mood of citizens.

In Ontario, according to our research, about six out of every 10 Ontarians think the next generation will have a lower standard of living than the current generation. People are concerned about paying their bills and getting ahead. We see that in the United States and in the United Kingdom. There's a significant amount of economic anxiety and Doug Ford tapped into that by talking about the CEO of Hydro One and how much they're paid, how expensive electricity and housing is... It's very similar to what Donald Trump has said 'It's hard to get ahead and the system's not working for you and the system needs to be changed'- Doug Ford has a message that Queen's Park has not been working for average citizens, it has been working for the elites and the establishment." What do the results tell you about what the voters are looking for and what Ford needs to do in his term? "He's done really well in suburban Ontario. He did really well in the 905. His particular movement is more than just small community, it's more about the mainstream and middle class and suburban families.

That's one unique thing he brings to the table. A lot of this has to do with his family power base, which is in Etobicoke. What he has to do is take some of his signature promises and make sure he delivers on them. Those would include the leadership of Hydro One, cutting taxes and his efforts to make life a little easier for average Ontarians. Doug Ford is good at communicating in a very direct way that people can understand." What about the millennial vote? "Even a voter turnout of 45% to 50% for millennials is actually above average. In the last provincial election, the voter turnout was only about 51% for everyone, including seniors. Although millennials might not be voting at the same rate as seniors, more did vote in this particular election and Doug Ford still won. From a research perspective, he was not shut out of the millennial vote. There are millennials worried about the future and cost of housing, so those messages cut across all generations."

Earlier this week, Canada's Marketing Research and Intelligence Association issued a statement, saying they were going to bring in accountability measures. Did the pollsters get it right this Ontario election? And will these measures meant to provide public accountability weed out some of the bad polling firms? "The pollsters did a good job. The majority of mainstream pollsters estimated that it was going to be a Ford majority and also estimated the popular vote in their last poll within an acceptable range...the polls that are always seen as being the most accurate are the ones done closest to election day.

I don't think it will (weed out bad pollsters), but I think it will put a higher level of transparency and higher level of accountability on polling firms and on media organizations. I think it's important to have consistent standards in transparency, but we shouldn't confuse someone just being transparent with how they do research with quality. There's no guarantee of quality just because somebody fills out a transparency form."

Was the populist uprising in Ontario any different than other elections worldwide? "We can safely say that there might be some people that believe that Canada is immune to populist politics because we're special, but I don't believe that. (Thursday) night proved populist style politics has landed in Canada in a big way and that it was successful. We're going to see more of that." Should we be afraid of populists? "Some people are afraid of populists because of the unknown, but the reality is Doug Ford will be judged by the job that he does as the premier of Ontario.

"If he does a good job, then more people will not necessarily be afraid of populism. If his government derails for some reason, then he'll be judged as other politicians and some people will point it out as the problem with populism...Ford Nation is on the global radar because of Doug Ford's brother Rob. They took interest in Rob Ford as the mayor of Toronto and they'll probably take interest in his older brother Doug Ford as the premier of Ontario. Whether you like or dislike the Fords, they are a political dynasty."

Title: PREMIER-ELECT!; Ford wins majority with promise to fix Ontario

Date: June 8th, 2018

Doug Ford promised to fix Ontario.

Now the Progressive Conservative Leader, who won a majority Thursday night, faces the monumental task of balancing the books, cutting taxes and not laying anyone off.

"The party with the taxpayers' money is over," Ford said to loud cheers in his victory speech.

Ford described his platform as "modest" but it includes several major commitments - a 20% middle class tax cut, a corporate tax cut, the elimination of the cap-and-trade program, booze in corner stores, 10 cents off a litre of gasoline, the firing of the CEO and board of Hydro One, thousands of new longterm care beds, a rewrite of the controversial sex-ed curriculum and possibly private sales of cannabis.

There's even a promise to allow buck-a-beer.

The PCs rolled over Ontario Thursday night, and were leading in or had won 76 seats with 8,323 polls reporting out of 8,419.

The Tories defied polls that showed they were tied with the NDP in popular support, instead earning about 41% of the vote to the NDP's 34%, the Liberals'20% and the Green Party's 5%.

In 2014, Liberals received 39% of the vote, PCs 31%, NDP 24%, and the Green party 5%.

The blue wave covers most of the 905, the region a party needs to win to gain government, and will include newly elected MPPs Christine Elliott, who placed second to Ford in the PC leadership, Rod Phillips, the former chair of Postmedia Inc. and Caroline Mulroney.

The official opposition will be led by NDP Leader Andrea Horwath's whose party had 39 seats at deadline, the first time it hasn't finished in third place since the Bob Rae government of the early 1990s.

Horwath said she intends to be the voice of the majority of Ontarians who did not vote for cuts to health care or education.

Liberal Leader Kathleen Wynne had a very bad night, winning her own riding of Don Valley West but appearing to lose official party status by holding only 7 seats.

With tears and a wobbly voice, Wynne announced she would be stepping down as leader of her party.

Liberal heavyweights like Finance Minister Charles Sousa, Labour Minister Kevin Flynn, Environment Minister Chris Ballard and Health Minister Helena Jaczek and Economic Development Minister Stephen Del Duca all went down to defeat.

Energy Minister Glenn Thibeault, who left the federal NDP to join the Ontario Liberals, lost to NDP candidate Jamie West.

Green Party Leader Mike Schreiner made history Thursday, winning his party's first seat in the Ontario Legislature by claiming the riding of Guelph.

After his supporters booed both Horwath and Wynne, Ford shook his head and repeatedly told them no.

"We all share in the same goal of a better Ontario," Ford said, hitting a conciliatory note.

The PC leader made a point of mentioning his father Doug Sr., who served in the first term of the Mike Harris government, and his brother Rob, the former mayor of Toronto who died in 2016.

"I know that my brother Rob is looking down from heaven," Ford said. "We owe so much to Rob's legacy."

Toronto Mayor John Tory, who finds himself in the position of working with a premier who until a few months ago was running against him, congratulated Ford.

"His campaign promised to invest in transit expansion in Toronto and our province's mental health system - two important priorities for our City," Tory said, adding that he wanted to acknowledge the work of Wynne as well.

Prime Minister Justin Trudeau, who now has a formidable foe to his carbon pricing plans, tweeted, "Ontarians have voted for change - tonight I spoke with @fordnation to congratulate him on his election as Premier-designate. Looking forward to working together to create jobs & opportunity."

The province jumped to 124 seats this election, from 107, to reflect the growing population, so there will be a lot of new faces in the Ontario Legislature like Gurratan Singh, brother of federal NDP Leader Jagmeet Singh, who won in Brampton East But for this election, it's not just win or lose.

Changes to fundraising rules brought in during the last term of government bans corporate and union donations and puts strict caps on individual contributions to political parties.

To compensate for the loss of fundraising possibilities, parties are eligible for quarterly allowances paid for by taxpayers if they received at least 2% of valid votes cast or 5% of valid votes cast in the electoral districts in which the registered party endorsed a candidate.

The bigger the vote share, the bigger the allowance so this poor showing will seriously hamper the Liberals ability to rebuild.

The province's first female premier ran attack ads on herself, acknowledging she wasn't popular but saying her ideas were.

With just a week to go she took the incredibly rare step of conceding that she hadn't a chance of winning government, and began urging voters to keep the Liberals alive so they could hold an NDP or PC government in check.

Horwath easily ran her most effective campaign, well-organized with clever and effective ads.

However, she had her own challenges when it was revealed that her election platform was improperly costed, several of her candidates had an online history of bizarre and offensive rants, and some of her proposals like a Sanctuary Province would cause administrative and financing headaches.

Ford had to dump candidates including Tanya Allen Granic, despite her support in his leadership win, faced continuous criticism over his refusal to put out a fully costed platform and wrapped up the campaign mired in controversy as his brother's widow hit him with a $15 million-plus lawsuit claiming he had mismanaged the family business and estates

Articles Published in the Toronto Star

Title: No CEO, no Hydro One merger, says U.S. customer group; Organization argues no progress can be made in deal until a new chief executive is hired
Date: Mon Aug 27 2018
Page: B1
Byline: Jennifer Wells
Toronto Star
OPINION

Can you consummate a multibillion-dollar merger in the absence of a CEO? In one word, no.

That's a distillation of the submission made Thursday by the Avista Customer Group to the Idaho Public Utilities Commission.

The customer group, you may recall, has been a burr in the side of Hydro One in its efforts to merge with Avista Corp., the U.S. utility that has operations in Idaho, Washington State, Montana, Alaska and Oregon. Representing an association of ratepayers, taxpayers and concerned citizens, the association, which was granted intervener status by the Idaho commission, remains unconvinced of the benefits of the $5.3-billion (U.S.) merger, and that was before Premier Doug Ford blew up the Hydro One board and bade farewell to CEO Mayo Schmidt. The departed CEO, it's important to recall, was the chief architect of the deal.

Idaho consumers continue to weigh in. Here's an email to the utilities commission earlier this month: "I am appalled that anyone in control would even think of turning over control of our local utility company to a foreign entity!! This makes NO SENSE. Please keep this utility company that provides service for AMERICANS IN AMERICAN CONTROL. Honestly what is this world coming to?"

Honestly, it's process, not emotion, that matters now. The Ford government moved swiftly to recast the Hydro One board, pressured no doubt by a commission order to provide a status update on the utility's governance on Aug. 15.

The new board was announced Aug. 14, but as yet no new chief executive officer has been named. Hydro One's chief financial officer, Paul Dobson, serves as acting CEO. But Dobson arrived at Hydro just this past March, eight months after the merger was announced, and thus was not participant in the takeover's architecture nor its planned financing.

The Avista Customer Group argues that no next steps can be taken until a new board and CEO are in place. The commission seemed to indicate as much a month ago when it postponed a technical hearing that had been scheduled to examine such matters as post-merger service rates. "We find it reasonable to postpone the technical hearing until a new CEO and executive board are in place at Hydro One," the commission said in late July.

But Hydro is operating under government dictate to cut Hydro One salaries, which can't make the courting of a top executive any easier. Who's in charge? is a question any prospective CEO might ask, and U.S. regulators for that matter.

The once powerful Mayo Schmidt testified that the province has no role with the Hydro One board "in the processes of appointment, removal, replacement, and compensation relating to executive officers or over related succession planning."

Other utility commissions have been more accommodating of the urgent desire of Hydro One and Avista to advance the deal to completion, which is not to suggest that the path ahead appears any easier. In early August, Washington's Utilities and Transportation Commission released a new procedural schedule, beginning with supplemental testimony set for early September, followed by rebuttal testimony from the two companies in mid October.

The full evidentiary hearing is scheduled for Oct. 23. Additional evidence and comments from the public are welcome. In other words, this ain't going to end quickly. Noted the commission: "It is unclear how these developments" - read, chaos - "may bear on our ongoing consideration of the proposed transaction."

The Public Utility Commission of Oregon has also set a new hearing schedule, which takes hearings into mid-November, with a commission decision anticipated in mid-December.

Which takes us back to the bun fight in Idaho. Hydro One and Avista complain that the customer group is being obstructionist, stating in a filing that the group "refused to confer with the parties to establish a proposed procedural schedule." After all, the search for a new CEO "may take some time." One can feel the seasons change as one reads that.

There's a slight note of panic in the communication. If Idaho fails to move ahead, getting a transaction sealed this calendar year is at risk. That argument may not play well with the regulators, who must consider whether the merger, which is really a takeover, is in the public interest. (Avista would stand as an indirect subsidiary of its new Hydro One parent.) In a conference call with analysts in mid-August, Paul Dobson set mid-December as the targeted closing date.

In their submission to the Idaho commission, the two utilities manage to make the issue of the CEO sound like an irrelevancy. The summation of their argument goes like this: "Hydro One and Avista submit that the Commission can consider and rule on Hydro One and Avista's merger application prior to the selection of the new Hydro One CEO because the Hydro One board established Hydro One's policies and the strategic direction of Hydro One's management."

We're talking about a board that has been in place for about 10 seconds.

Avista and Hydro One have requested that a new schedule be put in place by Thursday of this week.

Title: Ontario's Great Disrupter hits the cannabis market; Ford has sent investors in pot stocks on wild roller-coaster ride with privatization
Date: Sat Aug 18 2018
Page: B1
Byline: Gordon Pape
ADVICE

As far as investors are concerned, Premier Doug Ford is rapidly emerging as Ontario's great disrupter.

First, he rattled the utilities sector by following through with his campaign promise to fire the CEO and board of directors of Hydro One.

The stock plunged to an all-time low of $18.57 on the day after the announcement was made and continues to trade well below its original issue price.

Now Ford's government has socked the fledgling cannabis sector with the news that the retail sale of legalized recreational marijuana will be entrusted to the private sector and delayed until April.

Some industry experts think it will be even longer than that.

Shares in cannabis companies plunged on the announcement, which had been rumoured weeks before.

Canopy Growth, the largest Canadian producer by market cap, dropped to a low of $32.01 on Tuesday, down 13.5 per cent from the close on Aug. 10.

But what a difference a day makes.

On Wednesday, U.S. beverage alcohol giant Constellation Brands announced it was increasing its investment in Canopy by $5 billion by acquiring 104.5 million shares from the company at $48.60 each. Canopy stock recovered all its recent losses and more, rising over $10 to $42.20.

Such is life for investors in cannabis stocks. It's been a wild roller-coaster ride.

The Canadian Cannabis Composite Index, which tracks the performance of 16 leading producers and distributors, rose from 1,028 at the start of 2017 to a high of 3,465 on Jan. 9 - a gain of 237 per cent just over in two years.

On Tuesday, after the Ontario government announcement, it was down to 2,275, off 34 per cent from its high.

But the Constellation announcement Wednesday propelled it back to 2,563, a gain of almost 13 per cent in a day.

Whether investors have made or lost money in pot depends entirely on timing.

You could have bought Canopy Growth for $8.36 a share a year ago at this time. If you did, you've quintupled your money.

But if you bought at the peak in June, you're still in the red, despite the boost from the Constellation investment.

This volatility is likely to continue for the foreseeable future. No one knows at this point exactly what the new recreational cannabis industry will look like or the size of the potential market. And more surprises are likely before it all shakes out.

Ontario's decision to turn pot sales over to the private sector (the original Liberal plan was to sell recreational marijuana through the LCBO) will almost certainly ignite a rush to acquire desirable retail space, even before licences are handed out.

We have already seen this in Alberta, which announced months ago that pot sales would be privatized.

This is a high-risk gamble for potential distributors because the Ontario plan allows municipalities a one-time opportunity to opt out of allowing cannabis sales in their communities. That could leave would-be retailers on the hook for expensive leases if a large number of cities and towns decide they want nothing to do with weed.

Despite the uncertainty, many people believe it is worth the gamble.

A report by Deloitte released in June said Canadians are expected to spend $7.17 billion on cannabis products in 2019. Legal recreational cannabis would account for up to

$4.34 billion of that, although that figure will probably drop given Ontario's delay. The illegal market won't disappear, but will shrink to $1 billion per year.

The report also found that legalization would probably create a change in the demographics of users with an increasing number of older people trying the drug (aged 35 to 54 versus 18 to 34).

New users will be better educated (university or graduate school education versus high school or college education), less of a risk taker and likely to consume cannabis less frequently (less than once a month versus several times a week).

About two-thirds of customers will buy through bricks-and-mortar stores (a boon for shopping mall owners stuck with huge empty spaces after the shutdown of major tenants such as Target and Sears). One-third will buy online. The Ontario government will hold that monopoly in this province, at least initially, opening an internet outlet when recreational pot sales become legal Oct. 17.

Although there is significant profit potential, only investors who have a high risk tolerance level should put any money here. Rather than focus on a single company, I suggest choosing an ETF such as the Horizons Marijuana Life Sciences Index ETF, which was launched April 2017 and has attracted almost $700 million in assets.

It tracks the North American Marijuana Index, which includes publicly traded companies from across the continent with an emphasis on Canada.

It should not be surprising that the fund's performance reflects the same pattern we have seen in individual stocks. It was issued at $10 per unit, dropped to a low of $8.21 in June of last year and then took off to reach a high of $25.56 Jan. 9. Since then, it has been trading in the $14 to $20 range.

Perhaps that's a bargain, or it could be a falling knife, as investors become more aware of the many unresolved issues.

As one reader pointed out to me, this could be "the opportunity of a lifetime." Constellation Brands seems to think so.

But if you decide to invest, make sure your tummy is strong enough to handle all the ups and downs that lie ahead.

Gordon Pape is editor and publisher of the internet Wealth Builder and Income Investor newsletters.

Title: Time cabinet found its voice; Doug Ford's government
Date: Sat Aug 18 2018
Page: IN10

Premier Doug Ford bragged about the size of the PC caucus this week, noting that the people of Ontario "voiced their opinion on electing 76 members across the province."

After a tumultuous summer sitting of the legislature, a good number of Ontarians must be wondering what happened to 75 of the Progressive Conservatives they sent to Queen's Park two months ago. And, most particularly, the 20 who joined Ford in cabinet.

Because, more days than not, the running of Ontario has seemed to be a one-man show.

Unless, that is, Environment Minister Rod Phillips - a well-respected business and civic leader - really does think that tearing up contracts, including one project $100 million and 10 years in the making, is the right way for the government to do business and attract foreign investment.

And Health Minister Christine Elliott, long a fierce advocate for those with special needs, suddenly believes Ford knows more than health experts on how best to save the lives of drug addicts.

And Municipal Affairs Minister Steve Clark has somehow convinced himself that his constituents in Leeds-Grenville, all the way east of Kingston, really did elect him to slash Toronto's council in half.

As members of Ford's cabinet, these are among the things they have spent their days publicly extolling.

And it's instructive to recall a crucial point during the provincial election campaign where Doug Ford started to look particularly unready to govern Canada's largest province. His steady stream of simplistic slogans in place of answers to Ontario's problems was wearing thin. His refusal to produce a costed platform was raising questions. And scandals in ridings were starting to add up.

That's when the Progressive Conservative campaign machine shifted the focus to the party's star candidates, including Phillips, Elliott and Caroline Mulroney.

The subtext was clear: These were the people who would temper Ford's my-way-or-the-highway bully tendencies that were so evident during his time at Toronto City Hall.

That is, of course, a variation of what people said about U.S. President Donald Trump during his nasty and chaotic campaign, and we've all seen how well that has worked out.

But instead of lifting Ontario beyond Ford's brand of populist measures and chaos creation, his cabinet seems to be trailing behind as he races from one policy file to the next.

He's thrown into turmoil Hydro One and green energy companies; Canada's largest city whose election is now the subject of at least one court proceeding; schools on the issue of sex education; and the lives of the poorest among us who have lost part of a much-needed welfare increase and are bracing for yet more changes.

The Government House Leader Todd Smith summed all this up in a cheery fashion as the legislature adjourned until Sept. 24. "The one thing I learned about our premier over the last couple of weeks is that he loves this place, he loves keeping his promises and he doesn't like to keep people waiting," he said.

Ford has moved fast, especially when it comes to getting rid of people, policies and programs tied to the last Liberal government. Hydro One's CEO and board, Ontario's chief investment officer and chief scientist were all shown the door. Ontario's cap-and-trade program to tackle climate change through pricing carbon, a modern sex education curriculum that raised the ire of social conservatives, a basic income pilot for the poor and a law that would have enhanced police oversight were all tossed aside.

There's been much less on the building side of things. Ford handed the Toronto police chief millions to do with as he sees fit, privatized cannabis sales and launched buck-a-beer.

Now, it is possible that some of Ford's cabinet ministers put their professional lives on hold to run for office because they thought the minimum price of beer was too expensive, by 25 cents. But it's doubtful.

And yet, they have been reduced to touting this policy that breaks just about every conservative principle of government there is. Ford promised it and so they're nodding along like it's a great thing, even though they've had to provide a form of subsidy to beer makers to make it happen on even the smallest of scales.

On beer this hardly matters. But what happens when Ford turns his mind to actually governing Ontario? That means health care, finance and substantive issues in education, social services, justice and the environment.

Will his 20 cabinet ministers and the rest of his caucus simply go along with whatever Ford - and the unelected officials in his office - come up with?

That's certainly what they did with the shocking surprise he delivered to Toronto.

They have vigorously adopted Ford's ridiculous line that they consulted with voters on halving city council, two months into a municipal campaign, because they promised to "reduce the size and cost of government."

It's nothing short of preposterous to claim this provincial election slogan provides a mandate for undermining municipal government. It's an enormous hoax perpetrated by Ford and the "all-stars" in his cabinet are helping to prop it up.

What will it take for these cabinet ministers to find their voice?

As the summer session ended this week, Community and Social Services Minister Lisa MacLeod said: "I don't think that this is necessarily the barometer for the next four years."

She was speaking of the fiery tone of the debate in the legislature. But, hopefully, when they return to the legislature it turns out to mean more than that.

Title: Hydro One given six months to trim pay
Date: Thu Aug 16 2018
Page: A9
Byline: Rob Ferguson
Queen's Park Bureau

The new chair of the board at Hydro One is set to clean house and cut pay in the executive suite following the July ouster of CEO Mayo Schmidt, says Premier Doug Ford.

Ford, who mockingly nicknamed Schmidt the "Six Million Dollar Man" during the spring election campaign, told reporters Wednesday that Hydro One has been given six months to trim "generous pay packages" at the former Crown corporation still owned 47 per cent by Ontario taxpayers.

Leading the new board is interim chair Tom Woods, a veteran investment banker with 37 years at CIBC who rose to chief financial officer and vice-chairman.

"He will recruit a new long-term senior management team for the company, a team that will respect the people of Ontario," Ford said.

The development comes as Hydro One searches for a new chief executive without firm salary guidelines in place. Neither Ford nor Energy Minister Greg Rickford would say how low pay packets should go.

"We are sending a clear message to the entire energy sector that, for our government, respect for the people, respect for the ratepayers comes first," said Rickford.

Critics have warned government meddling in pay levels for a publicly traded company like Hydro One will send a chill through the business community, and make it hard to attract and retain top talent. The company issued the same caution in its latest securities findings.

So far, only one of Schmidt's key team - customer care and corporate affairs executive vice-president Ferio Pugliese, formerly of WestJet - is leaving Hydro One for a new position elsewhere. In 2017, company filings show he was paid a base salary of $525,000 with short-term and long-term incentives boosting his annual compensation to $1.95 million.

His departure was announced Tuesday in a Hydro One conference call with investment industry analysts after the company's new board was appointed and the latest quarterly earnings of $200 million released, up from $117 million in the same period last year.

Under new legislation passed earlier this summer, which came into effect this week, the provincial government retains the power to control board, CEO and senior executive salaries until the end of 2022. Any changes in executive pay at Hydro One require 30 days public notice.

"These measures are practical responses to the excesses that we saw under the previous government," said Rickford.

Ford promised to cut hydro rates 12 per cent but has not yet made a substantial dent in customers' bills.

The uncertainty at Hydro One extends beyond wages as the company's $6.7-billion takeover of U.S. energy firm Avista Corp., which operates in western states and Alaska, remains in limbo amid concerns from regulators about turnover in senior leadership in the Toronto executive suite.

Rickford declined to comment on the hazy future of the deal, which if aborted will result in Hydro One paying a kill fee of $103 million (U.S.).

"There's no space for political commentary," he told reporters, adding the new board will "make responsible business decisions to that end."

Title: Ford savours his summer of love
Date: Thu Aug 16 2018
Page: A8
Byline: Martin Regg Cohn

Doug Ford surely knows that in politics as in matrimony, you only get one summer of love. There are no second honeymoons, no second acts, no second chances.

Not a minute to lose in launching the "shock and awe" approach to his opening season - by declaring open season on everything that went before him. While he still can. Before buyer's remorse and voter's regret sets in.

From his swank new perch in the premier's office, Ford can feel the love today as strongly as he did on election day. As if it were yesterday.

After sweeping to power, Ford quickly summoned MPPs for a rare summer sitting by Ontario's first self-declared "Government for the People."

Now, six weeks later - after countless public boasts of "Promise made, promise kept" - the legislature is taking a delayed summer break from the first wave of shock and awe. And awe and shock.

What has Ford wrought?

Pennies off your gas, pennies off your hydro, pennies off your beer, and a penny for your thoughts about sex education.

Save your pennies, because they come at a cost:

Billions of dollars wiped off the stock market value of provincially held Hydro One, after the premier pressured the board of directors to dump its highly rated (but highly paid) CEO Mayo Schmidt, dubbed the "Six Million Dollar Man," reducing electricity bills by a couple of pennies a month.

The fight against global warming is in the deep freeze after the Tories declared an end to carbon pricing in any form. It pulled out of the cap-and-trade system pioneered by governments in Quebec and California, then promised a pointless court battle against the default federal carbon tax imposed on provinces that evade their responsibilities (Manitoba's PC government concluded there is no legal case). Short-term cash savings for long-term climate fallout?

Buck-a-beer is coming - in theory for the thirsty, even if bucking reality. The old minimum pricing scheme designed to deter overconsumption may seem like outdated social engineering, but that decade-old price point is even more outdated. Most brewers, especially quality craft brewers, aren't biting - leaving Ford in the absurd position of bribing them with LCBO incentives that come at a cost. Drinkers might save a few pennies, while brewers profit from incentives at the expense of general revenues.

Not so sweet a deal.

The LCBO's dollar-a-year chair, former TD Bank chief Ed Clark - who advised the last Liberal government on how to break up the Beer Store's stranglehold - is now out. His strategy of maximizing government revenues with limited beer and wine licences for supermarkets, and LCBO-style retail outlets for cannabis, have been repudiated by Ford as he shifts to more private sector distribution.

While forcing out the so-called "Six Million Dollar Man" at Hydro One, he has lost out on the dollar-a-year man at the LCBO.

Ford's government has banned any new emergency overdose-prevention sites as he demands more evidence they work. Is he truly oblivious to data showing lives have been saved in Toronto amid an opioid epidemic that has killed thousands across the province in recent years? Ford stoutly refuses to call opioid addiction a "crisis," while earnestly promising to "do everything in our power to get people off drugs."

At a Wednesday news conference, he still wouldn't commit to following expert advice on the issue.

Promise not made.

Without warning, the government halved scheduled increases in welfare rates, dialed down planned hikes in mental health spending, and meddled in Toronto's October municipal vote by redrawing the electoral map in midcampaign. Ignoring an explicit campaign pledge, it abruptly cancelled a pilot income program for the poor.

Promise made, promise broken. Or perhaps Ford's "Government for the People" just isn't for poor people?

Cheap beer, widespread weed, drug overdose sites frozen, and a sex-education curriculum suspended until further notice, creating chaos among school boards as teachers rebel against reverting to a 1998 version.

What could go wrong?

Perhaps consultations only count if they help counter something Ford wants stopped, like sex-ed updates. But when challenged to hold a referendum on his municipal meddling, Ford ducked.

Don't blame the premier. More people voted PC than for any other party, so under our system Ford claims a mandate from the people.

As premier, he is merely giving voters what they asked for, and signed up for - even if not quite what they bargained on in that first summer of love.

Title: Hydro One names new board of directors after resignations; Interim CEO says board will remain 'fully independent' of the Ontario government
Date: Wed Aug 15 2018
Page: B1
Byline: Shawn Jeffords
The Canadian Press

A new board of directors is in place at Hydro One just over a month after the partially privatized utility's chief executive and entire board resigned amid pressure from Ontario's Progressive Conservative government.

Ten new directors were named Tuesday as replacements for the company's previous 14-member board. Former CIBC executive Tom Woods will serve as the interim board chair until the position can be filled permanently.

"This highly-qualified board has strong governance and industry experience and brings with them significant electricity, business and capital markets expertise," acting chief executive officer Paul Dobson said in a statement. "Their oversight will help us to build on the positive momentum the company has achieved since being privatized in 2015."

During a conference call with shareholders, Dobson stressed the board will remain "fully independent" from the government and will begin work with the management team to find a new CEO. The board will also begin to examine executive compensation, he said.

Former CEO Mayo Schmidt retired and the utility's board resigned abruptly in July after reaching an agreement with the new Tory government.

Schmidt had become a lightening rod for resentment over rising electricity rates during the spring election campaign. Premier Doug Ford had labelled the CEO "the six-million-dollar man" and promised to fire the executive if elected.

After reaching the agreement that saw Schmidt leave the utility, Ford declared that he'd made good on his pledge.

"The CEO of hydro is gone," Ford said at the time. "The board is gone. We're turning the page when it comes to hydro rates."

Under the deal reached with the Tories, Schmidt was not entitled to the $10.7 million severance he would have been entitled to if he'd been removed by the board, and instead received a $400,000 lump sum payment in lieu of all postretirement benefits. The Opposition noted, however, that Schmidt qualified for incentives and stock options worth at least $9 million upon retirement.

Ford spokesman Simon Jefferies said Tuesday that the new board at the utility marked progress in the government's plan on the hydro file.

"Renewed leadership at Hydro One is an important first-step towards making hydro rates more affordable for families and job-creators," he said in a statement.

Ford has promised to slash hydro rates by a further 12 per cent but has yet to move on policy to implement the reduction.

The Tories have, however, passed omnibus legislation that in part grants the government authority to approve executive compensation at Hydro One.

The bill requires the Hydro One board of directors to establish a new compensation framework for the CEO and board of directors in consultation with the province and the partially privatized utility's five largest shareholders.

Hydro One was partially privatized in November 2015, and by December 2017 the province had sold off 53 per cent of its stake.

In addition to Woods, the Province of Ontario, Hydro One's largest shareholder, named lawyer Cherie Brant, former OMERS executive Blair Cowper-Smith and former BMO executive Russel Robertson to the board.

The six directors nominated by Hydro One's ad hoc nominating committee are former Weyerhaeuser executive Anne Giardini, former New Brunswick Power chief executive David Hay, Alignvest Capital Management managing partner Timothy Hodgson, Canada Post interim chief executive Jessica McDonald, former Sappi Fine Papers chief executive William Sheffield and Melissa Sonberg, executive-in-residence at McGill University's Desautel Faculty of Management.

Title: Ford's summer agenda proving critics wrong
Date: Sun Aug 12 2018
Page: A17
Byline: Jaime Watt
OPINION

When political parties, who have spent years wandering aimlessly in the wilderness of opposition, eventually come to power, they are often counselled by their new advisers to pause and take a moment to catch their breath.

This advice is offered not just with the best of intentions, but for good reason as well: campaigns are stressful affairs that drain resources and exhaust staff. And then the transition of power - a cumbersome and inelegant process - starts. Choosing a cabinet. Hiring staff. Reconciling the promises of a platform with the realities of government - all while trying to find the bathroom - takes time, effort and attention to detail. The reality is that getting a government fully up and running takes months. That's why it isn't difficult to understand when newly elected parties opt for the easier and safer route of taking their time to establish their footing before surging onwards.

As they have already done with so many conventional approaches, Doug Ford's Progressive Conservatives have opted not to follow that familiar path.

Shortly after their election, the government announced it would bring the legislature back this summer to tackle its immediate priorities. The move was greeted with mixed reviews, to say the least. Proponents argued that a short session would act as a proof point of directional and philosophical change from the previous government.

Critics, on the other hand, argued the platform on which the PCs were elected was light on detail and provided little guidance in the form of a legislative road map. They cautioned that the opposition knew their way around the house better than a neophyte government would, that traps would abound - that it would be a government that was ungrounded and would be error-filled. A general consensus seemed to emerge: after the whirlwind leadership change and a frantic election, a Ford government would be far too rickety to provide many meaningful changes during a summer session. But there turned out to be a problem with that analysis: its foundation.

Ford has carried his campaign for premier, which was driven, focused and on-message, into his government - a government with action as its hallmark.

To the astonishment of many seasoned observers, the new government, which had been told over and over in the lead-up to election day that many of its policies were unrealistic or downright unachievable, proved conventional wisdom wrong.

Firing the Hydro One CEO and board without a massive severance. Reducing the price of beer to a buck. Closing green energy plans without a lawsuit. All not only accomplished, but accomplished with uncommon speed - after all, just weeks have passed since the election.

Instead of the clumsy, disorganized government that common wisdom said it would be, it has demonstrated itself to be a deft and capable one that is far more at home with the machinery of government that might have first been obvious.

Much of this is due to the abilities of the people the new premier has recruited to join his administration. Without a government at Queen's Park for 15 years, and with a federal government held by the Trudeau Liberals, many experienced conservatives were available to move to a new home.

That is particularly reflected in the premier's own office. Dean French, his chief of staff and closest confidant, is familiar with the wheels of power and understands well how to adjust them to ensure a Fordian view of government is delivered. Jenni Byrne, his principal secretary familiar to many, is a flawless executor of policy initiatives, with an intuitive sense of the values of Ford coalition voters.

But, in the end much of it comes down to the boss himself, a leader who is demonstrating himself to be a disciplined and capable premier.

It has been three months, and this is a government proving itself to be one to be reckoned with - one that is smart, with its finger not just on the pulse of the electorate but also on the levers of power. Stakeholders beware - this government is one that will go down in the books, and not for its inadequacies.

Jaime Watt is the executive chairman of Navigator Ltd. and a Conservative strategist. He is a freelance contributor for the Star.

Title: Ford's risky shortcuts; Ontario investment
Date: Fri Jul 27 2018
Page: A16

Ah, the omnibus bill. It's a majority government's expedient way of rushing through a hodgepodge of new laws without taking time for proper debate.

In Ontario, Premier Doug Ford used this convenient tactic to cancel a multimillion-dollar wind-power project, while at the same time bringing "accountability" to Hydro One and, as a final flourish, send striking York University teachers back to class.

These disparate plans are rolled into one new law, called Bill 2: Urgent Priorities Act. While the government was right to end the months-long strike and allow York students to get back to their studies, its hasty meddling in the operations of two large businesses risks future investment in Ontario.

The problem with the omnibus bill is that democracy does not have its day. If Ford's priorities were formed on the campaign trail, they were passed into law in the legislature without committee hearings that inevitably include pointed questions from opposition MPPs, stakeholders and the public.

Without those pesky consultations, requiring detailed research and thoughtful answers, decisions are made absent a broader, reasoned perspective. That's never a good plan for governing, or for business.

Already, critics are warning that two items in the Urgent Priorities Act will harm Ontario's global investment reputation.

The act allows Ford to cancel the unpopular White Pines Wind Project in Prince Edward County and also to demand "accountability" for Hydro One governance, leading to the sudden retirement of its CEO and resignation of its board of directors. Business analysts say the mass resignations have delayed Hydro One's $3.4-billion acquisition of U.S. power supplier Avista Corp.

This kind of political meddling is rightly seen as unsettling to investors, who seek stability. It also undermines Ford's mantra, "Ontario is open for business."

As New Democrat MPP Gilles Bisson said in the legislature this week, the government "is really setting up a weird situation here: a Conservative government is telling the business community in Ontario and outside of this province that we are no longer a stable jurisdiction to do business in." It is peculiar.

The problem lies in the act's blunt approach.

It's clear that wind turbines are not welcomed by many Ontarians, including those in Prince Edward County, where the White Pines Wind Farm is located. It wasn't just Tanya Granic Allen, the one-time Tory leadership candidate who supported Ford for the PC leadership, who wanted to "rip them out of the ground."

White Pines is owned by a German company that has invested, by its estimate, $100 million in the project. It has been operating in Ontario, with government approval, for 10 years and was close to completion. Now it's dead and the Urgent Priorities Act has declared that the company cannot file legal action against the government, while at the same time placing limits on compensation for direct expenses.

Who would want to do business in a province that writes legislation like that?

As the Star's Jennifer Wells writes, a letter to Ford from White Pines CEO Harmut Brosamle was both genteel and incredulous.

"A new elected government has any right to pursue a different energy policy," Brosamle wrote. "That is a fundamental principle of democracy. But do you think, dear Premier, that it is fair and equitable that a project right before completion is now being ruined retroactively and that our company is suffering serious damage through no fault of its own? Your reconsideration would be greatly appreciated."

Germany's ambassador to Canada, Sabine Sparwasser, was not impressed.

"That," Sparwasser said, "is not a good story to tell."

Indeed.

Given Hydro One's enforced leadership uncertainty and the flat-out cancellation of the White Pines project, Ontario is now a cautionary tale.

These intrusions should be anathema to a Progressive Conservative government - unless it thrives on negative attention.

Title: Cancellation will hurt Ontario's reputation; Wind company highlights how bad quitting deal looks on province
Date: Wed Jul 25 2018
Page: B1
Byline: Jennifer Wells
Toronto Star
OPINION

The mixed bag that is Bill 2, currently making its way through the legislature, aims to make Hydro One accountable (again), get York University students back to school (again) and drive a stake through the White Pines Wind Project in Prince Edward County.

It is the latter schedule, the White Pines Wind Project Termination Act, that drew Germany's ambassador to Canada, Sabine Sparwasser, into media interviews Monday, offering a big-picture take on the implications of the project's cancellation.

"I've been involved in numerous activities where we say, 'Come to Canada, this is a very good place to do business,'" Sparwasser said in an interview with the Star.

You know where this is going. That sentence is like one of those narrative cliffhangers where the action pivots and you anticipate that, bam, events are not going to unfold as originally predicted.

"We're trying to enhance direct investment, and in that context it is not good news if you have a case where a project by a German company that has been here for the last 10 years and a project that's close to completion and that has respected all the regulation and has produced all the licences required, is suddenly or is in the process of being suddenly unilaterally cancelled and basically dismantled."

The swift cancellation of the nine-turbine wind farm is an obvious blow to WPD AG, the German parent to White Pines and a company with a two-decades-plus history in offshore and onshore wind projects, extending now into 18 countries and more than 2,000 turbines.

In May, the company, which promotes the merits of wind energy as "a future worth living," dispelled rumours of a $1-billion (U.S.) sale for all or part of the business. That same month, Ontario's Independent Electricity System Operator issued a Notice to Proceed to White Pines based on the company's satisfying certain prerequisites, including regulatory approvals, a completed financing plan and documentation related to impact assessments.

The ordered demise of White Pines is an obvious win for the legion of protesters who have spent years fighting the downscaled project - the original plan was for 27 turbines - which was scheduled to go into operation this fall. Prince Edward County keeps the company of close to 100 municipalities and counties that declared themselves unwilling hosts for industrial turbines, a reminder of the deeply unpopular rural stance to the pro-wind power initiatives of the deceased Liberal government. Anti-turbine forces are jubilant, or would be were it not for the ongoing construction of the project, pending passage of the legislation. Four of the turbines are up. The supporting infrastructure is largely in place. Construction continues. If the German parent saw an opportunity to intervene in a swift and firm way, it wasn't immediately obvious. CEO Harmut Brosamle sent a letter to Premier Doug Ford that managed to sound both strangely courtly and to make Ford sound like a newly sprung Kim Jong Il.

"A new elected government has any right to pursue a different energy policy. That is a fundamental principle of democracy," Brosamle wrote. "But do you think, dear Premier, that it is fair and equitable that a project right before completion is now being ruined retroactively and that our company is suffering serious damage through no fault of its own? Your reconsideration would be greatly appreciated."

So it has fallen to Ambassador Sparwasser to advance the broader trade argument. "We're living in a very uncertain world in terms of world trade policy," she says. "Germany and Canada and the EU and Canada are very like-minded partners. We have concluded the most progressive, comprehensive economic and trade agreement. We do want to do more business. We do want to do more in trade co-operation."

And direct investment? "We're all trying to enhance the good relationship and more co-operation and more direct investment, and in that context a story where investors actually who have invested in good faith and have fulfilled all the obligations but find themselves in a really, really difficult position and their project is basically cancelled on the spot.

"That," Sparwasser concludes, "is not a good story to tell." Nor does the closing chapter scan well. Bill 2 bars any action for compensation or damages, and limits compensation to a proscribed formula that takes into account direct expenses incurred (construction, employee termination, etc.) along with decommissioning costs associated with leaving the lands in a "clean and safe condition."

Eight years ago, White Pines obtained a FIT (feed-in tariff) contract, the program that was supposed to position Ontario as a North American leader in clean energy. The company now estimates its potential loss as something in the area of $100 million.

Bay of Quinte MPP and Government House Leader Todd Smith, who promised during the provincial election to see the project through to cancellation, offered White Pines this tip in the Picton Gazette last week: "The best advice for the company is to honour the will of the government standing up for the will of the people."

Go quietly, in other words. White Pines has chosen a different path, highlighting how poorly this reflects upon Ontario's open-for-business mantra. In this the company is right.

Title: Who will benefit from Hydro One merger with Avista Corp.?; There is no indication customers on either end of the $5.3-billion deal will be better off
Date: Mon Jul 23 2018
Page: B1
Byline: Jennifer Wells
Toronto Star
OPINION

A helpful précis of developing events for Premier Doug Ford. I am nothing if not helpful.

That hearing scheduled for Monday in Boise? You know, the technical hearing scheduled to further examine the proposed $5.3-billion (U.S.) merger between Avista Corp. and Hydro One Ltd.?

Cancelled.

The Idaho Public Utilities Commission (PUC) is as confused as we are about the future path for Hydro One.

The PUC, in a brief release, says it awaits clear signals subsequent to "the unexpected and simultaneous July 11 retirement of Hydro One's chief executive officer and the resignation of the board of directors of the Toronto-based company."

Join the club.

The hearing, "intended as a forum for the parties to the case to address concerns and issues raised in public comments and testimony provided to Commission," has not been rescheduled.

Will a new board be in place by the time of the proposed closing of the merger Aug. 15? Who knows? I wonder if potential Hydro One board appointees have any idea what they would be getting into.

Last Thursday, the same day the commission cancelled the hearing, it granted intervener status to the Avista Customer Group, an association of ratepayers, taxpayers and concerned citizens. The group argues that the proposed takeover, as submitted, fails to meet the required standard of serving the public interest and is deficient in itemizing how Avista's customers will not be impacted as a result of cost or rate increases.

"We see the costs of the actual merger itself, attorney's fees, what I would call the closing costs," says Norman Semanko, the Boise-based lawyer who filed the petition on the group's behalf.

We can see, by example, that Bank of America Merrill Lynch, financial adviser to Avista, is in line for $28 million for its work on the transaction. Close to $10 million of that, it would appear, has already been paid out.

Where are Avista customers in the transaction? "This is critical," Semanko points out in an interview. "The burden is on the applicant to show there won't be an increase in costs or rates to Avista and its customers. And we're not just talking immediate costs. We're talking costs over time."

What are the promised benefits of scale? Avista customers can draw little comfort from the testimony of CEO Scott Morris before the commission.

"These benefits of scale will not occur in the near-term following the closing of the transaction," Morris testified. "But some are expected over the long-term. After all approvals are received and the companies merge, both companies will work together to identify, evaluate and execute on opportunities to reduce costs for both companies through, among other things, the sharing of technology, best practices and business processes."

This vague seeking-efficiencies exercise, to be commenced only after the completion of the merger, will bring unknown cost savings, Morris promised. Those savings "will be flowed through to customers in future general rate cases."

Now that doesn't sound like a $5.3-billion deal, does it?

And as Semanko says, it doesn't answer the central question: "Will Avista customers be better off or worse off after the merger?"

Scott Morris will be better off: he gets to cash out $5.8 million in performance awards upon the completion of the merger. He will remain CEO of Avista as it assumes its new status as an indirect, wholly-owned Hydro One subsidiary.

There are governance provisions in the deal that dictate board composition, "safeguards" to protect Avista employees and guarantees that compensation will be determined by the Avista board.

Here's another number: should the merger fail, Hydro One will be on the hook for a $103-million termination fee.

Let's say the takeover proceeds. Can the premier specifically quantify the advantage for Hydro One customers?

Another tidbit for the premier and surely confused potential board members: On Thursday, the PUC granted intervener status to the Idaho Department of Water Resources. The IDWR sought to intervene, it stated in its petition, "to make the Commission aware of IDWR's concerns with the proposed merger and its potential impact on Avista's historic hydropower operations."

That reads like standard procedure. And yet, two weeks ago, Hydro One and Avista filed a motion in opposition to the IDWR's intervention, arguing that the issue of water and water rights had already been addressed.

This is hardly appropriate comportment for a company 47 per cent owned by the province of Ontario.

All of this is perhaps headache inducing for the premier. Sympathies. Perhaps he now realizes that a redo of the Hydro One board - the government acts with alacrity! - is only the beginning.

What happens next? As Norman Semanko notes, "At this point there's no hearing, no hearing scheduled, there's no definite plan about when and how this process is going to move forward."

The PUC offers that once new leadership is in place it expects the parties "to propose a new procedural timeline for the case." Aug. 15 is little more than three weeks away. The premier better get cracking.

Title: Exceeding expectations, lowering the bar
Date: Thu Jul 19 2018
Page: A10
Byline: Martin Regg Cohn
OPINION

Whatever it is he's doing, Doug Ford is getting good at it.

While his honeymoon endures, the premier of the right can do no wrong: In the first post-election poll published in the Toronto Star, a majority of voters remain strongly supportive of the new premier's style.

Give Ford credit - he's not a do-nothing premier, and he's doing what he said he'd do: Disrupting our politics, dismantling old programs, disrespecting his critics in the Legislature.

So far so good, for better or for worse.

As promised, he has sidelined the overpaid top leadership of Hydro One in order to save ratepayers a couple of pennies on their bill, at the expense of spooking investors. He has killed cap and trade to save motorists a few pennies at the pump, at the cost of environmental protection. And he has cancelled the updated sex education curriculum, offering socially conservative parents a proverbial penny for their online thoughts on sexuality.

Ford is delivering on an ambitious, contentious agenda, and there's no stopping him. As the premier boasts at every opportunity, "Promise made, promise kept!"

During this week's debut in the Legislature's daily question period, he stood his ground, staring down and putting down the NDP opposition while lobbing a rhetorical bomb with aplomb. "We support our police, unlike the Leader of the Opposition and unlike their party that are police-haters, military-haters, veteran-haters, poppy-haters," Ford scowled as his backbenchers howled.

Speaker Ted Arnott ordered him to withdraw those unparliamentary taunts against NDP Leader Andrea Horwath. Arnott also admonished PC backbenchers to stop rising reflexively for standing ovations every time their premier spoke.

But in his first few weeks on the job, Ford has set out to prove he's no pushover, and that he won't be easily pushed off his agenda. Despite his legislative inexperience, the premier has exceeded expectations while lowering the bar.

Whither the opposition? It is literally surrounded by the overflow of elected Progressive Conservatives who spill over onto both sides of the house, interspersed between the NDP, Liberal and Green MPPs.

While Horwath's New Democrats are basking in their promotion to the Official Opposition role, the realization is slowly sinking in: even with an impressive 40 seats, they have little strength when they are so badly outnumbered by 76 Tories.

No matter how much the NDP is chuffed, they have huffed and puffed to little avail. Meanwhile, the loss of official party status for the Liberals means they barely get one question a day, resulting in PC backbenchers - who ask softball questions of their own government - eating up almost as much time as the opposition.

Yet for all his undisguised hostility to Horwath, and his barely concealed paranoia around the media, the premier gives the impression of a politician trying to remake himself as a kinder, gentler embodiment of Ford Nation. He still distances himself from reporters - retreating behind a rope barrier to keep questioners five metres away - but Ford is now on his best behaviour in public settings, methodically thanking journalists for each question (until, that is, his staff decree an early end to news conferences, clapping loudly to drown out further questions).

It is as if Ford is summoning his inner Dale Carnegie to the fore. A disciple of the famous self-help guru, as a young man the premier devoured his seminal book, How to Win Friends and Influence People.

He then went on to win elections and influence voters.

One of the book's biggest exhortations is to "smile" - a look Ford now flashes frequently at Queen's Park, appearing earnest to some, eerie to others. But can he remain faithful to Carnegie's other prescriptions for the successful salesman?

The book famously promises to "increase your popularity ... help you to win people to your way of thinking ... increase your influence, your prestige, your ability to get things done ... make you a better salesman ... make you a better speaker."

But there are bits in the book that Ford has forgotten, such as, "The only way to get the best of an argument is to avoid it ... show respect for the other person's opinions." The table of contents begins with, "Be a Leader: How to Change People Without Giving Offence or Arousing Resentment."

Of course, that wasn't quite the premier's playbook during the election campaign. Offending opponents and stoking resentments seemed persuasive, as when Ford cast himself as a tax-fighter who would sideline those "insiders (who) got rich off of your money."

He knew how to side with the little guy, understanding their fears, frustrations and fulminations, precisely as Carnegie prescribed. "If you know what people want and can show them that they will get it by following your proposals, success is yours," the book promises.

Promise made. Promise kept.

Title: Dangerous mixed signals; Sex education
Date: Wed Jul 18 2018
Page: A12

In their first weeks in power, Premier Doug Ford's Progressive Conservatives have stuck to a simple road map: We'll do what we said we'd do.

And hope taxpayers don't notice when the results don't match the rhetoric.

So, Hydro One CEO Mayo Schmidt was shown the door. Never mind that his forced retirement with stock options turned the somehow unacceptable "$6 million man" into something closer to a $9 million man.

And they cancelled hundreds of renewable energy contracts without explaining - or seemingly knowing themselves - what potential costs the government (and therefore taxpayers) may face for ripping up those contracts.

But when it comes to sex education in schools the new government seems to have hit a bump in their road.

Ford came to power with a promise to his social conservative supporters that he'd scrap the sex-ed curriculum introduced by the Liberal government in 2015 and return to the previous curriculum while they contemplate a new one.

Those old lesson plans, though, have little to do with the realities faced by today's students, and it's been left up to the new , to square that circle.

Instead, she's just made a bigger mess with the start of school just over six weeks away.

Thompson began her tenure by repeating Ford's election line: Out with the new and back in with the old - two decades old - curriculum.

Then, on Monday, she started waffling and suggested some parts of the current syllabus would remain to prepare children for the "realities of 2018."

"We know they need to learn about consent," Thompson said. "We know they need to learn about cyber safety, we know they need to learn about gender identity and appreciation."

Then, four hours later, she changed her mind again. And, in a statement, she said the 1998 curriculum "leaves ample space to discuss current social issues."

No, it doesn't. How could it?

It was written before same-sex marriage was legal. And the internet was such a new thing that people still explained that "www" stood for world wide web. It was before Google and social media sites such as Facebook and Instagram even existed. Cyberbullying wasn't a problem, and sexting wasn't even a word.

That's the world parents grew up in, not the world students live in today and need to learn to navigate safely.

All Thompson has done with her ridiculous claim that the old curriculum can somehow magically expand to handle current realities is put teachers in a no-win situation come September.

In the absence of the clear lesson plans that teachers have now, it will seemingly be up to their personal judgment to decide what to say about important concepts such as consent, gender identity and cyber safety.

Ford backed up his minister's nonsensical position on Tuesday insisting teachers would have some "flexibility."

And what happens to those teachers when socially conservative parents raises a ruckus over what their child learned in school? Or an LGBTQ family does?

What this really means is that what kids learn in class, and when they learn it, will largely be up to the opinions and abilities of individual teachers - and the prevailing views of the most active parent groups in each school.

That's no way to run a public school system or educate and protect children.

Some may get quality information, while others may not. That leaves all children more vulnerable.

Ford and his ministers may be able to get away with a sleight of hand when it comes to policies involving millions and billions of taxpayer dollars. It's hard, after all, for the average person to grasp such enormous sums. But that's not the case for parents and what their kids learn - or don't learn - in school.

Thompson's first intervention on the education file has created a mess. It's one she must fix before school starts.

Title: Boralex, Invenergy Ontario clean-power projects hit by Ford; Premier releases list of contracts to discontinue as part of end to cap-and-trade
Date: Tue Jul 17 2018
Page: B1
Byline: Kevin Orland and Brian Eckhouse

Bloomberg

Renewable-power contracts from Boralex Inc. and Invenergy LLC are among those targeted for cancellation by Ontario Premier Doug Ford, who's working to terminate or wind down more than 750 contracts in a revamp of the province's energy policies.

The list of contracts in Ford's crosshairs, released on Friday, includes one with the 50-megawatt Otter Creek Wind Farm in western Ontario, which is being developed in a partnership between Montreal-based Boralex and RES Canada.

Also targeted is the proposed Strong Breeze Wind Project near Lake Erie, a 57.5-megawatt wind farm being developed by Invenergy, a closely held firm based in Chicago.

Ford's move to make good on a campaign promise to terminate the projects - which his energy minister says will save customers in the Canadian province $790 million - sent shares of clean-energy companies tumbling on Friday.

Some analysts and executives, however, have raised doubts about whether courts would allow the government to break the contracts, signalling the possibility of a protracted conflict over the issue.

"There's not a case for them to unilaterally abrogate the contracts," said Northland Power Inc. chief financial officer Paul Bradley, whose Toronto-based company owns solar and wind farms in the province.

Bradley said he's "categorically not worried about losing the value of our contracts."

Boralex is "extremely disappointed" by the move but hasn't yet decided whether to appeal it, Julie Lajoye, a spokesperson for the company, said in an emailed statement.

Otter Creek would have generated 150 jobs during the construction period and contributed to local restaurants, lodging and other services, the company said.

"We are committed to bringing safe, reliable and affordable renewable power and hope to work with the government to look at how we can continue to advance that goal," chief executive officer Patrick Lemaire said in the statement.

Invenergy spokesperson Beth Conley said in an email that the company is declining to comment since it is still evaluating the situation.

Among the companies whose stocks declined on Friday were San Francisco-based Pattern Energy Group Inc., which slipped 8.4 per cent, the most intraday since the day after Donald Trump's election in 2016. Boralex fell 2.7 per cent, and TerraForm Power Inc., a Brookfield Asset Management Inc.-backed clean-power owner, fell 2.1 per cent.

National Bank Financial analyst Rupert Merer said Pattern's tumble was overblown, that precedents in Ontario are clear and "a contract is a contract."

The provincial government was more likely to successfully stop future renewable-energy construction, he said.

The contract-cancellation plan came after Ford, who took office June 29, fulfilled a vow to shake up the executive team of utility Hydro One Ltd., sending shares plummeting Thursday by the most since the company went public three years ago.

Clean-energy developers have flocked to Ontario, thanks in part to government incentives to spur wind and solar projects.

But Ford, who plans to unwind the province's cap-and-trade program, has vowed to scrap those subsidies as part of a broader effort to bring down electricity prices. He's also pledged to renegotiate electricity contracts.

Title: Ford misled on Hydro One
Date: Sun Jul 15 2018
Page: A16

Premier Doug Ford may not have outright lied this week about the cost of fulfilling his election promise to get rid of Hydro One CEO Mayo Schmidt.

But he certainly grossly misled taxpayers when he crowed that the payout to Schmidt for stepping down "was zero ... absolutely zero."

In fact, Schmidt is likely to end up with an amount closer to $9 million, mostly in stock options, not the mere $400,000 that Ford claimed he received as a retirement severance payment.

And that doesn't include the $4.9 million that the 14 members of the Hydro One board who resigned, apparently under threat of having their contracts ripped up, reportedly stand to collect.

None of this lives up to Ford's promises in Thursday's Throne Speech to "rebuild trust between the people and their government." Nor does cooking "up a deal behind closed doors," as NDP Leader Andrea Horwath put it, create the transparency expected of any democratic government.

There are many other costs to Ford's actions, other than the financial payouts to the departing CEO and board members.

For one, shares in Hydro One - still owned 47 per cent by Ontario taxpayers - closed down more than 3 per cent on Thursday as the markets delivered their verdict on the government's meddling in a supposedly privatized corporation.

That will lower the dividend paid to all shareholders (including the government) and make it that much more difficult for Ford to keep his election campaign promise to shave 12 per cent off ratepayers' monthly electricity costs.

Nor will getting rid of Schmidt and the board truly save consumers money. Executive salaries at Hydro One account for just pennies on monthly bills.

In fact, the bullying tactics Ford used to get rid of Schmidt and the Hydro One board could actually cost Ontarians by throwing a wrench into the company's future profitability and ability to grow.

Schmidt was actually doing a good job on both those fronts. Indeed, Hydro One's profit in the first quarter of this year hit $222 million, up an impressive 33 per cent over the previous year.

The political manipulation of the company will also make it harder to attract new top leadership at Hydro One. The cavalier way Schmidt was treated is bound to discourage potential replacements. And the company needs a top-calibre professional leader, not a political hack willing to serve as the premier's errand boy.

Nor is it clear how Ford will live up to his promise of bringing in a new CEO at a much reduced salary, since analysts say Schmidt's compensation package of $6.2 million last year was not out of line with pay for chief executives at similar-sized companies.

Further, critics are saying the turmoil could further hamper the company's growth by deep-sixing Hydro One's planned $6.7-billion takeover of U.S. utility Avista Corp.

Nor will Ford's actions inspire trust that Ontario is a good place to do business. "If I was somebody wanting to invest in Ontario, I'd be thinking twice today," Horwath said on Thursday.

There's no question Ford tapped into voter anger over ever-increasing electricity rates when he vowed to get rid of Schmidt, the so-called "$6-million man."

But the truth is, it wasn't Schmidt's earnings that caused the dramatic spike in electricity prices in recent years.

What really jacked up them up was the Liberal government's $35-billion investment since 2003 in rebuilding the province's electricity system after years of neglect under previous governments.

Rates rose further due to the closing of coal plants and investment in more expensive clean energy. All that may have cost ratepayers more, but it paid off by ending the costly blackouts and brownouts of the past and ending the smog from coal-fired plants.

Ford fooled voters when he implied that Ontarians would enjoy reduced electricity rates with the firing of one man. And he still hasn't spelled out a real plan to make the system work better.

Instead, he has introduced a whole new element of political uncertainty into Ontario's energy equation. This isn't a good start.

Title: Hydro One chaos sure to cause jitters over U.S. mega deal; Tossing its CEO and board likely won't help utility's already contentious takeover of Avista
Date: Sat Jul 14 2018
Page: B1
Byline: Jennifer Wells
Toronto Star
OPINION

Fun quiz - name the speaker:

"Hydro One is not any more vulnerable to political change than any other investor-owned utility in Canada, or the United States for that matter."

Or: "The province does not have a role with the Hydro One Board in the processes of appointment, removal, replacement and compensation related to executive officers or over related succession planning."

Or how about: "The province cannot interfere in the management or operations of Hydro One."

If you guessed Mayo Schmidt, you will understand the mess of confusion in Boise and Spokane and Coeur d'Alene and, heck, a vast swath of the Pacific Northwest now that the CEO of Hydro One is out the door, the board of directors has been tossed, and yet another government in power is promising a new era of accountability and transparency at the utility.

Heard that before? Of course you have.

Bonus points if you guessed that Schmidt offered those quotes in what was meant to be reassuring testimony in April before the Washington Utilities and Transportation Commission.

So yes, as Premier Doug Ford chest thumps over the departure of Schmidt and the board from Hydro One, this column turns its attention yet again south of the border where Hydro One's acquisition of Avista Corp. had, by mid-June, become even more contentious than it was when we last wrote about it in May.

A technical hearing, previously deemed unnecessary and vacated by the Idaho Public Utilities Commission, has been scheduled for later this month. Heated public hearings in Coeur d'Alene and Sandpoint in mid-June saw a robust turnout of disaffected members of the public opposed to the takeover.

Hundreds of complaints - 400 at last count - have been received by the commission. A customer group has been launched and seeks intervener status. "Help us do battle against this foreign takeover!" is the rallying cry of ratepayers.

In petitioning for status before the commission, the group argues that Hydro One has failed to provide sufficient information as to how costs will be allocated to Avista customers, without which the commission can't possibly determine that there will be no cost-of-service increases to consumers, as has been promised.

All this was before events of this week when Ford, in his baby Trump way, tossed a grenade into the Hydro sandbox and then moved quickly to create wreckage elsewhere.

Remember that the partial privatization gambit for Hydro was to refashion the utility as an integrated transmission and distribution business now in big boy pants, guided by Ed Clark's advisory council on government assets. "Make Ontario's assets work better for consumers and taxpayers!" was the government of the day's rallying cry. Go public, go for growth and make a return to the provincial economy by driving the proceeds into infrastructure investments. Soothe the jitters of Ontarians by pledging that no single investor would own more than 10 per cent of the essential service company and that the province's stake wouldn't fall below 40 per cent, at least not initially.

All those decades of Hydro chaos, from governance issues to outsized executive compensation to a lack of transparency throughout, were supposed to be behind us. The acquisition of Avista, announced a year ago as a $5.3-billion (U.S.) all-cash transaction, was the new Hydro's first big play. Sure there was the acquisition of Haldimand Hydro and Norfolk Power and others. But this big leagues deal would extend Hydro's customer base through Washington state, northern Idaho, Montana and Oregon. Approval for the takeover is still pending with utility commissions in Oregon, Washington and Idaho.

So already the targeted mid-August approval deadline - and a September close - was looking uncertain.

Opponents in Idaho are hoping the state's utilities commission will question whether the transaction can be deemed in the public's interest, which is not precisely defined in state law. Post-merger service rates, the commission's jurisdiction over Avista after the merger and Hydro One's "intentions and financial ability" are just a few of the concerns to be addressed in the hearing scheduled for July 23.

Then, boom!

In commission testimony, Schmidt personally promised the seamless marriage of the two companies, calling the combination a "confederation" as opposed to an integration because Avista would still operate as a stand-alone utility, albeit one wholly owned by Hydro.

The Spokesman-Review, based in Spokane, where Avista is headquartered, says Schmidt was "pivotal" to the deal, which makes sense. In previous profiles, the Kansas-born Schmidt has spoken of his formative corporate years at General Mills and his affinity for the Midwest. According to the Spokesman, when Avista CEO Scott Morris introduced Schmidt to employees at the time of the takeover announcement, he described the acquiring CEO as "a wonderful man who shares our values."

So whose values are going to run the transaction now?

And how will Avista, which expressed "surprise" at this week's corporate chaos, reassure its investors that Hydro One is the right partner, confederation or not? Avista wanly offered in a statement that it was monitoring developments.

No doubt Hydro One will be working double-time trying to convince the target company of the promised "orderly transition" of the Hydro board and CEO succession.

No doubt the utilities commissions are wondering how the testimony before them turned out not to match reality.

Title: Ford's priority remains campaigning
Date: Fri Jul 13 2018
Page: A11
Byline: Martin Regg Cohn

On June 7, Ontarians voted for a new governing party.

On Thursday, Ontario got a new governing philosophy.

Premier Doug Ford's self-proclaimed "Government for the People" has declared itself hostile, in principle, to taxation of the people:

"Your new government believes that no dollar is better spent than the dollar that is left in the pockets of the taxpayer."

Taxes that pay for health care, education, transit, policing and safeguarding the environment are best left in the pockets of the taxpayer? We shall soon see how far Ford's "shock and awe" tactics take us.

Thursday's throne speech was not like any other. For none before has proclaimed, on its title page, "A Government for the People."

Nor has any other achieved the twin feats of announcing cuts while denouncing "oppressive taxes" - notably a supposedly "punishing carbon tax" that adds mere pennies to the price at the pump.

Who knew the people of Ontario were so oppressed and punished as to dream of political liberation? And that their appeals would be answered in the last line of a speech read aloud by Lieutenant Governor Elizabeth Dowdeswell:

"Help is here."

The phrases Dowdeswell was required to read, in her capacity as representative of the crown, are of course a familiar echo of Ford's famous "for the people" campaign rhetoric.

In that sense, the speech from the throne was less a roadmap for the way ahead than a restatement, retrospectively, of an election manifesto.

It is also, a month after Ford's victory, a reminder that his priority remains campaigning, not governing. Not merely through disruption but distraction.

This is a throne speech that confuses acting decisively with talking divisively:

An updated health curriculum that brought sex ed into the modern world when introduced to the classroom three years ago has now been suspended - and replaced with the old lessons backdated to the 1990s.

While going backwards on sex education might appease a minority of parents who insist they should have the final say on what happens in the classroom, it won't protect today's teenagers from the perils of sexually transmitted infections, the risks of pregnancies, the minefields of misunderstood consent or the dangers of discrimination over gender.

A time-tested cap-and-trade system that gave business the greatest flexibility to reduce greenhouse gas emissions, at the lowest cost to consumers and with the highest certainty in meeting carbon commitments, is being undone.

But killing cap and trade won't prevent a carbon tax from replacing it - potentially pushing prices even higher for consumers and businesses. That's because cap and trade actually lowers the overall cap on emissions, while a carbon tax requires governments to set taxation levels higher and higher to change people's behaviour. Unless the goal is to put any action on global warming in the deep freeze?

The Hydro One CEO whom Ford had long lampooned as the "Six Million Dollar Man" for his supersized annual income has now been sidelined. While the government boasted that the entire board and CEO Mayo Schmidt were out the door with "no severance," it later emerged that they had compromised on Schmidt taking early retirement: allowing him to cash in on more than $8 million in various stock options.

The Hydro One upheaval has, unsurprisingly, rattled investors leery of a partially privatized utility being so exposed to political meddling by a government that remains its biggest shareholder (holding nearly half its stock). With the share price tumbling by 3.2 per cent in response to the moves, the province's holdings were suddenly worth about $182 million less (not counting steady declines in recent months as the Tories kept talking down the company).

That seems an awfully high price to pay for scoring political points, because cutting an oversized salary down to size - while satisfying - won't reduce the average hydro bill by more than two cents a month, no matter how much Ford claims his motivation for this manoeuvre was to rein in rates.

As popular as these shock-and-awe announcements and denouncements might prove to be in some quarters, it's worth asking how they will improve people's lives, or even their pocketbooks.

Schoolchildren of all ages are now being left to their own devices in the internet era; the government is giving up on climate change, until it is forced to give in to a federal carbon tax; and Ontario's electricity system has been thrown into even greater and costlier disarray thanks to political meddling.

Shock and awe is merely the opening act. Shock and cuts are coming next, as Ford moves on his campaign promise to slash taxes that are best "left in the pockets of the taxpayer."

As the throne speech warned, "the road ahead will not be easy."

Not to worry. Reading her lines, the lieutenant governor offered this reassurance to people Thursday:

"A new day has dawned in Ontario."

Just as Ford said every day on the campaign trail. And every day since then, until day turns into night.

Title: Throne speech signals dramatic changes; Tories tout end to cap and trade, promise tax relief, lower gas prices and hydro bills
Date: Fri Jul 13 2018
Page: A1
Byline: Robert Benzie and Rob Ferguson
Queen's Park Bureau

Warning "change will not be easy," Premier Doug Ford's new Progressive Conservative government is signalling it will move quickly with dramatic reforms.

In Thursday's speech from the throne - read in the legislature by Lieutenant Governor Elizabeth Dowdeswell and titled "A Government for the People" - the new administration will convene a commission of inquiry into government spending practices.

The Tories will also free police from "onerous restrictions that treat those in uniform as subjects of suspicion and scorn," end "unaffordable green energy contracts," and expand beer and wines sales to convenience and big-box stores.

While the speech did not specifically mention the $6 billion in spending cuts that Ford promised during the spring election campaign, it heralded a new era of restraint.

"We cannot afford to dither or delay. To overcome these challenges, we must challenge the status quo, reject the old compromises and embrace change," the nine-page throne speech said.

"The road ahead will not be easy, but the path is clear."

On education, the Ford government will replace the 2015 "sex education curriculum with an age-appropriate one that is based on real consultation with parents."

In a sop to the social conservatives who helped him become Tory leader in March, the new premier's administration will use the 1998 sex education syllabus, which predates Google, same-sex marriage and social media, until a new lesson plan is developed. Students will no longer be taught the "failed experimental 'discovery math' curricula" in favour of a focus on fundamentals.

NDP Leader Andrea Horwath said "this throne speech takes us backwards, it takes us back to a previous century, and is a race to the bottom of what families should be able to count on their government for."

Interim Liberal Leader John Fraser said the "impact of the government's decisions in our schools is of deep concern."

But evangelist Charles McVety, an invited guest at the speech, said students can now "go and learn how to tie their shoelaces and do arithmetic and read and write and do what they should be doing in school instead of learning things that belong, really, in post-graduate studies."

Green Leader Mike Schreiner countered that Ford has "declared war on the modern world.

"I mean, to have no climate change plan and to take our sex-ed curriculum back to 1998 is taking the province backwards," said Schreiner.

In contrast to recent speeches from the throne, there was no French spoken. Nor was there any acknowledgement of Indigenous peoples. Although the income tax cuts Ford promised during the June 7 election will not take effect for at least two years, the speech promised "meaningful, necessary tax relief to parents, small businesses and the working poor."

The Tories will call "a commission of inquiry into the financial practices of the government to identify ways to restore accountability and trust in Ontario's public finances."

The previous Liberal government's spending practices were a major target of the Ford campaign.

Indicating Ford's government will embrace Auditor General Bonnie Lysyk's accounting - which would balloon this year's deficit to $11.7 billion from the $6.7 billion projected by the Liberals - the speech said "the era of accounting tricks and sleight of hand must end."

That suggests Finance Minister Vic Fedeli will not book as assets some $11 billion of government money in the co-sponsored Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan. However, the Tories will charge ahead with expanding the Liberals' costly Fair Hydro Plan that Lysyk has also criticized as "bogus."

In the 2016 speech from the throne, Wynne's government promised to reduce hydro rates by 25 per cent by borrowing billions of dollars to amortize the costs of electricity system improvements over a longer period of time. Ford will build upon the Liberal plan to reduce rates an additional 12 per cent by funnelling to ratepayers the government's annual dividends from its share of Hydro One, which currently goes toward revenues.

The throne speech touted the end of Ontario's cap-and-trade alliance with Quebec and California, which means $1.9 billion less flowing to the treasury for environmental programs.

There was no mention of what Ford's government plans to do to tackle greenhouse gas emissions that contribute to climate change. However, the speech reiterated his support for keeping open the Pickering nuclear generating station.

On health care, the Tories have pledged 15,000 new long-term care beds over the next five years and $3.8 billion in mental health and addiction spending, including toward supportive housing.

There was a vague promise of "partnering with Toronto and other GTA municipalities to build a world-class transit system." With the city experiencing a summer of gun violence, the Ford government, which has already postponed implementation of the Ontario Special Investigations Unit Act on improving police oversight, indicated a possible return to carding.

"You can count on your government to respect the men and women of Ontario's police services by freeing them from onerous restrictions that treat those in uniform as subjects of suspicion and scorn," the speech said. "And ensuring they have the tools, support and resources they need to enforce the law and protect innocent families from the menace of drug, gun and gang-related violence

That suggests a resumption of the controversial Toronto Anti-Violence Intervention Strategy (TAVIS) that ran from 2006 until 2017, which had the highest rate of stopping Black people to check their identification.

Ford ended almost 15 years of Liberal rule in the June 7 election, toppling Wynne, who had been premier since 2013. He hopes to expand upon her liberalization of beer and wine distribution to supermarkets by allowing sales at convenience stores and big box retailers.

But that could be costly because in 2015 Wynne's government signed a 10-year contract with the Beer Store, which is owned by the major breweries, to allow just 450 supermarkets to sell six-packs.

Under the terms of that deal, there are financial penalties for any "breach" of the agreement.

Title: THE $9 MILLION MAN; By choosing to retire instead of resigning, Hydro One CEO will get close to the $10.7M he'd have received in severance
Date: Fri Jul 13 2018
Page: A1
Byline: Rob Ferguson
Queen's Park Bureau

Thanks to his stock options, the ousted head of Hydro One will walk away with close to the $10.7 million he would have received in severance - far more than a $400,000 retirement payout Premier Doug Ford touted as a victory for ratepayers.

"This deal is not a good deal for everyday people," NDP Leader Andrea Horwath said Thursday as fallout from a dramatic shakeup at the company prompted shares in Hydro One - still owned 47 per cent by Ontario taxpayers - to fall 3.2 per cent.

Details are in the fine print of the agreement to remove chief executive officer Mayo Schmidt, whom the new premier dubbed the "six million dollar man" for his total compensation last year, and replace Hydro One's board by Aug. 15.

By opting for retirement after Ford vowed to fire him during the spring election campaign, Schmidt, a veteran businessman, gets to keep the incentives, a common form of executive compensation, he earned as CEO since 2015.If Schmidt resigned or was fired his stock awards would not be as generous.

Given his six months in the job this year and an expected bonus for meeting performance targets, they are now estimated at about $9 million, up from their $7.7 million valuation at the end of 2017. Any options not exercised before he retired Wednesday have been cancelled.

There is also the matter of Schmidt's annual pension, which is expected to be at least $162,729.

Hydro One would not confirm a figure. Exact details on Schmidt's incentive payouts won't be known until a securities filing next April.

"Mr. Schmidt shall be entitled to receive all remuneration, benefits, awards and other entitlements previously granted, awarded or earned through to the retirement date," says the agreement between Hydro One chairman David Denison and Greg Rickford, Ford's energy minister.

Horwath said that means Ford "was not being honest with Ontarians" when he boasted "the severance was zero ... absolutely zero" and mentioned only the lump-sum payout to Schmidt of $400,000 in lieu of post-retirement benefits.

"He cannot pretend that he did not know the details," added Horwath, whose party is now the official opposition in the legislature. "Apparently, what Mr. Ford has succeeded in doing is turning the six million dollar man into a nine million dollar man.

"They obviously cooked up a deal behind closed doors. They've been complicit in the deal that has been struck with Mr. Schmidt and yet they're trying to sell it to Ontarians as if there's nothing to see here," the NDP leader said.

The premier did not comment Thursday, but his office issued a statement saying "Ford made a promise that the former CEO of Hydro One would be gone; and yesterday he kept his promise."

"There will be no severance that will be paid ... When the minister of energy accepted the CEO of Hydro One's resignation it was ensured that ratepayers would be protected," Ford spokesperson Simon Jefferies said in a statement.

"The deferred stock options that he earned in 2016, 2017 and 2018, which he was awarded during the tenure of the previous government, will be paid out over time.

"If he had continued to serve as the CEO of Hydro One his stock options would have only expanded - and under this government's watch, that won't happen."

Hydro One analyst Andy Smith of investment dealer Edward Jones said the share price drop of 65 cents to $19.52 shows investors were rattled by the Ford government's actions and what they portend for the future.

"Right now it's uncertain and investors don't like uncertainty," he told the Star, noting Schmidt's total compensation of $6.2 million last year - which became a political lightning rod in Ontario - is not out of line with pay for CEOs of similar-sized utilities.

"They might have trouble attracting someone who's going to work for a 10th of that or whatever they want them to work for."

While he wasn't recommending clients buy the stock, arguing it was priced on the high side for its level of earnings, Smith said Hydro One has been performing nicely under Schmidt since Kathleen Wynne's Liberal government partially privatized it three years ago.

"Hydro One has done a lot of what they said they were going to do since they became a public company. They've begun to cut expenses ... they've done a lot of good work, I think."

Both he and Horwath raised concerns about the signal the Hydro One shake-up will send, as well as plans to bar a wind farm company from suing over the Ford government over scrapping its White Pines wind turbine installation in Prince Edward County.

"What does that do to confidence in the government?" Smith said.

"If I was somebody wanting to invest in Ontario I'd be thinking twice today," Horwath told reporters after the government's throne speech, outlining its priorities for a rare summer sitting of the legislature and beyond.

Although Ford targeted Schmidt's compensation as chief executive at Hydro One, pay levels to his top executives will remain untouched "for greater certainty" in the coming weeks as part of the agreement but will be subject to review by the incoming 10-member board.

The new board will be in charge of selecting a replacement for Schmidt.

The deal also includes a "non-disparagement" clause, in which the government agrees not to make any statement that "defames, criticizes, ridicules, disparages or is derogatory" in regard to the directors, officers and employees of Hydro One.

Title: Hydro One board redo adds risk to Avista deal, analysts say; The acquisition, which does not have full regulatory approval, could still be stopped
Date: Fri Jul 13 2018
Page: B1
Byline: Maciej Onoszko
Bloomberg

A shuffle among the top brass of Hydro One Ltd. poses a threat to the timely completion of its $3.4-billion acquisition of U.S. power supplier Avista Corp., analysts say.

Hydro One's chief executive officer Mayo Schmidt retired and its entire board resigned late Wednesday, leaving questions unanswered about the fate of Hydro One's largest deal since the Toronto-based company went public in 2015.

The ouster came as Ontario Premier Doug Ford fulfilled an election promise to shake up the utility's executive team. Schmidt was the driver of the deal announced a year ago that would add Avista's energy production and distribution operations in Washington, Idaho, Oregon and Alaska to Hydro One's transmission network in Ontario, creating one of North America's largest regulated utilities, with assets totalling $32 billion.

"Increased political interference in Ontario could negatively impact Hydro One's proposed acquisition of Avista, either by necessitating further guarantees to secure regulatory approvals, or in an extreme case, leading to regulatory denial of the transaction," Jeremy Rosenfield, an analyst at Industrial Alliance Securities, wrote in a note.

"At a minimum, the transaction could be delayed."

Shares of Spokane, Wa.-based Avista fell 2.6 per cent to $51.33 (U.S.) in New York on Thursday, the most since 2016, with volume 20 times its 20-day average.

That widened the spread to Hydro One's $53 offer price to the most in three months, according to data compiled by Bloomberg. Hydro One shares sank 4 per cent to $19.38 (Canadian), after falling a record 7.9 per cent at the open in Toronto.

The shakeup "does not bode well for the Avista acquisition, which does not yet have all required regulatory approvals," Robert Catellier and Archit Kshetrapal, analysts at CIBC World Markets, wrote in a note. "We expect the existing executive to continue pursuing this acquisition, but Avista's regulators may hesitate in light of the new uncertainty surrounding Hydro One's board and CEO turnover."

The deal has faced delays already. When it was announced, the companies expected to complete the merger by the end of the second quarter. Hydro One said a day before the management changes that it expected to complete the deal this year, having received federal regulatory clearances and approvals in Alaska and Montana.

"The negotiated agreement and the proposed legislation do not in any way impact U.S. operations," Ontario's Energy, Northern Development and Mines Ministry said in an emailed statement.

Hydro One didn't respond to a call from Bloomberg and an emailed request for comment. A representative for Avista didn't immediately return an email seeking comment.

Title: Hydro One CEO is out as Ford keeps election promise to replace utility's board; 'THEY'RE DONE, THEY'RE GONE'
Date: Thu Jul 12 2018
Page: A1
Byline: Rob Ferguson and Robert Benzie
Queen's Park Bureau

Premier Doug Ford has zapped the Hydro One boss he dubbed the "Six Million Dollar Man" without an expected $10.7-million severance payment and is replacing the company's board of directors.

Chief executive Mayo Schmidt, whom Ford promised to fire during the spring election campaign over his $6.2-million annual compensation, is taking "retirement" with a $400,000 lump sum, Hydro One said Wednesday.

The payment is in lieu of post-retirement benefits and allowances from the transmission company partially privatized by the previous Liberal government.

"I'm happy to say we kept our promise. The CEO and the board of Hydro One, they're done, they're gone," a beaming Ford said in a hastily called news conference outside his second-floor office after the stock market closed. "The severance was zero ... absolutely zero."

Ford would not say how Schmidt, entitled to $10.7 million in severance if the board was replaced under "change in control" provisions, was persuaded to leave the plum job with much less.

"You'll have to ask the CEO that, you're gonna have to ask the board that," he told reporters.

Schmidt was not available for comment.

"We believe that the agreement we have reached with the Province of Ontario, which provides for an orderly transition … is in the best interests of Hydro One," chairperson David Denison said.

The Star reported on Tuesday that action was looming on Hydro One.

"Dealing with the Hydro One situation is very much a priority going forward and stay tuned for details," said Government House Leader Todd Smith, who did not hint at a timeline.

Ford said the dramatic move is part of his push to "turn this province around when it comes to hydro rates" but critics have noted executive salaries at Hydro One account for pennies on monthly bills for consumers.

The new premier has promised to pass on the province's dividends from Hydro One shares to ratepayers, shaving 12 per cent off their monthly electricity costs, and said he will take action on "terrible" deals reached by the previous Liberal government for solar and wind power above market rates.

The opposition New Democrats raised concerns about how the agreement was reached with Schmidt and the board, whose members will resign by Aug. 15 and take a retroactive pay cut to last year's levels.

"Doug Ford needs to tell people what kind of backroom deal he worked out with Mayo Schmidt to get him to walk away, and if he's going to replace the board with his own high-priced insiders," said MPP Peter Tabuns, his party's energy critic.

During the election, Ford promised to use the government's power to replace the board and get the new members to oust Schmidt, with the premier-to-be using the CEO's salary as a lightning rod for voters fed up with rising electricity prices under the Liberals.

Ford had promised in mid-April that firing the board and replacing Schmidt would be his "first act" in government, although it did not quite work out that way.

Critics have warned the premier's focus on Schmidt would send a chill through the corporate sector and impact recruitment for his successor.

Schmidt will be temporarily replaced by Hydro One's chief financial officer, Paul Dobson, until a new CEO can be hired by the incoming board, which will be downsized to 10 members from 14.

Hydro One said it will consult with the government on the salary for a new chief exec-utive.

Ford said the company will be "setting a new mentality" with a different board and CEO.

Energy Minister Greg Rickford, who ducked reporters earlier in the day, said in a statement that the government will soon introduce legislation to "improve transparency and accountability" at Hydro One, where Schmidt's salary soared after about half the government's shares were sold off.

"We will pay a key role in appointing the new board, and will expect it to act in the public's interest," Rickford said.

Green Party Leader Mike Schreiner, the MPP for Guelph, said public sector executive salaries should be no more than double the premier's salary of just less than $210,000.

"We need to cap those so we don't have this situation again going forward."

Hydro One shares closed at $20.17 on the Toronto Stock Exchange, up 7 cents on the day.

The stock has traded between $23.35 and $18.93 in the last 52 weeks.

Title: FORD OUTLINES THE 'FIRST ACT'; Premier's vow during campaign to fire Hydro One CEO slips on to-do list that targets York strike, cap-and-trade, wind turbines
Date: Wed Jul 11 2018
Page: A1
Byline: Rob Ferguson
Queen's Park Bureau

Promised three months ago as the "first act" of a Doug Ford government, the firing of Hydro One boss Mayo Schmidt - whom the new premier dubbed the "$6 million man" - has fallen down the priority list.

"We are working on that issue right now," Government House Leader Todd Smith said Tuesday in outlining the new Progressive Conservative administration's aims as the legislature is recalled for a couple of weeks.

Smith, the party's energy critic in opposition, acknowledged the new PC government has not been able to make good on the promise while it dealt with other matters, such as axing the Green Ontario Fund that helped consumers save money on smart thermostats and energy-efficient windows.

"While it might not be the first on the list of things that we've accomplished we did get down to work right away and we've accomplished a number of things," he added.

"Dealing with the Hydro One situation is very much a priority going forward and stay tuned for details."

The plan to fire Schmidt was criticized by rivals as campaign sloganeering that would do nothing to lower electricity costs and prove expensive to boot - with Schmidt getting a golden parachute of up to $10.7 million if fired without cause by a new board of directors appointed by the government.

"You can take this to the bank. The CEO is gone and the board is gone," Ford, who has not held a news conference since his swearing-in almost two weeks ago, said on April 12.

But within a few weeks of his landmark June 7 election victory, the party began surveying voters by text: "Hi, this is Sophie from the Ontario PC Party. Do you agree that Premier Ford should fire the $6 Million CEO of Hydro One? Please Reply: #Yes #No #Unsure."

NDP MPP Peter Tabuns (Toronto-Danforth) said he suspects the new government has found the promise was easy to make but is harder to deliver.

"We said at the time this was going to be pretty complicated, that there were going to be big expenses involved," Tabuns said, noting Ford repeatedly doubled down on the promise in efforts to make Schmidt's annual salary a lightning rod for discontent over hydro rates in a quest for votes.

"He continued on, putting on a lot of hot air, a lot of bluster about how he's going to get rid of the CEO," he added.

"This is an area where their mouths went way ahead of their brains and now they're dealing with the consequences. I think that it's going to be problematic for them."

Schmidt, who is still on the job, earned $6.2 million in total compensation last year at Hydro One, which was partially privatized by the previous Liberal government to raise $9 billion for infrastructure projects and lowering debt in the electricity sector.

Ford blamed defeated premier Kathleen Wynne for bloated paycheques in the public sector and vowed "we need to start respecting the taxpayers," but neither he nor Smith could answer how much their promised Hydro One housekeeping would cost.

However, the company's most recent securities filings said using the government's powers to fire the board would constitute a "change of control" in Hydro One and entitle Schmidt to a $10.7 million payout under a "double trigger" provision if he were fired without cause by the new board.

Should the existing board dismiss Schmidt without cause, he would get a $5.04 million severance.

FIRST ORDERS OF BUSINESS

> Ending the strike at York University that has dragged on since March.

> Repealing the cap-and-trade law, ending Ontario's environmental alliance with Quebec and California.

> Cancelling the White Pines industrial wind project in Prince Edward County, which received regulatory approval during the spring election campaign.

Title: Ford fires top staffers in post-election purge; Key economic adviser, chief scientist among those removed from posts
Date: Thu Jul 5 2018
Page: A10
Byline: Robert Benzie
Queen's Park Bureau Chief

Premier Doug Ford has quietly fired Ontario's chief investment officer, chief scientist, and removed Ed Clark as the premier's business adviser in a post-election purge.

Sources told the Star that Ford's newly elected Progressive Conservative government ended Allan O'Dette's brief tenure as the province's first chief investment officer at cabinet on Friday.

O'Dette, former president and CEO of the Ontario Chamber of Commerce, had been appointed by former Liberal premier Kathleen Wynne in March 2017 to lead the Ontario Investment Office.

Also gone is chief scientist Molly Shoichet, a prominent University of Toronto professor named to her post last November by Wynne.

"The chief scientist was removed from her position. We will undergo a process of finding a suitable and qualified replacement," Ford's spokesman Simon Jefferies said Wednesday.

A spokesman for the renamed Ministry of Economic Development, Job Creation and Trade confirmed O'Dette's last day was Tuesday.

But the most prominent departure approved by cabinet was Clark, who had been Wynne's business adviser and privatization czar since June 2015.

The former president and CEO of TD Bank, who was appointed chair of the Liquor Control Board of Ontario in January, was an instrumental player in the Liberal government.

Clark was a key proponent of the sale of the province's majority stake in its Hydro One transmission utility as well as the architect of Ontario's historic expansion of beer and wine sales into 450 supermarkets.

He also was a top booster of bringing Amazon's HQ2 bid to the province and served as Wynne's adviser on preserving jobs in the Ontario steel industry.

Ford had promised during the June 7 election campaign that "not one" public-sector job would be cut if he took office.

"I want to assure our public sector workers, our nurses, our teachers and our doctors, that no one - and I repeat no one - will lose their job," he assured Ontarians the day before the election.

However, such changes are routine when a new government takes office, though it is not clear who, if anyone, will be selected to replace the three Liberal appointees.

NDP MPP Peter Tabuns (Toronto-Danforth) was especially concerned about the signal Ford is sending by firing the chief scientist and rejigging government departments.

"The revelation that Doug Ford has fired Ontario's chief scientist, coming on the heels of his announcement last week that he will scrap the ministry of research, innovation and science begs the question of whether or not Mr. Ford will run a government that believes in the value of science and scientific research," said Tabuns.

"The people of Ontario deserve to know why this decision was made and why it was done in secret."

Title: Inside peek at Wynne's lost election
Date: Thu Jun 28 2018
Page: A17
Byline: Bob Hepburn
Toronto Star

Greg Sorbara, one of the smartest political campaign minds in Ontario, was bang on when he predicted Kathleen Wynne was headed for a devastating defeat in this month's provincial election.

Sorbara, who served as finance minister, Liberal Party president and campaign chair over a 30-year career in politics, made the prediction in March, 2017, some 15 months before voting day.

"There's a whole lot of people in the Ontario Liberal party who think that it's all over," Sorbara said in a memorable interview on TVO's The Agenda, suggesting Wynne should consider quitting as leader before the election.

Wynne obviously ignored Sorbara's suggestion. Instead, she led the Liberals to their worst defeat in history, finishing third with just seven seats and failing to maintain official party status.

Wynne is rightly accepting much of the blame for the devastating loss. So too is David Herle, the man who five years ago succeeded Sorbara as campaign chief and masterminded the Liberals' 2014 majority victory.

Considered one of the country's top campaign strategists, Herle disagreed with Sorbara back in 2017 that defeat was inevitable, and he still does.

In a revealing episode on his podcast, The Herle Burly, he said he believes that "after 15 years, defeat was likely, but not inevitable - and even if defeat was inevitable, seven seats was not. There was something wrong with the campaign and I am wrestling with the guilt and the grief of that."

Herle said Wynne was "the real deal," offering voters what he termed "the superior product" in the election. Wynne "campaigned superbly and won the debate. She deserved better," he said flatly.

"This campaign was dramatically different than those before it in terms of the kind of information and messaging that you can do and on what media you can do it, the role of social media and the online organization of the right wing of our politics, the expected attributes of leaders and leadership, adherence or non-adherence to traditional norms of behaviour," he said.

Herle never could figure out the best way to combat Doug Ford. The Conservative leader was a terrible debater, lacked a full platform, played fast and loose with facts, had a shady past and was disliked by many senior Tories, who Ford sneered at as "elites" within his very own party - and still won easily. One campaign move that did work for Herle, however, was Wynne's controversial decision to admit the Liberals would lose five days before election day. Even Ford's campaign manager, Kory Teneycke, who was a Herle's guest on the podcast, admits it was successful, saying their internal polls showed the Liberals increased their support by five percentage points, which meant going from having only one or two seats to having seven.

"To be honest, had we done nothing, my fear was that our number would continue to decline," Herle said.

But the political baggage the Liberals had accumulated after 15 years in power and Wynne's role in all of it was daunting. Hydro One sell-off, fast-rising electricity rates, gas plant and eHealth bunglings, a touch of homophobia and more fuelled the "time-for-a-change" mood.

In addition, for all her socially progressive programs, Wynne was out of touch with the real fears of middle-class Ontarians, especially those outside the big cities, who were worried about their jobs and their kids' future and who knew they could never afford to buy $1-million homes, to eat at fancy restaurants or shop at luxury stores.

Sobara may have been right; Wynne likely should have quit last year and given a new leader the chance to run a more respectable, but still not winnable, campaign.

Today, the road back for the Liberals will be long and hard. Indeed, it will be so tough that Herle is worried for the party's long-range future. That's because he sees the Liberals as "the most fragile party in Canada. Third place is a dangerous place to be for the Liberal party."

It's the place, though, to which Kathleen Wynne - and Herle himself - have brought the party.

Bob Hepburn is a politics columnist and based in Toronto.

Title: Yes. Green energy can challenge monopolies; The Big Debate: Should Ontario sell the rest of Hydro One?
Date: Tue Jun 26 2018
Page: A11
Byline: John Barber

One of the smartest things the outgoing provincial government did was to sell half of Hydro One, the monopoly utility that distributes electricity throughout Ontario. Too smart, in fact, as the province's recent revolt against competence proved. A policy that made so much technocratic sense - transferring assets frozen as built infrastructure into infrastructure that needs building - proved fatally susceptible to emotional misrepresentation.

"You want people to believe that we sold Niagara Falls, and we did not," former premier Kathleen Wynne lamented helplessly as NDP leader Andrea Horwath channelled public disapproval during the final leadership debate. "We sold a piece of a piece of a piece."

So much for her - and for Horwath's plan to renationalize the copper wires that still carry the province's electricity. It's now up to Premier Doug Ford to complete the job of privatizing Hydro One.

Ford's promise to decapitate the corporation by firing CEO Mayo Schmidt, the "six million dollar man," won a lot more votes than Horwath's promise to embrace it. Cutting Hydro One loose completely is a logical next step for a new government hunting cash to fund its irresponsible election promises.

The Ford government can now sell the rest of Hydro One with the assurance that a disapproving public will face no direct negative consequences as a result. The Ontario Energy Board will continue to set hydro rates no matter who owns the wires. After four years, nobody will remember what all the fuss was about.

One way or another, Hydro One will remain an ungainly behemoth teetering on obsolescence. The green energy revolution is challenging utilities worldwide, and none could be more vulnerable than a utility whose sole asset is 123,000 km of copper wire. Every new solar or wind installation in Ontario, and every new energy-efficient building, is a crack in the monopoly that Hydro One depends on for survival.

The reason is that green energy is a local resource that is being developed primarily for local consumption.

Rather than transmitting electricity from central power plants to consumers hundreds of kilometres distant, the emerging new system of "distributed generation" will ultimately comprise thousands of more-or-less self-sufficient micro-grids serving individual institutions, industries and homes. In this likely scenario, the primary grid becomes a backup, distributing a declining share of the province's electricity.

Home-based solar systems with battery storage are now feasible and indeed common elsewhere in the world. But the tipping point will come, as it already has in Germany and elsewhere, when steadily upward trending prices for grid-supplied power cross steadily downward trending prices for solar-battery installations.

Hydro One and its workers both understand the implications, and the company has responded by taking over U.S.-based Avista Utilities in an attempt to diversify its assets by adding generation as well as distribution. But the deal will add $6.7-billion in debt to the company's balance sheet while diluting public ownership to 42 per cent.

Meanwhile, Hydro One's revenues are declining and its share price is drifting well below the $20.15 opening price set three years ago.

Signs of decline that are obvious to company executives, as well as its workers and shareholders, made no impression on the province's independent Financial Accountability Office when it released its analysis of the sale earlier this year.

The FAO bolstered opposition with its conclusion that the province's strategy of deploying hydro assets to build transit will add $1.8-billion in avoidable costs to the multi-decade project. Naively, it assumed that everything is rosy at Hydro One, and its provocative conclusion rested on an assumption that the company's revenues will steadily increase in coming years.

It won't take much distributed generation to permanently cripple Hydro One's business. Losses in the utility's core business will translate into higher rates, no matter who owns it. And higher rates will hasten adoption of more home solar and micro-grids.

The tragedy of Hydro One is not that it's slipping out of public hands. The tragedy will occur when the ample proceeds from its sale - a tidy $9-billion so far, with as much as another $7-billion to come - are redirected from public transit to gas-tax cuts and buck-a-beer.

John Barber is a freelance journalist based in Lakefield, Ont.

Title: No. Public utilities work better than privatized ones; The Big Debate: Should Ontario sell the rest of Hydro One?
Date: Tue Jun 26 2018
Page: A11
Byline: Scott Travers

After an election where hydro rates were one of the key debate issues, some people are suggesting our new premier should sell off Ontario's remaining share of Hydro One.

Doing so would be to double down on not just a bad idea, but one that was quite possibly key to the downfall of the Wynne government, taking the Liberals below the threshold for official party status. It was a bad idea then and nothing has changed since that time.

Since the government's surprise announcement in 2015 that it intended to sell off part of Hydro One, public opinion has remained consistently 75 to 80 per cent opposed to the idea of a partial privatization. The subsequent election result should provide the incoming government with a reminder of the perils of ignoring voters' concerns.

The Liberals' justification for the sale of Hydro One was that there was just no other way to get money to build much needed transit infrastructure. The sale did yield a quick, one-time cash hit of $3.8 billion, however, it came at a high cost. Hydro One had contributed almost $1 billion a year the provincial government's revenues. Selling shares meant reducing those dividends by about $400 million annually.

Completely privatizing Hydro One would mean the loss of all remaining revenues, forever.

That's nearly $1 billion coming out of provincial revenues. From an accounting perspective, as Ontario's financial accountability officer made clear, using privatization to raise infrastructure capital needlessly cost the taxpayers of Ontario nearly $2 billion dollars compared to alternative means. Selling the remainder of Hydro One would almost double this cost.

While some have argued that a privatized utility would operate more efficiently, offsetting the lost revenue, there is no evidence of this. An independent study commissioned by the government in 2013 did not find any significant inefficiencies in the operation of Hydro One.

Further, a 2016 study by MPR Associates found that total costs for fully privatized local public utilities were 34 per cent higher than those that were partially privatized, and as much as 77 per cent higher than those that were fully public owned. Moreover, on three different measures of customer reliability, the fully public utilities performed markedly better than privatized entities.

Complete privatization also means complete loss of control and public accountability.

As a public entity, Hydro One's mandate is to ensure Ontario residents have access to safe, reliable, affordable energy in a way that benefits the province. Private corporations, on the other hand, are accountable to their shareholders, not to consumers dependent upon the services they provide.

While a romantic might characterize public ownership of our energy utilities as a birthright, a more pragmatic view is generations of Ontario residents have invested in and reaped the benefits of a publicly controlled Hydro One.

A privatized Hydro One would saddle future generations with more expensive, less reliable energy, and an annual billion-dollar hole in the province's revenues.

So if selling Hydro One is an expensive way to get cash that leads to higher costs for taxpayers and more expensive power prices while limiting the government's ability to make important policy decisions, who benefits?

The short answer is investors. Regulated electricity assets represent virtually risk-free investments with guaranteed rates of return through the regulator. This makes them ideal targets for Bay Street. That is the source of any push to fully privatize Hydro One.

There are lessons to be learned from history. On Oct. 10, 1910, at a ceremony in Berlin, Ont., Sir Adam Beck - the visionary behind Ontario's publicly owned electricity system - flipped the first ceremonial switch on Ontario's nascent transmission system, lighting up a sign proclaiming "FOR THE PEOPLE."

When Doug Ford chose "For the People" as his election campaign slogan, he may not have realized that he was echoing the voice of Beck through the decades. Perhaps the appropriate discussion at this point is not whether to further sell off of Hydro One, but, rather, how to reacquire majority ownership and return Hydro One to the vision of "For the People."

Scott Travers is an engineer and energy market analyst who has worked for over 30 years in Ontario's electricity sector. He currently serves as the president of the Society of United Professionals.

Title: Some promises deserve to be broken
Date: Sun Jun 24 2018
Page: A17
Byline: Robin V. Sears

Though they are more often smacked as pusillanimous deceivers, politicians can be pigheaded. As a result, many - more often on the right, curiously - like to brag "promise made, promise kept!"

Some promises, however, deserve to be broken.

Bob Rae soon abandoned public auto insurance when he was Ontario's premier in the 1990s. Despite spending five years helping to lead the campaign to deliver this relief to Ontario's drivers, I have to admit he was probably right. Some policies don't scale, and therefore can't fly.

Public insurers have worked marvelously in Manitoba and Saskatchewan. Not so much in British Columbia, where the public insurer just dumped a several-hundred-million-dollar deficit mess, ironically, on the new NDP government.

Ontario auto insurance is still expensive, frequently a victim of fraud, and not famous for its management. The reasons have much to do with complexity and scale. It's not obvious that changing the ownership would have fixed this decades-old problem.

In 1990, as the province plunged suddenly into recession, it would have meant thousands of lost small-town jobs and a huge political battle. The Rae government had bigger and more urgent challenges. A promise probably wisely broken.

Dalton McGuinty was understandably enraged at the mess Mike Harris and Ernie Eves had made of the sale of Hwy. 407. Like the biggest country rubes ever to enter a negotiation, they told their buyers the government needed as much cash, delivered immediately, as possible.

Their deficit mess was a ball and chain for which they could not keep blaming Bob Rae forever. Did this improve the sale price? Well, no. Did this enable the buyers to demand ridiculous freedoms forever - like sole control of driver fees? Well, yes.

As a campaigning opposition leader, McGuinty pledged to end this sad abrogation of public responsibility. However, he was warned by his lawyers that he had no hope of breaking the contract Harris had signed. McGuinty wasted tens of millions of dollars and nearly six years of postponed construction time before being legally defeated. His 407 promise was one probably better abandoned.

Now Mike Harris' protégé has come to power in Ontario with another big pledge: "Cap and trade, the carbon tax, is done!" Is this true? Well, no. Is it going to cost the province millions in legal battles and lost revenues? Well, yes. Oh, and will he leave the taxpayers open to liability suits for billions of dollars from those holding now worthless carbon credits? Yes.

Will Ottawa successfully replace cap and trade with a carbon tax and will Doug Ford take the cash? Of course he will. He'll have a very large deficit to manage, as well. Not too late to park this promise, premier-designate.

Andrea Horwath, justifiably enraged at the Wynne government's broken promise on the public ownership of Hydro One, pledged to buy it back. By the time she has her next chance to become premier, it will probably be too late. A new NDP government could do what the Brits are working on, however, which is to buy back enough of their privatized water and railways to reassert decision-making control. A promise amended, as it were.

The conventional wisdom is that those who break promises destroy public trust in democracy. It's not that simple, and not always true.

Sometimes government reveals what you could not have known in opposition. When the facts or the numbers are altered by external events, it's better to admit it. Explain why you must change your approach, openly and contritely, and move on.

On the campaign trail, where bold promises are designed to be great vote-getters, it's wise to leave yourself a back door. There are always surprises ahead.

How you keep or break a promise matters almost as much as the promise itself.

Probably not wise, for example, to break a promise to build two gas plants mere days before election day, to try to save two threatened ridings, inflicting hundreds of millions in unnecessary cost on taxpayers, and then try to destroy the evidence.

But as Churchill wryly explained to a voter complaining about a broken promise, "When the facts change, I change my mind, madam. What do you do?"

Robin V. Sears is a principal at Earnscliffe Strategy Group, was an NDP strategist for 20 years, and is a freelance contributor for the Star.

Title: Ford, premier-designate without a plan
Date: Thu Jun 21 2018
Page: A6
Byline: Martin Regg Cohn

Doug Ford is the anti-carbon Teflon man.

Nothing sticks to him in these honeymoon, halcyon days.

The premier-in-waiting has declared an end to carbon pricing in Ontario - no cap and trade, no carbon tax, no fuss, no muss, no nothing. No matter.

He is a man of action, albeit a premier without a plan after he's sworn in June 29, with no hint of how he'll combat climate change.

Never mind Earth's rising temperatures. Ontario's gas prices are coming down, and that's a Ford promise (forget rising world oil prices).

Ford vowed in the campaign that he is "for the people." His victory surely proves his grasp of the political environment - if not the planetary one.

The problem with honeymoons, however, is that they are time-limited. Same with Teflon, for as the special coating wears off, stuff starts to stick, and heat up - much like the Earth's temperature.

Eventually, it all adds up. Especially the numbers, as Ford may soon see.

Ford loves lampooning the overpaid CEO of Hydro One as the "Six Million Dollar Man." But what shall we call Ford once taxpayers see the price tag for his fateful decision to pick fights with governments in Ottawa, Quebec and California (over our linked carbon market)?

Quite apart from the environmental costs, his Tories pointedly set aside $30 million for a court battle to fend off Ottawa's new law imposing a federal carbon tax on any province that doesn't do enough to reduce greenhouse gas emissions. That looks like a long shot, losing money to save face.

Will Ford be tagged the "Thirty Million Dollar Man" who enriched lawyers while impoverishing taxpayers?

Will he be dubbed the "Three Billion Dollar Man" who had to reimburse private companies for the carbon allowances they bought at auction under cap and trade - plus legal fees?

Will he be deemed "Doctor No" for cancelling the Green Ontario Fund (financed by cap and trade revenues), which helped people get smart thermostats and energy-efficient windows to reduce energy bills, ultimately saving Ontarians big money?

That's a lot of liabilities. All of which could easily dwarf the Liberals' billion-dollar boondoggle over gas-fired power plants.

Doubtless Ford believes it's a price worth paying to keep all those promises. Even if taxpayers lose, it's still a winning strategy - because fighting a so-called "carbon tax" (as he wrongly described cap and trade) helped him win the Progressive Conservative leadership last March.

The original PC election platform, under former leader Patrick Brown, committed to replace cap and trade with the federal carbon tax. But when Brown quit last January, Ford assumed the anti-tax mantle - forcing his major leadership rivals and all of the party's MPPs to grudgingly and belatedly embrace his position.

On June 7, Ford won a "change" election. Not a climate change election, mind you, but a campaign to change the government by ousting the famously unpopular Kathleen Wynne Liberals and jousting against the NDP.

It was a winning wedge issue within his own party and across the province. Ford's anti-tax stance cast him not only as a man of action but also of distraction and disruption.

Now, the fight against global warming is going from the provincial to the national front, as Tories in Ottawa and Alberta dream of slaying a federal carbon tax - with Ontario leading the way. But they may be reading too much into the voting results, for while Ford boasted of his anti-carbon animus, it was an incidental and accidental issue, not a vote-determining "ballot question" for most Ontarians.

That won't stop Ford from claiming he won in the court of public opinion. But his next step is to convince the Supreme Court of his opinions.

Win or lose, he triumphs either way. If the federal carbon tax is upheld and imposed in Ontario, Ford will earnestly claim that the devil (the Supreme Court) made him impose the carbon tax dreamed up by that other devil, Prime Minister Justin Trudeau. The Thirty Million Dollar Man will cast himself as the Thirty Million Dollar Martyr.

Ontario will be no further ahead after a court defeat. But the anti-carbon Teflon Man will have profited handsomely, first winning the party leadership and then enjoying the premiership - for as long as the honeymoon endures.

Martin Regg Cohn is a columnist based in Toronto covering Ontario politics.

Title: Ford to recall Legislature, start on promises; MPPs to discuss ending York University strike, lowering gas prices
Date: Thu Jun 14 2018
Page: A8
Byline: Robert Benzie
Toronto Star

Premier-designate Doug Ford will recall the legislature next month for a brief summer session to end the York University strike and begin fulfilling campaign promises like lowering gasoline prices, sources told the Star.

"We're going to move forward relatively quickly. I'll be back to you on that in the next few days," Ford told reporters Wednesday at Queen's Park.

The Progressive Conservative leader, whose party dethroned Premier Kathleen Wynne's Liberals in last Thursday's election, will officially take over on June 29.

That's when the new premier and his cabinet will be sworn in.

"We want to make sure we get this transition done and talk to the rest of our team, talk to our caucus members, but we want to move relatively quickly on a lot of items that are urgent," said Ford.

Sources said a top priority is ending the four-month strike by 3,000 York University contract faculty and teaching assistants, members of the Canadian Union of Public Employees.

Prior to the election, Wynne's Liberals - with backing from the Tories - tried to get unanimous consent in the House to introduce back-to-work legislation, but Andrea Horwath's New Democrats refused.

Should an end to the strike be negotiated before July, averting the need for days of procedural debate in the legislature, Ford still wants to implement his planned 10-cents-per-litre reduction in gas prices.

He is hoping to achieve that by cutting the provincial excise tax and scrapping Ontario's cap-and-trade program with Quebec and California.

While withdrawing from the climate change pact could take 18 months, Tories believe the taxes can be cut before Ontario exits the greenhouse-gas reduction program.

The premier-designate also wants to move forward with changes at Hydro One, including parting ways with the transmission utility's highly paid CEO Mayo Schmidt, derided during the campaign as "the $6-million man."

Even an expedited legislative session will require a speech from the throne outlining the new government's agenda.

As well, it will necessitate the election of a speaker to referee the proceedings in the legislature.

Tory MPPs Ted Arnott and Rick Nicholls are frontrunners to be the new speaker, who is elected by MPPs using a secret ballot.

Ford, who met with journalists after meeting with auto and steel industry officials to discuss NAFTA negotiations, has indicated he wants to hit the ground running.

He will gather his victorious 76-member caucus at Queen's Park on Tuesday.

Insiders say his new cabinet will be smaller than that of Wynne, who had 28 members overseeing 30 departments.

The Conservatives, who have promised to find spending "efficiencies" of 4 per cent, are expected to streamline the various provincial ministries.

But Ford has repeatedly emphasized that "not one job" will be cut as he curbs expenditures.

On Thursday afternoon, he will meet at Queen's Park with federal Foreign Affairs Minister Chrystia Freeland and Canada's ambassador to the U.S. David MacNaughton on NAFTA.

The incoming premier said he stands "shoulder-to-shoulder" with the prime minister on the trade talks and chided American officials for resorting to "name-calling" against Justin Trudeau.

Title: What made Ontarians vote for Doug Ford?; Post-election study finds most trust him to rein in spending
Date: Wed Jun 13 2018
Page: A1
Byline: Rob Ferguson Toronto Star With files from Amy Dempsey

It was a "me" election that turned on a dime.

Ontarians handed Doug Ford a strong Progressive Conservative majority because they feel he best understands their pocketbook struggles and trust him to take quick action on excess government spending, says a revealing post-vote study by Navigator Ltd.

This despite Ford's apparent lack of sophistication and what many respondents viewed as a "gimmicky" promise to fire the "Six Million Dollar Man" who runs Hydro One to provide a pound of flesh for high electricity rates.

"If on the first day he calls in the auditors and cuts 10 cents off the gas tax he'll be off to a very good start," said Jaime Watt, executive chairman of Navigator, the communications and strategic advice firm which conducted focus groups and in-depth interviews across Ontario.

"They want action, fast," Watt, a Conservative strategist, told the Star. "Fast. Fast. Fast. They don't expect any study, any shilly-shally, dilly-dally, whatever, they expect him to get right to work on these things."

The tax break on each litre of gasoline and ferreting $6 billion in cost savings out of a $150 billion provincial budget were key elements of the PC platform that resonated with large swaths of the electorate who also view carbon taxes as a cash grab.

"People feel out of control right now," said Anne Kilpatrick, lead research principal for Navigator, noting research participants were "really enthusiastic" about Ford's promise to bring in auditors to look for wasteful government spending because "they can't get a hold of the reins of their pocketbooks and their finances."

Voters were less concerned with longer-term issues like infrastructure, pharmacare and anything aimed at the next generation - a factor that could have implications for upcoming municipal and federal election campaigns, according to the Navigator study to be webcast Wednesday with a panel discussion on thestar.com. But that "selfish mood" of an impatient electorate also sets a challenge for Ford as his team prepares to take the reins of power from Premier Kathleen Wynne on June 29 following 15 years of Liberal rule.

"It becomes important as he confronts the reality of governing," Watt said. "It's easy in opposition to say you'll move quickly."

In a Toronto-area focus group, one woman in her 40s told Navigator researchers: "For the last two years, I can't keep any money in the bank. I can't put any savings ... I have to get every penny out to pay for my utilities and the gas and everything."

Another woman described her tax-focused voting criteria, when the Liberals and NDP were talking about broader pharmacare and dental care, as "a selfish decision."

Behind the trust of Ford was a view that he is an "everyman," even though he comes from a wealthy family thanks to the printing business started by his father called Deco Labels and Tags.

"People didn't care if he wasn't the most sophisticated guy ever. What they cared about is he talked to them, he didn't talk at them," Watt added.

"He was talking about things that really mattered to everyday people. A lot of experts, smartypants columnists and others, sort of turned their noses up at his 'For The People slogan.' Well, it turned out to be brilliant."

During latter stages of the campaign, however, Ford held news conferences to showcase candidates such as former MPP Christine Elliott as members of a team that was "ready to govern." It helped to deflect attention from himself.

"He's kind of a joke," said a woman who voted PC over concerns about high taxes and despite worries about Ford, who had trouble providing reporters with detailed answers on his policies, being "unprepared" for the job of premier.

"But, hopefully, he has people on his team who will steer him in the right direction."

The research also found respondents believe Ford's business background makes him more likely to attract jobs to the province and that raising the minimum wage another dollar to $15 in January, as promised by Wynne and NDP Leader Andrea Horwath, was too much. The New Democrat rejection of any prospect of back-to-work legislation in strikes was seen as "doctrinaire." There was "pushback" at one prominent Ford promise, however, said Kilpatrick.

Although the PC leader pledged early and often in the campaign to fire Hydro One's board of directors and the chief executive officer Mayo Schmidt - who earns $6.2 million in total compensation now that the former Crown utility has been partially privatized by Wynne - many people interviewed said it needs a re-think. That's because news stories published after Ford made that vow revealed the CEO would be entitled to a "golden parachute" of $10.7 million if fired without cause.

"What they're saying is, if it's going to cost us more to fire than it is to keep them on and address the issue ... maybe it's not such a great idea," said Kilpatrick. "They want him to really focus on the key issues. Don't focus on the gimmicks."

That gives the PC leader a "back door" to walk away from the promise to axe the CEO and board, she added, with one research participant noting "you just can't go and fire someone ... there are legalities."

Title: Ford fuels talk of selling off our remaining Hydro One stake
Date: Wed Jun 13 2018
Page: B1
Byline: Jennifer Wells
Toronto Star

When Doug Ford set his sights on the CEO of Hydro One with an off-with-his-head declaration, the first question posed was the obvious one: can he do that?

The premier-designate grew blustering over Mayo Schmidt's $6.2-million pay packet, dubbing Schmidt the $6-million man. Perhaps Ford has action-packed memories of watching Lee Majors in his multimillion-dollar guise, back when Ford was a young teen and TV shows were broadcast through big pieces of boxy furniture into Etobicoke bungalow rumpus rooms.

The swollen pay packet made for an effective electioneering sound bite, tapping the frustrations of bill-paying consumers, even when it was not quite understood how Hydro One Ltd., the transmission and distribution company, connects to the cost of heating. But memories of Eleanor Clitheroe are still fresh in the minds of some voters. The manic attempts at a $5.5-billion privatization by the long-ago Conservatives, the outcry over executive compensation, the introduction of legislation authorizing the minister of energy to fire the board (the cleverly named Clean Up Hydro One Act), appoint their replacements and set restrictions on compensation, the en masse resignation of said board. June 2002 was a wild time for Hydro. Clitheroe was fired like a circus performer shot out of a cannon.

So the fast answer is sure, there are ways and expensive means to up-end the governance of Hydro One, if the new as-yet-unnamed minister of energy puts her mind to it.

The fresh complicating factor, created by the Liberals under Kathleen Wynne, was the company's partial privatization - so there is market credibility at stake. Investors who bought into Hydro One's pitch to aggregate and consolidate North American utilities are anticipating the successful completion of its $6.7-billion all-cash takeover of Avista Corp., headquartered in Spokane, Wash., with a promised closing date before year's end. Disrupting the governance of the acquiring company now risks redefining the province of Ontario as the land where serious investors dare not tread.

So what's a new government to do?

Selling a majority interest in Hydro One brought with it limitations. No individual or company can acquire a stake that exceeds 10 per cent. In an attempt to maintain the facade of a publicly owned utility, a 40-per-cent floor was placed under the province's own stake in the company.

A betting person might conclude that premier-designate Ford will start his examination of Hydro here, at ground zero. No doubt his economic advisers are going to get an earful on the merits of selling out altogether.

Ben Dachis, associate director of research at the C.D. Howe Institute, has been making the case for sale. "Best to cash out now," he wrote in a note earlier this month. His argument is twofold. One: the risk to taxpayers. "Think of investing your money, taxpayer dollars, your individual retirement in a business that just might end up being like owning old school telephone stocks in the early 1990s," Dachis said in an interview. "Is that something you really want? ... We as taxpayers are invested in this old school business. This might not be the best thing 10, 15 years from now."

Two: the value of money. "We're looking at $250 million in dividends per year. That's what we'd give up," he says. The upside: an estimated $7 billion from the sale of the remaining piece of the company. "That amounts to 27 years of cash flow. From a perspective of looking at long-term costs versus short-term benefit of the sale, 27 years of up front cash flow is a great deal for taxpayers."

Ratepayer protections? "Rate regulation through the Ontario Energy Board (OEB) is very clearly there to protect consumers. You're going to have that whether it's a private company or a public company," Dachis says. What's to prevent the government from caving to a successful business lobby that equates "modernizing" the energy board with weakening its powers? "Obviously if the government totally ties the hands of the OEB it's not going to be enough."

But wait. Twenty-seven years of cash flow may sound enticing to the investor community. To anxious ratepayers concerned about the costs for future generations, that sounds like a short-term promise.

In February, the Financial Accountability Office of Ontario (FAO) drilled into the partial sale of Hydro One. The negative impacts due to the sale of the 53-per-cent stake are estimated to result in a lost net income share of $1.1 billion in this current fiscal year, and an average of $264 million a year in each of the five years following.

If the province wanted to fund infrastructure, the FAO found, it would have been far cheaper to issue provincial debt. How much cheaper? On the scale of $1.8 billion.

That's just tragic. But what's done is done.

There will be no turning back now to a broad mandate of keeping essential services in the hands of the public.

For Doug Ford, the question will be how far forward to take the new Hydro. Selling out relieves him of the pressure to make good on his Trumpian "You're Fired" promise.

That 40-per-cent threshold, by the way, is not immovable. As the FAO points out in a footnote, the Electricity Act provides for the purchase of shares by the province should its stake fall below 40 per cent as a result, say, of another acquisition. But that purchase would be triggered "only if the plan to acquire additional shares is approved by Cabinet ... and the requisite monies are made available by the Legislature."

If Hydro One follows through on its stated ambitions, falling below 40 per cent sounds inevitable.

That only bolsters the argument for sale. "I totally think this is a great moment," Dachis concludes.

And so the battle over the future of Hydro One begins. Or more correctly, begins again.

Title: Dawn of a divided era for Ontario
Date: Fri Jun 8 2018
Page: A1
Byline: Martin Regg Cohn

Every day of the 2018 campaign, Doug Ford foretold the election outcome:

"A new day will dawn in Ontario," the Progressive Conservative leader predicted, "for the people."

That day is today. Ford Nation has captured the province and won the day - for the next four years.

The dawn of the Ford era heralds a fresh wave of right-wing populism in Canada's most populous province, pitting Queen's Park against a Liberal prime minister in Ottawa and a centrist mayor in Toronto. But it also sets the new premier on a potential collision course with the voters of Ontario, who appear more divided than ever. Despite Ford's incessant claims to speak for the "people," the people are polarized, and the electorate is not one.

Yet Ford read the results as a massive endorsement of his world view: "People from every political stripe, you have come together around one common vision of Ontario."

"We have taken back Ontario. We have delivered a government that is for the people," a defiant Ford told cheering supporters at his victory rally.

Ford's Tories won the most seats, gaining the right to form a majority government under our parliamentary system. The PC juggernaut wiped out most of the Liberal cabinet, reducing Kathleen Wynne's governing party to a rump. He also beat back a remarkable challenge from Ontario's New Democrats, who came from behind to challenge the Tories for first place in mid-campaign, but faded in the home stretch.

Now, Ford must decide what Ontario's 26th premier will turn out to be. Will he be premier of all Ontarians, mindful of the majority of people who voted against his vision of disruption, destruction and dysfunction in a province that is a bulwark of progressive government?

He didn't win because of a fully costed or coherent platform, because he never delivered one. He didn't so much earn a mandate for reform as profit from public discontent with a 15-year Liberal dynasty - and a massive appetite for change - but that does not entitle him to a blank cheque.

Ford didn't just harvest anger; he stoked it. Now, he risks reaping a whirlwind of resentment if he becomes too strident a premier, antagonizing those Ontarians who did everything possible to stop him - including a dramatic shifting of votes to the NDP in an anybody-but-Ford campaign.

But make no mistake, upheaval is in the air, for the dawn of the Ford era means the sun will set on legacy Liberal programs and promises that many New Democrats also supported:

An increase in the minimum wage to $15 an hour, scheduled for next Jan. 1, will be cancelled.

A cap on greenhouse gas emissions, which also raises money to fight global warming, will also be unwound at considerable expense as Ford carries out his vow to end any form of carbon pricing - while also reducing gas prices at the pump. The end of environmental action against climate change makes the first-time victory of Green party Leader Mike Schreiner especially bittersweet.

Unprecedented (but unspecified) cuts of about $6 billion a year are coming to the provincial budget - and, inevitably, public services - as Ford finds a way to pay for a massive tax cut that helped win votes with his core supporters.

A battle looms in the executive suite at Hydro One, half-owned by the province, if Ford moves rapidly as promised to fire the entire board and its handsomely paid CEO, Mayo Schmidt, whom he mocked as the "Six Million Dollar Man" - despite severance payments that will exceed $10 million.

Buck-a-beer prices are coming back as booze moves from supermarkets into corner stores in one of Ford's signature populist promises.

Whether Ford will attenuate his impulses by heeding advice from cabinet colleagues remains to be seen. But judging from his behaviour as a mercurial city councillor when his late brother Rob served as mayor, that seems an unlikely scenario at Queen's Park, where the premier of a majority government has virtually unrestricted powers.

The virtual annihilation of the Liberals at the polls was perhaps anti-climactic, foretold in public opinion polls and foreshadowed by the declining popularity of Wynne in her last years as premier. Despite the popularity of key policies - the minimum wage hike, free child care, free prescription drugs for young adults and seniors, and free tuition for many college students - voters tuned her out long ago.

There have been many theories about her free fall after winning a stunning majority government in the 2014 election, but the simplest explanation may be that voters decided on a de facto term limit for the Liberals after 15 years in power - and after exploiting the mistakes of previous PC leaders, they were too far down to profit from the mistakes of Ford this time.

As for Horwath's New Democrats, a strong campaign that raised hopes of an electoral triumph fell well short in the end. When all is said and done, the NDP has vaulted from third place to second, but far behind the Tories and not even remotely close to the minority government outcome that could have opened up new possibilities for power.

Horwath had hoped to be moving into the second-floor premier's office at the legislature, but instead finds herself headed one floor above to the Opposition leader's suite. As hard as the premier's job might have been, and as much as she railed against Wynne's Liberals, she will have an even harder time of it keeping Ford's majority Progressive Conservative government in line.

Title: Premier Ford; After 15 years of Liberal rule, Ontario takes a right turn and lifts Doug Ford's Tories to a majority victory
Date: Fri Jun 8 2018
Page: A1
Byline: Robert Benzie
Queen's Park Bureau Chief

The province of Ontario is now a Ford nation.

Progressive Conservative Leader Doug Ford capped an improbable rise to power Thursday, winning the Ontario election with a majority government and banishing Kathleen Wynne's Liberals into political oblivion after almost 15 years in office.

"This is incredible. My friends, this victory belongs to you. Tonight the people of Ontario have spoken. You have come together around one common vision of Ontario," Ford told cheering supporters in Etobicoke.

"We will work every single day for a better Ontario," said the rookie leader, who only took the helm on March 10 after the resignation of Patrick Brown.

NDP Leader Andrea Horwath, who polls at one point suggested could win the day, will be the leader of the official Opposition in a radically changed legislature that will feature dozens of new MPPs. "From the very start of this campaign, people wanted change and I could not be more proud that we offered a positive vision. Change for the better," Horwath told loyalists in Hamilton.

Wynne's party, which had been in power since her predecessor, Dalton McGuinty, defeated the Tories in 2003, was reduced to a tiny rump teetering around official status of eight seats in the legislature.

Ontario's first female premier, who succeeded McGuinty in February 2013, took the unusual step of essentially conceding defeat last Saturday in a desperate attempt to salvage Liberal seats.

"This is a difficult night. We're still standing," said Wynne, who is stepping down as Liberal leader.

"I am passing the torch," she said.

Still, there are few to grasp it - numerous members of Wynne's cabinet were defeated, including finance minister Charles Sousa. Another Liberal casualty was Jim Bradley, St. Catharines MPP since 1977.

Green party Leader Mike Schreiner made history, though, becoming his party's first MPP by winning in Guelph.

"I'm ready to take my seat at Queen's Park," said Schreiner.

In some ways, Ford is an accidental premier. Until Brown's departure, he planned on a rematch this October against Toronto Mayor John Tory, who beat him municipally in 2014.

But the most eventful provincial campaign in decades was upended Jan. 24 when CTV News aired a report alleging sexual impropriety against Brown involving two women.

While he denied the allegations - and is now suing CTV, which stands by its story, for $8 million - he was forced to resign early on Jan. 25.

That triggered an expedited Tory leadership race that Christine Elliott, who had finished second to Brown in 2015 and third in the 2009 contest, was expected to win. While Elliott got the most votes and won more ridings at the party's chaotic March 10 convention, Ford narrowly edged her in the party's convoluted "points" tally.

It was a stunning rebuke of the party elites by an outsider that Brown's Tories had not even wanted as a local candidate.

They felt his reputation at Toronto city hall, where he was a key figure in the tumultuous mayoralty of his controversial late brother, Rob Ford, would undermine the modern, inclusive party they were building.

At the PC policy convention last November, the one-term Toronto councillor was a solitary figure hovering alone at the back of the hall during the then leader's speech.

But since taking the reins, he has brought Elliott into the fold along with another former leadership rival, Caroline Mulroney, the daughter of former prime minister Brian Mulroney.

Both women will sit at Ford's cabinet table. Also expected to be ministers are the newly elected Rod Phillips and Peter Bethlenfalvy and MPPs Vic Fedeli, Lisa MacLeod, Steve Clark and John Yakabuski.

After Horwath narrowed the gap in public opinion polls following his shaky performance in the three leaders debates last month, he scrambled to showcase his team, which he maintained was "ready to govern" in contrast to the NDP.

Many New Democratic candidates, he insisted, were "radical downtown Toronto elites" who should not be given the keys to Queen's Park.

However, voters may have handed Ford a blank cheque. He has promised to cut spending by $6 billion and vowed to do it painlessly without slashing even one public sector job. "Not one," he repeatedly said on the campaign without specifying where he would find such massive "efficiencies."

His platform, never fully costed despite promises it would be, consisted of a series of populist planks like a 10 cents a litre reduction in gasoline taxes, lowering the floor price of beer to $1, selling beer and wine in convenience stores, and reducing personal and corporate taxes.

On the campaign trail, his handlers limited media exposure and the freewheeling Ford from Toronto city hall was recast as a carefully scripted politician behind a teleprompter. Still, he weathered a bevy of problems, including revelations he attended a political fundraiser in April even though that's against the new campaign finance law, that he appeared to have flouted PC rules to sell memberships for candidate Kinga Surma, and that one of his former candidates was linked to the alleged data breach at the 407 ETR that compromised the personal information of 60,000 motorists.

As well, Rob Ford's widow filed a $16.5 million lawsuit Friday, alleging Doug Ford and older brother Randy Ford had cheated her and her children out of her late husband's inheritance. Doug Ford denied Renata Ford's allegations, which have not been proven in court.

Yet none of these potential landmines hurt the first victorious Tory campaign since Mike Harris was re-elected in 1999.

For Wynne, defeat appeared to have been preordained with Liberal insiders pointing to 2015 as the year when the wheels began to fall off.

That was the year of the Sudbury byelection debacle that saw Wynne's deputy chief of staff charged with bribery and then exonerated in 2017. It was also when the premier decided to sell the majority share in Hydro One, the provincial transmission utility, using the proceeds to bankroll transportation infrastructure.

With files from Wendy Gillis

Title: Here's a rundown of Ford's election promises; Vows to cut income tax, scrap cap-and-trade and take over subway plans
Date: Fri Jun 8 2018
Page: A6
Byline: Jennifer Pagliaro
Toronto Star

The people have spoken: Doug Ford's Ontario PC Party has won enough seats to form a majority government.

Now comes the actual governing part.

Each of parties' platforms were laid out, some in more detail than others, during the campaign and the key planks were hammered out in debates and at doors across the province.

Now that voters have awarded them leadership at Queen's Park, here is what the winning party promised all Ontarians:

On taxes: Scrap cap-and-trade and challenge any carbon tax imposed by the federal government in court; cut income taxes by 20 per cent for those earning between $43,000 and $86,000; provide a 75 per cent tax credit for child care costs; and lower gasoline taxes by 10 cents per litre;

On jobs: Freeze the minimum wage at $14 per hour and provide an income tax credit for minimum-wage earners;

On health care: Create 15,000 new long-term care beds over the next five years and another 15,000 in 10 years to address hospitals that are over capacity and provide free dental care for low-income seniors;

On education: Repeal the new sex-ed curriculum and restore the old program until it can be replaced with new lesson plans after consultation with parents;

On transit: Take ownership of Toronto's subway system and build a three-stop Scarborough subway, the Sheppard and Yonge North subway extensions and a downtown relief line;

On hydro: Lower rates by 12 per cent; get rid of Hydro One president and CEO Mayo Schmidt; and cut executive salaries.

Title: NDP leads in new condo-heavy riding

Date: Fri Jun 8 2018
Page: GT2
Byline: Sandro Contenta
Toronto Star

Early results showed the NDP's Chris Glover comfortably leading in the new downtown Toronto riding of Spadina-Fort York.

With 7 of 121 polls reporting, Glover led Liberal incumbent Han Dong by almost 1,500 votes. Glover, a trustee with the Toronto school board for the past eight years, vowed to fight for more non-profit housing and the building of new schools to service the riding's surging population.

He acknowledged getting a boost in support from voters who saw the NDP as the best way to keep Conservative leader Doug Ford from becoming premier. He added he also noted anger among voters who feel "betrayed" by Kathleen Wynne's Liberals, particularly with the privatization of Hydro One.

"They want a leader with integrity," Glover, 56, said in an interview prior to the vote count. "They want a change."

The riding was created provincially in 2015 and was contested for the first time. It includes the southern half of the old Trinity Spadina riding, long held by the NDP until Liberal Han Dong won in 2014.

More than 115,000 people call the riding home - an increase of 33,000 since 2011, according to the 2016 Census. Most live in apartment buildings of more than five storeys. The median income is $48,814.

The Liberal, NDP and Green candidates all ran on platforms to improve the lives of condo residents and increase affordable housing.

Title: Easy win for Horwath at home
Date: Fri Jun 8 2018
Page: A6
Byline: Kristin Rushowy
Toronto Star

Andrea Horwath may have been fighting to gain NDP seats in key ridings across the province - logging some 8,500 kilometres on her bus during the election campaign - but at home in Hamilton Centre it was one easy battle.

The NDP leader, who has represented the Hamilton area since 2004, won the riding in 2014 with more than half of all votes cast, and Thursday night was quickly declared the winner with an even higher margin of victory.

Horwath - who repeated her party's "change for the better" mantra throughout the campaign - said she tried to keep things positive, focusing on her party's detailed platform that was based on what she'd been hearing from Ontarians over the past four years.

"It's energizing," meeting with voters, she told the Star about a week after hitting the campaign trail, after being approached by a young mother in Scarborough who has a job but still needs to go to the food bank to feed her children.

"That's the stuff that keeps you going," Horwath added. "That when you know your plan is going to help young women like that, to build a better life for her kids."

Horwath ran a well-organized campaign, and picked up the pace as the NDP's polling numbers surged.

This week, she had 12 events on one day alone, and did another sweep of south-western Ontario and Kitchener, where her party hoped to make gains.

Her key messages were ending "hallway medicine," promising immediate funding for hospitals and front-line workers, universal pharmacare and dental care for those who aren't already covered with workplace plans, as well as returning Hydro One back to public hands.

Horwath's first campaign stop was at the Regent Park Community Health Clinic in Toronto's inner city, and she later visited Brampton twice to announce the NDP pledge for funding for a hospital and expansion of another.

"Our health care is not where it should be," Horwath said many times, citing examples of patients treated in hallways - even one who spent almost two weeks in a hospital bed crammed into a washroom.

At all of the stops - many during the workday - she was greeted by cheering crowds, and sometimes expressed surprise at the turnout.

Her younger brother Michael joined her when she visited his Woodstock-area riding.

The NDP candidate in Waterloo, Catherine Fife, told the Star during a campaign stop in Kitchener that she felt Horwath "made a genuine appeal to the people of Ontario - the Liberals who feel disenfranchised, and the Progressive Conservatives who do not identify with (PC Leader) Doug Ford politics."

Ford repeatedly told his supporters that an NDP government would be a "disaster" for the economy, and that Horwath's team included "radical" candidates.

Horwath was also criticized during the campaign for a $1.4 billion budget mistake, as well as for saying an NDP government would not use back-to-work legislation to end any strikes, including the three-month old strike at York University.

For more up-to-the-minute results, visit the Star's Ontario election page

Articles Published in the National Post

Title: Ontario eyes changes to hydro; End or alter plan that lowered electricity bills
Date: Fri Sep 28 2018
Page: FP1 / Front
Byline: Geoffzo Chodne

Ontario Premier Doug Ford's government is apparently aiming to either axe or alter a key plank of their predecessors' debt-laden plan to lower household electricity bills. The move was mentioned in Ontario's 2017-18 public accounts, released on Friday and indicated that the Ford government intends to stop "refinancing" the province's global adjustment charge.

Global adjustment is a longstanding part of Ontario power bills that chiefly represents the difference between the market price for electricity and the usually higher rate the province owes power companies, either due to contract terms or regulatory decisions.

The charge has shot up over the past decade, costing customers billions, and now makes up the bulk of the commodity cost of electricity in Ontario.

Feeling the heat over energy prices, Ontario's then-Liberal government rolled out their so-called Fair Hydro Plan in 2017, resolving to lower electricity bills by an average of 25 per cent for residential consumers, and then to hold rate increases to the rate of inflation for four years.

The plan did so in part by "refinancing" the global adjustment charge - essentially borrowing money to reduce the amount current ratepayers owed on their bills, with future ratepayers left to pay it back. An auditor's report on the Fair Hydro Plan last year suggested the total borrowings to be repaid could surpass $39 billion over the life of the program, including interest.

But according to the public accounts, those refinancing plans are being targeted for a change under Ford, whose government has been scrutinizing the financial situation the Liberals left.

"In September 2018, the government made a decision to make a future proposed legislative change to the Ontario Fair Hydro Plan Act to cancel the Global Adjustment Refinancing component of the plan," said part of the province's recently released financial statements.

"The government will fund all the future obligations issued and outstanding as of the date the guarantee is invoked."

Another passage in the public accounts said the Ford government would make changes to the act "reducing the amount of the current electricity price reduction to be borne by future ratepayers, and making any recovery from future ratepayers optional."

However, while future ratepayers may end up no longer on the hook for the refinancing, the effect of the changes on today's electricity customers remains unclear.

A commission of inquiry struck by the Ford government recently noted that the global adjustment refinancing part of the hydro plan provided nearly two-thirds of the Liberals'25-per-cent cut.

Ford has also promised ratepayers a 12-per-cent cut in the price of electricity on top of the 25-per-cent reduction introduced by the Liberals, something the government has suggested can be achieved through moves such as cancelling preconstruction green-energy projects and returning to ratepayers the dividends the province receives for its ownership stake in Hydro One Ltd. "The government will have more to say about this in the future," a spokesperson for the province's finance minister said in an email.

As well, the latest public accounts show that Ontario has recorded an approximately $1.64-billion obligation to a Fair Hydro Trust, which was set up under the previous regime to help with the refinancing and to borrow some of the money needed to pay for the Fair Hydro Plan rate cuts.

The trust is managed by provincially owned Ontario Power Generation Inc., but is a separate financing entity. It will apparently no longer conduct debt offerings, turning Ontario's already-issued hydro bonds into collector's items.

"All debt issued under the Fair Hydro Trust will remain outstanding," said Gadi Mayman, chief executive of the Ontario Financing Authority, the agency which borrows money for the province, in a message posted online Monday.

"The Province will be responsible for making all interest and principal payments due on those bonds. Going forward, there will be no issuance by the Fair Hydro Trust."

As of this week, the trust had completed two debt offerings, issuing a combined $900 million in bonds with a term of either 15-and-a-quarter or 20 years. Before being brought to a halt, it was anticipated to borrow far more.

But shuttering the trust follows the release last week of recommendations from the independent commission of inquiry into the province's finances. One of the commission's recommendations, which were accepted by the Ford regime, was to adopt the preferred accounting of Ontario's auditor general for the global adjustment refinancing.

The finance minister's spokesperson said that "our Government has accounted for the Liberals hydro scheme on the Province's books as previously recommended by the Auditor General in a bid to improve financial transparency for Ontarians."

Ontario's auditor had butted heads with the Liberals over the accounting. The watchdog also warned last year, citing another legislative officer, that the financing structure of the Fair Hydro Plan could cost Ontario up to $4 billion more in the long run, as OPG and the trust face higher interest rates to borrow than does the province itself.

"The government's desired outcome was that the electricity subsidy would be funded by ratepayers and therefore have no impact on the deficit or net debt," the commission's report stated, adding that the global adjustment refinancing "also presents a risk that the global adjustment itself may be struck down as unconstitutional."

"There is a risk that a court may find the global adjustment is not a valid regulatory charge if shifting costs over a longer period of time inadvertently results in future ratepayers cross-subsidizing today's ratepayers."

The recent moves by the Ford government fit into their broader strategy of undoing the plans of the previous Liberal regime. Since winning the June election, the Ford government has taken steps to dismantle the province's carbon-pricing system, prevent another minimum wage increase and to repeal green-energy legislation.

The government has said they are trying to put the province's finances back on track, and their commission of inquiry projected the province's deficit for 2018-19 would be $15 billion - more than double what the Liberals'budget had forecast, which is partly due to the inclusion of the hydro planrelated expenses.

"I can tell you that we now know the Fair Hydro Trust was all about a coverup, and the first phase is exposing what the Fair Hydro Plan is," Ontario Finance Minister Vic Fedeli told reporters last Friday.

Title: The breakout action star of the summer: Premier Doug Ford
Date: Fri Aug 17 2018
Page: A4
Byline: Randall Denley

To the surprise of many, Doug Ford: For the People has turned into the blockbuster of the summer in Ontario. While the original, Doug Ford: City Hall, was a classic disaster movie, the latest from Ford combines action, unexpected plot twists and a bit of comedy. In one memorable scene, Ford even turned himself into a giant shark and consumed half of Toronto city council.

As a storyline, the new Ford PC government is definitely a hit. Scarcely a day goes by without a major policy announcement. A lot has either been achieved or set in motion and Ford hasn't even been in power for two months yet. By contrast, Ontario politicians usually spend their summers attending community barbecues.

It has been an entertaining run, but is it good government? Ford's debut as premier has offered some hits and some misses. There are also a few plans where evaluation is premature, unless you are NDP leader Andrea Horwath, who thinks she is watching the apocalypse.

One of Ford's better major moves was his most recent, the announcement that the private sector will be selling cannabis instead of a new government agency. Other than creating public sector union jobs, there was no compelling reason for government to get into the marijuana retail business.

The Liberal plan would have taken years to deliver fewer than one-quarter of the stores the industry estimates are required to give consumers a real alternative to the black market.

Ford's apparent success in tackling seemingly intractable electricity sector issues is his biggest accomplishment so far. It was said that winding up cap-and-trade would cost billions and that the government would be buried under lawsuits. The actual cost looks like a few million dollars and no flood of suits, yet. Ford also cancelled 758 wind and solar projects that were in the pipeline. Again, the cost was minimal. Most recent contracts had an opt-out clause. Why pay for more green power we don't need? The removal of the Hydro One board and CEO was mostly symbolic, but it was also done without the forecast severance cost. As a bonus, the new board members have outstanding backgrounds in finance and the power sector.

Eliminating the provincial deficit is the most difficult challenge Ford faces, and he has made a number of logical steps in that direction. Public service hiring and pay for public service executives in the broader public sector have both been frozen.

Changing the drug coverage plan for young people so that the "free" government plan no longer replaces existing insurance will save money without harm to the public. All of that is a start, but Ford has a long way to go if he wants to cut an average of $1.5 billion annually from existing provincial spending. His promise to do that without anyone losing a job is just not realistic.

The plan to reform the way welfare and disability payments work is one of those that can't be properly evaluated until we see the details this fall. The goal is a simpler system that encourages work. The fuss over cancelling a basic income pilot project that was benefiting a fraction of one per cent of people on social assistance has been greatly overblown. The dramatic increase in welfare and disability rates the pilot promised would have cost $17 billion a year, a figure that is unaffordable.

Then there are the misses.

The biggest one is the hamhanded handling of the consultation on the sex-education curriculum. Ford could have avoided a lot of grief if he had kept the most recent curriculum in place while the government consulted with parents on changes. Ford and his cabinet have had uncharacteristic difficulty in getting their story straight on this issue. That said, those who oppose potential changes act as if the only things children know about sexuality and gender issues are what they learn in school. That's doubtful.

With all of these changes and the attendant wails of protest, a little comic relief was required and Ford provided it with his buck-a-beer plan. OK, so a handful of breweries will sell beer for a dollar. Yes, it was an election promise, but is there anything more trivial? Ford's complaint about high beer prices served primarily to underline the fact that beer is expensive in Ontario because government taxes it to death.

With all that he has done in just a few weeks, Ford has proven himself to be a disrupter. If there was ever something that needed disruption, it's the Ontario public sector. Everything we have seen so far is just the trailer. No doubt there is plenty more action to come.

Title: Hydro One earnings clouded by shakeup
Date: Wed Aug 15 2018
Page: FP1 / Front
Byline: Geoff Zochodne

Hydro One Ltd. has begun to rebuild after a management shake-up at the hands of Ontario Premier Doug Ford, but the company still faces the spectre of political interference, including new government controls that it warns could tamp down earnings and make it difficult to recruit executives.

The Toronto-based electricity utility reported Tuesday profit of $200 million for its second quarter ended June 30, up from $117 million a year ago. Adjusted earnings of 33 cents a share beat analysts' estimates. The increase was due in part to greater energy use because of warm weather, as well as the favourable impact of a regulatory decision.

However, Hydro One's latest results also come after the sudden retirement of former chief executive Mayo Schmidt and the replacement of its board of directors. The moves were made under pressure from Ford.

His successful campaign for the premier's office in Ontario's June election included a vow to fire both the board and Schmidt, who Ford dubbed the "Six Million Dollar Man" over his $6.2-million compensation package for 2017.

Moreover, the Ford regime recently passed legislation that gives Ontario - which remains Hydro One's largest shareholder, even after the previous Liberal government sold 53 per cent of the once provincially owned utility - greater control over the company's C-suite.

Among other provisions in Bill 2, the legislation sets out that the Ford government can issue orders regarding compensation for directors and certain executives of Hydro One, Ontario's largest distributor and transmitter of electricity.

"The introduction of Bill 2 may adversely impact the company's ability to continue to attract and retain executives," warned Hydro One in its latest filings.

Hydro One already has another executive it must replace. On Tuesday, Paul Dobson, Hydro One's acting CEO, said the company is losing Ferio Pugliese, executive vice-president of customer care and corporate affairs, as of the end of this week. Pugliese is leaving for another opportunity, Dobson said during a conference call with analysts.

"We are pleased to have significant bench strength and management depth within Hydro One and we are confident that we will be in a position to appoint a well-qualified and experienced replacement in the near future," he added.

Bill 2 also allows for the Ontario energy regulator to keep the cost of Hydro One's executive pay out of the electricity rates charged to customers, which the utility said is estimated to reduce net income for 2018 by around $9 million.

A new board of directors at Hydro One was named Tuesday as well, which will be chaired on an interim basis by provincial nominee Thomas Woods, the former vice-chairman of CIBC.

Other directors named Tuesday include interim Canada Post Corp. CEO Jessica McDonald, who was previously CEO of the B.C. Hydro and Power Authority; and Russel Robertson, former head of the anti-money laundering unit at BMO.

Under the terms of an agreement between the company and the Ford government, the transition to a new board of directors was to be finalized by Wednesday. Ontario nominated four replacement directors. Another six nominees were put forward by an ad hoc nominating committee made up of four of the company's other largest shareholders.

The new board will be tasked with finding a successor to Schmidt.

Still, the turmoil has jolted the utility's nearly $7-billion takeover of northwestern U.S. energy company Avista Corp. Reviews of the Avista deal by some state regulators in the U.S. have been delayed, with the leadership changes at Hydro One cited as a cause.

Hydro One's financial filings warned: "If the closing of the merger does not take place as contemplated, the company could suffer adverse consequences, including the loss of investor confidence, and may incur significant costs or losses, including an obligation to pay or cause to be paid to Avista corporation a termination fee of US$103 million."

RBC Dominion Securities Inc. said solid results will continue to be overlooked.

"With the political uncertainty with respect to the environment for Hydro One in Ontario in addition to uncertainty with respect to the Avista transaction, we believe these items will overshadow" the results, analyst Robert Kwan said in a note.

Hydro One shares rose 1.2 per cent to close at $19.33 in Toronto and are down 14 per cent this year.

Title: The Phoenix conflagration; In Bureaucrat Land, Your Own Failures Are Cause For Compensation
Date: Thu Aug 2 2018
Page: A8
Byline: Kelly Mcparland

You have to give Canada's federal bureaucrats credit: when they create a bubble for themselves, they don't use half measures. The world within which Ottawa civil servants operate is impermeable not only to market realities and the exigencies of the private sector, it evidently keeps out any annoying intrusions by irony or a sense of the ridiculous as well.

At the moment, the union representing people paid from the federal purse is on a campaign to have its members compensated for pain and trauma they've suffered by buggering up their own pay system. Phoenix, as it is amusedly called (do all public entities give pet names to the source of their paycheques, and, if so, wouldn't Alicanto, a bird - according to Wikipedia - that "feeds on gold and silver," be more appropriate?) is a well-documented disaster.

Canadians who take the time to read about the troubles of the people their taxes support will know that Phoenix was an ambitious effort - started under the Tories and launched under the Liberals - to collectivize and simplify the process under which tens of thousands of public employees receive their paycheques. It has proved massively costly, grossly troubled and incapable of performing the task for which it was built. So far it's at least $1 billion in the hole, and could reach more than $2 billion in wasted effort according to a Senate report released this week.

And it still doesn't work. The reason for all the problems, according to a great deal of research, study and investigation, is that the bureaucrats in charge of the project made a total mess of it. Canada's auditor general, Michael Ferguson, called it an "incomprehensible failure" brought about by an "obedient culture" within the civil service that avoids bad news like the plague. In particular, three senior public servants who headed the project pressed ahead with it despite clear indications it didn't work, and kept quiet about the looming disaster rather than inform higher-ups.

The Senate report avoided naming names but affirmed the conclusion, identifying a "fundamental management cultural problem within the public service ... that plays down bad news and avoids responsibility."

As of June, the problems with Phoenix have created a backlog of 600,000 pay issues, including underpayments, overpayments and nonpayments. Naturally, those responsible weren't fired, since it's almost impossible to fire a civil servant. They didn't get their bonuses though, poor folks.

Immune to any sense of obligation or farce, the unions representing federal employees see their members solely as victims of the foul-up, rather than its cause. They want the government to fork over compensation, not just for those who had their pay disrupted, but for those who had no problem at all and continued getting paid as usual. Union bosses say even those who got full pay, on time, suffered the stress of uncertainty, not knowing if they could be next. Chris Aylward, president of the Public Service Alliance of Canada, said in May that he sees this as a good time to put the squeeze on the government, which will want to avoid embarrassing confrontations in the run-up to its re-election bid next year.

"We want to put pressure on the government during this round to ensure our members get compensated at the bargaining table for the Phoenix fiasco," he said. According to a recent report, he may be right: Justin Trudeau's Liberals are apparently looking at a "tiered" compensation plan, in which there would be money for everyone, whether they got paid or not.

We should all be so lucky.

Canadians stressed at the rampant overspending of their elected representatives - including a federal government that long ago abandoned its pledge to keep deficits to a minimum and balance the budget next year - could demand compensation for the angst they endured as a result. Residents of provinces running additional deficits - which would be most of us - could file additional claims. Some civil servants could go for a triple dip, claiming payments for the stress of their own bungling, and that of federal and provincial governments as well. Those unfortunate enough to work in the private sector, who already struggle along without the security, benefits or pensions of the public sector, could seek reimbursement for the troubled sleeps they suffered from learning of the horrible pressures on those they pay taxes for.

It's a significant moment for all this to be happening. While Ottawa's bureaucrats are going for a big payoff, their provincial cousins down the road in Toronto are worrying about getting paid at all. New Ontario Premier Doug Ford, despite his oft-repeated campaign promise to slash spending without cutting jobs, is busily cutting jobs. He's already dumped a bunch of previous Liberal hires, including the first-ever chief scientist; forced out the chief executive of Hydro One and the utility's entire board of directors; and last week sent Toronto's bloated municipal council into paroxysms of rage by announcing plans to slash it from 47 seats to 25. So far he has refrained from addressing "front-line" employees, i.e. those who regularly come face to face with Ontarians, but that's little comfort to the 1.3 million people who get their income from the provincial purse. As Financial Post columnist William Watson pointed out Wednesday, their compensation eats up just under half the government's entire program spending, and is growing at a rate of 4.4 per cent.

A government pledged to finding $6 billion in "efficiencies" can hardly ignore that elephant. Whether it clamps down on pay, or lets attrition reduce bureaucrat numbers, something will have to give. No doubt it's already causing plenty of stress among provincial employees. Federal bureaucrats may want to up their demands for stress pay, on the basis that upsetting one civil servant is the same as upsetting them all.

Title: Hydro One's nominating committee a mystery; No information on members
Date: Tue Jul 31 2018
Page: FP1 / Front
Byline: Geoff Zochodne

Hydro One Ltd. may be undergoing a politically charged makeover of its leadership, but so far the Toronto-based electricity utility has kept one key aspect under wraps.

According to rules established when Hydro One went public, the government of Ontario, as its largest shareholder, has the power to nominate four directors, while a committee of the company's five next-largest shareholders is to nominate the other six.

On July 17, Hydro One announced that the ad hoc nominating committee - only four of the five largest non government shareholders agreed to join - had been formed to "identify, nominate and recommend for appointment" its share of directors by Aug. 15. This followed the July 11 announcement of an agreement between Hydro One and the new provincial government of Premier Doug Ford that outlined the process for replacing the board, in addition to the terms of the nowformer CEO's retirement.

But since then, there has been no public declaration of which shareholders are on that committee.

Publicly available data suggests it would be a handful of asset and investment managers - such as subsidiaries of Bank of Nova Scotia and IGM Financial Inc. - but even then the outcome is uncertain, as beneficial ownership can be difficult to ascertain. A spokesperson for Hydro One told the Financial Post that the company is "not at liberty to divulge the names of the parties in the Ad Hoc Nominating Committee without their consent."

"In addition, as these parties each hold less than 10 per cent of the outstanding shares, their names are not publicly disclosed," said the spokesperson.

The province's Ministry of Energy, Northern Development and Mines was also no help. "Information on shareholder and governance can only appropriately come from Hydro One," a spokesperson said.

Financial Post reached out to several of Hydro One's largest shareholders as well, based on data from Bloomberg.

"We have no comment on this," said one. "Apologies but we don't comment on individual companies," said another.

Given all of the politicking around the company, its largest shareholders may be hoping to keep a low profile. After all, new Ontario Premier Doug Ford made ousting Hydro One's board and chief executive one of the main planks of the Progressive Conservative campaign platform.

Politics aside, the power to nominate the majority of directors for Ontario's largest distributor and transmitter of electricity, a company with a market capitalization and revenues in the billions of dollars, is no small matter.

And according to one governance expert, Hydro One may be bucking the norms for such a situation.

"Normally, there is public disclosure, including via the company's website, of each Standing and Ad Hoc Board Committee's chairship (and) membership on a company's website," said Dr. Richard Leblanc, a professor of governance, law and ethics at York University. "The foregoing is best practice and very common now among listed companies."

What's more, the upheaval at Hydro One has given pause to regulators in the United States, where the company is trying to get a nearly $7-billion acquisition of energy company Avista Corp. approved. For instance, the Idaho Public Utilities Commission announced on July 19 that a technical hearing on the proposed merger had been postponed "to determine the implications of the unexpected and simultaneous July 11 retirement of Hydro One's chief executive officer and the resignation of the board of directors of the Toronto-based company."

The Ford regime has also recently passed legislation that could further curtail the freedom of Hydro One to act as a company independent from government control. Bill 2, the Urgent Priorities Act, aims to place restrictions on pay for directors and executives at Hydro One, some of which would also have to have their salaries made public if the legislation passes.

Meanwhile, one of the province's nominees for the new Hydro One board has already been announced: Thomas D. Woods, the former vice-chairman of Canadian Imperial Bank of Commerce. Woods currently sits on the boards of Bank of America Corp. and the Alberta Investment Management Corp.

Hydro One's new board of directors is to officially have 11 members when it is fully reconstituted. The eleventh and final director will be the company's new CEO, which will be chosen by the board.

Title: People see a bloated government
Date: Tue Jul 31 2018
Page: A9
Byline: Kelly McParland

I can't say for absolute certain, but I'm pretty sure the overwhelming majority of people who voted for Doug Ford's Progressive Conservatives in June are pretty pleased with their choice right now.

Ontario's rookie premier ensured that when, out of a clear blue sky, he revealed he was taking the city's municipal elections and dumping them by the side of the road. Plans for the vote were well under way, candidates lining up, forms being filled, money raised. Then Ford announced that, instead of 47 squabbling, money-draining, time-wasting city councillors, he would chop the number to 25.

Naturally, great squawking ensued. The beating heart of left-wing Toronto, having long ago decided Ford was the Canadian version of That Awful Man in Washington, is more than ever convinced that Canada's biggest province has been abandoned to philistines.

Elsewhere, outside the great, bumbling, unwieldy, self-absorbed world that is Toronto's grossly inefficient municipal government, people rolled their eyes, cried "Hallelujah!" and wondered how it could possibly have taken so long.

How hopeless is Toronto's local government? The city has ruinous traffic problems, but has proven incapable of remedying them. Transit has been the No. 1 priority since Moses was in short pants, but - other than jabbering away endlessly about it - little ever gets done.

Public housing is an utter disgrace, and will continue to be for generations to come given the lack of willingness to address it. Housing prices are beyond reach, and the city bleats constantly about its lack of revenue, yet resolutely insists on taxing all that high-priced real estate at levels below every surrounding community.

When a local man heard the city claimed it would cost $65,000 to $150,000 to put some stairs in a local park, he built them himself for $550. The city tore them down and replaced them, for a mere $10,000.

The case against Ford's move isn't in the decision itself, but how he went about it. It appears he simply made up his mind and went for it, despite much concern among aides and caucus colleagues about the tumult it would create.

Mayor John Tory said Ford casually mentioned the idea to him, but the mayor didn't think he was serious.

Though Ford made several promises during the election campaign, chopping Toronto's council wasn't one of them.

It's fair to question any leader in a position as important as Ford's who appears to act on impulse alone. We're all too well aware of the turmoil the U.S. president is creating by trusting his own ill-informed, egotistical and shallow-minded opinions over anyone and everyone else.

Ontario doesn't need rule by fiat, and the fact Ford won enough support to become premier doesn't give him the right to remake the province according to whatever whim seizes his fancy.

But it's early days in the new government and the substance of Ford's actions to date - as opposed to the process behind them - doesn't justify the fainting spells they've produced.

He's done a lot in a very short time. Frozen salaries, ousted Hydro One bosses, cancelled cap-and-trade, shelved green energy projects, scrapped the sex education curriculum, confronted Ottawa over a surge in refugee claimants ... All of it fairly predictable, based on campaign pledges or well-known elements of the Ford agenda. Even Friday's surprise declaration reflected a longtime Ford ambition. During Rob Ford's term as Toronto mayor the brothers made no secret of their desire to sharply cut the number of council seats, and reduce councillors' expense accounts as well. The trouble, not surprisingly, was their inability to find support among the council members who would lose their posts and perks. Now Doug Ford can do it on his own.

His decision to do so has been called abrupt, unfair, callous, bizarre, chaotic and undemocratic, among much else. It's certainly abrupt.

As for the rest, it's worth remembering that much of the antagonism being directed at political entities of all sorts results from disenchantment with the very processes Ford is bypassing.

Rightly or wrongly, people look at government and see fat, privileged, dysfunctional, self-serving, slowmoving bureaucracies that talk a great deal and accomplish very little. They wonder what they gain from the people they elect, and have trouble identifying much of substance. They see a world of red tape, where a man can spend $550 on a staircase and have it replaced for almost 20 times the price.

They don't care much that candidates had already put time and effort into their campaigns, given that so many office-seekers strike onlookers as opportunists anxious for a public platform and a well-paid sinecure.

They're unimpressed by professional office-holders who jump from one wellpaid public post to another.

They're not upset that Ford also cancelled elections for regional posts in which candidates included Ford's predecessor Patrick Brown, and recently-defeated Liberal cabinet member Steven Del Duca. With the regional vote vetoed, Brown immediately said he'd run for mayor of Brampton.

If more concerned about convention, Ford could have revealed his plan, but delayed implementation until the next election.

That would have provided time to prepare and some protection from the outrage.

It would also have meant four more years of posturing, waste and rank inefficiency, at a cost of many millions of dollars, while enabling opponents to mount delaying tactics of the sort that have done so much to successfully stymie change on other fronts.

Though this is Ford's first time in high office - his brief stint on Toronto council hardly counts - he evidently understands that if he hopes to get anything done he has to move quickly, or risk getting bogged down by the same forces of bureaucracy and self-interest that upset the voters who elected him. Moving fast is itself a violation of process, and bound to upset those whose self-interests are threatened by it.

It's entirely possible that at some point Tory voters will judge Ford has overstepped the mark.

But I bet they're not nearly there yet.

Title: High-cost power supply is locked-in
Date: Thu Jul 26 2018
Page: FP2
Byline: Barry Critchley

On Wednesday, royal assent was received for Bill 2, the plan by the newly elected Ontario government to put a severe dent into the operations of Hydro One, a former Crown corporation taken public less than three years back.

The bill will constrain compensation at the transmission and distribution company and give the provincial government a direct say in the naming of directors. It's an absolute change (for shareholders and for the government) from what was written down and understood when Hydro One was set free in November 2015.

The politicians are the last group to speak. The newly elected government's view is different from what bankers, lawyers, investors and analysts are saying. In a general state of confusion about what may come next (particularly so given that Hydro One has made a significant U.S. acquisition which is now pending) all are aghast at the intrusion by a government (that in late 2015 agreed to act as an investor and not a manager) into the internal affairs of a company.

All express the view that the planned changes will do nothing to meet the government's election commitment to cut electricity prices by 12 per cent. Hydro One is essentially a pass through - buying power at one end and selling it at the other - with limited ability, if any, to influence prices. Three days back we asked the government: How do these changes help Hydro One? We are still waiting for an answer.

We contacted Don Drummond, a former senior economist at the Department of Finance, the former chief economist at TD Bank, and author of The Drummond Report (a deficit-reduction plan requested by the previous government). Part of the plan was a desire for an explanation of partial equilibrium (or the first-round effects that also include cancelling some renewable contracts) vs. general equilibrium effects (which the system reaches over time.)

"The situation begs out an honest explanation that we are going to be paying higher electricity prices for some time," said Drummond, adding Premier Ford for the time being has an out: it's a multi-decade mess in the making that won't be solved quickly.

Meantime, Drummond is not impressed with what has transpired so far.

"The government has managed to confuse everybody," he said, noting that somehow the government has "tied it in" so that Hydro One was "accountable" for the high electricity prices and by default, if Hydro One "was acting appropriately it would be part of getting hydro prices down."

Drummond says, "That's not Hydro One's role. They are not responsible for the price increases and I don't know what tools they have to get them down."

Instead Drummond believes the Ford government will continue with the former government's policy of "shifting electricity bills onto personal taxes," now and in the future, a move he says is "unfair because of the absence of a link between usage and payment."

As well, that move "flies in the face of their plan to lower income taxes," said Drummond, who prior to the recent election was critical of the plans of all three major parties. None has "a credible plan to tackle Ontario's fiscal problem," he wrote.

But shifting the full payment to future generations is not problem-free. "In 10 or 20 years the current ratepayers at that time are probably no keener on paying a higher price than the people today," said Drummond. "It was a mess before. This seems to be a cloudier situation."

For Drummond, the real problem is that the province has locked itself, for many years, into "very expensive supply." And some of that supply (from renewables) comes with a price-indexed feature.

Indeed the combination of "too high" prices (from guaranteeing renewables and from nuclear refurbishment) and conservation efforts (which reduced demand) has resulted in a surplus of expensive electricity, a situation inherited by Ford.

And those high contracted prices make it impossible to bring supply and demand into balance: that general equilibrium outcome would prevail if a market-clearing price was at work.

"Unless you cheat and transfer (the problem) to another source of funding (say personal income taxes) there aren't many ways out," noted Drummond.

Title: New Hydro One 'worse for customers'; Bay Street not impressed with Ford move
Date: Tue Jul 24 2018
Page: FP2
Byline: Barry Critchley

For a party that campaigned on making the province open for business, Ontario's recently elected Progressive Conservative government has an unusual way of implementing that pledge.

Consider Bill 2, the Urgent Priorities Act, 2018, and what's planned for Hydro One, a publicly listed company in which the government is the largest shareholder. The former sold part of its stake in late 2015, which made the province's transmission and distribution utility a public company with a separate board of directors and charged with all the responsibilities that come with such a status.

"Simply put, the Ford government's actions with respect to Hydro One represent an unprecedented intrusion into the private capital markets," noted one senior Bay Street banker. "This is the act of a leftist South American dictator, not a new Progressive Conservative government that professes to be 'open for business.' Shameful."

Under Schedule 1 of the priorities Act, "constraints are placed on the compensation for the directors, chief executive officer and executives of Hydro One and its subsidiaries." Hydro One is also required annually to "make public the salaries paid to certain executives." (The current requirement is only that the salaries of the top five executives be disclosed.)

As well, the new government is planning to amend the Ontario Energy Board Act to provide that the rates charged by Hydro One "shall not reflect amounts paid for executive compensation." And as a further sign that the government is fully in change, it has granted itself "immunity from litigation arising from this legislation."

"It's extraordinary," noted another senior banker, "for a government to include a provision in the Act where it cannot be sued by shareholders."

Accordingly, the government will not only limit what Hydro One can pay its executives, which could reduce the company's ability to attract talent, but it will also the limit its ability to pass on compensation costs through its rate base, a plan that will affect its revenue. As well, when Hydro One does develop a new compensation plan (in which compensation will definitely be lower), the Management Board of cabinet has the final say.

If nothing else, the changes represent a massive encroachment into the affairs of a publicly listed company that has raised equity capital from the market at least three times.

As a result, Hydro One's mandate will change from "an independent, commercially-oriented public company," with a "new direction" to something completely different. It's not a stretch to argue that the "new" Hydro One will become an arm of the provincial government.

"It transforms a growth-oriented company that shareholders bought, into basically a Crown corporation," noted the banker.

From now on, "it will only be able to attract people who are comfortable working in a Crown corporation. It's the wrong way to do it," the executive added, noting the publicly listed electric companies (Fortis, Emera and AltaGas) have all made transformative acquisitions outside of Canada. Hydro One announced one last year.

Brady Yauch, an economist with the Consumer Policy Institute, an entity that focuses on public monopolies, says consumers will be the losers. The public Hydro One made some "positive operational changes including service guarantees," but the new Hydro One "will be less commercially oriented, more focused on the political environment, and ultimately worse for customers."

More fundamentally, Ontario's plans are an about face from what shareholders were promised when Hydro One was taken public in November 2015. Back then under the governance agreement, potential investors were told that "as a shareholder," the province "will engage in the business and affairs of Hydro One as an investor and not as a manager." To ensure Hydro One's independence, David Denison, the former chief executive of the CPP Investment Board, was made chairman. Now, like the rest of the board, he is gone.

"The government has breached this trust, (to act as an investor and not as a manager) by sending a stunning 'anti-business' message to global investors," says the Bay Street executive. "One wonders how investors could ever trust Ontario as a counterparty given how the carpet has been pulled and billions of dollars lost."

In that regard, as the largest shareholder, the province is the biggest loser on its investment. Since the shares reached a recent high of $22.26 on Jan 26, the value of government's stake has fallen by about $900 million, considerably more than what the company will save from ousting the board and the chief executive.

With the "new" Hydro One the province will nominate four directors with the other six being nominated by the remaining largest shareholders. In the "old" Hydro One, the province, along with three board committees met and put forward names. There were no quotas.

What does the government say? When the legislation was introduced, it noted the changes would "improve transparency and accountability."

By press time, the Ministry of Energy, which oversees Hydro One, had not responded to a series of questions about the recent changes.

Title: Ford, Horwath square off in legislature; Speaker steps in as leaders probe and trade jabs
Date: Fri Jul 20 2018
Page: A7
Byline: Randall Denley

Question period at Queen's Park might not be the best place to find out what the Doug Ford government is going to do next, but if this week is an indication, it's going to be quite a show.

It was the public's first look at how PC premier Ford and NDP opposition leader Andrea Horwath stack up against each other in the legislature. Anyone who thought their new positions would give them a sense of decorum and responsibility was quickly proven wrong.

Opposition leaders are known for spraying on feigned outrage like cheap cologne, but Horwath was practically hopping up and down from the first minute, furious at Ford for the stock options retiring Hydro One CEO Mayo Schmidt will be allowed to cash out. That was actually something approved under the Liberals, but that didn't keep Horwath from talking about backroom deals, lobbyists and insiders. She poured on the hyperbole, accusing Ford of helping ticket-scalpers, big polluters and his socialconservative friends.

Within the first few minutes, Horwath had called Ford a liar in a couple of different ways. She got away with the first one, but the Speaker asked for a retraction when she said, "It looks like this premier is going to be as honest in this House as he was on the campaign trail."

One of the unknowns about Ford was how he would perform under this kind of pressure. Could he think on his feet and brush off obvious attempts to make him lose his cool? Expectations were low, but he was able to boom out his standard answers, add some shots of his own and even surprise by quoting a few facts.

By Tuesday, Horwath did manage to get under his skin with a question about reviewing rules for police oversight. Ford responded by saying, "We support our police, unlike the leader of the opposition and unlike their party that are police-haters, military-haters, veteran haters, poppy-haters." The Speaker ordered him to retract that one.

Horwath continued with the jabs, accusing Ford of knowing nothing about what has happened in the legislature in the last 10 years and being unaware of the role of the opposition. She helpfully pointed out that there is something called the Charter of Rights and Freedoms and suggested he go look it up.

After all of that, Horwath told reporters, "Mr. Ford behaves very, very badly and I'm certainly going to give him back what he gives me. That's something I'm prepared to do. I'm not going to be bullied by this bully, frankly." Self-awareness, it would seem, is not her strong suit.

While much of what was said in question period this week was second-rate political theatre, the questions and answers give some valuable insight into how both the government and the opposition intend to conduct themselves, and who are likely to be the skilful players.

The NDP has decided to vigorously defend the Liberal status quo, a curious strategy given the resounding defeat just experienced by the actual Liberals. People gave Doug Ford a majority because many of them want a government with a new approach, not one that would do all the same things as the Liberals under a different label.

The opposition's main goal is to damage Ford by portraying him as a bully, an ignoramus, a man who loves backroom deals and consistently places the interests of his cronies ahead of those of the people. So far, they have provided precious little convincing evidence to back that up.

On the government side, Ford has shown that he can hold his own in the crossfire of question period, but he might want to think about tone. He is clearly trying to build a kinder, gentler image.

The NDP undermine that effort every time they goad him into attack mode.

Ford's cabinet performed moderately well in response to the NDP onslaught. Energy minister Greg Rickford, a veteran of the federal cabinet, was easily the best of the bunch, always looking relaxed, confident and informed. Deputy premier Christine Elliott gave several short, clear answers and did well during Ford's absence Wednesday and Thursday. Overall, the ratio of obfuscation to clear answers was better than average, but there's plenty of room for improvement.

Question period has degenerated into a farce on Parliament Hill and under the previous government it wasn't much better at Queen's Park. Now there are new players, and it's time to do better, not worse. The opposition owes it to the public to ask fact-based, respectful questions that deserve good answers. Government members ought to feel obligated to respond in kind. What we have seen so far falls far short of the mark.

Special to National Post Randall Denley is an Ottawa political commentator and former Ontario PC candidate.

Title: Ontario moves on Hydro One salaries
Date: Tue Jul 17 2018
Page: FP2
Byline: Shawn Jeffords

Ontario's new Progressive Conservative government introduced legislation on Monday that would give it sweeping new powers over executive compensation at Hydro One.

The bill, dubbed the Urgent Priorities Act, was introduced by Energy Minister Greg Rickford and would give the government authority to approve executive compensation at the utility.

It would require the Hydro One board to establish a new compensation framework for the CEO and board of directors in consultation with the province and the partially privatized utility's five largest shareholders.

It would also require the Ontario Energy Board to exclude executive compensation from consumer rates for Hydro One or its subsidiaries.

The government said the bill would "improve transparency and accountability" at the partially privatized company.

The legislation was introduced less than a week after the former CEO of Hydro One retired and the board of directors resigned following a campaign pledge from Premier Doug Ford to fire them.

"The CEO of Hydro is gone," Ford said in the legislature Monday morning. "The board is gone. We're turning the page when it comes to hydro rates."

Former Hydro One CEO Mayo Schmidt, who earned a $6.2-million salary last year, became a lightning rod for resentment over rising electricity rates during the spring election.

Schmidt, who Ford called the "Six Million Dollar Man," would have been entitled to at least $10.7 million in severance if he were to have been removed from his job by the board of directors, according to the company's annual shareholders report released on March 29.

Under a deal reached with the new Tory government, Schmidt was not entitled to severance, receiving instead a $400,000 lump sum payment in lieu of all post-retirement benefits. But the Opposition noted

Ford glossed over that Schmidt has also qualified for incentives and stock options worth at least $9 million upon retirement.

"That deal is going to take what he called the Six Million Dollar man and put him on a trajectory to be over a Nine Million Dollar man," said NDP Leader Andrea Horwath. "That's not a good deal for the people of Ontario."

Ford told the legislature Schmidt's stock option arrangement is no different than that of other Hydro One retirees.

Hydro One was partially privatized in November 2015, and by December 2017 the province had sold off 53 per cent of its stake.

The bill introduced Monday would require Hydro One to publish any proposed changes to compensation at least 30 days prior to the date it seeks approval from the government.

The omnibus bill would also enact back-to-work legislation to end a strike at York University in Toronto.

The labour dispute at the Toronto university saw 3,000 contract faculty and graduate teaching and research assistants walk off the job over issues of wages and job security on March 5.

CUPE Ontario president Fred Hahn, which represents the striking workers, said that if the government proceeded to legislate an end to the labour dispute it could end up in the courts.

The legislation would also cancel the White Pines wind project in Eastern Ontario, and would authorize the government to pay WPD Canada, the company behind the project, compensation but doesn't spell out how much. The company has suggested it could be over $100 million.

The bill also contains a clause the government says will make it immune from civil litigation over the cancellation of green energy projects.

"We're going to take steps to ensure that the Crown is mitigated or there are serious elements of the legislation that ensure those costs are as low as they can be," Rickford said. "There will be some."

Title: No quick fix for electricity woes
Date: Tue Jul 17 2018
Page: FP2
Byline: Barry Critchley

Every so often a situation comes along in which a government is presented with an opportunity to think long term and offer solutions designed to solve underlying problems.

Given the attention electricity prices attracted in the recent campaign, the new government of Ontario, which, implemented one of its campaign promises last week when it replaced the board of Hydro One including its chief executive, and which held its first legislative session on Monday, has been given such an opportunity.

But clearly the solutions have to be more broadly based than the campaign promise of a 12 per cent cut in retail prices - which is slated to come on top of the 25 per cent cut already implemented - and the cutting of a few dollars from the overhead of the province's largest transmission company.

"You can't just nip at the edges. It's a big problem," said Tom Adams, a Toronto-based independent electricity consultant and researcher who has studied the electricity market for decades.

Adams believes the real issue is costs not prices and that price cuts and price caps "don't work" because the gap between revenue and costs is made up by, for example cost sharing. In short somebody pays, now or in the future, even if it doesn't show up on the electricity bill.

Adams offered three pieces of advice to the new government.

"The first step on the road to recovery is audit, audit and audit," part of a plan to get all the facts on for example, existing contracts and existing governance at the various agencies in the $21 billion electricity business.

"All of the one-off pieces of analysis (that have been done by, for example, the Auditor General) need to be threaded together into a comprehensive (database.) We have to have a fact-based conversation," Adams said. "We can't get too far into opinion before we get the facts."

Associated with that is an understanding, "a realistic view," of future supply and demand, an analysis that will show where gaps will develop over the next five to 10 years.

And before the government (as it said it will) scraps the 10-year old Green Energy Act, Adams said the public needs to be told about the replacement. That act - that involved feed-in-tariffs and high-priced contracts with producers - left a large "footprint" on the system as well as changes to the "governance rules." In other words Adams said the government needs time "but they need to do some homework."

Finally Adams spoke of "managing expectations," given that governments have, for years, promised "quick solutions," to what is a multifaceted problem.

Given that those quick solutions haven't solved the problem, Adams advised that governments need to acknowledge a degree of humility.

The other reality is that high prices aren't just an Ontario issue. It's set to become front and centre in Newfoundland because of the massive cost overrun at Muskrat Falls.

A few years back Alberta's Utilities Commission approved a settlement agreement, between TransAlta and the Market Surveillance Administrator over contraventions in the Alberta electricity market, that resulted in an economic benefit to Trans-Alta. In Europe it's also an issue as some countries shut down their nuclear facilities.

Recently the Australian Competition and Consumer Commission issued a 400-page report on retail electricity pricing. That country has a mix of government and private sector suppliers. The ACCC issued 56 recommendations after concluding, "the current situation is unacceptable and unsustainable."

Those recommendations, which "span the supply chain," were framed around the objective of bringing "down prices and restor(ing) consumer confidence and Australia's competitive advantage. "One such recommendation was introducing changes designed to boost competition among electricity wholesalers and retailers. Another was to target "market manipulation," and a revamping of the national energy market to reduce "unnecessary costs," including network changes.

Title: Institutional investors seen at Hydro One fore; BOARD MAKEUP
Date: Fri Jul 13 2018
Page: FP3
Byline: Geoff Zochodne

A patchwork of institutional investors - and not the Province of Ontario - could hold the balance of power when it comes to deciding the makeup of Hydro One Ltd.'s next board of directors, following new Ontario premier Doug Ford's decision to clean house at the Toronto-based electricity utility.

Hydro One said Wednesday that it had struck a deal with the Ford government that would see the company's board of directors resigned and replaced by Aug. 15.

The deal also called for the immediate retirement of Hydro One's president and CEO, Mayo Schmidt. Hydro One's chief financial officer, Paul Dobson, has been named acting CEO.

Most of the existing Hydro One directors were appointed by Ontario's previous Liberal government, which was swept out of power in June by Ford and the Progressive Conservatives.

Hydro One said the new board of directors will initially consist of 10 members, with four nominated by the province and the other six through a committee made up of representatives of the company's other largest shareholders. The new directors will also be tasked with finding a new CEO, who will sit as the eleventh member of the board.

The identity of the shareholders who will populate the nominating committee was not immediately clear.

Ontario still owns around 47 per cent of Hydro One shares, but according to the agreement between the company and the government, the nominating committee is intended to be comprised of up to "one representative of each of the five largest beneficial owners of Voting Securities of Hydro One, excluding the Province."

As of the Financial Post's deadline, Hydro One did not have an answer as to who that would be.

After Ontario, Fidelity Institutional Asset Management, IG Investment Management Ltd. and Scotia Asset Management were among the institutions with the largest percentage of shares held, according to numbers from Morningstar Research. The three owned around 1.3 per cent to 2.3 per cent of the company's shares apiece.

Ontario Power Generation Inc., an electricity producer that is wholly owned by the province, owns about 1.4 per cent of Hydro One's outstanding shares, according to the data from Bloomberg. However, OPG only has those shares to pay to unionized employees as part of its collective bargaining process.

"The committee is formed by the group of largest shareholders," an OPG spokesperson said in an email. "Based on our understanding, we are not in this group."

Investors reacted negatively to the shakeup on Thursday, sending shares of the company sharply lower at the open before paring some of those losses to close down 3.2 per cent at $19.52 in Toronto.

The changes at the company came after Ford vowed to fire Schmidt on the campaign trail, calling him "The Six-Million-Dollar Man." The province will be consulted on Hydro One's future executive compensation.

"Your government will act swiftly to restore public confidence in Ontario's electricity system - starting with Hydro One," the Progressive Conservatives' throne speech declared on Thursday.

Schmidt received an approximately $6.2-million pay package last year. Among the other terms of his departure, Schmidt is to receive his base salary and his short-term bonus for 2018 pro-rated to Wednesday, in addition to a one-time lump sum cash payment of $400,000 that will be received "in lieu of all post-retirement benefits and allowances as provided in his contract or otherwise."

While the agreement between the government and Hydro One says Schmidt is not entitled to "severance," it says he is allowed all of the benefits and awards previously granted to him. Schmidt is also apparently allowed to convert some of those awards, such as deferred share units, into cash.

"The Awards ... previously granted to Mr. Schmidt pursuant to the Plan, consisting of Restricted Share Units and Performance Share Units ... as well as the DSUs, may be cash-settled at target levels at a specified price per unit," the agreement said. Dr. Richard Leblanc, a professor of governance, law and ethics at York University, said Ontario "reinforced its proper accountability" as a shareholder.

"If you're going to proceed down that path, which is selling off 53 per cent of an important Crown company, you have to keep on top of that company in your role as a 47-per-cent shareholder, and arguably, the Government of Ontario didn't do that," Leblanc said. "All eyes will now be on Mr. Ford to appoint the proper directors with requisite utility and energy expertise."

According to a release, the replacement directors are to serve until Hydro One's next annual meeting or until they stop holding office.

Under Schmidt, Hydro One had also embarked on an attempted acquisition of northwestern U.S. energy company, Avista Corp. The deal has been racking up regulatory approvals, and the company had previously sought sign-offs from U.S. state and federal regulators by August 2018.

"We are continuing to work through the regulatory process for the merger," said an Avista spokesperson in an email.

CIBC World Markets'Robert Catellier said in a note that the turfing of the board and Schmidt "brings in a new era of uncertainty for Hydro One shareholders," causing them to cut their target on the company's stock price to $20.50 per share from $24.

"While the transition will occur through a more orderly process than we had feared, it indicates the government is willing to meddle," Catellier wrote. "Just as worrisome is the possibility that the government meddles with the company's rates in some form, potentially impacting earnings and upside from incentive rate making. This also does not bode well for the Avista acquisition, which does not yet have all required regulatory approvals."

Title: Ontario throne speech a partisan wrecking ball; Tories spell out intent to destroy Liberals' legacy
Date: Fri Jul 13 2018
Page: A4
Byline: Kellym Cparland

The official feed of Ontario's throne speech Thursday did not show the expression on the faces of former premier Kathleen Wynne or the six remaining Liberals in her much-reduced caucus, and it's probably a good thing, if only from a humane point of view.

The speech made clear that the bad blood collected over 15 years of Liberal rule has been anything but diluted by the Progressive Conservatives' victory in June. Much as Wynne's Liberals never tired of blaming any obstacle on Mike Harris - who last ruled the province in 2002 - and Justin Trudeau's federal Liberals still delight in recalling the horrors of Stephen Harper, Premier Doug Ford's people appear to have absorbed the idea that vilifying your predecessors can come in handy when excuses are needed down the road.

In a speech read by Lieutenant Governor Elizabeth Dowdeswell, and with a heavy emphasis on the economic challenges ahead, the Tories made clear that any complaints should be laid at the door of the departed Liberals. Key among immediate tasks will be "restoring faith" in government institutions left shaken by Liberal "accounting tricks and slight-of-hand."

Finances "have been left in a precarious position, and too many people are feeling excluded from a system that too often seems tilted in the direction of outsiders and the elite." The new government will replace "failed ideological experiments in the classroom" in a return to "tried and true methods that work," and revamp the sex education curriculum with a new "age-appropriate" replacement "based on real consultation with parents."

Noting that "no dollar is better spent than the dollar that is left in the pockets of the taxpayer," the speech pledged to "rebuild trust ... based on a shared and simple principle: You should not be forced to pay more and work harder to make life easier for your government. Instead your government should be working harder, smarter and more efficiently to make life better for you."

The speech caps two weeks in which Ford and his cabinet appeared determined to check off as many campaign pledges as possible before the legislature reconvened, erasing as much of the Liberal legacy as could be managed in what are supposed to be somnolent summer days.

Just hours before Dowdeswell began her address, the latest of the near-daily announcements revealed yet another Liberal leftover would be biting the dust.

In this case it was a rebate program offering sizable subsidies to buyers of electric vehicles. Introduced in an effort to wean motorists off traditional gas-guzzlers, it paid up to $14,000 towards the purchase of a variety of "cleaner" alternatives (including, for a time, millionaire buyers of $1.1 million Porsches handassembled in Germany). Activists, environmentalists, the New Democratic opposition and bitter "progressives" in pricey downtown Toronto neighbourhoods were sure to be upset. But so rapid have the changes been that each new round of denunciation seems reduced by the echoes of the last.

Even as Dowdeswell dutifully soldiered on, a sombrelooking Ford, seated nearby, could tot up a lengthy list of accomplishments. Barely 24 hours earlier he had announced the ousting of Hydro One chief executive Mayo Schmidt - or the "$6 million dollar man," as Ford dubbed him - and his entire board from Hydro One, the electricity-delivery utility.

It was a key platform plank, and one much derided by critics. There were doubts the premier even had the power to carry it out, and warnings that Schmidt would collect a king's ransom in severance. But there stood Ford outside his office Wednesday, proclaiming: "I'm happy to say today, the CEO and the board of Hydro One, they're gone, they're done."

Previous to Schmidt's departure other Liberal dominoes had fallen in steady succession. Salaries for provincial executives and managers had been frozen, a hiring freeze put in place, restrictions placed on discretionary spending. Several Liberal appointees had been dismissed, including the province's firstever chief scientist, hired just a few months ago; the chief investment officer; and a former banker who acted as business adviser to Wynne. The cap-and-trade program had been ditched as promised, a $100-million school repair fund axed, an ill-conceived pharmacare revamp shelved, and Ottawa informed that Ontario will no longer assist in handling a flood of asylum seekers redirected to the province after Quebec declared itself no longer able to deal with them all. Legislation that would have substantially strengthened independent oversight of police has been delayed, pending a review.

All in less than two weeks.

Unlike the polite tones of Thursday's speech, the cries of displeasure have been sharp. How could the Tories do such things? Homeowners would be forced to pay for their own windows, teachers would no longer take precedence over parents in educating their children about sex, people would have to pay full price for electric cars just like everyone else.

But it's the subtext of the outpouring of announcements that's important, just as it was in Thursday's speech. Ford's PCs were elected to introduce change, and the biggest of those is a sharp shift away from a Liberal culture that never found an expense it couldn't justify, an activist agenda it couldn't endorse, a government intrusion it didn't deem necessary. Saddled with $300 billionplus in debt, a burgeoning economic threat from the U.S. and a sharp divide between rural and urban Ontario, its first priority had to be a clear declaration that the defeated Liberals would take the status quo with them.

"A government for the people must also be a government of respect," intoned Dowdeswell, identifying another area the PCs believe the Liberals fell short.

"On so many issues, the people who know best live and work well outside government's walls."

Fifteen years builds a lot of acrimony. In the new legislature, good will may be in short supply.

Title: Ford fulfils Hydro One promise
Date: Thu Jul 12 2018
Page: A1 / Front
Byline: Shawn Jeffords

Premier Doug Ford says he has made good on a key campaign promise, announcing the immediate retirement of the CEO of Hydro One and the resignation of the utility's entire board of directors.

Ford, who promised that if he was elected he would fire Hydro One CEO Mayo Schmidt, dubbing him the "Six-Million-Dollar Man" during the spring election campaign, hailed it as a "great day" for the province.

Under an agreement between the new Tory government and the partially privatized power utility, Schmidt will retire and its board of directors will resign and be replaced.

"I said over and over and over again on the campaign trail the CEO of Hydro One and the board will be gone," Ford told a hastily called press conference on Wednesday afternoon.

"I'm happy to say today the CEO and the board of Hydro One, they're gone. They're done. They're done. We're going to turn a new corner."

Schmidt, who earned a $6.2-million salary last year, became a lightning rod for resentment during the election over rising electricity rates in the province.

He would have been entitled to at least $10.7 million in severance if he were to be removed from his job by the board of directors, according to the company's annual shareholders report released on March 29.

According to a statement from Hydro One, Schmidt will not be entitled to severance, and will instead receive a $400,000 lump sum payment in lieu of all post-retirement benefits.

As part of the deal, Hydro One also said it has agreed to consult with the province on "future matters of executive compensation."

NDP Energy critic Peter Tabuns said Schmidt's departure raises a number of questions and demanded the government release the specifics details of the deal reached with the now former CEO.

"Doug Ford needs to tell people what kind of backroom deal he worked out with Mayo Schmidt to get him to walk away, and if he's going to replace the board with his own high-priced insiders," Tabuns said in a statement.

Hydro One said Wednesday a new board of directors will be selected by Aug. 15 and will initially consist of 10 members.

Under the agreement, the province will nominate four replacement directors and the remaining six nominees will be identified through a committee comprised of representatives of Hydro One's largest shareholders other than the province.

Hydro One's outgoing board chair, David Denison, said the agreement will provide "stability and clarity" to the utility's management moving forward, and he lauded Schmidt for his leadership.

Schmidt "has exhibited strong and effective leadership throughout his tenure as CEO in guiding the transformation of Hydro One to a publicly traded company," he said.

Paul Dobson, Hydro One's chief financial officer, has been appointed the utility's acting CEO until the new board can hire a permanent replacement.

While Ford promised that the departure of the leadership at Hydro One would bring down electricity rates, he struggled to explain how when asked repeatedly by reporters.

"Having a new board, a new CEO, blazing a new trail in Hydro One, setting a new mentality right across the board to the front-line workers of Hydro One," he said. "As sure as I'm standing here, those bills are going to come down 12 per cent. We're going to give relief to the people of Ontario."

Energy Minister Greg Rickford said in a statement Wednesday that in addition to the change of leadership, the government will introduce legislation to ensure the company acts in the public interest.

"Our government has prepared legislation that, if passed, will improve transparency and accountability at Hydro One," he said, providing no further details about the proposed bill. "We will introduce this legislation during the upcoming sitting."

During the election, Hydro One, which is Ontario's largest electricity transmission and distribution provider, had stressed that ratepayers did not pay the majority of Schmidt's salary.

"We have heard the feedback from our customers and the regulator about executive compensation," the company said in a statement in April.

Hydro One customers pay only two cents on their monthly bill for the CEO's compensation, the company said, adding that nearly 80 per cent of the total executive compensation package is paid for by shareholders.

Title: Ford's win sends a message to rest of Canada
Date: Tue Jun 12 2018
Page: FP2
Byline: Diane Francis

Ontario turned Tory Blue in last week's election, not because newly elected premier Doug Ford is an extremist, but because he isn't.

The contest became a weird three-way race: Between a moderate and fiscally conservative businessman and two tax-and-spenders out of the public sector, one more extreme than the other.

It was not a right, centre and left contest. It was Doug Ford in the centre versus a left and an extreme left leader.

He promised to cut spending, taxes, hydro rates, and scandals. His goal was to trim spending overall by a relatively modest four per cent and to fire Hydro One's overpaid $6-million-a-year chief executive officer.

By contrast, the Liberal and NDP leaders outdid one another with promises to spend more, never less. They offered the status quo on steroids despite widespread public dissatisfaction about taxes, energy costs, and scandals.

The first indication Ford would win handily was when sitting Liberal Premier Kathleen Wynne conceded that she couldn't win.

Her announcement was an admission that her policies had alienated voters. It was unusual, classy, but risky, and ended up handing the NDP's Andrea Horwath the highest popular vote of any NDPer. Wynne's concession convinced many Liberal voters to move into the extreme left lane to stop Ford.

Meanwhile, Ford never veered, adhering to his pledge to restore fiscal integrity and cut taxes.

This was in stark contrast to Wynne, the big spender who dropped out, and Horwath, the bigger spender with policy pronouncements so costly that they would have even made a Swedish prime minister blush.

Horwath promised universal dental and drug care for everyone, free tuition for Ontario's 250,000 postsecondary students, and, to boot, re-nationalization of Hydro One at a cost of billions of dollars.

Even worse, these policies were not costed out until after promises were made and then NDP estimates were questionable and staggering.

It was vintage Liberal and NDP thinking: Put it on the tab in the form of debts or higher taxes.

Now Ontario has the highest debt of any subnational government in the world, a figure that has doubled during the 15-year Liberal tenure. Taxes have soared and business investment has stalled or been withdrawn.

The result is an NDP vote that won't stick and a Liberal party that has been decimated. It was a surprising outcome to some as was the first election of a Green Party MPP in Ontario, Michael Schreiner. Interestingly, he is, like Elizabeth May, an American who came to Canada then got involved in the environmental movement.

The upshot will be that the NDP will decline in popularity as the Liberals slowly rebuild. This may take years, guaranteeing that the Tories will have a chance to fix the province which is good for the country as a whole.

As for national politics, Ford's victory will also bring about change. For starters, he has promised to join Saskatchewan and Alberta in legally challenging the prime minister's expensive carbon tax - a stance that will increase tensions at the intergovernmental level.

But he is not, despite the Liberal and NDP narrative, the Canadian version of Donald Trump. He is not an extremist, any more than are those people in Ontario who voted for him.

He won because Ontario has lost its way and has been run by leaders who behave like trust fund kids and spend tax dollars with abandon and hand taxpayers the tab.

It was a common-sense election about fiscal responsibility and lower taxes to create more jobs.

It also sends a message to the rest of Canada's politicians, including the prime minister.

Title: Ford: 'Ontario is open for business'; But road ahead is rugged for victorious PCs
Date: Sat Jun 9 2018
Page: FP5
Byline: Geoff Zochodne

Doug Ford has plans for Ontario's economy. But he'll have his work cut out for him.

Ontario's premier-designate, who promised lower taxes and less government waste while leading his Progressive Conservatives to a majority mandate in Thursday's provincial election, will be taking over a province that is facing some economic headwinds and a projected $325-billion net debt.

Not only is Ontario's growth expected to slow this year, but NAFTA renegotiations and the tariff standoff between Canada and the United States are also hanging over the manufacturing heavy region.

Yet Ford, a businessman and former Toronto city councillor, used his victory speech Thursday night to make at least one of his priorities plain. "Tonight," he said, "we have sent a clear message to the world: Ontario is open for business."

The PC platform provides some clues as to just how Premier Ford will try to achieve that.

"Government doesn't create sustainable jobs on its own," it says. "What Government can do, however, is create the conditions that make it easier to start a business, grow a business or invest in Ontario -- and to build an economy that allows more Ontario workers to find a job right here at home."

But the PC plan was not fully costed. Furthermore, interest rates (and therefore, borrowing costs) have risen, and the economy may not cooperate with the incoming Ford regime.

"Ontario's new government faces a number of ongoing credit pressures given the expectation of slower revenue growth stemming from an economy facing headwinds," Michael Yake, vice-president and senior analyst at Moody's, said in a statement. "The challenges include those from the ongoing NAFTA renegotiations, and reduced fiscal flexibility due to high household debt."

There is the possibility that Ontario's growth could get a boost from Ford's proposal to cut the corporate tax rate to 10.5 per cent from 11.5 per cent, and to bring the small business tax rate down to 3.2 per cent from 3.5 per cent.

"Ontario already has the lowest corporate tax rate among all of the provinces and it could get lower," noted Royce Mendes and Katherine Judge of CIBC World Markets. "Given the risks posed by U.S. trade policy, tariffs, tax reform and regulatory rollbacks, these policies are targeted at stimulating business investment in a time of uncertainty."

On the energy file, the PC platform says the party will "stabilize industrial hydro rates through a package of aggressive reforms," although what those specific reforms actually will be is not spelled out.

Ford's plan also calls for an end to Ontario's cap-and-trade system, which has added a price on carbon emissions for some of the province's biggest companies. It has provided a source of revenue for the province as well to be spent on green investments aimed at reducing emissions. The most recent auction for carbon permits generated an estimated $467 million for the province, paid for by companies on a list of qualified bidders that included the likes of Imperial Oil Ltd., Royal Bank of Canada and others.

There are other considerations too, as Ontario linked its cap-and-trade system with ones already operating in California and Quebec. Their tripartite agreement does allow for one of the parties to withdraw, but the terms dictate that the province "shall endeavour" to give 12 months' notice of their intent to do so.

If Ottawa tries to force a carbon tax on Ontario, the PC platform says the province would fight the attempt all the way to the Supreme Court of Canada.

"The major restructuring proposed by the Conservatives for Ontario's power sector and its climate change strategy represents extended adjustments," said Scotiabank Economics' Mary Webb in a note. "This process and the Conservatives' decisions on the pace and prioritization of capital spending will be key, alongside the deficit reduction plan, in the path to stabilizing the Province's net debt burden, once again."

Ousting the entire board of Hydro One, as well as the utility's CEO, presents a different challenge. It can be done, but the process would not be exactly as straightforward as Ford puts it, and the prospect of a big severance payout looms over the plan.

"In short, Ford under his majority (government) can effectively remove and have significant influence on the choice of new Directors," said Dr. Richard Leblanc, a professor of governance, law and ethics at York University, in an email. "These new Directors would then fire and replace the CEO of Hydro One."

Moreover, the government-as-shareholder can "unilaterally remove" the board's chair, Leblanc noted.

"If Ford is successful, there would likely be much greater accountability by the Board of Hydro One to the Government of Ontario as its major almost-50 per cent shareholder," he added.

Under the now-defeated Liberal government, Ontario also provided grants to some businesses under their "Jobs and Prosperity'" fund, such as nearly $27 million for General Electric Co. that was tied to a new factory in Welland.

Ford and the PCs say they would scrap this, too, saying the Liberals used it "to give grants and handouts to a small group of businesses on an invite-only basis."

Whatever the policy, the PCs controlled 76 of Ontario's 124 ridings after Thursday's election, giving them a relatively painless path to enacting their agenda.

Title: PC promises on taxes, energy, environment, education
Date: Fri Jun 8 2018
Page: A6

On their fiscal plans: While the party has provided no overall budget - and thus no projected deficits or surpluses - the PCs have said their government would order up an audit of the province's spending and sniff out billions in "efficiencies."

On taxes: The PC platform includes income-tax cuts of 20 per cent for individuals earning between $42,960 and $85,923 and a credit that would decrease taxes for those earning minimum wage to zero. The party has also pledged to cut both corporate taxes (from 11.5 to 10.5 per cent) and the small business tax rate (from 3.5 to 3.2 per cent).

On the environment: The Tories say they will scrap the province's cap-and-trade system, and launch a Supreme Court of Canada challenge over any attempt by the federal government to force a carbon tax on Ontario. Instead, the party proposes a special investment fund for new technologies aimed at reducing emissions in the province.

On energy: The Tories say they will lower electricity bills for families, farmers and small businesses by 12 per cent, and fire the board of directors and chief executive of Hydro One. As well, the Tories say they will lower prices at the pump by decreasing gas taxes by 10 cents a litre. And Ontario's Green Energy Act will be killed, say the PCs, to put a stop to "sweetheart deals."

On education: Ford's plan promises to roll back the province's updated sex-ed curriculum, "until we can install a new one that is age appropriate and based on real consultation with parents."

Also on the PCs' watch: cell phones in all primary and secondary school classrooms will be banned, there will be a "fix" of the province's standardized-testing regime and universities will be required to "uphold free speech on campuses and in classrooms."

On health care: The Tories promise to reduce hospital wait times and end the practice of "hallway medicine."

The party says it will add 15,000 long-term care beds over five years and spend $3.8 billion on mental health, addictions and housing supports over the next decade. Another promise: free dental care for low-income seniors.

On transportation: True to the Ford brand, the PCs have pledged to upload responsibility for Toronto's subway infrastructure from the city to the province. The Tories say they will also inject $5 billion in new subway-related funding.

On booze: Ford promises to allow beer and wine sales in convenience stores. He says he will also allow the "buck-a-beer" to return to the province.

Title: Election jitters hang over Bay Street; Business would 'view tilt to right positively'
Date: Thu Jun 7 2018
Page: FP1 / Front

One thing Bay Street hates is uncertainty. And ahead of Thursday's election in Ontario, there is plenty of that to go around.

Not only is the overall political direction of the largest provincial economy in Canada up for grabs, but there are individual policies proposed that could ripple through the markets and investors' portfolios.

At this point in the race, polls have shown the right-leaning Progressive Conservatives and left-leaning New Democratic Party are the front-runners. The Liberals are running third in those same polls, with their leader Kathleen Wynne admitting this past weekend that she was pretty sure voters would not give her another term as premier on June 7.

Taxes are always an issue come election time. And the movement of Ontario's corporate tax rate is naturally a closely watched thing for the businesses headquartered in the province, including some of the country's largest financial institutions.

Progressive Conservative Leader Doug Ford has vowed to send the message that Ontario is "Open for Business," in part by cutting the province's corporate tax rate to 10.5 per cent from its current 11.5 per cent. But the PC pledges come with some uncertainty, as the Tory plans to pay for some of their promises remain murky.

"As per tradition, businesses are likely to view a tilt to the right positively, particularly given years of the opposite tendency plus the promise of a corporate tax cut," said Eric Lascelles, chief economist for RBC Global Asset Management, in a Tuesday note. "However, with many uncosted Conservative promises on the table, an unfamiliar populist tilt to the party, and no clear path toward balancing the budget from either of the contending parties, one worries about the province's fiscal position at a time when governments would normally be socking away surpluses for the next rainy day."

The other front-runner in the upcoming vote is Ontario's New Democratic Party and its leader, Andrea Horwath. Contrary to the PC position, one of the planks of the NDP platform is a commitment to hiking the tax rate on corporate profits to 13 per cent from 11.5 per cent.

"This is still lower than when the Liberals took power, and will put Ontario's combined rate in line with the national average," the platform says.

The effect on some of the province's largest businesses could be minimal. While noting the province is home to the highest proportion of the Big Six banks' lending activities and the largest percentage of their employees, excluding Quebec-based National Bank of Canada, National Bank Financial analyst Gabriel Dechaine estimated Monday that an NDP win could result in a relatively small hit to the earnings of the Big Six banks.

Under the NDP's tax bump, the lenders could see a 0.7-per-cent average reduction to their earnings per share, Dechaine projected, "an amount that banks could easily offset in some way or fashion."

One of the bigger implications of an NDP win, he suggested, could be the reaction of Corporate Canada.

"While EPS hit would be small, the broader economic impact could be more important," Dechaine wrote. "It is plausible that business sentiment is negatively impacted, especially at a time when Canada and Ontario's competitive positioning visà-vis the U.S. has appeared to weaken."

The banks also do a good deal of business in the housing market, where the NDP is eyeing further regulation, such as a new housing speculation tax aimed at "foreign and domestic speculators who don't pay taxes" in the province.

The party says non-Ontarian homeowners in and around the Greater Toronto Area, where the province's 15-per-cent foreign-buyer tax is already applied, would be hit with an additional annual tax of $5 per $1,000 of the assessed value of their house. This would rise to $20 per $1,000 of assessed value in 2019, similar to what was done in British Columbia, the party said.

Ford and the Tories have said they would boost the supply of affordable housing across the GTA, and despite a video surfacing of the party leader vowing to "open up" part of Ontario's Greenbelt, say they would protect the already protected area "in its entirety."

But the various approaches have thrown another wrench at investors. A National Bank note recapping the real estate industry's first quarter said the Ontario election "creates some risk that is frankly difficult to handicap."

Electricity has also been a key issue in the election campaign. And Toronto-based Hydro One Ltd., Ontario's largest transmitter and distributor of electricity, has been directly in the crosshairs of the politicians.

Both the NDP and PCs have designs on Hydro One, nearly 53 per cent of which has been sold to investors by the Liberal government to fund infrastructure projects and debt repayments.

Horwath and the NDP have said they would like to return Hydro One to "public ownership." Ford, meanwhile, has declared he would fire its board of directors and chief executive, Mayo Schmidt, whom Ford dubbed "The $6-million Man."

Hydro One's stock price has declined amid the political pressure. Shares of the utility, which is in the midst of an attempted $6.7-billion acquisition of U.S. energy company Avista Corp., have fallen by about 15 per cent for the year.

"The Ontario election ... will contribute to shareprice volatility over the next month or so," predicted a CIBC World Markets note in May. "This may culminate in various scenarios with considerable uncertainty for shareholders."

But the Liberals made a different kind of sortie into the capital markets during their time in power, creating another source of uncertainty. It began with the Grits announcing they would lower electricity bills by an average of 25 per cent using their "Fair Hydro Plan," which involves borrowing around $2.5 billion annually over 10 years, the province's Financial Accountability Office projected.

A so-called "Fair Hydro Trust" is tied to the plan and is managed by provincially owned Ontario Power Generation Inc. The trust completed its second public debt offering, of $400 million at a yield of 3.52 per cent, in April. Its fate is now tied to the election as well, with Bloomberg reporting this week that the Fair Hydro Trust notes tied to the plan have been rebuffed by some investors in that market.

Ratings agency DBRS said in April that the 30-year scope of the Fair Hydro Plan law "introduces some uncertainty regarding the longevity of the legislation."

"Support from provincial leaders may change over time," DBRS added, "which could lead to the repeal of, and/or amendments to, the legislation."

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/17/2018
CASE NO.:	UM 1897	WITNESS:	James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 328(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

When does Hydro One expect to have all executive leadership in place?

RESPONSE:

Hydro One already has an executive leadership team in place and it consists of the following executives reporting to Mr. Paul Dobson, Acting President and CEO[1]:

Judy McKellar – EVP and Chief Human Resources Officer
Greg Kiraly – Chief Operating Officer
James (Jamie) Scarlett – EVP and Chief Legal Officer
Patrick Meneley – EVP and Chief Corporate Development Officer
Chris Lopez – Acting CFO
Jason Fitzsimmons – Chief Corporate Affairs and Customer Care Officer

[1] Details regarding the search for a permanent CEO are outlined in the supplemental and rebuttal testimony of Hydro One Board Chair Tom Woods. *See* UM 1897- Hydro One/2300/Woods; UM 1897 - Hydro One/1500/Woods.

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TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 329(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

When does Hydro One expect to have all board and executive leadership compensation offered and accepted?

RESPONSE:

Hydro One expects to have all board and executive leadership compensation offered and accepted within the timeframe mandated by the *Hydro One Accountability Act* (attached as Oregon PUC Staff – 329(H1) Attachment A) and in accordance with the July 11, 2018 Letter Agreement between Hydro One and Her Majesty the Queen in Right of Ontario (attached as Oregon PUC Staff – 329(H1) Attachment B).

HYDRO ONE LIMITED
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	OREGON	DATE PREPARED:	10/17/2018
CASE NO.:	UM 1897	WITNESS:	James Scarlett
REQUESTER:	PUC Staff	RESPONDER:	Adele Pantusa
TYPE:	Data Request	DEPT:	Legal
REQUEST NO.:	PUC Staff – 330(H1)	TELEPHONE:	(416) 345-6310
		EMAIL:	apantusa@hydroone.com

REQUEST:

When is the next potential date for legislative action that could affect Hydro One?

RESPONSE:

Hydro One is not aware of any legislative action that may be taken that could affect Hydro One. The parliamentary schedule for the legislature of Ontario can be found here: https://www.ola.org/en/legislative-business/parliamentary-calendars

CASE: UM 1897
WITNESS: ROSE ANDERSON

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 900

Staff Surrebuttal Testimony

October 18, 2018

Q. Please state your name, occupation, and business address.

A. My name is Rose Anderson. I am a Senior Utility Analyst employed in the Energy Resources and Planning Division of the Public Utility Commission of Oregon (OPUC). My business address is 201 High Street SE, Suite 100, Salem, Oregon 97301.

Q. Have you previously provided testimony in this case?

A. Yes, I provided testimony in Exhibits 500 and 700 in this docket.

Q. What is the purpose of your testimony?

A. My testimony responds to the Rebuttal Testimony of Avista and Hydro One on the issue of Avista governance commitments.

Q. Did you prepare an exhibit for this docket?

A. No. I have no exhibits to this testimony.

Q. How is your testimony organized?

A. My testimony is organized as follows:

ISSUE 1. AVISTA GOVERNANCE

Q. What is Staff's response to Mr. Reed's testimony regarding an independent nominating committee?

A. Mr. Reed argues that an independent nominating committee would reduce the Avista Board's responsiveness to Hydro One and its shareholders.[1] Staff does not disagree, and recommended this structure for the very purpose of restricting shareholder influence—i.e., the Province of Ontario (Province)—over Avista after the past months' events unfolded. The independent nominating committee, although perhaps not as commonly used for the boards of privately-held subsidiaries, is one way to mitigate excessive Provincial influence on Avista, and therefore, its customers.

The Province is Hydro One's largest and most powerful shareholder, enjoying the ability to implement decisions that will directly impact Hydro One through legislation, a power that most large shareholders could never exercise. Therefore, mitigating shareholder influence is one way to mitigate Provincial influence in the context of this particular case. Although this may not be ideal for Hydro One because its focus is to "control the selection of the majority of Avista's post-merger board in order to ensure that its substantial investment results, over the long-term, in financial benefits to the shareholders of Hydro One . . ."[2], Staff's concern is not with Hydro One profits, but whether the Proposed Transaction meets Oregon's key approval

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[1] Hydro One/2600,Reed/14.
[2] Hydro One/2400, Scarlett/17.

criteria of a net benefit to Oregon ratepayers, which would include appropriate limitations on Provincial influence that is harmful to Oregon ratepayers..

Q. How do you respond to Mr. Reed's complaint that Staff's proposed changes to governance Commitment #5 is more restrictive than other past mergers?

A. The reason that Staff is proposing a governance structure that is more independent than other past mergers is because the Province is a powerful state actor that can, and has strong financial and political incentives to, influence Hydro One. The Province has already enacted legislation impacting the Canadian utility's finances.[3] In response to Mr. Reed, most utility mergers *do not have* such a powerful governmental shareholder behind them. Staff's unique proposal is designed to protect Avista ratepayers from the influence of an abnormally powerful shareholder.

Q. How do you respond to Mr. Reed's claims regarding the impact of Staff's governance proposal on Avista's credit rating and Hydro One's ability to raise capital to complete the acquisition of Avista?

A. Mr. Reed claims that an independent nominating committee could prevent the merger from providing a boost to Avista's credit rating.[4] While Staff agrees that an increase to Avista's credit rating would be a favorable outcome of the merger, it is not guaranteed, and not a sufficient benefit to offset the risk of

[3] Ontario. Ontario Proclaims into Force Legislation on Hydro One Governance. https://news.ontario.ca/mndmf/en/2018/08/ontario-proclaims-into-force-legislation-on-hydro-one-governance.html. Accessed October 15, 2018.

[4] Hydro One/2601, Reed/6.

Provincial influence. Discussion of credit rating effects can be found in Exhibit Staff/800.

Regarding Hydro One's concern that Staff's proposal may result in Hydro One being less able to affordably raise the capital to purchase Avista,[5] it is Hydro One's responsibility to ensure that it has sufficient capital for the acquisition. It is not up to Staff to agree to a governance structure it views as risky to help Hydro One's ability to raise capital to purchase Avista.

Q. What about Mr. Reed's claim that millions of dollars in customer benefits will be lost if the Proposed Transaction does not go forward?

A. Staff is evaluating the merger based on the net benefit standard, as required by Oregon law.[6] All of the benefits of the merger are only valuable to the extent that they more than offset the costs. Staff is concerned that the risks of Provincial influence, if not properly mitigated, could outweigh the benefits to Oregon natural gas customers that are reflected in the Stipulated Commitments.

Q. What specific concerns does Staff still have about Provincial influence?

A. Staff is concerned about the Province's ability to not only fire the entire board of directors, which Staff was aware of prior to the political change of events, but also to control Hydro One's *management* directly through legislation. The

[5] Hydro One/2600, Reed/17 lines 10 through 16.

[6] In the Matter of a Legal Standard for Approval of Mergers, Docket No. UM 1011, Order No. 01- 778 at 11 (Sept. 4, 2001).

Province is clearly interested in reducing rates in Ontario and appearing to be tough on the issue of Hydro One executive pay at the expense of Hydro One's ability to manage itself. For example, the Hydro One Accountability Act (Act) requires Hydro One's Board to "establish a new executive compensation framework within six months" and creates the requirement that, "This compensation framework will be subject to approval by Management Board of Cabinet."[7] The Act also enabled the Management Board of Cabinet to "issue directives governing compensation of the Board, *CEO and other executives* at Hydro One." [8] This type of legislative directive is not precluded by the Governance Principles contained in Hydro One's Governance Agreement with the Province. The Governance Principles include Principle 2.1.3:

> "The Province shall, with respect to its ownership interest in Hydro One, engage in the business and affairs of Hydro One and the Hydro One Entities as an investor and not as a manager".[9]

Hydro One has consistently cited this provision as ensuring that appropriate separation between the company and the Province is maintained by constraining Provincial influence to that of an investor and not a manager; however, the Act appears to demonstrate that this is not necessarily the case.

Further, The Governance Agreement contains a statement that the Governance Principles "do not restrict the Province in any way" in relation to

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[7] Office of the Premier. Ontario Acts to Improve Accountability and Transparency at Hydro One. https://news.ontario.ca/opo/en/2018/08/ontario-acts-to-improve-accountability-and-transparency-at-hydro-one.html. Accessed October 15, 2018.

[8] *Id.* (emphasis added).

[9] Hydro One Response to Staff DR 034. Page 12.

the "enactment, promulgation, or amendment" of Ontario Laws applicable to Hydro One.[10] Thus, the Province is not restricted from enacting legislation regarding the management of Hydro One.[11]

Staff's concern is that the Province, in some respects, has more power over Hydro One than even a majority shareholder would. The Province's centralized power as legislator, regulator (Ontario Energy Board or OEB), and market administrator (Independent Electricity System Operator or IESO) gives the Province additional leverage for any requests it makes of Hydro One. For example, if the Province voted (as a shareholder) for a proposal that did not pass, it would still maintain the power to act directly through the legislature, OEB, or IESO.

Staff is concerned about the potential for the Province as a powerful governmental shareholder to persuasively request higher returns from Hydro One, possibly at the same time taking legislative or regulatory action to reduce rates in Ontario. This might create the incentive for Hydro One to begin looking to its subsidiaries as a source of needed incremental revenue. Hydro One might apply pressure on Avista to provide outsized returns to its sole shareholder. For example, Hydro One could apply pressure on Avista to advocate in planning dockets and rate cases for capital investments or a rate of return in excess of what is required to adequately serve Avista customers and provide a reasonable return to Hydro One. The attempt to over-build

[10] Hydro One Response to Staff DR 034. Page 12.
[11] Hydro One Response to Staff DR 034. Page 12.

Avista's system would not be needed to provide adequate service for Avista customers at just and reasonable rates, but it could help Hydro One satisfy the interests of the Province. In this example, The Province would have used its dual roles as an extraordinarily powerful shareholder and legislative/regulatory body to exert influence on Hydro One and create a powerful incentive unlike that which could be created by a non-governmental shareholder. Avista's rates might increase, but its service quality and financial health would likely not suffer, meaning that this outcome would not be adequately mitigated by current Commitments from Hydro One and Avista.

As a result, additional governance precautions should be taken to prevent such a conduit for Provincial influence.

Q. Is there any other way to protect Avista's customers from Provincial influence, other than an independent nominating committee?

A. More can be done to mitigate Provincial influence, even if an independent nominating committee is not created. In the absence of an independent nominating committee, Hydro One and Avista could adopt the following changes to the Stipulated Commitments on governance:

First, Staff supports the addition (in red italics below) to Commitment No. 4. regarding executive management, as proposed by Hydro One:

> Subject to the remaining provisions of this commitment and subject to voluntary retirements and resignations that may occur, Avista and Parent agree that Avista will retain all current executive management of Avista for a period of three years. This commitment will not limit Avista's ability to determine its organizational structure and select and retain personnel best able to meet Avista's needs over time. The post-Proposed Transaction Avista board retains its current ability to dismiss

> executive management of Avista and other Avista personnel for standard corporate reasons. Any decision to hire, dismiss or replace the Chief Executive Officer of Avista shall be within the discretion of the Avista Board of Directors, and shall not require any approval of Hydro One or any of its affiliates (other than Avista), notwithstanding anything to the contrary in the merger agreement, and its exhibits and attachments, between Hydro One and Avista.
>
> *Any decisions regarding Avista employee compensation shall be made by the Avista Board consistent with the terms of the Merger Agreement between Hydro One and Avista, and current market standards and prevailing practices of relevant U.S. electric and gas utility benchmarks. The determination of the level of any compensation (including equity awards) approved by the Avista Board with respect to any employee in accordance with the foregoing shall not be subject to change by Hydro One or the Hydro One Board.*[12]

Second, Staff proposes the following changes to Commitment 5. This proposal is similar to the Hydro One and Avista proposal,[13] except with the addition of a condition that only Avista may remove Avista nominees from the Board.

> **Avista Board of Directors (BOD)**
> Avista and Hydro One agree that after closing of the Proposed Transaction, Avista will have a separate board of directors from Hydro One that consists of nine (9) members, determined as follows:
>
> **Five Hydro One Designated Directors**:
> Two executives of Hydro One or any of its subsidiaries, and Three Independent Directors who are residents of the Pacific Northwest Region
>
> **Four Avista Designated Directors:**
> Three directors who as of immediately prior to the closing of the Proposed Transaction are members of the Board of Directors of Avista, including the Chairman of Avista's Pre-Merger Board of Directors (if such person is different from the Chief Executive Officer of Avista), and

[12] Hydro One/2500, Lopez/14.
[13] Avista/2100, Morris/8.

Avista's Chief Executive Officer.

At least two of the Avista directors must be Independent Directors.

The initial Chairman of Avista's post-closing Board of Directors shall be the Chief Executive Officer of Avista as of the time immediately prior to closing for a one year term~~. If any Avista designee resigns, retires or otherwise ceases to serve as a director of Avista for any reason, the remaining Avista designees shall have the sole right to nominate a replacement director to fill such vacancy, and such person shall thereafter become an Avista designee.~~ *Avista shall have the unfettered right to designate, remove and replace the Avista designees as directors of the Avista Board with or without cause or notice at its sole discretion.*

Hydro One shall have the unfettered right to designate, remove and replace the Hydro One designees as directors of the Avista Board with or without cause or notice at its sole discretion, subject to the requirement that:

(i) two of such directors are executives of Parent or any of its subsidiaries; and

(ii) three of such directors are Independent Directors who are residents of the Pacific Northwest region, while such requirement is in effect (subject in the case of clause (ii) hereof to Hydro One determining, in good faith, that it is not able to appoint an Independent Director who is a resident of the Pacific Northwest region in a timely manner, in which case Hydro One may replace any such director with *any person, including* an employee *or executive* of Hydro One or any of its subsidiaries on an interim basis, not exceeding six months, *provided that Hydro One designees who are employees or executives of Hydro One or any of its subsidiaries shall in no case constitute a majority of the directors of Avista*, after which time Hydro One shall replace any such interim director with an Independent Director who is a resident of the Pacific Northwest region). who is a resident of the Pacific Northwest region). *If, at any time a circumstance arises whereby the majority of the board of directors of Hydro One are, or would be, appointed by the Province of Ontario, then Hydro One's authority to replace an Independent Director with an employee or executive on an interim basis is suspended for the pendency of such circumstance.*

These proposed modifications to Commitment 5 would provide additional protection for Avista by:

1. Ensuring that Avista has the sole right to remove and replace Avista designees. The previous language was ambiguous and did not specify which party, if any, would have the power to remove Avista designees. Without Staff's proposed change, Hydro One could argue that it has the power to remove Avista's nominees, as well as its own nominees, and thus it would have the ability to remove Avista's entire Board. This would provide a conduit for Provincial influence parallel to the Province's ability to remove the entire Board of Hydro One;
2. Ensuring that Avista's Board will never consist of a majority of Hydro One executives or employees; and
3. Ensuring that Hydro One cannot nominate its employees or executives as interim directors during any time when the Province has nominated the majority of Hydro One's Board of Directors.

While these changes do not provide the same level of protection from Provincial influence as an independent nominating committee, they would contribute to mitigating Staff's concerns.

Q. Does this conclude your testimony?

A. Yes.