

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1897

In the Matter of

HYDRO ONE LIMITED,

Application for Authorization to Exercise  
Substantial Influence over the Policies and  
Actions of AVISTA CORPORATION.

NOTICE OF *EX PARTE*  
COMMUNICATION

On October 10 and 31 and November 13, 2018, Commissioners Megan W. Decker, Stephen M. Bloom, and Letha Tawney each received an electronic mail message from Mark Ehlinger, a member of the public. These messages contain information and opinions that relate to the substance of this proceeding. No commissioner replied to these messages. A copy of these messages are attached.

Although Mr. Ehlinger is not himself a party to this proceeding, the substantive nature of these messages indicate the messages were sent on behalf of a party or a person with interests similar to those of a party. Accordingly, I deem these messages to be an *ex parte* communication in this proceeding under OAR 860-012-0015 and provide notice of its filing to all parties in this docket. Moreover, a copy of this notice will be made part of the official record in this proceeding. Parties have the right to rebut the communication within 10 days of this notice, with service to all parties of record.

Dated at Salem, Oregon, this 13th of November, 2018.



---

Michael Grant  
Chief Administrative Law Judge

Attachment

**From:** Mark Ehlinger <ehlingermark@gmail.com>

**Sent:** Tuesday, November 13, 2018 8:29 AM

**To:** DECKER Megan <mwdecker@puc.state.or.us>; BLOOM Stephen <smbloom@puc.state.or.us>; TAWNEY Letha <ltawney@puc.state.or.us>

**Subject:** Re: Avista/Hydro One Acquisition

Dear Commissioners Mrs. Megan Decker, Mr. Stephen Bloom and Mrs. Letha Tawney:

A well respected journalist at the Globe&Mail in Canada published an article on Friday titled "Who picks the next Hydro One CEO, the board or Ford?". This article does an excellent job articulating some of the key risks that Avista ratepayers in Oregon will be assuming should Hydro One's acquisition be approved. Please see below for the article.

Respectfully,  
Mark

## Who picks the next Hydro One CEO, the board or Ford?



ANDREW WILLIS

PUBLISHED 5 MINUTES AGOUPDATED NOVEMBER 9, 2018

FOR SUBSCRIBERS

COMMENTS

The acting CEO of Hydro One Ltd., Paul Dobson, said all the right things last week, when Ontario's electrical transmission utility reported strong financial results and steady progress on its \$6.7-billion takeover of Avista Corp., a U.S. company that provides power in Idaho, Washington State, Oregon and Alaska.

**No one took Mr. Dobson at his word. He's the lamest of lame ducks.** Everyone is waiting for the appointment of a new chief executive for Hydro One. Whoever steps into this meat grinder of a job will dictate the future of a company that keeps the lights on for 1.3 million Canadians, yet is stalled at the crossroads of politics and commerce.

Mr. Dobson is Hydro One's former chief financial officer, a veteran financier dropped into the top job in July after Ontario Premier Doug Ford turned ex-CEO Mayo Schmidt into his personal pinata.

Ontario owns 47 per cent of the partly privatized company. After an election campaign that somehow managed to link rising power prices to executive compensation – the political equivalent of tying stock-market performance to the team that wins the Super Bowl – Mr. Ford forced Mr. Schmidt's retirement over a \$6.2-million pay package, a sum that is less than what CEOs take home at comparable domestic utilities.

After the election, Hydro One's board resigned, Mr. Dobson got a temporary promotion and new directors stepped up. The board is now split between nominees from Ontario's new Progressive Conservative government and the utility's institutional investors – groups with vastly different agendas. Because their differences are irreconcilable, one side is going to come out on top when the next CEO is announced while the other stands to be deeply disappointed.

Uncertainty around Hydro One's leadership and governance already hangs over the company's stock price, as do a series of regulatory setbacks in Ontario. Mr. Dobson announced a \$194-million quarterly profit on Thursday that exceeded analyst expectations. CIBC World Markets analyst Robert Catellier responded by knocking back his target price on the stock, to \$19.75 from \$20.50, saying strong operating results **“are largely masked by the machinations of the Avista takeover and concerns about the outlook in Ontario.”**

The choice of a new CEO will determine whose vision drives Hydro One – Mr. Ford's or that of the investor-appointed directors at a company that is majority-owned by the private sector. **Mr. Ford's priority is meeting an election promise to cut electricity bills by 12 per cent. Investors, on the other hand, want Hydro One to pump up profits and raise dividends.**

The Premier's ideal candidate is someone who delivers lower power prices for a pay packet in the \$400,000 to \$600,000 range, according to sources in the government. That's what the top dog gets at Crown corporations Hydro-Québec and Manitoba Hydro. To steal a phrase from Winston Churchill, at a large public company, for \$600,000 you get a modest CEO with much to be modest about.

Investors want the next CEO to keep building the business by closing the Avista takeover, then plowing the cash generated from a \$32-billion leader into expanding U.S. operations. **Achieving this goal means pushing regulators for higher rates.** It also means paying for a CEO with proven M&A skills.

The culture of Hydro One hangs in the balance. The current management team was hired with a growth mandate, as the Toronto-based utility knocked off more than 90 successful acquisitions on Mr. Schmidt's watch. Abandoning that strategy will mean more management turnover and will be expensive. **If the new CEO and board were to drop the Avista acquisition, Hydro One would have to pay a US\$103-million termination fee to the Spokane, Wash.-based utility.**

Hydro One's internal goal was to announce a new CEO by the end of the year, according to sources who work for the Ontario government and at Hydro One. **But these sources say the board is still struggling to settle on a CEO compensation scheme that satisfies the Premier while making the job attractive to proven candidates, including internal ones.** After going public in 2015, Hydro One's goal was to become a major North American enterprise. Under this government, with a new boss, the company's strategy may be far more modest.

<https://www.theglobeandmail.com/business/commentary/article-who-picks-the-next-hydro-one-ceo-the-board-or-ford/>

On Wed, 31 Oct 2018 at 11:29, Mark Ehlinger <ehlingermark@gmail.com> wrote:

Dear Commissioners Mrs. Megan Decker, Mr. Stephen Bloom and Mrs. Letha Tawney:

I wanted to follow-up my previous email to you with some additional information I have discovered that could be impactful to your decision making process regarding the Hydro One's acquisition of Avista.

a) Premier Doug Ford has shown no regard for clean energy and a blatant disregard for the broader health of the environment which directly contradicts some of Avista's (and the Pacific Northwest's) environmentally friendly values. He has cancelled 758 renewable energy contracts and has campaigned around Canada (not just in Ontario) to scrap the carbon tax and related environmental regulation.

<https://www.cbc.ca/news/canada/toronto/758-renewable-energy-cancelled-1.4746293>

<https://www.ctvnews.ca/canada/ontario-government-moves-to-scrap-green-energy-act-1.4102549>

b) On Friday night (i.e. a few days ago), Hydro One applied for 2019 rate increases in Ontario (was issued Friday night in the hopes that few would see it).

[https://www.hydroone.com/abouthydroone/RegulatoryInformation/txrates?utm\\_source=LM\\_BUTTON&utm\\_medium=TX\\_RATE\\_APPLICATION\\_PAGE&utm\\_campaign=2019\\_RATE\\_APPLICATION](https://www.hydroone.com/abouthydroone/RegulatoryInformation/txrates?utm_source=LM_BUTTON&utm_medium=TX_RATE_APPLICATION_PAGE&utm_campaign=2019_RATE_APPLICATION)

Reading through the document (which is confusing), it looks as though Hydro One is seeking a 2.6% average transmission rate increase for 2019 and disposition of a \$37.6 million credit balance. Keep in mind that Premier Ford was elected just a few short months ago with the promise to lower hydro bills by 12% for the average household (<https://www.ontario.ca/page/premier>). Yet, only a few months after Premier Ford is elected, Hydro One is seeking transmission rate increases of 2.6% for 2019. How quickly will Hydro One / Premier Ford break promises to Oregon ratepayers (as well as Washington, Idaho, Alaska and Montana payers)?

**Table 3 - Average Bill Impacts on Transmission and Distribution-connected Customers**

Description	2018	2019
Rates Revenue Requirement (\$M)	\$1,510.7	\$1,550.2
<b>Net Impact on Average Transmission Rates</b>		2.6%
Transmission as a % of Tx-connected customer's Total Bill		7.4%
<b>Estimated Average Bill impact for a Tx-Connected Customer</b>		0.2%
Transmission as a % of Dx-connected customer's Total Bill		6.2%
<b>Estimated Average Bill impact for a Dx-Connected Customer</b>		0.2%

Respectfully,  
Mark Ehlinger

On Wed, 10 Oct 2018 at 09:46, Mark Ehlinger <ehlingermark@gmail.com> wrote:

Dear Commissioners Mrs. Megan Decker, Mr. Stephen Bloom and Mrs. Letha Tawney:

My name is Mark Ehlinger and I am writing this email in relation to Hydro One's acquisition of Avista Corp. I read through the PUC staff testimony that was recently posted on the website which I thought was well articulated. However, I believe it is important to further highlight that although Hydro One has made governance commitments, the Province of Ontario, through its ownership of Hydro One, has already disregarded many of the existing governance policies by firing the CEO and Board of Directors of Hydro One. Furthermore, new Ontario Premier, Doug Ford, spoke at an event called "Hydro One Accountability and Transparency" and effectively stated he will violate governance policies as he sees fit.

"Q: Loriggio: You've said many times – this is for the Premier – that you are pro-business and pro-market but you've now proven that you are willing to interfere quite dramatically with a private company. Is that the message you are sending to private business? They will be taking a strong arm approach for the next four years?"

Premier Ford: Let's be very clear. Hydro One is not a private company. We are the largest shareholder and our responsibility and the Minister's responsibility is to stand up and speak out for the shareholders. And that is exactly what we have done. As they continue to increase their salaries and people are struggling to pay their hydro rates and as we criss-cross this province and we talk to residents and we talk to business owners the number one issue was hydro rates. It made us uncompetitive in business. People were struggling to pay their hydro bills. As I said, they were choosing between heating and eating. And we made the appropriate changes. This is going to be great for the rate payers, business and residents across this province. There is going to be a lot more transparency and accountability. There is not going to be any more backroom deals that the compensation gets doubled, the compensation increases. Those days are done. The last cheques of the Wynne Liberals are done. There is a new day has dawned on Hydro One, as I said, and we are going to move in a positive direction and we will never forget to respect the taxpayers."

Link to event: <https://news.ontario.ca/opo/en/2018/08/ontario-acts-to-improve-accountability-and-transparency-at-hydro-one.html>

Link to tweet: [https://twitter.com/bowker\\_john/status/1041473437179539456](https://twitter.com/bowker_john/status/1041473437179539456)

To be crystal clear, Premier Ford is looking out for Ontario ratepayers and will have absolutely zero regard for Oregon ratepayers. If he needs to raise rates for Oregon ratepayers to subsidize Ontario ratepayers, he will clearly not hesitate to do so. Having Premier Ford in control of an Ontario owned public company that will also own a Oregon state utility company is dangerous for Oregon ratepayers. This transaction is not in the best interest of Oregon ratepayers and could lead to disastrous consequences down the road should you approve the transaction. I urge you, for the sake of Oregon ratepayers, to reject this transaction.

Respectfully,  
Mark Ehlinger

**\*\*\*Please use caution when opening links, attachments or responding to this email as it originated outside of PUC.\*\*\***